

Territorial Analysis of the Country-specific Recommendations for 2018

The [2018 Country-specific recommendations](#) (published by the European Commission on 23 May 2018ⁱ) include a significant increase in the number of **recommendations** that involve and address **directly local and regional authorities** (LRAs). The territorial analysis shows that **36%** of all 2018 CSRs directly involve LRAs in 16 Member States, up from 24% in 2017 (Table 1).

Taking into account also those CSR involving LRAs indirectly and those not involving LRAs but having a territorial impact, the overall number of **territory-related recommendations** (see definition below) has further increased in 2018 and now represents 83% of all CSRs (compared to 76% in 2017). Considering the sharp increase of CSR directly addressed to LRA, CSRs indirectly involving LRA have declined.

Table 1 - Territory-related country-specific recommendations

Country-specific recommendations (CSRs)	2017		2018	
	N°	% of all CSRs	N°	% of all CSRs
	78	100	73	100
OF WHICH:				
<i>A) Directly involving LRAs</i>	19	24	26	36
<i>B) Indirectly involving LRAs</i>	34	44	31	42
<i>C) Not involving LRAs, but having territorial impact</i>	6	8	4	5
<i>A+B+C) Total n° of territory-related CSRs</i>	59	76	61	83
Territory-related CSRs addressing administrative capacity challenges	40	51	42	58
- <i>directly (capacity-building is the main aim)</i>	27	34	26	36
- <i>indirectly (capacity-building is part of a sectoral objective)</i>	13	17	16	22
Territory-related CSRs implementing the European Pillar of Social Rights	NA ⁱⁱ		33	45

Source: CoR/ECON elaboration of the EC's Country-specific Recommendations for 2017 & 2018

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

- If their implementation - given the current division of powers within Member States¹ - 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](#)).

The methodology used for the territorial analysis of CSRs, together with a full list of all territory-related sub-recommendations for 2017 and 2018 (including their summary content) is available online at: <https://portal.cor.europa.eu/europe2020/Documents/publi-file/2018-Territorial-Analysis-of-CSRs/>

¹ According to the current Division of Power analysis of the Committee of the Regions (available at <https://portal.cor.europa.eu/divisionpowers/Pages/default.aspx>, last accessed: 13 June 2018)

In 2018, the challenge of building **administrative capacity** at the regional and local level was addressed by 58% of all CSRs (Table 1). Sometimes capacity-building is the main aim of a recommendation; sometimes it is instrumental to pursuing a sectoral objective.

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. This is why most CSRs are actually a package of several individual recommendations, referred to here as *sub-recommendations*.

Table 2 shows that the 61 territory-related CSRs for 2018 included 124 sub-recommendations, and that about half of them had been already issued in 2015: complex challenges take time to be addressed and implementation of reforms is a multi-annual process.

Table 2. Sub-recommendations included in the territory-related CSRs: LRAs involvement and year issued

Territory-related sub-recommendations						
Total		OF WHICH:			Issued in 2015	
		Involving LRAs		Not involving LRAs, but having territorial impact		
		Directly	Indirectly			
2017	117	33	62	22	59	50%
2018	124	40	71	13	60	48%

Source: CoR/ECON elaboration of the EC's Country-specific Recommendations for 2017 & 2018

Table 3 shows how many territory-related sub-recommendations address the three priority challenges of:

- building **administrative capacity**: note that *39 out of 124 sub-recommendations* refer to administrative capacity challenges as the main goal of the recommendation (see examples in Annexes 1 and 2) addressed to 17 EU Member States;
- removing **obstacles to investment at local and regional level**: *81 out of 124 sub-recommendations* (examples in Annexes 1 and 2) addressed to 24 EU Member States;
- implementing the **European Pillar of Social Rights**: *56 out of 124 sub-recommendations* addressed to 24 EU Member States (examples in Annex 4).

Table 3. Priority challenges addressed by territory-related sub-recommendations in 2017 and 2018

Territory-related sub-recommendations								
Total		Obstacles to investment		Administrative capacity			European Pillar of Social Rights	
				directly	indirectly	total		
2017	117	63	54%	42	22	64	47	40%
2018	124	81	65%	39	27	66	56	45%

Source: CoR/ECON elaboration of the EC's Country-specific Recommendations for 2017 & 2018

Annex 1: Examples of actions following recommendations directly addressed to LRAs (from the 2018 Country Reports²)

OBSTACLES TO INVESTMENT

Germany: In June 2017, the Basic Law was amended to allocate more efficiently the financial responsibilities between the state and the federal level, and to increase investment possibilities at **municipal** level. Federal states and **municipalities** have limited revenue autonomy and there exists a mismatch between the availability of funding at the different levels of government and their investment responsibilities. These factors have narrowed the scope for public investment at **municipal** level. The *Centre of Excellence* for innovative public procurement, established in 2013, has recorded only limited progress towards encouraging innovation through public procurement at federal and regional level. A potential obstacle to innovation is the prevailing contract awarding method; 67 % of contracts are still awarded solely on the basis of the lowest price.

ADMINISTRATIVE CAPACITY CHALLENGES

Spain: Progress with reforms to the business environment has stalled over the past three years. The **regions** and the central government have committed to mutual cooperation on implementing *the law on market unity*, yet few tangible results have been recorded so far. Restrictive business regulations and disparities across **regions** are the main barriers to investment and business growth. The rationalization of membership to a professional association is expected to facilitate free movement and efficient cross-regional allocation of professional services. In the accommodation sector, restrictive national and **regional** regulations on transport and accommodation services hamper competition and the activities of collaborative economy platforms.

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.

Annex 2: Examples of actions following recommendations indirectly addressed to LRAs (from the 2018 Country Reports³)

OBSTACLES TO INVESTMENT

Sweden: Home ownership is strongly incentivized by the Swedish tax system; yet, adjusting fiscal incentives could benefit job creation and income equality. Reducing mortgage interest deductibility and abolishing the ceiling on annual property taxes would have a progressive distributional impact and ease the tax burden on labour. Budgetary support and streamlined planning processes have targeted structural bottlenecks in construction investment. A government plan is also set to foster competition and lower costs in construction industry, by increasing foreign firms' participation.

Swedish municipalities hold mandatory administrative powers in the field of planning and building issues but responsibilities in housing policy are on a voluntary basis.

Ireland: The persistent infrastructure gap between regions creates investment bottlenecks and impedes balanced growth. Infrastructure challenges relate to land transport, sea ports, water distribution and broadband infrastructure. These have been identified by the National Competitiveness Council as an "immediate challenge". Regionally balanced growth points to improvements in waste water treatment and water distribution besides the maintenance, upgrade and expansion of existing transport networks. Ensuring that port infrastructure facilitates international trade is of the utmost importance, as Irish trade also relies on UK infrastructure and logistics. Infrastructure adequacy would help alleviate the impact of Brexit on Irish trade.

Legislation and policy implementation responsibilities are located at the national level; Irish local authorities can participate in the decision-making on major infrastructure and Trans-European Network projects via representation in the bicameral parliament.

Portugal: Portuguese SMEs are highly dependent on bank credit and venture capital has not recovered to the pre-crisis level. Efforts to improve access to capital include the *Capitalizar* programme introduced in 2017 to provide firms with new financial instruments, a *Business Gateway* website that is expected to centralize information related to financial support, and the recently approved programme *Internacionalizar*, which will also support SMEs with alternative sources of finance and foster exports. Improving access to capital is conducive to boosting both survival rates and competitiveness of new firms.

Portuguese municipalities have a role in promoting development and are also involved in promoting SMEs.

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.

² https://ec.europa.eu/info/publications/2018-european-semester-country-reports_en

³ Idem

Annex 2 (follows)

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.

Annex 3: Examples of territory-related 2018 CSRs with no direct or indirect involvement for the LRAs, but having territorial impact⁴

Ireland: on labour market, education and social policies, the European Commission recommends prioritising the upskilling of the adult working-age population, in particular their digital skills. Irish central authorities have responsibility for a range of adult and further education centres delivering education and training programmes.

Slovenia: on the financial sector, the European Commission recommends developing alternative sources of financing for fast-growing companies; the central government is responsible for promoting entrepreneurial development.

Annex 4: Examples of countries' performance at the European Pillar of Social Rights indicators⁵

CHAPTER I: EQUAL OPPORTUNITIES AND ACCESS TO THE LABOUR MARKET

Hungary: The territory-related 2017 sub-recommendation to *provide effective support to jobseekers and mainstream the public works scheme* has recorded "some progress". Since 2016, there are several European Social Fund co-financed programmes that facilitate the transition from public work schemes to the primary labour market. The Youth Guarantee (YG) and the Youth Employment Initiative programmes have offered to more than 74 thousand participants a training or employment offer within 4 months of registering to the country-wide extended network of Public Employment Services (PES). In 2017, government legislation has better targeted YG participants by imposing stricter limitations for young people to be involved in public work schemes. Following these initiatives, the youth unemployment rate and the share of young people not in education, employment or training (NEETs) have been decreasing.

CHAPTER II: DYNAMIC LABOUR MARKETS AND FAIR WORKING CONDITIONS

Luxembourg: Implementation of the territory-related 2017 sub-recommendation to *increase the employment rate of older people* has recorded "limited progress". The employment rate of older workers is considerably lower than the EU average, while the overall 2016 employment rate remains comparatively low as well. In 2014, the Age Pact to target age management measures in business has been first introduced to the Parliament, but progress with its enforcement is stalled. The female employment rate has not increased since 2014, whereas the male employment rate has been on the same level since the beginning of the crisis.

CHAPTER III: SOCIAL PROTECTION AND INCLUSION

Bulgaria: The territory-related 2017 sub-recommendation to increase the provision of quality mainstream education for disadvantaged groups, in particular for Roma, has recorded "limited progress" in implementation. The concentration of disadvantaged students into low-performing schools, for instance, the segregated Roma classes, are significant barriers in providing quality mainstream education in Bulgaria. The inclusive education reforms and Roma inclusion measures taken, have not yet yielded visible results; such measures include Bulgarian language courses, working with parents, curricular training for those whose mother tongue is not Bulgarian and further possibilities to finalise compulsory education in the so-called "United Schools". Several multidisciplinary teams were assigned at a local level to assist early school leavers in returning to education, but the measures that target school retention and students' families are still limited.

⁴ Greece did not receive CSRs due to the ongoing European Stability Mechanism financial assistance programme. The CSRs will have to be endorsed by the European Council on 28-29 June 2018 before being formally adopted by the ECOFIN Council in July 2018.

ⁱⁱ The European Pillar of Social Rights was launched at the EU Gothenburg Summit on 17 November 2017.

ⁱⁱⁱ The methodology used for the territorial analysis of CSRs can be found at "Europe 2020 Monitoring Platform" website.

⁴ Idem

⁵ Idem