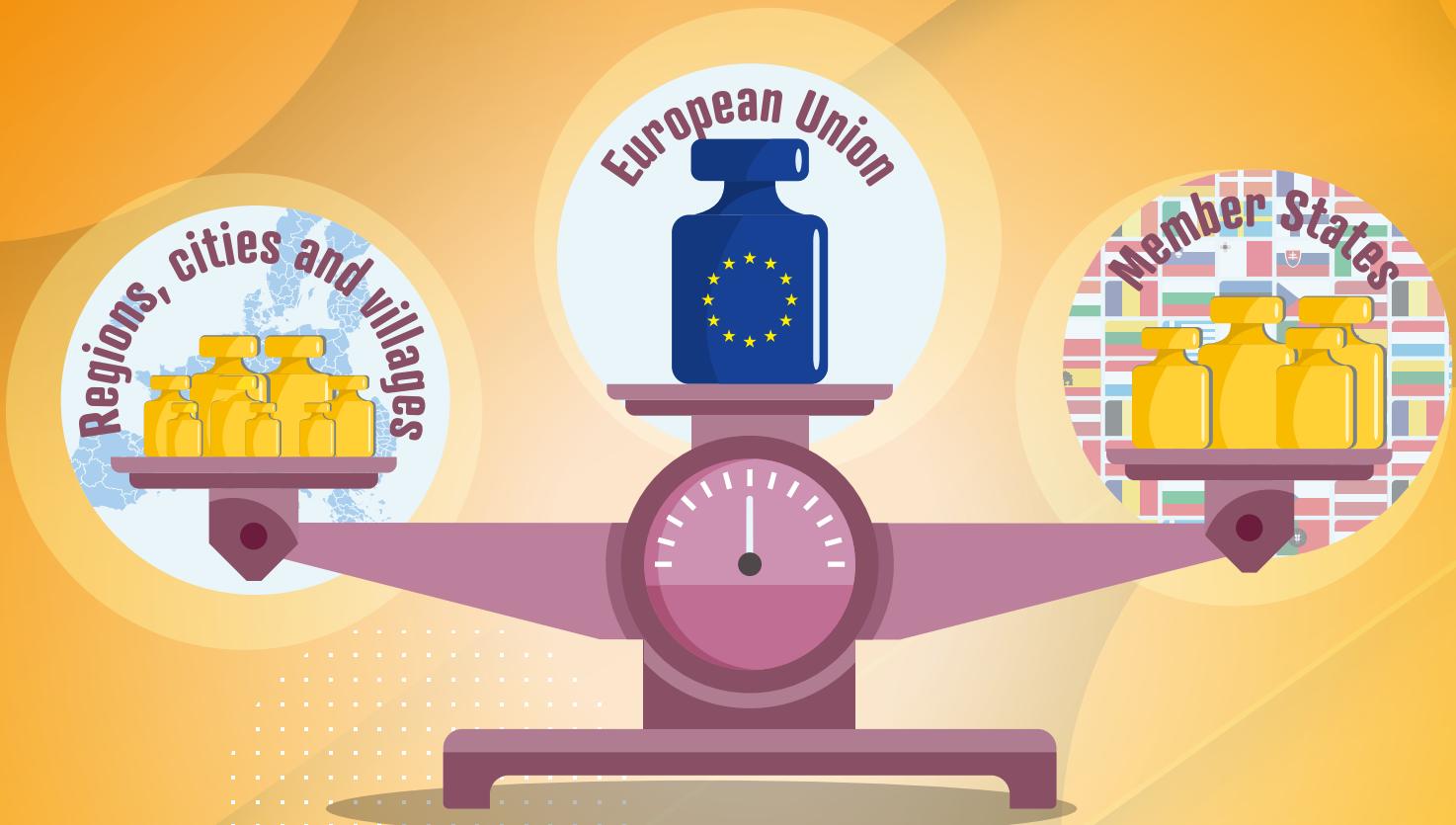




European Committee  
of the Regions

# EU annual regional and local barometer



#EURegionalBarometer



## **European Committee of the Regions**

# **2021 EU Regional and Local Barometer**

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# **Executive summary**

The COVID pandemic and its myriad of consequences have been a major test of the resilience of our societies. While they have accentuated many pre-existing challenges, they also highlighted some of our greatest strengths and opportunities.

First of all, COVID-19 has severely tested the resilience of our health systems – bringing some of them to a grinding halt. The impact of the outbreak has been uneven across the Union: while in France, almost all ICU beds in the greater Paris area were occupied in the first half of 2020; in Austria the number has not exceeded 15%. Excess mortality was also highly localised: border regions and urban areas are more vulnerable, while rural regions - in general more disadvantaged in terms of access to healthcare - fared relatively better. The eagerly awaited vaccines allowed some return to normal but vaccination rollout is not without challenges of its own. (Chapter V).

## **Economic recovery and resilience**

Described by the OECD as "the most serious economic crisis in a century", the pandemic also tested the resilience of our economies. The 6% fall of EU GDP in 2020 (which includes the sharpest decrease in Eurostat's history in the second quarter of 2020) conceals major regional disparities. The ability of a region or a given territory to bounce-back after a crisis depends on the exposure of a given region to restrictions and lockdowns, but also to its regional structural characteristics such as the share of people employed in at-risk sectors; their level of education; the proportion of micro-enterprises or the quality of governance.

Local and regional authorities (LRAs) consequently have a major role to play to improve the economic and social resilience of their territory. However, the COVID-19 crisis has weakened their financial firepower because of a so-called "scissors effect" of combined falling revenues and rising expenditures. This has put an unprecedented pressure – estimated at approximately €180 billion for all EU LRAs – on their budgets. Significant national and EU support for LRA budgets has mitigated this effect, which is smaller than initially feared but very uneven across Member States and LRAs (Chapter I).

LRAs are not only potential beneficiaries of national and EU support: they are major actors of the recovery process and can for instance – as key drivers for public investment and holders of strategic competences – identify and deal with territorial disparities; increase the ownership of recovery projects and boost the synergies among the latter. As feared in the first edition of the Barometer, the involvement of regional and local authorities in the governance and implementation of the EU Recovery Plan – in particular its main component, the Recovery and Resilience Facility – is quite limited. Only a minority of Member States consulted their local and regional authorities in the early preparation of their National Recovery and Resilience Plan and an even smaller number actually took on their input. A CoR study also highlights the insufficient territorial dimension of these Plans whose ability to seize the complexity of the asymmetric territorial impact of COVID-19 (and, therefore, to design adapted measures) will be crucial to make sure that EU financial efforts bear fruit on the ground (Chapter II).

## **Improving resilience in a wider perspective to prepare potential future shocks**

The fallout of the COVID-19 crisis and the changes it brought in every aspect of our everyday lives will have lasting consequences on the "new normal" of working, living and travelling in the EU. Resilience

is not only the ability to "bounce back" or "return to equilibrium": it must also be seen as the ability to reorganise after a shock and somehow make the most of it. Preparing the recovery is a valuable and timely opportunity to reflect on what the future for our societies and economies will, and should, look like. There are also trends and changes that will continue to shape our futures regardless of the pandemic: they include (i) exogenous technological trends such as the digital transition; (ii) the environmental and climatic challenge and (iii) social change including migration, ageing or fluid social institutions.

(i) A broader perspective on resilience is needed as technological progress – which is undoubtedly a driver of economic and social change – could increase fragmentation and territorial disparities. Europe must keep the momentum of digital acceleration created by the pandemic and focus on the opportunities offered by technology, which has been used both to alleviate the crisis (e.g. remote- working, learning, entertaining, socialising or shopping) and to fight the virus. However, COVID-19 has also exposed and exacerbated the dramatic divide between the regions that are already able to leverage the full potential of the digital transformation to support businesses and serve their citizens and those not yet fully digitalised (Chapter IV).

(ii) Important changes triggered by climate change and biodiversity loss are imminent. They could create severe shocks that are even more difficult to mitigate. In this regard, the post-COVID recovery represents a unique opportunity to accelerate the green transition. With 75% of EU citizens living in urban areas that produce about 72% of greenhouse gas emissions, cities are at the forefront of climate action in terms of both mitigation and adaptation. With a quickly increasing number of LRAs committed to act (e.g. the number of local adaptation strategies in cities tripled between 2011 and 2016), they are undoubtedly important drivers of the green transition and must consequently be full-fledged partners when it comes to the development and implementation of Green recovery projects (Chapter III).

(iii) Social changes and ongoing demographic dynamics will also transform our societies. If disinformation is not countered, migration could have the potential of somehow disrupting European unity and, hence, turn into a potential shock putting EU resilience to the test. The interplay of the global challenge of migration and the need to respond to it locally means that – once again – many local and regional authorities play an essential role. In addition to receiving and integrating migrants, they also provide other vital urban infrastructure and services to meet the needs of the local population as well as the migrant population (such as affordable and social housing, quality education, and health services). The COVID-19 pandemic revealed a pressing need to design comprehensive and holistic approaches leading to inclusive recovery strategies (Chapter VII).

### **The key role of good governance for resilience**

The pandemic has also worked as a resilience test for European democracy. It impacted the quality of democratic governance but, at the same time, the quality of democratic governance impacted the success of the strategies put in place to address the crisis, both in terms of structures and of their overall quality. COVID-19 has been managed with noticeable differences in the performance between countries (including among those with comparable degrees of decentralisation) which demonstrates that quality of government is a decisive factor for resilience. Overall, different degrees of decentralisation can be crucial to address a crisis whose incidence differs greatly not only across countries, but also across regions within countries. Asymmetric impacts – as is often the case with exogenous shocks – imply that local measures can be as, if not more, effective than national ones, provided that regional and local levels have the adequate capacity to act. In this regard, the CoR first-ever survey among the more than one

million EU politicians elected at subnational level indicates, *inter alia*, that more than two thirds of local politicians (68%) feel that there is not enough influence of regions, cities and villages on EU policy-making (Chapter VIII).

In view of the above – and like its previous edition – this new Barometer report includes conclusions and recommendations to guide policy makers at all levels in order to ensure that Europe and all its territories emerge from this crisis more resilient, and more united.

# Introduction

As foreseen in the first edition of the Barometer report published last October, the COVID-19 pandemic and its aftermath have remained at the centre of EU policies in 2020 and 2021. Indeed, after a temporary easing of lockdowns and restrictive measures, a second wave hit Europe starting in the autumn of 2020 and led to new restrictions and lockdowns, at times localised or targeted. Since then, Europe has seen different periods of improvement and worsening of the health situation, forcing authorities to alternate between imposing and lifting various restrictive measures. Despite the launch of the much-awaited vaccination campaigns in December 2020, it is undeniable that the influence of COVID-19 on policy and on our daily lives will remain predominant for some time to come.

From the start, cities and regions have been on the frontline to fight the pandemic and to implement measures in support of enterprises and individuals. Today, they have to face the twin challenge of recovering from the debilitating shock of the ongoing pandemic, while at the same time working to "build back better" and achieve long-term objectives of sustainability and resilience.

Following on from the first edition of the Barometer, the objective of this second report is to provide an updated overview of the state of regions and cities more than a year and a half after the beginning of COVID-19 through facts, figures, maps, examples and analysis – and help guide policy choices for recovery.

How can we measure the impact of the pandemic on the socio-economic structures of EU regions and cities? Can we identify positive economic consequences of COVID-19 for regions with specific characteristics? How much have local and regional authorities' finances suffered from the crisis? How can we ensure that the historic amount of funding put forward by the recovery plans is spent where it is most needed? Does the EU recovery framework truly enable a Green recovery? To what extent is the long-awaited digital transition actually accelerated by the crisis? How to assess the spread of the COVID pandemic and the rollout of vaccination campaigns from a territorial health perspective? Is the definitive impact of Brexit already in sight? What is the state of play regarding migration in EU regions? What are the challenges and opportunities for European democracy in the aftermath of the pandemic?

From a territorial perspective, this report provides elements of answers to these questions – as well as many others – and builds on fact-based analyses to suggest concrete policy recommendations targeting cities, regions, Member States and European institutions. To ensure that our societies emerge from this historical crisis more resilient, sustainable and inclusive, stakeholders at all levels will have to be active actors in this collective recovery moment.

# Chapter I – The state of the regions, cities and villages in the areas of socio-economic policies

## A. The economic state of play one year after the start of the COVID-19 pandemic

**Figure I-1: GDP and inflation between 2020 and 2022 in the EU**

	GDP %			INFLATION %		
	2020	2021	2022	2020	2021	2022
Belgium	-6.3	5.4	3.7	0.4	2.1	1.7
Germany	-4.8	3.6	4.6	0.4	2.8	1.6
Estonia	-2.9	4.9	3.8	-0.6	2.2	2.4
Ireland	3.4	7.2	5.1	-0.5	1.5	1.2
Greece	-8.2	4.3	6.0	-1.3	-0.4	0.5
Spain	-10.8	6.2	6.3	-0.3	2.1	1.4
France	-7.9	6.0	4.2	0.5	1.6	1.2
Italy	-8.9	5.0	4.2	-0.1	1.4	1.2
Cyprus	-5.1	4.3	3.8	-1.1	1.4	1.3
Latvia	-3.6	3.8	6.0	0.1	2.0	2.1
Lithuania	-0.9	3.8	3.9	1.1	2.3	2.0
Luxembourg	-1.3	4.8	3.3	0.0	2.5	1.7
Malta	-7.8	5.6	5.8	0.8	1.1	1.6
Netherlands	-3.7	3.3	3.3	1.1	1.8	1.5
Austria	-6.3	3.8	4.5	1.4	2.1	1.9
Portugal	-7.6	3.9	5.1	-0.1	0.8	1.1
Slovenia	-5.5	5.7	5.0	-0.3	1.4	1.7
Slovakia	-4.8	4.9	5.3	2.0	2.1	2.2
Finland	-2.8	2.7	2.9	0.4	1.5	1.6
Euro area	-6.5	4.8	4.5	0.3	1.9	1.4
Bulgaria	-4.2	4.6	4.1	1.2	1.9	2.5
Czechia	-5.6	3.9	4.5	3.3	2.7	2.3
Denmark	-2.7	3.0	3.4	0.3	1.5	1.3
Croatia	-8.0	5.4	5.9	0.0	1.5	1.3
Hungary	-5.0	6.3	5.0	3.4	4.4	3.3
Poland	-2.7	4.8	5.2	3.7	4.2	3.1
Romania	-3.9	7.4	4.9	2.3	3.2	2.9
Sweden	-2.8	4.6	3.6	0.7	2.1	1.2
EU	-6.0	4.8	4.5	0.7	2.2	1.6

Source: European Commission Summer 2021 Economic Forecast

Restrictions to contain the COVID-19 pandemic resulted in a major economic shock, which the OECD described as the "most serious economic crisis in a century"<sup>1</sup>. The disruption to supply chains, the reduced demand for imported goods, the drop in international tourism and the decline in business travel affected all business sectors – with a special emphasis on SMEs<sup>2</sup>. In 2020, EU GDP decreased by 6% (compared to 2019), with the sharpest decrease in Eurostat's history in the second quarter of 2020 (when EU GDP decreased by 11.7% compared to the previous quarter<sup>3</sup>). However, as indicated in Figure I-1 a strong rebound of economic growth is expected in 2021 and 2022 in all EU Member States.

However, this approach based on national GDP variations hides major regional disparities and can consequently be misleading. Indeed, as demonstrated in the first edition of this EU annual regional and local Barometer<sup>4</sup>, the geography of the COVID-19 outbreak and the diversity of exposure and sensitivities to policy responses require a more territorial analysis.

<sup>1</sup> OECD. The territorial impact of COVID-19: Managing the crisis across levels of government. June 2020. Available at: <http://www.oecd.org/coronavirus/policy-responses/the-territorial-impact-of-COVID-19-managing-the-crisis-across-levels-of-government-d3e314e1/>

<sup>2</sup> OECD, "Covid-19: SME Policy Responses", 2020. Available at: <https://www.oecd.org/cfe/leed/COVID-19-Italian-regions-SME-policy-responses.pdf>.

<sup>3</sup> Eurostat. News release euro indicators 125/2020. 14/08/2020. Available at: <https://ec.europa.eu/eurostat/documents/2995521/10545332/2-14082020-AP-EN.pdf/7f30c3cf-b2c9-98ad-3451-17fed0230b57>

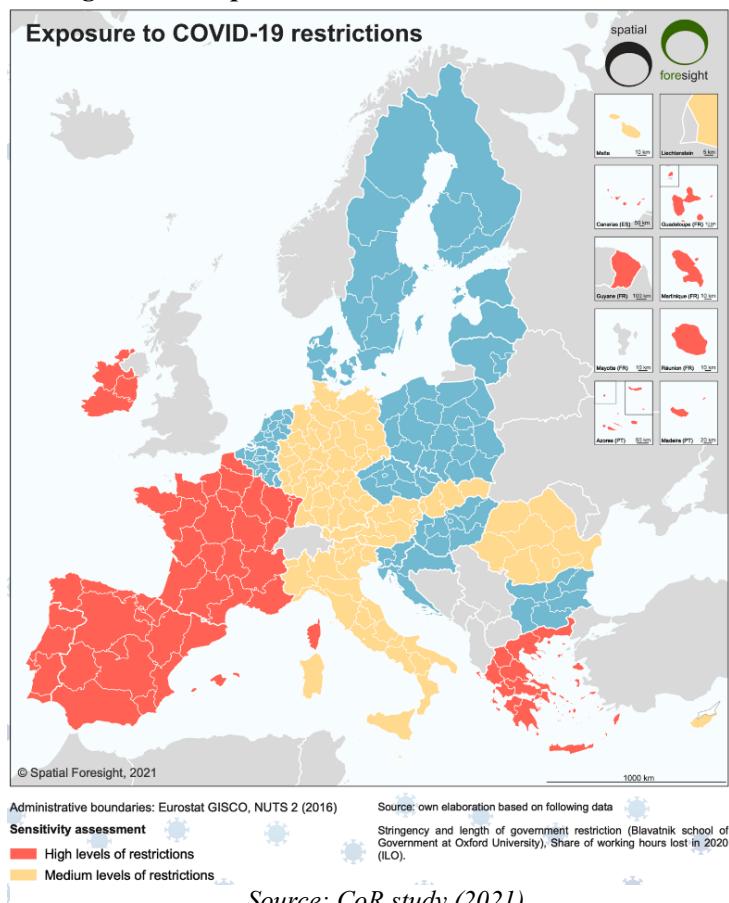
<sup>4</sup> CoR, EU Annual Regional and Local Barometer, 2020. Available at: <https://cor.europa.eu/en/our-work/EURegionalBarometerDocs/4370-Barometer%20optimized.pdf>

## 1. The negative impact of COVID-19 restrictions on economic development

To gain a nuanced understanding of how the pandemic is affecting local and regional development, the CoR study *The state of the regions, cities and villages in the area of socio-economic policies* (2021)<sup>5</sup> analyses sensitivity and exposure to COVID-19. The notion of "exposure" addresses the level of COVID-19-related restrictions and the notion of "sensitivity" addresses the regional characteristics that affect how much these restrictions matter for local and regional development.

### Short-term impact

**Figure I-2: Exposure to COVID-19 restrictions**



The authors indicate that **exposure** comprises (i) the overall stringency of lockdowns – which sometimes varied daily over the course of the outbreak. The "stringency index" of the University of Oxford's Blavatnik School of Government<sup>6</sup> is a composite index reflecting how much lockdowns restricted citizens' lives and economic activity (and includes school, university and workplace closures, and restrictions on private gatherings and international travel). Exposure also encompasses estimates of working hours lost, which provides an initial overview of the rigidity of lockdowns.

The notion of **sensitivity** is a combination of structural regional characteristics, which suggest that territorial development could be more sensitive to the effects of COVID-19. It is a composite index assessing several specific socio-economic structures in a

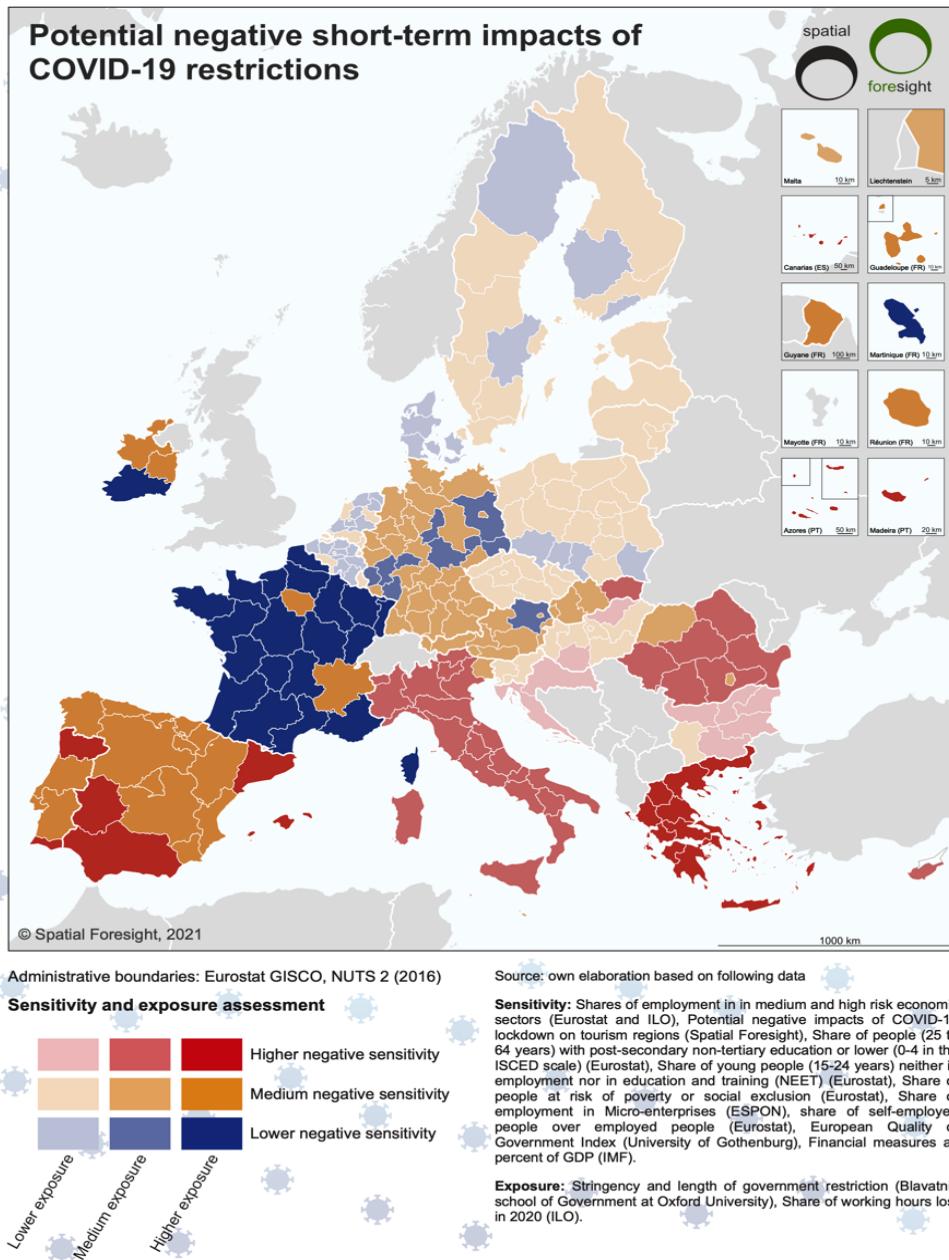
given region: employment in high-risk sectors (e.g. tourism, arts, retail and transportation); low education; young people without an education; people at risk of poverty; micro-enterprises; the self-employed; low quality of governance; limited financial measures.

The combination of the notions of exposure to restrictions and the sensitivities of a given territory is reflected in the map shown in Figure I-3, which points to the fact that the **regions that were potentially the hardest hit in the short term are mainly located in southern Europe** (Greek regions, the Spanish regions of Extremadura, Catalonia and Andalusia, the Balearic Islands and the Portuguese regions of the Algarve and the North).

<sup>5</sup> CoR, "The state of the regions, cities and villages in the area of socio-economic policies. Contribution to the 2021 EU Annual Regional and Local Barometer", June 2021, to be published.

<sup>6</sup> The Blavatnik School of Government's "Coronavirus Government Response Tracker", 2020

**Figure I-3: Negative short-term impacts of COVID-19 restrictions**



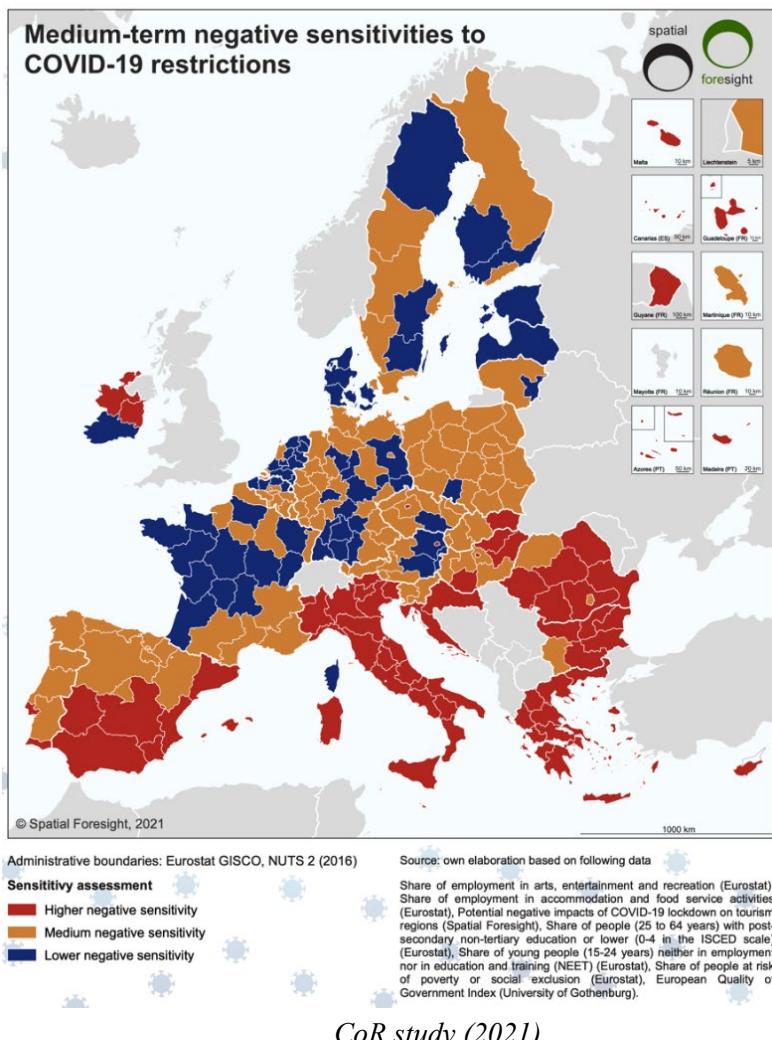
Other territorial patterns are also worth highlighting to try to explain differences between places within the same region<sup>7</sup>. For instance, **tourist regions** depending on international tourism are experiencing more complicated recovery processes. **Metropolitan areas** were often very severely impacted by the pandemic and its related restrictions but they are expected to "kick-back" quickly thanks to their specific economic characteristics. **Places with high shares of small and medium-sized enterprises (SMEs) and self-employed people** are also – depending on the sectors – likely to experience a longer road to

<sup>7</sup> CoR study. Op. cit.

recovery given that some of these sectors (e.g. culture and entertainment) are strongly affected and do not necessarily benefit from state support, which often benefits large companies such as national airlines.

### *Medium-term impact*

**Figure I-4: Negative medium-term impacts of COVID-19 restrictions**



to map in Figure I-4, which demonstrates that the **geography of the impact of COVID-19 is different in the short term (cf. previous map) and in the medium term.**

## **2. A positive impact?**

As described, the COVID-19 pandemic has had a very serious impact on economic development in most EU regions. However, for some businesses sectors, restrictions brought new opportunities. The positive impact of the pandemic in specific sectors will admittedly never balance out the magnitude of negative consequences, which will always outweigh the positive ones. Nonetheless, analysing the potential

Unsurprisingly, the pandemic will have long-lasting effects on the socio-economic structures of European regions. In the medium term (up to 10 years), the relevance of exposure to restrictions during the pandemic will decrease significantly: the longer-lasting consequences of the pandemic will depend on the structural characteristics of an area and the recovery speed of the most-affected sectors. The authors of the CoR study chose to focus on tourism, on employment in the accommodation sector and in the cultural sector, and on the number of young people without an occupation (NEETs), with low education levels and at a high risk of poverty. Last but not least, the quality of governments is also taken into account (an analysis from Bruegel suggests that quality of governance could explain between 30% and 50% of the economic impact of differences between southern and northern countries<sup>8</sup>). This methodology led

<sup>8</sup> Sapir, A. *Why has COVID-19 hit different European Union economies so differently?*, Policy Contribution No. 2020/18, Bruegel. 2020. Available at: <https://www.bruegel.org/2020/09/why-has-covid-19-hit-different-european-union-economies-so-differently>

positive impact of COVID-19 is an interesting way to foster debate on possible regional assets in the recovery process and to encourage some regions to capitalise on economic opportunities arising from the crisis.

The authors of the CoR study<sup>9</sup> found that the regions that were able to reap some benefits from the changes provoked by COVID-19 (i) faced more limited restrictions and lockdowns and that (ii) the specific features of their socio-economic profile facilitated their adaptation and gave them comparative advantages. These structural regional characteristics are: the share of employment in the pharmaceutical sector and in the information/communication sector; access to broadband; the potential for remote work or teleworking and the preparedness for online interactions with public bodies (e-governance). These regions that were able to capitalise on economic opportunities are located in Belgium, the Netherlands, Luxembourg and the Nordic countries, as well as some regions in Slovakia, Poland, Hungary, the Czech Republic and South-West Bulgaria.

### **3.        *The consequences of looser EU State aid rules***

As indicated above – in both the short and medium term and despite the considerable EU recovery funds – the impact of the pandemic is likely to increase existing differences between regions in Europe. The loosening of State aid rules risks reinforcing this phenomenon further.

As a reminder, EU State aid rules aim to minimise distortions of the European single market created by transfers of public resources to economic stakeholders. To enable Member States to support the economy during the pandemic, State aid rules were made more flexible with the European Commission's adoption of a State Aid Temporary Framework in March 2020. Flexibility was introduced for rules governing five types of aid: grants and advance payments, state guarantees for loans, subsidised loans to companies, safeguards for banks that channel State aid to the real economy, and short-term export credit insurance. The temporary framework was updated in light of new developments in April, May, June and October 2020, and January 2021 and now has five amendments extending the scope of the measures, prolonging them and increasing thresholds.

All EU Member States have used the modified temporary framework to submit State aid measures but to varying extents. An initial assessment from December 2020 conducted for the European Parliament shows that economically stronger countries are making more use of State aid programmes<sup>10</sup>. The study asserts that this might lead to distortions of the European single market and to increasing disparities between Member States, all the more so as countries hit the hardest by the crisis submitted fewer State aid measures. As indicated in the figure below, countries that have been severely affected, like Spain, Croatia, Cyprus and Hungary, have resorted to State aid relatively moderately, whereas countries that have been less affected, such as the Czech Republic, Germany and Poland, have comprehensive support measures, which can distort the single market.

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<sup>9</sup> CoR study, op. cit.

<sup>10</sup> Van Hove, J, "Impact of state aid on competition and competitiveness during the COVID-19 pandemic: an early assessment", study for the European Parliament's Committee on Economic and Monetary Affairs, 2020

**Figure I-5: The economic impact of COVID-19 and related State aid**



Source: CoR study, 2021

The exact impact of these measures on economic disparities at local and regional level remains to be seen given that (i) State aid measures rarely focus on individual regions and instead have national coverage and that (ii) the full impact of the modified State aid provisions will only become visible over the years. However, the extensive use of State aid in some countries is likely to reinforce inequalities among EU regions. As indicated in subchapter 2, most of the areas which might be able to seize new opportunities arising from the crisis are in the centre and north of Europe. They are often better-off regions already with strategic advantages. Indeed, businesses and authorities in more advanced regions are wealthier and, consequently, less prone to shocks. Quality of government (a key enabler for efficient access to public funding) is often higher in these regions, which also often have more financial means to complement national support programmes<sup>11</sup>. They are consequently the ones most likely to reap the rewards of looser State aid rules, which – as indicated in the 2020 CoR study – can potentially increase inequalities among EU Member States and regions.

There is, however, evidence pointing in the opposite direction. The European Commission notes in its annual report on competition policy for 2020<sup>12</sup> that around 51.5% of the State aid that was approved that year (a total of EUR 3.08 trillion) was reported by Germany. Italy reported measures that represent around 14.7% of the entire amount of State aid approved, while the aid represented by France accounted for 13.9% of this amount. The aid reported by Spain represented 4.8% of the entire amount of State aid approved, while the aid reported by Poland and Belgium corresponded to around 2% and 1.8% respectively.

However, based on surveys carried out by the European Commission, in the period between mid-March and the end of December 2020, although EUR 2.96 trillion in aid had been approved by then, only around EUR 544 billion was actually spent. In absolute terms, France has granted more than a fourth of the total aid paid out (EUR 155.36 billion), followed by Italy with 19.8% of the total aid paid out

<sup>11</sup> Böhme, K. & Lüer, Research for REGI Committee - Cohesion Policy Measures in Response to the COVID-19 Pandemic – European Parliament, Policy Department for Structural and Cohesion Policies, 2020

<sup>12</sup> European Commission, annual Report on Competition Policy, 2020. Available at: [https://ec.europa.eu/competition-policy/publications/annual-reports\\_en](https://ec.europa.eu/competition-policy/publications/annual-reports_en)

(EUR 107.9 billion), Germany with 19.1% of the total aid paid out (EUR 104.25 billion) and Spain at 16.7% (EUR 90.8 billion). In relative terms, according to the preliminary data sent by the Member States, Spain is the country that has disbursed the most in proportion to its GDP (7.3%), followed by France (6.4%), Italy (6.0%), Greece (4.39%), Malta (3.9%), Hungary (3.7%), Portugal (3.6%), Poland (3.6%) and Cyprus (3.5%). At EU-27 level, the COVID-19-related State aid spending corresponds to around 3.9% of EU GDP.

#### **4. Looking forward: the notion of resilience**

The Member States affected by the crisis – supported by the EU – spared no effort to mitigate the economic and social damage brought about by the pandemic. The first edition of the CoR Barometer report<sup>13</sup>, published in the aftermath of the so-called "first wave", already warned against the risk that the funds allocated to recovery would only focus on short-term relief and not contribute enough to long-term structural changes. As indicated in the ESPON study<sup>14</sup> analysing 477 recent local and regional policy measures, local public authorities have predominantly reacted to the COVID-19 crisis with short-term emergency measures addressing the first identified effects of the pandemic (mainly measures to support the local economic fabric). In this regard, 85% of measures taken by local and regional authorities (LRAs) can be considered "defensive" (see Figure I-6 below). However, offensive policy responses aimed at improving the resilience of a given area are also necessary.

**Figure I-6: Types of policy responses implemented by LRAs**

Table 4: Frequency of the measures according to their nature			
Type of measure	Number of measures	Share (%)	
Defensive	Mitigate	351	73.58
	Compensate	50	10.48
Offensive	Circumvent	65	13.63
	Exploit	11	2.31
<b>Total</b>		<b>477</b>	<b>100.00</b>

Source: first 35 factsheets

*Source: ESPON study (2020)*

The notion of regional resilience is intrinsically linked to the above-mentioned work on regional sensitivity to COVID-19 given that both depend on the structural characteristics of a region. Resilience (traditionally described as the ability to "bounce-back") is – when adapted to regional development - "determined by the adaptive capacity of an economy, which affects its ability to maintain long-term growth" (ESPON, 2014)<sup>15</sup>.

<sup>13</sup> CoR, EU Annual Regional and Local Barometer, 2020. Available at: <https://cor.europa.eu/en/our-work/EURegionalBarometerDocs/4370-Barometer%20optimized.pdf>

<sup>14</sup> ESPON study on the "Geography of COVID-19 outbreak and first policy answers in European regions and cities", December 2020. Available at: <https://www.espon.eu/sites/default/files/attachments/GEOCOV%20final%20report.pdf>

<sup>15</sup> ESPON, Economic Crisis: Resilience of Regions. Final Report. 2014

According to authors of the CoR study<sup>16</sup>, decisive factors for resilience to external shocks are quite diverse:

- **Economic diversity.** The variety of economic activities and market sectors facilitates adaptability to changing external factors and limits dependencies on particular firms or markets.
- **Openness and innovation.** The ability to adjust to changing environments or crises partly depends on the willingness of regions to change, experiment with new formulas and innovate.
- **Access to funding and resources.** Implementing changes or outliving crises is also a matter of access to financial resources. Consequently, the ability to mobilise funding and investments can be important for resilience.
- **Quality territorial governance.** Good, inclusive and transparent territorial governance favours unity and the mobilisation of resources in times of crisis<sup>17</sup>. This important factor will be developed in detail in Chapter VIII "A democracy that delivers at regional and local levels" but it is useful to point out here that quality of governance positively affects the efficiency of public investment.

However, resilience is not only the ability to "return to equilibrium" as described above (notably because it would imply that the current socio-economic model is the equilibrium). It is then interesting to also consider resilience as the ability to reorganise after a crisis or shock given that, despite the magnitude of the pandemic, other major shocks to our systems are imminent (or have even started) such as climate change.

#### *COVID-19: a real game-changer for the future?*

COVID-19 has had a lasting impact on our behaviour and collective psyche<sup>18</sup> and will consequently continue to have consequences on local and regional development. The changes triggered by the pandemic have not created new socio-economic phenomena but they have "slowed existing trends (e.g. cruise tourism, business travel) or accelerated emerging ones (e.g. digitalisation, home working, home schooling, streaming, online shopping)"<sup>19</sup>.

One of the most obvious trends reinforced by the pandemic is the considerable development of digitalisation, which is a real game-changer for economic development (see Chapter IV on the digital transition for a detailed analysis of this phenomenon). However, other less visible trends are also having an impact on European regional economies, such as the apparent increase in national protectionism and the relocation of certain strategic value chains. The pandemic has highlighted the dependence of European industry on foreign countries and the importance of controlling all stages of the production of certain strategic goods (e.g. healthcare equipment, pharmaceuticals and batteries). While Europe will continue to rely on international supply chains, this reorganisation could, for some regions, involve business opportunities with new economic activities.

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<sup>16</sup> CoR study, op. cit.

<sup>17</sup> Duit, A., Galaz, V., Eckerberg, K. & Ebbesson, J. "Governance, complexity, and resilience". *Global Environmental Change*, 2010

<sup>18</sup> McKinsey, The consumer demand recovery and lasting effects of COVID-19, McKinsey Global Institute, 2021.

<sup>19</sup> CoR study, op. cit.

Despite its significant consequences, COVID-19 will not – in all likelihood – alter the major trends structuring the future of societies and economies in Europe. Regardless of the pandemic, major social changes (e.g. migration and ageing) and environmental constraints (e.g. mitigating climate change and managing scarce resources) will continue to shape the continent. As Florida et al. underline, despite COVID-19, the macro-geographic trends of the last decades are likely to last<sup>20</sup>. This prognosis can be seen as a lost opportunity to change our society, economy and value systems or, on the contrary, as an incentive to work harder in favour of the sustainable management of shared resources and a socially inclusive society.

### **Galicia - Norte de Portugal EGTC's plan for boosting cross-border cooperation in the areas closest to the border**

*One of the side effects of COVID-19 was border closures, which heavily affected cross-border cooperation, especially in areas closer to the border. The Galicia – Norte de Portugal EGTC (Spain-Portugal) has developed a plan for boosting cross-border cooperation in the Galicia-Northern Portugal Euroregion, specifically focused on the border and nearby areas. The plan covers a number of action:*

- *The most important element was the Recovery Plan, drawn up in June 2020, just after the initial impact of COVID-19, to encourage and regain trust between cross-border neighbours and restore and boost cross-border economic relationships. The Plan includes activities and measures such as a coordinated re-establishment of social and productive activity; awareness campaigns; health; digitalisation; activities in the business sector; employment; mobility; education, culture and tourism; and tools for territorial development and cooperation.*
- *In addition, a Joint Investment Plan 21-27 was prepared for the use of European funds for the programming period 2021-2027, taking into account territorial needs, challenges and opportunities. Webinars were also held on specific aspects of cross-border cooperation such as demographic change and ageing, environment and forestry, civil protection, and youth - focusing on the problematic issues arising at the borders.*
- *Other activities included specific projects to promote and ease cross-border employment and economic activity, each one explicitly focused on a specific barrier hindering cross-border cooperation. Finally, a communication campaign is underway to raise awareness of the effects of border closures and their consequences for people living nearby.*

*The process of developing the EGTC's plan for boosting cross-border cooperation included a broad participatory process to gather opinions, suggestions and needs from key cross-border players in the Euroregion. All the related proposals received from other cross-border institutions, such as other local EGTCs and Eurocities, have been conveyed to the relevant administrations: the Plan was presented at the 2020 Iberian Summit and the Galician Regional Government included elements and suggestions from it in their requirements to the Spanish national government concerning the EU recovery plan.*

<sup>20</sup> Florida, R., Rodríguez-Pose, A. and Storper, M., "Cities in a Post-COVID World. Papers in Evolutionary Economic Geography", 2020. Available at: <https://ideas.repec.org/p/egu/wpaper/2041.html>

## B. A "COVID-19 gap" for local and regional finances

Cities and regions were at the forefront of the efforts to tackle the COVID-19 pandemic and its socio-economic consequences from the start. This has been widely documented, not least in the first edition of this CoR Barometer report<sup>21</sup>. They rapidly developed policies and actions to limit the spread of the virus, deal with the health emergency and later the vaccination campaign, and offered help and solutions to those affected, from social support schemes for vulnerable groups, to grants and loans to local businesses, etc. All of this came at an enormous financial cost to LRAs, while at the same time, the drastic reduction in economic activity resulting from lockdowns, and the tax relief and deferment measures, caused many local revenue sources to fall.

It quickly became apparent that the combination of increased expenditure and decreased revenue – the "scissors effect", so called for the visual representation of the upward and downward curves crossing – was likely to have a serious impact on many LRAs. As a result, the CoR's 2020 Barometer report attempted to provide an initial understanding of what this impact could be. This effort relied predominantly on a joint survey<sup>22</sup> by the CoR and the OECD, which was undertaken only a few months into the crisis in June-July 2020. Of the 300 local- and regional-level respondents to the survey, about 86% expected an increase in their expenditures, and 90% a decrease in revenues, in particular tax revenue and user charges and fees. However, it was too early at that point to be able to quantify the scale of the phenomenon or to get a more granular view of the situation in different Member States, with widely differing roles and responsibilities for cities and regions, as well as varying subnational finance structures, including levels of fiscal decentralisation.

The following section of the 2021 Barometer aims to address these shortcomings and provide a – still preliminary, but – more thorough overview of the situation, largely thanks to the findings of a recent CoR-commissioned study on "Local and regional finances in the aftermath of COVID-19"<sup>23</sup>.

### 1. *Evidence of a large-scale "scissors effect" across the EU*

There are only a few Member States where estimates, let alone actual data, on the financial impact of the crisis on LRAs are provided by government sources directly (as in Italy, the Czech Republic and Finland), so most of the estimates included in the CoR study come from LRA associations or independent researchers' analyses, often based on surveys rather than on actual "hard" data. Many of the available estimates are not exhaustive but instead focus on certain revenues or expenditures, or cover some but not all subnational governments, or some but not all levels of government. And in several cases, the estimates were made in mid-2020, taking into account only some months and projecting estimates over the whole year. Subsequent COVID-19 "waves" likely made the situation worse than most estimates taken into account in the report.

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<sup>21</sup> CoR, *EU Annual Regional and Local Barometer*, October 2020. Available online: <https://cor.europa.eu/en/our-work/EURegionalBarometerDocs/4370-Barometer%20optimized.pdf>

<sup>22</sup> CoR-OECD, *The impact of COVID-19 on EU regional and local governments: Main findings from the joint CoR-OECD survey*. November 2020. Available online: <https://webapi2016.cor.europa.eu/v1/documents/cor-2020-04845-00-01-tcd-tra-en.docx/content>

<sup>23</sup> CoR, *Study: Local and regional finances in the aftermath of COVID-19*. June 2021. Available online at: [https://cor.europa.eu/en/engage/studies/Documents/Local\\_and\\_regional\\_finances\\_in\\_the\\_aftermath\\_of\\_COVID-19/CoR\\_Local\\_and\\_regional\\_finances\\_after\\_Covid-19.pdf](https://cor.europa.eu/en/engage/studies/Documents/Local_and_regional_finances_in_the_aftermath_of_COVID-19/CoR_Local_and_regional_finances_after_Covid-19.pdf)

Nonetheless, using the figures and estimates that were available at the time of writing, the study authors created 27 Member States fiches, which, if combined, put the total "scissors effect" in the EU at a loss of approximately EUR 180 billion for 2020. Of this total, nearly EUR 130 billion is accounted for at regional and intermediate levels and EUR 50 billion at municipal level. The study's full breakdown by Member State and by subnational government level is shown in the table in Figure I-7-7 below.

This estimation means that the financial impact, while not extreme overall, is very unevenly spread and very significant as it would correspond to approximately 7% of revenue collected by LRAs in the EU, on the basis of the data on LRA revenue and expenditure provided by the OECD<sup>24</sup>.

The overall figure of EUR 180 billion combines, on the one hand, an increase in expenditure of approximately EUR 125 billion, due to pandemic-related measures in public health, support for businesses and individuals and other reasons and, on the other hand, a fall in revenues of around EUR 55 billion, largely due to decreased economic activity and, thus, tax, tariff and fee income.

**Figure I-7: Estimated scale of the total "scissors effect" by Member State (2020)**

Member State	Estimated expenditure change (EUR billion)		Estimated revenue change (EUR billion)		Scissors effect (EUR billion)			as % of LRA revenues*
	Regions and intermediary levels	Municipalities	Regions and intermediary levels	Municipalities	Regions and intermediary levels	Municipalities	Total	
Austria	n/a	n/a	-0.30 <sup>1,2</sup>	-2.00	-0.30	-2.00	-2.30	-3.4%
Belgium	2.85	0.21	-1.44	-0.20	-4.29	-0.41	-4.70	-3.9%
Bulgaria	n/a	0.12 <sup>3</sup>	n/a	-0.52	n/a	-0.64	-0.64	-15.3%
Croatia	n/a	n/a	n/a	n/a	-0.24 <sup>4</sup>		-0.24	-3.9%
Cyprus		n/a		-0.075 <sup>1,3</sup>		-0.075	-0.075	-25.0%
Czech Republic	n/a	1.13	n/a	-0.82	n/a	-1.95	-1.95	-7.8%
Denmark <sup>5</sup>	0.42	1.60	0.106	0.006	-0.32	-1.59	-1.91	-1.6%
Estonia		0.02 <sup>6</sup>		0.05 <sup>5</sup>		0.03	0.03	1.2%
Finland		1.3		-0.7 <sup>2</sup>		-2	-2.00	-4.1%
France	2.2		-5		-7.2		-7.20	-2.7%
Germany	72.8	16.5	-15	-7.4	-87.8	-23.9	-111.7	-15%
Greece	n/a	n/a	n/a	n/a	-0.12 <sup>4,7</sup>		-0.12	-1.7%
Hungary	n/a	n/a	n/a	n/a	n/a	-0.15 <sup>6</sup>	-0.15	-1.9%
Ireland		0.09		-0.23		-0.32	-0.32	-4.5%
Italy	12.72	0.16	-1.50	-8.40	-14.22	-8.56	-22.78	-9.2%
Latvia		-0.07		-0.18		-0.10	-0.10	-3.5%
Lithuania		0.04		-0.04		-0.08	-0.08	-2.2%
Luxembourg		n/a		-0.42		-0.42	-0.42	-13.5%
Malta		n/a		n/a		n/a	n/a	n/a
Netherlands	n/a	1.44	n/a	-1.33	n/a	-2.77	-2.77	-2.8%

<sup>24</sup> OECD, *Key data on Local and Regional Governments in the European Union (brochure)*, 2019. Available online: [https://www.oecd.org/cfe/regionaldevelopment/Subnational\\_Finance\\_Nuancier\\_EU\\_2019.pdf](https://www.oecd.org/cfe/regionaldevelopment/Subnational_Finance_Nuancier_EU_2019.pdf)

Member State	Estimated expenditure change (EUR billion)		Estimated revenue change (EUR billion)		Scissors effect (EUR billion)			as % of LRA revenues*
	Regions and intermediate levels	Municipalities	Regions and intermediate levels	Municipalities	Regions and intermediate levels	Municipalities	Total	
Poland	n/a	n/a	n/a	-3.00	n/a	-3.00	-3.00	-4.4%
Portugal		0.17 <sup>3</sup>		-0.38 <sup>8</sup>		-0.55 <sup>4</sup>	-0.55	-4.5%
Romania	0.31 <sup>3</sup>			-0.12		-0.43	-0.43	-0.4%
Slovakia	n/a	0.001 <sup>6</sup>	-0.08 <sup>2</sup>	-0.12 <sup>2</sup>	-0.08	-0.12	-0.20	-3.1%
Slovenia		n/a		-0.20		-0.20	-0.20	-5.3%
Spain	7.10	n/a	-5.00	-0.27 <sup>6</sup>	-12.10	-0.27	-12.37	-4.9%
Sweden	2.59	0.85	-0.41 <sup>7</sup>	0.36 <sup>2,7</sup>	-3.00	-0.49	-3.49	-3.0%
EU-27**	101.0	23.56	-28.75	-25.85	-130.11	-49.56	-179.67	-7.3%

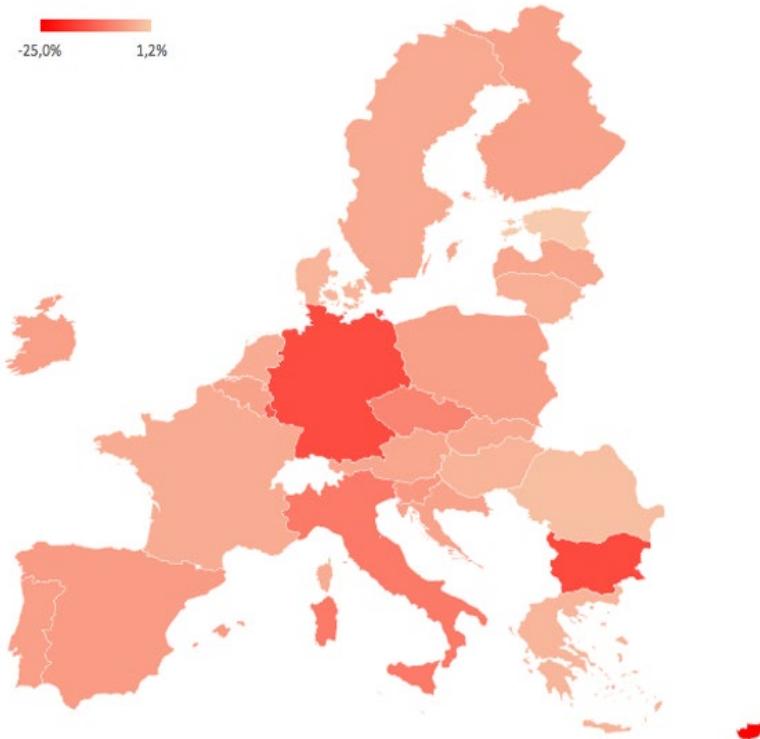
Source: CoR Study: Local and regional finances in the aftermath of COVID-19, May 2021

Figure notes: \*Based on OECD figures. \*\*All data for Croatia, France, Greece and Romania had to be included under "Regions and intermediate levels". <sup>1</sup>Estimated by applying the percentage reduction from available information on 2018 revenues from OECD figures. <sup>2</sup>Only tax revenues. In Slovakia, the figure for regions also includes losses from public transport. <sup>3</sup>2020 not fully covered. In Romania, the figure for expenditure refers only to healthcare. <sup>4</sup>Variation in LRA budget balance, disaggregation on budget changes specifically due to the crisis is not available. <sup>5</sup>Data from national statistics, disaggregation on budget changes specifically due to the crisis is not available. <sup>6</sup>Only capital or large cities or groups of municipalities. <sup>7</sup>Including transfers from central government. <sup>8</sup>Calculated as the difference between total "scissors effect" and expenditure.

While the results shown here are based on different sources and sometimes partial estimates, with varying methodology, and should therefore be interpreted and compared with caution, the picture that emerges from the available information is clear: most LRAs across the EU found the situation very challenging in 2020 from a financial standpoint.

In relative terms compared to revenue, the largest estimated values for the COVID-19 financial gap in 2020 were in Cyprus (a loss of 25%) and Bulgaria and Germany (a loss of 15%) and the lowest in Romania, Denmark, Greece, Hungary and Estonia, where the estimated "scissors effect" was no greater than 2%.

**Figure I-8: Estimated "scissors effect" in EU LRAs in 2020 (as % of revenues)**



Source: CoR Study: *Local and regional finances in the aftermath of COVID-19*, May 2021

## 2. Determinants of the "scissors effect"

The study shows that the estimated "scissors effect" within each Member State varied strongly across and within subnational government levels, as well as between Member States. At this stage, there does not seem to be enough precise data to determine any robust relationship between the degree of fiscal decentralisation and the size of the "scissors effect", but the different ways LRAs are financed throughout Europe has undoubtedly played a crucial role in the phenomenon. Allocations from central governments (grants and subsidies) – which represent on average 43% of LRA revenues in the EU – often proved to be much more stable and less affected than other revenue sources, such as taxes, tariffs and fees. For instance, the scale of the COVID-19 financial gap estimated by the study is very limited in Lithuania – where grants and subsidies account for almost 89% of LRA revenues – but much larger in Germany – where that share is three times lower at 27%<sup>25</sup>.

The specific composition of LRAs' own revenues – various types of taxes, tariffs, fees, property income and social contributions – also varies significantly across and within Member States and this had an impact on the "scissors effect" as well. For instance, the fall in revenue for Dutch municipalities was estimated to be between EUR 209 and 345 million for income from parking fees alone, which would have barely affected municipalities in some other Member States. In Slovakia, and Bratislava in particular, the study notes that the largest single revenue loss is estimated to be from public transport revenue, due to a drastic fall in passenger numbers and many refund requests.

<sup>25</sup> OECD, *Key data on Local and Regional Governments in the European Union (brochure)*, 2019. *Op. cit.*

The structure of revenue also varies between levels of government within Member States and this created further strong disparities. Budgetary stability has thus also been impacted as has fiscal autonomy more broadly which can affect the efficient delivery of public services .

Thus, for instance, the almost complete halt in real estate transactions for part of 2020 means that the French intermediary-level departments suffered large revenue falls since property transfer fees represented almost one fifth of their revenue. French municipalities, on the other hand, receive a smaller share of property transfer fees and were thus less affected by the property market freeze.

In parallel, local economic specialisation and the exposure of particular sectors to the crisis interacted with the revenue and expenditure structure of LRAs to produce a very wide variety of outcomes for LRA finances. Regions with large manufacturing sectors and higher exposure to international markets, for example in Germany, the Netherlands, northern Italy and Sweden, have been heavily affected by the crisis. Metropolitan areas with IT and business services (such as in Austria, Bulgaria, Ireland and Lithuania) responded better.

The most affected sector across the EU has arguably been tourism. For many regions and municipalities, this is not only a major employment sector and thus an important indirect revenue source for LRAs through the economic activity generated, but also a crucial source of direct revenue, not least from tourist taxes. There are strong disparities in how different Member States are affected by this but also between different LRAs within the same country. For example, Dutch municipalities are expected to lose approximately EUR 250 million of revenue from tourist tax, but this amount would be extremely unevenly spread between different municipalities depending on their exposure to the tourism sector, with major tourist cities like Amsterdam likely to bear the brunt of the losses. Moreover, the cultural sector was among the most affected, with the closure of museums and public spaces for art and culture, and consequently less revenue for LRAs. For smaller cities, and coastal and remote areas, the drop in tourism and cultural activities led to a significant loss of revenue.

On the expenditure side, the different responsibilities across Member States and levels of government also have a major impact on the scale of the "scissors effect". For instance, there are enormous disparities in the level of health-related expenditure at LRA level in the EU. In Italy, almost half of subnational expenditure is concentrated in the field of health and the figure is more than a quarter in Austria, Spain, Finland and Sweden. At the other end of the spectrum, health represents less than 1% of expenditure for LRAs in Cyprus, France, Greece, Ireland, Luxembourg and Malta<sup>26</sup>. In Italy, the study estimated an increase in regional healthcare expenditure that was worth more than twice the regional resources allocated to support SMEs and welfare. Meanwhile, in France, departments' expenditure was affected more so by high social spending, and much less so than by healthcare. The situation for LRAs' finances is likely to continue to be challenging for some time as the increase in expenditure is expected to be long-lasting. This is true in particular for social expenditure, which, according to the OECD, will certainly continue to increase as more welfare benefits are included due to the rise in unemployment and the number of aid seekers<sup>27</sup>.

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<sup>26</sup> *Ibid.*

<sup>27</sup> OECD, *The territorial impact of COVID-19: Managing the crisis across levels of government*, November 2020. Available online: <https://www.oecd.org/coronavirus/policy-responses/the-territorial-impact-of-COVID-19-managing-the-crisis-across-levels-of-government-d3e314e1/#section-d1e1814>

### **3. Responses and perspectives**

In almost all Member States, LRAs received different forms of support from central governments to mitigate the "scissors effect" in 2020, but this has varied strongly across countries. Many national governments adopted packages and measures to provide direct support to compensate LRAs for certain expenditure or the loss of certain revenue. For instance, in Finland, the central government will fully reimburse local authorities and hospital districts for costs directly linked to the pandemic, such as testing. In the Czech Republic, an additional EUR 1.13 billion was transferred from the national government to municipal budgets to offset the fall in municipalities' tax revenues. Increased transfers included emergency non-purpose contributions to local communities of EUR 47.7 per capita. This was intended to offset the decline in individual income tax from employment in connection with a compensation bonus for entrepreneurs. Furthermore, in some countries, such as Sweden, stabilisation mechanisms automatically offset LRA budget changes.

As of yet, however, it is unclear exactly how much of the 2020 COVID-19 financial gap in different Member States was effectively covered by measures implemented by central governments to reduce the impact on LRA finances. According to the estimates gathered by the study, certain LRAs, including in Spain, and municipalities in Sweden and the Czech Republic, were expected to close 2020 with a budget surplus thanks to central government support. But in Member States such as Bulgaria, Croatia, Hungary, the Netherlands, Portugal, Romania and Slovakia, LRAs reported deficits and worse finances than 2019 despite some help from the respective central governments.

In addition to this direct support and compensation, national governments also aimed to attenuate the effects of the crisis on LRAs' finances through indirect measures. In many Member States, national legal provisions placing constraints on LRAs' finances were lifted or made more flexible. In Poland, for example, budget balance rules were relaxed so that LRAs could exceed the previous limit by the amount of expected loss in income resulting from the pandemic. In Denmark, the investment ceiling (including on construction) for municipalities and regions was lifted to enable them to anticipate investments planned for the coming years, with the aim of boosting employment and recovery. The relaxation of national fiscal constraints applying to LRAs very much mirrored the easing of EU-level rules applying to national debts and deficits, with the activation of the Stability and Growth Pact's "general escape clause" for the first time ever on 23 March 2020<sup>28</sup>.

In many Member States, central governments have concentrated their broader support on compensating for lay-offs and worker income as well as sustaining businesses, spending vast sums in the process. This has undoubtedly lessened the socio-economic impact of the crisis and indirectly mitigated the "scissors effect" on LRA budgets. However, in many Member States, this has also significantly increased public debt.

This raises fears that, as a result, a scenario similar to the aftermath of the 2007-2008 financial crisis could repeat itself, with strict austerity measures put in place in order to tackle increased public debts, and public investment being used as an adjustment variable. This strongly affected the local and regional

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<sup>28</sup> Council of the EU, *Statement of EU ministers of finance on the Stability and Growth Pact in light of the COVID-19 crisis*, Press release, 23/03/2021. Available online: <https://www.consilium.europa.eu/en/press/press-releases/2020/03/23/statement-of-eu-ministers-of-finance-on-the-stability-and-growth-pact-in-light-of-the-covid-19-crisis/>

level, which is responsible for approximately a third of total public expenditure<sup>29</sup> and more than half of public investment<sup>30</sup> in the EU. Subnational public investment experienced a fall of more than a quarter in the years following the previous crisis, going from approximately 2.2% of GDP in 2009 to 1.6% of GDP in 2015, and only partly and slowly recovered in the years that followed<sup>31</sup>. Such a situation repeating itself, with public investment again sacrificed to compensate for the costs of the crisis, would have damaging effects on LRAs' capacity to provide services to citizens.

Though it is too early to draw conclusions, but recent there are some indications paint a rather mixed picture. There are some suggestions that investment might already have reduced, for instance in France, where LRAs' investment dropped by 6.2% in 2020 compared to 2019, driven in particular by the municipal level<sup>32</sup>. While a decrease was expected this year due to the electoral cycle for municipalities, the French Observatory of Local Finance and Public Management notes that the fall was significantly steeper than anticipated. On the other hand, the EIB Municipalities Survey 2020<sup>33</sup>, published in July 2021, highlights that almost two-thirds of EU municipalities planned on increasing infrastructure investment from 2020 through 2025, with a particular focus on digital infrastructure, climate change mitigation and adaptation. However the interviews for this survey were carried out between May and August 2020, relatively early during the COVID crisis. Overall, the evolution of local and regional investment over the coming years will be closely watched as it will be crucial for economic growth, sustainable development and societal well-being, not least because much of it – in health, infrastructure, training and other fields – is essential for strengthening resilience to potential future crises.

## C. Social and employment state of play

### 1. *Social and employment developments*

Apart from the human cost and public health crisis, the COVID-19 pandemic has triggered one of the worst economic crises since the Great Depression. Consequently, the impact on employment and the social dimension has been cataclysmic.

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<sup>29</sup> Eurostat, Data code: TEC00023. Available online:

<https://ec.europa.eu/eurostat/databrowser/view/tec00023/default/table?lang=en>

<sup>30</sup> Eurostat, Data code: TEC00022. Available online:

<https://ec.europa.eu/eurostat/databrowser/view/tec00022/default/table?lang=en>

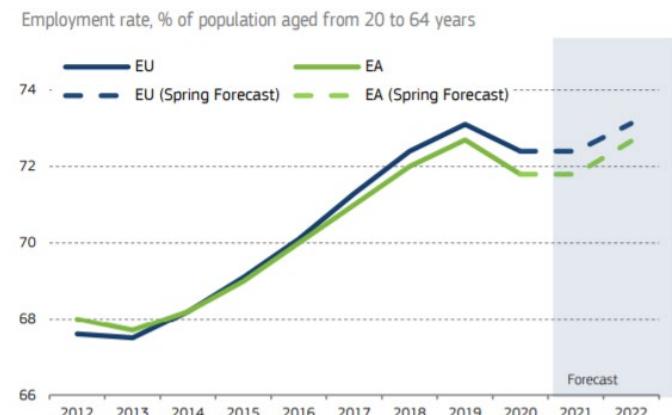
<sup>31</sup> Eurostat, *General government gross fixed capital formation (Dataset: TEC00022)*. Available online:

<https://ec.europa.eu/eurostat/databrowser/view/tec00022/default/table> The figures quoted refer to the sum of gross fixed capital formation as a share of GDP for local and (federate) state governments (S1313 and S1312).

<sup>32</sup> Observatoire des finances et de la gestion publique locales, *Rapport: Les Finances des Collectivités Locales en 2021*. July 2021. Available online: <https://www.collectivites-locales.gouv.fr/files/Accueil/DESL/2021/OFGL/Rapport%20OFGL%202021.pdf>

<sup>33</sup> European Investment Bank (EIB), *The state of local infrastructure investment in Europe: EIB Municipalities Survey 2020*. July 2021. Available online: [https://www.eib.org/attachments/efs/eibis\\_2020\\_municipality\\_en.pdf](https://www.eib.org/attachments/efs/eibis_2020_municipality_en.pdf)

**Figure I-9: Employment rates in the EU**



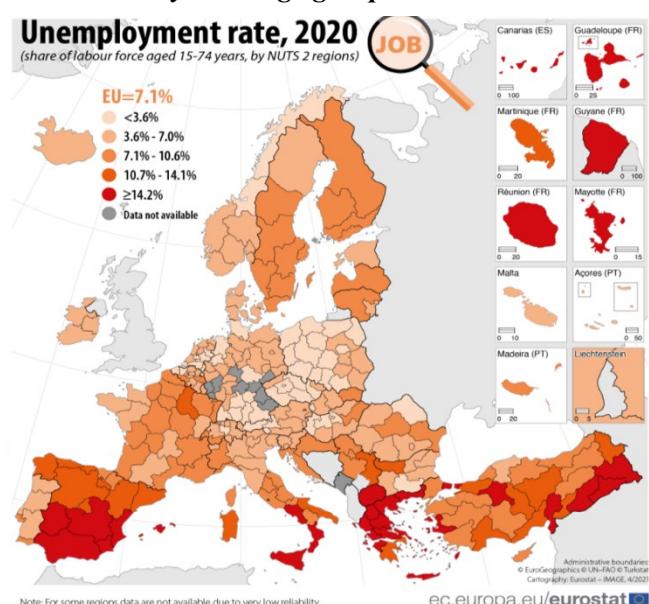
Note: The forecast is calculated using the estimation of employment in persons growth, and assuming a similar size of the workforce

Source: Eurostat, LFS [lfsi\_emp\_a], Commission Spring 2021 economic forecast, and EMPL calculations

Economic Forecast, total employment will remain stable in 2021 before increasing by 1.0% in 2022.

The swift adoption of short-time work schemes and other labour market retention measures, together with a decline in activity rates, have so far led to only a moderate increase in the unemployment rate. Member States have implemented measures to strengthen sick leave and out-of-work income support as well as job retention schemes. These policy responses were aimed at containing damage and supporting workers and companies as well as at avoiding the loss of viable activities and competences, thereby preparing the recovery. Furthermore, Member States implemented a massive transition towards teleworking for workers who do not need to be physically present at their workplace. Keeping workers safe as the economy reopens and ensuring adequate income protection and employment support for a crisis that may not yet be over must remain a priority. Massive use of short-time work schemes helped mitigate the consequences of the shock to the labour market.

**Figure I-10: Unemployment affect young people more than any other age group**



<sup>34</sup> OECD, Tackling Coronavirus (COVID-19): contributing to a global effort. Cities policies responses. July 2020

Total employment (which had increased by 15 million since mid-2013) fell by 6.2 million between the fourth quarter of 2019 and the second quarter of 2020, the sharpest decline observed over two successive quarters. At the end of 2020 it stood at 72.4% (71.8% for the euro area). After six years of positive developments towards the Europe 2020 employment target, the employment rate moved further away from it in 2020. Employment rates fell in almost all Member States, although to varying degrees (Spain, Ireland and Bulgaria were the hardest hit). However, according to the Commission's Spring 2021

Large cities have been greatly affected: a study on the impact of lockdowns on the job market in

Madrid, Spain, estimated that a two-month lockdown would result in the loss of 60 500 jobs and even 108 000 if counting indirect employment. This represents 5.4% of total employment. Breaking down the data by sector shows hospitality as the most affected sector (31.8%, with 19 227 fewer jobs), followed by retail trade (11.3%, with 6850 fewer jobs), personal services (5.6%, which means 3425 fewer jobs) and culture (2.5%, with 1497 fewer jobs)<sup>34</sup>.

According to EUROSTAT in 2020, the year of the COVID-19 outbreak, the unemployment

rate of people aged 15-74 increased in the majority of the NUTS 2 regions of the EU. It continued to vary widely across the EU regions, with the lowest unemployment rate recorded in the Polish region Wielkopolskie (1.8%), in two Czech regions: Central Bohemia (1.9%) and South-West (2.0%), followed by three further Czech regions: Prague, North-East and South-East (all 2.3%).

At the opposite end of the scale, the highest unemployment rates were registered in the Spanish autonomous cities of Ceuta (24.5%) and Melilla (23.7%) and two further Spanish regions: Canary Islands (22.6%) and Andalusia (22.3%)<sup>35</sup>.

These figures show that the pandemic's impact on the labour market was not linear. Regions were affected to varying degrees by the pandemic and the ensuing measures. The economic shock has been experienced differently by different sectors and categories of workers. **Non-standard employees** are in more immediate danger from the pandemic and have a higher risk of facing poverty. The **gender gap in employment** decreased slightly in 2020, but this was a result of the employment rate falling less for women than for men, rather than a policy outcome, and the crisis makes dealing efficiently with this phenomenon even harder. The **gender pay gap** narrowed over the past five years, but the crisis has created new risks and underlined the need for reforms and investments.

Most economic activities saw a reduction in their employment numbers in 2020, but the sharpest declines were observed in the hospitality sector, in the cultural and entertainment sector and among professional activities. This has translated into a significant decrease in the share of **temporary employees** over total employees, again with wide differences across countries and regions; workers on **temporary contracts** bore much of the brunt of the impact of the COVID-19 recession on employment.

In addition, **part-time employment** decreased by 1.2 percentage points to 17.1% of total employment, after years of relative stability<sup>36</sup>. The crisis also had a disproportionate impact on **non-EU migrants** and, as a result, in 2020, the EU employment rate declined more for foreign-born people than for natives.

**Employment among young people** declined particularly strongly in 2020. Compared with 2019, the employment rate for people aged 20-24 dropped by 2.8 percentage points to 48.7% and by 1.7 percentage points for people aged 25-29, to reach 72.9%<sup>37</sup>. Young workers were more susceptible to losing their jobs during the crisis since they tend to be on temporary contracts and are more likely than others to be in vulnerable occupations, which explains the rise in youth unemployment in the EU in 2020 to 16.8% (compared to 15% in 2019). Young people transitioning from education to the labour market also arguably faced difficulties in finding their first job, with the total number of recent job starters declining in 2020<sup>38</sup>. Similarly, the share of young people who are neither in employment nor in education or training (NEET) dramatically increased to an unprecedented 13.7% in 2020<sup>39</sup>.

Cities have been actively involved in the effort to support the labour market during the pandemic. For example, **Barcelona** has established “The Economic Response Coordination Centre (CECORE)” to

<sup>35</sup> Eurostat. Available at: <https://ec.europa.eu/eurostat/en/web/products-eurostat-news/-/ddn-20210428-1>

<sup>36</sup> European Commission (2021) "Employment and social developments in Europe 2021: towards a strong social Europe in the aftermath of the COVID-19 crisis: reducing disparities and addressing distributional impacts"

<sup>37</sup> Ibid.

<sup>38</sup> Ibid.

<sup>39</sup> Ibid.

define and implement the cross-departmental municipal Covid-19 response strategy. CECORE aims to maximize resources by coordinate the relations with all the public authorities, as well as to engage the economic and social stakeholders in designing the responses<sup>40</sup>. Furthermore, Barcelona has developed a 2020-2021 Emergency Youth Employment Plan that targets young unemployed people and young workers who are not eligible for the Youth Guarantee. Munich's Employment and Qualification Programme has moved its training to online platforms using creative solutions and tools to ensure that participants' access to training was not interrupted<sup>41</sup>.

The COVID-19 pandemic hit people **at risk of poverty and social exclusion** (AROPE). The outbreak of the pandemic signalled the end of seven straight years of decreases in the number of people at risk of poverty and social exclusion due to the associated increase in unemployment and inactivity. The Europe 2020 target of 20 million fewer people in poverty or social exclusion (compared to 2008) is therefore unattainable. Poverty remained high in certain groups, in particular for families with children, persons with disabilities and people born outside the EU, all of whom have been disproportionately hit by the COVID-19 crisis.

Overall, **income inequality** slightly decreased in the years leading up to the COVID-19 pandemic, but it increased at the lower end of the income distribution scale over the last decade, raising concerns about the inclusiveness of economic growth. The current crisis may also exacerbate **pre-existing inequalities**, if not aptly addressed. Various groups have been at a higher risk of being infected by the virus or were impacted in a disproportionate way in all aspects of life during the lockdown: health (including psychological stability), work, income and savings, and school. Inequalities in household wealth and housing conditions have impacted current living standards and the ability to withstand the lockdown measures.

Additionally, the pandemic has put Member States' **health and long-term care systems** under unprecedented stress. Our healthcare systems' crisis response capabilities have often been put under strain and existing structural challenges related to the effectiveness, accessibility and resilience of healthcare have been exacerbated. Furthermore, long-term care systems have also been strongly affected by the pandemic, due to their users' and staff members' high vulnerability to COVID-19. Overall, the pandemic highlighted shortages in certain health professions and the importance of up- and reskilling and of adapting or improving their working conditions. According to Eurofound, "in 2020, nurses and other health professionals were among the occupations with the most critical shortages in most Member States"<sup>42</sup>.

Cities and regions have taken measures to improve the situation: in **Basque Country** region a programme relying on volunteers and the network of pharmacies provides a service to the elderly population with chronic diseases and living alone, ensuring they will not have to go to the pharmacy and thus avoid coronavirus exposure. In **Denmark**, municipalities purchase protective equipment

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<sup>40</sup> Eurocities, City employment & Covid-19: from crisis to recovery. How do cities ensure resilience of workers on labour markets, 2021 [available [here](#)]

<sup>41</sup> Ibid.

<sup>42</sup> Eurofound, "Tackling labour shortages in EU Member States", 2021

through joint procurement<sup>43</sup>. Additionally, several cities (**Lyon, Barcelona, Munich, Solna**) have launched programs to make care jobs more attractive<sup>44</sup>.

**Figure I-11: Households with lower incomes are more likely to experience housing issues**

Housing issues by income quintile, EU25, 2019

	Q1	Q2	Q3	Q4	Q5
Overcrowding	26	17	14	12	8
Leaking roof, damp walls, floors or foundation, or rot in window frames or floor	20	14	12	9	7
Noise from neighbours or from the street	22	19	18	17	16
Too dark, not enough light	8	6	5	4	3

Note: Income quintiles based on national income distributions. Ireland and Italy not included.

Source: Calculations by the European Commission's DG Employment, Social Affairs & Inclusion based on EU-SILC 2019 users' database.

While **housing** costs remain very high for a large share of households, the crisis requires action to protect the most vulnerable. One European in ten is overburdened by housing costs<sup>45</sup>. The lowest income households and people living in cities are the most affected.

**Homelessness**, the most extreme form of housing exclusion, increased over the last decade in most Member States. The health crisis has provided further evidence of these housing

difficulties. Despite a decrease of 3.6 percentage points since 2012, severe housing deprivation is still highest for people in the lowest income quintile, standing at 8.8% in 2019. Almost one in eight citizens in the EU were living in a dwelling with a leaking roof, damp walls, floors or foundation, or rot in window frames or the floor in 2019<sup>46</sup>.

Once more cities were in the forefront of the effort to help people in need. For example, **Vienna** announced that people living in municipal housing would be able to stay for the duration of the crisis, even if they were not able to pay rent<sup>47</sup>; **Barcelona** has placed a rent moratorium on properties owned by the Barcelona Municipal Housing and Rehabilitation Institute, for both housing and commercial premises<sup>48</sup>; **Madrid** opened a complex of apartments to host elderly people without COVID-19 symptoms who have lost their caregivers or who do not benefit from the help of a caregiver<sup>49</sup>; **Lisbon** rolled out a program that encourages the owners of the 25,000 apartments used for short-term holiday lets to rent to locals instead<sup>50</sup>.

#### Policy recommendations

In the face of many social challenges, income protection and inequality mitigation have the potential to cushion the pandemic's short-term impacts. Before the fall in disposable income triggered by the COVID-19 outbreak, the living standards of EU households were, on average, improving.

<sup>43</sup> <https://www.aarhus.dk/corona/faelleskommunalt-indkoeb-af-vaernemidler/>

<sup>44</sup> Eurocities, City employment & Covid-19: from crisis to recovery. How do cities ensure resilience of workers on labour markets, 2021, available [here](#)

<sup>45</sup> European Commission "Employment and social developments in Europe 2021: towards a strong social Europe in the aftermath of the COVID-19 crisis: reducing disparities and addressing distributional impacts". 2021

<sup>46</sup> Ibid.

<sup>47</sup> <https://covidnews.eurocities.eu/wp-content/uploads/2020/04/Overview-of-Covid19-measures-in-Vienna-3.4.2020.pdf>

<sup>48</sup> <https://covidnews.eurocities.eu/2020/03/25/barcelona-rent-moratorium/>

<sup>49</sup> [link](#)

<sup>50</sup> <https://news.trust.org/item/20200629111057-g8rmr/>

Addressing the inadequacy of benefit entitlements so as to provide greater income security for those in non-standard forms of employment may be challenging. Policy must support the recovery by striking the right balance between providing continuous support to workers, households and companies still affected by persisting restrictions and encouraging business activity as well as permitting necessary restructuring. But the guiding force will be the implementation of the European Pillar of Social Rights, as this is key to ensuring that the recovery is fair and inclusive.

Access to unemployment benefit schemes with adequate benefit levels and an appropriate duration is key to mitigating the negative impact of the crisis and supporting unemployed people's reintegration into the labour market. Adapting working conditions has become central during the pandemic and will remain key afterwards, requiring investment in workplaces and reforms to enhance the availability of flexible working arrangements. Many workers are still not protected by adequate minimum wages, although an EU Directive on the matter is currently being negotiated.

A successful implementation of the reinforced Youth Guarantee, relying on well-functioning public employment services and education and training systems, will be crucial. Non-EU migrants were hit extremely hard during the pandemic; recovery labour market policies will require additional efforts to ensure their labour market integration.

In particular, reforms should strengthen healthcare capacities in Member States (in particular surge and crisis management capacity), improve coordination between inpatient, outpatient and primary care, upskill and reskill health workers and improve their working conditions, promote digital health and reduce out-of-pocket payments. Challenges for long-term care systems – ranging from difficult situations for workers and informal carers, discontinuity of services and capacity issues – have to be dealt with. Reforms should cover, among other things, preventive measures such as active and healthy ageing, and reactive measures such as setting up properly integrated health and social care services, expanding access and coverage, in particular to home care and community-based services, upskilling and reskilling the workforce and improving their working conditions, while supporting integrated care services and independent living.

Many Member States took emergency measures to protect the most vulnerable, including by providing emergency accommodation for the homeless. Member States' reforms should focus in particular on investing in the renovation of residential and social housing and on increasing access to quality and affordable housing, or housing assistance.

Most importantly, regions and cities must be given a more active role in the recovery process. Making policies on national level is not enough: case in point was Vice-President Dombrovskis' comment on the Commission's assessment of 23 national plans submitted in the context of the Next Generation EU (European recovery budget of €750 billion): "It appears that local and regional involvement varied a great deal between countries and was limited in some cases"<sup>51</sup>. As regions and cities are the main driving forces behind the recovery effort, they must be allowed greater flexibility and involvement, as well as easier access to EU recovery funds.

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<sup>51</sup> <https://eurocities.eu/latest/no-recovery-without-cities/>

## 2. Education and culture

The COVID-19 pandemic has affected **education and training** systems worldwide and has changed people's ways of learning, teaching, communicating and collaborating. According to UNESCO, the nationwide closures affected over 80% of the world's student population at the peak of the crisis (down to 10% in June 2021). Several other countries have implemented localised closures impacting millions of additional learners.<sup>52</sup>

**Figure I-12: Total duration of school closures**

Source: UNESCO



To make the situation worse, the current crisis may affect education budgets more quickly as public revenues decline sharply and governments review the prioritisation of education in national budgets. As revealed by an OECD study<sup>53</sup>, forecasts predict that the pandemic will lead to slower growth in government spending in the coming year, and that if the share of government spending devoted to education were to remain unchanged, education spending would continue to grow but at significantly lower rates than before the pandemic.

In addition, existing research analysed in another OECD study<sup>54</sup> suggests that "the students in grades 1-12 affected by the closures might expect some 3 percent lower income over their entire lifetimes. For nations, the lower long-term growth related to such losses might yield an average of 1.5 percent lower annual GDP for the remainder of the century. These economic losses would grow if schools are unable to re-start quickly. The economic losses will be more deeply felt by disadvantaged students. All indications are that students whose families are less able to support out-of-school learning will face larger learning losses than their more advantaged peers, which in turn will translate into deeper losses of lifetime earnings."

**Figure I-13: Lost individual income due to COVID-19-induced learning loss.**

Source: OECD (2020)

Learning loss (school-year equivalents)	Pooled (0.232)	US (0.274)	Lowest [Greece] (0.137)	Highest [Singapore] (0.501)
0.25	1.9%	2.3%	1.1%	4.2%
0.33	2.6%	3.0%	1.5%	5.6%
0.50	3.9%	4.6%	2.3%	8.4%
0.67	5.2%	6.1%	3.0%	11.1%
1.00	7.7%	9.1%	4.6%	16.7%

The pandemic had a different impact not only on different socio-economic backgrounds and different countries and regions, but also across different educational levels because the ability to use digital

<sup>52</sup> <https://en.unesco.org/covid19/educationresponse>

<sup>53</sup> OECD (2020), [The Impact of COVID-19 on Education](#), OECD Publishing, Paris

<sup>54</sup> OECD (2020). [The Economic Impacts of Learning Losses](#), OECD Publishing, Paris

learning tools depends on the educational level, which is also connected with the level of autonomy of the pupils. For example, early childhood education and care (ECEC) is hardly able to make use of remote and digital activities, in comparison with older pupils who are able to work more autonomously (for example secondary and university levels). Another example is vocational education and training, which, given its practical, hands-on approach to learning, was seriously jeopardised by the pandemic and remote learning. There are several examples of cities which tried to support children during the pandemic: "Oulu managed to continue a free school lunch service, which has been guaranteed to all children in Finland by law since 1948; during the pandemic, the city offered meal packages that parents could pick up and reheat at home." Meanwhile, "In Ljubljana, 550 meals were delivered to children's homes daily by public transport drivers whose services were on hold due to lockdown in spring; in autumn the number of provided meals had increased to 2,300 per day."<sup>55</sup>

One of the biggest challenges with digitalisation is the lack of specific training and skills that our current educators have. For example, "fewer than half of teachers (49.1%) report that ICT was included in their formal education or training".<sup>56</sup> Further challenges are accessibility to ICT tools and stable internet connection: "only 8% of students attend schools located in a village or a small city which have access to a high-speed Internet above 100 Mbps."<sup>57</sup>

International student flows represented another important area with a sharp reversal of trends due to COVID-19. The global spread of the COVID-19 pandemic severely affected higher education as universities closed their premises and countries shut their borders in response to lockdown measures. International students were particularly badly hit at the start of the lockdown as they had to sort out the implications of university closures on their status on campus and within their host country/region.

According to studies, 70 million Europeans lack adequate reading and writing skills, and even more have poor numeracy and digital skills. This puts them at risk of unemployment, poverty and social exclusion<sup>58</sup> and this situation has been worsened by the COVID-19 pandemic and the difficulties it poses to education and training as well as employment. Moreover, too few people have the entrepreneurial mind-set and competences to start their own business and keep adapting to the evolving requirements of the labour market.

**Figure I-14: How international student mobility has been affected by COVID-19.** Source: OECD



<sup>55</sup> *Ibid.*

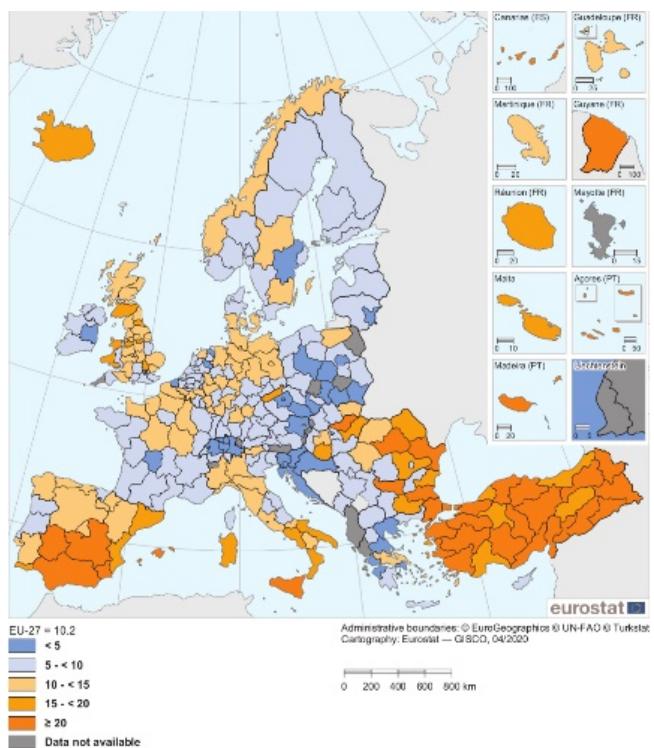
<sup>56</sup> DG EAC (2020). [Education and Training Monitor](#) – Executive Summary, 12 November 2020

<sup>57</sup> *Ibid.*

<sup>58</sup> <http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=2556&furtherNews=yes>

**Figure I-15: Early leavers from education and training in 2019 (18-24 years old)**

Source: Eurostat



Note: Includes data of low reliability for some regions (too many to document). Auvergne (FRK1), Sostînă regionas (LT011), Budapest (HU11), Côte d'Or (F171) and Cumbria (UKD1); 2018. Västra Götaland (EL41), Nördl. Ångermanl. (EL42), Pohjois-Pirkanmaa (EL65), Länsi-Uusimaa (FRI2), North Yorkshire (UKE2) and North East Scotland (UKM5); 2017. Thessalia (EL61), Corsica (FRM2), Região Autónoma da Madeira (PT30), Hodmark (NO2) og Østfold (NO2) and Trondelag (NO66); 2016. Dydni Makedonija (BL03) and Highlands and Islands (UKM6); 2015.

Source: Eurostat (online data code: esstat\_lise\_1f)

during the pandemic and share with each other the main solutions they have implemented in the field of education and training.

*The department of education of the government of Catalonia identified challenges such as the difficulty to manage the lack of online access of some students and the necessity to adapt transnational mobility for students and teachers during the pandemic. In the State of Baden-Württemberg, the main solutions shared were related to the enhancement and implementation of new financial and education-related measures, with a focus on digital equipment and the use of digital media.*

Before the crisis, some European regions and cities were already spearheading the digital transition of education, particularly in northern and western cities, providing a very wide range of digital services such as online admission applications, online monitoring of progress and online learning materials. With the lockdown and schools being closed, cities increasingly promoted the use of digital tools to continue classes. The challenge for local governments was twofold, as on the one hand they needed to provide online classes and on the other they needed to ensure equal access for all, which was especially challenging in more disadvantaged areas. Various cities tried to address this digital gap as part of their

Another key issue is a lack of formal qualifications; despite the fact that many Member States have made good progress in bringing down the share of early school-leavers to the Europe 2020 headline target of 10%, still too many young people leave school prematurely (see map left, with figures at NUTS 2 regions level).

During the pandemic, resilience has emerged as a key skill that is required to face such a crisis and be ready for other potential disruptions that might happen in the future. The European Association of Regional and Local Authorities for Lifelong Learning (EARLALL) launched the "Resilient Skills Ecosystems for a Crisis-proof Future"<sup>59</sup> initiative, emphasising not only resilience as a skill, but also the necessity of resilient-skills governance systems in order to guarantee that lifelong learning never stops and no one is left behind whatever the circumstances. Under the umbrella of this initiative, many regions started to collaborate in order to quickly identify the main challenges they have faced

<sup>59</sup> EARLALL "Resilient Skills Ecosystems for a Crisis-proof Future" initiative, <https://www.earlall.eu/resilience/>

COVID-19 mitigation plans by providing children with ICT tools, for example "Amsterdam provided 6,650 devices (laptops, tablets) and 800 Wi-Fi hotspots, which were distributed among schools. (...) Poznan worked with IT companies to provide equipment to children in institutional and foster care."<sup>60</sup>

In the Alimos municipality, Greece, online educational tutorials were offered free of charge to high school children via Skype and Google Classroom so that children did not miss their lessons. In the Île-de-France Region, France, [digital classrooms](#) were introduced across the region, offering an online database, as well a communication tool for all parents, teachers and children and a free online language course ([qioz.fr](#)). In Castile and Leon, Spain, the local government launched a new initiative for children during the pandemic: a TV programme called "[Aprendiendo en casa: la hora educativa](#)". In Istria, Croatia, the [education system has been giving a hand to the health sector](#). Primary and high school students from Istria County, along with their teachers, head teachers and other school staff, helped produce protective visors for medical staff using the 3D printers at the schools' disposal. The city of Torres Vedras, Portugal, launched measures to provide meals to underprivileged students in all year groups until schools were reopened and created a technological resource pool with 850 tablets and computers and 500 internet access devices, made available especially to students. The municipality of Pesaro, Italy, [guaranteed the continuity of the education system for both children and their parents](#). The city of Thessaloniki, Greece, offered [tutoring lessons](#) specially designed for students staying at home through the municipality's television station, which broadcast video messages from children.

#### *Cultural and creative sectors*

The COVID-19 pandemic has had a significant impact on the **cultural and creative sectors (CCS)**, on artists and their audiences alike. The cancellation of concerts and events and the closure of museums had a substantial negative economic and social impact on artists and staff, as well as the public. But the economic impact of the crisis differs greatly between different parts of the economy and between regions.

Businesses providing client-facing services or relying on crowded workplaces and customer areas have been most affected and for quite a long period of time; the coordinated measures for safe resumption proposed by the European Commission<sup>61</sup> and only published in June 2021 aimed to ensure both the safe reopening and the sustainable recovery of cultural activities across the EU, in line with the specific national, regional and local conditions.

The 2021 Annual Single Market Report<sup>62</sup> confirmed that the cultural ecosystem was among the hardest hit, underlining that "this is particularly the case for activities based on venues and visits: performing arts and 'heritage' sectors (e.g. live music, theatres, circus, festivals, cinema, museums and heritage sites)." A recent study by EY<sup>63</sup> found that, in 2020, the cultural and creative economy lost approximately 31% of its revenues and the total turnover of cultural and creative industries in the EU was reduced to

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<sup>60</sup> Eurocities (2020). [Fighting child poverty in European cities: Lessons from cities for the EU Child Guarantee](#), December 2020

<sup>61</sup> Communication "The EU guidelines for the safe resumption of activities in the cultural and creative sectors - COVID-19", released only on 29 June 2021, [C\(2021\) 4838 final](#), 29 June 2021

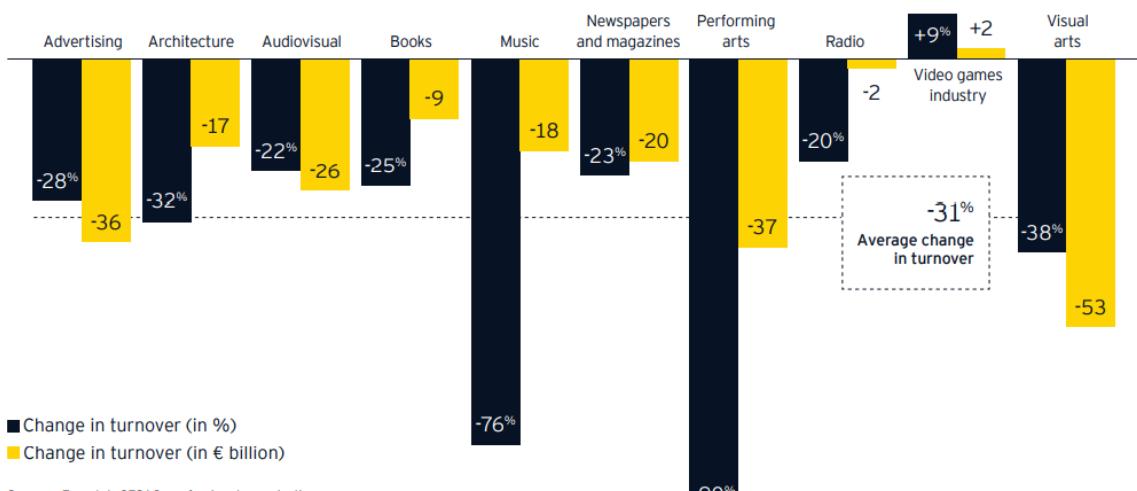
<sup>62</sup> Commission Staff Working Document "Annual Single Market Report 2021", accompanying the Communication "Updating the 2020 New Industrial Strategy: Building a stronger Single Market for Europe's recovery ", [SWD\(2021\)351](#), 5 May 2021

<sup>63</sup> [Rebuilding Europe – the cultural and creative economy before and after the COVID-19 crisis](#), EY, January 2021

EUR 444 billion in 2020, a net drop of EUR 199 billion from 2019. The crisis has hit central and eastern Europe the hardest (from a drop of 36% in Lithuania to a fall of 44% in Bulgaria and Estonia).

**Figure I-16: Estimated change in turnover by sector (2019-2020)**

Estimated change in turnover 2019-20 by CCI sector (in % of total 2019 turnover and in € billion; EU-28)



A report by KEA<sup>64</sup> for the Council of Europe provides a panoramic overview of the measures taken at international, national and local level to tackle the economic and social crisis, as well as an insight into the "new normalities" triggered by the pandemic, including by using a [visualisation map](#) for the EU-27. The specific domain of festivals sheds light on the effects at local and regional level: according to the European Festival Association (EFA), the estimated loss is EUR 150 000 and the median is EUR 40 000 per festival, with tremendous repercussions for the tourist sector and the local economy.<sup>65</sup> The table below gives an idea of the damages caused by the pandemic.

**Figure I-17: Impact of the pandemic on festivals**

Festival	Country	Impact
<b>Tomorrowland</b>	Belgium	Revenue: EUR 106 m (2017) Audience: 400 000 (2017) Benefit to the local economy: EUR 100 m
<b>Ultra Europe</b>	Croatia	Revenue: EUR 13 m (2018) Benefit: visitors spent EUR 143 a day on average – some 72% visited other cities apart from Split and Hvar where Ultra takes place (2018)
<b>Sziget</b>	Hungary	Revenue: EUR 22.5 m Audience: 496 000 (2017) from 100 countries around the world

Source: KEA Report (2020)

According to UNESCO, at the beginning of July 2021, some 61% of countries had completely reopened their world heritage sites.<sup>66</sup> The numbers are up from 36% in November 2020, but it may decrease again

<sup>64</sup> KEA (2020). [The impact of the COVID-19 pandemic on the Cultural and Creative Sector](#), 10 November 2020

<sup>65</sup> European Festival Association (2020). [Report on the occasion of the COVID-19 survey April - May 2020](#)

<sup>66</sup> UNESCO (2020). [Monitoring World Heritage Site Closures](#), (last accessed 20 July 2021).

due to further waves of the virus, with enormous economic damage for both the heritage sector and related economies, such as tourism and local economies.

In another specific domain, a Network of Museum Organisations (NEMO) survey<sup>67</sup> found that over 70% of museums reported that they were closed during the period of the survey without a definite reopening date. Even when museums were open again to the public, 5 out of 10 museums reported a drop of 25-75% of visitors, while 2 in 10 museums even reported a visitor drop of more than 75%. Considering that 4 out of 10 tourists choose their destination based on what it has to offer culturally, a long-term dramatic decrease in museums' incomes can be expected. At the same time, four out of five museums have increased their digital services in order to reach their audiences, and two out of five museums reported an increase in online visits. A noticeable portion of the responding museums carried out more work on their premises, be it by using spaces creatively (48%) or by addressing physical infrastructure in order to adapt to the pandemic (42%).

As such, adaptation became widespread, with artists and cultural sites reinventing themselves and making use of alternative methods of creation and performance: virtual concerts, virtual museum visits, etc. Cities and regions stepped up their support for these sectors: from [Brittany](#) to [Helsinki](#), and from [The Hague](#) to [Brussels](#), they have taken action and can provide inspiration, from the digital transformation of the [55th Dimitria Festival](#) in Thessaloniki to the [Don't stop creativity](#) campaign in Munich, or Sofia's [Solidarity in culture initiative](#).

### 3. ***Demography and cohesion***

The pandemic also highlighted the importance of **regional differences**. According to the OECD<sup>68</sup>, "COVID-19 has reinforced existing territorial inequalities. Whilst density was initially expected to be an important determinant in infection rates, containment strategies, including the ability to work from home, have lessened its impact. People living in poorer areas, in crowded living conditions and working in jobs less amenable to remote working, were harder hit than their more affluent neighbours. Rural areas were generally exposed later. Their disproportionate shares of older and less healthy populations, more limited health capacities and lower shares of jobs amenable to remote working were readily exploited by the virus. Employment at risk from lockdowns varied from less than 15% to more than 35% across 314 regions in 2020, with those dependent on heavily affected sectors, such as tourism, particularly exposed. The potential for remote working across regions is also uneven. Equally, differences exist in the relative importance of non-standard employment, which includes undeclared, temporary or self-employed workers, who often benefit less from social protection. These differences contribute to regional employment and poverty impacts."<sup>69</sup>

The COVID-19 pandemic has further accelerated disparities between people, groups of society and places. The risk is that the disparities will grow even more in future, fuelled by demographic, technological, economic and societal trends in Europe and globally.

In this regard, a profound **discussion on the need for EU policies to embody a "cohesion spirit" is more important than ever**. A CoR study shows that cohesion is widely reflected in the formulation of

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<sup>67</sup> NEMO (2021). [Follow-up Survey on the impact of the COVID-19 pandemic on museums in Europe \(ne-mo.org\)](#)

<sup>68</sup> OECD Regional Outlook 2021

<sup>69</sup> Ibid.

policy objectives and priorities and much less in terms of the justice and equity principles. Furthermore, cohesion is weakly embedded in the implementation of policies, in particular when it comes to multilevel governance and public involvement in EU policymaking.

The work on "places that don't matter" and the "geography of discontent" shows that cohesion goes beyond GDP and the formal delivery of economic, social and territorial cohesion. **Cohesion also includes an interpersonal component**, i.e. the perceived and actual individual "inclusiveness" or "togetherness".

In terms of "cohesion spirit", four principles describing different underlying understandings of cohesion have been identified. All four of them can be found to varying degrees in all EU policies:

- **Cohesion principles:** Mutual interdependencies, equality, equity and justice describe different facets of a policy's "cohesion spirit" in terms of what is actually meant by cohesion.
- **Cohesion objectives:** Economic, social, territorial and interpersonal cohesion objectives describe a policy's "cohesion spirit" in terms of inequalities, imbalances or other targets being addressed.
- **Embeddedness in the goal tree:** How much "cohesion principles" are embedded in a policy's objectives; priorities or measures highlight the importance of cohesion in the policy.
- **Governance arrangements:** The approaches of multilevel governance, interdisciplinarity (cooperation across policy sectors), robustness and public involvement.

The question is whether cohesion is only seen as a compensatory instrument to address the "market failure" of EU integration (i.e. the single market) or whether it is a policy with its own value. The discussion on "regions lagging behind" shows that growth and equity must go hand in hand to ensure a stable society.

Moreover, cohesion is also one of the most urgent challenges in Europe. **Should the EU want to improve people's well-being and quality of life, it needs to take into consideration the "risk of non-cohesion"** in terms of exacerbating current trends related to territorial fragmentation, increasing divergences in terms of labour markets, and disparities in quality of government.

To address these increasing imbalances and disparities, **the European Commission should present a white paper on the "cohesion spirit" of EU policies**. With the future of Europe in mind, a public debate on cohesion needs to be launched, adding new personal, digital and ecological dimensions. Such a broad dialogue would also help to make the idea of cohesion less abstract and give it more of a personal touch.

## EUROREGIONAL UNIVERSITY COOPERATION STRATEGY

### ***NEW-AQUITAINE – EUSKADI – NAVARRE EUROREGION EGTC: Spain-France***

*In 2020, the New-Aquitaine – Euskadi – Navarre Euroregion decided to shift its priorities for cooperation between universities. We aimed to pool investments and to make the most of existing complementarities in the various fields of expertise, thus boosting outreach. Our intention was to identify priorities shared by both public policymakers responsible for universities and the universities themselves in the Euroregion.*

*The strategy was developed jointly, through contributions from key stakeholders involved in areas with potential opportunities or a need for cooperation between universities across the Euroregion. Specific questionnaires and personal interviews were used to allow key stakeholders to set out their vision and to communicate the short- and medium-term priorities for developing Euroregional cooperation between universities.*

*The current pandemic has highlighted existing interdependencies, has reinforced the value of cooperation and could act as a catalyst for stepping up relations between nearby universities. Moreover, the answers to the questionnaires carried out as part of this strategy showed that great importance was accorded to the concept of "local". This indicates a new way of seeing the local area as a natural environment for rolling out cooperation initiatives.*

*Cooperation will allow education and research without borders to be promoted among the Euroregion's universities and it will encourage student, teacher and researcher mobility. However, as a prerequisite to this, the key players involved must be guaranteed sufficient mutual understanding of their respective programmes, projects and capacities. Ambitious cooperation, involving more key players and generating larger-scaler collaborations will only be possible on the basis of this understanding.*

*The New-Aquitaine – Euskadi – Navarre Euroregion EGTC plays a key role in this strategy, as a promoter, catalyst and facilitator of cooperation between universities within the Euroregion. It does so both by implementing support, funding and flanking mechanisms to underpin joint action, and by creating a network and raising the profile of cooperation projects and initiatives.*

## **Chapter II – Implementation of the EU recovery plan and cohesion from the regional and local perspective**

The EU recovery strategy is most commonly known as the NextGenerationEU fund. The Recovery and Resilience Facility (RRF) represents the biggest part of its EUR 750 billion budget, totalling EUR 672.5 billion to be spent between 2021 and 2023. To access this funding, Member States must submit National Recovery and Resilience Plans (NRRPs), based on NextGenerationEU's six priority areas<sup>70</sup> and following the Regulation requirements.

These plans are then assessed and discussed with the European Commission. The Council of the EU takes the final decision, on the recommendation of the European Commission, on whether or not to approve these plans.

One of the requirements of the Regulation is for the NRRPs to detail the consultation process<sup>71</sup> – including consultations with LRAs – for drafting the NRRPs, and how stakeholders' input has been taken into account.

This requirement was included to encourage Member States to involve LRAs in the preparation and implementation of the NRRPs.

Their involvement is essential. These plans should help the EU recover from the crisis and build a stronger, more sustainable EU. Given the key role of regions, cities and villages in facing the pandemic and supporting local communities, as well as their role in cohesion, the green transition and the implementation of the Sustainable Development Goals (SDGs) as a whole, without their contribution, the NRRPs may underachieve due to a lack of ownership and a mismatch between needs and proposed policies.

The CoR worked together with the Council of European Municipalities and Regions (CEMR) on an expert consultation of national associations of regions and cities on their involvement and the involvement of their members in the preparation of the NRRPs<sup>72</sup>. The CoR also commissioned a study analysing eight NRRPs<sup>73</sup> submitted to the European Commission. The Conference of Peripheral

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<sup>70</sup> Green transition; digital transition; smart, sustainable and inclusive growth; social and territorial cohesion; health, economic, social and institutional resilience; the next generation, children and young people.

<sup>71</sup> Article 18(4)(q) of the RRF Regulation.

<sup>72</sup> CoR-CEMR, *Consultation: the involvement of municipalities, cities and regions in the preparation of national Recovery and Resilience Plans*. January 2021 Available online: <https://memportal.cor.europa.eu/Handlers/ViewDoc.ashx?pdf=true&doc=COR-2021-00131-00-00-TCD-TRA-EN.docx>

<sup>73</sup> CoR, *study: Regional and local authorities and National Recovery and Resilience Plans*, June 2021. Available online: [https://cor.europa.eu/en/engage/studies/Documents/Regional\\_and\\_local\\_authorities\\_and\\_the\\_National\\_Recovery\\_and\\_Resilience\\_Plans/NRRPs\\_study.pdf](https://cor.europa.eu/en/engage/studies/Documents/Regional_and_local_authorities_and_the_National_Recovery_and_Resilience_Plans/NRRPs_study.pdf)

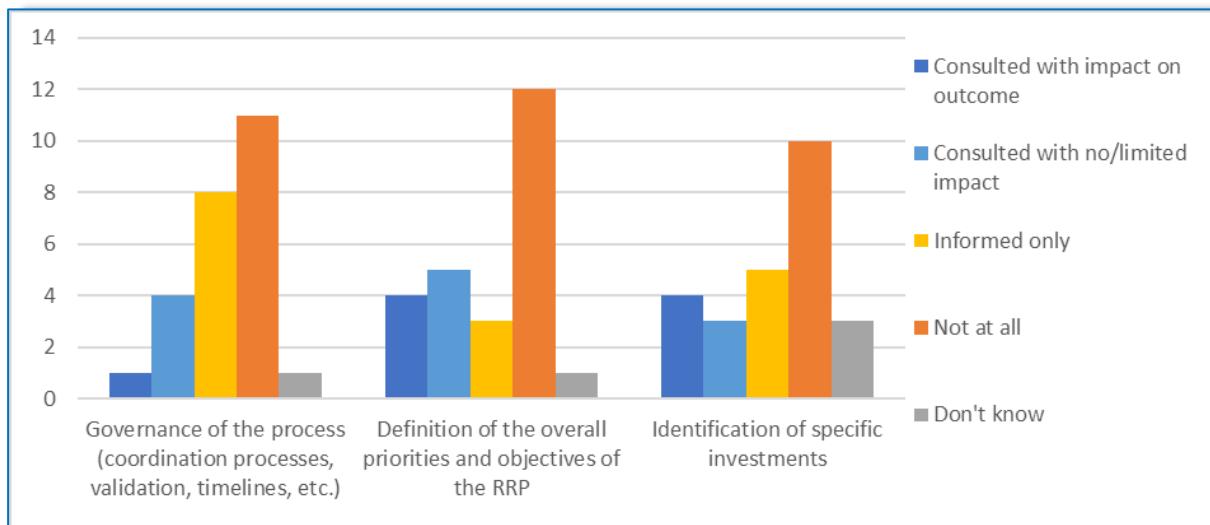
Maritime Regions (CPMR)<sup>74</sup> and Eurocities<sup>75</sup> also consulted their members and carried out analyses on specific parts of the NRRPs. This chapter is based on these findings.

## A. Involvement of local and regional authorities in the preparation of the National Recovery and Resilience Plans

### 1. Early stages of preparation

In the early stages of the plan preparation, from November 2020 until early January 2021 – before the legal obligation to detail consultation processes was laid down in the Regulation – the CoR and the CEMR consulted 25 national associations of regions and cities covering 19 EU Member States<sup>76</sup>. The picture appeared dire as only a minority of LRAs had been consulted. Within this minority, only some of them saw their contribution be taken into account in the relevant NRRP (see Figure II-1).

**Figure II-1: Involvement of LRAs by national governments in the preparation of NRRPs**



### 2. Assessment of the final versions of the NRRPs

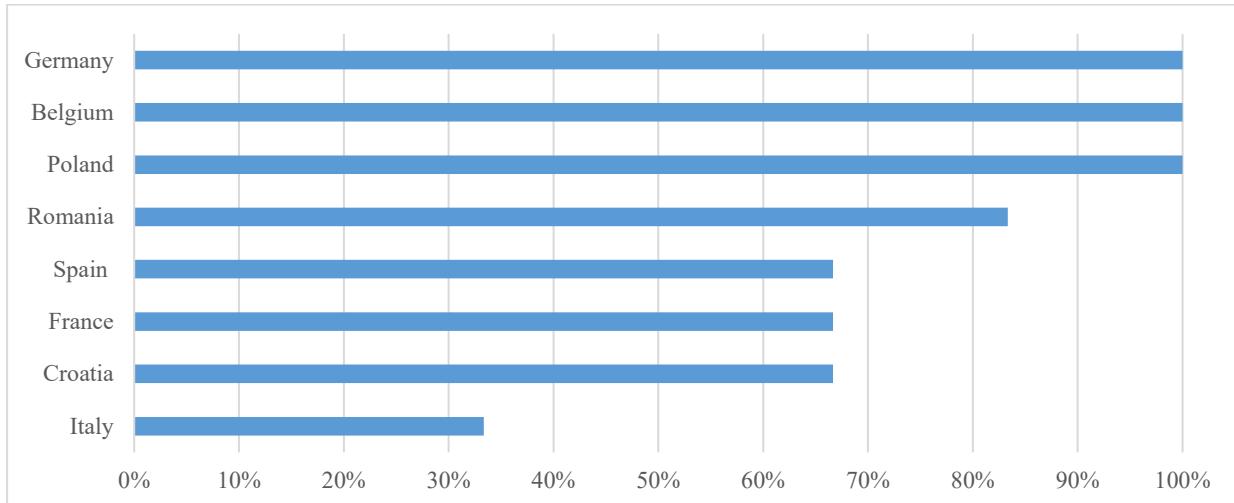
Once the NRRPs were submitted to the European Commission – by 30 April 2021 for the majority of them – an analysis of eight of them revealed that only a few Member States had fully complied with the requirement to detail the consultation process (Belgium, Germany and Poland), whereas the other five NRRPs showed suboptimal compliance.

<sup>74</sup> CPMR, *Analysis on the National Recovery and Resilience Plans*. June 2021 Available online: <https://cpmr.org/wpdm-package/cpmr-analysis-on-the-national-recovery-and-resilience-plans/?wpdmld=29176&ind=1623856583975>

<sup>75</sup> Eurocities, *Briefing note on the involvement of cities in the preparation of National Recovery Plans and Operational Programmes 2021-2027*. January 2021. Available online: [https://eurocities.eu/wp-content/uploads/2021/03/Eurocities-Briefing-Note\\_Cities\\_EU\\_Recovery.pdf](https://eurocities.eu/wp-content/uploads/2021/03/Eurocities-Briefing-Note_Cities_EU_Recovery.pdf)

<sup>76</sup> CoR-CEMR, *consultation: The involvement of municipalities, cities and regions in the preparation of national Recovery and Resilience Plans*. January 2021 Available online: <https://memportal.cor.europa.eu/Handlers/ViewDoc.ashx?pdf=true&doc=COR-2021-00131-00-00-TCD-TRA-EN.docx>

**Figure II-2: Involvement of LRAs in preparation of the NRRPs**



Source: Local and Regional Authorities and the National Recovery and Resilience Plans – CoR, 2021

The constitutional and institutional set-up of Belgium and Germany explain their inclusive approach towards LRAs. Surprisingly, Spain, which also has a decentralised system, did not perform as well.

Inversely, Poland, which has a centralised system, did comply with the Regulation requirements. For instance, on 26 February, the draft NRRP was sent to the Joint Commission of the Government and Local Government, which organised several meetings to discuss it. Over 520 comments were gathered. The NRRP reports on the discussions and the comments received.

The Romanian plans provide many details on the consultation process, the actors involved, the various meetings which covered each theme of the plan, and the number of comments received and their integration into the NRRP. However, there were not enough details on the specific input of LRAs.

France and Croatia, together with Spain, did not provide a full overview of the consultation process. The French plan does have a consultation section but there are no details about the contributions of LRAs or how these were integrated into the plan. The Croatian plan was presented to representatives of cities and municipalities, but there are hardly any other references to the consultation of regions and cities in the preparation of the plan.

Italy is the worst performer as its NRRP does not include a section on any consultation process.

### 3. *Cross-checking an analysis of the text with stakeholders' testimonies*

The above findings are only about detailing the consultation of LRAs in the NRRPs. When analysing the quality of the consultations through interviews with local and regional stakeholders who were involved, the results show an even more qualified picture than the one presented in the figures above. In practice, there was no involvement of regions and cities.

The process was one-way and informative, except in the case of Belgium.

For instance, in France, a regional stakeholder<sup>77</sup> reported that the consultation process was mainly about providing top-down information to LRAs and that in February 2021 the government organised a number of meetings, mainly to inform regions about its work. There was no interaction other than these meetings.

Likewise, the Spanish authorities organised a Conference on the European Funds in two parts and regional stakeholders were not able to share their input in either case.

More officially, the German *Bundesrat* issued a decision on 5 March 2021 stating that *Länder* were not involved in the early phase of the NRRP preparation and that, as a result, the NRRP does not accurately include the regional perspective on economic transformation.

Given the key role of regions, cities and villages in public investment – the OECD estimated that they made 53% of public investment in 2018<sup>78</sup> – they were expected to be involved in the choice and planning of investment in the NRRPs. However, national authorities did not specifically involve LRAs in formulating investment projects, except in the case of Poland. In Italy, for instance, regions were not involved in identifying investment needs, even though they had drafted a document on this matter and were ready to participate.

#### 4. **Possible barriers to involvement**

Discussions with local and regional stakeholders and an analysis of the content of the NRRPs show that the involvement of LRAs in NRRP preparation has been far from satisfactory and could impede the implementation of the NRRPs. No specific variable such as the institutional and constitutional set-up or the current ruling party has been identified to explain these results. Each Member State's approach has been different, with only Belgium meaningfully involving LRAs in the preparation of its NRRP.

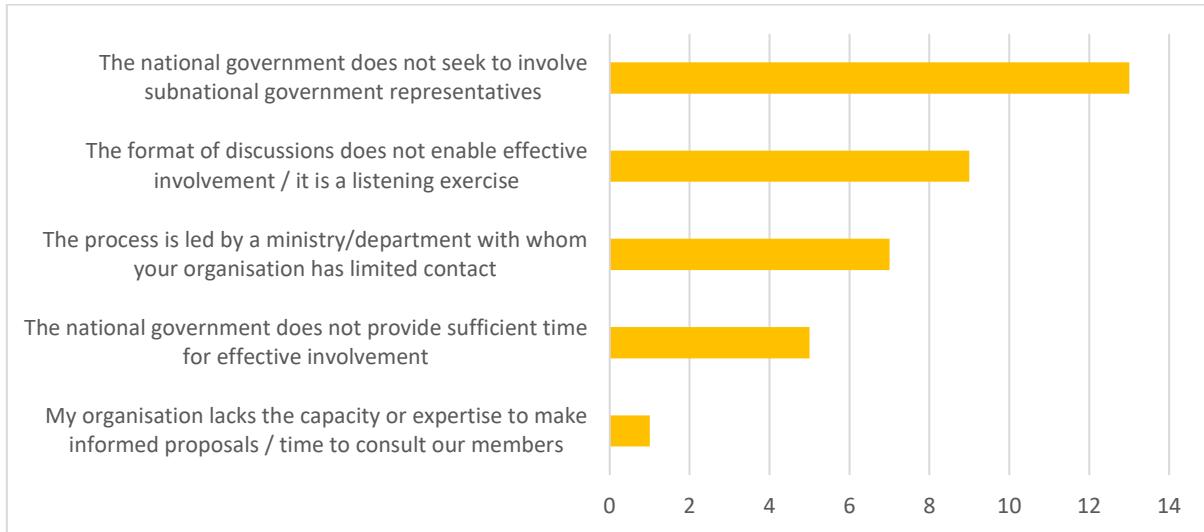
The CoR-CEMR targeted consultation of national associations collected information on barriers to involvement as shown in Figure II-3. It confirms that the issue is not LRAs' capacities but rather Member States' approaches to consultation as a top-down exercise.

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<sup>77</sup> Local and regional stakeholders from the Member States of each of the eight NRRPs analysed were interviewed. At their request, and to avoid tit-for-tat measures, their names and titles will not be disclosed.

<sup>78</sup> OECD, *Key data on Local and Regional Governments in the European Union (brochure)*, 2019. Available online: [https://www.oecd.org/cfe/regionaldevelopment/Subnational\\_Finance\\_Nuancier\\_EU\\_2019.pdf](https://www.oecd.org/cfe/regionaldevelopment/Subnational_Finance_Nuancier_EU_2019.pdf)

**Figure II-3: Barriers to involvement**



Source: CoR-CEMR targeted consultation *The involvement of municipalities, cities and regions in the preparation of national Recovery and Resilience Plans*, CoR, CEMR, 2021

## B. Territorial dimension of the NRRPs

### 1. Assessment of territorial disparities in NRRPs

Evaluating an NRRP's territorial dimension is another key indicator of its chances of success. As the first edition of the EU Annual Regional and Local Barometer<sup>79</sup> highlighted, the pandemic had a different impact on different EU regions and cities. A new geography emerged in the EU due to COVID-19, one that is different from the traditional urban/rural, north/south and cohesion policy divides, making it more difficult to formulate adequate policy action.

The ability of the NRRPs to deal with this complexity and design measures to meet each region's needs will therefore be crucial to make sure that the EU truly recovers and that this historical EU financial effort bears fruit on the ground.

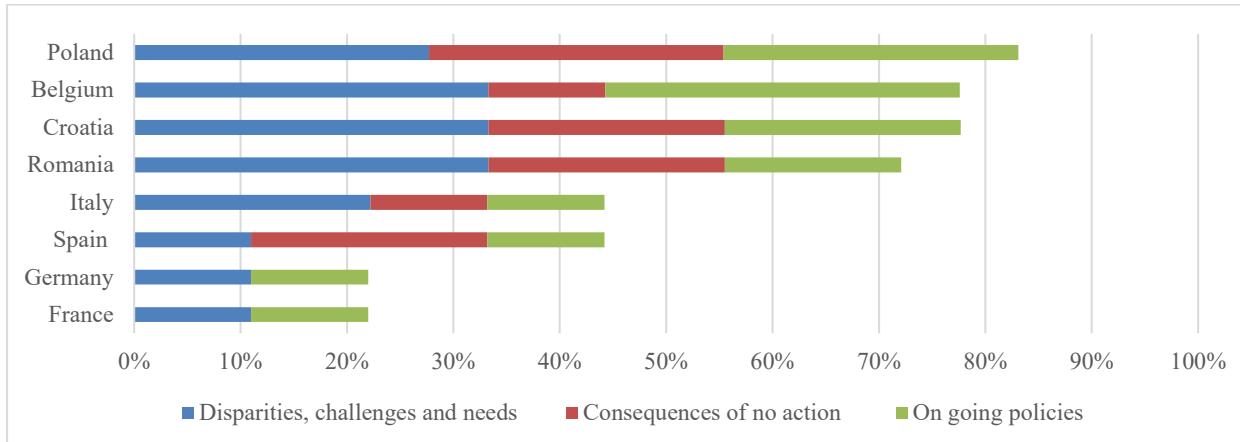
The analysis of the territorial dimension of the eight NRRPs is closely linked to the previous analysis of the involvement of LRAs in the preparation of these plans. Only by properly involving LRAs in their design can these plans integrate the different needs of regions and cities and ultimately propose the right targeted policy actions to address these needs.

Figure II-4 shows that Poland, and to a slightly lesser extent Belgium and Croatia, have properly integrated existing territorial disparities into their NRRPs.

This figure shows the extent to which NRRPs describe challenges, needs and disparities at regional level, whether they describe existing policies to address these and whether an assessment of no policy action is included.

<sup>79</sup> CoR, *EU Annual Regional and Local Barometer*, October 2020. Available online: <https://cor.europa.eu/en/our-work/EURegionalBarometerDocs/4370-Barometer%20optimized.pdf>

**Figure II-4: Assessment of territorial disparities in NRRPs**



Source: 2021, Local and Regional Authorities and the National Recovery and Resilience Plans – CoR

No NRRP scores full marks. Poland and Belgium are again among the best performers but the figure shows a variety of situations from one plan to another.

For instance, the Polish plan pays specific attention to the green transition of its mining regions. It provides details on needs and challenges, including quantitative data, and the consequences of no action in the area of green transition, in particular for mining regions (Silesia, Greater Poland, Lower Silesia and Belchatow). These regions' development will depend on loan conditions and their capacity to create new jobs and invest in vocational training. The plan also details ongoing policies: with regard to the green transition of the mining regions, the Silesian region prepared a plan to help companies to shift towards low-carbon activities and to renovate post-mining degraded areas.

The Belgian plan illustrates needs and challenges at local and regional level in the first section of each investment and reform. There is a high level of territorial detail with specific territorial challenges for energy efficiency in buildings in the Flemish region, in the Brussels capital region and in the German-speaking community. The plan also details ongoing national and/or regional measures to address territorial challenges. For instance, the Walloon region investment section illustrates a programme supporting the renovation of public buildings in the region. The Flemish region has a "Clean Power for Transport" plan to stimulate zero-emission transport infrastructure.

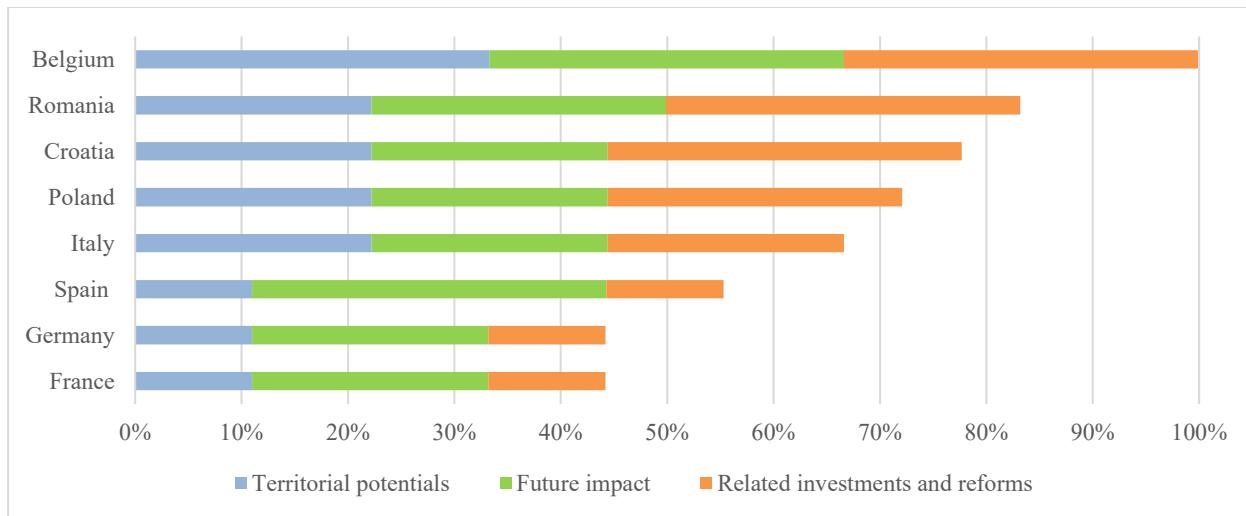
On the other hand, Spain describes needs, challenges and disparities, but not in all pillars. It also describes existing policies to address these but only at national level.

France and Germany do not illustrate present challenges and needs or the consequences of no action.

## 2. Measures to address these territorial disparities in the NRRPs

NRRPs fully integrate a territorial dimension only if their measures address these identified territorial needs, challenges and disparities. Figure II-5 below shows that, yet again, Belgium is the best performer as it presents potential solutions. It is followed by Romania and Croatia. France and Germany do not provide a detailed analysis of the impact of the plan at territorial level.

**Figure II-5: Assessment of territorial potential in the NRRPs.**



Source: Local and Regional Authorities and the National Recovery and Resilience Plans – CoR, 2021

Belgium presents potential solutions at territorial level, with quantitative data. The Romanian plan includes potential solutions to existing disparities but not by using quantitative data in all cases. It describes their regional impacts but, again, without data. The French plan has a national approach to describe potential solutions. The German plan has only a few examples of policies targeting specific areas such as a programme entitled "Regional Innovation Clusters for Transformation of the Vehicle Industry" targeting regions with substantial car manufacturing.

The Italian plan includes potential solutions but without territorial data across all pillars. For instance, it lists measures to strengthen the railway network, in particular in southern regions, to improve the quality of services and reduce CO<sub>2</sub> emissions.

In conclusion, the limited involvement of LRAs in the preparation of NRRPs is reflected in the lack of a systematic territorial approach in the NRRPs, except in the case of Belgium, which involves regions in both cases. There is a lack of regional and local data and in some cases there is a focus on specific areas only but not on others such as in Italy with the Mezzogiorno.

## C. The contribution of NRRPs to cohesion policy

### 1. *The role of partnerships and multilevel governance in the programming of 2021-2027 cohesion policy*

Public authorities at national, regional and local levels as well as economic and social partners and bodies representing civil society need to be involved in developing cohesion policy, according to the partnership principle. This principle applies to all stages in the programming process, namely the preparation of programmes, implementation, monitoring and evaluation. Practices to ensure effective partner involvement in these stages are further detailed in the European Code of Conduct on Partnership.

In a recently commissioned study on the application of the principles of partnership and multilevel governance in the new programmes<sup>80</sup>, the CoR found that, while the principles are similarly applied in the new programmes, there is still much to do to fully exploit the principles' potential to strengthen the place-based approach. It is apparent that the 2021-27 Operational Programmes keep the same territorial focus as for the 2014-20 programming period. In most cases, the involvement of LRAs in the preparation of 2021-27 programmes and partnership agreements may be quite similar to their current involvement.

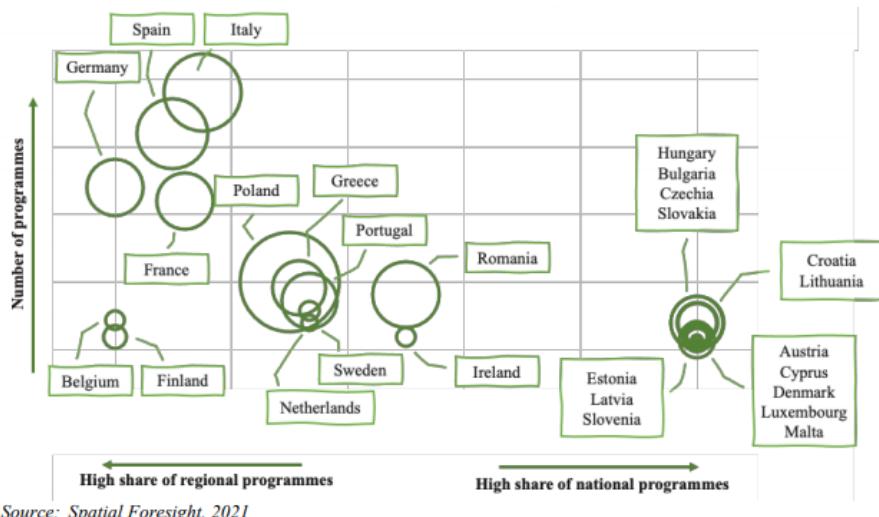
It should be noted that the territorial focus of programmes and observed changes are indicative of LRAs' potential roles. For example, the existence of high numbers of regional programmes in Germany, France, Italy, Spain and Belgium indicates strong roles for LRAs in these countries. By the same token, the

focus on national-level programmes in many eastern and smaller European countries may limit the roles of LRAs in these countries. Nevertheless, the actual involvement of LRAs may only be known with the publication of final programmes towards the end of 2021.

The high share of national programmes for implementing cohesion policy remained roughly the same. The recent shift to using more digital solutions provides opportunities for stakeholder involvement now and in the future.

The study also found that COVID-19 measures also forced partnership processes to slow down or be (temporarily) postponed. The preparation of 2021-27 Operational Programmes faced several challenges, not just a required shift to digital solutions for stakeholder involvement in the preparation.

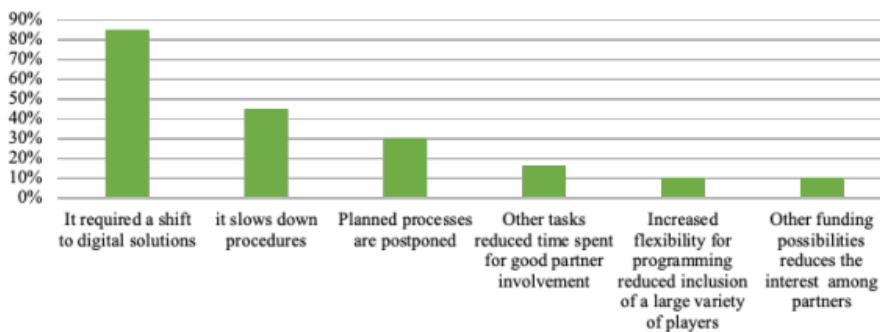
**Figure II-6: Balance between regional and national programme funds**



Source: Spatial Foresight, 2021

<sup>80</sup> [https://cor.europa.eu/en/engage/studies/Documents/Partnership\\_2021.pdf](https://cor.europa.eu/en/engage/studies/Documents/Partnership_2021.pdf)

**Figure II-7: Effects of COVID-19 on partnership processes**



Source: Spatial Foresight, 2021. Based on survey findings (n=86)

\*Respondents could indicate multiple answers.

To fully exploit the potential of the partnership principle, the study concludes that the EU institutions should amend the 2014 European Code of Conduct on Partnership to stress the importance of partnerships for

place-based policy processes and to stress that partnerships are beneficial for all EU programmes, including NextGenerationEU programmes.

## 2. *Links between the RRF and cohesion policy*

The first edition of the Regional and Local Barometer highlighted that the crisis has had different impacts in different EU regions and cities. These include exacerbating the rural/urban divide, affecting some economic sectors such as tourism, and some social groups, namely women and youngsters, more. The report pointed out the need to develop differentiated responses, starting with territorial needs. That is why one of the RRF's six priority areas is social and territorial cohesion.

Moreover, all six priority areas are linked to cohesion policy. Therefore, Member States must be careful when drafting the NRRPs and make sure to build synergies with cohesion policy programmes and not overlap with them.

Cohesion policy is a specific policy involving co-management with regions, built on multilevel governance and partnership principles.

NRRPs should not include projects and programmes which would normally fall under cohesion policy. The RRF and the NRRPs are part of the EU Marshall plan for recovery and should therefore give a financial boost for additional sustainable policies and projects. They are additional funding and should not come into competition with existing funding.

However, the analysis of the eight NRRPs<sup>81</sup> shows a missed opportunity to build effective synergies between the NRRPs and cohesion policy.

## 3. *Cohesion in the NRRPs*

Most of the analysed NRRPs integrate cohesion as a strategic objective, as the blue line in the figure below shows. France, Romania and Italy score the highest because they have dedicated chapters on cohesion. For instance, Pillar IV of the Romanian plan is dedicated to social and territorial cohesion.

<sup>81</sup>

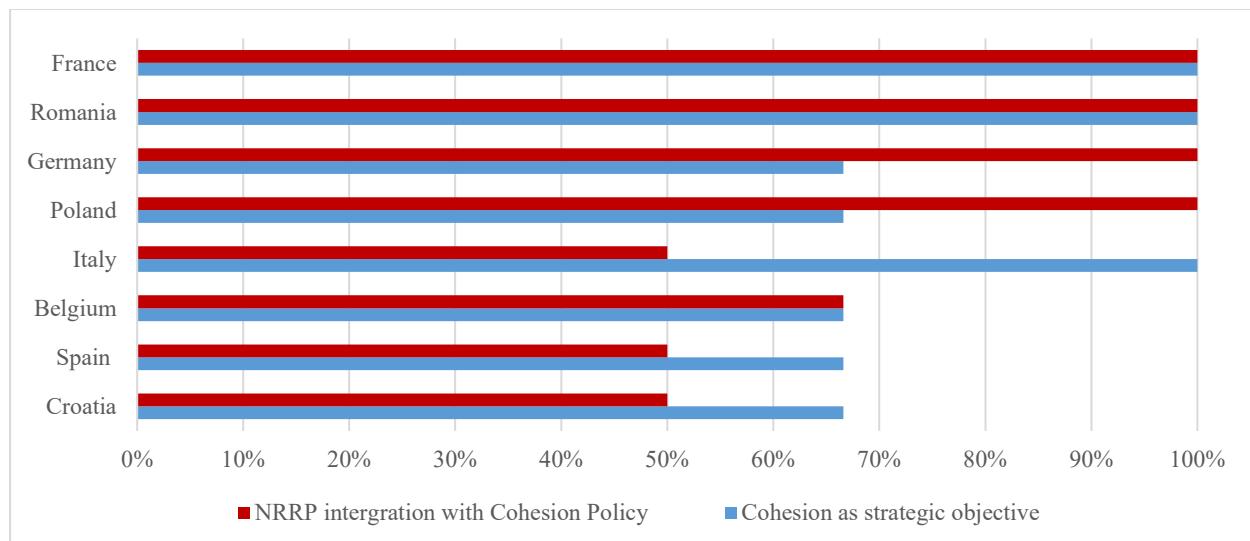
[https://cor.europa.eu/en/engage/studies/Documents/Regional%20and%20local%20authorities%20and%20the%20National%20Recovery%20and%20Resilience%20Plans/NRRPs\\_study.pdf](https://cor.europa.eu/en/engage/studies/Documents/Regional%20and%20local%20authorities%20and%20the%20National%20Recovery%20and%20Resilience%20Plans/NRRPs_study.pdf)

Component 9 of the French plan is dedicated to healthcare, territorial cohesion and research and development. Component 3 of Mission 5 of the Italian plan addresses territorial cohesion.

The other NRRPs address cohesion but to a lesser extent.

More importantly the analysis revealed that some NRRPs were developed in coherence and in synergy with 2021-2027 Cohesion Policy programmes as shown in the figure below by the red line.

**Figure II-8: Contribution of NRRPs to cohesion objectives**



*Source: Local and Regional Authorities and the National Recovery and Resilience Plans – CoR, 2021*

France, Romania, Poland and Germany addressed coordination with cohesion policy in the NRRPs. The French NRRP mentions that state-region committees were consulted. These committees determine coordination between NRRPs and other EU funds. The Polish NRRP indicates that the Ministry of Development Funds and Regional Policy is responsible for developing the NRRP and coordinating preparation of the 2021-2027 Cohesion Policy programme. The cohesion policy partnership agreements were also prepared at the same time as the NRRPs, allowing close coordination between ministries and regions and enabling a clear demarcation between the projects to be financed by the NRRP and those to be supported by cohesion policy. The Romanian plan explicitly addressed the risk of overlapping. It detailed how each component will be in synergy with cohesion policy programmes for 2021-2027.

However, the Spanish and Italian NRRPs merely mentioned that coordination between NRRPs and cohesion policy will be ensured. Similarly, the Croatian plan mentions that consultations will be carried out to ensure synergies. Consequently, they missed the opportunity to draft the NRRPs and operational programmes simultaneously.

Most of the analysed NRRPs integrate cohesion as a strategic objective, as the figure shows. France, Romania and Italy score the highest because they have dedicated chapters on cohesion. For instance, Pillar IV of the Romanian plan is dedicated to social and territorial cohesion. Component 9 of the French plan is dedicated to health care, territorial cohesion and research and development. Component 3 of Mission 5 of the Italian plan addresses territorial cohesion.

The other NRRPs address cohesion but to a lesser extent.

Not all Member States fully exploited the RRF's potential to boost investment and the opportunities for synergies between NRRPs and cohesion policy.

The link between NRRPs and cohesion policy requires a thorough debate **on cohesion as a value** or, more broadly, on the concept of solidarity in EU policies. Various approaches to cohesion are based on the ideas of "no one being left behind", "everyone being included", "togetherness" and "a future for all people". In principle, this involves recognising mutual interdependencies between economies, between societal groups and between places. Although Article 3 TEU mentions solidarity next to cohesion, the recognition of mutual interdependencies underpins the rationale for solidarity to ensure well-being for people in Europe and avoid unsustainable disparities which risk preventing Europe from building on its success. Putting solidarity into practice, cohesion debates are often also about combating increasing inequalities, disparities and fragmentation. Convergence and the catching-up of weaker players are seen as putting cohesion into practice. All of this still leaves other questions unanswered, such as interpersonal solidarity, solidarity within and across social groups and solidarity between places.

As mentioned in a recent paper by the European Policy Centre<sup>82</sup>, "(t)he conceptual basis for EU solidarity is rather weak". This is because EU solidarity can be considered to be of second-order (with first-order solidarity taking place within each country, either via redistributive policies or via civil society). Europe-wide solidarity rarely takes the place of interpersonal solidarity (civil society movements) and occasionally takes the form of interstate solidarity (such as in the case of natural hazards). The only permanent mechanisms rest upon institutional mechanisms such as cohesion policy – and that is framed as a compensation for imbalances resulting from the single market, and not directly as redistribution.

Cohesion as an overall value of the EU and as part of a reinforced concept of solidarity within the EU is therefore also an important part of the debate on the future of Europe.

#### **4. Cross-checking the analysis of the NRRPs with stakeholders' testimonies**

The above results come solely from the analysis of the content of the plans. They are further qualified by desk research and follow-up interviews with the regional stakeholders involved.

For instance, the German plan states that the managing authorities for the European Regional Development Fund (ERDF) and the European Social Fund Plus (ESF+) were developing the 2021-2027 Cohesion Policy programme at the same time as the NRRP was being prepared. However, according to the German *Länder* in their statement in the *Bundesrat*, there were only limited exchanges and debates between the managing authorities and the units in charge of drafting the NRRP on which measures would be financed and supported by the European Structural and Investment (ESI) Funds and which by the NRRP.

Moreover, all stakeholders interviewed on the development of the eight NRRPs expressed concerns about coordination between NRRPs and cohesion policy, as even in the case of NRRPs mentioning consultation with relevant institutional set-up, the involvement was referred to as superficial. This further reveals the risk of cohesion policy initiatives being transferred to NRRPs, lessening the added-

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<sup>82</sup> *Solidarity in the EU: More hype than substance?*, July 2021. Available online: [https://epc.eu/content/PDF/2021/EU\\_solidarity\\_IP.pdf](https://epc.eu/content/PDF/2021/EU_solidarity_IP.pdf).

value of the latter. This transfer would be counter-productive as cohesion policy ensures co-management of funds while NRRP management is centralised. This will push policies further away from citizens and impede the territorial dimension not only of NRRPs but also of all EU policies.

## D. Involvement of local and regional authorities in the implementation of NRRPs

The shortcomings of the NRRPs presented above makes the involvement of LRAs in the implementation and monitoring of NRRPs all the more necessary in order to better meet territorial recovery needs.

### ***1. The role of local and regional authorities in implementing the NRRPs***

Figure II-9 shows that the NRRPs have properly integrated the role of regions and cities in the implementation phase of the NRRPs, and to a lesser extent in their monitoring. This is especially true for Belgium and Poland.

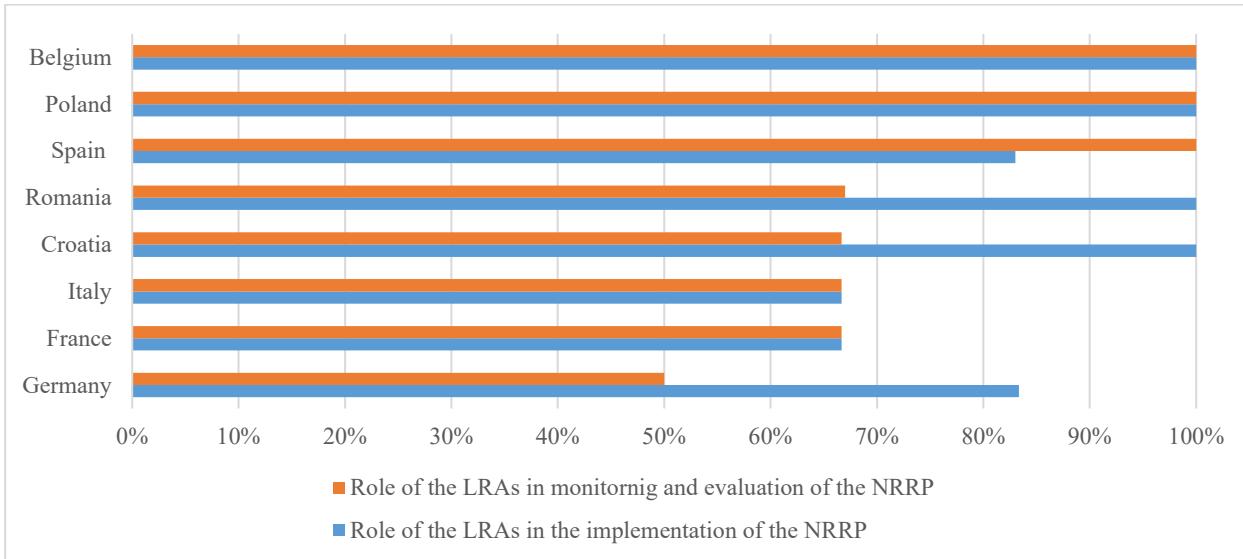
For instance, the Belgian plan details the role of regions. It refers to the Inter-Ministerial Conference as the main institutional channel for cooperation and decision-making for implementing its NRRP. The plan widely discusses the role of regions in implementing and monitoring the NRRPs. They will be using existing institutional bodies for monitoring. They will be responsible for sending data on project implementation to the central authorities and they will also be partners for accountability to cities and citizens.

Likewise, the Polish plan details the role of regions in the implementation phase. Regions will ensure coordination with higher and lower levels of government. They will also ensure complementarity and coherence with actions supported by various EU funds.

The Croatian plan also fully details the role of LRAs in almost all policy fields, with a significant role in ensuring project activation and coordination among stakeholders.

The Romanian plan provides for a new body in the Ministry of European Investments and Projects, which will be in charge of the NRRP. This new body should coordinate with LRAs managing cohesion policy programmes. There are also examples of LRAs having roles in implementation across all pillars.

**Figure II-9: Role of LRAs in implementation, monitoring and evaluation**



Source: Local and Regional Authorities and the National Recovery and Resilience Plans – CoR, 2021

The German plan does not always mention the role of the *Länder* in implementation and monitoring but they will have a pivotal role given Germany's institutional and constitutional set-up. Likewise, given the institutional set-up in Spain, regions will be given a key role in implementation, even if this is not systematically detailed in all policy fields of the plan.

The French and Italian plans remain vague on the role of regions and cities in implementation. The French plan, for instance, will set up a body in the Ministry of Economy, Finance and Recovery to coordinate with the regional level. However, there is no information on this body. Moreover, the French plan is based on the concept of *déconcentration*, which entails not giving LRAs a role in implementation, but rather appointing a national officer at regional level to monitor the implementation of the plan.

## 2. Feedback from stakeholders

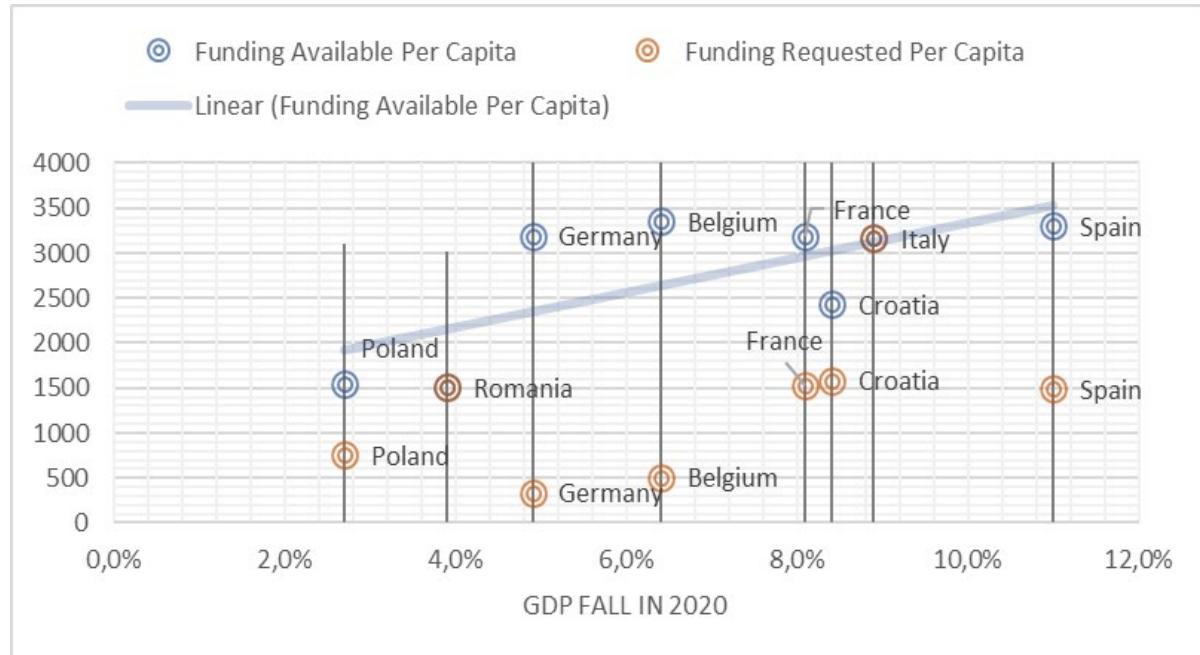
The involvement of regions and cities in implementation and monitoring is better detailed in the NRRPs compared to their involvement in the preparation of the NRRPs. However, in terms of the quality of involvement, disregarding the analysis of the text of the NRRPs, interviews with stakeholders and desk research once again depicted a more qualified situation. Most interviewees fear that LRAs are seen as sources of information, or bodies that will carry out or benefit from the plans' measures rather than accountable partners, impeding ownership for the NRRPs and limiting their efficiency.

## 3. Effectiveness of NRRPs for recovery at territorial level

Moreover, an analysis of RRF contribution allocation shows that it does not reflect the negative impact of COVID-19 in regions.

Firstly, as shown in Figure II-10, Member States, except Italy and Romania, requested a lot less funding than the RRF had planned for them. Many Member States were reluctant to request loans. For instance, among the countries most severely hit by the pandemic, Spain will receive the least resources per capita, as it only applied for grants.

**Figure II-10: Allocation of available/requested resources per capita vs loss of GDP**



Source: Local and Regional Authorities and the National Recovery and Resilience Plans – CoR, 2021

Secondly, there is no territorial allocation of resources, except for the Belgian plan and partly for the Italian Plan for the Mezzogiorno. This lack of territorial allocation may also increase the risk of a mismatch between territorial challenges and solutions proposed.

## E. The way forward

In conclusion, in the NRRPs analysed, LRAs were not appropriately involved in their preparation, except in the case of Belgium. Their specific needs and policy initiatives addressing their challenges are logically neglected in the content of the NRRPs. Their planned role in the implementation phase is better integrated into the NRRPs but remains vague and risks being limited to merely carrying out or benefitting from the plans' measures.

The role of the EU institutions will therefore be crucial to ensure that LRAs are not passively involved in implementing the NRRPs. A thorough analysis of the NRRPs as well as dialogue with the Member States throughout the implementation process will play a key role. The democratisation of European Semester governance will also be instrumental in promoting regions and cities as strategic partners for the recovery and helping them monitor the implementation of the NRRPs. Both EU institutions and LRAs must remain vigilant regarding the implementation of the NRRPs and the achievement of key milestones to make sure the NRRPs' measures meet territorial needs.

Moreover, the EU institutions will have to pay specific attention to possible overlaps or transfers of projects from cohesion policy to NRRPs. This would not respect the spirit of the NextGenerationEU effort and would harm the recovery.

However, the NRRP exercise highlighted that it was possible for central authorities to consult and involve LRAs in an EU-wide coordination mechanism. This can be seen as a promising first step to build a reformed, more inclusive European Semester, where LRAs will be consulted on the drafting of reform plans. This can also be seen as a stepping stone to better LRA involvement in the next steps of the NRRPs such as implementation and monitoring.

### **Rio Minho cross-border cooperation for social and economic recovery post-COVID-19**

#### **RIO MINHO EGTC: Spain-Portugal**

*The Minho river is the natural border dividing northern Portugal and Galicia; it is also the most densely populated border area in the entire Iberian Peninsula, and the busiest, accounting for 47% of all cross-border traffic. The economic, social and cultural dynamics of each side of the Minho river are interlinked. The functional areas of cross-border citizens spread over the border. Around 150 000 inhabitants live, work and shop on both sides of the border, with 6 000 people crossing the river daily to get to work. The closure of borders due to the COVID-19 crisis exposed how deeply intertwined Galician and Portuguese life is and created great emotional stress for the inhabitants and economic loss for the region.*

*During the COVID-19 pandemic, despite all the obstacles created by the border closure, the Rio Minho EGTC worked hard to maintain cohesion and collaboration between both sides of the river and keep cross-border communities informed. The Rio Minho EGTC also worked with local authorities, companies and citizens to account for the social and economic effects of the pandemic and the resulting closure of borders in the Rio Minho area. Based on these data, the Rio Minho EGTC and Vigo University produced a report on the negative impact of COVID-19, showing that the closure of the border in an area that is so interconnected had exacerbated the negative effects of the pandemic: the cross-border territory was considerably more affected than the rest of the peninsula, with a loss of EUR 92 million in sales during the first period of border closures and over 10 000 people affected in this region.*

*This report was the first step towards creating and implementing an efficient and holistic recovery plan that untangles the issues created by the pandemic on both sides of the border.*

# **Chapter III – The green transition and the launch of climate mitigation/adaptation measures in EU regions, cities and villages**

The past year has been marked by the struggle to contain the COVID-19 pandemic and mitigate the negative impacts of the health and economic crisis. The pandemic highlighted that there is an urgent need to improve the resilience of the EU's society and economy to shocks, underlining that despite early warnings, Europe is highly vulnerable to such events. Climate change and environmental degradation could lead to further such disruptions in the future and could create compound risks that are even more difficult to mitigate and adapt to<sup>83</sup>. Their effects are already being felt in every region of Europe and are predicted to intensify in the coming years. Water shortages, floods and heatwaves are already damaging the health and well-being of Europeans. Economic losses in the EU from climate-related extreme events already average over EUR 12 billion a year and the cost of taking no action would be even greater. Conservative estimates show that exposing today's EU economy to global warming of 3°C above pre-industrial levels would result in an annual loss of at least EUR 170 billion<sup>84</sup>.

The European Green Deal – the new growth strategy for the EU – aims to address these challenges by moving Europe towards a more sustainable way of life. While the COVID-19 outbreak has also significantly impacted climate and environmental action, the post-COVID-19 recovery represents a unique opportunity to accelerate the green transition. Due to outbreak containment measures, short-lived improvements of air quality and road congestion could also give European citizens an additional incentive for climate and environmental action<sup>85</sup>. 2021 therefore represents a critical year for the future of the green transition and this chapter provides an insight into the major factors from a local and regional perspective.

## **A. Regions, cities and villages as the drivers of the green transition**

While climate change is a global phenomenon and its mitigation through reduced greenhouse gas emissions requires a global effort, the impacts of the changing climate are more localised and must be tackled in their given contexts<sup>86</sup>. Climate risks are highly context-dependent, as they depend on the hazards occurring in a given location as well as on the characteristics of the local area. Thus, local climate risk and vulnerability assessments, supported by high-quality data, are key to understanding current and projected threats. Accessible, robust knowledge on climate change, exposure and the vulnerability of local areas is key to supporting adaptation planning, requiring closer collaboration

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<sup>83</sup> European Committee of the Regions. *Adapting to climate change: Challenges and opportunities for the EU local and regional authorities*. September 2020. Available at: [https://cor.europa.eu/en/engage/studies/Documents/Climate%20Change\\_adaptation.pdf](https://cor.europa.eu/en/engage/studies/Documents/Climate%20Change_adaptation.pdf)

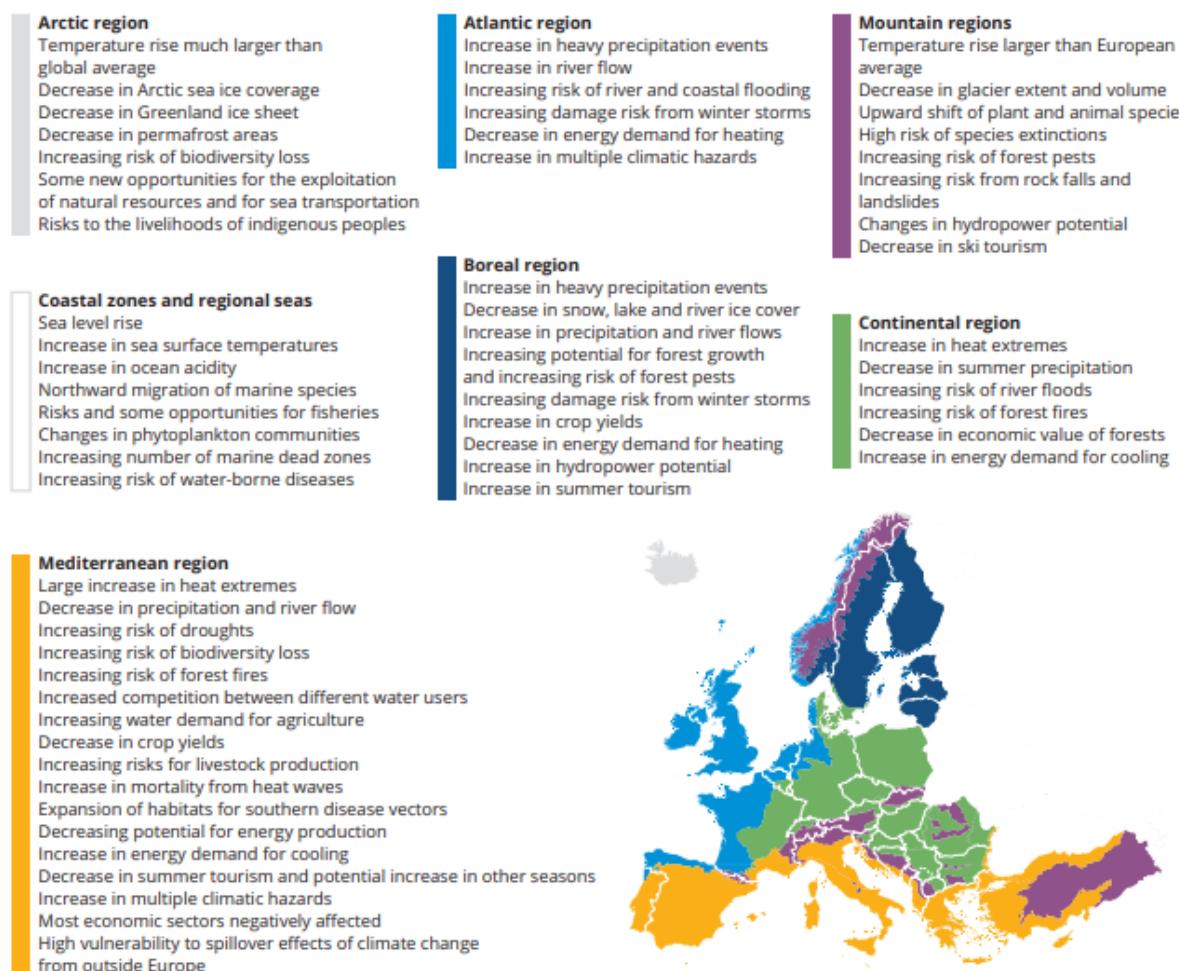
<sup>84</sup> Join Research Centre. *Climate impacts in Europe*. 2014. Available at: <https://publications.jrc.ec.europa.eu/repository/handle/JRC87011>

<sup>85</sup> European Committee of the Regions. *EU Annual Regional and Local Barometer*. October 2020. Available at: <https://cor.europa.eu/en/our-work/Pages/EURegionalBarometer-2020.aspx>

<sup>86</sup> European Environment Agency. *Urban adaptation in Europe: How cities and towns respond to climate change*. December 2020. Available at: <https://op.europa.eu/en/publication-detail/-/publication/0139e670-344d-11eb-b27b-01aa75ed71a1/language-en>

between cities and the research community and other sources of information, such as the insurance industry.

**Figure III-1: Contribution of EU Member States' national recovery plans to the green transition**



Source: European Environment Agency<sup>87</sup>

In a highly urbanised continent such as Europe, cities and towns play a crucial role in responding to climate change. This is not only because of the concentration of the population and economic assets in urban areas, but also because local authorities perform key roles that are central to climate adaptation, such as land use regulation and emergency planning. LRAs are playing a key role in implementing the green transition and ensuring that the post-COVID-19 recovery leads to a more sustainable way of life. With 75% of EU citizens living in urban areas<sup>88</sup>, which produce about 72% of greenhouse gas emissions<sup>89</sup>, cities are at the forefront of climate action in terms of both mitigation and adaptation. Cities are instigating action, whether by decarbonising heat, retrofitting buildings, using local and renewable energy, or promoting ultra-low emission vehicles. They are also taking action to facilitate behavioural

<sup>87</sup> Ibid.

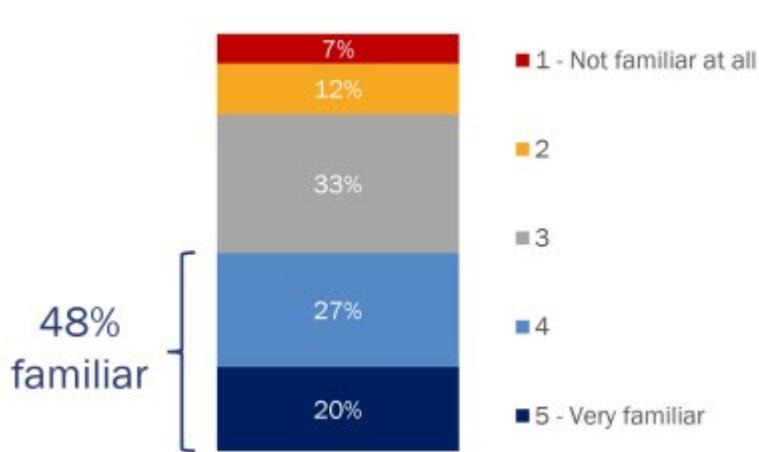
<sup>88</sup> Urban Agenda for the EU. *Energy Transition Partnership Action Plan*. April 2019. Available at: [https://ec.europa.eu/futurium/en/system/files/ged/uatp\\_final\\_action\\_plan.pdf](https://ec.europa.eu/futurium/en/system/files/ged/uatp_final_action_plan.pdf)

<sup>89</sup> European Commission. *100 Climate-neutral Cities by 2030 – by and for the Citizens: Report by the mission board for climate-neutral and smart cities*. September 2020. Available at: [https://ec.europa.eu/info/publications/100-climate-neutral-cities-2030-and-citizens\\_en](https://ec.europa.eu/info/publications/100-climate-neutral-cities-2030-and-citizens_en)

changes that will contribute to a more sustainable lifestyle. This is done by working with their citizens, businesses and communities to explain to them the important role each of them has to play in supporting the creation of sustainable cities. Everyone uses energy to some degree. Consequently, everyone has an interest in and a role to play in the energy transition and the creation of a more sustainable society<sup>90</sup>. LRAs will also be mainly responsible for carrying out many key Green Deal initiatives, such as the "fit for 55" package – a proposal aimed at reviewing many EU policy instruments to deliver climate neutrality on the ground, including the Energy Efficiency and Renewable Energy Directives. Furthermore, as the levels of government closest to the citizens, they are critical in facilitating behavioural changes and getting buy-in from the general public. Europe's cities and regions can increase familiarity with and acceptance of Green Deal policies and are a core component in ensuring that the transition towards climate neutrality has a strong bottom-up approach<sup>91</sup>.

**Figure III-2: Familiarity with the European Green Deal**

Source: European Green Deal Barometer<sup>92</sup>



The recognition of LRAs as key players in climate and environmental action is growing. According to a recent Eurobarometer on climate change, the share of respondents mentioning LRAs as being responsible for climate action has increased by 10 percentage points, to 43%<sup>93</sup>.

<sup>90</sup> Urban Agenda for the EU. *Energy Transition Partnership Action Plan*. April 2019. Available at: [https://ec.europa.eu/futurium/en/system/files/ged/uatp\\_final\\_action\\_plan.pdf](https://ec.europa.eu/futurium/en/system/files/ged/uatp_final_action_plan.pdf)

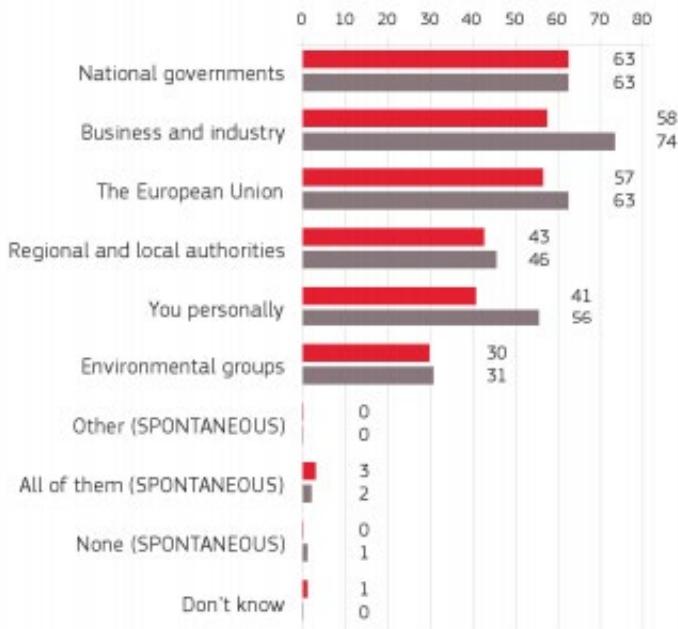
<sup>91</sup> European Commission. *Communication on the European Climate Pact*, COM(2020) 788 final. December 2020. Available at: <https://ec.europa.eu/climate-pact/system/files/2020-12/20201209%20European%20Climate%20Pact%20Communication.pdf>

<sup>92</sup> Institute for European Environmental Policy, Globescan. *European Green Deal Barometer*. May 2021. Available at: <https://think2030.eu/wp-content/uploads/2021/04/European-Green-Deal-Barometer-2021-IEEP-and-GlobeScan.pdf>

<sup>93</sup> European Commission. Special Eurobarometer 513 – Climate Change. July 2021. Available at: <https://ec.europa.eu/eurobarometer/api/deliverable/download/file?deliverableId=75838>

**Figure III-3: Responsibility for tackling climate change**

Source: Eurobarometer<sup>94</sup>



Furthermore, despite the large difference between the number of local authorities committed to acting on adaptation through their participation in various initiatives and the number of them that have adaptation action plans, local adaptation planning in Europe is progressing at a fast rate. According to recent papers, the number of local adaptation strategies in cities tripled between 2011 and 2016<sup>95</sup>. Cities such as Budapest, Barcelona and Vienna are implementing innovative adaptation policies to combat the negative effects of climate change<sup>96</sup>. The instrument of choice varies from city to city – from urban greening, to climate shelters and increasing the availability of drinkable water – highlighting the importance of tailored solutions. In a modelling study simulating a future heatwave event for the city of Porto, doubling urban green areas from 5% to 10% of the urban surface was found to decrease near-surface maximum temperatures in built-up areas close to green areas by 1°C during the daytime and by 0.3-0.5°C at night. Applying green or white roofs across 75% of the city's built-up area produced less pronounced, yet more widespread temperature reductions. The combined application of green areas and widespread white roofs produced larger reductions of night-time temperatures<sup>97</sup>. Barcelona has issued a study that outlines the impact of heatwaves on different districts to support a pinpoint approach towards this issue. Densely populated areas with a lack of green spaces were highlighted as priority areas for localised climate action<sup>98</sup>. This is underlined in a recent study on the effects of global warming on heat and cold extremes in the EU, which stresses that with nearly three-quarters of the European population living in an urban environment and the fact that temperatures can be more than 5°C higher in cities than in surrounding rural areas, it will be crucial to reshape European urban areas<sup>99</sup>. Urbanisation is also considered a high-ranking pressure on biodiversity and the preservation of Europe's natural capital.

<sup>94</sup> Ibid.

<sup>95</sup> Francisca C. Aguiar et al. *Adaptation to climate change at local level in Europe: An overview*. August 2018.

<sup>96</sup> Source: <https://eurocities.eu/latest/inventing-cool-in-the-heatwave/>

<sup>97</sup> Carvalho, D., et al. *Urban resilience to future urban heat waves under a climate change scenario: a case study for Porto urban area*. 2017.

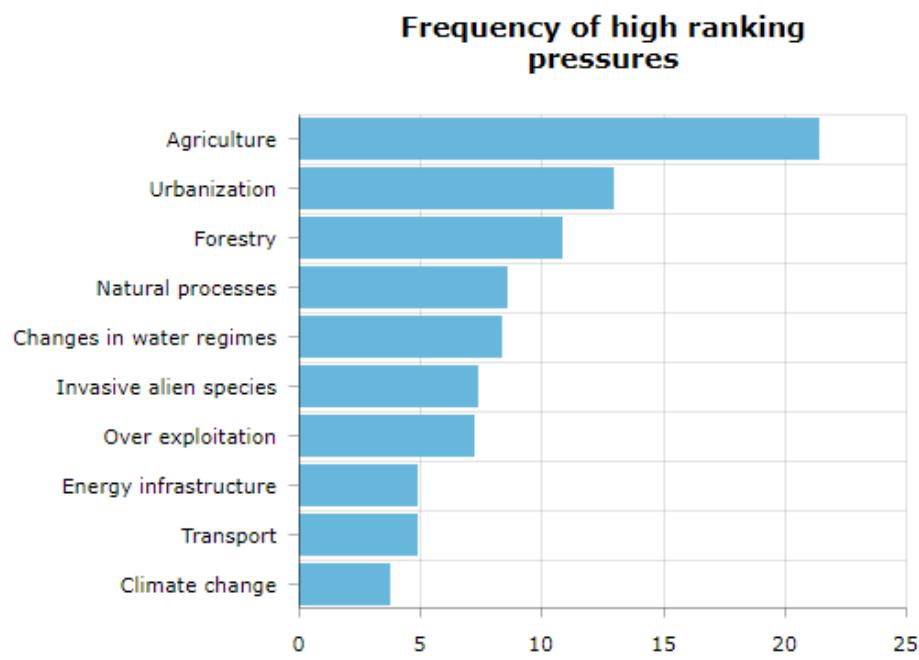
(DOI: 10.1016/j.uclim.2016.11.005).

<sup>98</sup> Ajuntament de Barcelona. *Onades de calor: Resum executiu*. 2021. Available at: [https://www.barcelona.cat/barcelona-pel-clima/sites/default/files/documents/re\\_onadesdecalor\\_placlima.pdf](https://www.barcelona.cat/barcelona-pel-clima/sites/default/files/documents/re_onadesdecalor_placlima.pdf)

<sup>99</sup> Joint Research Centre. *Global warming and human impacts of heat and cold extremes in the EU*. 2020. Available at: [https://publications.jrc.ec.europa.eu/repository/bitstream/JRC118540/pesetaiv\\_task\\_11\\_heat\\_cold\\_extremes\\_final\\_report.pdf](https://publications.jrc.ec.europa.eu/repository/bitstream/JRC118540/pesetaiv_task_11_heat_cold_extremes_final_report.pdf)

**Figure III-4: Responsibility for tackling climate change**

Source: *Nature 2000*<sup>100</sup>



However, the results of a report on habitat deterioration and species loss show that agriculture is the most frequently reported pressure, affecting over a fifth of all protected species and habitats. This reflects not only the scale of agricultural land use in the EU but also continuing changes in farming practices. The pressure comes

in two opposing ways: on the one hand, there is the continuing intensification of agricultural activities and the conversion of one type of agricultural practice to another. On the other, there is abandonment of agricultural areas and their lack of management<sup>101</sup>.

However, there are many local and regional projects that tackle this major issue. The Kruibeke Polders project in Antwerp incorporated these polders into a major flood protection and nature conservation scheme for the region. The project also placed great emphasis on involving local inhabitants in its activities through information evenings, monthly site walks and workshops to demonstrate the values of the area<sup>102</sup>. There are many other examples of LRAs fully engaging to reinforce biodiversity in a way that benefits both the natural capital as well as the local and regional society and economy. Over 27 000 finalist projects were considered for the Natura 2000 awards in October 2020<sup>103</sup>.

<sup>100</sup> European Commission. *Natura 2000 – State of Nature in the EU*. December 2020. Available at: <https://op.europa.eu/en/publication-detail/-/publication/c4622350-56c4-11eb-b59f-01aa75ed71a1/language-en/format-PDF/source-187697953>

<sup>101</sup> Ibid.

<sup>102</sup> Source: <https://sigmaplan.be/en/projects/polders-of-kruibeke/project/>

<sup>103</sup> Source: [https://ec.europa.eu/environment/natura2000/awards/application-2020/index\\_en.htm](https://ec.europa.eu/environment/natura2000/awards/application-2020/index_en.htm)

## THE BLUE PARK OF THE EUROMETROPOLIS

### ***EUROMETROPOLIS EGTC: Belgium-France***

The *Blue Park* is the cornerstone of sustainable development in the Eurometropolis Lille-Kortrijk-Tournai. For several years now, water has been at the heart of the cooperation between the 14 partners of the Eurometropolis. The Blue Park comprises 5440 km of waterways, 300 km of which are navigable, and green and blue local amenities. It is an attractive region accessible on foot, by bicycle or by boat.

The flow of water is not hindered by borders: rivers, canals, streams and groundwater flow right through, above or below state borders. Water is a crucial element that can bring our three sub-regions (the south of West Flanders, Wallonie Picarde and the Métropole Européenne de Lille) together across administrative boundaries.

The Blue Park arose from a desire to create a continuous cross-border space for people, water and nature.

It is a network of soft spatial connections, bringing residents of the border region into contact with each other and with nature. Rivers and canals form the skeleton to which villages, towns and municipalities are attached.

The Blue Park is a project that mixes tourism, biodiversity, culture, economy, transport, recreation and resources. It is unique in Europe: a united territory, co-created by the citizens, in search of an even more citizen-oriented Europe.

## B. The Green recovery

### ***1. Does the recovery framework enable a green recovery from the local and regional perspective?***

As was stated earlier, the post-COVID-19 recovery represents a unique opportunity to build back better, accelerate the green transition and get on track to reach Europe-wide climate neutrality by 2050. A survey of 300 experts on sustainability shows that the pandemic should be used to promote sustainability and resilience as the new norm, with only 5% of the interviewed experts believing that the pandemic has significantly hindered the implementation of the European Green Deal<sup>104</sup>. At the same time, however, the respondents identified the current recession as one of the biggest barriers to the successful implementation of the European Green Deal. This clearly indicates that, to address this challenge, the recovery funds should promote low-carbon and environmental projects.

Economic evidence suggests that investments in areas such as energy efficiency retrofits, renewable energy deployment, power grid reinforcements, zero-emission transport, wetland and peatland restoration and reforestation could all be highly effective at getting European economies and

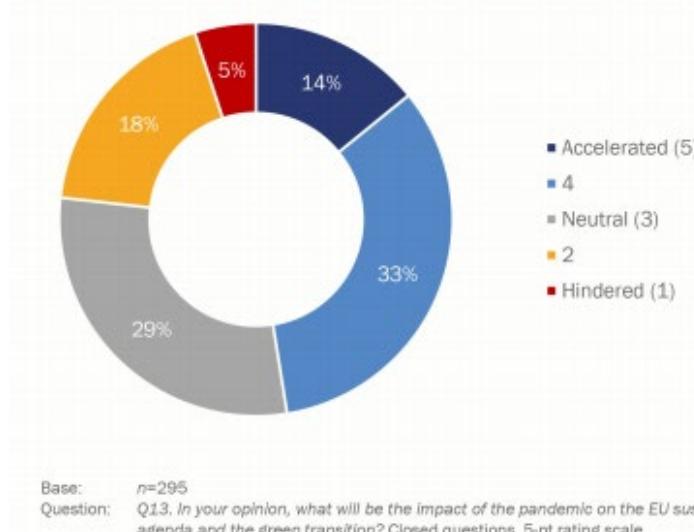
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<sup>104</sup> Institute for European Environmental Policy, Globescan. European Green Deal Barometer. May 2021. Available at: <https://think2030.eu/wp-content/uploads/2021/04/European-Green-Deal-Barometer-2021-IEEP-and-GlobeScan.pdf>

employment going again quickly. They also have the benefit of supporting regionally dispersed employment opportunities, with a low risk of jobs being moved abroad.

**Figure III-5: Impact of the COVID-19 pandemic on the acceleration of the EU Sustainability Agenda.** Source: Institute for European Environmental Policy<sup>105</sup>

## Impact of the Pandemic on the EU Sustainability Agenda



The acceleration effect of the pandemic can be seen throughout Europe. Over the past year, European cities have already created more than 1 400 km of new cycle lanes, traffic-calming measures and car-free streets<sup>106</sup>. The pandemic has given a boost to initiatives embracing the value of growing local, organic and more seasonal food in and around urban areas. For example, Paris is expanding its "Parisculteurs" programme to support local urban farms and is explicitly linking access to locally grown food to its

15-minute city model<sup>107</sup>. In Valencia, the local green belt has become an immediate and direct source of fresh food for the city. In addition to increasing the availability of healthy produce, urban agriculture also reduces transport distances and the associated carbon emissions and has considerable climate adaptation, ecological, social and health co-benefits<sup>108</sup>.

In the light of the COVID-19 pandemic, the European Commission has announced actions to restore economies and mitigate the effects of the crisis. NextGenerationEU is the EU's long-term response to support recovery and foster resilience, with EUR 806.9 billion aimed at repairing the economic and social damage brought about by the pandemic. The aim is to provide the Member States with opportunities and funding to devise and promote a new and more sustainable development model for future generations.

The most significant part of the budget is the Recovery and Resilience Facility (RRF), totalling EUR 732.8 billion to be spent between 2021 and 2023. The RRF's scope is to "promote the Union's economic, social and territorial cohesion" by improving resilience, crisis preparedness and adjustment

<sup>105</sup> Institute for European Environmental Policy, Globescan. *European Green Deal Barometer*. May 2021. Available at: <https://think2030.eu/wp-content/uploads/2021/04/European-Green-Deal-Barometer-2021-IEEP-and-GlobeScan.pdf>

<sup>106</sup> Source: <https://ecf.com/dashboard>

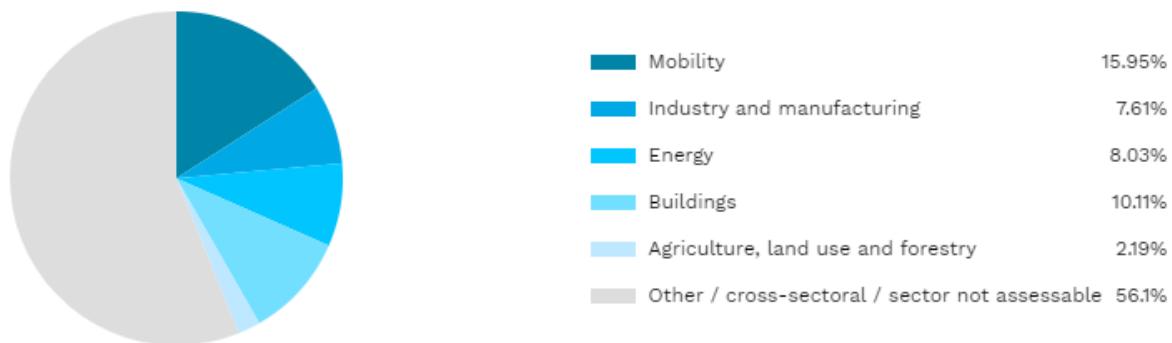
<sup>107</sup> Source: <https://citymonitor.ai/economy/in-paris-the-pandemic-gave-a-boost-to-urban-farms>

<sup>108</sup> Organisation for Economic Co-operation and Development. Policy Responses to Coronavirus (COVID-19): Cities Policy Responses. July 2020. Available at: [https://read.oecd-ilibrary.org/view/?ref=126\\_126769-yen45847kf&title=Coronavirus-COVID-19-Cities-Policy-Responses&\\_ga=2.265563912.682309374.1627287242-235406666.1627287242](https://read.oecd-ilibrary.org/view/?ref=126_126769-yen45847kf&title=Coronavirus-COVID-19-Cities-Policy-Responses&_ga=2.265563912.682309374.1627287242-235406666.1627287242)

capacity, fostering equal opportunities and supporting the green and digital transitions. The RRF primarily aims to help Member States to develop and implement sustainable reforms and public investments in six policy areas, including reforms and investments in the green transition, which should focus on green technologies and capacities, including biodiversity, energy efficiency, building renovation and the circular economy. RRF funding is tied to the development of NRRPs, which must detail how the reforms and investments will strengthen economic growth, create new jobs and increase the economic, social and institutional resilience of the Member State in question. Member States must also allocate at least 37% of the financial resources to the green transition, while also justifying all the reforms, investments and measures and explaining how they respect the "do-no-significant-harm" principle.

As such, the EU has clearly placed the European Green Deal as a cornerstone of the post-COVID-19 recovery and has given a clear signal that these funds should move the Union towards a more sustainable way of life. While the development of the NRRPs is up to the Member States, achieving the goals of the green transition requires the full cooperation of LRAs. In view of the principle of multilevel governance, the development and implementation of these plans should involve LRAs as well as social partners, civil society and other stakeholders. Including the subnational level of government is especially important in order to ensure that the recovery contributes to cohesion policy – while the NRRPs can have a significant positive impact on cohesion policy by decreasing territorial disparities and boosting growth and employment, there is the question of coordinating the Cohesion Fund with the RRF. Given that regional administrations normally manage ESI Funds, including the ERDF and the Cohesion Fund, which cover most green transition areas, they need to be enabled to actively contribute when it comes to ensuring a green recovery. Furthermore, the investment set out in the NRRPs more often than not relates to sectors where LRAs have both the competences and the expertise to contribute to the objectives of the European Green Deal, such as mobility and buildings.

**Figure III-6: NRRP allocation by sector**



Source: Green Recovery Tracker<sup>109</sup>

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<sup>109</sup> Source: <https://www.greenrecoverytracker.org/sectoral-analysis>

The energy sector is also a good example of the need to include LRAs in the recovery funding scheme. In order for cities to become climate-neutral, large consumers and producers of energy, including cities and large urban and industrialised regions, need to be the pioneers of the energy transition. A smart integrated energy system has a fundamental role to play in the transition to a low-carbon and circular economy, and the energy transition will help to stimulate growth in the local economy and create good jobs for local people. For this reason, cities are at the forefront of the key actions outlined in the Energy Transition Partnership Action Plan, covering areas from use of waste heat in cities to the financing of district energy<sup>110</sup>.

## SHARED SELF-CONSUMPTION PROJECT (PHOTOVOLTAICS)

### DUERO-DOURO EGTC: Spain-Portugal

*Photovoltaic electricity and shared self-consumption in the Duero-Douro Area (34 installations in progress): this project concerns the installation on the roof of a municipal building of a photovoltaic plant with a 15-kW inverter connected to a solar panel field with a peak power of 15.75 kW.*

*This plant feeds all the energy generated directly into the distribution system. We can "add" consumers to this plant; these can be municipal contracts (single point-of-supply code), local residents or companies. To add these consumers, their supply lines do not need to be physically connected to the plant. Instead, when energy is fed into the distribution system, contracts are made with each consumer and they are each allocated a production coefficient (the distribution coefficient). Surplus energy that is not consumed is fed directly into the grid, for which the producer is remunerated.*

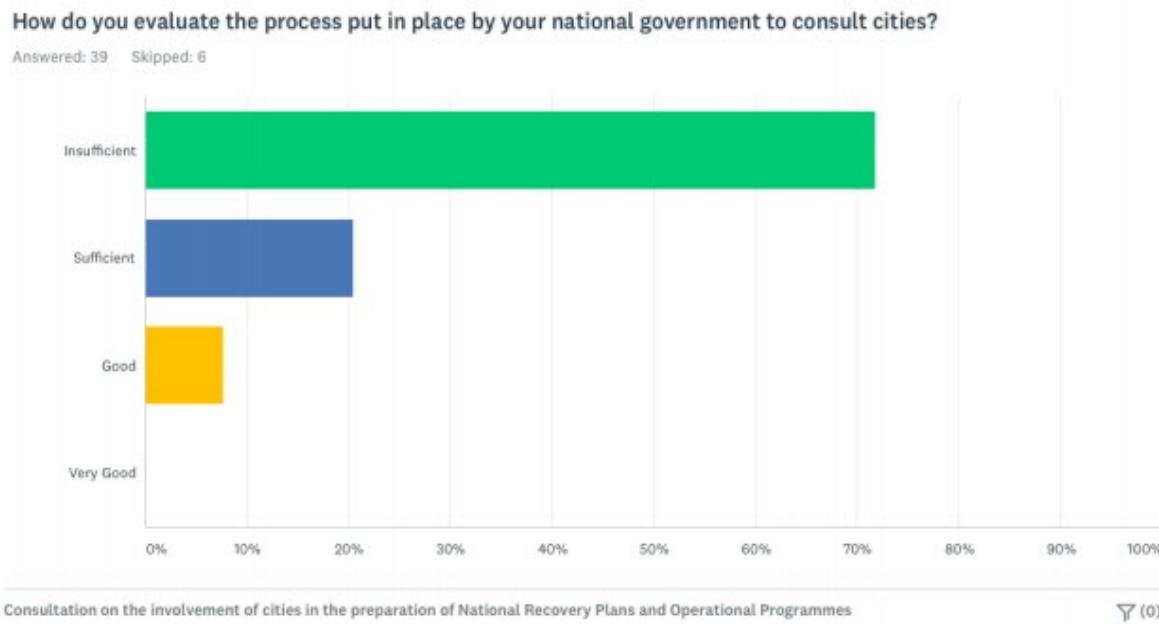
Europe's cities and regions should be fully fledged partners when it comes to the development and implementation of green recovery projects in order for them to take into account territorial disparities with respect to social, economic, digital and environmental aspects. However, their involvement in the development of NRRPs is often underrepresented. An early survey of over 50 local authorities indicated issues as regards the involvement of LRAs in the NRRPs as a whole and the green transition section specifically, with over 70% of respondents considering the consultation process put in place by their government to be insufficient, only around 5% evaluating it as "good", around 25% deeming it "sufficient" and none of them considering it "very good"<sup>111</sup>. Around 75% of the cities consulted contacted their national government to get involved in the preparation of the NRRPs, either directly (39%) or via national city associations (34%). Many cities (42%) responded that they were not able to contribute to the draft plans but many also expressed optimism that negotiations were ongoing and that the outcome could still improve. Only 12% of the respondents were confident that their contributions

<sup>110</sup> Urban Agenda for the EU. *Energy Transition Partnership Action Plan*. April 2019. Available at: [https://ec.europa.eu/futurium/en/system/files/ged/uaetp\\_final\\_action\\_plan.pdf](https://ec.europa.eu/futurium/en/system/files/ged/uaetp_final_action_plan.pdf)

<sup>111</sup> Eurocities. *Briefing note on the involvement of cities in the preparation of National Recovery Plans and Operational Programmes 2021-2027*. January 2021. Available at: [https://eurocities.eu/wp-content/uploads/2021/03/Eurocities-Briefing-Note\\_Cities\\_EU\\_Recovery.pdf](https://eurocities.eu/wp-content/uploads/2021/03/Eurocities-Briefing-Note_Cities_EU_Recovery.pdf)

had been considered and that they would be able to directly contribute to the development of the draft NRRPs. This was echoed in a more recent CoR study<sup>112</sup>, as well as in a joint CoR-CEMR consultation<sup>113</sup>.

**Figure III-7: Contribution of EU Member States' NRRPs to the green transition**



LAs are also at the forefront on climate adaptation, developing concrete responses to the extreme circumstances that are already being felt around Europe. For example, Madrid has launched a comprehensive environmental sustainability strategy – Madrid 360<sup>115</sup> – which aims to support the city in cutting greenhouse gas emissions by 65% by 2030, compared to 1990 levels. The plan includes over 200 measures aimed at improving air quality and mitigating and adapting to climate change, including a robust revision of urban mobility. The strategy learns from the pandemic and engages citizens and businesses alike to promote a more sustainable way of living. However, for such an ambitious plan to work, funding needs to be readily available and the link between different levels of government should be stronger, especially in view of the Recovery and Resilience Fund, which is not always the case<sup>116</sup>. In the same vein, the city of Warsaw submitted a large number of projects concerning transport and environmental protection for the Recovery and Resilience Fund with the aim of rebooting the post-pandemic economy in a more sustainable way. While the project plan did not receive reliable feedback from the national government about whether the city's input will be taken forward, of the 19 projects

<sup>112</sup> European Committee of the Regions. *Regional and local authorities and the National Recovery and Resilience Plans*. June 2021. Available at: [https://cor.europa.eu/en/engage/studies/Documents/Regional%20and%20local%20authorities%20and%20the%20National%20Recovery%20and%20Resilience%20Plans/NRRPs\\_study.pdf](https://cor.europa.eu/en/engage/studies/Documents/Regional%20and%20local%20authorities%20and%20the%20National%20Recovery%20and%20Resilience%20Plans/NRRPs_study.pdf)

<sup>113</sup> European Committee of the Regions, Council of European Municipalities and Regions. *The involvement of municipalities, cities and regions in the preparation of the national Recovery and Resilience Plans: Results of the CoR-CEMR targeted consultation*. January 2021. Available at: <https://memportal.cor.europa.eu/Handlers/ViewDoc.ashx?pdf=true&doc=COR-2021-00131-00-00-TCD-TRA-EN.docx>

<sup>114</sup> Ibid.

<sup>115</sup> <https://www.acrplus.org/en/news/news-from-our-members/2836-madrid-the-roadmap-for-climate-neutrality-sets-the-challenge-to-reduce-greenhouse-gases-by-65-by-2030>

<sup>116</sup> <https://eurocities.eu/latest/cycling-and-walking-madrid-on-the-move/>

submitted, 8 were directly considered by the regional authorities<sup>117</sup>. Some local authorities have developed COVID-19 recovery strategies and are allocating funds directly to the local economy to ensure that those impacted the most can recover quickly. The city of Lille's "Rebound Fund" aims to inject EUR 32 million to small businesses, associations and dedicated local support departments, with special attention given to directing the assisted companies towards climate-friendly models<sup>118</sup>.

However, this is not always the case. Some NRRPs have covered local and regional aspects of the green transition fully. In this regard, the Belgian national plan aims to make industry in the Walloon Region carbon-neutral. The project leader is the Walloon government and implementation is planned through a call for projects focused on activities such as "electrification of industrial processes", "production of hydrogen by electrolysis", "production of hydrogen by plasma pyrolysis", "direct use of H2", "capture and concentration of CO2 emissions as well as decarbonisation of ammonia production processes". The investment has several objectives: pilot projects which could help new technologies achieve industrial maturity, support the energy and carbon transition, and make Wallonia a primary region for pilot projects strengthening a technological low-carbon transition. The Romanian national plan envisages a four-level resilience fund, i.e. counties, municipalities, towns and communes, with each level having a budget for different projects. Furthermore, the Romanian plan also include revising and strengthening public policies for the implementation of local development strategies<sup>119</sup>.

On a general note, analyses of the national plans show that the NRRPs could, in general, be better aligned with the European Green Deal. A recent CoR study shows that more than half of the key green transition topics are fully integrated into the plans. Clean energy, smart housing, sustainable mobility, industrial decarbonisation and climate adaptation are all central elements of NRRPs, while environmental priorities are strongly represented as well. The only area that has poor coverage is green jobs and skills. Furthermore, the study indicates that budgetary allocation on green policies and the green transition is also strong, absorbing on average 41% of the budget in the NRRPs.

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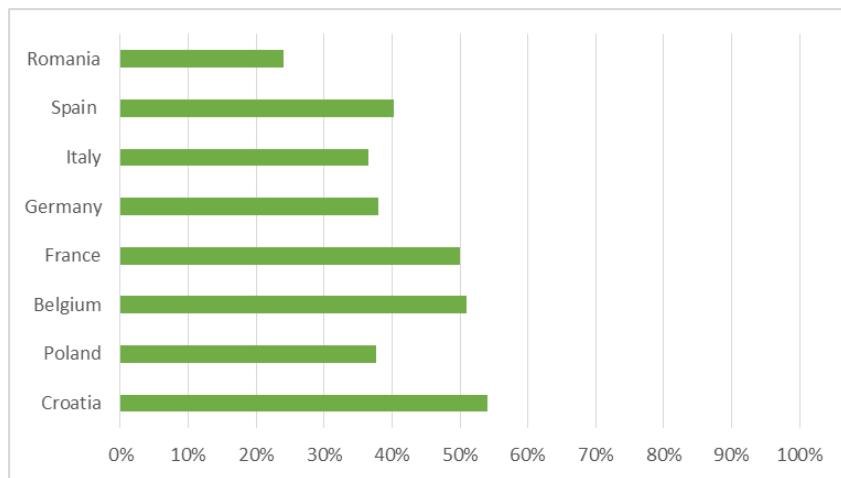
<sup>117</sup> Source: <https://eurocities.eu/latest/no-appetite-to-include-warsaw-in-polands-covid-recovery/>

<sup>118</sup> Source: <https://www.lillemetropole.fr/sites/default/files/2020-06/Dossier%20de%20presse%20relance%C3%A9co.pdf>

<sup>119</sup> European Committee of the Regions. *Regional and local authorities and the National Recovery and Resilience Plans*. June 2021. Available at: [https://cor.europa.eu/en/engage/studies/Documents/Regional%20and%20local%20authorities%20and%20the%20National%20Recovery%20and%20Resilience%20Plans/NRRPs\\_study.pdf](https://cor.europa.eu/en/engage/studies/Documents/Regional%20and%20local%20authorities%20and%20the%20National%20Recovery%20and%20Resilience%20Plans/NRRPs_study.pdf)

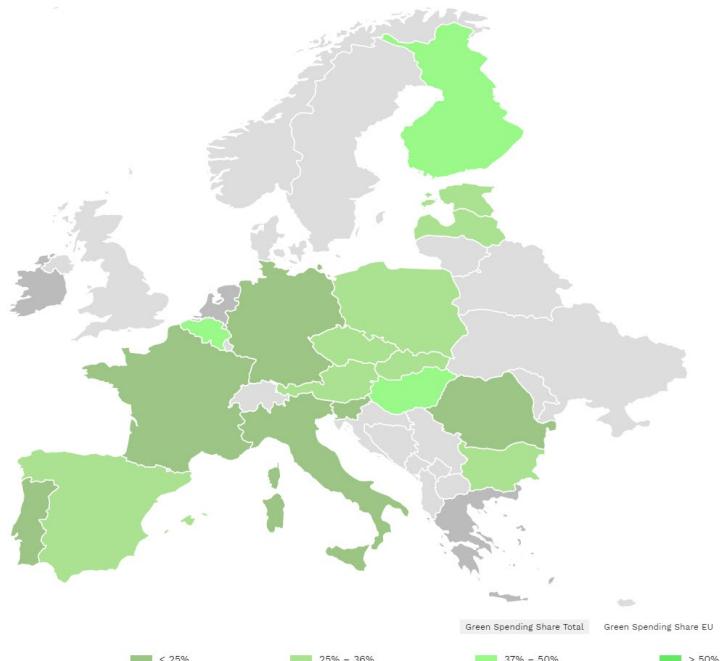
**Figure III-8: NRRP allocations to the green transition**

Source: European Committee of the Regions<sup>120</sup>



However, a broader analysis of NRRPs shows that many of them are in danger of missing the 37% climate spending target, which suggests that the European Commission should not hesitate to scrutinise Member States' submissions closely. There are significant risks that measures that look green at first glance may end up supporting fossil fuels and that most recovery plans are not aligned with the EU's new 2030 climate targets<sup>121</sup>.

**Figure III-9: Contribution of EU Member States' NRRPs to the green transition**



Source: Green Recovery Tracker<sup>122</sup>

<sup>120</sup> Ibid.

<sup>121</sup> Source: <https://www.greenrecoverytracker.org/>

<sup>122</sup> Ibid.

## **2. EU local and regional authorities utilising the SDG agenda for recovery**

The SDGs are a universal framework which encompass all policies. Their implementation by 2030 is crucial to make sure our recovery is sustainable and to achieve the Green Deal objectives. Unfortunately, the EU recovery strategy and its main fund, the RRF, are not based on the SDG framework. A recent study from the CoR<sup>123</sup> analysing eight NRRPs confirmed that EU countries have not based their recovery strategies on the SDGs. This is a missed opportunity to make the recovery truly sustainable, based on a universally adopted framework.

However, while the SDGs have lost visibility in the EU narrative and policymaking, since 2015 LRAs have committed to localise the SDGs and their engagement keeps increasing. In a joint CoR-OECD survey on the SDGs and recovery<sup>124</sup>, respondents clearly highlighted that, far from abandoning the SDGs to focus on recovery, they were using them as a framework for recovery. 60% of local and regional respondents indicated that the SDGs could help take a more holistic approach to recovery, with an additional 20% indicating that the pandemic had not affected their work on the SDGs. 43% had a specific governance structure in order to implement them and only 8% had not taken any action or adopted any policies to implement the SDGs.

More importantly, almost half the local and regional respondents were planning to use the SDGs as a framework for recovery, although they were not doing it yet, 40% had worked on the SDGs pre-COVID-19 and were now using them as a key recovery tool and 7% used the pandemic as an opportunity to start working on the SDGs. These results were further confirmed by another survey conducted by the CEMR<sup>125</sup> targeting national associations of regions and cities. Here, too, the results indicate that an increasing number of local and regional governments and their associations in Europe are involved in implementing the SDGs. 15.4% of associations are now more involved in the SDGs than in 2019. Over 77% of associations have a sound knowledge of the SDGs and 36% use them as a guiding reference. 84% of associations are also involved in national SDG coordination mechanisms.

The work of these associations is crucial to ensure good coordination with the national level. Moreover, the CoR, alongside other organisations such as Eurocities, the CEMR and Regions4, ensures coordination with higher levels of government at EU and UN level. However, the SDGs' loss of visibility at EU level impedes their implementation at all levels.

The G20's launch of a platform for SDG localisation<sup>126</sup>, the UN's Decade of Action for sustainable development<sup>127</sup>, the OECD's pilot project on a territorial approach to the SDGs<sup>128</sup> and the EU Joint

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<sup>123</sup> 2021, [Regional and local authorities and National Recovery and Resilience Plans](#) – CoR

<sup>124</sup> 2021, SDGs as a framework for COVID-19 recovery in cities and regions – CoR/OECD. The full results will be presented during the European Week of Regions and Cities in October 2021 and the corresponding report will be presented by the OECD in November 2021. In the meantime, preliminary results can be consulted [here. The survey ran from 10 May to 18 June 2021 and received 145 responses, with 86 responses specifically from cities, regions and intermediary entities from 24 EU countries.](#)

<sup>125</sup> [European territories localise SDGs: Continuity and Change in times of Covid-19](#) – CEMR, 2021

The survey received 39 replies from associations of towns, cities and regions, and from 29 European countries, including 18 EU Member States.

<sup>126</sup> On 29 June 2021, G20 development ministers launched this platform in Matera as a global response to support recovery in developing countries and foster progress on the SDGs.

<sup>127</sup> [Decade of Action – United Nations Sustainable Development](#)

<sup>128</sup> [OECD Programme on a Territorial Approach to the SDGs - OECD](#)

Research Centre (JRC)'s upgrade of its smart specialisation strategy to include a sustainability dimension and its handbook<sup>129</sup> to help cities to draft their own local voluntary reviews to report on the SDGs to the UN are only a few examples of the scale of mobilisation of all other levels of government to support regions and cities in their efforts to localise the SDGs.

The EU level should match the engagement seen at all other government levels to help regions and cities to localise the SDGs by giving them more prominence and visibility in its narrative and policymaking. This will make sure that the Green Deal and the Paris Agreement are effectively implemented and, more broadly, it will ensure that these essential agendas are implemented in coherence and consistently with all other policies for fair and thriving societies and economies, with no one being left behind.

## ELECTRIC CAR CHARGING POINT PROJECT

### ***DUERO-DOURO EGTC: Spain – Portugal***

*Recharge points for electric cars in Duero-Douro Area (30 installations foreseen and in progress): the car industry and governments are moving us towards a sustainable mobility model that involves electrifying car fleets in each of their areas (individuals and companies). This requires first setting up a supply network for all these electric vehicles.*

*As a result, the proposal is to set up semi-fast 22-kW charging points. These charging points are proposed rather than higher-powered ones due to two factors:*

- *small municipalities have low-power transformers, so if higher-powered charging points are installed, there is a risk that new connections would have to be made or that transformers would even have to be replaced - which would be very expensive;*
- *at the type of charging point they are proposing, electric car users will have to wait around 50 minutes for the battery to charge up to 80%, making them potential tourists in the municipality in question, with all the benefits that this entails.*

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<sup>129</sup> [2020](#)

## Chapter IV – The digital transition at local and regional levels

Last year's Barometer report<sup>130</sup> demonstrated how technology became a key tool to help us adapt to challenging situations affecting all spheres of society during the COVID-19 pandemic. The report provided numerous good practices from Europe's communities, cities and regions where technology served to alleviate the crisis, but also to fight the virus. Digital services became imperative for (tele)working, learning, entertaining, socialising, shopping and accessing services such as healthcare, culture and e-government. The report also described the acceleration in the use of technologies as a result of the pandemic.

While preparing the recovery from the COVID-19 pandemic, we are reflecting on what the future of our societies and economies will look like. This includes the impact of technology on daily life and the future world of work. We now face the challenge of maintaining the momentum of digital acceleration created by the pandemic and to focus on the opportunities offered by technology to make sure we do not leave anyone behind. For the CoR, the notion that the availability and use of technology can have a strong impact on cohesion in the EU is not new. Already before the start of the COVID-19 pandemic, the Committee had highlighted digital cohesion as a key anchor in creating inclusive societies in the EU: "digital cohesion" is an important additional dimension of the traditional concept of economic, social and territorial cohesion defined in the EU Treaty.<sup>131</sup>

The prominent role of digital technology in responding and building resilience to COVID-19 has highlighted shortcomings in digital infrastructure and literacy, and has made the digital divide between cities and rural areas even more pronounced. "Digital divide" is a term that refers to "different levels of access and use of information and communication technologies (ICTs) and, more specifically, to the gaps in access and use of Internet-based digital services"<sup>132</sup>. Variables indicating a digital divide are linked to geography (such as rural and urban areas), gender, age, skill level, firm size and vulnerability of social groups.<sup>133</sup>

This chapter will examine some of the existing and developing digital divides at subnational level in more detail. It will illustrate the differences between those LRAs that are already leveraging the full potential of digital transformation in order to help businesses to grow and innovate as well as to serve their citizens, and those not yet fully digitalised. It will also shed light on the particular role that LRAs play in supporting SMEs, in particular given recent changes to the economy and business models due to

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<sup>130</sup> CoR, *EU Annual Regional and Local Barometer*, October 2020. Available online: <https://cor.europa.eu/en/our-work/EURegionalBarometerDocs/4370-Barometer%20optimized.pdf>

<sup>131</sup> CoR opinion, *Digital Europe for all: delivering smart and inclusive solutions on the ground*, SEDEC-VI-053, 7-9 October 2019 Rapporteur: Anne Karjalainen (FI/PES), city councillor of Kerava

<sup>132</sup> OECD (2021), Bridging Connectivity Divides. *OECD Digital Economy Papers*, No. 315, OECD Publishing, Paris. Available online: [Bridging Connectivity Divides \(oecd-ilibrary.org\)](http://bridging-connectivity-divides.oecd-ilibrary.org)

<sup>133</sup> *Ibid.*

COVID-19, and will present some good examples from EU regions. Lastly, it will highlight the need to establish regional indicators for measuring digital transformation with a view to future decision-making.

## A. The state of the digital transformation

According to the OECD, there are three layers where digital divides can arise: 1) the network or connectivity layer, which concerns access to and uptake of communication services, 2) the application interface and data layer, which is related to applications running on networks and data flows across borders and 3) the end-user layer, which relates to the distribution of digital technologies and how these are used, taking into account the heterogeneity of firms and individuals.<sup>134</sup> A recent study and survey commissioned by the CoR<sup>135</sup> has identified digital divides across these layers along four key components of digital transformation in the EU: 1) secure and sustainable digital infrastructure, 2) skills, 3) digitalisation of public services and 4) digital transformation of businesses. These components are inspired by and feed into the vision for digital transformation as set out by the European Commission communication *2030 Digital Compass: the European way for the Digital Decade*<sup>136</sup> in March 2021.

### 1. Secure and sustainable digital infrastructure

In the area of **connectivity/digital infrastructure**, the latest available Next Generation Access (NGA) data<sup>137</sup> shows that the urban-rural digital divide progressively closed over the period 2017-2019. While in 2017 the difference between total and rural NGA coverage of households was 33.2 percentage points, it decreased to 26.6 percentage points in 2019. Notwithstanding this overall trend, rural areas continue to lag behind in terms of NGA coverage. The maps in Figure IV-1 and Figure IV-2 illustrate the lack of coverage in rural areas in France, Spain, Sweden, Finland, Poland, Romania and Greece.

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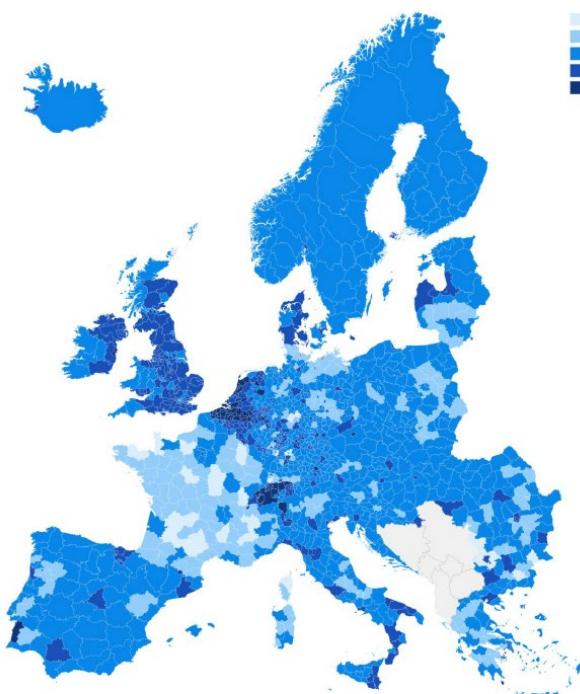
<sup>134</sup> OECD, op. cit.

<sup>135</sup> CoR study, "The state of digital transformation at the regional level and COVID-19 induced changes to economy and business models, and their consequences for regions", July 2021.

<sup>136</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: *2030 Digital Compass: the European way for the Digital Decade*, COM(2021) 118 final

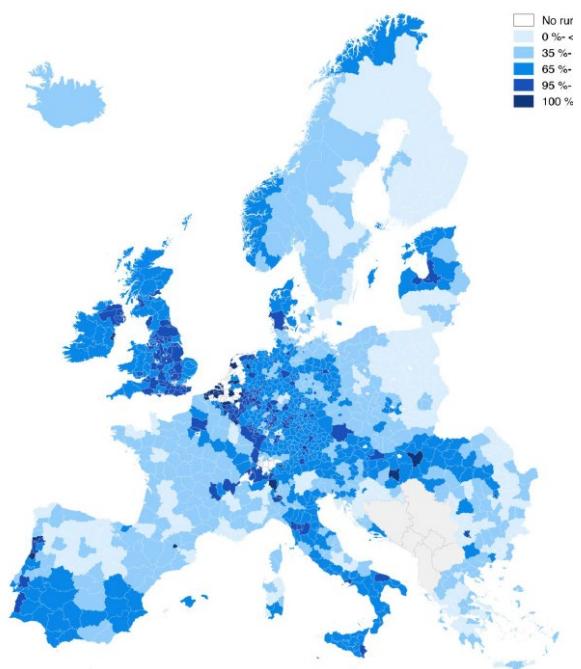
<sup>137</sup> HIS Markit, Omdia & Point Topic (2020), *Broadband Coverage in Europe 2019 - Mapping progress towards the coverage objectives of the Digital Agenda*, FINAL REPORT, A study prepared for the European Commission's DG Communications Networks, Content & Technology.

**Figure IV-1: NGA coverage, total, 2019**



Source: Broadband Coverage in Europe 2019, a study by IHS Markit, Omdia and Point Topic for the European Commission

**Figure IV-2: NGA coverage, rural areas, 2019**



Source: Broadband Coverage in Europe 2019, a study by IHS Markit, Omdia and Point Topic for the European Commission

© 2020 IHS Markit, Omdia and Point Topic for the European Commission

*Source: CoR study; maps are extracted from HIS Markit, Omdia & Point Topic, 2020, a report prepared for the European Commission's DG Connect.*

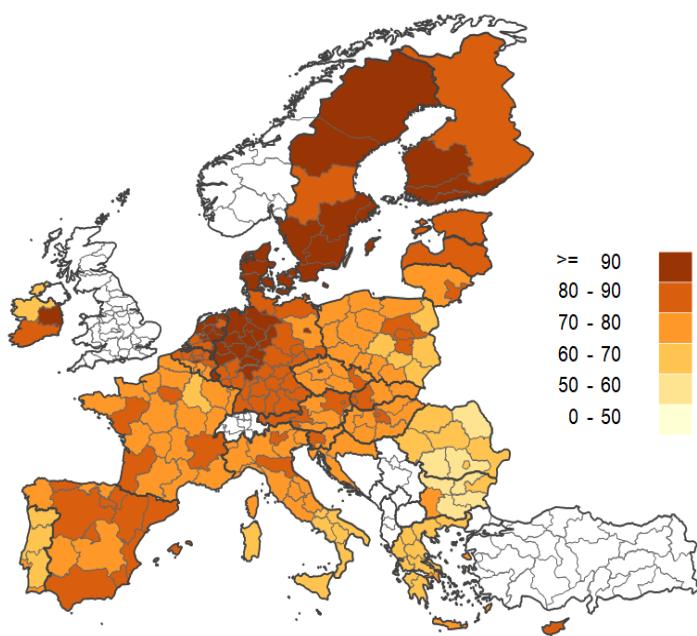
The picture is similar when considering ultrafast connectivity, which allows gigabit speeds and is required to use the latest available technologies and services. In 2019, the total coverage of households with very high capacity networks was 44%, compared to a coverage of 20.1% of households in rural areas<sup>138</sup>.

## 2. Skills

When looking beyond the connectivity layer at the end-user layer, data on the level of basic digital skills is not available at regional level. As a proxy indicator, Figure IV-3 considers individuals' ability to use the internet daily: a high variability between and within countries can be observed.

<sup>138</sup> CoR study.

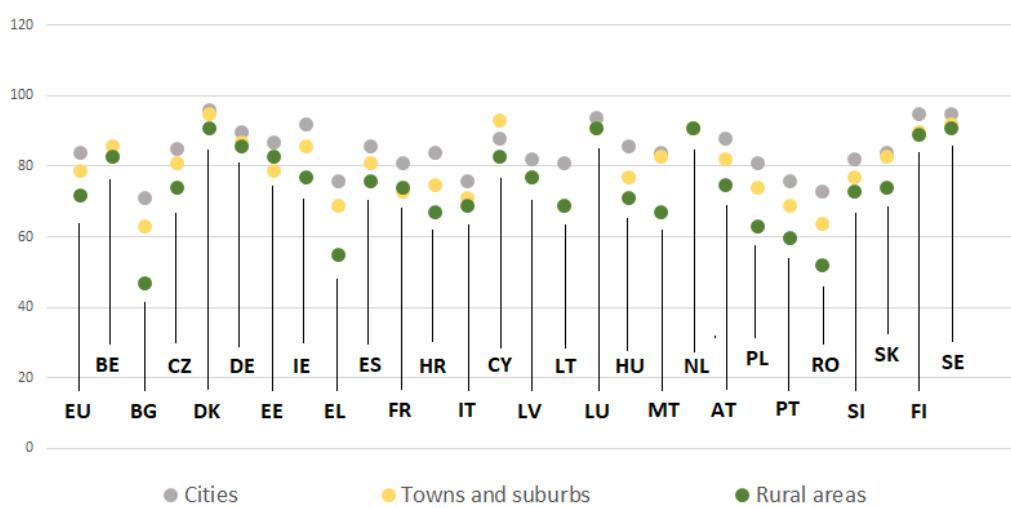
**Figure IV-3: Individuals who use the internet daily, %, 2020**



Source: CoR study; Map created by the authors on the basis of Eurostat data available online, table *isoc\_r\_iuse\_i*, accessed in March 2021. Notes: 2019 data for France and Italy. No data for Åland, Finland.

In some of the rural areas with low NGA coverage, users take full advantage of other technologies such as satellite broadband (Finland, Sweden). In other rural areas, the low NGA coverage also meets with low internet usage (Poland, Romania, Bulgaria). Figure IV-4 shows daily internet use by degree of urbanisation and puts the focus on the urban-rural digital divide:

**Figure IV-4: Individuals who use the internet daily: rural-urban divide, by country, 2020**



Source: CoR study; Eurostat data available online, table *isoc\_ci\_ifp\_fu*, accessed in March 2021. Notes: 2019 data for France and Italy.

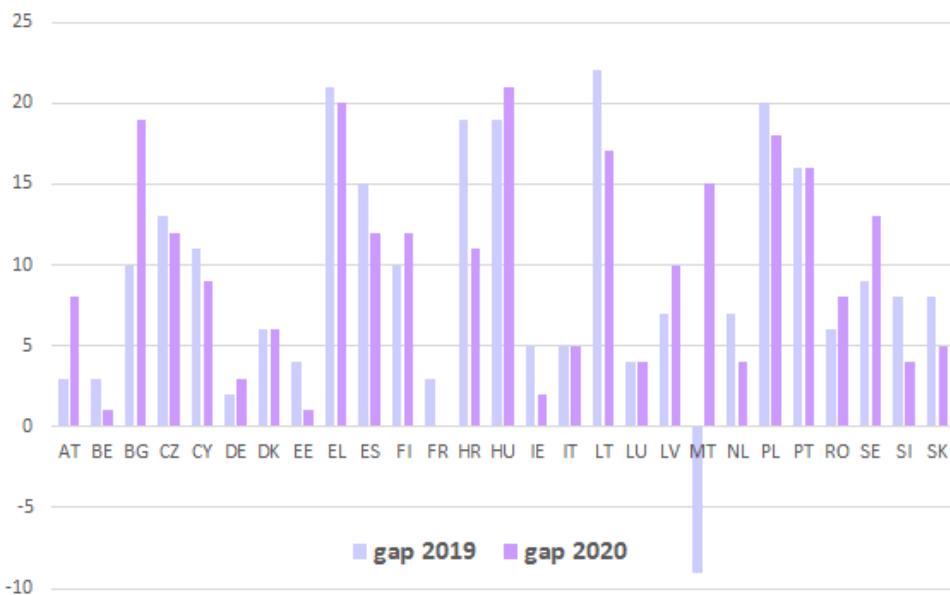
It can thus be argued that, while Germany, Sweden, the Netherlands and Belgium are currently curbing the urban-rural digital divide, it is **significant in all other EU Member States**.

### 3. Digitalisation of public services

Figure IV-5 illustrates that there is also an urban-rural divide in the use of e-government services. Interestingly, the gap between individuals living in cities and those in urban areas even increased from

2019 to 2020. The acceleration of digitalisation during the COVID-19 pandemic does not guarantee improved access and use of e-services. As highlighted by the CoR study<sup>139</sup>, the divide increased in Bulgaria (by 9 percentage points), in Austria (by 5 percentage points) and in Germany, Finland, Hungary, Latvia, Romania and Sweden.

**Figure IV-5: Divide between individuals living in cities and urban areas for the e-government activity "submitting completed forms", in percentage points, 2019-2020**



Source: CoR study. Eurostat data online, table isoc\_ciegi\_ac accessed in March 2021.

Notes: no 2020 data available for France.

#### 4. Digital transformation of businesses

The digital transformation of business denotes a change in how work and business are done. According to a CoR study<sup>140</sup>, "(this) change relates to business operations, organisation and culture, and implies the structural use and integration of digital technologies, processes and competencies in order to create value, new services and products as well as innovation". To illustrate the regional dimension of the state of digital transformation of business, Figure IV-6 shows the number of unicorns located in the EU and Figure IV-7 the distribution of information and communication businesses in the EU. Unicorn is a word used in the venture funds industry to indicate a tech startup with a total market value of over \$1 billion.<sup>141</sup> There are 126 unicorns mapped in the EU, with the highest number found in Île-de-France, followed by Berlin, North Holland, Stockholm and Upper Bavaria. The unicorns are largely concentrated in the continental part of Europe and in capital regions. As analysed by the CoR study<sup>142</sup>, apart from the capital region of France, Warsaw-Capital (3.2%), Stockholm (2.8%), North Holland (2.8%), Lombardy (2.7%), South Holland (2.2%), Madrid (2.1%), Budapest (2.0%), Prague (1.9%) and Catalonia (1.7%) are the

<sup>139</sup> Ibid.

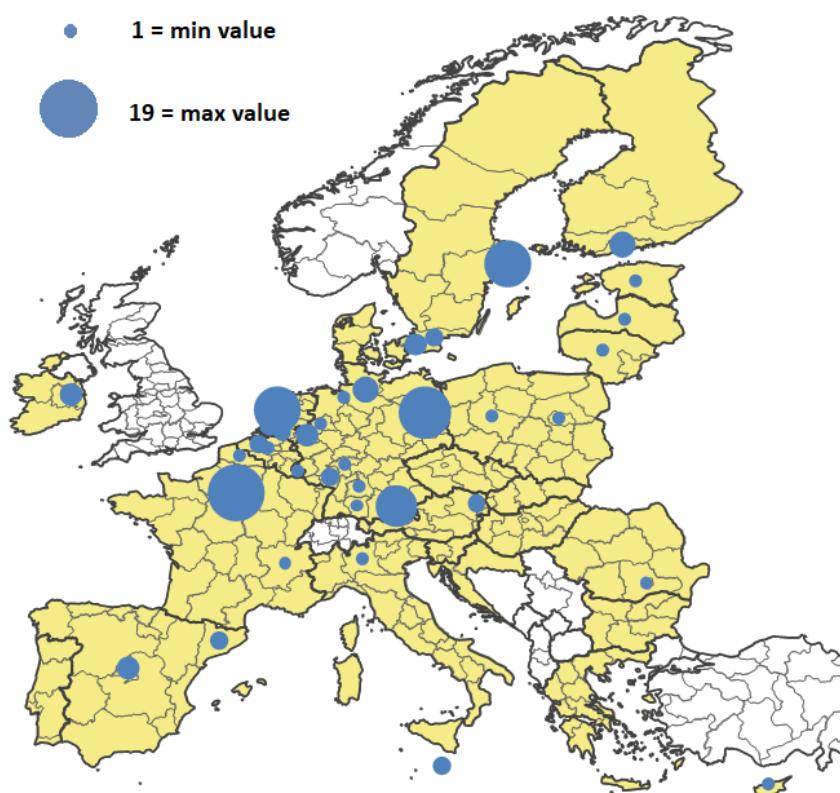
<sup>140</sup> CoR study

<sup>141</sup> Smith, Lucy, *What is a Unicorn: definition, origins, and current known "unicorns"*, May 2021, on Snov.io, <https://snov.io/glossary/unicorn/> accessed 26 July 2021

<sup>142</sup> CoR study

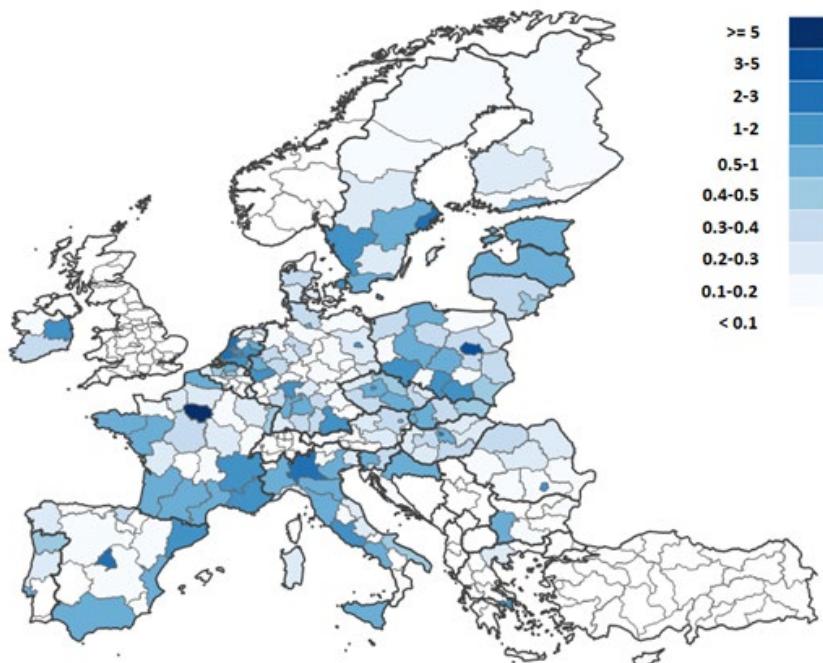
top ten regions hosting the highest number of I&C businesses. These may be concentrated regionally, like in Attica, which hosts 11 310 units, or 1.1% of the EU total, while all the other Greek regions have a negligible number of I&C companies. In Bulgaria, I&C companies are concentrated in the South-West, and in Finland they prevail in Helsinki-Uusimaa.

**Figure IV-6: Regional distribution of unicorns across the EU, March 2021**



Source: CoR study. Map created by the authors on the basis of online data from dealroom.co accessed in March 2021.

**Figure IV-7: Number of I&C companies as a share of the EU-27 total, %, 2018**



*CoR study. Map created by the authors on the basis of Eurostat data available online, table sbs\_r\_nuts06\_r2 accessed in March 2021.*

When it comes to the subnational level, an analysis of the key components of digital transformation thus paints a very heterogeneous picture. Differences exist between urban and rural areas, but also between more and less innovative regions. At the same time, the acceleration of digitalisation as a result of the pandemic has not necessarily closed, but sometimes even further widened gaps. The urban-rural digital divide is significant in all EU Member States, in particular in all those except Germany, Sweden, the Netherlands and Belgium. This divide concerns infrastructure, internet usage and use of e-government services. In addition, there is a strong concentration of digitally transformed businesses and tech companies in specific regions in the EU.

## B. Changes to the economy and business models due to COVID-19 and their consequences for regions

According to a report and a global survey of executives implemented by McKinsey<sup>143</sup>, the share of digital or digitally enabled products in company portfolios has accelerated by seven years as a result of

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<sup>143</sup> McKinsey (2020), *How COVID-19 has pushed companies over the technology tipping point—and transformed business forever*, 5 October 2020, survey, conducted by LaBerge, O'Toole, Schneider, Smaje, edited by Daniella Seiler. <https://www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/how-covid-19-has-pushed-companies-over-the-technology-tipping-point-and-transformed-business-forever>

the pandemic. The report argues that the changes that are the most profound are also the ones that are most likely to stick during the recovery phase. At the level of business, these changes notably concern:

- changing customer needs and expectations;
- increase in remote working and/or collaboration;
- increasing migration of assets to the cloud;
- increasing customer demand for online purchasing and/or services;
- increased spending on data security;
- increasing use of advanced technologies in operations;
- changing ownership of last-mile delivery within the industry value chain;
- increasing use of advanced technology in business decision-making;
- qualification of additional suppliers to build redundancy in supply chains;
- increase in nearshoring and/or insourcing practices.

A survey commissioned by the CoR asked respondents "*In your region, which of the following aspects related to digital maturity do SMEs consider relevant for investment in order to address the challenges caused by the COVID-19 outbreak?*" The answers (Figure IV-8) show the ranking of the key aspects of digital maturity by SMEs as perceived by the respondents.

**Figure IV-8: Investments to address COVID-19-related changes**

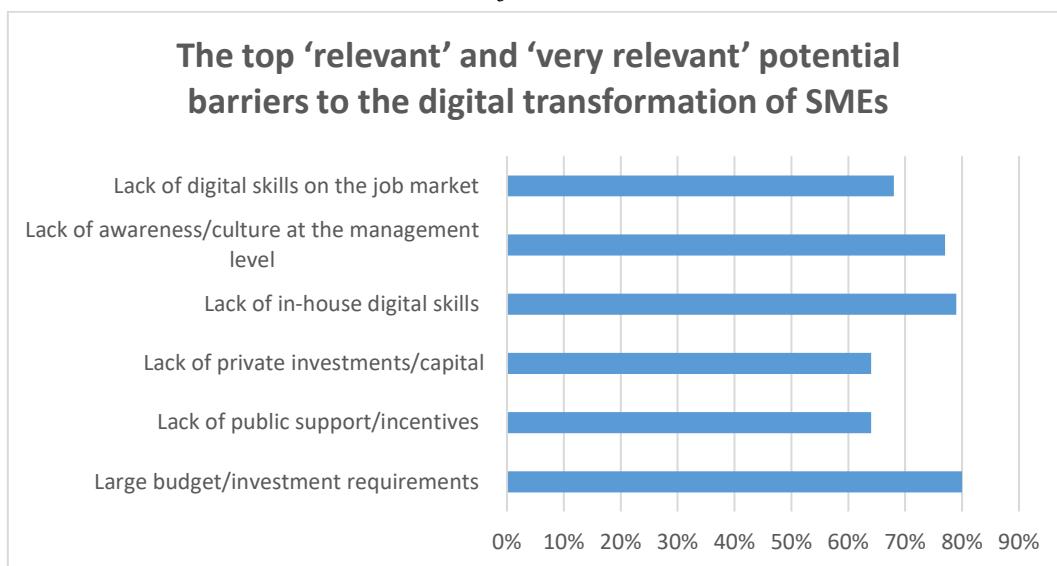
Aspects of digital maturity considered 'very relevant' or 'relevant' for investment by SMEs to address COVID-19 challenges		
Ranking of aspects (percentage of respondents)		
1	Digitally enabled workforce, acquisition of digital skills, promotion of culture for innovation	85%
2	Adoption of digital technologies and software as key enabling factors for business development	83%
3	Development of new products and/or services (leading to a structural change of the business model)	80%
4	Automation and/or digital transformation of processes (leading to a structural change of the business model)	79%
5	Transformation of management to become agile and/or automated and/or digitally integrated and/or smart and/or adapted	70%
6	Appointment of persons or teams in charge of digital transformation	68%
7	Definition of digital transformation plans/strategies	64%

*Source: CoR survey*

For the specific case of SMEs, which constitute the highest share of businesses in the EU, digitalisation represents a major opportunity. While only 20% of SMEs are highly digitised<sup>144</sup>, the efficiency gains with the introduction of digital marketing, employee training in digital skills, cloud computing, enterprise resource planning, customer relationship management, Information and Communications Technologies (ICT) expertise and big data analyses can be considerable. Current trends show that introducing digital technology at SME level can have major effects. An example is the digital marketing environment, where consistent and accurate information is provided on a company's website. With zero-click searches becoming prominent, internet users do not always leave the Google environment. Companies are well advised to display key information in this environment if they wish to attract potential customers<sup>145</sup>.

A survey by the CoR<sup>146</sup> examined the potential barriers to the digital transformation of SMEs and found that these can be grouped into aspects concerning financing and resources, availability of digital competences and managerial culture (Figure IV-9).

**Figure IV-9: The top "relevant" and "very relevant" potential barriers to the digital transformation of SMEs**



Source: CoR survey

Additional factors mentioned by respondents included: a lack of appropriate broadband connection in rural areas and the long duration of some processes, such as the gradual adaptation of SMEs in exploiting

<sup>144</sup> Hendrickx, Luc, *More efforts needed to accelerate SMEs' digitisation*, 21 October 2020 at: [More efforts needed to accelerate SMEs' digitisation | SMEunited](#), accessed on 26 July 2021

<sup>145</sup> Manrique, Ignacio, CMO of BeeDIGITAL, *SMEs' Digital Transformation*, European Commission Lunchtime Conference, 5 July 2021.

<sup>146</sup> CoR survey *Digital preparedness in regions, changes in the business model driven by the digital transformation, impact of the COVID-19 outbreak on the digital transformation and actions to support the digital transformation of SMEs in regions*, jointly carried out by the European Committee of the Regions and EUROCHAMBRES, the Association of European Chambers of Commerce and Industry, and distributed to their respective stakeholders, covering European LRAs, chambers of commerce and industry, and other informed stakeholders. Between 30 April 2021 and 4 June 2021 a total of 87 contributions were received from 21 EU Member States.

e-commerce opportunities; the red tape for requesting public support combined with the time needed to receive it once it is granted.<sup>147</sup>

In 2021, the EU has made generous funding available to support the digital transition, recognising that digital technologies, solutions and services can increase the resilience of businesses and contribute to digital sustainability. The EU Member States have responded favourably to the European Commission's call to dedicate at least 20% of expenditure under the NextGenerationEU programme's Recovery and Resilience Facility to digital transformation: initial indications point to the 20% digital target being met and exceeded in the Member States' plans<sup>148</sup>. This means in practice that EU Member States will invest around EUR 15 billion in connecting households.

Barriers to digitalisation may not only be financial, but also be related to the mind-set in an organisation. A digital transformation affects an organisation's business model and SMEs have been seen to fear such a change in the way of doing business<sup>149</sup>. EU-funded programmes, such as [Digital Innovation Hubs](#), have been very useful in promoting exchanges of good practices and in raising awareness of digital options among SMEs.

For the envisaged digital decade, the amount and level of basic digital skills needed will rise substantially. Although the number of workers with basic digital skills is gradually increasing, 35% of the active labour force in Europe today do not have these skills<sup>150</sup>, while 90% of jobs today require at least a minimum level of digital literacy.<sup>151</sup> As the role of algorithms and big data in business is increasing, companies may choose to employ skilled data analysts. This is also an area where professionals from sectors that are less in demand may be reskilled or trained.

LRAs can be key actors in promoting the digital transition and sustainability of SMEs. The questions that this raises are which conditions need to be in place for regions to be frontrunners in the digital transformation and how can LRAs support this process.

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<sup>147</sup> CoR study

<sup>148</sup> CoR-EC Broadband Platform Meeting, held on 15 June 2021.

<sup>149</sup> *Ibid.*

<sup>150</sup> European Court of Auditors "EU actions to address low digital skills", Review No 2, 2021.

<sup>151</sup> CoR opinion, *Digital Education Action Plan 2021 - 2027*, SEDEC-VII/011, 5, 6 and 7 May 2021, Rapporteur Gillian Coughlan (IE/Renew E.), Councillor, Cork County Council

**Figure IV-10: In your region, which of the following has been available to support the digital transformation of SMEs?**

<b>What supports the digital transformation of SMEs in the region</b>	
<b>Top three conditions indicated by the respondents (percentage of respondents)</b>	
<b>AVAILABLE</b>	
1 Universities, research and technologies centres	69%
2 eGovernment services	53%
3 Specific public financial support/incentives for digital transformation	52%
<b>NOT AVAILABLE</b>	
1 Digital transformation at the societal level through the active involvement of citizens	25%
2 Digital innovation hubs	18%
2 Legislative changes favouring digital transformation	18%
2 Public-private partnerships for digital transformation	18%
3 Initiatives to address cultural or social barriers to digital transformation	17%
3 Strategies at the local or regional level for digital transformation	17%

*Source: CoR survey*

A CoR survey<sup>152</sup> asked about the supporting factors for the digital transformation of SMEs in regions. As shown in Figure IV-10, more than two thirds of the respondents (69%) replied that universities, research and technology centres are available in their region. For more than half of the respondents, e-government services (53%) and specific financial support/incentives for digital transformation (52%) are available. Among the first three conditions that are not available, respondents mentioned digital transformation at societal level through the active involvement of citizens, followed by digital innovation hubs and relevant legal changes. Interestingly, only 17% of respondents considered that strategies for digital transformation were available at local and regional level.

Regarding the question how LRAs can support the digital transformation of business, the CoR study<sup>153</sup> distinguishes between suggestions which favour the contextual conditions for the digital transformation of SMEs and those that directly support SMEs in their digital transformation.

### **1. Contextual conditions to favour the digital transformation of SMEs**

It is "a contradiction for governments to ask or to support the business community to digitally transform if the public administration has not itself gone through this process"<sup>154</sup>? Contextual conditions cover the **role of the public sector and how it interacts and creates synergies in public-private partnerships**. The public sector can create awareness of the potential of digital technologies and solutions, thereby producing a digitalising pull effect for society as a whole. This effect has been illustrated well in Lower Austria, where already at the planning stage for the regional digitalisation strategy synergies were created between the public and private sectors, and where a clear contact office in charge of the digitalisation strategy was created. This Technology and Digitalisation Unit in the provincial government has both served to clarify responsibilities for the implementation of the digital strategy and created coordination, mobilisation and networking capacity. The Italian region of Lombardy has

<sup>152</sup> CoR survey

<sup>153</sup> CoR study

<sup>154</sup> CoR study

included a digitally-based simplification of the public administration in its regional economic development [plans](#).

As a consequence of the connectivity gaps detailed above, it is necessary to take into account the **specific needs of rural SMEs**. Grand Est in France and Galicia in Spain are examples of regions that apply different approaches to digital transformation in rural areas. [Grand Est's](#) digitalisation programme recognises that rural areas and specific sectors require targeted support. Trade and craft, tourism and agriculture SMEs, including wineries, benefit from an individual digitalisation path sustained by vouchers. In addition, a collective digitalisation path for communities in rural areas helps to pull SMEs' presence online by undertaking joint actions led by a local actor. In Galicia, two Digital Innovation Hubs are at the core of the 2014-2020 regional smart specialisation strategy (RIS3). The Strategic Industrial Digital Innovation Hub for Galicia ([DIHGIGAL](#)) is organised as a non-profit entity called the Association for the Digitization of the Industry of Galicia, which is led by the Automotive Cluster and also includes the Galician Food Cluster, the Cluster Naval and the ICT Cluster. DIHGIGAL seeks to apply IoT, AI, high-performance computing and cybersecurity to the value chains of the automotive, naval, food, ICT, textile, stone, forestry and aeronautics sectors. The hub consists of 450 companies, 376 of which are SMEs, and 19 innovation entities with a joint turnover of over EUR 19 billion, equivalent to about 30% of the regional GDP. The hub offers the following services: brokering and matchmaking to develop competencies, counselling for digital transformation, provision of co-working facilities, counselling for new business model development, and access to funding. The second hub in Galicia is called [DATAlife](#) and is the digital innovation lab for the primary, biotechnology and healthcare sectors. DATAlife applies AI, big data, IoT, high-performance computing and cybersecurity to the value chains of biotech, healthcare, agri-food, sea-based industries and forestry.

Due to the link between the use of new technologies and the development of digital skills and competencies, LRAs should also seek **socio-economic impact assessments** for their regions. Training and retraining, both professional and vocational, need to mainstream digital developments and trends. How many jobs can and will be done remotely even after the recovery from COVID-19? In such a remote environment – and in other environments – digital competence, meaning "the ability to navigate the proliferation of tools, technologies, and platforms that one could potentially use to work and to communicate digitally—the ability to work effectively in a workplace defined by digital technology"<sup>155</sup> will be key. In the CoR survey<sup>156</sup>, a lack of in-house digital skills and a lack of digital skills on the job market were mentioned among the most important barriers to SMEs' digital transformation. A digitally enabled workforce, acquisition of digital skills and promotion of a culture for innovation featured as the first investment priorities for SMEs in order to address COVID-19-related challenges. LRAs are well advised to be sensitive to the positive and negative impacts of this and to the opportunities it offers their constituents.

## 2. *Direct support for SMEs by LRAs*

The organisational and technical complexity of digital transformation implies that SMEs may have to pay for specialised services. Spontaneous and autonomous digitalisation is rare<sup>157</sup>. **Funding** is typically

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<sup>155</sup> Evans-Greenwood, Stockdale, Patston, *Managing the new digital workplace*, May 2021, at [Managing the new digital workplace | Deloitte Insights](#), accessed 26 July 2021.

<sup>156</sup> CoR survey

<sup>157</sup> CoR study.

disbursed through vouchers and grants, and covers actions such as the creation of new skills in digital technologies, buying digital solutions, developing concepts, feasibility studies and prototypes, rewarding innovative solutions, buying the service of identifying funding opportunities for digitalisation and facilitating access to investors' networks. The key role of LRAs is to design financing instruments for digital transformation, to raise awareness about these and to facilitate access for SMEs.

In some cases, SMEs are required to provide co-funding and a **digital maturity assessment** in order to apply for subsidies. These can be seen as good practices and promote SME ownership. Assessment tools and campaigns, for example by chambers of commerce, can be the entry point to the digital transformation path and provide useful benchmarking experience.

Promoters of digital transformation include the ICT sector with ICT companies, clusters and Digital Innovation Hubs. LRAs can play a role in **creating tech marketplaces** where SMEs can meet technology-based businesses. An example is the Digital Innovation Hub 4 Society in North-West Romania ([DIH4S](#)). This hub brings together digital solution providers and digital solution beneficiaries by building a regional digital innovation ecosystem. At the basis of this ecosystem lies a societal digital transformation which involves the relevant actors – businesses, public administrations and citizens. DIH4S offers advanced technological solutions for SMEs and public administrations, and adequate ICT skills and competencies for students, workers and managers. During the pandemic, the hub reoriented its paid services towards actors of the local healthcare system.

In addition to the ICT sector, **chambers of commerce** can play a key role in assisting SMEs in their digital transformation. LRAs are in a position to identify relevant actors and create collaborative integrated digital innovation ecosystems, where strategies for competitiveness, innovation and economic growth are coupled with those for digital transition. In Lower Austria, for example, the [House of Digitalisation](#) is a platform that integrates business support organisations, chambers of commerce and start up agencies.

Recognising the positive experience of the Digital Innovation Hubs, and the value of networks and best practice exchanges for digital transformation, the EU will set up so-called European Digital Innovation Hubs across the EU, "one-stop-shops where companies and public sector organisations can access and test digital innovations, gain the required digital skills, get advice on financing support and ultimately accomplish their digital transformation in the context of the twin green and digital transition which is at the core of European industrial policy"<sup>158</sup>.

## C. Data for digital cohesion in regions

It has been shown above that digital transformation represents a major opportunity for SMEs in the EU. LRAs can play their part in promoting sustainable change by creating favourable conditions and by supporting SMEs directly. Good practice has been identified and builds a basis for peer learning. In view of existing digital divides at regional level – not only along the rural-urban, but also along the skills and innovation spectrums – the overall policy goal should be digital cohesion: an additional dimension of the traditional concepts of economic, social and territorial cohesion. Digital cohesion should be reflected

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<sup>158</sup> European Commission, *Digital Innovation Hubs: €1.5 billion network to support green and digital transformation starts to take shape*, March 2021, at [Digital Innovation Hubs: €1.5 billion network to support green and digital transformation starts to take shape | Shaping Europe's digital future \(europa.eu\)](#), accessed 26 July 2021.

in the targets of the Digital Decade, as well as in the discussion on the future of Europe that will steer Europe's digital future.

It must be highlighted that the lack of appropriate data and indicators at local and regional level hampers decision-making at EU level and subsequent efforts for benchmarking, followed by bench learning and bench acting<sup>159</sup>. Regional indicators and data are required to illustrate relevant trends, so that growing digital divides in Europe can be detected and tackled. The CoR recommends the creation of a robust and comprehensive set of data at local and regional level to transpose digital targets in the 2030 Digital Compass into subnational levels, reflecting the role of LRAs in digital transformation.

## **EUREGIO BUSINESS FORUM: DIGITAL REGIONS FOR INNOVATIVE CROSS-BORDER COOPERATION**

### ***EUREGIO SENZA CONFINI EGTC: Italy***

*The Euregio Business Forum (EBF) is an initiative set up to promote cooperation and relaunch the economy within the Euregio (regions of Friuli Venezia Giulia, Veneto and Carinthia), which could be a strong asset for mutual cooperation in the period 2021-2027. It acts as a meeting point between strategic economic sectors in the Euregio area, in order to implement a common cross-border strategy to tackle the economic crisis caused by COVID-19.*

*The EBF has held two events in cooperation with the Chambers of Commerce of the Euregio area. At the first event, held on 28 April 2021, representatives of public institutions presented economic trends and the economic sectors most affected by COVID-19, with a view to analysing the economic situation in the area. The event also featured resilience best practices among companies in the Euregio, showing how digitalisation and innovative technologies play a crucial role in overcoming the crisis, as well as presentations by experts on digitalisation and technological innovation explaining the role of such tools in these difficult times.*

*One of the challenges of cross-border cooperation is the lack of uniform cross-border data, which is crucial if we are to understand the impact of actions and projects beyond borders. Much has been done and is still being done at macro level, but we need to be more effective at the local level. The Euregio Senza Confini EGTC is already moving in this direction thanks to initiatives such as the EBF and European projects where digitalisation and data play a key role. One example is the "CROSSMOBY" project, in which the Euregio Senza Confini EGTC supports the planning and management of the transport system based on a cross-border approach; it is responsible for gathering and collating cross-border data from Italy and Slovenia in an information system developed using webGIS, thus turning data into information and information into knowledge.*

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<sup>159</sup> CoR-EC Broadband Platform meeting.

## CROSSING BORDERS' TOOL 2.0

### **EUREGIO MAAS-RHEIN – EUREGIO MAAS-RIJN – EUREGIO MEUSE-RHIN EGTC: Belgium - The Netherland - Germany**

*Digitalisation and sustainable development are cross-cutting themes in the Meuse-Rhine Euroregion (EMR). The EMR's Crossing Borders tool helps the public with real-time online information on the rules applicable in the border regions, with a focus on crossing borders during the COVID-19 pandemic. The [online tool](#) has been live since November 2020, and has so far answered 596 000 queries (as of 24 May 2021). As regards business, economy and innovation, a number of multifaceted platforms were developed as comprehensive but efficient tools for finding companies, business space, partners, etc. These [platforms](#), developed under former Interreg EMR programmes, continue to deliver results. Regarding land-use information, the Three Countries Park provides a GIS viewer that highlights cross-border information on a map covering nature, water, urban development. The euPrevent network's Euregional Health Atlas provides reliable statistics and information on the health and well-being of the people living in the Meuse-Rhine Euroregion. Developed under Interreg V-A EMR, the platform can be consulted [here](#).*

# Chapter V – Analysis of the health situation in EU regions in the light of the COVID-19 crisis

## A. Spread and incidence of COVID-19 throughout the EU

### 1. Introduction

Every year, up to 75 000 lives are lost in Europe due to seasonal flu. Yet this is nothing compared to what the EU experienced in 2020 when the first cases of COVID-19 were reported in France and Italy. By mid-September 2020, over 2.2 million cases and over 142 000 deaths linked to COVID-19 had been registered in the EU as reported in last year's CoR Barometer. This year, the number has reached 38 million cases and almost 770 000 deaths<sup>160</sup>.

At the time of drafting last year's edition, the first wave was over across Europe and most cities and regions were registering fewer cases and deaths. In some places, the "end of the pandemic" was heralded; masks were ditched, distancing rules relaxed and travel allowed.

At the start of autumn, numbers started rising again. The return from summer holidays, the start of the school year and the gradual beginning of the flu season compounded the situation. Soon, the second wave was underway. For the purpose of this study, it has been restricted to 10 weeks, starting roughly mid-October.



On 17 October, the Belgian Consultative Committee announced a nationwide curfew from midnight to 5 a.m. The **Brussels region** and **Wallonia** introduced a harsher measure, with the curfew running from 10 p.m. to 6 a.m. in order to contain the spread. Initially planned for a few weeks, the curfew remained in force until May 2021.

Right in the middle of the second wave, November 2020 turned out to be the deadliest month across many European countries. Eurostat data, released in late spring 2021, revealed significant spikes in excess mortality in Poland (97% more deaths than in previous years), with Bulgaria reporting a 95% increase and Slovenia a 91% increase the same month.

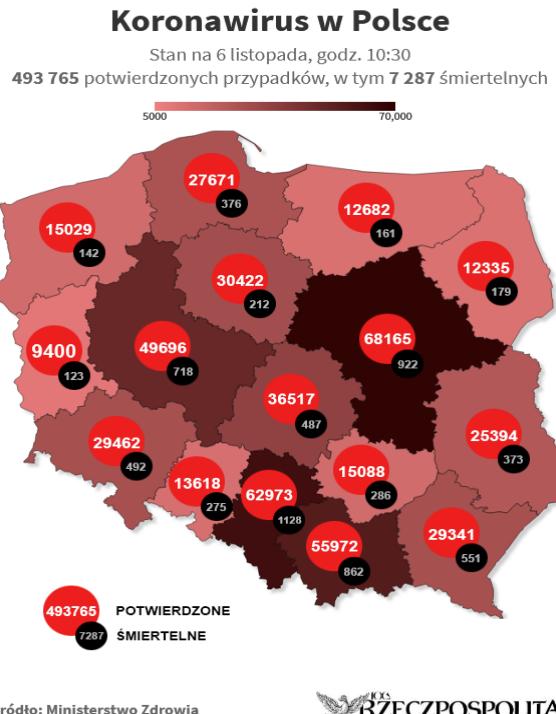
<sup>160</sup> Data on 30/09/2021. Available at: <https://www.ecdc.europa.eu/en/cases-2019-ncov-eueea>

**Figure V-1: The situation in Polish regions on Friday 6 November 2020**

Source: Rzeczpospolita after Ministry of Health

(potwierdzone=confirmed, śmiertelne=deaths)

The day before 27 143 new confirmed cases were registered across 16 regions.

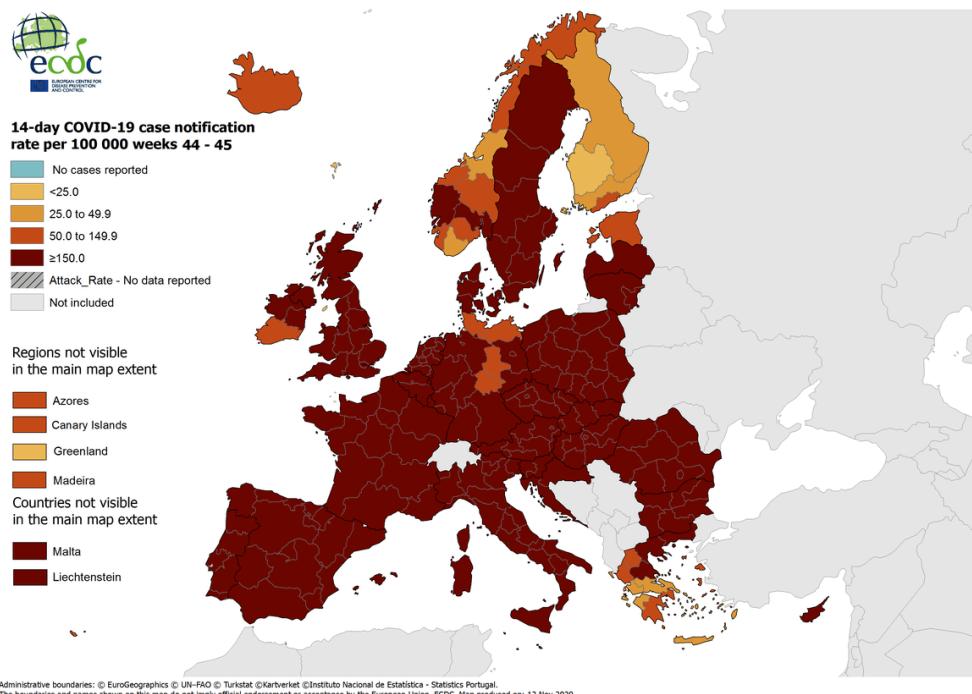


## 2. The darkest moment

By mid-November, almost the whole of the EU had turned dark red, with the exception of the easternmost regions of Finland (North Ostrobothnia, Lapland) and Greece (Crete, Central Greece and Peloponnese), the southern part of Ireland and the northern and central parts of Germany (Mecklenburg-Vorpommern, Schleswig Holstein, Thüringen and Sachsen-Anhalt).

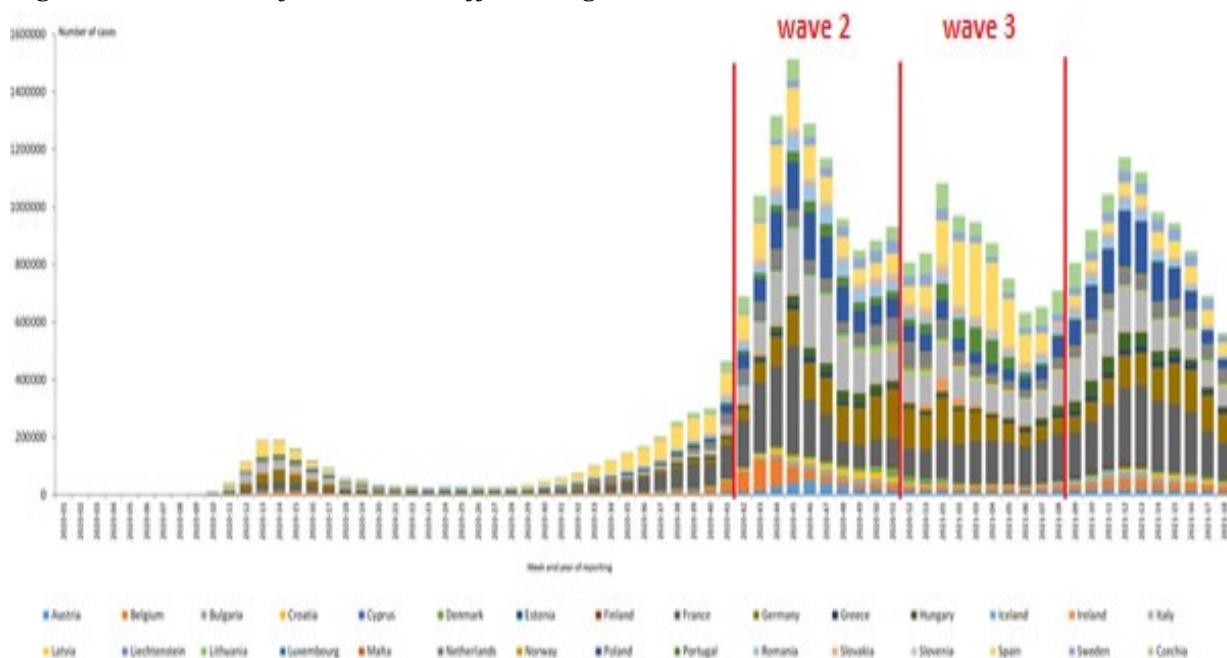
**Figure V-2: COVID-19 cases per 100 000 inhabitants, 12 November 2020**

Source: ECDC (2020)



Shortly after, the combination of end-of-the-year travelling and social gatherings and the spread of the more contagious British variant had led directly to another wave.

**Figure V-3: Number of cases in the different regions**



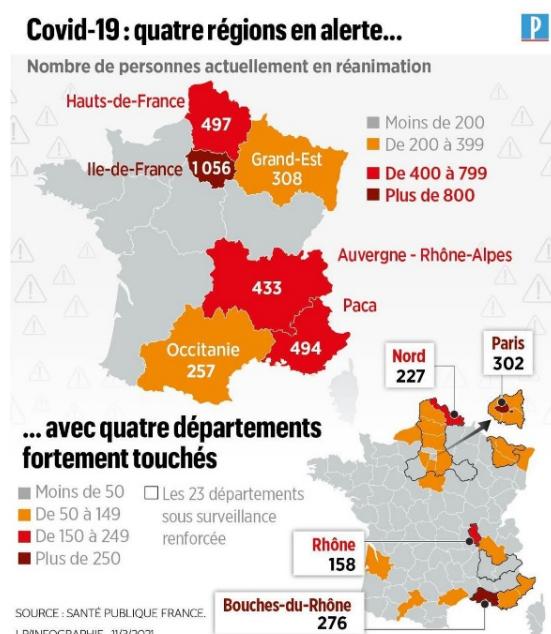
Source: CoR study on regional differences in COVID-19 response: exposure and strategy; data extracted from ECDC website

This wave, capped for methodological reasons to 10 weeks in this study, lasted several months, affecting EU regions at different speeds and peaking at different moments in time.

In France, the number of confirmed cases reached new heights in March 2021, with 40 000 to 50 000 new cases per day. In the **Ile-de-France region**, where the weekly incidence rate climbed to 640 per 100 000, the medical directors of 39 hospitals published [an open letter](#) warning about the need to apply triage in intensive care, as ICU beds continued to fill, despite the increase in the number of available places.

**Figure V-4: Number of people in intensive care in France, 11 March 2021**

Source: *Le Parisien* (2021)



## B. Assessing the spread and impact of COVID-19 throughout the EU

There are three ways of looking at the spread and impact of diseases on European regions. It can be done by looking at the number of confirmed cases or cumulated deaths or by studying excess mortality.

Unfortunately, such data are not routinely gathered at EU level, with Member States reporting at national level only. The EU-level statistics for their regions, used throughout this chapter, were compiled by the contractors using a variety of sources, including the ECML COVID portal of JRC and national governments' official websites.

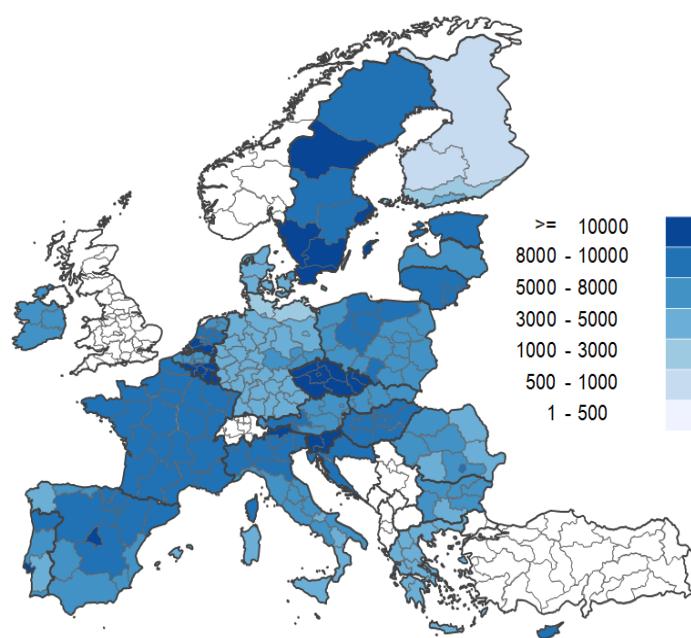
### 1. *Confirmed cases: where most people fell sick*

Confirmed cases are the number of people who have tested positive. As one of the key characteristics of the COVID-19 virus is that it can spread with little or even no symptoms, it means that the number of people actually infected at any point in time is probably much higher than the official confirmed cases.

However, the information on the number of people who tested positive enables decision-makers and health managers to adapt their policies and practices in time to curb the exponential growth – i.e. to flatten the curve.

The map in Figure V-5 below illustrates the number of cases per 100 000 inhabitants at the beginning of June 2021, right before the summer period.

**Figure V-5: Cumulated COVID-19 cases per 100 000 inhabitants, 1 June 2021**



Up to this particular point in time, the most affected regions were Czech regions (country-wise), the Autonomous Province of Bolzano in Italy, Wallonia in Belgium, the Área Metropolitana de Lisboa in Portugal, Luxembourg, and Västsverige in Sweden. The table below provides the exact number of confirmed COVID-19 cases per region.

**Figure V-6: Number of confirmed COVID-19 cases per region**

<b>1</b>	Severovychod	17 994
<b>2</b>	Stredni Cechy	16 354
<b>3</b>	Jihozapad	15 632
<b>4</b>	Stredni Morava	14 769
<b>5</b>	Severozapad	14 694
<b>6</b>	Moravskoslezsko	14 468
<b>7</b>	Praha	13 703
<b>8</b>	Provincia Autonoma di Bolzano	13 689
<b>9</b>	Jihovychod	13 462

Sources: data are from JRC ECML, official national government sources, and Eurostat



*Leading in the number of registered cases and willing to contain the spread of the novel delta variant of COVID-19, the region of Lisbon re-imposed stricter measures first on 24 June 2021 and then on 1 July. These included a night-time curfew, limiting grocery and supermarket operating hours and requiring a negative PCR test for all those wanting to enter or leave the region.*

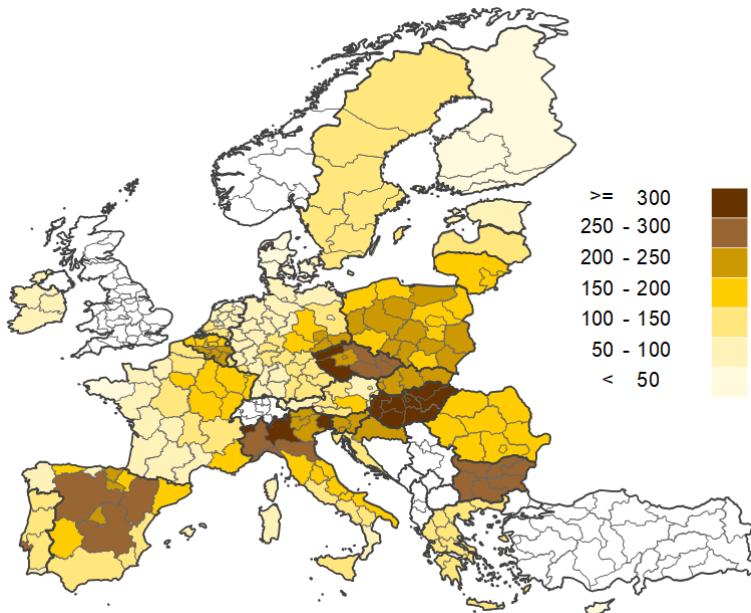
The German northern Länder of Mecklenburg-Vorpommern and Schleswig Holstein, Finnish Lapland and North Ostrobothnia and Bulgarian South Central region reported the lowest numbers of infections up until 1 June 2021.

## **2. Death toll: where the virus took the most lives**

Another way of measuring impact is looking at the number of fatalities per region. Just like confirmed cases, the actual number of deaths is almost certainly higher than what is being reported. Some countries only include deaths at the hospitals; others include those from care homes or private homes where people showed symptoms. This for instance might be the reason for the Belgian high mortality which was widely reported in the media. Belgium has counted deaths in hospitals and care homes, including deaths in care homes that were suspected, not confirmed, as COVID-19 cases.

Again, this type of data is not routinely compiled at EU level and was gathered from a variety of sources. The map below depicts mortality due to COVID-19 in the EU NUT-2 regions until 1 June 2021.

**Figure V-7: Cumulated COVID-19 deaths per 100 000 inhabitants, 1 June 2021**



Data sources: ECML COVID portal of JRC<sup>161</sup> complemented by official national government data. Map created by Progress Consulting Srl.

Figure V-8 below lists the EU regions with the highest death toll per 100 000 inhabitants.

**Figure V-8: EU regions with the highest death toll per 100 000 inhabitants**

1	Valle d'Aosta	377
2	Severozapad	358
3	Lombardy	335
4	Jihozapad	315
5	Friuli-Venezia-Giulia	314
6	Severovychod	298
7	Emilia Romagna	295
8	Moravskoslezsko	292
9	Castillia La Mancha	289

Sources: data are from JRC ECML, official national government sources, and Eurostat

<sup>161</sup> Available at: <https://covid-statistics.jrc.ec.europa.eu/>

### **3. Excess mortality: where the most additional lives were lost**

Finally, while the regularly published death tolls continue to send shockwaves, the numbers may still not tell the whole truth. First, the official statistics often exclude victims who were not tested for COVID-19 (especially in places with limited testing ability). Second, there is a time gap between death and the processing of the certificate, creating lags in the data. Finally, the pressure on medical staff and hospitals discouraged parts of population from seeking timely help and thus contributed to a higher mortality from non-COVID conditions.

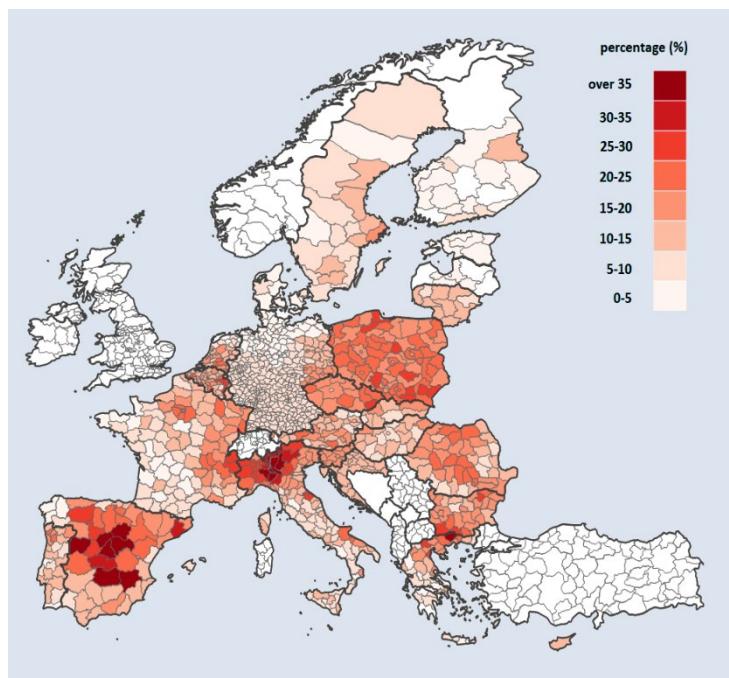
One way of capturing this impact is by looking at excess mortality. This means comparing the number of deaths (for any reason) in a given region and period and comparing it with the historical baseline. This method addresses the methodological problems highlighted above and provides an objective measure of the impact of the coronavirus, capturing collateral fatalities and deaths that were not COVID-19 certified.

The map below illustrates the percentage of excess mortality in 2020 at sub regional level (NUTS3).

Excess mortality is calculated here by comparing the number of deaths in 2020 to the average number of deaths over the four previous years, from 2016 to 2019. The analysis of excess mortality highlights new impact clusters that were not visible by considering data for cases and deaths. In fact, apart from the macro clusters of central Spanish regions and northern Italian regions, micro clusters are found in the south-eastern part of Belgium, and in the southern parts of Poland and Bulgaria.

Italy is the country showing the highest variability of excess mortality across regions. For example, the province of Bergamo in Lombardy had a 63% increase in deaths in 2020 as opposed to the province of Catanzaro in Calabria that recorded only a 2% increase. Important differences across regions are also found in Spain (ranging from 2% to 44%) and Greece (from less than 1% to 35%).

**Figure V-9: Excess mortality in 2020, % change compared with the 2016-2019 average**



Notes: no data for Ireland. Data for Croatia and Estonia are at national level. Data for Germany are at NUTS1 level. Data source: Eurostat. Map created by Progress Consulting Srl.

Across national borders, differences are evident for Spain when compared to Portuguese regions in the west and to French regions in the east. Belgian territories show higher excess mortality than their neighbouring German and Luxembourgish territories. Similarly, the Polish voivodeships show higher excess mortality than their neighbouring Slovak kraje.

Data also indicate that all European regions experienced some excess mortality in 2020, although to a very diverse degree. The ten hardest hit regions are listed in the table below. With the exception of the French territory of Mayotte and Podkarpackie in Poland, the highest mortality occurred in Spanish and Italian regions. The worst hit regions are Madrid (44%) and Lombardy (39%).

**Figure V-10: European regions with the highest shares (%) of 2020 excess mortality**

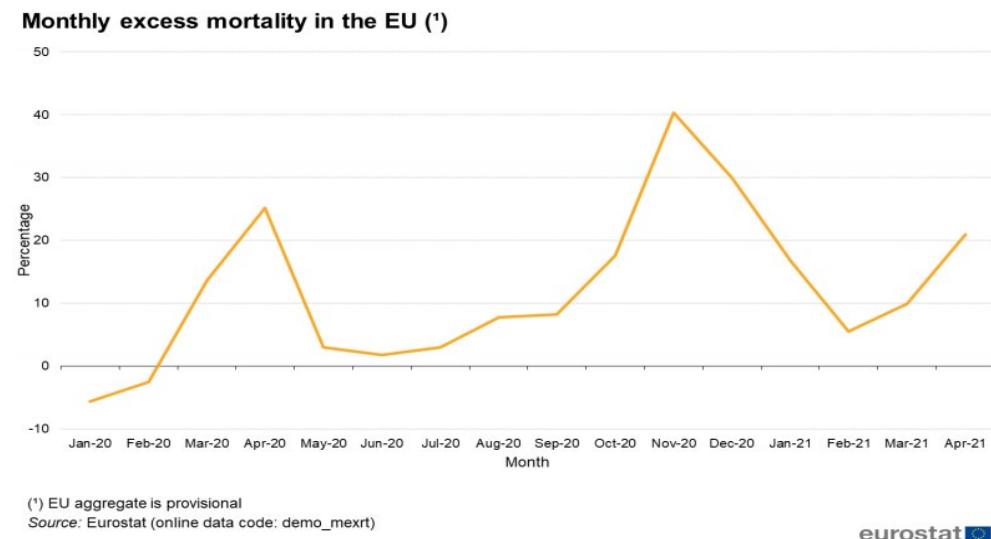
	Region	%		Region	%
<b>1</b>	Comunidad de Madrid	44	<b>6</b>	Castilla y León	29
<b>2</b>	Lombardia	39	<b>7</b>	Valle d'aosta	28
<b>3</b>	Castilla la Mancha	34	<b>8</b>	Cataluna	27
<b>4</b>	P.A. di Trento	32	<b>9</b>	Podkarpackie	26
<b>5</b>	Mayotte	32	<b>10</b>	Piemonte	25

Data source: Eurostat

Looking at the EU as a whole, the average excess mortality in 2020 spiked for the first time in April with an increase of 25% compared with the average for the same month over 2016- 2019<sup>162</sup>. The end of the year brought further peaks: 18% in October, 41% in November and 30% in December.

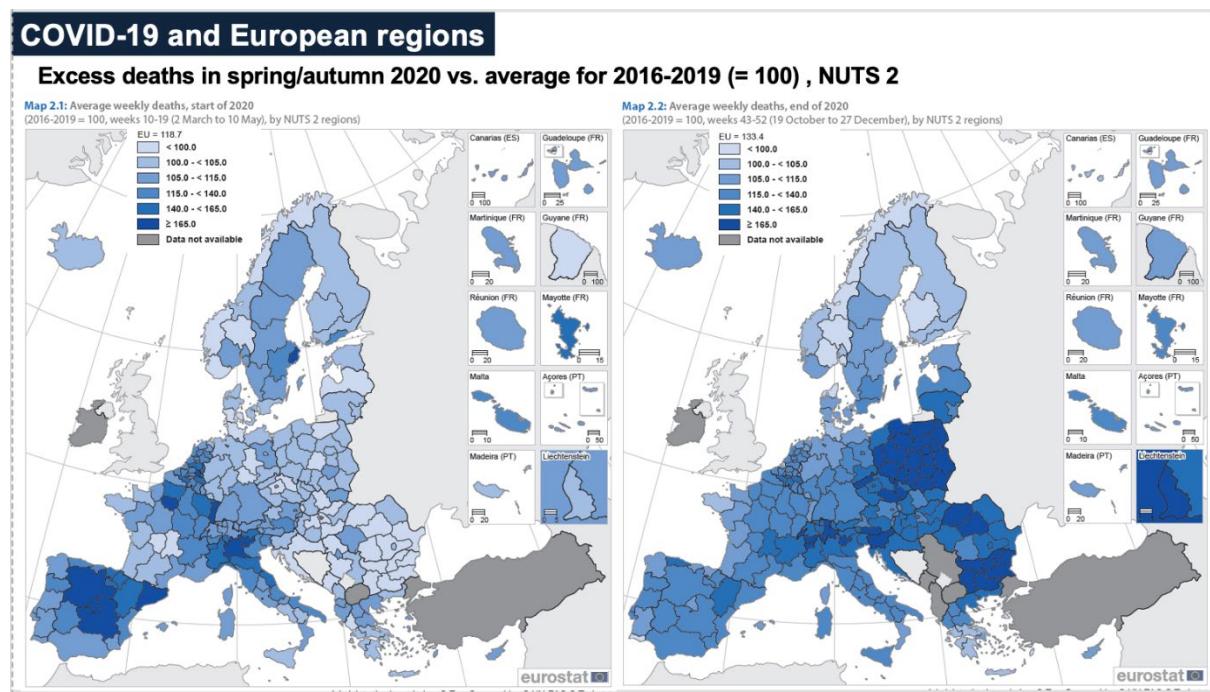
Excess mortality went down in the EU in the first two months of 2021 to rise again in March and April, reaching 21%.

**Figure V-11: Monthly excess mortality in the EU**



<sup>162</sup> <https://ec.europa.eu/eurostat/web/products-eurostat-news/-/ddn-20210416-2>

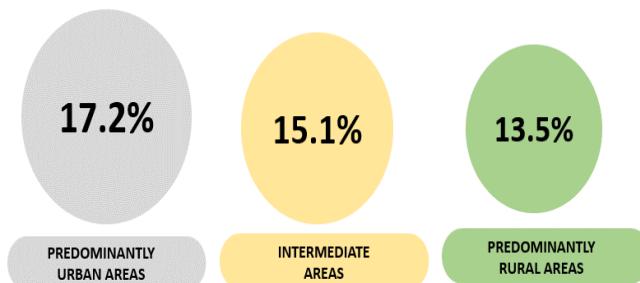
**Figure V-12: Excess deaths in 2020 versus average for 2016-2019 at NUTS level**



## C. Excess mortality as a proxy for resilience: urban-rural difference

Interestingly, on average in 2020 *it was safer to live in the countryside than in the city*. The excess mortality registered in predominantly urban areas exceeds mortality in rural areas by 3.7 percentage points.

**Figure V-13: Excess mortality in different areas, 2020**



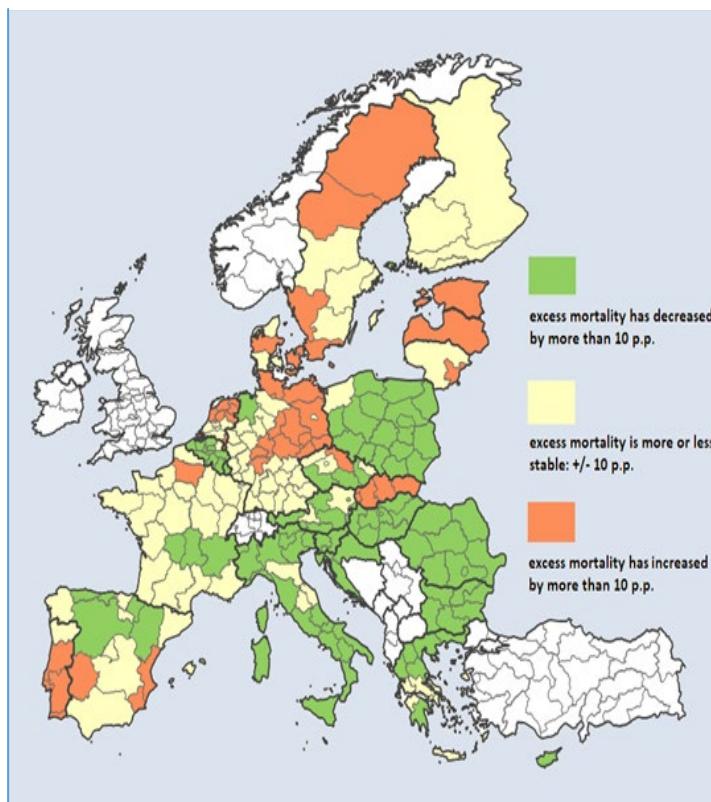
Changes in excess mortality can be interpreted as a sign of resilience. The latter, understood as the 'ability to prepare, manage, absorb, adapt, transform and learn from shocks', can be measured looking at the reference periods for the second (mid-October/mid-December 2020) and third waves (mid-December 2020/end of February 2021). Both are 10-week intervals.

Whereas the first wave took the population and governments by surprise, the second and third were expected and mitigating measures implemented. In the first six months of 2020, excess deaths were

concentrated in a limited number of regions - and exceeded 20% in just 16 regions<sup>163</sup> - with more than 40% of the regions experiencing no excess mortality.

**Figure V-14: Evolution of excess mortality between the second and the third waves**

Notes: no data for Ireland. Data for Croatia and Estonia are at the national level. Data for Germany are at NUTS1 level. Map created by Progress Consulting Srl. Data source: Eurostat.



During the second (end of 2020) and third waves (first two months of 2021), excess mortality remained highly localised: border regions and urban areas were more vulnerable. Rural regions, while in general more disadvantaged in terms of access to healthcare<sup>164</sup>, fared relatively better.

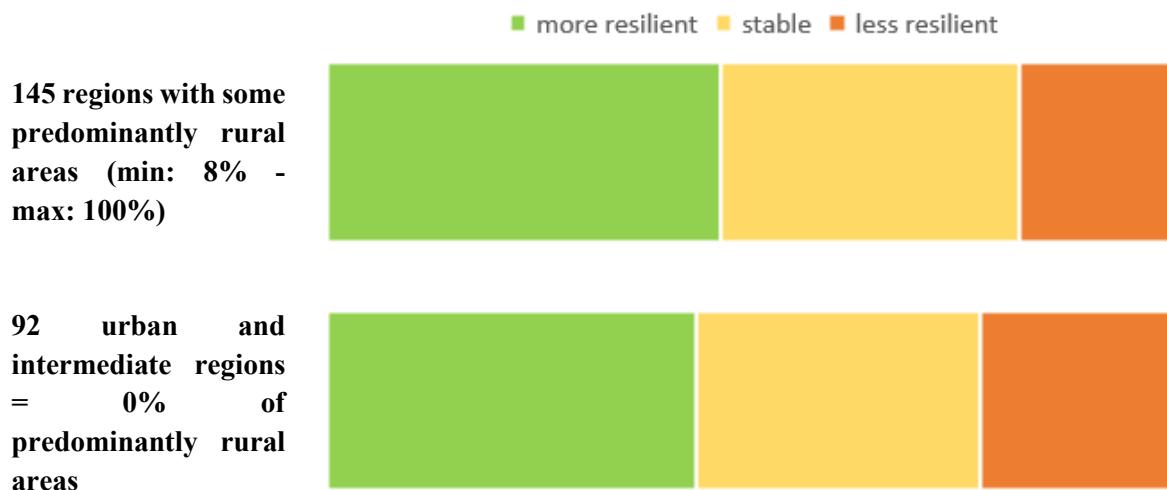
Looking at this map through the urban-rural spectrum reveals further differences. There are 145 regions in the EU classified by Eurostat as ‘predominantly rural’: 46% of these regions are categorised as more resilient, 35% as stable and the remaining 18% as less resilient.

The remaining 92 regions are classified as urban and intermediate in the EU: 34% of these regions are categorised as more resilient, 43% as stable and the remaining 23% as less resilient. These proportions are captured in the figure below.

<sup>163</sup> Madrid, Lombardy and Castilla la Mancha registered over 40% more deaths in comparison to 2014-2019 statistics.

<sup>164</sup> European Commission 2018 report on [Inequalities in Access to Healthcare](#)

**Figure V-15: Resilience of regions vs. their share of predominantly rural areas**



*Source: prepared on the basis of Eurostat data.*

**The rural regions recorded lower rates of excess deaths and demonstrated a statistically higher level of adaptation to change.**

The CoR study analysed in detail the above three categories of regions (i.e. 'more resilient', 'stable', and 'less resilient') against a set of indicators, including governance, financing, resources and service delivery.

Whereas the degree of decentralisation (governance) proved statistically irrelevant, the type of funding was found to be important. The most resilient regions in Europe have a **mixed type of financing of healthcare**, blending central government and decentralised sources.

**Figure V-16: Resilience vs. national and subnational funding of health (2019)**

	more resilient regions	stable regions	less resilient regions
<b>Prevailing central funding</b>	36%	69%	76%
<b>Mix funding</b>	55%	17%	19%
<b>Prevailing decentralised funding</b>	9%	14%	5%

*Source: prepared on the basis of Eurostat data, table gov\_10a\_exp.*

Resources available before the pandemic also played an important role in regions' overall resilience. In particular, the size of the healthcare workforce and available infrastructure have made a difference in regions' performance. Although data are fragmented and outdated, some clear patterns emerge.

**Figure V-17: Resilience vs. resources endowment**

threshold	more resilient regions	stable regions	less resilient regions	
	share of regions which are over the threshold			
<b>Hospital beds</b>	320 per 100 000 inhabitants	<b>81%</b>	68%	62%
<b>Health workers</b>	4.3% of total workforce	<b>80%</b>	59%	60%

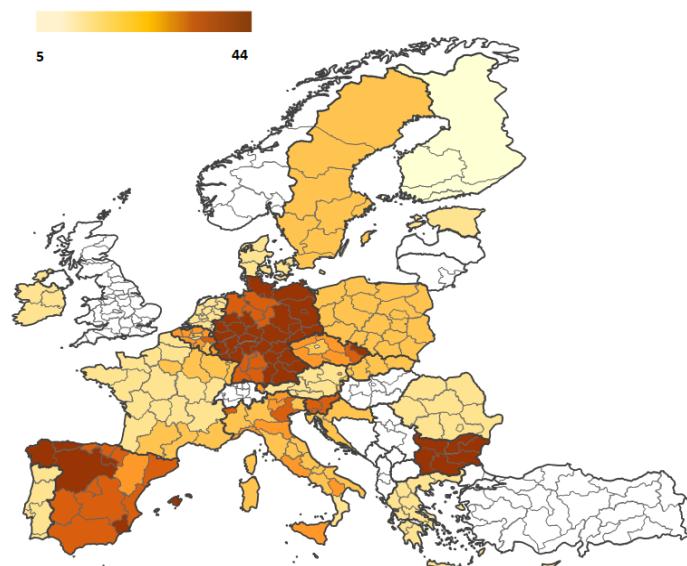
Notes: there are no data on health workers for Germany in 2020; a national average related to the year 2018 has been used as a proxy.

The most resilient regions had a minimum endowment of 320 hospital beds per 100 000 inhabitants and 4.3% of their total workforce was active in the field of medicine. Some 26% of European regions fall below the 320 line, according to Eurostat.

Urban regions are statistically better endowed when it comes to healthcare. There are approximatively twice as many hospital beds per 1 000 inhabitants located in regions close to metropolitan areas than in remote regions and this gap has grown significantly since 2000.

The research commissioned by the CoR indicates further that for the group of more resilient regions, a relationship is found between the maximum **occupancy rate of hospital beds** with COVID-19 patients and the number of available ICUs per 100 000 inhabitants.

**Figure V-18: ICUs per 100 000 inhabitants, by region**

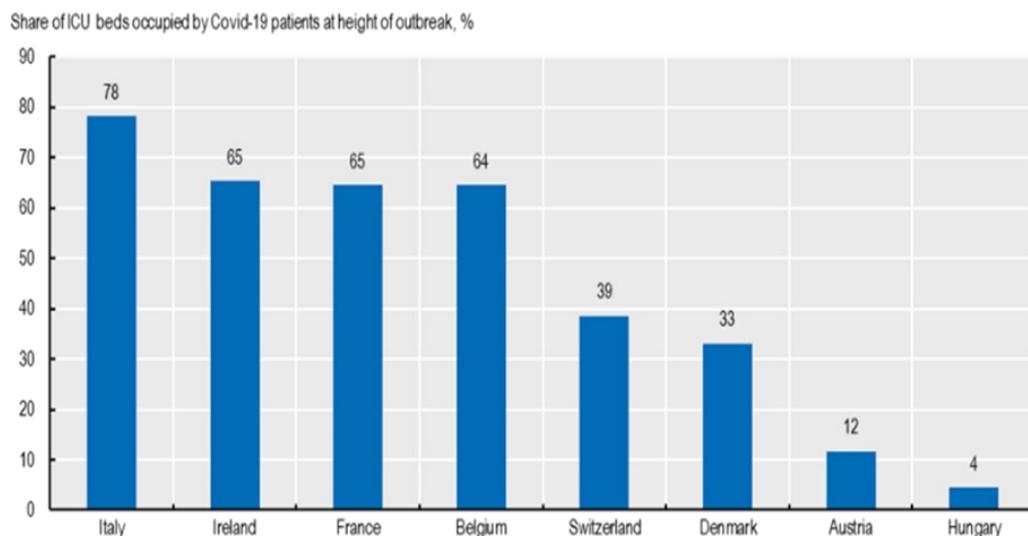


Data sources: national government official websites and other official sources accessed in May 2021. Map created by Progress Consulting Srl

Regions where hospital beds in general - and ICU beds in particular - were not occupied at all times fared better in managing the flow of patients and keeping the number of casualties down.

The impact on hospitals has been particularly drastic. At the height of the outbreak in Italy in the first half of 2020, an equivalent to almost 80% of regular pre-crisis ICU beds would have been occupied by COVID-19 patients<sup>165</sup>. In France, almost all ICU beds in the greater Paris area were occupied; whereas in Austria the number has not exceeded 15%.<sup>166</sup> In Brussels, the ICU bed capacity was saturated in October and over 288 patients had to be transferred to other regions<sup>167</sup>. Almost 800 additional ICU beds were created in Belgium in November to accommodate all patients in respiratory distress during the second wave.

**Figure V-19: Share (%) of ICU beds occupied by COVID-19 patients in different states**



Source: European Centre for Disease Prevention and Control (ECDC) for number of COVID-19 patients occupying ICU beds.

In general, the research suggests that although rural regions remain disadvantaged in terms of access to healthcare in general, their population stood a better chance of survival in comparison to urban areas. The healthcare facilities in rural areas experienced less pronounced surges and health systems adapted to changes better.

Another clear disadvantage for rural areas is the age of the population and their health status. The healthier the citizens of the region were before the pandemic, the less fatalities the region registered. In some EU Member States, there are little to no differences in long-term illness and health problems in rural and urban areas (e.g. in Belgium, Germany, Ireland, Italy, Hungary, Croatia, Slovenia and Slovakia). In others however, there is a clear "health gap" between the two and people living in the countryside tend to be sicker than their urban counterparts. This divide, as illustrated by the chart below, is particularly visible in Bulgaria and Luxembourg (9 percentage points of difference respectively),

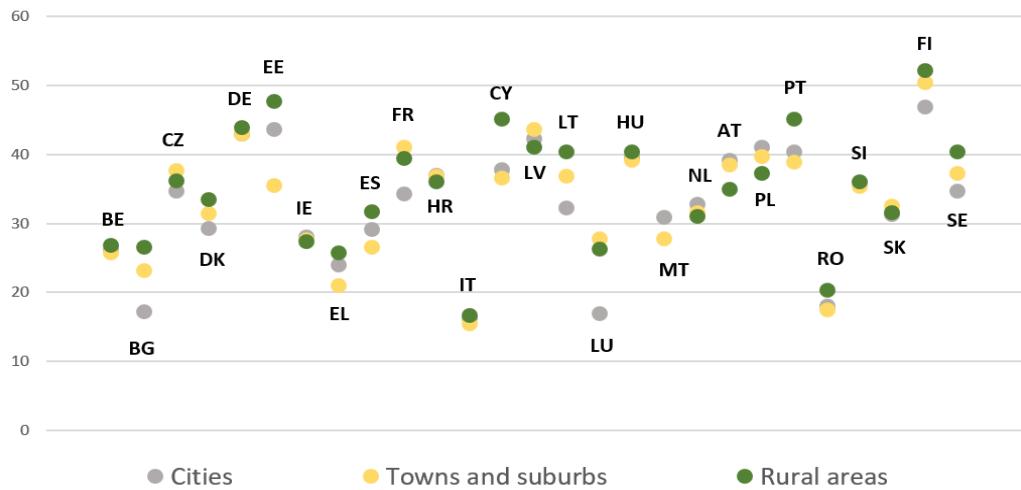
<sup>165</sup> In Belgium, Ireland and France, the equivalent figure was around 65% of regular ICU beds

<sup>166</sup> Health at a Glance: Europe 2020

<sup>167</sup> <https://www.politico.eu/article/intensive-care-units-in-brussels-hit-capacity/>

Lithuania (8 p.p.), Cyprus (7 p.p.), Sweden (6 p.p.), and France, Portugal and Finland (5 p.p. respectively).

**Figure V-20: Share of people (%) having a long-standing illness or health problem, by degree of urbanisation**



Data source: Eurostat table *hlth\_silc\_19*; chart designed by Progress Consulting

## D. What caused the uneven impact?

Several reasons for an uneven impact across Europe have been examined to date in emerging scientific literature.

From early on, the **population size and global connections** were suspected to help the spread of the virus. Indeed, in the first wave, global air transportation hubs were among the most affected places. European large, highly connected and densely populated cities like Paris, Madrid and Milan proved to be ideal entry and dissemination points for COVID-19.

However, over time the importance of these factors diminished. With air transport coming to a halt, the spread of the disease was no longer correlated with the presence of international travel hubs. Instead, family and social outbreaks were driven by celebrating festivities or by occupation (especially in the case of seasonal workers).

It is also worth highlighting that not all major EU airport cities shared the same story: Frankfurt, Rome and Naples were not hotbeds despite being among the top 20 international air hubs.

The **air quality factor** also attracted a lot of attention. It causes chronic diseases such as asthma, COPD, lung cancer, heart disease and diabetes. Many of these conditions predispose people to COVID-19 hospitalisation, ICU admission and death. Evidence is emerging that people living in high pollution areas might be more frequently infected by SARS-CoV-2, and more likely to develop COVID-19 once outbreaks occur. In particular, the presence of high concentrations of inhalable particulate matter (PM 2.5) seem to have contributed to a greater lethality of the disease. Indeed, many EU regions with poor air quality, such as industrialised Lombardy, Piedmont and Alsace, experienced a high incidence of the

virus. In the same time, some of the most polluted regions in Central and Eastern Europe (e.g. Silesia in Poland) did not have the same high incidence.

Another factor is **population age and presence of care homes**. COVID-19's mortality rises significantly with age and regions with a higher share of population aged 65+ have experienced higher excess mortality. The presence of nursing homes has also played a role: older, often very frail people stood little chance against the spread of the virus, particularly during the first wave, when personal protective equipment was scarce. This again explains the high incidence in northern Italy and central Spain.

Castilla la Mancha, Castilla Leon and Madrid have the highest share of elderly population residing in care home. The size and bed occupancy of these facilities also compounded the mortality rate adversely. The latter reached a staggering 18% in Madrid during the first wave<sup>168</sup>.

In contrast, fatalities in care homes in agricultural Andalusia reached 5% for the same reference period.

**Figure V-21: Share of population in nursing homes by region in 2018**

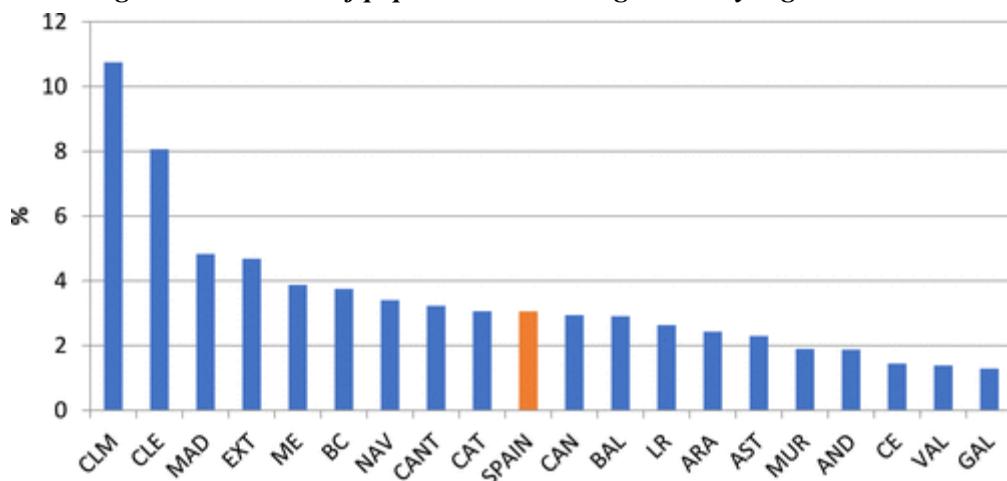


Figure: Share of population in nursing homes by region in 2018 (or nearest available). Source: Journal of Aging and Health<sup>169</sup>

It is important to note too that during the second and third waves, Central and Eastern European regions with statistically younger populations were severely affected.

**Population density, comorbidities, an ageing population** and the presence of **nursing homes for the elderly** have increased the exposure of regions to COVID-19 infections (cases) and fatalities (deaths). The **connectivity level** of a region is also linked to its exposure. Social and family outbreaks driven by mobility characterise regions that have a concentration of major transport hubs (roads, train stations, airports and ports). Border regions with large proportions of foreign residents had their exposure increased due to the mobility of these individuals across countries, for work or family reasons. Finally,

<sup>168</sup> <https://journals.sagepub.com/doi/full/10.1177/08982643211003794>

<sup>169</sup> <https://journals.sagepub.com/doi/full/10.1177/08982643211003794>

**occupational-driven** transmission has occurred, especially among vulnerable groups and low-income populations in the agricultural sector and in industry.

## E. The EU vaccination campaign

### 1. *From a "touching moment of unity" to sober reality*

On 27 December, the President of the Commission tweeted "*Today, we start turning the page on a difficult year. The #COVID19 vaccine has been delivered to all EU countries. Vaccination will begin tomorrow across the EU*". The European Commission has been negotiating for months on Member States' behalf to build a diversified portfolio of vaccines and concluded contracts with six vaccine developers, securing a portfolio of up to 4.4 billion doses.

Despite initial progress, two producers have failed to date to finalise their products: protein-based Sanofi and mRNA-based Curavac. The remaining four - Pfizer/Biontech, Moderna, AstraZeneca and Johnson & Johnson – were authorised by the European Medicines Agency between 21 December 2020 and 11 March 2021.

The CoR president responded "*Regional and local leaders are doing their part to make the vaccination campaign happen on the ground. We are mobilising to inform citizens, support organisation and logistic, monitor impact and progress*".

The launch of the vaccination campaign was purely symbolic: there were very few doses available on the day, distributed to the Member States from the Belgian manufacturing plant of Pfizer (BioNTech). Heralded as the end of the "difficult year", the campaign was quickly derailed by the lack of doses and press attention on errors in the transport of vaccines, their storage and distribution, dosage and side effects.

### 2. *European and national decision-making phase*

Vaccination policy is a competence of the national authorities. The European Commission assists EU countries in coordinating their policies and programmes and can take action to strengthen cooperation in response to the threat to public health posed by outbreaks. This is what the Commission did, when it decided to negotiate the purchase of the vaccines on behalf of the bloc. In normal times, pharmaceutical companies negotiate directly with 27 governments, leading to differences in pricing and delivery quotas. This time, DG SANTE led the discussions for the Member States and concluded contracts with a range of providers, using different technologies and with different price tags.

The Member States were then free to order from the common basket: some preferred the cheaper AstraZeneca vaccine. Others opted for a balanced portfolio. Some preferred companies based in their country; others bought indiscriminately. Finally, some Member States concluded side deals with selected producers to secure additional doses while others shopped outside the authorised list and concluded agreements with Russian and Chinese companies.

Like the portfolio of vaccine types, the strategy for how to vaccinate is a national competence.

In its communication A united front to beat COVID-19 published on 19 January 2021, the Commission proposed two non-binding targets:

- By March 2021, Member States should have vaccinated a minimum of 80% of health and social care professionals and people over 80 years old.
- By summer 2021, Member States should have vaccinated a minimum of 70% of the adult population.

The first target was quietly abandoned as the delays in delivery started multiplying. In the first weeks of 2021, Pfizer announced that it would reduce shipments to some countries for a few weeks, in order to retrofit its plant to ultimately churn out doses more quickly.

Moderna's vaccine - approved by the EU on 6 January - was always going to be a small part of the portfolio with only 10 million doses in the first quarter of 2021.

The announcement from AstraZeneca was met with the most ire: the company, whose cheap vaccine was favoured by many Member States, announced that the first quarter delivery would be slashed by 60%. 300 million AstraZeneca jabs were expected by the end of June and only a third were delivered to Member States. The European Commission took AstraZeneca to court on 27 May, asking the court to fine the company €10 million per infraction and to force the company to pay €10 per dose for each day of delay as compensation for breaching the EU contract, while seeking a court order for the urgent delivery of promised jabs.

Another factor delaying the vaccination campaign was the uncertainty regarding the use of the AstraZeneca and Johnson & Johnson vaccines for specific age/gender categories. The suspected danger of rare blood clotting appearing after the shot put vaccination on hold. The age-group recommendation has changed a few times and some countries decided to suspend, stop or restrict the use of these vaccines. As a result, trust in above all AstraZeneca vaccine in particular plummeted – a March 2021 survey results found 61% of French, 55% of German and 52% Spanish respondents felt the vaccine was unsafe<sup>170</sup>.

### ***3. Vaccination rollout across EU regions***

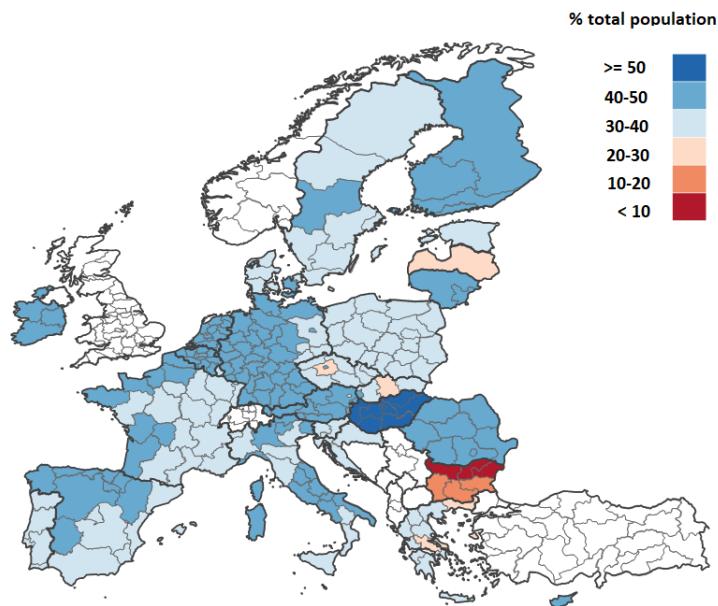
Across the EU, decisions regarding whom and when to vaccinate (and using which vaccines!) were made at national level. The regions were nonetheless tasked with implementation and their solutions and strategies influenced the overall pace and ultimate success of the vaccination efforts.

The maps in Figure V-21 and Figure V-22 show the status of the vaccination campaign at regional level on 1 June 2021. Figure V-21 presents the share of the total population having received 1-dose. Figure V-22 shows the share of the total population vaccinated with 2-doses. The two maps highlight major differences across EU countries. Within individual countries, differences among regions are particularly evident in Sweden, Austria, France and Spain.

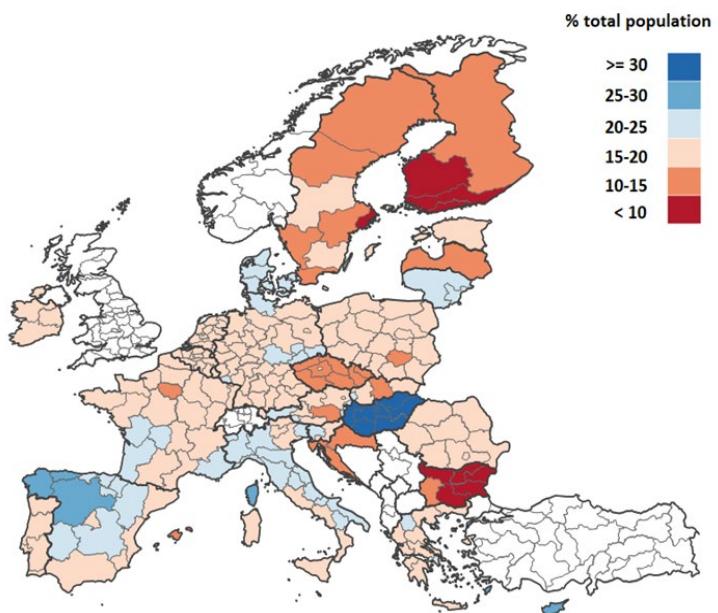
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<sup>170</sup> <https://www.politico.eu/article/trust-oxford-astrazeneca-coronavirus-vaccine-wanes-europe-survey/>

**Figure V-22: COVID-19 vaccination at regional level: first dose, % of total population, 1 June 2021**



**Figure V-23: COVID-19 vaccination at regional level: second dose, % of total population, 1 June 2021,**



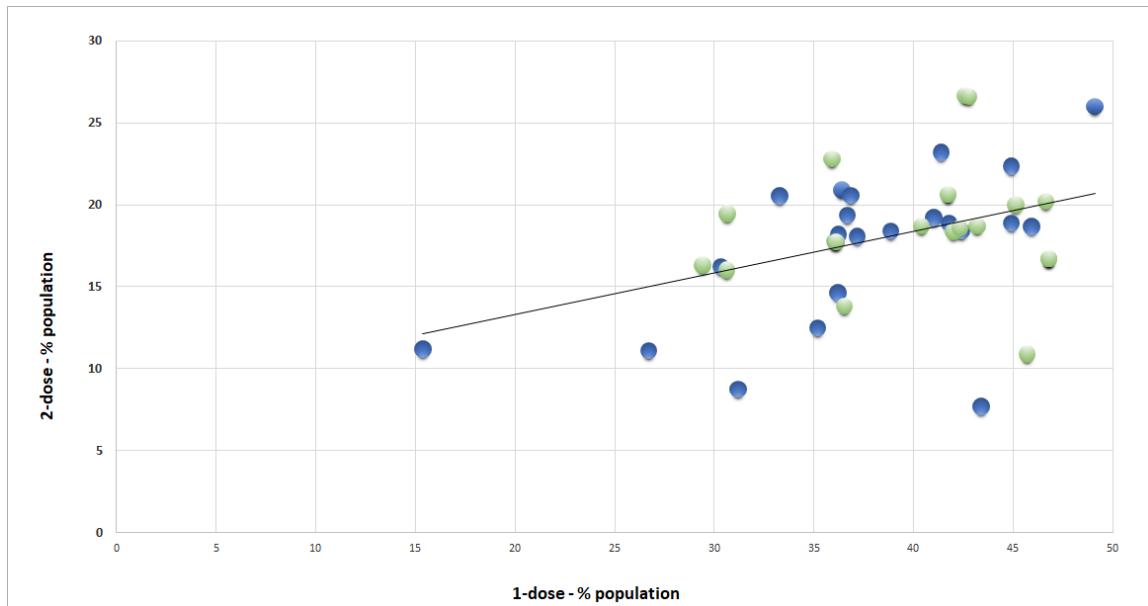
Analysing the vaccination data with regard to the urban-rural divide confirms that despite easier logistics there is no concentration of vaccination campaigns in urban areas. The only exception is found in Slovakia where the capital region of Bratislava has the highest vaccination rate of its population (22%) compared to the more rural Západné, Stredné and Východné regions (whose vaccination rates range between 15% and 16%).

Several other capital cities however had some of the lowest vaccination rates in their respective countries. This is the case for Brussels, Helsinki, Stockholm and Île-de-France (Paris). Madrid also has the lowest rate among the continental regions of Spain. The CoR study *Regional differences in COVID-*

19 response: exposure and strategy found instead that "*Vaccination performance of European rural regions is not only comparable to those of capital regions, but in some cases it is also better*".

The chart below compares the vaccination performance of capital regions (blue dots) with those of rural regions (green dots).

**Figure V-24: Vaccination performance of capital regions compared with vaccination performance of rural regions**



The rural region of **Lazio** is an example of successful rollout of vaccines. Hailed in Italy and reported in the international press<sup>171</sup> as a "miracle", the regional strategy was built on tried-and-tested examples from Israel and the US. The region has set up mass vaccination hubs including Termini train station and



shutterstock.com · 1221427897

Fiumicino airport, where vaccinations take place until midnight and 7 000 people can get a jab in a single day. It has created "drive-through" points and involved over 1000 pharmacies in the effort. The result: by 22 April, 98% of 80+ citizens had had their first shot, twenty percentage points above the national average.

Another rural region – **Corsica** – has achieved to date not only the best results in France but is also among the top 15 regions in Europe (see table below). Despite its relatively old population (29% are over 60), Corsica moved quicker than continental regions and deployed mobile vaccination teams to reach out to older people in remote communes. The combination of large vaccination centres, large-scale mobile operations and the general proximity between the health professionals, the government and the people<sup>172</sup> has made it possible to register very few vaccine losses and advance towards herd immunity at a quicker pace than the rest of France.

<sup>171</sup> <https://www.politico.eu/article/the-lazio-miracle-how-rome-got-it-right-on-vaccinations/>

<sup>172</sup> <https://www.corsematin.com/articles/campagne-de-vaccination-pourquoi-la-corse-est-en-tete-116858>

Figure V-24 shows the 15 best performing regions in terms of share of vaccinated population (second dose) as of 1 June 2021, and Figure V-25 the 15 least performing ones at the same date. In both rankings, the rural level of the region is indicated in the column on the right.

**Figure V-25: Vaccination: 15 best performing regions, % of total population, 1 June 2021**

	2-dose	RUR
Hungary	42,6	28
Malta	40,9	0
Principado de Asturias	27,8	0
Castilla y León	27,4	38
Ionia Nisia	26,6	100
Notio Aigaio	26,6	49
Corse	26,6	100
Cyprus	26,0	0
Galicia	25,6	58
Lithuania	23,2	14
Basilicata	23,1	65
Sjælland	23,1	89
Extremadura	23,0	0
La Rioja	23,0	0
Dytiki Makedonia	22,9	82

**Figure V-26: Vaccination: 15 least performing regions, % of total population, 1 June 2021**

	2-dose	RUR
Guadeloupe	4,0	0
Mayotte	5,2	0
Severen tsentralen	6,9	36
Severoiztochen	7,0	19
Yuzhen tsentralen	7,1	29
Yugoiztochen	7,2	0
Severozapaden	7,4	16
Helsinki-Uusimaa	7,7	0
Guyane	8,1	0
Stockholm	8,8	0
Martinique	9,1	0
Länsi-Suomi	9,4	77
Etelä-Suomi	9,9	0
La Réunion	9,9	0
Västsverige	10,4	0

*Notes: Hungary and Lithuania only have national data from the ECDC vaccine tracker.*

The highest vaccination shares are found in Hungarian regions and Malta. **Hungary** is the only EU Member State using the Russian and Chinese vaccines which (at the time of writing) have not been approved by the European Medicines Agency (EMA), and for which the country concluded direct contracts with the vaccines' suppliers early in 2021<sup>173</sup>.

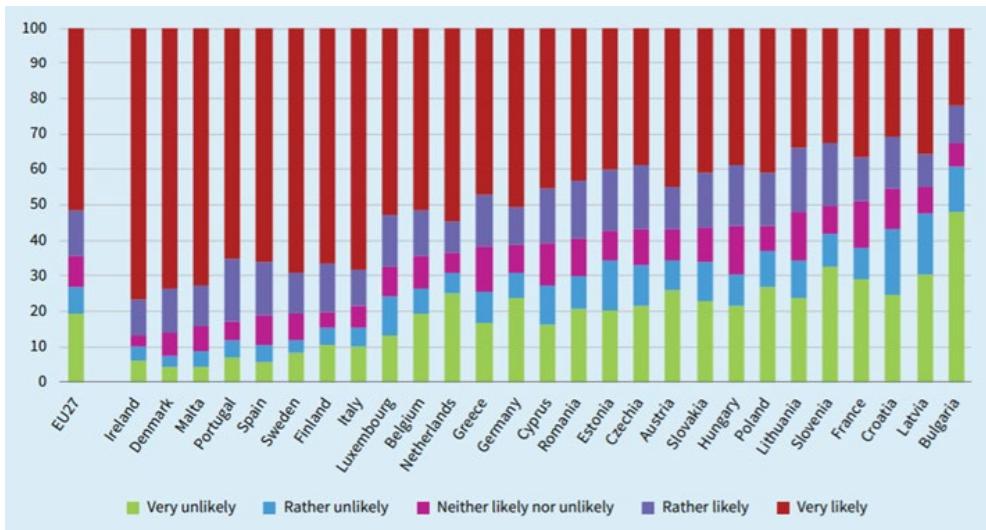
**Malta**, on the other hand, took full advantage of the centralised EU joint procurement mechanism and ordered double the quantity it would have needed to vaccinate its entire population, and from a variety of suppliers. This purchasing strategy, a good network of community health centres and the relatively easy logistics of a small country boosted the process, as shown by the CoR Study on regional differences. Other facilitating factors include a low level of vaccine hesitancy among the population and the fact that the government did not suspend the campaign when blood-clotting concerns were raised in connection to the AstraZeneca and Johnson & Johnson vaccines<sup>174</sup>.

In early 2021, Eurofound surveyed Europeans' attitude towards vaccines. The results captured in the graph below may partially explain the degree of success – or indeed failure – to inoculate in some parts of Europe.

<sup>173</sup> Slovakia also made an individual purchase of the Russian Sputnik V vaccine and received a batch of doses in March 2021. However, the Slovak State Institute for Drug Control has delayed the authorisation for the rollout of the Russian vaccine which at the time of writing is still being debated.

<sup>174</sup> As reported by Times of Malta news dated [11/03/21](#) and [16/04/21](#).

**Figure V-27: Likelihood of taking COVID-19 vaccine: Eurofound survey**



Looking back again at the map of EU regions which have delivered two doses of vaccine, some interesting differences within countries can be found:

- in Sweden, the capital city region of Stockholm has had the lowest administration rate for the second dose (9%), with the highest vaccination rate being found in North-Central Sweden (16%);
- in Austria, the lowest is in Styria (14%), the highest in Tyrol (22%);
- in continental France, the lowest is in Île de France (15%), the highest in Corsica (27%);
- in Spain, the lowest is in the Balearic Islands (13%), the highest in Asturias (28%).

In **Sweden**, the vaccination campaign was shaped at national level and divided into four phases. Regions have implemented the rollout, deciding on logistics and setting up thresholds for access to slots. The **capital region**, home to almost one quarter of Swedes, lagged behind in the first half of 2021. Aside from a more generalised issue of supply disruptions, the region was criticised for its limited opening times and for setting too much store on IT booking modes. Older, less tech-savvy people experienced difficulties in reserving their shots, leading to inefficiency and disappointment. As a result, invitation letters were sent to people aged 75 and over to boost their vaccination rates.

In **Austria**, the differences between the regions, captured in Figure V-27 evolved significantly in the early summer weeks. By mid-July, on average 41% Austrians had full immunity. The best performing regions were mostly rural **Burgenland** (over 50%) and **Voralberg** (45%) with **Vienna** and **Upper Austria** at the bottom of the table with 39% each.

The relatively weak results for the capital region may partially result from the fact that a large number of commuters, working in Vienna but registered in e.g. Burgenland, received their vaccines in the capital. In the spring, discussions were ongoing on the compensation mechanism between the Bundesländer.

The more affluent quarters of Vienna have also had higher vaccination rates than the parts of the city where working class and migrants predominantly reside (such as Favoriten, Simmering and Rudolfsheim-Fünfhaus<sup>175</sup>), prompting questions about how to better target these specific groups.

**Figure V-28: Percentage of vaccinated population (min. 1 dose) per Bundesland and age cohort**

Region	<25	25-34	35-44	45-54	55- 64	65-74	75-84	>84
Burgenland	22.77	56.46	62.34	69.89	79.65	89.76	88.62	91.08
Steiermark	16.82	50.57	57.01	63.16	73.77	83.81	88.25	89.20
<b>Österreich</b>	<b>19.60</b>	<b>51.72</b>	<b>58.78</b>	<b>65.06</b>	<b>75.07</b>	<b>81.54</b>	<b>87.63</b>	<b>89.05</b>
Oberösterreich	16.38	43.43	52.14	59.97	72.97	82.25	87.68	87.10
Tirol	20.89	52.77	61.33	66.56	76.03	80.74	87.01	86.99
Salzburg	16.75	45.94	55.45	61.52	71.96	78.92	86.71	86.98
Vorarlberg	21.14	51.25	60.49	67.81	76.95	79.54	87.11	85.25
Kärnten	15.76	43.09	52.55	60.72	70.56	79.96	86.45	84.94
Niederösterreich	23.79	54.74	61.99	68.04	77.52	84.60	86.49	83.33
Wien	20.08	54.75	58.97	63.57	72.54	73.28	84.13	81.08

Source: <https://orf.at/corona/daten/impfung> retrieved 13 July

In France, the region of **Ile-de-France** has stood in stark contrast to successful Corsica. Registering the lowest number of vaccinated persons across continental France, the region is home to an ethnically diverse and young population. The latter meant that in the first months, the region received fewer doses. It is only since 1 June that all the adult population has been eligible for vaccination. Still, according to the numbers released by the "Assurance maladie" website, the more affluent the district is, the higher the vaccination rate. In poorer neighbourhoods such as Roissy-Pays de France, including the municipalities of Sarcelles, Garges-lès-Gonesse, Goussainville and Villiers-le-Bel, only about 34% of inhabitants have received their first dose, against 51% nationally. The same goes for Saint-Denis where 34.7% have had their first jab<sup>176</sup>. Despite ample opportunities to register, the vaccination centres remain underused during the weekdays, prompting discussions on the need to extend their working hours and run operations during the weekends<sup>177</sup> and in popular spots, such as shopping centres.

The **French outermost regions** are among the least performing in Europe. Several reasons explain the situation. The first batches of vaccines arrived in the islands up to one month later than in the continental departments, creating initial delays. Overall, fewer doses per 100 inhabitants were delivered to the DOMs (38/100) than across French regions (55/100). The demographics also played a role, as the population in **Mayotte, Guadelope, Martinique, Guyane and la Reunion** is younger. Finally, the

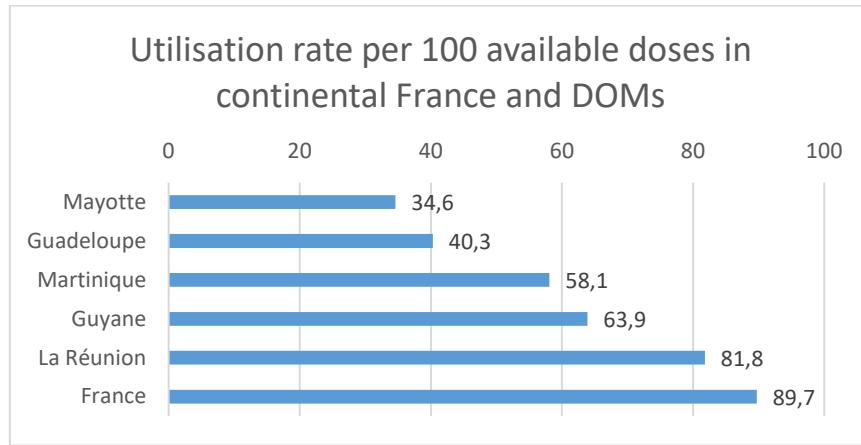
<sup>175</sup> <https://orf.at/stories/3220773/>

<sup>176</sup> <https://www.francebleu.fr/infos/sante-sciences/vaccination-anti-covid-votre-territoire-est-il-a-la-pointe-ou-a-la-traine-les-chiffres-en-ile-de-1626105848>

<sup>177</sup> <https://www.franceinter.fr/societe/vaccination-en-france-le-rythme-de-la-campagne-est-il-a-la-baisse>

DOMs seem to underuse available vaccines<sup>178</sup>: the graph below illustrates the difference between available and used doses.

**Figure V-29: Utilisation rate per 100 available doses in continental France and DOMS**



In Spain, by 1 June, the rural region of **Asturias** had fully vaccinated 28% of its adult population (with 49% having received the first dose). Unlike Madrid or Catalonia, the region opted to use up all available vaccines as they came rather than setting some aside for the second shots. This strategy enabled Asturias to quickly achieve partial protection and manage their stocks efficiently. In addition, the region set up and trained vaccination teams early on and was capable of launching the rollout the moment the vaccines became available. In line with the national guidelines, Asturias moved rapidly to vaccinate care home residents and their care personnel. According to data from Spain's regions<sup>179</sup>, systemised and collated by the Social Rights, Health and Science ministries, 29 408 seniors living in care homes have died due to the virus or with compatible symptoms – but only 700 in Asturias.

In contrast to Asturias, the **Baleares Islands** stood at the bottom of the Spanish vaccination table on 1 June. The region has a relatively young population (only 11% of its inhabitants are aged over 70 years) and this may have slowed down the vaccination campaign. Six weeks later, on 12 July the share of fully vaccinated adults rose to 47% - though still below the Spanish average of 51% and the leading region of Asturias 61.5%. However, with the immunisation drive opened up to 16-25 year olds by the end of June the number are likely to rise again.

The regional government of **Madrid** has made a similar move, enabling those over 16 to book their appointments as of 12 July. It also started vaccinating students on the Erasmus exchange programme who will study abroad next school term. The region also plans to involve private companies in the vaccination drive and talks with companies such as Iberia and Banco Santander are advancing<sup>180</sup>. Madrid has registered the highest number of fatalities in its care homes, reaching 6 187 or 21% of all COVID-19-related deaths in Spanish social service residences.

<sup>178</sup> <https://www.uest-france.fr/sante/vaccin/pourquoi-la-vaccination-traine-t-elle-toujours-en-outre-mer-ea509074-c51c-11eb-9184-644519d594f8>

<sup>179</sup> <https://english.elpais.com/society/2021-03-04/spain-releases-first-official-figure-on-covid-victims-in-senior-residences-29408-fatalities.html>

<sup>180</sup> <https://english.elpais.com/society/2021-07-13/spain-rushes-to-vaccinate-under-30s-amid-surge-in-coronavirus-cases.html>

#### **4. Why did some regions fare better than others?**

Although health system management is decentralised in the majority of EU Member States, the decisions on the vaccination portfolio and campaign priorities were made nationally.

These decisions weighed on the pace of vaccination in the first months of 2021. Regions located in countries that opted for multiple types of vaccines were not only able to start vaccinating earlier but also experienced less disruption when concerns regarding some types of vaccines emerged. Similarly, the national government's decision on the allocation of available doses to the regions played a role. In some countries, distribution was based on the size of the priority categories (age cohorts), in others on the share of the population. The first approach, chosen by France, enabled **Corsica** to move quickly with the campaign. Austria, on the other hand, divided its stocks proportionally to regions' population and this may have led to shortages experienced temporarily in **Vienna**, where commuters from other Bundesländer received their jabs.

As of April, the role of regional strategies gained more importance. The logistics for vaccine storage, transport and distribution; the identification of vaccination places; the training of healthcare personnel; the setup of mobile units to reach out to the most fragile; the mobilisation of general practitioners and pharmacists; and the contribution to communication campaigns have all affected vaccination progress.

The table<sup>181</sup> below lists key critical factors hampering success and provides examples of how European regions and cities overcame them in the first six months of 2021.

***Figure V-30: Key critical factors hampering success and examples of how European regions and cities overcame them in the first six months of 2021***

Critical factor	Regional practice examples
Limited vaccine supply	<p>Using all stocks available, without setting aside stock for second doses (<b>Asturias</b>)</p> <p>Delaying administration of the second dose</p> <p>Ordering too much and from a wide portfolio of suppliers (state-region of <b>Malta</b>).</p>
Different characteristics of vaccines	Planning logistics in advance (i.e. storage, transport and administration) - <b>Asturias</b> had the strategy ready in November 2020.
Waste of doses	Devising protocols for the administration of unused doses. In <b>Greece</b> , they are administered to the armed forces. In <b>Lazio</b> , to people registered in the following days. In <b>Latvia</b> , unused doses are

<sup>181</sup> Prepared by Progress Consulting

	offered and in <b>Lithuanian municipalities</b> <sup>182</sup> passed on to vaccination centres in major cities.
Staff shortages	In <b>Malta</b> , additional staff were hired on a temporary contract basis.  In <b>Lazio, Flanders</b> and <b>Lower Silesia</b> pharmacists have been involved in the vaccination campaign. In <b>Corsica</b> , general practitioners are vaccinating their patients.
Untrained staff	<b>Asturias</b> trained vaccination teams well before the start of the vaccination campaign. <b>Ireland</b> launched a COVID-19 vaccinator recruitment initiative centrally for both registered professionals and students <sup>183</sup> .
Lack of vaccination delivery sites	Most regions created temporary mass vaccination hubs.  Drive-through points, modelled on US examples, have also been established (e.g. <b>Lazio, Ile de France, Cluj, Arad</b> ).  The <b>City of Sofia</b> , in collaboration with the Sofia Regional Health Inspectorate, has experimented with 'green corridors', i.e. vaccination places in gardens. It has also established mobile delivery sites in shopping malls and cultural centres and a mobile vaccination bus <sup>184</sup> .  <b>Romanian cities</b> <sup>185</sup> are running 'vaccination marathons' where vaccines are administered without prior booking, 24 hours a day for 2-3 days ( <b>Timisoara, Bucharest, Deva</b> )
Difficulties in reaching out to some target groups	<b>Corsica</b> organised twenty large-scale operations to reach out to rural areas. <b>Stockholm</b> sent out letters to the oldest people who may not be able to access digital booking. In Spanish regions and <b>Luxembourg</b> , mobile teams drive to homebound

<sup>182</sup>

<https://www.covid19healthsystem.org/countries/lithuania/livinghit.aspx?Section=3.1%20Planning%20services&Type=Section>

<sup>183</sup> <https://www.hse.ie/eng/services/news/newsfeatures/covid19-updates/covidjobs/>

<sup>184</sup> <https://bnt.bg/news/green-corridors-for-covid-19-vaccinations-in-parks-and-shopping-malls-will-again-work-in-sofia-at-the-weekend-296534news.html>

<sup>185</sup> [https://www.rri.ro/en\\_gb/marathons\\_and\\_drive\\_through\\_centres\\_for\\_covid\\_vaccination-2636121](https://www.rri.ro/en_gb/marathons_and_drive_through_centres_for_covid_vaccination-2636121)

	<p>people to vaccinate them (e.g. the <b>Balearic Islands</b>).</p> <p><b>Brussels'</b> public transport company offers free transport to the vaccination centre, reducing the financial burden for the most deprived people.</p> <p>Each <b>Lithuanian municipality</b><sup>186</sup> has a vaccination coordinator responsible for the administration of vaccines across the municipality as well as mobile teams vaccinating fragile people in their homes or in social care homes.</p> <p><b>Ile-de-France</b> works with Médecins Sans Frontières to reach out to the homeless and migrants. The single-dose vaccine is used where possible to reduce the need to follow-up<sup>187</sup>.</p> <p>In Greece, small <b>Aegean and Ionian islands</b><sup>188</sup> were prioritised and all eligible population vaccinated at once, to avoid multiple trips by administering teams and to boost their tourism attractiveness.</p>
Difficulties in the setup of an IT system for vaccination booking and immunisation monitoring	<p><b>Lazio</b> has a COVID-platform which manages three different booking channels (web, app and call centre). The regional IT immunisation system involves some 70-80 workers.</p> <p><b>Brussels</b> operates the BRUVAX platform enabling people to book their appointment over the phone or online. Bed-ridden people can register for a home visit<sup>189</sup>.</p>
Hesitancy, low willingness to take the vaccine, misinformation and disinformation about vaccination	<p>Running of communication campaigns and setting the right example.</p> <p>In <b>Corsica</b>, GPs took the vaccine before administering it to their patients. In <b>Stuttgart</b>, the city ran a dedicated campaign targeting health</p>

<sup>186</sup>

<https://www.covid19healthsystem.org/countries/lithuania/livinghit.aspx?Section=3.1%20Planning%20services&Type=Section>

<sup>187</sup> <https://www.msf.fr/communiques-presse/covid-19-medecins-sans-frontieres-vaccine-des-personnes-sans-abri-et-migrants>

<sup>188</sup> <https://www.politico.eu/article/greece-tourism-summer-economy-recovery-coronavirus-vaccines-islands/>

<sup>189</sup> <https://coronavirus.brussels/en/covid-19-vaccination-centers-in-brussels-planning/>

professionals to increase their acceptance of the vaccine<sup>190</sup>.

Several **CoR members** took part in the European "I will do it/I did it" campaign to boost vaccination rates in their constituencies through social media channels.

Summing up, the most relevant factors influencing the success of vaccination campaign include:

1. Early planning of logistics (storage, transport, distribution etc.);
2. Training of healthcare personnel;
3. Zero-waste strategy for unused doses;
4. Mobile units to reach targeted, vulnerable groups;
5. Mass vaccination points with extended working hours in more populated areas;
6. Large-scale operations to reach out to remote areas;
7. User-friendly online booking, monitoring and information systems backed up with traditional phone or paper options;
8. Plain language communication addressing hesitancy;

Even though most regions in Europe will reach the EU target of 70% sometime in the summer, the efforts to vaccinate will need to continue. The spread of the more contagious variants and remaining pockets of population rejecting or mistrusting vaccination will have to be tackled decisively to avoid another round of protracted lockdowns and other restrictive measures.

Regions will play the key role in this endeavour. Now that national guidelines are in place, supply lines stable and best practices available, it is up to each region to devise its own strategy for the autumn and carry on communication activities to combat hesitancy. It will require a lot of place-based insights into who are the yet-to-be-vaccinated groups, why are they resisting and how can they be won over. As the variables can be different, the solutions must be adapted to local circumstances. This is what local and regional authorities can do best: knowing their citizens, being close to them and understanding their fears, their hopes and their needs.

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<sup>190</sup> <https://www.stuttgart.de/pressemitteilungen/2021/maerz/corona-ich-habe-mich-impfen-lassen-weil...stadt-wirbt-mit-kampagne-fuer-impfung-von-medizinischen-und-pflegerischen-arbeitskraeften.php>

# **Chapter VI – The impact of Brexit on EU regions and cities**

## **A. No stabilised Brexit impact in sight yet**

### ***1. The difficulty of disentangling the impact of Brexit from the impact of the COVID-19 pandemic***

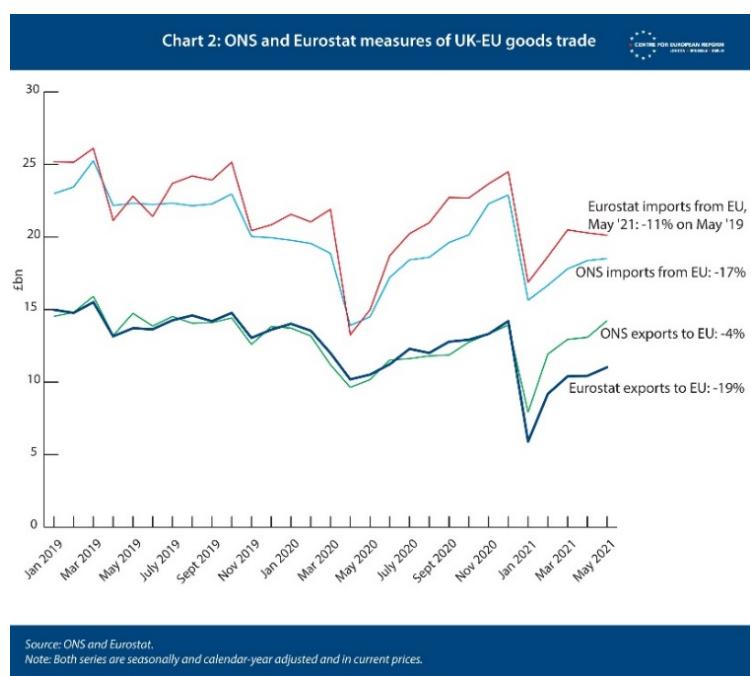
With the economic framework of Brexit becoming active only in January 2021, and legal certainty given to it only on 28 April 2021 when the European Parliament ratified the Trade and Cooperation Agreement (TCA), a period of a couple of months seems premature for an assessment of its long-term impact, including its indirect impact on communities and local economies in the aspects related to Single Market. Moreover, the introduction of a grace period on border processes for food and parcels going from Great Britain to Northern Ireland, which was first delayed until 1 April and was then unilaterally extended by the United Kingdom until 1 October 2021 also blurs the picture of Brexit's impact on trade. Other stages of the TCA, such as the requirements on rules of origin, will also unfold later and interrelate with developing industrial trends, such as the car industry shifting production from internal combustion engines to vehicles propelled by electricity. The last 15 months were also accompanied by a pandemic. The UK was hit worse than the EU average, if for reasons unrelated to EU membership. It is therefore difficult to unpick the effects emerging from the negotiation and entry into force of the TCA from those of the COVID-19 pandemic, and to know whether the early results are evidence of long-term trends taking root.

Eurostat figures indicate that the EU's trade with the United Kingdom in the four first months of 2021 was below the levels observed at the end of 2020. In the first four months of 2021, compared to the last four months of 2020, both exports to the United Kingdom and imports from the United Kingdom were considerably lower - by -15.3% and -30.3%<sup>191</sup> respectively.

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<sup>191</sup> Eurostat – Euroindicators 68/2021 - 15 June 2021

**Figure VI-1: Measures of UK-EU goods trade<sup>192</sup>**



A more in-depth analysis suggests that the fact that in 2020-2021 China replaced Germany as the UK's biggest import market was due to pandemic trends: Chinese textiles, vital for face masks and PPE, were in strong demand, as were electrical goods purchased by locked-down British consumers. At the same time, car production in Germany was down sharply, while UK car showrooms were closed.

Telling figures translating combined effects of the pandemic and Brexit-related transport restrictions also come from the transport sector. Since March 2020, Eurostar passenger

traffic fell by 85%, while Brittany Ferries, the main ferry company linking the EU with the UK had four times fewer passengers in 2020 than in 2019. The French regions of Brittany and Normandy had to intervene for the consecutive restructuring of Brittany Ferries by providing a cash-flow advance of EUR 15 mln out of the 65 mln required. The question now arises of to what extent there will be an increase in UK-circumventing traffic. For example, since February 2020, the number of weekly ferry sailings from Ireland to Northern France has risen from 12 to 40.

A drop in EU-UK trade was also likely after a stockpiling rush in late 2020, as companies built up supplies in anticipation of border disruption, and delayed sending shipments at first. However, the available figures still suggest that there is far more to overcome in trade exchanges than simple "teething problems".

The UK Office for Budget Responsibility for its part still expects additional trade barriers to reduce the size of the British economy by about 4% compared with EU membership, with the full impact taking 15 years to be realised. Meanwhile, the number of British importers and exporters who say they have been negatively affected by Brexit has risen since the beginning of 2021, according to 1 000 British businesses polled by HSBC Bank (poll released on 15 July 2021). 52% of those surveyed had been negatively impacted by Brexit, up from 47% in January. At the beginning of the year, these firms considered the increased amount of time spent on administrative tasks to be the main issue they were struggling with. Six months later, disruptions in value chains are the most important trade barrier.

The visibility of the economic impact of Brexit is also obscured by the fact that political decisions have yet to be taken in significant policy fields such as financial services.

<sup>192</sup> [The cost of Brexit: May 2021 | Centre for European Reform \(cer.eu\)](#), 21 July 2021

Uncertainties regarding the impact of Brexit also derive from a new dispute over the exit bill which has broken out between the EU and the UK, after the figure of EUR 47.5 billion was given in the EU budget report for 2020. The UK had anticipated in 2018 that the exit bill should be around GBP 35-39 billion, i.e. at the current exchange rate GBP 41-45.6 billion. According to the EU analysis, the amounts would cover the commitments made by the UK during its membership of the EU. This includes promised contributions to multi-year funding programmes, primarily within the framework of European structural funding, but also for research programmes, as well as provisions for pensions for EU officials.

## **2. *Structural impact of Brexit on local and regional authorities***

Besides trade and transport, three other Brexit-related policy fields are likely to produce a structural impact on local and regional authorities, according to a study commissioned by the CoR about "restoring lost connections between the EU and the UK as a consequence of Brexit through local and regional authorities": i) issues related to the movement of people; ii) research cooperation and iii) student exchange.

Constraints with regard to the movement of people are likely to increase pressure on the local economy by reducing offer and demand on labour markets, by impacting tourism flows and by making expatriations more difficult. Additional burdens in terms of financial and human resources will be put on local and regional authorities (LRAs) by requiring them to adapt to the new regulatory framework and management of the border crossing points and meet the administrative requirements of managing residence permits.

In the field of research, in which local and regional authorities play a significant role through public research bodies and funding schemes, the disruption of cooperation schemes is to be feared. Moreover, lower competition on bids and research grants may impede the quality of research, while increasingly diverging public procurement rules will also clash with the preservation of a common research area and community.

Student exchange programmes, which play an immense role in fostering and localising human ties between the EU and the UK, will be left without the common exchange framework (Erasmus) and integrated financial support for students. This will be accompanied by disruption in professional and VET exchange programmes and obviously the loss of cultural and professional connections, which have already suffered from the pandemic.

## **3. *Regional differentiation in Brexit impacts***

The difficulties in implementing the Northern Ireland protocol<sup>193</sup> are significant, as they reflect the dual challenge of preserving the EU single market and leaving the EU-UK land border as open as possible. The continued extension of grace periods does however not allow for a conclusive assessment of the Brexit impact in relation to this specific situation. The Northern Irish situation may also be significant beyond the UK case in terms of regionally differentiated approaches, since it is, as outlined by Michael Keating, "...the first instance of a region of [a] non-Member State having a significant opt-in [to parts

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<sup>193</sup> [https://www.europarl.europa.eu/thinktank/fr/document.html?reference=EPRS\\_BRI\(2021\)690712](https://www.europarl.europa.eu/thinktank/fr/document.html?reference=EPRS_BRI(2021)690712)

of the EU single market]", while so far the EU had only allowed "regions of some Member States to opt out, wholly or entirely (Faroes, Greenland, Canaries, Azores)" from specific policies<sup>194</sup>.

Other regions also do not yet have a stabilised post-Brexit situation. Even the Channel Fixed Link is currently operating on the basis of extensions of 6-month contingency measures (the next period until 31 March 2022 is currently under negotiation) as long as there is no agreement on the revision of the French-British Canterbury Treaty<sup>195</sup>.

The Channel region is facing yet another interim situation with regard to Jersey. Following the UK's exit from the EU, an interim arrangement was agreed at the start of 2021 to allow French fishing boats holding a previous Granville Bay licence to operate in Jersey waters while the new Trade and Cooperation Agreement (TCA) licence system was being established. The TCA requires evidence of the 'extent and nature' of previous fishing activity to be demonstrated in order for access to be granted. After disputes in early May 2021 centred on post-Brexit fishing licences issued by the Jersey government, which brought new conditions limiting the number of days and gear permitted for fishing, revised transitional arrangements were found, which from 1 July allow already licensed boats with Vessel Monitoring System equipment (47), and a reduced number of small EU vessels (177 applicants), for which evidence is already being submitted, to continue to fish in Jersey waters.

Gibraltar is another region facing an unchartered legal situation. Indeed, the TCA does not apply to Gibraltar nor does it have any effects on its territory. Spain and the UK have discussed a framework for Gibraltar's future relationship with the EU and have forwarded to the Commission a non-paper setting out this agreed framework, together with a request to initiate the procedure for the negotiation of an EU-UK agreement on Gibraltar. On 20 July 2021, the European Commission issued its proposal to launch negotiations with the UK over Gibraltar. The draft mandate includes proposals to "remove physical checks and controls on persons and goods at the land border between Spain and Gibraltar, while ensuring the integrity of the Schengen area and the Single Market". Moreover, the Commission proposes a customs union between Gibraltar and the EU by aligning goods taxation with that of Spain, complete with "appropriate checks and controls in Gibraltar". The mandate also covers "asylum, returns, visas, residence permits, and operational police cooperation and information exchange." However, UK Foreign Secretary Dominic Raab swiftly rejected the Commission's proposal, saying in a statement that it "directly conflicts" with the previously agreed framework and "seeks to undermine the UK's sovereignty over Gibraltar, and cannot form a basis for negotiations."

A less debated regional impact of Brexit is the reduction of the number of Overseas Countries and Territories (OCTs) associated with the EU: from 25 to 13<sup>196</sup>. While the EU had committed a total of EUR 582.3 million to the OCTs under the Overseas Association Decision and the Greenland Decision in the 2014-2020 period, the reduction in scope of OCT membership has put joint projects on hold and is causing worries in the remaining EU OCTs and the EU's ultraperipheral regions (RUPs) about reduced attention being paid to their regional interests.

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<sup>194</sup> Keating, M. (2021) Taking Back Control? Brexit and the Territorial Constitution of the United Kingdom, *EUI Working Papers RSC 2021/28*, Florence 2021

<sup>195</sup> See proposal of 13.07.2021 for a regulation (COM(2021)402) amending Regulation 2020/2222

<sup>196</sup> The UK-connected OCTs are: Anguilla, Cayman Islands, Falkland Islands, South Georgia and the South Sandwich Islands, Montserrat, Pitcairn, Saint Helena and Dependencies, British Antarctic Territory, British Indian Ocean Territory, Turks and Caicos Islands, British Virgin Islands, Bermuda.

## B. The territorial impact of Brexit has yet to be fully assessed and remedied

### *1. The weak recognition of local and regional authorities in the new EU-UK institutional set-up*

Local and regional authorities (LRAs) are, to a certain extent, absent from the TCA. In fact, LRAs are only mentioned when it comes to adapting some elements of the agreement to specific regional conditions (p. 61), or on very specific issues such as fiscal provisions (p. 249). However, generally speaking, a dedicated part recognising the role of local and regional authorities as a building block of the agreement is missing. In comparison, civil society appears clearly in the agreement and is considered as an element per se of the "Institutional framework" (p. 23). This framework suggests the organisation of a "Civil Society Forum to conduct a dialogue on the implementation of [...] this Agreement" (p. 30). In addition, this Forum "shall meet at least once a year and [...] and shall be open for the participation of independent civil society organisations established in the territories of the Parties" (*ibid.*)."

The CoR-UK Contact Group therefore appears to be the only existing EU-UK cooperation body at territorial level which is not formally recognised.

### *2. Limited financial resources to mitigate the consequences of the withdrawal*

The EUR 5 bln Brexit Adjustment Reserve (BAR), the EU's fund to overcome the consequences of the UK's withdrawal, came a big step closer to adoption on 27 June 2021 after the Council and the European Parliament reached a preliminary agreement on the draft regulation. The first payments will happen in three tranches: December 2021, spring 2022 and 2023.

The 27 June preliminary agreement takes up a certain number of requests made in the relevant CoR opinion (adopted on 19 March 2021) with regard to the involvement of local and regional authorities (LRAs) in the deployment of the BAR, given that this aspect was absent from the initial proposal made by the European Commission, as well as from the position adopted by the Council. Indeed, the agreement provides for (i) the involvement of regions and local communities in the BAR's implementation, (ii) the possibility of expenditure at regional and local level, (iii) references to the partnership principle and encouragement of multi-level dialogue (Article 5.3), (iv) reporting at NUTS II level and (v) a possible delegation of tasks.

Moreover, the agreement excludes sectors benefiting from Brexit (financial sector) from the BAR's scope and calculates the compensation for lost fishing rights in a different way that does not consider fishing in the Mediterranean (as was the case before), but only loss of catching rights in UK waters.

Overall, even if few local and regional authorities seem to have assessed the impact of Brexit on their accounts so far and are rather working on the outlook, it seems that the amount provided by the BAR is inadequate for the needs. To give an indication, in 2021 the single region of Brittany estimated Brexit-related investment needs at EUR 368 mln per annum, while the BAR's entire envelope for France is set at EUR 672 mln for the BAR's entire life-span.

### **3. Challenges for cross-border cooperation projects**

The PEACE PLUS programme for the period 2021-2027 will be financed by the European Union with approximately EUR 1 billion. PEACE PLUS will combine the existing EU PEACE and Interreg funding components into a single coherent cross-border programme for Northern Ireland and the border counties of Ireland. It was designed following a broad process of cross-border stakeholder engagement through 16 consultations involving more than 1 000 people. More than 300 responses to an online consultation were submitted. PEACE PLUS is in fact the only cross-border cooperation programme surviving Brexit because the withdrawal of the United Kingdom means the end of the Interreg North Sea, the Channel Interreg and the Interreg Ireland Wales.

The UK was a major budget contributor to these cross-border programmes (e.g., up to a third of the budget for Interreg North Sea). Local and regional authorities will most likely not be able to compensate for the loss of Interreg funding by using regional or local funds. While there is widespread hope and willingness to continue cross-border activities, the scale cannot remain at the current level without additional funding from the national or EU level.

Interestingly enough, the Government of Gibraltar has expressed the intention of continuing participation in Interreg programmes, aiming to allocate funding from the local government. Gibraltar has been a partner of two Interreg programmes, Interreg Mediterranean and the South West Europe Programme, and has stressed that it wishes to continue to benefit from the results of this collaboration.

European Groupings of Territorial Cooperation (EGTC), promoted by the European Committee of the Regions, have been one of the most efficient vehicles of territorial cooperation. However, Article 3a of the relevant regulation reduces its scope with regard to the involvement of third countries or overseas countries or territories to "*an EGTC (made) up of members located on the territory of at least two Member States and of one or more third countries neighbouring at least one of those Member States, including its outermost regions, where those Member States and third countries jointly carry out territorial cooperation actions or implement programmes supported by the Union*". This provision limits EGTCs with the UK to trilateral constellations and may therefore constitute a significant obstacle to using the EGTC tool. The CoR may therefore consider suggesting that the EGTC regulation be amended to facilitate the use of EGTCs in the relationship with local and regional authorities from the UK.

Other tools for sustaining cross-border partnerships, such as a possible future macro-regional strategy including the UK, are also possible avenues even if their prospects seem to a large extent conditional on the overall political context of EU-UK but also intra-UK relationships.

The study on *Restoring* lost connections between the EU and the UK as a consequence of Brexit through local and regional authorities has also identified two more incremental challenges for EU-UK territorial cooperation: first, the possible lack of knowledge of or interest in cross-border projects by the general public, related partly to a shortage of reporting on cross-border issues and initiatives in the national and regional media. Second, differences and asymmetries in institutional capacity (including adequate language, technical and project management skills as well as autonomy of LRAs) and project leverage between LRAs on each side of the border.

## C. Prospects for re-building cooperation between the EU and UK local and regional authorities

Cooperation between the EU and UK local and regional authorities will probably continue through twinning schemes, considering that around 100 UK towns and cities have a twinning link with towns and cities in European countries, mostly in France and Germany.

UK cities and regions are also to remain within certain European associative frameworks such as the Conference of Peripheral Maritime Regions (CPMR), in which the Scottish regions and Wales continue to be members, Eurocities and the Council of European Municipalities and Regions.

The EU's and the UK's local and regional authorities will also keep belonging to a certain number of legal organisations and communities and thereby to a common legal space: to the wider UN sphere and its sub-organisations and related associations such as UCLG but also to the Council of Europe and the Congress of Regional and Local Authorities, which provides guarantees in relation to devolution, notably through the European Charter of Local Self-Government.

Significant pieces of European legislation already implemented in the UK will remain in place and provide for standards of partnership and involvement of local and regional authorities in regulatory processes.

Positive "cooperation energy" is also expected by UK devolved administrations themselves. The best illustration probably comes from Wales, which has launched a new international learning exchange programme to compensate for the loss of Erasmus+. The new scheme, running from 2022 to 2026, will be supported by an investment from the Welsh government and fill in the gaps left by the Turing Programme<sup>197</sup>.

Despite Brexit, many common battles remain. The most obvious one is the fight against climate change incarnated by the COP 26 Conference in Glasgow in November 2021 or by the Covenant of Mayors. More generally, the EU's and the UK's local and regional authorities are expected to stand side by side on the implementation of the Sustainable Development Goals at local and regional level. There is still a lot of margin for peer pressure and for learning from each other in practice.

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<sup>197</sup> <https://gov.wales/written-statement-international-learning-exchange-programme-update>

# Chapter VII – The territorial impact of migration

Over the past year, migration patterns to the EU continued to vary from region to region, generating territorially uneven effects, with most of them concentrating in the Mediterranean. The interplay<sup>198</sup> of the global challenge of migration and the need to respond to it locally meant that many local and regional authorities had to play an active role in receiving and integrating migrants, and in providing other vital urban infrastructure and services to meet the needs of the migrant population (e.g., affordable and social housing, quality education and health services)<sup>199</sup>, often in the absence of national policies<sup>200</sup>.

As the COVID-19 pandemic affected all cities and regions across Europe, it revealed a pressing need to consider the conventionally separate thematic silos of policies such as housing, healthcare, social inequality and migration as interdependent policy fields through a comprehensive and holistic approach which would result in inclusive recovery strategies<sup>201</sup>, as also illustrated in Chapters II and V.

A recent analysis<sup>202</sup> found that most of the disinformation campaigns propagated through the articles collected in the EUvsDisinfo<sup>203</sup> database concerned migrants. As the topic of migration has the potential to disrupt European unity and shake EU citizens' confidence in the European institutions<sup>204</sup>, getting the facts right about migration is essential.

## *Total share of migrants in the EU*

According to the latest Eurostat data<sup>205</sup>, on 1 January 2020, the EU had a total population of 447 319 916 inhabitants. Out of these, 13 522 253 (3.0%) were EU citizens living in another Member State, and 23 111 307 (5.2 %) were non-EU migrants. Of the non-EU migrants, 20 323 576 had a valid residence permit as at the end of 2019, mostly based on family reunification (38%), followed by other reasons (32%), work (17%), asylum (9%) and education (4%)<sup>206</sup>, showing that the vast majority of migrants (88%) are legal residents. From this, it can be deduced that the remaining 12% (2 787 731) of non-EU migrants do not have a valid residence permit for various reasons. This would include those whose application for residence is still under consideration (there is a backlog of applications from previous

<sup>198</sup> EPC, *When Mayors Make Migration Policy: The future of city diplomacy*, June 2021. Available online: [City\\_diplomacy\\_PB.pdf \(epc.eu\)](https://www.epc.eu/city-diplomacy_PB.pdf)

<sup>199</sup> World Economic Forum, *Migration and Its Impact on Cities*, October 2017. Available at: <https://www.weforum.org/reports/migration-and-its-impact-on-cities>.

<sup>200</sup> CoR, *Territorial impact of migration on frontline regions and cities on the EU shores of the Mediterranean*, July 2021. To be published.

<sup>201</sup> EPC, *When Mayors Make Migration Policy: The future of city diplomacy*, June 2021. Available online: [City\\_diplomacy\\_PB.pdf \(epc.eu\)](https://www.epc.eu/city-diplomacy_PB.pdf)

<sup>202</sup> EPRS, The impact of disinformation campaigns about migrants and minority groups in the EU, June 2021. Available online: [https://www.europarl.europa.eu/RegData/etudes/IDAN/2021/653641/EXPO\\_IDA\(2021\)653641\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/IDAN/2021/653641/EXPO_IDA(2021)653641_EN.pdf)

<sup>203</sup> EU vs DISINFORMATION

<sup>204</sup> A. Juhász, and P. Szicherle, *The Political Effects of Migration-Related Fake News, Disinformation and Conspiracy Theories in Europe*, Friedrich Ebert Stiftung; Political Capital, 2017.

<sup>205</sup> Data source: JRC, [Share of migrants in the EU | Knowledge for policy \(europa.eu\)](https://ec.europa.eu/eurostat/web/migration-and-demography/timeseries/share-of-migrants-in-the-eu_en)

<sup>206</sup> EC, [Statistics on migration to Europe | European Commission \(europa.eu\)](https://ec.europa.eu/eurostat/web/migration-and-demography/timeseries/statistics-on-migration-to-europe_en)

years)<sup>207</sup> and those who are supposed to be returned following a negative decision<sup>208</sup>. At the end of 2019, 627 900 individuals were irregularly present in the EU<sup>209</sup>.

## A. EU Mediterranean regions the most affected by irregular migratory flows

While legal migration accounts for the majority of non-EU residents, it is irregular migration which creates significant pressure on the regions and cities located at the EU's external border.

At the peak of the refugee crisis in 2015, 1.82 million illegal border crossings were recorded at the EU external border. Following the EU-Turkey Statement in 2016, this number went down significantly. In 2020, 125 110 illegal border crossings were recorded<sup>210</sup>, a decline from 141 742 the year before<sup>211</sup>.

According to a CoR study<sup>212</sup>, the main reason behind this decline compared to 2019 was the COVID-19 pandemic and the related international, cross-border and internal movement restrictions introduced by the EU and its Member States<sup>213</sup> as well as the majority of migrants' countries of origin and transit territories.

In 2021, however, the number of irregular border crossings at the EU's external borders has risen significantly – during the first five months of 2021 the number of detections reached over 47 100, which is 47% more than the total number from the same period a year ago, according to Frontex<sup>214</sup>.

The majority of migrants reach the EU shores via the **Western Mediterranean, Central Mediterranean and Eastern Mediterranean routes** (72 278 irregular arrivals in 2020, 58% of the total number<sup>215</sup>). The EU countries in the Mediterranean also recorded the highest number of first-time

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<sup>207</sup> As for asylum applications, at the end of 2020, there was a backlog of 766,000 applications across the EU MS ([Statistics on migration to Europe | European Commission \(europa.eu\)](#))

<sup>208</sup> In 2020, 394 000 non-EU citizens were ordered to leave the EU, but only 18% (69 500) actually left the EU. In 2019, it was 491 000 with 29% effectiveness, meaning 142 390 individuals returned to their respective countries.

<sup>209</sup> EPoS, Data on returns of irregular migrants, March 2021. Available at: [Research | Think Tank | European Parliament \(europa.eu\)](#)

<sup>210</sup> EPoS, *Recent migration flows to the EU*, Available online: [EPoS ATA\(2021\)649329\\_EN.pdf \(europa.eu\)](#)

<sup>211</sup> Ibid. See also FRONTEX, [Situation at External Border \(europa.eu\)](#). During 2019, there were 141 846 detections of illegal border crossings between Border Crossing Points and 212 097 refusals of entry, compared to 149 117 and 190 658 in 2018 respectively.

<sup>212</sup> CoR, *Territorial impact of migration on frontline regions and cities on the EU shores of the Mediterranean*, July 2021. Available on:

<sup>213</sup> See for example: Nasar Meer, Leslie Villegas, The impact of COVID-19 on Global Migration, 27 May 2020. Available at: <https://www.glimer.eu/wp-content/uploads/2020/06/Global-Migration-Policies-and-COVID-19.pdf>.

<sup>214</sup> Frontex, Situation at EU external borders – Detections rise from record lows a year ago, 22.06.2021. Available at: <https://frontex.europa.eu/media-centre/news/news-release/situation-at-eu-external-borders-detections-rise-from-record-lows-a-year-ago-AvxlbX>

<sup>215</sup> Excluding arrivals to Canary Islands. Source: Frontex, Irregular migration into EU last year lowest since 2013 due to COVID-19, 8.01.2021. Available at: <https://frontex.europa.eu/media-centre/news/news-release/irregular-migration-into-eu-last-year-lowest-since-2013-due-to-covid-19-j34zp2>.

asylum applications<sup>216</sup> relative to their population in 2020, with **Cyprus** registering the highest number (838 applications per 100 000 inhabitants), followed by **Malta** (482) and **Greece** (378)<sup>217</sup>.

To reflect the territorial impact of the migration routes taken by migrants crossing the EU border illegally, a 'hotspot approach'<sup>218</sup> was developed as part of the European Agenda for Migration. There are currently five hotspots in **Italy (Lampedusa, Trapani, Pozzallo, Taranto and Messina)** and five hotspots in **Greece (the islands of Lesvos, Samos, Chios, Kos and Leros)**.

The authorities in these hotspots carry out the initial reception, identification, registration and fingerprinting of asylum-seekers and migrants<sup>219</sup> and are supported in the management of hotspots by experts from EU agencies<sup>220</sup>. To these hotspots one must also add the **Canary Islands** which experienced a surge in migrant arrivals in 2020<sup>221</sup>, leaving national and regional authorities overwhelmed in trying to accommodate them. Combined with the public health restrictions due to the COVID-19 pandemic, this led to the rapid deterioration of the humanitarian situation and sparked some protests among the local population<sup>222</sup>.

In 2020, some **94 000** refugees and migrants crossed the Mediterranean **by sea** and arrived in Europe<sup>223</sup> (see map in Figure VII-1). Over 90% of irregular migrants and asylum-seekers are being **smuggled** to the EU according to Europol<sup>224</sup>, with migrants often being exploited in the pursuit of profit. The cost of the illegal journey ticket is the highest a human being can pay - **1417 deaths** of migrants were recorded in the Mediterranean in 2020, which means on average 4 human lives lost every day<sup>225</sup>.

In 2021, there were 44 908 sea arrivals by the end of July 2021<sup>226</sup>. In addition to the Mediterranean routes, a new migration route emerged in 2021, with nearly 1 700 migrants entering Lithuania, an EU state, illegally from Belarus, more than 1 000 of them in July alone.

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<sup>216</sup> [Statistics on migration to Europe | European Commission \(europa.eu\)](#)

<sup>217</sup> In 2020, 472 000 asylum applications, including 417 000 first-time asylum applications, were lodged in the EU by asylum-seekers from nearly 150 countries. 26% of first-time applicants entered the EU legally from visa-free countries, predominantly from Venezuela and Columbia. In: EC, [Statistics on migration to Europe | European Commission \(europa.eu\)](#)

<sup>218</sup> FRONTEX, [Situation at External Border \(europa.eu\)](#). A **hotspot** is 'a section of the EU external border or a **region with extraordinary migratory pressure** and mixed flows that require reinforced and concerted EU-Agencies support to the affected MS, implemented via the EU Regional Task Force (EURTF)'.

<sup>219</sup> EPRS Briefing [Hotspots at EU external borders - State of play](#)

<sup>220</sup> European Asylum Support Office (EASO), Europol, the European Border and Coast Guard Agency (Frontex), Eurojust and euLISA

<sup>221</sup> 23 023 migrants and asylum-seekers landed on the archipelago last year irregularly from Africa by boat (compared with 2 687 in 2019).

<sup>222</sup> [Migration situation on the Canary Islands: committee debate | News | European Parliament \(europa.eu\)](#)

<sup>223</sup> UNHCR, *Malta Sea Arrivals and Asylum Statistics*, January 2021. Available on: [Malta Factsheet\\_v18 - 2020 ALLYEAR.xlsx \(unhcr.org\)](#)

<sup>224</sup> [Europol and INTERPOL issue comprehensive review of migrant smuggling networks | Europol \(europa.eu\)](#)

<sup>225</sup> EPRS, *Recent migration flows to the EU*, June 2021. Available online: [EPKS ATA\(2021\)649329 EN.pdf \(europa.eu\)](#)

<sup>226</sup> UNHCR, Operational Data Portal, July 2021. Available online: [Situation Mediterranean Situation \(unhcr.org\)](#)

## 1. Case studies: Greece, Spain, Italy, Cyprus and Malta

Figure VII-1: Mediterranean Sea Arrivals January to December 2020



Source: UNHCR Malta<sup>227</sup>

### Greece

There are approximately 120 000 asylum-seekers and migrants in Greece, of whom some 19 100 resided on the Aegean islands at the end of 2020<sup>228</sup>. In 2020 and 2021, the processing of applications was accelerated and many migrants were relocated from camps in the islands to 30 new mainland camps throughout Greece, which are transitory by design. However, despite speeding up the process, every level seems to be overburdened, as confirmed by NGOs, UNHCR and migrants<sup>229</sup>.

In 2021, the organisational structure of units cooperating with migrants at municipal level changed, evolving into a joint state-local municipality partnership, in which local municipalities respond more to the government policy toward migrants than independently<sup>230</sup>.

A total of 1 316 refugees and migrants arrived in Greece by sea in the first half of 2021. The arrivals concentrated mainly on the island of Lesvos<sup>231</sup>.

<sup>227</sup> UNHCR, *Malta Sea Arrivals and Asylum Statistics*, January 2021. Available on: [Malta Factsheet v18 - 2020 ALLYEAR.xlsx \(unhcr.org\)](https://www.unhcr.org/Malta_Factsheet_v18_-_2020_ALLYEAR.xlsx)

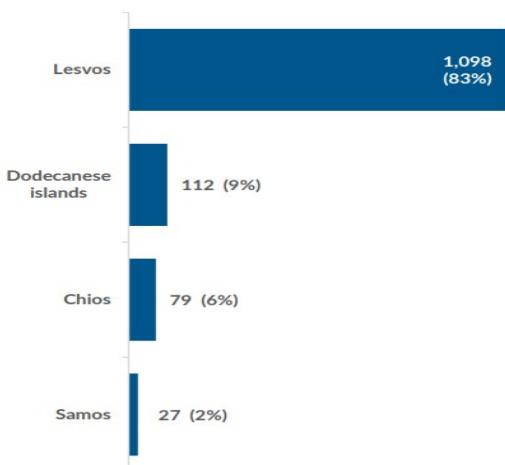
<sup>228</sup> UNHCR, Aegean Islands Weekly Snapshot, January 2021. Available on: [Document - Aegean Islands Weekly Snapshot 28 December 2020 - 03 January 2021 \(unhcr.org\)](https://www.unhcr.org/Document - Aegean Islands Weekly Snapshot 28 December 2020 - 03 January 2021 (unhcr.org))

<sup>229</sup> CoR, *Territorial impact of migration on frontline regions and cities on the EU shores of the Mediterranean*, July 2021.

<sup>230</sup> ibid

<sup>231</sup> UNHCR, *Sea Arrivals Dashboard*, July 2021. Available on: [GRC\\_SeaArrivals\\_DashboardMonthly\\_20210630.pdf \(reliefweb.int\)](https://www.unhcr.org/GRC_SeaArrivals_DashboardMonthly_20210630.pdf (reliefweb.int))

**Figure VII-2: Migrant arrivals to Greek islands in the first half of 2021**



Source: UNHCR data<sup>232</sup>, as at end of June 2021<sup>233</sup>

#### *Case study: Thessaloniki*

Greece's second largest city has a long and well documented history of inward migration, including a history of accepting large numbers of refugees. About 16 000 migrants reside in the greater Thessaloniki municipal area<sup>234</sup>. However, migration flows since 2011 have put a strain on the city and presented several challenges for the local governance, one of the most pressing being housing, which the municipality is addressing under the REACT21 (Refugee, Assistance, Collaboration, Thessaloniki) programme<sup>235</sup>, a municipal component of the **Emergency Support to Integration and Accommodation** programme (ESTIA<sup>236</sup>) providing urban accommodation and cash assistance to refugees and asylum-seekers in Greece and co-funded by the Asylum, Migration and Integration Fund of the European Union. The rental accommodation scheme benefits the host population both economically via renting of their apartments, as well as socially as it contributes to embracing diversity and peaceful coexistence<sup>237</sup>.

#### **Key challenges faced by Thessaloniki:**

- lack of economic capacity to absorb migrant workers;
- not enough funds to implement housing and schooling programmes effectively on a larger scale;
- centralised system of management of migration and integration, resulting in limited role for LRAs.

<sup>232</sup> UNHCR, *Sea Arrivals Dashboard*, July 2021. Available on: [GRC\\_SeaArrivals\\_DashboardMonthly\\_20210630.pdf \(reliefweb.int\)](https://reliefweb.int/report/greece/grc-seaarrivals-dashboardmonthly-20210630.pdf)

<sup>233</sup> *Ibid.* Arrival figures for Greece are provided by the Hellenic Police.

<sup>234</sup> CoR, *Territorial impact of migration on frontline regions and cities on the EU shores of the Mediterranean*, July 2021. Available on:

<sup>235</sup> RE.A.C.T. “Στεγαντικό πρόγραμμα για αιτούντες διεθνή προστασία” – Δήμος Θεσσαλονίκης ([thessaloniki.gr](http://thessaloniki.gr)), part of the ESTIA housing programme funded by the European Commission and run since 2020 by the UNHCR and the Greek Ministry of Migration and Asylum

<sup>236</sup> [ESTIA – UNHCR](#), July 2021.

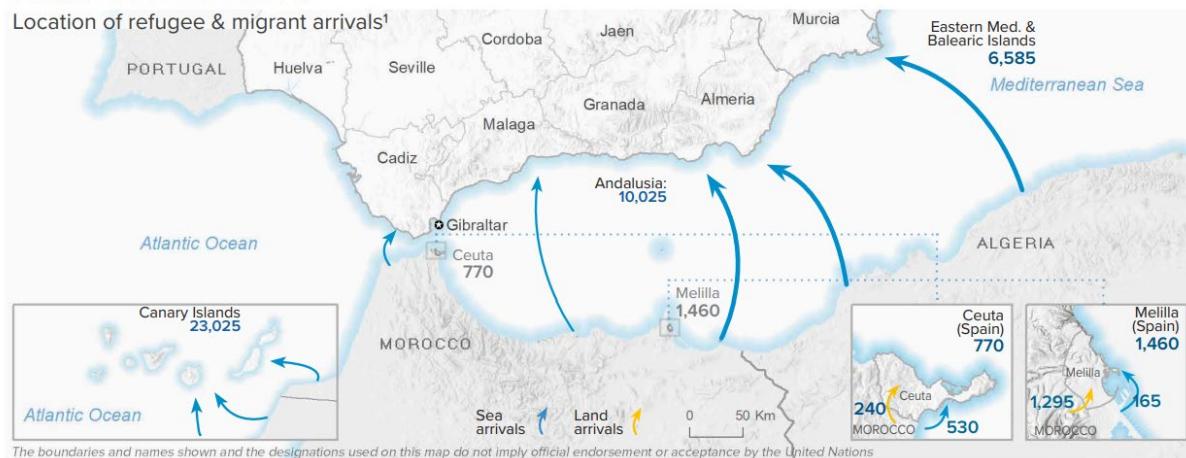
<sup>237</sup> According to an agreement signed between the Greek Ministry of Migration and Asylum, the European Commission and UNHCR in July 2020, the Greek government is taking over the management of the EU-funded ESTIA accommodation scheme, which UNHCR had managed at the Government's request since the end of 2015 in partnership with municipalities and NGOs.

## Spain

In 2020, 41 861 refugees and migrants arrived in Spain, with the highest number arriving in the Canary Islands.

**Figure VII-3: Spanish locations of migrant and refugee arrivals in 2020**

1 Jan- 31 Dec 2020



Source: UNHCR, Operational Data Portal<sup>238</sup>

In 2021, there have been 16 009 migrant arrivals in Spain so far<sup>239</sup>. The map below shows the regions of arrival.

**Figure VII-4: Migrant arrivals in Spain in the first half of 2021**



<sup>238</sup> UNHCR, Operational Data Portal, January 2021. Available online: [Document - Spain - land and sea arrivals - December 2020 \(unhcr.org\)](#) UNHCR, Italy weekly snapshot (4 July - 11 July 2021). Available on: [2021\\_07\\_11\\_Italy\\_Weekly\\_Snapshot\\_V11.pdf](#)

<sup>239</sup> UNHCR, Operational Data Portal, 25 July 2021, not including arrivals in Ceuta from 17 May onwards. Available online: [Country - Spain \(unhcr.org\)](#)

Source: UNHCR, *Operational Data Portal*<sup>240</sup>

#### *Case study – Barcelona*

While the municipality of Barcelona does not have competences in asylum and refugee policies, it has developed several initiatives and programmes<sup>241</sup>, to provide a coherent and comprehensive response at local level to an increasing influx of migrants and to target those whose legal status excludes them from national programmes<sup>242</sup>.

The Service for Immigrants, Emigrants and Refugees - a centralised municipal reception hub – provided comprehensive counselling and service provision (legal advice, housing, language learning, social care, psychological help, healthcare and work skills) to 19 001 people (migrants who have been living in Barcelona for less than two years) in 2020<sup>243</sup>. In addition, two programmes targeting migrants with specific needs have been created by the municipality: the Nausica programme, which targets asylum-seekers in situations of vulnerability due to their health situation or sexual orientation, offering housing and social support during a period of between 12 to 18 months on average, and the New Families programme, which targets migrants arriving in the city as a result of family reunification<sup>244</sup>.

#### ***Key challenges faced by Barcelona:***

- *lack of human resources to efficiently manage the ever growing influx of migrants;*
- *delivering adequate and affordable housing;*
- *municipal services offered do not take into consideration the cultural diversity of migrant citizens.*

#### *Italy*

In the first six months of 2021, **20 532** refugees and migrants arrived in Italy by sea, compared to 6 949 in the same period last year. The vast majority of them arrived in **Sicily**, most commonly on the **island of Lampedusa**. In June, there was a notable increase in disembarkations in **Calabria**, 16 in total accounting for 969 new arrivals, while 296 people disembarked in **Apulia**, 203 in **Sardinia** and 24 in **Basilicata**, the first arrival in the region since 2019.<sup>245</sup>

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<sup>240</sup> ibid

<sup>241</sup> Citizenship and Immigration Plan 2018-2021 & and the Barcelona Interculturality Plan 2021-2030. See CoR, *Territorial impact of migration on frontline regions and cities on the EU shores of the Mediterranean*, July 2021. Available on:

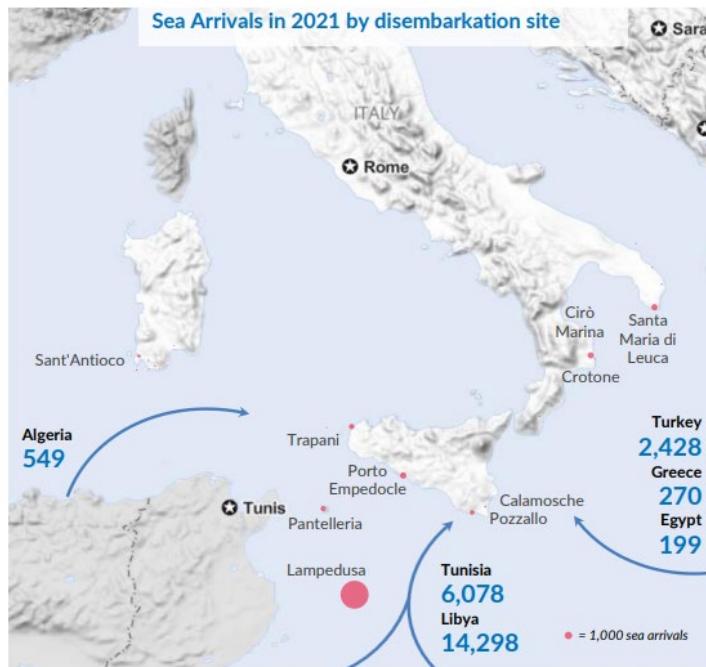
<sup>242</sup> Pla de Ciutadania i Immigració de la ciutat de Barcelona 2018-2021. Ajuntament de Barcelona. May 2018.

<sup>243</sup> Migrants who live in the municipality of Barcelona for more than two years are eligible for help and support from municipal social services.

<sup>244</sup> CoR, *Territorial impact of migration on frontline regions and cities on the EU shores of the Mediterranean*, July 2021.

<sup>245</sup> UNHCR, Italy Sea Arrivals Dashboard - June 2021. Available on: [Document - Italy Sea Arrivals Dashboard - June 2021 \(unhcr.org\)](http://Document - Italy Sea Arrivals Dashboard - June 2021 (unhcr.org))

**Figure VII-5: Sea arrivals in Italian islands and regions in the first half of 2021**



Source: UNHCR, Operational Data Portal<sup>246</sup>

#### Case study: Milan

The reception system for migrants in Italy operates on two levels: first reception, where migrants are identified and cared for on arrival in Italy, and second reception, which includes the SAI (Reception and Integration System, formerly SIPROIMI [before October 2020] and SPRAR [before 2018]) and the CAS (Extraordinary Reception Centres). Among the big cities in Italy, Milan is by far the one with the highest average capacity of places in Extraordinary Reception Centres (CAS). As of 31 December 2019, the municipality of Milan had 14 active CAS, with a capacity of 1 670<sup>247</sup> - with 119.3 places available, on average, in each CAS.

The municipality of Milan is mostly involved in the second reception of migrants (SAI), where an integration-oriented approach is implemented. In 2019<sup>248</sup>, a total of 738 people were hosted in Milan. The ratio of people hosted to the 422 available places shows that an average of 1.75 people have been hosted per bed.

Since 2018, the municipality of Milan has run the WeMi initiative, a service centre co-financed with European structural and investment funds, funds from the municipality administration, and the "PON Metropolitan Cities" fund. WeMi consists of a digital platform and a series of physical territorial

<sup>246</sup> UNHCR, Italy weekly snapshot (04 Jul - 11 Jul 2021). Available on: [2021\\_07\\_11\\_Italy\\_Weekly\\_Snapshot\\_V11.pdf](https://www.unhcr.org/2021/07/11/italy-weekly-snapshot-v11.pdf)  
UNHCR, Operational Data Portal, January 2021. Available online: [Document - Spain - land and sea arrivals - December 2020 \(unhcr.org\)](https://www.unhcr.org/documents/Spain-land-and-sea-arrivals-December-2020-unhcr.org)

<sup>247</sup> <https://www.openpolis.it/i-comuni-dove-vengono-offerti-piu-posti-nei-centri-di-accoglienza/>

<sup>248</sup> CoR, Territorial impact of migration on frontline regions and cities on the EU shores of the Mediterranean, July 2021.

infrastructures shared with the Milanese third sector and provides support services for all foreigners (including EU nationals) who reside permanently in Milan.

In 2020, the COVID-19 pandemic impacted the city in different ways. Migrants were among the most affected workers, namely employees in the catering sectors (dishwashers, waiters) and personal care (caretakers)<sup>249</sup>, and therefore incomes supporting entire households were lost. The municipality and the third sector, in particular, noticed that food poverty was a problem.

***Key challenges faced by Milan:***

- *providing housing for migrants at all stages of the asylum procedure;*
- *presence of self-reliant, closed migrant communities that are reluctant to cooperate with authorities;*
- *lack of EU long-term funds to finance structural policies.*

*Cyprus*

Most migrants arriving in the Republic of Cyprus (RoC)<sup>250</sup> cross its territory along the Green Line<sup>251</sup>, entering the Nicosia District. Since 2020, a smaller proportion has been arriving directly by boat, partly as a result of alleged pushbacks by the RoC to Turkey<sup>252</sup> and Lebanon since March 2020 and the country's 2020 agreement on readmission with Lebanon<sup>253</sup>. During the first months of 2021, however, an increase in irregular arrivals was noted by sea<sup>254</sup> and land through the Green Line.

Overall, the number of migrants arriving on the island has risen significantly in recent years<sup>255</sup>. Currently, the Republic of Cyprus has the highest number of first-time asylum applications in the EU per capita and about 4% of its population is now made up of asylum-seekers and beneficiaries of international protection. This situation has had a profound impact on the state, its administrative units

<sup>249</sup> <https://www.ilfattoquotidiano.it/2021/04/08/commercianti-partite-iva-cassintegrati-chi-sono-i-nuovi-poveri-del-covid-damilano-a-palermo-lurgenza-non-e-piu-il-cibo-ora-chiedono-aiuto-per-affitti-bollette-e-computer-per-la-dad/6153701/>

<sup>250</sup> Please note that the numbers provided in this section relate to the RoC; access to exact numbers regarding the Nicosia District only is limited due to the design of statistical records.

<sup>251</sup> The territories of the RoC and the Turkish Republic of Northern Cyprus (TRNC) are separated by the Green Line – a UN-controlled 180-kilometre-long buffer zone.

<sup>252</sup> Also to the TRNC. See: Nasar Meer, Emma Hill, Timothy Peace, Leslie Villegas, *Rethinking refuge in the time of COVID-19*, Ethnic and Racial Studies, Volume 44, 2021 – Issue 5: Themed Issue: Race and Ethnicity in Pandemic Times, pp. 864-876. Available at: <https://www.tandfonline.com/doi/full/10.1080/01419870.2020.1855359>

<sup>253</sup> Emma Wallis, *Deal with Lebanon makes seeking asylum in Cyprus more difficult*, InfoMigrants, 8.10.2020, <https://www.infomigrants.net/en/post/27809/deal-with-lebanon-makes-seeking-asylum-in-cyprus-more-difficult>.

<sup>254</sup> 1074 arrivals by 26 July 2021 according to the UNHCR, Operational Data Portal, July 2021. Available online: [Situation Mediterranean Situation \(unhcr.org\)](#)

<sup>255</sup> [https://www.unhcr.org/cy/wp-content/uploads/sites/41/2021/03/Cyprus\\_Fact\\_Sheet\\_MAR\\_2020.pdf](https://www.unhcr.org/cy/wp-content/uploads/sites/41/2021/03/Cyprus_Fact_Sheet_MAR_2020.pdf)

and its municipalities, including Nicosia District<sup>256</sup> and its settlements. The challenges of organising the reception of the newly arrived and of integrating those already granted protection have been amplified by the COVID-19 pandemic<sup>257</sup>. As of April 2021, the Pournara First Reception Centre in Kokkinotrimithia near Nicosia was still operating at 60% above capacity under deteriorating conditions, hosting some 1 600 people<sup>258</sup>, resulting in riots, demonstrations and hunger strikes since 2020.

#### **Key challenges faced by the Nicosia District:**

- *reception of migrants arriving in the Republic of Cyprus and providing them with decent living conditions;*
- *facilitating access to the labour market for all categories of migrants (also in the context of the post COVID-19 recovery of specific sectors of the Cypriot economy, such as hospitality);*
- *involving LRAs in the implementation of the integration strategy and ensuring continuity of their actions through the provision of necessary financial resources.*

#### *Malta*

With almost 1 600 inhabitants per km<sup>2</sup>, Malta has one of the highest population densities of the EU regions<sup>259</sup>. Relative to the size of the resident population, Malta recorded the highest rates of immigration in the EU in 2019 (56 immigrants per 1 000 persons)<sup>260</sup>, and the second highest in 2020 (after Cyprus).

In 2020, a total of 2 281 persons were rescued at sea and disembarked in Malta, a 33% decrease compared to 2019 sea arrivals (3 406).

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<sup>256</sup> The Nicosia District, with an area of 2 710 km<sup>2</sup> and a population of 327 000, is the largest of the six districts of the Republic of Cyprus (RoC)<sup>256</sup>. Its urban centre is Nicosia, the capital city of the RoC, which is the world's only divided capital – its northern part is controlled by the unrecognised Turkish Republic of Northern Cyprus (TRNC).

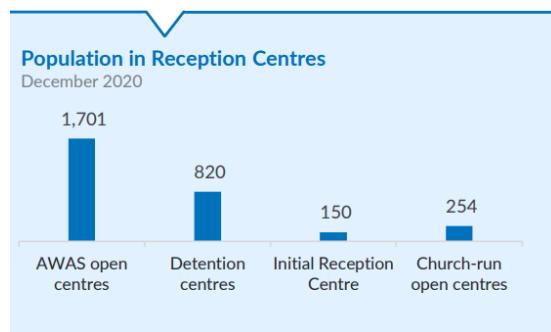
<sup>257</sup> As part of the anti-pandemic measures and following a nationwide lockdown, asylum-seekers living in independent accommodation were forced to move to the Pournara First Reception Centre in Kokkinotrimithia near Nicosia.

<sup>258</sup> <https://reporting.unhcr.org/sites/default/files/Europe%20COVID-19%20update%20April%202021.pdf>. Some 587 people live in the main camp, 812 in quarantine spaces, and 261 in a tented area outside the camp due to space limitations in the main area.

<sup>259</sup> By NUTS 2, as of 1 January 2019, <https://ec.europa.eu/eurostat/databrowser/view/tgs00024/default/table?lang=en>

<sup>260</sup> [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Migration\\_and\\_migrant\\_population\\_statistics#Migrant\\_population:\\_23\\_million\\_non-EU\\_citizens\\_living\\_in\\_the\\_EU\\_on\\_1\\_January\\_2020](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Migration_and_migrant_population_statistics#Migrant_population:_23_million_non-EU_citizens_living_in_the_EU_on_1_January_2020)

**Figure VII-6: Population in reception centres in Malta in 2020**



Source: UNHCR Malta<sup>261</sup>

*Case study: Malta's South-East region*

The South-Eastern Region is one of five regions on Malta<sup>262</sup> and includes the south-eastern part of the main island of Malta, including the capital Valletta. Its total area is 36.2 km<sup>2</sup> with a population of around 100 000.

**Key challenges faced by Malta's South-East region:**

- *reception of migrants arriving in Malta and providing them with decent living conditions;*
- *facilitating access to fair employment for the benefit of both migrants and the Maltese economy;*
- *involving LRAs and their associations in the implementation of the integration strategy and ensuring continuity of their actions through the provision of necessary financial resources.*

## **2. Assessment of the impact of migration on selected Mediterranean regions and cities**

Prior to 2020, regions and cities in the frontline Member States were largely responsible for arrival and integration<sup>263</sup>. The failure to enforce the principle of burden-sharing among the EU Member States resulted in LRAs being forced to innovate when it comes to managing migration flows<sup>264</sup>. For some of them, housing the newly arrived posed a critical challenge, which was further aggravated by the introduction of national quarantines in 2020 and 2021. Moreover, the COVID-19 pandemic tested the integration policies introduced by LRAs. Providing migrant communities with adequate information,

<sup>261</sup> UNHCR Malta, *Malta Factsheet*, January 2021. Available on: [Malta Factsheet v18 - 2020 ALLYEAR.xlsx \(unhcr.org\)](https://www.unhcr.org/malta/factsheets/2020/1/5ef3f33d4)

<sup>262</sup> Please note that the numbers provided in this section relate in general to Malta; access to exact numbers regarding the South-East Region only is limited due to the design of statistical records.

<sup>263</sup> Eurocities, Cities and Migrants. Implementing the Integrating Cities Charter, October 2018. Available at: [https://nws.eurocities.eu/MediaShell/media/3rd\\_Integrating\\_Cities\\_Report\\_October\\_2018\\_FINAL.pdf](https://nws.eurocities.eu/MediaShell/media/3rd_Integrating_Cities_Report_October_2018_FINAL.pdf)

<sup>264</sup> Nasar Meer, Claudio Dimaio, Emma Hill, Maria Angeli, Klara Oberg, Henrik Emilsson (2021). Governing displaced migration in Europe: housing and the role of the “local”. Comparative Migration Studies 9:1. Available at: <https://comparativemigrationstudies.springeropen.com/articles/10.1186/s40878-020-00209-x>.

social services and access to education are just a few examples of areas in which local integration policies had to adjust.

Capacity to receive migrants varies between LRAs depending on their size and wealth, the division of powers within the country, and the geographic location and related number and profile of migrants arriving in their territories. For instance, both Cyprus and Malta are relatively small islands which were faced with considerable migrant flows. In both countries, central-level authorities are responsible for the development and implementation of migration and asylum legislation and policies, although in the former district, authorities must coordinate the implementation of migration-related administrative tasks (e.g., citizenship applications)<sup>265</sup>. Similarly, in Italy there is a mismatch between the crucial role that LRAs play in migrant reception activities and their limited role in the management of relocating migrants from the first reception centres to various municipalities within the state. A good practice in this regard is cooperation between LRAs and third-sector actors (NGOs, CSOs, charities, international organisations), which help to address existing gaps in the reception system, such as the "WEMI – Milan for Inclusion" project. On the other hand, in Thessaloniki, cooperation between LRAs and civil society has been curbed due to legislative reforms imposed by the central government<sup>266</sup>.

In general, LRAs find it challenging to provide **public services**, especially good quality services, to migrants. In places where camps are located, they usually operate far above their capacity and under suboptimal conditions. Moreover, the pandemic further exacerbated this situation; for example in Cyprus, where due to health measures and the nationwide lockdown, asylum-seekers living in independent accommodation were forced to move to the Pournara First Reception Centre in Kokkinotrimithia near Nicosia (and forced to remain there even after the lockdown ended).

Outside the camps, the **provision of accommodation** is also a big challenge. For instance, in Milan, this is an issue not only at the initial stage when migrants are hosted in the SAI system, but also once they leave it. In Barcelona, demand for access to the reception shelter is so high that migrants are prioritised based on their vulnerability. Despite that, the waiting period to access the facility is six months on average. At the time, it is often the third sector that has to step in to assist migrants with securing accommodation. However, the associations find it increasingly challenging to respond to the ever-growing needs. As a result, migrants have been taking matters into their own hands and occupying buildings that had been abandoned for example by businesses that had not survived the pandemic, which is the case in Nicosia and Barcelona<sup>267</sup>.

Providing **education** to migrant children is a challenge due to limited human resources, language differences, cultural barriers and prejudices among parents and teachers alike (which usually translates into prejudices among the children themselves as well). As many of the migrant children had faced various traumas, it might be particularly difficult for them to adapt to new education systems – and for LRAs to secure the professional help they need. Amid the pandemic, participation in online classes was an additional difficulty due to a lack of electronic devices and/or an appropriate broadband connection

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<sup>265</sup> <https://portal.cor.europa.eu/divisionpowers/Pages/Cyprus-Immigration-and-asylum.aspx>

<sup>266</sup> As per law of 30 November 2020.

<sup>267</sup> CoR study, op. cited.

– despite attempts to address this problem in, for example, Thessaloniki through the REACT and Arsis programmes.

As for **healthcare services**, in most cases throughout the pandemic they were heavily overburdened and struggled to address the needs of both local and migrant communities. In Greece, for instance, this resulted in suspension of or delay in access to healthcare and the initial exclusion of migrants from vaccination schemes, a policy which however was altered fairly rapidly and currently enables vaccination for irregular migrants. In Barcelona, the need for mental health assistance among the migrant community has increased exponentially, which has created an additional burden on the already saturated services.

*Key challenges<sup>268</sup>:*

- *the key role that LRAs play in reception and integration systems is not always adequately recognised in legislation;*
- *provision of adequate housing, education and healthcare for migrants is one of the biggest challenges for LRAs;*
- *cooperation between LRAs and the third sector helps to address gaps in the reception systems in the EU Member States;*
- *in 2020, access to services was limited for migrants because of pandemic-induced lockdowns;*
- *deterioration of the socio-economic situation among the host populations led to an increase in anti-migration sentiments;*
- *accurate and up-to-date data on migration are generally not available, impeding the design of efficient and effective policies as well as the monitoring and evaluation of the implementation of existing ones;*
- *EU funding is not always sufficient and/or efficiently disbursed and spent due to red tape, resource-consuming application processes, and mismatches between funding priorities and local (fast-changing) needs.*

## B. Migrant workers across European regions

### 1. *Regional employment rates of migrant workers*

In 2020, the overall EU employment rate for nationals was 73.3%. By contrast, the EU employment rate for working-age people who were non-EU citizens was 57.2% (some 16.1 percentage points lower than the average for nationals). The below map shows that the highest regional employment rates for non-EU citizens were mainly in the Czech Republic and Poland<sup>269</sup>.

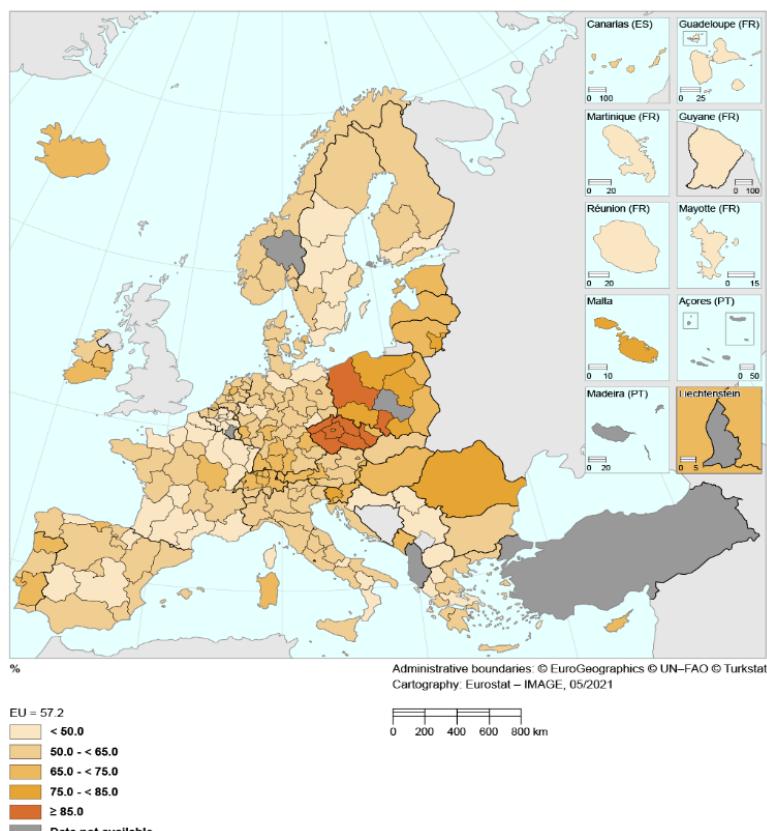
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<sup>268</sup> ibid

<sup>269</sup> EUROSTAT, Migrant integration statistics - regional labour market indicators, May 2021. Available online: [Migrant integration statistics - regional labour market indicators - Statistics Explained \(europa.eu\)](https://ec.europa.eu/eurostat/statistics-explained/index_en.htm).

**Figure VII-7: Employment rate for non-EU citizens, by NUTS regions, 2020**

(% of share population aged 20-64 years)



Note: Bulgaria, Hungary, Romania and Slovakia, national data. Poland (except for Makroregion Północny (PL2)) and Serbia, NUTS level 1. Bulgaria, Niedersachsen (DE22), Oberpfalz (DE23), Oberfranken (DE24), Unterfranken (DE26), Brandenburg (DE40), Trier (DEB2), Saarland (DEC0), Basse-Normandie (FRD11), Corse (FRM0), Bourgogne (AT11), Śląskie (PL22), Montenegro and Srbija - jug (RS2). 2019: Prov. Namur (BE35), Makroregion Wschodni (PL8) and Romania: 2018. Germany: 2020 data are provisional. Prov. Brabant wallon (BE31), Prov. Namur (BE35), Bulgaria, Moravskoslezsko (CZ08), Mittelfranken (DE25), Schwaben (DE27), Gießen (DE72), Kassel (DE73), Lüneburg (DE93), Detmold (DEA4), Thüringen (DEG0), Vorelo Alagao (EL41), Anatoliki Makedonia, Thraki (EL51), Dytiki Makedonia (EL53), Iperio (EL54), Ionianisia (EL62), Peloponnesia (EL63), Ciudad de Mallorca (ES64), Transylvanie (HRC2), Banat (HRD1), Vojvodina (HRD2), Lika-Senj (HRD3), Istria (HRD4), Jadranska Hrvatska (HR03), Kontinentalna Hrvatska (HR04), Vallo d'Aosta/Vallee d'Aoste (ITC2), Molise (ITF2), Friuli-Venezia Giulia (FRV1), Liguria (FRY1), Calabria (FRY2), Friaul-Julisch Venetien (FRY3), Sicilia (FRY4), Sardegna (FRY5). 2020: Prov. Namur (BE35), Makroregion Północny (PL1), Makroregion Północno-Zachodni (PL4), Makroregion Północno-Zachodni (PL5), Makroregion Północny (PL6), Makroregion Północno-Zachodni (PL8), Romania (RO), Slovakia (SK), Mellersta Norrland (SE32), Tredelag (NO06), Nord-Norge (NO07), North Macedonia, Srbija - sever (RS1) and Srbija - jug (RS2): low reliability. Mayotte (FRY5) is covered by a specific annual survey, so results should be treated with caution.

Source: Eurostat (online data code: lstat\_r\_itc2emprtn).

eurostat

Source: EUROSTAT, Migrant integration statistics - regional labour market indicators<sup>270</sup>

In 53 of the regions across the EU, less than half of non-EU citizens were in employment. Among these, there were 14 regions where the employment rate was below 40.0% and four — the French overseas regions of Guyane and Mayotte (results should be treated with caution) as well as the Belgian regions of Hainaut and Liège — where the rate was below 30.0%<sup>271</sup>.

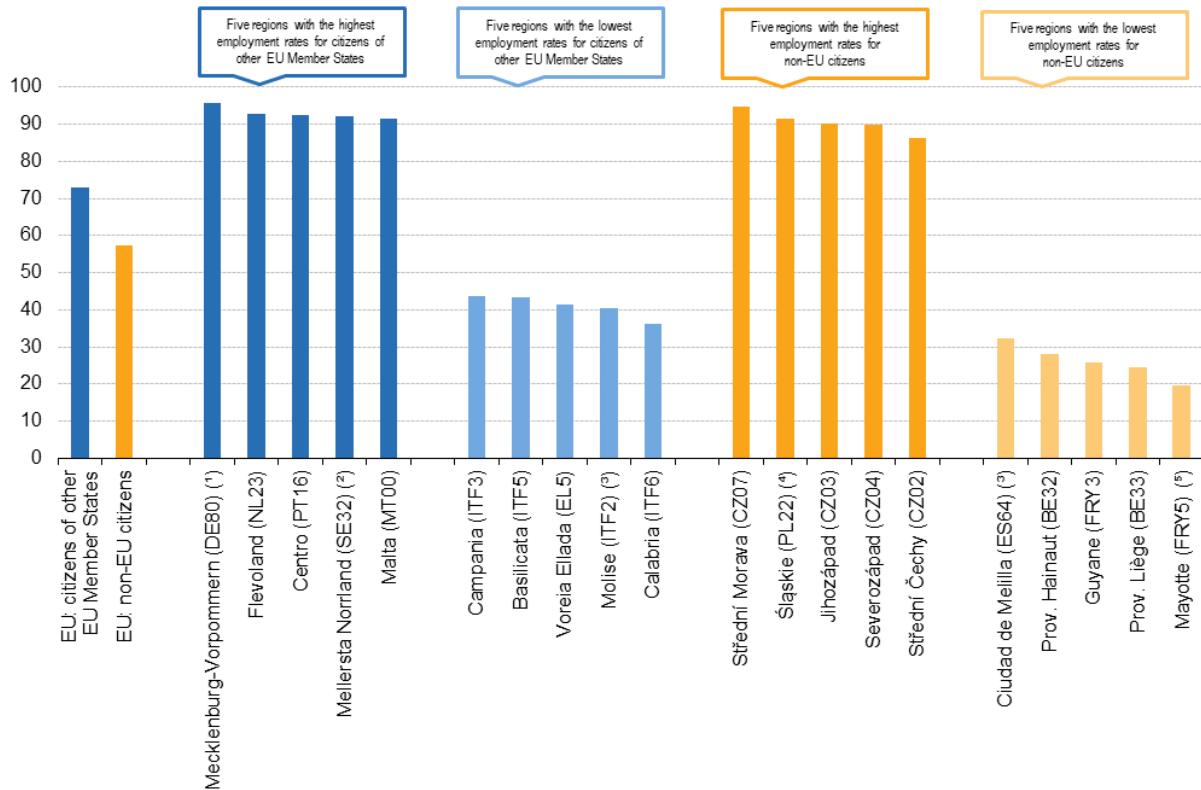
Figure VII-8 below summarises the information concerning the highest and lowest regional employment rates in 2020 for citizens of other EU Member States and non-EU citizens.

<sup>270</sup> ibid

<sup>271</sup> EUROSTAT, Migrant integration statistics - regional labour market indicators, May 2021. Available online: [Migrant integration statistics - regional labour market indicators - Statistics Explained \(eurostat.eu\)](https://ec.europa.eu/eurostat/statistics-explained/eurostat-statistics-regional-labour-market-indicators).

**Figure VII-8: Employment rates by citizenship for selected NUTS 2 regions, 2020**

(% share of labour force aged 20-64 years)



Note: based on available information. See Maps 5 and 6 for more information.

(<sup>1</sup>) Provisional.

(<sup>2</sup>) Low reliability. 2018.

(<sup>3</sup>) Low reliability.

(<sup>4</sup>) Low reliability. 2019.

(<sup>5</sup>) Covered by a specific annual survey, so results should be treated with caution.

Source: Eurostat (online data code: lfst\_r\_lfe2emprtn)

eurostat

Source: EUROSTAT, Migrant integration statistics - regional labour market indicators<sup>272</sup>

For foreign citizens, **employment rates in capital regions were generally higher than national averages**. Also, in 2020, the highest EU employment rate for non-EU citizens was recorded in cities (57.8 %).

**Inter-regional differences** were usually greater for non-EU citizens than for citizens of other Member States. The highest inter-regional difference for non-EU citizens was recorded in France (48.7%), followed by Belgium, Germany and Spain (excess of 30% difference between their regions with the highest and lowest employment rates for non-EU citizens).

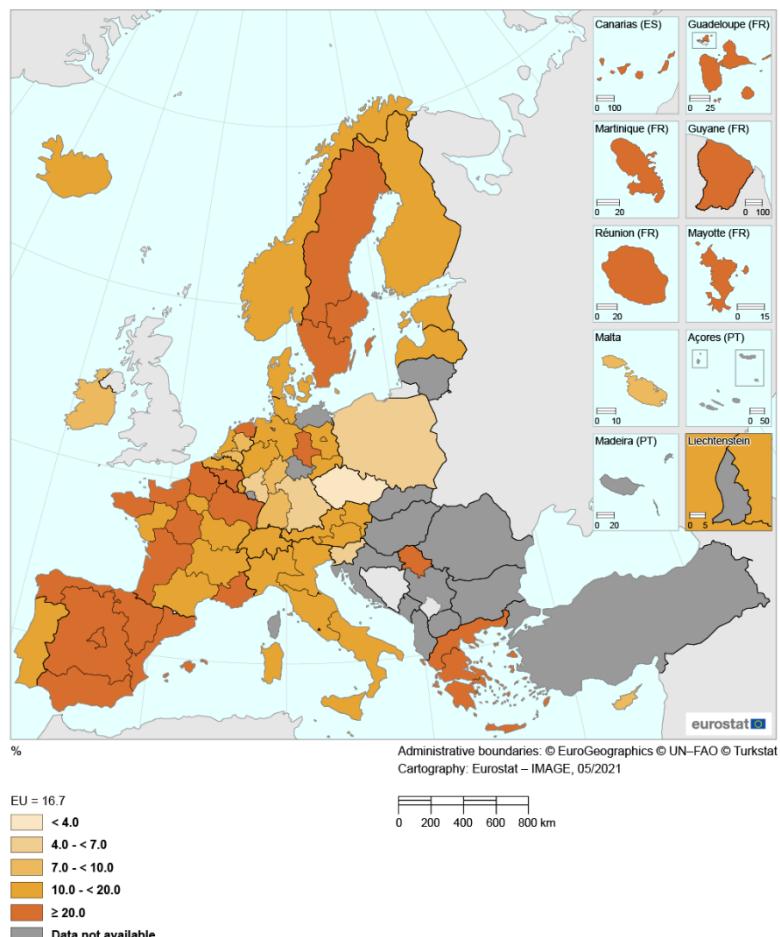
<sup>272</sup> ibid.

## 2. Regional unemployment rates of migrant workers

The below map shows that in 2020, the highest regional unemployment rates for non-EU citizens were mainly recorded in France, Sweden, Spain and Greece.

**Figure VII-9: Unemployment rate for non-EU citizens, by NUTS 1 regions, 2020**

(% share of labour force aged 20-64 years)



eurostat

Source: EUROSTAT, Migrant integration statistics - regional labour market indicators<sup>273</sup>

<sup>273</sup> EUROSTAT, Migrant integration statistics - regional labour market indicators, May 2021. Available online: [Migrant integration statistics - regional labour market indicators - Statistics Explained \(europa.eu\)](https://ec.europa.eu/eurostat/statistics-explained/eurostat/migrant-integration-statistics-regional-labour-market-indicators_en)

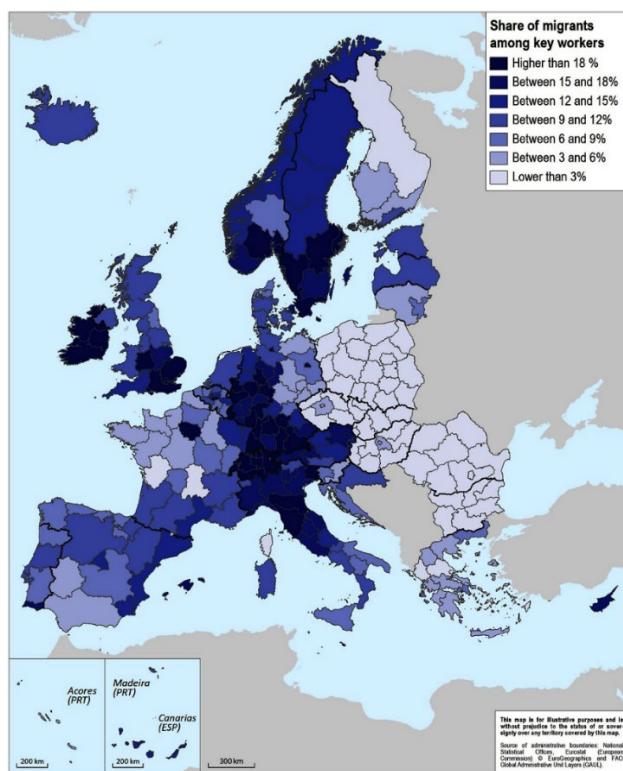
### 3. Migrants are essential to meet the demand for key workers in regional economies

According to the OECD<sup>274</sup>, the sectors that are crucial for the functioning of everyday life relied heavily on foreign-born key workers during the COVID-19 lockdowns. Migrants have played a vital role in essential services, making up 14% of key workers across European regions, with 5% from EU countries and 9% from non-EU countries. In the healthcare sector, 23% of doctors and 14% of nurses are foreign-born. In some cities, such as Brussels, around half of all doctors and nurses are migrants. The highest share of migrant key workers is in cities (20%), and cities also rely more on migrant key workers than other areas, especially in low-skilled occupations (25%).

The below map shows that the importance of migrant key workers also differs significantly within countries. On average, there is a 13-percentage point difference between the regions with the highest and lowest shares of migrant key workers in the same country. A share of more than 20% was recorded in Luxembourg, Stockholm, Oslo ag Akershus, Vienna, Darmstadt, Emilia-Romagna, Brussels capital, and Ile de France<sup>275</sup>.

**Figure VII-10: Migrant key workers across European regions**

Percent values, 2019, NUTS-1 or NUTS-2 (TL2) regions



Data: OECD<sup>276</sup>

<sup>274</sup> OECD, COVID-19 and key workers: What role do migrants play in your region?, 26 November 2020. Available online: [COVID-19 and key workers: What role do migrants play in your region? \(oecd.org\)](https://www.oecd.org/coronavirus/policy-responses/covid-19-and-key-workers-what-role-do-migrants-play-in-your-region-9633133/)

<sup>275</sup> ibid

<sup>276</sup> ibid

A CoR study<sup>277</sup> also confirmed that there are multiple gains associated with migrants' inclusion and integration, both for the migrants as well as for the host communities.

**Figure VII-11: Socio-economic gains from migration for host countries and communities**



Source: CoR study<sup>278</sup>

## C. How to boost the role of LRAs in migration-related policies?

A CoR study<sup>279</sup> on the "Territorial impact of migration on frontline regions and cities on the EU shores of the Mediterranean" provided several recommendations on how to boost the role of LRAs in migration-related policies (see infographics below). The authors called, inter alia, for a greater engagement of LRAs in the design of reception and integration policies and regulations as well as for an active and real engagement of the non-governmental sector and civil society – including organisations run by migrants. Coordination of migration-related activities between the numerous different stakeholders would also lead to greater effectiveness and efficiency.

In the same spirit, national-level reception and integration policies should be flexible to allow for adjustments to local circumstances and policies supporting the inclusion of migrants into the local labour

<sup>277</sup> CoR study, op. cited.

<sup>278</sup> [CoR study, Territorial impact of migration on frontline regions and cities on the EU shores of the Mediterranean, 2021. Available at: \[https://cor.europa.eu/en/engage/studies/Documents/Territorial%20Impact%20of%20migration%20on%20frontline%20regions%20and%20cities%20on%20the%20EU%20shores%20of%20the%20Mediterranean/Territorial%20Impact%20of%20migration\\\_merged.pdf\]\(https://cor.europa.eu/en/engage/studies/Documents/Territorial%20Impact%20of%20migration%20on%20frontline%20regions%20and%20cities%20on%20the%20EU%20shores%20of%20the%20Mediterranean/Territorial%20Impact%20of%20migration\_merged.pdf\)](https://cor.europa.eu/en/engage/studies/Documents/Territorial%20Impact%20of%20migration%20on%20frontline%20regions%20and%20cities%20on%20the%20EU%20shores%20of%20the%20Mediterranean/Territorial%20Impact%20of%20migration_merged.pdf)

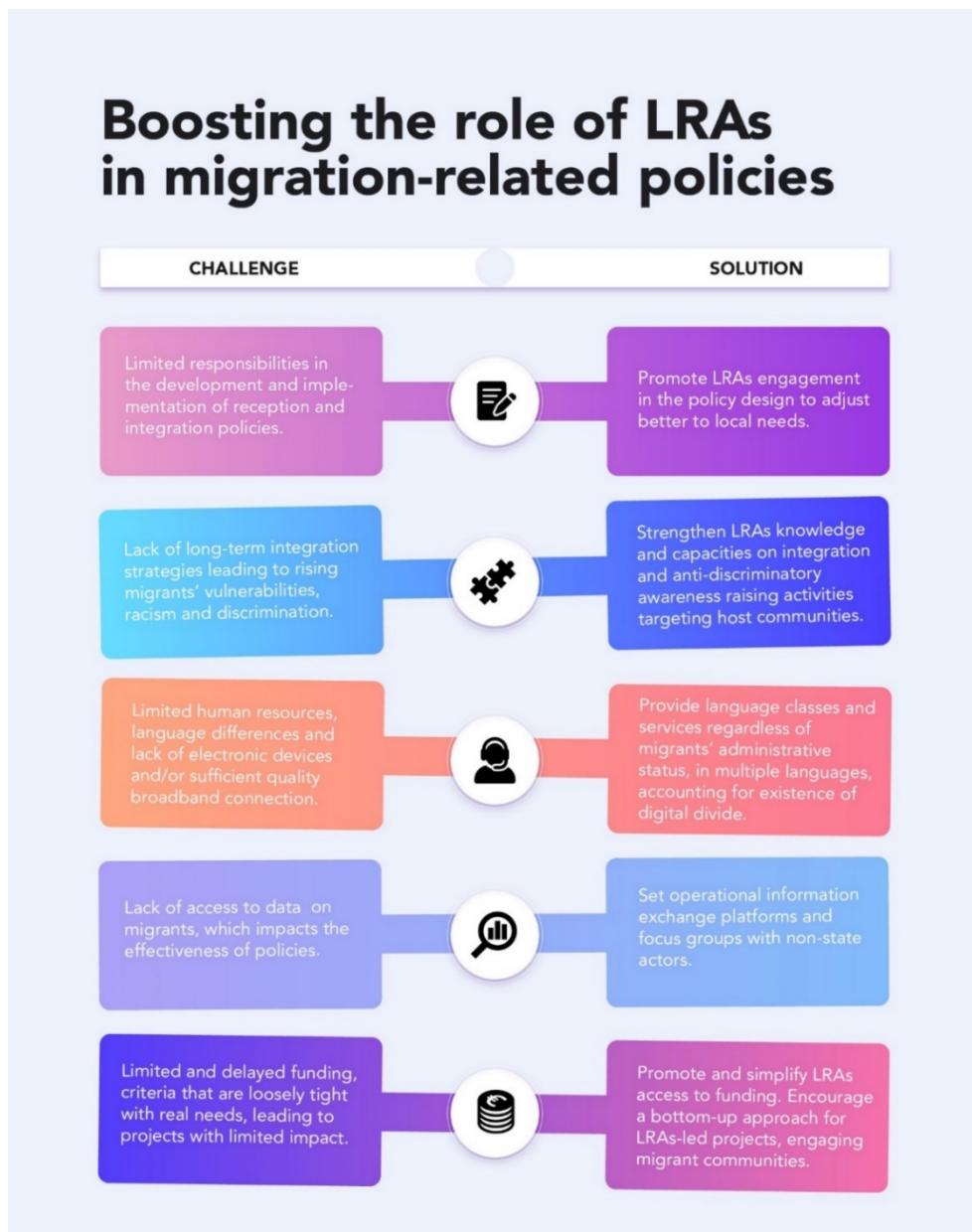
<sup>279</sup> ibid

market should be tailored specifically to local needs and realities. Everywhere, language classes for both children and adults should be a key part of integration practices.

When it comes to the use of EU funds for reception and integration policies by LRAs, this should be further promoted and LRAs' access to funding should also be facilitated, so that the cities and regions can respond to the recognised needs with the necessary flexibility and timeliness.

To battle racism and discrimination, financial support should be given to awareness raising and cultural activities by LRAs and integration programmes need to be designed such as to increase awareness of the benefits of migration in the host community and promote intercultural dialogue.

**Figure VII-12: Boosting the role of LRAs in migration-related policies**



*Source: CoR study (to be published)*

## YOUNG MIGRANTS

### **NEW-AQUITAINE – EUSKADI – NAVARRE EUROREGION EGTC: Spain - France**

*The report on the cross-border analysis of unaccompanied foreign minors and young people and the impact of the assistance model in the Basque Country (Euskadi) and Navarre regions and the Pyrénées Atlantique Department (L'analyse transfrontalière des mineurs et jeunes étrangers non accompagnés - M(J)ENAS - et l'impact du modèle d'intervention dans les territoires d'Euskadi, de la Navarre et du Département des Pyrénées Atlantiques) was drafted by Agintzari Social Cooperative and the University of Pau and the Adour Region as part of the YOUNG MIGRANTS (JEUNES MIGRANTS) project.*

*The latter is a cross-border project co-financed by the New-Aquitaine – Euskadi – Navarre Euroregion, with participation by the project partners Zabalduz Koop Elk and Zakan Nafarroa and associated partners such as Action Jeunesse, Innovation et Recherche (the Youth, Innovation and Research Association (AJIR)), the Organisme de Gestion des Foyers Amitié (the body responsible for managing the Foyers Amitié (OFGA)) and Sauvegarde de l'Enfance à l'Adulst du Pays Basque (the Basque association for protection from childhood to adulthood (SEAPB)), and with the collaboration of the governments of Navarre and the Pyrénées Atlantique Department and the Gipuzkoa and Bizkaia Provincial Councils.*

*The work carried out as part of this Young Migrants project is the result of the lessons learned from previous projects such as GazteJeunes or TransMENAS. These were also cross-border projects co-financed by the New-Aquitaine – Euskadi – Navarre Euroregion, which identified differences in the profiles of and models for assisting unaccompanied foreign minors and young people. However, they did not go into detail or further analyse this difference on the two sides of the Pyrenees.*

*The survey aimed to better understand these differences, with a view to enhancing synergies between the stakeholders involved in taking care of these young people from a cross-border perspective. Starting from this basis, the Young Migrants project set the following objectives:*

- *developing a methodological tool to better define the profile of unaccompanied foreign minors and young people, on the basis of five factors: socio-demographic, socio-educational and professional characteristics, their health status, their migration pathway and their social and civic involvement;*
- *using this methodological tool to understand the situation of unaccompanied foreign minors in the Pyrénées-Atlantiques, Basque Country and Navarre, by looking for at least 50 cases in each region and having technical staff from the response bodies assess their validity;*
- *analysing the data obtained, both in order to better define the characteristics of unaccompanied foreign minors and young people and to assess the impact of assistance models, from a twofold, regional and cross-border perspective, with specific indicators that analyse both the impact of the assistance model and the reality of the different aspects studied with the tool; disseminating results and good practices by strengthening cross-border collaboration networks and expanding knowledge-sharing and mutual learning.*

## **EUMINT – A CROSS-BORDER PROJECT FOR ASYLUM-SEEKERS AND REFUGEES 2018-2020**

### **EUROPEAN REGION TIROL-SÜDTIROL/ALTO ADIGE-TRENTINO EGTC: Austria-Italy**

*The EUMINT project strengthened institutional cross-border cooperation between Italy and Austria in Südtirol-Alto Adige, Tirol, Friuli Venezia Giulia, Kärnten, Veneto and Trentino in order to tackle the social, economic, political and cultural challenges connected to migration. EUMINT had a total of 17 partners – 10 beneficiary and 7 associate partners – from academia, public administrations and NGOs across Italy and Austria. Eurac Research was the lead partner.*

*EUMINT designed and employed an interactive, bottom-up, participatory methodology to better integrate asylum-seekers and refugees. It focused on three dimensions of integration: institutional cross-border, civic and labour integration. Firstly, the project promoted cross-border institutional cooperation by helping project partners to exchange experiences via field visits, ideas labs and recommendations for institutions operating at different levels in the field of integration.*

*Pillar two focused on civic integration, through encounters between asylum-seekers, refugees and local populations to promote awareness and foster collective engagement with common values. To ensure that these encounters were dynamic exchanges, the project developed innovative teaching materials including an interactive game called "The House of Common Values", videos, illustrations, explanatory notes and a poster to support the exploration and transmission of core values.*

*The aim was to improve integration processes, reduce discrimination and promote diversity by involving anybody who was interested in the process and by considering gender equality at all levels. As a result, more than 1000 people were involved across all activities (about 200 for institutional cooperation, 750 for civic integration and 200 for labour integration). These numbers include asylum-seekers, refugees and local people in the six regions involved in Italy and Austria, as well as beneficiaries at European level as they invited various European projects to their Ideas Lab. They established synergies with the Interact, ESPON and Dekolla programmes and had the opportunity to present the EUMINT project in other European countries outside the programme area, including Greece and Sweden. They were also selected to present the EUMINT project at the Project Fair in Bolzano, South Tyrol.*

## Chapter VIII – A democracy that delivers at regional and local levels

The COVID-19 crisis has impacted the functioning of democracy throughout EU Member States, including at local and regional level, and has intensified pre-existing trends of backsliding, as well as triggered innovative opportunities. The pandemic has worked as a resilience test for European democracy, with a potential significant impact on the public trust in democratic decision-making.

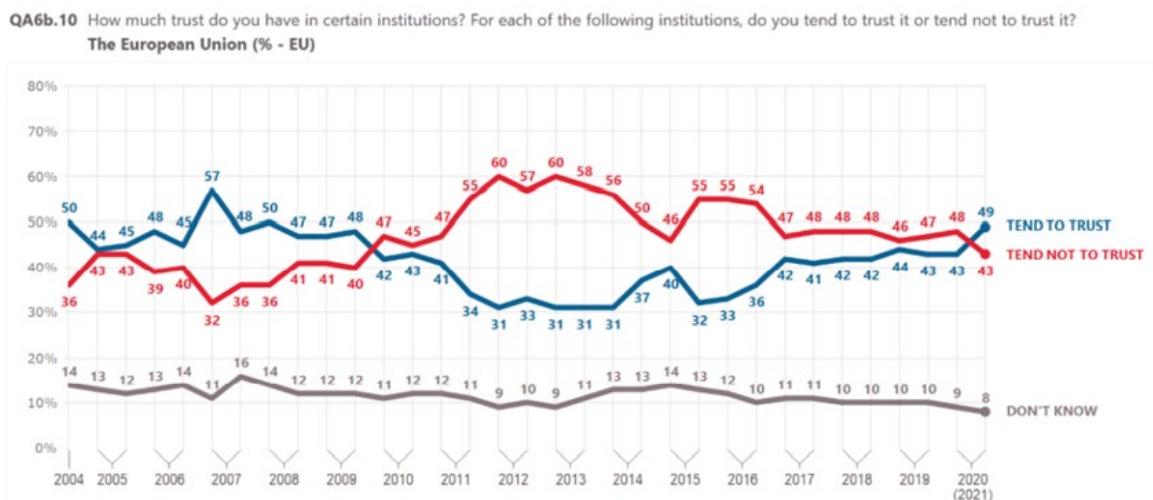
### A. Challenges and opportunities to strengthen European democracy in the aftermath of the COVID-19 crisis

Coming after several other crises (the financial crisis, the refugee crisis, Brexit), the pandemic has exposed European democracies and the EU itself to a further stress test. It could also be read as an opportunity to show what works and what does not at each level of governance in terms of methods, tools and competence allocation at each level of governance and in the coordination among them.

After more than a year of pandemic crisis and with plans and strategies for exit and recovery in place, some surveys provide meaningful overviews of how Europeans perceive the EU, national and regional/local authorities and the extent of their trust in them.

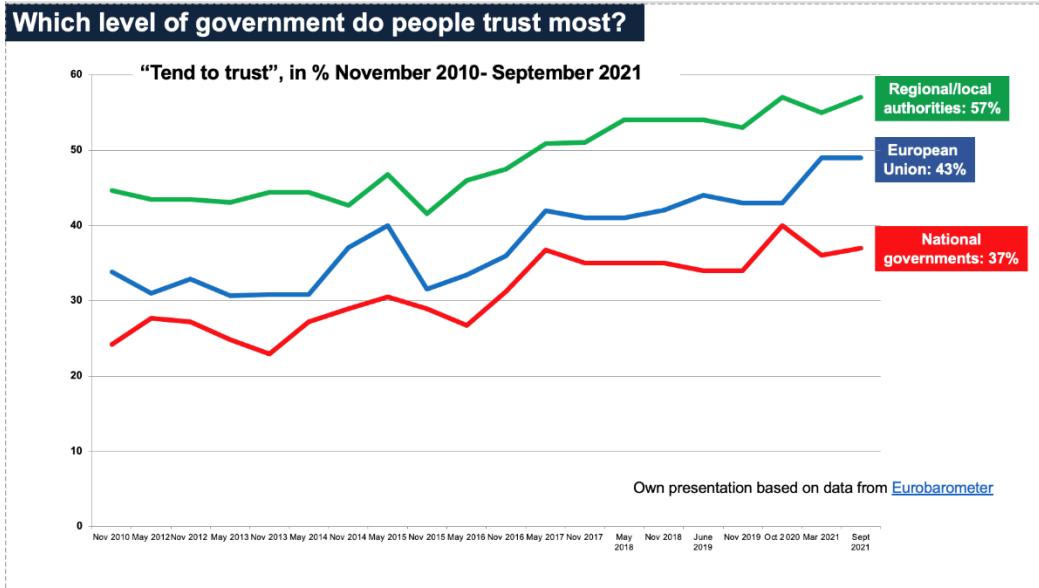
The **Standard Eurobarometer** published in April 2021 (fieldwork: February – March 2021) shows that the **level of trust in the EU** is at its highest level since spring 2008 (49% of the respondents, an increase by six percentage points since summer 2020) – see figure VIII-1.

*Figure VIII-1: Trust in the institutions of the European Union*



On top of that, it is worth mentioning that **the level of government that is most trusted by citizens is the regional/ local one**: 57% of the respondents say that they tend to trust local and regional authorities, whereas only 37% tend to trust national authorities<sup>280</sup>, as it is shown in figure VIII-2.

*Figure VIII-2: Trust in regional and local institutions*



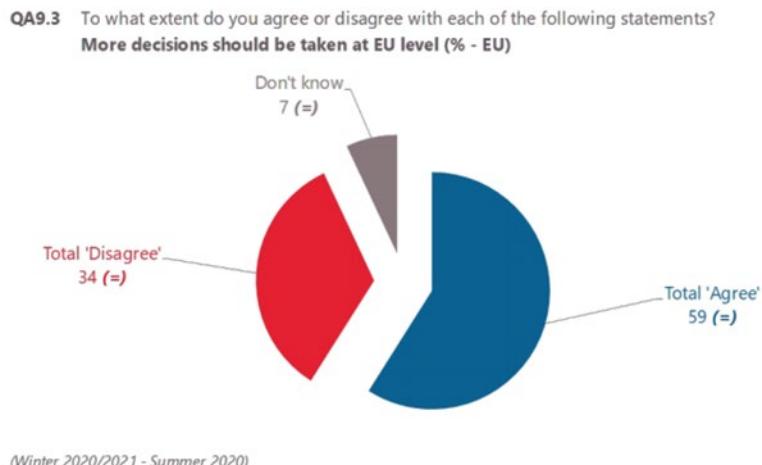
Moreover, 59% of the respondents agreed that more decisions should be taken at EU level and this proportion, like the one of respondents disagreeing with this statement (34%), has remained stable since the last Standard Eurobarometer survey in summer 2020 – see figure VIII-3<sup>281</sup>. In addition, the European Parliament's "Flash" Eurobarometer<sup>282</sup> shows that 77% of citizens agree and/or tend to agree that regions, municipalities and the civil society should be consulted on how "Next Generation EU" money is spent.

<sup>280</sup> Standard Eurobarometer 95 - Spring 2021. Available at: <https://europa.eu/eurobarometer/surveys/detail/2532>

<sup>281</sup> Standard Eurobarometer no. 94, *Public opinion in the European Union*, Winter 2020 – 2021. Available at: <https://europa.eu/eurobarometer/surveys/detail/2355>. The data quoted in the paragraph refer to EU27 average, whereas huge differences can be seen between member States. At the moment of revising this chapter, Standard Eurobarometer no. 95, Spring 2021, analysing fieldwork carried on in June – July 2021 was also published and is available at <https://europa.eu/eurobarometer/surveys/detail/2532>. It shows that the level of citizens' trust in the EU remained stable at 49%, while the one in national authorities slightly increased to 37%.

<sup>282</sup> Flash Eurobarometer survey on the State of the EU. August 2021. Available at: <https://www.europarl.europa.eu/at-your-service/en/be-heard/eurobarometer/soteu-flash-survey>

**Figure VIII-3: Percentage of respondents thinking that more decisions should be taken at EU level**



Source: Standard Eurobarometer 94 (2021) and internal elaboration on Eurobarometers 2010 - 2021

According to the **OECD Report "Government at a Glance 2021"**, the crisis and its aftermath (e.g. the exit and recovery strategies) show that *"one of the biggest lessons of the crisis is that governments will need to respond to future crises at speed and scale while safeguarding trust and transparency, the very underpinnings of democracy. (...) Trust and transparency are crucial for people to understand and comply with extraordinary measures in extraordinary times. They are also key to a society's capacity to absorb and bounce back from shocks"*<sup>283</sup>.

The report shows that in 2020, 51% of people in OECD countries trusted their government, up 6.3 percentage points (p.p.) from 2007 and 6 p.p. from 2019. This could mean that people rallied behind their institutions early in the crisis. In 18 of the 22 OECD countries for which information is available, average trust levels decreased between April/May and June/July 2020, indicating that this effect may fade quickly. Figure VIII – 4 shows how the level of trust varied in the timeframe considered.

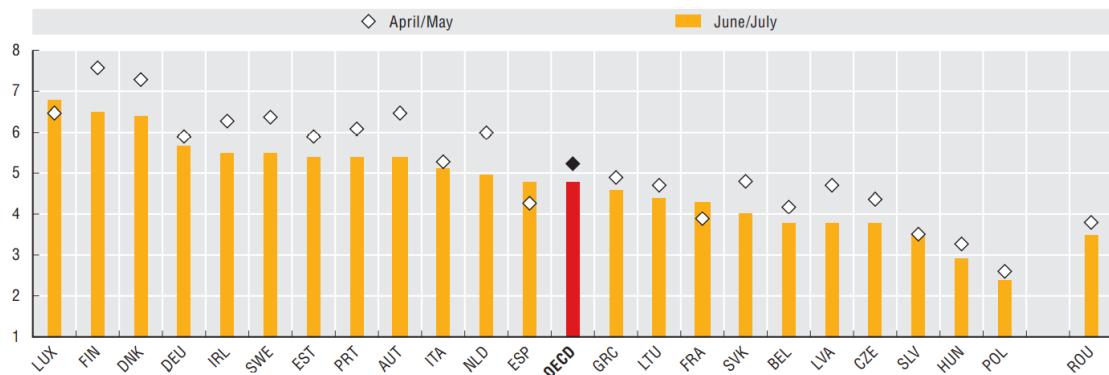
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<sup>283</sup> OECD, *Government at a Glance 2021*, OECD Publishing, 2021. Available at <https://doi.org/10.1787/1c258f55-en>. It is to be noticed that OECD figures are not strictly comparable with Eurobarometer ones, in consideration of the different timing of the fieldwork and of the different EU – OECD membership.

**Figure VIII-4: Trust in EU governments during the first wave of the pandemic (April-July 2020)**

**13.2. Trust in government during the first wave of COVID-19, 2020**

Average on a scale from 1-10



Source: Eurofound (2020), Living, Working and COVID-19.

Source: OECD (2021)

Similar findings emerged from a survey conducted by **Bertelsmann Stiftung and King Baudouin Foundation** in December 2020<sup>284</sup>. The aim of the survey was to measure the degree of satisfaction of citizens about how democracy works in the EU and in the respective Member State. Nearly 90% of the respondents said that the rule of law, free elections and freedom of expression are basic democratic values and 60% expressed satisfaction with how these values are implemented, saying that they are satisfied with the state of democracy in the EU. Moreover, satisfaction with how democracy works in individual EU Member States is as low as 54% in the EU-wide sample, with results varying from country to country (from 74% in the Netherlands to 40% in Italy). It is worth noting that those citizens who express overall satisfaction with their own country's democracy tend to be less satisfied with EU democracy, and vice-versa.

The degree of satisfaction of citizens with EU democracy was also analysed as a trend from March 2020 to June 2021 and broken up according to several parameters. Figure VIII-5 below shows the trend per European (macro) region.

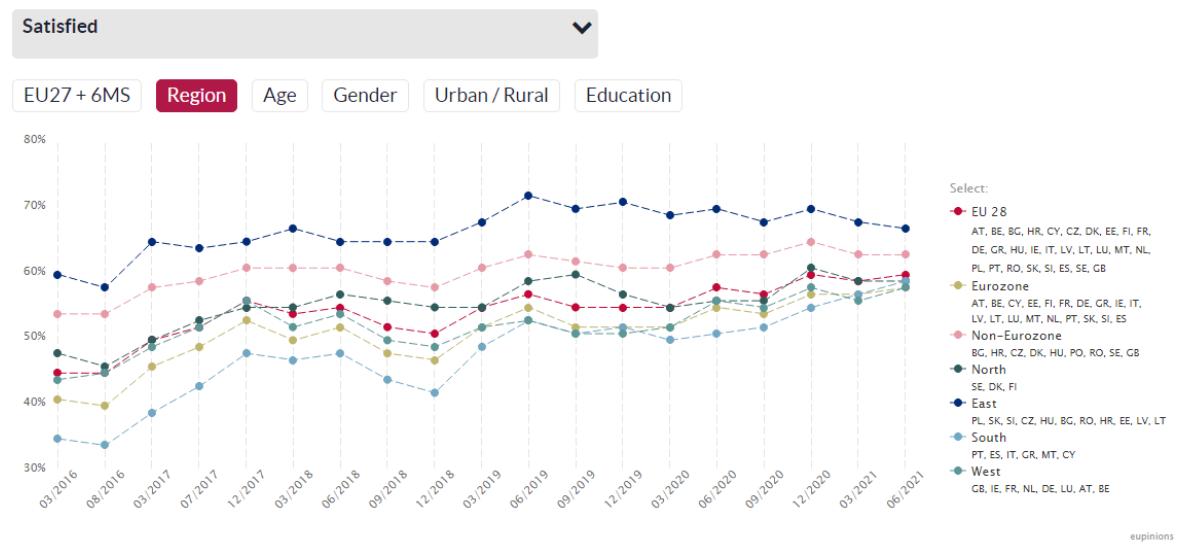
<sup>284</sup> Bertelsmann Stiftung – King Baudouin Foundation, *EuOpinion on Democracy and the rule of law in the European Union*, 2021. Available at: <https://eupinions.eu/de/text/democracy-and-the-rule-of-law-in-the-eu>. EuOpinion polls are conducted regularly across all EU Member States on European issues. The one on Democracy and the Rule of law polled a sample size of around 12 000 citizens representative of the EU as a whole. In-depth interviews were conducted with citizens of seven Member States (Belgium, France, Germany, Italy, the Netherlands, Poland and Spain). The table with long-term trends is available at: <https://eupinions.eu/de/trends#c111461>

**Figure VIII-5: Satisfaction with the functioning of democracy in the EU**

eupinions trends/ Democracy in the EU



How satisfied are you with the way democracy works in the European Union?



Asked to evaluate how the EU addressed the pandemic crisis, an average of 66% of all respondents expressed confidence in the actions taken by European institutions. Again, as with the question on the state of democracy, the weaker the confidence in one's own government, the greater the confidence in the competence of the European level.

The data mentioned above do not address the territorial dimension of the level of trust in democracy. However, a recent study by the **Joint Research Centre (JRC) of the European Commission** analysed the levels of trust towards national institutions and the EU as well as the satisfaction with democracy at national and EU level, as shown by the Standard Eurobarometer surveys between 2003 and 2019 and based on the self-reported level of urbanisation of the respondents.

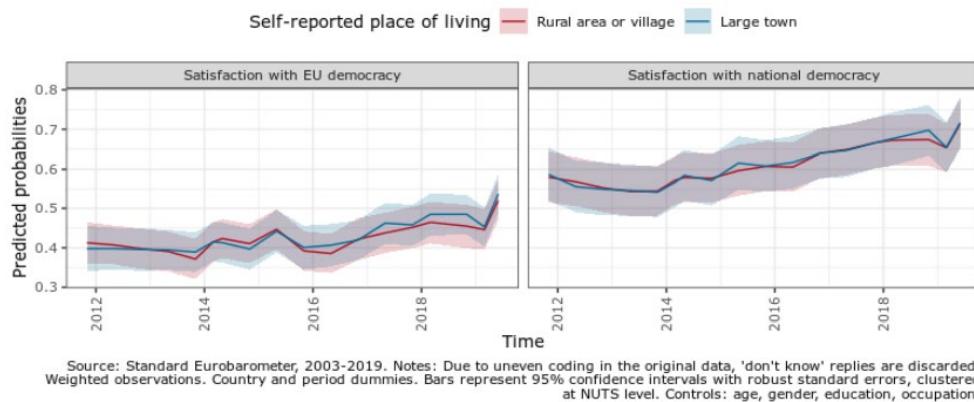
Overall, the empirical analysis showed "*some signs of a rural-urban divide in the political attitudes and behaviour of Europeans, but unevenly across various Member States and, importantly, their occurrence is issue-dependent. In addition, the observed geographic differences are less territorial in nature than a second-order manifestation of socio-demographic structural characteristics*".

Notably, the study highlighted that the main exception to this trend seemed to be trust in local and regional public authorities: in several Member States, higher predicted probabilities were observed in rural areas compared to cities. According to the authors of the study, this was in line with what had previously been observed in terms of rural-urban divides likely to be issue-dependent: observed issues over institutional trust, as well as over policy issues, may have more to do with structural socio-demographic features of the population describing themselves as living in rural and urban areas, rather than with the places themselves<sup>285</sup>.

<sup>285</sup> Joint Research Centre (JRC) of the European Commission, *Rural-urban divide in Europe? An analysis of political attitudes and behaviour*, 2021. Available at: <https://op.europa.eu/en/publication-detail/-/publication/2f5ea06c-7005-11eb->

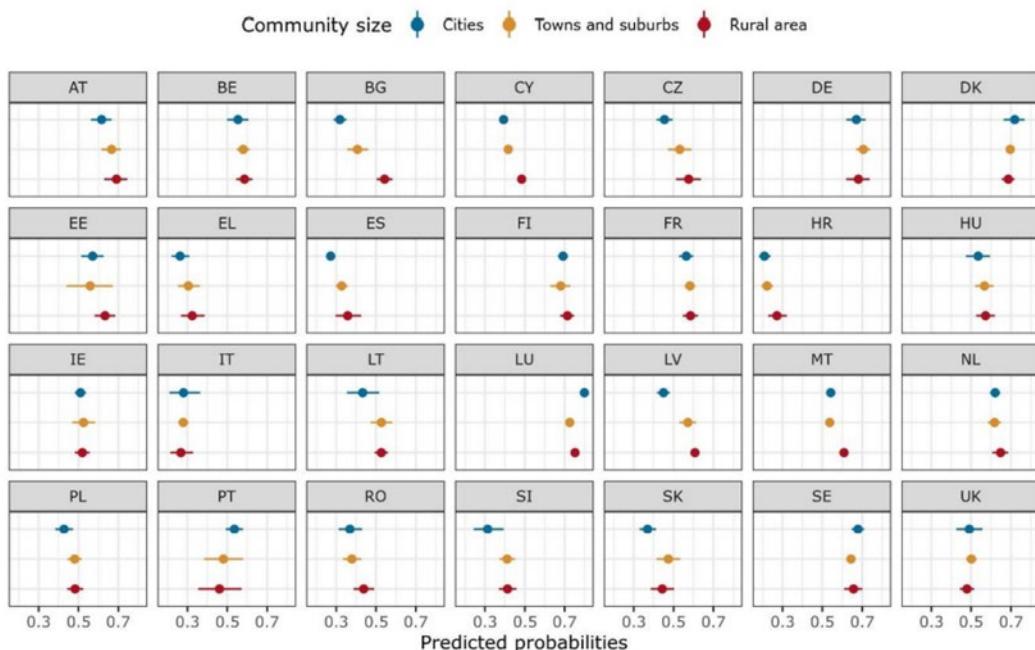
**Figure VIII-6: Probability of being satisfied with EU and national democracy**

Predicted probabilities of being satisfied with EU and national democracy, modulated by place of living



**Figure VIII-7: Probability of trusting local and regional authorities**

Figure 9. Predicted probabilities of trusting local and regional public authorities associated with community size



Notes: Country and period dummies. Bars represent 95% confidence intervals with robust standard errors, clustered at NUTS level. Covariates: age, gender, marital status, education, occupation, difficulty in paying bills, left-right ideology

Source: JRC, 2021

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[9ac9-01aa75ed71a1/language-en](#). For a better understanding of figures 5 and 6, it is useful to know that "predicted probabilities" are (in brief) the probability of an event that is calculated from available data, e.g. combining the "simple probabilities" of some events occurring.

The complex interaction between geography and social, economic and demographic variants in influencing citizens' trust in the EU is analysed in a working paper of the EC DG for Regional and urban policy on **The urban and rural divide in the anti-EU vote**, as shown in the figure below<sup>286</sup>.

**Figure VIII-8: Drivers of Euroscepticism**

TABLE 5: What drives Euroscepticism in cities, towns and suburbs and urban areas?

	Regional economic variables		Higher share of tertiary educated	Regional socio-demographic variables			Electoral district characteristics		Electoral variables		
	Declining GDP	Increasing unemployment		Higher share of migrants		Higher share of population aged					
				Born in the EU	Born outside the EU	20-39	40-64	65+			
Cities		↑			↑		↑		↑		
Towns and suburbs		↑	↓	↓	↑	↓	↑		↓		
Rural areas	↑	↑	↓	↓	↑	↓	↑		↓		

↑ Increases anti-EU vote      ↓ Decreases anti-EU vote

Data and findings show how it is crucial to make democracy work at all levels in order to strengthen or re-build citizens' trust.

This poses some questions that the following paragraphs will try to address.

- Paragraph 1: How are the current EU democratic model and its multilevel structure effective in addressing people's needs and what is the added value brought by LRAs?
- Paragraph 2: Could shifting towards new ways of citizens' engagement and participation at all levels of democracy be a way to address the crisis of trust and to revitalise European representative democracy?
- Paragraph 3: How can foresight contribute to strengthening European democracy and what opportunities does the Conference on the Future of Europe (CoFoE) provide?

### 1. Democracy and multilevel governance

The COVID-19 crisis has been a turning point in the European integration process, revealing the need to enhance the EU's ability to act for the benefit of its citizens. At the same time, the crisis has shown that the more all levels of government (European, national, regional and local) are able to work together

<sup>286</sup> De Dominicis, L. – Dijkstra, L. – Pontarollo, N., *The urban and rural divide in the anti – EU vote: Social, demographic and economic factors affecting the vote for parties opposed to European integration*, working paper 5/20. Available at: [https://ec.europa.eu/regional\\_policy/en/information/publications/working-papers/2020/the-urban-rural-divide-in-anti-eu-vote-social-demographic-and-economic-factors-affecting-the-vote-for-parties-opposed-to-european-integration](https://ec.europa.eu/regional_policy/en/information/publications/working-papers/2020/the-urban-rural-divide-in-anti-eu-vote-social-demographic-and-economic-factors-affecting-the-vote-for-parties-opposed-to-european-integration). The working paper develops the findings of the approach called "geography of discontent": see the Dijkstra, L. – Poelman, H. – Rodrigues Pose, A., *The geography of EU discontent*, working paper 12/2018, available at: [https://ec.europa.eu/regional\\_policy/en/information/publications/working-papers/2018/the-geography-of-eu-discontent](https://ec.europa.eu/regional_policy/en/information/publications/working-papers/2018/the-geography-of-eu-discontent)

in a coordinated way, the more they deliver effective policies, in line with the principle of active subsidiarity.

While in the first outbreak of the pandemic, decentralised and federal countries seemed to react quicker and more effectively than centralised ones, as the crisis progressed and evolved the need for decisions to be taken at a higher level and to be more coordinated emerged. In the end, in most countries, the need to take quick decisions led to centralisation and overly powerful executives, at the expense of parliamentary scrutiny and decentralised levels (as shown, for instance, by the extension and duration of the declarations of national emergency/state of emergencies in many Member States).

COVID-19 impacted the quality of democratic governance; at the same time, the quality of democratic governance impacted the success of the strategies put in place to address the crisis. Research shows that the impact of the pandemic may also have been influenced by deep institutional variations in the EU, both in terms of structures and of their overall quality. Different degrees of decentralisation can be crucial for addressing a pandemic crisis whose incidence differed greatly not only across countries, but also across regions within countries. The deep asymmetries in the incidence of the pandemic imply that local measures to tackle COVID-19 can be as, if not more, effective and more targeted than national ones, provided that regional and local levels have the adequate capacity to act – and here, the differences in quality of government can emerge strongly as an important factor, though of course not the only one. There are, indeed, noticeable differences in the performance between countries, including among those which enjoy comparable degrees of decentralisation.

With local and regional authorities being on the frontline of the crisis, but at the same time possibly marginalised or overstepped in decision-making, coordination and communication between different levels of government proved crucial in ensuring effective and efficient decision-making processes<sup>287</sup>.

The **OECD report "Government at a glance 2021"**<sup>288</sup> notes that most governments' responses to the COVID-19 crisis was appropriate: governments were able, in unprecedented circumstances, to protect lives and provide financial support to businesses and citizens. The report also demonstrates that many governments have operated with lower standards of consultation, transparency, oversight or control in their processes during the pandemic crisis. Several emergency regulations, often on a fast track, were introduced and the OECD has pointed out that alleviation of standards is inevitable in an emergency but must be limited in scope and time to avoid damaging citizen perceptions of the competence, openness, transparency and fairness of government.

One chapter of the OECD report focuses on institutions and notably on the role of the "Centres of government" (CoG) in response to the pandemic and in the design of the exit and recovery strategy. CoGs are the administrative structures supporting the executives at national level, so again we do not have data on sub-national level institutions, but it is still interesting to read that 20 out of 26 (77%) of CoGs in OECD countries reported supporting increased cross-ministerial coordination activities. Moreover, while 20 out of 26 governments (77%) consulted stakeholders on their strategies to respond

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<sup>287</sup> See also Palermo, F., *Is there a space for federalism in times of emergency?*, VerfBlog, 2020. Available at: <https://verfassungsblog.de/is-there-a-space-for-federalism-in-times-of-emergency/>

<sup>288</sup> OECD (2021), cit.

to the COVID-19 crisis, only 9 out of 26 (35%) actively involved stakeholders in designing these strategies.

The Monitoring Committee of the **Congress of Local and Regional authorities of the Council of Europe (CoE)** (hereinafter "the Congress") adopted a report on **Recurring Issues Based on Assessments Resulting from Congress Monitoring and Election Observation Missions** (Reference Period 2017-2020) together with a resolution and recommendation<sup>289</sup>.

The report monitors the years 2017 to 2020 and notes that the recurring issues of compliance with the European Charter of Local Self-Government identified in the previous report (2010 - 2016) remain relevant for the period under review, while welcoming the active role played by associations of sub-national authorities to promote and defend local self-government interests in several CoE member states, as well as an existing great variety of legally available instruments for citizen participation in local public affairs and the establishment of such new mechanisms.

The report notes that during the reference period, a tendency to re-centralise competences and the related financial resources has been confirmed in some countries, with the move to shift decisions from the level closest to the citizens and limit local financial resources being justified by the need to implement austerity and rationalisation programmes to tackle the consequences of the financial crisis respectively.

The recurring issues identified by the report of the Congress concern respect for the following prerogatives of local authorities, as established by the Charter<sup>290</sup>:

- (adequate) financial resources of local authorities;
- consultation of local authorities by higher levels of government;
- local and regional competences (scope of local government responsibility);
- conditions under which responsibilities at local level are exercised.

The monitoring period covered by the report does not allow for the impact of the COVID-19 crisis to be considered. Nevertheless, the conclusions of the report acknowledge that the coronavirus outbreak led a number of countries "*disproportionately and in violation of the Charter (to) recentralise finances and competences given to the local level of government, justifying these actions by the need to stop the spread of the COVID-19*" and state that "*it is to be reminded that the non-respect of the principles guaranteed by the Charter is a worrying development since democratic and open societies should respond to and combat the pandemic while continuing to uphold democratic principles*".

In March 2021, the **Congress** adopted a report on **Ensuring the respect of the European Charter of Local Self-Government in major crisis situations**<sup>291</sup>, that examines the impact of the major crisis

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<sup>289</sup> Congress of Local and Regional authorities of the Council of Europe, Report CG (2021)40-10 final, *Recurring issues based on assessments resulting from Congress monitoring of the European Charter of Local Self-Government and election observation missions (reference period 2017-2020)*, January 2021. Available at: <https://rm.coe.int/recurring-issues-2017-2020-rapporteurs-stewart-dickson-united-kingdom-/1680a28a72>. The report has monitored 24 CoE member states.

<sup>290</sup> The European Charter of Local Self- Government (1985) is available at: <https://rm.coe.int/european-charter-of-local-self-government-gbr-a6/16808d7b2d>.

<sup>291</sup> Congress of Local and Regional authorities of the Council of Europe, Report CG(2021)40-07final, *Ensuring the respect of the European Charter of Local Self-Government in major crisis situations*. Available at: <https://rm.coe.int/0900001680a19f64>

situations, such as the COVID-19 pandemic, on the application of the Charter in COE member states and identifies the most acute issues facing subnational authorities during the health crisis. The report highlights that, although the pandemic effects differ across regions and municipalities, globally, they brought about significant and diverse challenges for local authorities in CoE member states, in particular in the areas of public health, delivery of social services and economic activities. In some cases, pre-existing trends towards centralisation were accelerated; in general, during emergencies an inherent tension between centralisation and decentralisation is often witnessed and it is not solved once and for all "as crisis management may in fact oscillate over time between these two poles". Moreover, the Congress notes that the COVID-19 crisis has also aggravated the recurring issues of the Charter's implementation described in the February report (*supra*). The Congress also considers that "*the pandemic revealed the need for a more effective multilateral co-operation and multi-level governance*" and that "*in the digitalisation and “on-line democracy” triggered by COVID-19 may also lie an opportunity to increase transparency and citizens’ participation in the local political process provided that all changes in this area respect basic democratic principles of equality and inclusiveness*".

## 2. *Stepping up participation and citizens' engagement*

At local and regional level, there is growing interest in active engagement with citizens, as well as instances of participatory democracy to support and accompany representative democracy. Although this trend might seem to be in contradiction with the crisis of trust described in the first part of this chapter, it can also be read as a partial attempt to respond to the crisis: shifting towards new ways of engagement which are more active and closer to citizens might be a way of regaining their trust and increasing institutions' accountability, as well as improving the quality of democracy by boosting collective intelligence<sup>292</sup>.

A chapter of the **OECD report "Government at a glance 2021"**<sup>293</sup> is also dedicated to open government and citizens' participation. According to OECD definitions:

- Open government is a culture of governance that promotes the principles of transparency, integrity, accountability and stakeholder participation in support of democracy and inclusive growth;
- Participation is understood as all the ways in which citizens and stakeholders can be involved in the policy cycle and in service design and delivery. This includes both consultations, entailing a two-way relationship in which stakeholders provide feedback to the government and vice versa, and engagement, i.e. a process in which stakeholders are given the opportunity and the

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<sup>292</sup> European Committee of the Regions, *From local to European: putting citizens at the centre of the EU agenda*, September 2019. Available at: [https://cor.europa.eu/en/engage/brochures/Documents/From%20local%20to%20European/4082\\_Citizens%20Consult\\_brochure\\_N\\_FINAL.pdf](https://cor.europa.eu/en/engage/brochures/Documents/From%20local%20to%20European/4082_Citizens%20Consult_brochure_N_FINAL.pdf); Richard Youngs, *Patterns and particularities in European democracy*, in *Deliberative democracy in the EU. Countering populism with participation and debate*, CEPS, March 2020. Available at <https://www.ceps.eu/ceps-publications/deliberative-democracy-in-the-eu/>; EPRS briefing, *Democratic institutions and prosperity. The benefits of an open society*, February 2021. Available at: [https://www.europarl.europa.eu/thinktank/nl/document.html?reference=EPRS\\_BRI%282021%29679080](https://www.europarl.europa.eu/thinktank/nl/document.html?reference=EPRS_BRI%282021%29679080).

<sup>293</sup> OECD (2021), cit. OECD has also developed a specific area of work on Innovative citizens' participation, whose first output was the report *Innovative Citizen Participation and New Democratic Institutions. Catching the Deliberative Wave*, published in 2020 and available at: <https://www.oecd.org/gov/innovative-citizen-participation-and-new-democratic-institutions-339306da-en.htm>. Information on OECD activities on citizens' participation: <https://www.oecd.org/gov/innovative-citizen-participation.htm>.

necessary resources (such as information, data and digital tools) to collaborate during all phases of the policy cycle, and in service design and delivery.

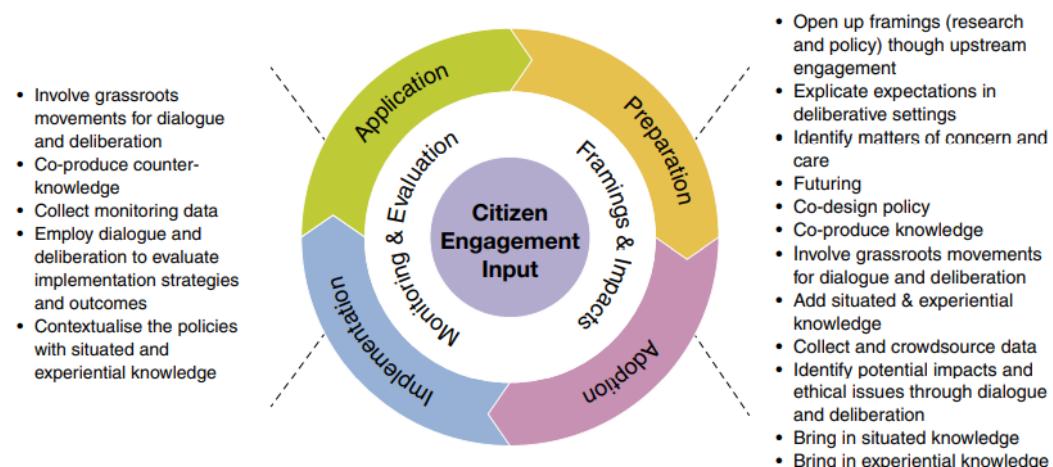
According to the OECD, "fine-tuning consultation and engagement practices could improve transparency and trust in public institutions":

- In 2020, 27 out of 32 (85%) of OECD countries had government-wide participation portals; 38% of OECD countries had several portals, and 47% had a single portal. The most common function of government-wide participation portals is providing information about past consultation or engagement opportunities, while fewer portals (only 41%) provide feedback to citizens and stakeholders about their input and recommendations;
- The use of virtual consultations in regulatory policy-making has increased since 2017; from 35% to 62% of OECD countries for early-stage consultations, and from 41% to 57% of countries for late-stage consultations.

Chapter 8 of the JRC "Science for policy handbook" is dedicated to "Engagement with citizens"<sup>294</sup> and explores the different narratives on which it is based, as well as mapping the types of input that citizen engagement can provide for the policy cycle (following the law-making cycle described in the EC Better regulation package<sup>295</sup>).

The findings provided by JRC show that bringing different voices, especially those that usually do not find space to be heard, into a policy process enriches the quality of the knowledge base and contribute to ensuring the social robustness of a policy, including avoiding addressing the wrong societal problem. Researchers also point out that the types and formats of citizen engagement input can vary, ranging from collected data and experiential knowledge to structured recommendations.

**Figure VIII-9: A possible cycle of citizens' engagement**



<sup>294</sup> JRC, *Science for policy handbook*, 2020. Available at: [https://ec.europa.eu/jrc/communities/sites/default/files/science\\_for\\_policy\\_handbook\\_fin.pdf](https://ec.europa.eu/jrc/communities/sites/default/files/science_for_policy_handbook_fin.pdf)

<sup>295</sup> Available at: [https://ec.europa.eu/info/law/law-making-process/planning-and-proposing-law/better-regulation-why-and-how/better-regulation-guidelines-and-toolbox\\_en](https://ec.europa.eu/info/law/law-making-process/planning-and-proposing-law/better-regulation-why-and-how/better-regulation-guidelines-and-toolbox_en)

The JRC has also published a report on "Navigating Diversity: Citizen Engagement in and across the EU"<sup>296</sup>, which presents and discusses many practices of citizen engagement activities across the EU through an inventory (the first of its kind) that was developed over a five-year period, 2016-2020. It presents practices developed at EU level (including the CoR as the "second public arena for citizens' engagement", the first being the European Commission) as well as at national level, highlighting that "the nationwide Citizens' Assemblies constitute a "proof of concept" for articulating various forms of democratic expression, allowing deliberative modes of expression to be lodged inside established forms of representation".

Another interesting review of citizens' engagement initiatives was compiled by the **European Parliamentary Research Service** (EPoS) in June 2020<sup>297</sup>. The conclusions of the EPoS study highlight a number of key issues and trends related to democracy, including:

- growing importance of the involvement of private stakeholders and setting up private-public partnerships (e.g. the case of Liège);
- democratic revitalisation seems to be effective at engaging citizens in public decision-making when it structures participatory processes across two levels: online and offline;
- the scale of the consultative processes needs to be carefully calibrated on the actual needs of policy-makers. In particular, small-scale participatory initiatives, which attract citizens more motivated to contribute, demand a responsible feedback from decision-makers.

At the moment of drafting this chapter, the JRC was also finalising its "**Identity and Values**" **flagship report**, which will include a chapter on citizen engagement, identity and values. Based on the analysis of case studies, deliberation is seen in the report as a powerful tool to bridge polarisation in divided societies, provided that civil society is empowered and authorities promote engagement; participatory and deliberative democracy can also help participants to acquire political skills and empower them to actively participate in the political process. In order (*inter alia*) to enrich the EU knowledge base on participatory and deliberative practices and build capacity in citizen engagement and participatory governance, in October 2021 the JRC will launch a **Competence Centre on Participatory and Deliberative Democracy**.

All these findings show that cities and regions are key actors in implementing and developing practices of participatory and deliberative democracy, whose potential can be boosted if the various initiatives are connected and an exchange of knowledge and best practices is promoted at EU level, alongside the implementation of similar practices at EU level as such.

The CoR has a key role to play in this regard, as shown by its initiatives and projects aiming to enhance the engagement of local and regional authorities with their citizens, as well as to connect and promote best practices throughout the EU and feed them into the EU policy-making cycle<sup>298</sup>.

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<sup>296</sup> JRC Technical report, *Navigating Diversity: Citizen Engagement in and across the EU*, 2020. Available at: <https://ec.europa.eu/jrc/communities/en/community/city-science-initiative/document/navigating-diversity-citizen-engagement-and-across-eu>

<sup>297</sup> European Parliamentary Research Service – EPoS, *The practice of democracy A selection of civic engagement initiatives*, 2020. Available at: [https://www.europarl.europa.eu/thinktank/en/document.html?reference=EPoS\\_STU\(2020\)651970](https://www.europarl.europa.eu/thinktank/en/document.html?reference=EPoS_STU(2020)651970)

<sup>298</sup> See the many activities implemented in the framework of the CoR policy priority on "Bringing the EU closer to its people": <https://cor.europa.eu/en/engage/Pages/Future-of-Europe.aspx>

### **3. Democracy, foresight and the Future of Europe**

The European Commission's attempt to engage more systematically in strategic foresight is key to reinforcing democracy in the EU. Detecting long-term trends and identifying areas in which policy, research and technological developments are most likely to drive societal, economic and environmental progress can help EU policy-makers improve the way they design laws and initiatives, and to develop future-oriented policies<sup>299</sup>.

The **2020 Strategic Foresight report**<sup>300</sup> highlights the role of urban areas as "important hubs of innovation and key to making the most of the green transition, which calls for reinforced participatory governance" in the framework of the so-called "green dimension of resilience". It does not, however, explore governance aspects in detail and with a horizontal perspective (i.e. not only related to the "green dimension"). These aspects will inevitably need to be taken into account, including at local and regional level.

The **ESPAS report 2019: "Global Trends to 2030"**, for instance, addressed very clearly the role of local politics as future "*conveyor belt for other policy issues: already, European regional and local elections match national elections in voter turnout. This means that cities are much closer to the daily lives and grievances of citizens, and therefore powerful antidotes to populist movements thriving on the perceived distance between the electorate and the national governments. This could also help address the democratic deficit often raised with regard to the EU*" and stressed how "*protecting our own way of life therefore includes closing the gap between citizens and their governments by making it more visible and approachable (at local and regional levels, for instance)*"<sup>301</sup>.

The **2021 Strategic Foresight report** considers that "*pressure on democratic models of governance and values*" is among the existing key global trends that the EU should address and, in this respect, it proposes to work on "*strengthening the resilience of institutions*": "*Increased polarisation shows the need for participatory and inclusive governance to enhance trust and legitimacy at all levels (...). New forms of participatory democracy, new technologies, civic participation and grassroots innovations, as in the context of the Conference on the Future of Europe, can enhance political participation and strengthen the resilience of our democratic systems*". The report also mentions the importance of countering disinformation and ensuring freedom of expression, as well as pluralistic and inclusive democratic debates and media freedom in the EU and beyond<sup>302</sup>.

The **Conference on the Future of Europe** (CoFoE) is an important opportunity to be seized, both as an innovative transnational democratic forum and as a process of dialogue with citizens taking place in parallel at European, national, regional and local level, including through innovative features which

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<sup>299</sup> EPRS (2020), cit.

<sup>300</sup> European Commission, *2020 Strategic foresight report. Charting the course towards a more resilient Europe*. Available at: [https://ec.europa.eu/info/sites/default/files/strategic\\_foresight\\_report\\_2020\\_1.pdf](https://ec.europa.eu/info/sites/default/files/strategic_foresight_report_2020_1.pdf)

<sup>301</sup> European strategy and policy analysis system - ESPAS, *Report 2019: Global Trends to 2030*. Available at: <https://espas.secure.europarl.europa.eu/orbis/node/1362>.

<sup>302</sup> European Commission, *2021 Strategic foresight report. The EU's capacity and freedom to act* - COM (2021) 750 on 8.09.2021. Available at: [https://ec.europa.eu/info/strategy/strategic-planning/strategic-foresight/2021-strategic-foresight-report\\_en](https://ec.europa.eu/info/strategy/strategic-planning/strategic-foresight/2021-strategic-foresight-report_en)

could potentially become permanent features of the EU policy and decision making scenario, such as the multilingual digital platform and the European citizens' panels.

The success of the CoFoE, however, will depend on the capacity of the EU institutions to adapt this consultative process to the needs and expectations of Europeans and to involve meaningfully relevant stakeholders, including local and regional elected representatives. This is even more crucial at a point in time when - as shown in this chapter - the consequences of the COVID-19 crisis are exacerbating threats to democratic systems<sup>303</sup>.

The CoFoE could also provide the opportunity to link the debates on policy issues to recommendations on possible institutional reforms, allowing the EU to deliver on citizens' needs and expectations. The aim should be to bridge any perceived (and real) democratic deficit by empowering the level of government closest to citizens and ensuring that their voice is heard in EU decision-making processes. The case for enhancing the influence of the local/regional level in the EU policy cycle is made in a study commissioned by the CoR from the **London School of Economics**, which was still being prepared at the moment of drafting this chapter<sup>304</sup>.

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<sup>303</sup> EPRS (2020), cit: Gaëtane Ricard - Nihoul, *Répresentation et participation. Réinventer la démocratie européenne*, Institut Jacques Delors, March 2020. Available at: <https://institutdelors.eu/publications/representation-et-participation-reinventer-la-democratie-europeenne>; *Next level EU citizen participation. Transnational digital dialogue with citizens from Denmark, Germany, Ireland, Italy and Lithuania*, Bertelsmann Stiftung, November 2020. Available at: <https://www.bertelsmann-stiftung.de/en/publications/publication/did/transnational-digital-citizens-dialogue-en>.

<sup>304</sup> The London School of Economics and Political Science – LSE, *Study on the Conference on the Future of Europe putting local and regional authorities at the heart of European democratic renewal*, in preparation (expected: September 2021).

## MULTI-LEVEL GOVERNANCE IN THE EUREGIO

### **EUROPEAN REGION TIROL-SÜDTIROL/ALTO ADIGE-TRENTINO EGTC: Austria-Italy**

*The European Region, straddling the divide between Italy and Austria, is a multilingual entity with two main languages, Italian and German. The strong linguistic and cultural ties are important catalysts for local and regional cross-border cooperation.*

*The ongoing coordination between the EGTC and the CLLD areas is a particularly important aspect of cross-border cooperation in the area. The border area between Italy and Austria is the only territory in Europe where the CLLD approach has been implemented on a cross-border basis. This means that only cross-border projects are eligible for financing, further boosting cross-border cooperation. The EGTC regularly meets with representatives of CLLD areas and undertakes joint communication activities, and the municipalities and the CLLD areas will in future act as an advisory body of the EGTC, in order to further strengthen multilevel governance.*

*There is regular interplay between different governmental levels in boosting cross-border projects. One emblematic example of multi-level governance is the "Europe Hut". The Europe Hut is located precisely on the border between Italy and Austria, with the state border passing through it since the end of the First World War, at difficult times even with barbed wire. The local CLLD area has funded a geological study to find the ideal location to reconstruct the hut, and the EGTC has acted as a political mediator bringing together all levels of government (including national militaries, Alpine Clubs and other relevant actors) and key political stakeholders, paving the way for the new organisational structure and financing of the hut. Next, the local level will use European funds to organise a participatory process to design the new hut and the municipalities will provide administrative assistance to support reconstruction.*

*All levels of government have been working together to give shape to the new Europe Hut, which will again be located partly in Italy and partly in Austria, becoming a symbol of overcoming past divisions in the spirit of European integration.*

## B. Flash Eurobarometer "local politicians of the EU and the future of Europe"

Between 21 July and 10 September 2021, the first-ever survey among the more than one million politicians elected at subnational level in the 27 Member States of the European Union was carried out on behalf of the CoR, in the format of a Special Target Group (STG) "Eurobarometer Flash". Carried out by Ipsos European Public Affairs, the online survey reached out to locally elected politicians across the EU and focused on questions related to:

- the contribution of regions, cities and politicians elected at subnational level to the future of Europe;
- the future of European democracy; and

- ideas on how to achieve a Europe closer to the citizens.

The questionnaire was inspired by the momentum created by the Conference on the Future of Europe. Local politicians were asked, for example, about their awareness of and engagement in the Conference as well as the importance they attached to the nine priority themes of the Conference.

The goal was to achieve 2 500 completed surveys in total, or between 50 and 200 completed surveys per country, depending on the country's size<sup>305</sup>. To achieve this, the survey was sent by email to approximately 20 000 local politicians across Europe. Moreover, the survey was shared with 67 associations of municipalities and regions, at least one in all 27 Member States, with the request to share the survey with their members.

The 20 000 local politicians' contact details were collected by Ipsos with the aim to achieve, to the extent feasible, a representative sample of locally elected politicians in all of the countries covered. In each of the countries, the sampling took into account:

- level of government (regional, provincial, local, municipal or other);
- political party affiliation; and
- geography, including urban versus rural.

For the creation of the sample, it needs to be highlighted that at the level of the European Union neither central or harmonised registries of elected politicians or election results exist for any level of government. To inform the sampling, desk research was carried out for which data was retrieved from various sources including national and regional election offices, statistical offices, European, national and regional associations and authorities, and academic institutes. Based on this, the following table was compiled, outlining the total number of politicians in each of the political levels in the EU Member States (note that the table is work in progress and that figures may change in the final report)<sup>306</sup>.

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<sup>305</sup> 200 in France, Germany, Italy, Poland and Spain; 100 in Austria, Belgium, Czechia, Greece, Hungary, the Netherlands, Portugal, Romania, and Sweden; 50 in Bulgaria, Croatia, Cyprus, Denmark, Estonia, Finland, Ireland, Latvia, Lithuania, Luxembourg, Malta, Slovenia and Slovakia,

<sup>306</sup> Note that the table is work in progress and that the figures may change when the desk research progresses.

**Figure VIII-10: Number of subnational constituencies and elected politicians in EU27**

	number of regions	elected politicians	number of provinces, counties, districts, departments etc.	elected politicians	number of municipalities, parishes etc.	elected politicians
Austria	9	440	94	0	2.095	20.000
Belgium	3	313	10	313	581	14.724
Bulgaria	6	0	28	0	265	9.066
Croatia	0	0	21	836	556	7.418
Cyprus	0	0	6	0	39	517
Czechia	14	675	0	0	6.258	61.950
Denmark	5	205	0	0	98	2.432
Estonia	0	0	0	0	79	1.729
Finland	19	30	0	0	311	8.999
France	18	1.914	101	4.049	35.358	570.819
Germany	16	1.879	401	17.345	11.130	60.000
Greece	13	752	7	0	332	9.470
Hungary	0	0	19	414	3.178	19.964
Ireland	3	0	31	949	3.441	0
Italy	20	1.064	107	1.347	7.960	125.920
Latvia	0	0	0	0	42	664
Lithuania	0	0	0	0	60	1.482
Luxembourg	0	0	12	0	102	600
Malta	5	76	0	0	68	532
Netherlands	0	0	12	642	380	10.391
Poland	16	552	314	6.244	2.411	40.292
Portugal	2	104	0	0	308	2.074
Romania	8	0	42	1.281	3.181	42.892
Slovakia	8	416	79	0	2.928	23.550
Slovenia	12	0	0	0	212	11.194
Spain	19	1.258	50		8.131	67.121
Sweden	0	0	21	4.600	290	35.900
<b>Total</b>	<b>196</b>	<b>9.678</b>	<b>1.355</b>	<b>38.020</b>	<b>89.794</b>	<b>1.149.700</b>

Almost 3 300 questionnaires had been filled in and the final report, 27 national factsheets, and the raw are public since 12 October 2021<sup>307</sup>. Results can be summarised as follows:

- Almost two thirds of local politicians (64%) feel that there is not enough **influence of regions, cities and villages on EU policy-making**.
- Of the nine **topics discussed during the Conference on the Future of Europe**, 61% of local politicians find ‘a stronger economy, social justice and jobs’ and ‘climate change and the environment’ (59%) most important followed by ‘education, culture, youth and sport’ (50%).
- On their awareness of and involvement in the **Conference on the Future of Europe**, one in two politicians replies that they are aware of it (51%) vs 46%, who are not aware at all, while only a small fraction are actively engaged (3%).
- With regards to **the future of European democracy**, two thirds of local politicians agree that they have sufficient information on how democracy works at EU level (66% vs 32% who disagree). In reply to the question what could improve democracy at EU level, most local politicians mention “information on democratic systems at EU, national, and subnational level” (90%), followed by strengthening the “involvement of subnational/local government levels in

<sup>307</sup> Available on <https://cor.europa.eu/en>

EU decision-making” (86%) and of “elements of participatory democracy such as citizens’ assemblies or panels” (75%)

- Finally, on how to achieve **a Europe closer to the citizens**, most local politicians favour ‘EU support for partnerships among regions and cities facilitating citizens’ contacts’ (52%), followed by ‘partnerships between regional/local councils’ (46%) and ‘information for / training of local politicians’ (45%).

# **Chapter IX – Main conclusions and policy recommendations**

## **➤ Adapt fiscal rules to the post-COVID reality**

LRA's extensive role in crisis management has increased their expenditure while their revenues fell, creating a large-scale COVID financial gap: approximately EUR 180 billion for all EU LRAs in 2020. National support has mitigated this but unevenly and temporarily, while support will likely continue to be necessary in the coming years, against a background of growing public debt.

**The revision of the European economic governance framework needs to better reflect the reality and the needs of local and regional governments post COVID-19, by better distinguishing current expenditure from long-term, sustainable investment. A 'golden rule of public investment' needs to be established to allow all levels of government to sustainably deliver public value.**

## **➤ Working on regional structural characteristics to improve resilience to shocks**

The - very asymmetrical - impact of the pandemic on the economic structure of EU regions depends on their exposure to restrictions/lockdowns but also to their regional structural characteristics such as the share of people employed in at-risk sectors; their level of education; the proportion of micro-enterprises or the quality of governance. Those characteristics are important elements determining the resilience of a territory, that is to say its ability to bounce back after a crisis.

**Cities and regions must be given the opportunity to make the most of "Next Generation EU" and focus on long-term investments enabling them to improve these structural characteristics. To do so, the timeframe for the recovery measures should be extended until EU regions return to their pre COVID-19 macroeconomic situation; the increased co-financing rate for the short-term recovery measures should be continued and consistency between the various funding programmes and regulatory measures should be sought.**

## **➤ Involve LRAs in the implementation of Recovery and Resilience Plans**

With 3 Member States out of 8 detailing the role of LRAs in implementation, Member States' intention to involve LRAs in the implementation of the RRP must be clarified and encouraged. The crisis created a new geography of Covid-19 in the EU, with a highly differentiated impact between regions, different from the traditional rural/urban, North/South and cohesion policy regions divides. Moreover, LRAs have key remits in sustainability fields such as urban mobility and are essential public investors, They should not be mere executors or recipients of funding for the implementation of the plans.

**LRAs should be partners and maximise potential for synergies between all levels of governments and existing funding. The governance of the RRF, via the European Semester, should integrate this territorial variable into the regular assessment exercises of RRP. In doing so, the European Semester should also better take account of local and regional realities.**

### ➤ Work towards digital cohesion

The urban-rural digital divide is important in all EU Member States other than Germany, Sweden, the Netherlands and Belgium. This divide concerns infrastructure, internet usage and use of e-government services. In addition, there is a strong concentration of digitally transformed businesses and tech industry in specific regions in the EU. Local and regional authorities can play their part in creating sustainable change. The priority should be to maintain the momentum of digital acceleration created by the pandemic, focusing on the opportunities offered by technology to make sure we do not leave anyone behind (notion of "digital cohesion").

**In order to detect and tackle digital divides, it is key to create a robust and comprehensive set of data at local and regional level to transpose digital targets in the 2030 Digital Compass to subnational levels, reflecting the role of local and regional authorities in digital transformation.**

### ➤ Support a local and regional green transition

The effects of climate change and environmental deterioration are already having significant detrimental impacts on the EU economy and the quality of life of European citizens. These effects are highly context dependent, varying greatly in their intensity and category across the Union. Local and regional authorities know best how to deal with climate risks on the ground and are showcasing their ingenuity in adapting to climate change daily. The sub-national authorities need to be recognised as fully-fledged partners when it comes to the implementation of the policies and projects of the European Green Deal in areas where they can deliver results to ensure a just green transition that contributes to territorial cohesion.

**It is necessary to reinforce the role of local and regional authorities in the implementation of the green transition, especially in policy areas where villages, cities and regions have competences and expertise to deliver such as renovation of buildings, sustainable mobility and "urban" greening. This is especially true as regards the COVID-19 recovery plans, where local and regional authorities can best ensure consistent use of the recovery funds with ESI Funds, including the Cohesion Fund and ERDF.**

### ➤ Recognise the importance of local and regional governments and apply multi-level governance and active subsidiarity

The Covid-19 crisis has impacted the functioning of democracy throughout EU Member States, including at local and regional level, and has intensified pre-existing trends of backsliding as well as triggered innovative opportunities. The pandemic has worked as a resilience test for European democracy, with potential significant impact on the public trust in democratic decision-making. European democracy is the result of a careful balance of local, regional, national and EU powers. Its foundations lie in our local communities, while we could see Member States as protective walls and the EU as the protective roof: it's the House of European Democracy.

**Europe can emerge from the COVID-19 crisis more environmentally and financially sustainable and economically resilient in terms of the democratic processes by formally recognising the importance of local and regional governments and acknowledging its territorial diversity. Irrespective of different constitutional frameworks regulating the division of powers, a proper application of multi -level governance, better application and respect for legally recognised**

**division of powers and the application of active subsidiarity is key to ensure that competences are allocated to the level whose action will produce added-value for citizens and that coordinated, effective and efficient decision-making processes are in place. Strategic foresight analyses, research and polls (e.g. Eurobarometer) should also address more frequently the local and regional dimensions of democracy to provide more robust evidence and data to support policy and law-making.**

➤ **Strengthen participatory democracy throughout Europe through the Conference on the Future of Europe**

Cities and regions are key actors in implementing and developing practices of participatory and deliberative democracy, whose potential can be boosted if the various initiatives are structured, connected and an exchange of knowledge and best practices is promoted throughout Europe, as well as at EU level. Such initiatives would aim to complement and strengthen representative democracy. The Conference on the Future of Europe is an opportunity to be seized, both as an innovative transnational democratic forum and as a process of dialogue with citizens taking place in parallel at European, national, regional and local level.

**EU institutions, regions and cities should make the most of the Conference on the Future of Europe. It is an opportunity to pilot innovative features (such as the interactive multilingual digital platform and the citizens' panels as a means to structure dialogue with citizens) that could potentially become permanent features of EU policy-shaping and decision-making procedures.**

➤ **Prepare new avenues of territorial cooperation with the local and regional authorities from the United Kingdom**

The relationship of the European Union with the United Kingdom will remain the most intense and many-sided of any relationship with a third country. However, the relationship is far from being stabilised as it is still very much determined by a hastily concluded Trade and Cooperation Agreement (TCA), which prioritises the "intergovernmental" relationship and whose implementation is still a work-in-progress, and by the hazards of the pandemic management. In part for these reasons, the relationship lacks territorial "depth". The CoR should therefore contribute to setting a positive agenda for territorial co-operation with UK local and regional authorities based on new avenues and not relying only on the TCA's institutional framework.

**To open new avenues of territorial cooperation with the United Kingdom, an amendment of the regulation on European Groupings of Territorial Cooperation (EGTC) may be considered. Likewise, when developing EU macro-regional strategies in the Atlantic but also in the Mediterranean, the involvement of UK local and regional authorities should remain an option. Member States and EU institutions should provide specific support for the administrative capacity of public or semi-public institutions, such as universities, to engage in cooperation projects with UK partners and proactively identify projects, which would not be conditioned by the political context at "intergovernmental" level. On EU-side, the monitoring of the involvement of regions and cities in the implementation of the Brexit Adjustment Reserve (BAR) will be key to determine whether remedying Brexit's territorial impact is more than a top-down exercise.**

➤ **Boost the role of local and regional authorities in migration and integration related policies**

The interplay of the global challenge of migration and the need to respond to it locally means that many local and regional authorities play an active role in receiving and integrating migrants. They also provide other vital urban infrastructure and services to meet the needs of the local population as well as the migrant population (such as affordable and social housing, quality education and health services). As the COVID-19 pandemic affected all cities and regions across Europe, it revealed a pressing need to consider the conventionally separate thematic silos of policies such as housing, healthcare, social inequality and migration as interdependent policy fields through a comprehensive and holistic approach leading to inclusive recovery strategies.

**Migrant reception and integration policies need to be formulated in consultation with LRAs to ensure that these policies correspond to local needs. Furthermore, to ensure that LRAs have the necessary flexibility and can quickly respond to the changing local needs, their access to the supporting funds needs to be facilitated. To minimise the risk of implementing projects disconnected from real-life problems and the needs of their beneficiaries, a bottom-up approach in the development and implementation of projects led by LRAs should be promoted and municipalities participating in the EU relocation programme and/or developing their own integration projects should be able to receive direct funding.**

➤ **Make regions and cities a focal point for the creation of policies on employment and social protection and allowing more flexibility in the acquisition and management of EU funds, should be prerequisites for a successful recovery**

The pandemic showcased a number of weaknesses in the areas of employments and social protection, especially at a time when both seemed to be improving overall in the European Union. Regions and cities have been forerunners in the effort to mitigate the negative effects brought on by the pandemic by adopting a series of innovative measures, employing active cooperation and by taking initiatives that supplemented national measures. It is however disappointing, that EU funding for the recovery process was focused primarily towards the Member States and almost completely disregarded the regions and cities' role and expertise.

**Regions and cities must be given a more active role in the recovery process. Making policies on national level is not enough: case in point was Vice-President Dombrovskis' comment on the Commission's assessment of 23 national plans submitted in the context of the Next Generation EU (European recovery budget of €750 billion): "It appears that local and regional involvement varied a great deal between countries and was limited in some cases". As regions and cities are the main driving forces behind the recovery effort, they must be allowed greater flexibility and involvement, as well as easier access to EU recovery funds.**

➤ **Make Erasmus really accessible for all and ensure a minimum qualifications and skills guarantee for all young people in the EU**

By perfecting the lessons learned during the pandemic and building on the experience of using online and hybrid modalities of learning and training we can extend Erasmus+ for all – regardless of economic backgrounds or place of origin. Regions can play a central role in facilitating, in a flexible way, the identification of various groups that would like to participate. Different Erasmus type programmes can

be adapted to different needs, ensuring modalities for everyone and focusing for example on European democracy; the European way of life; preparing the capacities to make the best of the new digital tools.

**Young people are more affected by unemployment (at 17% for youth compared to the general 7.1%; figures for EU-27 in June 2021). The COVID-19 pandemic has reversed the considerable recovery experienced during the seven previous years (when youth unemployment went down from 25% to 15%). In order to support youth to develop the necessary skills and competences and help them find a job, a basic package should be offered to every young people. Every young European should also have a "minimum qualifications and skills guarantee", recognised and validated in all Member States, that empower them to access and complete a minimum level of educational attainment.**

# **Annexes**

## **A. List of abbreviations**

BAR	Brexit Adjustment Reserve
CEMR	Council of European Municipalities and Regions
COE	Council of Europe
COFOE	Conference on the Future of Europe
COR	European Committee of the Regions
CSO	Civil Society Organisation
EGTC	European Grouping of Territorial Cooperation
ERDF	European Regional Development Fund
ESIF	European Structural and Investment Fund
EU	European Union
GDP	Gross Domestic Product
ICT	Information and Communication Technology
ICU	Intensive Care Units
IT	Information Technology
LRA	Local and Regional Authority
NEET	Not in employment, education or training
NGA	Next Generation Access
NGO	Non-Governmental Organisation
NRRP	National Recovery and Resilience Plan
NUTS	Nomenclature of Territorial Units for Statistics
OECD	Organisation for economic cooperation and development
RRF	Recovery and Resilience Facility
SDG	Sustainable Development Goal
SME	Small and Medium-sizes Enterprise
TCA	Trade and Cooperation Agreement
UCLG	United Cities and Local Governments
UK	United Kingdom

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## European Committee of the Regions

The European Committee of the Regions (CoR) is the EU's political assembly of 329 regional and local representatives from all 27 Member States. Our members are elected presidents of regions, regional councillors, mayors and local councillors - democratically accountable to more than 446 million European citizens. The CoR's main objectives are to involve regional and local authorities and the communities they represent in the EU's decision-making process and to inform them about EU policies. The European Commission, the European Parliament and the Council have to consult the Committee in policy areas affecting regions and cities. It can appeal to the Court of Justice of the European Union as a means of upholding EU law where there are breaches to the subsidiarity principle or failures to respect regional or local authorities.

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