



# **REGIONALISM ACROSS EUROPE**

## **REPORT**

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I am pleased to present this report in my role as Chairman of the Working Group.

Regionalism is a theme intrinsic to the work of the Assembly of European Regions and one which has formed the cornerstone of its activities over the years. As you will see from this report, the subject is broad and is one that must be seen in the national and local political context of European governance. The AER published its Declaration on Regionalism ten years ago and this report is a fitting testament to its 10<sup>th</sup> anniversary. The Declaration has stood the test of time; the issue is still very much alive among AER members but it is timely to take a fresh look at what regions mean to us today.

This report shows that the articles making up the 1996 Declaration are still key features defining what we mean by regions, although the form, content and shape of those features have changed. There is no simple answer, no 'one size fits all' and you do not need to have a structure called 'region' to share the defining features of regional government.

This report is the first stage in an ambitious project to understand how regionalism works in practice across Europe. It will be followed by the development of a web portal giving links to local, regional and national sources of information and the creation of a network of experts who can be a resource for AER members and the wider community in developing a strong regional presence and identity across Europe. Together, I am sure these initiatives will further strengthen the AER's role as the voice of the regions in Europe.

May I thank members of the working group and all the contributors from AER member regions who responded to the questionnaire as representatives of their countries. This comparative data forms the basis of the report and gives a comprehensive and clear picture of the diversity of regions across Europe. My thanks also go to Councillor Brad Watson from West Sussex (UK) who has co-chaired the working group and provided the analysis for some sections of the report.

Finally, I must record my appreciation for the work of the AER Secretariat who conceived the project, managed the data collection and undertook the task of pulling the material together into this report.

I commend this document to you.



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## **PART 1: INTRODUCTION**

### **1.1 Overview**

The Assembly of European Regions (AER) is the umbrella organisation and political voice of the regions in Europe. It embraces over 270 regions from 33 Council of Europe countries, stretching from the Azores (Portugal) to Adjara (Georgia). As such, the AER is a key player in promoting regional democracy in Europe. For the past 20 years, the AER has been providing advice and expertise to regional governments on all issues of regional competence and facilitating exchange of experience between regions and identification of best practices of regions.

The AER has been active in debates on regional structures throughout Europe. In 2005, it organised a forum, together with the OSCE and the Council of Europe, to bring the Serbian government together with the authorities of the autonomous province of Vojvodina, in order to discuss the competences and financial resources of Vojvodina. Previous seminars have been organised in Portugal, Romania and in the Baltic states, bringing together regional and national representatives with experts on regional democracy from throughout Europe, to discuss new approaches to regionalisation within the specific national contexts.

Through these activities, the AER has gained a great knowledge and understanding of the development of regional democracy throughout Europe. It has been able to observe the trends of the past 20 years and to assess and disseminate best practice in this area. In 1996, the AER used these best practices to develop a series of benchmarks for good regional democracy. These are set out in the AER Declaration on Regionalism, which has proved to be the key document defining good regional democracy in Europe today.

Building upon this work, in 2003 the AER produced a comparative study into regionalisation in Europe. This study provided a snapshot of the state of regional democracy in 10 European countries. It allowed us to draw some preliminary conclusions about the state of regional democracy in Europe today.

In the past few years however, there have been a number of significant developments concerning the regionalisation processes throughout Europe. Throughout these developments, themes such as the distribution of responsibilities and the financing of regional government have constantly come to the fore. Subsidiarity has increasingly emerged as a constant theme underpinning governance throughout Europe. The AER therefore decided that it was time to update the report and to expand it to cover all countries of the Council of Europe. In so doing, the AER used the benchmarks set out in its Declaration on Regionalism to assess the state of regional democracy in each country and to identify trends and challenges for regional democracy today. As 2006 is the tenth anniversary of the publication of the AER Declaration on Regionalism, this is also a useful point to explore the extent to which progress has been made on the implementation of the core principles set out in the Declaration.

This report begins by setting out and describing the benchmarks identified in the AER Declaration on Regionalism. It then goes on to explain the working methodology of the project, before analysing the main trends in the development of regional democracy in Europe today. The third part of the report gives an overview of the state of regional democracy in each country of the Council of Europe. A copy of the AER Declaration on Regionalism can be found in the annex to the report.



## 1.2 Aims and Objectives of the Project

The AER Working Group on Regionalism was set up to examine the issue of regionalisation across Europe, an issue made topical by recent changes in political processes and the review of structural arrangements in many countries. The working group was chaired by Councillor Roy Perry, Cabinet Member for European Affairs, Hampshire County Council (UK). West Sussex County Council also contributed significantly to the preparation of the report. The country reports were prepared by AER Bureau members and by the AER Secretariat.

The task of the working group was to identify the key trends in the development of regional democracy through Europe, working from the AER Declaration on Regionalism in Europe and contributions from members of the working group on the sub-national situation within their own countries.

The aims of the project were:

- to assess progress on the implementation of the principles set out in the AER Declaration on Regionalism (1996)
- to provide an overview of regional structures and competences in European countries
- to identify emerging trends in European regional democracy
- to pinpoint the main challenges for regional democracy in Europe and to identify means of addressing these

In producing the Regionalism Report report, the AER made use of the first 'Regionalism Report', produced by the Regionalism working group in 2003. This report covered 10 countries (Croatia, Poland, UK, Switzerland, Sweden, Norway, France, Belgium, Italy and Germany). The information on these countries was updated, and the information on other European countries added.

The Chair of the Regionalism working group sent letters to all members of the AER Bureau asking them to provide the Secretariat with information regarding the development of regional democracy in their countries. AER members were asked to supply information relating to competencies, size, relationship with lower tiers of government, ability to conclude international agreement and proportion of budgets dependant on national government.

Once the completed country reports were submitted, Hampshire County Council, West Sussex County Council and the AER Secretariat worked together to analyse the information received and to edit the report and draw relevant conclusions.

## 1.3 The AER Declaration on Regionalism

The AER Declaration on Regionalism was prepared in 1996. The Declaration is intended to offer guidelines, both to regional authorities and to national states, on how to enlarge and strengthen regional powers in a sustainable and effective way. It provides a series of norms and standards, by which regions can judge their own progress. It does not, however, set out one single model for regional democracy in Europe. The rich diversity of regions in Europe yields a great number of models and structures, which are appropriate in different national, historical and cultural concepts. There cannot be a 'one-size-fits-all' model for regional democracy in a diverse continent such as Europe.

The Declaration on Regionalism consists of a preamble and 13 Articles setting out guidelines in the key areas that underpin successful regional democracy. These include:



- definition of a region
- institutional organisation
- competences
- finances
- relations with the state and with local authorities
- international relations

The AER Declaration on Regionalism defines the region as the territorial body of public law established at the level immediately below that of the state and endowed with political self-government. To exercise this self-government there is a need for the sub-national government to be legally empowered to make regional decisions on funding, allocation of resources and provision of services.

In terms of institutional organisation, the region should have full legal status and should have a representative assembly and an executive body. The Declaration states that the members of the Assembly should be directly elected, and that the executive body should be politically answerable to the Assembly.

The Declaration does not set out a fixed set of competences that all regions should have. This is likely to differ from one situation to another, depending upon the size of the region, whether it has legislative powers, and the structure of other levels of government in the country. The Declaration states, as a general rule, that the region should be responsible for all issues which have a predominantly regional dimension. However, it does suggest examples of typical regional competences. These include: regional economic policy, regional planning, building and housing policy, telecommunications and transport infrastructures, energy and environment, agriculture and fisheries, education and research, culture and media, public health, tourism, leisure and sport and finally, police and public order. The competences of the regions should be clearly set out in the national constitution or in primary legislation, in order to ensure stability.

In terms of financing, the AER Declaration on Regionalism states that regions should have financial autonomy and that they should have adequate resources available to them to be able to exercise their competences and powers properly. The financial revenues of the regions generally consist of own-taxes and resources transferred from the central level. It is generally accepted that a large part of the regional budget should consist of own-taxes, as this give the regions a certain degree of autonomy in their financial matters and encourages accountability and sound use of resources. Furthermore, the region should have the right to set its own criteria for determining its taxes, for setting the level of taxation and for collecting the taxes. The Declaration recommends that all countries have some form of financial equalisation to ensure fair distribution of financial resources between all the regions in that country. This should be done in such a way as to ensure that all regions are able to adequately finance the implementation of their competences, but at the same time it should not discourage those regions that are effective at raising additional financial resources from doing so.

The AER Declaration on Regionalism calls for an 'appropriate' involvement of regions in decision-making at national level, in particular where decisions at the national level affect the regions' competences. Relations between the state and the regions should be based upon mutual respect, co-operation and solidarity; the same holds true for the relations between regional and local authorities. Regions should consult local authorities on all matters which concern local competences.



Articles 10-12 of the Declaration on Regionalism examine the place of the regions in international relations. Traditionally the competence of national states, regions are increasingly gaining scope for manoeuvre in this area. Article 10 states that the regions should have the ability to act at international level, concluding treaties, agreements and protocols, if necessary with the agreement of the national governments. Regions should also have the right to establish their own representations abroad, as many have now done in Brussels. States should consult regions on the drafting and finalisation of international treaties which affect the regions' competences. Article 11 looks at the issue of transfrontier co-operation and asserts that regions should have the right to conclude transfrontier agreements in their areas of competence. In Article 12, the role of regions vis-à-vis the European Union is explored. Regions should be recognised by the European institutions as key actors in the decision-making process. Furthermore, there should be a role for regions to participate in national policy-making processes on European issues, where these issues affect their areas of competence. Where issues are the exclusive responsibility of the regions, the state should not be able to deviate from the position adopted by the regions, except where domestic legislation requires this in the interests of unity.

Article 13 of the AER Declaration on Regionalism sets out the final considerations and explains that, while the document is not legally binding, it is intended to serve as a guide containing basic standards or goals for regionalisation. It explains that the region is the best form of organisation for resolving regional problems in an appropriate and independent manner. Finally, it calls upon European states to pursue the devolution of power to the regions and to transfer the financial resources necessary for exercising this power.

#### 1.4 Outline of Report

The Regionalism report is divided into 3 sections. The first section sets out the context in which the report was prepared, explaining the aims and objectives of the project and outlining the methodology used to collate the information. This section also outlines the main principles of the AER Declaration on Regionalism.

Section 2 of the report examines the main conclusions that can be drawn from the research. It uses the AER Declaration on Regionalism as its base, and assesses the following key issues in turn:

- Overview of the state of regional democracy in Europe – this section explores the national framework for the development of regional democracy, and gives historical background information about regional development.
- Definition of a region – in this section, we examine the shape, size and definition of regions across Europe and look at whether they are generally defined in the national constitution or in primary legislation.
- Institutional organisation – section 2.3 establishes which regions have directly-elected assemblies and Presidents and explores the internal structures of regional authorities.
- Competences – section 2.4 gives an overview of the different competences that regions throughout Europe have. It distinguishes between shared competences and own-competences, and sets out how these competences are defined.



▪ Finances – this section establishes where regions' finances come from and assesses to what extent European regions have financial autonomy. It investigates whether regions have sufficient own resources to develop their powers fully. Finally, it examines the

different types of financial equalisation (solidarity) mechanisms that exist throughout Europe.

- Relations between the State and the Region – this section looks at the role that the regions play in the legislative bodies and decision-making processes of the state, and explores whether regions can sign agreements with other regions in the same state.
- Relations between Regions and Local Authorities – in this section, we explore whether regional consultation of local authorities is adequate and investigate whether local and regional authorities co-operate in a manner of mutual trust.
- International Relations – this section explores whether regions can conclude international treaties, agreements and protocols, and explores whether the states consult the regions when they sign international agreements and treaties which concern the regions' competences.
- Regions and the European Union – Section 2.9 explores the way in which regions have increasingly gained access to European Union policy-making processes.
- Conclusions – the concluding section examines the main challenges ahead for regions in Europe and tries to identify existing and emerging trends in the development of regional democracy.

A copy of the AER Declaration on Regionalism can be found in Annex 1 of the report.



## PART 2: KEY FINDINGS

### 2.1 Overview

Part 2 of this report sets out the main conclusions that can be drawn through analysing the 47 country reports on regional structures in Europe. It takes each of the main principles set out in the AER Declaration on Regionalism in turn and assesses the current state of affairs. In each area, it highlights the main trends in the development of regional democracy today by way of case studies and finally draws conclusions about whether the principles outlined in the AER Declaration on Regionalism are still valid today.

More developments have occurred in the growth of regional democracy in the past 15 years than in any other equivalent period in history. At the end of the 1960's a great many states in Europe had centralised structures, with those regions that did exist being mere administrative divisions of the state, with no self-governing autonomy (the exceptions to this were Germany, Austria and Switzerland). Yet today, at the beginning of the 21<sup>st</sup> century, strong centralised states are the exception in Europe, increasingly being confined to relatively small and homogeneous states.

The growth of regionalism is related to a number of factors. All of these factors have had a profound influence on the state of regionalism in Europe today. Observers argue that Europe has seen two waves of regionalism, the first occurring in the 1960s and 1970s and being deeply rooted in identity issues<sup>1</sup>. Regions with a strong identity led this first wave of regionalism. Demands for autonomy were centred around the need to protect and promote regional culture, language and identity. In the late 1980s and 1990s, we experienced the 'new regionalism'<sup>2</sup>, which tended to be based on an economic rather than an identity rationale. Increasing global interdependence undermined the ability of nation states to control economic development processes within their territories. The complexity of social, environmental and economic problems required solutions to be developed that responded to the situation on the ground. This could not be achieved effectively by a central government, far from the reality and trying to adapt its policies to a myriad of different situations on its territories. Many national governments identified decentralisation and regionalisation as the only sensible solutions to this problem. Decentralisation thus became seen as a "matter of survival for the modern welfare state"<sup>3</sup>. Regional identity also played a role in this new wave of regionalism; we have seen a strengthening of regional identities, almost as a backlash to the homogeneity sometimes associated with globalisation processes. A bottom-up push for regional democracy has been experienced in many countries, particularly where there are distinct cultural or linguistic groups that desire greater self-autonomy and the opportunity to design their own policies to meet the needs of their people. For example, in the United Kingdom, the creation of the Scottish Parliament and the Welsh Assembly in 1998 were steps taken in response to demands for greater autonomy from these distinct nations, who did not feel it was appropriate or effective that all decisions relating to their governance were taken in London. The granting of greater autonomy to existing regions, for example as recently in Catalonia, is often seen as a way to ensure the integrity of the nation state in a globalising world (Catalunia is set to become one of Europe's most autonomous regions, after voters said yes to a new charter that declares the region a nation within Spain. The Charter allows for more independence in areas such as tax and



Michael Keating 1998, ...

Michael Keating 1998, ...

Udo Bullman, 'The Politics of the Third Level', in the Regional Dimension of the European Union, ed. Charlie Jeffery, Frank Cass & co, London, 1997, p9

immigration. The move is likely to lead to calls for similar levels of independence from other regions of Spain, notably the Basque Country). Spain has itself become stronger by having strong regions. Regional governance has thus, to some extent, been empowered by increasing global interdependence.

Moreover, regional democracy has spread eastwards through Europe as a result of the fall of communism in Central and Eastern Europe, and the ensuing democratisation process in those countries. Secondly, the growing phenomenon of globalisation has meant that many decisions can no longer be taken by national governments. As the locus of decision-making has moved further away from the citizen, there has been a need for a balance by creating new decision-making structures which can take charge of local and regional issues. There has also been a strengthening of regional identities, almost as a backlash to the homogeneity sometimes associated with globalisation processes.

Just as importantly, the European Union has had significant impact upon the development of regional structures, through the introduction of its regional policies and Structural Funds programmes. Whilst the European Union does not impose any regional model upon its Member States, its funding programmes – in particular the Structural Funds programmes – do require certain management and implementation mechanisms to exist at the regional level. This is reflected through the NUTS classification which the EU gives to territories. Some countries in Central and Eastern Europe have been tempted to introduce regional models that correspond to this NUTS classification. However, the NUTS system is based on a purely statistical calculation and does not in any way attempt to take into account historical, linguistic or cultural factors. It thus creates artificial regions to which citizens feel no affinity. There is also no guarantee that it offers the right structure to best govern and administer the competences and finances for the citizens living on its territory. And in fact, in Western Europe, very few countries have regional self-government structures which correspond exactly to the NUTS classification and in most EU member states, the NUTS boundaries do not play a significant role in the regionalism debate, generally being considered simply as administrative boundaries for the management of funding regimes. Nevertheless, the application of NUTS boundaries has been seen as a precursor to a more pervasive European influence on regional democracy in some Central and Eastern European countries. The results have been striking: in Poland, for example, the principle of subsidiarity was written into the Constitution in 1997 and a new law on decentralisation was passed in 1998, and extended in July 2005. In the Czech Republic the 14 new regions have been granted powers to sign international agreements and pass laws, even though they are restricted by the constitutional dominance of national legislation.

The European Union has not only acted as a catalyst to the creation of new regional structures, it has also empowered regions politically by increasingly giving them a voice in the EU decision-making arena. The Maastricht Treaty of 1992 established the Committee of the Regions and allowed some regions to represent their Member States in the Council of Ministers under certain circumstances. Since the end of 2004, the Spanish regions have been able to take part in meetings of the Council, joining their colleagues from Belgium, Germany and Austria. The Constitutional Treaty, although not yet adopted, also represented a significant step in recognition of the role of the regions in Europe, by extending the principle of subsidiarity to the regional level for the first time. Regions are thus gaining ever-increasing significance in European decision-making processes.

Despite the creation of so many new regional structures across the European continent, the development of regionalism in Europe is by no means slowing down or nearing an end. Debates about regional structures are ongoing in many European countries. Since 2001, a second phase of regionalism has been launched in Italy, with important powers, including health, environment and education being transferred to the regional level. In 2002, Sweden experimentally created two large regions (Skane and Västra-Götaland). And in 2004, France passed a law on local



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responsibilities and rights that gives sub-national authorities a certain freedom to introduce experimental initiatives. Increasingly regions are seen as an effective democratic vehicle for designing policies, delivering services, representing and responding to the needs of local populations and for forging and strengthening diversity and identity in Europe.

## 2.2 The Region: definition and context

The term 'region' is a term that is ill-defined in popular usage. It is often taken to have a purely geographical definition, simply describing an area which has some common features which draw it together, but no administrative or governance structures. The term is also used on a supra-national level to describe regions of the world, such as Europe and Australasia. In European Union parlance, the term 'region' often refers to a statistical classification which does not relate to a sub-national governance structure, for example through the NUTS classification. None of these definitions reflect what the AER understands as a region. The AER Declaration on Regionalism defines the region as the territorial body of public law established at the level immediately below that of the state and endowed with political self-government. To exercise this self-government there is a need for the sub-national government to be legally, politically and financially empowered to make regional decisions on funding, allocation of resources and provision of services.

Regional government can therefore be defined as the level of governance operating directly below or in parallel with the state, with its own distinct political identity, and the ability to determine its own political organisation. This is clearly different from the administration of central government at a regional level. Governance at a sub-national level is more than simply administration, and the recognition of the stand-alone competencies of sub-national governments is vital. Sub-national government should have autonomy in fund-raising and spending powers, and the ability to make decisions about how central government money is spent. Members of sub-national governments and regional legislatures should be directly elected by the citizens of the region that they represent.

Using this definition of a region, we see that the countries of the Council of Europe together have approximately 800 regions. These are situated in 38 of the 46 member countries. Each is a unique administrative unit; no two are alike. Regional diversity is one of Europe's strengths. This diversity manifests itself in many different ways: size, competences, legislative powers, financial autonomy, to name just a few. Beginning with the obvious factor of size, Komi or Archangelsk (with an area of 400.000km<sup>2</sup>) in Western Russia cover areas almost as large as Spain, whereas Europe's smallest region (Basel-city) with an area of 37km<sup>2</sup> is less than ten thousand times smaller than these regions! When it comes to population figures, regions also differ enormously. The German Land of Nordrhein-Westfalen has a population of 18 million; this is greater than the population of 19 of the EU's Member States. The German Länder of Bavaria and Baden-Württemberg and the French region of Ile-de-France have populations larger than Greece; Lombardia (IT) has more inhabitants than Sweden or Austria, and Andalucia (E), Catalonia (E), Madrid (E) and Campania (I) each have more inhabitants than Denmark. The number of regions in each country ranges from 1 in the case of Serbia and 3 in the case of Belgium, to 81 in the case of Turkey, and 89 in the case of Russia.

There are a number of European countries in which the regions have a strong historical base, and this historical context plays an important role in defining regional structures across Europe today. In Sweden, for example, the regions (counties) have their origins in the 1600s as areas for the King's and the Government's administration. In Poland, the first Voivodships were created in the 14<sup>th</sup> and 15<sup>th</sup> centuries. Many regional structures also reflect cultural and linguistic divisions, with sub-national boundaries reflecting these traditions and linking communities of interest. While such regions may be home to people with a wide range of languages, dialects or tradition, they are bound by geographical and cultural links. Regional boundaries should not be drawn without due reference to the natural boundaries of such communities of interest thereby avoiding creating



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arbitrary regions which are of little relevance to citizens. Interestingly enough, even in many countries of Central and Eastern Europe, where regionalism was temporarily interrupted by communism, the new regional structures that have been put into place in the post-communist period often reflect the historical regional divisions. Where regional structures have been put into place that do not have any historical roots, it could be argued that the process of acceptance amongst the population has proved less successful. For example, the Cantons in Bosnia and Herzegovina – created to ensure ethnic representation rather than to reflect classical regional divisions – are not recognised as effective regional structures. There is even a movement within Bosnia and Herzegovina to reintroduce the five historical regions and to replace the Cantons, although this still faces opposition from much of the international community who view the Cantons as an integral part of the Dayton Peace Agreement.

There are a small number of countries in Europe which do not have any regional structures at all. These include Andorra, Cyprus, Iceland, Lichtenstein, Luxembourg, FYR of Macedonia, Malta, Monaco and San Marino. In all these cases the reason for a lack of regional structures is that the countries are small enough to need only two levels of government: municipal and central level. In most cases these states are smaller than many of Europe's regions.

There are also a significant number of countries, particularly in Eastern Europe, in which the so-called regional structures are in fact little more than arms of central government. These regions do not conform to the democratic model purported by the AER Declaration on Regionalism.<sup>4</sup> Regional structures act solely as organs of the state in Armenia, Azerbaijan (except Nakhichevan), Bulgaria, Estonia, Finland, Georgia (except Adjara) and Lithuania. In these countries, the regions are not democratically –elected and are completely under the control of the central government. In Armenia, for example, the Constitution states that the State Government can appoint and remove the Governors of the Provinces. The Provinces are responsible for implementing the government's regional policies and co-ordinating the regional activities of the republican executive bodies.

It is interesting to note that there are a number of countries that do not have a homogenous regional structure. This is completely in line with the Declaration on Regionalism, which states that regions within the same state may have a different status, in keeping with their historical, political, social or cultural characteristics. This implies that within one country, regions can have different financial resources and different competences. This is, for example, the case in the UK, where power has been devolved in differing measures to Scotland, Wales and Northern Ireland, and not at all to England. The Russian Federation is another example of an asymmetrical structure; it consists of 89 constituent components: 21 republics, 48 oblasts (provinces), 7 krais (territories), 9 autonomous okrugs (autonomous districts), 1 autonomous oblast, 2 federal cities (Moscow and St. Petersburg). It is also the case that some countries have introduced regional structures only on parts of their territories, whilst the remainder of the territory remains without such structures. This is for example the case in Serbia, which consists of the autonomous province of Vojvodina, Kosovo (at the time of writing an international protectorate) and so-called 'Central Serbia', which is a term used to describe the remainder of the country where there is no administrative or regional structure. Similar models can be found in Georgia and in Azerbaijan, which each have an autonomous region, but do not have democratic regional structures across the rest of their territories.

In other countries, where regional reform is currently underway, we see experiments in regionalism occurring on parts of the country's territory. This is, for example the case in Sweden, where Västra-Götaland has a transitional regional structure, which is intended as an experiment in



Albania, Austria, Belgium, Croatia, Czech Republic, Denmark, France, Germany, Georgia (Autonomous Republic of Adjara), Hungary, Italy, Moldova, Norway, Russia, Slovak Republic, Spain, Sweden, Switzerland, Ukraine, UK

regionalism for the rest of the country. In Finland, as well, regions have been given the right to undertake pilot projects in regional governance, which are intended to inform the central government's thinking on the introduction of new regional structures in the future. In the context of this project, the region of Päijät-Häme has introduced a pilot scheme, whereby instead of municipalities appointing local politicians to the regional assembly, regional politicians are directly elected. If successful, it is possible that this pilot project could pave the way for directly elected regional assemblies throughout Finland.

In some countries, the regional structure is enshrined within the Constitution, whilst in others it appears only in primary legislation. In Georgia, the status of the Autonomous Republic of Adjara is defined in the Constitution. In Portugal the autonomous regions' powers are also set out in the Constitution. In France, the Government is about to present a proposal for constitutional reform, so as to declare in the first article of the constitution that the organisation of the Republic is decentralised, to enshrine the regions in the constitution, to allow the creation of territorial authorities with special status and to reinforce the autonomy of all the sub-national authorities. In the UK, however, the structure of county government is set out in primary legislation, as no written constitution exists. Although the AER Declaration on Regionalism makes no judgement about which approach is better, in general, it is likely that regional democracy is more deeply entrenched, and less likely to be subject to haphazard changes, where the regional division of the country is stipulated in the constitution.

It can be seen, therefore, that the concept of regional democracy is now seen as a basic building block for the effective development of policies and delivery of services in the vast majority of European countries. Nevertheless, a number of countries, particularly in Eastern Europe, still have not introduced regional structures throughout their whole territories, preferring to maintain control at the centre. Work still needs to be done in demonstrating to central governments in these countries that regionalisation and decentralisation offer effective solutions to policy development and service delivery and enrich the quality of democratic life.

### 2.3 Institutional Organisation

Article 2 of the AER Declaration on Regionalism sets out the framework for the institutional organisation of regional authorities. It states clearly that regions can take different political forms throughout Europe, reflecting the democratic will of each region to adopt the form of political organisation that it deems preferable. Nevertheless, there are still some basic tenets that should underpin the organisation of all regional structures. These include proper legal status for regional authorities, the basic division of powers between a representative assembly and an executive body, the direct election of regional politicians and the free exercise of regional functions.

Each European country with regional structures has introduced its own individual framework within which to guarantee these principles. Nevertheless, four broad categories of regional structures can be distinguished:

#### (i) Regions with legislative powers

Regions with legislative powers are able to participate in the legislative process at federal level, frequently via a second parliamentary chamber. They can also administer their own budget and are permitted to conclude international agreements. This form of self-determination is the most advanced and is typical for federal states that have either been formed by regions (such as Germany and Switzerland) or by a state being split into regions (such as Austria or Belgium).



(ii) Regions with a strong degree of self-determination and autonomous administrations

This category includes regionalised states, such as Italy or Spain, or autonomous regions and islands, for example in Denmark or Portugal. These states have maintained the principle of unity, but there tends to be a long tradition of cultural, linguistic and geographical separation of individual areas.

(iii) Regions in decentralised states

More regions fall into this category than into the other three categories defined here. These regions still operate within a unified state, but are gradually gaining a degree of independence. The national constitution or primary legislation may stipulate that the regions are subject to direction by central government, thus guaranteeing national unity. Regions in France, the Netherlands, Poland and the Czech Republic fall into this category.

(iv) Administrative regions

Administrative regions are artificially created entities. These include the *Periferea* in Greece, or the mainland regions in Portugal. These regions were artificially created to administer EU funds and to create an arm of central government in local communities. As such, they have very few powers of their own.

In those countries which do have democratic structures at the regional level, we see a strict separation of legislative and executive power. In 23 of the Council of Europe countries<sup>5</sup>, the regional assembly is directly elected by the citizens. In others, however, the assembly consists of indirectly elected members, often representatives of the municipal level, appointed to the regional assembly by their municipal assemblies. The principles of regional self-government demand a certain degree of autonomy; this is enhanced where regional assemblies are directly elected bodies. For this reason, the AER Declaration on Regionalism recommends the direct elections of regional assembly members.

In general, therefore, it can be said that the principles for institutional organisation are respected in most European countries with democratic regional structures. The legal status of the regions is widely well-respected, and all those regions complying with the AER definition have a division of powers between the representative assembly and an executive body.

There are, however, still a number of countries in which members of the representative assembly are not directly elected. In some countries, such as Finland, they are appointed from amongst politicians elected at the municipal level. Thus, a democratic legitimacy still exists, but this would be reinforced by introducing direct elections at the regional level.

## 2.4 Competences

Article 3 of the AER Declaration on Regionalism sets out a framework for the competences of regional authorities in Europe. Rather than concerning itself with defining a list of tasks which regions should carry out, it looks at how competences should be set out in national legislation, how powers should be exercised at the regional level, and how decisions about changes in regional competences should be made.

The Declaration states that the division of competences between the state and the regions should be set out in either the national constitution or in primary legislation. Both models are in common usage in Europe. In the following countries, the competences of the regions are laid down in the



Albania, Austria, Belgium, Bosnia and Herzegovina, Croatia, Czech Republic, Denmark, France, Germany, Georgia (Autonomous Republic of Adjara), Hungary, Italy, Moldova, Netherlands, Poland, Portugal, Slovak Republic, Spain, Sweden, Switzerland, Turkey, Ukraine, UK

Constitution: Albania, Belgium, Bosnia and Herzegovina, Czech Republic, Georgia, Germany, Italy, Poland, Russian Federation, Spain, Switzerland, Ukraine. In Sweden, the duties and tasks of the county councils and the regions are not defined in detail in the constitution but are decided by the Riksdag through legislation. The same applies to Denmark where regional competences are defined in primary legislation.

The definition of regional competences in the Constitution or in primary legislation act to safeguard the competences of the regions and prevent the state from changing those competences without following due process. Although the AER Declaration on Regionalism does not express a preference for either model, it is clear that the competences are safeguarded to the maximum extent in those countries in which they are set out in the constitution, as the process of changing a constitution is in general far more difficult than changing primary legislation.

The AER Declaration on Regionalism does not stipulate which competences a region should have. However, there are a number of competences which are shared by most regions in Europe. These include: regional development, environment, tourism, public transport, infrastructure, health, spatial planning, education and culture. Others are less common, such as justice and police, which tend to be regional competences in federal countries, but national competences in others.

A number of countries are seeing significant shifts in regional competences at the present time. Examples can be seen in the French and Italian reforms of 2001, the planned Danish reform of 2007 and the Law on Administrative Territorial Reform of 1998 in Latvia. In Norway, the responsibility for the hospitals was transferred from the county authorities to the State in 2002. In Poland, the reform of 1999 placed the principle of subsidiarity at the heart of the restructured Polish state. Soon, the Polish Parliament will approve a special Law on Competences which will enlarge the responsibilities of Polish regions.

In some countries, regional competences are significantly restricted, and in such cases it is not clear that the principle of subsidiarity is being respected. In Turkey, for example, the financial resources of the provinces are very limited and most of the tasks and duties are in fact executed by the central government. Under the principles of subsidiarity and decentralisation, competences should be exercised at the appropriate level, which is as close to the citizen as possible. Although, it is not possible to say that certain competences should always be exercised at the regional level in all countries, it seems likely that some functions, such as regional economic development, primary education and regional planning, should not be the remit of the central state, as they need to be adapted to local circumstances.

In a number of countries, the regions act as organs of the state and self-governing institutions at the same time. This is the case in the Czech Republic, Netherlands, Poland, Portugal and Turkey. In the Czech Republic, for example, the relationship between the regions and the nation state is defined by the double track system of the state administration and the autonomous administration. The state administration track represents a competency delegated to the regions, where it is to be legally executed by the Regional Council. The Regional Council is also the executive body of the regions' autonomous tasks. The AER Declaration on Regionalism (Art 3.3) does not criticise such dual purpose institutions. Indeed it states that, where a country has decentralised administration at regional level, it should transfer the corresponding staff and financial resources to the regional level to avoid duplication. There is, however, a danger that this dual role can lead to some confusion. For example, in some countries, the regional authority falls under the power of one head (e.g. the regional governor) when implementing state duties, and another (the regional president) when exercising own-powers. It could be imagined that such a situation may lead to power struggles in some regions.

The AER Declaration does not state that the regions within a single country should necessarily have the same competences as one another. As we experience greater differentiation in regional structures within individual countries, so we see a greater degree of differentiation in terms of the



competences of the regions within individual countries. This is for example the case in the United Kingdom; the Scottish Parliament has the greatest level of devolved competences, including taxation and education, whilst the Welsh Assembly and Northern Irish Assembly have fewer own competences.

The AER Declaration on Regionalism (Art. 3.5) calls on regions within one state to harmonise, where appropriate, the action taken within their specific sphere of competence. In a number of countries, particularly those with greater decentralised powers, there is a significant problem with lack of harmonisation between the regions. In Germany, for example, the Länder have responsibility for school curricula and the resulting differences pose problems for students moving from one Land to another. A lack of harmonisation can lead to calls for competences to be transferred to the central level in order to achieve a homogenous approach, and this is clearly not positive for regional democracy.

Article 3.6 of the Declaration on Regionalism states that, when decisions are taken at the state level that affect the scope of regional competences, the regions should be consulted and their assent obtained. This is not always the case at present. In Serbia, for example, key competences were taken away from the Autonomous Province of Vojvodina under the Milosevic regime, with no prior consultation. The Province of Vojvodina has been attempting to enter into talks with the current Serbian government on returning these competences and on guaranteeing the autonomous nature of the province within the new Serbian constitution. The national government has, however, showed itself unwilling to enter into talks with the province on this issue and is rewriting the Constitution without consultation with Vojvodina. This very clearly contravenes the guidelines set out in the Declaration on Regionalism.

In terms of competences, therefore, we see a wide range of different powers existing in different countries and even within constituent parts of individual countries. Whilst this is a positive move, in that it often comes about as a result of devolving additional powers to certain parts of a country, it makes harmonisation between the regions difficult. This issue of harmonisation between the regions still represents a difficulty, and is perhaps one of the greatest challenges for a regionalised Europe, in which sub-national authorities want (and rightly so) to be able to take decisions that respond directly to the needs of their citizens. Balancing this with harmonising policies with other regions whose citizens have different needs may be difficult. As the free movement of citizens throughout Europe increases, this poses an even greater challenge, not only in terms of harmonisation between regions in one country, but also between regions throughout the European Union.

Finally, in some countries state decisions that affect regional powers and interests are not always taken in consultation with the regions concerned. There is a need for action to be taken at the national level in these countries to ensure that a greater openness to ensure the proper involvement of regional authorities in decisions that concern their powers.

## 2.5 Financing

Articles 4-6 of the AER Declaration on Regionalism concern the financing of regional authorities. They state that regions should enjoy financial autonomy and have sufficient own resources to be able to properly carry out their tasks. As with the competences, the financial principles of regional democracy should be set out in the national constitution or in primary legislation. Regional democracy can only be effective where the structure of regional finance enables regional authorities to decide and implement, within the limits of their competences, policies that are consistent with the expectations of their populations.



Most regions receive some taxes from the central state. For example, in Portugal, the regions receive the tax revenue levied or generated there as well as a share of the state duty revenue, established in accordance with a principle ensuring effective national cohesion as well as other income allocated to them from the State. In a number of other countries, regions are heavily dependent upon the central government for funding. This is the case in, for instance, Bulgaria, the Czech Republic, Denmark (from 1<sup>st</sup> January 2007), Finland, Greece, Latvia, the Netherlands, the Russian Federation, Serbia, Turkey and the Ukraine.

However, financial autonomy does not only imply that a region should possess sufficient financial resources, but also that it should have control over the source of financing and its use, i.e. that it should possess sufficient own resources. The term “own resources” refers to financial resources deriving from independent decisions taken by regional authorities, of which they may dispose freely and, in the case of taxation, vary the rates depending on their needs and the extent to which the members of their regional communities are prepared to accept the tax burden. Article 5 of the Declaration on Regionalism states that regions should have the ability to levy their own taxes, as well as to determine their sources of tax revenue. Regional authorities’ ability to levy their own taxes is a requirement for their independence and a symbol of self-government, which the representative bodies are empowered to exercise as a result of their election by the citizens.

Most regions in Europe have some tax-raising power. Good practice regarding regional financial autonomy can be found in a number of countries. In Spain, for example, the Basque country and Navarre have tax-raising powers, whilst in Italy, regions have financial autonomy, possessing autonomous resources and establishing and implementing their own taxes and revenues in harmony with the Constitution and in accordance with the principles of coordination of the public finances and the taxation system. Swiss cantons also have fiscal sovereignty and raise direct and indirect taxes (taxing authority). This is stipulated implicitly in the constitution. In Sweden, 65% of the regions’ financing comes from their own taxes, with only 19% coming from government subsidies and the remainder from patient contributions and other sources.

In terms of own-competences, there are good reasons for arguing that regions should be able to raise most of the finance for current spending in the form of own taxes and rely only to a modest extent on grants. Regional taxes are necessary to enable regional authorities to vary the quantity and quality of their services in accordance with regional wishes. Regional politicians, officials and voters may take more care with money that is raised locally than with money that has been handed to them by Government; when regional authorities are dependent on grants, regional decision-makers may spend the money inefficiently and blame the resulting poor services on under-funding. The freedom of regional authorities to set the tax level brings with it increased accountability. Furthermore, when a government pays grants, it may well want to control how regional authorities spend them; indeed, central government is accountable to its national taxpayers for this money. However, there seems little point in financing genuine regional services in a way that will result in central control.

Regional authorities must also have the right to vary the rates of the taxes they levy. Accordingly, there can be no real self-government unless regional authorities can set their own tax rates, within the limits of the law and, where appropriate, within a pre-established bracket. In many countries the national government introduces a range within which regions can levy taxes, in order to ensure a certain degree of homogeneity throughout the country. In Norway, for example, the county councils are allowed to freely set their own income tax rates within an interval decided by the state government.

Nevertheless, there are a number of countries in which the tax-raising power of the regions is severely restricted, or indeed non-existent. As of 1<sup>st</sup> January 2007, Danish regions can no longer collect taxes and are thus financed by national subsidies. Finnish regions also have no tax-raising powers and depend upon the municipalities for their resources. The financing of the activities of



the Regional Authorities in Ireland is also largely borne by their constituent local authorities. In Georgia, the new tax code, which took effect at the beginning of 2005, restricts the financial independence of the regions. The monopoly of central government over the distribution of public finances restricts the financial autonomy of the regions. The lack of tax-raising powers at the regional level, does give cause for concern. There is a limited proportion of revenue raised by genuine regional taxation for which regional authorities can set the rates.

The AER Declaration (Art 5.2) recommends that a region's financial resources come from a small number of sources of revenue, in order to ensure stable regional budget management. This is the case in England, where the county councils are funded via a local property based tax and funds from central government; over the years the latter has increased as a proportion of the total revenue to around two thirds. The types of taxes which regions benefit from vary greatly from country to country. In Belgium, regions levy taxes directly on inheritance, whilst in Croatia, regions can levy tax on inheritance and gifts, motor vehicles, vessels, slot machines.

Article 6 of the AER Declaration on Regionalism considers interregional financial equalisation both within individual countries and throughout the EU. Financial equalisation mechanisms exist within most regionalised countries. These mechanisms allow a distribution of financial resources from well-off regions to poorer ones and aim to offset imbalances in the distribution of wealth, equalising the effects of inequalities in the tax base.

The Declaration (Art 6.1) states that the aims and procedure of financial equalisation should be prescribed in the national constitution or legislation. While in most countries this is the case, it is not always so. Czech legislation, for example, does not stipulate any system for financial equalisation between the regions; however, in reality, finances from the central budget act as an equalisation mechanism.

Financial equalisation can take the form of financial transfers between the regions, or transfers between the state and the regions. In France, financial equalisation mechanisms operate mainly via transfers from the State to the regions. In Italy, the State establishes an equalisation fund to benefit areas where the fiscal capacity per inhabitant is reduced. In Germany, there is both a horizontal and a vertical financial equalisation system; the first regulates the allocation of financial resources between the federal state and the Länder as a whole, the second is an interregional mechanism between the Länder. In Switzerland too, there is a financial equalisation mechanism between regions, as well as a reallocation of fiscal income and responsibilities between the confederation and cantons.

The AER Declaration also states that the needs of municipal authorities should be taken into account in the calculation of equalisation payments. Sweden has a tax equalisation system to balance the revenues of the municipalities, county councils, and regions; a new system came into force in 2005.

It is important that financial equalisation does not dissuade wealthier regional authorities from making additional tax-raising efforts, on the grounds that the proceeds would only be used for transfers to other authorities. Similarly, equalisation must not discourage the poorer regional authorities from making maximum use of their fiscal capacity. Clear, stable equalisation criteria must be set, preferably following consultation with regional authority representatives. These criteria should be established by law and should at no stage be modified unilaterally or without prior consultation with the regional authorities concerned.

In conclusion, money is often a bone of contention in life, and the field of regional democracy is no exception. There is a tendency to assign a large number of responsibilities to regions without adequate financial compensation, often referred to as "decentralisation of problems". This lies at the heart of a number of political conflicts between different tiers of authority. This tendency is exacerbated in some countries by the fact that the principle of matching resources to



responsibilities is not clearly set out in national and/or regional legislation, with the result that application of the law concerning powers and responsibilities depends on the goodwill of the regional or national authorities.

In terms of the sources of financing for regional authorities, there is still a general need for a shift in the dependence of regional finances from transferred resources towards own resources. There is a disturbing trend towards fewer exclusive or joint regional taxes and the tendency of central authorities to replace these by transferred resources or shared taxation revenue, which cannot be independently decided upon by the regional authorities receiving them. Exclusive taxes are the preferable type of resource for regions and are the clearest sign of a healthy system of regional self-government. Those transfers that are received from Central government should not be allowed to restrict regional self-government, and therefore should not be earmarked by the central authorities for specific activities, wherever possible.

## 2.6 The State and the Regions

This section looks at the role that the regions play in the legislative bodies and decision-making processes of the state. Article 7 of the AER Declaration on Regionalism outlines the principles for the involvement of regions in the central level, in terms of representation in legislative bodies and the appointment of judicial bodies. Article 8 describes the principles upon which relations between the state and the regions should be based, namely mutual respect, co-operation and solidarity.

It is a requirement of a democratic structure that there should be a balance of power within the state, so that power is not concentrated in one institution. There must be transparency and accountability of leadership, with a system of checks and balances in place to ensure continuing stability and efficiency of political structures. Involving regions in decision-making at the central level can help to ensure that such a system of checks and balances is in place.

The involvement of regions in state decision-making processes varies greatly from country to country. The table below attempts to divide these different models up into broad categories<sup>6</sup>.

Relationship State/Regions	Countries
No regional structure	AD, CY, IS, LU, MK, MT, MC, SM
Regions don't play any role in legislative bodies & decision-making processes	AM, AZ, BG, EE, FI, GE, LT, GR, IE
Regions are consulted on matters affecting their competences and/or can propose legislation	UK (England), AL, CZ, FR, LV, NL, NO, PL, PT, SE, TR, UA, SK
Regions have legislative powers	DE, CH, AT, BE, IT, SC, WH on secondary legislation, DK (Faroe Islands and Greenland), FI (Aland), RU, PT (Azores and Madeira), UK (Scotland)
Existence of Second chamber with at least some regional representation	AT, DE, FR, BA, PL, RU, ES, CH, IE, IT
Regions can sign agreements with other regions	AL, BE, CZ, DK, FR, DE, HU, NL, PL, SK, ES, SE, CH, TR, UK, SI
Regions can't sign agreements with other regions	UA

<sup>6</sup> If a country is not listed, it means that the information is not available.



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It can be seen that there are a number of countries in which regions are able to play a decisive role in national decision-making processes. In federal countries, such as Germany and Austria, this is a key foundation upon which the state is built. Under the German system, the second chamber, the Bundesrat, consists entirely of representatives of the Länder, giving the regions significant power in national decision-making processes. In Austria, the Regional Parliaments elect the members of the Bundesrat, which has powers of veto enabling it to delay legislation, and has to endorse draft federal legislation of concern for the Länder.

However this situation is not common in Europe. In most countries regions do not play an institutional role in decision-making at the national level. For example in France, the Senate ensures the “representation of the territorial units of the Republic” but is not the spokesperson of the territorial entities. The French regions do not have decision-making powers but the regions and the State act in partnership in a number of areas, with for example, a 5-year plan known as the *Contrat de plan Etat-Région* signed by both of them.

In some countries, certain regions have been granted legislative powers, while other parts of the country have no such rights. In the United Kingdom, this situation has raised questions concerning the balance of decision-making power in the country. The so-called ‘West Lothian’ question concerns the issue of devolution of powers to Scotland, which has its own directly-elected Parliament with decision-making powers in a wide range of areas, including education and taxation. At the same time, Members of Parliament (MPs) from Scotland are elected to the UK Parliament; the UK Parliament is, amongst other issues, responsible for decisions about education and tax in the rest of the UK, but not in Scotland. Many critics question why a Scottish MP at Westminster should have the right to vote upon matters such as education affecting English seats. The same MP could not vote on such matters affecting his own constituency because they have been devolved to a Scottish Parliament. Whilst Scottish MPs in Westminster continue to vote upon English matters, MPs from England have lost the power to influence Scottish affairs.

In the majority of countries the relationship between the regions and state is based upon the principles of mutual respect and consideration. There are a number of exceptions to this, in which regions are not consulted by the national government about matters affecting their competences (for example in Moldova) or in which the regional government can be suspended or dismissed (as is the case of the Region of Adjara in Georgia). This does not conform to the AER Declaration on Regionalism, which stresses that state control over the regions should be limited to ex-post (after the fact) legal supervision.

Article 7.3 of the Declaration on Regionalism in Europe stipulates: “Disputes between the regions and the state shall be settled by court proceedings or arbitration”. Arbitration structures only exist in a small number of countries. In Belgium, for instance, there is a Court of Arbitration, which deals with conflicts between the respective legislative powers of the Federal State, the Communities and the Regions. It consists of representatives from the executives of each of the levels of authority concerned. In Spain, the Constitutional Court checks rules on the allocation of powers.

Article 8.3 of the AER Declaration states that regions should be permitted to sign treaties or agreements with other regions within the same state. In reality, such agreements between regions are now allowed in most countries and sometimes are even written into the Constitution, as in the case in Switzerland. In Spain, too, the Statutes of the regions allow them to conclude agreements with other regions in the country, in order to manage and provide services. However, other types of co-operation agreements between the Spanish Regions require the authorisation of the Parliament (Art. 145.2 Spanish Constitution).

In conclusion, therefore, we can see that there are a wide range of models for the relationship between the state and the regions throughout Europe. These range from some federal models, in which regions are represented in second chambers and thus play a decisive role in national decision-making, to relationships which are far more hierarchical and do not allow regions a say in



issues of national importance. In general regions are consulted when decisions are taken that affect their areas of competence, but this consultation is not always safeguarded by the constitution or primary legislation.

As we increasingly see differentiated models of regionalism within a state, new challenges for state-region relations have emerged. Innovative solutions will need to be found in order to solve issues such as the West Lothian question. This may well be one of the new challenges for regional democracy in Europe in the years to come.

## 2.7 Regions and Local Authorities

Article 9 of the AER Declaration on Regionalism sets out the framework for good relationships between regions and the local authorities. It elaborates guidelines for regional consultation with local authorities and states that local and regional authorities should co-operate in a manner of mutual trust.

**The table below shows the current situation in this matter.**

<b>Regions and local authorities</b>	
Regions have supervisory power/rights over local authorities	BE, AT, FI, DE, GR, PT (Azores and Madeira), NL, RO
No subordinate relation between regions and local authorities	FR, DK, PT, UK, AL, AM, BA, BG, HU, IT, LT, MD, NL, NO, PL, SK, ES
Regions where the situation is unclear	AZ, GE, RU, TR
Good co-operation between regions and local authorities	FI, DE, GR, AT, PT, NL, RO, FR, DK, UK, AL, AM, BA, BG, HU, IE, IT, LT, MD, NL, NO, PL, CS (Voivodina), SK, SI, ES, SE, CH, UA

In today's Europe, there is a general atmosphere of co-operation and mutual trust between regions and local authorities. In a number of countries, regions have responsibility for overseeing other tiers of government. This is, for example, the case in Austria, Belgium and Estonia. In Belgium, regions have supervisory power over their respective provinces and municipal authorities. In Armenia, Article 109 of the Constitution states that, in cases prescribed by law, the Government may remove the Administrator of a district upon the recommendation of the Governor of the Province. In other countries, supervision is regulated by voluntary agreement, for example in Finland. This supervisory role of regions can manifest itself in several ways such as dismissing heads of local authorities, checking the legality of local authorities' actions or suspending the execution of unlawful acts.

However, in the vast majority of countries, there is not a hierarchical relationship between the regions and the local authorities, i.e. the regions have no supervisory power over the local authorities in their territories. However, as a matter of course, there is co-operation between the two levels. Regions generally consult local authorities on matters relating to their spheres of competence and their individual interests, for example in Bosnia and Herzegovina. In Voivodina, Serbia, whilst there is no legal relationship between the autonomous province and the local authorities in its territories, daily business means that the two levels co-operate in a pragmatic manner in order to ensure that the needs of the citizens are met. In Denmark too, the regions work closely with the municipal level in the fields of regional development and education.



In many countries, local authorities' competencies are strictly defined by national legislation. However in Spain, the Constitution although having recognized their autonomy, does not establish a catalogue of competences that must be respected, in the same manner as it has done with Autonomous Communities. These competencies depend on what the secondary legislation may provide.

In some countries, relationships between regional councils and local governments are even established legally. For example, in Albania, these relationships are based in legal acts as well as less formal declarations and actions. In Latvia too, co-operation between the two levels is compulsory. In Austria, Länder and local authorities are bound to provide each other with mutual assistance. In Italy, the constitutional reform of 2001 foresaw the creation of a Council of Local Autonomies in each region as a consultation body between regions and local authorities.

In federal states, legislative powers, including those concerning the allocation of financial resources, are divided between two tiers of government (federal and regional). However, co-operation is not always easy. As the various CLRAE reports on financing systems have shown, this type of institutional arrangement can add to the financial difficulties of local authorities and lead to role confusion if respective responsibilities are not clearly and precisely laid down in federal and regional legislation. This makes it difficult for municipalities to carry out the medium or long-term planning necessary to meet the community's needs and also causes inequalities in the treatment of local authorities, and consequently of the people.

In conclusion, the relationship between regions and local authorities is relatively unproblematic in most countries, where division of competences between the two levels is relatively clear. Whilst in most countries, the regions do not have a supervisory role over the local authorities, they tend to consult them when dealing with issues that concern local authority interests. In those countries where regions do have hierarchical powers over local authorities, it is important that they create a clear framework for local competences and finances, in order to ensure that both levels are able to carry out their duties in an optimal manner.

Difficulties in local-regional relations can occur where there is a fluid or unclear situation concerning the respective competences and financing of the two levels. For example, where new regional levels are being introduced that may take powers away from local authorities, this is likely to cause friction between the two levels. As we increasingly see experiments with regional government being entered into, it is important that these are carried out in full consultation with local authorities.

## **2.8 Regions and International Organisations**

Articles 10-11 of the AER Declaration on Regionalism set out guidelines for the conduct of regions in the sphere of international relations. Using these as a guide, this section explores whether regions can consult international treaties, agreements and protocols, and explores whether the states consult the regions when they sign international agreements and treaties which concern the regions' competencies.

Article 10 of the Declaration recommends that regions should have the capability to act at an international level, concluding treaties, agreements and protocols. It also recommends that regions should be able to co-operate with regions in other countries. The table below shows the current situation in relation to these points.



<b>Regions and International relations</b>	<b>Countries</b>
Regions are able to conclude international agreements and protocols	AL, AT, BE, BA, HR, DK, FR, DE, HU, IT, LV, MD, NL, NO, PL, PT, CS, SK, ES, SE, CH, TR, UA, United Kingdom
Regions are NOT able to conclude international agreements and protocols	IE
Regions are consulted on international agreements/ treaties/protocols on their area of competences	AT, BE, BA, FR, DE, HU, NO, ES, SE, CH, UA, United Kingdom
Regions are NOT consulted on international agreements/ treaties/protocols on their area of competences	NL, PL, CS
Regions are sometimes represented in international organisations	AT, BE, DE
No information available	AZ, FI, GE, GR

It is clear that regions generally have the ability to act internationally in the areas of competence assigned to them and in accordance with national foreign policy. However, it is not always the case that national governments consult regions when negotiating international treaties in areas that affect their essential interests. Article 10.5 of the AER Declaration on Regionalism recommends that, should the state intend to sign an international treaty that affects the powers of the regions, the regions shall participate in the drafting and conclusion of the treaty. The fact that this recommendation is often not respected is illustrated clearly in the case of the EU Constitutional Treaty. Very few states implemented official consultation processes with their regions on the Treaty, despite the fact that the Constitution covers a wide range of areas that fall within the regional competence. The same is true at the level of the World Trade Organisation, where GATS negotiations can potentially affect regional competences in areas such as culture, education and health. In general, it is only those regions that have representation in state bodies (such as the second chamber of the state parliament), which are able to have an official input into such foreign policy decisions.

Article 11 of the AER Declaration on Regionalism concerns the ability of regions to co-operate with one another across regional boundaries. The vast majority of regions are extremely active in promoting bilateral and multilateral co-operation with other regions. This is a phenomenon that has grown inordinately over the past decade. The development and the success of European funding programmes encouraging territorial co-operation, such as INTERREG, have without a doubt encouraged this development. However, this can still be a sensitive issue, because, in principle, international initiatives and actions are a state competence. For example in France, whilst twinnings were tolerated, it was only the law of 6 February 1992 on Territorial Co-administration of the Republic that allowed French local authorities to sign conventions with foreign local authorities. The law of 13 August 2004 on Local Liberties and Responsibilities allowed the creation of European Districts, such as SarLorLux (German region of Saarland; French region of Lorraine; Luxembourg) or the Franco/Belgian/British Euroregion.



However, some regions still face opposition from national governments when trying to conclude cross-border agreements. Italian regions, for example, are regularly confronted with this problem. Many countries require the Ministry of Foreign Affairs to be informed of such agreements. (Spain falls into this category). In Romania the Ministry's formal approval is required for any co-operation agreement, whilst in the Czech Republic it is required for some co-operation instruments.

The Madrid Outline Convention, adopted by the Council of Europe in 1980<sup>7</sup>, is intended to combat some of these difficulties by encouraging and facilitating the conclusion of cross-border agreements between local and regional authorities within the scope of their respective powers. Unfortunately, this Convention has no real legal force and is not compulsory. 33 countries have signed the convention to date.

Article 11.3 of the AER Declaration states that regions should have the right to establish joint deliberative or executive bodies for the purpose of transfrontier co-operation. A new instrument currently being discussed at the European level could be crucial in promoting the realisation of this recommendation. The proposed new legal instrument, known as a 'European Grouping of Territorial Co-operation' (EGTC) would be invested with legal personality for the implementation of cross-border co-operation programmes and would be based on an agreement, known as a 'convention of European cross-border co-operation' that would be prepared by the participating national, regional, local or other public authorities. The tasks to be delegated to the EGTC would be defined by its members in this convention. However, the EGTC has faced a great deal of opposition from Member States during its passage through the Council of Ministers, as they feared that the creation of such judicial bodies would cede too much power to the regions. It remains to be seen how effective an instrument the EGTC will be, bearing in mind the compromises made during the European decision-making process.

## 2.9 Regions and the European Union

Article 12 of the Declaration on Regionalism concerns the relationship between regions and the European Union. It recommends that there should be an official regional body within the EU institutional structure, that regions should be able to set up European representation offices, and that regions should be able to participate in the determination of Member States positions on EU issues of regional concern.

For years, the regions were excluded from the EU stage, which was dominated by the Member States and the EU institutions. Over the course of the past 20 years, they have battled to achieve recognition as protagonists and partners in the process of building Europe. In so-doing, many of them have gained important new foreign policy powers vis-à-vis their national governments. Most regions now also have their own representation offices in Brussels, through which they enter into direct dialogue with the European institutions, bypassing the member state. It is not only EU regions that have offices in Brussels, but also non-members (for example, the Oslo Region) and aspiring members (such as Istria (HR) and the Romanian regions). This complies with Article 10.3 of the Declaration on Regionalism, which recommends that regions should have the right to set up their own representations in other states and in appropriate international organisations.

Article 12.1, which states that the EU should have a body of regional composition, has been partially realised through the creation of the Committee of the Regions, which consists of representatives of sub-national authorities from all member states. However, even if the Committee of the Regions gives its opinion on a piece of legislation on areas affecting regions' competencies, the recommendations are non-compulsory. A further difficulty with the Committee of the Regions is that it not only represents regional authorities, but also local authorities. This

<sup>7</sup> The full Convention is available under <http://conventions.coe.int/Treaty/EN/Treaties/Html/106.htm>



means that the position of the regions can be somewhat diluted in COR positions, which are formulated on the basis of a diverse range of interests. Furthermore, the AER Declaration recommends that the members of the COR should be proposed by the regions. This is not currently the case in a number of countries, in which the decisions about representation are taken by the national level.

Article 12.4 of the Declaration states that, where an issue is the exclusive competence of the region, in EU decision-making the state should not be able to deviate from the position adopted by the regions, and that regions should take part in EU decision-making processes in such cases. At present, only Federal States such as Germany, Austria or Belgium allow their regions to be represented in the Council of the European Union on issues that concern their areas of competence.

The principle of regionalism is rooted in subsidiarity. It is fuelled by the belief that powers vested in the European Union, in nation states, in regions and in local authorities are all necessary and complimentary. As such, the region is one of the mainstays of democracy in Europe. The principle of subsidiarity was extended to the regional and local levels through the draft Constitutional Treaty. Subsidiarity does not simply imply a process whereby national governments pass control down to sub-national levels, but where the most local level of political organisation, that closest to the citizen, is able to engage directly in appropriate and relevant political activity. In other words, subsidiarity is a principle to be applied at and between all levels of government. Whether or not the Constitution is ultimately approved, this development represents a real step forward in terms of the European Union recognition of the role of the regions in European governance.

The AER Declaration also recommends that European Parliament elections respect regional constituencies. Such a stipulation would help to cement links between MEPs and regional politicians, which in some areas are relatively weak. Improving such linkages would help to ensure that citizens were better informed about and consequently more involved in what is happening at the European level.

Article 12.6 of the Declaration states that regions should be able to manage assistance from EU funds without the intermediation of the State. This is not always the case at present; for example, in France, the regions – with the exception of Alsace – are not allowed to manage Structural Funds. According to Article 12.7, the regions should be able to enter into agreements to improve the implementation of Community policies. The so-called 'tripartite agreements' introduced by the European Commission in 2002, enable regions, states and the EU to sign a contract setting out how the region can take responsibility for the implementation of a specific policy. In reality, however, the tripartite agreements have barely been used, and it is therefore very difficult to analyse their impact or utility.

Article 12.8 of the Declaration recommends that regions should have the right to bring proceedings before the European Court of Justice, where measures taken by the EU institutions affect their powers and interests. The text of the Constitutional Treaty took this recommendation into account by providing the opportunity for the Committee of the Regions to take cases to the ECJ, where they believed that the principle of subsidiarity had been breached in any of the areas of their competence. However, now that the future of the Constitutional Treaty is unsure, it is unclear whether this step forward for the regions will actually be able to be realised.

The Declaration on Regionalism does not mention the involvement of regions in the Council of Europe, but this has become an increasingly important forum within which regions can involve themselves in international relations. Regional representation in the Council of Europe was embedded in 1983, when the Heads of State and Government of the Council of Europe agreed to set up the Congress of Local and Regional Authorities in Europe (CLRAE), as a consultative organ with 2 separate chambers (the Chamber of Regions and the Chamber of Local Authorities). The Council of Europe has been striving to develop a European Charter on Regional Self-government,



based broadly upon the same recommendations as those set out within the AER Declaration on Regionalism. However, there has been stiff opposition from some member states, who felt that such a charter may fuel secessionist tendencies or bind them to obligations vis-à-vis their regions that they are not yet ready to undertake. What is interesting is that the European Charter on Local Self-government was approved a few years ago, without such opposition, and has proved an extremely useful tool for developing local democracy, particularly in the countries of Central and Eastern Europe. It could be envisaged that a regional charter would be able to play a similar role.

It can be seen, therefore, that in the field of regions and international relations, great gains have been made in the past two decades. Over 250 regions now have representation offices in Brussels, the COR and CLRAE allow for regional representation in the EU and Council of Europe decision-making processes respectively, and new mechanisms to facilitate territorial co-operation have been developed. The EU Constitutional Treaty represented further gains for the regions, including them in the definition of the principle of subsidiarity and allowing them recourse to the European Court of Justice through the Committee of the Regions. However, it is at present unclear as to whether the Constitutional Treaty will in fact enter into force.

Further areas of concern include the lack of ability for regions, in some countries, to manage EU Structural Funds programmes, the stunted development of the tripartite agreement as a tool for the regions to be able to implement EU policies and the fact that the Committee of the Regions only operates as a consultative body for the European institutions, unable to issue binding opinions.

It is important to encourage the European institutions to acknowledge the importance of directly elected sub-national government across Europe. There is a need to lobby the European institutions to strengthen the position of regions in European decision-making and to give them an adequate role in building the future of Europe, European political institutions should involve sub-national governments – which are responsible for implementing much EU policy such as environmental standards, waste management – in policy formation. A consultation role for sub-national government should be further developed, particularly when it affects competencies at the sub-national level, and representation of sub-national government at all levels should be routine.

## 2.10 Conclusions

We can conclude that, ten years after the publication of the AER Declaration on Regionalism, its recommendations remain pertinent for the European regions. We have seen great progress in a number of areas, particularly regarding the creation of democratic regional structures in numerous countries around Europe. Even those nation states which have historically had a strong centralized administration have transferred political power to the regions. Examples of this include the devolution of power in Britain (the Scotland Act, the Government of Wales Act) and the current negotiations in France concerning increased autonomy for Corsica.

There is still, however, a need to strengthen regional democracy in many European countries, and not only those in Central and Eastern Europe. Mainland Portugal, for example, remains without self-governing regions, with people voting against their introduction in a recent referendum.

In a minority of countries, we are even seeing moves away from regional democracy. For example in Russia, there has been a centralisation and unification process under President Putin, as elected Presidents of regions have been replaced by appointed governors.

We have seen through this report that a number of areas remain in which the principles set out in the Declaration on Regionalism are not universally being adhered to and thus regional democracy is not developing in an optimal manner. These principles include:

The status of a region can only be altered in co-operation with the region concerned (Art 1.3)



- Direct election of members of the regional assembly (Art 2.3)
- Harmonisation of actions taken by regions within one states in specific areas of competence (Art 3.5)
- Participation of regions in the legislative bodies of the state (Art 7.1)
- Right of regions to conclude transfrontier agreements in order to develop their co-operation, within the limits of their powers
- Right of regions to establish joint deliberative or executive bodies for the purpose of transfrontier co-operation
- The right of regions to influence EU policies through their own EU institution, not just a consultative body (Art 12.61)
- The right of regions to manage EU funds themselves (Art 12.6)
- The right of regions to enter into agreements designed to improve the implementation of EU policies (Art 12.7)
- Right of regions to bring proceedings before the European Court of Justice where measures take by the EU affect their powers and interests (Art 12.8)

Despite these areas in which further work is still needed, we can still be generally positive and optimistic about the future role of regional governance in Europe. Almost all the states of Europe are now sub-divided into regions, or at least have some decentralised structures, whereas 20 years ago, this was the exception rather than the rule. Some regions have been granted legislative powers, others have been able to expand the areas in which they can determine their own affairs. In recent years, several European countries have introduced constitutional or administrative reforms which have resulted in the setting up of new regional bodies or the strengthening of existing ones. The overall goal has been to underpin regional or territorial self-government and to enable them to better define their development goals on the basis of local conditions and public expectations.

Economic and technological evolution are driving a reform of governance practices in Europe. Increasingly these reform are leading to a strengthening of the regional level, as the perceived need grows for a level of decision-making which is close to the citizen yet large enough to perform effectively. Existing local authorities are often too small to cope with the new challenges and opportunities posed by globalisation and the delivery of citizen-oriented public services They are often not able to generate the funds needed to execute their competences.

Regionalisation, devolution and decentralisation are ongoing processes in Europe; we should by no means think that we are reaching an end. As the world around us changes, so regional democracy will need to changer in order to respond to new challenges and to grasp new opportunities. Even in the most established democracies, such as the United Kingdom, these processes are ongoing. In Spain too, the shape of regional democracy is evolving quickly; in June 2006, a referendum was held in Catalonia on the reform of its autonomous status.

Throughout Europe, national debates on regionalism reflect the particular circumstances within each nation state. These encompass a huge range of historical and political viewpoints and diversity in regional political frameworks. These political frameworks range between regions with their own legislative powers, autonomous regions, and more centralised states. Enlargement of the European Union is influencing reform of domestic sub-national political structures for accession countries in particular. Many European states are reviewing their existing structures in light of the principle of subsidiarity and in order to support effective regional and local democracy.



The European treaties, too, have gradually taken on board the main demands put forward by the regions, recognising the concept of regional identity and extending the principle of subsidiarity to cover the regions.

We have seen that European regions are diverse in terms of size, geography, population, language, history, trade, industry, and cultural identity. As a consequence of this diversity, there is no single model for regional governance in Europe. Instead, the diversity in structures reflects that of the regions represented; this is not a disadvantage but a sign of strength of European regionalism, precisely because of the flexible approach it demands. Diversity of regional structures should be respected and embraced by national governments and European institutions, as well as recognised by the European Constitution. There should be no pressure to conform, or to harmonise regional structures with an overarching European model. Central and Eastern European countries, where regional structures have been set up relatively recently, should have the support to organise sub-national government according to tradition and other local factors, rather than being influenced unduly by administrative boundaries such as the NUTS regions. Regional debates in other European countries should also reflect this notion of the strength of diversity.

The regions of Europe hold the key to Europe's future as a culturally, historically and politically diverse continent. They also have the scope and economic weight to respond both to the challenges of the global market and to ensure that Europe's citizens can take advantage of the benefits that global interdependence brings. The AER will continue its important work in promoting regionalism in Europe, with the firm belief that Europe's future lies, indeed, in its regions.

