

## ROUND TABLE: "FISCAL DECENTRALIZATION IN SEE IN THE CONTEXT OF GLOBAL ECONOMIC CRISIS" SELECTED EXCERPTS of ARTICLES from SOURCES AVAILABLE ON THE WEB

### How the financial crisis will affect local government

Guardian, 8 October 2008: <http://www.guardian.co.uk/society/2008/oct/08/credit.crunch.councils>

*Cllr Margaret Eaton, chair of the Local Government Association:* "In real terms, **councils are now receiving ... less government funding** - than was planned in last year's comprehensive spending review. Town halls provide more than 800 different **services**, many of which **require petrol or diesel**. **Councils cannot stop providing vital services that people need and are having to absorb these extra costs.** ... As residents cut back on the amount of money they spend, it is inevitable that **demand for services that councils charge for will fall...**

*Alison Scott, assistant director, public sector accounts body Cipfa:* "Local authorities are having to deal with significant **inflationary pressures** and are having to absorb the costs. ... A lot of councils have looked at joint purchasing and are working together with local government officers. ... **On the plus side, banks are keen to lend to local authorities as they are seen as a safe bet...**"

*Ian Mulheirn, chief economist at the Social Market Foundation:* "...25% of **corporate tax revenues** and a high amount of **income tax revenue** comes from the City so its revenues will be hit very hard. ... No way will government make cuts in, say, the NHS and council spending. It is just going to run a **massive deficit.** ... **The government may also have to reopen deals with private sector providers if it can't deliver on contracts**".

### Innovate to beat cash crisis - LGA

Local Government Association (UK): <http://www.lga.gov.uk/lga/core/page.do?pagelid=1066372>

"... rising inflation and the credit crunch means councils will have to find more than £1bn in savings over three years, new figures show. The economic climate is forcing councils to come up with new ways to make money go further to safeguard vital services and keep council tax down.

**LGA analysis shows that spiralling inflation has reduced the value of money that councils receive from the government and through council tax. Rising fuel and food costs and the predicted need for social housing for 5 million more people by 2010 are among other pressures squeezing council budgets.** LGA chairman Cllr Margaret Eaton said local authorities would have to come up with innovative ways to make their money stretch further.

The LGA has launched a campaign to highlight how councils can help residents during the economic downturn. A conference on the issue will take place on 17 November – details will be announced on the events section of the website".

### Dutch Local Governments Sustain Heavy Losses in Financial Crisis

Xinhua, 14 October 2008: <http://english.cri.cn/2947/2008/10/14/2001s414543.htm>

"An increasing number of Dutch cities have admitted that they could suffer big losses because their huge **deposits** in ailing Icelandic bank Landsbanki **might not be fully recovered**, Dutch daily Trouw reported Tuesday. These cities, which have more than 70 million euros (95.2 million U.S. dollars) in the bank, are posed to lose a big chunk of their savings as the Dutch government only guarantees 100,000 euros (136,000 dollars) for each account.

Under Dutch law, local governments that hit financial difficulties can rely on the Municipalities Fund. **Dutch local governments are not allowed to invest in the stock market, and many invest their surpluses in savings banks with high interest rates**".

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## Financial crisis delivers a fate worse than debt

Western Australian Local Government Association:

[http://www.walga.asn.au/news-publications/publications/the-west-australian-advertorial/west\\_advertorial\\_oct08](http://www.walga.asn.au/news-publications/publications/the-west-australian-advertorial/west_advertorial_oct08)

Cr Bill Mitchell, President WALGA: "Latest estimates put unrealized losses for Local Government in WA on investments in the failed Lehman Brothers at about three per cent of total financial assets... **Local Governments have been condemned for failing to predict the financial collapse and then for hoping the situation would improve. Then there is the criticism that Local Government is now "hoping it will all go away"**. Local Governments are charged with managing significant community infrastructure and with such assets there are periodic requirements for maintenance and replacement... Building reserves for future funding needs is undoubtedly better financial management than just budgeting year-to-year and turning to debt or imposing on ratepayers for extraordinary costs. Ironically in the current economic climate, Councils would have been arguably now better placed if they had not attempted to plan for the future and had debt with lessening interest rates instead of investment with lessening returns.

## Strong local economy can soften impact of financial crisis (Philippines)

Newsbreak, 8 October 2008: [http://newsbreak.com.ph/index.php?option=com\\_content&task=view&id=5426&Itemid=88889051](http://newsbreak.com.ph/index.php?option=com_content&task=view&id=5426&Itemid=88889051)

Local government units (LGUs) should improve their competitiveness to attract more investments and to develop their local economy, local officials and private sector representatives said in a LGU summit held Wednesday in Makati City. Speaking at the 2008 Local Government Code Anniversary Conference, government officials and private sector representatives said **improving the competitiveness at the local level and developing a strong local economy can help the country cope with the effects of the global economic slowdown**. "Harnessing LGU competitiveness is important in mitigating the effects of economic crisis," said Interior and Local Government Secretary Ronaldo Puno in a statement read by DILG undersecretary Austere Panadero. ... **LGUs should have a clear vision to be more competitive**, said Bohol vice governor Cesar Tomas Lopez. ... Quezon City Mayor Feliciano Belmonte Jr said to be more competitive, **it is important to solve the financial problem of an LGU by improving revenue generation**.

Ambassador Cesar Bautista, co-chair of the National Competitiveness Council (NCC) said there is a **need to replicate all the best practices of local government units because it can create a critical mass of local governments that can help the country to achieve medium and long term goals**.