

European Subsidiarity Protocol

An operational enhancement for Article 5 and the European project

Version: 1.2 **Target institutions:** European Commission, European Parliament, European Central Bank (ECB), Committee of the Regions, Eurocities **Legal basis:** Article 5 TEU (Subsidiarity), Article 20 TEU (Enhanced Cooperation) **Technical annex A:** Global Subsidiarity Index Framework v5 **Technical annex B:** Actuation Layer Specification (Conditional Service Credits + Resilience Dividend)

1. Executive summary

The European Union is the most advanced polycentric governance experiment in modern history, anchored by the Principle of Subsidiarity (TEU Article 5). However, as the Draghi Report on Competitiveness documents, the EU is experiencing a structural latency crisis. The attempt to manage 27 diverse national economies through centralized, standardized regulation produces systematic mismatches between the scale of governance and the scale of the problems being governed.

The EU already possesses subsidiarity infrastructure: the Early Warning Mechanism, the Better Regulation agenda, REFIT evaluations, and the Conference of Parliamentary Committees (COSAC). These tools are politically valuable but empirically unarmed. Whether a Commission proposal violates subsidiarity remains a matter of political argument, not diagnostic measurement.

The European Subsidiarity Protocol provides the missing empirical layer. It introduces the Global Subsidiarity Index (GSI) — a diagnostic measurement standard that makes subsidiarity compliance quantifiable for the first time. It provides routing protocols that translate diagnostic outputs into governance-tier recommendations mapped to the existing NUTS classification. And it proposes a

targeted fiscal pilot to demonstrate that precision subsidiarity can activate underutilized social capacity without entering monetary policy space.

This protocol does not replace existing subsidiarity mechanisms. It upgrades them from political instruments to evidence-based tools. It is also designed to be scientifically disprovable: if Phase 1 demonstrates that quantitative subsidiarity measurement does not improve governance outcomes, the negative result would constitute the EU's first rigorous empirical study of subsidiarity implementation — valuable in itself.

System safeguards: EU treaties remain fully intact. ECB monetary authority is unchanged. The single market is preserved. National sovereignty is enhanced — member states retain full authority over Regional Subsidiarity Zone designation. Existing structural funds are repurposed through efficiency gains, not eliminated. No treaty changes are required for initial deployment.

All components are voluntary, locally governed, and designed to increase democratic accountability at the level closest to citizens.

2. The problem: Where centralization helps and where it hinders

Not all centralization is harmful. The single market, competition law, environmental floor standards, and cohesion-driven convergence represent domains where Union-level action is necessary and effective. The protocol does not challenge these.

The problem emerges in domains where **local variation carries decision-relevant information** that centralized regulation cannot capture. Consider the demographic and care crisis — a policy domain where the European Care Strategy is already seeking new approaches:

- Centralized approaches attempt to address aging populations and care deficits through uniform frameworks. These average across regions with vastly different cultural care capacities, informal network densities, and demographic profiles.
- A region with deep informal care traditions (multigenerational households, community mutual aid networks) needs recognition infrastructure. A region without these traditions needs formal care investment. The same problem requires different solutions at different scales.

The GSI identifies *which policy domains* suffer from this mismatch and *at which governance tier* the relevant knowledge resides — without presuming that decentralization is always the answer. For domains where the GSI indicates that Union-level action is optimal, the protocol validates the current allocation.

Fiscal significance: By routing care policy to the tier where it can be most efficiently delivered — including activating informal care capacity that currently sits outside fiscal systems — the protocol reduces pressure on national healthcare and pension budgets. This is not merely a governance innovation; it is a mechanism for **national fiscal relief** through precision allocation.

3. The Global Subsidiarity Index

3.1 Relationship to existing subsidiarity infrastructure

The EU's existing subsidiarity tools operate at the political layer:

Existing Tool	Function	Limitation
Early Warning Mechanism ("yellow card")	National parliaments can object to proposals on subsidiarity grounds	Objections are political arguments; no empirical threshold for activation
Better Regulation Agenda	Commission self-assessment of regulatory proportionality	Self-assessment lacks external diagnostic validation
REFIT Programme	Retrospective evaluation of regulatory burden	Identifies burden but not optimal governance tier
COSAC	Inter-parliamentary coordination on subsidiarity	Political coordination without quantitative diagnostic

The GSI provides the empirical layer these tools currently lack. It does not replace them — it arms them:

- **Early Warning Mechanism upgrade:** The GSI provides national and regional parliaments with data-driven evidence to support subsidiarity objections. When the GSI identifies a subsidiarity mismatch in a given policy domain, this constitutes a measurable basis for activating the yellow card — upgrading it from a political dispute to a methodological finding. The decision to invoke the mechanism remains a parliamentary prerogative; the GSI provides the evidentiary foundation.
- **Better Regulation integration:** GSI diagnostic outputs can be incorporated into Regulatory Impact Assessments, giving the Commission a systematic tool for ex-ante subsidiarity analysis rather than relying on case-by-case political judgment.

- **REFIT complement:** Where REFIT identifies regulatory burden, the GSI identifies whether that burden stems from governance-tier mismatch — enabling targeted reform rather than across-the-board simplification.

3.2 Theoretical foundation

The GSI operationalizes Ashby's Law of Requisite Variety: a governance system must possess at least as much internal variety as the system it attempts to regulate. The index measures the ratio between societal variety (complexity, diversity, dynamism) and governance variety (flexibility, adaptability, differentiation).

The GSI methodology is designed to build on existing governance measurement infrastructure (EU-SILC, Eurobarometer, OECD governance indicators), with the goal of co-development through Eurostat consultation and validation through Regulatory Impact Assessment frameworks.

3.3 Four dimensions, sixteen indicators

The GSI measures governance architecture across four dimensions, each composed of four indicators scored on a 0–10 scale with defined behavioral anchors:

Dimension 1 — Decision Proximity: How close are decisions to those affected?

Indicator	Measurement	Data Sources
1.1 Administrative Distance	Average layers between citizen and decision-maker across 5 policy domains	Government org charts, Eurostat administrative data, policy tracing
1.2 Fiscal Sovereignty	% of subnational budget controlled locally vs. mandated from above	National budget analyses, OECD fiscal decentralization data
1.3 Regulatory Autonomy	Ability to adapt EU/national rules to local conditions	Legal analysis, opt-out provisions, regulatory sandbox inventories
1.4 Emergency Response Latitude	Local authority during crises	EU Civil Protection Mechanism data, crisis case studies

Dimension 2 — Knowledge Inclusion: Whose intelligence informs decisions?

Indicator	Measurement	Data Sources
2.1 Expert vs. Experiential Balance	% policy inputs from experts vs. citizens with lived experience	Committee of the Regions consultations, parliamentary transcripts
2.2 Participatory Mechanism Quality	Quality of citizen involvement in decision-making	Municipal records, European Civic Value Registry (where deployed)
2.3 Traditional & Local Practice Integration	Recognition of regional knowledge in policy design	Land management agreements, regional practice inventories
2.4 Feedback Loop Efficiency	Time from problem identification to policy adjustment	Ombudsman reports, policy revision logs, emergency declarations

Dimension 3 — Resilience Architecture: How systems handle disruption and diversity.

Indicator	Measurement	Data Sources
3.1 Critical System Redundancy	Backup mechanisms in key infrastructure systems	EU Critical Infrastructure assessments, system audits
3.2 Adaptive Capacity	Speed of institutional response to shocks	Crisis response data, COVID recovery analyses
3.3 Diversity Resilience	Effectiveness of governance across cultural and regional differences	Policy impact assessments, regional diversity metrics
3.4 Long-term Sustainability	Balance of short vs. long-term planning	National planning documents, EU Semester reports

Dimension 4 — Cohesion & Integration: How distributed systems maintain unity.

Indicator	Measurement	Data Sources
4.1 Inter-Level Coordination	Effectiveness of protocols linking local → national → EU	Coordination agreements, multi-level governance exercises
4.2 Shared Value Alignment	Degree of common principles across governance levels	Eurobarometer, constitutional analyses

Indicator	Measurement	Data Sources
4.3 Conflict Resolution Mechanisms	Speed and fairness of inter-level dispute resolution	CJEU case data, mediation outcomes
4.4 Solidarity Metrics	Resource sharing between regions	EU cohesion fund distribution, cross-regional transfer analysis

Dimension 4 is as important as the other three. The GSI measures the quality of the entire governance architecture, including the mechanisms that hold distributed systems together.

3.4 EU Complexity Adjustment Factor (EU-CAF)

Comparing Portuguese rural municipalities with the Paris metropolitan region requires contextual calibration. The EU-CAF adjusts raw GSI scores to account for intra-EU variation.

Formula: $EU-CAF = (w_1G + w_2E + w_3D + w_4T) / C$

Where:

- **G** = Geographic Diversity Score (0–10): Climate zones (Köppen), terrain types, ecological regions per NUTS-2 area. Sources: EEA, Copernicus.
- **E** = Ethnolinguistic Diversity Score (0–10): Effective language groups, cultural-linguistic fractionalization. Sources: Eurostat population statistics, regional census data.
- **D** = Development Disparity Score (0–10): Regional Gini coefficient, NUTS-2 GDP variance, urban-rural service access ratio. Sources: Eurostat regional GDP, EU-SILC.
- **T** = Threat Environment Score (0–10): Climate vulnerability (EEA), disaster frequency (EM-DAT), cross-border stress factors. Sources: EEA, EU Civil Protection.
- **C** = Central Capacity Score (1–10, floor of 1): Government effectiveness (World Bank WGI), institutional quality (CPI), digital infrastructure maturity (DESI).

Default weights: $w_1 = 0.30$, $w_2 = 0.30$, $w_3 = 0.25$, $w_4 = 0.15$. Weights are adjustable per context with full transparency; any deviation from defaults must be published with justification.

The additive numerator ensures that low scores on any single component do not collapse the overall complexity assessment. A region with high geographic and ethnolinguistic diversity but a low threat environment correctly registers as complex. The divisor C ensures that regions with high institutional capacity face proportionally lower effective complexity demand.

Typical EU-CAF ranges:

- Low-complexity regions (e.g., Luxembourg, Malta): EU-CAF \approx 0.5–1.5
- Medium-complexity (e.g., Sweden, Netherlands): EU-CAF \approx 2.0–4.0
- High-complexity (e.g., Spain, Italy, Romania): EU-CAF \approx 4.0–8.0

For each indicator, the EU-CAF generates contextual target ranges rather than universal benchmarks.

3.5 The Optimal Governance Tier (OGT) Matrix

The GSI does not merely score — it routes. The OGT Matrix translates diagnostic outputs into subsidiarity recommendations, mapped to the EU's existing NUTS classification.

GSI Signal	EU-CAF Context	OGT Recommendation
High Knowledge Inclusion requirement + High local complexity	EU-CAF > 4.0	Devolve to NUTS-3 (municipal/county)
High Knowledge Inclusion requirement + Low local complexity	EU-CAF < 2.0	Devolve to NUTS-2 (regional)
High Inter-Level Coordination need + Low local complexity	EU-CAF < 2.0	Retain at EU Directive level
High Resilience deficit + High local diversity	EU-CAF > 4.0	EU minimum standard + NUTS-2 implementation autonomy
Balanced across all dimensions	Any	Current governance allocation validated

These thresholds are illustrative. Operational values will be calibrated during the Parallel Diagnostic Phase through systematic comparison of OGT recommendations against actual policy outcomes.

3.6 Subsidiarity Drag: Quantifying the cost of governance-tier mismatch

When a policy is implemented at a different governance tier than the OGT recommends, this introduces measurable friction. The protocol defines **Subsidiarity Drag (SD)** as a composite metric:

$$\text{SD} = \text{Tier Distance} \times \text{Domain Cost Coefficient}$$

Where:

- **Tier Distance** = the number of NUTS levels between the OGT recommendation and the actual implementation tier (e.g., OGT recommends NUTS-3, implemented at NUTS-1 → distance of 2).
- **Domain Cost Coefficient** = an empirically derived multiplier reflecting the cost sensitivity of the specific policy domain. Care policy (where local knowledge varies dramatically) has a higher coefficient than, say, telecommunications standards (where local variation carries less information).

Denomination: Subsidiarity Drag is published in two units:

1. **Administrative overhead** (estimated coordination hours per policy cycle attributable to tier mismatch)
2. **Fiscal overhead** (estimated additional cost in euros relative to optimal-tier implementation)

Both estimates are derived from the Parallel Diagnostic Phase by comparing policy delivery costs across regions where the same policy is implemented at different tiers.

Domain calibration phasing: Phase 1 yields a validated Domain Cost Coefficient strictly for care policy — the domain where local knowledge variation is highest and where the Civic Value Registry provides direct data. This coefficient serves as the methodological template; subsequent domains (e.g., environmental regulation, digital markets, regional economic development) will require independent baseline calibrations during Phase 2 to establish their domain-specific coefficients. Until a domain has been independently calibrated, the protocol publishes only Tier Distance for that domain, not full Subsidiarity Drag estimates.

Transparency mechanism: When a national government or the Commission implements a policy at a tier other than the OGT recommendation, the Subsidiarity Drag is published in the protocol's annual transparency report. This mirrors the European Semester's transparency on fiscal deviations: non-binding, but visible. Deviations are legitimate — the protocol does not override democratic decision-making — but the cost of deviating is no longer invisible.

3.7 The comply-or-explain mechanism

When OGT recommendations diverge from political preferences, the protocol does not override democratic decision-making. The GSI output is diagnostic, not prescriptive. However, the protocol introduces a **comply-or-explain obligation** — borrowed from established EU regulatory practice in corporate governance — that ensures diagnostic evidence cannot be silently ignored.

Under Enhanced Cooperation, participating member states commit to one of two responses when the OGT Matrix produces a routing recommendation for a policy within scope:

1. **Comply:** Implement the policy at or near the recommended governance tier.
2. **Explain:** Publish a written justification for the deviation, specifying (a) the substantive grounds for overriding the recommendation and (b) the governance tier chosen instead.

This does not constrain the decision. It constrains silence. No member state is required to follow the OGT recommendation — but no member state can ignore it without explanation. The published justifications serve a dual function: they create democratic accountability for governance-tier choices, and they provide structured qualitative feedback that improves the GSI's calibration in subsequent iterations.

Supporting mechanisms:

- **Subsidiarity Drag publication:** The estimated cost of each deviation is published alongside the justification, denominated in administrative and fiscal overhead (see Section 3.6).
- **Early Warning Mechanism integration:** National parliaments can cite GSI findings and published Subsidiarity Drag as empirical support for subsidiarity objections under the yellow card procedure.
- **European Semester parallel:** This mirrors the Semester's transparency on fiscal deviations — non-binding, but visible. The protocol creates no new enforcement authority; it creates new visibility.

3.8 Data Confidence Tiers

Tier 1 (Gold): Verified by 3+ independent sources (Eurostat + academic/NGO + citizen validation panel from European Civic Value Registry). Full transparency.

Tier 2 (Silver): Eurostat data corroborated by at least one independent check (OECD, regional audit). Partial citizen validation.

Tier 3 (Bronze): Estimated via proxy inferences from existing EU datasets (EU-SILC, Labour Force Survey, Eurobarometer). Proxies explicitly labeled with inference logic and margin of uncertainty.

Bootstrapping pathway: The Parallel Diagnostic Phase launches at Bronze/Silver using existing Eurostat infrastructure. As the European Civic Value Registry grows, indicators progressively migrate from Bronze → Silver → Gold. The protocol documents confidence tier status per region per indicator.

The diagnostic process is co-produced between central institutions and edge-level actors. The Commission establishes macro-audit standards; the cryptographic provenance of edge data remains immutable and locally hosted. The center co-authors the dashboard; the edge retains ownership of the sensor network.

3.9 Framework revision protocol

The GSI is a measurement protocol, not a fixed product. If the Parallel Diagnostic Phase reveals systematic diagnostic errors, the protocol includes a structured revision process:

1. **Error detection:** Systematic comparison of OGT recommendations against actual policy outcomes identifies persistent mismatches.
2. **Root cause analysis:** Independent academic panel determines whether mismatches stem from data quality (fixable within existing framework) or structural model limitations (requiring framework revision).
3. **Revision proposal:** If structural, a revision is proposed through the standards stewardship process, published for open comment, and adopted only after validation against historical data.
4. **Version control:** All GSI implementations must specify which framework version they use. Multiple versions may coexist; the protocol enables comparison.

3.10 Reference implementation and forkability

The GSI protocol is open — any researcher, institution, or civil society organization can implement it with alternative weightings or adapted indicators. This enables independent validation and academic contestation.

However, for policy-relevant use — including Early Warning Mechanism support, Regulatory Impact Assessment integration, and Subsidiarity Drag publication — the protocol designates a **reference implementation**: the Eurostat-consulted, Distributed Audit Board-validated version maintained through the standards stewardship process.

Competing implementations may produce different routing recommendations. This is valuable for research and debate. But only the reference implementation carries institutional weight for governance decisions. This prevents competing GSI versions from being weaponized to justify contradictory policy preferences while preserving the scientific openness of the protocol.

3.11 Anti-gaming protocols

Mechanism	Function
Data triangulation	3+ independent sources per indicator required for Gold tier
Anomaly detection	AI-assisted flagging of score jumps inconsistent with institutional change
Citizen validation panels	Random 1,000-citizen surveys per region to confirm indicator accuracy
Full transparency	All raw data, weightings, and confidence tiers published openly
Reference implementation	Eurostat-validated version for policy use; open forks for research

4. The European Civic Value Registry

4.1 Function

A decentralized, GDPR-compliant registry that recognizes and validates informal, non-monetized care work. It provides the high-fidelity local data that enables the GSI to measure dimensions traditional macroeconomic indicators cannot capture — community mutual aid density, informal eldercare capacity, local social capital.

4.2 The citizen experience

From a participant's perspective, the Registry is a voluntary platform where informal care contributions — looking after an elderly neighbor, organizing community support networks, mentoring, ecological stewardship — are made visible without being monetized. Participants log contributions through a simple interface (mobile app or community hub). Their contributions are acknowledged within the local community through a recognition mechanism (not a payment), and the aggregate data feeds into the GSI's Knowledge Inclusion and Resilience indicators.

The incentive is not financial. It is civic visibility: the work that communities already do — and that fiscal systems currently ignore — becomes recognized as a measurable contribution to social resilience. For local governments, this data reveals care capacity they didn't know they had. For citizens, it means their informal work is counted in governance decisions for the first time.

4.3 Safeguards

Voluntary, user-owned, locally governed, opt-in only. Operates under strict GDPR principles. Raw data never leaves local control.

4.4 Cryptographic architecture

The registry uses Zero-Knowledge Proof (ZKP) architecture to enable EU-level diagnostic aggregation without centralizing personal data:

1. **Aggregate capacity proofs (zk-SNARKs or zk-STARKs):** Enable a municipality to prove to EU institutions that it possesses "X hours of latent informal care capacity" without revealing individual identities or localized ledger entries. The choice between SNARKs (smaller proof sizes, requires trusted setup) and STARKs (trustless, larger proofs) is a technical implementation decision; both satisfy the core requirement.
2. **Set membership proofs:** Enable a citizen to prove residency in a specific region for eligibility purposes without exposing their identity to central databases.

EU institutions receive mathematically verifiable aggregate statistics — never the underlying raw data.

4.5 GSI data integration and known limitations

The registry serves as the primary data source for GSI Dimension 2 (Knowledge Inclusion) indicators. During early deployment, the GSI operates at Bronze/Silver tiers using existing Eurostat proxies. As Registry adoption grows, indicators progressively migrate to Gold tier.

Known selection bias: Voluntary participation means communities with already-strong informal care networks are more likely to register, while communities where informal care is fragmented or declining — where policy intervention may be most needed — will be underrepresented. The methodology addresses this through two mechanisms: (1) Bronze-tier Eurostat proxy data provides baseline coverage for all regions regardless of Registry adoption, ensuring that non-participating regions are not rendered invisible; (2) the GSI's care-domain indicators are calibrated against both Registry data *and* proxy data, with the gap between them treated as a signal of underrepresentation rather than absence of care capacity. Regions with low Registry participation but high proxy indicators for informal care are flagged for targeted outreach, not scored as low-capacity.

4.6 Fiscal significance

By making informal care capacity visible, the registry enables governance systems to activate existing social resources rather than funding their formal replacement. This reduces pressure on national healthcare and pension budgets without degrading care quality.

5. Governance and oversight

Function	Body
Methodology consultation	Eurostat + independent academic panel
Diagnostic audit	Committee of the Regions (institutional coordination) + Eurocities consortium (operational capacity) + independent technical auditors
Data provenance oversight	Independent cryptographic auditors; edge nodes retain immutable data ownership
Deployment authorization	Enhanced Cooperation participants (Article 20 TEU) with European Parliament consent
Legislative integration	European Parliament (EP consent for Enhanced Cooperation; potential integration with COSAC subsidiarity monitoring)
Ongoing monitoring	Committee of the Regions + European Parliament observers
Pilot evaluation	Independent evaluation body with pre-registered methodology
Framework revision	Open standards process with Eurostat-validated reference implementation

The Committee of the Regions provides institutional coordination and treaty-grounded legitimacy. The Eurocities municipal consortium provides operational capacity. The European Parliament — historically the most active institutional defender of subsidiarity through COSAC — is positioned as both a consent authority for Enhanced Cooperation and a primary user of GSI diagnostic outputs for its own subsidiarity oversight functions.

6. Deployment architecture

The protocol's components are designed to work together. They can be deployed incrementally, with each layer increasing the system's capability:

Layer	Component	Dependency	Function
Layer 1: Sensor	European Civic Value Registry	None — foundational	Provides local data on informal care capacity, social capital, and resilience
Layer 2: Diagnostic	Global Subsidiarity Index + OGT Matrix	Most effective with Layer 1; operational at Bronze tier using existing Eurostat data	Identifies optimal governance tier per policy domain; produces routing recommendations
Layer 3: Actuation	Targeted fiscal instruments	Requires Layer 2	Converts diagnostic insight into fiscal action (specified in Technical Annex B)

Layer 1 alone provides valuable local infrastructure. Layers 1+2 together deliver a diagnostic capability that demonstrates the protocol's value and creates demand for Layer 3. Full deployment delivers complete subsidiarity routing.

7. Transition mechanics

The protocol operates within existing legal mandates. No treaty changes are required for initial deployment.

Phase 1: Parallel Diagnostic Phase (Year 1)

- GSI runs as a non-binding analytical pilot alongside existing EU decision processes
- **Scope: European Care Strategy.** Phase 1 focuses on care policy — the domain where the Averaging Problem is most acute and where the Civic Value Registry provides the clearest data advantage. This creates a closed-loop proof of concept: the GSI's care-domain indicators directly utilize Registry data, demonstrating the full Sensor → Diagnostic pipeline in a single policy domain.
- Coordinated through the Committee of the Regions with Eurocities operational support
- 3–5 pilot regions selected for maximum variation across:
 - **EU-CAF level** (at least one low-complexity and one high-complexity region)
 - **Governance structure** (at least one federal/devolved state and one unitary state)

- **Care policy architecture** (at least one Nordic universal-coverage model and one Southern/Central European familial-care model)
- **Digital infrastructure maturity** (at least one DESI leader and one below-median region)
This variation ensures that Phase 1 tests the GSI's diagnostic capability across structurally different contexts rather than validating it only in favorable conditions.
- Uses Bronze/Silver tier data from existing Eurostat infrastructure, supplemented by early Civic Value Registry data where available
- Framework revision protocol active from Phase 1

Phase 2: Enhanced Cooperation deployment (Years 2–3)

- A coalition of nine or more member states (Article 20 TEU), with European Parliament consent, formally adopts the protocol
- Follows the precedent of EPPO (launched with 20 members) and the Unitary Patent (17 members)
- GSI domain coverage expands beyond care policy (health system governance, regional economic development, environmental regulation)
- At least one eurozone pilot region included to validate transferability of fiscal instrument results
- Data confidence targets: Silver/Gold tier in pilot regions

Phase 3: Gradual integration (Years 4–5)

- Demonstrated efficiency gains drive organic adoption
- Gold tier data confidence becomes standard in participating regions
- OGT routing recommendations carry increasing institutional weight based on track record
- GSI outputs integrated into Better Regulation and REFIT processes

8. Phase 1 financial projection

The Parallel Diagnostic Phase does not require new EU budget allocations. Estimated cost: **€20–35M over 24 months**, drawn from existing programme instruments:

Component	Estimated Cost	Funding Source
GSI methodology consultation with Eurostat (feasibility assessment + indicator specification for care domain)	€4–6M	Horizon Europe Pillar 2 (Culture, Creativity and Inclusive Society)
Civic Value Registry pilot infrastructure (3–5 regions)	€5–8M	Digital Europe Programme
Parallel Diagnostic audit: care-domain data collection and analysis across pilot regions	€4–7M	Horizon Europe Pillar 2
Independent academic validation panel	€2–3M	Horizon Europe (ERC/MSCA)
Eurocities operational coordination + CoR secretariat support	€2–4M	Existing CoR/Eurocities budgets + member state contributions
Contingency	€3–7M	—

These estimates will be refined during the scoping phase. Phase 1 constitutes a **methodological consultation and feasibility assessment** — co-developing the full GSI standard with Eurostat is a Phase 2–3 undertaking. The critical point: Phase 1 fits within existing EU programme envelopes and does not require new appropriations.

9. Europe's structural advantage

The EU's constitutional architecture — subsidiarity, polycentricity, diversity within unity — is uniquely suited to adaptive governance. Unlike centralized systems that achieve speed through uniformity, or fragmented systems that achieve innovation through competition, the EU is designed to achieve resilience through structured diversity. This protocol operationalizes that design.

The EU's weaknesses are real: high coordination overhead, consensus-paralysis risk, and dependence on sophisticated digital infrastructure at the edge. The protocol addresses these directly — the GSI reduces coordination overhead through systematic routing, the comply-or-explain mechanism creates accountability without paralysis, and the Civic Value Registry builds the digital infrastructure incrementally through phased deployment.

10. The actuation layer

The diagnostic layer (GSI + OGT Matrix) identifies where governance could be more efficient. The actuation layer converts those insights into fiscal action through targeted instruments designed to operate entirely within member state fiscal competence, outside monetary policy space.

The actuation layer is specified in **Technical Annex B**, which includes:

- **Conditional Service Credits (CSC):** A closed-loop, time-limited fiscal transfer mechanism for activating underutilized social capacity in sectors with weak monetary policy transmission. Not legal tender, non-convertible, sector-restricted.
- **Resilience Dividend:** A mechanism for redirecting existing structural fund allocations toward localized economic security baselines, informed by GSI routing recommendations.
- **Pilot design:** Initial pilot proposed for Västra Götaland (Sweden). Phase 2 includes at least one eurozone pilot region.
- **Pre-Registered Threshold Agreement:** Success and failure criteria locked before data generation, with independent evaluation.

11. Risk mitigation

Risk	Mitigation
GSI diagnostic error	Eurostat consultation + academic oversight + Data Confidence Tiers + framework revision protocol
Fiscal instrument inflation	Fixed-term validity + non-exportability + closed-loop system + ECB observer status
Privacy violation	GDPR compliance + user-owned data + opt-in only + specified ZKP architecture
Fragmentation	GSI Dimension 4 (Cohesion) explicitly measures integration quality
Data bootstrapping	Confidence Tiers enable Day 1 deployment at Bronze tier
Pilot caging	Pre-registered success thresholds + algorithmic expansion triggers (Annex B)

Risk	Mitigation
Goalpost-moving	Pre-Registered Threshold Agreement locks evaluation criteria before data generation
Model inadequacy	Framework revision protocol enables structured improvement based on Phase 1 evidence
Forkability as political weapon	Reference implementation designated for policy use; open forks for research
Registry selection bias	Bronze-tier proxy data provides baseline; gap between Registry and proxy treated as signal, not absence
Core hypothesis falsified	Protocol designed to be disprovable; negative result still yields valuable governance research (Section 12)

12. Falsifiability

The protocol is designed to be scientifically disprovable. If the Parallel Diagnostic Phase reveals that policy domains routed according to GSI recommendations perform no better — in terms of administrative efficiency, fiscal overhead, or social capacity activation — than the existing political routing process, the core hypothesis is falsified. The appropriate response is documented in the framework revision protocol (Section 3.9): root cause analysis, potential model revision, and transparent publication of negative results.

This is not a rhetorical concession. It is a structural feature. The EU assumes zero institutional risk in testing the protocol: Phase 1 is advisory, non-binding, and produces publishable governance research regardless of whether the GSI outperforms existing processes. A negative result would be the EU's first rigorous empirical study of subsidiarity implementation — valuable in itself.

13. Legal compatibility

The protocol is anchored in:

- **Article 5 TEU (Subsidiarity):** Decisions taken as closely as possible to the citizen.

- **Proportionality Principle:** Action not exceeding what is necessary for treaty objectives.
- **Enhanced Cooperation (Article 20 TEU):** Deployment by nine or more member states with European Parliament consent.
- **Early Warning Mechanism (Protocol No 2):** GSI outputs provide empirical support for subsidiarity monitoring by national parliaments.

No treaty change is required for initial deployment.

14. Constraints summary

Domain	Constraint
Legal	No treaty change; Article 5 TEU + Enhanced Cooperation (Article 20 TEU) + EP consent
Monetary	Fiscal instrument framing; fixed-term validity; non-exportable; Euro primacy
Data	GDPR; user-owned; opt-in; local governance; ZKP architecture
Systemic	Full single market interoperability; Dimension 4 measures cohesion
Validation	Parallel Diagnostic Phase; pre-registered evaluation; independent oversight; comply-or-explain obligation
Diagnostic	4 dimensions, 16 indicators, EU-CAF, OGT Matrix, Subsidiarity Drag (domain-calibrated), Data Confidence Tiers, framework revision protocol, reference implementation

Next steps

The following steps are sequenced as dependency gates rather than parallel activities:

Gate 1 — Methodological alignment (Q3)

- Scoping consultation with Eurostat: GSI methodology feasibility for care domain
- European Parliament briefing: GSI as subsidiarity monitoring tool for COSAC
- Academic anchor paper submission

Gate 2 — Funding and institutional mandate (Q4) [requires Gate 1]

- Horizon Europe / Digital Europe Programme funding application (informed by Eurostat scoping)
- Committee of the Regions resolution on Parallel Diagnostic Phase
- Enhanced Cooperation coalition engagement begins

Gate 3 — Actuation design (Q4–Q1 Year 2) [parallel with Gate 2]

- ECB technical consultation on pilot instrument design
- Pre-Registered Threshold Agreement negotiation

Gate 4 — Deployment (Year 2) [requires Gates 2 and 3]

- Pilot region selection and onboarding
- Civic Value Registry infrastructure deployment
- Parallel Diagnostic Phase launch in care domain

The European Subsidiarity Protocol is offered as an operational enhancement to the EU's existing subsidiarity architecture. It requires no treaty changes, operates within established legal frameworks, integrates with existing subsidiarity mechanisms, and is designed to demonstrate measurable improvements through evidence-based piloting before any expansion of scope.

Global Subsidiarity Index Framework v5

A measurement protocol for governance architecture in complex societies

Technical Annex A to the European Subsidiarity Protocol

Preface: On the nature of this framework

The Global Subsidiarity Index is a measurement protocol — a standardized way of observing, diagnosing, and discussing governance architecture across diverse contexts. It is not a certification scheme or a ranking system. Protocols enable coordination without centralization. TCP/IP does not govern the internet; it makes the internet possible. The GSI aims to do the same for governance diagnostics: create a shared language and measurement standard that empowers local actors, enables comparative learning, and reveals architectural patterns — without requiring a central authority to certify or enforce.

The paradox — that any global index measuring overcentralization is itself a centralizing act — is not eliminated by this framing. But it is transformed. A protocol is not a lever; it is a mirror. Its legitimacy comes from use, not from institutional endorsement.

Key changes in v5:

1. Additive CAF formula replacing the multiplicative model (eliminates single-component collapse vulnerability)
 2. EU-specific adaptation guidance (EU-CAF variant with Eurostat-sourced components)
 3. Domain calibration phasing for Subsidiarity Drag
 4. Reference implementation designation for policy-relevant use
 5. Selection bias methodology for voluntary data registries
 6. Comply-or-explain integration for routing recommendations
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1. Theoretical foundation

1.1 Cybernetic basis: Ashby's Law operationalized

Only variety can absorb variety. To regulate a system effectively, the regulator must possess at least as many internal states as the system it attempts to regulate.

The GSI measures the ratio between societal variety (complexity, diversity, dynamism of the governed population) and governance variety (flexibility, adaptability, differentiation of the governing system).

1.2 Three universal governance pathologies

1. **Decision Distance:** Administrative layers between problem and decision-maker.
2. **Knowledge Exclusion:** Whose knowledge counts in policy design.
3. **Resilience Deficits:** Single points of failure in critical systems.

1.3 Protocol, not index

The shift from "index" to "protocol" is substantive. An index implies a single institution measuring and ranking. A protocol implies a standard that anyone can implement. The GSI is a protocol first. Any stewardship body that emerges would maintain the standard and curate the pattern library — not certify or enforce.

2. The GSI protocol: Four dimensions, sixteen indicators

Dimension 1: Decision Proximity

How close are decisions to those affected?

Indicator	Measurement	Scale (0–10)	Data Sources
1.1 Administrative Distance	Average layers between citizen and decision-maker across 5 domains	0 (Household) – 10 (Supranational)	Gov. org charts, policy tracing

Indicator	Measurement	Scale (0–10)	Data Sources
1.2 Fiscal Sovereignty	% of local budget controlled locally vs. mandated from above	0 (0% control) – 10 (100% control)	Budget analyses, grant tracking
1.3 Regulatory Autonomy	Ability to adapt national/supranational rules to local conditions	0 (No adaptation) – 10 (Full adaptation)	Legal analysis, opt-out provisions
1.4 Emergency Response Latitude	Local authority during crises	0 (Centrally directed) – 10 (Locally determined)	Emergency protocols, crisis case studies

Dimension 2: Knowledge Inclusion

Whose intelligence informs decisions?

Indicator	Measurement	Scale (0–10)	Data Sources
2.1 Expert vs. Experiential Balance	% policy inputs from experts vs. citizens with lived experience	0 (All expert) – 10 (Balanced)	Public committee records, parliamentary transcripts
2.2 Participatory Mechanism Quality	Quality of citizen involvement in decision-making	0 (Token) – 10 (Co-design)	Municipal records, participation demographics
2.3 Traditional & Local Knowledge Integration	Recognition of regional and traditional knowledge	0 (Ignored) – 10 (Formally integrated)	Land management agreements, practice inventories
2.4 Feedback Loop Efficiency	Time from problem identification to policy adjustment	0 (Years) – 10 (Days/Weeks)	Ombudsman reports, policy revision logs

Dimension 3: Resilience Architecture

How systems handle disruption and diversity.

Indicator	Measurement	Scale (0–10)	Data Sources
3.1 Critical System Redundancy	Backup mechanisms in key systems	0 (Single point) – 10 (Fully distributed)	Infrastructure audits, system mappings
3.2 Adaptive Capacity	Speed of institutional response to shocks	0 (Rigid) – 10 (Agile)	Crisis response data, innovation indices
3.3 Diversity Resilience	Handling of cultural/regional differences	0 (Homogenizing) – 10 (Inclusive)	Policy impact assessments, diversity metrics
3.4 Long-term Sustainability	Balance of short vs. long-term planning	0 (Reactive) – 10 (Foresightful)	Planning documents, scenario exercises

Dimension 4: Cohesion & Integration

How distributed systems maintain unity without fragmentation.

Indicator	Measurement	Scale (0–10)	Data Sources
4.1 Inter-Level Coordination	Effectiveness of protocols linking local to national to supranational	0 (Silos) – 10 (Seamless)	Coordination agreements, joint exercises
4.2 Shared Value Alignment	Degree of common principles across levels	0 (Conflicting) – 10 (Harmonized)	Value surveys, constitutional analyses
4.3 Conflict Resolution Mechanisms	Speed and fairness of inter-level dispute resolution	0 (Adversarial) – 10 (Collaborative)	Dispute logs, resolution outcomes
4.4 Solidarity Metrics	Resource sharing between regions	0 (Zero-sum) – 10 (Mutual support)	Transfer payments, solidarity funds

3. The Complexity Adjustment Factor (CAF)

3.1 Problem addressed

Small, homogeneous jurisdictions naturally have lower "optimal" decision distance than large, diverse ones. Raw GSI scores are not directly comparable without contextual adjustment.

3.2 CAF v5.0: Additive model with capacity divisor

Formula: $CAF = (w_1G + w_2E + w_3D + w_4T) / C$

Design rationale (change from v4): The v4 multiplicative model ($G \times E \times D \times T \div C$) suffered from single-component collapse: a near-zero score on any factor would collapse the entire complexity assessment regardless of other components. A region with high geographic and ethnolinguistic diversity but a low threat environment would incorrectly register as low-complexity. The v5 additive numerator eliminates this vulnerability while preserving the divisor structure (high institutional capacity reduces effective complexity demand).

3.3 Component definitions

G = Geographic Diversity Score (0–10)

$$G = \min(10, (Cz \times 0.4) + (Tt \times 0.3) + (Er \times 0.3))$$

Where:

- **Cz** = Climate zones count (Köppen classification major types), normalized: 1–5 zones → 0–10
- **Tt** = Terrain types (mountains, plains, coasts, etc.), normalized: 1–6 types → 0–10
- **Er** = Ecological regions (WWF ecoregions per 100k km²), normalized to 0–10

Example: Canada: Cz=5 → 10; Tt=6 → 10; Er=15/100k km² → 9.2; $G = (10 \times 0.4) + (10 \times 0.3) + (9.2 \times 0.3) = 9.76$

E = Ethnolinguistic Diversity Score (0–10)

$$E = \min(10, (EL \times 0.6) + (EF \times 0.4))$$

Where:

- **EL** = Effective number of language groups ($1/\sum p^2$), normalized: 1–20 groups → 0–10
- **EF** = Ethnic fractionalization index (standard Alesina et al. measure), 0–1 scale × 10

Example: India: EL=15.2 → 7.6; EF=0.81 → 8.1; $E = (7.6 \times 0.6) + (8.1 \times 0.4) = 7.8$

D = Development Disparity Score (0–10)

$$D = \min(10, (\text{Gini} \times 0.4) + (\text{RGV} \times 0.4) + (\text{UR} \times 0.2)) \times 10$$

Where:

- **Gini** = Gini coefficient (0–1)
- **RGV** = Regional GDP variance (coefficient of variation across subnational units), normalized 0–1
- **UR** = Urban-rural divide (ratio of urban to rural service access), normalized 0–1

T = Threat Environment Score (0–10)

$$T = \min(10, (\text{CV} \times 0.4) + (\text{BC} \times 0.4) + (\text{DF} \times 0.2))$$

Where:

- **CV** = Climate vulnerability (ND-GAIN vulnerability score), normalized 0–10
- **BC** = Border conflict risk (expert-coded: 0 = no disputes, 10 = active armed conflict)
- **DF** = Disaster frequency (EM-DAT events per year per million population), normalized 0–10

C = Central Capacity Score (1–10)

$$C = \max(1, (\text{GI} \times 0.5) + (\text{CPI} \times 0.3) + (\text{TI} \times 0.2))$$

Where:

- **GI** = Government effectiveness (World Bank WGI), normalized 0–10
- **CPI** = Corruption Perceptions Index (Transparency International), normalized 0–10
- **TI** = Technology infrastructure index (ITU development index), normalized 0–10

Floor of 1 prevents division-by-zero and avoids over-penalizing low-capacity jurisdictions.

3.4 Default weights

$$w_1 = 0.30, w_2 = 0.30, w_3 = 0.25, w_4 = 0.15$$

Weights are adjustable per context. Any deviation from defaults must be published with justification and sensitivity analysis showing how results change under default weights.

3.5 CAF application and typical ranges

Typical ranges:

- Low-complexity jurisdictions (Singapore, Luxembourg): CAF \approx 0.3–1.5
- Medium-complexity (Sweden, Switzerland, Netherlands): CAF \approx 2.0–4.0
- High-complexity (India, Brazil, Spain, Italy): CAF \approx 4.0–8.0

For each indicator, the CAF generates contextual target ranges rather than universal benchmarks.

3.6 EU-specific adaptation (EU-CAF)

For EU deployment, component data sources map to European equivalents:

Component	Global Source	EU-Specific Source
G (Geographic)	WWF, Köppen	EEA, Copernicus
E (Ethnolinguistic)	Alesina et al.	Eurostat population statistics, regional census
D (Development)	World Bank	Eurostat regional GDP, EU-SILC
T (Threat)	ND-GAIN, EM-DAT	EEA climate indicators, EU Civil Protection
C (Capacity)	WB WGI, CPI, ITU	World Bank WGI, CPI, DESI

Same formula, same weights, EU-sourced data.

4. Scoring and aggregation

- **Indicator scoring:** 0–10 scale with clear behavioral anchors at each point
- **Dimension scores:** Average of four indicators per dimension
- **Overall GSI:** Weighted average of dimension scores (equal weights default; adjustable with transparency)
- **Contextual interpretation:** All scores through CAF-derived target ranges, not absolute benchmarks

5. Data Confidence Tiers

Tier 1 (Gold): 3+ independent sources (statistical agency + academic/NGO + citizen validation panel). Full transparency.

Tier 2 (Silver): Statistical agency data + at least one independent check. Partial citizen validation.

Tier 3 (Bronze): Proxy inferences from existing datasets. Proxies labeled with inference logic and uncertainty margins.

All implementations must publish data sources, confidence tiers per indicator, and margins of error.

Selection bias in voluntary data sources

Voluntary registries introduce known selection bias. The methodology addresses this through: (1) Bronze-tier proxy data provides baseline coverage for all regions regardless of registry participation; (2) divergence between registry and proxy data is treated as a representation signal, not an absence signal; (3) regions with low participation but high proxy indicators are flagged for methodological attention.

6. The Optimal Governance Tier (OGT) Matrix

The OGT translates GSI scores and CAF context into governance-tier recommendations.

GSI Signal	CAF Context	OGT Recommendation
High Knowledge Inclusion requirement + High complexity	CAF > 4.0	Devolve to lowest feasible tier
High Knowledge Inclusion requirement + Low complexity	CAF < 2.0	Devolve to regional tier
High Inter-Level Coordination need + Low complexity	CAF < 2.0	Retain at supranational/national level
High Resilience deficit + High diversity	CAF > 4.0	Supranational minimum standard + regional implementation autonomy

GSI Signal	CAF Context	OGT Recommendation
Balanced across all dimensions	Any	Current allocation validated

Thresholds are illustrative. Operational values require empirical calibration.

Subsidiarity Drag

SD = Tier Distance × Domain Cost Coefficient

Denominated in administrative overhead (coordination hours) and fiscal overhead (euros). Each policy domain requires independent calibration of its cost coefficient. Until calibrated, only Tier Distance is published.

Comply-or-explain

For policy-relevant implementations, participating jurisdictions commit to: comply with the OGT recommendation, or publish a written justification for deviation. This creates accountability and structured feedback for model improvement.

7. Anti-gaming protocols

Mechanism	Function
Data triangulation	3+ independent sources per indicator at Gold tier
Anomaly detection	AI-assisted flagging of inconsistent patterns
Citizen validation panels	Random 1,000-citizen surveys per region
Full transparency	All data, weightings, and tiers published
Forkability	Open for research; reference implementation for policy

8. Reference implementation and forkability

The protocol is open. Any actor can implement with alternative weightings. For policy-relevant use, a **reference implementation** is designated: maintained through the standards stewardship process, validated in consultation with the relevant statistical authority. Only the reference implementation carries institutional weight for governance decisions.

9. Framework revision protocol

1. **Error detection:** Systematic comparison of OGT recommendations against outcomes.
 2. **Root cause analysis:** Independent panel distinguishes data quality issues from structural model limitations.
 3. **Revision proposal:** Published for open comment; adopted after historical validation.
 4. **Version control:** All implementations specify version. Multiple versions may coexist.
-

10. Governance: Standards stewardship

If a stewardship body forms:

- Protocol maintenance and regular updates
- Pattern library curation (governance interventions tagged by dimension, CAF, outcome)
- Dispute facilitation (neutral technical assessment)
- Capacity building (training and documentation)

Composition (advisory): 30% national government, 30% local/municipal, 20% civil society and indigenous, 10% academic, 10% private sector. No single funder > 20%.

11. Falsifiability

If implementations consistently show that GSI-routed domains perform no better than politically routed domains, the core hypothesis is falsified. Negative results are published through the same

transparency mechanisms as positive results. The framework revision protocol provides the structured response.

12. Origin: From Swedish diagnosis to global protocol

The GSI emerged from Svensk Subsidiaritet, a project that spent years diagnosing overcentralization in Sweden. This origin establishes proof of concept (even well-governed nations have structural pathologies), legitimacy through humility (self-diagnosis, not imposition), and a template for adaptation.

The Global Subsidiarity Index Protocol is free, open, and forkable. No permission is needed to use, adapt, or improve it.

Actuation Layer Specification

Conditional Service Credits and Resilience Dividend

Technical Annex B to the European Subsidiarity Protocol

1. Purpose

The diagnostic layer (GSI + OGT Matrix) identifies where governance-tier mismatch creates inefficiency. The actuation layer converts those findings into fiscal action through two instruments:

1. **Conditional Service Credits (CSC):** A closed-loop fiscal transfer mechanism for activating underutilized social capacity in specific sectors.
2. **Resilience Dividend:** A mechanism for redirecting existing structural fund allocations toward localized economic security baselines, informed by GSI routing recommendations.

Both instruments operate within member state fiscal competence, outside monetary policy space.

2. Conditional Service Credits (CSC)

2.1 Framing

The CSC pilot tests a targeted fiscal transfer mechanism with embedded spending conditions in sectors characterized by weak monetary policy transmission. The instrument is not legal tender, not a general unit of account, and not a store of value.

2.2 Legal positioning

- Falls under member state fiscal competence

- Implemented via Enhanced Cooperation (Article 20 TEU)
- Consistent with the price stability mandate of the European Central Bank

The instrument is designed to operate outside aggregate monetary policy channels and does not target macroeconomic demand management.

2.3 Scope constraints

Constraint	Specification
Geographic scope	Västra Götaland (Sweden) — non-eurozone initially, reducing monetary complexity
Scale cap	Total issuance \leq 0.1% of regional GDP (Phase 1), expanding to 0.5% upon milestone achievement
Sector restriction	Low-price-elasticity, underutilized sectors: eldercare (informal support), community health support, volunteer coordination, local ecological maintenance
Explicit exclusions	Housing, energy, food retail, tradable goods

2.4 Instrument design

Property	Specification
Official name	Conditional Service Credits (CSC)
Legal status	Not legal tender
Convertibility	Non-convertible to Euro
Transferability	Restricted (peer-to-peer within system only)
Expiry	Fixed 90-day validity (no dynamic adjustment; not a policy lever)
Storage	Digital wallet (closed-loop system)

Fixed-term validity ensures circulation and prevents accumulation. The 90-day expiry is a fixed parameter, not an adjustable policy instrument.

2.5 Monetary containment

Mechanism	Specification
Closed-loop system	CSC usable only with approved providers for defined services; no leakage into general economy
No price formation role	Prices remain denominated in Euro; CSC acts only as partial settlement mechanism
Euro primacy clause	All economic valuation remains anchored in the Euro

2.6 Monetary policy neutrality test

Must demonstrate no measurable impact on:

- Regional CPI
- Wage levels in formal sector
- Euro liquidity demand

Positive signals:

- Increased activity in informal care and underutilized labor capacity
- Velocity of localized exchange: CSC circulates faster than Euro in target sectors (measured as turnover per unit per time period)

The velocity metric provides empirical evidence of efficiency: if CSC credits circulate at higher velocity than Euro equivalents in care sectors, the instrument generates more activity per unit of fiscal expenditure than conventional transfers.

2.7 Governance structure

Function	Body
Implementation	Regional authority (Västra Götaland)

Function	Body
Fiscal supervision	National treasury (Sweden)
Monetary observer	European Central Bank (invited as technical observer to validate monetary neutrality)

ECB observer status ensures the central bank has direct access to all monetary neutrality data in real time.

2.8 Reporting

Frequency	Content
Monthly	Issuance volume, velocity (circulation rate), sector allocation, redemption patterns
ECB-specific	Substitution effects (Euro vs. CSC usage), price stability indicators, spillover analysis

2.9 Eurozone transferability

The initial pilot is located outside the eurozone to reduce monetary complexity during proof-of-concept. To address eurozone applicability:

1. The pilot design includes a pre-specified comparison methodology enabling analysis of transferability to eurozone conditions.
2. Phase 2 (Enhanced Cooperation deployment) must include at least one eurozone pilot region to validate results directly within the euro area.
3. The non-eurozone pilot follows standard regulatory practice: controlled testing in a lower-risk environment before scaling to higher-complexity conditions.

3. Resilience Dividend

3.1 Mechanism

The Resilience Dividend redirects existing EU structural fund allocations — primarily from the Common Agricultural Policy (CAP) and cohesion funds — toward localized economic security

baselines in regions where the GSI identifies high informal care capacity and governance-tier mismatch.

This is not a new funding stream. It is a reallocation mechanism that routes existing funds based on GSI diagnostic evidence rather than legacy allocation formulas.

3.2 Relationship to existing instruments

Existing Instrument	Current Function	Resilience Dividend Upgrade
CAP direct payments	Income support for agricultural producers	Expanded eligibility: regions with high verified informal care capacity (via Civic Value Registry) qualify for reallocation toward care-sector recognition infrastructure
European Social Fund+ (ESF+)	Employment support, social inclusion	GSI routing evidence used to target ESF+ allocations at the governance tier where they are most effective
European Regional Development Fund (ERDF)	Regional economic development	GSI-informed allocation: regions with high Subsidiarity Drag receive targeted investment in local governance capacity
Recovery and Resilience Facility (RRF)	Post-crisis recovery	Resilience Dividend methodology serves as template for future crisis response fund design

3.3 Eligibility criteria

Regions qualify for Resilience Dividend reallocation based on three conditions:

- GSI diagnostic evidence:** The region has been assessed through the Parallel Diagnostic Phase (at Bronze tier minimum) and the OGT Matrix has identified governance-tier mismatch in at least one policy domain.
- Civic Value Registry participation:** The region has deployed the Registry and can demonstrate minimum viable data quality (Silver tier or above for at least two Knowledge Inclusion indicators).
- Member state authorization:** The member state has designated the region as a Regional Subsidiarity Zone under the Enhanced Cooperation agreement.

3.4 Delivery mechanism

The Resilience Dividend is delivered through existing national social protection channels — not through a new payment system. The specific mechanism varies by member state:

- **In countries with existing minimum income schemes** (e.g., Sweden's försörjningsstöd, France's RSA): The Dividend augments existing payments for eligible individuals in qualifying regions, funded by reallocated structural funds.
- **In countries without comprehensive minimum income schemes:** The Dividend is delivered as a targeted social transfer through the national social protection authority, denominated in euros, subject to national eligibility rules as determined by the member state.

The member state retains full control over delivery mechanism, eligibility thresholds, and conditionality. The protocol specifies the funding source (reallocated structural funds) and the diagnostic basis (GSI evidence); the member state specifies everything else.

3.5 Scale

The Resilience Dividend does not require new EU budget appropriations. It operates through reallocation of existing structural fund allocations in participating regions. Initial scale: 5–15% of existing cohesion fund allocations in qualifying regions, redirected based on GSI evidence. Scale adjusts based on Phase 1 and Phase 2 evaluation results.

4. Pre-Registered Threshold Agreement

4.1 Purpose

Before the pilot begins, all parties (ECB observer, Eurostat, national treasury, regional consortium, independent evaluation body) sign a Pre-Registered Threshold Agreement locking the mathematical definitions of success and failure before data generation. This prevents post-hoc reinterpretation of results.

4.2 Illustrative thresholds (CSC pilot)

Metric	Success Threshold	Failure Threshold
Local informal care capacity change	> +5% (measured via Registry + municipal data)	< 0% (net decrease)
Regional CPI impact	< 0.01 percentage points deviation	> 0.05 pp deviation
Euro substitution rate	< 2% of CSC transactions displacing Euro transactions	> 10% displacement
CSC velocity ratio	> 2× Euro velocity in target sectors	< 1× (no circulation benefit)
Formal sector wage impact	Within ±0.5% of control region	> ±2% deviation

Final thresholds are negotiated and locked during the pre-registration process.

4.3 Mixed results protocol

If some metrics meet success thresholds while others are inconclusive:

1. The pilot enters a **6-month extension** with intensified monitoring on inconclusive metrics.
2. The **independent evaluation body** (not any participating institution) adjudicates borderline cases.
3. Extension data is published on the same schedule and through the same channels as primary pilot data.

4.4 Automatic shutdown triggers

- Inflation deviation exceeding pre-registered failure threshold
- Evidence of Euro substitution above pre-registered threshold
- Political misuse of the instrument

4.5 Algorithmic expansion trigger

If the pilot meets all pre-registered success thresholds and triggers zero ECB inflation warnings, the 0.1% GDP cap automatically enters a controlled easing phase:

- Cap expands to 0.5% of regional GDP

- Sector whitelist expands to adjacent non-tradable services
- Renewed ECB consultation at each expansion threshold

Scaling is the default outcome of demonstrated success, requiring political effort to stop rather than political effort to expand.

5. Duration and timeline

Phase	Duration	Activity
Pre-registration	3–6 months	Threshold agreement negotiation, evaluation body selection, baseline data collection
CSC pilot	12–18 months	Active pilot in Västra Götaland with monthly reporting
Mixed results extension (if needed)	6 months	Intensified monitoring on inconclusive metrics
Evaluation and publication	3 months	Independent evaluation body publishes final assessment
Phase 2 preparation	6 months	Eurozone pilot region selection, Enhanced Cooperation formalization

6. Reporting and transparency

All reporting is published openly. No data is restricted to specific institutional audiences.

Audience	Frequency	Content
Public	Monthly	Issuance volume, velocity, sector allocation, redemption patterns
ECB	Monthly	Substitution effects, price stability indicators, spillover analysis

Audience	Frequency	Content
Eurostat	Quarterly	GSI indicator updates, Data Confidence Tier migration, care-domain Subsidiarity Drag
Independent evaluation body	Continuous	Full dataset for pre-registered threshold assessment

This annex specifies the actuation layer of the European Subsidiarity Protocol. All instruments operate within member state fiscal competence, require no treaty changes, and are designed to demonstrate measurable impact through pre-registered, independently evaluated piloting.