



Consiglio Regionale
del Veneto



Unioncamere
Veneto



CALRE
Working Group "Financial Federalism"

Working Program 2012

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1. Introduction

This document describes the activity program of the 2012 Working Group "Financial Federalism" coordinated by the Regional Council of the Veneto Region for five years in the CALRE context.

For the proposals and the topics discussed, the working plan is the natural continuation of previous activities and is consistent with the documents presented and discussed during several meetings of the Working Group "Financial Federalism." In brief, these documents showed that:

- a greater decentralization of responsibilities and powers, at the peripheral levels of government, is able to ensure better implementation of the principle of subsidiarity, to encourage better management of public finance and to stimulate greater administrative efficiency;
- a greater financial autonomy is able to mitigate the adverse effects on competition of the enterprises, arising from the different institutional structures and the extreme variability of financial flows within each country;
- a greater institutional autonomy and decision-making could justify the regional/local tax advantage, to promote innovative measures of fiscal policy for the benefit of businesses and households, to reduce the bureaucracy involved in the policies of incentives, mechanisms of collection and redistribution of resources and finally to foster the economic and social development at a local level.

In light of the results achieved, during 2012 the Regional Council is going to deepen some financial aspects related to federalism as a fundamental way to build and affirm the 'Europe of the regions'.

1. Background

The gradual decentralization of powers and resources from the periphery to the center, especially since the Nineties, is a common element in many European countries. The reorganization of the public structures, in a decentralized way, can be interpreted as a consequence of the increasing importance of the principle of subsidiarity in the European Union and, from a practical point of view, as a solution to increase and strengthen the rationalization process of public spending.

The Financial crisis of the recent years, however, has slowed, if not completely blocked, this process. The analysis of public accounts of European local administrations reveals a regression of the size of the revenue and expenditure over the past two years. This is due to the reduction of central cash flows, which were subject to restrictive measures in many countries in order to correct the performance of national public finances. In this sense, the process of fiscal and administrative decentralization in Europe risks to become a victim of the current financial markets crisis.

The map of income and expenditure of European regions confirms the findings from the analysis of fiscal aggregates: between 2005 and 2009, the cost of government at the regional level rose far more than the income. Such dynamics can shed light on a situation of suffering and weakness in view of local government in Europe: there is a risk, in fact, that this mismatch between income and expenses may widen further with the continuing Financial crisis, resulting in increased exposure of regional debt.

Obviously, the size of the regional budget is a result of both the assigned responsibilities and fiscal resources allotted (especially depending on whether a country is federal or "nonfederal"). In addition, what affects most is the size of the local population and the amount of wealth produced. However, although heterogeneous in terms of power and size of the budget, what the levels of regional government in Europe have in common are both the gradual shift in recent decades and the risk that this process of devolution of powers and resources can be interrupted for a long time.

The policies of local government, in order to support the competitiveness of the economy during this period of acute crisis, must take into account not solely the transfer of resources that come from the national government to local authorities. There are, in fact, forms of indirect transfer of resources to areas that, through state legislation on tax, social security and welfare, act on the disposable income of individual citizens by reducing regional disparities with regard to fiscal capacity. While the conditions for fiscal consolidation are not important in the logic of transparency, there is a risk that these financial flows affect the competitive ability of the most dynamic areas in the context of economy.

2. Main goals

The work carried out in 2011 has shown that data gathering requires a great deal of effort in planning, standardisation, and, most of all, soliciting. What is more, often the gathered data is not even perfectly comparable due to the differing national legislations regarding public finance. Some problems still await to be solved and require a lot of collaboration among the CARLE regions.

For that reason, it is important that the work of the Working group “Financial Federalism” continues in the future. The Regional Council of the Veneto Region has invested a lot on this theme and we will be glad to continue this ‘journey’ that started in 2006 by putting forward a few ideas:

- the sharing of problems that the Working group “Financial federalism” has come across in 2011;
- planning and carrying on training activities for all CARLE members;
- involving representatives of the National conferences of the Regional Legislative Assemblies so as to collaborate on a central governmental level (the ministries);
- creating inside the “Financial Federalism” Working Team a network of representatives with statistical and financial training, suggested by the CALRE regions with the aim of comparing and exchanging data and metadata regarding the financial flows between the various governmental levels in each region;
- activating and improving the monitoring and benchmarking systems of the CALRE regions for the measuring and comparison of federalism realization and administrative decentralization;
- planning and carrying out a study on the distortion effects on the regional economies deriving from situations of financial unbalance between rich and poor areas of each country (high fiscal residue differentials).

If achieved, the creation of a network of regions around these topics could be very useful to strengthen CALRE’s role in Europe. Meanwhile, the network could become a tool for the shaping of a true European regional policy and enhancing the fundamental role of the Regional councils. The idea behind the initiative that the Working group intends to carry out is that by uniting the forces and being organized it is possible to achieve in very short time what otherwise would take years. The Working group intends to share with all the presidents of the CALRE Regional assemblies the contact details of the DGs of the EU Commission, inviting them officially to participate at the Working group meetings.

3. Members of the Working group

The Working Group "Financial Federalism" is coordinated by the President of the Regional Council of Veneto Clodovaldo Ruffato and is currently made up of the Presidents of the Regional Assembly of the following European Regional Assemblies:

- Parliament of Aland Islands (Finland)
- Legislative Assembly of the Autonomous Region of Madeira (Portugal)
- Parliament of Baden-Württemberg (Germany)
- National Assembly of Wales (United Kingdom)
- Basque Parliament (Spain)
- Parliament of Catalonia (Spain)
- Assembly of the Community of Madrid (Spain)
- Assembly of Murcia (Spain)
- Legislative Assembly of Emilia Romagna (Italy)
- Council of the Autonomous Province of Trento (Italy)
- Parliament of Vorarlberg (Austria)
- Parliament of Tyrol (Austria)
- Parliament of the French Community of Belgium

The Regional Council of Veneto is going to check the availability of the current members of the Working Group and extend participation to other regional assemblies to ensure adequate representation in the various Member States.

4. Working methodology

The Working group is planning to achieve the abovementioned objectives through the following activities:

- sharing of the objectives and the EU contact strategies with the presidents of the CALRE Regional assemblies;
- gathering of information and documents regarding the objectives of the programme;
- updating the specific section of the CALRE website with all the publications, reports and activity calendar of the Working group;
- organising two workshops on financial federalism and the other important themes of the programme;
- preparing and presenting a final report at the Plenary assembly in Merida (Extremadura) in the Autumn of 2012.

5. Activities calendar 2012

The Working group has the following activity schedule:

- March 20, 2012 (Brussels): presentation of the working programme
- April 20-21, 2012 (Venice): workshop on financial federalism
- October 4-5, 2012 (location to be confirmed): presentation of the work in progress
- November 2012 (Merida): presentation of the annual report of the CALRE's Plenary assembly.