



European Construction Sector Observatory

Strengthening the Internal Market for Construction

Analytical Report

January 2019

Executive Summary

The internal market of the European Union (EU) guarantees the free movement of goods, services, capital and labour throughout the Union, where citizens are free to live, work, study and do business. A substantial body of rules and policies is committed to ensuring that obstacles to this freedom of movement are removed and prevented.

In 2015, the European Commission adopted the Single Market Strategy which seeks to unlock the internal market's full potential by streamlining regulations, removing the administrative burden and supporting the growth of SMEs and start-ups across Member States. This strategy covers a wide range of sectors, including construction. In parallel, the Construction 2020 Action Plan lists practical actions for implementing the Europe 2020 Strategy and includes elements of the Single Market Strategy.

This analytical report provides insights into the **Thematic Objective 4 “Strengthening the Internal Market for construction”** of the Construction 2020 Action Plan. It gives an overview of the main characteristics of the EU internal market for goods and services. The report presents the main drivers and obstacles to the development of the internal market for construction, assessing separately at the regulatory and non-regulatory aspects. It displays the main policy responses adopted by Member States and highlights best practices and lessons learned from different measures that have been taken to support the construction sector in the Single market.

1. Characteristics of the internal market

Single Market Scoreboard

[The Single Market Scoreboard](#) aims at providing a summary of the Member States’ progress towards a fully implemented Single Market. It summarises the key indicators for regulatory and policy efforts at the EU and national levels in developing the internal market of goods and services.

According to the scoreboard, the two key indicators **openness to imports** and **trade integration** at national level are of particular relevance to the construction industry. Trade in goods and services between EU Member States accounts for over two thirds of the overall national, in which openness to imports (both from within the EU and outside) is a key measure of integration into European and international value chains and competition. **Estonia, Poland and Croatia** record the highest degree of openness and integration with the rest of the EU, in relation to the size of their economies.



Share of trade in goods and services **between EU Member States**

In terms of **public procurement performance**, the EU Public Procurement Directive has been transposed into national law by 26 EU countries. However, South and Eastern European Member States are performing below the average EU level, due to a slower decision-making pace, and/or lower transparency of procurement procedures compared to Northern and Western EU Member States. When it comes to **professional qualifications**, there are significant differences in the procedures for the recognition of professional qualifications, mainly due the size of the country and attractiveness of the country for a specific profession.

Austria, Estonia, Poland, Romania and Greece showed the highest performance in the recognition of professional qualifications across EU countries in 2016.

Internal Market for construction sector products and services

The internal trade in construction services is growing across the EU. The total annual export of **construction products** in the EU has increased by 26.8%, from EUR 37.9 billion in 2010 to EUR 48.0 billion in 2016. The highest export growth was registered for the product groups “Other articles of concrete, plaster and cement” and “Concrete products for

construction purposes” (50.7% and 49.4% of growth respectively), while a decline in exports was found for “Ready-mixed concrete” and “Cut, shaped and finished stone” (decline of 22.1% and 8.1% respectively).

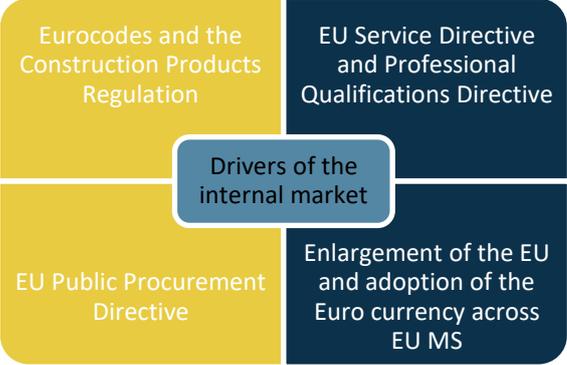
In 2016, **Germany, Poland and Belgium** were the top-3 exporters of construction products in Europe.



Increase of the total annual export of **construction products** in the EU in 2010-2016

The value of import and export of **construction services** across the EU in 2016 was lower than for construction products as a result of a very low market integration of construction services in the EU (1%). **Denmark, Belgium, and Germany** were among both the biggest exporters and importers of construction services in 2016, while **Bulgaria, Poland and Lithuania** recorded the largest growth rates of exports of construction services in the same year.

The market for construction services in the EU is diversified and not integrated.



Trade integration across the EU is considerably smaller for services than for goods (6% vs 22%) and it is particularly low for the **construction sector services (only 1%)**.

2. Drivers of the internal market for goods and services

As a part of the Europe 2020 Strategy for smart, sustainable and inclusive growth, standardization plays an important role in supporting better competition in the internal market, fostering economic growth and jobs.

Eurocodes and the Construction Products Regulation have proved to be effective tools for strengthening the internal market for construction goods. They drive the internal market for construction goods and establish harmonised conditions and standards for the trade of construction products.

The internal market for services is driven by the **Service Directive (2006/123/EC)** which refines the transparency and facilitates the provision and use of services for businesses and consumers in the Single Market. The **Professional Qualifications Directive (2005/36/EC)** addresses the recognition of qualifications for regulated professions within the EU to remove the obstacles to the free movement of professionals because of qualification requirements diverging from one country to another.

The **EU Public Procurement Directive** also aims at promoting the free movement of goods and services in the internal market through the harmonisation of rules for public contracts among the Member States.

Finally, the **enlargement of the EU** with a number of new Member States in Central and Eastern Europe, resulting in increased labour mobility and accelerating the economic activity in the construction sector, as well as the **adoption of the Euro currency across the EU MS**, are perceived as key non-regulatory drivers for the development of the internal market for goods and services.

3. Obstacles to the internal market

The barriers to strengthening the internal market for construction goods and services are linked to **incomplete regulatory alignment** between the Member States and to the **sector’s inherent characteristics** that are associated with language barriers, transportation distances, costs for cross-border transactions and national/local preferences.

Proximity and a common language play important roles for the trade of construction services. In the EU cross-border procurement practices, using a common language for construction works and services increases the likelihood of being awarded a contract by about 600% and 200%, respectively, while for goods the figure stands at only 60%. Other obstacles to a well-functioning internal market are **anti-competitive practices** such as favouritism, lack of transparency in public procurement, single bidders and bribery.

At the national level, there is number of **obstacles for internal market**. They relate to the **proper enforcement of the rules and implementation of public procurement procedures** which are of particular relevance for the construction sector and hinder the access of non-domestic operators to public contracts.

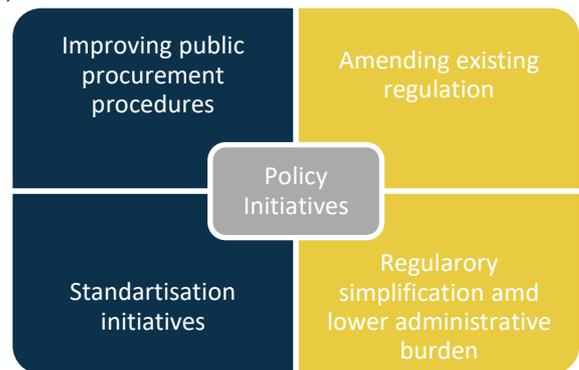
4. Policy initiatives

Member States have introduced a variety of **policy instruments** and **initiatives** to foster the development of the EU single market for construction services and products. Policy responses range from national action plans to improve the regulatory environment, to initiatives on standardisation, recognition of skills, and fight against fraud and corruption.

Looking across the EU-28, the following key trends can be observed:

1. New policy initiatives across the Member States focus on **improving public procurement procedures, reducing corruption risks and fostering the mutual recognition of skills**;

Bulgaria, for example, introduced a new **Law on Public Procurement**, into force since April 2016, transposing the EU Public Procurement Directives. Its aim is to increase the transparency and predictability of the contract awarding process, simplify administrative procedures and reduce the regulatory burden on SMEs, including those in the construction sector. Moreover, a national centralised single platform for e-procurement is being introduced, which should improve the access to information and simplify and shorten procedures. Alongside, the Bulgarian Government is implementing a strategy for development of e-governance to improve access to public administrative services.



2. Some Member States are **amending existing regulations** in order to reduce the administrative burden for construction companies and to simplify access to building permits;

With regards to tools, the Netherlands is one of the few Member States, together with Finland and the UK, which offers an online centralised national system for the submission of building permit applications, allowing their complete electronic handling and therefore minimising the administrative burden linked to the process.

3. Innovative **standardisation initiatives** across Member States are relatively limited;

The Romanian government promotes within its **Institute for Research of Equipment and Technologies in Construction** (Institutul de Cercetări pentru Echipamente și Tehnologii în Construcții - ICECON) the evaluation and performance verification in the field of construction products as well as the development of new standards in line with EU harmonisation efforts.

4. Some Member States have introduced National Strategies and Action Plans for **regulatory simplification and lower administrative burden**, including specific measures for the construction sector.

In Estonia, the **Zero Bureaucracy** project sees the cooperation between the Ministry of Public Administration and the Ministry of Finance in the effort to reduce red tape in various areas, including the construction sector. To facilitate access to the market and make the business operating environment easier and less costly for businesses, all activities resulting from the specific requirements in the sector are being mapped and a methodology to assess their financial implications is being developed. For instance, the project seeks to accelerate the building permit authorization procedure by introducing e-solutions allowing concerned parties to follow their application in real time.

In order to reduce fraud and corruption risks, the European Commission emphasises the role of public procurement using EU funds through its initiative on "**Integrity Pacts - Civil Control Mechanisms for Safeguarding EU Funds**". The pact approach, based on civil society control, is already implemented in the construction sector in a number of countries. For instance, pacts have been used for "Works on the railway line No. 1 on the section Częstochowa – Zawiercie" in **Poland**, "Construction of M6 motorway between Bóly-Ivándárda and the country border" in **Hungary**, and "Energy renovation of hospitals" in **Slovenia**. The Integrity Pact approach is expected to increase the transparency and trust in public authorities, reduce mismanagement and fraud, contribute to better reputations for contracting authorities and costs savings due to strengthened competition.

5. Conclusions

Future efforts should focus on **digital tools and platforms for administrative procedures in the construction sector, e-procurement solutions, anti-corruption measures and further support for reinforcing qualification recognition measures.**

In order to take full advantage of the opportunities opened up by the discussed drivers, the following remarks should be considered looking ahead:

- Increased focus on electronic tools and platforms for the completion of administrative procedures in the construction sector;
- Increased focus on e-procurement solutions, improving the access of information for non-domestic bidders, improving the transparency of the procurement process and reducing the costs associated with participating in procurement procedures;
- Further efforts in introducing and implementing anti-corruption measures will be necessary to deal with the persisting presence of corruption particularly in the award of public contracts for construction works;
- Further support for reinforcing qualification recognition measures will be an important tool for facilitating the mobility of professionals in the construction sector and related sectors and addressing the skills needs experienced in a number of countries.