



Ministry of the Interior
FINLAND

HIGH LEVEL GROUP ON GOVERNANCE AND THE EU

*Final Report from the Turku Meeting
(2–3 October 2006)*



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Dear Colleagues,

With great pleasure I enclose the final conclusions of the third meeting of the High Level Group on Governance and the EU which took place in Turku, Finland, on 2–3 October 2006.

The previous meetings of senior officials of member states working with local and regional self-government, took place in The Hague in 2004 and in London in 2005. This initiative has already proven its value as a forum for serious debate, prepared for in cooperation by a number of member states, and with the presence of the Commission and the Committee of the Regions.

I would like to thank all participants for your outstanding participation. The one and a half days were tense, but I hope you found them worth while.

The strong commitment of the Finnish government to the goals of the meeting stand clear in the words at the meeting by Finland's Minister for Regional Development and Municipal Affairs, Mr. Hannes Manninen, whose opening speech is reproduced in this report.

The Turku meeting was prepared by networks of expert from member states, often including several ministries, as well as associations of local and regional government and other stake holders. The final conclusions endorse a continuation of such work also in the future.

This work was reflected as well in the enclosed updated multi-annual work programme of the High Level Group, as in the programme of the meeting. A list of papers prepared for the Turku meeting is enclosed. The papers listed are at your disposal at request.

At the meeting in Turku, the Portuguese delegation announced that it will take the tradition further and host a High Level Meeting during the Portuguese Presidency during the second half of 2007. I am convinced that I reflect the spirit of the whole meeting in saying that we received this announcement with enthusiasm.

Cay Sevón

Chair of the third meeting of the High Level Group on Governance and the EU



Final Conclusions & Recommendations

The High Level Group on Governance and the EU at its meeting in Turku, Finland, on October 2–3 2006 agreed upon the following conclusions and recommendations which, however, remain the responsibility of the Finnish Presidency. The informal meeting does not decide. The aim of the conclusions is to reflect the discussion. In the tradition of previous High Level Meetings of the Group “we” here stands for the participating senior officials of the member states.

We welcome this opportunity for exchanging views, information and good practice examples on governance, building on the previous meetings of the High Level Group in The Hague in 2004 and London in 2005. The High Level Group is grateful to the Finnish presidency for the preparation and organisation of this valuable meeting.

The High Level Network of senior officials provides the opportunity for member states to consider and share experience about

- The impact of EU developments on their local and regional government,
- How best to respond to that impact, particularly in terms of future local and regional governance arrangements each state decides to adopt, and
- The implications for EU developments of states’ own local and regional government arrangements – not least ensuring that these implications are highlighted and understood by those and the forums who rightly are deciding about EU developments.

We recognise the importance of local and regional governance in reaching the challenging goals, welfare and prosperity, of the Lisbon strategy.

We are grateful to the Finnish Presidency for taking forward the multi-annual work programme. We look forward to the German and Portuguese presidencies, including the next High Level Meeting in Portugal.

We recognise the importance of the ongoing network throughout the year. The expert sub-groups have enabled several interested Member States to participate in the preparation of important themes of the meeting. We will make use of such methods of work also in the future. We also find it valuable that past hosts of the High Level Meetings participate, if they so wish, in the all-year round work of the network besides the troika.

We ask the Portuguese Presidency to report progress made in implementing these conclusions and recommendations at next year’s High Level Meeting.

1. Following up the White Paper on European governance (2001):
Better regulation: reducing unnecessary administrative burdens of
EU legislation on local and regional authorities – enhancing
compliance with EU legislation

The two meetings of the High Level Group concluded that better regulation, with a view to reducing unnecessary administrative burdens of EU legislation on local and regional authorities, is an important topic for future High Level Meetings. Two networks of experts have prepared papers on better regulation for the Turku Meeting, one on state aid and another on public procurement from a local and regional perspective. We note the results of the networking, and relate better regulation to facilitating compliance with EU legislation on local and regional level.

We reaffirm the importance of securing lighter touch, better focussed regulation, and welcome the initiative on better regulation being pursued by the Commission, including those for improved impact assessments of the costs and burdens of proposed legislation on business and on local and regional governments.

State Aid

We note that:

- State aid rules have a direct and far-reaching impact on the day-to-day decisions of local and regional governments. After all, local and regional governments are considered part of the Member State in the sense of article 87 of the EC Treaty, and therefore have a direct responsibility in compliance of the state aid rules. The number of subsidies, guarantees, tax relieves, preferential services, favourable selling prices etc. where state aid could be involved is practically unlimited. Central government play a central role in the process of Member State compliance and notification to the Commission.

We conclude that:

- The establishment of a network of central government experts on state aid on the local and regional level is welcomed.
- The proposed approach (identifying the issues, finding common ground, promoting discussion with the European Commission) is underpinned.
- It is considered important that, before the network takes root, its scope of operations is clearly marked. Its tasks and goals should be agreed upon and laid down in writing.
- Particularly, the position of the network should be clear vis a vis comparable networks like the Commission's recently announced State Aid Network and other relevant networks.

Procurement legislation

We note that:

- Local and regional authorities wish to promote viable markets and they strive to achieve a cost effective service structure. For them as purchasers it is also important that they have competitive enterprises in their territory.
- A functioning market does not exist always and everywhere, especially not in Member States where the scope of municipal tasks is wide, population density is low or distances are long. Consequently, no genuine private service supply can cover the wide range of services the municipalities are obliged to provide, and where private supply exists, it cannot cover the whole territory. These facts lead to an inevitable need for wide municipal cooperation in different forms.
- Regions, in turn, decrease the need for direct contract-based cooperation between municipalities in those Member States, where the regions are not just cooperation bodies of municipalities but have independent service production functions for wider catchments areas (constituent municipalities).

We conclude that:

- As the EU procurement legislation is basically derived from the competition promotion principles, it reflects vaguely the local and regional authorities' obligations to secure equal access to services for all residents despite the place of residence or the incomplete or completely missing market supply in many services. Inter-municipal cooperation has to patch up these shortcomings.
- Moreover, cooperation of municipalities is one of the main ways to improve economic efficiency, not only and always outsourcing of services to the private sector. Attention should be paid also to the fact that cooperation arrangements between public entities are not aimed at bringing economic profit but they are always linked to the use of public powers and political objectives. This should be reflected in the EU procurement legislation concerning public-public partnerships.

We also note that:

- The obvious legal ambiguities, identified in the expert sub-group's report, in the interpretation and implementation of the EU procurement legislation in public-public partnerships.
- Local and regional authorities in many Member States are facing similar ambiguities while implementing the EU procurement legislation in their cooperation: which are the accepted forms of cooperation and which forms are interpreted as procurement, how to interpret in-house and concession exemptions.
- The EU procurement legislation is still under development, and we emphasize that, albeit some recent interpretations of the EU procurement legislation by the EC Court of Justice concerning public-public partnerships, there remain still a lot of grey areas. Consequently, the current unpredictable legal status does not allow local governments to plan the ways and contents

of their cooperation on a long-term without leaving space for ambivalence in the often expensive reform undertakings. Therefore, the EU institutions should find appropriate ways to remove present legal uncertainty and long processes which follow from the case law practice.

- We recognise with content that the Commission has launched preparations aimed at issuing an Interpretative Communication on public-private-partnerships. It is not clear, however, whether this or another document would cover public-public partnerships. In a questionnaire to the Member States the Commission states that clarification is needed in order to identify (1) to what extent Community law applies to the delegation of tasks to public bodies, and (2) which forms of co-operation remain outside the scope of internal market provisions.

We conclude that:

- We support the Commission's work to clarify the interpretations of the EU procurement legislation in issues described in the expert sub-group's report and concerning both public-public partnerships and public-private-partnerships.
- We recommend linking to that preparation, in addition to the appropriate central government bodies of the Member States, also representatives of local and regional governments due to the valuable contribution they could provide based on practical experience gained in the procurement issues. This would also correspond to the genuine idea of the White Book on European Governance and the Communication of the Commission on structured dialogue.
- We ask the Finnish Presidency to sum up the Member States' further contributions to the process of finding solutions to the ambiguities and to report the progress of clarifying the EU procurement legislation to the next High Level Meeting.

2. Following up the White Paper on European governance (2001): Target-based tripartite arrangements between the European Commission, Member States and regional and local authorities

The London meeting called for further testing of the tripartite arrangements; for a Commission document about the opportunities and problems posed by this instrument; that information should be spread in cooperation with the Committee of Regions; that a clear distinction should be made between contracts and agreements; and for new round of more focused pilot agreements should be launched.

We note that:

- After the London High Level Meeting, only one new potential pilot (Asturias and CPMR) has emerged involving a scenario of a slightly wider scope than solely the environmental sphere.

The Finnish Presidency launched a questionnaire to Member States to find out their interests in tripartite arrangements and views as to their development. We note the results of the questionnaire, in particular:

- Not all Member States answered; the content of the answers vary from positive to negative views; a great number of explanations were included in the answers, so one should not look only at the answers but also the arguments included.
- No great enthusiasm prevails as regards to going forward on a wide basis with these arrangements. The response received does not, however, give direct opposition to the benefits of such agreements. Of those countries which answered, many find these arrangements applicable to certain areas, and wish to pursue pilot actions on a voluntary basis.
- Rigid structures for arrangements seem to be rejected. Many emphasised, however, that joint efforts of the Commission, the Member States, and of local and regional government is of paramount importance to welfare and growth in Europe.

We note:

- The position of the Commission that the discouraging results of the pilot phase has led the Commission to conclude that tripartite arrangements may be useful only when Member States take full ownership and ensure the optimal involvement of local and regional authorities and when a substantial majority see tripartite arrangements in this light; and when local and regional authorities identify concrete projects which bring clear added value in comparison with existing instruments.
- That the Commission has informed the meeting of its intention not to engage in further development of the tripartite instrument.

We conclude that:

- It is essential for the effective development and implementation of much European legislation and policy objectives that there is appropriate input of local and regional government, including through their representative organisations and the Committee of the Regions, and we encourage, including through the work of the High Level Group, further development of multi-level governance approaches for securing greater local and regional input, in improving the use of consulting procedures and in seeking improvements in structured dialogue at a technical level;
- We regard that as of now, further recommendations to use tripartite arrangements are not needed;
- Partnerships between the Commission, the Member States and local and regional government should be cherished; and
- If this instrument is seen not to have potential enough to be further developed, there must be work done to find new ways to achieve those goals that originally were sought when the tripartites were introduced;
- An alternative is that multilevel arrangements, agreements within the Member States between central, regional and local authorities should be advanced.

3. The role of local and regional authorities in implementing the Lisbon strategy: creating sustainable communities

Enhancing local and regional competitiveness

There is a growing realisation that good local and regional governance is vital in order that the EU will reach its goals on economic prosperity agreed at Lisbon and on environmental sustainability agreed at Gothenburg. We note the analysis presented by the European Institute of Public Administration – European Centre for the Regions (EIPA-ECR) on the role of local and regional governance in the implementation of the Lisbon Strategy.

We note:

- The role of the local and regional levels in achieving the Lisbon goals is substantial as these authorities provide the prerequisites for business development;
- A good example of strategic networking is the Finnish Centres of Expertise Programme. Finland has been able to strengthen regional competitiveness and excellence in the selected fields through the Programme.
- Good governance and network management skills are essential elements in developing thriving, sustainable communities; and

We conclude that:

- National innovation policy is needed to promote the development of the regional innovation systems. Local and regional actors need to have better opportunities but also financial and other incentives to launch and take initiative in realising Lisbon goals;
- We encourage local and regional actors to take an active role in strategy making processes and in creation of partnership on local/regional level between different actors from both the public and the private sector, e.g. municipalities, training and research institutions, universities, companies, and various financial institutions, in order to enhance competitiveness and prosperity, which in the future can be based only on high-level expertise, specialisation and efficient networking;
- In the future, even more attention needs to be paid to strengthening networks and exchange of experiences to ensure the utilisation of good practices.

Sustainable communities

A European approach to creating sustainable communities may be an important tool in the realisation of the Lisbon Strategy on the local and regional level. We note:

- With satisfaction the ongoing development of the governance and sustainable communities agenda within the EU following the London meeting and Bristol Informal Ministerial Meeting during the UK Presidency;

- In particular the International Skills Symposium being hosted by the UK's Academy for Sustainable Communities in Leeds on 9–10 November which will consider governance and partnership skills; and
- In particular the European Urban Knowledge Network (EUKN) that aims to support the European Commission, the Member States and the local and regional authorities in achieving these objectives by providing access to and disseminating targeted knowledge on economic, social and environmental issues enabling decision makers, policy makers and practitioners to create sustainable communities.

We conclude that:

- Co-operation continues amongst Member States and the EU institutions to develop and share experience on governance as an essential prerequisite of creating and maintaining sustainable communities.

The Services Directive – impacts on local governments

The analysis made by a network on the Services Directive's impact on local and regional self-government leads us to note that:

- It is vital to enhance the implementation of the principles of free movement of services and the freedom of establishment in order to achieve a genuine internal market within the European Union; and
- The proposed Directive on Services in the Internal Market, amended by the Council of Ministers and the European Parliament, will be an important contribution to the economic goals of the Lisbon agreement, which aim at making the European Union the most competitive and dynamic knowledge based economy in the world.

In the High Level Meeting, several questions concerning the implementation of the directive by local and regional authorities were discussed:

Local and regional governments in Member States with decentralised models for the provision of public services, are particularly concerned by the directive;

- Local and regional governments, responsible for issuing authorisation to service providers, will be concerned with the provisions of the directive concerning the procedure and the establishment of single points of contacts;
- Local and regional governments, responsible for supervision of service providers, will be concerned with the provisions of the directive concerning the mutual assistance between competent authorities in the Member States;
- Local and regional governments will, due to their role as public service providers, be concerned by the directive.

We conclude that:

- Local and regional governments together with other parties of the public sector will have a large responsibility for implementing the directive on services in the internal market;

- The directive seems to be leading to problematic effects, including a possible need for centralising supervision, information and authorisation of service providers, which the High Level Meeting finds necessary to follow up;
- We encourage the sharing of good practice and other experiences concerning the implementation of the directive through an informal network.
- We welcome an initiative from the Commission trying to clarify which kind of public services that could be considered covered by the directive.

4. Closer links between the EU, the Council of Europe and their Member States

In the same spirit as the previous High Level meetings we call upon the Council of Europe Secretariat and the European Commission to collaborate on issues of local and regional democracy and governance in the context of the proposed Memorandum of Understanding, recognising the leverage that can be gained from drawing on the Council of Europe's substantial work programme in this field, in particular on standard setting and sharing of experience and best practice in "front line" issues of change at the local and regional level.

Having regard to the report of the Council of Europe Secretariat and practical experiences introduced by the UK, we:

- Note with satisfaction the participation of the Council of Europe's Centre of Expertise of Local Government Reform in the European Sustainable Communities Skills Symposium as a form of collaboration that the High Level Group would like to encourage.
- Stress the importance of an effective Memorandum of Understanding being concluded as soon as practical between the EU and the Council of Europe.

We conclude that:

- Emphasis in cooperation should be placed on taking up synergy effects and avoiding unnecessary parallelism in the work in the areas of democracy and governance between the Council of Europe, the European Union and their Member States; and
- Member States should review and where necessary set up or reinforce appropriate internal mechanisms for well-informed policy co-ordination.

5. Territorial and Cross-Border Co-operation

Significant progress has been witnessed in developing new instruments for strengthening economic and social cohesion and territorial and cross-border cooperation: the regulation on European Grouping of Territorial Cooperation (EGTC) as well as the European Neighbourhood and Partnership Instrument (ENPI) were both negotiated this year.

European Grouping of Territorial Co-operation (EGTC)

The High Level Meeting notes with satisfaction that

- EGTC will answer to the need for a Community level cooperation instrument with legal personality which public authorities may choose to employ for co-operation across borders.
- Within the limits of the constitutional system of each Member State and the excluded activities, this grouping can help to reduce difficulties caused by differences between national laws and procedures;
- The new legal instrument applies to cross-border-co-operation, trans-national co-operation, and/or inter-regional co-operation;
- EGTC is an option but not an obligation, thus giving the respective bodies a choice of means in managing cross border and territorial programmes;

Conclude that:

- The Member States should ensure that the necessary legal framework for the effective implementation of the EGTC regulation is in place.

European Neighbourhood and Partnership Instrument (ENPI)

We note that:

- Cross-border cooperation under the ENPI will play a significant role in the development of regions on both sides of the Union's external border in 2007–2013.
- Joint ENPI CBC Programmes will also contribute to stability and prosperity of the EU and its neighbours.
- In addition to financing cooperation under the European Neighbourhood Policy, the new Instrument will also be applied to cross-border and other cooperation with the Union's strategic partner, the Russian Federation.
- Responsibility for the Programmes is divided between different European Commission DG's, several national Ministries and regional and local authorities in the border regions.

We conclude that:

- Experience gained during the preparation and implementation of the INTERREG-TACIS Neighbourhood Programmes in 2004–2006 should be utilised in the new ENPI CBC Joint Programmes in the Member States and inside the Commission;
- Management structures and procedures of the Programmes should be mainly based on the Structural Funds (INTERREG) model adapted where necessary to the challenges posed by operations outside the Union's territory;
- Financing Agreements concluded between the European Commission and the Partner Countries should guarantee the Joint Managing Authorities of the programmes sufficient powers to efficiently execute the necessary management and control functions in the whole programme area; and

- Opportunities provided by the joint commitment of the EU, the Member States concerned and the Russian Federation to co-finance future ENPI CBC programmes on the EU–Russia border should be exploited in full to significantly further the development of these border areas.

Draft Council of Europe convention on groupings of territorial co-operation

We note that:

- The draft convention under consideration in the Council of Europe is more comprehensive in its geographical scope and in its content than the EU Regulation on EGTC.
- The Council of Europe has informed that the work which continues aims take into account the provisions of the EU regulation and to produce a text which is compatible with the latter and provides added value to crossborder and interterritorial co-operation between territorial authorities.
- The convention would have a special value for countries which are not members of the European Union but could significantly benefit of cooperation with its Member States.

Mr Hannes Manninen, Minister for Regional and Municipal Affairs



Ms Chair,
Distinguished guests,
Ladies and Gentlemen,

It is a great pleasure to welcome the High Level Group on European Governance to its third meeting. A year ago I decided that this event should be included in the Programme of the Finnish Presidency. The preparatory work done by you, and

especially by past, present and incoming Presidencies since, has shown the value you attach to a serious discussion about new ways of governance within the European Union; ways which would create better working relationships between all levels of government and with all stakeholders.

You in this group, being responsible for local and regional democracy within the Ministries of the Member States, have a good cross-sectoral perspective on what possibilities and challenges the Union brings to developing regions and local communities. We are most pleased to have the European Commission actively participating in this work. We also greet the Committee of the Regions and the members of delegations representing local and regional tiers of government. It is important that the Council of Europe is represented here, with its vast experience of enhancing local and regional democracy.

Finland is committed to promoting good governance on the basis of the White Paper issued by the Commission five years ago. We strive to make the Union's legislation and practices more simple and transparent together with the Member States and the Commission. One central aim is to assist municipal and regional authorities to implement Union legislation, and support the efforts to improve the efficiency of administration.

The White Paper introduced a new instrument in implementing EU policies: target-based tripartite arrangements, or contracts, as they were proposed to be at that time. New instruments appear rather seldom. The five years time for

developing the instrument and its piloting has been a necessary phase. For several reasons, the success of the piloting or the enthusiasm of Member States and regions, has been less than anticipated. We are now standing at a cross-road with this instrument. The Commission has agreed to a substantial discussion on the matter at this meeting by informing of its opinion, but keeping the dossier open until today.

The Presidency, in preparation for this meeting, issued a questionnaire on the tripartite arrangements. From the answers that we received, one might read that rigid structures for arrangements seem to be rejected. In every case we want to emphasise that joint efforts of the Commission, the Member States, and of local and regional government is of paramount importance to welfare and growth in Europe. One should cherish partnerships with local and regional government and if this instrument is seen not to have potential enough to be further developed, there should be work done to find new ways to achieve the goals that originally were sought when the tripartite were introduced.

The structures of local and regional government and their competences are very diverse in Europe. What suits a federal state and its regions with legislative powers, may not do so in another, unitary country. Also federal states and unitarian ones differ widely to their internal systems of democratic organisation. The constitutions of Member States differ in many other respects also, a fact that has a bearing on, as well instruments like the tripartite arrangements, as on other aspects of implementing European legislation.

This meeting will also discuss several other questions involving a better understanding of how implementation of and compliance with European legislation takes place locally and regionally. State aid, for example, should be examined from this point of view. The same concerns anticipated impacts on local and regional governance of the Services Directive.

In Finland, where 431 municipalities are in charge of an exceptionally broad scope of tasks, the implementation of EU legislation takes place to a higher degree than in many other countries on the local level. This may be regarded as subsidiarity in practice. But this also makes us very interested in a Union which is able to take differences into consideration. Commission documents often discuss the need for addressing the territorial impact of EU policies. This was, among others, done in the White Paper of 2001. There sometimes seems to be limited understanding of the fact that quite much of EU legislation, without a strong territorial aspect, is likewise implemented by sub-national entities with differing powers and tasks, according to national constitutions and the internal organisation of Member States.

Better regulation is an important political and economic issue for the whole of the EU. The Presidency stresses the importance of public procurement law in determining the forms of cooperation for local and regional authorities. Legislation must be clarified in order to reinforce and organise local

government activities. Bodies under public law should be able to agree on mutual cooperation in certain situations without tendering. At the moment, this is a rather grey area. The clarification of rules which is under way within the Commission should preferably cover not only public-private partnerships but also public-public partnerships.

A key priority for Finland's Presidency is to strengthen European competitiveness in accordance with the Lisbon strategy. A more competitive Europe calls for vital and developing regions. It is essential that regions and local democracies are involved in giving new strength to the implementation of the Lisbon strategy.

It is a basic requirement for Europe's success that its citizens should have confidence in the Union. Building up confidence and improving the EU's approval rating call for determined action. The objectives of transparency and better regulation also concern local and regional democracy. We need to demonstrate openness, effective decision-making, and an ability to legislate well. The approval rating will rise from well-founded actions, not from legal proceedings which the citizens' sense of justice cannot accept. The EU must focus on action which is more successful when it is summed up together than when taken alone by a single Member State.

Distinguished audience,

The European Union's future is our common challenge. We need to explore ways to overcome the stalemate on the EU's Constitutional Treaty. Difficulties over ratification of the Treaty must not prevent the Union from functioning and developing. In fact, the process must be kept ongoing. The Finnish Government has submitted a proposal for ratifying the Constitutional Treaty to Parliament.

The entry of eight central and eastern European countries together with Cyprus and Malta into the European Union some two years ago was a historic achievement, ending centuries of division. Europe reunited means a stronger, more democratic and stable continent that is capable of responding to the challenges of globalisation more effectively than before. We will continue the enlargement process as scheduled.

Significant progress has been witnessed in developing new instruments for strengthening economic and social cohesion. This meeting will discuss territorial co-operation. Important decisions in this field have been taken within the EU recently. The regulation establishing European Grouping of Territorial Cooperation was adopted this summer. It will answer to the need for a Community level cooperation instrument with legal personality which public authorities may choose to employ for co-operation across borders. Within the limits of the constitutional system of each Member State and the excluded

activities, this grouping will help to reduce difficulties caused by differences between national laws and procedures.

Another new instrument will be the European Neighbourhood and Partnership Instrument. It will result in fewer programmes and more simple procedures. The instrument will replace the present INTERREG, TACIS and MEDA financing in cross-border cooperation at most external borders. Expectations regarding the practicability of the Neighbourhood and Partnership Instrument are high. Finland has defined promotion of cross-border cooperation as one of its Presidency priorities. *In this context I like to mention that Russia, as well, has welcomed the new instrument.* There are good grounds to believe that the remaining challenges will be solved at the beginning of the programming period.

Distinguished audience,

As the country holding the Presidency, Finland concentrates on the future of Europe: improving competitiveness, and taking pro-active measures regarding population ageing, climate change, and security.

A core priority for Finland's EU Presidency is Europe's ability to succeed in global competition. Thus, the Presidency strives to find concrete ways of improving the Union's competitiveness. In particular, Finland promotes the development of the internal market, innovations and their utilisation, increases in labour productivity, and the quality of working life.

Finland's Presidency takes place at a challenging moment for Europe's economic development. The global economy is growing at an unprecedented rate. Economy is not, however, growing steadily throughout the world; growth is taking place mainly in emerging economies. Europe's position in the redistribution of work and prosperity is deteriorating.

The Union should respond to this challenge. We should further cooperation between companies, training and research institutes, improve the quality of research and development activities and create innovation environments that support the introduction of high-quality products. In the future, we can base our competitiveness and prosperity only on high-level expertise, specialisation and efficient networking.

A good example of this is the Finnish system of Centres of Expertise, which will be presented at this meeting. Finland has been able to strengthen regional competitiveness and excellence in the selected fields through the Centre of Expertise Programme, which is based on strategic cooperation between businesses, higher education institutions, research institutes, technology centres and public partners.

Development takes place locally, which means that also development policies should be implemented as local measures. No government is able to make a change alone, but in a sound co-operation between national and regional efforts. Especially urban localities are essential focal points of the knowledge economy. City regions have the knowledge infrastructure, direct connections to global economy and the most fluent exchange of expertise.

You have decided to have a discussion on local and regional governance promoting the Lisbon strategy, and your discussion will be nourished by interventions from several angles. The European Institute of Public Administration, through its centre for the regions in Barcelona, was commissioned by the Presidency to study local and regional actors in the implementation of the Lisbon strategy. The host city of Turku will give examples of how the implementation of the Lisbon strategy may take place in an environment which calls for strong employment measures, for supporting entrepreneurship, integrating immigrants, and for strengthening highly sophisticated fields like information and communication technology and biotechnology. Every such activity is based on governance with a multitude of stakeholders.

The implementation of the Lisbon strategy requires an even greater commitment on the part of Member States and regional and local actors to the EU's common priorities. I endorse the statement of the Committee of the Regions that the success of the Lisbon strategy depends first and foremost on how it is interpreted at regional and local levels. In fact, the theme of the informal meeting of the ministers responsible for regional policy, which will be held during the Finnish Presidency, will address this topic.

Ladies and Gentlemen,

The key to Europe's success and its inhabitants' welfare lies in its regions and municipalities. This is why their work is important.

Multi-Annual work programme – 2006 Update

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Introduction

It was the European Commission with its White Paper on European Governance in 2001 which started the discussion about the role of the regions and local authorities within the framework of the current discussion about new ways of governance within the European Union. This was an important initiative to address the working relationships that exist within the EU, among the EU institutions, with Member State governments, devolved administrations and local and regional authorities, and other key stakeholders. It has created an opportunity to consider the way these relationships are developing so as to ensure they reflect the interests of the citizens in the EU's policy making. As such, 'governance' is an idea whose time has come. However, as it was stated by the Dutch Presidency at the first meeting of the High Level Network in December 2004 in The Hague, there is no formal or informal body at EU level within which Member States can discuss together governance issues relating to the EU.

In this context 'governance' means rules, processes and behaviour that affect the way in which powers are exercised at European level, particularly as regards openness, participation, accountability, effectiveness and coherence'¹. These five principles underpin good governance and the changes proposed in the White Paper. Each principle is important for establishing more democratic governance. They underpin democracy and the rule of law in the member states, but they apply to all levels of government – global, European, national, regional and local.

The EU certainly influences the functioning of domestic administration and vice versa. The power to make regulations lies at the EU level for many of the Member States' policy areas. However, powers in respect of the organisation of domestic administration (including scrutiny) remain largely national. This is in line with the principle of subsidiarity. Given the allocation of these responsibilities, the paramount questions are whether and how (1) each Member State's domestic administration moves along with what is occurring in the European sphere and whether (2) the EU moves along with what is taking place in the area of administrative organisation in its Member States.

The first Multi-Annual Work Programme of the High Level Network was drawn up by the Dutch Presidency, in close co-operation with Luxembourg and the United Kingdom, in advance of the first meeting of the High Level Network on Governance in The Hague, 9 and 10 December 2004. It sets out current issues arising from developments at the EU level in the field of governance that have implications for governance at the local and regional level and in the relationship

¹ From: European Commission, *European Governance*, a White Paper, COM (2001) 428 final, footnote 1, page 8.

between the European, national, regional and local government levels. Furthermore it provides a framework for discussion and collaborative work both within the annual meetings and also informally outside of those meetings. The Final report of the High Level Meeting ‘Governance & the EU’ (published by the Netherlands Ministry of the Interior and Kingdom Relations) comprises the original Work Programme drawn up in advance of the first meeting of the High Level Network in The Hague and the final conclusions and recommendations of the Meeting.

The second Multi-Annual Work Programme was compiled by the United Kingdom, who took over the Presidency of the European Union on 1 July 2005. Throughout its Presidency, the UK government collaborated with the previous Presidencies of the Netherlands and Luxembourg and the future Presidencies of Austria and Finland in facilitating informal discussion under the High Level Network on Governance around the themes outlined in the Multi-Annual Work Programme. The UK Presidency introduced into the Multi-Annual Work Programme a new theme on governance and sustainable communities, and commissioned EIPA to provide an extensive research on the tripartites initiative. Following the High Level Meeting in London on 21 and 22 November 2005, the Office of the Deputy Prime Minister of the United Kingdom delivered the Final report of the High Level Meeting on ‘Governance & the EU’. It comprises the London Multi-Annual Work Programme drawn up in advance of the second High Level Meeting and the final conclusions and recommendations of the meeting. As asked by the London meeting, the Final report was accompanied by a coherent matrix of the ‘Next steps and outputs’ for the future work.

After Austria, Finland took over the Presidency of the European Union on 1 July 2006. During its Presidency, Finland has cooperated with the previous Presidencies of the Netherlands, the United Kingdom and Austria and the future Presidencies of Germany and Portugal in facilitating informal discussion under the High Level Network on Governance around the themes outlined in the first and second Multi-Annual Work Programmes.

Thus, this updated Multi-Annual Work Programme builds on the High Level Meetings hosted by the Netherlands and the UK Presidencies, and the previous versions of the Work Programme. Given that the Multi-Annual Work Programme was designed to be a living document, reflecting developments in local and regional governance, this paper seeks to roll forward the Multi-Annual Work Programme and therefore sets out the current state of affairs and discussions in relation to each of the themes set out in the previous Multi-Annual Work Programmes.

In order to assess the Member States’ current interest in and the benefits and true added value of target-based tripartite contracts and agreements, the ‘extended troika’ of EU Presidencies decided to conduct a questioning among Member States, the results of which will be discussed at the Turku High Level Meeting.

This third Programme also seeks to specifically discuss two spheres of EU legislation where local and regional authorities often are main implementing actors, namely state aid, and procurement, and where implementation may imply complicated problems. These may be linked to compliance with EU legislation and better EU regulation. The question is raised, whether due regard in such cases is given to the reality of implementation in the process of regulation. Two sub-networks of experts of the High Level Network have compiled reports on the spheres mentioned above.

As a new theme, combined with the inter-linked theme of sustainable communities, the Multi- Annual Work Programme introduces discussion on the Lisbon strategy and the role of local and regional governance in its implementation. The Finnish Presidency commissioned EIPA to deliver a paper on this theme. The services directive under finalization is part of the economic reform that the European Council initiated in Lisbon in order to make the European Union to the most competitive and dynamic knowledge based economy in the world. Sweden has coordinated a sub-network on experts which has produced a report on this theme.

Current developments and questions for consideration within this updated document have been drawn up by a steering group of the High Level Network comprising an “extended troika” of current, past and future EU Presidencies. The incoming Presidencies will take forward this programme according to priorities to topics in the light of current developments and particular interests or concerns of Member States.

General conclusions and recommendations of the First Meeting:

The High Level Meeting on ‘*Governance & the EU*’, assembled in The Hague, The Netherlands, on 9 and 10 December 2004:

- Recognising that the European Union is a union of Member States, each responsible for their own internal governance and constitutional arrangements;
- Recognising also that the implementation of European legislation and policy may often involve the local or regional authorities in a Member State, that it is these authorities which can bring Europe closer to the citizen, and that accordingly decisions and developments at the European level can have implications for each Member State’s governance arrangements;
- Considering that it is for each Member State, according to its own constitutional order, to decide its response to such implications;

- Considering also that Member States will be greatly assisted in this task by jointly discussing the issues, and exchanging experience and examples of good practice;
- Agreeing that there is therefore a great need for mutual contacts, discussions and exchange of experiences and practices between the Member States;
- Recognising that the European Union is a union of Member States, each responsible for their own internal governance and constitutional arrangements;
- Recognising also that the implementation of European legislation and policy may often involve the local or regional authorities in a Member State, that it is these authorities which can bring Europe closer to the citizen, and that accordingly decisions and developments at the European level can have implications for each Member State's governance arrangements;
- Considering that it is for each Member State, according to its own constitutional order, to decide its response to such implications;
- Considering also that Member States will be greatly assisted in this task by jointly discussing the issues, and exchanging experience and examples of good practice;
- Agreeing that there is therefore a great need for mutual contacts, discussions and exchange of experiences and practices between the Member States;
- Noting the reactions of the European Commission staff to the Multi-Annual Work Programme (Brussels, 8 December 2004); and

Welcoming this opportunity for an informal discussion between high-ranking officials from the national governments of Member States about governance-related issues, and the establishment of the High Level EU Network 'Governance and the EU'

- 1. We intend to meet annually, with a Multi-Annual Work Programme acting as our strategic agenda containing current topics related to European, national and local and regional governance, and avoiding any unnecessary duplication of existing activities and consultation procedures at EU level;**
- 2. We will seek in future meetings to involve representatives of local and regional government, including from the Committee of Regions;**
- 3. We are at the beginning of the process with regard to governance and the role of the EU, the Member States, regional and local authorities;**
- 4. We see that there is a communality of interests but there is and has to be lots of room for diversity. That is in line with the principle of subsidiarity;**

5. We believe that experiences in one Member State and the activities of the European Commission such as the White Paper on governance can trigger other Member States to think about the EU dimension in national governmental systems, structures, arrangements, etc.

General conclusions and recommendations of the Second Meeting

The High Level Meeting on ‘Governance & the EU’, assembled in London on 21 and 22 November 2005:

- We welcome this opportunity for exchanging views, information and good practice examples on governance, building on the first meeting of the Group in The Hague in 2004.
- We welcome the participation of local and regional government and authorities in this meeting.
- We recognise the importance of governance to achieving the outcomes of economic prosperity and social justice for all citizens.
- We are grateful to the UK Presidency for taking forward the Multi-Annual Work Programme and organising the meeting. We look forward to the Austrian and Finnish presidencies, including the next High Level Meeting in Turku.
- We recognise the importance of the ongoing network throughout the year. We ask the UK Presidency to prepare for circulation to delegations a document showing the outcomes and outputs to be expected from these conclusions.
- We ask the Finnish Presidency to report progress made in achieving these outcomes and outputs at next year’s High Level Meeting.

Following the London meeting, the UK Presidency prepared a next steps and outputs paper which was agreed with the extended troika of Council presidencies, the European Commission, the Committee of the Regions and the Council of Europe Secretariat. This paper comprised a table which identified the tangible outputs to be expected from the conclusions of the London meeting. The table also indicated, in accordance with the conclusions, where responsibility for securing these outputs lies and sought to summarise the outcomes which were expected from either a specific output or a group of outputs taken together as the case may be.

In this way progress against these expected outcomes can be measured and monitored with progress being reported to the next meeting of the High Level Group in Turku, Finland in October 2006.

1. Allocation of competencies among the different administrative levels (European, national, regional and local): application of the principle of subsidiarity, proportionality and citizen participation

Subsidiarity

The subsidiarity principle is intended to ensure that decisions are taken as closely as possible to the citizen and that constant checks are made as to whether action at EU level is justified in the light of the possibilities available at national, regional or local level. Part 1, Article 5 of the Treaty establishing the European Community states that *“The Community shall act within the limits of the powers conferred upon it by this Treaty and of the objectives assigned to it therein. In areas which do not fall within its exclusive competence, the Community shall take action, in accordance with the principle of subsidiarity, only if and in so far as the objectives of the proposed action cannot be sufficiently achieved by the Member States and can therefore, by reason of the scale or effects of the proposed action, be better achieved by the Community.”*

The European principle of subsidiarity is closely linked to national administrative organisational conceptions such as decentralisation. Furthermore, the subsidiarity principle is closely bound up with the principles of proportionality and necessity, which require that any action by the EU should not go beyond what is necessary to achieve the objectives of the Treaty.

The White Paper states on proportionality and subsidiarity that *‘From the conception of policy to its implementation, the choice of the level at which action is taken (from EU to local) and the selection of the instruments must be in proportion to the objectives proved. This means that before launching an initiative, it is essential to check systematically (a) if public action is really necessary, (b) if the European level is the most appropriate one, and (c) if the measures chosen are proportionate to those objectives’.*

Citizen participation

Besides the two dimensions of decision-making and implementation, the concept of multilevel governance has also a third dimension. If Member States want the EU to gain greater recognition and respect among their citizens, and to be understood by everyone, their local and regional authorities need to play their part in making Europe, with its opportunities, a reality for their local communities. In its ‘European Governance’ White Paper the European Commission indicated that the EU can be brought closer to the citizens by the increased involvement of the local and regional authorities. The Commission has requested the Member States to provide input for this process.

The assumption of deploying local and regional authorities in connecting the EU to its citizens can be deduced from the chain of government (EU > national government > decentral government > citizens). It is equally important for Member States’ local and regional authorities to form and develop horizontal

links with their counterparts across the EU, thereby enabling their local communities to benefit from the opportunities that Europe provides. Since most direct contacts between the government and the country's citizens take place at the decentralised levels of government, citizen participation at the decentralised level of government consequently plays an important role in the democratic legitimacy of the entire chain. In view of the relationship between scale and degree of participation, the interaction with citizens on EU issues should also be organized at a local level.

The European Council in June, under the Austrian Presidency's conference, concluded that providing citizens with first-hand insight into EU activities is a pre-requisite for increasing their trust and confidence in the Union. The Council agreed to adopt an overall policy of transparency. All Council deliberations under the co-decision procedure shall be public. Decisions were made on the review of the implementation of the measures to be taken.

Conclusions of the First Meeting:

- An important question is: how can we bring EU decision making closer to the citizens by involving local and/or regional authorities and communities?
- Member States may need to:
 - find ways to connect their own principle of decentralization or devolution and the EU principle of subsidiarity;
 - take into account the (implementation) consequences for local and/or regional authorities during the national determination of position in the European decision-making process;
 - investigate how local and regional authorities can systematically provide central government with feedback on the broad consultation on draft proposals of the European Commission;
 - analyse for themselves how the EU affects the local and/or regional government level.
- There is need to ensure at the European level that local and regional authorities are effectively involved in the policy preparation process via the Committee of the Regions, and meaningful structured dialogue with the European Commission.

We identify the following examples of good practices within Member States:

- Forums of local and/or regional authorities;
- Consultation or partnership groups;
- Central-regional-local expert-teams;

- Representatives of national associations of local and regional authorities to participate in interdepartmental working groups, commissions or committees on the assessment of new (European) policy or legislation;
- Local systems for aligning EU and national funding streams;
- Citizen participation through seminars, etc.;
- Hearings of local authorities by national or regional parliaments.

Recent developments, including the outcome of the referenda on the Constitutional Treaty in both France and the Netherlands, have made it urgent that the European Union finds ways of reconnecting its institutions with its citizens. There is a growing level of disenchantment amongst citizens with the European project and what is perceived to be unnecessary Brussels bureaucracy. At the same time it seems that there is tendency towards growing public discontent within Europe's democracies and politics at all levels, both national and subnational.

The principle of subsidiarity and ensuring its proper application is one way of ensuring that the EU always acts in the interests of its citizens. Complementing this principle should be a close and collaborative relationship between the EU level, national governments and local and regional authorities ensuring that administrative actions are carried out at the most efficient and effective level.

There has never been more of a need to reconnect the EU with its citizens. By ensuring that this principle is reflected in policy and practice, all levels of government can contribute to ensuring that governance within the EU works for the benefit of all citizens. The High Level Network promotes the exchange of good practices in this area. The Netherlands has for example distributed to all members of the Network the Dutch Code on Inter-administrative Relations.

The Austrian EU Presidency organised in St. Pölten on 18–19 April 2006 a high profile conference on subsidiarity with the motto 'Europe begins at home'. The conference called for duly monitoring, at all stages of the legislative process, the respect of the principles of subsidiarity and proportionality by those involved at both European and national level. The national parliaments were urged to make full use of the co-operation opportunities offered by the Protocols to the Treaty of Amsterdam for the purpose of subsidiarity monitoring. The regions and local authorities, the conference stated, share in the responsibility for citizen-oriented European politics. The conference invited the European Commission to involve the regions and local authorities more, as early as possible, in the preparation of legislative proposals. National parliaments were encouraged to strengthen co-operation within the framework of the Conference of European Affairs Committee (COSAC), and regional parliaments to strongly pursue co-operation within the framework of the Committee of the Regions. The Council, the European Parliament and the European Commission were invited to draw

up a standard subsidiarity and proportionality check list for the legislative process.

Subsidiarity and proportionality were also on the agenda of the Austrian 15–16 June 2006 European Council. The Council encouraged the examination of the ideas of the St. Pölten conference and encouraged future Presidencies to carry the work forward.

2. Following up the White Paper on European governance (2001): target-based tripartite arrangements between the European Commission, Member States and regional and local authorities

The European Commission committed itself to implementing a series of actions in order to perform the changes proposed in the White Paper on European Governance. Following the *Public consultation* which was completed by 31 March 2002, the Commission adopted two series of measures to clarify and improve European legislation, with which the implementation of the reform on the European governance was completed.

The follow-up of the White Paper on Governance will be a recurring item on the High Level Meeting's agenda. It is up to the organising Presidency to choose which of the abovementioned actions will be discussed. The agenda of the High Level Meeting under the Finnish Presidency includes **target-based tripartite arrangements** (contracts and agreements) between the Commission, Member States and local and regional authorities depending on the developments after the Turku meeting. The experiences of the **structured dialogue** between the Commission and associations of local and regional authorities have so far not been deemed successful in the form it has had so far, although some improvement has lately been taken note of. The aim will be to seek to make this a practical and worthwhile activity.

Target-based tripartite arrangements

The White Paper on European Governance concerns the way in which the EU uses the powers given by its citizens. It proposes opening up the policy-making process to get more people and organisations involved in shaping and delivering EU policy. It promotes greater openness, accountability and responsibility for all those involved. This should help people to see how Member States, by acting together within the EU, are able to tackle their concerns more effectively. To achieve this, the White Paper comes with several proposals for change on *four domains*:

1. *Better involvement and more openness;*
2. *Better policies, regulation and delivery;*
3. *Global governance;*
4. *Refocused Institutions.*

In order to gain, or regain, the confidence of the citizens in public administration, ‘good governance’ must remain a priority for the Member States and the Commission. This is the reason why the follow-up of the White Paper will be discussed at the High Level Meeting.

One of the consequences of the White Paper (domain 1) is the use of target-based, tripartite arrangements (agreements or contracts) to enhance openness and flexibility.² Such contracts should be between Member States, regions and localities designated by them for that purpose, and the Commission. Central government would play a key role in setting up such arrangements and would remain responsible for deciding how regional and/or local authorities are represented in any such partnership. It is essential that such tripartite agreements do not distort the level playing field by allowing a relaxation of implementation rules for certain regions in the EU. The High Level Meetings have discussed how responsibilities between the different ‘players’ should be divided.

The Commission proposed in its Communication (2002), 709 (final), a framework for tripartite contracts and agreements in which it agreed to hold pilots to test the value added of this new instrument. In October 2003, the first three potential pilot project initiatives for tripartite agreements in Birmingham (UK), Lille (France) and Pescara and Lombardy (IT) were identified by the European Commission. All these potential pilot projects were concerned with the environment. The Birmingham project was designed to concern urban mobility, the Pescara project was planned to cover urban mobility and air quality, and the Lombardy project the environment, transport and energy sectors, while the Lille project was focusing on the management of urban green spaces. All envisaged input on the part of local or regional, national and EU authorities. With effect from September 2003, the Commission’s Environment DG has been responsible for stipulating what part the Commission might play in implementing the pilot projects.

The Commission states that: *“Only after having assessed and drawn lessons from this experiment will it consider the possibility of target-based tripartite contracts.”*³ In March 2004 the Commission published a draft working paper on target based tripartite contracts and agreements. In the Communication the Commission furthermore informs on the reasons to consult the Council on tripartite arrangements. The Commission states that it will be requesting Council agreement every time a proposal for an EU legislative act contains an article stating that Member States may choose target-based tripartite contracts as an instrument to reach the objectives fixed by the legislative act. Secondly, the pilot

² A target-based tripartite contract is in direct application of binding secondary EU law, whereas a targetbased tripartite agreements deals with the issues outside a binding EU framework. Communication (2002)709, p. 5.

³ Communication (2002)709, p. 5.

phase envisages the launch of pilot tripartite agreements on the basis of the above mentioned Communication of the Commission.

Conclusions of the First High Level Meeting

Tripartite arrangements only were discussed at the first meeting of the High Level Network in The Hague in December 2004. The meeting concluded that:

We noted that it is up to the Council to set up a Council Working Party and to react to the Communication of the European Commission.

We conclude that:

- We are at an early stage with regard to the instruments of tripartite arrangements, namely tripartite agreements and tripartite contracts;
- The added value of the instruments of tripartite arrangements should be analysed and evaluated on the basis of both the results of any pilot projects and analysis and examination of the issues involved;
- It is necessary to have an expert report to the next High Level Meeting on the elements of the legal, administrative, financial and technical implications of tripartite arrangements, including the scope, the difference between agreements and contracts, and the bottom-up approach;
- The Netherlands, Luxembourg and UK Presidencies should take the necessary preparatory steps with other interested Member States;
- The concept of tripartite arrangements may have the potential of innovation and to contribute to a better implementation of certain EU policies with local or regional impact across all levels of government and in which local and regional communities are involved.

In the London High Level Meeting it was stated that the pilot agreements so far proposed by the Commission have all to one extent or another largely stalled, except the Lombardy pilot which remains the only agreement to have been signed. There have been various reasons expressed by various participants and institutions for these problems. Some saw that not enough momentum on the pilot projects was coming from the local and regional level and that there needed to be more of a bottom-up approach. Others have expressed concern that the proposed pilots did not have true added value vis-à-vis existing projects or that expected funding to implement the aims of the agreement has not materialised.

Other commentators identified in particular the need for consensus among all levels of government involved (in particular central government authorities had not always been present in all of the pilots), as well as the need for an evaluation

of the means of communication between parties involved, including the perception of the instrument within the Commission's DG's.

Against this background, the UK Presidency, acting on behalf of High Level Network had commissioned the European Institute of Public Administration – European Centre for the Regions (EIPA-ECR) to produce an expert report on the tripartites initiative. This report sets out, in an objective way, to evaluate each of the pilots and explore some of the reasons why the pilots have stalled. It further looks to consider the technical, administrative, legal and financial implications of tripartites and, on the basis of experience to date, sets out some potential options for making tripartites work more effectively and considers some policy fields in which a tripartite-based approach could be more beneficial.

In addition, the UK Presidency convened a Tripartite Forum in Brussels on 18 October 2005, to which all of the key players involved in tripartites to date were invited. This forum provided an opportunity for stakeholders to exchange views and experiences on the pilot agreements. These views have subsequently been reflected in the expert report that was presented by EIPA-ECR at the High Level Meeting in London.

Conclusions of the Second Meeting

We note the findings and conclusions in the expert report on tripartite arrangements prepared by the European Institute of Public Administration (EIPA) – “Tripartite contracts and agreements: what way forward”, in particular:

- the improved legitimacy of European law through giving sub-national levels of government the ability to be involved in shaping and delivering Community policy;
- better law-making – through simplifying procedures and providing for more flexible implementation of Community law;
- more transparency and openness through improved consultation with actors at the local and regional level;
- the potential for speedier implementation (as a result of improved legitimacy and communication) of Community law;
- the potential for better implementation of Community law through providing local and regional actors with a stronger incentive to participate in the design of implementation strategies; and
- as a result, the potential to provide greater local and regional input into the development and implementation of EU law which can help bring the EU closer to its citizens.

We note the European Commission's intention to close by the end of the year (2005) the first phases of the pilots on tripartite agreements in the environmental field. We conclude that:

- securing greater involvement of local and regional government through the principle of multilevel partnership in the development and implementation of European legislation and policy objectives, and local/regional flexibility on implementation are important aims to pursue;
- tripartite arrangements may be a way of achieving this, and hence the concept must be tested further;
- these arrangements should not be an alternative to EU law but a tool for better and easier implementation and for linking the citizen with the EU and vice versa;
- the Lombardy pilot, although the only pilot so far, has shown some potential benefits of this instrument, in particular the benefits of multi-level governance;
- the way forward on tripartite arrangements should be in line with the recommendations of the EIPA report and the contributions of several Member State delegations in this Group, namely –
 - the Commission should prepare a document about the opportunities and problems posed by this instrument;
 - after the dissemination of this document, an information campaign should be launched by the Commission in close co-operation with the Committee of the Regions, as to the nature, benefits, financial possibilities and process for development of tripartite arrangements;
 - a clear distinction should be made between contracts and agreements; and
 - a new round of more focused pilot agreements should be launched on issues that are referred to in the EIPA report (but not the issue about information and communication for a better understanding of Europe), the Committee of the Regions should also be asked to propose issues for further pilot agreements;
- it is also important to consider other means and options of meeting the twin aims of greater involvement of local and regional government and flexibility in the implementation of European policies.

After the London High Level Meeting, only one new potential pilot (Asturias and CPMR) has emerged involving a scenario of a slightly wider scope than solely the environmental sphere.

The tripartite arrangements were discussed at an Eurocities/EIPA workshop at the 'Urban Futures 2.0' event in Stockholm in May 2006, with the participation of the Commission, the EIPA-ECR, and among others also members of the "extended troika" of the High Level Network.

In order to research whether the Member States consider that the target based agreements constitute a useful instrument to achieve the announced objectives, namely a value-added through an increased implication of the different actors in the application of EU policies and law in domain with strong territorial impact, the Finnish Presidency, acting on behalf of the High Level Network, conducted a survey among member States. Before that, there was held a negotiation between the Commission and the 'extended troika', and the Secretariat General agreed, based on Finland's letter, to keep open the Commission's position to the tripartite arrangements until the Turku High Level Meeting. By the end of August 2006 the Finnish Presidency had received the answers to the survey questions from fourteen Member States, some of which included or were based on regions' deliberations. An analysis of the response will be presented in the Turku Meeting. The Commission has presented its assessment of the experience of the tripartites in a document in July 2006 and has expressed its willingness to discuss the matter in Turku.

Structured dialogue with associations of local and regional authorities

On May 1st 2004, the European Commission started the structured dialogue with associations of local and regional authorities. The purpose of the dialogue is to observe the basic principles of good governance, as set out in the White Paper: openness, participation, effectiveness and coherence. The dialogue seeks to allow the Commission to understand the views of local and regional associations on the EU policies which they help to implement and which ultimately have an impact at local and regional level, before the formal decision-making processes are launched. The High Level Meetings on Governance and the EU have evaluated the outcomes of the dialogue and have in particular focused on the question whether the early involvement of local and regional expertise in the EU's policymaking process actually results in more workable European legislation.

So far, the experiences of the dialogue seem to be far from standing up to the expectations of local and regional authorities. In the preparation of the Turku meeting, the Finnish Presidency, together with past and future Presidencies in the "extended troika" discussed the dialogue at an informal meeting with the Commission on 16 March 2006, with the aim of highlighting the current practice of carrying out the dialogue and its value added to local and regional authorities.

The Subsidiary Conference in St. Pölten under the Austrian Presidency in April 2006 invited the Commission to involve regions and local authorities more, and as early as possible, in the preparation of legislative proposals. The Commission has announced that two more sessions of the structured dialogue will have taken place between the St. Pölten Conference and the Turku High Level Meeting, which will allow the meeting to assess recent developments in this field.

3. Better regulation: reducing unnecessary administrative burdens of EU legislation on local and regional authorities – enhancing compliance with EU legislation

Better regulation

Better regulation is an integral part of good (economic) governance and it is the responsibility of both the EU institutions and Member States authorities. The EU institutions attach great importance to the need for better regulation. This includes commitment to better policies, regulation and delivery as a way of achieving better governance. It also includes better impact analysis of legislative proposals (including costs); an increased use of non-legislative measures and the reduction of surplus existing European legislation. The quality of European legislation is taken into account, as well as the administrative burdens for citizens and enterprises.

Although there are many differences between the Member States with regard to the distribution of competences (on central, regional and local level), an identification of administrative burdens of EU and national legislation for local and regional authorities in all Member States could provide an insight in the problems with respect to that throughout Europe. While respecting local and regional self-government, the Council and/or the Commission could consult the Committee of the Regions on this matter. The High Level Meeting could contribute to taking the agenda of better regulation forward, taking into account the objectives of the Lisbon agenda, the existing EU activities on updating and simplifying the EU acquis and the rolling agenda of the Presidency of the Council.

The First High Level Meeting in The Hague concluded:

We noted that the Commission presents in 2005 a Communication about the reduction of unnecessary burdens of EU legislation.

We conclude that:

- Better regulation, reducing unnecessary administrative burdens of EU legislation on local and regional authorities, is an important topic for future High Level Meeting(s), also with regard to impact assessment;
- It is necessary to make an interface with other work in the EU and the OECD with regard to this issue;
- We will exchange information between Member States on unnecessary administrative burdens (and on action taken to remove them), caused by EU and national legislation on local and regional authorities, taking into account the different administrative systems of Member States.

The Council, European Parliament and Commission are committed to working together to improve European law-making in the 2003 Inter-Institutional Agreement.

The Commission has committed to carrying out thorough impact assessments on new proposals. It also has a rolling programme to simplify the volume and complexity of existing legislation.

Better regulation is an important political and economic issue for the whole of the EU. In order to make informed decisions when developing policy, we must fully analyse and understand the environmental, economic and social impacts. It is in the interests of all levels of government to ensure regulation achieves its objectives in the least burdensome way, and does not have unintended consequences.

Action needs to take place in three areas:

- (1) improving the policy-making process through better impact assessment and consultation;*
- (2) reducing the burden and complexity of regulation;*
- (3) reviewing the outcomes and impacts of existing legislation.*

The debate is not about stopping Europe from regulating, or about simply de-regulating. EU regulation has brought many benefits and is often the best way to tackle cross-border issues such as environmental protection. However, badly developed regulation doesn't achieve its objectives and can have unforeseen and potentially damaging consequences, including for local and regional government. We want better regulation which achieves its policy objectives in the least burdensome way.

However, any discussion on better regulation should not just be about the burdens placed on local and regional government, it should also be about the burdens that are sometimes transferred to businesses or citizens in their locality by local or regional government when implementing national or EU legislation. Where relevant, discussions should therefore also focus on the role of local and regional government regulators themselves.

The Second High Level Meeting in London concluded:

- Better regulation is an important political and economic issue for the whole of the EU. It is in the interests of all levels of government to ensure regulation achieves its objectives in the least burdensome way, and does not have unintended consequences. We noted the examples of good practice presented to the meeting.

- We should exchange information and good practices on reducing unnecessary administrative burdens, in particular of EU legislation (e.g. on EU public procurement rules) on local and regional authorities. These insights could be bundled and presented to the Commission with the ultimate goal that also the local and regional dimension is taken into account in its future better regulation activities.
- Welcome in this context the reference to the local and regional dimension and impact made by the Commission in its guidelines for the impact assessment of new legislation. We would therefore also welcome early information from the Commission on new legislative proposals which would have an impact on the local and regional level, including through the process of structured dialogue and via national and European co-ordination structures, and in this respect note the proposals of the Committee of the Regions in their 2005 opinion on Better Lawmaking.

Compliance with EU legislation on a local and regional level

Legislation is increasingly originating from the European administrative level. In many areas such as the environment, state aid, public procurement, free movement of persons and services, etc. rules have been laid down by the EU institutions which the Member States must transpose into national law. Also local and regional authorities are involved in implementing the legally binding EU acts as article 10 of the EC Treaty on the principle of EU duty, stating that *“Member States shall take all appropriate measures, whether general or particular, to ensure fulfillment of the obligations arising out of this Treaty or resulting from action taken by the institutions of the Community. They shall facilitate the achievement of the Community’s tasks”*, obliges all administrative bodies in the EU Member States to comply with European legislation. In the event of non-compliance with European legislation by the local and regional authorities, the European Union places the accountability with the Member State in question. Article 226 of the EC Treaty on the ‘infringement procedure’ states that *“If the Commission considers that a Member State has failed to fulfill an obligation under this Treaty, it shall deliver a reasoned opinion on the matter after giving the State concerned the opportunity to submit its observations. If the State concerned does not comply with the opinion within the period laid down by the Commission, the latter may bring the matter before the Court of Justice.”*

Some Member States are developing systems in which there is a certain amount of supervision from central government on the local and regional authorities, or from the regional government on local government, in order to safeguard that they are in compliance with EU legislation such as on state aid, public procurement, structural funds and environmental rules.

By deploying an informal network of Member States' representatives, the Member States can exchange best practices on compliance with EU legislation on a local and regional level.

This theme was also discussed at the first meeting of the High Level Network in The Hague in December 2004.

The meeting in The Hague concluded:

Compliance with EU law and policy at the local and/or regional level is important;

- The creed 'think globally, act locally' is a general starting point for consideration of this issue;
- On the regional and local level there is a lot of creativity, dynamism and flexibility which compliance and enforcement arrangements should take into account;
- Local and/or regional authorities need to have the resources and capacity to comply with EU legislation;
- Member States may need strengthening local and/or regional authorities' own administrative capabilities in respect of obligations under European law such as those with regard to state aid, public procurement, waste management, water management, nature conservation, air quality, services in the internal market, etc.;
- Citizens and NGOs can act as democratic 'watch dogs', and need to be given the information necessary for this role which ideally should include real time information now often available using the new e-technologies;
- Future High Level Meeting(s) should consider developing the open co-ordination method for assisting Member States, local and regional authorities to comply with EU law and policy at the local and/or regional level.

We identify the following examples of good practice within Member States:

- Focus more on information than on top down supervision;
- Information and/or advice to local authorities by formal or informal channels about EU policy and legislation. Formal channels are e.g. ministerial circular letters, ministerial websites or information and knowledge centres inside or outside ministries or information centres of associations of local and regional authorities. Informal channels are conferences, seminars and networks for information and communication;
- The training of civil and other public servants at central, regional and local level on EU law and policy;

- Involving local and regional authorities in the decision making process, so that they are also more involved in the process of compliance;
- Horizontal instruments such as peer review, benchmarking and the method of open coordination;
- Making supervision arrangements for EU legislation an integral part of existing national, regional or local supervision arrangements;
- Having an integrated approach to the financial, administrative and legal arrangements applicable to local and/or regional authorities for the implementation and operation of EU policies such as structural funds.

The European Council in June 2006 decided that priority should be given to reducing unnecessary administrative burdens. Means of achieving this include the further embedding of the use of global integrated impact assessments in decision making in the work of all institutions and the implementation of the Commission's programme to simplify existing legislation, where the Council looks forward to a report in the second half of 2006. It welcomed the Commission's 2005 screening exercise and invited the Commission to continue to screen pending proposals.

Building on previous High Level Meetings – Better regulation and compliance with EU legislation at the Third Meeting

State aid on the local and regional level

State aid rules have been with us since 1957, but it is only in recent years that compliance with these rules has had a large impact at the local and regional level. With more attention to the subject, a significant increase in the administrative workload and with the European Commission carrying out reforms through its State Aid Action Plan, state aid has throughout the European Union become a topic which local and regional governments have to take into account. If they don't, they face financial and legal risks. A more fundamental problem is the fact that state aid rules seem to weigh disproportionately on local and regional governments.

In the preparations of the Third High Level Meeting, state aid was raised as one of the most prolific European subjects affecting local and regional governments. Thereupon, it was agreed to establish a sub-network of experts on local and regional state aid, with the Netherlands Ministry of the Interior playing a coordinating and stimulating role. The Turku Meeting will discuss the subject on the basis on this preparation.

Procurement legislation on the local and regional level

From the recent case law of the EC Court of Justice and that of national courts, which is based on the decisions of the EC Court of Justice, we can infer that the public procurement law also has consequences for the organisation of local government in Member States, and especially for inter-municipal co-operation. The impact can, however, vary essentially in Member States depending on their administrative structures and the scope of regional and local selfgovernment. This form of public-public co-operation has hardly been discussed in the EU, even if the demarcation has a great significance for the distribution of powers between the EU and Member States, and for the efforts to improve the effectiveness of municipal service production.

In recent years, especially demarcation between inter-municipal co-operation and municipal procurement has been a topical issue as the development of inter-municipal co-operation has taken a direction towards agreements between two or more independent public legal entities.

Firstly, we want to attach attention to problems identified by Member States, and secondly, to initiate debate on the issue of public-public co-operation and the application of the public procurement law. There should be a demarcation between inter-municipal co-operation and the rules governing public procurement allowing the Member States to retain their right to organise their internal administration. We aim at a consensus at the EU level on the characteristics of co-operation between legal entities under public law and the difference between them and the characteristics of public procurement.

Consequently, from the point of view of reviewing the outcomes and impacts of existing legislation (action area 3 from the conclusions of the First Meeting, above) on local and regional authorities, Finland proposed that in the preparation of the third High Level Meeting, a sub-network of experts on procurement should be established, with the Finland's Ministry of the Interior playing a coordinating and facilitating role. The sub-network has prepared the discussion paper for the Turku Meeting.

4. The role of local and regional governance in implementing the Lisbon strategy: creating sustainable communities

How can regional and local authorities contribute to the implementation of the Lisbon strategy?

The updated Lisbon strategy calls for mobilising all players behind a common agenda. Criticism has, however, been voiced by local and regional authorities on lack of involvement of them when drafting national Lisbon strategies. Therefore, major communication efforts need to be made to increase awareness

and ownership of the national reform programmes and of the Community actions towards more growth and jobs, by the European Parliament, the Commission, the Economic and Social Committee, the Committee of the Regions, Member States, regional and local actors, social partners – civil society as a whole.

Enhancing local and regional competitiveness

The key words of today's challenges of open economy and effective regional policy tackling these challenges are ability to be regenerated, agility and anticipation. The global economy underlines the importance of local economies and their ability to innovate. The development takes place locally, which means that development policies and implementation of Lisbon strategy should be translated into local measures. Urban regions are essential focal points of the knowledge economy. Cities have the knowledge infrastructure, connections to the global economy and the most fluent exchange of expertise. At local level it is important to create strategic partnership between different actors, e.g. municipalities, research institutes, institutions of higher education, technology centres, business life, and various financiers, in order to enhance competitiveness that is based on local and regional strengths.

In order to facilitate discussion on the role of local and regional authorities in this process, the Finnish Presidency has commissioned the European Institute of Public Administration – European Centre for the Regions (EIPA-ECR) to provide a background paper on Europe-wide innovations and practices in this field.

Governance and sustainable communities

In December 2005, ministers from the EU member states and European institutions met at Bristol, UK and agreed the “Bristol Accord” which set out a common European approach to sustainable communities. The Accord recognised that promoting sustainable communities will help to deliver the goals of the Lisbon and Gothenburg agendas by promoting economic growth and jobs alongside enhancing environmental quality and social cohesion. The sustainable communities agenda built on the urban aquis and in particular the work of the Netherlands Presidency at the Rotterdam Informal Ministerial Meeting for territorial cohesion and urban policy (29 and 30 November 2004).

Governance and sustainable communities was a substantive discussion theme at the London meeting of the High Level Group which preceded the Bristol Informal Ministerial meeting. The conclusions reached in London recognised the following elements and principles as essential characteristics of effective democracy and good governance – prerequisites for the creation of sustainable communities:

- sustainable communities are places where people want to live and work now and in the future – they are active, inclusive and safe, well run, environmentally sensitive, well designed and built, well- connected thriving, well-served and fair for everyone;
- we, including the Committee of the Regions, should collect good practice examples on governance and sustainable communities for Bristol and beyond, and seek to share them through the European Urban Knowledge Network;
- key elements of the effective democratic governance of places are
 - effective citizen participation (involving society, social partners, and all levels of government) through both representative and appropriate forms of participatory democracy, designed to give communities power and influence over the decisions that affect them;
 - decisions and actions to be taken at the right level – be it the neighbourhood, local, regional, national or European level – the principle of subsidiarity is the guide here;
 - effective leadership of place; to create a vision of the place, gain the community's acceptance of that vision, and working with partners to secure its successful delivery; and
 - high standards of conduct, skills and communications, in particular communication between different types of professionals.
- governance means the rules, processes and behaviour that affect the way in which powers are exercised;
- in any context good governance is characterised by the five principles of openness, participation, accountability, effectiveness, and coherence;
- effective democracy and good governance at the European, national, regional, and local level are built on the six pillars of pluralist democracy, the rule of law and constitutionality, Human Rights, a fair and accurate media, an effective and active civil society, and a fair and open market-based economy;
- sustainable communities also means safeguarding the interests of future generations;
- European values, standards and norms on Human Rights, democracy and the rule of law are expressed in the *acquis* of the Council of Europe, in particular in the European Convention on Human Rights and Fundamental Freedoms and the European Charter of Local Self-Government;
- there is great diversity of governance arrangements across Europe's cities, towns and regions; governance arrangements, whilst meeting European values, need to reflect the traditions, culture, and circumstances of the place;

- the Principles of Metropolitan Governance adopted and published by the OECD in 2001 in “Cities for Citizens – Improving Metropolitan Governance” can be seen as a bench mark for the governance of metropolitan areas and as a pointer to what may be good governance in other areas;

We note the Commission’s proposal for a mandatory urban dimension in future structural funds

- this issue will be raised in the Ministerial conclusions of the Bristol Informal Ministerial meeting.

These characteristics and principles were endorsed by ministers at the Bristol Informal meeting.

Member States present at Bristol also recognised the importance of developing the right skills (including governance skills) for creating sustainable communities. Member States therefore offered their support for a European Sustainable Communities Skills Symposium as a mechanism to help to achieve this skills dividend. This symposium, to be organised by the UK’s Academy for Sustainable Communities, in partnership with the European Urban Knowledge Network (EUKN), will be held in Leeds, UK in November 2006. The symposium will be focused around the theme of governance and partnership skills.

The High Level Group in London also considered governance best practices at the local and regional level and explored ways in which governance reforms and experience can be exchanged between Member States and local and regional authorities in order to help deliver inclusive sustainable communities throughout Europe and beyond. The decision of the Rotterdam Informal Ministerial Meeting to develop the EUKN is in line with this ambition and provides an opportunity to facilitate this process of exchange of knowledge focused on governance.

Free movement and liberalisation of local and regional public services

Regions and municipalities aim to guarantee a provision of services which meet regional and local realities. Local and regional authorities make decisions about a wide range of public services and are accountable to the electorate for those services. Many areas of the work of local and regional authorities are affected by current initiatives at the European level such as on the services of general interest and at the level of the World Trade Organization within the framework of General Agreement on Trade in Services (GATS) to liberalise public services.

The objective of the services directive, adopted by the European Commission in January 2004, is to achieve a genuine internal market in services by removing legal and administrative barriers to the development of service activities between Member States. The directive is part of the economic reform that the European Council initiated in Lisbon in order to make the European Union to the most competitive and dynamic knowledge based economy in the world. The proposed directive is seen as the “third plank” in meeting the aims of the Lisbon Agenda after free movement of goods and people.

So far the proposal has been treated in a Council working group and the European Parliament has done a first reading (February 2006). The Commission presented a new draft (COM(2006)160), including the proposals from the Parliament, in April 2006.

The proposal has a horizontal scope and is of a more general character than earlier legislation in the area of services that has concerned limited sectors.

Although the scope of the directive was narrowed in the Commission’s new draft, there is still some concern amongst regions and municipalities that the directive could limit their decisionmaking powers over key areas of their work. Based on the discussion on the impact of the Services Directive on the service functions of local and regional authorities, but also from the point of view of changes in authorising and scrutiny functions, a sub-network of experts was established in the preparation of the Turku Meeting, with Sweden’s Ministry of Finance playing a coordinating and facilitating role.

5. Cross-border co-operation

Removing administrative, legal and social barriers between Member States is an essential part of promoting the development of regions situated in the border regions of the Member States within the EU. One of the founding principles of the EU is that there should be free movement of people, goods, services and capital between Member States.

Likewise this is not only an issue within the internal border regions of the EU, it applies equally across all of Europe’s borders.

Local and regional authorities in border regions are aware that (internal) borders, for at least some part, still act as legal, administrative and socio-cultural and psychological barriers between municipalities and regions of neighbouring countries.

The meeting in The Hague concluded that problems that local and regional authorities in border regions may encounter are:

- different competences and responsibilities between the various authorities in the border regions (is the local government at the other side of the border for the same policy issues responsible?);
- public transport services stop at borders;
- fire crews still have difficulty crossing into another member state to help victims – even though they may be closer at hand than the domestic services;
- small and medium-sized enterprises are often reluctant to develop their business across the border because of language, administrative and regulatory barriers.

In addition, such legal and constitutional provisions like judicial relief, the right of appeal, forum of litigation and others have proved to be serious obstacles for co-operation.

In this respect, it may be useful for the High Level Meetings to discuss questions on good governance principles and parameters for cross-border co-operation of local and regional authorities.⁴

Specific questions which were raised in The Hague for the High Level Meetings are:

1. What role does central government of each Member State, in particular the ministry responsible for governance, play in providing administrative and legal arrangements and facilities for cross-border co-operation at the local and regional level?
2. Which good governance principles and parameters for good cross-border co-operation of local and regional authorities can be identified?
3. Whilst it is difficult to define the objective parameters for cross-border co-operation, one could establish a checklist of issues such as:
4. Is a community located at the border of the country?
5. Is the existence of a state frontier an obstacle to social/economic development of the community? In what terms? Can cross-border co-operation overcome in an effective way the differences in social, economic and institutional development between neighbouring countries?
6. What are the consequences of the border: positive (jobs, tourism, local trade, educational and training possibilities) and negative (traffic, pollution, smuggling, excessive demands on local services: transport, street cleaning, crime, etc.)?

⁴ For instance, on the basis of the Council of Europe's Recommendation of the Committee Ministers, Rec (2005) 2, on good practices in, and reducing obstacles to transfrontier co-operation.

7. What action has the community taken to overcome these difficulties?
8. What help/assistance/funds have been provided by a higher authority and should be provided for (region and/or state)?
9. What dialogue or co-operation exists with the neighbouring community?
10. What difficulties do communities in border regions encounter in dealing with the neighbouring community: language, different competences at administrative level, different mentality/culture, lack of interest, lack of funds?
11. What could help local and regional authorities to overcome these difficulties: additional legal capacity, additional and better trained staff, resources (to do what precisely?), a framework for dialogue with the state and the neighbouring state/authority, the establishment of joint companies/utilities, the establishment of specific administrative arrangements for border regions and municipalities?
12. Are there effective and efficient bilateral and multilateral instruments available?
13. Are there effective and efficient instruments available at the level of the EU, the Council of Europe and other international organisations?

The Second High Level Meeting in London concluded:

- there is a wide degree of consensus on the value of transfrontier co-operation based on the view that from past experience transfrontier co-operation has many practical uses and benefits;
- transfrontier co-operation needs to be outcome focussed, it requires resources and planning to deliver true added value;
- existing cross border bilateral and multilateral arrangements are delivering results;
- we should encourage the sharing of good practice in this field through this network and the checklist in this Group's Multi-Annual Work Programme provides a good reference tool in this field;
- noting the Commission's proposals for the creation of an EGTC, there are differing views on how the governance and legal framework can be simplified and taken forward.

The European Neighbourhood and Partnership Instrument (ENPI) and the Instrument for Pre-Accession (IPA)

Essential progress has taken place in the development of instruments for the Union's external border co-operation, which are financed from the Structural Funds and External Relations budget. The Commission's proposal to establish a European Neighbourhood and Partnership Instrument (ENPI) was one element in a major revision of the Union's external relations financing aiming to cut the number of instruments from over a hundred to just six. The ENPI will replace

the present TACIS and MEDA financing and covers – in addition to CBC – also Country specific and Thematic programmes. The Instrument for Pre-Accession (IPA) is a parallel Regulation which covers those of the Union’s neighbouring countries which have a perspective for accession to the Union, presently in the Western Balkans. Together the ENPI and the IPA will cover all regions on the EU external border. A possibility to move a country from the ENPI to the IPA list is foreseen in the draft regulations, although this possibility seems quite remote now.

Although the Union’s relations with the Russian Federation have developed beyond the scope of the European Neighbourhood Policy into a Strategic Partnership based on four common spaces, co-operation with Russia will be financed from the Union side through the ENPI. Consequently the word “Partnership” was included in the name of the instrument.

European Grouping of Territorial Co-operation (EGTC)

Given the difficulties encountered by Member States in implementing cross-border measures, the provision has been made for the creation of new bodies to promote territorial co-operation between its members. These “European groupings of territorial co-operation” (EGTCs) will be legal entities and can be set up after a transition period from the beginning of August 2008.

EGTCs are designed to facilitate and promote cross-border, transnational and regional cooperation between authorities at Member State, regional and local level. They may be made responsible for implementing programmes part-financed by the Community or for other territorial co-operation measure, whether Community funded or not. EGTC’s scope will be limited solely to the field of territorial co-operation determined by its members and will set out their responsibilities. The law governing to be used for interpreting and enforcing the convention will be that of one of its member countries.

The new prospects opened up by the decision to establish the EGTCs will be examined in Turku.

The Council of Europe’s work in the field of transfrontier co-operation

The Council of Europe has a long-standing record of cross-border and transfrontier cooperation, including the Madrid Convention and its two additional protocols.

The Steering Committee on Local and Regional Democracy (CDLR) of the CoE has lately examined the possibility of either a third additional protocol to the Convention, or possibly a Convention containing a uniform law on

transfrontier groupings of territorial co-operation. An extensive work has been done by the Committee in elaborating a possible convention. The debate on the matter is ongoing. At its meeting in May 2006, the CDLR decided that the work be continued and that the draft convention be reviewed with a view to submitting a shorter and simpler draft text, compatible with the provisions of the European Union regulation. The CDLR will resume its consideration of the issue at its next meeting.

6. Closer links between the EU, the Council of Europe and their Member States

The aim of the Council of Europe is to reinforce and consolidate local and regional democracy in its Member States, to draw up and implement a framework of standards for the functioning of the state, its institutions and its intermediate structures (such as municipal, provincial and regional authorities) and to encourage the sharing of experience and best practice in “front line” issues of change at local level. Local democracy is a fundamental component of 21st century democracy in Europe. Its existence and vitality are acknowledged to be key factors in democratic stability. Local self-government must meet the needs of all Europeans, in towns and villages, central and peripheral regions and across borders. Because of the growing impact of EU legislation and administration on the functioning of regions and municipalities, it could be useful if in the near future there were closer links and more co-operation between the Council of Europe, the EU institutions and the EU Member States.

One of the key priorities of the Council of Europe is the promotion of democracy and good governance at the regional and local level. In February 2005, the Ministers responsible for local and regional government meeting in Budapest decided to make “delivering good local and regional governance” an essential objective to be pursued by Council of Europe member States and have adopted an Agenda setting up the actions to be undertaken by both the Members States individually and the Council of Europe over the next five years. This was reaffirmed by the Declaration agreed at the Council of Europe’s Heads of State and Government Summit in Warsaw, Poland, in May 2005. The Council of Europe accordingly has a substantial work programme in the field of local and regional governance.

The Council of Europe also agreed on a protocol governing inter-institutional relations between the EU and the Council of Europe in Warsaw.

The governance agenda and work programme of the Council of Europe has much to offer the EU. This is particularly true in the context of citizen participation and democracy issues in the EU where voter turn-out has been in decline for some years as voters become increasingly more disenchanted with politics and political institutions. The Council of Europe’s Forum for the Future of Democracy on the one hand provides an opportunity to consider

ways in which democracy and democratic institutions can be reinvigorated to reconnect with citizens; on the other hand the Council of Europe's centre of local government expertise provides a work programme for building local government capacity and accountability within Member States.

The Council of Europe has also done substantial work in identifying and promoting good practice examples in fields which are essential for good governance at local and regional level such as the structure and operation of local and regional authorities, financing and managing local services or public ethics and the fight against corruption.

The Second High Level Meeting in London concluded:

- The future co-operation in the field of democracy and governance between the Council of Europe, the European Union and their member states should be focussed on taking up synergy effects and at the same time avoiding unnecessary parallelism;
- There should be appropriate partnership working (not least to save on unnecessary meetings and expense) between networks under the European Union (e.g. the High Level Group on Governance and the Committee of the Regions) and Council of Europe (e.g. the Steering Committee on Local and Regional Democracy and the Congress) which have a focus on democracy and governance issues, including identifying and promoting examples of good practice, and standard setting (e.g. where such networks have websites there could be links between the different sites);
- Initiatives within the European Union and its Member States which have a focus on governance or democracy, such as the European Sustainable Communities Approach which the Informal Meeting of Ministers on 6–7 December is being asked to endorse, could refer to or draw on the acquis of the Council of Europe;
- Where the European Union undertakes or promotes capacity building in local or regional democratic governance, it should draw on the expertise of the Council of Europe, in particular the centre of local government expertise;
- The Forum for the Future of Democracy, established by the Warsaw Summit and launched in Warsaw on 3–4 November 2005, may in future as the Forum process is developed, provide a framework in which to take forward such initiatives of the European Union and Member States as the Plan D debate;
- These potential fields of co-operation should be recognised in the proposed memorandum of understanding;
- The Secretariat of the Council of Europe will deliver a report on this co-operation for the next High Level Meeting.

The Finnish incoming Presidency, chair of the “extended troika” in the preparation of the Turku Meeting, had the opportunity to present the workings of the High Level Group and its meetings to the Steering Committee on Local and Regional Democracy (CDLR) of the Council of Europe, at the CDLR spring session in May 2006 in Strasbourg. Thus one aspect of the London decisions above was taken a step forward.





PROGRAMME

SUNDAY 1 OCTOBER

*** ARRIVAL OF DELEGATIONS

BUFFET RECEPTION at the Turku City Hall, 20–21.30 h

DAY ONE – MONDAY 2 OCTOBER 2006

Participants are given the option to stay at the SAS Radisson Marina Palace Hotel, where the meeting is held. Those who choose another hotel for accommodation will upon arrival receive information on how to reach the SAS Radisson Marina Palace Hotel.

09.00

Registration (for those who did not register the previous evening at the SAS Radisson Marina Palace Hotel)

09.15

Opening Session

- Opening of the meeting and keynote address by the **Minister for Regional and Municipal Affairs, Mr Hannes Manninen**
- Chairperson's welcome by **Dr Cay Sevón**, >Director-General for Municipal Affairs, Ministry of the Interior, and Chairperson of the High Level Group on Governance and the EU
- Adoption of the agenda
- Recent EU developments having implications for local and regional governance

- › Presentations by **Mr Paul Rowsell**, Head of Division, **United Kingdom** and **Mr Wolf Huber**, Director, **Austria**

10.30 am

Follow up to The Hague and the London High Level Meetings

Better regulation: reducing unnecessary administrative burdens of EU legislation on local and regional authorities and thus facilitating compliance with EU legislation

Presentation of reports and exchanges on reducing regulatory burdens

- › State Aid, **Mr Herman Schartman**, Director, **The Netherlands**
- › Procurement, **Mr Arto Luhtala**, Ministerial Counsellor, **Finland**
- › Exchange of views^{*}
- › Chair's summing up

Target-based tripartite arrangements

- › Presentation of the analysis of the questionnaire to the Member States on the tripartite arrangements by **Mr Heikki Telakivi**, Director, International Affairs, **Finnish Association of Local and Regional Authorities**
- › Statement by **Mr Jens Nymand-Christensen**, Director, **European Commission**
- › Statement by **Mr Raymond Forni**, **Committee of the Regions**, Member of the CoR, President of the Franche-Comté Region
- › Statement by **Mr Francisco González Buendía**, Environment Councillor, Principality of Asturias, **Spain**
- › Exchange of views^{*}
- › Chair's summing up

13.00

LUNCH in the restaurant of the SAS Radisson Marina Palace Hotel

14.00

The Role of Local and Regional Governance in the Implementation of the Lisbon Strategy: Creating Sustainable Communities

- › Regional and local dimension to sustainable growth and better jobs: Innovative policies and practices in the implementation of the Lisbon Strategy by **Mr Alexander Heichlinger**, Senior Lecturer, **EIPA – ECR**
- › Finland's experience of implementing the Lisbon Strategy – Centres of Expertise Programme, **Ms Silja Hiironiemi**, Director General, **Finland**
- › The Services Directive – Impact on Local Government, **Ms Åsa Edman**, Desk Officer, **Sweden**
- › Creating Sustainable Communities – The Next Steps after the London HLM, **Mr Paul Rowsell**, Head of Division, **United Kingdom**
- › The European Knowledge Network, **Mr Herman Schartman**, Director, **The Netherlands**
- › Austrian Cities and the Lisbon strategy, **Dr Erich Pramboeck**, Secretary General, **Austrian Association of Cities and Towns**

^{*} Given the limited time available for discussion, all interventions should be, where possible, no longer than 3 minutes.

- Integration, employment and the use of EU tools in implementing the Lisbon strategy locally, **Ms Kaija Hartiala**, Deputy Mayor, **The City of Turku**
- Exchange of views^{*}

15.00

COFFEE BREAK

15.20

Presentations and discussion continue...

- Chair's summing up

16.45

Closer links between the Council of Europe, the EU and Member States

- The Council of Europe's local and regional governance agenda and developments, **Mr Philip Blair**, Director, **Council of Europe**
- Statement by **Mr Jens Nymand-Christensen**, Director, **European Commission**
- Concrete example of collaboration between the EU and the CoE, **Mr Paul Rowsell**, Head of Division, **United Kingdom**
- Exchange of views^{*}
- Chair's summing up

17.30

CLOSE OF MEETING

EVENING OF DAY ONE

19.45

Coaches depart (hotel Marina Palace) for **DINNER** (20.00) at the **TURKU CASTLE**, hosted by the City of Turku



^{*} Given the limited time available for discussion, all interventions should be, where possible, no longer than 3 minutes.



22.15
Coaches return delegates to hotel Marina Palace

DAY TWO – TUESDAY 3 OCTOBER 2006

09.00

Opening session

- › Comments on draft conclusions and recommendations from Day One

09.30

Territorial and Cross border co-operation

Facilitating territorial and cross-border co-operation of local and regional authorities – the state of affairs in the EU and the CoE

- › Implementing the EGTC of the EU, **Dr Klemens H. Fischer**, Minister plenipotentiary, **Austria**
- › Overview of the ENPI, **Mr Pekka Järviö**, Ministerial Counsellor, **Finland**
- › The Council of Europe's work in the field of transfrontier cooperation, **Mr Alfonso Zardi**, Head of the Department, **the CoE**
- › Exchange of views^(*)
- › Chair's summing up

10.45

Prospects for the German and Portuguese EU Presidencies

- › Presentations by **Ms Dagmar Hesse**, Head of Unit, **Germany** and **Ms Maria Eugénia de Almeida Santos**, General Director, **Portugal**

11.15

COFFEE BREAK

11.45

Closing Session

- › Presentation of draft conclusions and recommendations of the High Level Meeting on Governance and the EU
- › Statement by **Mr Jens Nymand-Christensen**, Director, **European Commission**
- › Statement by **Mr Gerhard Stahl**, Secretary General, **Committee of the Regions**
- › Exchange of views^(*)
- › Adoption of final conclusions and recommendations of the High Level Meeting on Governance and the EU
- › Closing of meeting

13.00

CLOSE OF MEETING

^(*) Given the limited time available for discussion, all interventions should be, where possible, no longer than 3 minutes.

LUNCH in the restaurant of the SAS Radisson Marina Palace Hotel

*** DEPARTURE OF DELEGATIONS

Buses will take delegates to the airport

LIST OF PAPERS

Programme

Brief Agenda & Notes

Multi-Annual Work Programme

Paper 1: Subsidiarity and decentralisation: the appropriate level of administration?
The Netherlands

Paper 2: The Subsidiarity Issue in the Finnish Parliament

Paper 3: Analysis of the results of the questionnaire on target-based tripartite arrangements, Heikki Telakivi, Association of Finnish Local and Regional Authorities

Paper 4: Target-Based Tripartite Arrangements – The Way Forward (EN-FR-DE).
European Commission

Commentary paper to Paper 4: Comments on Tripartites Contracts. Spain

Paper 5: The local level of state aid. The Netherlands

Paper 6: Public procurement and public-public co-operation. Finland

Paper 7: Good governance in delivering sustainable growth: Regions and municipalities as promoters of the Lisbon strategy. EIPA-ECR

Paper 8: The Committee of the Region's Lisbon Monitoring Platform

Paper 9: Austria's cities and the Lisbon Strategy

Paper 10: The Centre of Expertise Programme. Finland

Paper 11: Integration, employment and the use of EU tools in implementing the Lisbon strategy locally. The City of Turku

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Paper 14: European Grouping of Territorial Co-operation (EGTC) - A new opportunity for cross-border co-operation. Austria.

Appendix: Regulation (EC) No 1082/2006 of the European Parliament and the Council of 5 July 2006 on a European grouping of territorial cooperation (EGTC) EN-FR-DE

Paper 15: Cross-Border co-operation at the external borders of the European Union; European Neighbourhood and Partnership Instrument (ENPI). Finland

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Paper 17: Greater co-operation between the EU and the Council of Europe in the field of democracy and governance. The United Kingdom

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