

# THE CONGRESS OF LOCAL AND REGIONAL AUTHORITIES

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## Resolution 265 (2008)<sup>1</sup> Regional public finance policies

The Congress, acting upon a proposal from the Chamber of Regions,

### 1. Having regard to:

*a.* its Opinion 20(2003) on the Committee of Ministers preliminary draft recommendation to member states on financial and budgetary management at local and regional level;

*b.* Recommendation Rec(2004)1 of the Committee of Ministers to member states on financial and budgetary management at local and regional levels;

*c.* Recommendation Rec(2005)1 of the Committee of Ministers to member states on the financial resources of local and regional authorities, and the appended guidelines for central and local authorities;

*d.* the Helsinki Declaration on regional self-government as adopted by the Conference of European Ministers responsible for Local and Regional Government at their 13th Session on 27 and 28 June 2002 in Helsinki and the list of core concepts and common principles on regional self-government appended to this declaration;

*e.* the conclusions of the Moscow International Conference from 5 to 7 October 2000 which are laid down in Congress Recommendation 90 (2001) on financial relations between state, regional and local authorities in federal states;

*f.* the draft European charter of regional democracy as presented to the Congress for adoption during its plenary session on 27 to 29 May 2008, which contains key provisions to strengthen regional finance;

*g.* the Valencia Declaration as adopted by the Conference of European Ministers responsible for Local and Regional Government at their 15th Session on 15 and 16 October 2007 in Valencia which emphasises the importance of regional self-government;

### 2. Reiterating that:

*a.* organising a state's financial system and distributing financial resources to the different levels of government are some of the most complex matters faced by modern democracies;

*b.* regional self-government implies a considerable degree of financial autonomy;

*c.* regional authorities must be able, within the framework of national economic policy, to raise adequate resources of their own;

*d.* financial transfers to regional authorities shall be governed by rules established by law and based on objective criteria relating to a region's competences;

*e.* a substantial proportion of financial transfers to the regional level shall not be earmarked for the financing of specific projects;

*f.* there is a need to ensure a fair distribution of public financial resources between the different levels of government, taking into account the competencies assigned to each level and changes in competencies, as well as economic circumstances;

*g.* regional authorities' financial resources must in particular be commensurate with the requirement that they discharge their responsibilities effectively; namely, additional tasks shall not be assigned to regions without the financial resources they need to exercise them (connectivity principle);

*h.* financial systems shall provide regions with reasonable stability and at the same time allow them to keep pace with the real evolution of the costs of carrying out their responsibilities;

*i.* regional authorities' financial resources shall be foreseeable and sufficiently diversified;

*j.* with a view to fairness and solidarity between regions and in order to enable the country's economic and social cohesion, financial equalisation procedures shall ensure the protection of financially weaker regions and offset unequal financial resources and burdens;

*k.* legally guaranteed procedures and mechanisms must ensure that regional authorities are consulted when decisions by the central government are likely to affect their financial interests,

### 3. Invites:

*a.* its Institutional Committee, in its future country monitoring activities, to bear in mind the Committee of the Ministers' Recommendation Rec(2005)1 to member states on the financial resources of local and regional authorities and the guidelines appended to it;

*b.* its Chamber of Regions to:

*i.* address key issues related to regional public finance in the work of its Ad hoc Working Group on Regions with Legislative Powers;

*ii.* continue to evaluate, analyse and report on the functioning and the problems in the field of regional public finance, such as different equalisation systems, the implementation of the connectivity principle or the compatibility of member states' subsidy systems with Council of Europe standards;

*iii.* hold, during one of the next Congress sessions, a round table with Congress members and ministers responsible for regional public finance with a view to identifying main problem areas and possible Congress activities in the field of regional finance.

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1. Debated and approved by the Chamber of Regions on 27 May 2008 and adopted by the Congress on 29 May 2008, 3rd Sitting (see Document CPR(15)3RES, draft resolution presented by K. Behr (Germany, R, EPP/CD), rapporteur).