

# Regional governance in the EU

## SUMMARY

The quality of public institutions has a major impact on social and economic development at regional level. Regions with high government effectiveness, low corruption and high-quality public services tend to have higher outcomes in terms of economic performance, social inclusion, environmental sustainability, education, health, and subjective well-being. Administrative capacity-building is therefore crucial, as it has a positive impact on creating conditions conducive to economic and social progress.

The 2017 European Quality of Government Index (EQI) shows that institutional quality still varies across EU regions, but the traditional north-south and east-west divisions seem to be slowly blurring. While northern countries remain at the top, the eastern regions have made the most improvement compared with previous editions of the index. Some southern regions, meanwhile, have experienced a decline over the past few years.

In the 2014 to 2020 period, EU cohesion policy has offered a variety of funding sources and instruments to support local and regional authorities. Investments are available for enhancing the management of EU funds and for building long-term institutional capacity. Specific actions include training for civil servants, cross-border cooperation, e-government tools, efforts to optimise procedures, and modernisation of public service delivery.



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## Introduction

Regional governance refers to the rules, procedures and practices used by institutions at regional level. Following the well-established [World Bank definition](#), the European Commission [defines good governance](#) as 'the manner in which power is exercised in the management of a country's economic and social resources for development'. A variety of parameters can be used to assess the quality of institutions. These include indicators on government effectiveness, the rule of law, control of corruption, impartiality and non-discrimination, as well as voice and accountability. [Research shows](#) that institutions have a major impact on regional performance in terms of social and economic development. They play a key role in creating an enabling environment for businesses and citizens, by delivering essential public goods and facilitating economic activity. There is a high [correlation](#) between quality of government and other indicators of community well-being, such as environmental sustainability, gender equality, employment and educational levels, innovation and small business creation; quality of government is also the strongest determinant of social trust.

In the context of the European Union, efficient public administration and quality of institutions is important for the EU objective of increasing cohesion and reducing territorial disparities. As regions are important actors in the management and implementation of EU funds and policies, their institutional capacity is crucial to ensure efficient delivery for the benefit of the citizens. In this context, EU cohesion policy provides funding to support institutional capacity building and effective administration, with the aim of securing the effective management of funds and creating the right conditions for socio-economic development. Resources are available for improving structures and processes, developing human resources and enhancing systems and tools to ensure a high quality of public services. While differences in the quality of governance and capacity to implement policies still persist between EU countries and regions, the latest findings of the European Quality of Government Index outlined below indicate gradual improvements.

## 2017 European Quality of Government Index

The European Quality of Government Index (EQI) measures institutional quality at the regional level in the EU. It has been funded by the European Commission and developed by the [Quality of Government Institute](#) at the University of Gothenburg. There have been three editions of the index (2010, 2013 and 2017 – see maps 1 and 2), which helps monitor improvements or decline over time.

Institutional quality is defined as a multi-dimensional concept consisting of three pillars: impartiality, quality of public service, and corruption.<sup>1</sup> As citizens are the primary 'consumers' of institutional quality, the study is based on a large-scale public survey of respondents in regions in the 28 EU Member States. More specifically, the EQI aims to capture the citizens' perceptions and experiences with corruption, equal treatment in access to public services (i.e. impartiality), and government effectiveness (quality of public service). Three main public service sectors are examined: education, health care, and law enforcement (i.e. police force), as these are most often either governed or administered by sub-national bodies. Additional questions relate to elections, fairness of tax authorities, social trust, and political values.<sup>2</sup>

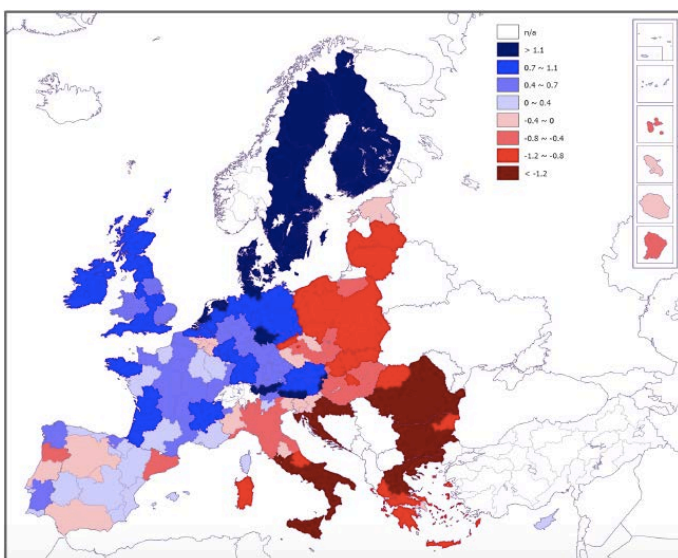
Interactive maps, scorecards, and spider-graphs are available [online](#) to help users navigate the data. Maps provide an overall picture of the spatial pattern of institutional quality in the EU, with the possibility to track the three separate dimensions: quality of public service, impartiality and corruption. Scorecards allow a detailed analysis and comparison of each region's performance relative to all other regions in the EU, and to regions with a similar gross domestic product (GDP) per capita. Interactive spider graphs allow two regions to be benchmarked against each other and against the EU average. The data can be used freely by scholars, policy-makers and the general public. The index has been included in the EU [cohesion reports](#) published by the European Commission.

## Findings of the 2017 EQI

The 2017 edition of the EQI was presented in early 2018 at a [web-streamed](#) event at the European Committee of the Regions. The 2017 findings show that despite the relative stability of quality of government in EU regions, the old dividing lines between northern and southern Europe as well as western and eastern Europe seem to be slowly blurring (compared with the previous editions in 2010 and 2013).<sup>3</sup> However, considerable international and sub-national variations persist. Regions in northern Europe (e.g. in Sweden, Denmark, Finland, and the Netherlands) remain among the top performers. The eastern regions, meanwhile, have made the most significant improvements (for instance Bucharest in Romania, Severen Tsentralen in Bulgaria, Prague in the Czech Republic and Pomorskie in Poland). Some eastern regions have scored higher than many western ones (for instance Jihovychod and Stredni Morava in the Czech Republic, as well as the whole of Estonia). Numerous regions in Southern Europe (particularly in Italy, Greece and Spain) have however experienced a decline in EQI. The most noticeable declines in quality of government were experienced by the French and Spanish overseas territories (Guyana and the Canary Islands, respectively), Valle d'Aosta, Abruzzo and Piemonte in Italy, and Athens in Greece. At the same time, most regions in Portugal, as well as regions in northern Spain have shown improvements.

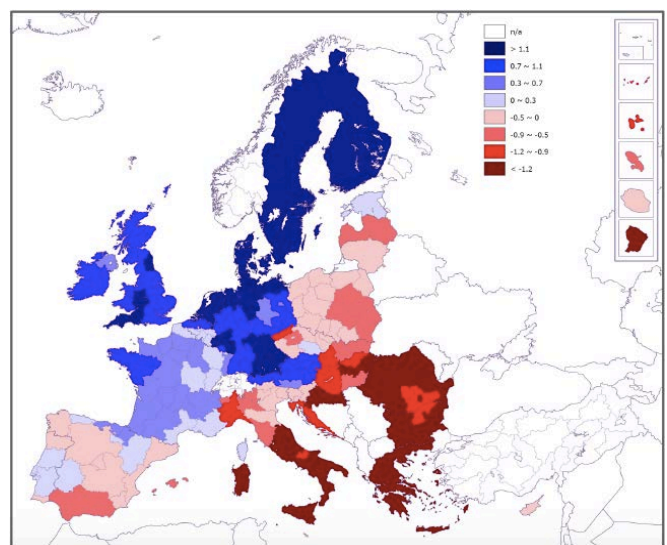
The regional variations tend to be higher in countries with generally lower EQI, while the top performers (i.e. the northern countries) show no significant regional variation (with Åland being an exception scoring significantly higher than other Finnish regions). The federal countries of Germany and Austria also show relatively low regional variation. On the other hand, more centralised countries such as Bulgaria or the Czech Republic show higher variation. In some countries, the regional variations are large and persistent. This applies particularly to the north-south divide in Italy (with the regions of Trento, Bolzano, Friuli and Valle d'Aosta consistently performing well) and the Belgian region of Flanders consistently outperforming Wallonia and Brussels. In France, the region of Bretagne and the western part of the country consistently stand out, with some northeast and southern regions and the overseas regions lagging significantly behind. Growing divergences can also be observed in the Czech Republic (with Prague, Jihovychod and Stredni Morava making significant improvements and the border region of Severozapad consistently lagging behind) and Spain (northern regions of Cantabria, Navarra and País Vasco improving their scores, while the southern regions of Andalucía and Valencia declined).

Map 1 – European Quality of Government Index 2010



Source: [European Commission](#), 2010.

Map 2 – European Quality of Government Index 2017



Source: [European Commission](#), 2017.

While the authors highlight relatively high stability in quality of government, the observed changes deserve further attention in terms of identifying the factors that might explain an increase or decline in EQI. A 2012 European Commission [study](#) suggested a high correlation between the EQI and other indicators of socio-economic development (such as educational attainment, household income, and health), and with levels of social trust. It also found that variables such as population or area size were statistically unrelated to EQI results. No consistent link has been found between the level of political decentralisation and greater sub-national variation or higher levels of EQI. In some cases, the significant advances made since 2010 were due mainly to the initially very low rank of some regions (such as Bucharesti, Vest and Sud-Muntenia in Romania, Severen Tsentralen in Bulgaria). The overall improvement of the eastern regions may also be [linked](#) to EU administrative capacity requirements for the use of EU funds. The Quality of Government Institute is currently [working](#) on a case study comparing Pomorskie in Poland and Navarra in Spain with the control regions of Lubelskie and Catalonia to examine the factors driving the significant positive changes in these regions relative to other peer regions with similar features.

## Cohesion policy – strengthening good governance and administrative capacity

For many regions in the Member States, cohesion policy is the [main source](#) of public funding, channelled to numerous beneficiaries such as individuals and companies. In the 2014 to 2020 funding period, about one third of the EU budget ([€351.8 billion](#)) is earmarked for cohesion policy investments supporting competitiveness, growth and jobs in EU regions. The capacity of national, regional and local administrations to manage such investments effectively is therefore crucial, as any challenges or bottlenecks could hinder the successful delivery of EU funds on the ground. Strengthening governance and administrative capacity is also central to ensuring the expected impact and benefits, in line with the goals of cohesion policy based on Article [174](#) of the Treaty on the Functioning of the European Union, which are to foster economic, social, and territorial cohesion, and to reduce disparities between regions. According to the 2017 [strategic report](#) on the implementation of the European structural and investment (ESI) funds, support for efficient public administration amounts to a total of €6.5 billion for the 2014 to 2020 period.

One important feature of cohesion policy is the 'shared management' of funds between the EU, national and regional levels. In order to secure a sound and efficient institutional context for the implementation of EU funds, '[Common Provisions Regulation](#)' No 1303/2013 outlines the main rules for cohesion policy and establishes a series of ex-ante conditionalities (Annex XI). These are specific preconditions that the Member States are obliged to meet in order to ensure effective spending. One such conditionality is 'the existence of a strategic policy framework for reinforcing the Member States' administrative efficiency including public administration reform'. It includes elements such as strategic planning, quality management systems, simplification of administrative procedures, development of human resources, and procedures and tools for monitoring and evaluation.

Given the importance of strong institutions for the socio-economic development of the EU's regions, cohesion policy funding covers several tools that can help improve regional governance and the institutional capacity of local and regional authorities. Funding under 'technical assistance' helps strengthen administrative capacity for the efficient management of EU funds. Funding under thematic objective number 11 invests in long-term institutional capacity building and reforms. In addition, the European Commission provides several other [tools](#) to support authorities in the Member States and regions in their efforts to strengthen their administrative capacity.

## Thematic objective 11 – institutional capacity and efficient public administration

Cohesion policy in the 2014 to 2020 funding period has 11 [thematic objectives](#) specifying the priorities on which funding is to concentrate. [Thematic objective \(TO\) 11](#) refers to 'enhancing the

institutional capacity of public authorities and stakeholders and efficient public administration'. It is a wide and long-term goal, concentrating on reforms and systemic change to improve public administration performance. Funding under TO11 focuses on three broad dimensions of building institutional capacity: structures and processes, human resources, and service delivery. Support for structures and processes can be targeted at creating institutional and regulatory frameworks, modernising the public sector, including finding innovative ways of interacting with the public and communicating more effectively with citizens, and improving procedures for policy-making, impact assessments, evaluation, monitoring and audits. Support for human resources is aimed at developing a modern and effective public service via improved recruitment practices, incentive policies, quality-based management, career development and training programmes. Better service delivery refers to instruments such as methods, guidelines, manuals, procedures, forms and information technology (IT) systems. This includes optimising business processes, the use of one-stop shops or e-services (such as e-government and e-justice), quality management, and ombudsman procedures.

Key actions for the [European Regional Development Fund](#) (ERDF) include strengthening institutional capacity and the efficiency of public administrations and public services related to the implementation of ERDF and in support of institutional capacity building and efficient public administration measures supported by the European Social Fund. This includes the provision of equipment and infrastructure to support the modernisation of public services in areas such as employment, education, health, social policies and customs. Administrative capacity building can also be funded in the context of [European territorial cooperation](#).

[Cohesion Fund](#) resources too can be used to strengthen institutional capacity and the efficiency of public administrations and public services in relation to fund implementation.

The [European Social Fund](#) (ESF) covers investment in institutional capacity and in the efficiency of public administrations and public services at all levels of government with a view to reform, better regulation and good governance. Reform focuses on securing better legislation, synergies between policies and the effective management of public policies, as well as transparency, integrity and accountability in public administration and the spending of public funds. Attention is also paid to the development and implementation of human resource strategies and policies and enhancing the efficiency of administrative services. Funding can be also used for capacity building for stakeholders delivering employment, education, health and social policies, and sectoral and territorial pacts to mobilise for reform at national, regional and local level (this includes enhancing the capacity of stakeholders, such as social partners and non-governmental organisations, to help them deliver more effectively in employment, education and social policies, and the development of sectoral and territorial pacts in the employment, social inclusion, health and education domains at all territorial levels).

Support for public administration reform through cohesion policy is also linked to elements of EU economic governance, such as the country specific recommendations (CSRs), economic adjustment programmes and national reform programmes. Examples of [country specific recommendations](#) regarding institutional capacity are: improving the effectiveness and efficiency of public administration, judicial reform, improving the business environment, anti-corruption measures, public procurement and the absorption of ESI funds. Moreover, improving administrative capacity and public service delivery is also important for the implementation of other thematic objectives.

## Technical assistance

Technical assistance focuses on building capacity for EU fund management. It is targeted at the authorities that administer and use the European structural and investment funds, to help them perform the tasks assigned under the various ESI fund [regulations](#). This applies for instance to public procurement, environmental compliance, state aid compliance and statistical requirements. Technical assistance can also cover action to reduce the administrative burden on beneficiaries,

action to reinforce the capacity of beneficiaries to use the ESI funds, and the capacity of relevant partners. In all cases, the direct link with improved fund implementation needs to be demonstrated.

More specifically, technical assistance supports the delivery of EU funds by reinforcing the human resources necessary to manage the funds, hiring consultants for studies, financing training and networking. Support can also be used to cover activities such as project preparation, management, evaluation, monitoring, audit and control related to the implementation of EU-funded programmes and projects.

Part of the technical assistance resource under cohesion policy can be re-allocated to the [structural reform support programme](#) established in 2017. At the request of a Member State, in the 2017 to 2020 period, up to €142.8 million under the ESI funds can therefore be channelled towards structural reform in a variety of areas, such as public financial management, administration, the business environment, trade, competition, labour markets, migration and agriculture. Given the high take-up of the programme in its first year, the European Commission adopted a [proposal](#) for a regulation to increase this financial envelope by €80 million (from the flexibility instrument, which is not linked to the ESI funds).

## Tools to boost capacity

The European Commission has developed a series of [initiatives](#) and tools to support the authorities in the Member States and regions in their efforts to strengthen their administrative capacity.

The [TAIEX-REGIO](#) Peer 2 Peer expert exchange system supports regional expert missions, study visits and specific workshops in various EU countries in order to develop expertise and share best practice. The exchange of information and solutions is also possible through platforms such as the S3 platform on smart specialisation, the urban development network for sustainable urban development and within the [Regio](#) communities of practitioners. The European territorial observatory network (ESPON) supports local and regional practitioners by conducting research and analysis on various aspects of regional development, including [governance](#).

An [EU competency framework](#) for institutions managing the funds and a web-based self-assessment tool have been developed to identify the necessary skills and knowledge. Professional training programmes are offered on topics such as programme implementation, financial management and control, result orientation, state aid, and public procurement. Additional [training](#) is available on various aspects of cohesion policy in the 2014-2020 period.

Tools for enhancing public procurement meanwhile include [action plans](#) for public procurement and [integrity pacts](#), improving transparency via binding agreements with civil society organisations to oversee the public procurement process to ensure fair and transparent execution. In addition, the [ARACHNE](#) information technology (IT) tool helps with data processing for administrative controls and management checks.

In order to streamline the implementation of EU funds, the Commission has created a [task force for better implementation](#) to provide tailored support for Member States experiencing difficulties making full use of the funding available and a [high-level group monitoring simplification](#) for beneficiaries of ESI funds. In addition, the [catching-up initiative](#) directed at lagging regions examines the factors that hold back growth and investment in catching-up regions and provides assistance to help unlock their growth potential.

In cooperation with the European Investment Bank (EIB), the [Jaspers](#) programme provides technical assistance on major infrastructure projects, such as roads, rail, water, waste, energy and urban transport. The [FI-Compass](#) platform offers advisory services on financial instruments under the ESI funds, while the advisory service [URBIS](#) helps cities plan investments to support their urban development strategies and access to finance.

## The post-2020 cohesion policy framework

In May 2018, the European Commission adopted a package of [proposals](#) for cohesion policy to prepare for the upcoming 2021-2027 budgetary period. Some of the proposed changes relevant to regional governance include simplification and the reduction of policy objectives. While technical assistance will still exist, there will be no longer a separate thematic objective dedicated to administrative capacity building. However, within each of the currently proposed [five objectives](#), it will be possible to support actions aimed at improving institutions and governance as well as cooperation with partners. In addition, new indicators relating to administrative capacity and efficiency are proposed in the annexes to the [regulation](#) on the European Regional Development Fund and Cohesion Fund, as well as in the proposal for a [regulation](#) on the European Social Fund Plus. The proposal also includes a streamlined process of ex-ante conditionalities and closer links to the European semester. It is important to note, however, that the new framework is still being negotiated with the European Parliament and the Council. The specific provisions might therefore change and support from cohesion policy funds for public administration reform will also be coordinated with the future [reform support programme](#). The proposed post-2020 programme will, however, have its own budget not linked to cohesion funding.

In preparation for the post-2020 period, a [pilot action](#) called 'Frontloading administrative capacity building for post-2020' has been developed in cooperation with the Organisation for Economic Cooperation and Development (OECD). It aims to improve good governance and administrative capacity for cohesion policy via providing tailored assistance to authorities in terms of managing and investing cohesion policy funds, as well as preparing development strategies.<sup>4</sup>

## European Parliament

In its [resolution](#) of 18 May 2017 on future perspectives for technical assistance in cohesion policy, Parliament welcomed the application of a variety of tools aimed at boosting the administrative capacity of public authorities. It called for increased use of technical assistance, better reporting on results achieved via this instrument, and more flexibility in meeting the needs identified by authorities in the Member States.

In its [resolution](#) of 13 June 2017 on building blocks for a post-2020 EU cohesion policy, the European Parliament pointed out the importance of increasing administrative and institutional capacities in the area of the programming, implementation and evaluation of operational programmes, which it considered crucial for successful cohesion policy performance and better results for EU investments.

In its [resolution](#) of 17 April 2018 on 'strengthening economic, social and territorial cohesion in the European Union: the 7th report of the European Commission', the Parliament emphasised the role of quality and stability of public administration as a decisive factor for regional growth. It stressed the need to provide sufficient technical assistance to ensure the effectiveness of the ESI funds. It also reiterated its commitment to the principles of shared management, partnership and multi-level governance, and recommended strengthening them in the post-2020 period.

## Outlook

Local and regional authorities play an important role in terms of managing EU funds and designing development strategies. EU support for institutional capacity building and strengthening efficient public administration has significantly increased over time, both in terms of funding and variety of available instruments. Current trends in the quality of government indicate that the northern and western regions enjoy relatively stable levels, while the eastern regions are likely to continue catching up. Meanwhile, the southern regions will require additional support to reverse the declining tendencies. Support for developing institutional capacity is expected to continue in the upcoming post-2020 budgetary period, albeit under a changed policy framework that is currently under negotiation.

## MAIN REFERENCES

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[Thematic guidance fiche: Institutional capacity building \(Thematic objective 11\)](#), European Commission, January 2014.

[Technical Assistance at the initiative of the Commission](#), Policy Department for Structural and Cohesion Policies, European Parliament, September 2016.

[Territorial Governance and Cohesion Policy](#), Policy Department for Structural and Cohesion Policies, European Parliament, June 2015.

## ENDNOTES

<sup>1</sup> It is worthwhile to note that there are other possible assessments of the quality of government or institutional quality. A widely known example are the Worldwide Governance Indicators (WGI) developed by the World Bank. These include a wide set of dimensions including voice and accountability, political stability and absence of violence, government effectiveness, regulatory quality, rule of law and control of corruption. However, the EQI is currently the only comprehensive measure available at sub-national level in the EU (NUTS2).

<sup>2</sup> The 2017 edition includes 202 regions at NUTS1 and NUTS2 level, depending on the country. For a more detailed description of the study design and methodology see: N. Charron and V. Lapuente, *Quality of Government in EU Regions: Spatial and Temporal Patterns*, Working Paper Series 2018:2, University of Gothenburg.

<sup>3</sup> The section on EQI 2017 findings in this briefing is based on data presented on the European Commission website dedicated to EQI and in N. Charron and V. Lapuente, *Quality of Government in EU Regions: Spatial and Temporal Patterns*, Working Paper Series 2018:2, University of Gothenburg.

<sup>4</sup> In addition to cohesion policy, additional EU instruments and programmes exist to boost administrative capacity. These are for instance the e-Government programme for modernising public administrations via digital services and the Structural Reform Support Programme.

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