

EUROPEAN UNION



**Committee of the Regions**

# 2016 European Semester

## **Territorial Analysis of the Country-specific Recommendations**

REPORT OF THE STEERING COMMITTEE OF THE EUROPE 2020 MONITORING PLATFORM

Regions and Cities supporting  
**Europe2020**  
Europe's growth strategy



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## PREFACE



More than half of the Country-specific Recommendations issued this year point at challenges that, due to the existing division of powers, can be addressed only by involving the local and regional authorities. Almost all EU countries received at least one of these *territory-related* recommendations, even after the European Commission streamlined the European Semester, drastically cutting the recommendations to focus on those most relevant and urgent.

This and other findings presented in this report confirm the need to involve the local and regional authorities in the European Semester in a more permanent and structured manner. To a certain extent, this involvement takes place already in most countries. However, it is still uneven, sometimes untimely and often purely consultative. Mostly, it is confined to the implementation of policies decided by the national governments.

What is still too often missing is the involvement of the local and regional authorities as partners in working out the best way to deliver on structural reforms favouring investments, growth and jobs. This would increase significantly the rate of implementation of the recommendations, also helping to address widening regional disparities. It would also favour increased ownership on the ground, strengthening trust within and between Member States.

The European Committee of the Regions is engaged to propose a Code of Conduct for the involvement of the local and regional authorities in the European Semester, a proposal that is supported also by the European Parliament. The Code of Conduct, respectful of national differences and careful not to create useless administrative burden, would contribute to the Better Governance approach on which the Presidency of Council of the European Union has opened a debate.

The Country-specific Recommendations point at the major challenge of improving the quality of the public administration, and in particular at the regional and local level. To take this challenge, the CoR has recently proposed the adoption of a single strategic document to coordinate the different strands of EU-funded technical assistance to public administrations at all levels, including the forthcoming Structural Reform Support Programme.

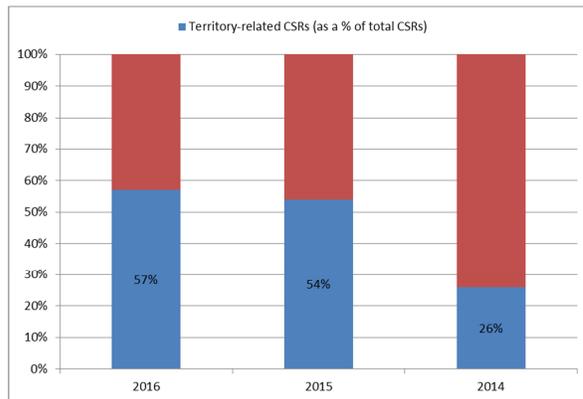
Michel Delebarre  
Political Coordinator of the Europe 2020 Monitoring Platform  
CoR Member, Member of Dunkirk Municipal Council

## 1. MAIN CONCLUSIONS

### *The territorial dimension is intrinsic to the European Semester*

More than half of the Country-specific Recommendations issued in 2016 (51 of 89) is *territory-related*, because they point at challenges concerning some regions more than other regions and/or their implementation relies on sub-national levels of government. 26 EU countries received *territory-related* recommendations.

**Graph 1 – Territory related CSRs from 2014 to 2016  
(as a % of all CSRs)**



The ratio of *territory-related* CSRs to *all* recommendations increased notably after the Juncker Commission decided to bring down the total number of recommendations by almost fifty per cent between 2014 and 2016<sup>1</sup>.

This is not surprising: given the current distribution of powers and competences in most Member States, the most relevant and urgent economic policy issues can only be addressed with the active involvement of the local and regional authorities. Since the aim of the streamlining of the European Semester was to focus on the most relevant and urgent issues, this finding confirm that the territorial dimension is intrinsic to the European Semester.

Although the 2016 Annual Growth Survey did not adopt explicitly a territorial perspective, this trend was announced by the Country Reports (CRs) issued on 26 February 2016, which mentioned 178 *territory-related issues*<sup>2</sup>. Each Country Report included at least one of these issues, spread across all policy areas - although with special focus on labour market, social issues and the state of the public administration.

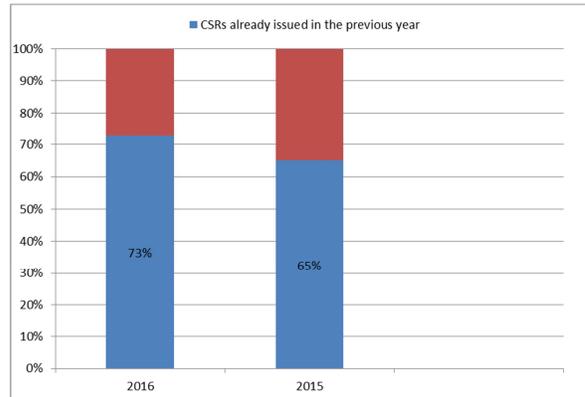
<sup>1</sup> CSRs were 162 in 2014, 102 in 2015 and 89 in 2016.

<sup>2</sup> See "2016 European Semester. Territorial analysis of the Country Reports and accompanying Communication", Report of the Steering Committee of the Europe 2020 Monitoring Platform, May 2016, at <http://portal.cor.europa.eu/europe2020/Pages/welcome.aspx>

### A lengthy implementation process

Almost three quarters of the 2016 *territory-related* CSRs had been issued already in 2015, and two thirds of those issued last year had already been issued in 2014.

**Graph 2 – Territory-related CSRs already issued in the previous year (as a % of all territory-related CSRs)**



These recommendations were reiterated because they concern top political priorities of the European Semester and because their progress so far was insufficient. Indeed, implementing challenging recommendations takes time. The CRs for 2016 show that the 2015 *territory-related* CSRs made better progress than *all* 2015 CSRs – and better progress than the 2014 *territory-related* CSRs one year ago<sup>3</sup>.

### Territory-related CSRs address obstacles to investment

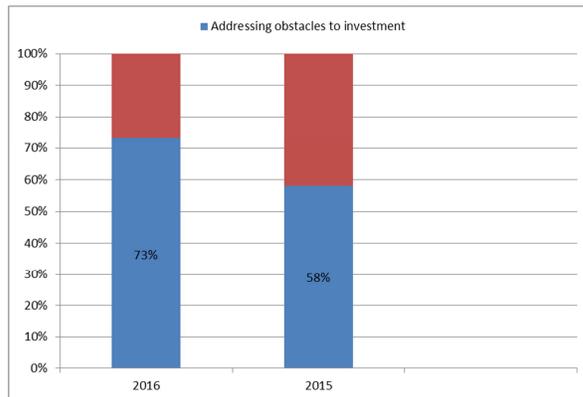
Almost three quarters of all *territory-related* CSRs for 2016, more than last year, deal with obstacles to investment and are addressed to 23 Member States.

*Territory-related obstacles to investment* are defined here as those obstacles (a) that have a territorially differentiated impact *within* countries, and (b) that local and regional authorities could help to remove.

The CRs this year counted 28 issues related to *territory-related* obstacles to investment in 23 Member States. Almost half of these (46%) dealt with the quality of the public administration (governance and administrative capacity), 35% with education, the labour market and credit for SMEs and the rest with sector-specific regulations.

<sup>3</sup> Half of the 2015 *territory-related* CSRs (49%) made "some progress", in comparison to 41% of *all* 102 CSRs; one year ago, only 36% of the 2014 CSRs had made "some progress"; the other half (49%) made "limited/no progress", in line with *all* 102 CSRs but down from 64% in 2014.

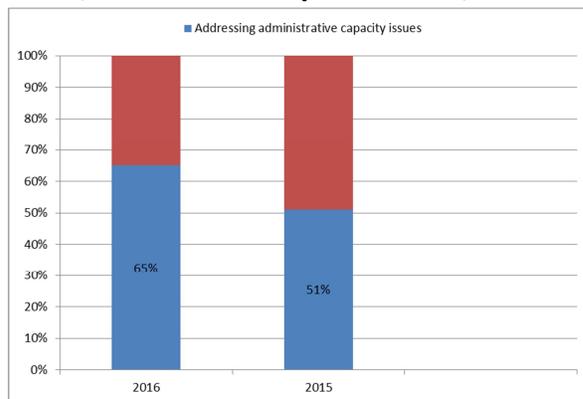
**Graph 3 – Territory-related CSRs addressing obstacles to investment  
(as a % of all territory-related CSRs)**



**A better public administration for structural reforms and growth**

Almost two thirds of the *territory-related* CSRs this year concerned administrative capacity issues and were addressed to 20 Member States. In 2015, the corresponding figure was 51% per cent and 17 Member States were involved, which stresses the increasing perception of this challenge.

**Graph 4 – Territory-related CSRs addressing administrative capacity issues (as a % of all territory-related CSRs)**



The issue of the quality of the public administration was either a specific goal in itself (in 42% of all capacity-related CSRs), or instrumental to objectives concerning the policy areas of labour market/ education/ social policies (39%), structural issues/ fiscal framework/ taxation (9%), competitiveness/investment (6%) and transportation/energy/the environment/ R&D (3%).

The challenge of the quality of public administration is not exclusive to a specific group of Member country. However, EU countries with lower GDP per capita and strong regional differentiations are more likely to receive recommendations concerning the quality of their public administration than other EU countries.

## 2. TERRITORIAL ANALYSIS OF THE COUNTRY-SPECIFIC RECOMMENDATIONS FOR 2016

Since 2015, the European Committee of the Regions analyses the main documents of the European Semester – the Country Reports (CRs), the National Reform Programmes (NRPs) and the Country-specific Recommendations (CSRs) - from a territorial perspective. The CoR's analysis focuses on those challenges that appear territorially differentiated and on those policies and recommendations which cannot be implemented without the involvement of the local and regional authorities (LRAs).

### 2.1 Overview

This section analyses the state of play of the *territory-related recommendations* included in the 2016 Country-specific Recommendations (CSRs), defined as *those CSRs that, entirely or in part, point at regionally-differentiated challenges, and whose implementation rely (directly or indirectly) on sub-national levels of government*<sup>4</sup>.

In 2016, 89 CSRs were addressed to 27 Member States<sup>5</sup>, of which 51 (57% of the total) were *territory-related CSRs* (see the summary table below).

In 2015, 102 CSRs had been addressed to the 26 Member States that had received recommendations<sup>6</sup>, of which 55 were *territory-related* and 23 addressed directly the role of the local and regional authorities.

In 2014, the same 26 countries had received 157 CSRs. The reduced number of CSRs from 2015 on reflects the approach of the Juncker Commission to reduce the number of CSRs in order to (a) focus efforts on each country's urgent and specific challenges and (b) increase ownership of the CSRs at country level.

Some territory-related CSRs are addressed to local and regional authorities (LRAs) either directly or indirectly. In both cases, given the current distribution of competences, the LRAs are necessarily involved in the implementation of such recommendations.

A same recommendation might be reiterated in the following years if it is seen as a top political priority in light of the priorities of the European Semester. It is the case that 73% of the 2016 *territory-related CSRs* had been issued already in 2015; this is more than the already remarkable score of reiterations of 65% in 2015 (with respect to 2014).

This is not surprising, since *territory-related CSRs* mostly address difficult challenges such as the improvement of administrative capacity and the removal of obstacles to investment. Efforts to make progress on these recommendations seem to bring their fruits: according to the Country Reports for

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<sup>4</sup> This definition implies that one CSR may contain more than one territory-related recommendation. This has to be born in mind when comparing territory-related CSRs' and all CSRs by means of summary statistics. In this report, for the sake of simplicity, any territory-related recommendation is a "territory-related CSR".

<sup>5</sup> In 2016, Greece did not receive CSRs because it was under macro-economic adjustment programme.

<sup>6</sup> In 2015, Greece and Cyprus did not receive CSRs because they were under macro-economic adjustment programme.

2016, the state of implementation of the 2015 territory-related CSRs *that had already been issued in 2014* is more advanced than the average state of implementation of all 2015 CSRs.

#### Territory-related Country-specific Recommendations in 2016, in comparison to 2015

	2016	2015
Countries receiving territory-related CSRs	26 of 27 countries getting CSRs (a) (b)	24 of 26 countries getting CSRs (a)
Territory-related CSRs (total)	51 of 89 recommendations overall	55 of 102 recommendations overall
Territory-related CSRs (as a % of total CSRs)	<b>57%</b>	54%
<i>Of which:</i>		
<i>Addressed to local and regional authorities</i>	31 (61% of territory-rel. CSRs)	23 (48% of territory-rel. CSRs)
<i>Addressing obstacles to investment</i>	37 (73 % of territory-rel. CSRs)	32 (58% of territory-rel. CSRs)
<i>Addressing administrative capacity issues</i>	33 (65% of territory-rel. CSRs)	28 (51% of territory-rel. CSRs)
<i>Already issued in the previous year</i>	37 (73% of territory-rel. CSRs)	36 (65% of territory-rel. CSRs)
Territory-related issues in the Country Reports	178 (26 Member States) (c)	83 (27 Member States)

a) In 2016, Greece did not get CSRs since it was under financial assistance. In 2015, the same applied to Greece and Cyprus - b) Malta received 2 CSRs in 2016, but none of them was territory-related / c) The Country Report for Cyprus was published after the analysis was finalized

Source: CoR/ECON elaboration on the EC 2016 Country Reports (26.02.2016) , the 2016 Country-specific Recommendations (18.05.2016) and EP "At a glance" notes on the implementation of the 2014 and 2015 CSRs (12.08.2015 and 04.03.2016 respectively)

A reference list of all *territory-related* CSRs for 2016 is provided below (**Annex, table 1**) provides. As observed with respect to the 2015 European Semester, the number of *territory-related* CSRs per member country is higher the wider are territorial disparities between countries.

Policy areas covered by the 2016 CSRs include labour market and social issues (39%), the quality of the public administration (23%), structural issues and the fiscal framework (22%), transportation, energy and other sectors (10%) and competitiveness/investment (6%) (**Annex, table 2**).

Overall, the findings for 2016 show that, after the streamlining of the European Semester, *territory-related* CSRs have increased as a percentage of all CSRs, and that the involvement of the LRAs is necessary to implement a relevant part of these CSRs. These findings confirm that the territorial dimension is horizontal to most policy areas and seems congenial to the European Semester.

## 2.2 *Territory-related obstacles to investment in the 2016 Country-specific Recommendations*

Removing obstacles to investment is on top of the EU's political agenda. In the Annual Growth Survey (AGS) for 2016, the European Commission has launched an exercise of identification of obstacles to investment, to be carried out in cooperation with the Member States. In its Resolution on the 2016 AGS, the CoR has invited the local and regional authorities to take part in this exercise.

This section identifies those *territory-related* CSRs that address obstacles to investment.

73% of all *territory-related* CSRs for 2016 on obstacles to investment were addressed to 23 Member States (**Annex, table 3**). In 2015, the corresponding proportion was 58%. Almost half of these (46%) dealt with the quality of the public administration (governance and administrative capacity), 35% with education, the labour market and credit for SMEs and the rest with sector-specific regulations.

## 2.3 *Administrative capacity at regional and local level*

Improving the quality of public administration at all levels of government is a difficult long-term challenge for the EU to deliver on both the current priorities of the European Semester and the long-term goals of the Europe 2020 strategy. This challenge is an urgent and pervasive one across Member States and policy areas, although especially crucial in the less developed Member States and those with sharp territorial differentiations.

Sixty-five per cent of the *territory-related* CSRs issued by the European Commission in 2016 (33 out of 51) concerned administrative capacity issues and were addressed to 20 Member States (**Annex, table 4**). In 2015, the corresponding figure was 51% per cent, and concerned 17 Member States, which stresses the increasing perception of this challenge.

The issue of the quality of the public administration was a specific goal in itself in 42% of all capacity-related CSRs, or instrumental to objectives in the policy areas of labour market/ education / social policies (39%), structural issues/ fiscal framework/ taxation (9%), competitiveness/investment (6%) and transportation/energy, the environment and R&D (3%).

Almost half of the 178 *territory-related issues* raised in the 2016 Country Reports (83 out of 178) concerned administrative capacity and were addressed to 23 Member States. Within this group, the policy areas of "public administration" accounts for 40% of the total, "labour market/social issues" for 30%, "competitiveness and investments" for 20%. Member States that received territory-related recommendations on improving administrative capacity differ from one another in terms of size, per capita GDP, geographic location and internal disparities. This finding suggests that this challenge is not exclusive to a specific group of Member country. However, as shown in the previous reports<sup>7</sup>, EU countries with lower GDP per capita and strong regional differentiations are more likely to receive recommendations concerning the quality of their public administration than others.

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<sup>7</sup> 2015 European Semester: Territorial analysis of the 2015 Country-specific Recommendations". Report of the Steering Committee of the Europe 2020 Monitoring Platform (<http://portal.cor.europa.eu/europe2020/pub/Pages/welcome.aspx>).

ANNEX

Table 1 – Territory-related CSRs for 2016: summary table

<i>Territory-related CSRs for 2016 - 1 of 2</i>						
Country	N° of relevant CSR	Territory-related CSRs per country	Of which:			
			Directly addressed to LRAs	Addressing administrative capacity issues	Addressing obstacles to investment	Already issued in 2015
Austria	1	2	1	1	1	1
	3			1	1	
Belgium	1	3	1	1		1
	2		1	1	1	1
	3					
Bulgaria	3	2		1	1	1
	4		1	1	1	1
Croatia	1	2			1	1
	3		1	1	1	1
Cyprus	1	2	1	1	1	
	4			1	1	
Czech Republic	1	3	1			1
	2		1	1	1	1
	3					
Denmark	2	1	1		1	1
Estonia	1	1	1	1	1	
Finland	1	3	1	1		1
	2			1	1	1
	3			1	1	1
France	1	1	1	1		1
Germany	1	2	1		1	1
	2		1	1	1	1
Hungary	2	2		1	1	1
	3		1		1	1
Ireland	1	1	1		1	1
Italy	2	3	1	1	1	1
	4		1	1	1	
	5		1		1	1
Latvia	1	2		1		1
	2			1		1
Lithuania	2	1			1	1
Luxembourg	2	1	1		1	
The Netherlands	2	1			1	1

<i>Territory-related CSRs for 2016 - 2 of 2</i>						
Country	N° of relevant CSR	Territory-related CSRs per country	Of which:			
			Directly addressed to LRAs	Addressing administrative capacity issues	Addressing obstacles to investment	Already issued in 2015
Poland	2	2				1
	3		1	1	1	
Portugal	2					
	3		1			
	5		1	1	1	1
Romania	2	3		1	1	1
	3			1	1	1
	4		1	1	1	
Slovakia	1	2	1	1		1
	2			1		1
Slovenia	2	2				1
	4			1	1	
Spain	1	3	1	1	1	1
	2		1	1	1	
	4		1	1	1	
Sweden	1	1	1	1	1	1
UK	2	2	1		1	1
	3		1		1	1
TOTAL (territory-relevant recommendations)		51	31	33	37	37

Source: CoR/ECON elaboration on the EC 2016 Country-specific Recommendations (published on 18.05.2016)

**Table 2 – Territory-related CSRs for 2016 (by country and policy area)**

	AT	BE	BG	HR	CY	CZ	DK	EE	FI	FR	DE	HU	IE	IT	LV	LT	LU	NL	PL	PT	RO	SK	SI	ES	SE	UK	TOT	TOTAL (in %)
1. Competitiveness, investments, growth and jobs strategies	1				1																			1			3	5,9
2. Labour market, education, social policies, demography, long term care and housing		1	1						1			1	1	1	1	1	1	1	1	2	1	2	1	1	1	1	20	39,2
3. Modernization of public administration, administrative capacity, multilevel governance, distribution of competencies and management of public finances			1	1	1	1		1	1			1		1						1	1		1	1			12	23,5
4. Structural issues, fiscal framework and taxation	1	1		1		1	1		1	1	2			1	1												11	21,6
5. Transportation, energy, environment and R&D		1				1													1		1					1	5	9,8
<b>TOTAL</b>	<b>2</b>	<b>3</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>3</b>	<b>1</b>	<b>1</b>	<b>3</b>	<b>1</b>	<b>2</b>	<b>2</b>	<b>1</b>	<b>3</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>3</b>	<b>2</b>	<b>2</b>	<b>3</b>	<b>1</b>	<b>2</b>	<b>51</b>	<b>100,0</b>

Source: CoR/ECON elaboration on the 2016 EC Country-specific Recommendations (published on 18.05.2016)

**Table 3 – Territory-related 2016 CSRs concerning obstacles to investments (by country and policy field)**

	AT	BE	BG	HR	CY	CZ	DK	EE	FI	DE	HU	IE	IT	LT	LU	NL	PL	PT	RO	SI	ES	SE	UK	TOT	TOTAL (in %)	
<i>1. Governan ce, public administration, public procurement</i>	2		1	1	1	1		1			1		1			1		1	1	1	3		1	17	45,9	
<i>2. Educatio n, R&amp;D, innovation, labour/skill shortages, credit for SMEs</i>		1	1	1	1				1	1	1		1	1	1									1	13	35,1
<i>3. Sector- specific regulations</i>							1		1	1		1	1				1						1		7	18,9
<b>TOTAL</b>	<b>2</b>	<b>1</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>1</b>	<b>3</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>3</b>	<b>1</b>	<b>3</b>	<b>1</b>	<b>2</b>	<b>37</b>	<b>100,0</b>	

Source: CoR/ECON elaboration on the 2016 EC Country-specific Recommendations (published on 18.05.2016)

**Table 4 – Territory-related 2016 CSRs concerning administrative capacity (by country and policy area)**

	AT	BE	BG	HR	CY	CZ	EE	FI	FR	DE	HU	IT	LV	PL	PT	RO	SK	SI	ES	SE	TOTAL	TOTAL (in %)	
<b>1. COMPETITIVENESS, INVESTMENT, GROWTH AND JOBS.</b>	1				1																	2	6,1
<b>2. LABOUR MARKET, EDUCATION, SOCIAL POLICIES, DEMOGRAPHY, LONG-TERM CARE AND HOUSING</b>		1	1					2				1	2			2	2		1	1		13	39,4
<b>3. PUBLIC ADMINISTRATION, MULTILEVEL GOVERNANCE, DISTRIBUTION OF COMPETENCIES, MANAGEMENT OF PUBLIC FINANCES,</b>	1	1	1	1	1	1	1		1		1	1			1	1		1	1			14	42,4
<b>4. STRUCTURAL ISSUES, FISCAL FRAMEWORK AND TAXATION</b>								1		1										1		3	9,1
<b>5. TRANSPORTATION, ENERGY, ENVIRONMENT AND R&amp;D</b>														1								1	3,0
<b>TOTAL</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>3</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>3</b>	<b>2</b>	<b>1</b>	<b>3</b>	<b>1</b>	<b>33</b>	<b>100,0</b>	

Source: CoR/ECON elaboration on the EC 2016 Country-specific Recommendations (published on 18.05.2016)

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**Committee of the Regions**

Rue Belliard/Belliardstraat, 101\_1040 Bruxelles/Brussel \_ BELGIQUE/BELGIË  
Tel. +32 2/282 22 11 \_ Fax +32 2/282 23 25  
[www.cor.europa.eu](http://www.cor.europa.eu)