Territorial Analysis of the Country-specific Recommendations for 2019

In 2019, *Country-Specific Recommendations (counted on the basis of sub-recommendations)* [1] either directly/indirectly addressed to LRAs or having a territorial impact were 137, up from 120 in 2018 (Table 1) [2]. These CSRs – which are called here "territory related" - were around 62% of all CSRs in both years.

This increase of territory-related CSRs is mainly due to a) the new investment-oriented CSRs to all EU countries, which address regional disparities, and b) the inclusion of Greece in the Semester process, after exiting its financial assistance programme.

Table 1 - Territory-related country-specific recommendations[3]

	2018		2019	
Country-specific recommendations (CSRs)	N°	% of all CSRs	N°	% of all CSRs
	192	*100*	221	*100*
OF WHICH:				
A) Directly involving LRAs	29	15	41	*19*
B) Indirectly involving LRAs	78	41	81	*37*
C) Not involving LRAs, but having territorial impact	13	7	15	*7*
A+B+C) Total n° of territory-related CSRs	*120*	*63*	*137*	*62*
Territory-related CSRs addressing administrative capacity challenges	38	20	26	*12*
- ***directly (capacity-building is the main aim)***	21	11	11	*5*
- ***indirectly (capacity-building is part of a sectoral objective)***	17	9	16	*7*
Territory-related CSRs implementing the European Pillar of Social Rights	54	28	55	25
Territory-related CSRs addressing obstacles to investment	79	41	112	51

Source: CoR/ECON elaboration of the EC's Country-specific Recommendations for 2018 & 2019

The challenge of building **administrative capacity** at the regional and local level was addressed by 26 CSRs (12% of *all* CSRs), addressed to 17 EU countries (see examples in Annexes 1 and 2). Capacity-building-related CSRs in 2019 are approximately 8% less than in 2018 and focus mainly on far-reaching challenges, such as "Reduce the territorial fragmentation of the public administration and streamline the functional distribution of competencies" (Croatia), "Simplify and rationalize fiscal relations and responsibilities across layers of government and align financing and spending responsibilities" (Austria) or "Improve the effectiveness of public administration, including by investing in the skills of public employees, by accelerating digitalization, and by increasing the efficiency and quality of local public services" (Italy).

[1] The draft CSRs for 2019 were published by the European Commission on 5.6.2019 and endorsed by the European Council on 28-29 June 2019. The final CSRs (https://www.consilium.europa.eu/en/press/press-releases/2019/07/09/economic-employment-and-fiscal-policies-2019-country-specific-recommendations/) were formally adopted by the ECOFIN Council on 9 July 2019, with minor changes in the text.

[2] In this note, "CSR" and "recommendation" refer to "sub-recommendations": see Annex 5.

[3] Figures in this table refer to "sub-recommendations": see Annex 5.

Removing different kinds of **obstacles to investment at local and regional level** was the goal of *112 out of 137 sub-recommendations* (see examples in Annexes 1 and 2) addressed to all EU countries, roughly 10% more than in 2018, which indicates that investment-related policies have been prioritised.

The 2019 CSRs put a stronger focus on national and regional investment needed to promote sustainable and inclusive growth, while taking into account territorial disparities within Member States. Among others, the 2019 CSRs set investment priorities as a guideline for the programming of the ESI Funds in 2021-2027.

Implementing the **European Pillar of Social Rights** was the goal of *36 out of 137 sub-recommendations* addressed to 22 EU countries (examples in Annex 4)**.**

Annex 1: Examples of actions following recommendations directly addressed to LRAs (from the 2019 Country Reports[4])

OBSTACLES TO INVESTMENT

Germany: Germany has recorded limited progress in raising expenditure on education thus remaining below the EU average. Investment on education is also hampered by structural obstacles regarding the design of fiscal relations. The Federal Government and the Länder, which are responsible for almost three quarters of public education expenditure, have not so far managed to reach agreement on a change in the constitution to extend the Federal Government's power to provide direct financial support to financially weak municipalities to include all municipalities. At a municipal level this results in, investment shortfalls in schools and adult education of up to 30 % of overall investment needs.

Belgium: Regions in Belgium play a crucial role in pursuing the necessary education and training reforms. Currently, despite the high tertiary education attainment, graduates in STEM sectors remain relatively low and many graduates are still not familiarised with the entrepreneurial mind-set. The French Community is emphasising on practical training, notably through the experimental implementation of certification by units in formal IVET programmes, while Flanders is currently implementing reforms to further enhance entrepreneurial skills in higher education and establish being an entrepreneur as a true career choice for students.

ADMINISTRATIVE CAPACITY CHALLENGES

Croatia: Previous country reports highlighted that many small local governments units have devolved competencies and responsibilities in providing public services, but often lack the adequate financial, administrative and personnel resources to carry out their duties. This creates large disparities in public service provision between financially and administratively strong and weak local units across Croatia. The 2015 Strategy for Public Administration, setting out a number of objectives for the modernisation of the state administration, has been implemented only in few areas. In particular, measures related to upgrading human resources management and introducing modern systems for the improvement of service quality are lagging. The 2018 country report recognised also the need to strengthen the administrative capacities related to design and implementation of public policies, as well as more efficient and effective use of EU funds.

Lithuania: Public procurement is improving, especially at the central level, as a result of a problem detection mechanism and other activities regarding the aggregation of purchases and risk assessments. Challenges in adequate procurement planning, transparency and in-house procurement persist. At local level, municipalities often modify their procurement plans within the programmed period. A recent legislative change prohibits in-house procurement for state-owned enterprises, but not for municipality-owned companies. The business perception of corruption with regard to public procurement has improved and legislative measures were taken for lobbying activities.

[4] https://ec.europa.eu/info/publications/2019-european-semester-country-reports_en

Annex 2: Examples of actions following recommendations indirectly addressed to LRAs (from the 2019 Country Reports[5])

OBSTACLES TO INVESTMENT

The Netherlands: In 2014-2017 the Smart Industry programme, a plan implemented to promote the digitalization of manufacturing industry, created 35 field labs and 5 regional Smart Industry Hubs. Current investments, amounting to EUR 163 million, aim to help companies and knowledge institutes develop and test information and communications technologies applications. The Smart Industry Implementation Agenda 2018 – 2021, through a more cross-sectoral approach and the transverse importance of big data, artificial intelligence, cybersecurity and fifth generation, aims to further increase productivity, create new jobs and therefore help solve societal challenges.

Portugal: Some progress has been made regarding the simplification of the business environment through the implementation of the SIMPLEX+ programme, which is Portugal's most relevant simplification plan to horizontally reduce administrative burden and to simplify business-government and citizens-government relations. The programme involves various measures such as E-Government initiatives and the "once-only" principle, which has reduced document submission obligations. However, despite the significant savings, the SIMPLEX+ programme has recorded an impact limited to specific-sectors.

ADMINISTRATIVE CAPACITY CHALLENGES

Estonia: The recent local government reform is expected to improve the provision of better public services and outcomes hampered by the persistent mismatch between fiscal capacity and responsibilities. Online public services have been widespread in Estonia for quite a few years now (99% of the public services are available online 24/7) making it possibly the most "connected" government in the world. This has brought efficiency gains in tax administration and tax compliance; according to "Paying taxes 2018" report, it took 50 hours a year (2016) for a business to comply with its tax obligations – EU's most efficient outcome.
Tax revenue (mostly shared taxes) in Estonia represents almost half of sub-national public sector revenue (2011). There is no regional level government but regional agencies, which exercise centrally managed policies at the regional level and provide co-ordination in some areas.

Czech Republic: The Labour Office was reorganised in 2012, but there were no fundamental changes in providing better support for vulnerable groups. The Commission's report suggests that partnerships with municipalities and NGO's by means of territorial pacts could provide more personalised services for the long-term unemployed. A mobility allowance measure has been recently piloted in a few regions to boost regional labour mobility.
The regional branches of labour offices, as well as regional labour inspectorates are responsible for the implementation and supervision of employment policy, but these are centrally managed.

Malta: The National Transport Strategy (adopted in 2016) mainly focuses on reducing the economic costs of traffic congest, but it lacks a clear target on reducing greenhouse gas emissions from transport. Malta aims to increase green public procurement; measures already taken include green procurement checklists, training sessions and exact targets for specific product categories, which were partially met for the 2012-2014 period (recent data on implementation are not available).
Ensuring alignment with international and European norms lies at the central level but regional committees are responsible for the upkeep of infrastructure with national (and international) standards.

[5] Idem

Annex 3: Examples of territory-related 2019 CSRs with no direct or indirect involvement for the LRAs, but having territorial impact[6]

Ireland: The Commission recommends that for 2019 Ireland focuses on investment-related economic policy on low carbon and energy transition, the reduction of greenhouse gas emissions, sustainable transport, water, digital infrastructure and affordable and social housing, taking into account regional disparities.

Italy: For 2019, the Commission recommends Italy to improve the effectiveness of the fight against corruption by reforming procedural rules to reduce the length of criminal trials.

Annex 4: Examples of actions involving LRAs in the pursuit of the European Pillar of Social Rights indicators[7]

CHAPTER I: EQUAL OPPORTUNITIES AND ACCESS TO THE LABOUR MARKET

Spain: In an effort to increase the capacity and support provision of employment and social services, the new government launched the Action Plan for Youth Employment. The plan will be supported by the hiring of 3000 new staff that will work on the guidance for young unemployed. Additionally, measures to provide individualised services to jobseekers through profiling and IT tools are slowly being implemented. However, the total public employment service staff and expenditure remain generally low and the performance of employment services is uneven across regions.

CHAPTER II: DYNAMIC LABOUR MARKETS AND FAIR WORKING CONDITIONS

Finland: Despite the emphasis that the Finnish government has placed on activating the unemployed, Finland has recorded limited progress on reducing inactivity and unemployment traps. The 'active model' in 2018 introduced a benefit scheme with financial sanctions, which aims to the increase of conditionality for unemployment benefits under. As a result, in June-July 20188, 158.000 unemployed faced cuts in their unemployment benefits. However, due to the limited capacity of public employment offices to offer sufficient activation services, unemployed could be driven deeper into the benefits system rather than towards labour market inclusion.

CHAPTER III: SOCIAL PROTECTION AND INCLUSION

Bulgaria: Bulgaria has successfully managed to reduce the number of children in institutional care by 80% in 2017, thus recording substantial progress towards the deinstitutionalisation of childcare. Aided by EU funds and owing to the high national and political commitment, the implementation of the national “Vision for Deinstitutionalisation” plan has led to the closure of all the institutions for children with disabilities and has allowed the shift to community-based care. Monitoring the implementation of deinstitutionalisation reforms and continuous training and supervision of staff is also important to guarantee good quality services. Sustained efforts are also being made on prevention, family support and early intervention with integrated service provision, but these efforts need to continue. *Amongst others, the "Vision for Deinstitutionalisation of Children in Bulgaria" plan for the period of 2016-2020 foresees the development of 66 new community-based services, 83 new community-based care settings across the country and the infrastructural improvement of 49 existing community-based services.*

[6] Idem

[7] Idem

Annex 5: Methodology

Country-specific recommendations (CSRs) are referred to here as ***territory-related*** *in the following cases:*

• If their implementation - given the current division of powers within Member States - involves local and regional authorities (LRAs) directly (because explicitly mentioning them) or indirectly (because referring to their remits) (see examples in Annex 1 and 2 respectively);

• If their implementation – while not involving the LRAs (neither directly, nor indirectly) - is likely to generate differentiated territorial impacts (see examples in Annex 3).

In 2015, in line with Commission's decision to streamline the functioning of the Semester, the number of CSRs was drastically reduced to better target the most relevant economic challenges for each country, at times, integrating several related aspects in the same recommendation.

*Most CSRs are a package of a variable number of individual recommendations, referred to here as "****sub-recommendations****". In this note, "recommendation" and "CSR" are used to refer to "sub-recommendation", identified in the Commission's proposal by* ***a sentence ending with a full stop****. This is to avoid misleading year-on-year comparisons, given the Commission's practice of changing, from one year to another, the way in which the same sub-recommendations are regrouped into numbered CSRs.*

Implementation of complex reforms is a multi-annual process: about half of these recommendations were issued in 2015 and reiterated since. The state of implementation of the CSRs, on an annual and multiannual basis, is presented in February every year in the European Commission's Country Reports at: https://ec.europa.eu/info/publications/2019-european-semester-country-reports_en

A full account of the methodology used in this note is available here: https://cor.europa.eu/en/news/Documents/2019-CSRs-Territorial-Analysis-Methodology.pdf

The full text of all territory-related sub-recommendations for 2017, 2018 and 2019 is or will be soon available online at: http://portal.cor.europa.eu/europe2020/Pages/publi.aspx