Council of the European Union

Brussels, 28 March 2024
(OR. en)

8369/24
ADD 21

COH 20
SOC 243

COVER NOTE

From:	Secretary-General of the European Commission, signed by Ms Martine DEPREZ, Director
date of receipt:	27 March 2024
To:	Ms Thérèse BLANCHET, Secretary-General of the Council of the European Union
No. Cion doc.:	SWD(2024) 79 final - PART 21/23
Subject:	COMMISSION STAFF WORKING DOCUMENT Accompanying the document Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on the 9th Cohesion Report

Delegations will find attached document SWD(2024) 79 final - PART 21/23.

Encl.: SWD(2024) 79 final - PART 21/23

EUROPEAN
COMMISSION

Brussels, 27.3.2024
SWD(2024) 79 final

PART 21/23

COMMISSION STAFF WORKING DOCUMENT
Accompanying the document

Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions

on the 9th Cohesion Report

{COM(2024) 149 final}

A recent report from the European Court of Au- ditors concluded that the level of competition for public contracts to deliver works, goods and ser- vices had declined over the past 10 years in the EU Single Market and that the Commission and Member States have not made systematic use of data available to identify the root causes of this[21]. Insufficient administrative capacity may adversely affect the degree of competition in public procure- ment procedures. Over half of all respondents of a recent EU-wide survey conducted by the Court of Auditors indicated that this could be the case[22].

The Single Market Scoreboard uses 12 indicators to monitor how Member States perform each year in this regard. The proportion of single-bidder contracts – those awarded on the basis of a sin- gle tenderer's offer – is an important indicator of public procurement standards, since it implies an absence of competition in public purchasing. Over the 2011–2021 period, the proportion of public procurement procedures in the EU Single Market where a single bidder was awarded the contract increased significantly, from 23.5 % to 41.8 %. At the same time, the number of bidders per pro- cedure almost halved, from an average of 5.7 to 3.2[23]. In 2021, however, the share of public pro- curement tenders with a single bidder declined slightly, breaking the continuous upward trend in preceding years[24].

The proportion of contracts awarded directly with- out any call for tenders being published is also an indicator of public procurement standards and shows a similar tendency. Such a direct procedure means that a public authority does not publish a call for tenders but approaches one or more companies directly, asking them to submit an of- fer, so making the process non-transparent and potentially reducing the chances of obtaining good value for money.

In 2021, direct procedures accounted for 15.8 % of all procurement procedures in the EU Single Market reported by Member States on the Tender Electric Daily (TED) system, varying from 3.1 % in Greece to 42.3 % in Cyprus.

Data on this are available at regional level and have been monitored by the European Commis- sion since 2017[25]. The Government Transparency Institute database contains details of public ten- ders at regional level published in TED[26,27]. This section reviews the most recent figures on public procurement contracts awarded following a single offer and those awarded directly without any call for tenders. These are for the period 2021–2022, so they still reflect, to some degree, the effect of the COVID-19 emergency situation, and more re- cent data would be needed to assess the impact of the pandemic.

These data show that single-bidder contracts were most common in regions in the eastern EU, Italy and Spain (Map 7.5). The share was above 70 % in Åland in Finland, Peloponnisos, Dytiki Makedonia and Ionia Nisia in Greece, and Vzhodna Sloveni- ja in Slovenia. By contrast, it was below 10 % in Stockholm, Mellersta Norrland Småland medöar- na and Västsverige in Sweden, Madeira (Portugal), and Malta. On average, single-bidder contracts accounted for a larger proportion of procedures in less developed regions than in others in 2019– 2020 as well as in 2021–2022 (Figure 7.2).

The proportion of regional and local authority contracts awarded directly without a call for ten- ders does not appear to follow a clear geograph- ical pattern, varying from over 30 % in Picardie,

1 European Union (2023).

2 This number increased to 71 % in the case of respondents working in administrative positions. They highlighted general knowledge con- straints and shortages of staff qualified to prepare and conduct procedures that would increase competition.

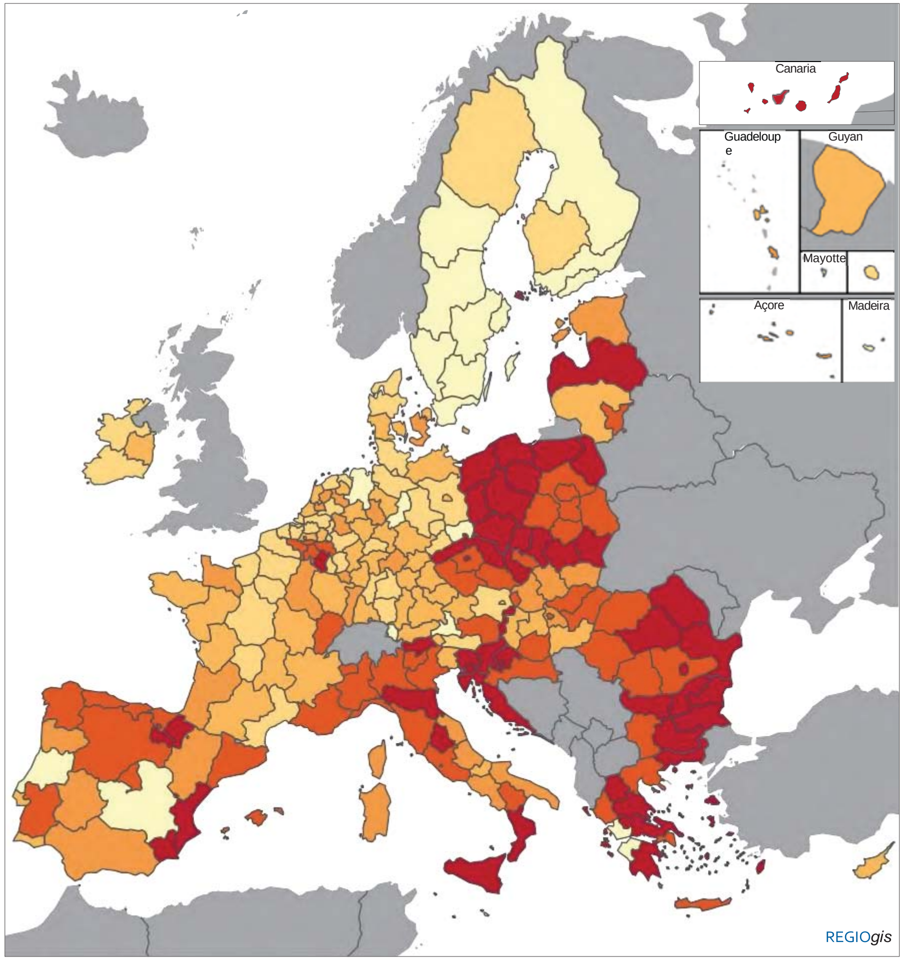
3 Source: See footnote 22.

4 European Commission (2023b), p. 43.

5 Fazekas (2017).

6 Fazekas and Czibik (2021).

7 The trends at the regional level do not always match those observed by the EU Single Market Scoreboard, as the number of regional contracts as a share of the total (regional, national, and European) varies widely between Member States, the average over the period 2018–2020 ranging from 78 % in Sweden to 4 % in Malta.



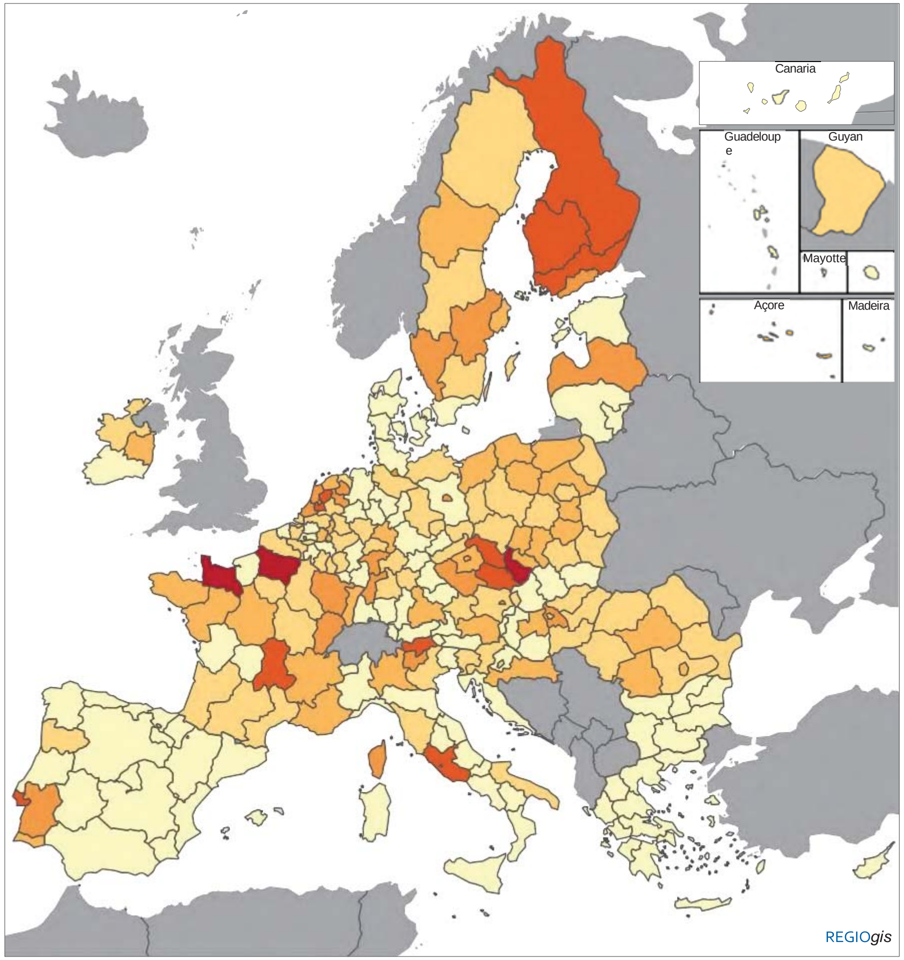
Map 7.5 Public procurement with a single bidder, average 2021–2022

% of contracts awarded by regional authorities

- <= 15
- 15 – 20
- 20 – 25
- 25 – 30
- 30 – 40
- > 40

Source: DG REGIO based on TED

0 500 km



Map 7.6 Public procurement without call for tenders, average 2021–2022

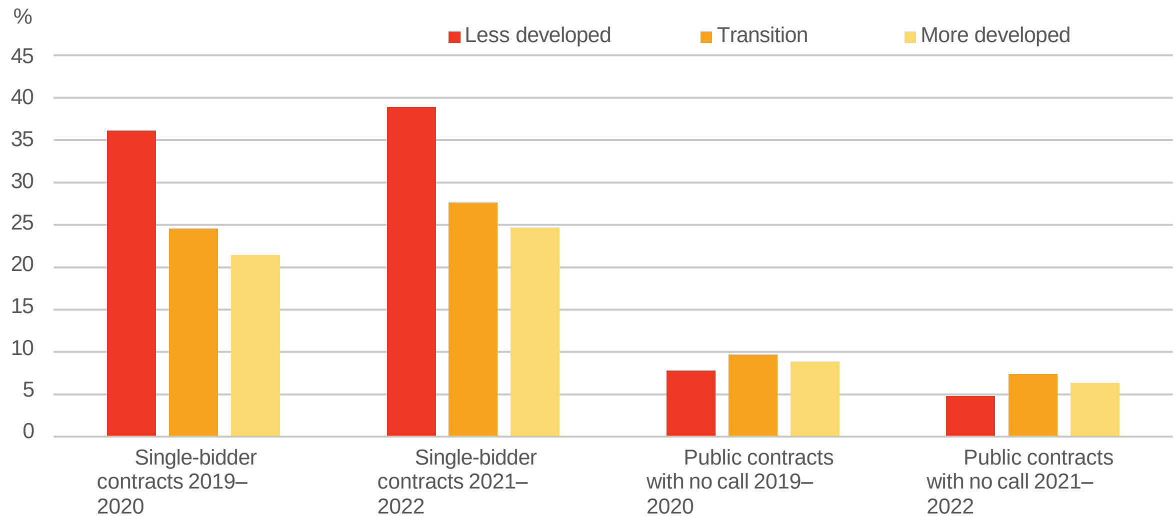
% of contracts awarded by regional authorities

- <= 3
- 3 – 8
- 8 – 13
- 13 – 20
- 20 – 30
- > 30

Source: DG REGIO based on TED

0 500 km

Figure 7.2 Single–bidder contracts and contracts awarded without a call for tender, by Cohesion Policy group of regions, 2019–2020 and 2021–2022



Source: DG REGIO calculations based on e-TED data.

Basse-Normandie and Střední Morava in Czechia to below 3 % in a great many regions, including all of those in Spain, Greece, Denmark and Slovakia as well as in Estonia and Lithuania (Map 7.6).

1.1 e-Government as a means of increasing transparency and accountability

Public authorities can increase their efficiency and improve their relationship with the public through e-government – the use of technology to improve and facilitate government services – such as to request birth certificates or submit tax declara- tions. Wider and easier access to public services ultimately increases their transparency and ac- countability, while reducing red tape, fraud and corruption.

In 2021, building on its digital strategy unveiled in 2020[28], the Commission presented the EU Digital Compass, which set out a vision and set of targets for 2030 to stimulate digitalisation in the EU[29,30]. One of the targets involves the digitalisation of public services, the ambition being that all the main public services should be available online by 2030. Digitalisation in public administration ena- bles the streamlined delivery of services to people. Online platforms and digital portals provide con- venient access to these, reducing bureaucratic red tape and long waiting times. In the current 2021– 2027 programming period, over EUR 40 billion of support financed under Cohesion Policy is due to be allocated to investment in digitalisation[31].

In 2023, 54 % of EU internet users interacted with public authorities, though with considerable variation between countries. In Finland and Den- mark, the share of internet users having interacted with public authorities was the highest among the Member States, at 92 %. In the Netherlands, the share was 84 %. The lowest rate of internet us- ers having interacted with public authorities was in Romania, at 14 %[32].

8 European Commission (2020a).

9 European Commission (2021a).

10 In 2021, 54 % of EU citizens aged 16–74 had at least basic overall digital skills, 26 pp below the 2030 target set in the Digital Compass (Source: Eurostat [isoc_sk_dskl_i21]).

11 Source: Cohesion Open Data Platform. See: ‘Cohesion Policy supporting the digital transition 2021–2027’ (https://cohesiondata.ec.europa.eu/stories/s/Cohesion-policy-supporting-the-digital-transition-/vaxt-7rsr).

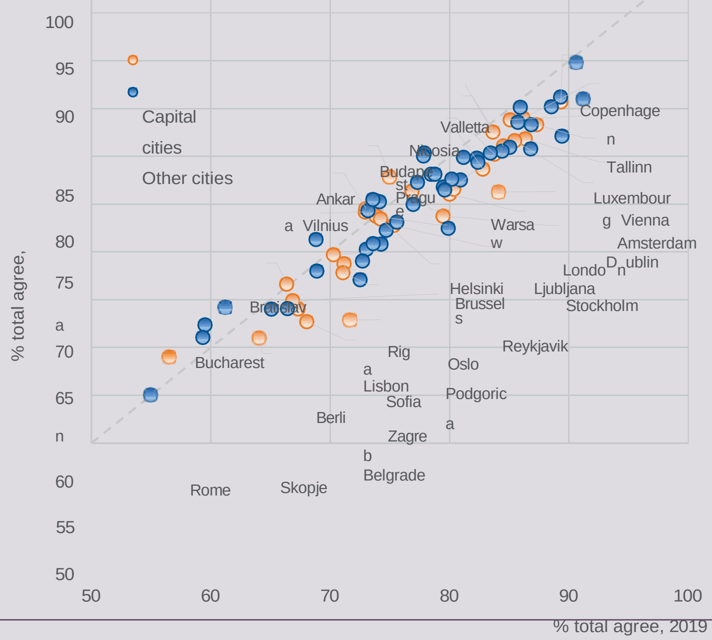
12 Source: Eurostat (isoc_ciegi_ac) and Eurostat (2023) https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Digital_economy_ and_society_statistics_-_households_and_individuals#Use_of_e-government.

Box 7.3 While the COVID-19 pandemic accelerated the digitalisation of many services, including e-government, the ease of access to them seems to have declined

The 2023 edition of the European Commission sur- vey on the quality of life in European cities asked residents whether the information and services pro- vided by their local public authorities could be eas- ily accessed online. Some 74 %, agreed, 2 pp lower than in 2019, with the figure varying from 86 % in Aalborg in Denmark to 50 % in Palermo in Italy (Figure 7.3).

The COVID-19 pandemic accelerated the pace of digital transformation in the EU. The containment measures put in place meant that people were forced to use the internet to an increasing extent, boosting digitalisation in the public sector. As a re- sult, Eurostat data show that the proportion of people interacting online with public authorities has steadily increased since 2019, though exist- ing inequalities in digital skills have also widened. The results of the survey show a clear reduction in the proportion of respondents reporting that the in- formation and services provided by their local public administration were easily accessible online in 66 of the 73 cities for which a comparison could be made over the period. The reduction was largest in Zagreb in Croatia (-9 pp), Rostock in Germany (-7 pp) and Miskolc in Hungary (-7 pp).

Figure 7.3 City residents agreeing that information and services of their local public administration are easy to access online, 2019 and 2023

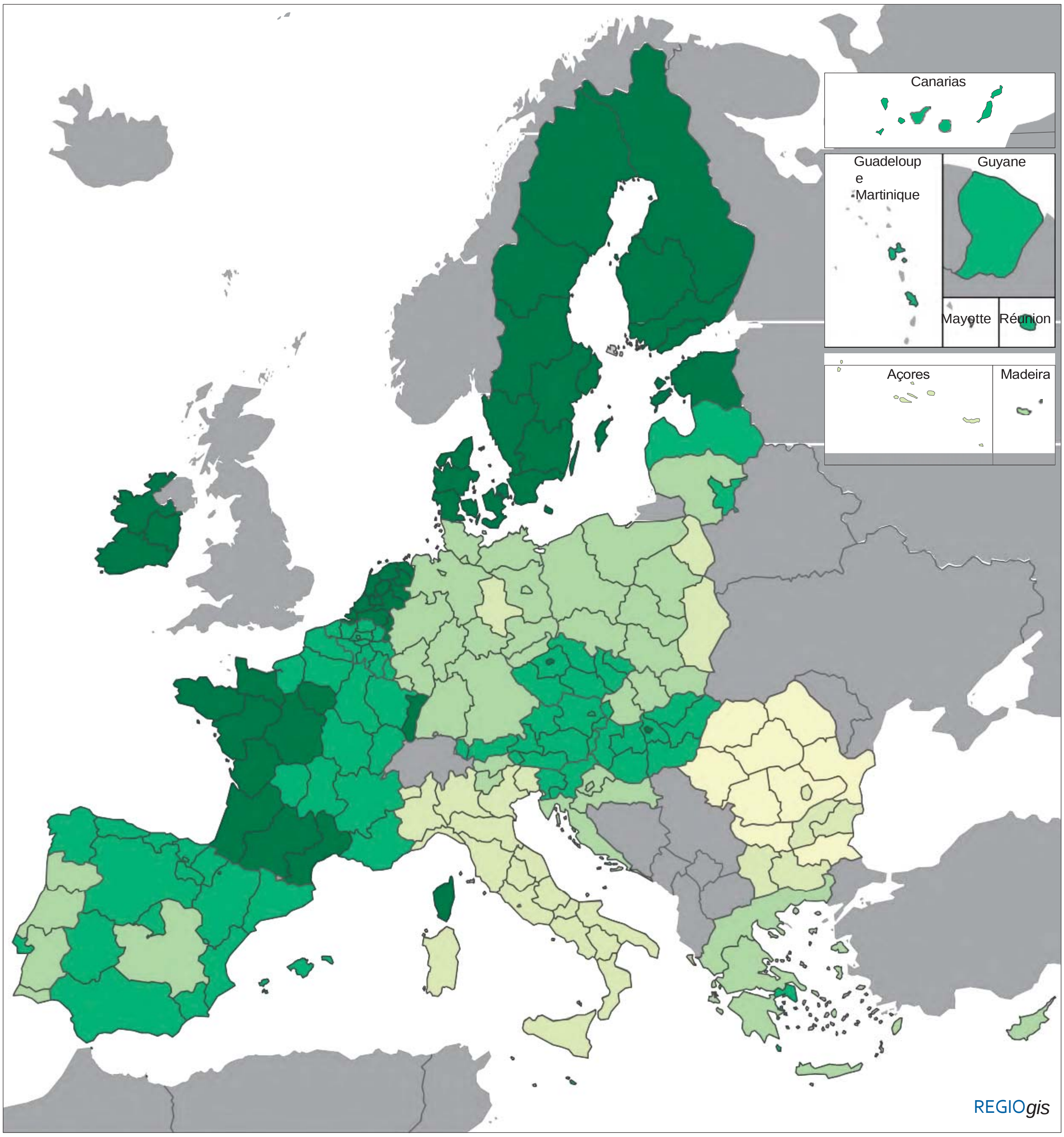


Note: Percentages are based on all respondents (excluding 'don't know'/not answered). The dashed line is a 45-degree line (no change between 2019 and 2023). The chart only includes cities for which a time comparison can be made between 2019 and 2023.
Source: European Commission (2023c).

The proportion was smallest in less developed re- gions, averaging 42 % in 2021[33] as against 69 % in more developed regions and 74 % in transition ones. The proportion was below 20 % in all re- gions in Romania – except for Bucaresti-Ilov, the capital city region – and in several regions in Bul- garia (Map 7.7). Over the period 2013–2021, the proportion increased considerably in eastern EU regions (except for those in Bulgaria and Romania) and Spain (Map 7.8).

Low usage of e-government services may be linked to a lack of internet access, a lack of e-gov- ernment infrastructure, and/or low levels of digital skills, which is a feature of some regions in the EU. This digital gap particularly affects marginalised communities, such as Roma living in remote segregated settlements.

13 Latest figures available at the time of closing the report.



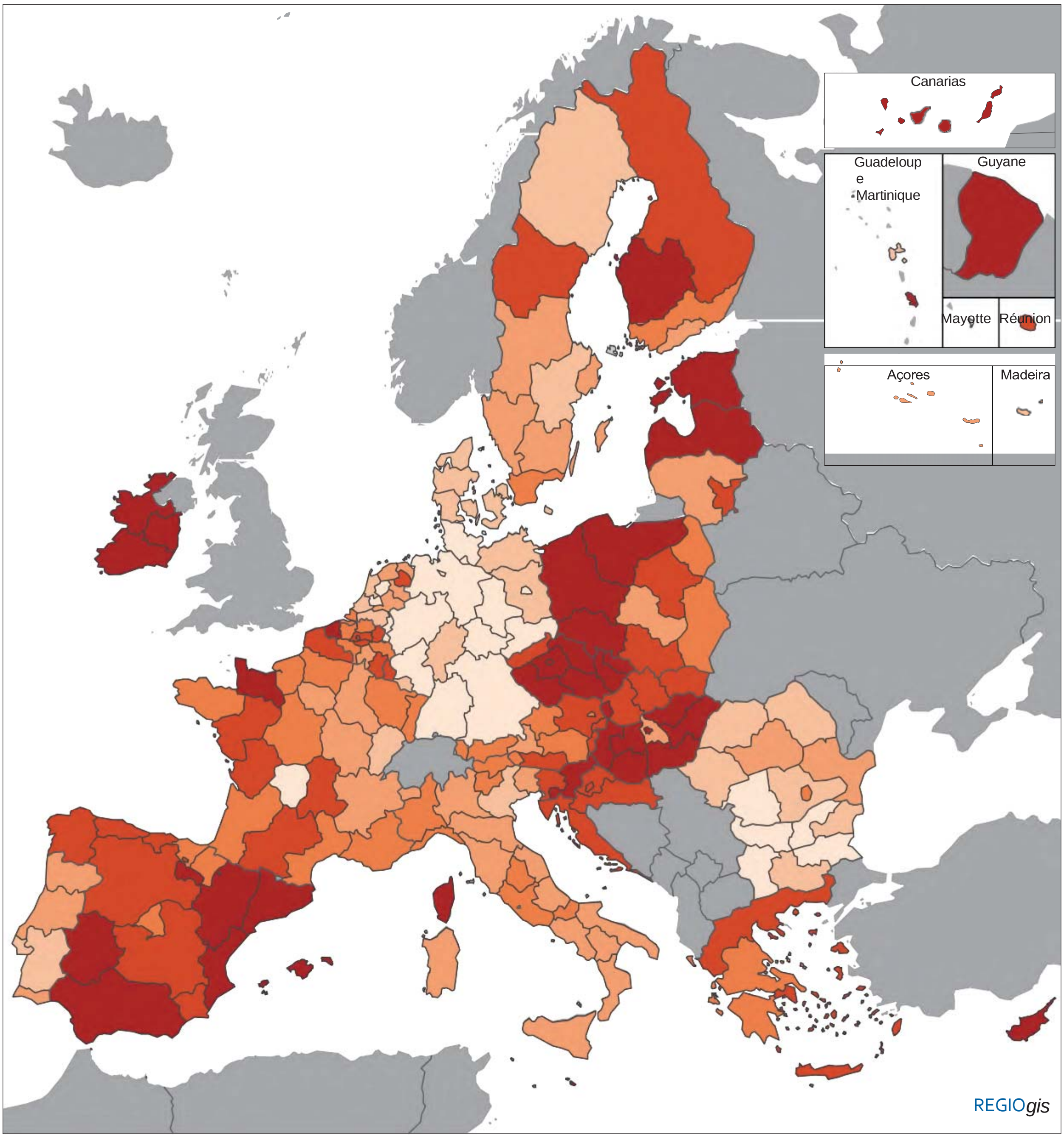
Map 7.7 People interacting with public authorities via the internet in the previous 12 months, 2021

% of people aged 16–74

<= 20
20 – 40
40 – 60
60 – 80
> 80
no data

EU-27 = 58.5
Source: DG REGIO based on Eurostat data (isoc_r_gov_i and isoc_ciegi_ac).

0 500 km



Map 7.8 Change in the proportion of people interacting with public authorities via the internet, 2013–2021

Percentage point difference

- <= 5
- 5 – 10
- 10 – 15
- 15 – 20
- 20 – 25
- > 25
- no data

EU-27 = 17.0
FR: 2014–2021; FR (RUP), SI: 2015–2021.
Source: DG REGIO based on Eurostat data (isoc_r_gov_i and isoc_ciegi_ac).

0 500 km

in the EU had never used the internet[34], with the proportion of individuals not having used the internet exceeding 10 % in Croatia (14 %), Greece and Portugal (13 % in both), and Bulgaria (12 %). The long-term vision for rural areas' flagship Ru- ral Digital Futures[35] highlights the importance of improving digital connectivity for closing the gap between rural and urban areas and boosting com- petences to make sure everyone benefits from the digital transition.

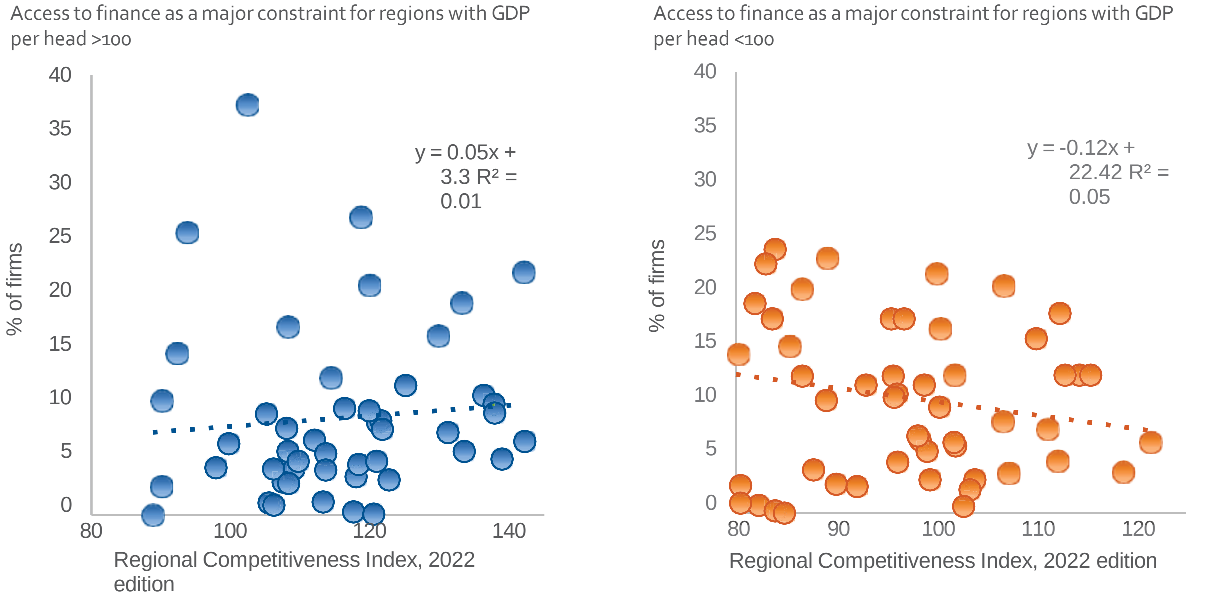
1.2 An efficient business environment is a key asset for regional competitiveness

One of the adverse effects of inefficient institu- tions is a poor regulatory environment that bur- dens firms and adversely affects entrepreneur- ship. Low-quality institutions hamper the creation of new businesses and may lead budding entre- preneurs to seek opportunities abroad or give up altogether.

Over recent years, policy reforms have made the EU more business-friendly[36]. The Commission, via its Technical Support Instrument, has provided support to Member States for building sustaina- ble and competitive economies, including through reforms to improve the business environment, and strengthening SMEs.

How firms perceive the business environment can be key to whether they grow or feel obstructed from doing so. The sub-national component of the World Bank's Enterprise Survey[37] is a useful means for understanding the business environment across EU regions. The surveys were conducted between 2018 and 2022, in the form of nearly 19 000 in- terviews with top managers and business owners in the private sector. Results are available for a mix of NUTS 1, NUTS 2, and a combination of NUTS 2 or NUTS 3 regions. This section covers three ma- jor aspects of the business environment: access to finance, the extent of corruption, and the burden arising from the administration of tax.

Figure 7.4 Percentage of firms indicating access to finance as a major obstacle to their activity versus Regional Competitiveness Index 2.0 by GDP per head



Note: GDP per head is the average in 2019–2021 with the EU average=100. Regions are a mix of NUTS 1, NUTS 2 and combined NUTS 2. Source: DG REGIO based on World Bank Business Enterprise Survey at the sub-national level and DG REGIO/JRC.

14 In the three months prior to the survey. Source: Eurostat [isoc_r_iuse_i].

15 https://rural-vision.europa.eu/action-plan_en.

16 European Commission (2021b).

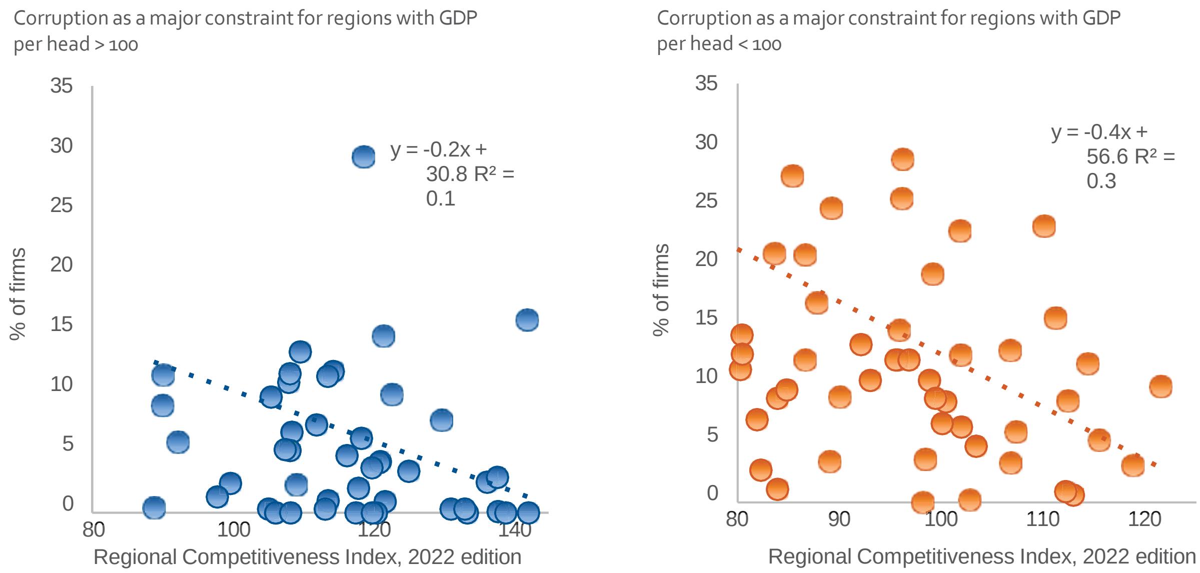
17 A project supported by the European Commission.

Access to external finance plays a critical role in ensuring regional competitiveness, particularly in less developed regions in the EU, since it is linked to business growth and survival (Figure 7.4)[38]. In 2023, among firms in the EU that judged bank loans to be a relevant source of funding, 7 % faced obstacles in obtaining a loan (5 % of large firms and 9 % of SMEs)[39]. Across the EU regions covered by the survey, 50 % of firms in Sud-Vest Oltenia in Romania identified access to finance as a major constraint[40] on their current activity, 42 % in Attica and 41 % Kentriki Ellada (both in Greece), and 40 % in the Sud region of Italy (Map 7.9, left- hand side).

Corruption can worsen conditions for most busi- nesses, hampering overall regional competitive- ness, particularly in less developed regions. There is therefore a negative correlation between the proportion of firms reporting corruption to be a major obstacle to their activity and regional com- petitiveness (Figure 7.5).

Corruption imposes a variety of costs on firms, in- cluding both the direct costs of paying bribes and the indirect costs of maintaining relationships with public officials and managing the uncertainty sur- rounding informal and often illegal arrangements, so damaging their incentive to develop and grow. Ultimately, corruption may lead to an inefficient al- location of resources[41]. Some 34 % of companies in the EU covered by a Eurobarometer survey in 2022 reported that corruption is a problem when doing business, with the largest proportions in Ro- mania (70 %), Greece (75 %) and Cyprus (78 %), and the lowest in Denmark (7 %), Ireland (8 %) and Estonia (9 %). In addition, 79 % agreed that close links between business and politics leads to

Figure 7.5 Percentage of firms indicating corruption as a major obstacle to their activity versus Regional Competitiveness Index 2.0 by GDP per head



Note: GDP per head is the average in 2019–2021 with the EU average=100. Regions are a mix of NUTS 1, NUTS 2 and combined NUTS 2. Source: DG REGIO based on World Bank Business Enterprise Survey at the sub-national level and DG REGIO/JRC.

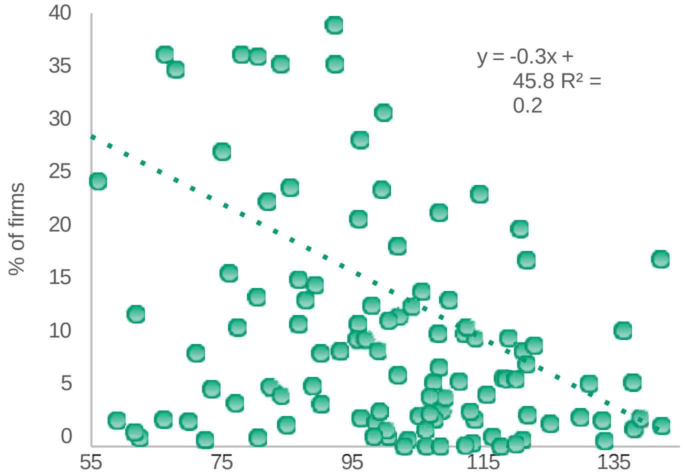
18 OECD (2024, forthcoming); Mach and Wolken (2012).

19 European Central Bank (2023).

20 A firm is considered to find an obstacle a major constraint if it responded 'major obstacle' or 'very severe obstacle' to the question 'Is access to finance no obstacle, a minor obstacle, a moderate obstacle, a major obstacle, or a very severe obstacle to the current operations of this establishment?'

21 Restuccia and Rogerson (2017).

Figure 7.6 Percentage of firms indicating tax administration as a major obstacle to their activity versus Regional Competitiveness Index 2.0 in EU regions



Note: Regions are a mix of NUTS 1, NUTS 2 and combined NUTS 2 and NUTS 3.
Source: DG REGIO based on World Bank Enterprise Survey at the sub-national level and DG REGIO/JRC.

corruption in their country and 70 % that favourit- ism and corruption hamper business competition[42].

In the World Bank business enterprise survey, the largest proportion of firms identifying corruption as a major constraint on their current activity was in the region of Vest in Romania (74 %), followed by the Sud region in Italy (62 %), Centru and Bu- charesti-Ilfov in Romania, and Yugoiztochen in Bul- garia (all 55 %) (Map 7.9, centre).

The burdensome administration of taxes can ham- per regional competitiveness. Indeed, there is a clear tendency for the proportion of firms report- ing that tax administration is an obstacle to their activity to be larger in less competitive regions (Figure 7.6). Of course, this correlation does not imply that causation runs from the former to the latter, but it is consistent with it doing so.

The burden of tax administration includes all costs arising from the obligations that enterprises must fulfil, given the legislation in place. Studies have found that reducing the burden tends to en- courage entrepreneurship and firms to enter the market, irrespective of the corporate tax rate[43].

Tax legislation is consequently a major concern of firms, and its simplification can improve the busi- ness environment, enhance competitiveness, and help to stimulate economic growth. In 2020, the European Commission adopted a Tax Action Plan, a set of 25 initiatives, with the aim of reducing the costs for businesses associated with tax collection and unnecessary administrative obligations in the Single Market[44].

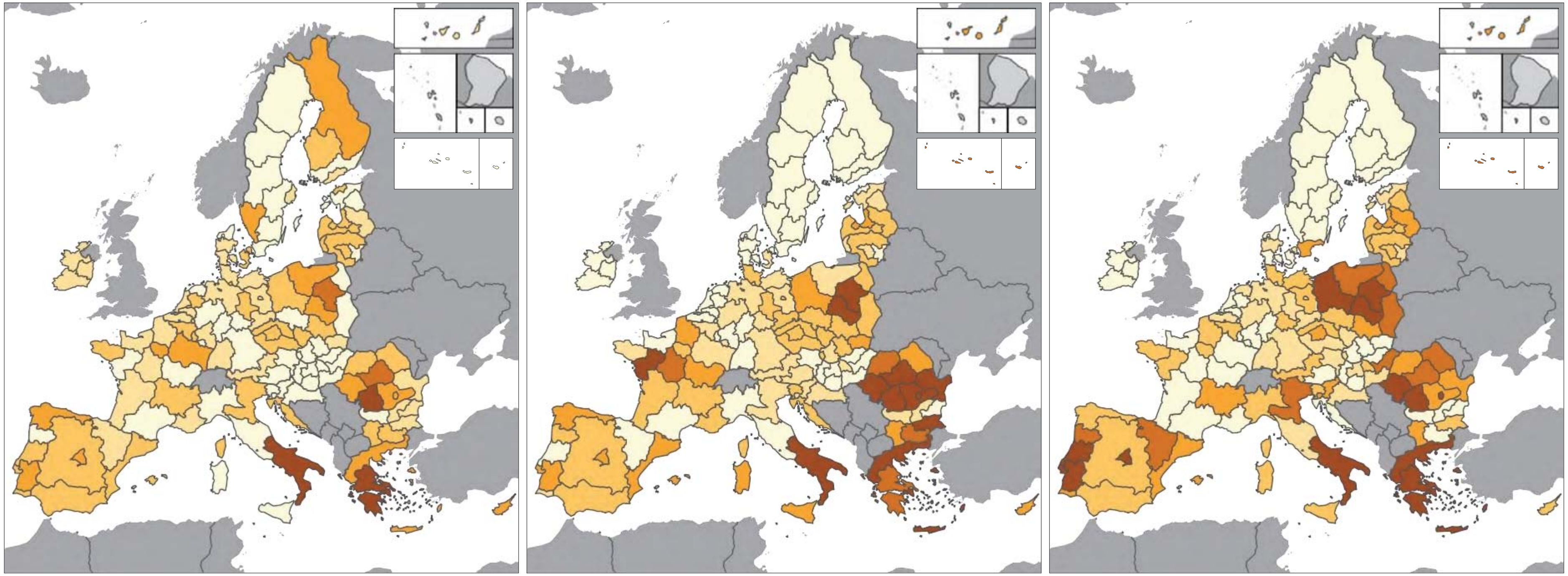
According to the World Bank Enterprise Survey, over 60 % of firms in Attica, Nisia Aigaiou and Kriti in Greece, Sud in Italy, and the Centro region in Portugal, identified tax administration as being a major concern for their current activity (Map 7.9, right-hand side).

22 European Commission (2022), Flash Eurobarometer 507 on business attitudes towards corruption.

23 Braunerhjelm and Eklund (2014); Branuerhjelm et al. (2021).

24 European Commission (2020b).

Map 7.9 Major constraints identified by firms, 2018–2021



Access to finance | Corruption | Tax administration

%
- <= 5
- 5 – 10
- 10 – 20
- 20 – 30
- 30 – 40
- > 40
- no data

0 1 000 km

Note: Percentage of firms in region reporting ‘access to finance’/’corruption’/’tax administration’ to be major obstacles to their activities. Regions are a mix of NUTS 1, NUT 2, and combined NUTS 2 and NUTS 3.
Source: Subnational component of the World Bank Enterprise Survey.

Box 7.4 Corruption creates obstacles for nearly 1 in 5 smaller firms in less developed regions

Corruption represents a greater barrier for smaller firms, especially those operating in less developed regions. Firms with fewer than 100 persons em- ployed are more likely to find corruption a severe obstacle than those with 100 or more, and the dif- ference is widest in the less developed EU regions (Figure 7.7). In these regions, almost 20 % of firms with fewer than 100 persons employed consider corruption to be a severe obstacle to their activity. For firms larger than this, the figure is 11 % in less developed regions (i.e. almost half) and only 5 % in more developed regions.

Part of the problem in regions with higher levels of corruption comes from greater 'churn', or the rate of business turnover, among local firms. Corruption in- creases uncertainty, which with the additional costs associated with corruption can increase the share of firms going out of business, leaving room for new entrants that in turn face the same issues. Churn is usually considered to be positive for economic de- velopment, underperforming firms closing and be- ing replaced by new more efficient ones. Corruption seems to distort business dynamics, creating churn without this necessarily leading to more competitive firms being in operation.

Figure 7.7 Percentage of firms in categories of regions that find corruption a severe obstacle to their operations by size class, 2018–2021

Note:. Figures cover all EU Member States apart from CY, CZ and MT and refer to the period 2018–2021.
Source: OECD (2024, forthcoming) based on data drawn from the sub-national component of the World Bank Enterprise Survey.

Box 7.5 Small firms in less developed regions are most likely to find access to finance an obstacle

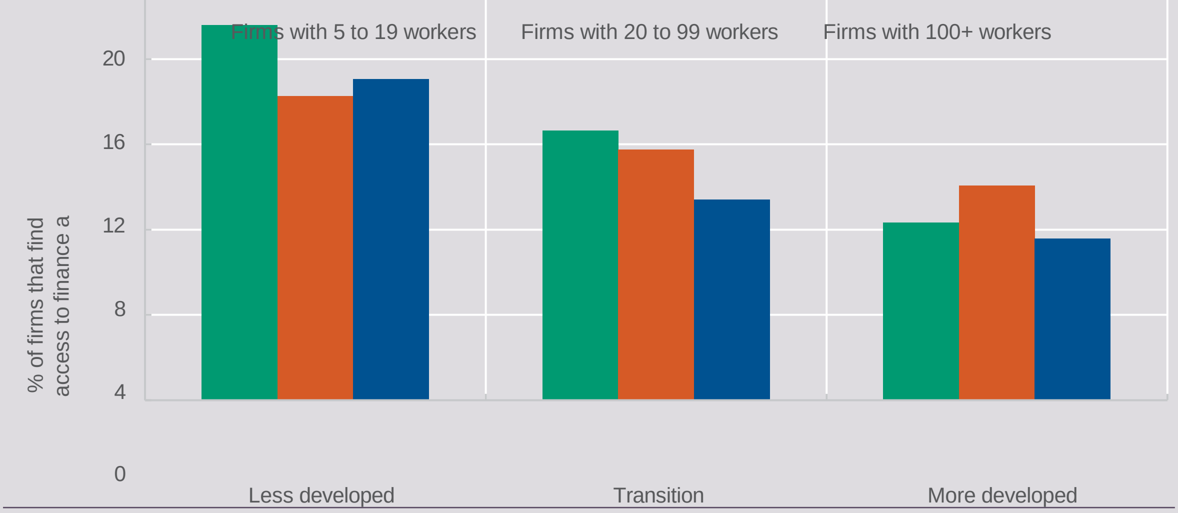
Limited access to finance creates obstacles for firms, particularly smaller ones in less developed regions. Around 9 % of firms with fewer than 20 persons employed in less developed regions report- ed to the Word Bank enterprise survey in 2023 that access to finance was a severe obstacle to their op- erations, more than double the figure in developed regions (4 %). The figure is lower for larger compa- nies in less developed regions (7 %) (Figure 7.8).

Smaller firms have more difficulties in accessing finance, for reasons that are more acute in less de- veloped regions. They usually have limited collateral to pledge against their loans, so banks often charge them higher rates ~~than larger firms, whi~~ch have more resources and are considered less risky. They also tend to have less ability to collect information, so they are less aware of the financial products and government programmes that are available.

The difficulties tend to be more severe in less devel- oped regions, where there are fewer banks and so fewer local options for borrowing. Such regions have, on average, only 2 bank branches per 100 square kilometres as against 10 in more developed ones[1]. This limits choice and competition between banks, which can mean less favourable financing condi- tions for firms, particularly SMEs. The larger dis- tances between firms and banks in less developed regions can also hinder the exchange of information between them and make it harder to find out about suitable financial products.

1 Source: European Observation Network for Territorial Development and Cohesion, database 2021.

Figure 7.8 Percentage of firms in categories of regions that consider access to finance a severe obstacle to their operations by size class, 2018–2021



Note: Figures cover all EU Member States apart from CY, CZ and MT and refer to the period 2018–2021.
Source: OECD (2024, forthcoming) based on data drawn from the sub-national component of the World Bank Enterprise Survey.

2. The relevance of reforms and the European Semester

Chapters 1 and 2 describe the significant dispar- ities between regions that persist in the EU. In recent years, the European Semester cycle has highlighted disparities that affect economic devel- opment, such as access to education and essential public services, the extent of digitalisation, the lev- el of energy-efficiency, and the state of research and innovation. Disparities are further accentuated in rural areas, where access to basic services gen- erally remains a problem. These often translate into disparities in labour market outcomes (i.e. em- ployment and unemployment rates) and business competitiveness.

The European Semester country reports, in ad- dition to identifying country-wide economic and social issues faced by Member States, have high- lighted the relevance of the regional dimension of the EU's growth and resilience agenda and the disparities across regions in respect of four dimen- sions of competitive sustainability: safeguarding the environment, productivity, fairness and macro-economic stability.

Tackling these disparities entails tackling the structural factors that cause them. This is relevant for both improving Cohesion Policy delivery and maximising its impact. The sub-national dimension is important for the effectiveness of national re- forms: on the one hand, regional-specific reforms may be required in certain cases, such as servic- es provided primarily at the sub-national level; on the other, the adoption of national reforms at the sub-national level may require specific measures to take proper account of regional features.

In the first place, several types of reforms can have a strong territorial dimension and require adapta- tion to the regional and local context. In the case of wide reforms intended to improve economic performance in a structural way, such as sectoral liberalisation or labour market reforms, these can have very diverse effects across regions, especial- ly on employment and wealth[45]. Adapting these reforms to the specific subnational contexts, in particular in the most exposed areas, may require the definition of dedicated timelines and action plans for the implementation, possibly including ancillary measures at the subnational level.

Secondly, in areas where regional and local au- thorities are in the front line of providing services to businesses and citizens, national reforms can have differing effects depending on the local con- texts and the capabilities of local authorities. In these areas, ranging from education, healthcare, and social services to local transport, country-wide reforms that shift responsibility more to the local level need to take account of local differences in the demand for the services and in the capacity of the authorities concerned to deliver them.

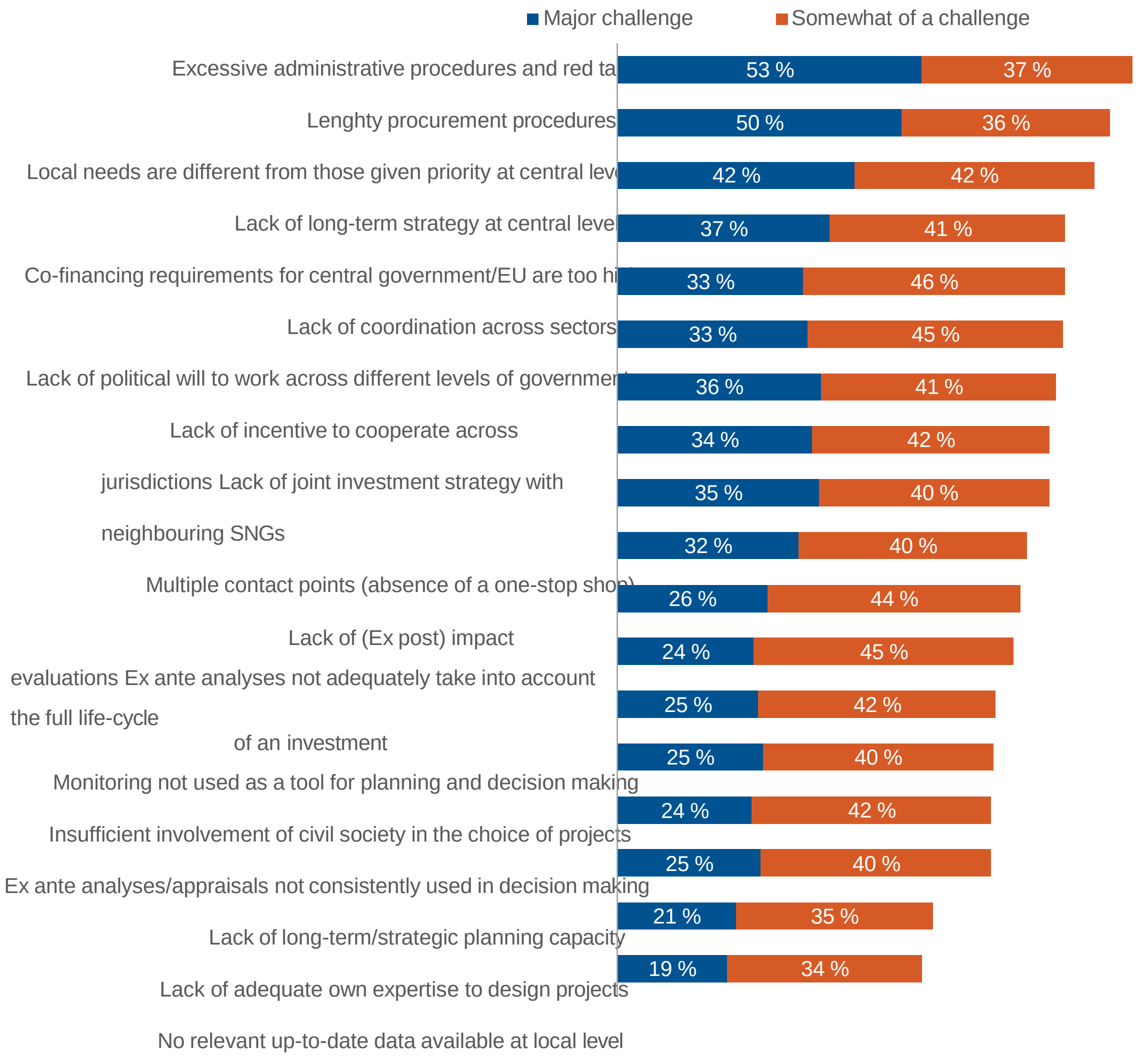
Thirdly, sub-national authorities are in some in- stances best suited to addressing land use and territorial planning issues. As a place-based policy, the implementation and effectiveness of Cohe- sion Policy programmes are highly dependent on targeted territorial delivery. Reforms that help to better target Cohesion Policy funds would increase impact and mitigate adverse spill-over effects, or magnify beneficial ones, across regional borders.

As described in Section 2 above, effective and effi- cient public administration is an essential element in economic development, for both national and sub-national authorities. The administrative capac- ity to design regional development programmes, to allocate funding to projects in line with EU reg- ulations, and to account for the funding spent is a major determinant of effective policy delivery. The level of administrative capacity varies markedly across the EU, and many authorities, especially sub-national ones, are significantly limited in this respect (Box 7.6).

Public procurement procedures are a notable ex- ample. In a survey of municipalities conducted by the Organisation for Economic Co-operation and Development (OECD), smaller ones identified the simplification of such procedures as one of the main reforms needed to improve operational ca- pacity. Another OECD survey, this time with the Committee of the Regions, found that 'lengthy

25 See for instance: Kovak (2013).

Figure 7.9 Challenges in the strategic planning and implementation of infrastructure investment in municipalities in the EU



Source: OECD-CoR survey [OECD-CoR (2016)]. Results of the survey on regional and local obstacles to investments.

procurement procedures' were the second most frequently identified challenge, with over 50 % of respondents regarding them as a 'major chal- lenge' (see Figure 7.9). Reforms to strengthen sub-national capacity as regards public procure- ment could include a mixture of decentralisation measures, the mutualisation of procurement, and digitalisation (i.e. e-procurement[46]).

Access to finance is at the core of the capacity of sub-national authorities to deliver services and carry out investment. This, along with effective multilevel governance, is a key part of the re- forms. The importance of a sound fiscal frame- work for multilevel governance is recognised in the EU Directive on this[47]. As indicated in Chapter 8, sub-national authorities are responsible, on aver- age, for the execution of a third of total govern- ment expenditure (current plus capital) in the EU.

26 Allain-Dupré et al. (2017).

27 European Union (2011). The Directive envisages that 'Member States shall establish appropriate mechanisms of coordination across sub- sectors of general government to provide for comprehensive and consistent coverage of all subsectors of general government in fiscal planning, country-specific numerical fiscal rules, and in the preparation of budgetary forecasts and setting-up of multiannual planning as laid down, in particular, in the multiannual budgetary framework'.

Box 7.6 The evolution of the organisational model of Managing Authorities between 2000 and 2020

The introduction of general provisions on the Struc- tural Funds for the 2000–2006 period marked a sig- nificant milestone by formally recognising the role of managing authorities (MAs) for the first time. The regulation mandated that MAs are accountable for the effective and accurate management and imple- mentation of funds. This shift positioned MAs at the forefront of the management of EU funds for Cohe- sion Policy.

An ongoing study[1] covering the period from 2000 to 2020 investigates the significant transformations within MAs responsible for interventions financed by the European Regional Development Fund across Member States, excluding transnational coopera- tion. The study looks at aspects such as staff com- position, internal processes and organisation, lead- ership dynamics, and management of relations with partners. Furthermore, the study considers external factors that might affect the organisation of MAs, including EU regulations, national and institutional frameworks, and socio-economic factors, aiming to explain organisational changes and project the potential challenges for the implementation of pro- grammes in the 2021–2027 programming period and the preparation for future periods.

Preliminary findings reveal that the introduction of a unified EU-level regulatory framework and shared responsibilities led to a diverse range of organ- isational models among MAs in different Member States. Initially, the size of these authorities varied significantly, as did their internal organisational structures, which ranged ~~from entities with bespo~~ke processes to those integrating or sharing processes with encompassing organisations or other authori- ties within their respective countries.

Over time, changes reflected the evolution of the EU regulatory framework from one programming period to another. For instance, shifts in policy ob- jectives and implementation tools (such as finan- cial instruments and integrated territorial delivery mechanisms) had some effect on the organisational structure, the number and specialisation of structur- al units and the delegation of tasks and processes. Other organisational changes followed new nation- al policies and legislation, including changes in the overall governance of regional and Cohesion Policy at national level. External audits also triggered or- ganisational changes within MAs, especially revi- sions of internal processes and procedures.

Increased programme budgets led to expanded au- thority sizes. Yet recruiting and retaining skilled staff, developing soft and managerial skills, and achieving gender balance remained challenging. The analysis revealed the importance of consistent leadership as a driver for change, though MA leaders primarily fo- cused on financial achievements and the effective functioning of management and control systems rather than on the achievement of policy objectives. Managing relations with stakeholders has seen little evolution and was mainly focused on running the activities of the monitoring committee, suggesting a lack of emphasis on broader trust-building and con- flict management initiatives.

1 PPMI Group and University of Strathclyde (2024, forthcoming).

There are considerable variations, however, be- tween Member States, reflecting differences in the institutional setting. Nevertheless, in all cases, even in the most decentralised countries, enhanc- ing inter-governmental co-operation and a sound fiscal framework is essential to avoid coordination failures, the emergence of ‘unfunded mandates’ and, ultimately, inadequate policy implementa- tion. Addressing the nexus

between the different

institutional levels in the design and implementa- tion of reforms is a key aspect in the definition of an effective governance structure.

The multiannual programming of Cohesion Pol- icy has been a major driver for the integration of public investment in medium-term budgetary frameworks and public financial management structures. Integrated strategic planning and methods of project appraisal and selection that guide budget allocation effectively and use asset registers as input are key to carrying out public investment efficiently. While wide-ranging reforms to systems for managing public investment have been implemented in several Member States, room for improvement is evident in many others. In this regard, the success of decentralisation de- pends to a large extent on effective vertical and horizontal co-ordination across layers of govern- ment to avoid duplication and to ensure policies are consistent. Among EU Member States, there is evidence that difficulty in absorbing funding for in- vestment can be a sign of poorly co-ordinated fis- cal policy as well as inadequate administrative ca- pacity at sub-national level[48]. Capacity constraints and co-ordination deficiencies also hinder the use of diverse methods of financing by sub-national governments.

To strengthen economic, social and territorial co- hesion in the European Union, the Commission provides to Member States and regions support through the Technical Support Instrument. Support measures cover several reform areas, including: improving the quality of governance and public services; strengthening productivity, innovation and the green transition; and harnessing talent and employment opportunities. The tailor-made support measures help regions define and imple- ment appropriate processes and methodologies to address the development challenges in an inte- grated manner, taking into account good practices and lessons from other regions. In addition, the TSI also aims to incentivise peer learning and promote intra Member State and cross-border regional co-operation, and complements existing Commis-sion initiatives – Harnessing Talent in Europe's Re- gions, the New European Innovation Agenda, the Just Transition Platform, the Smart Specialisation Platform, and others.

Reflecting on the structural issues inhibiting con- vergence across regions identified in recent Euro- pean Semester country reports and annexes is a precondition for tackling the underlying factors[49]. This includes pointing to the spatially targeted re- forms that could be instrumental in this respect, and providing, where relevant, guidance to Mem- ber States on where to focus investment for the effective use of funding. This is particularly rel- evant for the 2024 Semester, in which Country Specific Recommendations provide guidance to Member States on allocating the flexibility amount included in budgets for the 2021–2027 program- ming period[50].

28 OECD (2020).

29 The 2019 Country Reports included in Annex D a set of regional factors, as well as investment guidance for the 2021–2027 programming period.

30 Article 18.1.a of the Common Provision Regulation (Regulation (EU) 2021/1060 of the European Parliament and of the Council of 24 June 2021).

References

Acemoglu, D. and Robinson, J. (2010), 'The Role of Institutions in Growth and Development'*, Review of Economics and Institutions*, 1(2).

Allain–Dupré, D., Hulbert, C. and Vincent, M. (2017), 'Subnational Infrastructure Investment in OECD Countries: Trends and Key Governance Levers', *OECD Regional Development Working Papers*, 2017(05), OECD Publishing, Paris.

Barbero, J., Christensen, M., Conte, A., Lecca, P., Rodríguez–Pose, A. and Salotti, S. (2023), 'Improving Government Quality in the Regions of the EU and its System–Wide Benefits for Cohesion Policy', *Journal of Common Market Studies*, 61, pp. 38–57.

Barbero, J., Mandras, G., Rodríguez–Crespo, E. and Rodríguez–Pose, A. (2021), *Quality of government and regional trade in the EU*, Territorial Development Insights Series, JRC124475, European Commission.

Botero, J.C. and Ponce, A. (2011), *Measuring the Rule of Law Available at SSRN*.

Braunerhjelm, P. and Eklund, J.E. (2014), *Taxes, tax administrative burdens and new firm formation*, Kyklos, 67, pp. 1–11.

Braunerhjelm, P., Eklund, J. and Thulin, P. (2021), 'Taxes, the tax administrative burden and the entrepreneurial life cycle', *Small Business Economics,* 56, pp. 681–694.

Brezzi, M., González, S., Nguyen, D. and Prats, M. (2021), 'An updated OECD framework on drivers of trust in public institutions to meet current and future challenges', *OECD Working Papers on Public Governance*, 48, OECD Publishing, Paris.

Charron, N., Dijkstra, L. and Lapuente, V. (2014), 'Regional governance matters: Quality of government within European Union Member States', *Regional Studies*, 48(1), pp. 68–90.

European Central Bank (2023), *Survey on the Access to Finance of Enterprises (SAFE)*.

European Commission (2020a), *Shaping Europe's digital future,* Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, COM(2020) 67.

European Commission (2020b), *Action plan for fair and simple taxation supporting the recovery strategy,* Communication from the Commission to the European Parliament and the Council, COM(2020) 312 final.

European Commission (2021a), *2030 Digital Compass: the European way for the Digital Decade,* Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, COM(2021) 118 final.

European Commission (2021b), *Cohesion in Europe towards 2050 – Eighth report on economic, social and territorial cohesion*, Publications Office of the European Union, Luxembourg.

European Commission (2023a), *2023 Rule of Law Report*, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, COM (2023) 800 final.

European Commission (2023b), *2023 Annual Single Market Report: Single Market at 30'*, SWD (2023) 26 final.

European Commission (2023c), *Report on the quality of life in European cities, 2023*, Publications Office of the European Union, Luxembourg.

European Commission and High Representative of the Union for Foreign Affairs and Security Policy (2023), *Joint Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: the fight against corruption*, JOIN(2023) 12 final.

European Union (2011), *Council Directive 2011/85/EU of 8 November 2011 on requirements for budgetary frameworks of the Member States*.

European Union (2023), *Special report of the Court of Auditors on: Public procurement in the EU, Less competition for contracts awarded for works, goods and services in the 10 years up to 2021*, Publication Office of the European Union, Luxembourg.

Fazekas, M. (2017), *Assessing quality of government at the regional level using public procurement data*, DG Regional and Urban Policy, Working Paper 12/2017.

Fazekas, M. and Czibik, A. (2021), 'Measuring regional quality of government: the public spending quality index based on government contracting data', *Regional Studies*, 55(8), pp. 1459–1472.

Gianelle, C., Guzzo, F., Barbero, J. and Salotti, S. (2023), 'The governance of regional innovation policy and its economic implications', *Annals of Regional Science.*

Gründler, K. and Potrafke, N. (2019), *Corruption and economic growth: New empirical evidence, European Journal of Political Economy*, 60.

Ketterer, T.D. and Rodríguez–Pose, A. (2018), 'Institutions vs. 'first–nature' geography: What drives economic growth in Europe's regions?', *Papers in Regional Science*, 97, S25–S62.

Kovacic, M. and Caperna, G. (2022), *Joint Research Centre Statistical Analysis of the World Justice Project Rule of Law Index 2021*, JRC 131884.

Kovak, B.K. (2013), 'Regional Effects of Trade Reform: What Is the Correct Measure of Liberalization?', *American Economic Review*, 103(5), pp. 1960–1976.

Mach, T. and Wolken, J.D. (2012), *Examining the Impact of Credit Access on Small Firm Survivability (24 February 2012)*, FEDS Working Paper 2012–10.

OECD (2020), *Strengthening Governance of EU Funds under Cohesion Policy: Administrative Capacity Building Roadmaps*, OECD Multi–level Governance Studies, OECD Publishing, Paris.

OECD (2022), *Building Trust to Reinforce Democracy: Main Findings from the 2021 OECD Survey on Drivers of Trust in Public Institutions*, Building trust in Public Institutions, OECDD Publishing, Paris

OECD (2024, forthcoming), *Boosting Business in Regions: Easing Administrative Burdens and Financing Constraints*, OECD Publishing, Paris.

PPMI Group and University of Strathclyde (2024, forthcoming), *Organisational Models of Programme Authorities Managing EU Cohesion Policy 2000–2020*, REGIO/2022/OP/0011.

Restuccia, D. and Rogerson, R. (2017), 'The Causes and Costs of Misallocation'*, Journal of Economic Perspectives*, 31(3), pp. 151–174.

Rodríguez–Pose, A. and Garcilazo, E. (2015), *Quality of Government and the Returns of Investment: Examining the Impact of Cohesion Expenditure in European Regions*, Regional Studies, 49(8).