7

BETTER GOVERNANCE

- 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 and regional governments trusted more than national ones.

- At the same time, legal and democratic institutions that function well are necessary to ensure democratic stability and respect for fundamental rights in Europe and trust in public institutions. The 2024 edition of the European Quality of Government Index clearly shows that wide disparities still exist across EU regions, with less developed regions lagging behind and their performance worsening since 2021.

- Public procurement procedures that involve only a single bidder or no calls for bids at all are potentially exposed to corruption and fraud. Public procurement contracts awarded to a single proposer appear to be more numerous in less developed regions in the EU than in others.

- The digitalisation of public authorities across the EU has the potential to improve transparency, to encourage interaction between governments and people, and so to increase public trust. Online interaction, however, varies markedly between EU regions and according to the latest data is lowest in the less developed regions.

- Policy reforms have made the EU more business-friendly over recent years. Regional competitiveness appears to be higher in regions with lower barriers to accessing finance, less burdensome administration of taxes, and lower perceived corruption.

- In a context in which substantial disparities still persist across EU regions in several respects, tackling the structural obstacles to development entails targeted policy measures at the sub-national level. The European Semester process, which has identified these obstacles in many cases, can play an important role in reducing these disparities.

- National reforms can be adapted to the specific features of individual regions, as for instance in areas such as healthcare and education, where regional and local authorities are at the forefront of provision.

- The European Semester has highlighted in recent years the disparities still in place across regions, often identifying the structural factors preventing convergence. Addressing such factors, and considering the sub-national dimension in the European Semester, is instrumental in reducing such disparities.

Chapter 7
Better governance

1. Good institutions are crucial for economic development

Institutions, that are transparent, accountable, respect the rule of law, and have effective governance structures, have a positive effect on the functioning of governments[1] at all levels and, ultimately, on economic development and the impact of public investment, including that funded under Cohesion Policy[2].

Institutional trust is a multi-dimensional concept and provides a measure of how people perceive the quality of public institutions in democratic countries[3]. The level of trust in national, regional and local governments across the EU has increased over the past few years, including during the COVID-19 pandemic, with local governments trusted more than national ones. In 2023, regional and local authorities of the EU enjoyed the trust of 53 % of their residents, as against only 32 % who trusted national governments[4].

High-quality institutions provide a stable and predictable environment for economic activities. They establish respect for the rule of law, protect property rights, and ensure contracts are enforced. When businesses and individuals have confidence in the legal framework and institutions, they are more likely to invest, innovate, and engage in productive activities.

Good institutions promote effective governance and accountability. Transparent and accountable institutions help combat fraud and corruption, nepotism and favouritism, all of which can hinder economic development. Strong institutions establish checks and balances, promote fair competition, and ensure that resources are allocated efficiently, creating a more conducive business environment. Fraud and corruption – in particular – are a significant impediment to the efficient functioning of local governments. When they are minimised, resources tend to be allocated more fairly and effectively, ultimately benefiting the whole community. Lower fraud and corruption also lead to a more favourable environment for investment and economic development, leading to job creation and increased prosperity[5].

The 2023 Eurobarometer survey on corruption shows that it remains a serious concern for people and businesses in the EU. It indicates that 70 % of people believe that corruption is widespread in their country and 45 % consider that the level of it had increased in the past three years. Some 60 % of people think that their government's efforts to combat corruption are not effective. In addition, 63 % of companies in the EU consider that corruption is widespread in their country and 50 % that corrupt individuals or businesses are unlikely to be caught, or reported to the police or prosecutors[6]. In May 2023, the Commission put forward a proposal to establish stronger rules to combat corruption in both the EU and worldwide[7].

Good institutions provide a framework for effective public administration, including transparent budgeting, procurement procedures, and regulation. By reducing bureaucratic hurdles, along with fraud and corruption, they enable resources to be

1 Acemoglu and Robinson (2010); Ketterer and Rodríguez-Pose (2018).

2 Rodríguez-Pose and Garcilazo (2015).

3 OECD (2022); Brezzi et al. (2021).

4 Source: Standard Eurobarometer 99 (2023).

5 Charron et al. (2014); Gründler and Potrafke (2019).

6 Special Eurobarometer 534 on corruption (2023) and Flash Eurobarometer 524 on business attitudes towards corruption in the EU (2023).

7 European Commission and High Representative of the Union for Foreign Affairs and Security Policy (2023).

allocated to their most productive uses, promoting economic efficiency and competitiveness.

The rule of law guarantees fundamental rights and respect for EU values, supports the full and correct application of EU legislation, and promotes an investment-friendly business environment. It is an integral part of the democratic identity of the EU and essential for its functioning.

While the EU is recognised as having high standards for the rule of law, upholding them requires constant monitoring. Since 2020, the Commission in its annual Rule of Law Report has provided an assessment of significant developments across Member States in respect of four key elements of the rule of law: the justice system, the anti-corruption framework, the pluralism and freedom of the media, and the checks and balances incorporated in institutions. While specific rule of law challenges exists in many EU Member States, the report has become a key driver for change and positive reforms. In fact, 65 % of the recommendations issued in 2022 have been, either fully or partially, addressed. At the same time, concerns about the legal system remain in some Member States[8].

In parallel with the report, the EU justice scoreboard gives an annual overview of comparative data on the independence, quality and efficiency of national judicial systems in Member States. For example, a 2023 Eurobarometer survey[9] showed that the general public's perception of judicial independence had improved since 2016 in 15 Member States. Compared with 2022, it had improved in 11 Member States but declined or remained unchanged in another 12. Another Eurobarometer survey[10] also carried out in 2023, shows that the proportion of companies considering the judiciary to be independent had increased in 11 Member States compared with 2016, though it had fallen in 13 compared with 2022.

Taking a broader perspective, both conceptually and geographically, the Rule of Law Index produced by the World Justice Project[11] provides an aggregate indicator aiming to quantify perceptions on the rule of law around the world, and over time[12]. The 2023 edition covers 142 countries and jurisdictions, including all EU Member States, all of which, except Bulgaria and Hungary, score above 60 %[13].

A significant part of Cohesion Policy funding over the years has gone to strengthening institutions within Member States, helping to finance investment in key areas such as public administration, judiciary, rule of law, and public procurement systems. Funding has been channelled into capacity-building, administrative modernisation, and training programmes to improve the functioning of institutions. For the current programming period, 2021–27, around EUR 13 billion has been allocated to supporting Member States via technical assistance[14], including EUR 2.3 billion specifically for reinforcing the administrative capacity to implement Cohesion Policy programmes, for example through actions identified in strategic roadmaps[15,16]. The Commission also provides technical assistance support to Member States for strengthening the administrative capacity of programme authorities. Technical support is provided

8 European Commission (2023a).

9 Flash Eurobarometer 519 on the perceived independence of national justice systems in the EU among the general public.

10 Flash Eurobarometer 520 on the perceived independence of national justice systems in the EU among companies.

11 https://worldjusticeproject.org/rule-of-law-index/.

12 The index is an aggregate measure of the extent to which countries adhere to the rule of law in practice. It incorporates nine basic concepts, or aspects: limited government powers; absence of corruption; order and security; fundamental rights; open government; effective regulatory enforcement; access to civil justice; effective criminal justice; and informal justice. See: Botero and Ponce (2011).

13 A recent statistical audit performed on the 2021 edition of the index confirms that the rule of law index is a reliable tool, and that the framework is statistically coherent and robust. See: Kovacic and Caperna (2022).

14 Technical assistance is available to help managing authorities (MAs) implement Commission-funded programmes and can be used to pay for: preparation; management; evaluation; monitoring; audit and control; administrative capacity-building of programme authorities, beneficiaries and partners; and information and communication.

15 Roadmaps for administrative capacity building have been developed in 15 Member States.

16 Source: Cohesion Open Data Platform, available at: https://cohesiondata.ec.europa.eu.

to Member States, through the Technical Support Instrument (TSI), to improve the efficiency and quality of public administration and justice and to tackle, among other things, fraud and corruption. The long-term vision for rural areas[17] underlines the importance of access to high-quality public services in rural areas.

In addition, for the 2021–2027 period 'enabling conditions' have been introduced into the legislative framework, notably in respect of the Charter of Fundamental Rights (which includes judicial independence), and on public procurement in relation to the implementation of EU funding. These imply that the Commission may only reimburse Member States for expenditure[18] under the Cohesion Policy funds once these conditions have been fulfilled.

The European Semester process has been instrumental in encouraging Member States to prioritise institutional reforms and to address shortcomings in public administration, anti-corruption measures, and the effectiveness of judicial systems. Over the years, the process has identified many of the structural factors hindering sustainable economic development in the EU, pointing to the need for high-quality institutions, efficient public administration, and a healthy business environment through the establishment of an effective legal framework, and Member States have been invited to tackle these factors through Country Specific Recommendations.

2. Monitoring and benchmarking the quality of institutions

2.1 The European Quality of Government Index (EQI)

The quality of regional government can significantly affect the overall economic performance and stability of regions. A regional government that functions well can create a favourable business environment, attract investment, and promote economic development through policies that support entrepreneurship, innovation, and competitiveness. High-quality institutions can also help to ensure that resources are allocated efficiently,

Box 7.1 The European Quality of Government Index at the sub-national level

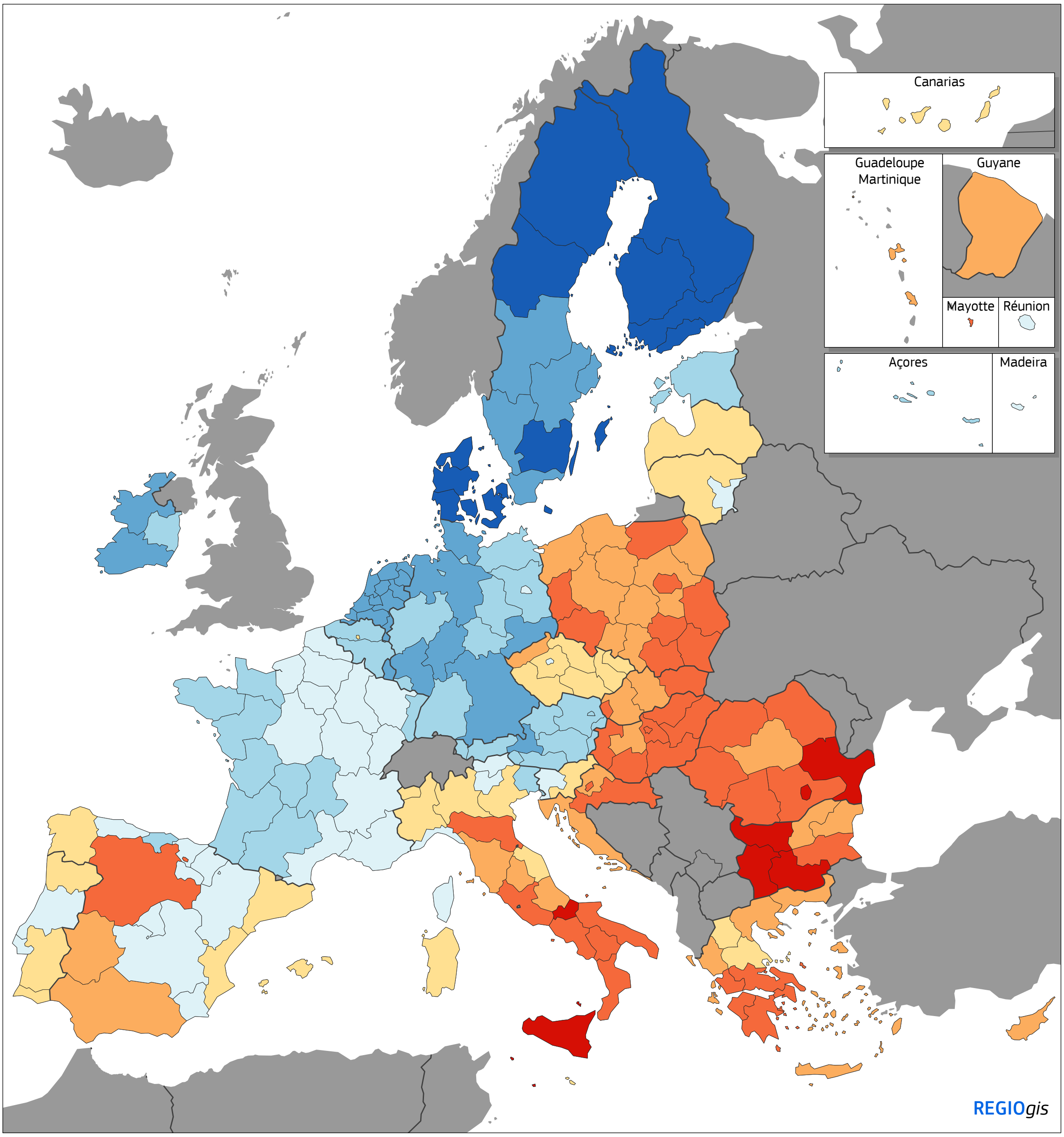
The European Quality of Government Index (EQI)[1] is the first measure to enable governance in regions within and across EU Member States to be measured and compared.

The index has been produced by the Quality of Government Institute at Gothenburg University for the European Commission since 2010. It enables the quality of government to be measured at sub-national level, and its impartiality, efficiency, and freedom from corruption to be assessed and compared across regions (Map 7.2). The index is based on a large survey of individuals who are asked about their perceptions and experience of public sector corruption, along with the extent to which they believe various public services (education, healthcare, and law enforcement) are impartially allocated and of good quality. The aim is to provide researchers and policymakers with a means to better understand how the quality of governance varies within countries and over time. A high-quality government is, therefore, defined as one that combines high impartiality, good public service delivery, and low corruption. The 2024 EQI provides data for 218 NUTS 2 (NUTS 1 for Germany and Belgium) regions in the EU, as well as a time series of regional data for a common sample of regions over the four waves of the survey. The data are standardised with a mean of zero, higher scores implying higher-quality government.

1 For more details on its methodology, see: European Quality of Government Index, University of Gothenburg. https://www.gu.se/en/quality-government/qog-data/data-downloads/european-quality-of-government-index.

17 Rural vision – European Union (europa.eu) https://rural-vision.europa.eu/index_en.

18 When enabling conditions are not fulfilled at the time of submission of a payment application to the Commission for the specific objective concerned, the related expenditure will not be reimbursed from the Union budget until the Commission assesses those enabling conditions as fulfilled.



Map 7.1 European Quality of Government Index, 2024

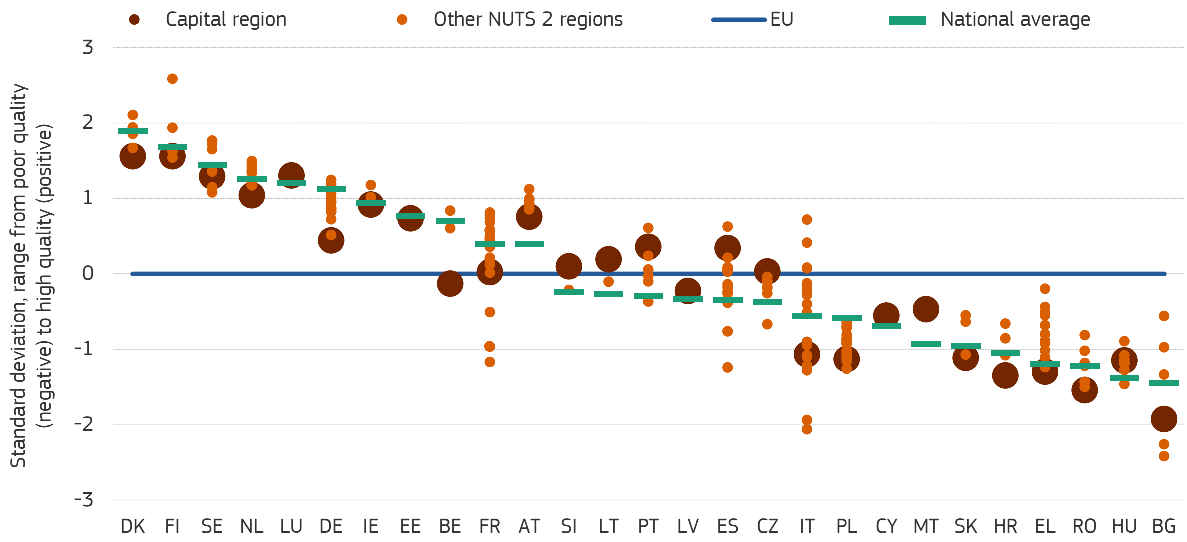
Standard deviation, range from poor quality (negative) to high quality (positive)

- <= -1.5
- -1.5 – -1.0
- -1.0 – -0.5
- -0.5 – 0.0
- 0.0 – 0.5
- 0.5 – 1.0
- 1.0 – 1.5
- > 1.5
- no data

EU = 0
Note: Scores are expressed in z-scores, and the EU average is therefore equal to 0. Positive (negative) values reflect a quality of government that is higher (lower) than the EU average.
All countries at the NUTS 2 level except Belgium and Germany, which are at the NUTS 1 level.
Source: The Quality of Government Institute, University of Gothenburg.

0 500 km

Figure 7.1 European Quality of Government Index, 2024: regional variation by Member State



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

including for investment in infrastructure, which is crucial for economic development. Regional governments can assist economic integration and co-operation by facilitating trade, investment, and infrastructure links between regions, contributing to their development and integration into global markets[19] (Box 7.2).

Over the past two decades, there has been a surge in research activity to assess the quality of institutions across countries, and more recently within them, focusing on corruption, the impartial application of the rule of law, and the effectiveness of public administration. The EQI at regional level has been published five times since 2010 and has had a wide impact on research on economic geography, and on entrepreneurship and innovation in EU regions (Box 7.1).

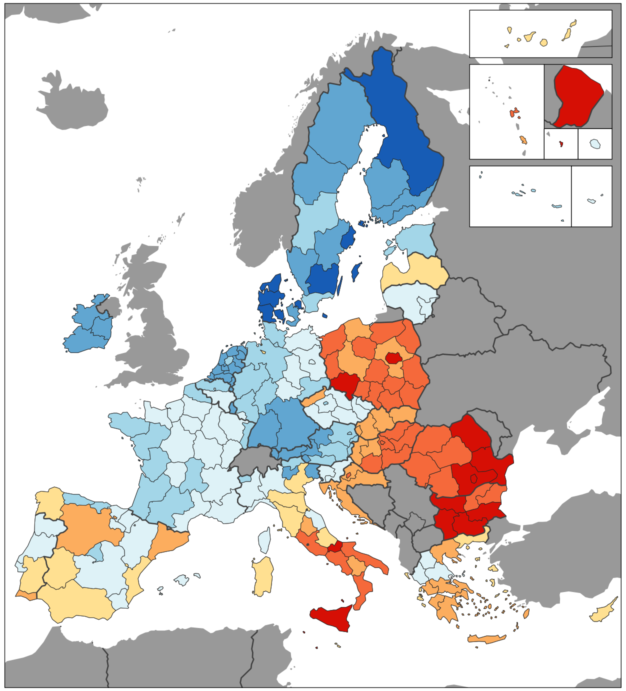
The picture shown by the 2024 index is consistent with previous editions, with the north-western area of the EU performing better than the southern and eastern parts (Map 7.1 and Map 7.2). There are marked differences between regions in Bulgaria, Greece, Italy and Spain (Figure 7.1). In France, the large within-country difference is mainly due to the low scores in the NUTS2 outermost regions.

Over the period 2010–2017, there were significant improvements in the quality of government in the Baltic countries, most of Poland, Germany, the Netherlands, Croatia, and some regions in Romania and Bulgaria (Map 7.3). By contrast, there was a deterioration in some regions in Austria, in Cyprus, in regions in southern Greece, Hungary, some regions in Italy, Spain and Portugal. In the years between 2017 and 2024 (Map 7.4) the quality of government worsened in all Polish regions, as it did in many regions in Hungary. On the other hand, there was an improvement in the index over this period in many regions in Italy, as well as in regions in Bulgaria, Greece and Romania.

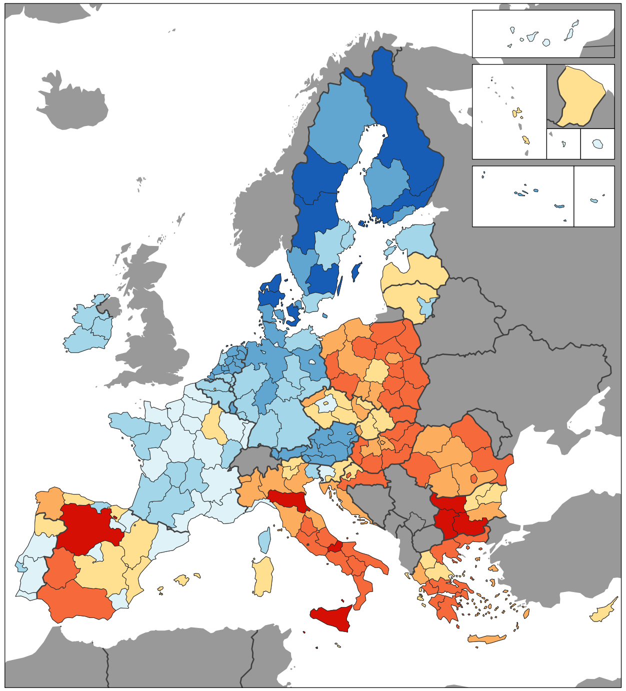
On average, less developed regions score significantly below the EU average in all years, and while they improved up until 2017, they worsened over the next seven years. For transition regions, scores fluctuated over the five waves, but worsened relative to the EU average between 2021 and 2024 (Table 7.1).

19 Barbero et al. (2021).

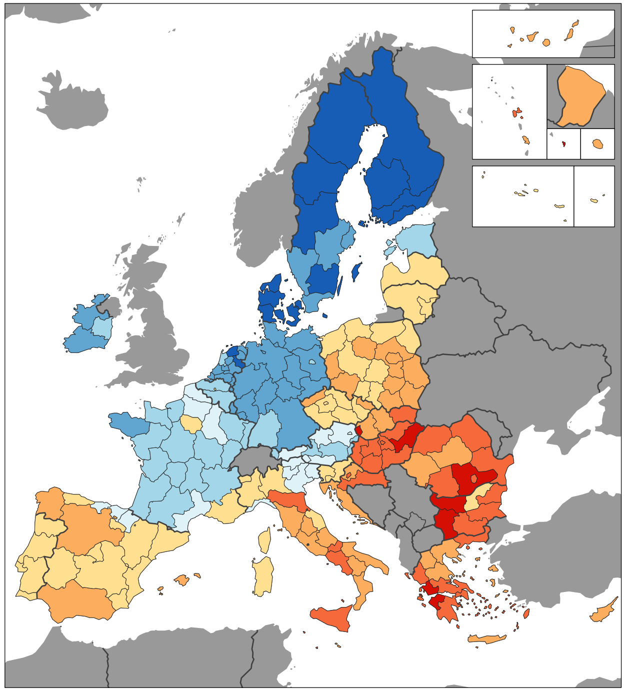
Map 7.2 Dimensions of the European Quality of Government Index, 2024



Quality dimension



Impartiality dimension



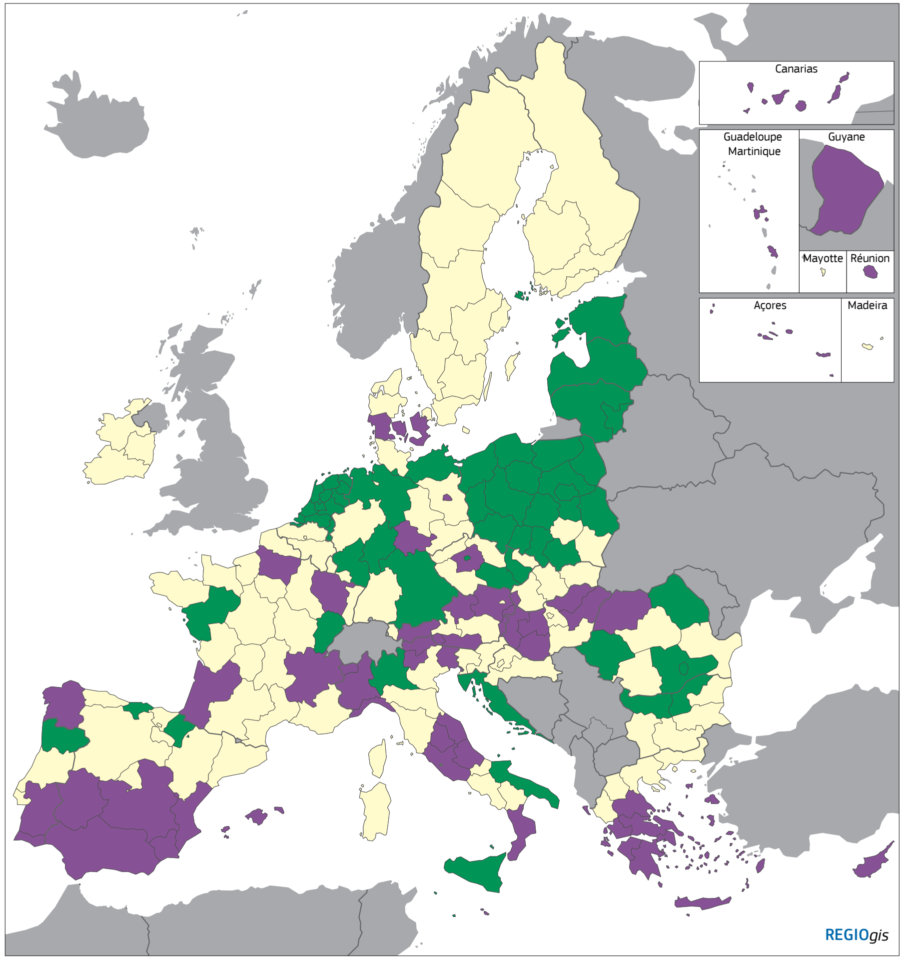
Corruption dimension

Standard deviation, range from poor quality (negative) to high quality (positive)

- <= -1.5
- -1.5 – -1.0
- -1.0 – -0.5
- -0.5 – 0.0
- 0.0 – 0.5
- 0.5 – 1.0
- 1.0 – 1.5
- > 1.5
- no data

EU = 0
Source: Quality of Government Institute, University of Gothenburg.

0 1,000 km

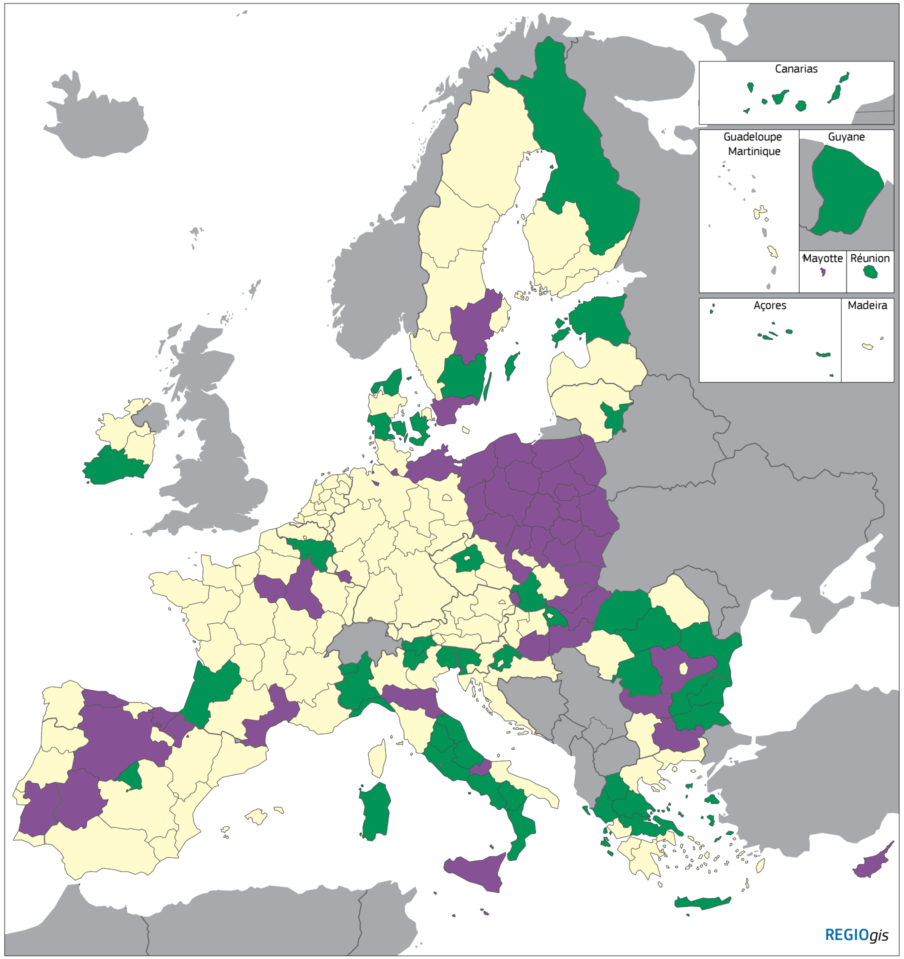


Map 7.3 Change in the European Quality of Government index, 2010–2017

- deterioration
- stability
- improvement

Note: Regions where scores increased (decreased) by more than 0.25 standard deviations in the period are shown in green (purple).
Source: Quality of Government Institute, University of Gothenburg.

0 500 km



Map 7.4 Change in the European Quality of Government index, 2017–2024

- deterioration
- stability
- improvement

Note: Regions where scores increased (decreased) by more than 0.25 standard deviations in the period are shown in green (purple).
Source: Quality of Government Institute, University of Gothenburg.

0 500 km

Table 7.1 Average EQI scores by category of region, 2010–2024

	EQI edition				
	2010	2013	2017	2021	2024
Less developed	-0.98	-0.92	-0.84	-0.89	-0.92
Transition	0.41	0.23	0.25	0.35	0.24
More developed	0.44	0.44	0.54	0.47	0.52

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

Box 7.2 Quality of government, quality of governance and the return on EU-funded investment

European Commission research using the RHOMOLO macro-economic model of EU regions suggests that **the quality of government significantly affects the return on investment financed by EU Cohesion Policy**. The model estimates that a 5 % increase in the quality of government (proxied by the EQI index) in EU regions increases the impact of Cohesion Policy investment on GDP by up to 7 % in the short run and 3 % in the long term[1].

The quality of government, and of institutions more generally, also appears to affect the governance of policies, which in turn affects their impact. In particular, the capacity to design and implement policy interventions according to intended time schedules and budget allocations and to achieve the expected results cannot be taken for granted. Governance affects the way that policy is implemented and, therefore, the link between means and ends, or the channels by which investment gives rise to outcomes.

A recent analysis using the RHOMOLO model estimates that **around 40 % of the potential impact on GDP of 'smart specialisation' strategies in Italian regions is lost because of the comparatively low quality of governance in some cases**[2].

This calls for a strengthening of administrative capacity at regional level to improve the quality of governance and so increase the impact of Cohesion Policy on regional development and convergence.

1 Barbero et al. (2023).

2 Gianelle et al. (2023).

2.2 Assessing the quality of governance across EU regions with public procurement data

Public procurement, worth over EUR 2 trillion (around 14 % of EU GDP) every year across the EU, is an important lever in transforming the EU economy. The EU legislative framework can mobilise and steer public funding towards green and digital goals, shape the markets by creating demand for future-proof, environmentally sustainable and socially responsible solutions and products and accelerate the green transition[20].

Efficient public procurement is an essential ingredient of good institutions but is one of the government activities most vulnerable to corruption and fraud. The volume of transactions, the financial interests at stake, the complexity of the process, and the close interaction between public officials and business, significantly increase the risk of corruption and the potential incentives to engage in illegal practices. EU legislation contains a minimum set of public procurement rules designed to ensure a level playing field for businesses and to prevent fraud and corruption.

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

A recent report from the European Court of Auditors concluded that the level of competition for public contracts to deliver works, goods and services 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 procurement 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 single 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 procedure almost halved, from an average of 5.7 to 3.2[23]. In 2021, however, the share of public procurement tenders with a single bidder declined slightly, breaking the continuous upward trend in preceding years[24].

The proportion of contracts awarded directly without 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 offer, 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 Commission since 2017[25]. The Government Transparency Institute database contains details of public tenders 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 recent 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 Slovenija in Slovenia. By contrast, it was below 10 % in Stockholm, Mellersta Norrland Småland medöarna 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 tenders does not appear to follow a clear geographical pattern, varying from over 30 % in Picardie,

21 European Union (2023).

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

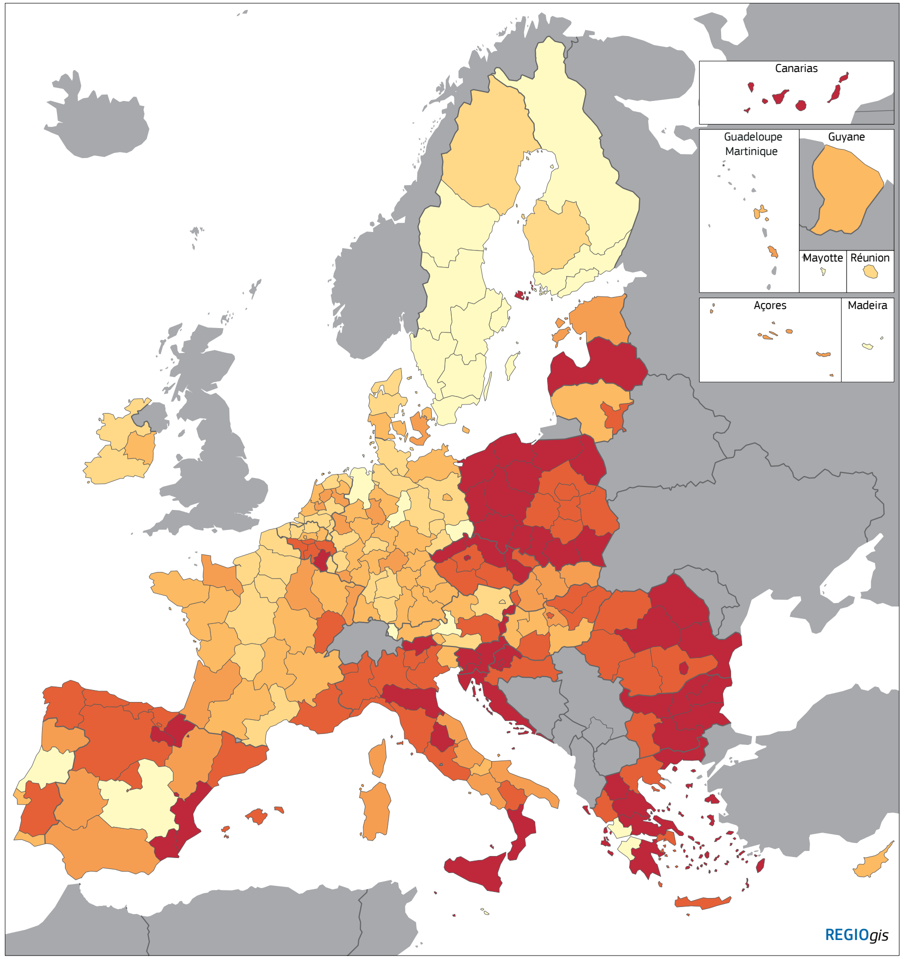
23 Source: See footnote 22.

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

25 Fazekas (2017).

26 Fazekas and Czibik (2021).

27 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.



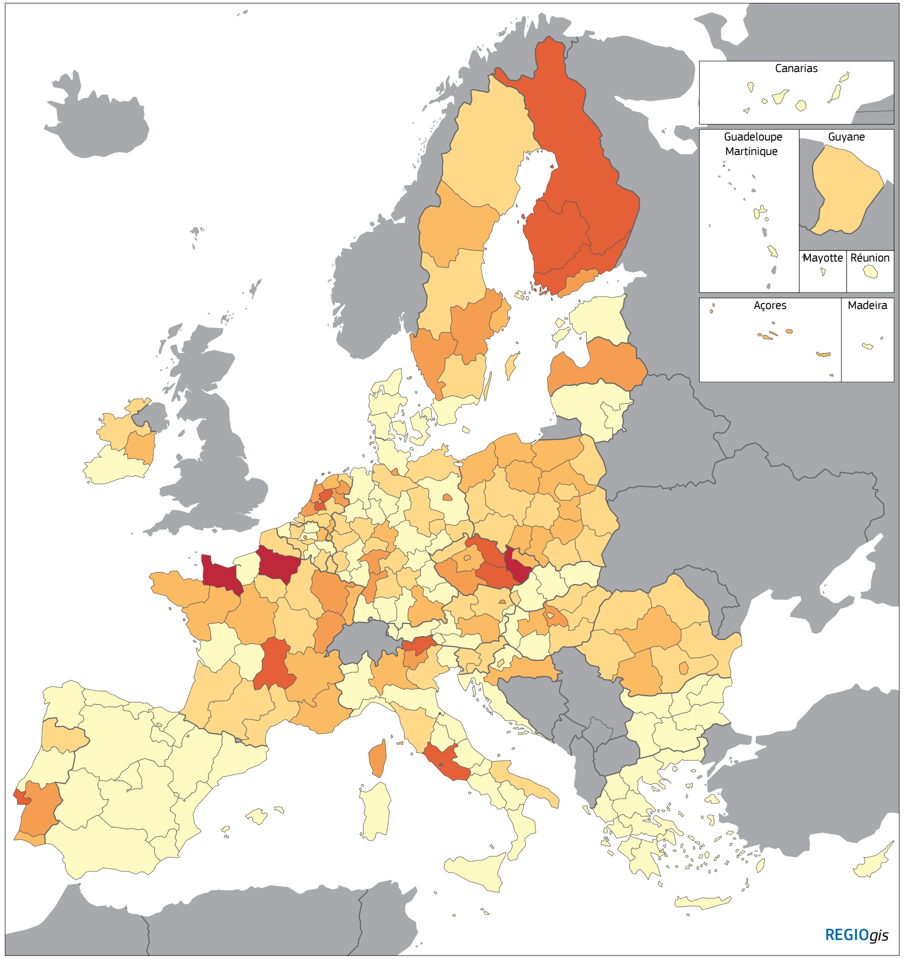
Map 7.5 Public procurement with a single bidder, average 2021–2022

% of contracts awarded by regional authorities

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

Source: DG REGIO based on TED data.

0 500 km



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

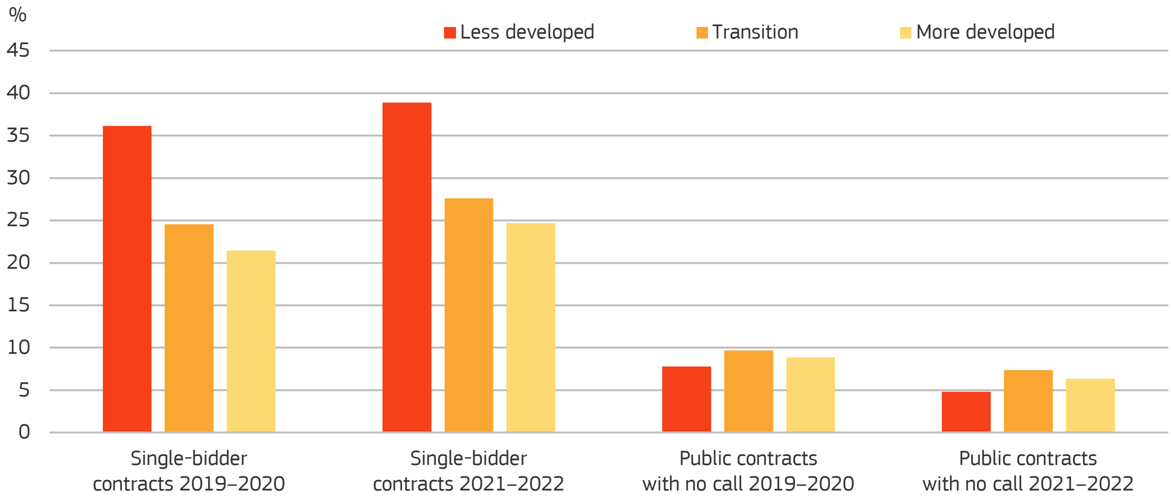
% of contracts awarded by regional authorities

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

Source: DG REGIO based on TED data.

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).

2.3 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 declarations. Wider and easier access to public services ultimately increases their transparency and accountability, 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 enables the streamlined delivery of services to people. Online platforms and digital portals provide convenient 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 Denmark, 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 users having interacted with public authorities was in Romania, at 14 %[32].

28 European Commission (2020a).

29 European Commission (2021a).

30 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]).

31 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).

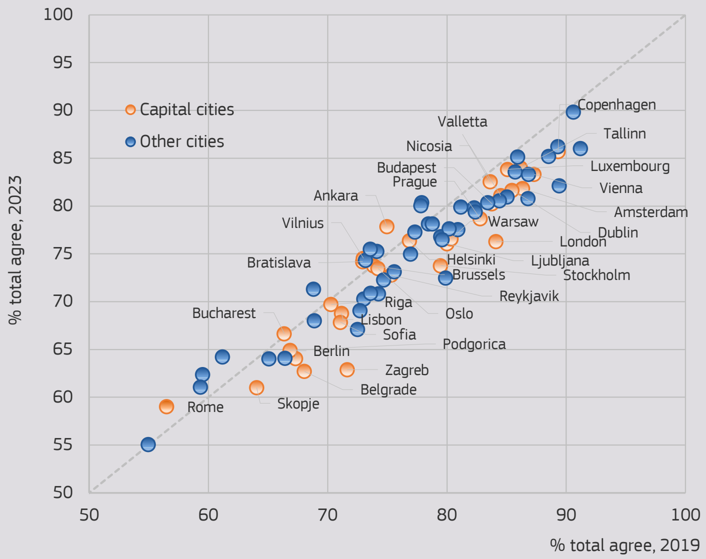
32 Source: Eurostat (isoc_ciegi_ac) and Eurostat (2023) https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Digital_economy_and_society_statistics_-_households_and_individuals#Use_of_e-government.

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 survey on the quality of life in European cities asked residents whether the information and services provided by their local public authorities could be easily 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 result, Eurostat data show that the proportion of people interacting online with public authorities has steadily increased since 2019, though existing inequalities in digital skills have also widened. The results of the survey show a clear reduction in the proportion of respondents reporting that the information 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

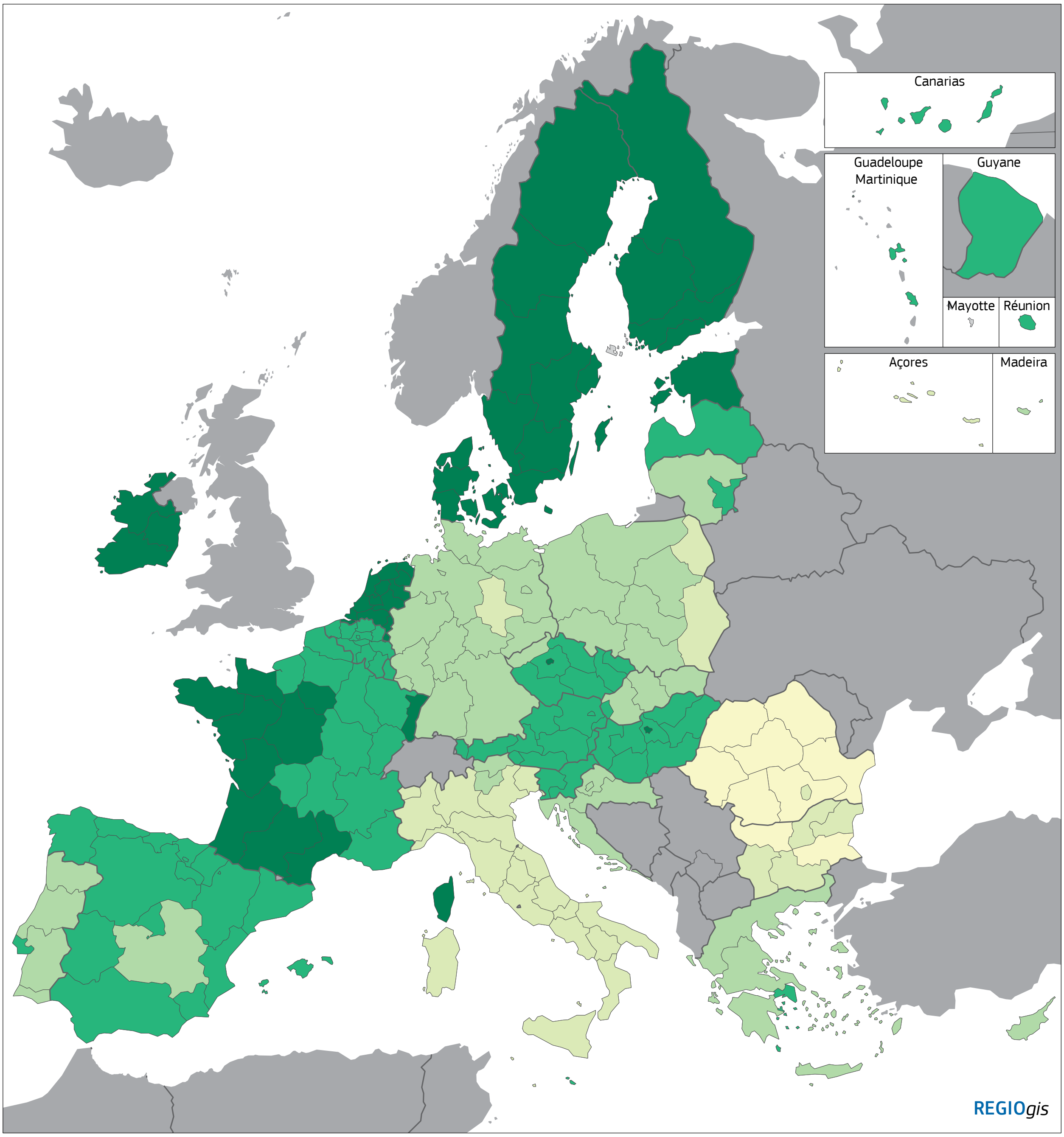


Note: Percentages are based on all respondents (excluding 'don't know'/not answered). The dashed line is a 45-degree line (no change between 2019 and 2023). The chart only includes cities for which a time comparison can be made between 2019 and 2023.
Source: European Commission (2023c).

The proportion was smallest in less developed regions, averaging 42 % in 2021[33] as against 69 % in more developed regions and 74 % in transition ones. The proportion was below 20 % in all regions in Romania – except for Bucaresti-Ilov, the capital city region – and in several regions in Bulgaria (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-government infrastructure, and/or low levels of digital skills, which is a feature of some regions in the EU. This digital gap particularly affects marginalised

33 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

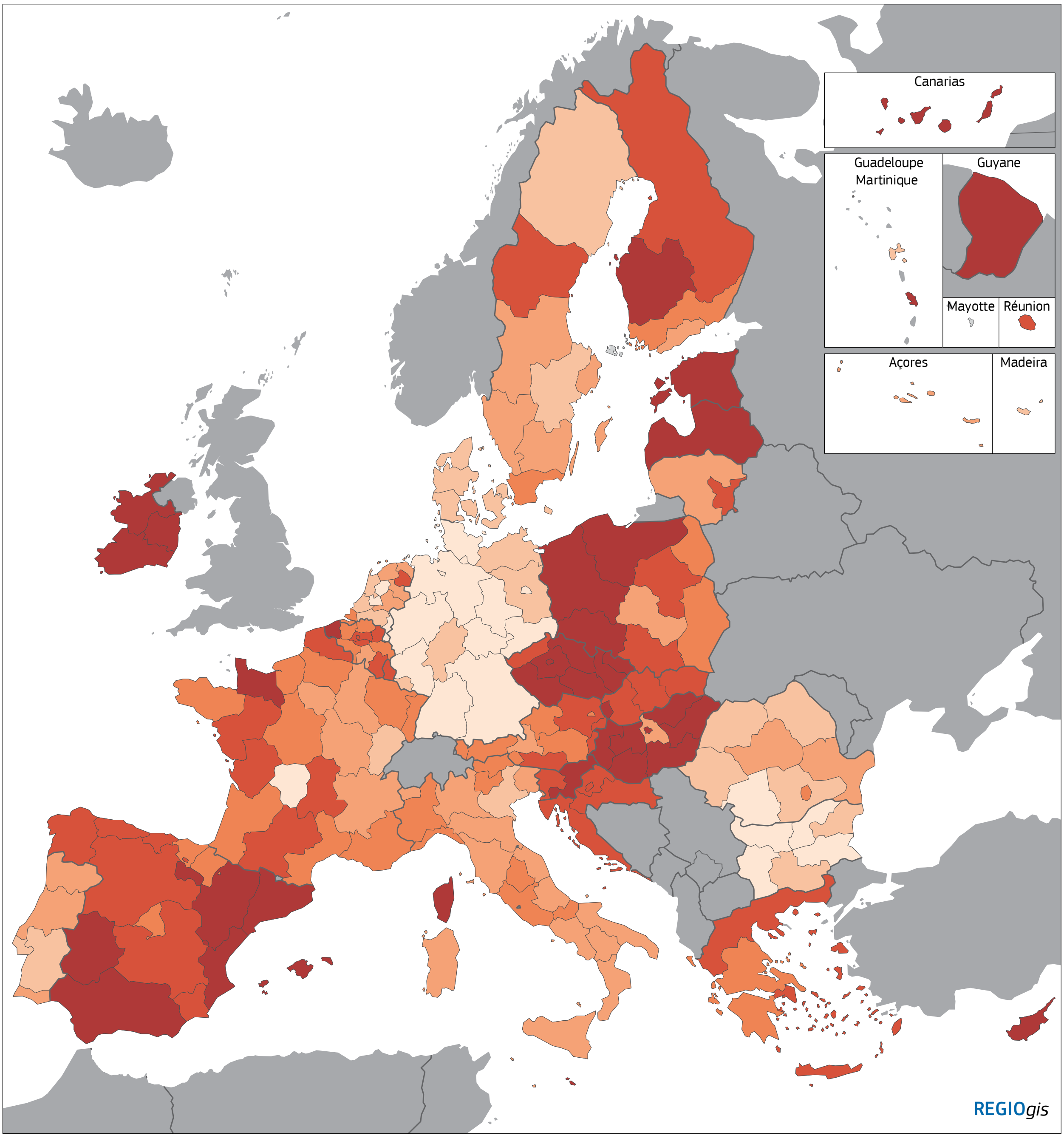
% of people aged 16–74

- <= 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

communities, such as Roma living in remote segregated settlements. In 2023, some 6 % of the population aged 16–74 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 Rural Digital Futures[35] highlights the importance of improving digital connectivity for closing the gap between rural and urban areas and boosting competences to make sure everyone benefits from the digital transition.

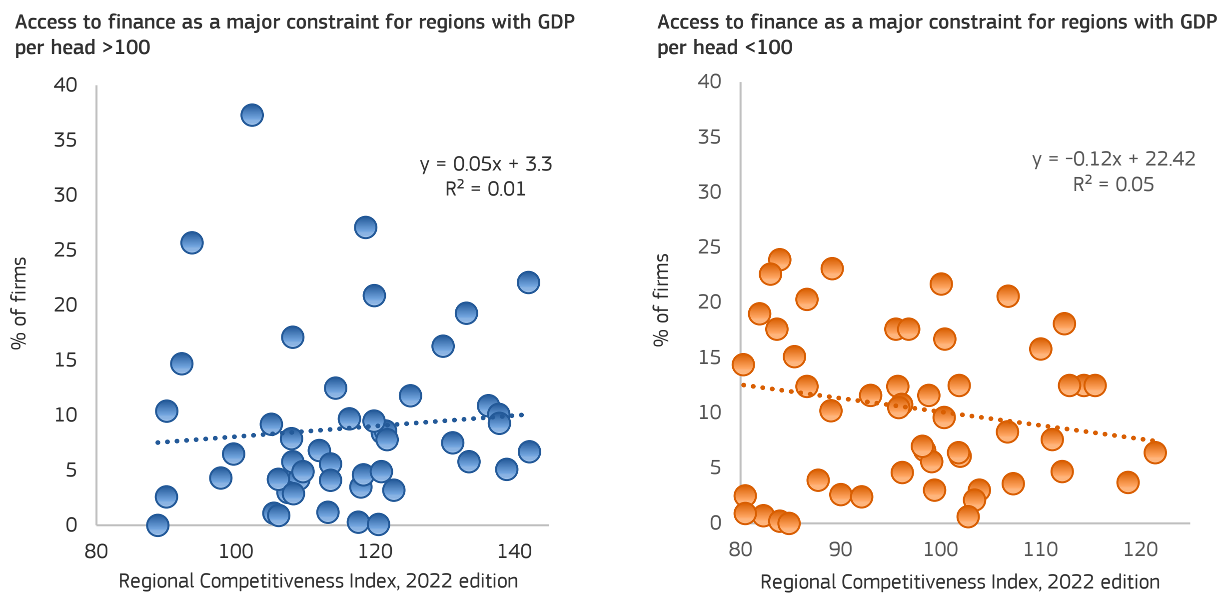
2.4 An efficient business environment is a key asset for regional competitiveness

One of the adverse effects of inefficient institutions is a poor regulatory environment that burdens firms and adversely affects entrepreneurship. Low-quality institutions hamper the creation of new businesses and may lead budding entrepreneurs 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 sustainable 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 interviews 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

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.

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

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

36 European Commission (2021b).

37 A project supported by the European Commission.

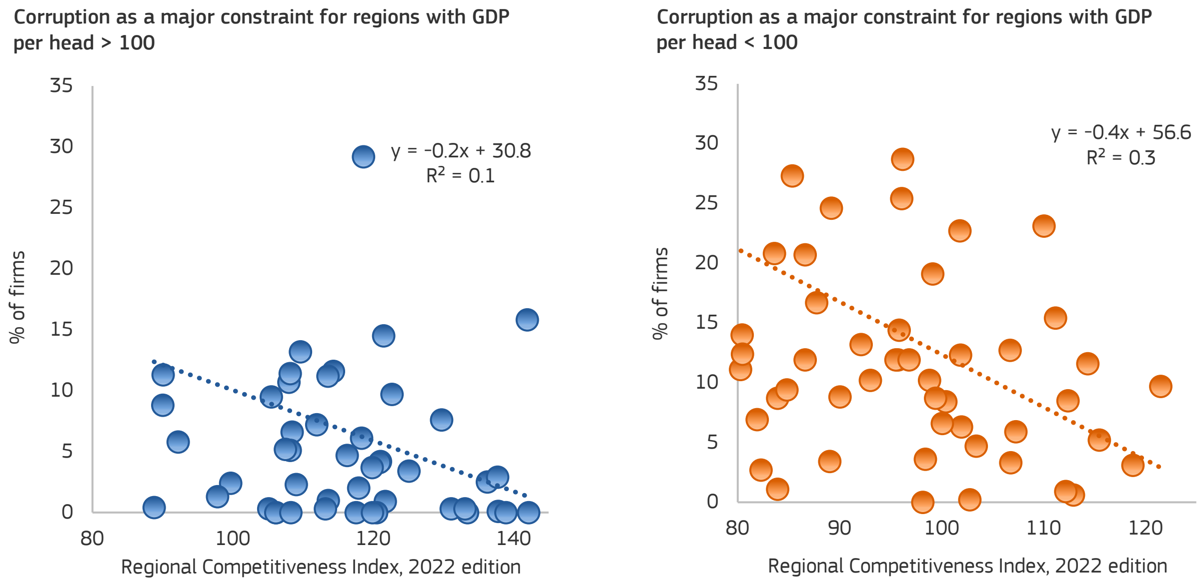
or NUTS 3 regions. This section covers three major aspects of the business environment: access to finance, the extent of corruption, and the burden arising from the administration of tax.

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 businesses, hampering overall regional competitiveness, 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 competitiveness (Figure 7.5).

Corruption imposes a variety of costs on firms, including both the direct costs of paying bribes and the indirect costs of maintaining relationships with public officials and managing the uncertainty surrounding informal and often illegal arrangements, so damaging their incentive to develop and grow. Ultimately, corruption may lead to an inefficient allocation 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

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.

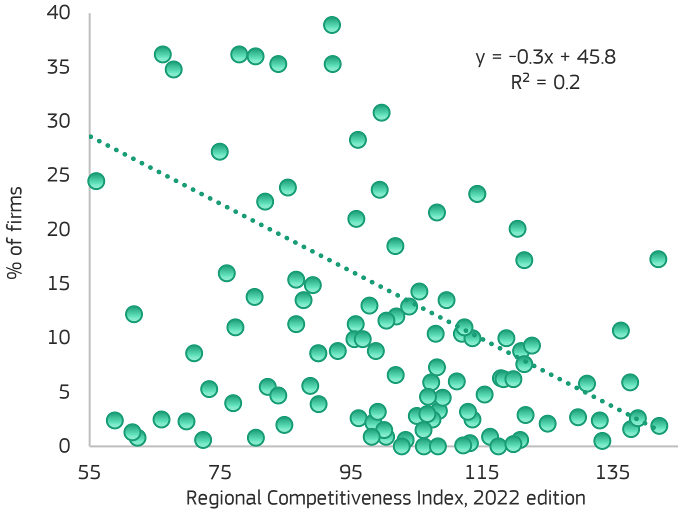
38 OECD (2024, forthcoming); Mach and Wolken (2012).

39 European Central Bank (2023).

40 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?’

41 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.

proportions in Romania (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 corruption in their country and 70 % that favouritism 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 Bucharesti-Ilfov in Romania, and Yugoiztochen in Bulgaria (all 55 %) (Map 7.9, centre).

The burdensome administration of taxes can hamper regional competitiveness. Indeed, there is a clear tendency for the proportion of firms reporting 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 encourage 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 business 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].

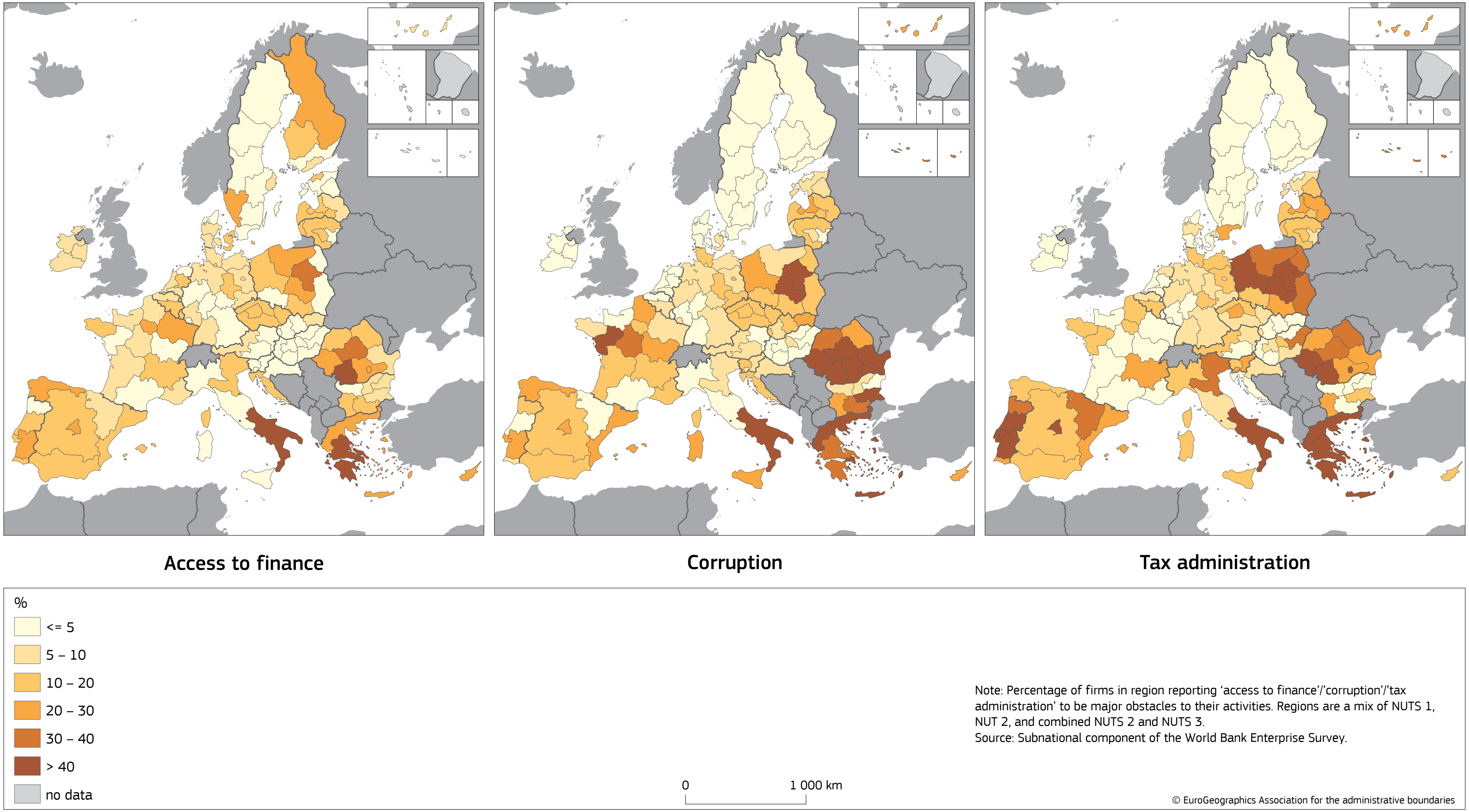
According to the World Bank Enterprise Survey, over 60 % of firms in Attica, Nisia Aigaiou and Kriti in Greece, Sud in Italy, and the Centro region in Portugal, identified tax administration as being a major concern for their current activity (Map 7.9, right-hand side).

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

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

44 European Commission (2020b).

Map 7.9 Major constraints identified by firms, 2018–2021



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 employed are more likely to find corruption a severe obstacle than those with 100 or more, and the difference 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 increases 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 development, underperforming firms closing and being 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 reported to the Word Bank enterprise survey in 2023 that access to finance was a severe obstacle to their operations, more than double the figure in developed regions (4 %). The figure is lower for larger companies in less developed regions (7 %) (Figure 7.8).

Smaller firms have more difficulties in accessing finance, for reasons that are more acute in less developed regions. They usually have limited collateral to pledge against their loans, so banks often charge them higher rates than larger firms, which 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 developed 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 conditions for firms, particularly SMEs. The larger distances 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.

3. The relevance of reforms and the European Semester

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

The European Semester country reports, in addition to identifying country-wide economic and social issues faced by Member States, have highlighted the relevance of the regional dimension of the EU's growth and resilience agenda and the disparities across regions in respect of four dimensions of competitive sustainability: safeguarding the environment, productivity, fairness and macroeconomic 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 reforms: on the one hand, regional-specific reforms may be required in certain cases, such as services 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 adaptation 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, especially 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 authorities are in the front line of providing services to businesses and citizens, national reforms can have differing effects depending on the local contexts 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.

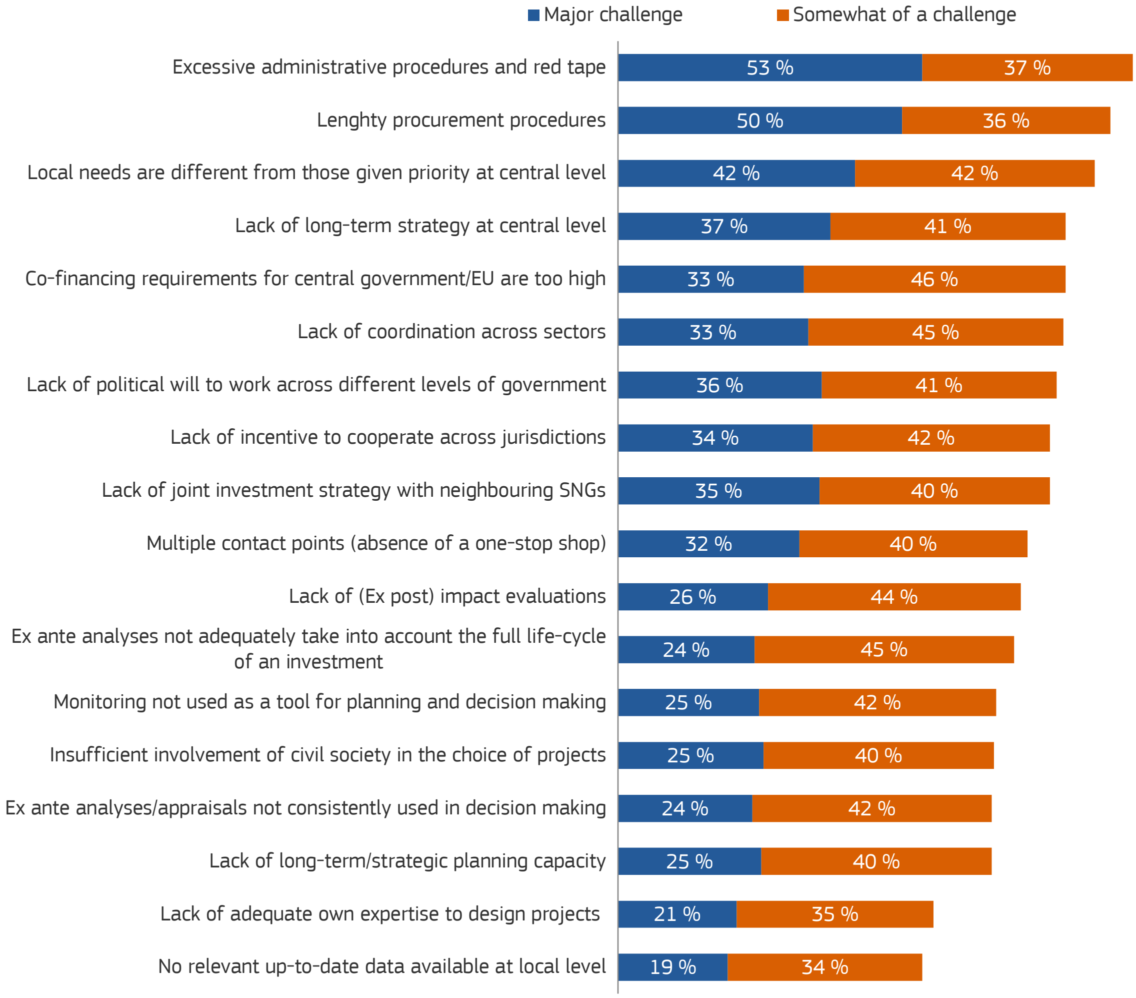
Thirdly, sub-national authorities are in some instances best suited to addressing land use and territorial planning issues. As a place-based policy, the implementation and effectiveness of Cohesion Policy programmes are highly dependent on targeted territorial delivery. Reforms that help to better target 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 efficient public administration is an essential element in economic development, for both national and sub-national authorities. The administrative capacity to design regional development programmes, to allocate funding to projects in line with EU regulations, 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 example. 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 capacity. Another OECD survey, this time with the Committee of the Regions, found that 'lengthy

45 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 challenge' (see Figure 7.9). Reforms to strengthen sub-national capacity as regards public procurement 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 reforms. The importance of a sound fiscal framework for multilevel governance is recognised in the EU Directive on this[47]. As indicated in Chapter 8, sub-national authorities are responsible, on average, for the execution of a third of total government expenditure (current plus capital) in the EU.

46 Allain-Dupré et al. (2017).

47 European Union (2011). The Directive envisages that 'Member States shall establish appropriate mechanisms of coordination across subsectors 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 Structural Funds for the 2000–2006 period marked a significant 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 implementation of funds. This shift positioned MAs at the forefront of the management of EU funds for Cohesion 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 cooperation. The study looks at aspects such as staff composition, internal processes and organisation, leadership 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 programmes 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 organisational 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 bespoke processes to those integrating or sharing processes with encompassing organisations or other authorities 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 objectives and implementation tools (such as financial instruments and integrated territorial delivery mechanisms) had some effect on the organisational structure, the number and specialisation of structural units and the delegation of tasks and processes. Other organisational changes followed new national policies and legislation, including changes in the overall governance of regional and Cohesion Policy at national level. External audits also triggered organisational changes within MAs, especially revisions of internal processes and procedures.

Increased programme budgets led to expanded authority 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 focused 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 conflict management initiatives.

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

There are considerable variations, however, between Member States, reflecting differences in the institutional setting. Nevertheless, in all cases, even in the most decentralised countries, enhancing inter-governmental co-operation and a sound fiscal framework is essential to avoid coordination failures, the emergence of 'unfunded mandates' and, ultimately, inadequate policy implementation. Addressing the nexus between the different institutional levels in the design and implementation of reforms is a key aspect in the definition of an effective governance structure.

The multiannual programming of Cohesion Policy 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 depends to a large extent on effective vertical and horizontal co-ordination across layers of government to avoid duplication and to ensure policies are consistent. Among EU Member States, there is evidence that difficulty in absorbing funding for investment can be a sign of poorly co-ordinated fiscal policy as well as inadequate administrative capacity 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 cohesion 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 implement appropriate processes and methodologies to address the development challenges in an integrated 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 Commission initiatives – Harnessing Talent in Europe's Regions, the New European Innovation Agenda, the Just Transition Platform, the Smart Specialisation Platform, and others.

Reflecting on the structural issues inhibiting convergence across regions identified in recent European Semester country reports and annexes is a precondition for tackling the underlying factors[49]. This includes pointing to the spatially targeted reforms that could be instrumental in this respect, and providing, where relevant, guidance to Member States on where to focus investment for the effective use of funding. This is particularly relevant 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 programming period[50].

48 OECD (2020).

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

50 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).