Methodology

The 2019 Country-specific Recommendations (CSRs) have been analyzed based on the definitions shown in Tables 1 to 4 and Box 1 below. The resulting dataset is accessible in the website "Surveys, studies and analyses" of the CoR ECON Commission.

Table 1: Territory-related CSRs

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).*

Table 2: New Methodology of Analysis

From 2019 onwards, the CoR's analysis of the country-specific recommendations is based on the examination of the sub-recommendations rather than the CSRs as a whole. This new approach is due to the Commission's practice of rearranging the country-specific recommendations in a different order on a yearly basis. This may result in inconsistencies between year-on-year comparisons. Therefore, to avoid the dilution of the quantitative analysis, it is necessary to focus on the essence of the CSRs, namely the sub-recommendations.

Table 3: Territory-related CSRs and obstacles to investment

"Territory-related CSRs": recommendations that have, entirely or in part, a territorially-differentiated impact or relevance within countries ***and/or*** that require, **directly or indirectly**, LRA involvement through their functions and competences for their implementation (according to the current division of powers in EU Member States).
"Territory-related obstacles to investment": obstacles to investment with a territorially-differentiated impact or relevance within countries ***and/or*** where there is potential for LRAs to contribute in easing or removing them. See Table 3.

Table 4: Policy areas used to regroup territory-related CSRs

1. Public finances & Taxation - Fiscal policy & fiscal governance - Long-term sustainability of public finances - Reduce the tax burden on labour - Broaden tax bases - Reduce the debit bias - Fight against tax evasion, improve tax administration & tackle tax avoidance
2. Financial sector - Financial services - Housing market - Access to finance - Private indebtedness

3. Labour market, education and social policies - Employment protection legislation & framework for labour contracts - Unemployment benefits - Active labour market policies - Incentives to work, job creation, labour market participation - Wages & wage setting - Childcare - Health & long-term care - Poverty reduction & social inclusion - Education - Skills & life-long learning
4. Structural policies - Research & innovation - Competition & regulatory framework - Competition in services - Telecom, postal services & local public services - Energy, resources & climate change - Transport
5. Public administration & business environment - Business environment - Insolvency framework - Public administration - State-owned enterprises (SOEs) - Civil justice

Table 5: Categories used to regroup obstacles to investment

1. Public governance & administration / Public procurement & PPPs - Deficiencies in quality/efficiency/transparency/coordination in the public administration - Mismatch between functions and resources of LRAs and inadequacies in equalization schemes - Deficiencies in strategic planning, designing and managing public investments, incl. EU funds - Public procurement shortcomings: lengthy procedures, legal framework fragmentation, transparency/corruption/collusion issues, complexity, lack of expertise, inefficiencies in supervision and control systems - PPP shortcomings: legal framework uncertainties, lack of expertise, weak management
2. Business environment **-** Burdensome (general) regulatory regime: rules, procedures, property registration, licenses, permits, lengthy and costly compliance requirements, lack of stability/predictability - Burdensome sector-specific regulations: regulated professions, retail, construction, ICT, energy, transport - Difficult access to credit for SMEs
3. Essential pre-conditions for investment - Skill and education mismatch with labour market needs; skills and labour shortages - Inadequate transport and other infrastructure (e.g. broadband)

Table 6: The European Pillar of Social Rights in 20 principles

Chapter I: Equal opportunities and access to the labour market 1. Education, training and life-long learning 2. Gender equality 3. Equal opportunities 4. Active support to employment
Chapter II: Fair working conditions 5. Secure and adaptable employment 6. Wages 7. Information about employment conditions and protection in case of dismissals 8. Social dialogue and involvement of workers 9. Work-life balance 10. Healthy, safe and well-adapted work environment and data protection
Chapter III: Social protection and inclusion 11. Childcare and support to children 12. Social protection 13. Unemployment benefits 14. Minimum income 15. Old age income and pensions 16. Health care 17. Inclusion of people with disabilities 18. Long-term care 19. Housing and assistance for the homeless 20. Access to essential services

BOX 1: TERRITORY-RELATED OBSTACLES TO INVESTMENT

Boosting investment to bridge the post-crisis gap is a key priority of the European Semester. Besides launching the *Investment Plan for Europe* in November 2014 – which includes the European Fund for Strategic Investment (EFSI) – the European Commission launched in 2015 a review of obstacles to investment. The CoR committed to contribute to this review[1] by assessing *territory-related obstacles to investment* and published in December 2015 a report entitled *Obstacles to investments at local and regional level*[2]. The report defines as territory-related obstacles to investment "those that have a differentiated impact within countries, are relevant to the functions of the LRAs regarding investment and there is potential for the LRAs to contribute towards easing or removing them". The report summarizes three groups of obstacles, related to the fields of: (1) public governance and administration / public procurement and public-private partnership, (2) business environment, and (3) essential preconditions of investment. The report also highlights that "LRAs play multiple and often inter-linked roles regarding investment in their area: planner, investor, investment partner, regulator, provider and promoter/facilitator, as well as an overarching role of 'enabler'".

1. PUBLIC GOVERNANCE & ADMINISTRATION / PUBLIC PROCUREMENT & PPPS

DEFICIENCIES IN MULTILEVEL GOVERNANCE AND PUBLIC ADMINISTRATION

- Shortcomings in quality, efficiency and transparency of the public administration, including coordination between different services and sectors within the public administration,
- Lack of coordination with other levels of government and weak multilevel governance,
- Lack of cooperation with other actors outside the public administration.

Deficiencies in the strategic planning for infrastructure investment together with the weak monitoring and evaluation of sub-national strategies have been identified as two of the main governance barriers impeding effective sub-national infrastructure investment.

DEFICIENCIES IN ACCESSING AND MANAGING INVESTMENT FUNDS

- Shortcomings in planning, designing, submitting and managing public investments, including EU funds. This group is closely linked to human resources and other capacities of local and regional authorities,
- Mismatch between the functions and financial resources of local (regional) governments and inadequacies in equalization schemes.

SHORTCOMINGS IN PUBLIC PROCUREMENT AND PUBLIC-PRIVATE PARTNERSHIP

- Excessive length of procedures, legal framework fragmentation and uncertainty (frequent revision of public procurement law, complexity, lack of transparency, lack of expertise in PPPs, public procurement and project finance, inefficiency of the system of supervision and control),
- Insufficient degree of competition in tendering procedures (lack of competition in contract awards where there was a single bid, high use of negotiated procedures without publication of a notice),
- Complexity or inefficiency in the public procurement framework,
- A weak management of PPPs.

2. UNFAVOURABLE BUSINESS ENVIRONMENT

- Frequently changing regulatory framework and lack of stability and predictability,
- Burdensome rules, procedures, licenses, permits, etc.,
- Lengthy and closely compliance requirements, especially for starting a business,
- Planning uncertainties and difficult to obtain construction permits, etc.,
- Late payment affecting SMEs,
- Difficulty to access finance for SMEs.

3. INADEQUATE PRECONDITIONS FOR INVESTMENT

- Lack of appropriate skilled labour force; education and VET qualifications insufficiently aligned with labour market needs,
- Inadequate transport infrastructure.

Source: Pucher, J., Martinos, H., Schausberger, W. (2016) Obstacles to investment at local and regional level, European Committee of the Regions, Brussels

1 CoR Resolution *on the European Commission's Annual Growth Survey 2016*, Brussels, 11 February 2016, at: https://api2016.eesc.europa.eu/v1/documents/cor-2015-06756-00-00-res-tra-en.docx/content

2 https://cor.europa.eu/en/engage/studies/Documents/obstacles-to-investments.pdf