



**Committee of the Regions**

**CIVEX-V-034**

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**DRAFT OPINION  
of the  
Committee of the Regions**

**DEVOLUTION IN THE EUROPEAN UNION AND THE PLACE FOR  
LOCAL AND REGIONAL SELF-GOVERNMENT IN EU POLICY  
MAKING AND DELIVERY**

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**Deadline for tabling amendments:**

**midnight on Monday 25 March 2013** (Brussels time), to be submitted through the new online tool for tabling amendments (available on the Members' Portal: [www.cor.europa.eu/members](http://www.cor.europa.eu/members))

Number of signatures required: 6

Reference document

CDR2214-2012\_00\_00\_TRA\_PAC

## I. POLICY RECOMMENDATIONS

### THE COMMITTEE OF THE REGIONS

#### *Benefits of devolution*

1. understands "devolution" to mean all measures at political level that strengthen the role of sub-national authorities in the national and European decision-making process and that lead to powers being transferred from the central government level to local and regional institutions;
2. recognises that EU Member States are under no obligation to choose a particular model for their institutional structure or for the devolution, transfer or sharing of powers between the different models of governance, but points out at the same time that the EU also respects regional and/or local self-government, as highlighted, in particular, in Article 4(2) TEU;
3. points out that in many policy areas, decentralised executives are significantly more efficient, both from the point of view of cost and in terms of the quality of services and their proximity to the public;
4. stresses that it is important for the people of Europe to identify with their regions and cities, which play a particularly crucial role as a counterweight to the increasingly international, and therefore anonymous, nature of job markets and economic relations;
5. is convinced that devolution and the regional and local institutions that it involves have a key contribution to make to reducing the current social and economic disparities between Europe's regions, helping to reduce the negative consequences of a rural exodus from poor regions to big cities;
6. thanks the Council of Europe's Congress of Regional and Local Authorities (CLRAE) and the CoR's Subsidiarity Expert Group for their valuable contributions and expert opinions, as well as the various interest groups that contributed to the consultation;

#### *The CoR's basic responsibility to monitor devolution*

7. affirms that as the representative of sub-national (i.e. local and regional) authorities in the EU legislative and decision-making process, the CoR has a responsibility to monitor the application of the subsidiarity principle, and that it has a keen interest in assessing the state of devolution in the EU and the enlargement countries on a regular basis;
8. points out that in its recent opinion on *Building a European culture of multilevel governance*, prepared as a follow-up to its White Paper, the CoR announced its intention to keep track of the devolution process in the Member States as well as in the countries in the enlargement process;

9. is confirmed in its resolve to do so by the fact that the Council of European Municipalities and Regions (CEMR) and the CLRAE are carrying out detailed and systematic work on the same issue, and intends to use the results from both organisations in its work;
10. recalls that the last Committee of the Regions opinion on this subject dates from 7 July 2005 and that in the interim there have been major institutional, political and legal changes and developments in relation to devolution in the EU;

*The development of devolution in Europe since the last opinion in 2005*

11. notes that the 2009 Lisbon Treaty has strengthened the subsidiarity principle, enshrined local and regional identity in the Treaty and strengthened the CoR, encouraging several Member States to plan or carry out institutional reforms to enhance devolution or strengthen local and regional authorities;
12. notes that, in general terms, the degree of devolution has therefore increased in most countries in recent years;
13. also notes, however, that the effects of the financial and economic crisis that erupted in 2009 and the sovereign debt crisis that struck in 2010 on the process of boosting devolution have been negative and that sub-national authorities have been affected by the changes in the relationship between national governments and the European institutions;
14. in that context, is pleased to note that the concept of multilevel governance, which has the capacity to counter negative trends in relation to devolution, has become an established part of European political debate, thanks in no small part to the initiative of the CoR;
15. feels obliged to point out that some of the Member States that have joined the EU since 2004 have not completed the transition process in relation to devolution and is therefore aware that those countries, as well as the countries of the Eastern Partnership, face particularly great challenges when it comes to achieving thriving economic and social development;
16. considers that recent enlargements have shown that inadequate involvement of regional and local authorities in the process of integration creates major challenges and problems for both national governments and the European institutions in implementing EU policies and carrying out the necessary reforms, which in the end affects the public;
17. is pleased to note that the vast majority of Council of Europe members, and all EU Member States, have ratified the Council of Europe's 1985 European Charter on Local Self-Government, according to which local self-government in Europe should be strengthened, based on the principles of democracy, proximity to the people and devolution;
18. welcomes and supports the Council of Europe's initiative on a European Charter on Regional Democracy, and the draft proposed by the Congress in 2008, which aim to set out the key principles of regional democracy in Europe;

19. especially regrets the fact that that initiative has been blocked by the opposition of a number of members of the Council of Europe, but appreciates that at least the ministers responsible for local and regional government agreed a Reference Framework for Regional Democracy in 2009;

*Devolution and the financial crisis*

20. observes with great interest the fact that the division of powers, and in particular the issue of fiscal devolution, have received growing attention in national and European public debate in the context of the consequences of the current economic and financial crisis, with the assumption often being that the behaviour of sub-national authorities is one of the elements that is preventing national budget targets from being hit;
21. notes with concern that the financial crisis that erupted in 2009 has spilled over into a sovereign debt crisis that is seriously threatening the real economy of cities and regions and harming the social fabric of the Member States;
22. regrets the growing trend towards centralisation that has been noticeable since the economic and financial situation began to deteriorate, a trend that is based on the mistaken assumption that transferring public services to the central government level will make them more cost-effective;
23. is firmly opposed to the economic and debt crises and the austerity measures that are required across Europe being used in some Member States as an excuse to further centralise powers, to devolve powers without providing corresponding financial resources or to rationalise, reduce or abolish sub-national bodies altogether, which will end up weakening local and regional democracy;
24. vigorously opposes such a policy, which violates the European principle of subsidiarity, according to which political and regulatory decisions should be taken at the most appropriate level in order to achieve the desired goals and as close as possible to the people;
25. also observes equivalent developments taking place in countries that are preparing for EU accession and countries of the European neighbourhood;
26. notes that merging municipalities is very often presented as a way to achieve cost savings in the context of the financial and debt crises, based on economic arguments but without always being based on adequate studies or analyses;
27. believes that when such changes are considered, the loss of proximity to the people and of local democracy that may result must not be ignored, and that priority should be given to the possibilities of saving money by means of cross-border cooperation. Abolition of municipalities by way of merger should be considered extremely carefully;

28. in this context, highlights the value of European Groupings of Territorial Cooperation (EGTCs), which make it much easier for regions and municipalities to cooperate across borders in delivering public services;

*The current state of devolution in Europe<sup>1</sup>*

29. understands from recent reports that three of the 27 EU Member States formally have a federal structure, one Member State is a quasi-federal state, and that the others are unitary states of various types, some of which have heterogeneous local structures (an asymmetric system) in spite of their formally unitary nature; also notes that eleven Member States have only one sub-national level, nine have two and seven have three such levels;
30. observes with great interest the fact that in many countries, the economic and financial crisis has proved to be a catalyst for reform and change, with local authorities in some countries having faced a local restructuring process and institutional power structures also having changed considerably in some cases – not always in the direction of more devolution;
31. draws attention to the analytical work that it has commissioned to take a snapshot of the state of devolution and the division of powers in the Member States;

*Principles for the organisation of local and regional self-government*

32. is convinced that functioning local and regional administrations and effective devolution should be based on the principles of subsidiarity, proportionality and multilevel governance;
33. considers it extremely important for local and regional governance to be conducted through democratically elected and fully representative bodies that are accountable to their people. That brings policy closer to the people, showing the added value of local and regional democracy, since good governance and transparency give local and regional bodies greater legitimacy and responsibility and improve trust in them;
34. considers it absolutely essential for decisions to introduce reforms devolving powers and financial resources to be in line with the practical expectations and demands of the public and of local and regional authorities;
35. is pleased that European integration has contributed in a decisive way to local and regional devolution. The devolution that is currently taking place or being discussed in the enlargement countries and the countries of the Eastern Partnership can be a considerable help to them when it comes to adapting more quickly and easily to the EU acquis and, in due course, complying better with the obligations of EU membership;

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This section uses information from the recent Council of European Municipalities and Regions (CEMR) – Dexia Crédit Local report on sub-national public finance in the EU, as well as from the European Commission Report on Public Finances in EMU.

36. also points out that the EU treaties indirectly recognise local and regional democracy (Article 10 TEU, Article 20(2) TFEU and Article 40 of the EU Charter of Fundamental Rights), showing that regardless of its basic neutrality in relation to the institutional structure of Member States, the EU sees local and regional democracy as one of the foundations of its own legitimacy;
37. in this respect, calls on all EU Member States to establish an appropriate legal framework for their sub-national authorities at the highest possible level (in the constitution, if possible);
38. points out that its aim is not to create purely statistical regional units, but to set up politically and administratively self-governing sub-national authorities, which can implement EU measures and legislation much better;
39. shares the view of the CLRAE, among others, that the number of devolved entities in a European country should in part reflect the geographical size of the country, and draws attention to the valuable recommendations for future development of intermediate levels of administration contained in Arco Latino's 2012 "Salerno Manifesto";
40. invites the European institutions to support devolution, which is a key element in fostering cultural diversity, in line with the EU's motto "United in Diversity";
41. in this connection, points out that devolved governance has major advantages, such as better appreciation of people's needs and wishes; (co-) development of policies that can help foster sustainable and competitive growth; sound economic management and local and regional investment; and greater autonomy and local and regional democracy;
42. reiterates that in accordance with the principles of good governance and better lawmaking, regional and local authorities, as well as the parties responsible for implementing EU policy at sub-national level, must be more actively and effectively involved as early as possible in designing and implementing EU policies and legislation;
43. in this regard, deems the effective implementation of the cooperation agreement between the European Commission and the CoR as an important means to provide such involvement;
44. repeats its call for the Member States in which there are regional authorities with legislative powers to set up the mechanisms needed to allow those regional authorities to participate in EU decision-making processes on matters which concern them. That should apply not only to regional parliaments, which act in the context of the subsidiarity early warning mechanism, but also to regional executives, which should be involved in preparing national positions in the Council or in putting together national delegations;

*Multilevel governance and the link between effective, functioning local and regional self-government and the proper application of the subsidiarity principle*

45. recalls that multilevel governance ensures that all levels of governance cooperate in making decisions and exercising powers and that subsidiarity and multilevel governance go hand in hand with strong local and regional self-government;

46. also recalls that the Lisbon Treaty made it explicit for the first time that the subsidiarity principle applies to the whole range of EU governments, at European, national, regional and local level. The principles of subsidiarity and proportionality are prerequisites for multilevel governance to work in practice;
47. is convinced that the political and legal principle of subsidiarity is a key driver of devolution, since it leads to powers being located at the level at which they can be most efficiently exercised;
48. intends to continue its cooperation with the Council of Europe CLRAE in monitoring the application of the European Charter on Local Self-Government and the state of local and regional democracy in EU Member States and candidate countries;
49. again gives notice of its intention to develop an EU Charter on Multilevel Governance and to continue the work that has already begun on the subject<sup>2</sup>;

*Financial devolution*

50. is pleased to note that the European Commission's recent report on public finances in the Economic and Monetary Union<sup>3</sup> shows that the trend towards fiscal devolution in the EU Member States is gathering pace, with a growing proportion of income and expenditure being at a local or regional scale. The report highlights the fact that own resources, i.e. independently raised sub-national taxes or charges, are a more efficient funding tool than transfers from central government, but that sub-national taxes and charges are used in less than 50% of cases and have not increased since 1995;
51. points out that a coherent process of devolution can only succeed if the transfer of powers to sub-national authorities is matched by a corresponding allocation of financial resources and recalls that both the European Charter on Local Self-Government and the Council of Europe's Reference Framework for Regional Democracy include duties and measures along these lines for the signatory states;
52. in that regard, is critical of recent developments in some Member States, in which the allocation of powers is not linked to corresponding financial resources or to income-raising powers and the resulting inefficiency of regional or local self-government is used as an argument for centralisation;
53. points out that it is not devolution per se that leads to unrestrained spending by sub-national authorities, but rather poor implementation of devolution measures that are not accompanied by fiscal devolution;
54. refers once again to the European Commission's report on public finances in EMU, which states that regions that are primarily financed from their own resources manage the available funds

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<sup>2</sup> See opinions CdR 89/2009 fin and 273/2011 fin.

<sup>3</sup> [http://ec.europa.eu/economy\\_finance/publications/european\\_economy/2012/public-finances-in-emu-2012\\_en.htm](http://ec.europa.eu/economy_finance/publications/european_economy/2012/public-finances-in-emu-2012_en.htm)

in a responsible manner and therefore have solid public finances, and thus encourages the Member States to replace transfer payments, so far as possible, with own financial resources;

55. is also concerned that many regions and municipalities have found themselves in severe financial difficulties as a result of risky financial speculation and calls on the European Commission to develop appropriate instruments and strategies to address these situations;
56. emphasises the positive connection between devolution on the one hand and successful, sustainable European regional policy on the other and, in this respect, refers to studies showing that cohesion policy produces better results in devolved Member States;
57. also notes that cohesion policy is implemented particularly inefficiently in centralised Member States all of whose regions are eligible for Objective 1, since centralised administrations are often unfamiliar with the regional problems and challenges involved in particular projects, and is therefore in favour of involving sub-national authorities in the future management of the funds in the Member States;

*Devolution and independence movements*

58. is convinced that a proper devolution process can greatly improve the satisfaction of the people in the regions and local authorities and can reinforce their loyalty to the national state;
59. on the other hand, believes that it must be borne in mind that a prolonged refusal to engage in dialogue, with the resulting failure to take account of the wishes and demands of the region, and an unjustified refusal to devolve powers and financial resources can lead to demands for autonomy and in extreme cases to the secession of a region from the national state;
60. is closely monitoring the independence movements that have recently been gaining strength in certain regions of EU Member States and candidate countries and their very different historical, political and economic causes;
61. in this context, calls for studies of the causes of these movements, making it possible to discuss and understand their motivations and find coherent, peaceful solutions for both the central bodies and the regions;
62. makes clear that in accordance with Article 4(2) TEU, developments in the direction of the independence of a region should be seen as an internal matter for the state concerned;
63. recalls that if a region, having achieved independence, wanted to join the EU, it would be required to make a formal application to the Council and to follow the accession procedure under Article 49 TEU in the same way as any other country that wished to become an EU Member State;

*Visions for the future of Europe*

64. is taking part with great interest in the debate that has recently begun on different visions of the future of Europe and expects that sub-national authorities will be involved in the discussion process from the very beginning, which it sees as a key challenge in the context of its own activities;
65. emphasises that it is essential that any vision for Europe include the regional and local levels, since the legitimacy of the European Union depends in part on the legitimacy of sub-national authorities;
66. considers that a Convention on these subjects is necessary and will formulate and contribute its ideas on the future shape of the EU, along the lines that there is still room for greater recognition of local and regional democracy in future treaties;
67. in that respect, recommends considering to what extent devolution together with effective local and, where appropriate, regional self-government could become a condition for EU membership;

*Recommendations*

68. recommends that the dialogue between the European institutions and regional and local authorities be strengthened, with a view to direct cooperation between regions, cities and municipalities on the one hand and European Union bodies on the other;
69. recommends that all levels of government work together to achieve a lasting solution to the European sovereign debt crisis and, in that respect, calls for the involvement of local and regional authorities on equal terms in drawing up European and national reform plans;
70. calls on the Member States to carry out any territorial reorganisation in a careful, considered and well-planned way and in accordance with the Charter on Local Self-Government and the European Reference Framework for Regional Democracy;
71. calls for more attention to be paid to proven examples of best practice in successful regions and municipalities with a view to advancing the public debate on devolution, particularly in centralised countries, and providing successful examples of the benefits of devolution;
72. invites the European Commission to give even stronger support than it already does to targeted training programmes for regional and local administrations in how to produce appropriate aid projects and to pay closer attention to ensuring that EU aid is allocated on the basis of objective criteria, not political whim;
73. also invites the European Commission to include a separate chapter in its annual progress reports on the state of regional and local self-government in the candidate countries concerned;

74. welcomes the fact that, for the first time, the Commission's 2012 annual report on public finances in EMU includes a chapter on fiscal devolution and the state of local and regional finances, as well as on the reforms under way in relation to fiscal devolution in the Member States, and encourages the European Commission to repeat this review of sub-national public finances every year;
75. proposes to complement the study mentioned above on the state of devolution and the division of powers within the Member States with a further survey of the relationship between devolution of powers and the provision of financial means by way of fiscal devolution, and highlights the need for that instrument in order to monitor the proper application of the subsidiarity principle.

Brussels,

## II. PROCEDURE

<b>Title</b>	Devolution in the European Union and the place for local and regional self-government in EU policy making and delivery
<b>Reference(s)</b>	–
<b>Legal basis</b>	Article 307(4) TFEU
<b>Procedural basis</b>	Rule 39(b) of the Rules of Procedure
<b>Date of Council referral/Date of Commission letter</b>	Own-initiative opinion
<b>Date of Bureau/President's decision</b>	2 May 2012
<b>Commission responsible</b>	Commission for Citizenship, Governance, Institutional and External Affairs (CIVEX)
<b>Rapporteur</b>	Franz Schausberger (AT/EPP), Delegate of the Land of Salzburg to the Committee of the Regions
<b>Analysis</b>	31 October 2012
<b>Discussed in commission</b>	4 December 2012
<b>Date adopted by commission</b>	11 February 2013
<b>Result of the vote in commission</b>	By a majority
<b>Date adopted in plenary</b>	Scheduled for 11 or 12 April 2013
<b>Previous Committee opinions</b>	<p><a href="#">CdR 222/2004 fin</a>, <i>Devolution in the European Union and the place of local and regional self-government in the draft Constitutional Treaty</i>, José María Muñoa Ganuza (ES/ALDE)</p> <p><a href="#">CdR 23/2005 fin</a>, <i>Competitiveness and decentralisation</i>, Anders Gustav (SE/EPP)</p> <p><a href="#">CdR 16/2008 fin</a>, <i>Reforming the budget. Changing Europe</i>, Michel Delebarre (FR/PES) and Luc Van den Brande (BE/EPP)</p> <p><a href="#">CdR 89/2009 fin</a>, <i>The Committee of the Regions' White Paper on multilevel governance</i>, Luc Van den Brande (BE/EPP)</p> <p><a href="#">CdR 224/2010 fin</a>, <i>Reinforcing economic policy coordination</i>, Konstantinos Tatsis (EL/EPP)</p> <p><a href="#">CdR 405/2010 fin</a>, <i>Enlargement strategy and main challenges 2010-2011</i>, Franz Schausberger (AT/EPP)</p> <p><a href="#">CdR 167/2011 fin</a>, <i>The complementarity of national and EU interventions aimed at reducing the disparities in economic and social growth</i>, Francesco Musotto (IT/EA)</p> <p><a href="#">CdR 273/2011 fin</a>, <i>Building a European culture of multilevel governance: follow-up to the Committee of the Regions' White Paper</i>, Luc Van den Brande (BE/EPP)</p> <p><a href="#">CdR 365/2011 fin</a>, <i>Enlargement strategy and main challenges 2011-2012</i>, Stanisław Szwabski (PL/EA)</p>