

Chamber of Regions

48th SESSION

Strasbourg, 26 March 2025

CPR(2025)48-03

26 March 2025

CONCLUSIONS OF THE PRESIDENT CONCERNING THE DEBATES OF THE 48TH CPR SESSION

During the 48th session of the Chamber of Regions organised on 26 March 2025 Congress members, invited guest speakers and youth delegates discussed three topics which are of high relevance for regional authorities all over Europe.

During the first debate “Towards a sound regional financial governance”, speakers reminded the importance that resources of regions be proportional with their responsibilities and be mostly freely available for expenditure. They also mentioned that regional resources are under stress in the current context, where economic difficulties combined with security uncertainties will likely put an extra burden on regional finance.

Deputy Minister Oleksiy Riabykin stressed that the system must be transparent, accountable and fair and encourage the development of all territories. Also, citizens’ trust and the management of local taxes by local and regional authorities are very important. Independent auditing is important, just as the involvement of the youth in financial decisions.

Equally important is that regions have their own financial resources, of which they can vary the level according to the needs, in order to maximise the effectiveness and efficiency of the services they provide and adapt their level to the preferences of the population. In Ukraine, 80% of resources in front line local communities are based on transfers, and this should be reformed and the financial capacity of such communities should be strengthened, as Deputy Minister Riabykin underlined.

The work of the OECD Network on Fiscal Relations is based on three pillars, fiscal autonomy, fair fiscal equalisation and innovation. Only about 14% of resources of subnational resources are actually truly autonomous, so the tax base of subnational authorities should be enlarged. Furthermore, the importance of a fair and effective equalisation system was stressed by both Deputy Minister Oleksiy Riabykin and Mr Sean Dougherty. Fair does not mean full equalisation, but that the equalisation system should promote equity as well as solidarity. These aspects are fundamentals of Article 9 of the European Charter of Local Self-Government and that most Europe's regions are covered by this convention. Two other relevant reference text from the Committee of Ministers worth mentioning in this context are Recommendation 2004(1) on financial and budgetary management at local and regional levels and Recommendation 2005(1) on the financial resources of local and regional authorities.

The issues of financial mismanagement and corruption were also raised during the debate, and the Chamber expresses the need for further efforts to address them. Ethical regulations and practice should be devised and implemented in such a way that they are effective in preventive mismanagement of funds, without being too cumbersome and diminishing the efficiency of public management or discouraging competent and motivated people from standing for elections or joining the staff of regional authorities. Fiscal management should be transparent and known by any citizen and also be subject to monitoring in terms of their

effectiveness, including in respect of public investment management, underlined Deputy Minister Riabykin. Ukraine is planning to develop a financial system based on transparency and sound management.

Similarly, the impact of AI on the sound financial governance of regions is not to be underestimated, and the greening of regional spending should be increasingly focused on, considering human rights and sustainability. While the former topic has already been the subject of a debate in the Chamber, it is important that the latter is also discussed in detail during a future session. One of area where AI is largely used, including in OECD itself is in budget planning and reporting and, as technology is catching up with hopes and is often based on open source and the level of trust of citizens increases, it could be more and better made use of. Such technologies should not replace humans but support them in line with Council of Europe standards and OECD observations, underlined Mr Dougherty. The challenge which AI can solve is making financial decisions more efficient, better adapted to citizens' needs and more transparent without increasing the level of bureaucracy.

Moreover, as Mr Dougherty mentioned, two thirds of investment in environmental solutions is done at subnational level. These investments are fundamental and may decline if regional resources are put under further stress. Regions don't always need to be followers, they can be leaders, experimenters, inventors and initiators.

During the second debate on "The role of sub-regional authorities in countries with three levels of sub-national self-government", it was reminded that the three levels of government, which exist in several Council of Europe member states, were created with the objective of providing accessible, effective and efficient public services, in line with people's wishes. Many of them have a long historic background.

However, the intermediate, sub-regional level of government is being questioned in several countries for reasons of administrative rationalisation and reduction of bureaucracy. In this context, the Chamber draws attention to the fact that in many European countries the intermediate level of government is covered by the provisions of the European Charter of Local Self-Government, which imposes certain obligations on member states. It also recalls Congress Recommendation 333(2012) Second-tier local authorities - intermediate governance in Europe, which calls on the Committee of Ministers to invite member states to respect the Charter when undertaking any territorial reorganisation.

Countries like Italy, Poland, Belgium, the Netherlands or Morocco have different situations and have had various experiences. In France, two *départements* were merged to create the European Community of Alsace, which has historic relevance, and this can inspire other intermediate authorities, informed Mr Bierry.

The decision on the number of tiers of government is to be taken independently by each country, in line with its specific situation and needs. It is not really about the number of levels of government but it should balance the needs for better governance (better provision of services and value for money) and stronger democracy. Suppressing a level of government does not suppress the need for the services that level provides, as Mr Viola reminded. In any case, reforms in this respect should be thoroughly consulted with the authorities concerned and wider with the society, including the youth. “Without involving the youth, we are not only missing voices, we are missing futures”, as Ms Kaidash, Ukrainian youth delegate, said.

A country where the future status of the intermediate level of government is currently being questioned is Ukraine and this question has been on the table for ten years, as Ms Yehorova-Lutsenko reminded. The role of the rayon councils has changed during the administrative reform and their competences were reduced. She mentioned that it is important to empower Ukrainian rayons and provide them with adequate resources. The Chamber welcomed the opportunity to exchange with senior Ukrainian officials on this topic.

The Chamber of Regions strongly supports the efforts of the Government and the Verkhovna Rada of Ukraine to, despite the ongoing war, continue and finalise the decentralisation reform, a reform supported by an overwhelming majority of the population. It is not the role of the Chamber to formulate any recommendations in this respect, but the co-operation of Ukrainian authorities with the Congress’s Centre of Expertise is very important, including in respect of revising the vision of the post-war territorial organisation of public authority, in order to take into account the needs for reconstruction of the country and the reforms necessary to support Ukraine on its path towards EU accession.

Countries have different historical, geographic and demographic backgrounds and need to establish the territorial setup that works best for them. Mr Bezghin announced the intention to organise, in co-operation with the Centre of Expertise of the Congress, a Citizens’ Assembly to discuss the future of Ukrainian intermediate tier of government.

During the third debate on “The role of regions in the process of accession and post-accession to the EU” it was reminded that all current and former EU candidate countries are members of the Council of Europe, so the Chamber of Regions provides an ideal forum for exchange on this subject.

Congress members and guest speakers underlined that membership to the EU involves and impacts all levels of government and that most of the EU legislation is to be implemented at sub-national level. Moreover, it was highlighted that the regions hold a prominent role in the EU cohesion policy, which accounts for one third of the total EU budget. Mr Bezghin stated that Ukraine has been through ten years of Russian Federation’s war of aggression but also ten years of decentralisation; three years of full-scale invasion but also three years of

European integration process. In fact, Ukraine has currently four macro regions: temporarily occupied regions, frontline regions, regions in the middle part of Ukraine, safer regions in Western part of Ukraine. These regions have very different needs; so most efforts need to be focused on the regional level and regions need to be fully involved in the European accession process.

Given the many responsibilities of the regions within the Union, the Chamber concluded that the regions have a strong role to play in preparing for EU membership and subsequently in implementing European policies after the accession. For this reason, EU enlargement requires an inclusive approach, involving and consulting regional authorities at all stages of the accession process.

However, the debate highlighted the importance, in candidate countries, to further raise awareness and provide training for regions regarding their responsibilities and duties on the path towards accession and once within the EU. Particular attention should also be paid to Ukraine, as this war-torn country has special needs on its European path. In this respect, it was stressed that there is a need to support not only legislative approximation but also the capacity building of regional public authorities to allow them to fulfil their mission in the pre and post accession phasis.

Mr Castellanos stressed the importance of the regions of Europe in the EU accession process and beyond, and also of the European Charter of Local Self-Government and expressed the readiness of the Association of European Regions to join efforts with the Congress in co-operation projects.

Integration in the EU is not only a central government process, but first and foremost a local and regional reform process, as these authorities are supposed to implement 70% of EU decisions, reminded Mr Raičević. Three priorities exist in the area covered by NALAS, building institutional capacity, ensuring financial sustainability and building co-operation and alliances. Unfortunately, many municipalities and regions are not prepared for accession.

Regions are not mere administrative units but fundamental actors for ensuring European integration, reminded Mr Boraccetti, Italian Youth Delegate.

The Congress's Chamber of Regions thanked all speakers and underlined the need to continue the debates on these topics in the future.