

## Chamber of Regions

**48<sup>th</sup> SESSION**

**Strasbourg, 26 March 2025**

CPR(2025)48-02

03 February 2025

### **Introduction to debates on:**

**Towards a sound regional financial governance**

**The role of sub-regional authorities in countries with three levels of sub-national self-government**

**The role of regions in the process of accession and post-accession to the EU**

Concept paper prepared by the Secretariat

## TOWARDS A SOUND REGIONAL FINANCIAL GOVERNANCE

### Scope of the debate

The debate on financial decentralisation and fiscal autonomy of regions has been an important one for decades. Often focused on the political aspect and the revenue side of financial decentralisation, it has sometimes had little to do with financial governance itself. The fundamental questions of the amount and structure of, as well as the capacity of regions to spend their resources freely remain important; however, the issues linked to the financial governance proper are equally essential. Moreover, new challenges have appeared, e.g. in the involvement of new technologies and artificial intelligence (AI); the new transparency and ethical frameworks; and the impact of green considerations on financial procedures and decisions.

Many European regions are covered by the provisions of the Article 9 of the European Charter of Local Self-Government ("the Charter"), which were also the subject of a draft European Charter of Regional Self-Government in 1997, prepared and promoted by the Congress of Local and Regional Authorities of the Council of Europe. It led to the adoption of a Reference Framework on Regional Self-Government, whose provisions are very similar to those of the Charter, albeit they do not have their binding character.

The Council of Europe has also issued concrete and detailed guidelines on the best way to manage public funds at subnational level through [Recommendation 2004\(1\) of the Committee of Ministers to member states on financial and budgetary management at local and regional levels](#). Adopted a year later, [Recommendation 2005\(1\) of the Committee of Ministers to member states on the financial resources of local and regional authorities](#) calls for a review, where necessary, of the legal and administrative frameworks relating e.g. to taxation in order to offer more effective and efficient services, and relating to financial equalisation in order to promote equity and solidarity between authorities.

The questions of the existence of "adequate financial resources of their own, of which they may dispose freely" for regional authorities remains open. So remains the issue of how regional authorities manage available resources with a goal to maximise the effectiveness and efficiency of their action. However, new challenges have appeared in respect of financial management and some mismanagement cases have become quite famous and have led to a decrease of trust in public authorities.

The use of technological innovations is one of these challenges and is very high on the agenda of many if not most regional authorities, as well as that of the Council of Europe itself. A comprehensive debate was held on the topic of the AI and its impact on regional government at the last session of the Chamber of Regions. This issue is mentioned here for any possible additional comments or contributions members may want to make on the relation between AI and regional financial management. As a reminder, the Council of Europe opened for signature on 5 September 2024 the [Framework Convention on Artificial Intelligence and human rights, democracy and the rule of law](#), the first-ever international legally binding treaty in this field.

A second challenge is represented by the new and continued focus on fighting corruption and increasing the transparency of public decision making. This is a very positive trend towards more open government and increased accountability; however, several local and regional representatives have argued that some of these measures may have overshoot and hinder decision making, threaten the privacy of the persons in charge of these decisions, and make elected representatives reluctant to assume their responsibility in taking needed decisions and even to sometimes renounce to seek or continue to hold an elected mandate. The fact that in some countries citizens are more and more likely to sue individual elected officials personally

for any mistake of the administration and that some courts have ruled against the officials even in the absence of proven individual tort or negligence are not helpful developments either. It is in light of such questions that the Council of Europe's Committee of Ministers adopted in 2022 [CM/Rec\(2022\)2 - Recommendation to member States on democratic accountability of elected representatives and elected bodies at local and regional level and the Congress of Local and Regional Authorities has adopted the European Code of Conduct for all Persons Involved in Local and Regional Governance and a Roadmap to Prevent Corruption and Promote Public Ethics at Local and Regional Level.](#)

Third, the question of the greening of regional administrations is becoming more and more important in any regional decision making process or procedure. It is of course a fundamental and very welcome development, in respect of both human rights and sustainability not only of public authorities, but of our societies as such. Yet, in some countries, regional authorities are still bound by old rules, for example in respect of procurement, where they must select the cheapest offer without having or even being allowed to introduce a measurement of all externalities, in particular environmental ones, in the decision.

The European Court of Human Rights has ruled against several sub-national authorities whose decisions, although taken in line with the legal framework and with the full respect of established procedures, have had to disastrous consequences, amounting to a violation of the Art 2 of the European Convention on Human Rights (Right to life). In the Council of Europe, the Congress contributes to the work of the Ad-Hoc Multidisciplinary Group on the Environment (GME) aimed at preparing a Strategy on Environment. Moreover, the Congress could prepare a draft Additional Protocol to the European Charter of Local Self-Government on the role of local authorities in protecting the environment.

### **Discussion points**

- Are the regions' financial resources commensurate with their responsibilities and composed in good part of own resources, of which they can dispose freely? Are there effective equalisation systems in place, which ensure that citizens can benefit from comparable levels of public systems against comparable level of taxation?
- Are current open government frameworks striking a good balance between responsibility and accountability, between transparency and efficiency of decision, between the legitimate interests of citizens and those of elected representatives?
- Are regions using green factors in their decisions? Are they allowed to include e.g. environmental criteria in procurement procedures? Are they encouraged and enabled to do so? Do they do it systematically? Are there things remaining to be done by central government, by regional authorities themselves or by civil society in order to ensure the progression towards a greener regional administration?

## **THE ROLE OF SUB-REGIONAL AUTHORITIES IN COUNTRIES WITH THREE LEVELS OF SUB-NATIONAL SELF-GOVERNMENT**

### **Scope of the debate**

The aim of the decentralisation process is to improve the quality of public services while making it easier for citizens to make their voices heard and play a greater part in the design and implementation of policies. Several states have instituted systems of sub-national autonomy involving 3 levels of governance, with the specific distribution of powers varying between the member states. The second of these levels, intermediary between regions and local authorities, is therefore an integral part of the national territorial structure. Its functions and responsibilities may make it possible to achieve economies of scale that improve the efficiency of public services and to provide services that local authorities cannot offer. Despite

being usually seen as a necessary tier in larger states, already in 2012, the Congress of Local and Regional Authorities of the Council of Europe, in its Recommendation 333 on the second tier of local government, noted that this intermediate tier was being called into question in favour of increased powers at regional and local level.<sup>1</sup>

The idea of holding a debate on the role of intermediate levels of government was inspired also by current discussion held in Ukraine, where no consensus exists yet as to the future role of raion administrations. After the amalgamation of both hromadas (local authorities) and raions (intermediate authorities), the size of both has considerably increased; however, the role of raion councils and administrations has not followed a similar path. The Congress is supporting, through its Centre of Expertise for Multi-Level Governance, the development of a revised Decentralisation Concept. The current concept, adopted by the Government on 1 April 2014, needs to be updated in light of recent developments, including the impact of the war, the need for reconstruction and for reforms required for the accession to the EU.

This is a fundamental document for Ukraine, the only one which offers a vision of the territorial organisation of power after the war, at the end of the decentralisation reform. One of the most difficult questions of this exercise concerns the future status, role, competences and resources of raions on the future administrative map of Ukraine.

Ukraine is by no means the only country with three such subnational levels of government where questions are being asked as to the future of this tier. In France, in 2008 the Attali Committee charged with “freeing growth” proposed the elimination of départements. The 2015 NOTRe law abolished the general competence clause of the départements, which used to give them a margin for manoeuvre that could exceed their legally defined competences, and the law of 16 December 2010 relaxed mechanisms for merging départements and regions, following the recommendations formulated by the Balladur Committee in 2009. In Poland, the government has redefined the public finance system, limiting the powers of the powiats, which have been the basis for the reconstruction of local government since 1999. In Italy, the constitutional referendum of 2001 assigned a large proportion of the powers of the central state to the regions, in a configuration where the provinces have never had an importance comparable to that of the French départements.

Overall, these policies were aimed at rationalising the administration by reducing bureaucracy and increasing the effectiveness and efficiency of the public service. However, there are both democratic and governance considerations to be examined. From the governance point of view, some of the competences subject to reforms are highly relevant for this level of governance. Depending on the size of regions and municipalities in a specific country, schools, social services, employment services, environment protection and the maintenance of roads and bridges could be affected if their management was devolved to any of the other local authorities. Finally, they play a role in the implementation of social and territorial cohesion policies that support European programmes.<sup>2</sup>

From a democratic point of view, eliminating or drastically reducing the competences of intermediate levels of government can meet serious resistance from the citizens concerned. The territories of these authorities can have an important historic background, and many citizens may self-identify with their départements, kreise, counties, powiats or provinces.

It is worth reminding that intermediate regional authorities are covered by the provisions of the European Charter of Local Self-Government in most European countries, which creates certain obligations for member States in respect, inter alia, of the status, competences and resources of these authorities. Recommendation 333 of the Congress calls for the principle of

---

<sup>1</sup> [REC 333\(2012\)](#)

<sup>2</sup> [CG\(23\)13](#)

multi-level governance to be respected, as well as respect for the European Charter of Local Self-Government in any undertaking of territorial reorganisation.

It was against this backdrop that associations of local authorities from seven European countries (Belgium, France, Germany, Italy, Poland, Romania and Spain) created the European Confederation of Intermediate Local Authorities (CEPLI) in 2008. The CEPLI represents intermediate local authorities in their dealings with European institutions and promotes the exchange of best practice between these bodies, following the examples of the Assembly of European Regions and the Council of European Municipalities and Regions.

### **Discussion points**

- Between the urge for administrative simplification and the continuous complexification of administrative work, what is the role of intermediate levels of subnational government?
- Are there other countries where this role is being discussed or reforms are envisaged?
- What can be done to improve the effectiveness of the services provided by the intermediate level of governance?
- Are the authorities of these levels of the right size to ensure both proximity to citizens and the critical mass allowing them to accomplish their mission? What to do if this is not the case?
- What examples of good practice have been identified and shared in respect of the status, role and governance of intermediate authorities in countries with three levels of subnational government?

## **THE ROLE OF REGIONS IN THE PROCESS OF ACCESSION AND POST-ACCESSION TO THE EU**

### **Scope of the debate**

A new enlargement wave has added Ukraine, Moldova, Bosnia and Herzegovina and Georgia to the list of the candidate countries. The enlargement process started in 1973 with the first wave of accession, which was followed by six more. The last accession took place in 2013, when Croatia joined the EU.

Enlargement is considered as one of the most effective instrument of EU foreign policy<sup>3</sup> and is generally seen as beneficial for both the candidate country and the Union. EU fosters political stability and prosperity, which includes regional planning and development. All current and previous EU candidate countries are members of the Council of Europe and therefore part of the Congress. This offers the opportunity to exchange experiences and practices related to EU accession in this forum.

Membership of the EU affects all levels of government, including regional authorities. The Union is based on the principle of subsidiarity and proximity and 70% of the EU legislation must be implemented at the subnational level. Moreover, half of public investment and one third of public expenditures are done by local and regional authorities.<sup>4</sup> Besides implementing EU policies, regional authorities also play a role in absorbing the EU funds. The cohesion policy, which accounts for around one-third of the total EU budget, actively involves the regions in its programmes. To give these tiers of government a voice, the EU has established in its institutional architecture the European Committee of the Regions. Similar to the Congress, this is a political assembly which gathers subnational representatives and holds an advisory function. The Committee of the Regions is an institutional partner of the Congress.

---

<sup>3</sup> European Parliament (2023): [Document 52022IP0406](#)

<sup>4</sup> [European Committee of the Regions \(2024\): Annual impact report 2023](#)

In view of the responsibilities that the regions have in the EU, regional authorities must also be actively involved and consulted in all phases of the accession process. Joining the EU is complex and rigorous. To this end the EU Acquis Communautaire must be fully incorporated into the entire national legislation, which includes 35 negotiation chapters. To support the candidate countries in this process the EU has established various funding programmes such as the Instrument for Pre-accession Assistance, the Ukraine facility and the New Growth Plans for the Western Balkans. Regions can also benefit from these and need to sharpen their knowledge about them. Furthermore, during the accession process, regional authorities also must prepare for their new tasks and duties within the EU and build the necessary capacities to fulfil them. Sometimes this led to territorial reorganisation, when countries had to establish regions, for example Romania<sup>5</sup>, to better coordinate and promote regional development.

The current state of EU accession in each candidate country and the approaches they are pursuing are as diverse as the countries themselves. However, they can all learn from each other, and many regions from candidate countries face similar challenges, such as a lack of resources, unclear or overlapping competences, relations with other tiers of government or issues related to subsidiarity.

One candidate country that requires special support in the context of its accession process is Ukraine. Marked by war, the finalisation of the decentralisation reform and the reconstruction of the country, in which local and regional authorities should have an important role, are central to its accession. Solidarity between Ukrainian and other European regions has for example materialised in the European Alliance of Cities and Regions for the Reconstruction of Ukraine, established by the European Committee of the Regions with the support and active participation of the Congress. During its last session in October 2024, the Congress also held a debate on the role of regions in the international cooperation in the country's recovery and reconstruction process. The Congress, through its Centre of Expertise, is currently supporting Ukrainian stakeholders to update the 2014 Decentralisation Concept and create a new global vision for a post-war, democratic, decentralised and prosperous Ukraine. This includes a vision of the future role of the regional and sub-regional tiers of government.

In view of all this, EU enlargement must be carried out in an inclusive manner, with the active involvement of regional authorities. The regional level is of crucial importance when it comes to providing public services of a critical mass which municipalities cannot reach, services which are of high quality and in line with people's needs and expectations, and hence building citizens' trust in public institutions. It plays a decisive role in shaping and developing the social and economic life in their territories as well as in implementing EU directives. Without its involvement in the accession process, meeting the EU accession criteria becomes a significantly greater challenge.

### **Discussion points**

- What are the relations between regions and the EU institutions?
- Why is it important to include the regions in the accession process? What are the challenges for regions in this process?
- What is the role of regions after accession? What can we learn from the post-accession experience of regions?
- How can regions support each other better during and after the accession?

---

<sup>5</sup> Romanian development regions correspond to the EU NUTS-II level but are not self-government entities so they do not constitute a new tier of government. They lack legal personality or directly elected authorities and were created in 1998 by the association of county (judet) councils to coordinate regional development in view of Romania's EU accession.

