

## CONGRESS OF LOCAL AND REGIONAL AUTHORITIES OF EUROPE

### **Recommendation 69 (1999)<sup>1</sup> on regional economic partnership – a factor for social cohesion in Europe**

*(Extract from the Official Gazette of the Council of Europe – June 1999)*

The Congress,

Bearing in mind the proposal of the Chamber of Regions and having taken note of the opinion of the Chamber of Local Authorities,

1. Noting the report on “regional economic partnership, a factor for social cohesion in Europe” presented by Mr Suaud (France) to the present session;
2. Welcoming the success of the 5th Economic Forum of the Regions of Europe on “Investment and regional and local development policies at pan-European level” held from 2 to 4 July 1998 in Bucharest (Romania) at the invitation of the General Mayor of Bucharest in conjunction with the Foundation for the Economic and Sustainable Development of the Regions of Europe, the Romanian Government, the Chamber of Commerce and Industry of Romania and the Romanian Association of Manufacturers;
3. Taking into account the final declaration entitled “Regional economic partnership – a factor for social cohesion in Europe” adopted at the conclusion of the Forum and appended to this Recommendation;
4. Welcoming the holding during the Forum of a colloquy on the promotion of regionalisation in Europe and recent initiatives in Romania aimed at introducing a regional development policy and reforming local and regional public institutions;
5. Recalling:
  - a. CLRAE Recommendations 23 (1996), 27 (1996) and 37 (1997) on the results of the previous forums, which were addressed to governments and international institutions and were aimed at promoting inter-regional and transfrontier co-operation between the regions of the Council of Europe member states in the socio-economic field and increasing their powers in this area;
  - b. CLRAE Resolutions 38 (1996) and 42 (1996) on the work of the previous forums, Resolution 54 (1997) on “sustainable development” and Resolution 72 (1998) on the regions and employment, contribution to social cohesion in Europe;

<sup>1</sup> Debated and approved by the Chamber of Regions on 16 June 1999 and adopted by the Standing Committee of the Congress on 17 June 1999 (see Doc. CPR (6) 5, draft Recommendation presented by Mr B. Suaud, Rapporteur).

c. Parliamentary Assembly recommendations supporting governments’ policies in this field, particularly with regard to the states in transition in central and eastern Europe;

6. Bearing in mind:

a. The draft European charter of regional self-government adopted in 1997 by the Congress as Recommendation 34 (1997) and currently under examination by the Committee of Ministers of the Council of Europe with a view to its becoming a European Convention;

b. The European Outline Convention on Transfrontier Co-operation between Territorial Communities or Authorities ratified by 21 Council of Europe member states, and its second additional protocol on inter-territorial co-operation signed by eight member states and ratified to date by one state;

7. Recalling:

a. the final declaration and action plan of the 2nd Summit of Heads of State and Government of the Council of Europe which stressed that social cohesion and transfrontier co-operation were among the Organisation’s priorities;

b. the report of the Committee of Wise Persons to the Committee of Ministers entitled “Building Greater Europe without dividing lines” which emphasised the need for the Council of Europe “to ensure that all member states comply with Council of Europe standards and to reach out to new members and assist them in their legal, political and social transformation”;

8. Noting that:

a. inter-regional co-operation in Europe today represents an aspect of European co-operation which has been developed and strengthened in recent years, and which is based on the commitment of regions playing an active part in European integration;

b. this co-operation today goes beyond mere cultural and administrative links, twinnings and occasional contacts. It is becoming a movement of inter-regional solidarity, creating partnerships in a wide variety of areas such as the socio-economic, environment, training, transport and communications fields;

c. the regions of the European countries in transition are faced with many problems of a political, administrative and legislative nature, hindering initiatives by regional players to devise strategies for their region’s social and economic development, which could be better managed if states were to opt increasingly for a policy of decentralisation and regionalisation;

d. assistance and know-how transfer programmes are needed on the part of the older pluralist democracies in order to aid the regional authorities in the new member states with their experience and knowledge of market economy mechanisms, the integration of regional and national structures into the pan-European co-operation system and regionalisation policies;

e. the Congress has embarked successfully upon advising national (governmental and parliamentary) and regional authorities in the new Council of Europe member states in

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the field of local and regional self-government, in particular through a programme of expert colloquies and debates to enable them to adapt their structures and administrative and political regulations to the standards and values of the Council of Europe ;

*f.* investment policies at both national and regional level can be developed only if there is a transparent and effective administration, and clear and stable legislation recognising private property and guaranteeing legal certainty *inter alia* in the business and banking field ;

*g.* the economic development of regions is not dependent exclusively on their industrial and economic base, but also, to a large extent, on the quality and training of human resources and their working and living conditions ;

*h.* regional authorities must make administrative and financial efforts to set up training institutions for the young generations, placing the emphasis on market laws and operating mechanisms, inter-regional and international competition and responsible management of natural resources ;

*i.* the socio-economic development of a region can be successful only if political initiatives in this field incorporate the cultural dimension. The regional cultural identity is a major factor distinguishing one region from another and at the same time, on the economic level, enhances the cultural advantages resulting from a regional identity marked by history and traditions, the population and language of the region, and people's sense of commitment to their region ;

*j.* the activities of the Congress and its Chamber of Regions in promoting inter-regional co-operation in the socio-economic field contribute to a country's social cohesion and help reduce regional disparities in terms of economic and business activity, thus ensuring that inhabitants enjoy favourable living and working conditions in their region, which in turn reduces migration towards large urban centres,

9. Recommends that the Committee of Ministers :

*a.* acknowledge the place of regions in the new architecture of pan-European co-operation and the role they play as promoters of local and regional democracy, political and cultural solidarity, democratic stability and social harmony, by providing support, under its work programme for democratic stability, for the initiatives of regions in member states, especially in the countries of central and eastern Europe, aimed at setting up co-operation and partnership networks in the socio-economic, environmental, technological and cultural fields ;

*b.* instruct the Steering Committee on Local and Regional Democracy to devote more attention in its work programme to issues related to regionalisation, structures and regional development policies of member states ;

*c.* speed up work on the drafting and adoption of a binding legal instrument in the form of a convention guaranteeing regional self-government in member states ;

*d.* provide the CLRAE with the appropriate administrative and budgetary resources to develop at local and regional

levels initiatives to further social cohesion with the direct support of elected representatives as part of its programme of expert colloquies governmental, regional and local authorities ;

10. Recommends that the Social Development Fund :

*a.* incorporate the regional dimension more fully into projects for which financing is granted to member states, while taking into account the democratic functioning of local, regional and national institutions ;

*b.* assess the proposed financing projects in accordance with criteria relating to sustainable development, their impact on social cohesion and their contribution to a reduction of regional disparities within countries ;

*c.* analyse the various possibilities enabling regions to benefit directly or indirectly from the Fund through the intermediary of national authorities and study with the Chamber of Regions ways and means of improving the effectiveness of its policy by incorporating its projects into a national concept of regional development to be formulated in conjunction with regional elected representatives ;

11. Recommends that the governments of member states :

*a.* acknowledge the place of regions in a country's socio-economic development and the advantages of inter-regional co-operation networks at national and European levels to enable countries to respond more effectively to the economic challenges of the new European and world architecture ;

*b.* introduce, with this in view, transparent administrative rules and appropriate legislation in order to attract foreign investors for whom the right to private property, mobility, transfer of funds and an operational banking system must be guaranteed at both national and regional level ;

*c.* embark upon a policy of privatising the public sector and ensuring that local and regional authorities are able to benefit from the funds generated by such a policy so that they may re-inject them into their own projects for regional and local economic development ;

*d.* formulate, in co-operation with regional authorities, policies aimed at promoting small and medium-sized enterprises which are the prime sources of job creation in Europe ;

*e.* set up, in conjunction with regional authorities, training institutes for those who in the future will be responsible for regional economic development and the management of the economic, industrial and environmental resources of the region ;

*f.* frame regional development policies in co-operation with the elected regional authorities in accordance with the principles of subsidiarity, sustainable development and decentralisation, or regionalisation ;

*g.* support within the Committee of Ministers of the Council of Europe the drafting and adoption of a European Convention on Regional Self-Government on the basis of the draft charter adopted by the CLRAE in 1997 ;

12. Recommends that the Parliamentary Assembly:

- a. attach appropriate political importance to the problems of decentralisation and regionalisation in member states and their contribution to democratic stability, and resume study of member states' regional development in the new pan-European context;
- b. give its political support to the adoption by the Committee of Ministers of an international legal instrument aimed at strengthening regional self-government in member states by supporting the adoption by the Committee of Ministers of a European Convention based on the draft European charter of regional self-government adopted in 1997 by the Congress;
- c. co-operate more fully with the CLRAE in the preparation of national analyses relating to local and regional democracy in the member states (monitoring process) by drawing on the reports and opinions issued in this field by the Congress;
- d. pay greater attention to the regional dimension in the various fields covered by its committees such as agricultural and rural development, cultural activities, and economic, technological and environmental policies;

13. Recommends that the EBRD:

- a. take into account, when examining applications for funding from central and east European countries, their democratic stability and the proper functioning of the structures of local and regional self-government;
- b. give economic and financial support to states which can provide convincing proof of economic and administrative transformation and which have a decentralisation and regionalisation policy providing the basis for local and regional self-government.

## Appendix

### **Final declaration adopted on 4 July 1998 5th Economic Forum of the Regions of Europe Bucharest (Romania), 2-4 July 1998**

#### **Regional economic partnership – a factor for social cohesion in Europe**

1. The participants at the 5th Economic Forum of the Regions of Europe, representatives of the local and regional authorities of the Council of Europe, Ministers, senior officials, representatives of international organisations and leading figures from the world of business, government and politics, wish to thank the authorities of the City of Bucharest, the Congress of Local and Regional Authorities of Europe and the Foundation for the Economy and Sustainable Development of the Regions of Europe for organising this Forum in the Romanian capital from 2 to 4 July 1998.
2. They recall that the Forum's main objective is to offer political and business representatives from the regions of Europe a platform for contact and dialogue, exchanges of information and experience and co-operation and partnership in the field of economic and regional development, carrying on from the meetings already held in Geneva (January 1996), Dortmund (June 1996), Moscow (November 1996) and Vienna (September 1997).

3. It can be said that interregional co-operation has been given new momentum by the holding of the 5th Forum in Bucharest, which provided an opportunity for detailed discussion of the various aspects of investment and local and regional development policies at pan-European level. We were able to see how the whole Romanian government has developed new initiatives to attract foreign investment, while adapting the administrative and legislative environment to the new demands of the market economy. These efforts are aimed at stabilising the democratic and administrative reforms with appropriate economic policies, the key objective of which is to promote economic and social cohesion throughout the country. These same efforts are helping to integrate Romania into the new mechanisms for European co-operation, opening up prospects for future accession to the European Union.

4. The distinctiveness of the Bucharest Forum has lain in mobilising the close co-operation between central, regional and local government representatives with a view to capitalising on the advantages and economic potential offered by all local and regional authorities in terms of attracting foreign investment and ensuring that it is spread out fairly throughout the country.

5. The recent adoption by the Chamber of Deputies of the legislation on regional development policy was a major step in this direction and represents an interesting experience and an important step towards genuine regionalisation.

6. Nevertheless, it has emerged from the discussions that significant problems remain with regard to transforming the country's economic fabric in order to adapt it to the demands of the market economy and the challenges of globalisation. The involvement of the business sector in the Forum's political discussions through an exhibition and partnership exchange contributed to the distinctiveness of the event and gave both the political and the business representatives new insights into European interregional co-operation.

7. Privatisation and co-operation between the public and private sectors are also areas where specific efforts are necessary. The main aim of mobilising businesses at regional level is to promote endogenous development, which demands decentralisation of powers and a policy of regionalisation. The latter also helps to slow down the rural exodus and, at the same time, the concentration of economic and industrial development in major urban areas. In this connection, economic development policies must go hand in hand with policies to protect natural resources and the environment.

8. Particular attention was paid to the development of border regions and their integration into national and transnational transport and communications networks. Their development should be planned from the angle of co-operation with bordering regions in the framework of permanent transfrontier co-operation structures.

9. If fruitful partnerships are to be developed between regions, the latter must be given real powers and

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appropriate means of action, a fact that has still not been fully understood, especially in central and eastern Europe.

10. Yet, in their final declaration, the Heads of State and Government of the Council of Europe, at the second Summit in Strasbourg in October 1997, recognised the fundamental role the institutions of local democracy play in maintaining stability in Europe. And, at their first Summit in 1993, the Heads of State and Government stressed the role played by transfrontier co-operation in maintaining stability in Europe.

11. We should welcome the fact that the development of transfrontier co-operation has speeded up in the last few years in central and eastern Europe, including in the Carpathian region. The Romanian authorities and their counterparts in neighbouring Hungary and Ukraine have freed up this co-operation and complied with the principles of the European Outline Convention on Transfrontier Co-operation between Territorial Communities or Authorities and the additional protocol thereto.

12. Nevertheless, if transfrontier interregional co-operation is to flourish, extensive decentralisation of powers is necessary and local and regional authorities will have to be provided with the resources needed for such co-operation, including in the economic sphere.

13. The business sector, finance ministries and international financial and economic institutions must now recognise that regionalisation is not an obstacle to economic development, but one of the means of promoting economic growth and trade based on the potential of all the regions concerned, as demonstrated by the success of the most prosperous countries, it surely being no coincidence that they are countries where considerable political and economic decentralisation has taken place.

14. Exchanges of experiences involving other central and east European countries, as well as the policies implemented in western Europe, have highlighted the need to develop and to promote policies to support the establishment of small and medium-sized firms, which are dynamic structures able to create jobs and adapt quickly to domestic and foreign competition in a free market economy. New initiatives must be taken at interregional level in this area with a view to developing the fabric of such small and medium-sized firms, which are particularly weak in most central and east European countries. This is an important factor in combating the scourge of unemployment currently affecting all countries of Europe. Local and regional authorities are feeling the consequences and are faced with the need to develop schemes to counter new poverty and social exclusion.

15. The role of regional authorities, working in particular with the business sector, is to provide training for young people and life-long training for adults so as to prepare them for working life and the career changes and retraining dictated by the modern economy. In this area too, interregional exchanges of trainers and students help to promote development.

16. Not only does sustainable development demand management of natural resources that is compatible with the long-term requirements of protection of the environment. The market economy also requires progress to be made at the same time in terms of democracy, respect for national and regional cultural identities and the implementation of measures of social justice. Failure to respect these democratic cultural and social values could lead to a crisis of neoliberalism of the type seen recently in certain countries in Asia.

17. Romania and the other countries in central and eastern Europe must work towards their own models of development that fit into the economic, cultural, social and environmental context of the region.

18. Interregional economic partnership is a modern process aimed at improving the competitiveness of regions in conjunction with – and not at the expense of – neighbouring regions in their own countries and across national frontiers.

19. Regional development and economic partnership between regions should contribute to economic expansion and thus also to social cohesion in individual countries and throughout Europe.

20. The Forum was pleased to have welcomed for the first time a representative of the Adjarian Autonomous Republic (Georgia) and a representative of the city of Podgorica, capital of the Republic of Montenegro (FRY), and welcomes the efforts made in those two republics to move closer to Europe, which deserve also to be encouraged through interregional partnerships.

The participants:

Invited the Romanian authorities, the Congress of Local and Regional Authorities of Europe (CLRAE) and the Foundation for the Economy and Sustainable Development of the Regions of Europe (FEDRE), as appropriate, to follow up the Bucharest Forum and, in particular:

- i. to promote partnerships that involve not only economic development but also the exchanges in terms of culture, vocational training and social cohesion that underlie sustainable and balanced development;
- ii. to set up a concept promoting partnerships between Romanian towns, regions and economic actors and their counterparts in other European countries, which would act in coordination with the CLRAE and the FEDRE;
- iii. to organise a 6th Economic Forum of the Regions of Europe in Weimar at the invitation of the *Land of Thuringia* (Germany) in 1999 to consider, in particular, the role of cultural policy and regional cultural identity in economic development;
- iv. to take stock, after an appropriate period of time, of the experience of the Romanian regional development agencies and of the progress made towards a more widespread decentralisation of competencies at regional level.