



Council of the
European Union

088933/EU XXVII. GP
Eingelangt am 07/02/22

Brussels, 7 February 2022
(OR. en)

5989/22
ADD 13

COH 7
SOC 65

COVER NOTE

From:	Secretary-General of the European Commission, signed by Ms Martine DEPREZ, Director
date of receipt:	4 February 2022
To:	Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union
No. Cion doc.:	SWD(2022) 24 final - PART 13/16
Subject:	COMMISSION STAFF WORKING DOCUMENT Cohesion in Europe towards 2050 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 8th Cohesion Report: Cohesion in Europe towards 2050

Delegations will find attached document SWD(2022) 24 final - PART 13/16.

Encl.: SWD(2022) 24 final - PART 13/16



EUROPEAN
COMMISSION

Brussels, 4.2.2022
SWD(2022) 24 final

PART 13/16

COMMISSION STAFF WORKING DOCUMENT

Cohesion in Europe towards 2050

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 8th Cohesion Report: Cohesion in Europe towards 2050

{COM(2022) 34 final}

Chapter 7: Better Governance

Highlights

- The level of trust in national and local governments across the EU has increased over the past few years, including over the Covid-19 pandemic period, with local governments trusted more than national.
- According to the World Justice Project, rule of law standards are generally high in the EU, with eight countries ranked among the top 10 in the world, but performance varies across countries.
- People's perception of the quality of public services has been relatively consistent over the past decade with the north-western part of the EU performing better than the southern and eastern regions but with significant regional differences in some countries.
- Corruption remains a concern for Europeans. While people's perception of it varies widely between countries and regions, most Europeans think they can make a difference in combating corruption even where it is perceived to be most widespread.
- Public procurement procedures which involve only a single bidder or no calls for bids at all are potentially exposed to corruption. While the overall share of single bidder calls has increased in the EU over recent years, though not everywhere, procurement made with no calls has declined almost universally.
- Policy reforms have made the EU more business-friendly over recent years, as shown by the World Bank's 'Ease of doing business' assessment. The situation in cities in the same country, however, can differ markedly and it is rare for any one city to excel in all aspects of doing business.
- Over half of the EU adult population used the internet to interact with public authorities in 2020, but there are considerable differences between and within countries. In some regions, it is still the case that over 30% of people have never used a computer in their lives.

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1. Introduction

Public governance is the process of making and implementing government decisions¹. Good

GOOD GOVERNANCE AND ADMINISTRATIVE CAPACITY¹

A fundamental factor of good governance is good administrative capacity. This is defined as the ability of authorities to efficiently implement the policies they are responsible for. A high level of administrative capacity at all governance levels is important for managing and spending public funds effectively and is increasingly recognised as a key condition for ensuring investment performs well and contributes to the achievement of Cohesion policy objectives, especially in low income and low growth regions.

A recent European Policies Research Centre study² makes four sets of recommendations to strengthen administrative capacity and improve the use of technical assistance in the 2021-27 programming period:

1. Develop capacity-building roadmaps encompassing a broad range of activities, including support for human resources and organisational advice on systems and tools.
2. Support the entire ecosystem for managing and spending the funds, including implementing bodies, delivery agents and beneficiaries.
3. Develop flexible learning strategies for capacity building to respond quickly to changing circumstances.
4. Ensure coherent management of capacity building at EU level.

To facilitate the implementation of these recommendations in 2021-2027, capacity building to implement EU funds is financed by Member States' technical assistance. The new Common Provisions Regulation is intended to simplify and enable the strategic use of such assistance to develop administrative capacity as a long-term objective.

Beyond cohesion policy, administrative reforms and capacity building can also be funded by the newly established Recovery and Resilience Facility and the Technical Support Instrument, aimed at supporting sustainable economic and social convergence, resilience and recovery in response to the Covid19 pandemic.

¹ Source: Roadmaps for Administrative Capacity Building, Practical Toolkit. DG for Regional and Urban Policy, 2020
https://ec.europa.eu/regional_policy/sources/policy/how/improving-investment/roadmap_toolkit.pdf

² European Policies Research Centre (2020). *The use of technical assistance for administrative capacity building in the 2014-2020 period*. Luxembourg:

governance requires well-functioning institutions and transparent procedures. Governments with high quality institutions, high levels of accountability and low levels of corruption tend to be better at providing public goods and services and creating a favourable environment for economic growth and social development². Conversely, governments with low quality institutions tend to have a wide range of economic and social problems, lower levels of economic development, wider income inequality, a worse environmental situation and less electoral accountability. Recent worldwide studies have found that countries where corruption is high also tend to have fewer women in politics, poorer health performance, and lower levels

of subjective well-being among the population³.

To work well, institutions need high levels of administrative capacity that in turn enhance the effectiveness and transparency of public spending, including of EU funds (see Box). This chapter examines the most recently-published indicators for the EU on the quality of public institutions at the national and subnational level.

¹ 'Governance' in this chapter only covers public authorities.

² See Kaufmann et al. (1999); Charron and Lapuente (2013); Rodríguez-Pose and Garcilazo (2015); Annoni and Catalina Rubianes (2016); Pike et al. (2017).

³ On health, see Holmberg and Rothstein (2011), Women in politics (Swamy et al 2001) and Well-being (Samanni and Holmberg 2010; Helliwell and Huang, 2008).

2. Monitoring and benchmarking the quality of institutions

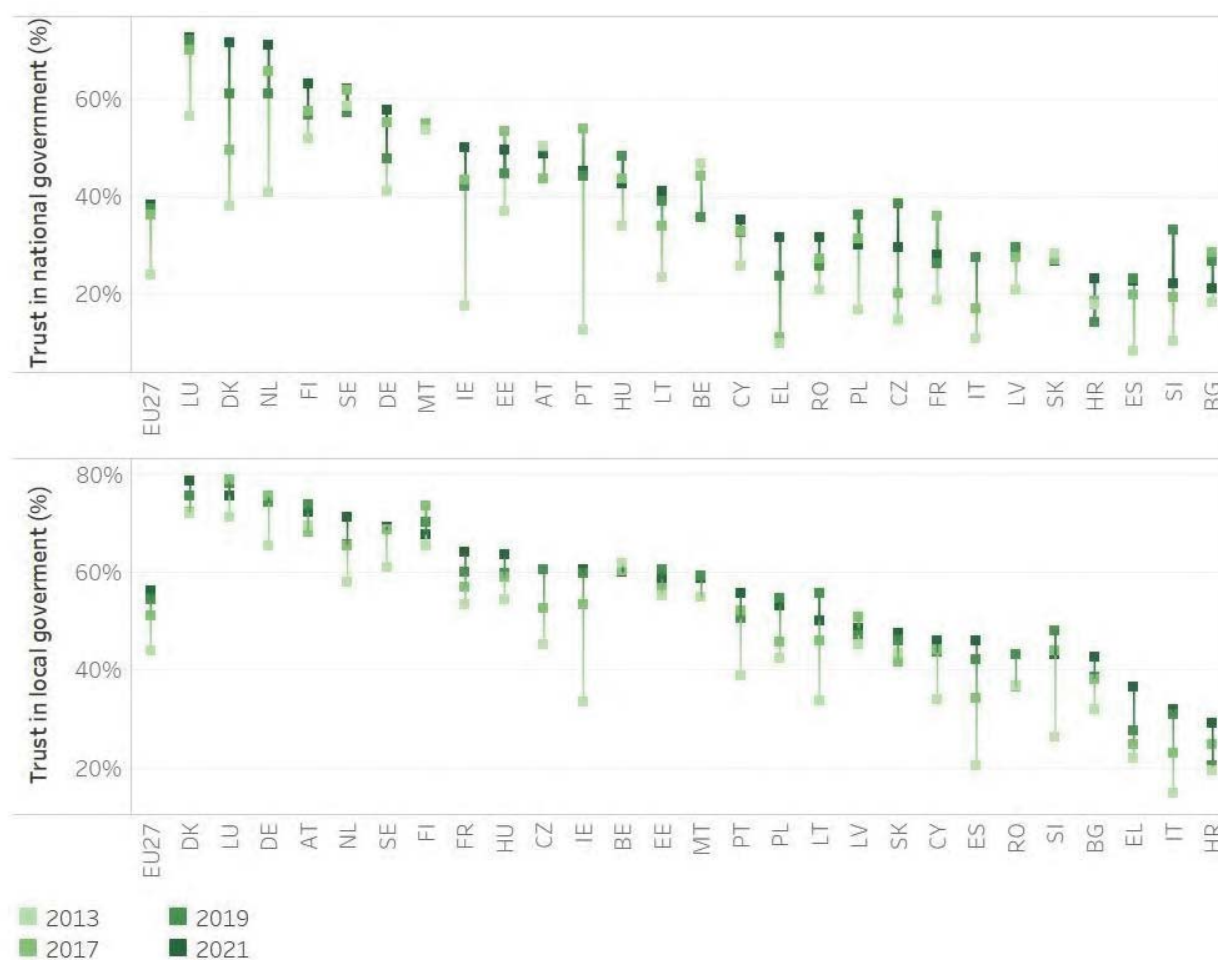
2.1 Trust in national and local governments: recent trends

Transparency and accountability are two key prerequisites for high-quality governance. Open government policy-making and trust in public institutions reinforce each other. Open policy-making increases public satisfaction, fosters accountability and people's understanding of the processes involved, leading to increased trust in government. At the same time, trust is instrumental for active public involvement in policy-making (OECD, 2017).

Overall in the EU, trust in both national and local government has increased since 2013, but remains lower in national than in local governments. According to the latest figures, for 2021, just over half of the population (56%) trust their local government and fewer (38%) trust their national government (**Error! Reference source not found.**). Trust in national government is lower than in local government in all countries. In France, the proportion trusting national government was over 30 pp less in most years. Except in Belgium and Austria, however, the proportion was larger in 2021 than in 2013 in all Member States, though the extent of the increase and the level in 2021 varies widely (**Error! Reference source not found.**, top). The level of trust in national (and local) government has been consistently higher in Luxembourg than elsewhere, followed by the Nordic countries. The level in Greece in both 2013 and 2017 was among the lowest in the EU, with only 10% of people trusting their national government, though the proportion has risen to a third since. In Croatia, Slovenia, Bulgaria and Spain, trust in national government remains very low, though it has increased since 2013.

Notable features of trust in local government are the consistently high levels of trust in Germany (75% in 2021), the large increases in Ireland and Spain since 2013 (28 pp and 26 pp., respectively) and the low levels in Greece, Italy and Croatia, despite some increase in each case (**Error! Reference source not found.**, bottom).

Figure 7. 1 Trust in national (top) and local government (bottom), 2013-2021



Note Countries ordered by 2021 values. Source: Standard Eurobarometer (EB), average of spring-summer and autumn-winter waves by year: EB79 and EB80 for 2013; EB87 and EB88 for 2017; EB91 and EB92 for 2019; EB93 and EB94 for 2021.

3. International indicators of the quality of institutions

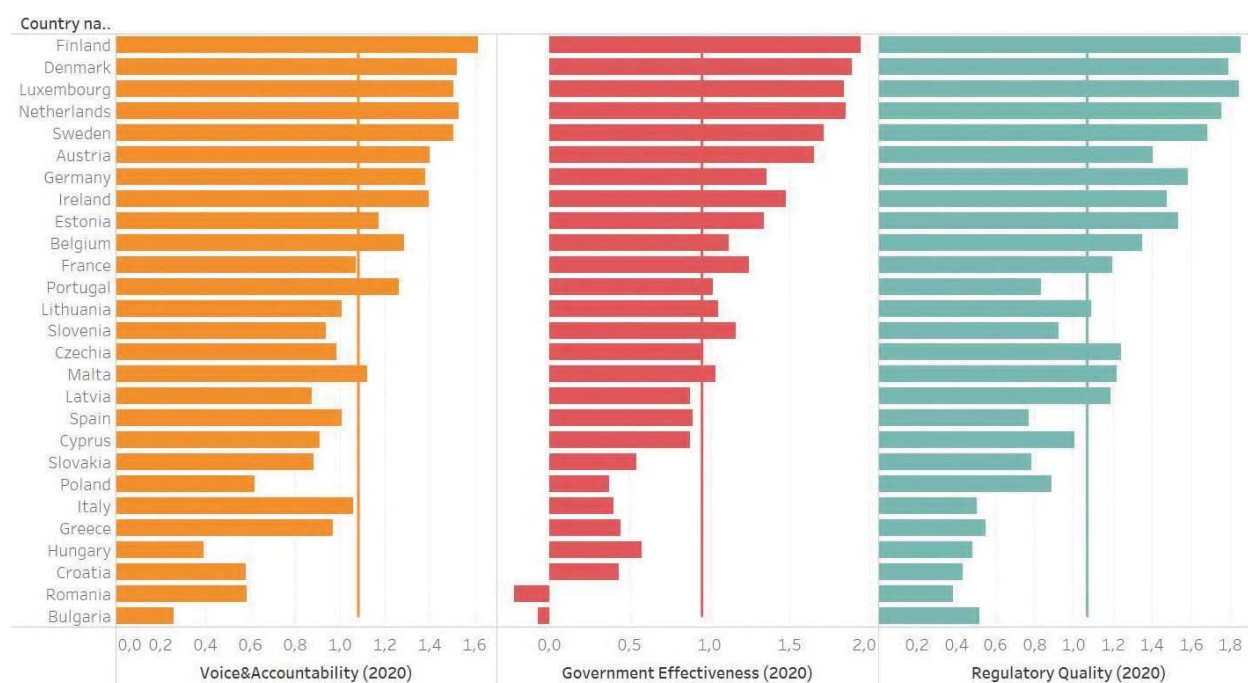
3.1 The World Governance Indicators

A wealth of measures of “good governance” have been developed over recent years. The World Bank in particular has established a measure of the quality of institutions through the Worldwide Governance Indicators (WGI), published for over 200 countries since 1996. Aggregate indicators have been developed for 6 dimensions of governance: Voice and accountability;

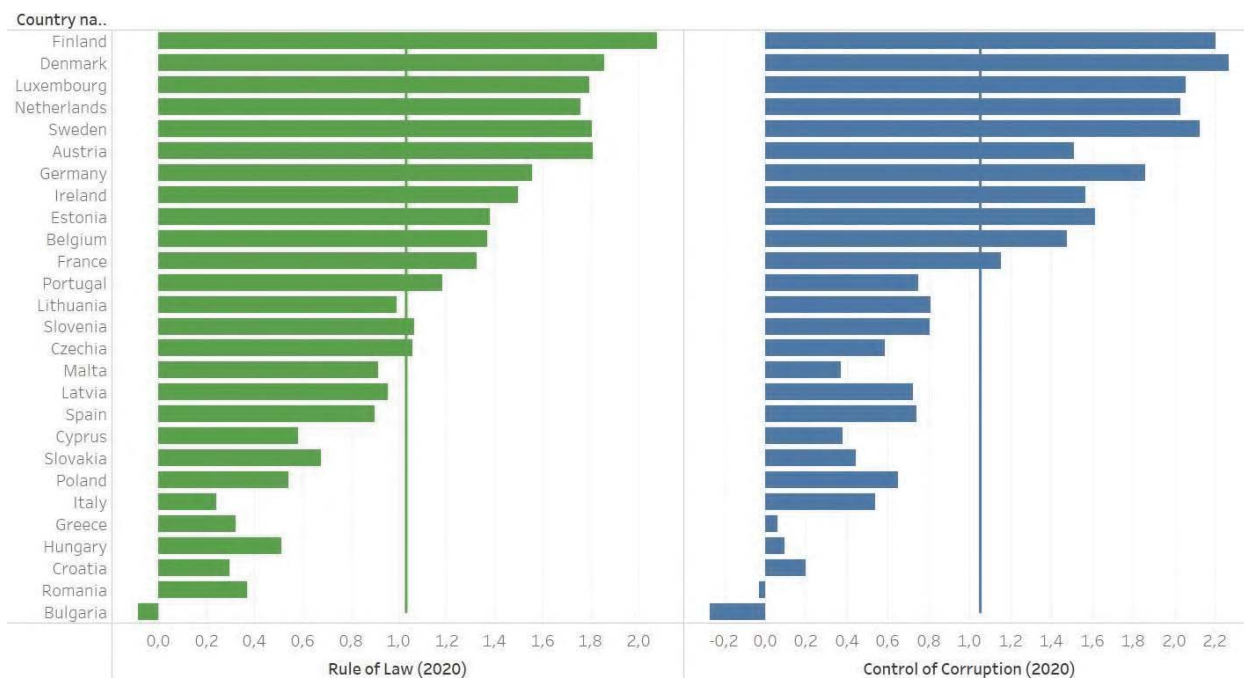
Political stability and absence of violence/terrorism; Government effectiveness; Regulatory quality; Rule of law and Control of corruption⁴.

Nordic Member States together with the Netherlands, Luxembourg, Germany, Austria, Ireland, Estonia and Belgium are above the EU average on the 5 WGI dimensions considered here (i.e. excluding Political stability and absence of violence/terrorism which is less relevant in the EU context). Romania, Bulgaria, Hungary, Croatia, Greece, Italy, Spain, Cyprus, Poland and Slovakia are below the EU average on all 5 indicators (**Error! Reference source not found.**). The Control of Corruption indicator varies most between countries. This is based on perceptions of the extent to which public power is exercised for private gain and includes both petty and grand forms of corruption, as well as the level of “state capture” by elites and private interests.

Figure 7. 2 Country performance on Five World Governance Indicator dimensions, 2020



⁴ The six dimensions of governance described by the World Bank WGIs are described by aggregate indicators based on over 30 individual data sources produced by a variety of survey institutes, think tanks, non-governmental organisations, international organisations, and private sector firms. A statistical model is used to construct a weighted average of the data from each source for each country. The composite measures of governance generated by the statistical model have a mean of zero (standard deviation = 1) and run from approximately -2.5 to 2.5, with higher values corresponding to better governance.



Note: The vertical line indicates the EU average, weighted by country population, for each dimension. Scores range from -2.5 (weak performance) to 2.5 (strong performance). The average across all the countries worldwide is 0 for each dimension. EU countries in almost all cases score above the worldwide average. Countries are ordered from best to worst according to their average score across the 5 dimensions.

Source: World Bank – World Governance Indicators, year 2020.

3.2 The World Justice Project's Rule of Law Index

The rule of law is an integral part of the democratic identity of the EU and an essential element for its functioning. While the EU is recognised as having high rule of law standards, promoting and upholding these standards requires constant monitor.

The World Justice Project (WJP)⁵ produces a Rule of Law Index, which is the first attempt to systematically quantify and monitor the rule of law around the world over time. The Index is an aggregate indicator measuring the extent to which countries adhere to the rule of law in practice. The 2021 edition of the index covers 139 countries and jurisdictions and, for the first time, the entire territory of the EU. The index measures country adherence to the rule of law by looking at policy outcomes, such as whether people have access to courts and whether crime is effectively controlled. The index construction relies on national surveys of households and

⁵ <https://worldjusticeproject.org/our-work/research-and-data/wjp-rule-law-index-2021>

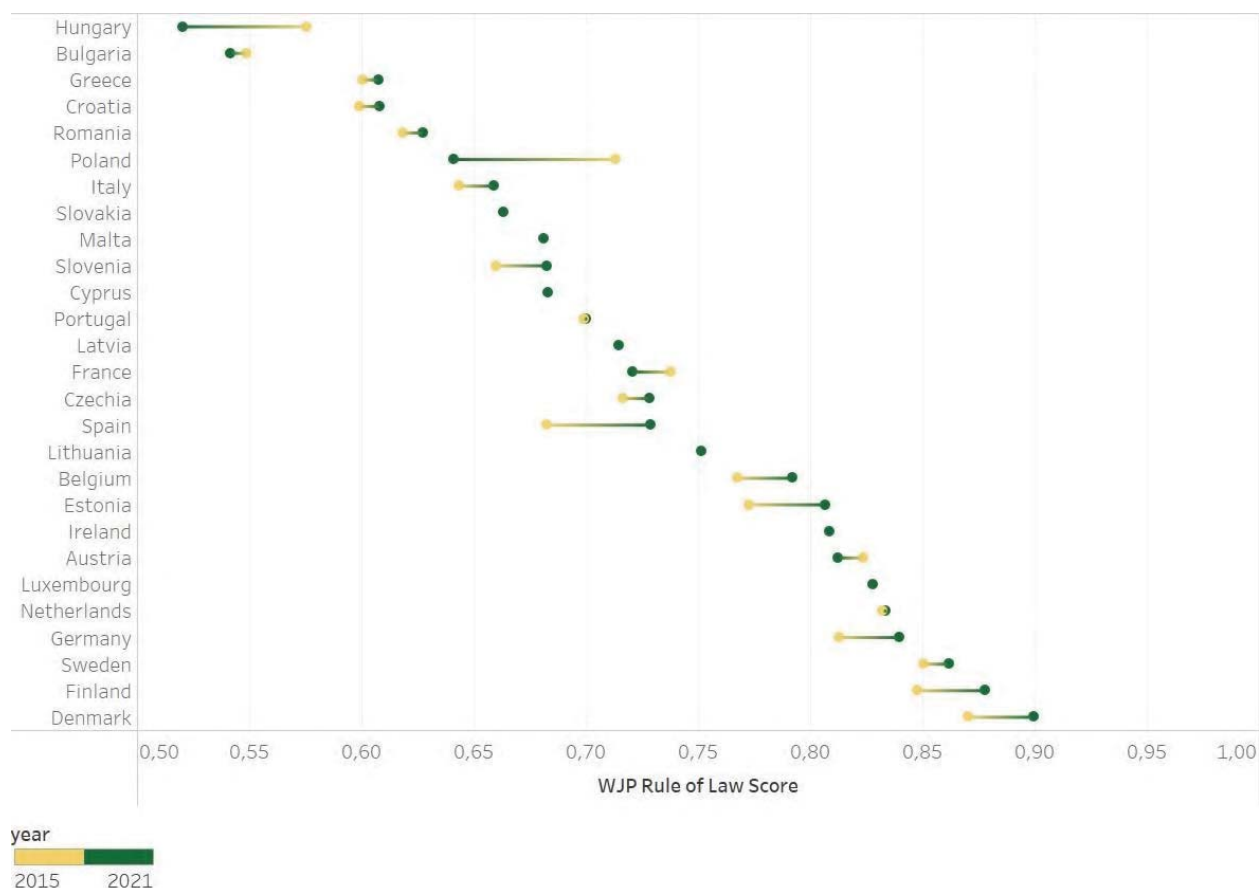
experts to measure how the rule of law is experienced and perceived. It includes eight components describing the multi-faceted concept of rule of law: 1. Constraints on government powers, 2. Absence of corruption, 3. Open government, 4. Fundamental rights, 5. Order and security, 6. Regulatory enforcement, 7. Civil justice and 8. Criminal justice⁶.

According to the 2021 results, all the EU countries score above 50% of the maximum ideal score of 1, indicating that rule of law standards are overall good relative to countries in the rest of the world (**Error! Reference source not found.**). According to the latest figures, the EU is home to three of the four highest scoring countries in the world, Denmark (in 1st place), Finland (3rd) and Sweden (4th), and there are another 5 Member States in the top 10 - Germany (5th), the Netherlands (6th), Luxembourg (8th), Austria (9th) and Ireland (10th). The weakest EU countries in terms of the index are Greece (ranked 48 out of 139 worldwide), Bulgaria (62)) and Hungary (69). According to the index, almost all the countries for which a time series is available have slightly improved their rule of law since 2015⁷, with the exception of Austria, Bulgaria and France, and, most especially, Hungary and Poland, whose score decreased by 8 points over these 6 years (**Error! Reference source not found.**).

⁶ Indicators included in the Rule of Law index are normalised using the min-max method with a base year of 2015. The overall score is computed as the unweighted average of the 8 component scores. All the scores are on a 0 (worst) to 1 (best) scale.

⁷ Comparisons are made with 2015 as the reference year as according to the methodological notes on the Rule of Law Index by the WJP scores are not strictly comparable before then.

Figure 7. 3 Rule of Law Index score (World Justice Project), 2015 and 2021



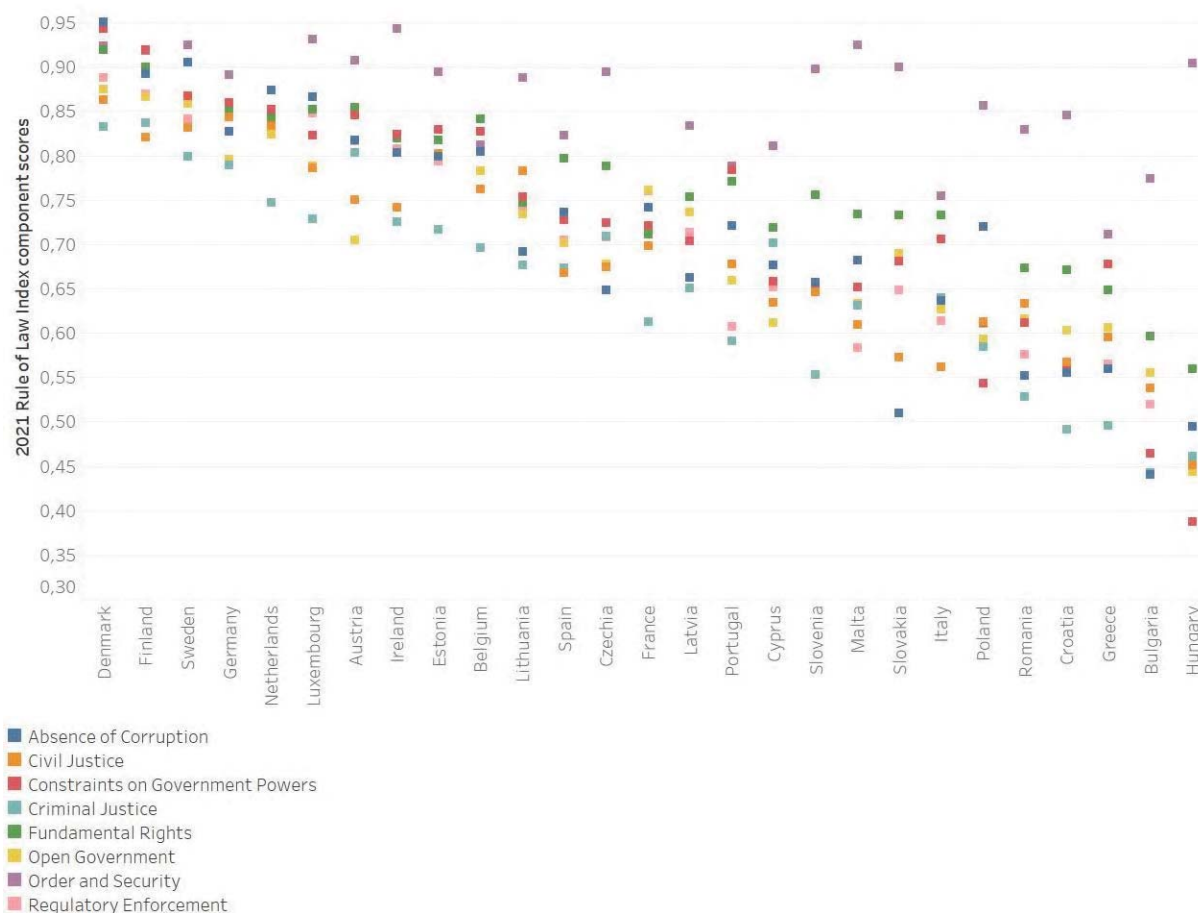
Note: Countries are ordered according to their 2021 score. CY, IE, LV, LT, MT, SK: no data available before 2021. Scores go from a minimum of 0 (weakest adherence to the rule of law) to a maximum of 1 (strongest adherence to the rule of law).

The ‘Constraints on government powers’ component measures, for example, whether government powers are limited by the legislature, the judiciary or independent auditing and whether government officials are sanctioned for misconduct. , Hungary scores 0.39 on this measure, the lowest score in the EU on this and any other component (**Error! Reference source not found.**), Its score on ‘Order and security’, however, is considerably higher (0.90) and in line with the other EU countries. The performance of Croatia also varies a lot, from 0.49 on ‘Criminal justice’ (which measures whether the criminal investigation system is timely, impartial and free of corruption) to 0.85 on ‘Order and security’. Slovenia, Malta, Slovakia, Poland, Romania and Bulgaria also show variable performance across the components, with differences between the highest and the lowest scores of over 30 points. In general, countries

scoring highest on the overall index have a relatively similar performance across the different components, while performance tends to vary more for countries with relatively low overall scores.

It is interesting to note that the highest scores for most of EU countries are on 'Order and security', which measures whether crime is effectively controlled, people are protected from armed conflict and terrorism and violence is not used to redress personal grievances. This shows that the EU is a relatively safe place to live.

Figure 7. 4 2021 Rule of Law Index component scores.



Note: Countries are ordered according to their overall Rule of Law score. Scores go from a minimum of 0 (weakest adherence to the rule of law) to a maximum of 1 (strongest adherence to the rule of law).

It should also be noted that, since 2020, the European Commission has established the European Rule of Law Mechanism to stimulate inter-institutional cooperation and encourage all EU institutions to engage in dialogue on the issue. The Rule of Law annual reports are at the

basis of this new process and are intended to be a preventive tool. They are based on in-depth, country-specific qualitative assessments of different aspects of the rule of law in EU countries and, as such, provide a different, complementary analysis to that of the WJP Rule of Law index.

3.3 The European Quality of Government Index

Over the past two decades, a surge of research has been devoted to assessing the quality of institutions across and, more recently within, countries, focusing on corruption, the impartial application of the rule of law and the effectiveness of public bureaucracy. The European Quality of Government Index (EQI) has been published four times since 2010 at the regional level⁸ and has had a wide impact on research on economic geography, entrepreneurship and innovation in EU regions. Based on a survey at regional level together with national estimates from the World Governance Indicators⁹, the EQI measures three comparable aspects of the quality of government in EU regions.

The EQI survey questions are based on a conceptual framework in which the quality of government is considered as a broad, multi-dimensional concept involving impartial and high quality service delivery and low corruption. Questions are aimed at capturing people's perceptions and experience of corruption and the extent to which they rate public services as impartial and of good quality in their region of residence. The focus is on policy areas that are most often managed at the sub-national level, such as education, healthcare and law enforcement. The questions are centred on three core domains of the EQI, 'corruption', 'quality' and 'impartiality' in respect of the services concerned. The EQI is the first measure to enable governance in EU regions within and across countries to be compared¹⁰.

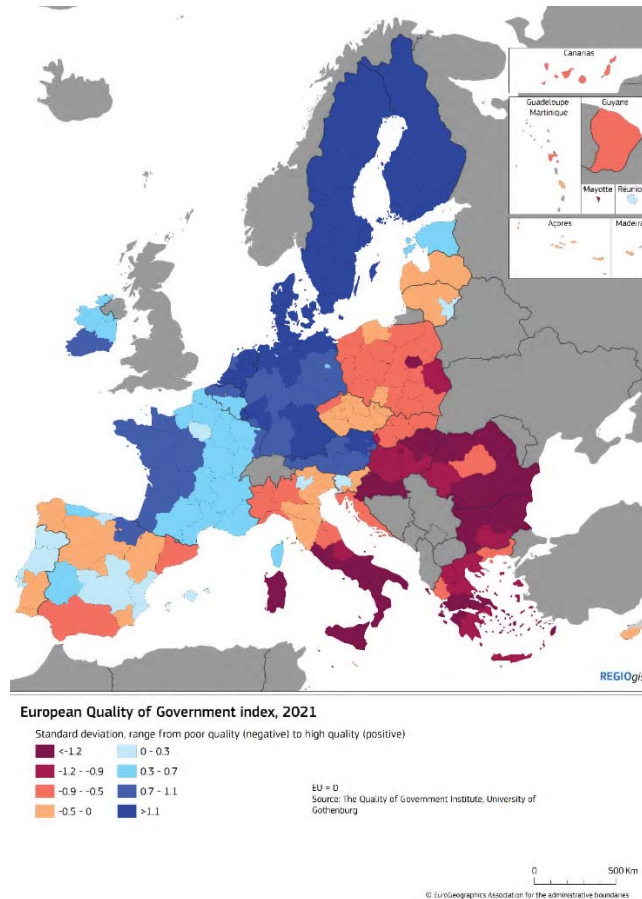
The 2021 picture is rather consistent with previous editions of the EQI, with the north western area performing better than the southern and eastern part of the EU (Map 7.1). There are significant regional differences in some countries – in Italy, Spain, Belgium, Ireland, Poland, France, including its overseas regions, and Slovenia, in particular – but very little in others, in the Nordic countries, especially.

⁸ Charron et al. (2019).

⁹ <https://databank.worldbank.org/source/worldwide-governance-indicators>

¹⁰ The EQI scores are computed as simple, equal-weighting averages of normalised survey scores. The normalisation used is z-score, that is a measurement of the relationship of the regional score to the EU average, measured in terms of standard deviations from the mean. If a z-score is 1, it indicates that the data point's score is one standard deviation above the EU average. Positive values show higher than EU-mean score; negative values are lower than the EU-mean score.

Map 7.1: The European Quality of Government index (EQI), 2021.



Note: Scores are expressed in z-scores, EU average is therefore equal to 0. Positive (negative) values reflect higher (lower) than the EU average quality of government.

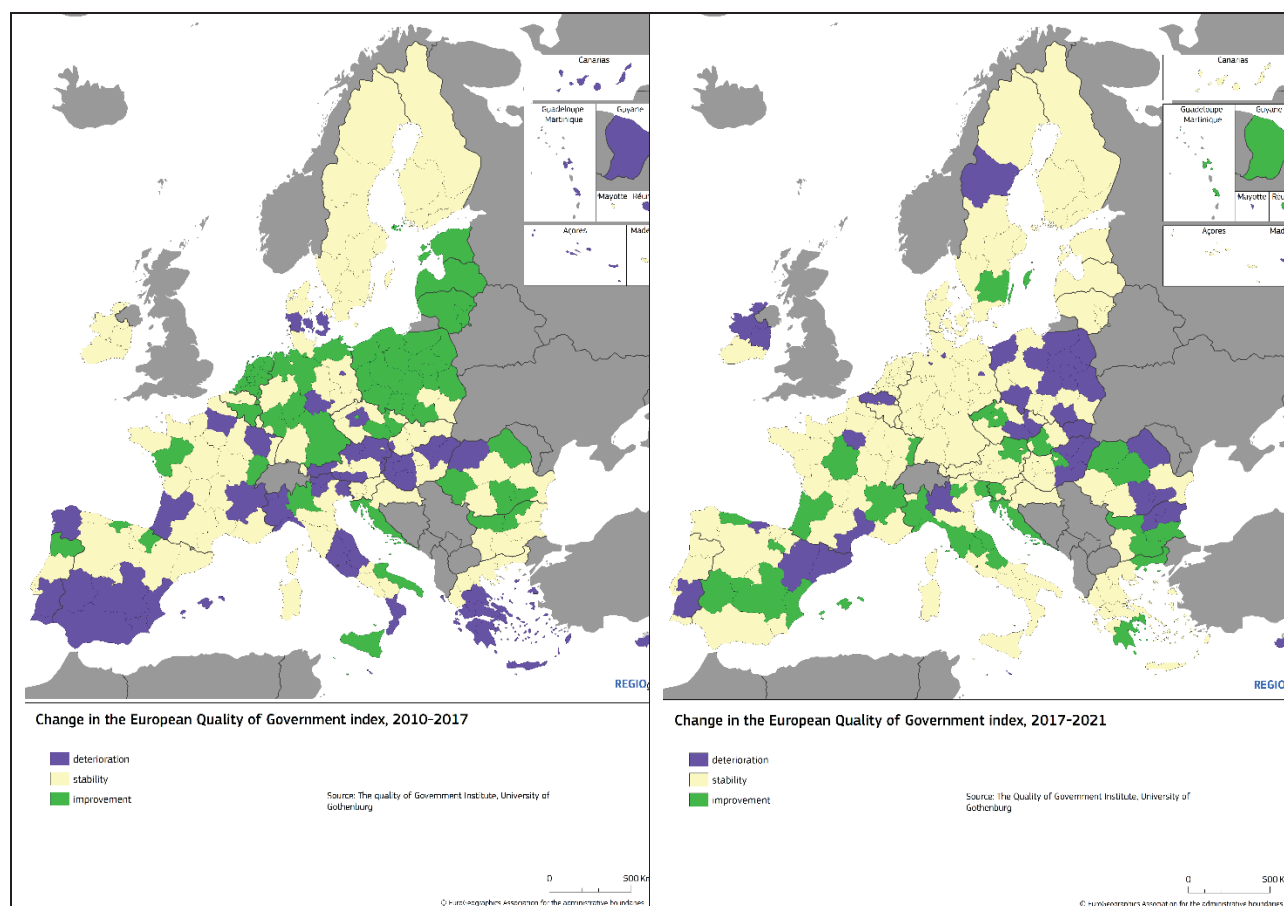
Source: The Quality of Government Institute, University of Gothenburg¹¹.

Over the period 2010-2017 (Map 7.2, left-hand side), there were significant improvements in the quality of government in the Baltic countries, most of Poland and Germany, the Netherlands, Croatia and some regions in Romania and Bulgaria. By contrast, there was a deterioration between 2010 and 2017 in Austria, Hungary, southern Greece, Cyprus, the southern part of Spain and some regions in Portugal and Italy. Between 2017 and 2021, however, the index

¹¹ All countries at the NUTS2 level except Belgium and Germany, which are at the NUTS1 level.

stabilised in the Baltic countries (Map 7.2, right-hand side)¹² and worsened in most Polish regions, especially in the east of the country. The same is the case the eastern part of Romania, where the capital city region of Bucuresti-Ilfov, had the lowest score in the EU in 2021. On the other hand, there was some improvement in the index over this period in the south of Spain, southern Germany, southern Greece and the south and central parts of Italy.

Map 7.2: Changes in the regional EQI, 2010 to 2017 (left) and 2017-2021 (right).



Note: Regions where scores increased (decreased) by more than 0.25 standard deviations in the period are shown on green (purple).

Source: DG REGIO based on data by the Quality of Government Institute, University of Gothenburg.

On average, less developed regions score significantly below the EU average in all the years of the EQI. The average EQI is higher for transition and more developed regions but with more variability (Table 7.1).

¹² Because of changes in the NUTS2 classification in Ireland and Lithuania, regional values for these countries in 2021 are compared with national ones in previous editions.

Table 7.1: Average EQI scores by category of region, 2010-2021

Region category	year			
	2010	2013	2017	2021
Less developed	-0.90	-0.84	-0.83	-0.88
Transition	0.42	0.30	0.27	0.36
More developed	0.58	0.62	0.64	0.62

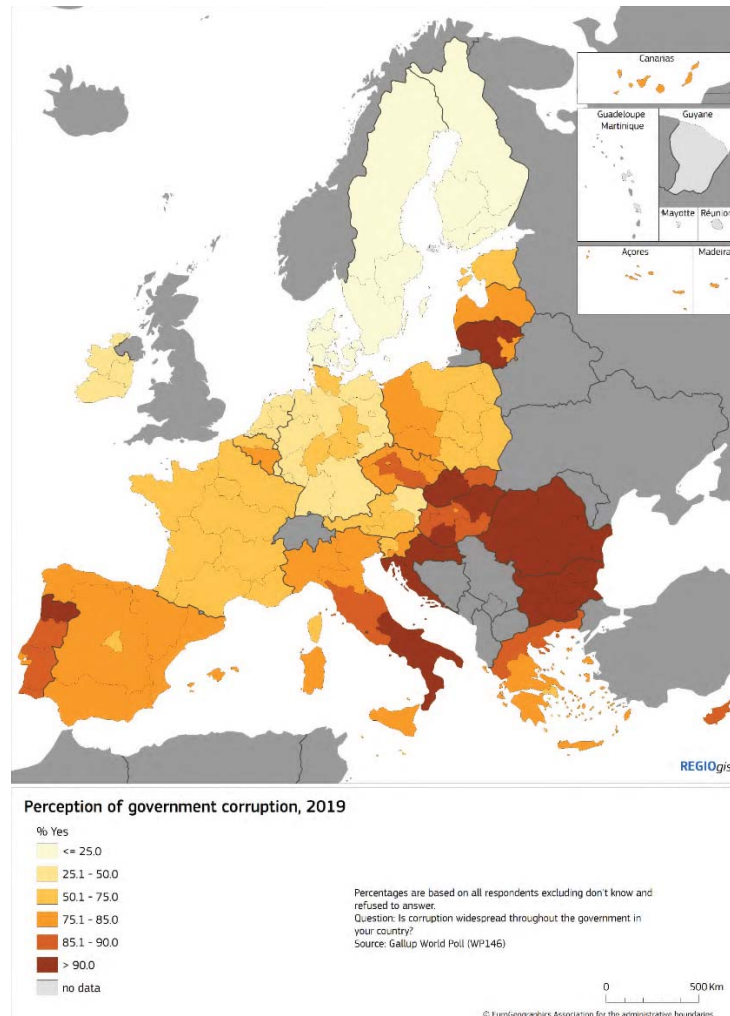
Note: All years (EU average = 0). Source: DG REGIO based on data from the Quality of Government Institute, University of Gothenburg.

4. Corruption

Corruption hampers a government's ability to foster economic growth and improve people's well-being¹³. No country is free from corruption but the extent varies greatly across the EU. Moreover, in some EU Member States people's perception of corruption in their national government varies quite substantially within the country, such as in Hungary, Italy and Portugal (Map 7.3).

¹³ See for example Pak Hung Mo (2001) Corruption and Economic Growth. *Journal of Comparative Economics* (29), 66–79.

Map 7.3: Perception of corruption in national government. Source: Gallup, ad-hoc regional EU survey, 2020¹⁴

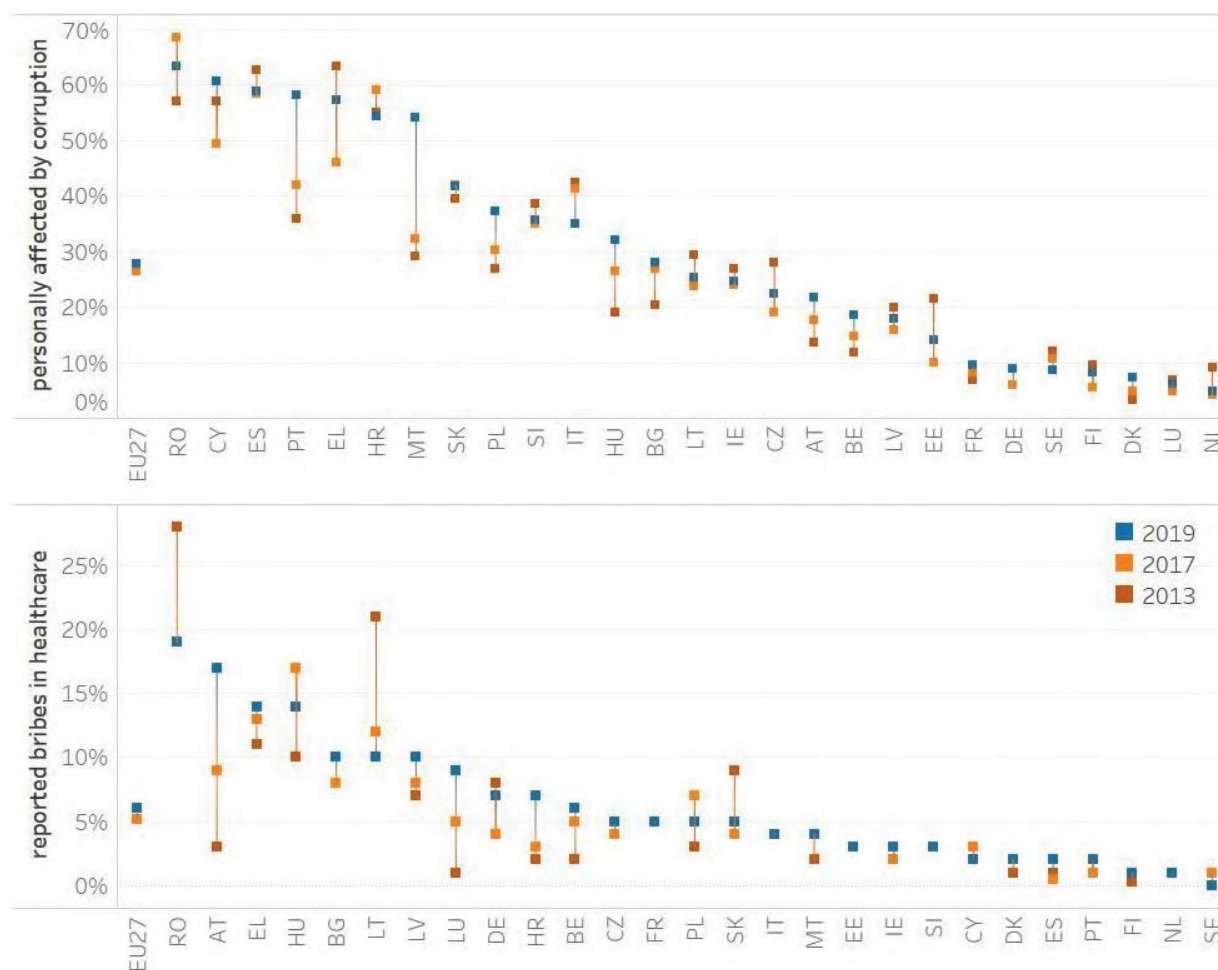


In 2019, 28% of people surveyed in the EU reported being somehow personally affected by corruption in their daily lives (Figure 7.5 **Error! Reference source not found.**, top), the proportion being marginally larger than in 2013. In 7 countries (Romania, Cyprus, Spain, Portugal, Greece, Croatia and Malta), over half of respondents reported being affected, with the largest increases from 2013 (of around 30 pp or more) being in Portugal and Malta. By contrast, in the Nordic Member States, Germany, Luxembourg and the Netherlands, less than 10%

¹⁴ NUTS2 for all the countries except for AT, BE, FR, DE, EL, IT, NL, PL, ES, SE, that are at the NUTS1.

respondents reported being personally affected by corruption in 2019, much the same as in 2013.

Figure 7. 5 Personal experience of corruption in one's daily life (top) and in healthcare (bottom), 2013-2019



Note: Change from 2013. Countries ordered by 2019 values. Source: Special Eurobarometer on corruption: EB396 2013; EB470 2017; EB502 2019.

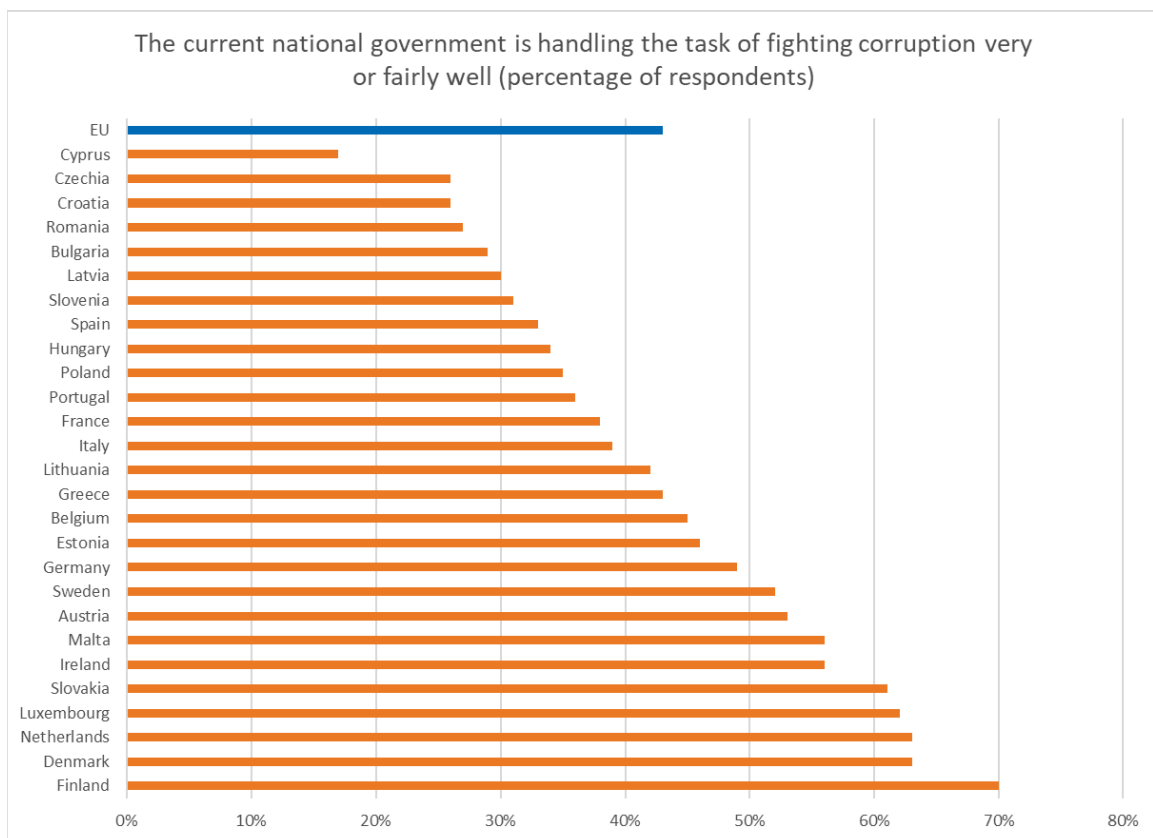
The public healthcare system is the most frequently mentioned by those reporting being affected by corruption in 2019¹⁵. On average in the EU, around 6% of respondents who had contact with a public healthcare practitioner or hospital within the previous 12 months reported they had to give an extra payment, gift or donation, the proportion changing very little from 2013

¹⁵ European Commission (2020). The exact question asked is: "Apart from official fees did you have to give an extra payment or a valuable gift to a nurse or a doctor, or make a donation to the hospital?"

(Figure 7.5Error! Reference source not found., bottom). The differences between countries, however, is marked. In Romania, the proportion was 20% in 2019, the largest in the EU, though this was down from a third since 2013. The proportion also fell markedly over the period in Lithuania, from 21% to 10%. By contrast, in Austria and Luxembourg, there was a sharp increase in the proportion of those reporting having to make a payment, from 3% to 17% in Austria and from 1% to 9% in Luxembourg.

According to 2021 data, on average in the EU 43% of the people think that their national government is doing well in tackling corruption with respect to a slightly higher percentage of people - 49% - thinking that their government is doing a bad job (2021 Global Corruption Barometer in the EU by Transparency International¹⁶). Less than 30% of the people interviewed are satisfied about their government action against corruption in Cyprus, Czechia, Croatia Romania and Bulgaria, whilst the majority of the respondents (> 50%) are satisfied in the Nordic countries, Luxembourg, Austria, Malta, Ireland, Slovakia and the Netherlands (Figure 7.XX).

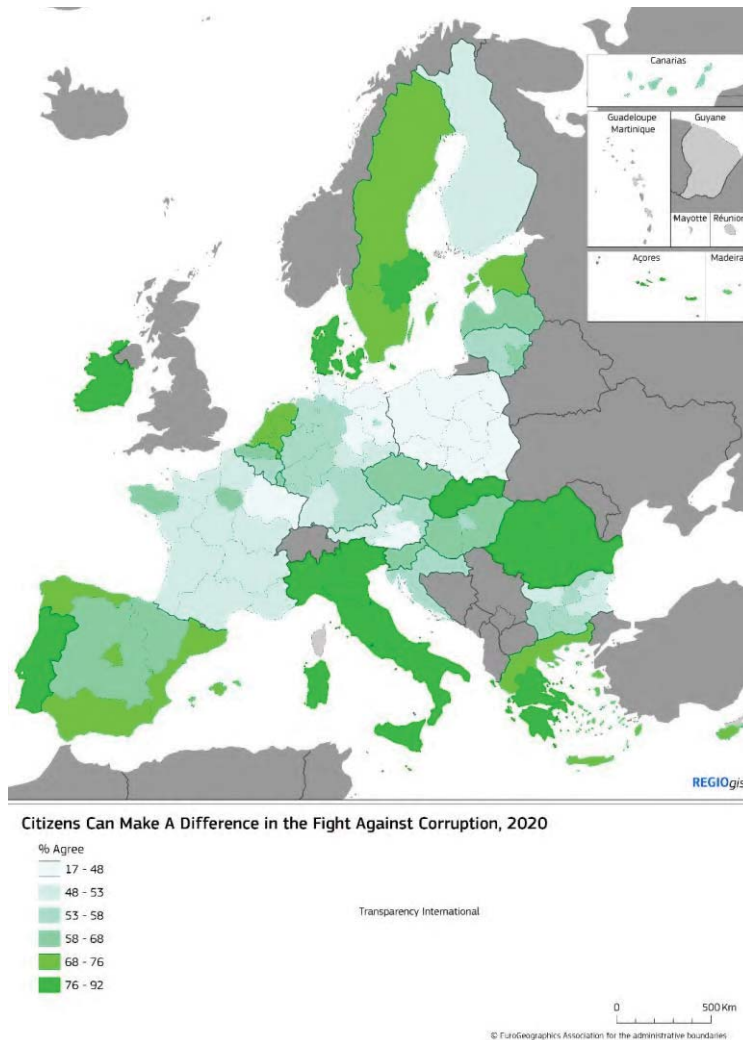
FIGURE 7.XX: percentage of people thinking that their national government is handling very or fairly well the fighting against corruption (Source: 2021 Global Corruption Barometer by Transparency International)



¹⁶ <https://www.transparency.org/en/>

People's engagement can make a big difference in the fight against corruption. Strengthening the role of the general public can help to improve institutional accountability and transparency, and therefore overall governance. For example, allowing the public to make comments on the services received and publishing them can prove a strong incentive for institutions to provide efficient and impartial services. The majority of people (62%) in 2020 believed they could make a difference in the fight against corruption (Map 7.4 **Error! Reference source not found.**). The proportion was particularly large in countries with a high perception of corruption among the population, specifically in Romania, Portugal, Greece and Italy, where 75% of survey respondents agreed they could play a role in combating corruption.

Map 7.4: Percentage of respondents who agree that citizens can make a difference in the fight against corruption (Source: Transparency International, 2020).



5. Public procurement: high standards to safeguard the public interest

Public procurement, which amounts to 14% of EU GDP¹⁷, is one of the government activities most vulnerable to corruption (OECD, 2016). The volume of transactions, the financial interests at stake, the complexity of the process, the close interaction between public officials and businesses, and the many stakeholders involved in public procurement increase significantly the risk of corruption and the potential incentives to engage in corrupt practices.

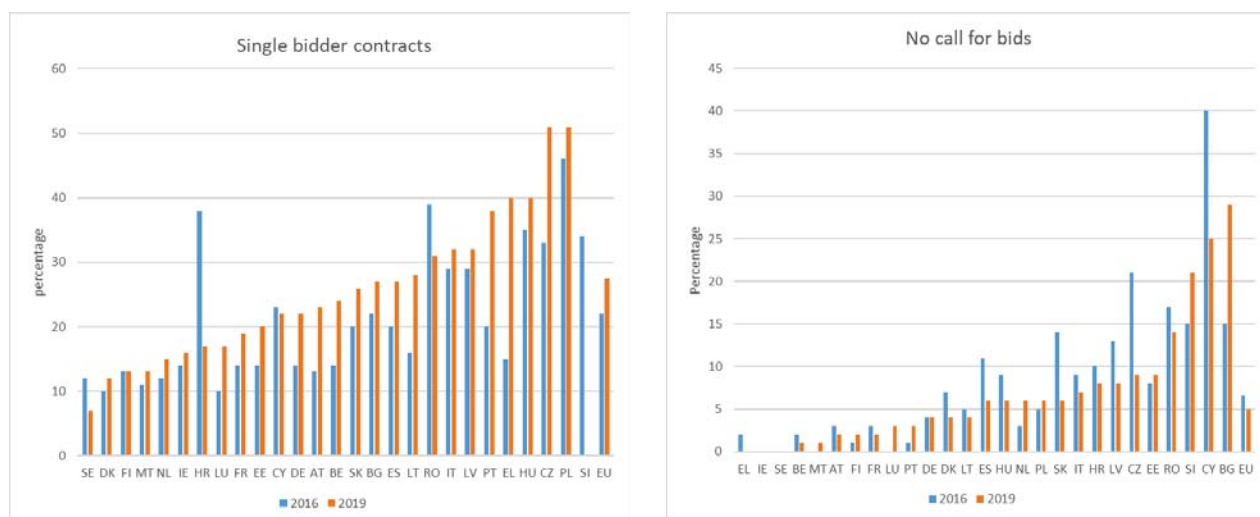
EU legislation contains a minimum set of harmonised public procurement rules designed to ensure a level playing field for businesses and to prevent corruption. The Single Market

¹⁷ The EU Single Market Scoreboard web page; reporting period 2019: https://ec.europa.eu/internal_market/scoreboard/performance_per_policy_area/public_procurement/index_en.htm#indicators

Scoreboard contains 12 indicators to monitor how Member States perform each year in this regard. The proportion of single bidder contracts, understood as those awarded on the basis of a single tenderer's offer, is an important indicator of public procurement standards, since such contracts imply the absence of competition in public purchasing. More bidders is usually better, as this means public buyers have more options, and can get better value for money. In 2019, almost all EU countries saw an increase in the proportion of single bidding compared to 3 years earlier, especially Greece (+25 pp), Portugal and Czechia (+18 pp) (**Error! Reference source not found.****Error! Reference source not found.**, left). The only exceptions are Croatia, where the proportion of single bidder contracts more than halved between 2016 and 2019, Sweden (-5 pp) and Cyprus (with a marginal decrease of 1 pp).

The proportion of contracts awarded without any call for tender at all is an even stronger indicator. Calling for tenders before starting procurement negotiations is good practice as it makes the bidder selection process more transparent and increases competition, generally leading to better value for money. Between 2016 and 2019, the proportion of such contracts declined in most EU countries (**Error! Reference source not found.****Error! Reference source not found.**, right), and by over 10 pp in Czechia and Cyprus (though it still remained among the largest in the EU). Bulgaria was the main exception, with the proportion of single bidder contracts increasing from 15% to 29%, though there was also a sizeable increase in Slovenia.

Figure 7. 6 Public contracts awarded with only a single bidder (left) and public contracts awarded without a call for tender (right), 2016-2019



Note: Countries ordered by the proportion in 2019. EU values computed as population-weighted averages of national values. Data on Single bidder contracts in 2019 missing for Slovenia.

Source: The EU Single Market Scoreboard.

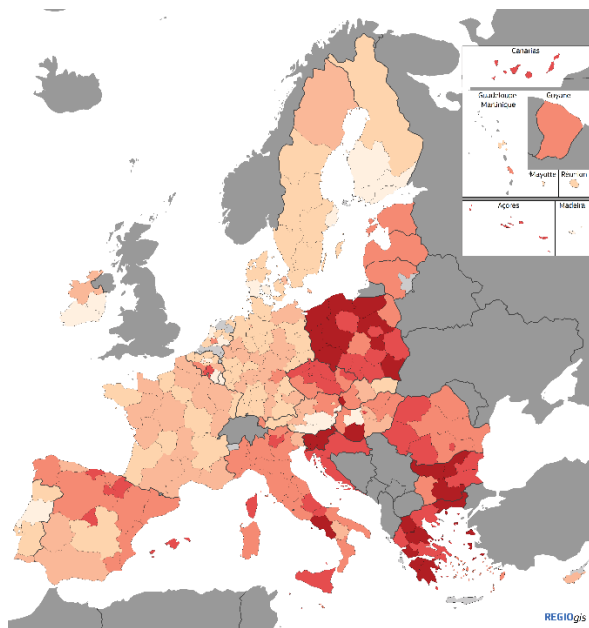
The Government Transparency Institute database provides a picture of public tenders published in Tender Electronic Daily (TED) at the regional level¹⁸. The database includes only public tenders conforming to certain criteria, for example, tenders published by regional authorities or regional agencies¹⁹. Single-bidder contracts, which tend to provide lower value for money, are most common in the north-western part of Poland and some regions in Bulgaria as well as in Slovenia (Map 7.5 **Error! Reference source not found.**, top-left). The proportion of single-bidder contracts increased in the majority of EU regions between 2011-2013 and 2018-2020, but declined in Lithuania, most of Romania, part of Poland, Hungary, Slovakia and a few other regions across the EU. (**Error! Reference source not found.** Map 7.5, bottom-left).

The proportion of regional and local authority contracts awarded without a call for tender was relatively large in 2018-2020 in central and southern parts of the EU, plus Romania. In the Romanian region of Sud–Vest, Oltenia, Severozápad in Czechia and Picardie in France, this proportion was over 40% (**Error! Reference source not found.** Map 7.5, top-right). Between 2011-2013 and 2018-2020, the proportion went down in most regions, though it increased: in central Romania, Severozápad (Czechia) and two German regions, Bremen and Chemnitz (**Error! Reference source not found.** Map 7.5, bottom-right).

Map 7.5: Regional variations in proportion of single bidder contracts and of contracts awarded without a call for tender.

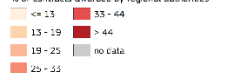
¹⁸ Fazekas and Czibikb (2021).

¹⁹ The trends at the regional level do not always match those observed by the EU Single Market Scoreboard as the share of regional contracts with respect to the total number of contracts (regional, national and European) varies highly among Member States, going from 4% in Malta to 78% in Sweden (average over the period 2018-2020).



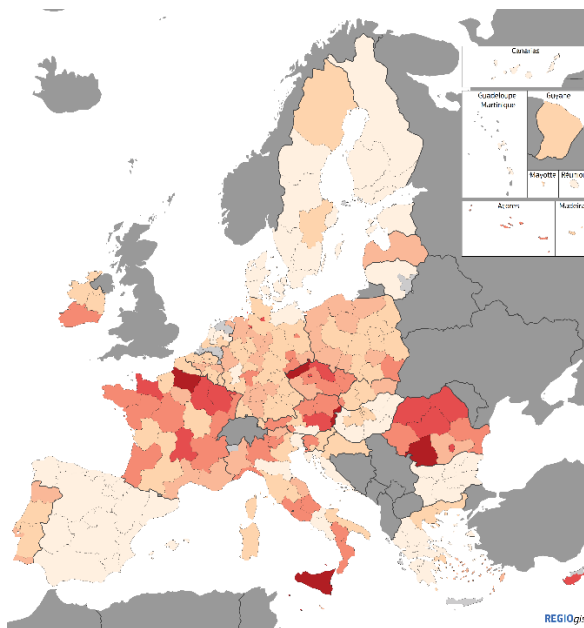
Public procurement with a single bidder, average 2018-2020

% of contracts awarded by regional authorities



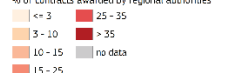
Source: DG REGIO based on EU Tenders Electronic Daily; Fazekas & Kocsis (2021)

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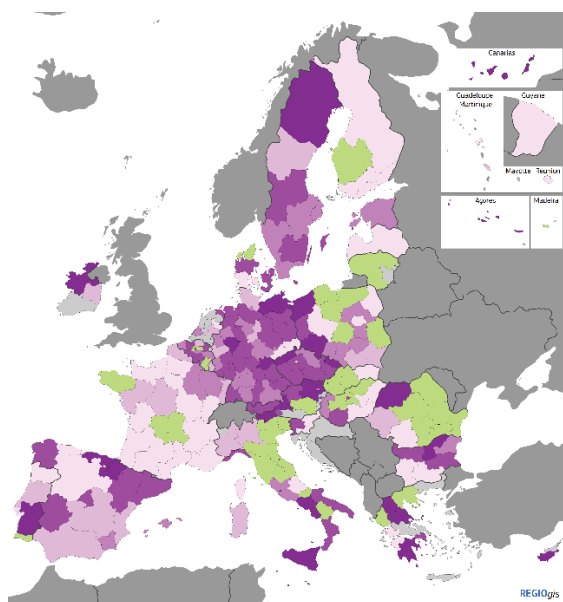
Public procurement without published call for tender, average 2018-2020

% of contracts awarded by regional authorities



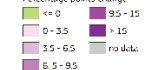
Source: DG REGIO based on EU Tenders Electronic Daily; Fazekas & Kocsis (2021)

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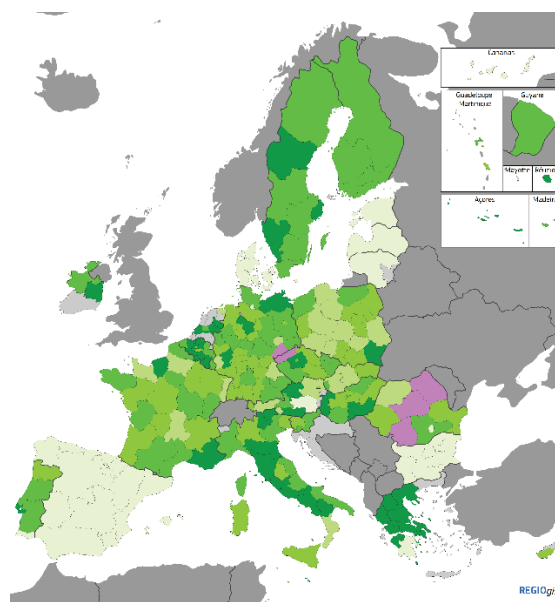
Change in share of single bidders, between 2011-2013 and 2018-2020

Percentage points change



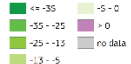
Change in share of contracts awarded by regional authorities
Source: DG REGIO based on EU Tenders Electronic Daily; Fazekas & Kocsis (2021)

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Change in share of contracts without published call for tender, between 2011-2013 and 2018-2020

Percentage point change



Change in share of contracts awarded by regional authorities
Source: DG REGIO based on EU Tenders Electronic Daily; Fazekas & Kocsis (2021)

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Note: Three-year averages are shown as some regions have only a small number of public procurement contracts each year.

Source: DG REGIO own computation based on administrative data on public procurement tenders (Fazekas and Czibikb, 2021).

6. An efficient and agile business environment is a key asset

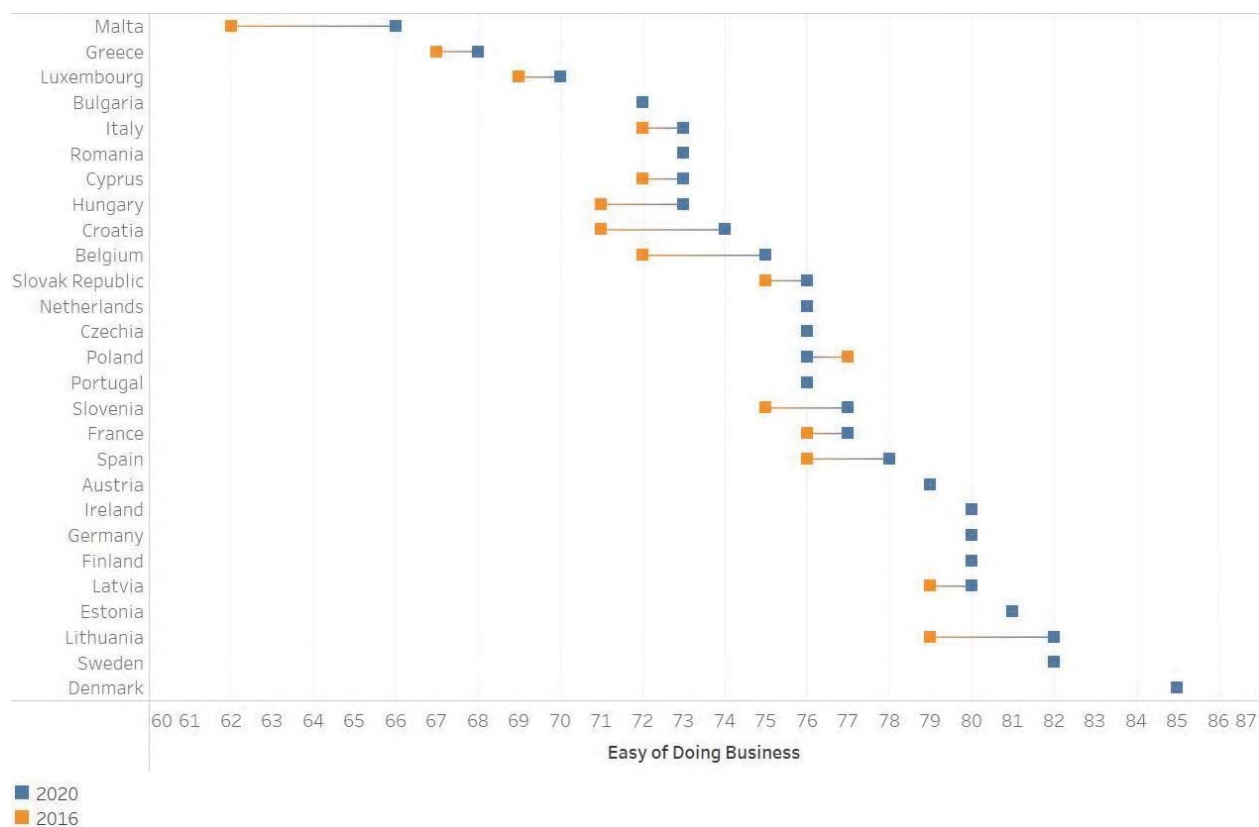
One of the adverse effects of inefficient institutions is a regulatory environment that burdens domestic firms and adversely affects entrepreneurship. Poor quality institutions hamper the creation of new businesses and may lead to entrepreneurs seeking opportunities abroad or giving up altogether.

The 'Ease of doing business' Index, published up until 2020 by the World Bank, assesses areas of business regulation in the largest business city in each of 190 countries across the world. It helps to monitor and compare the quality of the business environment and, in addition, assesses a subset of business regulation areas within selected countries, including 14 EU Member States²⁰. The overall 'Ease of doing business' score is the average of the indicators for the different areas, each indicator showing the distance of each country from the best performing country in the area concerned²¹.

²⁰ The 14 covered since 2015 are Austria, Bulgaria, Croatia, Czechia, Greece, Hungary, Ireland, Italy, Netherlands, Poland, Portugal, Romania, Slovakia and Spain.

²¹ For each area and each country/city, the computation of the ease of doing business score involves two steps. In the first step, each individual indicator y is normalised using a linear transformation $(\text{worst} - y)/(\text{worst} - \text{best})$, where the highest score represents the historical best regulatory performance on the indicator. In the second step, the scores obtained for individual indicators are aggregated through simple, equal weighting, averaging into one score.

Figure 7. 7 Ease of Doing Business score (best=100), 2016 and 2020



Note: Countries ordered by the 2020 score. Where only one score is indicated, there was no change between the two years.

Source: World Bank Doing Business 2016 and 2020.

Over recent years, policy reforms have made the EU more business friendly. Since 2016, most Member States have improved their business environment (**Error! Reference source not found.**). The Nordic countries (Denmark is ranked fourth worldwide) and the Baltic States together with Ireland, Germany and Austria are assessed as having the most friendly business environments in the EU in 2020. Malta, Greece, Luxembourg²² and Bulgaria score the lowest, though in all of them, except Bulgaria, the score improved over the preceding 4 years.

²² The low score of Luxembourg is due to its very low score on the Getting credit indicator (15/100) and medium scores on Resolving insolvency (46/100) and Protecting minority investors (54/100).

A closer look shows that EU countries differ significantly across the various business regulation areas. For example, in 2020, to meet government requirements for starting a business, an entrepreneur in Poland had to pay fees equivalent to 12% of the average national income per head and complete 5 administrative procedures that took 37 business days altogether. By contrast, an entrepreneur in Estonia paid 1% of national income per head and had to spend only 3.5 business days completing three procedures.

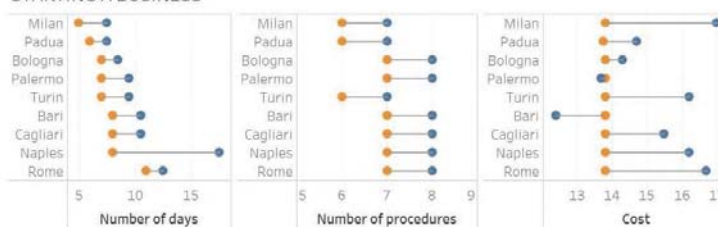
The sub-national doing business reports assesses a subset of the national doing business indicators which are most likely to vary within a country. They reveal substantial differences between cities despite them operating within the same

national legal and regulatory framework. The most recent national surveys were carried out in three waves: Croatia, Czechia, Portugal and Slovakia in 2018, Greece, Ireland and Italy in 2020 and Austria, Belgium and the Netherlands in 2021. Two indicators – ‘Starting a business’ and ‘Dealing with construction permits’ - are considered below²³.

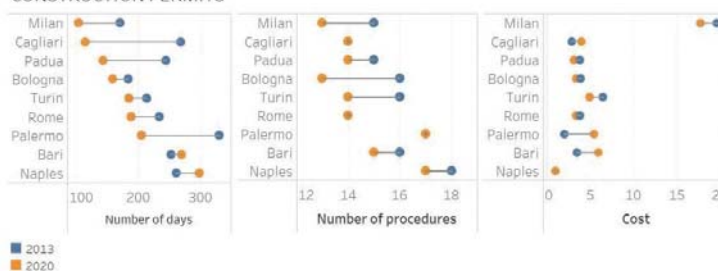
COMPARISON OF THE TWO ITALIAN SUB-NATIONAL DOING BUSINESS SURVEYS

Two surveys at the subnational level – 2013 and 2020 - are available for Italy, allowing for a comparison of the performance of Italian cities over time. Starting a business became quicker and easier in all the cities covered by the survey, while the cost was reduced as well in all of them except Bari. For example, in Naples, starting a business took 18 days in 2013 but only 7.5 days in 2020, the number of procedures was reduced from 8 to 7 and the cost by 15%. The cost of dealing with construction permits declined over the 7 years in Milan. It also declined in Turin, though from a much lower level, and marginally in Padua, Bologna and Rome, but it increased in Palermo, Bari and, if only slightly, in Cagliari. On the other hand, the time taken to obtain a construction permit shortened between 2013 and 2020 in all the cities, apart from Naples and Rome, and the number of procedures involved declined in all of them.

STARTING A BUSINESS



CONSTRUCTION PERMITS



Italy, Sub-national Doing Business 2013 and 2020. For each indicator – starting a business (top) and dealing with construction permits (bottom) - cities are ordered by the number of days required in 2020. Only cities covered by both surveys are included.

Source: World Bank Subnational Doing Business, Italy, 2013 and 2020 Reports.

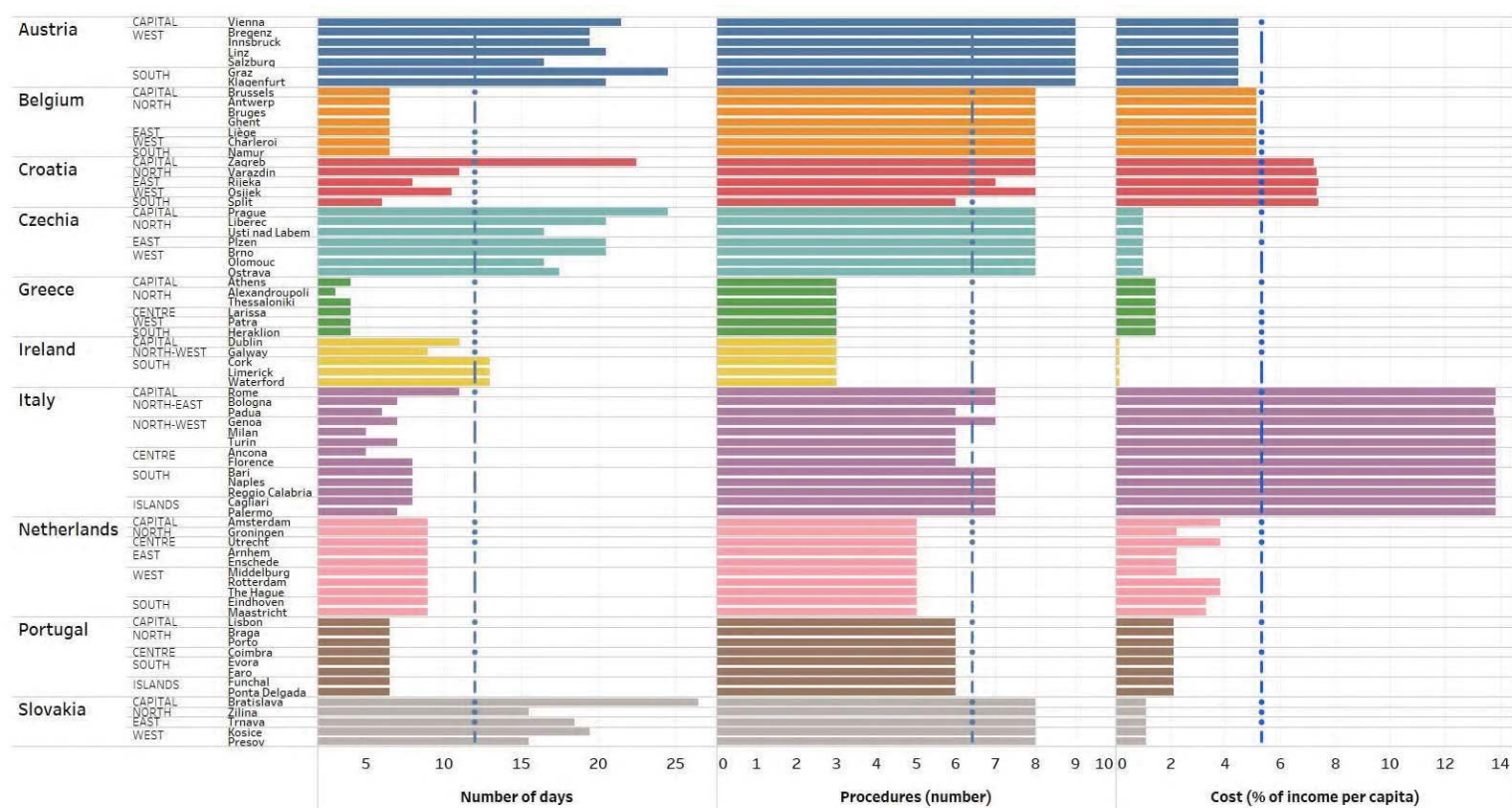
²³ *Starting a business* covers the procedures, time, cost and minimum paid-up capital needed to start a limited liability company, and *Dealing with construction permits*, covers the procedures, time and cost required to complete all the formalities for building a warehouse and the quality control and safety mechanisms involved in obtaining a construction permit.

Among the 10 countries, starting a company is easiest and quickest in Greece, with requirements being much the same in all the cities examined. It takes longest in Austria, Czechia, Slovakia and Zagreb, the Croatian capital, at over three weeks (**Error! Reference source not found.**), and it is also more costly than the EU average. Zagreb is the only city of those covered in Croatia where the online business registration system, which provides a single access point for company start-ups, is not used to its full potential²⁴. All the cities covered in Austria, Czechia and Slovakia perform poorly in terms of both duration and number of administrative procedures, but the process is relatively cheap, costing only around 1% of national income per head in Czechia and Slovakia and 4.5% in Austria. In the Netherlands, Portugal and Greece, the duration, number of procedures and cost are well below the EU average. The procedure is also relatively quick in Italian cities, Rome being the city where it takes the longest, 11 days, but this is still slightly below the EU average. While the number of procedure in Italian cities is similar to the EU average, the cost is higher than anywhere else, at 14% of national income per head, almost three times the EU average.

Effective construction regulations matter for public safety, but also for the health of the construction industry and the economy as a whole. In 2019, the industry accounted for 5.5% of EU gross value-added and for around 6.5% of employment. The time, complexity and cost of obtaining a construction permit (here for a warehouse) varies markedly between cities, even in the same country (**Error! Reference source not found.**). A major reason is the differing length of time taken to obtain an excavation permit, a process that can be shortened by improving electronic permit systems. Getting a construction permit is quickest in Cagliari and Milan in Italy and Varazdin, in Croatia. By contrast, it takes much longer than the EU average (of 170 days) in the southern Italian cities, apart from Cagliari, and in all the Slovakian and Czech cities covered. In these cases, requesting a permit involves a large number of preconstruction approvals, especially in Czechia. In both here and Slovakia, the length of the process stands in contrast to the low cost of obtaining the permit, at only 0.3% of the value of the building concerned in all the cities. The average cost of construction permits is well above the EU average in Croatia, Dublin and some Italian cities, Milan being the most expensive at almost 18% of the building value or over 7 times the EU average. Nevertheless, in Italy, starting a business became quicker and easier between 2013 and 2020 in all the cities covered by the survey, and the cost was reduced in all except Bari (see Box).

²⁴ World Bank 2018, 2020 and 2021.

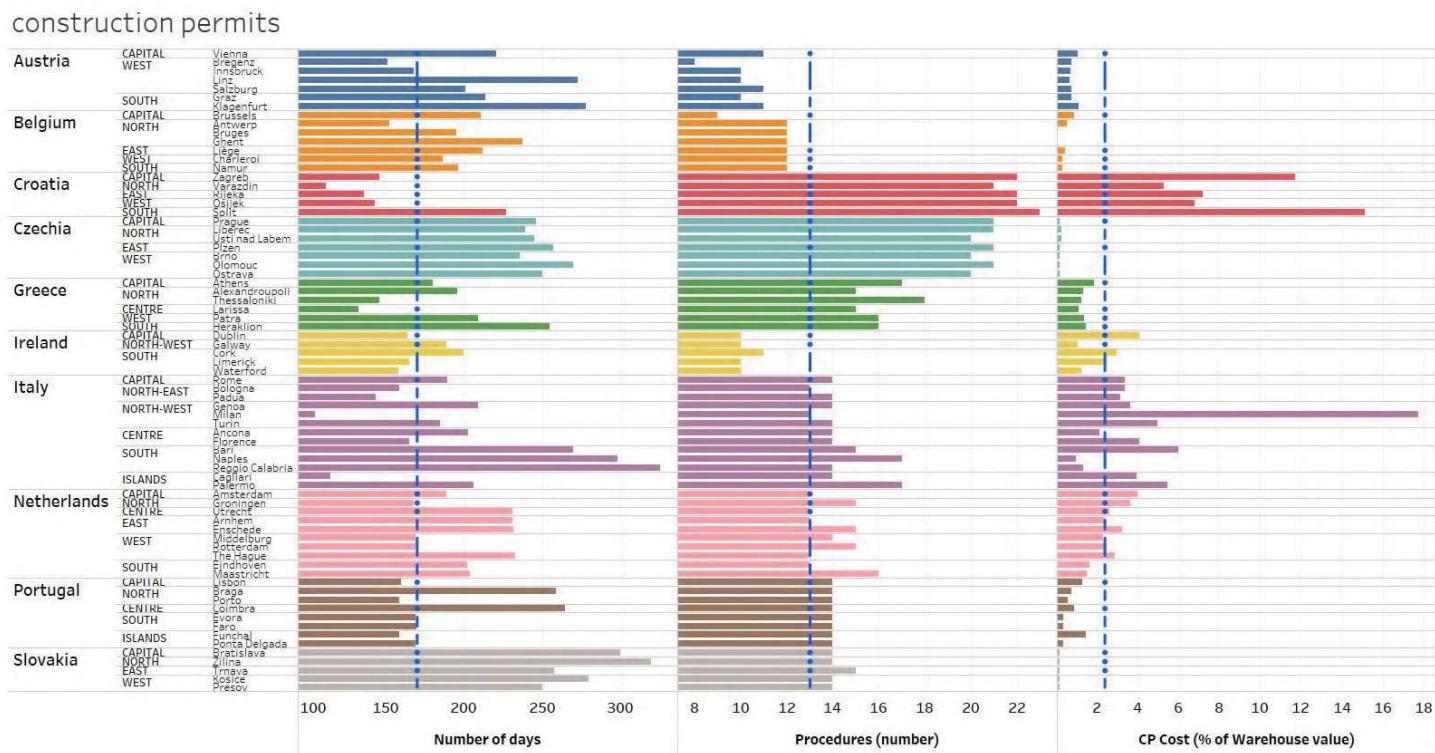
Figure 7. 8 Sub-national differences in starting a company, 2018/2021



Note: The vertical blue lines indicate the EU average for 2020 based on national data, computed as population-weighted average of 2020 country values, which relate to the capital city.

Source: DG REGIO calculations based on the World Bank Sub-National Doing Business Reports, years: 2021 (AT, BE and NL); 2020 (EL, IE and IT) and 2018 (HR, CZ, PT and SK).

Figure 7. 9 Sub-national differences in dealing with construction permits, 2018/2021



Note: The vertical blue lines indicate the EU average, computed as population-weighted average of 2020 country values, which relate to the capital city.

Source: DG REGIO calculations based on the World Bank Sub-National Doing Business Reports – years: 2021 (AT, BE and NL); 2020 (EL, IE and IT) and 2018 (HR, CZ, PT and SK).

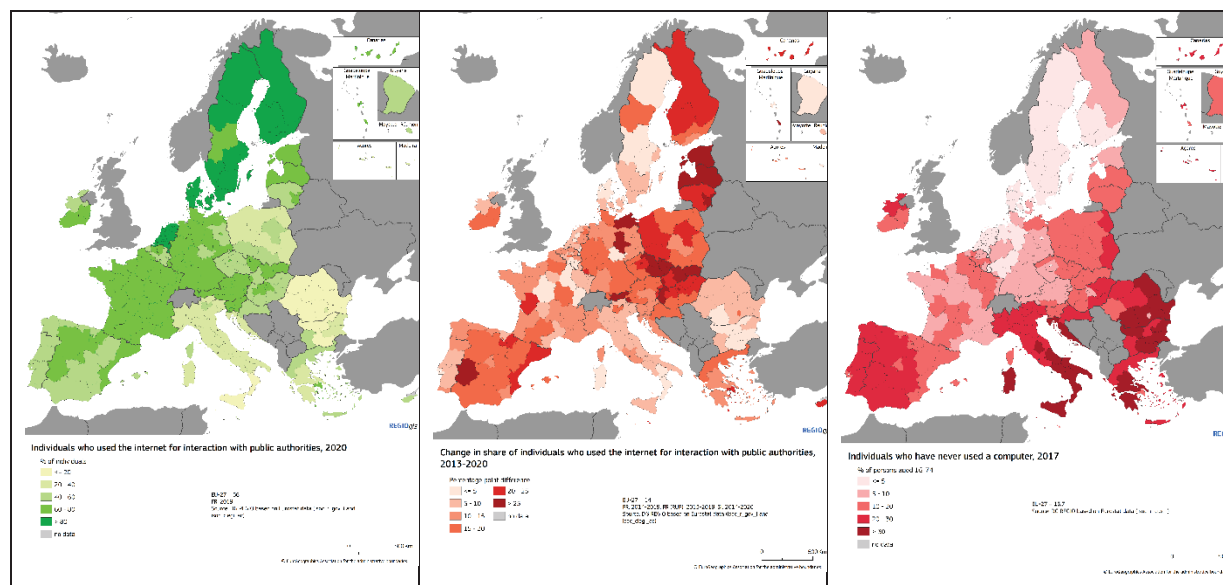
7. E-Government as a means of increasing transparency and accountability

Public authorities can increase their efficiency and improve their relationship with the public through e-Government, which is the use of technology to improve and facilitate government services, for example to request birth certificates or submit tax declarations online. Wider and easier access to public services ultimately increases their transparency and accountability, while reducing red tape and corruption. For some time, ICT has offered a range of tools to meet the needs of e-Government and in 2020 over half of people in the EU aged 16-74 (57%) used the internet to interact with public authorities. While there are considerable differences in usage between Member States, inter-regional differences are, in most cases, small (Map 7.6, left). In the Nordic Member States, the Netherlands and Estonia, 80% or more of people used the internet to interact with public authorities and in most of French regions, apart from Corse and

the outermost regions, this was true for over 70% of the survey respondents. By contrast, the share was less than 20% in southern Italy and Romania, except for the capital region where it was around 30%²⁵. The share of internet users of government services is also small in the rest of Italy and most parts of Bulgaria and the increase since 2013 has been marginal (Map 7.6, centre).

Low usage of e-Government services is likely to be linked to lack of internet access and/or low levels of technological readiness, which is a feature of some regions in the EU. In particular, in 2020, over 30% of people in the south-east of Romania reported that they did not have any access to the internet, whether by mobile phone, computer or other device²⁶. A third of people in southern Italy, western Croatia and most regions in Romania and Bulgaria reported never having used a computer in their lives (Map 7.6 – right). Being able to use at least one of devices such as computer, laptop, tablet, mobile or smartphone is a necessary skill to be able to benefit from e-Government services. The development of the information society is critical for creating the necessary conditions for a modern, competitive economy and strengthening economic resilience.

Map 7.6 Internet and computer use in the EU, 2020 and 2013-2020 The following go as titles to the 3 maps *Interaction with public authorities via the internet in the previous 12 months (% population)* (left). *Change in interaction with public authorities via the internet, 2013-2020 (Percentage point change)* (centre). *Individuals who have never used a computer (% population)* (right).



²⁵ NUTS2 level data for Italy and France relate to 2019.

²⁶ Gallup World Poll ad-hoc 2020 regional survey.

Source: DG REGIO based on Eurostat data (datasets: *isoc_r_gov_i*; *isoc_ciegi_ac* and *isoc_r_cux_i*)²⁷.

How can more people be encouraged to use the internet to interact with public authorities?

Increasing e-Government usage can be seen as a virtuous circle: if most government services can be readily accessed online, more people will be inclined to use them and if public demand is high, authorities will be pushed to develop better digital services. The yearly e-Government Benchmark reports give an insight into the availability and usability of public e-services in the EU²⁸. They indicate how countries perform in four key e-Government areas:

1. User-centricity, which indicates the availability and usability of public e-services.
2. Transparency, which indicates the intelligibility of government operations, service provision procedures and the level of control users have over their personal data.
3. Cross-border mobility, which indicates the availability and usability of services for people and businesses located abroad.
4. Key enablers, which indicate the availability of five functions, such as e-ID cards.

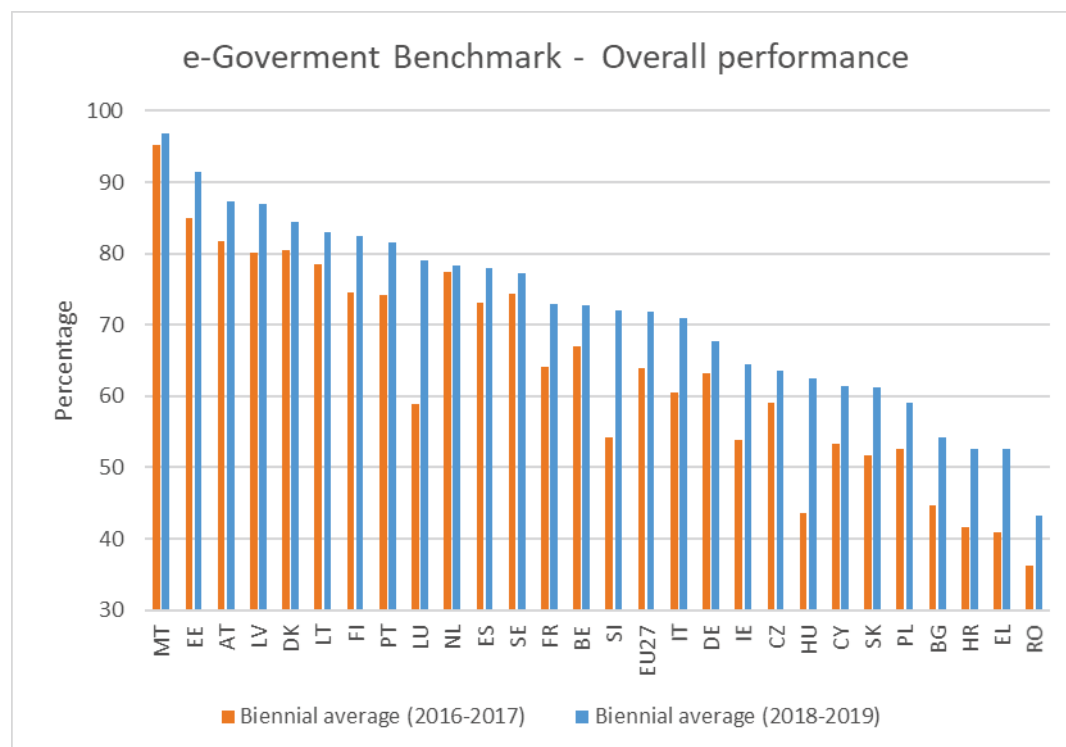
The assessment in each area is based on responses to questions on the quality and quantity of e-Government services provided. The average score over the four areas represents the overall e-Government performance of a country, on a scale from 0%, the worst, to 100%, the best performance over the four sets of indicators. Over the period 2016-2017 to 2018-2019²⁹, the provision of digital public services improved in all EU countries, but at different rates (**Error! Reference source not found.**). Malta remained the top performer, followed by Estonia, with a score above 90% in 2018-2019. In terms of the change in e-Government performance, Croatia, Greece, Hungary, Ireland, Italy, Luxembourg and Slovenia all improved their score by more than 10 pp, especially Luxembourg (from 59% to 79%).

²⁷ Data for Germany, Greece and Poland are available only at the at NUTS1 level.

²⁸ Van der Linden et al. (2020).

²⁹ For methodological reasons, the e-Government Benchmark results are published as biennial averages: <https://ec.europa.eu/digital-single-market/en/news/egovernment-benchmark-2020-egovernment-works-people>.

Figure 7. 10 Overall e-Government country performance, from 0% (worst) to 100% (best), 2016-17 and 2018-19



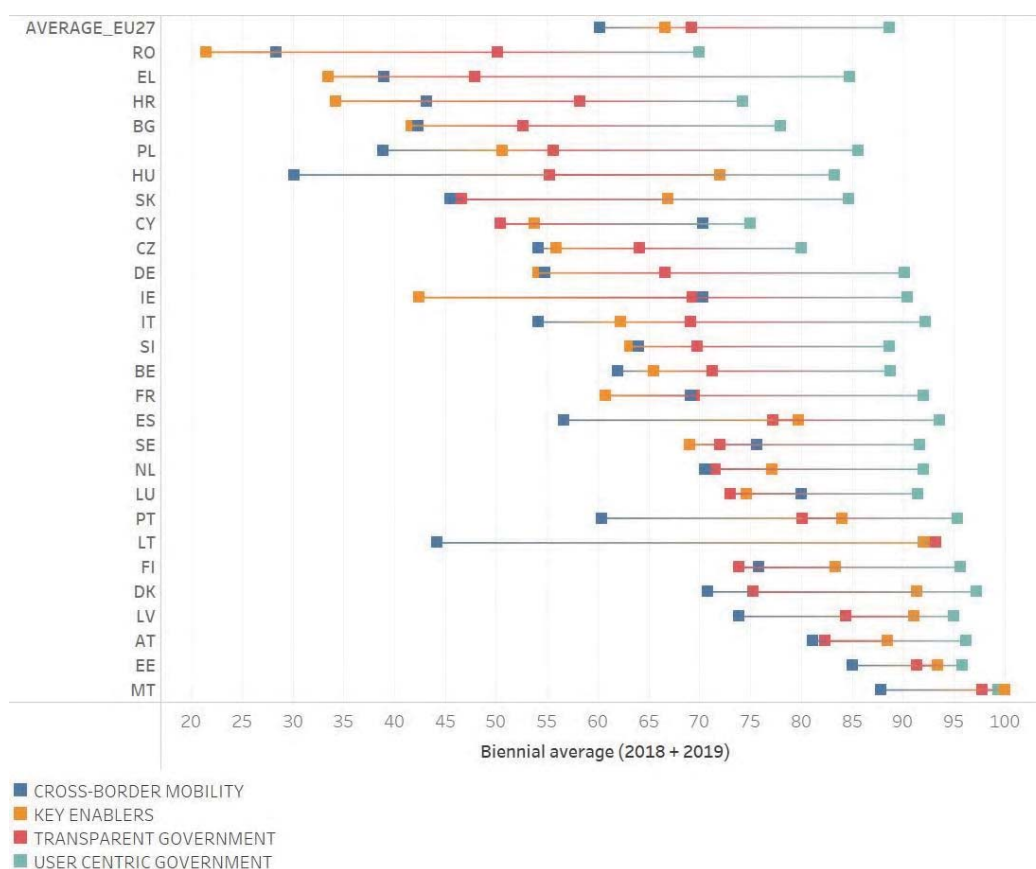
Note: Benchmark computed as the average score over the four e-Government sets of indicators. Countries ordered from best to worst by the score in 2018-2019.

Source: e-Government Benchmark report (Van der Linden et al., 2020).

The overall e-Government score shows the aggregate picture, but countries perform differently across the four areas (**Error! Reference source not found.**) and the dispersion around the average score tends to widen as the country performance worsens (right-hand side of **Error! Reference source not found.**). User centricity improved in all Member States, implying that public services became more available online, more mobile-friendly and with more online support available. People living abroad generally struggle to access and use online services in their home country, as highlighted by the low scores on the cross-border mobility indicator, which is a weak point for all EU countries. A major bottleneck is the difficulty people abroad have in accessing services requiring authentication. In 2018-2019, only 9% of the services usually accessed by residents via a domestic electronic identity document – eID – could equally be accessed using a foreign national eID.

To improve cross-border interoperability of national online identification systems, the European Commission has proposed a new regulation on digital identity. The European Digital Identity³⁰ will be available to EU citizens, residents, and businesses who want to identify themselves or provide confirmation of certain personal information. The 2030 Digital Compass sets out the milestones towards fully reaping the benefits of a digital EU, including improving e-Government. In particular, by 2030, all key public services should be available online, all citizens should have access to electronic medical records, and 80% of the population should be able to use electronic identification.

Figure 7. 11 Country performance in e-Government areas, 2018-19



Note: Countries ordered from worst to best (reading from top) by their average performance across the four areas.

Source: e-Government Benchmark report (Van der Linden et al., 2020).

³⁰ https://ec.europa.eu/info/strategy/priorities-2019-2024/europe-fit-digital-age/european-digital-identity_en

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