



European Committee  
of the Regions

# EU annual regional and local barometer

*Full Report*



#EURegionalBarometer





## European Committee of the Regions

# 2020 Barometer of Regions and Cities

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# Executive summary

With the European death toll from COVID-19 approaching 200 000 at the time of writing, the global pandemic is no doubt a crisis of historic proportions. Though unevenly, the whole of the European Union was affected by the pandemic, which upended priorities and became the overriding focus of public policy and public action at all levels. Nothing had prepared European regions and cities for this unprecedented crisis, yet, from February 2020, they had to face the pandemic and its deadly impact.

## ***A differentiated impact at regional and local level***

Many local and regional authorities have faced enormous challenges to maintain adequate health and care capacities to respond effectively to COVID-19. There were marked differences in death rates between regions depending not only on the circulation of the virus, but also on healthcare infrastructures, availability equipment and personnel, or the age structure of the population. Territories with more polluted air and vulnerable groups were also more exposed to the effects of the pandemic.

In order to fight the pandemic, EU Member States put in place lockdowns and other restrictive measures, which had considerable economic and social costs – albeit differentiated – throughout the EU. The most socially and economically hard-hit regions are those that were under strict lockdown measures for the longest period, not necessarily the ones with the highest death rates or the most cases detected. Most hard-hit regions are also the ones relying on economic sectors heavily affected by lock-down measures such as tourism, the cultural industry or with economic structures based on SMEs, self-employed people, other non-standard workers, and of course those highly dependent on international trade.

The crisis turned digital technologies into an imperative. Online solutions became essential for public authorities across EU regions and cities in fighting the pandemic and its consequences. This could bolster the ongoing digital transition but also risks exacerbating the "digital divide", including between rural and urban areas, large and small companies, and digitally skilled workers and others. At the same time, an increased use of teleworking may cause demographic and economic shifts from the cities towards suburban or rural areas.

The differentiated impact of the crisis drew a new geography in the EU – a COVID-19 geography – distinct from the traditional dividing lines of urban/rural, centre/periphery or cohesion regions. It calls for a very careful assessment of regions' needs for support and makes coordinated, tailored responses necessary.

## ***Local and regional authorities on the front-line of the emergency***

Cities, regions and villages have played a major role both through their own policy decisions and actions, and through the implementation of policies decided at higher levels of government.

They were quick to develop social support schemes to help people, with specific attention to vulnerable groups such as minorities, isolated people, the elderly, women, migrants, poor people, parents, students and they strove to ensure access to online schooling.

Cities and regions have also been playing an instrumental role in keeping local businesses afloat and safeguard employment. They implemented their own business support schemes, direct grants, lines of credit and guarantees, or supplemented the measures enacted at national level. Local and regional

authorities also often acted as information hubs about the crisis and related measures for businesses and individuals. They put in place soft mobility measures at a time where public transport was to be used sparsely and were the first to witness the rising demand for green space.

All these initiatives came at a price: While local and regional authorities' expenditure increased due to the wide array of support schemes put in place, their revenue decreased, for instance due to local taxes suspension. This jeopardises their ability to deliver valuable public services, now and in the future.

### ***Building back trust in national institutions and the European project***

Contradicting decisions on health recommendations, persisting education inequalities, lack of coordination of lockdown measures between EU Member states, further impoverishment of vulnerable groups and rising insolvency of SMEs contributed to erode trust in national and European policies, and to feed populism. In comparison, trust in regional and local action remains higher, showing once more the importance of local democracy and the value of the work done by LRAs throughout this crisis.

Common strategies and better coordination with all key actors and at all levels, not least with regard to emergency management of healthcare facilities and care homes, and continued transnational and cross-border cooperation would have enabled a more robust and effective response to this crisis.

A public opinion survey commissioned by the CoR and carried out between 3 and 17 September 2020 on the views of 26 000 citizens in all EU Member States on the coronavirus crisis and the role of regional and local authorities confirmed that more Europeans trust regional and local authorities (52%) than they trust the EU (47%) and their national government (43%). Regional or local authorities are also more trusted (48%) than the EU (45%) and national governments (44%) to take, now and in the future, the right measures to overcome the economic and social impact of the coronavirus crisis. More generally, two in three Europeans think that regional and local authorities do not have enough influence on the decisions taken at EU level and 58% – including a significant majority in all 27 Member States – think that more influence of regional and local authorities would have a positive impact on the EU's ability to solve problems. The most mentioned policies for more influence would be preferred are those related to health (45%), employment and social affairs (43%), and education, training and culture (40%).

### ***Preparing recovery and resilience***

The pandemic is causing a massive recession. Its economic and social effects are particularly acute for vulnerable groups, with youth and women bearing a growing share of the costs. Career prospects are uncertain, some qualifications have become obsolete, and others require digital equipment. Brain drain and other associated demographic problems may also plague rural, peripheral and remote regions similarly to the 2008-2012 crisis. Businesses are also suffering with the end of support schemes, increased debt and the tightening of credit standards. Besides, the flexibility granted in state aid rules is likely to be distorting competition, since many Member States or regions severely hit are not in a fiscal position to make full use of it, which could lead to reinforced territorial disparities.

As Europe fights this historic recession, there is also a real risk that Europe's sustainable, green and digital ambition will in practice be set aside. Member States may choose to focus emergency funding on pre-existing projects over ambitious and but more complex longer-term solutions. Moreover, the involvement of regional and local authorities in the governance of the EU Recovery Plan – in particular

its main component, the Recovery and Resilience Facility – is quite limited as currently designed, which means that those instruments are somewhat "spatially blind". And the new measures to enhance the flexibility and accelerate the use of cohesion policy funding to respond to the coronavirus pandemic bear the risk of increased centralisation at Member State level.

On the other hand, the recovery measures and the new MFF are also opportunities to steer Europe more effectively towards its long-term goals: the twin digital and green transitions. To this end, building on fact-based analysis throughout this report, its conclusions and recommendations aims to guide policy makers at all levels to enable a sustainable recovery and a better future across all regions and cities. As an annual exercise, the Barometer will also monitor the evolution of the global trends and its impact on the future EU policies from a local and regional perspective.



# Introduction

When the year 2020 started, regions and cities of the EU were preparing for yet another year at the service of people and local communities. At EU level, they joined forces in the Cohesion Alliance to make sure that cohesion policy is preserved in the next Multi-annual Financial Framework. The priority was to leave no one, no region behind. Regional policy was to be more sustainable, to address the climate emergency and the digital transition. Nothing had prepared our regions and cities for the COVID-19 tsunami. Yet, from February 2020, they had to face the pandemic and its deadly impact.

Regions, cities and towns had to quickly elaborate strategies to ensure that healthcare could be provided to those directly affected, and to protect the population at large by containing the spread of the virus within their communities. Local and regional authorities also had to implement lockdowns and ensure solidarity, they had to reach out to the most vulnerable, and support local businesses. After some immediate measures, the EU and its Member States are now putting in place longer-term recovery plans to address the economic fallout of the pandemic, while at the same time attempting to prevent or at least control a second wave. Whatever the future holds, recovery from COVID-19 and its aftermath will remain at the centre of our policies in 2020 and 2021.

The objective of this first edition of the Barometer of Cities and Regions is to give an overview of the state of regions and cities during this crisis, through facts, figures, maps, examples and analysis. Its purpose is to give regions, cities, national governments, the EU institutions and all stakeholders a clear understanding of what this crisis means on the ground, and what its consequences are for our communities. Through this, the Barometer aims to help guide policy choices for recovery.

The Barometer should also help regions and cities make their voice heard in the EU decision-making process, backing their claims with evidence and data. It will serve as the basis for the State of the Regions and Cities address of the President of the European Committee of the Regions, a key institutional milestone, mirroring the President of the European Commission's State of the European Union speech.

Key questions the Barometer addresses include: What is the impact of the COVID-19 crisis on regions and cities of the EU, and how does it differ across territories? How have regions and cities faced the health, social, economic, and environmental impacts of the crisis? What is the state of local democracy in Europe? How has the crisis affected the vision people have of the EU? What EU measures have been proposed and put in place? How will they help cities and regions recover from the crisis?

Building on this fact-based analysis, the Barometer will conclude with policy recommendations aiming to guide policy makers at all levels to provide efficient and targeted support for sustainable recovery and a better future across all regions and cities. It will be one based on resilience, solidarity, cohesion, which implements the Green Deal and achieves the Sustainable Development Goals, makes the most of the digital transition, and in which the EU also reaches out beyond its borders.

The European Committee of the Regions mobilised all its services and partnerships to produce the Barometer. We would like to thank in particular the OECD, the JRC and other Commission services, our studies contractors, as well as all the organisations and individuals who were involved in our seminars and expert workshops, and the many cities and regions who shared with the CoR their experiences and examples. Thanks to them, this will be Barometer of all cities and regions, and of policy-makers at all levels.



# Chapter I – COVID-19: first a health crisis

## A. Spread of coronavirus throughout the EU

The coronavirus disease 2019 (COVID-19) made its way to Europe in January 2020 when the first cases were officially reported in France. The virus spread rapidly and unevenly across EU Member States over the following weeks and months, and impacted its regions, cities and villages in a very asymmetric way. To protect citizens' health and avoid a situation where regional healthcare systems were overwhelmed, regions and local authorities were forced to take health-related measures as well as a number of other emergency actions addressing the social, economic and logistics aspects of the crisis.

The spread of the pandemic can be observed by monitoring the numbers of confirmed cases and reported COVID-19-related deaths in the EU Member States and regions. However, it must be noted that the reported figures are dependent on many factors, including testing rates, and that testing policies and capabilities vary hugely across EU Member States<sup>1</sup>.

This chapter provides evidence on the evolution of the pandemic and the health measures taken by local and regional authorities from February to September 2020<sup>2</sup>. Although the peak of the pandemic has moved on to other continents and the need for intensive care has diminished overall, patients are still being treated in hospitals around Europe and public health measures are being implemented by local and regional authorities (LRAs) in many Member States at the time of writing in September 2020. The long-term effects of the pandemic on public health and on local and regional health systems are not yet clear as the fight against COVID-19 continues on the ground.

### 1. **Evolution of COVID-19 in EU Member States and regions from January to mid-April 2020**

On 24 January 2020, France was the first country to report COVID-19 cases in the EU: two cases in Île-de-France and one in Nouvelle-Aquitaine. The first death was also recorded in France, on 15 February. As at 21 February, 38 cases were known in the EU, mostly in France and Germany.

In the last week of February 2020, a rapid and significant outbreak of COVID-19 occurred in several regions: in the north of Italy, cases increased in Lombardy, Veneto and Emilia-Romagna; outbreaks also started developing in France (in particular in Hauts-de-France and Auvergne-Rhône-Alpes), in Germany (North Rhine-Westphalia, Bavaria and Baden-Württemberg) and in Spain (Madrid, Rioja, Basque Country and Navarre).

On 11 March, the World Health Organisation (WHO)<sup>3</sup> declared the coronavirus outbreak a pandemic. In the course of the following 30 days, the spread of COVID-19 across Europe was rapid. Belgium only started reporting COVID-19 cases in March but in Flanders the number of infections grew rapidly in few

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<sup>1</sup> European Centre for Disease Prevention and Control (ECDC). *Coronavirus disease 2019 (COVID-19) in the EU/EEA and the UK – eleventh update: resurgence of cases*. 10/08/2020. Available at: <https://www.ecdc.europa.eu/sites/default/files/documents/COVID-19-rapid-risk-assessment-20200810.pdf>

<sup>2</sup> The figures and information in this report are largely based on a study commissioned by the CoR, entitled *Regional health policy responses to the COVID crisis* (published in July 2020, author: Rossella Soldi, Progress Consulting S.r.l Italy), which documents the situation until mid-July 2020.

<sup>3</sup> WHO press release. *WHO announces COVID-19 outbreak a pandemic*. 13/03/2020. Available at: <https://www.euro.who.int/en/health-topics/health-emergencies/coronavirus-COVID-19/news/news/2020/3/who-announces-COVID-19-outbreak-a-pandemic>

days, to reach a total of 973 in mid-March. In Spain, Madrid had a high number of infected people (3 544) and 213 deaths, while in Sweden, the Stockholm region had only few hundred infections.

Lombardy had 13 272 confirmed cases and 1 218 deaths in mid-March. The peak of infections in the region was observed on 20 March, when 3 251 new cases were registered.

France had clusters in several of its regions, such as Grand Est (1 378 cases) and Île-de-France (1 209). Over the period 2 March-10 May 2020, Île-de-France had an excess mortality rate of 79% compared to the same period over the last five years (the national average increase was 22%)<sup>4</sup>.

In Germany, North Rhine-Westphalia was the region with the highest number of cases in mid-March (1 407). The peak of cases was reached on 23 March (+ 2 070) while the peak of deaths (68) was on 22 April.

Across the EU, by mid-March 2020 there were 49 657 cases and 2 162 cumulative deaths in the EU. Europe became the worst affected area in the world, forcing EU countries to take lockdown measures. Italy was the first EU country to impose confinement and other important restrictive measures on residents. It was also the first to require significant quantities of medical equipment and protective material as well as the support of additional healthcare workers.

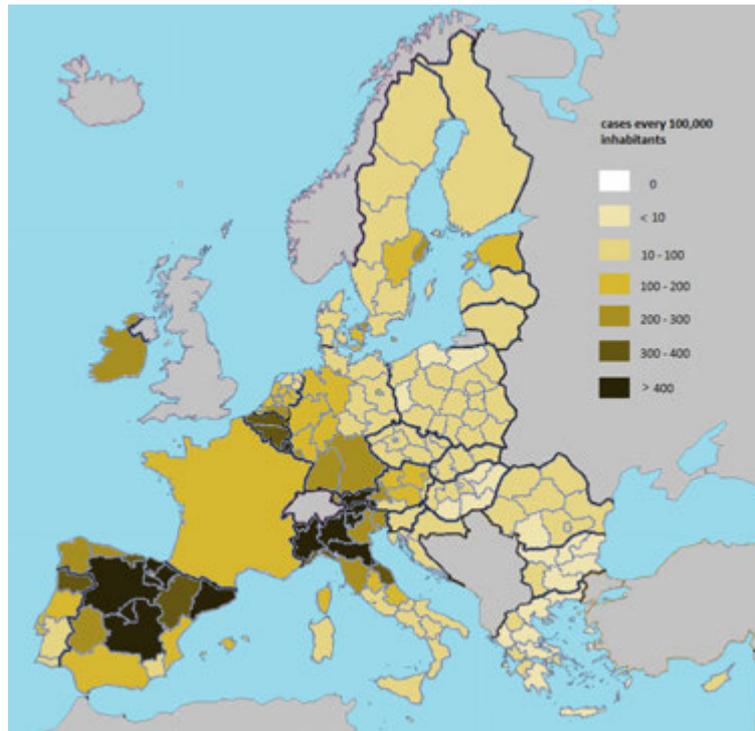
In mid-April, the number of confirmed cases was at least one million, according to AFP<sup>5</sup>. Deaths caused by COVID-19 – 84 000 in total – were widespread across the EU, with few exceptions. Figure 1 shows that the north of Italy, several regions in Spain, the whole of Belgium, Ireland, Stockholm region in Sweden, the north of Portugal, Baden-Württemberg, Bavaria, Hamburg and Saarland in Germany, Île-de-France and Grand Est in France and Tyrol, Vorarlberg and Salzburg in Austria were hard hit by the COVID-19 outbreak:

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<sup>4</sup> INSEE. *L'Île-de-France, région la plus touchée par le surcroît de mortalité pendant le confinement*. 30/06/2020. Available at: <https://www.insee.fr/fr/statistiques/4517283>

<sup>5</sup> CoR. *NAT Commission Bulletin No 2*. Available at: <https://cor.europa.eu/en/news/Documents/NAT%20Bulletin%20No.%203/cor-2020-01737-01-00-tcd-tra-en.pdf>

**Figure 1: COVID-19 cases as at mid-April, per 100 000 inhabitants**



Source: CoR study on Regional health policy responses to the COVID crisis

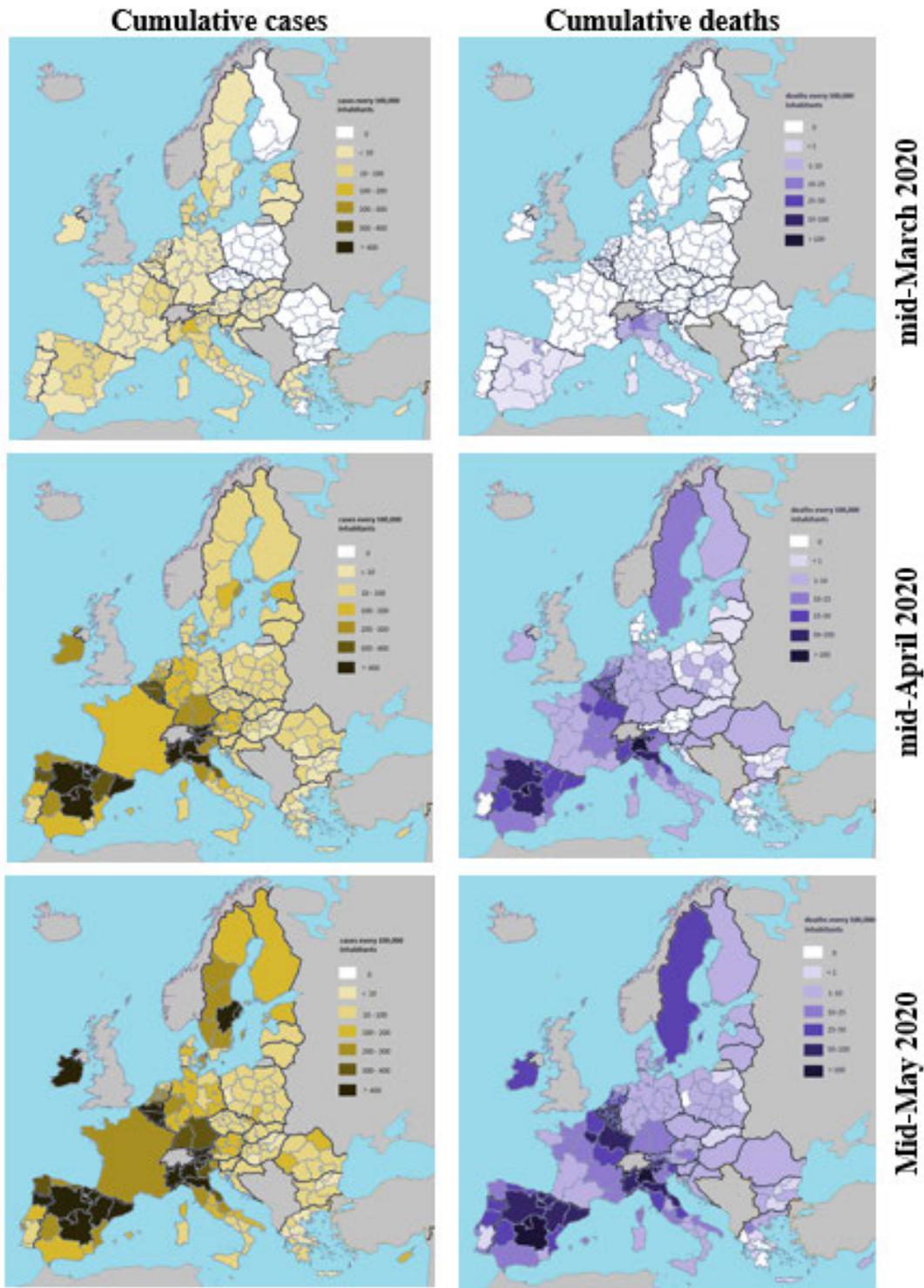
By mid-May 2020, the number of deaths in the EU had increased to 110 050. All regions had experienced COVID-19 certified deaths with the exception of Lubuskie, in Poland, and Ipeiros, Central Grec (Sterea Ellada) and Peloponnese in Greece. But overall, Eastern European countries, some southern regions in Italy, Algarve and Alentejo in Portugal, and Greece, Latvia and Lithuania remained less severely hit by the virus.

In the second half of May restrictions on citizens started to be lifted and businesses were allowed to re-open. This occurred gradually and at different times across the EU. On 15 May, Slovenia became the first Member State to officially call an end to its coronavirus epidemic<sup>6</sup>.

Figure 2 below summarises the developments across the EU between March and May 2020:

<sup>6</sup> Government of the Republic of Slovenia. *Slovenia declares the end of the COVID-19 epidemic*. 15/05/2020. Available at: <https://www.gov.si/en/news/2020-05-15-slovenia-declares-the-end-of-COVID-19-epidemic-no-quarantine-for-eu-citizens-from-today/>

Figure 2: Cumulative cases of COVID-19 and related deaths in Europe in March-May 2020



Source: CoR study on Regional health policy responses to the COVID crisis

## 2. The situation from June to September 2020

Globally, on 1 June 2020 four EU Member States were amongst the ten hardest hit countries: Spain, Italy, France and Germany. At the end of June 2020, EU countries were progressively moving down in this global ranking as the virus spread in countries outside Europe. Localised outbreaks were still occurring,

such as in the case of North Rhine-Westphalia<sup>7</sup>, where an outbreak in a meat processing plant caused another rise in the number of cases.

In mid-July 2020, the cumulative number of confirmed COVID-19 cases in the European Union was about 1.3 million, and the death toll totalled nearly 135 000. Over 69% of the COVID-certified deaths were found in Italy, Spain and France. In mid-July, Lombardy's death toll of 16 775 persons was equivalent to 48% of total deaths in Italy and its 95 316 cases were equivalent to 39% of national cases. In Île-de-France, the death toll by mid-July of 7 519 persons was equivalent to 25% of total national deaths.

Figure 3 and Figure 4 show the ten most impacted regions across the EU in terms of confirmed COVID-19 deaths and cases in mid-July 2020. The highest occurrence of cases is found in Madrid, where 1 096 out of every 100 000 people were confirmed to have contracted COVID-19.

**Figure 3: Most impacted regions for number of COVID-19 certified deaths**

Region	Cumulative deaths	Fatality rate (%)
Lombardy (IT)	16 765	17.6
Madrid (ES)	8 444	11.6
Île-de France (FR)	7 513	-
Catalonia (ES)	5 678	8.6
Flanders (BE)	4 910	13.8
Wallonia (BE)	3 391	17.3
Emilia-Romagna (IT)	4 271	14.7
Piedmont (IT)	4 118	13.1
Grand Est (FR)	3 591	-
Castile-La Mancha (ES)	3 031	16.5
<b>TOT</b>	<b>61 712</b>	

**Figure 4: Most impacted regions for number of COVID-19 confirmed cases**

Region	Cumulative cases
Lombardy (IT)	95 236
Madrid (ES)	72 797
Catalonia (ES)	65 852
Bavaria (DE)	49 427
North Rhein-Westphalia (DE)	45 233
Baden-Württemberg (DE)	36 162
Flanders (BE)	35 581
Piedmont (IT)	31 515
Emilia-Romagna (IT)	28 989
Lisbon (PT)	23 008
<b>TOT</b>	<b>483 800</b>

Source: EC-JRC ECML COVID website, as reported in CoR study on Regional health policy responses to the COVID crisis. Data for Belgium and Germany are given at NUTS-1 level; data from French regions on COVID-19 cases are not available.

However, by mid-July 2020, globally, none of the EU Member States were amongst the ten countries hardest hit by COVID-19. The pandemic was increasing its presence in other countries, such as the United States, Brazil and India, where, according to WHO data, the numbers of COVID-19 confirmed cases and deaths were increasing and surpassing the levels recorded in Europe<sup>8</sup>.

Facing fears over a second wave, some countries such as Austria, Germany, Italy and the Netherlands, saw new increases in cases at the end of August but weaker than during the first peak of the pandemic. In many regions in Spain and certain regions in France, however, the daily numbers of confirmed cases were significantly higher at the end of August than the numbers recorded before<sup>9</sup>.

<sup>7</sup> BBC News. Coronavirus: German outbreak sparks fresh local lockdowns. 23/06/2020. Available at: <https://www.bbc.com/news/world-europe-53149762>

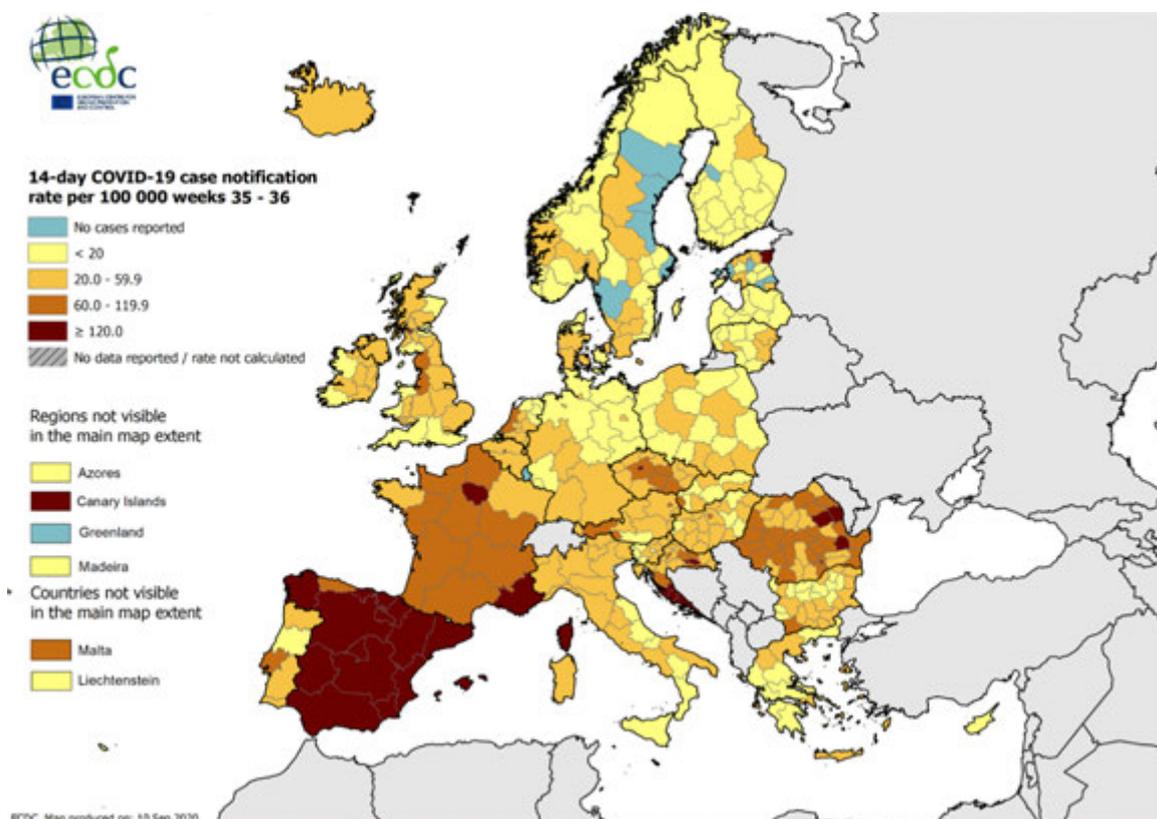
<sup>8</sup> WHO website. Available at: <https://COVID19.who.int/>

<sup>9</sup> ECDC. See: <https://www.ecdc.europa.eu/en/cases-2019-ncov-eueea>

Many countries, regions and cities introduced new measures in August and September to slow down the spread of the virus, such as new containment measures and restrictions on mobility and activity in parts of [Madrid](#) (ES), or making masks mandatory in all public spaces in the [Brussels region](#) (BE). In many countries, testing capacities were increased and compulsory testing and quarantine measures put in place especially for travellers coming from high-risk areas, and later in order to facilitate the return back to school and to workplaces. These increases in testing can help explain the increases in confirmed cases in some regions, as the numbers of deaths and hospital admissions have remained well below the levels recorded in the spring.

In mid-September, over 2,2 million cases and over 142 000 deaths linked to COVID-19 had been registered in the EU<sup>10</sup>. The development of the pandemic varied significantly from one EU Member State to another. Looking at the sub-national level, all regions in Spain (apart from Asturias), Île-de-France, Provence-Alpes-Côte d'Azur and Corsica in France, the southern regions in Croatia as well as some eastern regions in Romania and the county of Ida-Virumaa in Estonia reported the highest numbers of confirmed cases over the last 14 days in Europe on 10 September (Figure 5):

**Figure 5: 14-day COVID-19 notification rate per 100 000, 10 September 2020**



Source: ECDC

As we head towards the autumn, the pandemic is far from over, and many regions are still coping with a strong presence of the virus. The upcoming flu season may increase pressure on health systems, which are still catching up with the backlog created by the pandemic. Many LRAs are increasing their testing and tracing capacities and the resilience of their health systems in the longer term, as well as preparing for possible vaccination campaigns, should a safe vaccine become available in the near future.

<sup>10</sup> ECDC. See: <https://www.ecdc.europa.eu/en/cases-2019-ncov-eueea>

## B. Local and regional differences

### 1. *An asymmetric starting point*

The ability of national and regional health systems to cope with the pandemic was not uniform across the EU. Reasons behind the asymmetric incidence and impact of COVID-19 across EU regions are multiple and complex, and cannot be translated into simple cause and effect relationships. This section looks at some regional characteristics, which may have affected regions' exposure to COVID-19 as well as their capacity to react to and manage the health crisis.

Firstly, as we have seen above, COVID-19 affected countries and regions at different times and with very diverse intensities. Across the EU Member States, high numbers of cases were usually concentrated within a few regions. Even in countries with very high registered numbers of cases and deaths, such as Spain and Italy, several regions had relatively low numbers of cases.

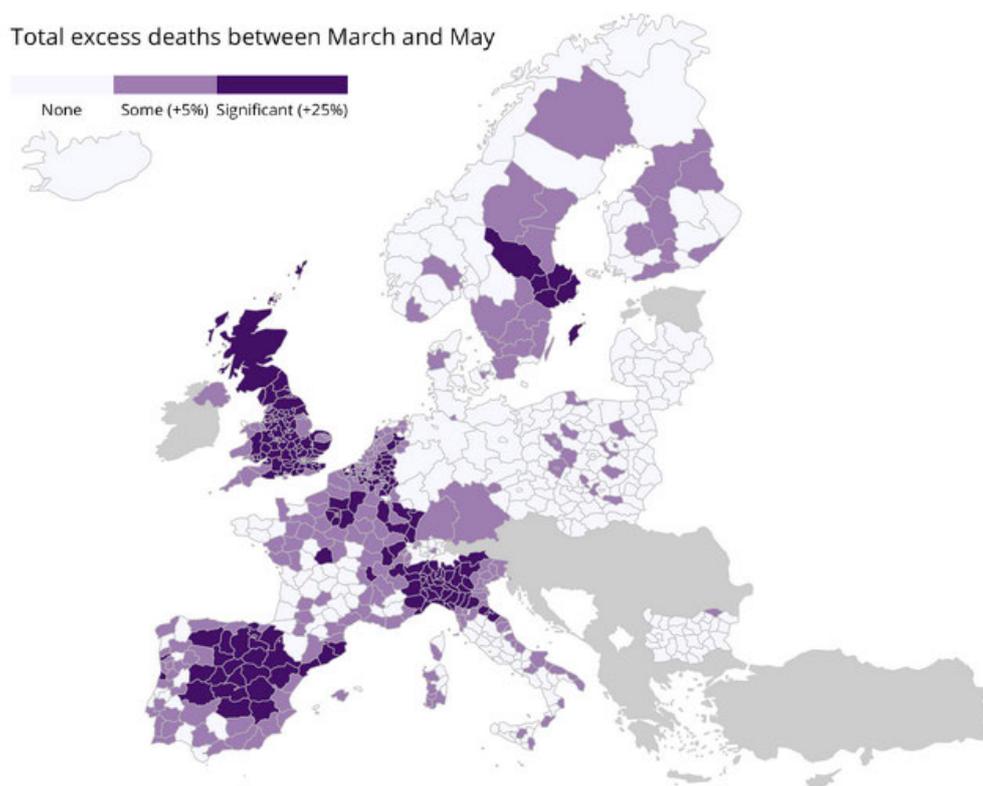
Looking at excess death (mortality) rates in Europe, statistics<sup>11</sup> show that certain regions experienced a significant increase in excess deaths between March and May 2020 compared to previous years in the same period (Figure 6). For example, Madrid's (ES) excess death percentage was recorded at 128 %, and Bergamo (IT) recorded 347 % more deaths than usual. In Sweden, the Stockholm region also recorded an excess death percentage of 59 %. However, more data on all EU regions is needed to fill the gaps. The differences between regions and their health systems are also not fully comparable due to various factors such as mortality causes, differences in population age structure and density, access to health care and so on<sup>12</sup>.

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<sup>11</sup> Data from European Data Journalism Network covering 21 European countries and 776 subnational regions, Available at: <https://www.europeandatajournalism.eu/eng/News/Data-news/Almost-all-European-regions-have-managed-to-bring-excess-deaths-down>

<sup>12</sup> Insee: In France, like in Europe, an excess mortality linked to COVID-19 occurred in late March/early April <https://www.insee.fr/en/statistiques/4641454#titre-bloc-1>

**Figure 6: Excess mortality rates at regional level in 21 countries**



*Source: European Data Journalism Network*

The CoR study shows that health-related measures and emergency-related measures in the social and economic domains are found in regions significantly affected by COVID-19. But even in less affected regions, the spread of COVID-19 represented a serious threat and required intervention by local and regional authorities in the areas distributing medical protection equipment and safety material, providing information and guidelines to citizens, and providing services for vulnerable groups. In regions where COVID-19 incidence was light and the impact indirect, the emphasis was more on emergency measures to sustain the local economy in the short term. These differences also prevent a fair comparison of healthcare systems' ability to cope with the crisis: the hospital treatment of a low number of patients is not comparable with the simultaneous treatment of hundreds of patients, as was the case in some regions during the peak of the pandemic.

Furthermore, according to the OECD, the uneven capacity of subnational authorities to handle the health crisis depends on various factors, including regulatory frameworks, fiscal capacity and the infrastructure in place<sup>13</sup>. The competences and available resources of local and regional authorities (LRAs) in the field of public health vary significantly across Europe. In decentralised and partially decentralised Member States, regions' and/or local authorities' public health spending exceeds or is equivalent to that of the national level. In these countries, LRAs are often owners and/or managers of health facilities, such as hospitals, and are in charge of health service coordination, planning and/or delivery on the ground. On the other hand, in centralised or partially centralised Member States many of these competences lie with

<sup>13</sup> OECD. *Cities policy responses*. 2020. Available at: <https://www.local2030.org/library/762/Cities-Policy-Responses-Tackling-Coronavirus-COVID-19-contributing-to-a-Global-Effort.pdf>

the national level<sup>14</sup>. These differences in competences have an impact on the measures local and regional authorities were able to take in the context of the pandemic and mean that a direct comparison between regions and cities is difficult. Chapter VI of this report analyses in more detail the governance set-up that led to successful management of the pandemic. Instead of a decentralisation versus centralisation dichotomy, good coordination mechanisms between all levels of government have been essential in triggering targeted and effective action on the ground.

## 2. **Regional healthcare capacities**

### • **Availability of critical care beds**

Looking at existing regional healthcare capacities, one key condition for fighting COVID-19 effectively at the territorial level was the availability of critical care beds (CCB) or intensive care beds. The risk of saturation of available critical care bed capacity was one of the main drivers of political decision-making during the COVID-19 crisis; the number of available intensive care beds indicated whether a regional or national health system would reach breaking point. In its Communication on a *Joint European Roadmap towards lifting COVID-19 containment measures*<sup>15</sup>, the European Commission also refers to "sufficient health system capacity, in terms of, for instance, occupancy rate for Intensive Care Units [and] adequate number of hospital beds" in its list of criteria that are relevant when assessing the relaxation of confinement measures.

The examples presented in this report show that regional and local authorities took measures to increase available critical care beds by converting existing health structures, building new structures and/or setting up temporary arrangements. In some cases, concerns over the sufficiency of critical care beds required the transfer of patients across regions or countries and, finally, forced governments to impose lockdowns in an attempt to relieve pressure on overwhelmed healthcare structures and workers.

There are wide disparities between European regions in the availability of CCBs, although data is in many cases old and/or only available at national level. According to the CoR Territorial Impact Assessment (TIA)<sup>16</sup>, at Member State level, the lowest numbers of CCBs per 100 000 inhabitants can be found in Portugal with 4.2 intensive care beds, while Germany has the highest capacity with 29.2 beds (see Figure 7).

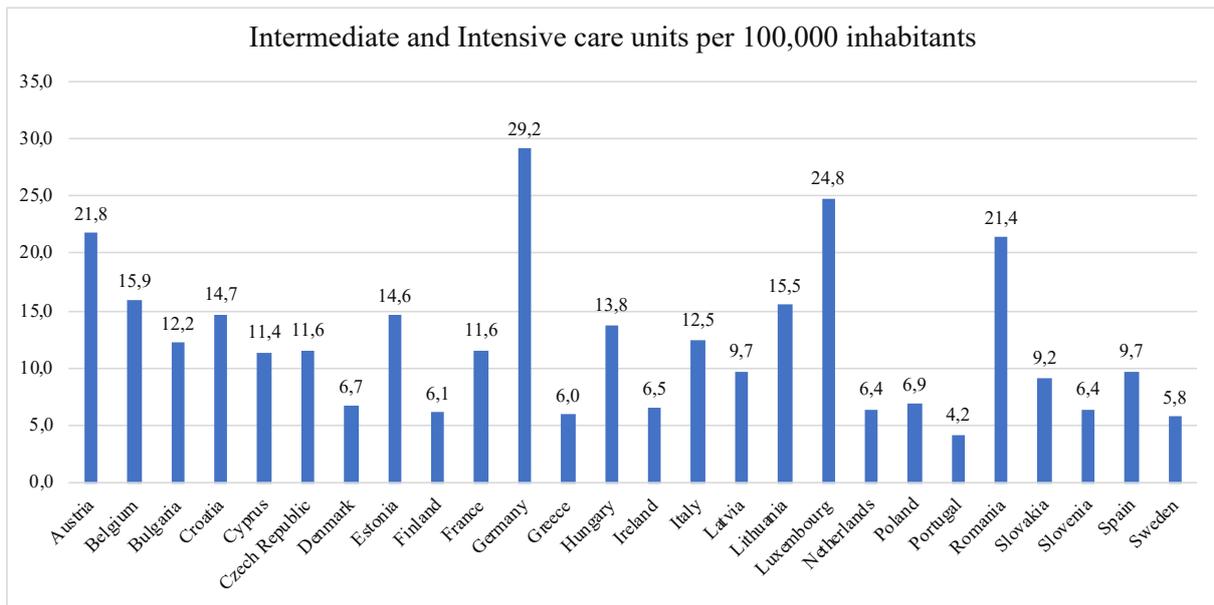
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<sup>14</sup> CoR study. *The management of health systems in the EU Member States. The role of local and regional authorities*. 2017. Available at: <https://cor.europa.eu/en/engage/studies/Documents/management-health-systems.pdf>

<sup>15</sup> EC. *Joint European Roadmap towards lifting COVID-19 containment measures*. 15/04/2020. Available at: [https://ec.europa.eu/info/sites/info/files/communication\\_-\\_a\\_european\\_roadmap\\_to\\_lifting\\_coronavirus\\_containment\\_measures\\_0.pdf](https://ec.europa.eu/info/sites/info/files/communication_-_a_european_roadmap_to_lifting_coronavirus_containment_measures_0.pdf)

<sup>16</sup> CoR study. *Territorial Impact Assessment: the State of the Cities and Regions in the COVID-19 crisis*. 2020. To be published.

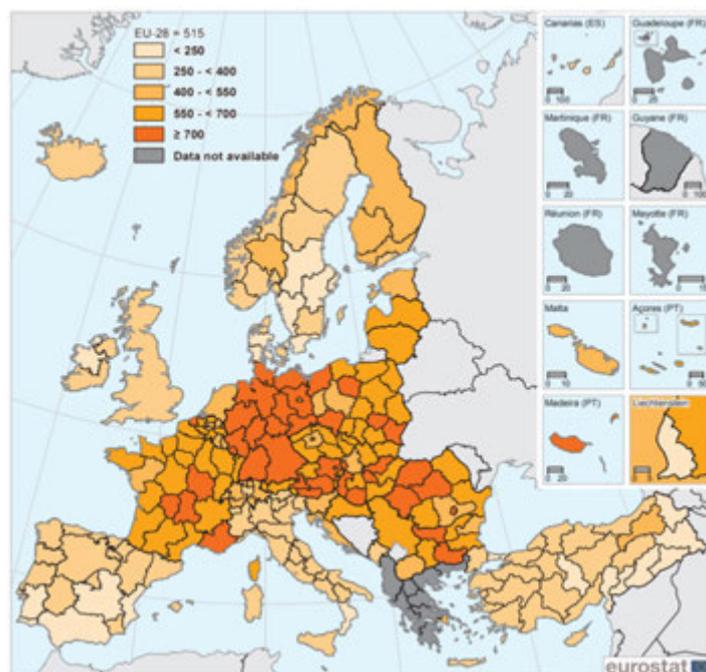
**Figure 7: Healthcare capacity across the EU27**



Source: Rhodes, Ferdinande, Flaatten, et al.<sup>17</sup>

However, availability of care is often unevenly distributed within Member States (Figure 8).

**Figure 8: Number of hospital beds per 100 000 inhabitants in 2015, by NUTS-2 region**



Source: Eurostat Regional Yearbook 2018.

The figure provides evidence of a higher number of hospital beds particularly in many regions in Austria, Germany, France, Hungary, Poland and Romania. Regions in Spain, Italy, Sweden, Denmark and Ireland, on the other hand, are amongst the worst equipped across the EU.

<sup>17</sup> Rhodes, Ferdinande, Flaatten, et al. "The variability of critical care bed numbers in Europe." *Intensive Care Medicine*. 2012. Available at: <https://doi.org/10.1007/s00134-012-2627-8>

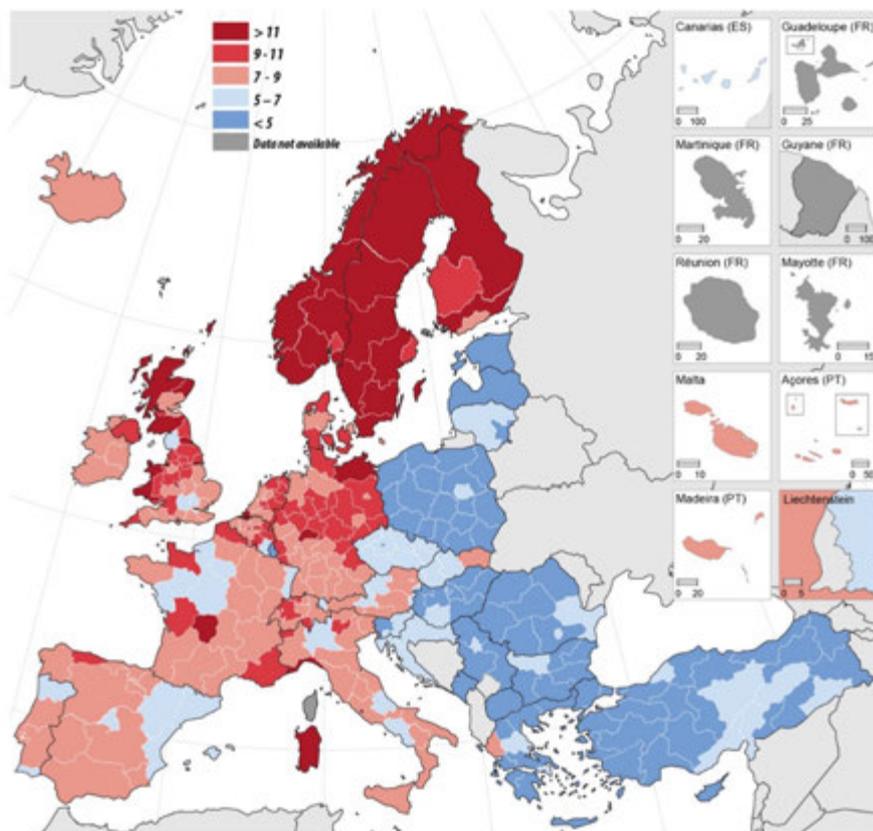
However, care should be taken when drawing conclusions to avoid potentially being misled and oversimplifying a complex situation. For example, Lombardy is the best equipped Italian region with respect to critical care beds, with over 1 000 units of the approximately 5 100 units at national level. Nevertheless, the regional health system was under great pressure since demand for intensive care beds was over 1 000 units for 29 consecutive days during the peak of the pandemic<sup>18</sup>.

- **Availability of healthcare personnel**

Another important factor contributing to the ability of a region to respond to a health crisis is the amount of available health care workers. The regions hardest hit by the spread of the virus struggled to have enough healthcare workers on the front line. Furthermore, the healthcare workforce was the occupation most infected by the virus, resulting in staff shortages in many regions (Lombardi et al., 2020, cited by CoR TIA).

Figure 9 shows the number of health workers as a share of all persons employed in EU regions. These include medical doctors, nurses and midwives as well as their assistants, personal care workers, other health professionals and their associates.

**Figure 9: Healthcare workers across EU regions – in %**



Source: Eurostat<sup>19</sup>, as reported in the CoR Territorial Impact Analysis.

<sup>18</sup> CoR study. *Regional health policy responses to the COVID crisis*. 2020. To be published.

<sup>19</sup> Eurostat. *Majority of health jobs held by women*. 09/04/2020. Available at: <https://ec.europa.eu/eurostat/en/web/products-eurostat-news/-/DDN-20200409-2>

Northern European countries, and Nordic countries especially, clearly stand out with higher shares of healthcare workers in contrast to Eastern European countries. In other areas, the wider territorial variations within countries can be noticed, with several highs and lows in specific regions<sup>20</sup> (CoR TIA).

The CoR study on *Regional health policy responses to the COVID crisis* suggests that in regions with both a high number of CCBs and high numbers of medical doctors, such as certain regions in Germany, the regional health structures and medical staff were successful in containing COVID-19 despite a relatively large number of recorded cases.

### **3. The share of elderly population**

Data has shown that elderly people have an increased risk of being severely affected by COVID-19. Looking at the seven European regions with the highest excess mortality over the period March-April 2020, people aged 65 years or more represent 82%–92% of all deaths<sup>21</sup>.

However, according to recent data published by European Centre for Disease Prevention and Control (ECDC), changes can be seen in the age distribution of cases in the different stages of the pandemic: between January and May 2020, 40% of cases were aged 60 years or above and the largest proportion of cases were reported among 50-59 year olds (18.7%). In contrast, in June and July, persons aged 60 years or above accounted for 17.3% of cases and the largest proportion of cases were reported among 20-29 year olds (19.5%)<sup>22</sup>.

Data shows that regions characterised by high shares of people aged 65 years or more, and by high concentrations of long-term care beds in nursing and residential care facilities, were some of the hardest hit by COVID-19 (see Figure 10). Examples include Île-de-France (FR), Madrid (ES), Catalonia (ES) and Lombardy (IT). Indeed, Lombardy has a high share of older people (22.6% of its inhabitants are aged 65 years or more) and the highest concentration across the EU of long-term care beds in nursing and residential care facilities.

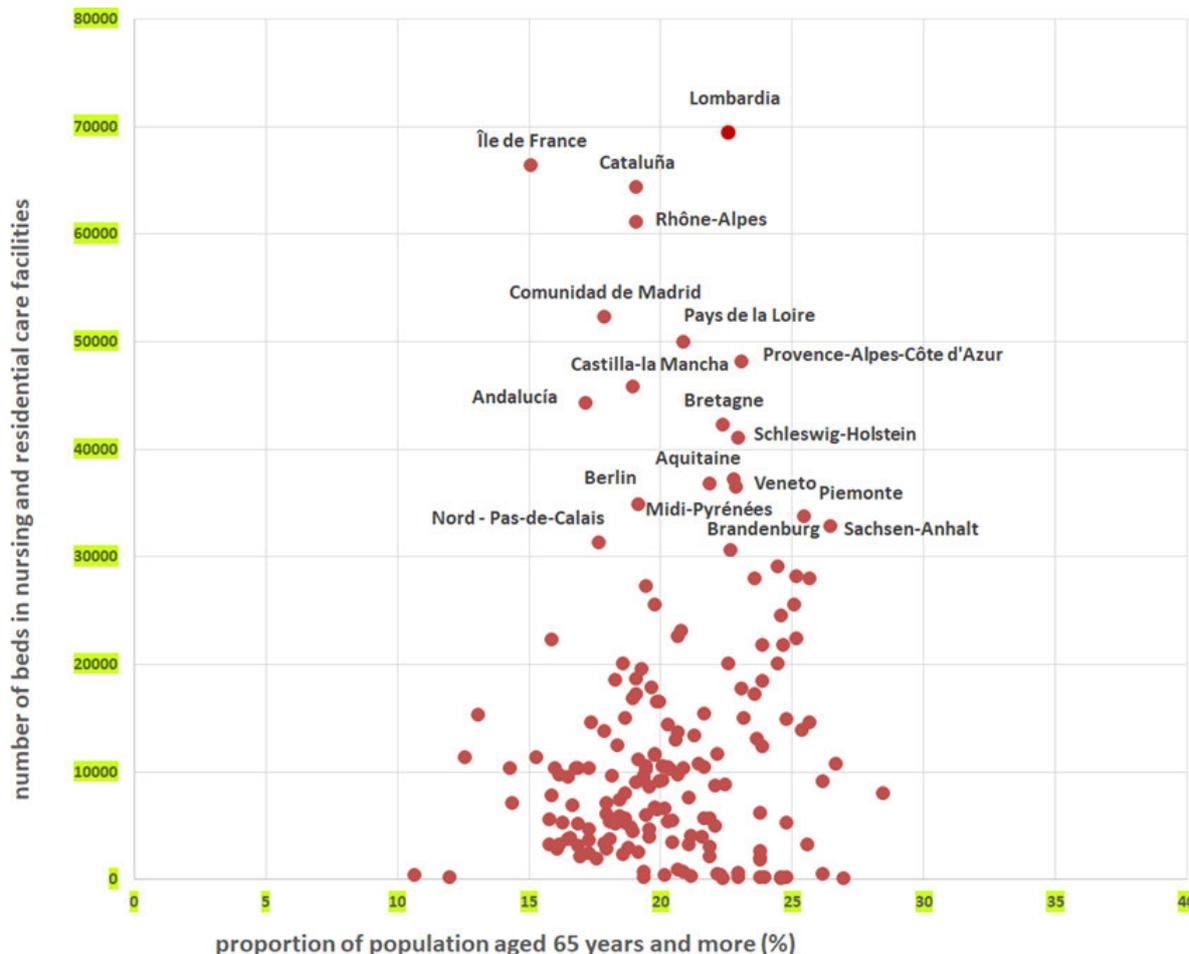
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<sup>20</sup> CoR. Territorial Impact Assessment 2020. *Op. cit.*

<sup>21</sup> CoR. Study on Regional health policy responses to the COVID crisis. *Op. cit.*

<sup>22</sup> ECDC. *Coronavirus disease 2019 (COVID-19) in the EU/EEA and the UK – eleventh update: resurgence of cases*. 10/08/2020. Available at: <https://www.ecdc.europa.eu/sites/default/files/documents/COVID-19-rapid-risk-assessment-20200810.pdf>

**Figure 10: Population aged 65 and over (share over total) and number of long-term care beds in nursing and residential care facilities**



Source: Eurostat, as reported in the CoR study on Regional health policy responses to the COVID crisis. Available beds in nursing and residential care facilities: the reference year varies from 2012 to 2017, depending on the country; some countries do not provide a breakdown of facilities at NUTS-2 level (e.g. Germany). No data for CY, DK, NL and PT. Proportion of population aged 65+: the reference year is 2019.

While the acquisition of medical equipment, healthcare workers and protective material was prioritised by the majority of regions, examples from the ground show that the approaches and resources to protect the elderly and vulnerable populations in facilities were not uniform across Europe, and clearly not sufficient in certain cases. There is, in fact, evidence that nursing and residential care facilities for the elderly became clusters of cases of COVID-19 across the EU. In some cases in [Spain](#) and Belgium, the military had to step in to help secure care in establishments suffering from shortages of workers and adequate equipment.

Data from April shows that in Italy, Spain, France, Ireland and Belgium, between 42% and 57% of deaths from the virus took place in care homes<sup>23</sup>. Official investigations are undergoing in some countries and regions on why so many elderly people succumbed to COVID-19, including in [Sweden](#) and in [Lombardy](#) (IT).

<sup>23</sup> *The Guardian*. "Half of coronavirus deaths happen in care homes; data from EU suggests". 13/04/2020. Available at: <https://www.theguardian.com/world/2020/apr/13/half-of-coronavirus-deaths-happen-in-care-homes-data-from-eu-suggests>

Studies suggest a need for better coordination of measures across all levels of government to protect the residents in care homes, including regular testing, better conditions for healthcare workers, adequate personal protective equipment (PPE), clear and timely guidelines for homes, and access to medical care<sup>24</sup>.

For instance, a survey of 1 356 nursing and residential care facilities in Italy over the period from February to May 2020 reports a patient fatality rate of 9.1%. A majority, 77%, of facilities reported a lack of personal protective equipment. Furthermore, lack of healthcare personnel (34%), difficulty in isolating affected patients (26%) and scarcity of information on procedures for containing the outbreak (21%) were reported by many as challenges faced during the COVID-19 crisis<sup>25</sup>.

#### **4. Other regional characteristics**

In addition to the factors presented above, other local and/or regional characteristics such as the degree of urbanisation, poverty and air quality<sup>26</sup> can be identified as potential factors impacting the severity of COVID-19 across Europe.

- **Urbanisation and poverty**

Regarding population density and the degree of urbanisation, a study published by the Joint Research Centre<sup>27</sup> suggests that the pandemic evolved more rapidly and with a higher incidence in most urban regions, and that the lower population density outside urban regions seems to have potentially contributed to a lower incidence of the virus. This tendency was more pronounced especially at the start of the epidemic, and the difference between regions of residence has become smaller as the epidemic has developed.

The CoR Territorial Impact Assessment reports some interesting findings linked to population density and the impact of the pandemic: In Slovenia, three small municipalities account for 1.5% of the population but also for 66% of all COVID-19 cases in the country. Furthermore, some of the most significant concentrations of COVID-19 cases in Germany are in rural districts in Bavaria and Baden-Württemberg, and there are local concentrations of cases in rural municipalities in the southern Netherlands (Woods, 2020, cited by CoR TIA). Similarly, in Italy, the most severe outbreaks started in small municipalities in the Lombardy region and exploded in small- and medium-sized provinces like Bergamo and Brescia, leaving the metropolitan area of Milan relatively little affected.

The JRC study<sup>28</sup> also notes that intermediate and rural areas might be particularly vulnerable to the virus due to their population demographics, such as a higher share of elderly population and chronic diseases, income level and limited access to medical resources due to a lower availability of health workers, hospitals and intensive care beds.

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<sup>24</sup> Comas-Herrera, Ashcroft and Lorenz-Dant. *International examples of measures to prevent and manage COVID-19 outbreaks in residential care and nursing home settings*. 11/05/2020. Available at: <https://itcCOVID.org/wp-content/uploads/2020/05/International-measures-to-prevent-and-manage-COVID19-infections-in-care-homes-11-May-2.pdf>

<sup>25</sup> Istituto Superiore della Sanità (2020), as reported in the CoR study on Regional health policy responses to the COVID crisis

<sup>26</sup> See Chapter V, section A, for information on the impact of the lockdown on air quality in the EU.

<sup>27</sup> Goujon, Natale, Ghio, Conte, Dijkstra. *Age, gender, and territory of COVID-19 infections and fatalities*. 2020. Available at: [https://publications.jrc.ec.europa.eu/repository/bitstream/JRC120680/gender\\_territory\\_COVID19\\_online.pdf](https://publications.jrc.ec.europa.eu/repository/bitstream/JRC120680/gender_territory_COVID19_online.pdf)

<sup>28</sup> *Ibid.*

Furthermore, the OECD<sup>29</sup> reports that, according to evidence collected in the United Kingdom, the incidence of COVID-19 is more significant in deprived and highly populated areas. Higher concentrations of inequalities and urban poor in some larger cities may make parts of their population more vulnerable to the disease. An analysis<sup>30</sup> examining the case of Île-de-France, the worst affected French region, draws similar conclusions: the department of Seine-Saint-Denis, which shows the highest rise in mortality within Île-de-France, is the most affected by poverty, highly populated and characterised by overcrowded dwellings<sup>31</sup> where people cannot protect themselves very easily.

- **Air pollution**

One additional factor to be mentioned is an observed positive relationship between air pollution and COVID-19. Chapter V, section B, on the environmental impact of the pandemic, elaborates on the current state of knowledge on this aspect. Assuming that a link between poor air quality and COVID-19 can indeed be established, such information may prove useful for local and regional public health authorities when planning and taking measures to reduce risks related to COVID-19 and protecting their citizens from further outbreaks.

## C. Regional and local examples of health response

The section below provides information on the variety of health-related measures taken by local and regional authorities. The information is mainly based on the examples available on the CoR COVID-19 platform<sup>32</sup> and in the CoR study on *Regional health policy responses to the COVID crisis*, complemented by desk research by the secretariat.

### 1. **Response coordination**

As the virus started to spread in Europe, many regions responsible for the management of healthcare systems began coordinating their response in order to secure enough resources to counter the crisis. In January 2020, the region of [Lombardy](#) (IT) established a crisis unit, which started coordinating the response of individual hospitals across the region in March: for example, non-COVID-19 patients in need of care were moved to [18 hospitals](#), leaving the other 150 health structures exclusively for the treatment of COVID-19 patients. In Germany, [North Rhine-Westphalia](#) provided EUR 150 million for hospitals and other medical and nursing care facilities and alerted hospitals to postpone unnecessary procedures in order to keep their capacity free for patients infected by COVID-19.

In many cases, coordinated actions involved the relevant authorities at different levels, civil society and businesses with the aim of boosting response capacities, centralising information and securing essential resources for the health sector during the pandemic.

For example, the [Lisbon Metropolitan Area](#) (PT) and its 18 municipalities launched a 'Metropolitan Integrated Platform' to support the management of critical products, equipment and resources. The platform oversees the distribution of necessary items such as protective masks, gloves, disinfecting gel and medical supplies, and the availability of accommodation for isolation and quarantine where they are

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<sup>29</sup> OECD. *Cities policy responses*. *Op. cit.*

<sup>30</sup> INSEE. *L'Île-de-France, région la plus touchée par le surcroît de mortalité pendant le confinement*. *Op. cit.*

<sup>31</sup> Reported in the CoR study on Regional health policy responses to the COVID crisis.

<sup>32</sup> CoR. COVID-19 Exchange Platform. 2020. Available at: <https://cor.europa.eu/en/engage/Pages/COVID19-stories.aspx>

most needed. The municipalities share their needs and available resources and necessities on the platform, whether from their own resources or from hundreds of participating institutions<sup>33</sup>.

## **2. Strengthening of regional and local health systems**

Several regions have taken measures to increase the capacity of their healthcare systems. Some measures can be seen as temporary, such as setting up field tents, reorganising health facilities to separate COVID-19 patients from others or transforming public buildings into accommodation for healthcare workers and patients. Other measures are more permanent and can boost the resilience of the local/regional healthcare systems in the longer term. These include the procurement of intensive care units/CCBs, ventilators and other equipment, the introduction of new treatment and testing facilities, and new digital health solutions.

One example from the COVID-19 Exchange platform illustrates how Piedmont (IT) set up a task force to assess the structural deficiencies of the local health system. To strengthen its response capacities, the region dedicated certain hospitals to the treatment of COVID-19 patients, set up field tents, created a regional COVID-19 Plasma Bank and doubled the number of intensive care places on the regional territory. Similarly, many other LRAs including [Lombardy](#) (IT), [Castile-La Mancha](#) (ES) and [Sibiu](#) (RO) significantly increased their CCB and intensive care capacity.

The [region of Île-de-France](#) (FR) has established an emergency equipment fund of EUR 10 million to purchase equipment for healthcare professionals. It has financed a digital platform (COVIDom) for the home monitoring of COVID-19 patients and arranged for the provision of accommodation in high schools (9 200 beds and 45 individual rooms) for health professionals as well for non-COVID-19 hospitalised people to relieve hospitals. As part of the region's [economic support package](#) announced in May 2020, EUR 50 million will be made available for the health sector, including measures to boost telemedicine in the region and financial support for healthcare volunteers and students who provided valuable assistance during the crisis.

## **3. Purchase and delivery of medical material and safety equipment**

Across the EU, LRAs have responded to the need to procure and distribute necessary protective and medical material, including masks, PPE, gloves and disinfectants for care personnel on the front line, as well as ventilators and other medical equipment to support hospitals and other health facilities.

Many local and regional authorities struggled in this task, as each Member State, region and local authority acted to secure their own supply with little or no cooperation between the different actors. The situation led to bottlenecks in the markets and resulted in overpricing, unfair trade, and/or the procurement or delivery of low-quality equipment.

Examples from the ground show that essential material was delivered by LRAs to medical personnel in hospitals and other health facilities to enable them to respond to the acute health crisis. For instance, the region of [Île-de-France](#) (FR) purchased 30 million masks with the financial support of the EU. The first 10 million units were distributed to healthcare professionals, municipalities, associations, nursing homes and other vulnerable groups, or entities performing essential functions. The CoR COVID-19 Exchange

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<sup>33</sup> *ibid.*

Platform showcases numerous other similar examples, including the city of Warsaw (PL), Pays de la Loire (FR), the Istria region and its municipalities (HR), Central Bohemia (CZ) and the region of Central Macedonia (EL).

Masks, disinfectant and other supplies were also procured by LRAs for transport operators, other businesses, associations and individuals. For instance, in [Castile-La Mancha](#) (ES), the free distribution of masks had reached over 830 000 people by June 2020.

The newly established RescEU stockpile<sup>34</sup> provides direct support to regional health systems, but this came rather late for the needs of some regions: The first [delivery of 90 000 protective masks](#) to Lombardy's hospitals arrived from Romania on 25 April 2020.

#### **4. Boosting local medical and protective equipment production capacity**

Many LRAs have also been cooperating with the private sector to step up the manufacture of medical and protective supplies locally or regionally. For instance, in May, the region of [Lombardy](#) (IT) decided to allocate EUR 10 million to support micro-enterprises and SMEs willing to convert their production lines to supply PPE. In [Andalusia](#) (ES) the Health Department, together with a team from the University of Málaga, were able to design a new ventilator prototype to improve medical assistance in the region. In [Sibiu \(RO\)](#), a joint public and private effort allowed the local production of hand disinfectant for use by social care centres, homes for the elderly and local public authorities.

Further examples of initiatives to support the manufacturing of masks, protective clothing and/or other equipment at both local and regional level include the Košice Self-governing Region (SK), Castile-La Mancha (ES) and the municipality of Gabrovo (BG)<sup>35</sup>.

#### **5. Healthcare staff**

With the increasing demand for critical care to save lives, many measures were taken by LRAs to hire additional healthcare staff and to support them in their work. For instance, in [Provence-Alpes-Côte d'Azur](#) (FR), the South Region allocated EUR 124 million for the front line, part of which was earmarked for care workers. They were able to use public transport for free and received 4 million masks. The region also called in 14 000 healthcare students to help manage the crisis and offered them financial support<sup>36</sup>.

[Lombardy](#) (IT), then the hardest-hit region in Europe, allocated EUR 82 million for distribution to health workers involved in the emergency<sup>37</sup>. The region also received supportive medical teams from Cuba, Albania and Poland at the peak of the pandemic in March as well as a team of doctors and nurses from Romania and Norway in April via the EU Civil Protection Mechanism. The region arranged free accommodation for health personnel and volunteers, including those coming from outside the region, in cooperation with regional commerce and industry. Finally, in June, the region announced a [package of EUR 176 million](#) to hire 1 600 additional nurses and social workers.

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<sup>34</sup> EC webpage. *Crisis management and solidarity*. Available at: [https://ec.europa.eu/info/live-work-travel-eu/health/coronavirus-response/crisis-management-and-solidarity\\_en#assistance-within-the-eu](https://ec.europa.eu/info/live-work-travel-eu/health/coronavirus-response/crisis-management-and-solidarity_en#assistance-within-the-eu)

<sup>35</sup> CoR. COVID-19 exchange platform. *Op. cit.*

<sup>36</sup> *Ibid.*

<sup>37</sup> *Ibid.*

Many other regions also took measures to provide separate accommodation for healthcare workers and volunteers on the front line. This was done in collaboration with local entrepreneurs, like in [Sibiu county](#) (RO), or by converting schools (municipality of Rokiškis, LT) or other public buildings into temporary accommodation. For example, the city of Ljubljana (SL) offered empty and disinfected rooms in Hostel Celica, run by the Ljubljana Castle public institute, to be used by the University Medical Centre for the accommodation of their staff<sup>38</sup>.

In other measures, the Danish municipality of Aarhus established a job database for citizens with health care and educational skills willing to volunteer during the pandemic. [Bavaria](#) (DE) has been covering the cost of healthcare workers' food and beverages on duty and paid a EUR 500 bonus to health professionals and carers to honour their achievements<sup>39</sup>.

## 6. **Nursing homes**

Many LRAs understood the need to provide special support to elderly care facilities and nursing homes to protect their high-risk residents from the virus. For instance, [Castile-La Mancha](#) (ES) has a total of 344 residential centres that serve 26 000 people and provide 15 000 jobs. Early on in the pandemic, the region established a contingency plan for the care of COVID-19 affected persons in elderly nursing homes, making arrangements for their individual care if they did not meet the medical criteria for hospital admission. In August, the region approved EUR 19 million for the care of the elderly in residential centres.

Other regions also acted quickly to protect the elderly population with a number of measures. A recent study<sup>40</sup> by researchers from the International Long Term Care Policy Network (LTCPN) reports that many regions in Germany and Italy banned or severely reduced admissions and limited visits to elderly care facilities. Additional measures include the provision of equipment and guidance to nursing homes, as was the case in several states in Germany, more human resources to reinforce elderly care (Huddinge municipality (SE)<sup>41</sup>, Tyrol (AT)) and increased staff wages. The city of [Budapest](#) (HU) carried out testing in the elderly care sector when the government's response was lacking. Many LRAs also took measures to support older people who were facing severe loneliness as a result of the lockdown. For instance, the region of Žilina (SK) launched a campaign to help seniors confined in selected nursing homes during the crisis<sup>42</sup>.

## 7. **Diagnostic testing**

LRAs across Europe quickly mobilised resources to purchase COVID-19 testing equipment and started running tests ([Brussels region](#) (BE), [Castile-La Mancha](#) (ES)). In addition to testing the population (Veneto (IT)), tests were also procured for frontline staff fighting the pandemic (Gdąnsk, [Mazovia region](#) (PL))<sup>43</sup>.

Many LRAs also took measures to increase available testing facilities, for example in Denmark, where municipal authorities cooperated with health-care professionals in creating "drive-through" test facilities

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<sup>38</sup> OECD. Cities policy responses. *Op. cit.*

<sup>39</sup> CoR. COVID-19 exchange platform. *Op. cit.*

<sup>40</sup> Comas-Herrera, Ashcroft and Lorenz-Dant. *Op. cit.*

<sup>41</sup> CoR. COVID-19 exchange platform. *Op. cit.*

<sup>42</sup> Comas-Herrera, Ashcroft and Lorenz-Dant. *Op. cit.*

<sup>43</sup> CoR. COVID-19 Exchange Platform. *Op. cit.*

in various parts of the country<sup>44</sup>. [North Rhine-Westphalia](#) increased its testing capacity by collaborating with its Chemical and Veterinary Examination Offices, which made it possible to get results back to local authorities more quickly and assess the spread of coronavirus more clearly.

## 8. **Cross-border health measures**

To limit the spread of the pandemic, Member States started restricting the movement of people to other countries and/or regions, including within the Schengen area. These border closures hindered the movement of healthcare workers and patients from one region to another and severely disrupted existing cross-border cooperation in many areas. In some regions, there was confusion over the applicable rules for workers commuting across regional or national borders, and the agreed upon international rules were not necessarily applied.

Despite the difficulties, health-related cross-border and international cooperation measures were carried out in many regions. For instance, the regions of Tyrol (AT), South Tyrol (IT) and Trentino (IT) managed to maintain a very high level of cooperation during the crisis. South Tyrol sent protective equipment to Tyrol and Trentino, and hospitals in the Tyrolean towns of Innsbruck, Hall and Lienz took care of South Tyrolean patients in need of intensive care. Furthermore, Innsbruck University hospital and the hospital of Bozen-Bolzano are running a joint health project to collect information on the medium- and long-term psychological effects of isolation during the pandemic on the local people<sup>45</sup>.

At the French-Spanish-Andorran border in the Pyrenees<sup>46</sup>, health authorities were able to stay in contact to manage hospital capacity around the national borders and mobilise emergency resources. For example, Cerdanya Hospital in Spain, the first cross-border hospital in Europe and one of the first European Groupings of Territorial Cooperation in existence, was able to continue providing services and treatment to French citizens in need. Intensive care places were also made available for Spanish patients in France. A green lane was established at the national border that allowed both the hospital's workers and its patients to cross as needed at all times.

Looking at other examples on the CoR COVID-19 Exchange Platform, Lower Silesia (PL) received 100 000 face masks and other protective equipment from Saxony (DE). This cooperation also extended to testing for COVID-19, with laboratories in Dresden testing sometimes as many as 200 samples per day from Lower Silesia. In Görlitz (DE) and Zgorzelec (PL), the two neighbouring counties used a cross-border information exchange system to monitor the numbers of cases and the development of the pandemic.

To alleviate the burden on some regions' healthcare systems, a number of COVID-19 patients were moved to other regions to receive hospital treatment. On 27 March, [North Rhine-Westphalia](#) announced that they were taking a number of COVID-19 patients from the Lombardy and Piedmont regions in Italy and from France. French patients from Grand Est and Bourgogne-Franche-Comté were also treated in other regions, including [Saarland \(DE\)](#).

Cooperation between LRAs to combat the pandemic was not limited to the European Union: The city of [Wiener Neustadt](#) (AT) was able, thanks to contacts with its twin city of Harbin, China, to contact a

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<sup>44</sup> *Ibid.*

<sup>45</sup> *Ibid.*

<sup>46</sup> *Ibid.*

manufacturer of protective equipment in Harbin to order necessary equipment to be used in fighting the pandemic.

## 9. **Use of EU funds**

Several regions used EU funds to support their health response and made use of the flexibility introduced in the use and management of EU Structural and Investment Funds<sup>47</sup>. For instance, [Mazovia region](#) (PL) mobilised PLN 150 million (approximately EUR 34 million) of EU funds to buy necessary equipment for hospitals. In Arad County, Romania, the Emergency Clinical Hospital was able to use redirected Interreg funding to acquire intensive care and other critical equipment to be used in the treatment of COVID-19<sup>48</sup>.

In [Lubelskie region](#) (PL), the reallocation of resources within the European Social Fund (approximately EUR 1.3 million) has allowed for the purchase of medical equipment and payment of medical staff. In addition, ERDF resources (approximately EUR 9.4 million) are being used to purchase diagnostic and medical equipment, including ventilators. In addition to healthcare, a wide range of social assistance will be provided. Furthermore, an existing project under the European Neighbourhood Instrument Cross-Border Cooperation (ENI CBC) Poland-Belarus-Ukraine programme has helped support emergency medical services' capacities in Lubelskie and in the regions of Brest (Belarus) and Lviv Oblast (Ukraine)<sup>49</sup>.

## 10. **Digital healthcare solutions<sup>50</sup>**

The pandemic has led many LRAs to develop and adopt new digital healthcare-related solutions. [North Rhine-Westphalia](#) has put in place a virtual hospital to optimise the treatment of COVID-19 patients. The virtual hospital provides medical advice on the treatment of respiratory patients, for example to healthcare professionals located in small hospitals. This remote support makes it possible to treat patients where they are hospitalised, limiting transfers and taking advantage of the care resources available on site.

In Spain, the Region of [Murcia](#) has developed an online tool to help detect new undiagnosed cases and take anticipatory measures. The tool is based on a short online questionnaire that citizens can fill in on the Murcia Health Service website. The Catalan Government has launched [an app and platform](#) to control and detect new COVID-19 cases, providing daily real-time data.

The city of Paris<sup>51</sup> is using COVIDom, a digital application to monitor confirmed or suspected patients in their home, allowing hospitals to regulate patient flows.

Many LRAs are reaching out to their citizens via social media and popular mobile applications to connect with communities and to share reliable information. For instance, in [Lisbon](#) (PT), WhatsApp connections between the young and the old were established to provide company and support to those in isolation.

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<sup>47</sup> EC. *Coronavirus Response Investment Initiative Plus: New actions to mobilise essential investments and resources*. 02/04/2020. Available at: [https://ec.europa.eu/regional\\_policy/en/newsroom/news/2020/04/04-02-2020-coronavirus-response-investment-initiative-plus-new-actions-to-mobilise-essential-investments-and-resources](https://ec.europa.eu/regional_policy/en/newsroom/news/2020/04/04-02-2020-coronavirus-response-investment-initiative-plus-new-actions-to-mobilise-essential-investments-and-resources)

<sup>48</sup> CoR. COVID-19 exchange platform. *Op. cit.*

<sup>49</sup> *Ibid.*

<sup>50</sup> Further examples and analysis of the impact of the pandemic on the accelerated digitalisation of the EU are available in Chapter III.

<sup>51</sup> OECD. *Cities policy responses*. *Op. cit.*

Numerous other examples of digital health-related solutions exist all over Europe. However, it should be noted that the capacities of LRAs to develop and deploy digital solutions vary across Europe, as do their starting points in terms of existing digital health services and tools.

## 11. **Other measures**

In addition to the measures presented above, LRAs have been active in providing a number of other health-related services and actions during the crisis. These include the organisation of helplines for medical, psychological or other types of support ([municipality of Częstochowa](#) (PL)); coordination of volunteers to deliver medicines or food, sew masks, provide COVID-19-related information etc. ([city of Rijeka](#) (HR)); measures in coordination with charities and volunteers to support vulnerable groups with medication, food and services, including the homeless, persons with disabilities, people with chronic illnesses, people put under home quarantine and elderly people ([Lisbon](#) (PT)); disinfection of public places ([Athens](#) (EL)); facilitating repatriation (Bavaria (DE))<sup>52</sup>; coordination of donations to fight the pandemic; and waste water analysis to detect possible outbreaks ([Seville](#) (ES)).

The examples presented above cover only a fraction of the responses implemented locally and regionally across Europe to protect citizens from COVID-19. We can say that local and regional authorities really have been and continue to be at the forefront of fighting the pandemic. The need for health-related responses was triggered by the arrival of the virus in Europe and still continues today.

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<sup>52</sup> CoR. COVID-19 exchange platform. *Op. cit.*



# Chapter II – The economic consequences of the COVID-19 crisis

## A. Overview of economic impact

In the EU and throughout the world, most administrative, social and economic activities have been halted. Lockdown measures may have differed from country to country, but they have generally been drastic: closing restaurants and hotels, closing shops, shutting down public transport, closing schools and universities, closing workplaces and shutting down the construction sector. They have led to the strongest economic shock and crisis since the Second World War. The OECD has called it the "most serious economic crisis in a century"<sup>53</sup>.

The strongest shock occurred during the second quarter of 2020 when most Member States introduced lockdown measures from February until May. In this period, EU GDP decreased by 11.7% (12.1% in the euro area) and employment by 2.6%<sup>54</sup> (2.8% in the euro area) compared to the previous quarter. This has been the sharpest decrease "by far" since Eurostat started these estimates in 1995. Along with the 3.6% drop in the first quarter when the pandemic started, GDP decreased by 15.3% in the first half of 2020 in the EU.<sup>55</sup>

Lockdown measures have now been lifted in EU countries, and are being reinstated locally, only if and where necessary. The acute phase of the economic shock is behind us, as the second wave of the pandemic is milder than the first wave – for now. The EU economy has now slowly restarted, and is expected to contract by 8.3% overall (8.7% in the euro area) in 2020<sup>56</sup>.

Available national data highlight the historical magnitude that this crisis is having on individual EU countries. This ranges from a decrease of 22.1% in GDP in Spain and 19% in France in the second quarter of 2020 compared with the same quarter in the previous year, to a decrease of 5.2% in Finland and 3.7% in Lithuania<sup>57</sup>. Such differences can be explained in two ways:

- The intensity of the pandemic varied from country to country. The pandemic started in Italy, spread to France, and reached other Member States only later. Italy, Spain and France have been hit the hardest by the pandemic, and Italy and France imposed comparatively the most stringent lockdown measures. The negative effects on the economy were therefore stronger, and lasted longer in France than in Finland for instance.
- Industrial and economic structures vary from country to country. The French economy relies heavily on tourism and aeronautics, which are the two sectors that have been hit the hardest

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<sup>53</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>54</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>55</sup> Lane. *The macroeconomic impact of the pandemic and the policy response*. European Central Bank Blog. 04/08/2020. Available at: <https://www.ecb.europa.eu/press/blog/date/2020/html/ecb.blog200804~b2c0f2115a.en.html>

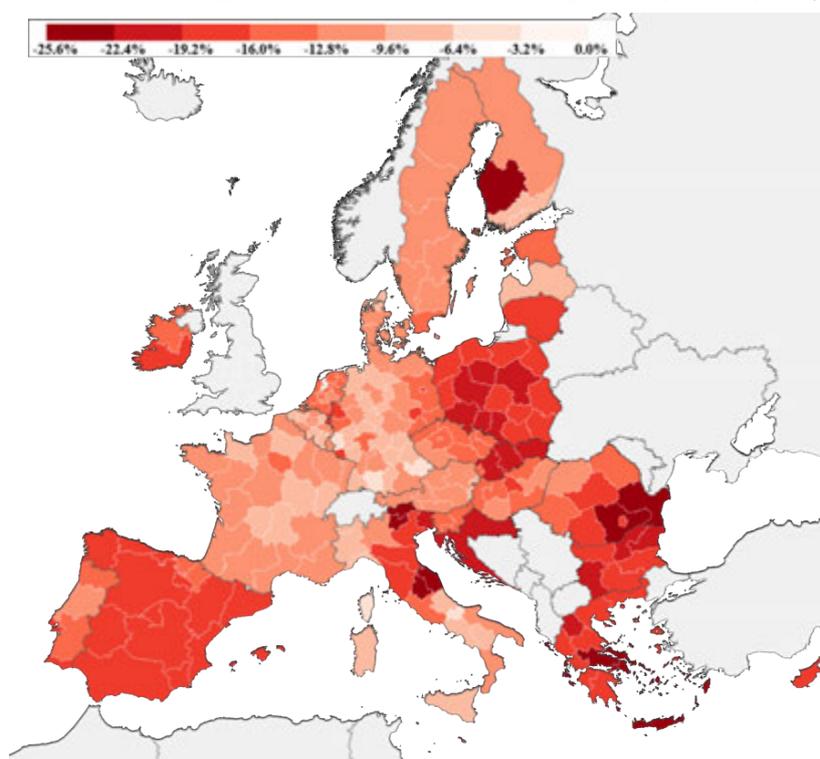
<sup>56</sup> EC Summer Interim Forecast 2020. *A deeper recession with wider divergences*. Available at: [https://ec.europa.eu/info/sites/info/files/economy-finance/summer\\_2020\\_economic\\_forecast\\_-\\_overview.pdf](https://ec.europa.eu/info/sites/info/files/economy-finance/summer_2020_economic_forecast_-_overview.pdf)

<sup>57</sup> Eurostat. *Op. cit.* (3)

during the pandemic; this explains why France has been impacted so heavily by the crisis. A key question will be whether this is the beginning of a long-term crisis for these sectors and what structural reforms should be envisaged. Chapter VII on recovery measures will focus on the issue of sustainable recovery and the need to re-calibrate the current economic and industry structures of Member States to transition towards green and digital economies, which are more resilient to economic shocks.

Early research results also suggest that the economic impact of the COVID-19 has a marked geographical dimension. For instance, the map below illustrates that the impact on GDP in the EU regions is differentiated, with variations not only across the EU, but also within countries.

**Figure 11: GDP impact at regional NUTS-2 level excluding the impact of policy measures**



Source: JRC<sup>58</sup>

The rest of this chapter will examine the type and extent of the impact of COVID-19 on EU regions and cities.

### 1. **Length and stringency of lockdowns**

When analysing the potential impact of the pandemic, it is crucial to understand that the economic impact of the pandemic does not necessarily match its health impact. In other words, the GDP and other economy-related maps on the effects of COVID-19 do not necessarily coincide with the epidemiological maps featured on the previous chapter on health (death cases, new cases, hospitalisations). This is because, instead of being related to the number of cases or deaths from COVID-19, the economic impact

<sup>58</sup> This map was presented by the JRC during the joint CoR/OECD webinar on *The impact of the COVID-19 on regions and cities*, held on 18 June 2020. Note: The analysis was carried out using the RHOMOLO macroeconomic framework, a numerical-spatial general equilibrium model based on regional account data and a set of fully observed bilateral final and intermediate shipments consistent with the national accounts. The economic disturbances implemented in RHOMOLO are consistent with the 2020 Spring Forecast. Available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=SWD%3A2020%3A98%3AFIN>

of the pandemic is strongly related to the length and stringency of the lockdown. Accordingly, the CoR has produced a study<sup>59</sup> analysing the potential economic impact in regions and cities, focusing on the varying degrees and types of national lockdown from February to May 2020 – the peak of the economic shock.

Until mid-March, most national lockdown measures followed a similar path. Divergent paths then emerged until the end of the period covered by the study, with some countries remaining more cautious, and others adopting faster exit strategies. There were two outliers: Italy had much stricter and longer lockdown measures while, at the other end of the spectrum, Sweden had a much shorter and less stringent lockdown.

One limitation of the study is that it did not take into account specific lockdown measures taken at local or regional level. Moreover, measures taken from June onwards are not included in the analysis.

Nonetheless, the national differences alone already give a useful indication of the potential differentiated economic impact of COVID-19 when combined with various regional characteristics. We can assume that localised and additional containment measures would only accentuate the territorial dimension of the impact.

## 2. **Regional characteristics**

A national lockdown will not have the same effects across the regions, cities and villages it covers. The impact of the lockdown also depends heavily on the resources and political, social and economic structures of LRAs. A border region relying on cross-border workers for its healthcare system or on parts coming across the border for its industry will be affected by lockdown restrictions abroad, even if the national lockdown is soft. Cities such as Paris and Milan are famous for their fashion and luxury goods; they will be more impacted than others if rich tourists from Asia, the Middle East and America cannot travel abroad.

Therefore, differences in lockdown measures need to be examined in the light of regional specificities to assess the economic impact of the COVID-19 in the EU regions. Eleven regional characteristics are particularly useful in assessing a territory's sensitivity to lockdown measures:

- **The share of employment in risk sectors<sup>60</sup>**

Manufacturing is a high-risk sector, as it is affected by distortions of its value chains in the short and long term.

The wholesale and retail trade and motor vehicle repair sectors are heavily affected by the closure of shops and sanitary measures such as social distancing.

The accommodation and food service sectors are experiencing major disruption on the demand side due to travel disruption and social distancing.

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<sup>59</sup> CoR study. *Potential impacts of COVID-19 on regions and cities of the EU*. 2020. To be published. Will be available at: <https://cor.europa.eu/en/engage/studies/Pages/default.aspx?from=01/01/2020&to=01/01/2021>. The information and most of the figures in this chapter are based on this study, which cover the period February-June.

<sup>60</sup> *Ibid.*

The real estate sector is also experiencing strong disruption on the demand side<sup>61</sup>.

The administrative and support service sectors rely on providing services for physical gatherings and are heavily affected by the crisis.

Similarly, the cultural sector, other service activities, household and extra-territorial organisations will suffer for the longest, as most physical social activities have remained on hold even during the exit strategies.

These sectors are the most at risk of losses and bankruptcy because of the lockdown. Regions that are disproportionately reliant on one or more of these sectors will pay a higher economic price for the crisis.

- **Reliance on tourism**

Tourism is the most severely affected sector. For regional economies that rely heavily on tourism, the impact will be dramatic (see Section A.5 below, dedicated to tourism).

- **Reliance on international trade**

Lockdown measures have disrupted industrial value chains as well as international trade. The more a region's economic fabric relies on international trade in goods, the more its industry will suffer from restrictions resulting from the outbreak of COVID-19.

- **The share of people at risk of poverty and social exclusion**

The most vulnerable groups are the most at risk. The lockdown measures will worsen their situation in terms of job and revenue losses as well as access to social services.

- **The share of youth unemployment**

Young people in 2020 are sometimes labelled the lost or lockdown generation. Access to jobs following completion of their studies is blocked because of the paralysed economy. Ongoing changes to working patterns may also make their qualifications less valuable or relevant, such as in the aeronautics sector.

- **The share of employment in micro-enterprises**

Micro-enterprises are particularly vulnerable in the event of economic disruption as they lack sufficient capital and banking support to handle a complete shutdown for a sustained period of time. They have no capacity to absorb the shock created by such a crisis. In a region that relies on them, if many such enterprises go out of business, it is unlikely that employers and employees will be able to find other job opportunities.

- **The share of self-employment**

Self-employed people are also especially vulnerable as they cannot benefit from temporary employment support. Among workers, they are the least supported group. Moreover, a Bruegel study<sup>62</sup> found that self-employed people work disproportionately in the sectors hardest hit by the lockdown: 44% of self-

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<sup>61</sup> However, given the strong stimulus of the European Central Bank, in some countries such as Germany, house prices are still rising.

<sup>62</sup> Anderson. "COVID-19: The self-employed are hardest hit and least supported". *Bruegel*. 08/04/2020. Available at: <https://www.bruegel.org/2020/04/COVID-19-the-self-employed-are-hardest-hit-and-least-supported/>

employed workers versus 37% of employees are in risk sectors such as the cultural sector, making them all the more vulnerable to lockdown effects.

- **Cross-border employment**

A border region relying on cross-border employment is even more vulnerable to COVID-19, as value chains are disrupted and cross-border workers cannot reach their place of work.

- **Regional GDP per capita**

The regional GDP per capita indicates a region's wealth and capacity to face economic disruption.

- **National debt**

Member States need to mobilise large amounts of public money to support their economies and people, and will also need considerable amounts of public money to support their recovery. Their level of national debt will determine their capacity to do so.

- **Quality of government**

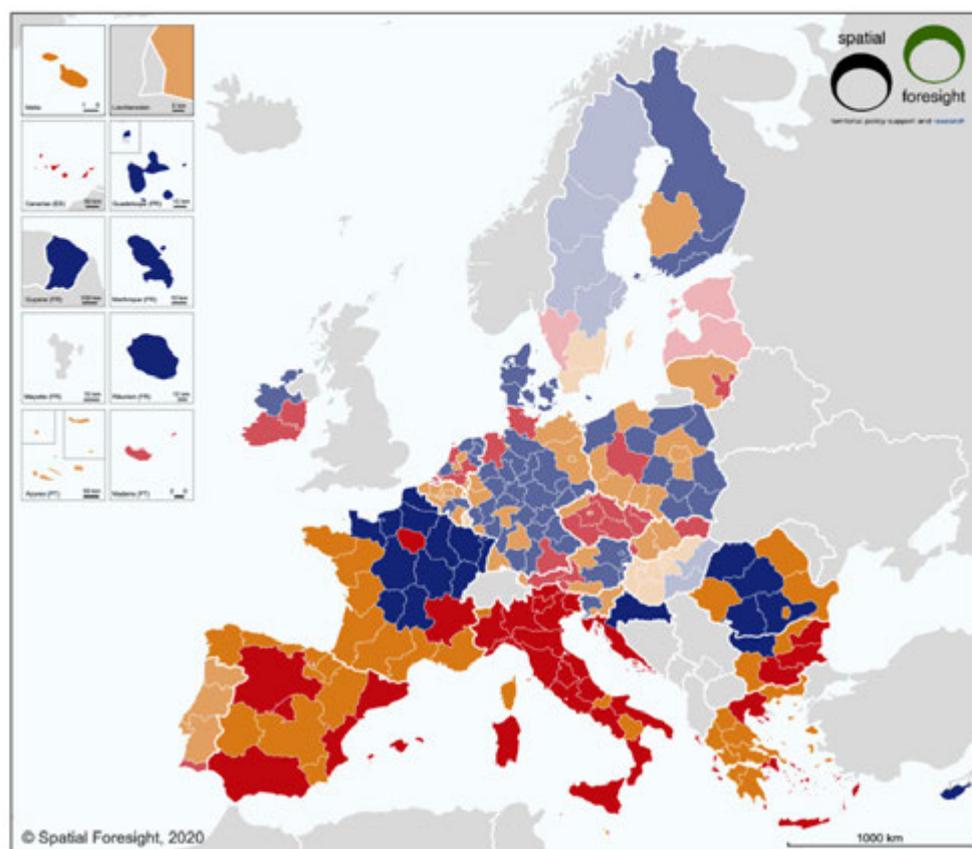
Robust and efficient public institutions are also vital to ensure that lockdown, exit strategies and recovery plans are well implemented and money well spent. Their expertise and organisation will be vital to create trust in the economy and society.

### 3. ***Territorially differentiated impact of COVID-19 in the EU***

The length and stringency of the lockdown combined with the above regional characteristics have been mapped to produce an initial assessment of the potential economic impact of COVID-19.

Where both sensitivity to impact and exposure to lockdown are at the highest level, the potential impact of the lockdown is particularly negative – marked in dark red in the map in Figure 12 below.

**Figure 12: Potential economic impact of COVID-19 mapped**

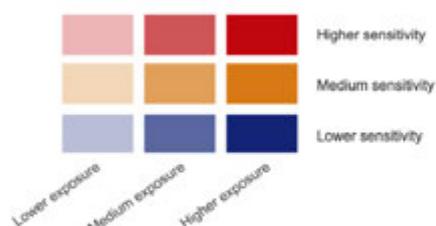


Administrative boundaries: Eurostat GISCO, NUTS 2 (2016)

Source: own elaboration based on the following data inputs

**Potential negative impacts of COVID-19 lockdowns, June 2020**

**Impacts in terms of exposure and sensitivity**



**Sensitivity**  
 Employment in risk sectors of the economy: share of persons employed over total population in the age group 15-64 (Eurostat); Tourism sector reliance: Capacity of collective tourist accommodation (Eurostat); Regional foreign trade: Export/Import to foreign countries as % of GDP (JRC); People at risk of poverty and social exclusion (Eurostat and ESPON 2020 Database); Youth unemployment (Eurostat); Regional GDP per capita (Eurostat); National debt (Eurostat); Quality of Government (University of Gothenburg); Employment in micro enterprises (ESPON); Self-employment level (Eurostat); Cross-border employment (Eurostat)

**Exposure**  
 Stringency and length of government restrictions (Oxford COVID-19 government response tracker - Blavatnik School of Government); Reduction in hours worked (Eurofund survey)

Source: CoR study. Potential impacts of COVID-19 on regions and cities of the EU

The map shows that the potential impact of COVID-19 is overall substantially negative, and is asymmetric and differentiated territorially. The regions of Andalusia, Castile and Leon, Madrid and Valencia in Spain, Île-de-France in France, most of the Italian regions, coastal regions in Croatia, eastern Bulgaria and the regions of Central Macedonia and Crete in Greece are among the hardest hit.

It confirms that the regions that have suffered the most cases and deaths during the pandemic are not necessarily the hardest hit economically. For instance, the Grand-Est region in France has had one of the highest death tolls and numbers of cases in France but was comparatively less hard hit than Rhône-Alpes in terms of economic slowdown.

Another finding is that the potential impact of COVID-19 does not correspond to the usual urban/rural or centre/periphery divides, or to EU regional policies and cohesion regions.

Regions in southern and eastern Europe are more vulnerable due to their high level of micro-enterprises and self-employed workers. Mediterranean and Alpine regions are at particularly high risk due to their reliance on tourism. The economies of a number of regions in central and Eastern Europe rely on international trade and supply chains. Regions in central and northern Europe, as well as individual regions in southern Europe, are also exposed to negative impact from COVID-19 due to a large share of employment in risk sectors.

This map also confirms that the effects of COVID-19 are complex and multi-faceted, and that they are profoundly territorial. This has created a new geography of COVID-19 in the EU. Recovery plans developed at EU and national level will have to make room for place-sensitive policy responses if they are to be effective.

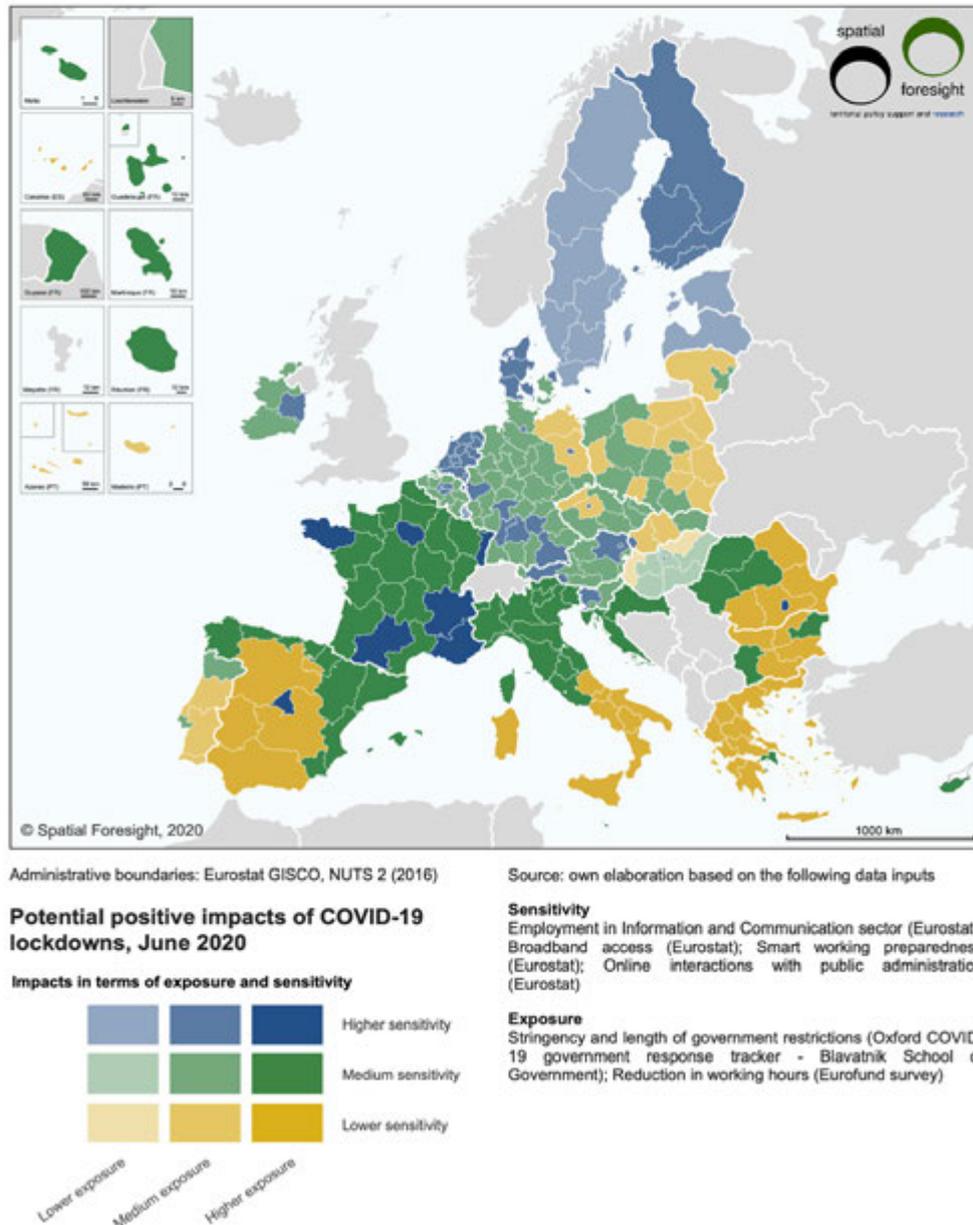
#### 4. **Potential positive impact**

Potential positive impact has been much less documented, and almost taboo, in the midst of the public health disaster. Regions are experiencing an overall negative impact from COVID-19, but the crisis may also bring positive impacts in some areas – in some regions more than others. Positive impacts are, however, limited and do not compensate for the negative impacts. Their share of employment does not exceed 10%. They are linked to digitisation activities:

- **Information and communication** are the only economic sectors that can benefit from the crisis. Demand for information, online services and equipment has grown steadily since the lockdown measures have been put in place. The share of employment in these sectors in a regional economy could indicate the potential for positive impacts from COVID-19.
- **Broadband access** is now a requirement to enable work from home and to relaunch the economy as quickly as possible.
- **Smart working preparedness** is also an indication of a region's readiness to adapt to remote working patterns.
- **Online interactions with public bodies** are key in order to support business continuity in a time of pandemic. Regions that have already put in place the means for digital interaction between public administrations, companies and citizens will be better equipped to move all their services online.

These four variables, combined with the length and stringency of the lockdown, were used to map the potential positive impacts of COVID-19 in the map in Figure 13.

**Figure 13: Potential positive impacts of COVID-19 mapped**



Source: CoR study. Potential impacts of COVID-19 on regions and cities of the EU

The Nordic countries, Estonia, Latvia and the Netherlands have good capacity to adapt. The same goes for many metropolitan areas, especially capital cities such as Dublin, Madrid, Paris, Brussels, Berlin, Prague, Vienna and Bucharest. This will make recovery easier for these regions, with the information and communication sectors having a crucial role in the recovery process.

At the other end of the spectrum, the map of regions with less potential to benefit resembles the pattern of cohesion regions, including large parts of Portugal, Spain, southern Italy, Greece, Bulgaria, Romania, Slovakia, Poland, Lithuania and individual regions in Hungary, the Czech Republic and eastern Germany.

## 5. COVID-19's impact on tourism

Tourism constitutes over 10% of EU's total GDP and provides over 27 million jobs across the continent. Following the travel restrictions, border shutdowns and lockdowns introduced in many countries and

regions, tourism became the worst affected of all major economic sectors<sup>63</sup>. The decline in travel and tourism has led to temporary and permanent losses in employment, and has caused an increase in bankruptcies in the travel, hospitality and related sectors, with severe consequences to many local economies.

According to the OECD<sup>64</sup>, depending on the duration of the lockdown, there has been a fall of 60 to 80% in international tourism flows. For instance in Portugal, where tourism represents about 23.1% of all employment<sup>65</sup> and 10% of GDP, this already represents at least a 5% contraction in GDP from tourism alone. Also, domestic tourism flows have been heavily affected by restrictions on the movement of people, but are expected to recover more quickly once containment measures are lifted<sup>66</sup>.

Coastal regions, especially the Mediterranean and Atlantic coasts, are amongst the hardest hit; around half of hotel bed capacity within the EU is concentrated in coastal areas, and tourism is by far the largest employer along the EU's coast<sup>67</sup>. Alpine regions such as the Dolomites and Tyrol are also very highly impacted.

According to JRC research results presented during a joint CoR-OECD webinar<sup>68</sup>, the impact on tourist areas is also not uniform. Areas in Portugal, Croatia, Greece and Austria, and cities such as Paris or Milan, rely on EU and extra-EU tourism. They will feel the consequences of the crisis more acutely and for longer than regions relying on domestic tourism such as in France.

The maps in Figure 14 and Figure 15 highlight these differences. The Algarve region in Portugal is suffering more acutely from the economic impact of the crisis and activity will resume more slowly than in Gironde in France. Most tourist spots in France, Germany and Finland are essentially domestic. Rural tourism is also essentially domestic, whereas coastal areas have a higher proportion of EU tourism.

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<sup>63</sup> UN World Tourism Organisation website. Available at: <https://www.unwto.org/tourism-COVID-19>

<sup>64</sup> Joint CoR/OECD webinar: *The impact of the COVID-19 on regions and cities*. 18/06/2020. Available at: <https://cor.europa.eu/en/events/Pages/ECON-impact-COVID-19-on-EU-regions-n-cities.aspx>

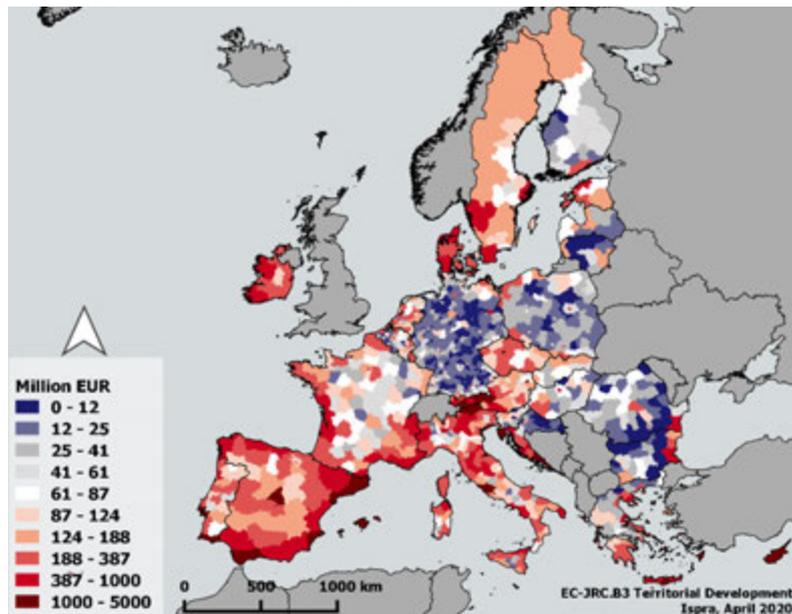
<sup>65</sup> European Data Journalism Network. *One in ten Europeans lives on tourism*. 03/12/2019. Available at: <https://www.europeandatajournalism.eu/eng/News/Data-news/One-in-ten-Europeans-lives-on-tourism>

<sup>66</sup> OECD. *Tourism Policy Responses to the coronavirus (COVID-19)*. 02/06/2020. Available at: <https://www.oecd.org/coronavirus/policy-responses/tourism-policy-responses-to-the-coronavirus-COVID-19-6466aa20/>

<sup>67</sup> EP study, *European tourism: recent developments and future challenges*. October 2019. Available at: [https://www.europarl.europa.eu/RegData/etudes/STUD/2019/629200/IPOL\\_STU\(2019\)629200\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2019/629200/IPOL_STU(2019)629200_EN.pdf)

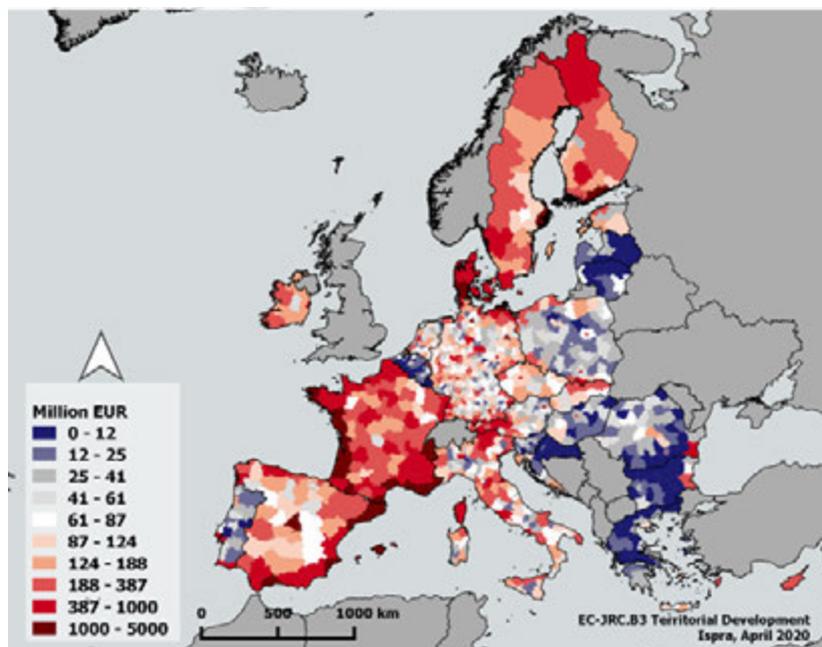
<sup>68</sup> Joint CoR/OECD webinar. *Op. cit.*

**Figure 14: NUTS-3 regions relying on EU tourism**



Source: JRC

**Figure 15: NUTS-3 regions relying on domestic tourism**



Source: JRC

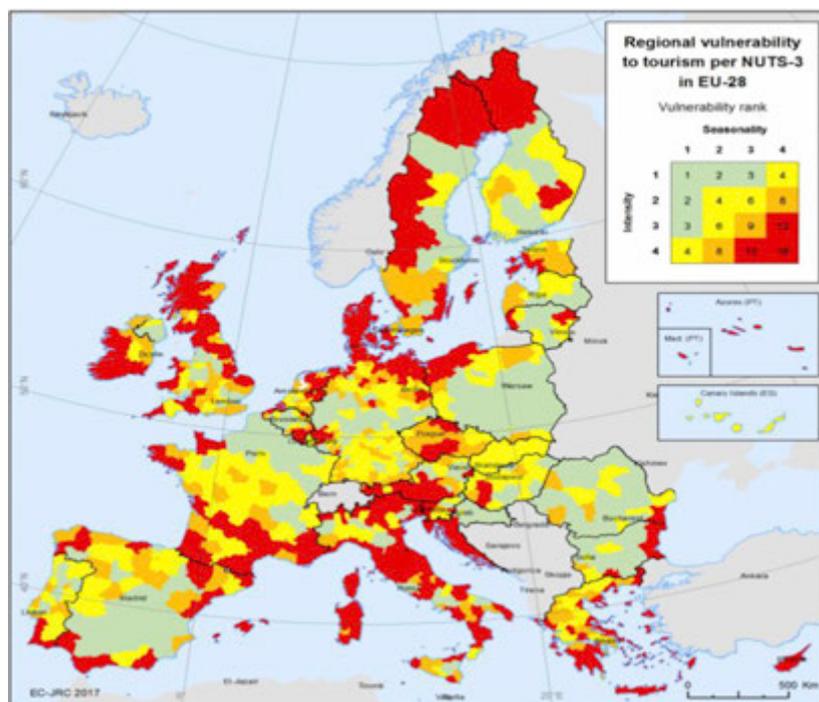
Furthermore, due to factors such as continued travel restrictions, travellers' feelings of insecurity, lower disposable income for travel or the cancellation of major festivals and events, the negative effects of the crisis, especially on overnight stays, are estimated to last up to 2-3 years<sup>69</sup>. This would have a severe negative impact on regions and territories where the number of overnight stays is high in relation to their population.

Tourism seasonality and intensity is also important in defining the vulnerability of a region to the pandemic. The more seasonal tourism is in a region, concentrating activities in a short period of time in

<sup>69</sup> CoR. Territorial Impact Assessment: the State of the Cities and Regions in the COVID-19 crisis. *Op. cit.*

summer or winter, and the more intense these activities are with the economy mostly relying on tourism, the more damaged by the lockdown the regional economy will be.

**Figure 16: Regional vulnerability to tourism**



Source: JRC

The JRC vulnerability map in Figure 16 shows that the regions that are most at risk because of seasonality are scattered across the EU, in both the south and the north of the EU. In fact, some islands in Greece are 90% dependent on tourism. The critical situation in tourist regions and the differences in terms of impact undoubtedly show that recovery policies for these regions will not be uniform, and will depend on their reliance on domestic or EU tourism, seasonality and intensity.

#### a. The cultural sector

Closely linked to the tourism sector, the cultural sector has been severely hit by the lockdown, particularly in many cities where the art scene is vibrant or the leading attraction for tourism. For instance in Germany, the Federal Government's Centre of Excellence for the Cultural and Creative Industries estimates that the cultural sector will lose approximately EUR 21.7 billion, or 12.7% of its annual turnover<sup>70</sup>. At local level, for example, the independent cinema in the town of Epernay in France lost 80% of its turnover in the months after the lockdown was lifted, which forced the owner to close, hoping for a reopening in better days<sup>71</sup>. The situation is all the more worrying for live entertainment as, unlike cinemas, which can reopen without much delay, live shows need a certain period to train their performers and get a show up and running. The impact of the pandemic on specific cultural and creative activities is therefore likely to last a long time. On the positive side, people everywhere have witnessed a fast response to the forced closure of

<sup>70</sup> The Federal Government's Centre of Excellence for the Cultural and Creative Industries. *COVID-19 Impact on the Cultural and Creative Industries in Germany. Economic Effects in a Scenario Analysis*. 17/04/20. Available at: [https://kreativ-bund.de/wp-content/uploads/2020/05/Short\\_paper\\_Impact\\_Report\\_COVID\\_191.pdf](https://kreativ-bund.de/wp-content/uploads/2020/05/Short_paper_Impact_Report_COVID_191.pdf)

<sup>71</sup> France3. *Coronavirus : le Palace, le cinéma indépendant d'Epernay, contraint de fermer ses portes dès le 28 juillet*. 27/07/2020. Available at: <https://france3-regions.francetvinfo.fr/grand-est/marne/epernay/coronavirus-palace-cinema-independant-epernay-contraint-fermer-ses-portes-28-juillet-1857554.html>

museums and cultural activities all over the EU, with the creation of online platforms, virtual exhibits and digital access to art in general<sup>72</sup>.

LRAs elaborated support schemes to mitigate the consequences of the COVID-19 on their local art scene. For instance, the Metropolitan City of Florence has guaranteed EUR 650,000 in funding grants to support cultural activities starting this autumn, with half of this amount expected to go to cultural associations.

Athens has been very active in promoting cultural events to boost its recovery after the crisis. In the early days of the lockdown, artists were invited to submit proposals from all cultural sectors — arts, music, theatre, performances, dancing, cinema, literature. More than 600 projects have been received and have been made into a comprehensive programme, including Culture@Home with live-streamings, writers' videos ("Stay Home with the Authors") and live events. The city has been coordinating these activities and has been providing free support for streaming and publicity.

In Lithuania, the city of Vilnius has created the project "Art without a roof" in an effort to support struggling artists. The city has turned its Old Town and centre into one large open-air art gallery, with and exhibit of 100 printed works from 100 artists on advertising billboards, opened for three weeks in July. The open-air exhibition was accompanied by an online gallery, so that not only Vilnius residents but also art aficionados and collectors from other parts of the world could view them and purchase them. Many art types were welcomed in the project: paintings, graphics, ceramics, sculptures and photography.

## **6. The impact on SMEs**

Together with self-employed workers and micro-enterprises, SMEs are especially vulnerable to the effects of lockdown. Due to their size, they are less resilient than larger businesses. According to an OECD report<sup>73</sup>, they have limited capital to sustain unusual periods of inactivity. It is more difficult for them to organise required social distancing. They have limited capacity to diversify their activities in case their sector is temporarily shut down. They are also strongly represented in the sectors most affected by the lockdown, such as tourism and transportation.

This is confirmed by an SME United survey<sup>74</sup>, in which about *"40% of SMEs report liquidity problems as a consequence of the economic lock-down. In the most affected sectors like hospitality, retail and construction, 50% of SMEs have liquidity shortage"*.

This is further confirmed by the EIB, which reported a steep rise in SMEs' credit demands in the first half of 2020, going hand in hand with tightening credit standards in the euro area. Unfortunately, credit tightening is foreseen to worsen, as large Member States' guarantee schemes come to an end by the third quarter of 2020<sup>75</sup>. Public authorities should address these difficulties to access credit, even if delayed payments and new loans generate more debt and increase risks of insolvency. SMEs should be given

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<sup>72</sup> Chapter III section A.5 further develops the new link between digitalisation and the cultural sector.

<sup>73</sup> OECD. *Coronavirus (COVID-19): SME policy responses*. 2020. Available at: <http://www.oecd.org/coronavirus/policy-responses/coronavirus-covid-19-sme-policy-responses-04440101/>

<sup>74</sup> SME United. *The economic impact of COVID-19 on SMEs in Europe*. 2020. Available at: <https://smeunited.eu/admin/storage/smeunited/200630-COVIDsurvey-results.pdf>

<sup>75</sup> EIB. *COVID-19 economic update*. 17/07/2020. Available at: <https://www.eib.org/de/readonline-publications/COVID-econ-briefing-17-july.htm#>

plenty of time to make their payments, in order to avoid insolvency under these exceptional circumstances.

This is of critical importance when SMEs make up a significant part of the economic structure of regions, as is the case in Northern Italy, one of the regions most affected by the pandemic<sup>76</sup>.

In the SME United survey, more than 90% of SMEs reported a decrease in turnover. They faced problems in terms both of employee and of supply chains availability. Up to 20% of SMEs lost their entire turnover for several weeks.

The issue of supply chains availability highlights the vulnerability of our economies, which are reliant on imported goods and raw materials coming from third countries. Short supply chains, shorter producer-to-consumer models and remanufacturing offer structural solutions to support EU SMEs and employment, to respond to goods shortages and protect the environment. In this regard, circular economy principles gained considerable influence to drive the post-pandemic recovery.

SMEs are very diverse, ranging from high-tech to family businesses. Family businesses have particularly strong local roots and make up the majority of SMEs throughout the EU. They will need specific support to enter the digital and sustainable transition. For instance, they are less likely to be able to offer teleworking and remote working conditions to their employees, hence issues of employee availability. They need training on new technologies, internationalisation, access to finance and professionalisation of management and reporting. Many of them had never borrowed money before the crisis and it is of the utmost importance that they have access to funds for their business to survive.

For eastern and central European SMEs, an additional characteristic is that many SMEs were founded in 1989 and their founders are now ready to retire. The crisis will exacerbate this trend and adequate support at local level will need to be in place for a large number of business transfers in the next two years.

In addition, family businesses are disproportionately concentrated in regions close to the European average in terms of gross domestic product. These regions are facing a "middle-income trap"<sup>77</sup>, with slower growth than top performing regions and regions lagging behind.

The diversity and strong local ties of SMEs call for strong support action at local and regional level. A CoR-OECD survey<sup>78</sup> on the impact of COVID-19 on regions and cities sheds light on the extent of this support. Among respondents representing LRAs:

- 65% indicated that their subnational entity had put in place or contributed to direct support to businesses and the self-employed.
- 59% said so for indirect support measures such as advantageous credit lines, guarantee schemes and repayable advances.

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<sup>76</sup> *Ibid.*

<sup>77</sup> Based on statistics from the Netherlands, regions with higher concentrations of family businesses are close to the European average regarding GDP (Eurostat, 2017; CBS, 2017). Quoted in CoR draft opinion on the *SME strategy* (rapporteur: Eddy Van Hijum (NL/EPP)). To be adopted on 12-14 October 2020.

<sup>78</sup> CoR-OECD. *CoR-OECD survey on "The impact of COVID-19 on regions and cities"*. Forthcoming.

This joint survey was carried out between 3 June and 6 July 2020. 544 respondents from all EU Member States took part, including 300 local and regional authorities and related entities (e.g. inter-municipal groupings). Data mentioned in this report refer to the sample of 300 respondents representing local and regional governments and related entities.

- 62% for tax incentives and relief measures such as exemptions or reduced rent payments for business premises owned by public authorities.
- 64% said that their subnational entity had provided technical assistance and support services.
- 65% indicated that their subnational entity had implemented public investment stimulus measures.

Section C of this chapter provides concrete examples of these LRAs' actions to support SMEs, as well as the self-employed and micro-enterprises.

Despite this worrying situation, the sheer mobilisation of LRAs has prevented the collapse of many local businesses since the beginning of the pandemic. LRAs are also in the best position to assess the needs of SMEs adjusting to a post-pandemic economy. They will have an essential role in safeguarding SMEs and jobs in the recovery phase. This will undoubtedly have an impact on their finances.

## B. Impact on local and regional finances

LRAs have been at the forefront of COVID-19 crisis management, and this has had significant consequences for their budgets. Across the EU, LRAs are responsible for more than half of public investment and approximately one third of all public expenditure<sup>79</sup>. In the joint CoR-OECD survey, 39% of respondents representing LRAs said the lack of financial resources was "very challenging" in managing the COVID-19 health crisis at its peak, with a further 37% saying this was "somewhat a challenge". This latest crisis has evidently created major difficulties for cities and regions both in terms of revenue and expenditure, and could exacerbate existing challenges and divergences.

### 1. **A "scissors effect"**

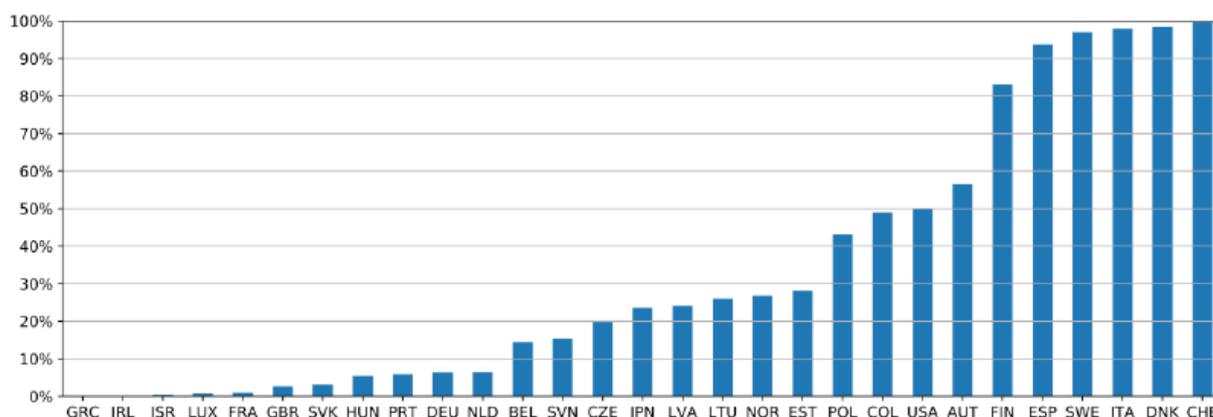
LRAs are in charge of some of the most critical elements of public action for the management of a crisis such as COVID-19. These sectors already weighed heavily in local and regional budgets even before the pandemic: social protection, health and economic affairs (including business support) combined represent nearly half of subnational expenditure in the EU<sup>80</sup>. In Italy and Spain, two of the Member States to have suffered the most from the pandemic, LRAs are responsible for more than 90% of health expenditure (see Figure 17).

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<sup>79</sup> OECD. *Key Data on Local and Regional Governments in the European Union*. 2019. Available at: [http://www.oecd.org/cfe/regionaldevelopment/Subnational\\_Finance\\_Nuancier\\_EU\\_2019.pdf](http://www.oecd.org/cfe/regionaldevelopment/Subnational_Finance_Nuancier_EU_2019.pdf)

<sup>80</sup> *Ibid.*

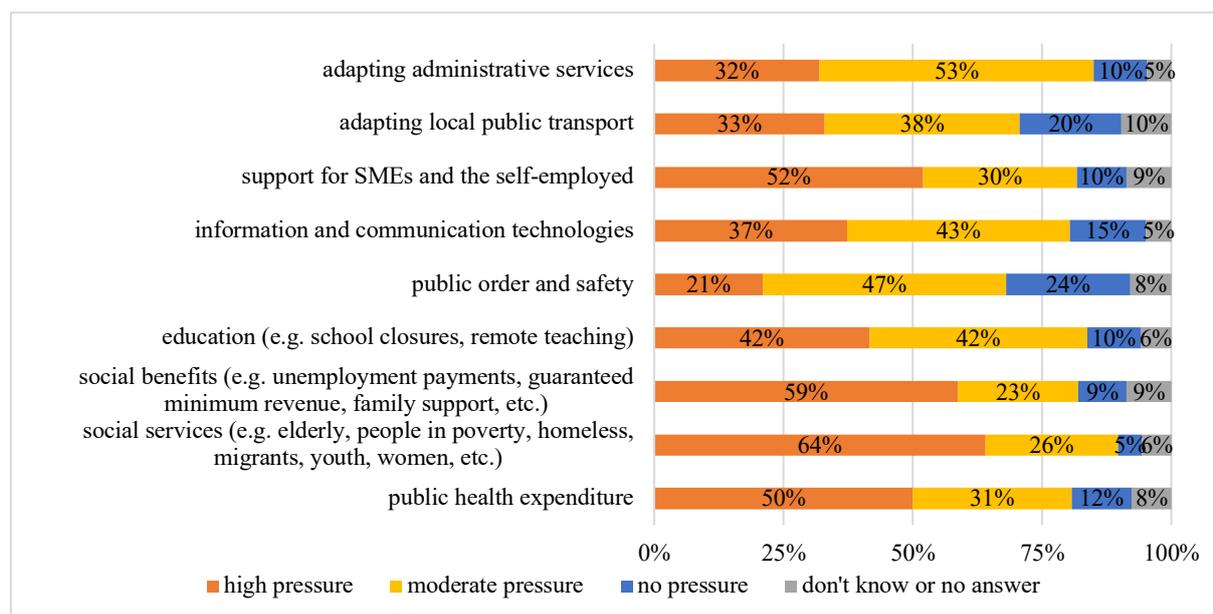
**Figure 17: Subnational governments' health expenditure share as a % of general government, 2017**



Source: OECD, COVID-19 and Inter-governmental Fiscal Relations, 2020.

As a result, LRAs expect their expenditure to be under significant strain in many of these areas. In the joint CoR-OECD survey, around three quarters of respondents representing LRAs said they expected high or moderate pressure on their expenditure in many fields, including health, social services, or support for SMEs, as shown in Figure 18.

**Figure 18: In which areas do LRAs expect the COVID-19 crisis to put pressure on expenditure**



Source: CoR-OECD survey: "The impact of COVID-19 on regions and cities", June-July 2020

While LRAs faced rising expenditure in these areas and others, their revenues fell sharply due to a drastic reduction in economic activity, and thus in the tax base. In addition, many tax relief and deferment measures were enacted at all levels of government, and these affect LRAs through drops in their own and shared tax revenue, tariffs and fees.

According to French government estimates, the country's LRAs could suffer financial losses of approximately EUR 7.5 billion in 2020 (split between EUR 3.2 billion for municipalities, EUR 3.4 billion for

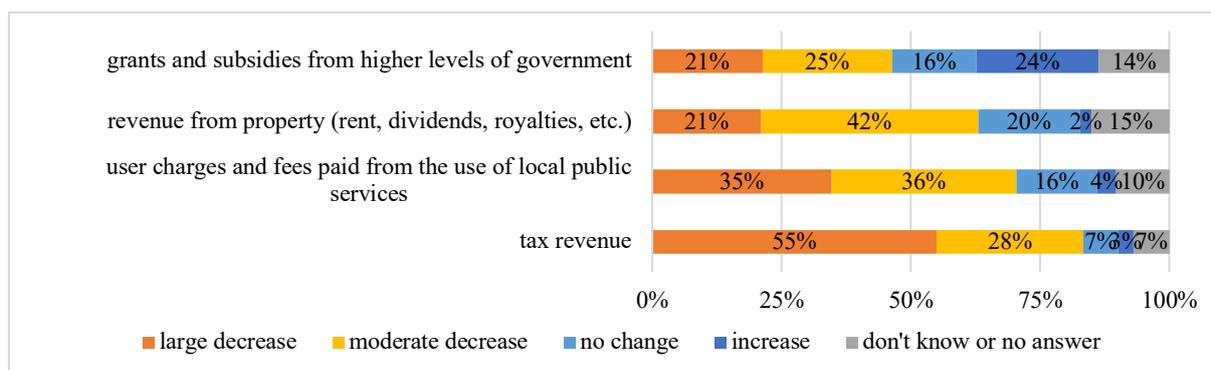
departments, and EUR 0.9 billion for regions)<sup>81</sup>, or approximately 3% of total LRA revenue in 2019<sup>82</sup>. These losses would stem from, among other things, lower VAT revenue from decreased activity, decreased real estate transaction taxes following estate agencies' suspension of activities, lower vehicle registration fees because of the fall in car sales, and reduced tourist tax receipts.

In Italy, the association of municipalities (ANCI) developed various scenarios for the impact of the crisis on local finances, which anticipate reductions in municipal revenues of between 9 and 21%, i.e. EUR 3.7 to 8 billion<sup>83</sup>. A reduction in the amounts collected through the personal income tax will affect both regional governments and municipalities as they receive shares of it and/or surtaxes on its basis. Furthermore, the deferment of payment of the regional surtax, adopted as part of the recovery package, will create cash flow issues. The regional tax on productive output will also be severely reduced, and it represents an important part of regional government revenue.

In Germany, it has been estimated that the tax revenue for municipalities may fall from approximately EUR 115 billion in 2019 to EUR 102 billion in 2020, a decrease of more than 10%<sup>84</sup>. In Finland, the government estimated loss of revenues for municipalities to EUR 1.6–2 billion, or approximately, 4%, while in Austria municipal revenue may fall between 5% and 11% compared to 2019, due to significant decreases in both municipal tax revenue and the municipal share of federal taxes<sup>85</sup>.

The overall trend is perfectly illustrated in the CoR-OECD survey: As shown in Figure 19 below, 55% of respondents representing LRAs expected a "large decrease" in their revenues from tax, a much higher share than for other types of revenues.

**Figure 19: Impact on revenues expected by LRAs**



Source: CoR-OECD survey: "The impact of COVID-19 on regions and cities", June-July 2020

<sup>81</sup> Vie-Publique.fr. *Finances locales: un plan d'urgence pour les collectivités territoriales*. 05/06/2020. Available at : <https://www.vie-publique.fr/en-bref/274449-un-plan-durgence-pour-les-finances-des-collectivites-territoriales>

<sup>82</sup> Total LRA revenue in France in 2019 was approximately EUR 246 billion, including EUR 140 billion for municipalities, EUR 70 billion for départements, and EUR 36 billion for regions.

See: Observatoire des finances et de la gestion publique locales (OFGL). *Rapport 2020 de l'Observatoire des finances et de la gestion publique locales*. Available at: <https://www.collectivites-locales.gouv.fr/finances-des-collectivites-locales-2020-0>

<sup>83</sup> ANCI. *Audizione informale ANCI*. 28/05/2020. Available at: [http://www.ancicampania.it/wp-content/uploads/2020/05/AUDIZIONE\\_ANCI.pdf](http://www.ancicampania.it/wp-content/uploads/2020/05/AUDIZIONE_ANCI.pdf).

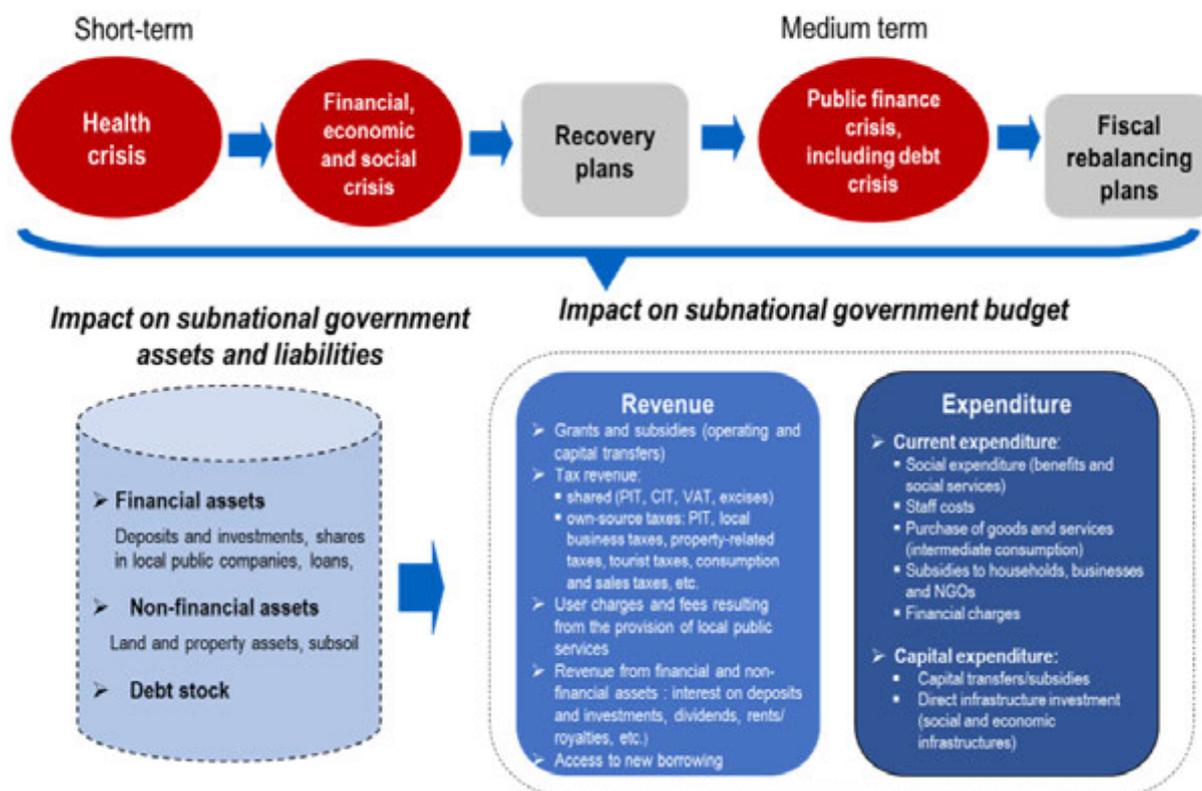
<sup>84</sup> VÖB. *COVID-19 UND KOMMUNEN – KOMMUNALHAUSHALTE UNTER DRUCK*, VÖB-Wirtschaftsammel. August 2020. Available at: [https://www.voeb.de/fileadmin/Dateien/Publikationen/VOEB\\_Wirtschaftsammel\\_August\\_2020.pdf](https://www.voeb.de/fileadmin/Dateien/Publikationen/VOEB_Wirtschaftsammel_August_2020.pdf)

<sup>85</sup> OECD. *The territorial impact of COVID-19: Managing the crisis across levels of government*. 2020. Available at: <http://www.oecd.org/coronavirus/policy-responses/the-territorial-impact-of-COVID-19-managing-the-crisis-across-levels-of-government-d3e314e1/>

This "scissors effect" of rising costs and falling revenues has rapidly undermined the fiscal balance of LRAs, with uncertainty about the duration of the crisis and economic trend reinforcing the financial challenge.

The multiple elements and effects of the crisis that can impact the finances of local and regional governments are usefully synthesised by the OECD in the chart reproduced in Figure 20 below.

**Figure 20: How the cascading effects of the crisis may affect subnational government finances**



Source: OECD, *The territorial impact of COVID-19: Managing the crisis across levels of government*. 2020

## 2. **An asymmetric impact on LRAs finances**

As highlighted in the previous section of this chapter, the impact of the coronavirus crisis is highly asymmetric, and territorially differentiated, both due to exposure to the pandemic and its consequences, and due to regional sensitivity, itself determined by a number of factors including regional sectoral specialisations and exposure to global value chains. Similarly, the impact of the crisis on local and regional finances will be asymmetric across EU regions and cities.

Although there are clear links (both through revenues and expenditure) between the broader socio-economic impact and the impact on local and regional finances, the two are not necessarily parallel, as the latter also depends on a number of specific elements and conditions. In a recent study<sup>86</sup>, the OECD outlines five key factors that can explain the territorially differentiated impact among LRAs:

- i. **The scope and type of their spending responsibilities:** Impact will depend on how much LRAs spend and in what areas. A telling illustration of this is given by the subnational share in health expenditure shown in Figure 17 above. All other things being equal, the finances of LRAs

<sup>86</sup> *Ibid.*

in the Member States where they are responsible for over 90% of health spending (DK, IT, SE, ES) would be much more affected than those where this share is nil or negligible (EL, IE, LU, FR).

- ii. **The characteristics of their revenue:** LRAs finances will also be differentially impacted through the sensitivity of their revenue to economic fluctuations, with activity-dependent taxes likely to be more affected than transfers from higher levels of government, for instance. (This is also reflected in Figure 19.)
- iii. **Their fiscal flexibility:** In many Member States, LRAs are subject to different kinds of legally binding fiscal constraints placing limits on the level of their debt and/or deficit, or on the rate of growth of their expenditure, etc. These rules are similar in objective to the EU-level Stability and Growth Pact (SGP) rules applying to national governments but they are strictly implemented, thus placing varying constraints on LRAs' fiscal margin of manoeuvre.
- iv. **Their fiscal health:** On average, EU LRAs have broadly balanced budgets and, relative to central governments, low debt: 12% of GDP vs 82% for total public debt in 2017<sup>87</sup> (this is of course closely linked to the above point (iii)). However, there are major inequalities in this field and LRAs with budget surpluses and reserves will evidently fare better.
- v. **The scope and efficiency of the support they receive from higher levels of government,** which is itself determined by a variety of factors, including the fiscal health and flexibility of these higher levels of government.

For all of these factors there are strong variations between Member States and between different levels of government within one Member State. For some factors (most notably factor iv on fiscal health) there are strong divergences between individual entities at the same level and within the same Member States. Together with the territorial differences in broader socio-economic impact, these factors and their combination mean that the impact on regional and local finances of the COVID-19 crisis will be asymmetric not only between Member States and between different levels of government, but also between different individual regions, provinces or municipalities within the same Member State.

### 3. **Response measures for LRAs finances**

Initially, the main response put forward has been flexibility: At EU level, the SGP was effectively suspended with the first ever activation of the "general escape clause" by the Council on 23 March 2020. Similarly, some national fiscal rules were also relaxed. In France, for instance, Parliament adopted an emergency bill to allow those LRAs subject to it to derogate from the spending rule limiting expenditure growth<sup>88</sup>. Even with relaxed rules however, many LRAs (most of which have very little access to financial markets) will require liquidity support from central governments. Another form of flexibility that has been implemented concerns timing: In Spain, for instance, regions will receive EUR 2.8 billion through early

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<sup>87</sup> OECD. *Key Data on Local and Regional Governments in the European Union*. Op. cit.

<sup>88</sup> Sénat (FR). *Note de conjoncture et de suivi du plan d'urgence face à la crise sanitaire du COVID 19 relevant du champ de compétences de la commission des finances – situation au 26 mars 2020*. 27/03/2020. Available at: [http://www.senat.fr/fileadmin/Fichiers/Images/commission/finances/1\\_Suivi\\_CF\\_COVID19/CF\\_2020\\_001\\_Comfin\\_Conjoncture\\_et\\_suivi\\_COVID19.pdf](http://www.senat.fr/fileadmin/Fichiers/Images/commission/finances/1_Suivi_CF_COVID19/CF_2020_001_Comfin_Conjoncture_et_suivi_COVID19.pdf)

transfer of funds under the regional financing framework of 2020 to support additional health expenditure<sup>89</sup>.

Slightly later in the crisis, central governments started implementing more ambitious measures, such as additional outright transfers. The OECD note on the territorial impact of COVID-19<sup>90</sup> provides many interesting examples including the following: A Czech government measure from June will grant each municipality a bonus of CZK 1,200 per inhabitant, amounting to a total of almost CZK 13 billion (approx. EUR 0.5 billion). In the same month, the German Federal Government's EUR 130 billion fiscal stimulus package included EUR 25 billion of support for municipalities. Further examples can be found in the bulletins regularly published by the CoR's ECON Commission during the crisis<sup>91</sup>.

These examples are likely to multiply. Indeed, given the limited power of LRAs to raise new revenue and the legal constraints on their ability to borrow (even if those are partly or temporarily lifted), the bulk of the response is bound to come in the form of support from higher levels of government. A substantial share of respondents to the CoR-OECD survey (24%) thus expected the COVID-19 crisis to result in increased grants and subsidies from higher levels of government (see Figure 19 above).

#### **4. Looking ahead**

The coronavirus crisis is likely to have a lasting effect on the finances of LRAs: 85% of respondents to the CoR-OECD survey expected a high or moderate negative impact on their LRAs' finances in the medium term (2021-22). How this situation is dealt with will have major consequences. After the Eurozone crisis, some LRAs were forced to correct fiscal imbalances through significant reductions in their public investment, especially in the Member States worst affected<sup>92</sup>. For cities and regions, this procyclical behaviour had damaging repercussions: according to the mayors of Amsterdam, Barcelona, Milan and Paris, the austerity that followed the 2008 crisis weakened public services, slowed growth and increased inequality<sup>93</sup>. In the aftermath of this new crisis, it will be crucial not to repeat past mistakes and to ensure that LRAs have the financial resources to continue to provide high-quality public services at a time when they are badly needed. Among respondents to the CoR-OECD survey representing LRAs, 79 % said that additional financial resources for subnational entities would be a "very important" factor for a successful exit strategy from the crisis. In addition to national governments, the EU-level response to the crisis, and in particular the proposed Recovery and Resilience Facility, has a crucial role to play in order to provide much needed support to LRAs, as explored at the end of this report.

## **C. Examples of regional and local economic responses**

As highlighted in previous sections, the COVID-19 pandemic has had a negative economic impact across EU regions, cities and villages. This section will explore a variety of interesting mitigation measures

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<sup>89</sup> EC. *Policy measures taken against the spread and impact of the coronavirus*. 14/04/2020. Available at: [www.ec.europa.eu/info/sites/info/files/policy\\_measures\\_taken\\_against\\_the\\_spread\\_and\\_impact\\_of\\_the\\_coronavirus\\_14042020.pdf](http://www.ec.europa.eu/info/sites/info/files/policy_measures_taken_against_the_spread_and_impact_of_the_coronavirus_14042020.pdf)

<sup>90</sup> OECD. *The territorial impact of COVID-19: Managing the crisis across levels of government*. Op. cit.

<sup>91</sup> CoR. *ECONomic Bulletins*. Available at: <https://cor.europa.eu/en/news/Pages/ECON-responses-at-local-level-COVID-19-crisis-07.aspx>;

<sup>92</sup> Public investment by LRAs as a share of GDP fell by 40% or more between 2008 and 2018 in IE, ES, IT, PT and EL. (Eurostat: [TEC00022](https://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&plugin=1))

<sup>93</sup> *El País*. Ada Colau, Femke Halsema, Anne Hidalgo, Giuseppe Sala, "Tribuna: Ciudades por una salida solidaria a la crisis". 14/04/2020. Available at: [https://elpais.com/elpais/2020/04/13/opinion/1586795101\\_578027.html](https://elpais.com/elpais/2020/04/13/opinion/1586795101_578027.html)

implemented by LRAs, in order to provide a broad understanding of the local and regional policy response across the EU.

As a starting point, it is important to acknowledge that several factors have influenced regional and local responses to the crisis: i) the measures already adopted at national level<sup>94</sup>; ii) the financial capacity of LRAs; iii) the sectoral composition of the economy across territories, which largely determines their vulnerability and exposure to crisis, leading to targeted support measures; and iv) the degree of decentralisation within Member States, such as in the assignment of spending responsibilities. Subnational responses always need to be weighed up depending on those factors, otherwise there is the risk of conducting biased comparisons between EU regions or cities that may inaccurately illustrate the extensive efforts undertaken by some of them in relation to their competences or resources.

The section focuses on six policy areas<sup>95</sup> where the important role of LRAs has been manifest: i) direct financial support to SMEs and the self-employed; ii) fiscal support; iii) rent support; iv) information and consultancy support; v) encouraging cooperation among regional and local players; and vi) the design of broader recovery plans.

## 1. **Financial support**

One of the most urgent needs arising from the emergency was to mitigate the impact of COVID-19 on businesses. Consequently, measures were quickly taken to ensure that SMEs and the self-employed had access to financial support. The main actions in this regard have been facilitating access to bank credit and providing public funding. Given the necessary remits to provide this sort of assistance, it was mainly national and regional authorities that undertook these measures. However, considerable divergences existed among Member States depending on the different allocation of powers, with most of the compiled regional examples coming from regions within more decentralised systems and showing varying degrees of linkages with national policies. Some of these concrete measures include: expanding guarantee instruments, making contributions to reduce interest rates, deferring loan instalments, establishing credit lines with advantageous terms granted by regional institutions (in some cases at zero interest rates), non-repayable funding, advanced payment of regional contributions, adapting existing funding to repayable advances and other financing tools. The cases below illustrate some specific examples where these measures were applied.

An OECD study analysing the Italian regional SME policy response identified most of these actions within their economic packages<sup>96</sup>. For example, in March the government of [Friuli-Venezia Giulia \(Italy\)](#) announced subsidised loans of up to EUR 300 000 which could even be disbursed without guarantees or collateral, suspended payments on revolving funds, allocated an additional EUR 4 million to regional guarantee institutions and provided non-refundable grants for the tourism, commercial and craft sector (EUR 34 million), to develop smart (tele)working plans (EUR 2.4 million), to encourage hiring (EUR 3.5 million), etc. For its part, [Tuscany \(Italy\)](#) contributed EUR 21.5 million to the National Guarantee

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<sup>94</sup> EC. *Policy measures taken against the spread and impact of the coronavirus*. 2020. Available at: [https://ec.europa.eu/info/files/policy-measures-against-spread-coronavirus\\_en](https://ec.europa.eu/info/files/policy-measures-against-spread-coronavirus_en)

<sup>95</sup> The examples below mainly come from the Committee of the Regions' *CoR ECONomic Bulletins* (Available at: <https://cor.europa.eu/en/news/Pages/ECON-responses-at-local-level-COVID-19-crisis-07.aspx>); the Committee of the Regions' *COVID-19 Exchange Platform* (Available at: <https://cor.europa.eu/en/engage/Pages/COVID19-stories.aspx>); and contributions from CoR members, complemented by active desk research by the secretariat.

<sup>96</sup> OECD. *Italian regional SME policy responses*. April 2020. Available at: <http://www.oecd.org/coronavirus/policy-responses/italian-regional-sme-policy-responses-aa0eebbc/>

Fund, extending the guarantee coverage up to 90% for their businesses, and, in order to further facilitate access to credit, also launched a regional guarantee fund for those who did not meet the conditions of the previous scheme (EUR 10.5 million) and a regional fund for capital contributions to reduce the costs of guarantee operations (EUR 6 million). The regional government also enabled the deferral of payments on loans granted by its regional institutions, a common measure according to the OECD study. Some regions also encouraged local banks to postpone loan instalments for companies, in accordance with the "Credit Agreement" signed at national level. The adherence to this agreement and the aforementioned National Guarantee Fund are clear examples of linkages with national policies, with many regions also establishing and strengthening complementary regional sections to the national guarantees offered by this latter instrument.

Other regions from decentralised countries were also able to undertake comprehensive responses, such as the [Basque Country \(Spain\)](#), whose government launched a set of measures amounting to EUR 586 million at the end of March, including an emergency credit line of EUR 25 million at zero cost, a EUR 500 million line of working capital guaranteed by the region at zero cost, refinancing and adaptation of the conditions on repayable advances, and funding for the development of technology and telework in small and medium-sized companies (EUR 45 million). [Baden-Württemberg \(Germany\)](#)'s second aid package amounted to EUR 1.5 billion, of which EUR 775 million would be allocated to direct financial aid for SMEs and the self-employed and EUR 330 million to the catering and hotel sector, providing one-off aid of EUR 3 000 per establishment and EUR 2 000 per full-time employee. Several guarantees and loan programmes were also offered, with the state bank having disbursed more than EUR 2 billion by the end of May.

The government of [Flanders \(Belgium\)](#) provided grants of between EUR 1 500 and EUR 4 000 to companies affected by lockdown measures or that experienced a turnover loss despite being open, reduced the premium for guarantee schemes, enabled the option of having a bridging loan guaranteed for non-bank debts for up to 12 months, and deferred loan and credit repayments. The region also launched dedicated support measures for the [tourism sector](#) for an amount of EUR 28.5 million and cancelled lease payments of youth hostels for 2020 with a total value of around EUR 1 million.

French regions also adopted extensive economic packages, with many of the measures taken in collaboration with the national government, the public bank BPI France, and other national and regional stakeholders. For instance, the National Solidarity Fund has a budget of EUR 8 billion, including EUR 500 million from the regions and EUR 400 million from insurers, and comprises a first component that provides monthly aid of up to EUR 1 500 for VSEs, self-employed people, micro-entrepreneurs and liberal professions experiencing turnover losses of more than 50%, and a complementary second component, examined by the regions, based on a one-time additional payment of EUR 2 000-10 000<sup>97</sup>. For example, the government of [Brittany](#) has contributed EUR 21 million to this mutual fund and established a EUR 27.5 million COVID-19 resistance fund co-financed by the region, its departments and intermunicipal authorities, the association of the Îles du Ponant and the Banque des Territoires. This instrument provides zero-interest loans of up to EUR 10 000 with an automatic deferment period of 18 months for those VSEs not covered by bank financing. In cooperation with BPI France the region also launched the Brittany Region Rebound Loan, a 0% loan of up to EUR 200 000 for SMEs (EUR 5 million), and the Brittany Regional Guarantee Fund, extending the conditions of loan guarantees to 80% or even

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<sup>97</sup> Ministère de l'Économie, des Finances et de la Relance, France. *Le fonds de solidarité. Quelles démarches pour quelles entreprises?* 30/06/2020. Available at: [https://www.economie.gouv.fr/files/files/PDF/2020/DP-Fonds\\_de\\_solidarite.pdf](https://www.economie.gouv.fr/files/files/PDF/2020/DP-Fonds_de_solidarite.pdf)

90%. Other measures include bringing forward the payment of repayable advances already agreed and mobilising regional operators to call moratoriums of 3 to 6 months on their calls for reimbursement.

In Portugal, the [Azores](#) government implemented a EUR 150 million credit line to support companies in the region, in particular those that had not been able access national support measures. The regional programme provides very advantageous financing conditions during a loan period of up to six years, with a grace period of up to 18 months and a very low interest rate.

Financial support measures were usually funded through own regional funds and those coming from central governments, but EU funds and instruments also played a crucial role for many European regions. For instance, this was the case for several Polish regions, such as [Śląskie Voivodeship](#), where the EU funds managed at voivodeship level provided much of the funding for its PLN 1 billion (approx. EUR 220 million) Śląskie Economic Package, complementing the national "Anti-crisis shield". Consequently, EU funds enabled the regional government to support local entrepreneurs by providing them with working capital and liquidity loans, non-repayable support to maintain jobs and competitiveness, support activities for the economic promotion of the region, an investment instrument to encourage capital entries and various forms of employer support.

Nonetheless, as previously mentioned, in some Member States these measures on easing access to credit and public funding were more centralised, which should not undermine the major effort undertaken by their regions to coordinate, disseminate and apply the measures. In some cases, regions even complemented them within their remits. In the Czech Republic, for instance, the [Central Bohemia Region](#) launched a programme to support the self-employed with interest-free loans repayable in four years with one deferral, and the [Ústecký Region](#) offered the self-employed and micro-enterprises with less than five employees a regional grant subsidy of up to CZK 25 000 (EUR 915), on top of the national subsidies.

Despite this sort of response being mostly taken at national and regional level, similar measures were also observed in some European cities according to their competences. For example, in mid-March the city of [Vienna \(Austria\)](#), in cooperation with other local institutions, launched a EUR 12 million scheme providing additional guarantees of up to 80% for SMEs for bridging loans, along with EUR 20 million of emergency aid in the form of subsidies for self-employed and micro-businesses badly hit by the pandemic. [Sofia \(Bulgaria\)](#) has also created a fund of BGN 1 million (approx. EUR 510 000) for bank guarantees covering up to 50% of the principal, and up to 80% with additional guarantees by financial intermediaries. [Valenciennes Metropole \(France\)](#) has launched a EUR 400 000 solidarity fund to provide EUR 1 000 grants complementary to the one offered by the national government's and a EUR 500 000 rebound fund in the form of repayable advances of up to EUR 2 000 and EUR 3 000 in two payments. [Sintra \(Portugal\)](#) has set up an emergency fund to provide small entrepreneurs with a EUR 1 500 grant on the condition that they maintain jobs until 31 December 2020. [Valencia \(Spain\)](#) has launched the Re-Activa Plan (EUR 3.7 million) for grants of up to EUR 6 000 for the self-employed and SMEs.

## **2. Fiscal support**

In addition to facilitating access to bank loans and implementing public funding schemes, LRAs have also taken further action to alleviate other burdens that could hinder business continuity. One clear example is fiscal support measures in the form of exemption from or the deferment or reduction of regional and local taxes.

At regional level, for example, the government of [Asturias \(Spain\)](#) has granted SMEs and the self-employed a 6-month deferral, without interest, on the tax obligations linked to the Principality. [Hesse](#) and [North Rhine-Westphalia](#) in Germany have taken very similar measures in this field, deferring income, corporate and sales taxes until 31 December 2020, reducing their respective tax prepayments and suspending enforcement measures including late payment penalties.

In addition, some regional authorities have also tried to compensate for the significant loss of revenue that the alleviation of municipal taxes entailed for their local authorities. In this regard, the government of [Wallonia \(Belgium\)](#) has announced that it will allocate financial compensation to its cities and municipalities equivalent to the amount of the exemptions granted during the lockdown. The government of [Sicily \(Italy\)](#) has decided to set up a EUR 300 million equalisation fund for this purpose and has also suspended other regional taxes such as the motor vehicle tax, the tax for landfilling of solid waste, concession fees for pastures and fees for maritime concessions.

Indeed, with most local authorities having competences in this area, this has been one of the most frequent responses from the European municipalities. For instance, the city of [Braga \(Portugal\)](#) has exempted operators that fall under the simplified regime from paying public space occupation fees for the year 2020, has extended the payment period for advertising and street occupation fees that do not fall under this regime, has given all commercial establishments an exemption from water and sanitation availability fees, as well as a reduction in or exemption from the urban waste tariff. The city of [Rijeka \(Croatia\)](#) has also exempted those businesses and taxpayers that were required to close from paying for the use of public space and utility fees and offered reductions or exemptions to those allowed to operate, based on their drop in turnover. In addition, it has also postponed waste collection fees and the deadline for submitting tax returns on holiday homes. The surtax, which is a major source of income for local governments, was also postponed following the Croatian government's decision to defer income tax payment.

The city of [Sibiu \(Romania\)](#) has suspended the payment of certain local fees such as the special sanitation tax and hotel taxes for a period of six months and the terrace taxes during the state of emergency, with a 50% reduction for the following three months. In view of the Romanian government's intention to postpone the payment of local taxes and duties, other municipal fees were also deferred until 30 June. Central governments in some Member States have certainly influenced the actions of local authorities in this regard. For instance, in line with an announcement by the Irish government, the city of [Cork \(Ireland\)](#) has deferred commercial rates payments for three months for businesses most impacted by COVID-19 – primarily the retail, hospitality, leisure and childcare sectors. Irish counties, such as [Offaly](#), have also been working with local authorities and businesses to implement this and other government decisions. Fiscal support was even provided by many smaller municipalities, such as [Kungsbacka \(Sweden\)](#), where entrepreneurs have been offered the possibility of postponing some municipal fees or paying in instalments if they are in financial difficulty, or [Rundāle \(Latvia\)](#), where the payment deadline for the real estate tax has been extended.

### **3. Rent support**

Rent payments have also been one of the most significant burdens for businesses in a time of plummeting revenues. For this reason, the most frequent economic response from local authorities,

along with offering fiscal support, has been the exemption, deferment or reduction of rent payments for tenants of their municipal properties.

Some regions have also included rent support measures within their broader programmes, such as [Lublin Voivodeship \(Poland\)](#), which has offered entrepreneurs in business premises owned by the voivodeship the option of having their rents suspended for 3 months, or deferring them or spreading them into instalments. The government of [Virovitica-Podravina County \(Croatia\)](#) has subsidised the lease costs for tenants of the business incubators in the region.

At local level, the city of [Luxembourg](#) has exempted all shops and restaurants renting properties from the city from paying rent during lockdown. The same measure has been adopted by the city of [Gabrovo \(Bulgaria\)](#) for its tenants, ranging from restaurants to sites for educational activities. [Tallinn \(Estonia\)](#) has also exempted its contractual partners from paying their rents and reduced the rental price by 20% where city-owned space is used as office space. The city of [Lappeenranta \(Finland\)](#), for its part, has announced that companies and associations in difficulty, with leases on city premises and with less than 10 employees, may apply for a three-month deferment and/or a two-month exemption from rent if their turnover has decreased by more than 30% due to COVID-19. The city of [Debrecen \(Hungary\)](#) has also offered a three-month 90% discount on the rents of those forced to close and 50% if they could open with restricted opening hours. Another example comes from the [Métropole Nice Côte d'Azur \(France\)](#), which has exempted the tenants of its properties from paying their rents but also supported companies whose landlord is not the metropolitan area or a local authority by launching a rent support scheme consisting of grants of up to EUR 500 for companies with less than five employees and under EUR 250 000 in turnover.

#### **4. Information and consultancy support for businesses**

As more aid measures have been launched across all levels of government, it has been crucial for LRAs to ensure that their businesses and self-employed residents know what sort of support they are entitled to. In addition, each of these entities has had to face its own specific challenges, which, aggravated by the situation, have threatened their survival. At the same time, however, the situation has also been an opportunity to modify business plans, to embrace digitalisation and offer online services, to design an effective approach to teleworking that can be extended in the longer term, etc. As a consequence, some LRAs have also started to offer consultancy services for businesses, in many cases free of charge, and also to promote webinars and similar training activities to contribute to business development.

At regional level, the case of [Zwolle \(the Netherlands\)](#) is quite comprehensive. A temporary "brigade" made up of members of public administrations and private stakeholders has been created in order to support employers in the continuity of their businesses. The brigade has been proactively in contact with entrepreneurs through online and offline channels, and has implemented a joint communication and monitoring strategy on the national and regional aid actions. All these initiatives, the existing aid support schemes and other useful links have been included on a new dedicated website, which employers can use as a platform to share experiences and tips. Another successful example is the online service launched in [Catalonia \(Spain\)](#) where multidisciplinary teams provide businesses and the self-employed with up-to-date information on all the aid measures available at local and regional level, and also with further assistance; the website features an integrated customer service chat box and more detailed online forms for complex queries.

At local level, some cities have launched new support initiatives, while others have been able to rely on existing support channels. For instance, the City Council of [Braga \(Portugal\)](#), in collaboration with InvestBraga, the city's economic development agency, has set up a new consultancy office to provide local businesses with information and free support regarding special assistance and adaptation to the new reality, whether in legal, tax or labour matters. In addition, Startup Braga, born as an innovation hub out of InvestBraga, has also conducted several webinars and offered free consultancy to help businesses in their digitalisation. Other cities such as [Vienna \(Austria\)](#) and [Espoo \(Finland\)](#) have also been offering information and free consultancy support through their business agencies – support that was already available before the pandemic, but has been stepped up over the last few months.

## 5. ***Creation of collaborative online platforms***

Another widespread initiative from LRAs has been the creation of online platforms aiming to boost collaboration among different stakeholders in order to cope with the challenges raised by COVID-19. These platforms perfectly exemplify the accelerated digitalisation process explained in Chapter III, and their potential outcomes demonstrate the benefits of the collective learning exercise carried out during the crisis. A wide range of websites have been developed, all varying in terms of the parties involved, the nature of the encouraged cooperation and its final purpose. Among the different areas addressed, it is possible to identify a number of themes:

- **Promoting "buying local"**

This has been one of the main objectives pursued by these online platforms, with a view to supporting local businesses, and has been approached from a variety of different angles. For instance, the [Pinzgau district \(Austria\)](#) has created a user-friendly platform which includes an interactive map highlighting retailers across different sectors who have been offering home delivery and online sales during the lockdown. [Povoa de Varzim \(Portugal\)](#) has launched a similar initiative, also covering retailers operating by appointment and take-away, with more than 250 establishments registered. Other LRAs, such as the city of [Nice \(France\)](#), decided to go a step further by creating an actual marketplace of products from local businesses, with more than 20 000 listed products deliverable within 72 hours.

However, it is not only local retailers who have been supported through this sort of web service; they have also targeted farmers, who have been affected by the closure of many businesses and other supply chain problems during lockdown. In this connection, the region of [Centre-Val de Loire \(France\)](#) has created a platform, which now has hundreds of participants, aiming to support farmers producing fresh local products by bringing together producers, distributors and consumers in the region.

Some LRAs have also decided to encourage citizens to buy locally by compiling a number of platforms and online retail initiatives that support local and regional businesses on a single website, making them more visible and accessible to interested parties. For example, [Ghent \(Belgium\)](#) has launched the "Koop lokaal in Gent" initiative and published this compilation on its municipal website. [Frankfurt \(Germany\)](#) decided to create a dedicated website for this purpose, as part of its "Frankfurt am Start" programme. Among the local initiatives, we can also highlight shopping vouchers, which customers can purchase in advance to support affected businesses' cash flow in exchange for receiving the product or service in the future.

- **Facing the health emergency**

Business collaboration was also essential in order to cope with the health emergency, and online platforms promoted by LRAs represented a useful tool to channel this cooperation. For instance, in addition to the aforementioned platform supporting supply chains of fresh local products, [Centre-Val de Loire \(France\)](#) has created a very similar one to connect manufacturers and distributors of personal protective equipment, fostering the exchange of raw materials, skills and equipment. Another successful example comes from [Catalonia \(Spain\)](#), whose regional marketplace already connects more than 1 500 companies offering not only health-related material but also technology and production capacity to mitigate the consequences of COVID-19.

- **Creating labour pools**

Some LRAs have designed services that connect companies that have available labour or are looking for assignments, due to the slowdown in business activity in certain sectors, with those that are looking for workforce or want to buy other services. [Östergötland \(Sweden\)](#) has launched one such initiative, open to all types of organisations including the public sector, and three other Swedish counties (Stockholm, Södermanland, and Gotland) have since joined the programme.

- **Providing support across different areas**

A number of online platforms have been built to support local businesses and citizens during the lockdown and relaxation periods across a wide range of fields. This is the case in [Lyon \(France\)](#) and [Haarlem \(the Netherlands\)](#), cities that have created their own dedicated websites to compile multiple local initiatives in areas such as shopping and eating local, solidarity, education, entertainment or culture. Another example comes from [Zaragoza \(Spain\)](#), whose platform particularly aims to connect the commitment and resources of private companies with the needs of the city during the emergency in the fields of health, education, food, entertainment and technology. [South Holland \(the Netherlands\)](#), in cooperation with other private and public institutions such as The Hague or Rotterdam, has launched a platform called "Resilient Society" where innovative companies can provide solutions for COVID-related challenges. In addition, as previously seen, other LRAs have chosen to contribute by compiling local and regional initiatives and platforms on a single website, such as [Rhineland-Palatinate \(Germany\)](#), whose site covers areas ranging from corporate engagement to structures for neighbourhood aid and volunteering.

## **6. Recovery plans and investment**

The effects of COVID-19 will endure for months or even years but LRAs, just like the EU institutions and Member States, are already designing recovery plans to strengthen the economic resilience of their territories.

For example, [Lombardy \(Italy\)](#) has announced a three-year EUR 3 billion investment plan, with almost EUR 2.8 billion for 2021. EUR 2.6 billion have been allocated to support regional investment: EUR 2 470 million for interventions for economic recovery and EUR 130 million for strategic investments. The rest, EUR 400 million, will be provided to local authorities and provinces for public investment: EUR 51 million for viability, roads and school buildings, and EUR 349 million for public works in the field of sustainable development. The [Region Sud Provence-Alpes-Côte d'Azur \(France\)](#) has also launched a EUR 1.2 billion recovery plan consisting of significant investment to support: public services (EUR 900 million, including EUR 88 million for the municipalities and EUR 762 million to modernise public transport services); the recovery of the industrial and tourism sectors (EUR 20 million); a sustainable

recovery by investing in the production of renewable energies and the energy renovation of buildings (EUR 255 million); and the health system (EUR 100 million).

Another interesting example comes from [North Karelia \(Finland\)](#), which, in cooperation with municipalities and business organisations and operators, has presented a recovery plan that addresses areas such as economic restructuring, internationalisation, skills improvement, business growth acceleration and local demand revival. Focusing on specific sectors, the government of [Murcia \(Spain\)](#), where industry represents 20% of GDP, has launched a Strategic Plan for the Recovery of Industrial Activity (PERAI 20). It is a one-year plan divided into three stages: an initial strategic analysis to anticipate the situation after the emergency; the establishment of recovery measures, having gathered more than 50 actions; and finally the monitoring of their impact and establishment of corrective measures.

Many cities across the EU have also taken into account the recovery phase when planning their responses. For instance, the city of [Aveiro \(Portugal\)](#) has structured its overall support programme in three phases, which complement and overlap each other, with phase 3 covering additional measures to support the relaunch of socio-economic activity after the most critical period of the pandemic. Already in Phase 2, the city has allocated a budget of approx. EUR 5 million for a total of 21 actions and 66 measures. The city of [Vilnius \(Lithuania\)](#) has also launched a comprehensive package of measures for combating the after-effects of the pandemic, focusing on four areas: aid for individuals, businesses and culture, and seizing of opportunities. Some of the measures have already been taken, while others are in the planning stages, but most importantly, the main aim of the plan is to transform the crisis into an opportunity.

Focusing on tourism, the [Regional Government of Catalonia](#) (ES) and the Catalan Tourism Board have been working with the local public and private tourism stakeholders on a strategy to support the recovery of the sector. A total of 13.5 million are put in place to provide direct support to tourism SMEs and professionals, who will receive between EUR 1.000 to EUR 10.000 of financial assistance. EUR 7.4 million will be dedicated to a promotional campaign "Catalonia is your home" lasting until 2021 and targeting firstly tourism from regions and countries nearby and longer-distance travellers later on. The region's actions also include the creation of an online platform, which will gather information from both public and private services on prevention, security and health measures, booking requirements, capacity limits, opening hours etc. to facilitate the stay of tourist and the work of tourism operators.

EU regions and cities have undertaken extensive efforts to respond to the challenges raised by the COVID-19 pandemic, both at the forefront of the emergency and in the current recovery phase. The cases above are just a small compilation of the hundreds of measures adopted by European LRAs. Other areas where the role of LRAs has also been evident include: funding the acquisition of protective and medical equipment, boosting smart specialisation strategies, paying damages to companies and associations for cancelled events, implementing compensation schemes for SMEs and entrepreneurs having contracts with the municipality, and launching specific support for targeted sectors, such as agriculture, tourism, culture, sports, etc. Each LRA responded with its own resources, competences and challenges, but with one common objective: contributing to the best of their ability to supporting their citizens and businesses in these difficult times and to emerging from this situation more united and stronger than ever.



# Chapter III – An accelerated digital transition and the impact of COVID-19 on the urban-rural divide

The COVID-19 crisis and the lockdowns across Europe have clearly demonstrated the need for digital infrastructures more than ever before. During the crisis, the use of digital technologies turned into an imperative to ensure continuity of work and private life. Public administrations and businesses in Europe's regions, cities and villages have experienced how digital technology became key in alleviating the impact of the crisis and in fighting the pandemic. This experience is likely to reinforce ongoing trends in the spread of digital services, but also in the tendencies towards a digital divide and inequality. By shedding light on the current challenges, the COVID-19 crisis will force cities to become safer while becoming greener, and non-urban environments to ensure maximum digital connectivity.

An overview of the good practices<sup>98</sup> among local and regional administrations (LRAs)<sup>99</sup> has shown that during the COVID-19 pandemic the use of digital technology has become particularly significant in the areas described below:

## A. Alleviating the crisis with digital services

### 1. *Teleworking and local e-commerce platforms*

One of the most immediate and visible consequences of the pandemic were lockdown measures in different countries, leading to employees being isolated in their homes, instead of going to their workplace. According to a Eurofound e-survey among the EU population<sup>100</sup>, over a third (37%) of those working in the EU began to telework as a result of the pandemic – over 30% in most Member States.

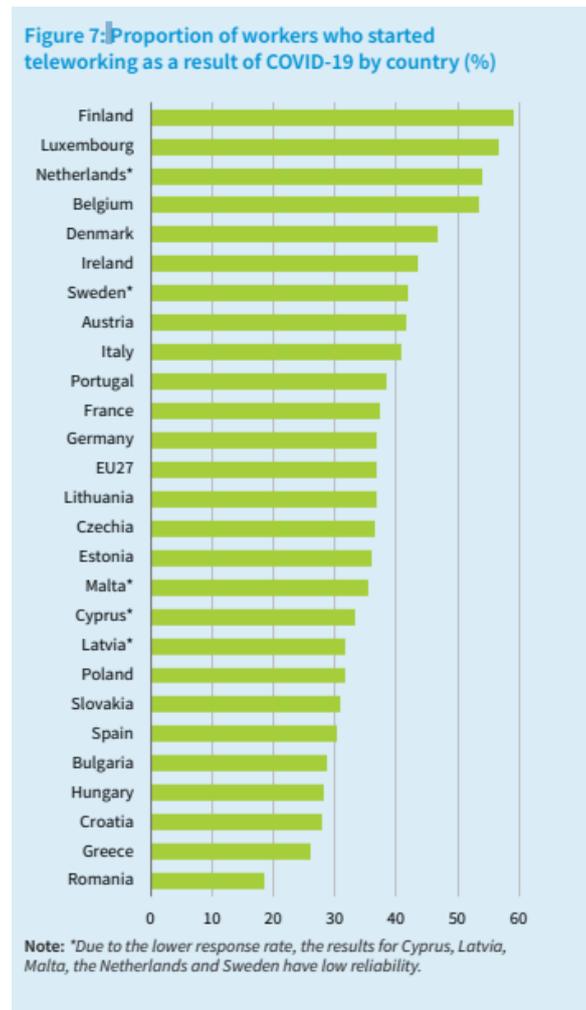
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<sup>98</sup> CoR. COVID-19 Exchange Platform. *Op. cit.*

<sup>99</sup> Collection of COVID-19 good city practices (technology-based actions) by the European Commission Intelligent Cities Challenge. Available at: <https://www.intelligentcitieschallenge.eu/COVID19-good-practices>

<sup>100</sup> Eurofound. *Living, working and COVID-19 dataset*. 18/06/2020. Available at: <http://eurofound.link/COVID19data>

**Figure 21: Proportion of workers who started teleworking because of COVID-19 by country**



Source: Eurofound<sup>101</sup>

The figure shows that more people worked from home in the Nordic and Benelux countries than in southern or eastern Europe. In those countries where more people worked from home, fewer workers reported that their working time had decreased. The acceleration of the use of digital technology for remote work became a 'mass experiment in teleworking' – supported by teleconferencing and cloud-based file sharing. In this situation, the businesses and administrations that had the right technology and skills for teleworking had a crucial advantage over those who did not. At the same time, sales in hardware skyrocketed as digital infrastructures had to be updated at short notice. In a survey<sup>102</sup> conducted among German enterprises, 55% of them confirmed that the pandemic had a positive influence on digital transformation. Businesses made full use of existing tools and equipment and upgraded the digital infrastructure for the future. This trend was most pronounced for the bigger enterprises, which have more spare financial capacities, as opposed to SMEs, which are already running behind in the digitalisation process and struggling more with the financial consequences of the pandemic.

<sup>101</sup> *Ibid.*

<sup>102</sup> Ifo-Institut and Randstad. *Randstad-ifo Personalleiter befragung*. 02/07/2020. Available at: <https://www.randstad.de/unternehmen/wissenswertes/randstad-ifo-personalleiterbefragung/>

At the same time, internet traffic levels increased and patterns changed. Across the EU, network service providers and Internet exchange operators actively allocated additional capacity to ensure that the increased demand was met.

While teleworking is not a possibility for all jobs and sectors, remote work can ensure business continuity on a large scale for about two thirds of the workforce<sup>103</sup>. City administrations quickly sought to alleviate the sectors that could not operate their business remotely. Ghent (Belgium) and Regensburg (Germany) established online platforms to inform about open restaurants and small shops that offered home delivery. Gavà in Catalonia (Spain) and Dudelange (Luxembourg) sold vouchers for shops, that were valid post COVID-19, to ensure that these small merchants would continue receiving an income.

## 2. **E-government**

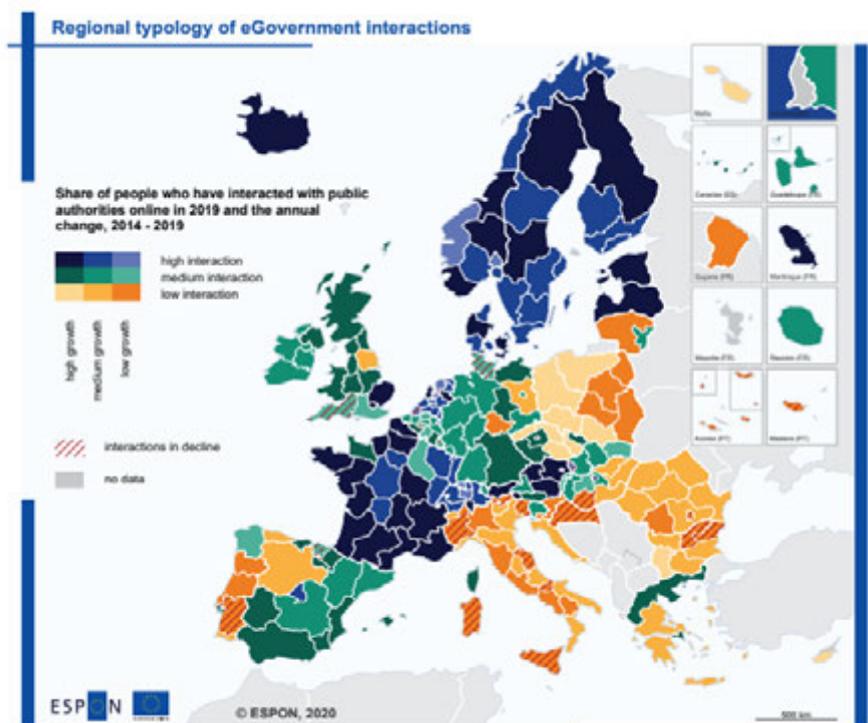
Digitalisation in the provision of public services was already a trend before COVID-19, and as Figure 22 shows, some EU regions have achieved good results. Large cities in southern and western Europe, as well as small towns in northern Europe, have reported the highest levels of digitalisation<sup>104</sup>. Its benefits are clear: increased transparency and greater participation of citizens in political life, simplified administrative procedures and services, lower administrative costs of doing business and facilitated relations between individuals and public administration.

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<sup>103</sup> Bloom, Nicholas, in Morales, Oroschakoff and Barigazzi, "The Death of the City". *Politico*. 27/07/2020. Available at: <https://www.politico.eu/article/the-death-of-the-city-coronavirus-towns-cities-retail-transport-pollution-economic-crisis/>

<sup>104</sup> ESPON Policy Brief. *The territorial and urban dimensions of the digital transition of public services*. 23/10/2017. Available at: <https://www.espon.eu/digital-transition>. Note that many digital public services are also being delivered by regional or national authorities depending on the nature of the services, the legal framework and institutional competencies.

**Figure 22: eGovernment: Share of people who have interacted with public authorities online in 2019 and the annual change 2014-2019**



Source: ESPON<sup>105</sup>

During the pandemic, digital public services particularly supported the population and businesses by providing administrative services online. The Smart City Manager of Brussels Region highlighted that the scalability of simple and rapid solutions are key in a crisis situation. The city of Brussels created a direct access page during the early stages of the lockdown, with online listings for the main public services that are easily accessible from home<sup>106</sup>. Viana do Castelo in Portugal emphasised the continued availability to online public services through the lockdown in an info video<sup>107</sup>.

### 3. Education

An accelerated digital transformation was also required in the education sector, where classroom training became impossible at short notice. In addition to digital infrastructure needs, teachers and students were challenged to make up for lack of IT skills and appropriate methodologies. As highlighted by a series of webinars held by the Committee of the Regions<sup>108</sup>, the sudden need of going digital revealed where schools had already embraced digital ways of working – with teachers and students that were familiar with learning technologies and possessing the necessary digital devices for distance learning – and where traditional teaching methods prevailed. Teachers and educational institutions called upon LRAs to provide them with additional funding and more guidance in teaching methods. While realising that going fully digital all of a sudden is considerably more difficult than progressively integrating digital tools and new methodology in the classroom, some cities and regions came up with rapid solutions. The

<sup>105</sup> ESPON Poster. *Regional typology of eGovernment interactions*. 2017. Available at: <https://www.espon.eu/sites/default/files/attachments/Poster%20Regional%20typology%20of%20eGovernment%20interactions.pdf>

<sup>106</sup> Open and Agile Smart Cities. *Call for Solutions: Outsmarting the Corona Pandemic with Digital Innovation*. November 2017. Available at: <https://oascities.org/call-for-solutions-outsmarting-the-corona-pandemic-with-digital-innovation/>

<sup>107</sup> Video available on Facebook at: <https://www.facebook.com/gabinete.deimprensa/videos/2667360986833602/>

<sup>108</sup> CoR. Yfactor Trainee Project. Webinars *Mind the Digital Gap* held on 11 and 12 June 2020; handbook forthcoming.

“School at Home” Municipal Extraordinary Support Program temporarily granted about 850 computers and 500 internet access equipment to students in Torres Vedras in Portugal. Others made teaching content available and/or ensured distance learning through Microsoft applications and Google Platforms (Helsinki, Finland). Where municipalities did not have the capacities to adapt to the digital transition, the inequality gap risk was accentuated. In order to tackle this risk, nationwide initiatives should complement local ones<sup>109</sup>. In Italy, for example, a EUR 200 million voucher scheme was introduced to help low-income families access high-speed broadband services. The measure will contribute to reducing the digital divide in Italy, whilst limiting possible distortions of competition<sup>110</sup>.

#### **4. Communication and Digital Democracy**

With social distancing measures in place, social media websites served to communicate with friends and family. Facebook reported an increase of over 50% in overall messaging during March 2020. WhatsApp usage increased by 40%<sup>111</sup> in countries hardest hit by the pandemic. Less known services such as Houseparty or QuarantineChat saw a surge in user numbers. At the local level, cities and regions responded by creating virtual communities. Pellezzano in Italy, for example, maintained social networks through TV shows presenting local actors and associations. In Drenthe in the Netherlands, mayors and king's commissioners stayed in close contact with citizens by recording and publishing video messages.

Social media and online digital platforms have become the new public spaces for learning about events, for debating politics and for mobilising in favour of social or political causes. This is why the traditional civic engagement model is now challenged by other forms of democratic expression, namely participatory and deliberative democracy. Social media also facilitate civic participation in the policymaking process, while new methods of public governance are being implemented by various public authorities that attempt to integrate citizens' know-how into the decision-making process, including through social media platforms<sup>112</sup> (see Figure 21 below).

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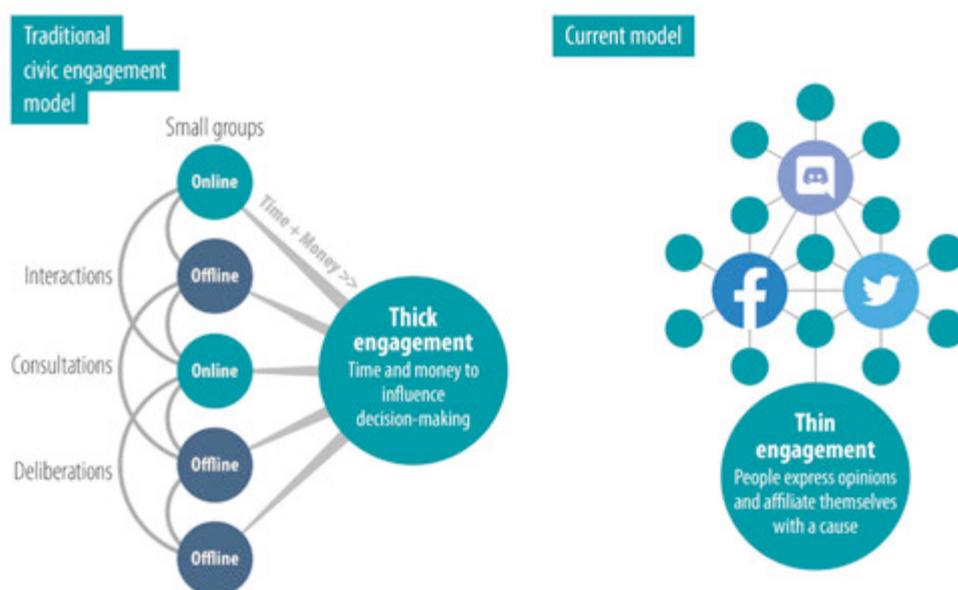
<sup>109</sup> OEDC Policy Responses to Coronavirus (COVID-19). *The territorial impact of COVID-19: Managing the crisis across levels of government*. *Op. cit.*

<sup>110</sup> EC press release. *State aid: Commission approves EUR 200 million voucher scheme to support access to broadband services by low-income families in Italy*. 04/08/2020. [https://ec.europa.eu/commission/presscorner/detail/en/IP\\_20\\_1445](https://ec.europa.eu/commission/presscorner/detail/en/IP_20_1445)

<sup>111</sup> Daniel Taylor. "COVID-19: Social media use goes up as country stays indoor". *Victoria News*. 31/03/2020. Available at: <https://www.vicnews.com/news/COVID-19-social-media-use-goes-up-as-country-stays-indoors/>

<sup>112</sup> EC report. *Reaching out to EU citizens: a new opportunity*. October 2017. Available at: [https://ec.europa.eu/commission/sites/beta-political/files/reaching-out-to-citizens-report\\_en.pdf](https://ec.europa.eu/commission/sites/beta-political/files/reaching-out-to-citizens-report_en.pdf)

**Figure 23: Thin versus thick engagement**



Source: EPRS<sup>113</sup>

The use of new digital technology instruments provides the opportunity to create a new environment for consultation and participation, provide high quality information, extend efforts to remote areas, reach out to the most disadvantaged, and incorporate the skills, knowledge and expertise of citizens. Thus, it is becoming a powerful tool to enhance transparency and citizen participation in the decision-making process, and to build dialogue and trust, which are essential to good governance.

Democracy and participation begin at the local and regional level; this is where "digital transformation" should naturally happen in the political and governance processes, where new tools, should be tested, where the public response should be analysed, and where policies should be designed to respond to the citizens' needs and expectations. LRAs are at the forefront of efforts to catalyse digitalisation and establish collaborative and digital decision-making processes, to enhance civic engagement and foster good governance.

The Participatory budgeting project in Paris<sup>114</sup>, the Decide Madrid<sup>115</sup> platform, and the Ostbelgien Model<sup>116</sup> in Belgium are only a few of many examples of the use of technological advancements for innovative participation with a remarkable political dimension and impact on the daily life of citizens: the "Participatory Budget" in Paris is the largest ever implemented in the world. It is notable for its democratic innovative decision-making process through crowdsourcing giving to citizens the opportunity to deliberate ideas, make proposals and vote on what 5% of the city's budget will be spent on every year. Up to now, more than 1 800 individual city improvements have been carried out thanks to the public vote. "Decide Madrid" provides another interesting example of innovative citizens' participation. This web platform, based on an open source software, is aimed at engaging the residents of Madrid in local decision-making through direct and binding mechanisms, and includes an online voting system to let

<sup>113</sup> European Parliament Research Service. *The Practice of Democracy: A selection of civic engagement initiatives*. June 2020. Available at: [https://www.europarl.europa.eu/RegData/etudes/STUD/2020/651970/EPRS\\_STU\(2020\)651970\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2020/651970/EPRS_STU(2020)651970_EN.pdf)

<sup>114</sup> Participedia website. *Participatory Budgeting in Paris*. Available at: <https://participedia.net/case/5008>

<sup>115</sup> Decide Madrid website. Available at: <https://decide.madrid.es/>

<sup>116</sup> The International Observatory on Participatory Democracy website. Available at: <https://oidp.net/en/practice.php?id=1237>

residents decide about issues of local relevance – for example urban transport or waste recycling. The "Ostbelgien Model", serving the German-speaking community of Ostbelgien in Belgium, is another innovative digitally based model for public participation in policymaking. It creates a dual structure of a permanent Citizens' Council and a Citizens' Assembly, operating in parallel with the regional parliament, through which citizen can discuss issues of interest for the community, adopt recommendations and engage in a deliberative process with local and regional authorities.

Yet, every day, there are cases of digital rights abuse, misuse and misinformation: personal information, including movements and communications, being monitored, shared and sold without consent; 'black box' algorithms being used to make unaccountable decisions; social media being used as a tool of harassment and hate speech; and democratic processes and public opinion being undermined, for example through fake news.<sup>117</sup> It is more necessary than ever for the EU, national governments, and local and regional authorities to get their digital democracy strategies right. This is vital to protect citizens' rights and use the pandemic as a prompt for more inclusive participation<sup>118</sup>.

## 5. **Entertainment**

Under lockdown, with leisure parks, concert venues, cinemas and museums closed and live sporting events cancelled, entertainment industries lost revenues. In turn, demand for TV programmes, videos, music streaming and online gaming surged. Musicians started to perform online, and e-sports, a form of sport competition using video games, became more popular. Cities and regions have embraced the need to respond to online entertainment in innovative ways. They started supporting local artists by providing digital platforms for content dissemination, and through funding and creation of partnerships for content creation. Through a start-up competition in Antwerp (Belgium), the city supported innovative digital solutions in the music sector, such as Artists Unlimited (streaming platform for live concerts). The initiative UnitedWeStream from Berlin (Germany) paired up media and technical partners to provide artists with production support to deliver quality media for streaming. Some LRAs promoted the digitisation of cultural content by making virtual visits of museums and monuments available (e-culture). An example is the Museum voor Schone Kunsten in Ghent (Belgium), which made a 360° tour of its van Eyck exhibition available online<sup>119</sup>.

## B. Fighting the virus with digital technology

### 1. **Informing about restrictions**

It was at the local level that the restrictions related to social distancing needed to be implemented. Digital technologies supported cities and regions in reminding citizens about the rules. The cities of Vienna (Austria) and the region of Thessaly (Greece) used chatbot messaging to guide the population with updated information about the right to leave their homes. In the French cities of Nice and Cannes, law enforcement authorities used drones to broadcast safety instructions to citizens. The Azores regional government set up a dedicated website providing up-to-the-minute news and statistics on cases of

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<sup>117</sup> Cities for digital rights website. Available at: <https://citiesfordigitalrights.org/#declaration>

<sup>118</sup> Carne. "Digital Divides and the Coronavirus". *Carnegie Europe*. 23/06/2020. Available at: <https://carnegieeurope.eu/2020/06/23/digital-divides-and-coronavirus-pub-82114>

<sup>119</sup> Museum voor Schone Kunsten. *360° virtual tour 'Van Eyck': An optical revolution*. 22/06/2020. Available at: <https://www.mskgent.be/en/news/360deg-virtual-tour-van-eyck-optical-revolution>

COVID-19 and local responses, with a newsfeed, mobile alerts, video, and maps of cases elsewhere in Portugal and around the world<sup>120</sup>.

## 2. **Volunteering and mutual care networks**

Some cities established online platforms to bring together persons in need and volunteer helpers. In Madrid (Spain), a web and mobile application recruited volunteers to empty the bins for isolated persons in the risk group. A volunteering platform in Amsterdam in the Netherlands gathered those who were ready to do the shopping for elderly persons. In Toulouse in France, senior citizens were able to publish both requests for help and/or areas in which they were able to help on a web and mobile app.

## 3. **E-health, health monitoring/symptoms tracking and contagion tracing**

E-health covers telemedicine, remote prescriptions, health monitoring and tracking apps. Its widespread application during the pandemic allowed for more efficient social care and health monitoring in a remote fashion. The urgency of the situation led to pragmatic and quick adaptation and an easing of restrictions, such as in Sweden in the context of the HealthTech Nordic startups: healthcare at both regional and municipal level has changed rapidly. What seemed impossible in December 2019 is up and running today; for example, remuneration models have been amended and procurement rules have been eased<sup>121</sup>. A number of cities and regions used questionnaires and self-evaluation apps to help citizens identify COVID-19 symptoms - Madrid (Spain), Amsterdam (Netherlands), Paris (France) and Andalusia (Spain). Exeter (United Kingdom) developed a pocket lab for blood tests. First tracing systems were developed not only at national but also at local level, such as the Epidemic Management System, a data management platform with tracing function by the Health Services of the City of Vienna (Austria). Mental health support was provided online and over the phone, such as through the platform developed by the region of Attica (Greece). Technology further served to help people stay healthy, independent and active during the phase of confinement: the cities of Torres Vedras (Portugal) and Victoria-Gasteiz (Spain) offered sport video lessons for senior residents on YouTube.

## 4. **Data sharing**

Data Governance and data interoperability gained new importance with the necessity for agile data sharing between LRAs during the COVID-19 crisis<sup>122</sup>. The Veneto region in Italy developed a real-time data-driven decision support system, which included data on COVID-19 infections for use by 5 000 doctors and a regional task force. The focus was on enabling seamless data sharing by integrating and analysing data to support evidence-based decision making and linking to any legacy platform or relevant initiative.

## 5. **Protective equipment and use of Artificial Intelligence (AI)**

Digital technologies such as 3D printers and digital logistic management tools were successfully used for the production and dissemination of face masks and eye protection in Ourense and Barcelona (Spain),

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<sup>120</sup> See: <https://covid19.azores.gov.pt/>

<sup>121</sup> CoR COVID-19 Exchange Platform. *Op. cit.*

<sup>122</sup> Open and Agile Smart Cities. *Call for Solutions: Outsmarting the Corona Pandemic with Digital Innovation. Op. cit.*

and Nice (France). AI-based virtual phone assistants were employed by the city of Nice, and recruitment robots by the municipality of Uppland-Bro in Sweden.

## 6. **E-inclusion**

LRAs are well placed to have a very good awareness of their citizens' needs. During the COVID-19 pandemic, digital technologies served to include vulnerable groups and those at risk of social exclusion. Milan in Italy provided digital devices for the elderly and the disabled in retirement homes and healthcare centres. Faabord-Midtfyn in Denmark established a digital visitor service online chat for elderly and isolated citizens. The city of Nantes in France equipped its six nursing homes with a video conference system so that the most vulnerable seniors could keep in touch with their loved ones. Nuremberg in Germany developed the *integreat* information app on the pandemic, which was especially targeted at migrants and refugees.

## C. Trends and opportunities for cities and regions

These examples from regions and cities across the EU illustrate how COVID-19 has accelerated and reinforced trends in digital services. LRAs are challenged to examine where to position themselves within these wider developments. Already ongoing wider trends include the implementation of a digitised individualised health care system, the transformation from a traditional to a digital workforce and seamless commerce and payments<sup>123</sup>. At city level, digitalisation of retail, the move to a cashless economy, the virtual delivery of services, the pedestrianization of streets, use of driverless cars and micro-mobility schemes are becoming prominent<sup>124</sup>. Karabağ rightly asks: "What will happen when the immediate medical crisis has passed – will national and corporate innovation strategies be transformed to accelerate the development and use of advanced technologies such as 3D printing, digital solutions, digital currencies, and AI in different sectors such as health, education, and manufacturing and how will such strategies affect the growth of some sectors and industries and downsize others?"<sup>125</sup>.

The prominent role of digital technology in COVID-19 resilience and response has highlighted shortcomings in digital infrastructure and digital literacy, and has made the digital divide between cities and regions ever more pronounced. LRAs should take lessons from this and make digitalisation and high digital connectivity a key priority in all sectors and in all geographical areas. It will also be crucial for LRAs to address regulatory barriers and make financial incentives as well as in-house expertise and resources for digital transformation available. The European Union's Recovery and Resilience Facility (cf. Chapter VII.A) will support longer-term reform and investments, notably in digital technologies, with a lasting impact on the productivity and resilience of the economy of the Union. This is additional to funding under the Multiannual Financial Framework 2021-2027 with a total of EUR 1 832 million for digital infrastructure through the Connecting Europe Facility (CEF) and EUR 6 761 million for the Digital Europe programme. In order to counteract the digital divide, LRAs should make ample use of this support when designing their strategies for the future.

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<sup>123</sup> EPRS. *New developments in Digital Services*. May 2020. Available at: [https://www.europarl.europa.eu/RegData/etudes/STUD/2020/648784/IPOL\\_STU\(2020\)648784\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2020/648784/IPOL_STU(2020)648784_EN.pdf)

<sup>124</sup> Muggah. "An Opportunity to Build Back Better". *Foreign Policy*. 01/05/2020. Available at: <https://foreignpolicy.com/2020/05/01/future-of-cities-urban-life-after-coronavirus-pandemic/>

<sup>125</sup> Karabağ. "An Unprecedented Global Crisis! The Global, Regional, National, Political, Economic and Commercial Impact of the Coronavirus Pandemic". *Journal of Applied Economics and Business Research*. 01/06/2020.

## D. Digitalisation and the urban-rural divide

The digital transition accelerated by the COVID-19 pandemic might very well create deeper transformation of urban, sub-urban and rural landscapes. The major transformation is the **much wider use of teleworking** and its effects over the long-term changes such as increasing the attractiveness of rural areas.

The very wide use of teleworking has shown that digital tools allow for more flexible working arrangements while still producing good results. On the basis of this experience, 64% of enterprises in Germany replied in a survey<sup>126</sup> that they plan to have more frequent online meetings, 59% aim not to hold all conferences in person, and 61% will limit business travel in the long term. Out of all enterprises that offered teleworking during the pandemic, 71% plan to offer it in the future. Some businesses are likely to adopt a hybrid model which allows for a mix of remote and office-based work. More telework and less business travel will have consequences for cities and regions. In the cases where employees can work from home more often, suburban and rural areas – where distances and commuting times tend to be longer – may become more attractive places to live.

Another digital transformation that could increase the attractiveness of non-urban areas is the **development of e-health**, which could alleviate the problem of access to healthcare being more difficult in less densely populated areas ("medical desertification" in some rural areas). The same applies to the development of **e-governance and e-administration**, that would greatly benefit rural areas where public services are traditionally scarcer (e.g. possibility to do most administrative procedures online).

### 1. **Digitalisation as a source of opportunities**

#### a. **An opportunity for well-connected rural regions and non-urban environments**

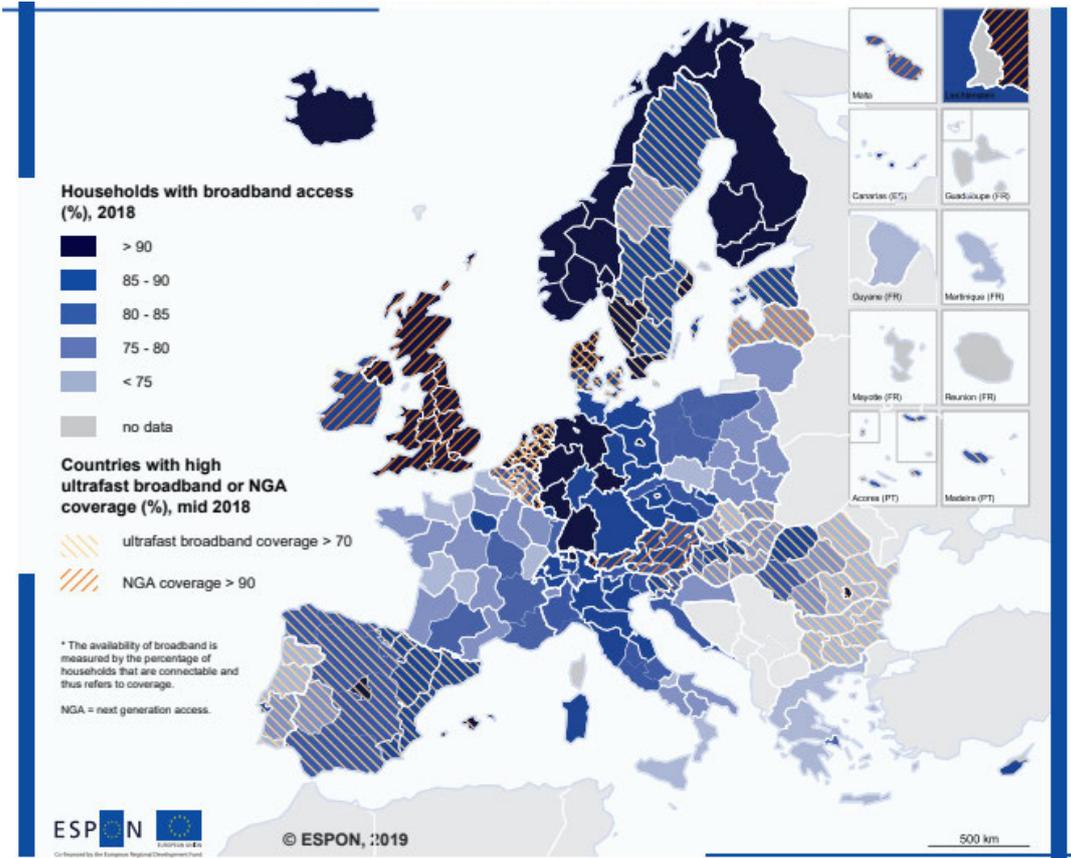
In order to benefit from the opportunities linked to remote working, e-health and e-governance, non-urban environments require viable digital infrastructure. Yet, the gap in digital infrastructure before the current crisis between rural and urban regions was significant (see Figure 24): 85% of urban households had access to high-speed internet (30 Mbps) versus 56% of rural households<sup>127</sup>. With better digital connectivity, it is mainly the urban centres that concentrate most ICT hubs and attract highly-skilled people.

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<sup>126</sup> Ifo-Institut and Randstad. *Op. cit.*

<sup>127</sup> OECD. *Going Digital: Shaping Policies, Improving Lives*. 11/03/2019. Available at: <https://doi.org/10.1787/9789264312012-en>.

**Figure 24: Broadband Access in Households and High-Speed Internet Coverage**

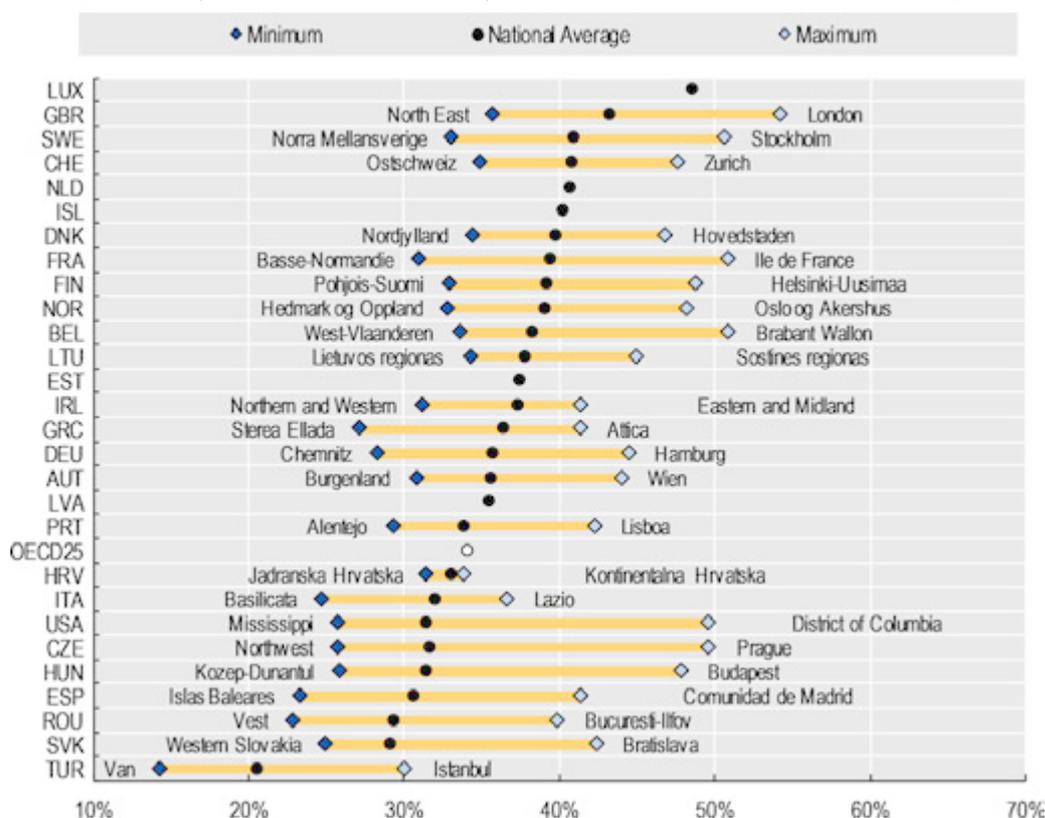


Source: ESPON

In addition, a large part of the rural working population might remain unaffected by the changes brought by more teleworking: it has been found that "urban populations have a significantly higher potential to telework than those in rural areas, with nine percentage point higher shares of people in occupations that can be performed remotely"<sup>128</sup>. This means that even where good digital infrastructure is provided, it will still be the city populations that can benefit more from teleworking. Rural regions typically have a high share of workers in essential jobs, which cannot be performed from home (agriculture, food processing, etc.).

<sup>128</sup> OECD. *The territorial impact of COVID-19: Managing the crisis across levels of government*. Op. cit.

**Figure 25: The possibility to work remotely differs between and within countries: Share of jobs that can potentially be performed remotely (%), 2018, NUTS-1 or NUTS-2 (TL2) regions**



Source: OECD<sup>129</sup>

However, there are significant exceptions: some sparsely populated areas in Nordic states are high performers in terms of access to broadband. The Baltic states also show how, by supporting the decentralisation of production processes and the dematerialisation of services, digital connectivity can greatly enhance the attractiveness of rural areas<sup>130</sup>. Northwestern Ireland has successfully attracted tech professionals and tech firms through promoting *TechLife balance*, combining a high quality of life with tech jobs. This is facilitated through digital infrastructure and digital skills<sup>131</sup>.

### **b. A strong incentive for cities to become greener and safer**

Rural areas have long experienced out-migration, as people – often younger ones – move to cities for educational and employment opportunities, but analysts have recently observed a renewed demand for housing in rural areas, notably in France<sup>132</sup>. Admittedly, there are no real structural changes in the real estate market and no *massive* urban exodus of population towards the countryside. However, as

<sup>129</sup> Note: The number of jobs in each country or region that can be carried out remotely as the percentage of total jobs. Countries are ranked in descending order by the share of jobs in total employment that can be done remotely at the national level. Regions correspond to NUTS-1 or NUTS-2 regions depending on data availability. Outside European countries, regions correspond to Territorial Level 2 regions (TL2), according to the OECD Territorial Grid. Source: (OECD, 2020)

<sup>130</sup> ESPON poster. Digital connectivity remains an important feature to target remoteness. 2019 Available at: <https://soet.espon.eu/documente/posters/9.%20SOET%20Broadband%20access%20in%20households%20and%20high%20speed%20internet%20coverage.pdf>

<sup>131</sup> Tech life Ireland website. Available at: <https://techlifeireland.com/tech-in-ireland/software-developer-elie-living-ireland/>

<sup>132</sup> Les Echos. *Immobilier: le coronavirus fait progresser les demandes de maisons de campagne*. 20/04/2020. Available at: <https://www.lesechos.fr/patrimoine/immobilier/immobilier-le-coronavirus-fait-progresser-les-demandes-de-maison-de-campagne-1196342>

increased teleworking is making suburban and rural living more attractive, cities would need to adapt if they wish to retain that population.

Office buildings, crowded places and public transport may be less in demand and cities may need to provide green areas, more space, and safer (pandemic-proof) individualized transport instead. The pandemic is providing an opportunity for urban planners to build better: Milan, Paris and Brussels are cities that have already introduced new bike schemes to provide alternatives to public transport as a result of the COVID-19 pandemic. Cities may also have less income as fewer commercial tax payers and a greater proportion of poorer residents may stay. Cheaper office space, in turn, may attract start-ups, and affordable housing more young people and artists<sup>133</sup>.

## 2. **Some potential drawbacks**

In parallel, the effects of COVID-19 might increase the risk of a scenario where more affluent parts of the population would settle in the peripheries of cities and intensify urban sprawl: unrestricted urban growth towards the countryside. This could reinforce negative trends such as construction on valuable agricultural ground, increased use of cars for transportation and expensive costs for infrastructure and mobility due to scattered buildings. Infrastructure costs (roads, utilities, public lighting) for a residential building block in Flanders (Belgium) for instance amount to around EUR 992 per building per year in city centres. For a building block that is more isolated in rural areas, infrastructure costs amount to 7.3 times as much. Mobility costs (traffic jams, noise and air pollution) for an isolated building are 2.1 times as high as for a building block in the city centre<sup>134</sup>.

Careful urban planning will be necessary to avoid those negative trends in the suburbs and pandemic-related trends (e.g. migration from urban to rural areas) should be carefully monitored to prevent unintended long-term threats to rural communities<sup>135</sup>.

## 3. **Looking forward**

- **Cities will remain attractive centres for the exchange of knowledge**

Despite potential demographic changes, it is most likely that cities remain attractive knowledge centres for exchanging ideas. Their dynamism is unchallenged: according to a report on the future of work<sup>136</sup>, 48 dynamic cities including Amsterdam, Copenhagen, London, Madrid, Munich and Paris, are home to only 20% of Europe's population, but accounted for 43% of GDP growth and 35% of job growth in the past years. And cities render their inhabitants more productive: Edward Glaeser at Harvard University has proven that American workers with the same education, experience, working in the same industry and having the same IQ, are on average more than 50% more productive in large cities<sup>137</sup>.

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<sup>133</sup> Florida. "An Opportunity to Build Back Better". *Foreign Policy*. *Op. cit.*

<sup>134</sup> De Standaard. *Betonwoede*. 28-29/12/2019. Available at: <https://www.standaard.be/tag/correspondent-betonwoede>

<sup>135</sup> Bock and Duncan. "Rural-urban relations in times of COVID-19. 20/04/2020". *Rural Sociology Wageningen University*. Available at: <https://ruralsociologywageningen.nl/2020/04/20/rural-urban-relations-in-times-of-covid-19/>

<sup>136</sup> McKinsey Global Institute. *The Future of Work 2020*. 10/06/2020. Available at: <https://www.mckinsey.com/featured-insights/future-of-work/the-future-of-work-in-europe>

<sup>137</sup> *The Economist*. "COVID-19 challenges New York's future". 11/06/2020. Available at: <https://www.economist.com/briefing/2020/06/11/covid-19-challenges-new-yorks-future>

- **Connecting cities and rural areas better**

The pandemic is reshaping rural-urban relations in multiple ways: as the urban-rural interplay is changing, policy solutions need to address rural and urban areas in an integrated manner. Drawing on observations in the rural regions of Scotland, Jane Atterton advocates in favour of "place-based policies" because "there is a rural-urban continuum, not a gap"<sup>138</sup>. Given that there are close links between many rural and urban areas, it is important to adopt a flexible and location-based approach to policy development and to build on the strengths of a given area<sup>139</sup>.

In this respect, according to OECD reports<sup>140</sup>, "the COVID-19 outbreak may incentivise the growth of new firms and jobs that offer digital solutions and connect cities and rural areas in a more integrated way. Due to the high concentration of jobs in large urban areas, the use of remote distributed networks could increase the linkages between rural and urban areas". On the governmental side, rural-urban partnerships can enhance and better manage rural-urban relations and are an effective way to respond to the need to govern these interactions and to foster economic development and well-being.

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<sup>138</sup> Council of Europe. Notes for statement by Jane Atterton. 03/04/2019. Available at: [https://search.coe.int/congress/pages/result\\_details.aspx?objectid=090000168093c77f](https://search.coe.int/congress/pages/result_details.aspx?objectid=090000168093c77f)

<sup>139</sup> *Ibid.*

<sup>140</sup> OECD. *Policy implications of coronavirus crisis for rural development*. *Op. cit.*

# Chapter IV – The social and employment impact of COVID-19

The COVID-19 pandemic has profoundly affected all aspects of life in the EU. Regions and cities, however, have been on the front line fighting its negative effects. Mayors and regional governors have been at the forefront of enforcing quarantines, distributing aid, mobilising public resources, ensuring the effective delivery of public services, particularly healthcare, and planning lockdown relaxation measures.

The current pandemic has clearly highlighted multiple weaknesses in various policy spheres and the overall fragility of our interdependent economic and societal models. After the 2008-2012 crisis, European regions and cities repeatedly advocated building a culture of resilience locally and planning with foresight regarding future crises and emergencies. The fragility of regional social and innovation ecosystems, as well as those in the educational and cultural sectors, was a matter of considerable concern, in part because of the unabated internal migration and "brain drain" of valuable specialists from the EU's periphery to the more advanced regions and larger cities.

This chapter looks at the impact of the pandemic on regional authorities in several key areas of activity, ranging from social and educational policy to gender and youth strategies. The text attempts not only to pinpoint local vulnerabilities and types of reactions in immediate response to the COVID-19 crisis, but also to trace some more long-term trends and developmental paths involving the EU, central government and regional authorities. Finally, the contribution looks at the futureproofing and sustainability of some of the policy decisions and types of political reactions taken in the aftermath of the outbreak of the pandemic by focusing on the issue of building "resilience" at local and regional level.

## A. Social, employment and demographic consequences of the COVID-19 pandemic

### 1. *Social and employment policy developments*

The COVID-19 pandemic and the unprecedented measures to prevent its spread have had a tremendous effect on labour markets and the social fabric. Employment has taken an unprecedented hit: 94% of the world's workers are living in countries with some sort of workplace closure measures in place<sup>141</sup>. The loss of working hours during the second quarter in Europe reached a remarkable 12.9%<sup>142</sup>. The European Commission's Spring 2020 Economic Forecast predicts a steep rise in EU unemployment from 3.7% in 2019 to 9.2% in 2020 and lasting effects into 2021, with unemployment predicted to remain at 7.6%<sup>143</sup>.

The negative effects of the pandemic on employment have not been uniform across the European Union. Figure 26 highlights the potential impact of the pandemic on employment in the EU. The first map presents the share of jobs in risk sectors at NUTS-2 level. Risk sectors are sectors which are particularly affected by the pandemic and the lockdown measures, such as retail and hospitality. Regions in Italy,

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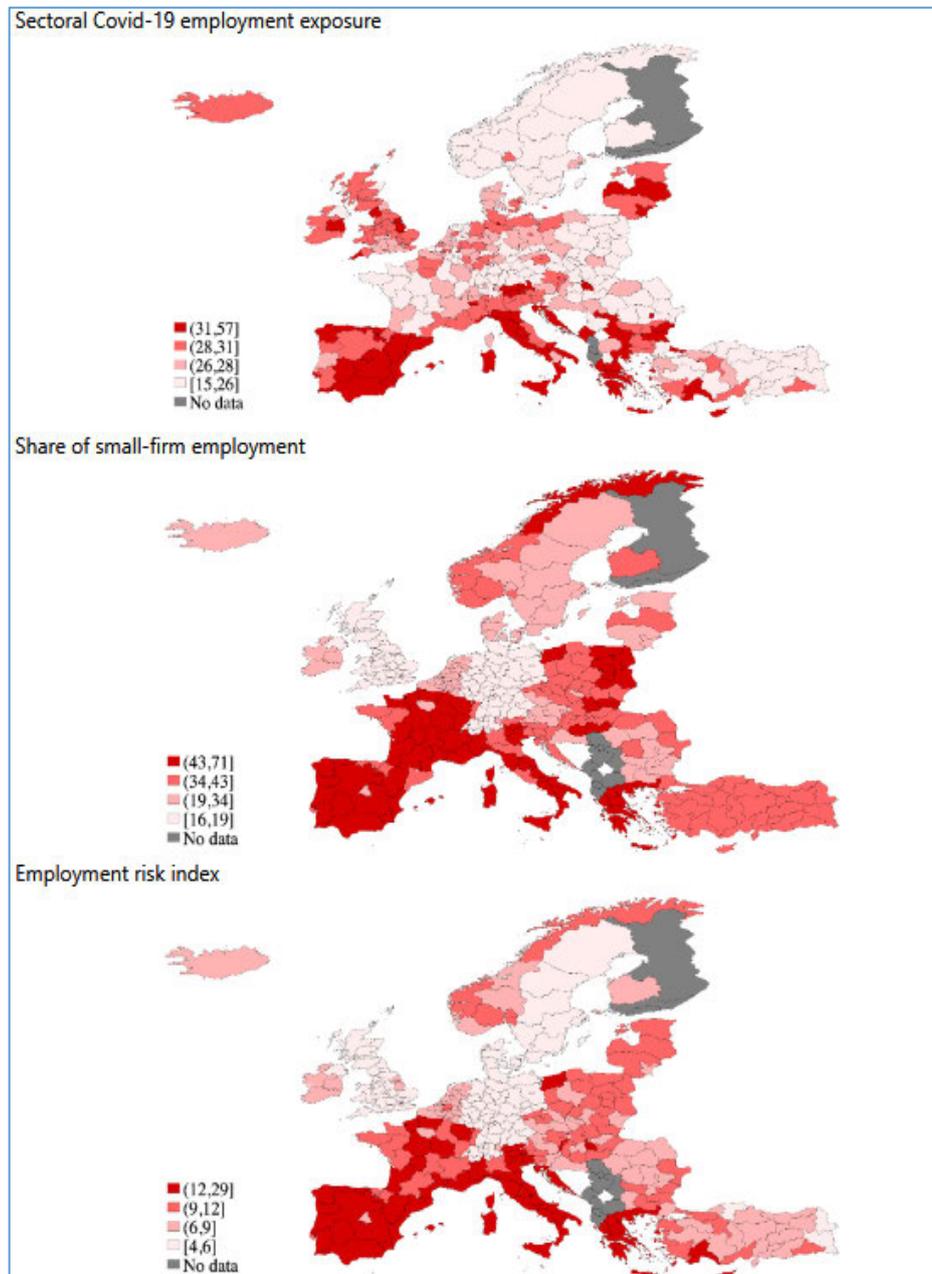
<sup>141</sup> ILO. *COVID-19 and the world of work. Fourth edition*. 27/05/2020. Available at: [https://www.ilo.org/global/topics/coronavirus/impacts-and-responses/WCMS\\_745963/lang-en/index.htm](https://www.ilo.org/global/topics/coronavirus/impacts-and-responses/WCMS_745963/lang-en/index.htm)

<sup>142</sup> *Ibid.*

<sup>143</sup> EC. *European Economic Forecast, Spring 2020*. May 2020. Available at: [https://ec.europa.eu/info/sites/info/files/economy-finance/ip125\\_en.pdf](https://ec.europa.eu/info/sites/info/files/economy-finance/ip125_en.pdf)

Greece and Spain, as well as northwestern Germany, the Baltic states and the United Kingdom<sup>144</sup>, are vulnerable. The second map presents the share of small firms with less than 10 employees, which are particularly vulnerable to long-term economic disruptions. The third map proposes an "employment risk index" by combining the map on employment in risk sectors with the one on small firms. Results show that southern European regions and France are particularly at risk. The eastern regions of the EU are also at risk to a lesser extent.

**Figure 26: COVID-19 employment exposure, share of small-firm employment and employment risk**

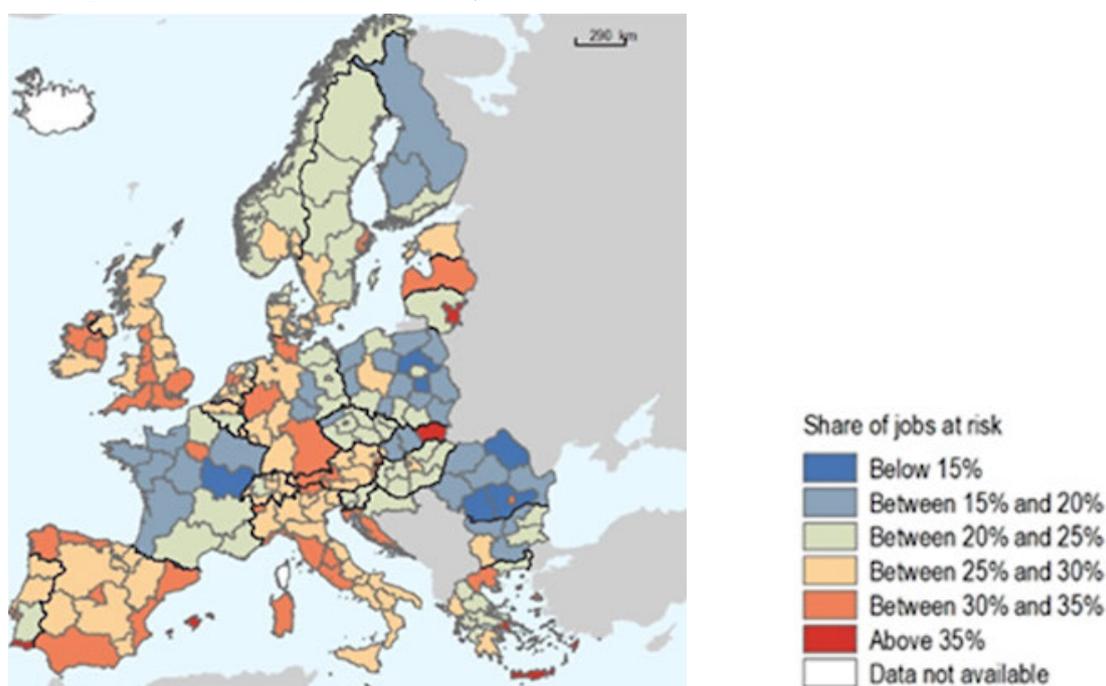


Source: OECD, BIS Bulletin No 16

Figure 27 shows a more granular impact of COVID-19 on employment in the EU. The effects of the pandemic appear more varied, including within the same country.

<sup>144</sup> BIS. COVID-19 and regional employment in Europe. BIS bulletin no 16. 15/05/2020. Available at: <https://www.bis.org/publ/bisbull16.pdf>

**Figure 27: Share of jobs potentially at risk from COVID-19 containment measures**



Source: OECD

One striking example is Greece, where the share of regional employment potentially at risk ranges from 55% in the South Aegean Islands to 22% in Central Greece<sup>145</sup>. Such regional differences are also particularly stark in the Slovak Republic, Romania and France. Tourism destinations often show the highest shares of jobs potentially at risk. In Europe, several of these destinations, such as Crete, the South Aegean and Ionian islands (Greece), the Balearic and Canary islands (Spain) and the Algarve region in Portugal, have 40% or more of jobs potentially at risk<sup>146</sup>.

Worker groups have also been affected differently. The self-employed, those hired on fixed-term contracts and part-time workers – generally referred to as non-standard workers – were among the hardest hit. On average they represent around 40% of total employment in hard-hit sectors, reaching more than 50% in Italy, the Netherlands, Spain and Greece<sup>147</sup>. In France, Belgium, Hungary, Italy, Spain and Greece, the share of temporary and part-time work differs by more than ten percentage points across regions, making regional disparities even more acute. Low-skilled workers are at higher risk of being in temporary work than the higher skilled, and that likelihood is even higher in rural areas than in cities. These non-standard workers constitute an extremely vulnerable group, as they tend to have the weakest access to social safety nets<sup>148</sup>.

Their share of unemployment is higher<sup>149</sup>. Between March and April 2020, the rate of unemployment increased by 0.2 percentage points in the European Union, reaching a total of 6.6%. During the same period, youth unemployment increased by 0.8 percentage points, reaching a total of 15.4%. This means

<sup>145</sup> OECD. *From pandemic to recovery: Local employment and economic development*. 27/04/2020. Available at: <http://www.oecd.org/coronavirus/policy-responses/from-pandemic-to-recovery-local-employment-and-economic-development-879d2913/>

<sup>146</sup> *Ibid.*

<sup>147</sup> Cavalleri and Causa. "Policy responses to COVID-19: no worker should be left behind". *Ecoscope (OECD)*. 19/06/2020. Available at: <https://oecdecoscope.blog/2020/06/19/policy-responses-to-COVID-19-no-worker-should-be-left-behind/>

<sup>148</sup> *Ibid.*

<sup>149</sup> Eurofound website. Available at <https://www.eurofound.europa.eu/topic/neets>

that youth employment is more sensitive to the present crisis than that of other age categories<sup>150</sup>. Unfortunately, data at local and regional level is not yet available, but, as an indication, data following the 2008 crisis showed that youth unemployment remained high in most southern regions, especially in Spain, Greece, and Italy. The new COVID-19 crisis is likely to reinforce these disparities, as was the case with the 2008 crisis.

Migrants, who constitute a significant share of workers in the hard-hit sectors, are also affected, as more than 13% of all services and sales workers in 6 of the 15 countries with the highest number of COVID-19 cases are foreign-born (Figure 28).

**Figure 28: Foreign-born workers in countries with the highest number of COVID-19 cases**

Country	% foreign-born workers among all services and sales workers, 2015/16	% women among foreign-born services and sales workers, 2015/16	% foreign-born workers among skilled agricultural, forestry and fishery workers, 2015/16	% women among foreign-born skilled agricultural, forestry and fishery workers, 2015/16
United States of America <sup>a</sup>	23.3	78.8	46.3	27.2
Spain	19.5	58.9	11.3	5.3
Italy	19.0	72.3	11.0	16.8
Germany	18.4	58.8	9.6	11.7
United Kingdom <sup>b</sup>	13.8	11.0	16.8	78.5
France	13.8	59.5	6.7	26.1

Source: MigrationDataPortal.org

The main policy responses to help limit job losses were i) short-time work schemes, ii) wage subsidies and iii) support for business. 42 million people had applied for short-time work schemes by the end of April 2020 according to ETUI. According to Eurofound, around 70% of measures to protect employment were linked to short-time working, with all EU Member States and the UK offering such schemes, although these remained very different in terms of eligibility, replacement rates offered, duration and funding arrangements<sup>151</sup>. Additionally, numerous other measures have been put in place to mitigate the harmful effects of the pandemic, such as furlough programmes to prevent massive layoffs<sup>152</sup>, flexible work arrangements and increased teleworking schemes. Social protection was provided in the form of income support, ad-hoc payments to vulnerable groups and extended access to paid sick leave.

<sup>150</sup> EC. Eurostat - Unemployment statistics. June 2020. Available at: [https://ec.europa.eu/eurostat/statistics-explained/index.php/Unemployment\\_statistics#cite\\_note-1](https://ec.europa.eu/eurostat/statistics-explained/index.php/Unemployment_statistics#cite_note-1)

<sup>151</sup> Eurofound report. *Labour market change. COVID-19: Policy responses across Europe*. 2020. Available at: <https://www.eurofound.europa.eu/publications/report/2020/COVID-19-policy-responses-across-europe>

<sup>152</sup> Kurzarbeit in Germany, chômage partiel in France, and similar programmes in the Netherlands, Spain and Italy.

## **2. Regional and local examples of responses to social and employment issues**

While the EU response was mainly focused on a national level, EU regions also implemented decisive measures to mitigate the situation created by the pandemic. There is a plethora of good examples and practices of regions who took drastic and effective measures.

In Italy, the [province of Trento](#) (Italy) has taken measures to re-engage workers excluded from the labour market in the distribution of essential goods, such as sanitising tools used in grocery shops, overseeing customer flows in and out of grocery shops and preparing bags for delivery from online orders. The project has the objective of engaging unemployed people in socially useful work. The city of [Bologna](#) activated a telephone assistance service for about 8 500 elderly people in vulnerable situations, kept facilities for the homeless open 24 hours a day, and launched "Unity does the shopping", a home delivery service of food and pharmaceuticals for the most vulnerable people. Piedmont region allocated EUR 15 million in financial support to families to pay for early childhood services for children (0-6 years old). The [Milan Metropolitan City](#) continued to ensure essential public services for citizens, municipalities and businesses and created, together with its 133 municipalities, a sort of control room that allowed the widespread distribution of personal safety equipment, food and necessities to vulnerable people. It distributed 10 000 masks to the staff of care homes for the elderly and 3 000 protective suits to municipalities and the health system; and allowed civil protection volunteers to distribute food to the elderly, unemployed and to those who were not self-sufficient and had been confined to their homes.

[Roeser municipality](#) (Luxembourg) has organised shopping and delivery for vulnerable people by volunteers and extended their existing "meals on wheels" programme, which delivers meals at home.

The [region of Occitanie](#) (France) has launched a plan to promote training rather than firing local workers ("Former plutôt que licencier"), consisting of more than EUR 4 million to support access to skills development opportunities. The region is also expanding its plans to provide workers and job seekers with access to e-learning opportunities, by reinforcing its existing programme ("Occitanie e-formation").

[Torres Vedras](#) (Portugal) has launched major measures to protect families social organisations and enterprises. These include exemptions from rent payments for residents of social housing; providing direct financial support for housing emergencies; giving vouchers equivalent to low-income families to purchase essential goods; providing meals to underprivileged school pupils until the schools reopen; reducing the variable tariffs for water supply services; and providing financial support to ensure the proper functioning of services provided by social economy organisations.

[Diosig \(Romania\)](#) has set up a phone line to help people who have lost their jobs due to the pandemic find new employment, and the local authority has offered temporary jobs (2-month duration); additionally, with the cooperation of NGOs, the church and farmers, the city was able to provide bread to older people and those in need.

In Croatia, [the city of Rijeka](#) and the Red Cross have organised the delivery of food and medication to senior or sick citizens, and numerous individuals, NGOs and companies have donated protective masks, visors and funds to assist citizens and institutions.

[Ljubljana](#) (Slovenia) has organised home food delivery (by city bus drivers) for children from at-risk families and elderly citizens. The Ljubljana Health Centre is offering psychosocial support via phone or email for anyone potentially struggling with the current epidemiological situation. Ljubljana is also

providing empty and disinfected hotel accommodation to staff from the University Medical Centre who commute from other towns, so they do not need to drive home every day.

In Belgium, in order to prevent people experiencing social hardship due to temporary unemployment, the regional governments made sure that essential services were not interrupted. In Flanders, utility bills were covered by the government (up to approximately EUR 200). In Brussels the regional government paid a lump sum of EUR 214 as rent support and suspended evictions of tenants with overdue rent. And in Wallonia cut-offs of gas and electricity were suspended until 30 June<sup>153</sup>. Additionally, Flanders offered a compensation premium to self-employed workers, Brussels offered a one-off grant of EUR 4 000 to businesses that were forced to close temporarily, and Wallonia supported small companies that were forced to close with a single tax-free payment of EUR 5 000, while those that experienced a significant reduction in revenue received EUR 2 500<sup>154</sup>.

In Austria, the cancellation of all non-essential travel between Member States resulted in a shortage of care workers from other countries; the provinces of Burgenland and Lower Austria worked with their local chambers of commerce and brokering agencies to organise charters to fly in 355 live-in care workers from Romania, Bulgaria, and Croatia<sup>155</sup>. At the same time in [Maastricht](#), Netherlands, the Limburg carers' association, with the help of euPreventa, drafted a special letter that was accepted by the governor of the Belgian province of Limburg, making it possible to cross the border. Several people living in the Netherlands and taking care of a relative or close friend residing in Belgium contacted Burgerkracht Limburg and the (Dutch) Limburg carers' association for help.

In Spain, the [Basque Country](#) has launched a rent-support programme to ensure decent housing, offering various options (50% deduction, moratorium on payment or economic aid of up to EUR 900), and released EUR 55 million for the most disadvantaged individuals, families and groups, and Bilbao has organised spaces for care of the homeless, migrants and unaccompanied minors; [Castile and Leon](#) has launched four initiatives to assist self-employed workers, ranging from paying part of the worker's tax or social security contribution, to giving a monthly stipend for those who have lost their jobs.

The city of [Madrid](#), in collaboration with the national government, distributed masks at major public transport hubs, while the mayor of [Paris](#) committed to distributing 2 million cloth masks to city dwellers starting from 11 May, channelled through borough town halls and pharmacies.

### **3. Demographic trends**

Following a long period of rising population (the EU population has risen by a quarter since 1960), the population of the EU has started to decline. The factors that lead to demographic change are varied: longer life expectancy and fewer births lead to an ageing population, increasing dependency ratios and a fall in the working population and in the number of children and young people. These factors threaten to put several regions in Europe in a disadvantaged position, increase the inequalities between different

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<sup>153</sup> Eurofound COVID-19 EU Policy Watch Database. Available at: <https://www.eurofound.europa.eu/data/COVID-19-eu-policywatch/database>

<sup>154</sup> *Ibid.*

<sup>155</sup> International Long-term Care Policy Network. *Impact of the COVID-19 pandemic on live-in care workers in Germany, Austria, and Switzerland*. 14/05/2020. Available at: <https://ltcCOVID.org/2020/05/14/impact-of-the-COVID-19-pandemic-on-live-in-care-workers-in-germany-austria-and-switzerland/>

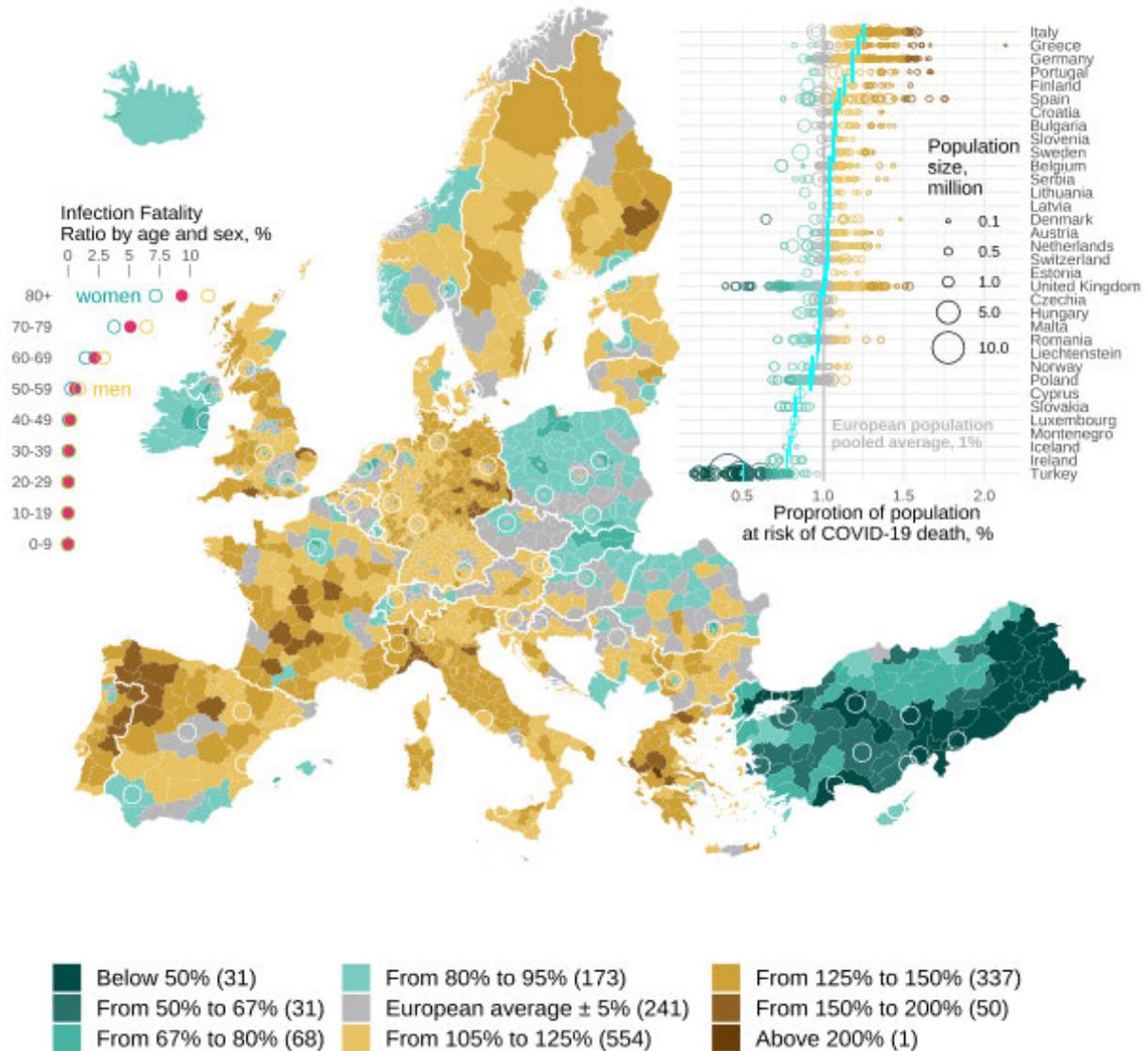
regions, lead steadily to the desertification of rural areas in Europe and put a strain on public budgets and social services (pensions, health care). It poses a threat to democracy across the EU.

Although demographic change has been an issue for many years in the EU, the pandemic has exacerbated its negative effects. The virus has not hit all regions, cities and villages the same way, so its effects have been more acute in some than in others. The rise in unemployment rates associated with the COVID-19 pandemic is putting extra pressure on underdeveloped regions already hit by high unemployment<sup>156</sup>; and the loss of young people intensifies the issue of an ageing population, while at the same time making the provision of essential services problematic. Regions and cities with an older population, where health and care services are not adequately funded and staffed, may not respond effectively to the challenges of the pandemic. On the basis of population compositions and age-specific infection-fatality ratios, Figure 29 shows which regions might be most threatened by the pandemic. (The share of population considered "at risk" is shown as a percentage of the European average.)

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<sup>156</sup> According to the ILO young people under the age of 30 account for around 70% of international migrant flows (*ILO Monitor: COVID-19 and the World of Work*. Fourth edition).

Figure 29: COVID-19 in unequally ageing European regions



Source: Kashnitsky & Aburto<sup>157</sup>

Furthermore, the pandemic has had a profound effect on family planning: people's fertility plans have been negatively revised in many countries<sup>158</sup>, further contributing to the overall decline in fertility rates.

The demographic issues have been made more visible by COVID-19, and demographic change should play an important role in the aftermath of COVID-19 and in supporting the recovery and long-term growth<sup>159</sup>.

## B. Impact on education

The COVID-19 pandemic has affected education and training systems worldwide and has changed people's ways of learning, teaching, communicating and collaborating. Faced with the emergency, the

<sup>157</sup> Kashnitsky and Aburto. *The pandemic threatens aged rural regions most*. 27/05/2020. Available at: <https://osf.io/abx7s/>

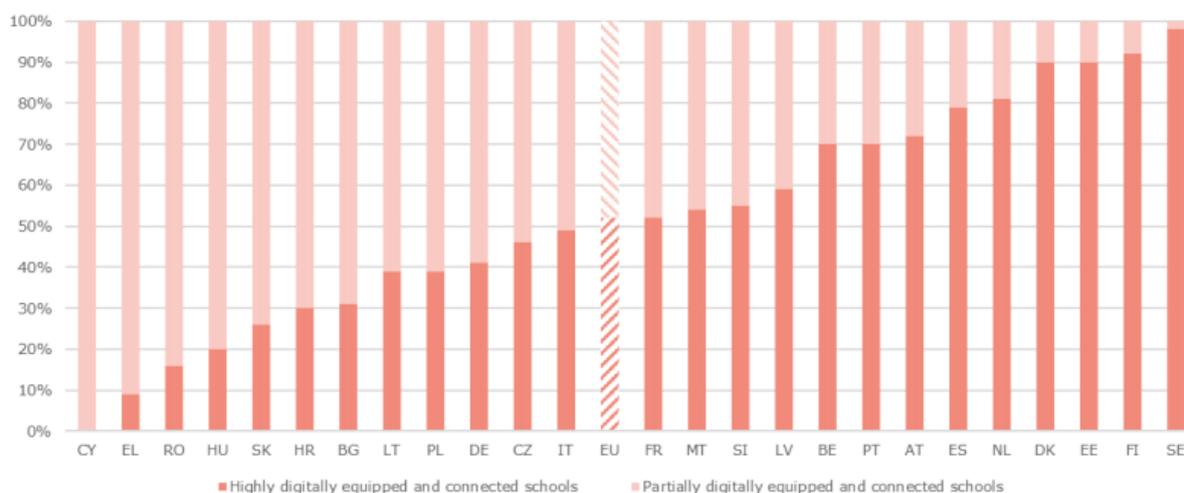
<sup>158</sup> SocArXiv. Luppi, Arpino and Rosina. "The Impact of COVID-19 on Fertility Plans in Italy, Germany, France, Spain and UK". 22/05/2020. Available at: <https://osf.io/preprints/socarxiv/wr9jb/>

<sup>159</sup> EPC. Speech by Dubravka Šuica. *Demographic Change in the EU: A Threat to Democracy?*. 29/6/2020. Available at: <https://www.epc.eu/en/publications/Demographic-Change-in-the-EU-A-Threat-to-Democracy~356204>

majority of Member States have taken the decision to physically close most education and training institutions, while quickly mobilising other options and developing support for learning and distance education, in particular through digital solutions. All of this has consequences for students, teachers and families, as well as for the wider communities in cities and regions.

In addition to the unequal digital equipment of schools (see Figure 30), the switch to online education has created various challenges, for instance regarding online assessment or the difficulties faced by vulnerable groups. Home schooling has also placed an extra strain on parents.

**Figure 30: digitally equipped and connected schools in the EU (in % of students)**



Source: European Commission<sup>160</sup>

Following the lockdown measures, significant efforts focused on the reopening of education and training systems, including various organisational and safety measures, as well as on school leaving exams, enrolment in higher education and the continuation of learning mobility. The ability to take the necessary measures to ensure the safety of learners and staff, including appropriate sanitary and hygienic conditions, and resume face-to-face learning and teaching activities, while ensuring equal opportunities, depends heavily on local and regional situations. For instance, in Germany, the 16 states have moved towards reopening pre-school centres and schools at their own pace and in France schools have started reopening only in green zones<sup>161</sup>.

Regional inequalities in education are likely to be aggravated by the COVID-19 crisis, which is why it is important to map educational inequalities in a post-epidemic context, reaching down to the local and regional level to establish a baseline<sup>162</sup>. There are, for instance, gaps in digital skills as well as in competencies in Science, Technology, Engineering, and Mathematics (STEM) in Europe across genders, ages, and geographical locations.

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 applications for admission, online monitoring of progress, and online learning materials. With

<sup>160</sup> EC. *2nd Survey of Schools: ICT in Education Objective 1: Benchmark progress in ICT in schools*. 2019. Available at: <https://ec.europa.eu/digital-single-market/en/news/2nd-survey-schools-ict-education>

<sup>161</sup> BBC news. *Coronavirus: How lockdown is being lifted across Europe*. 02/07/2020. Available at: <https://www.bbc.com/news/explainers-52575313>

<sup>162</sup> On 5 June, Commissioner Mariya Gabriel met with Anne Karjalainen, chair of the CoR's SEDEC commission, and agreed on this need.

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 ensure online classes, and on the other they needed to ensure equal access for all, which was especially challenging in more disadvantaged areas. Cities such as Fuenlabrada, Gdansk, the Hague, and many others tried to ensure equal opportunities for all pupils by providing low-income families with digital devices for their children to follow online school courses from home<sup>163</sup>. In Vienna, for instance, 5 000 laptops intended for home schooling were made available to help families. The city also set up a comprehensive digital learning platform for students, a central platform for teachers and a helpline for parents in need of educational support<sup>164</sup>.

During the pandemic, resilience has emerged as a key skill for facing such a crisis and being ready for other potential disruptions that might happen in the future. The European Association of Regional and Local Authorities for Lifelong Learning (EARLALL) has launched the "Resilient Skills Ecosystems for a Crisis-proof Future"<sup>165</sup> initiative, emphasising not only resilience as a skill, but also the need for 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 have started to collaborate in order to quickly identify the main challenges they have faced during the pandemic and share with each other the main solutions they have implemented in the field of education and training. For example, the department of education of the government of Catalonia identified challenges such as the difficulty of managing the lack of online access for some students and the need to adapt transnational mobility for students and teachers during the pandemic. In Baden-Württemberg, the main solutions shared 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. For that purpose, an extraordinary regional budget was put in place that helped to provide students with digital tools and enabled teachers to undertake new training courses that promoted pedagogical methods for online schooling.

## 1. **Regional and local examples of education responses**

In 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. The municipality also offered online creative workshops on books, in cooperation with the National Library of Greece, for recreational purposes at home.

In Île-de-France region, France, [digital classrooms](#) have been introduced throughout the region, offering an online database, a communication tool for all parents, teachers and children and a free online language learning tool (qioz.fr). The region is pushing for IT infrastructure to be strengthened to cope with the increased flow of traffic.

In Castile and Leon, Spain, the local government launched a new initiative for children during the coronavirus period – a TV programme called "[Aprendiendo en casa: la hora educativa](#)".

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<sup>163</sup> OECD. The territorial impact of COVID-19: Managing the crisis across levels of government. *Op. cit.*

<sup>164</sup> Eurocities. Overview of Covid-19 measures taken by the City of Vienna. Available at: <https://COVIDnews.eurocities.eu/wp-content/uploads/2020/04/Vienna-Overview-of-COVID-19-measures-24.4.2020.pdf>

<sup>165</sup> EARLALL website. "Resilient Skills Ecosystems for a Crisis-proof Future" initiative. Available at: <https://www.earlall.eu/resilience/>

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, principals and other school staff, helped to 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 school pupils, of all grades, until schools reopened, and created a technological resource pool comprising 850 tablets and computers and 500 internet access devices, provided especially to students.

The municipality of Pesaro, Italy, [guaranteed the continuity of the educational system for both children and their parents](#). Educators and teachers from every preschool and kindergarten remained in constant contact with their pupils using online platforms. In addition, educational psychologists remained available by phone for educational advice.

The city of Thessaloniki, Greece, broadcast [tutor lessons](#) specially designed for students staying home through the municipality's television station; the broadcasts were enriched with video messages from children.

## C. Youth activism and contribution to tackling the pandemic

Overcoming the disastrous effects of the COVID-19 pandemic will be a major challenge for European societies. Young people, who constitute a particularly vulnerable group from a socio-economic standpoint, are already disproportionately affected by its negative impact. Youth unemployment and precarity rates, which were already higher than in any other age group, have profoundly worsened, while recent data indicate that the lockdown measures have strongly affected their psychological well-being. Despite all these difficulties, young people have proved to be an exceptional asset during the worst moments of the crisis, as we will see through several examples of youth activities aimed at fighting the pandemic.

Youth organisations have been quick to adapt and have often been at the forefront in supporting the most fragile members of our societies during the pandemic. Among innumerable initiatives, one could highlight those where young people distributed emergency care packages, delivered food parcels and supported emergency services. In Tarragona, for instance, three youngsters created a mobile application to connect young volunteers to people in need. In Croatia, the municipality of Varaždin allocated resources and organised large numbers of young volunteers for food and medicine deliveries, prioritising the most vulnerable segments of the population. The young people thus organised also took an active part in informing local stores, retailers and businesses about the distancing rules, disinfection and hygiene measures to prevent the spread of the virus, while distributing free masks and gloves to those citizens in need of prevention equipment<sup>166</sup>. The municipality of Molenbeek, in Brussels, also mobilised dozens of young persons in different districts of the municipality, with the help of various local

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<sup>166</sup> Assembly of European Regions. *A youth voluntary response to COVID-19*. 27/05/2020. Available at: <https://aer.eu/a-youth-voluntary-response-to-COVID-19/>

associations. Their mission was to raise young people's awareness of and compliance with social distancing. They also actively participated in the distribution of food parcels<sup>167</sup>.

## D. Gender issues

The COVID-19 pandemic is causing untold human suffering and is likely to heighten gender-based inequalities. As economic activity comes to a halt, women who face disadvantages in accessing decent work suffer the most. A growing concern is the increase in violence against women and girls: women with violent partners have found themselves isolated from the people and resources that can help them. Cases of domestic violence rose by a third in some EU countries following lockdown. There are no comparable EU-wide data yet, but some countries have already provided initial figures showing a spike in domestic violence during lockdown. France saw a 32% jump in domestic violence reports in just over a week<sup>168</sup>. Lithuania observed 20% more domestic violence reports over a three-week lockdown period than over the same period in 2019<sup>169</sup>. In Spain, the emergency number for domestic violence received 18% more calls in the first two weeks of lockdown.

To tackle domestic violence, the region of Tuscany decided to ensure the continuity of the listening service through a more widespread network of telephone assistance for women who were victims of violence during the pandemic. The region also relaunched the advertising campaign for the national number "antiviolenza". Many regions, cities and localities took similar steps to protect women from domestic violence. In the city of Athens, the "all women safe" programme offered free legal and psychological help by specialised lawyers, psychologists, and social workers. However, it remains important to note that women in violent relationships are often stuck at home and exposed to their abuser for longer periods of time, which makes it difficult to call helplines. It can also be harder for women to leave their abuser once the crisis is over, due to the financial insecurity that might follow.

With the aim of tackling these difficulties, regional authorities in Spain shared an action guide for women suffering gender violence while staying at home. The guide details the general services available as well as the guidelines for action when living with an aggressor<sup>170</sup>. In the city of Athens, a hostel for women victims of gender violence and their children was made available 24/7 and provided women and their children with accommodation, security and psychological and social support, while in Italy local authorities could also requisition hotel rooms to serve as makeshift shelters where victims of domestic violence could quarantine safely<sup>171</sup>. The city of Amsterdam, for its part, set up a system in coordination with the national government in which victims of domestic violence were able to reach out to their pharmacy by using the code words "mask 19".

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<sup>167</sup> OECD. *Youth and COVID-19: Response, recovery and resilience*. 11/06/2020. Available at: <http://www.oecd.org/coronavirus/policy-responses/youth-and-COVID-19-response-recovery-and-resilience-c40e61c6/>

<sup>168</sup> In Paris, it rose by as much as 36% (Source: Euractiv. *Domestic violence increases in France during COVID-19 lockdown*. 31/03/2020. Available at: [https://www.euractiv.com/section/all/short\\_news/domestic-violence-increases-in-france-during-COVID-19-lockdown/](https://www.euractiv.com/section/all/short_news/domestic-violence-increases-in-france-during-COVID-19-lockdown/))

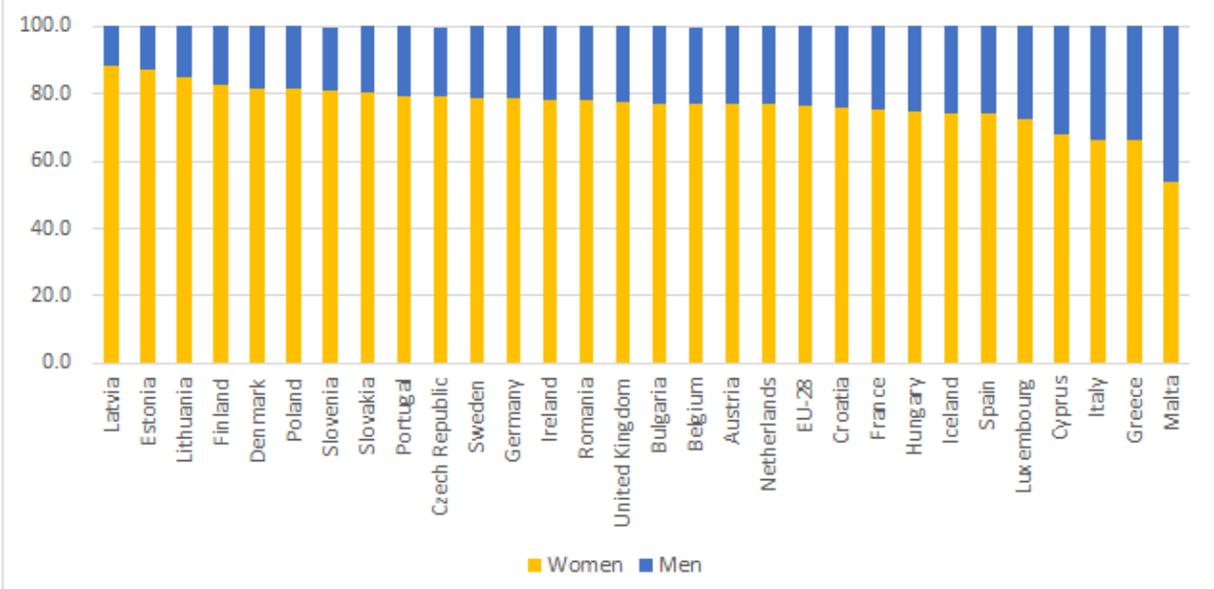
<sup>169</sup> EIGE. *Gender-based violence*. Available at: <https://eige.europa.eu/COVID-19-and-gender-equality/gender-based-violence>

<sup>170</sup> Comunidad de Madrid document. Available at: [https://www.comunidad.madrid/sites/default/files/aud/servicios-sociales/funcionamiento\\_red\\_vg\\_comunidad\\_de\\_madrid\\_estado\\_alarma\\_COVID19.pdf](https://www.comunidad.madrid/sites/default/files/aud/servicios-sociales/funcionamiento_red_vg_comunidad_de_madrid_estado_alarma_COVID19.pdf)

<sup>171</sup> The New York Times. *A new COVID-19 crisis: Domestic abuse rises worldwide*. 06/04/2020. Available at: <https://www.nytimes.com/2020/04/06/world/coronavirus-domestic-violence.html>

To give a few examples of the way the current crisis affects women one could mention that, in the EU, a large majority of health workers are women (see Figure 31). Their workload is very demanding, and often takes an emotional toll, yet their profession is perhaps one of the most undervalued and under-paid.

**Figure 31: Percentage of women and men employed in health care activities**



Source: EIGE<sup>172</sup>

Most cashiers are also women in the EU (82%) as shown in Figure 32. During the crisis, they were greatly exposed since supermarkets and essential shops never stopped operating.

**Figure 32: Percentage of women and men in a sales role**



Source: Eurostat, [Labour Force Survey 2018](https://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&plugin=1)

Women also rely much more on public transport than men do, which puts women at greater risk of coming into contact with the virus. This is especially the case with single parents, who are less likely to have a car for financial reasons.

Many cities have acknowledged the disproportionate impact of the pandemic on women and girls and have implemented local measures to mitigate the impact. For example, the city of Paris has allowed children of healthcare and emergency responders to continue to go to school, to ease childcare burdens

<sup>172</sup> EIGE. COVID-19 and gender equality: Frontline workers. Available at: <https://eige.europa.eu/covid-19-and-gender-equality/frontline-workers>

on them at a time when society needs them most. As Paris eased restrictions, priority was given in schools to children of public health workers, but also to those of transportation workers and to younger children<sup>173</sup>.

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<sup>173</sup> *Le Parisien*. Alimi, Henry and Robinet. "École, transports, parcs... le plan de déconfinement d'Anne Hidalgo". 04/05/2020. Available at: <https://www.leparisien.fr/politique/plan-de-deconfinement-d-anne-hidalgo-seuls-15-des-ecoliers-parisiens-feront-leur-entree-le-14-mai-04-05-2020-8310747.php350>

# Chapter V – The environmental impact of COVID-19

## A. Facts and figures on the environmental impact

The COVID-19 pandemic has had a profound impact on the lifestyle of EU citizens and the functioning of Europe's regions and cities. Measures introduced to contain the spread of the virus led to a drastic reduction in economic activity. These shifts in economic activity, compounded by a significantly reduction in people's mobility, have rippled through into the environmental and climate sphere. Popular news outlets and social media were brimming with anecdotal and unconfirmed accounts of the positive effects<sup>174</sup> that cities under lockdown were experiencing within just weeks. As more time has passed since the introduction of the containment measures, more concrete and credible data has been made available to better illustrate how deep and long-lasting the environmental and climate impact of the COVID-19 outbreak has been, but at what cost?

### 1. ***A positive but temporary and localised impact on air quality***

One of the most immediately visible and easily measurable effects of the pandemic was on air quality. Against the backdrop of the global pandemic, there has been a marked increase in interest in changing air quality. One of the main reasons for this increased interest is that air pollution is partly determined by the emission of pollutants from human activities, and there is an expectation that the average levels of air pollution will go down with the decrease of human activity due to COVID-related measures. Other reasons include the impact that COVID-19 has on respiratory health and the increased risks of respiratory diseases connected to long-term exposure to air pollution<sup>175</sup>.

Three main indicators<sup>176</sup> taken into account when measuring the impact of prolonged lockdowns and other COVID-19 related measures are NO<sub>2</sub> (nitrogen dioxide), PM<sub>2.5</sub> and PM<sub>10</sub> (particles with a diameter smaller than 2.5 µm and 10 µm, respectively).

According to the data<sup>177</sup>, concentrations of NO<sub>2</sub> have decreased in many European cities where lockdown measures have been implemented, at either local or national level<sup>178</sup>. For example, Figure 33 shows the reduction in the NO<sub>2</sub> daily mean in Paris between the 2017-2019 period and 2020, during the first seven months of the year.

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<sup>174</sup> *The Guardian*. "Nature is taking back Venice: wildlife returns to tourist-free city". 20/03/2020. Available at: <https://www.theguardian.com/environment/2020/mar/20/nature-is-taking-back-venice-wildlife-returns-to-tourist-free-city>

<sup>175</sup> WHO. *Ambient air pollution: A global assessment of exposure and burden of disease*. 2016. Available at: <https://apps.who.int/iris/bitstream/handle/10665/250141/9789241511353-eng.pdf?sequence=1>

<sup>176</sup> EEA. *Air quality and COVID-19*. 04/04/2020. Available at: <https://www.eea.europa.eu/themes/air/air-quality-and-COVID19>.

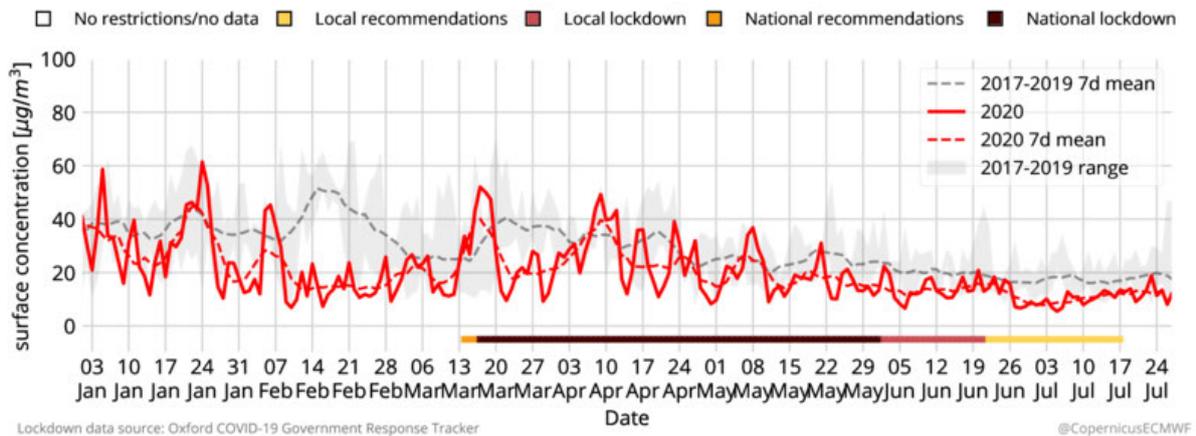
Copernicus – Atmosphere Monitoring Service. *European Air Quality information in support of the COVID-19 crisis*. Available at: <https://atmosphere.copernicus.eu/european-air-quality-information-support-COVID-19-crisis>.

NASA. *Earth Observing Dashboard*. Available at: <https://eodashboard.org>

<sup>177</sup> EEA. *Air quality and COVID-19*. *Op. cit.*

<sup>178</sup> Copernicus – Atmosphere Monitoring Service. *European Air Quality information in support of the COVID-19 crisis*. *Op. cit.*

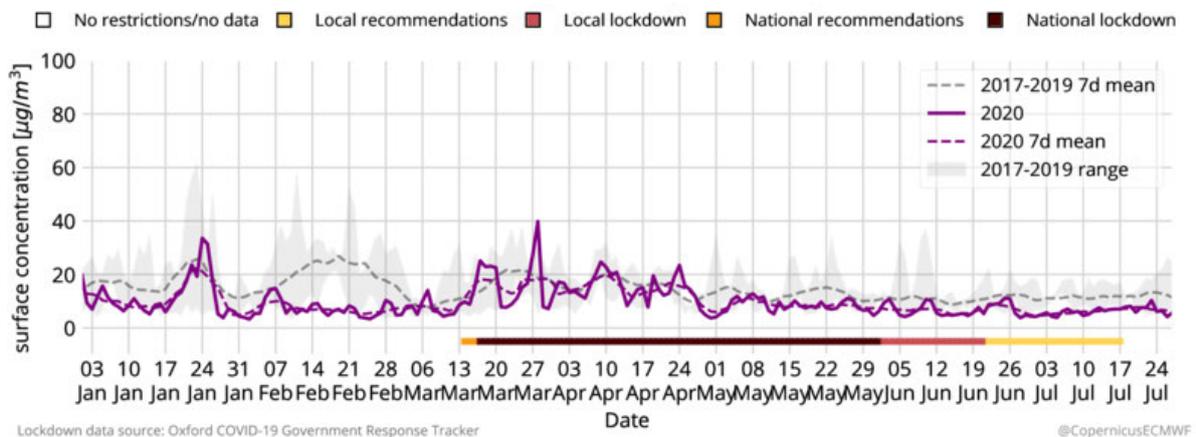
**Figure 33: NO<sub>2</sub> daily mean analysis – Paris, January-July 2020**



Source: Copernicus – Atmosphere Monitoring Service

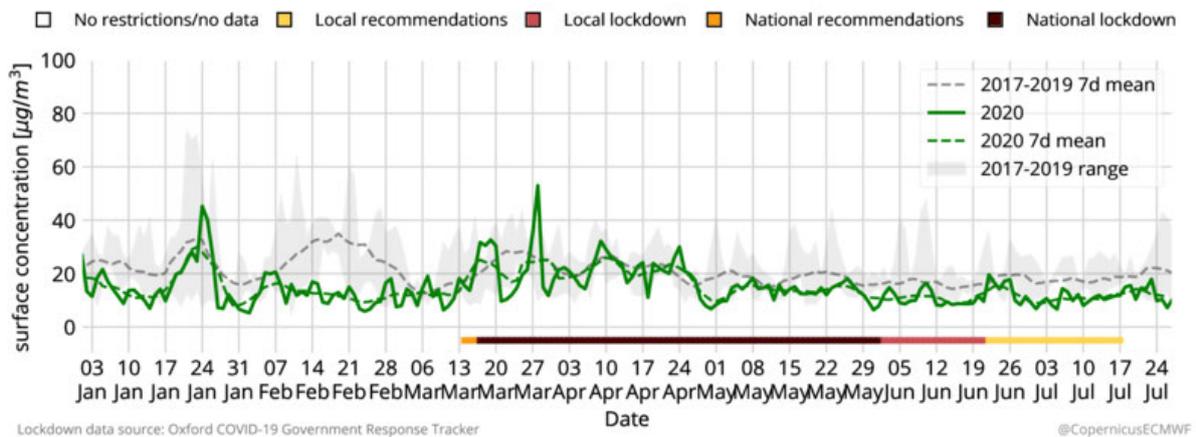
Although a decrease in concentrations of PM<sub>2.5</sub> and PM<sub>10</sub> may also be expected, a consistent reduction cannot be seen across European cities, yet. For example, Figure 34 shows that in Paris the 2020 daily mean of PM<sub>2.5</sub> did not decrease consistently during the national lockdown compared to the same period in 2017-2019, as would have been expected. The situation is similar for PM<sub>10</sub> (Figure 35).

**Figure 34: PM<sub>2.5</sub> daily mean analysis – Paris, January-July 2020**



Source: Copernicus – Atmosphere Monitoring Service

**Figure 35: PM<sub>10</sub> daily mean analysis – Paris, January-July 2020**



Source: Copernicus – Atmosphere Monitoring Service

While the data does show a fall in the surface concentration of these "regulatory pollutants" when comparing the 2020 mean with those of 2017-2019, the relationship is more complex than it may seem at first. The above figures take the example of Paris, which has seen a 37% drop in economic activity since mid-March, in contrast to 34% at national level<sup>179</sup>. The reduction in the emission of pollutants is much less than the reduction in economic activity, for a number of reasons. Even under lockdown conditions, some emission sources, such as energy production and residential energy use, are unlikely to decrease, especially when people have to stay at home and work from there. Traffic will decrease significantly under lockdown, of course, but in the phase before that, people may make more use of their private cars, instead of public transport, in order to reduce their contact with others<sup>180</sup>. Other factors, such as weather conditions, may also significantly contribute to the reductions seen in pollutant concentrations. Conversely, meteorological changes can also lead to increased air pollution, and, coupled with the often non-linear relationships between changes in emissions and changes in concentrations, also explain why lower air pollution may not occur at all locations<sup>181</sup>.

As restrictions and lockdown measures continue over time, we expect to see air quality improve, and to be able to say with increasing certainty that the changes are related to ongoing COVID-19 measures. The effect is expected to be more visible for NO<sub>2</sub> than for particulate matter. This is because NO<sub>2</sub> has a lifetime in the atmosphere of in the order of one day. Concentrations of NO<sub>2</sub> will change rapidly because of changes in emissions and the fact that one of the sectors most heavily affected by lockdown measures is traffic, which is responsible for about 40% of the emissions. Furthermore, the main sources of PM<sub>2.5</sub> are more varied, including, at European level, the combustion of fuel for the heating of residential, commercial and institutional buildings, industrial activities and road traffic. A significant fraction of particulate matter is also formed in the atmosphere from reactions of other air pollutants in urban settlements.

The positive effect of the COVID-19 epidemic on air quality observed in urban areas is not that visible in rural areas. In some of them, the epidemic even worsened the situation due to a combination of different factors including harmful agricultural practices, such as spraying of pesticides that did not stop during the lockdown. For example, in Brittany region (France), the body responsible for monitoring air pollution in the region warned of an episode of fine particle pollution PM<sub>10</sub><sup>182</sup>. In Belgium, the Interregional Environment Unit (Celine) responsible for monitoring air quality observed increases in the concentration of fine particles, which were quite high throughout the country<sup>183</sup>. This was most probably due to the spreading of manure, which is known to release ammonia – an air pollutant – if the manure is only deposited on the surface and not buried in the ground. The latter method would eliminate air pollution and bad odours, while still allowing spreading.

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<sup>179</sup> Métropole du Grand Paris website. *La Métropole du Grand Paris adopte à l'unanimité un plan de relance de 110 millions d'euros pour un territoire durable, équilibré et résilient*. 15/05/2020. Available at: <https://www.metropolegrandparis.fr/fr/plan-de-relance>

<sup>180</sup> Copernicus - Atmosphere Monitoring Service. *European Air Quality information in support of the COVID-19 crisis*. *Op. cit.*

<sup>181</sup> EEA. *Air quality and COVID-19*. *Op. cit.*

<sup>182</sup> 20 minutes. *Coronavirus en Bretagne : Sans trafic routier, pourquoi la qualité de l'air est-elle si mauvaise ?*. 27/03/2020. Available at: <https://www.20minutes.fr/planete/2749431-20200327-confinement-bretagne-traffic-routier-pourquoi-qualite-air-si-mauvaise>. Reporterre. *La pollution liée aux épandages grandit, aggravant l'épidémie de Covid-19*. 01/04/2020. Available at: <https://reporterre.net/Les-episodes-de-pollution-lies-aux-epandages-se-succedent-les-appels-a-restreindre-les>.

<sup>183</sup> RTL info. *L'odeur des champs s'invite en ville et surprend des Bruxellois : "Ça pue la bouse de vache"*. 29/03/2020. Available at: <https://www.rtl.be/info/belgique/societe/l-odeur-des-champs-s-invite-en-ville-et-incommode-des-bruxellois-ca-pue-la-bouse-de-vache--1208431.aspx>

Although the reductions due to the lockdown are temporary, they can still stimulate more profound changes. Citizens can see more clearly that a healthier environment, less traffic, more open public spaces and Nature-Based Solutions are essential for their well-being<sup>184</sup>. There is, however, the potential that the improvements regarding GHG emissions and pollution seen throughout this period could have an impact on the behaviour of citizens and authorities. This could represent a challenge for local and regional leaders in terms of addressing expectations for a better environment characterised by high levels of biodiversity and healthy ecosystems at urban, peri-urban and rural levels.

## 2. **Decreased waste production but with new management challenges**

Another area showing immediately noticeable changes due to COVID-19 countermeasures is the waste sector, where the pandemic has already had a tremendous impact. For example, the city of Milan has experienced a reduction in municipal solid waste production throughout the lockdown period of 27.5% on average compared to 2019, as shown in the figure below.

**Figure 36: Impact of the lockdown on waste production in Milan**

MS Waste Production	Week 10-14 2020 vs 2019
Residual waste	-24,4%
Paper and cardboard	-20,0%
Glass	-16,7%
Plastic and metals	-16,3%
Food waste (Households)	-14,4%
Food waste (Commercial activities at night)	-80,5%
<b>TOTAL WASTE</b>	<b>-27,5%</b>
Street bins	-38,2%

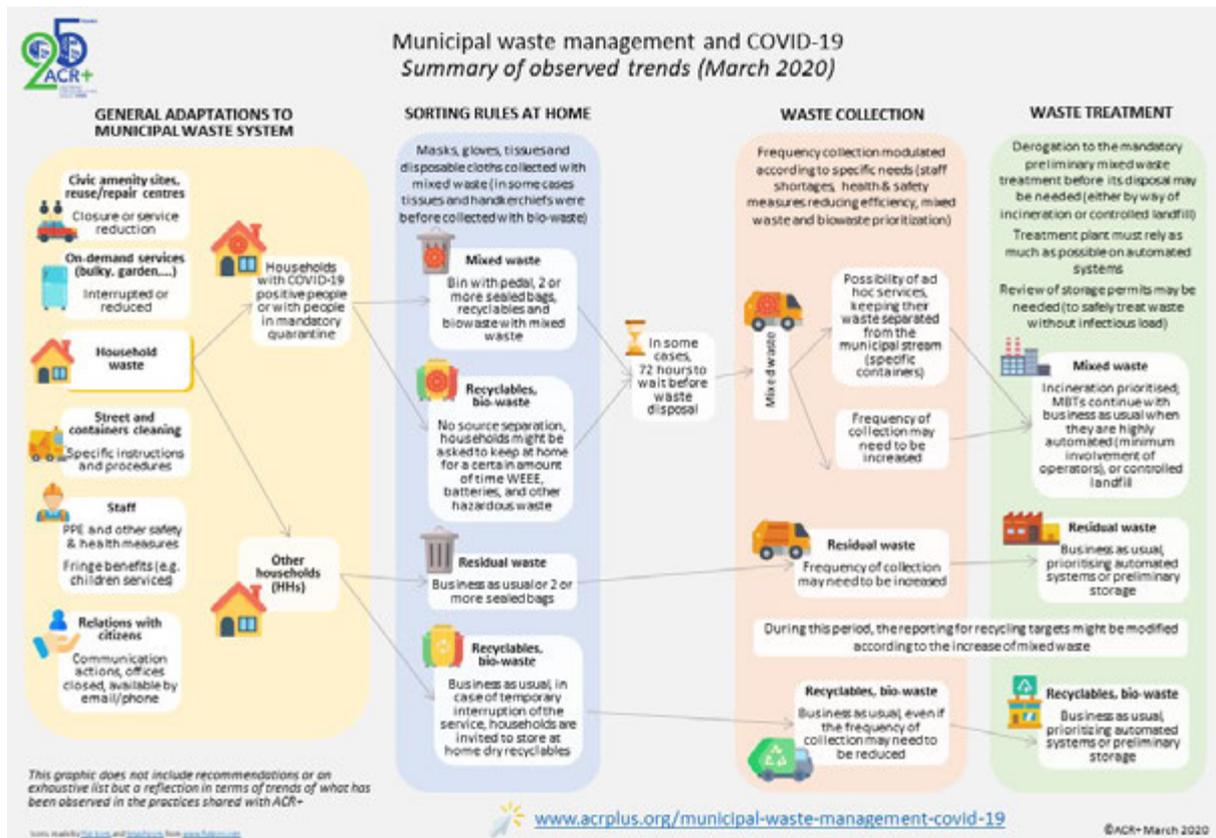
Source: ACR+ – [Waste management and cleaning services in Milan during COVID-19](#)

In Paris, in the period from March to May 2020, the tonnages of household and similar waste evolved considerably. After a sudden drop in the first week, tonnages continued to decrease until the beginning of April, reaching a low point of 32% below a normal week. Since then, there has been a slight recovery in tonnages, but they remain 25% lower than usual<sup>185</sup>. In the first month of lockdown, the region of Catalonia saw a drop in municipal waste generation of around 16.65% compared to a normal month. In the city of Barcelona alone, the fall off was even greater – around 25%.

<sup>184</sup> CoR opinion. *Towards sustainable neighbourhoods and small communities — Environment policy below municipal level*. 2020. Available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1597436248543&uri=CELEX:52019IR3195>

<sup>185</sup> SYCTOM website. *COVID-19: le Syctom à l'heure du déconfinement*. 06/05/2020. Available at: <https://www.syctom-paris.fr/actualites/COVID-19-le-syctom-a-lheure-du-deconfinement.html>

Figure 37: Summary of observed trends in waste management



Source: ACR+

However, the outbreak has also created new challenges for waste collection and management, sectors in which local and regional authorities usually have a significant role. Efforts are ongoing to face these challenges. The Association of Cities and Regions for sustainable resource management (ACR+) is collecting practices on municipal waste management during the COVID-19 outbreak<sup>186</sup>. For example, in the Czech Republic<sup>187</sup>, local authorities, in cooperation with the waste companies, should determine how or where to store used personal protective equipment from households with COVID-19 positive persons, in order to collect it and dispose of it safely with a view to minimising the risk both for workers who manage waste and for other citizens. Waste disposal, collection and final disposal should be based on local safe disposal options. A specific procedure (e.g. special collection) for the removal of such waste is determined by the municipality in agreement with the public health (hygiene) authority.

### 3. A potential behaviour change for a structural change

Taken as a whole, the reductions in environmental pollution and GHG emissions occurring because of COVID-19 are unprecedented. While the findings outlined above point to a number of consequences of the containment measures on the environment and climate that could be considered positive, most research and discussions are quick to point out that these effects will not necessarily continue beyond the short-term. The air quality improvement, for example, is not likely to become a long-term trend, as the decreases in and changes to economic activity, mobility and energy consumption are not results of structural changes. Furthermore, this enhancement of air quality has come at a high cost to the economy

<sup>186</sup> ACR+ website. Municipal waste management and COVID-19. Available at: <https://www.acrplus.org/en/municipal-waste-management-covid-19>

<sup>187</sup> *Ibid.*

and is clearly unsustainable unless further measures are taken to build a low-carbon, low-pollution economy. There is, however, the potential that the improvements regarding air quality seen throughout this period could have an impact in the behaviour of citizens and authorities.

One good example here is the surface transportation sector. Surface transportation accounts for nearly half of the decrease in GHG emissions during lockdown<sup>188</sup>. It is, however, also extremely responsive to policy changes and economic shifts. A number of LRAs have learned from the COVID-19 countermeasures and the public's positive response to them, and they are now working to implement them in the longer term. In this regard, Paris has restricted a number of streets that usually have heavy automotive traffic to pedestrians and cyclists and are planning to expand on this experience and create 650 kilometres of post-lockdown cycleways<sup>189</sup>. The same good practice has been taken on in a number of EU cities. The city of Milan has initiated the gradual introduction of 35 kilometres of temporary cycle lanes over the summer, while also promoting more space for pedestrians in certain neighbourhoods<sup>190</sup>. In Berlin, local officials have taken inspiration from the lockdown measures to put forward measures such as temporary cycle lanes, as car traffic has dropped by 40%<sup>191</sup>.

## B. Climate, environment and COVID-19: a complex interaction

Even before the COVID-19 outbreak, there was a large quantity of data stating that pollution and climate change can have an adverse effect on health. Air pollution was cited as the largest environmental health risk in the WHO European Region by the European Court of Auditors (ECA)<sup>192</sup> and the World Health Organization (WHO)<sup>193</sup>, with nearly 500 000 deaths per year related to outdoor air pollution. It is therefore no surprise that, with the spread of the virus, institutions and researchers alike were quick to test the relationship between environmental degradation, climate change and COVID-19.

Scientists are currently studying the possible impact of air pollution on death rates from COVID-19. According to a study carried out in the hard-hit Italian regions of Lombardy and Emilia Romagna, the high level of pollution in northern Italy should be considered an additional co-factor contributing to the high level of COVID-19 mortality recorded in that area<sup>194</sup>. Dr Neira, director of the Department of Public Health, Environmental and Social Determinants of Health at the WHO stated that "*We don't have the evidence linking directly to mortality yet, but we know that if you are exposed to air pollution you are increasing*

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<sup>188</sup> NATURE. *Temporary reduction in daily global CO<sub>2</sub> emissions during the COVID-19 forced confinement*. 19/05/2020. Available at: <https://www.nature.com/articles/s41558-020-0797-x>

<sup>189</sup> FORBES. *Paris To Create 650 Kilometers Of Post-Lockdown Cycleways*. 22/04/2020. Available at: <https://www.forbes.com/sites/carltonreid/2020/04/22/paris-to-create-650-kilometers-of-pop-up-corona-cycleways-for-post-lockdown-travel/#274cdce154d4>

<sup>190</sup> Comune di Milano. *Quartieri. Con "Strade aperte" nuove aree pedonali, ciclabili, zone 30 e spazi pubblici*. 30/04/2020. Available at: <https://www.comune.milano.it/-/quartieri.-con-strade-aperte-nuove-aree-pedonali-ciclabili-zone-30-e-spazi-pubblici>

<sup>191</sup> DW. *Coronavirus pandemic gives cyclists more road in Berlin*. Available at: <https://www.dw.com/en/coronavirus-pandemic-gives-cyclists-more-road-in-berlin/a-53176110>

<sup>192</sup> European Court of Auditors. *Air pollution: Our health still insufficiently protected*. 2018. Available at: <https://op.europa.eu/webpub/eca/special-reports/air-quality-23-2018/en/>

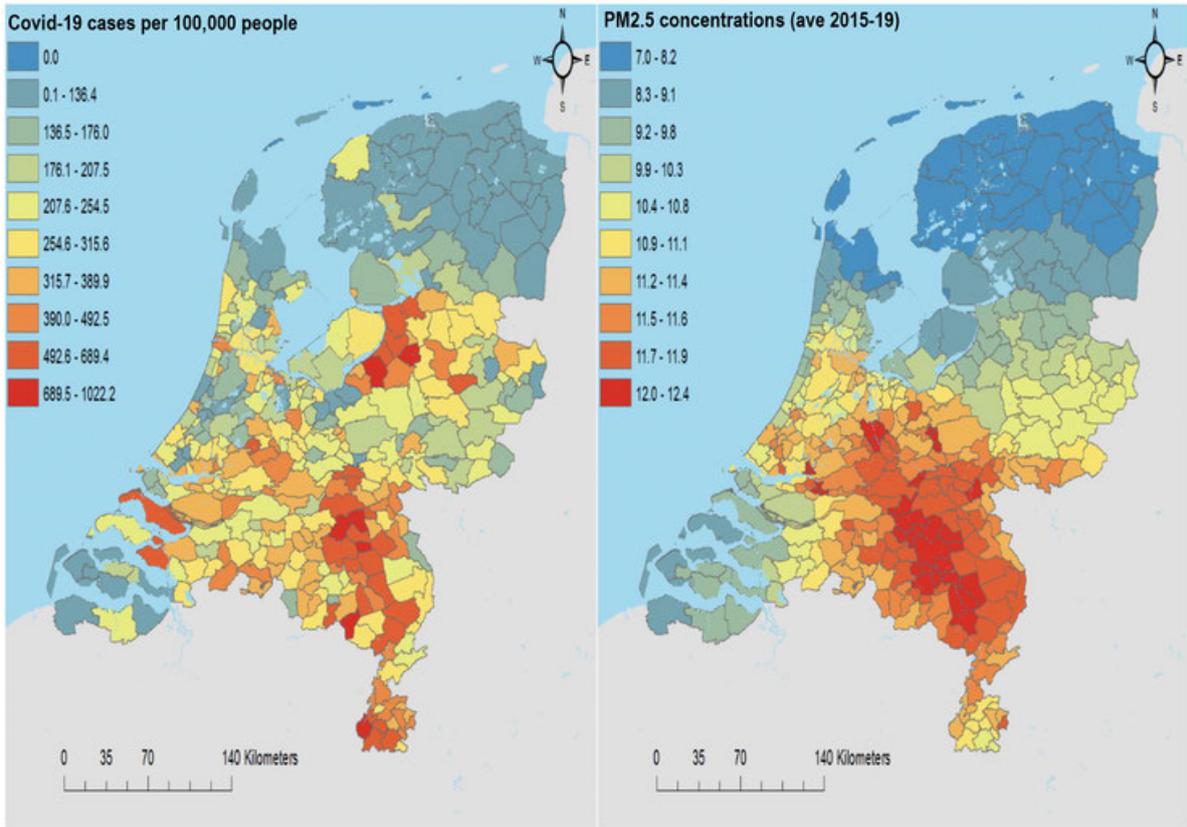
<sup>193</sup> WHO. *Environmental health inequalities in Europe*. 2019. Available at: <https://apps.who.int/iris/bitstream/handle/10665/325176/9789289054157-eng.pdf?sequence=1&isAllowed=y>

<sup>194</sup> *Environmental Pollution*. Caro, Conticini and Feriani. "Can atmospheric pollution be considered a co-factor in extremely high level of SARS-CoV-2 lethality in Northern Italy?". June 2020. Available at: <https://www.sciencedirect.com/science/article/pii/S0269749120320601?via%3Dihub>

your chances of being more severely affected"<sup>195</sup>. The European Public Health Alliance (EPHA) also warns that the risks are higher in polluted cities, pointing out that the damage to human health caused by pollution might make it more difficult to fight the coronavirus<sup>196</sup>. It notes that a 2003 study on victims of the coronavirus SARS found that patients in regions with moderate air pollution levels were 84% more likely to die than those in regions with low air pollution.

A recently published study in the Netherlands has found a correlation between the level of air pollution and the number of COVID-19 cases<sup>197</sup>. The study, based on data from 355 Dutch municipalities, found that an increase in fine particulate matter concentrations of 1 microgram per cubic metre was linked with an increase of up to 15 COVID-19 cases, four hospital admissions and three deaths. The national spread of COVID-19 cases shows a greater number in the south-eastern regions.

**Figure 38: COVID-19 cases per 100 000 people and annual concentrations of PM2.5 (averaged over the period 2015-19) in the Netherlands**



Source: Cole, Ozgen & Strobl.

Similar findings have been made in the United States, linking a higher PM2.5 exposure to a higher COVID-19 death rate<sup>198</sup>.

<sup>195</sup> *The Guardian*. "Is air pollution making the coronavirus pandemic even more deadly?". 04/05/2020. Available at: <https://www.theguardian.com/world/2020/may/04/is-air-pollution-making-the-coronavirus-pandemic-even-more-deadly>

<sup>196</sup> European Public Health Alliance. *Coronavirus threat greater for polluted cities*. 16/03/2020. Available at: <https://epha.org/coronavirus-threat-greater-for-polluted-cities/>

<sup>197</sup> IZA Institute of Labour Economics. Cole, Ozgen and Strobl. "Air Pollution Exposure and COVID-19". June 2020. Available at: <http://ftp.iza.org/dp13367.pdf>

<sup>198</sup> Xiao Wu and Rachel C. Nethery. "Exposure to air pollution and COVID-19 mortality in the United States: A nationwide cross-sectional study". *Harvard University*. 24/04/2020. Available at: <https://projects.iq.harvard.edu/COVID-pm>

This potential link between poor air quality and COVID-19 is not limited to cities and urban areas. The Dutch study notes that air pollution sources do not always correlate well with major metropolitan areas. In some parts of the Netherlands for instance, livestock production can weaken air quality in rural areas.

Assuming that a link between poor air quality and COVID-19 can indeed be established, such information can prove useful for local and regional public health authorities when planning and taking measures to reduce risks related to COVID-19 and protecting their citizens from further outbreaks.

The UN Environment Programme (UNEP) has also pointed out that waste management is an essential service in the fight against COVID-19<sup>199</sup>. Due to COVID-19, hospitals, healthcare facilities and individuals are producing more waste than usual, including masks, gloves, gowns and other protective equipment that could be infected with the virus. There is also a large increase for plastics being produced. If not managed properly, infected medical waste could be subject to uncontrolled dumping, leading to public health risks, and to open burning or uncontrolled incineration, leading to the release of toxins in the environment and to secondary transmission of diseases to humans<sup>200</sup>. While the previously presented data shows a drastic reduction in waste production, the production of medical waste actually saw a major increase. The region of Catalonia reported an increase in medical waste production of around 350% in mid-March compared to 2019<sup>201</sup>.

Research also shows that wastewater can contain genetic fragments of COVID-19 and could potentially increase the spread of the virus<sup>202</sup>. The ongoing pandemic calls for improved sterilisation of wastewater, more research into better preservation of wastewater, and an increased deployment of nature-based solutions, in order to eliminate any epidemiological threats to water quality. Local and regional communities will need appropriate support to carry out these tasks in coordination with all levels of government.

According to Eurobarometer 481/2018, most Europeans are unwilling to trade damage or destruction to nature in protected areas for economic development. It is therefore reassuring that the vast majority of EU citizens – 96% of the 27 000 interviewees<sup>203</sup> – have shown concern and a willingness to take responsibility to protect nature and see it as essential for tackling climate change, too: a consideration further strengthened following the COVID-19 pandemic.

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<sup>199</sup> UN Environment Programme. *Waste management an essential public service in the fight to beat COVID-19*. 24/03/2020. Available at: <https://www.unenvironment.org/news-and-stories/press-release/waste-management-essential-public-service-fight-beat-COVID-19>

<sup>200</sup> UN Environment Programme. *COVID-19 waste management factsheet*. Available at: <https://wedocs.unep.org/bitstream/handle/20.500.11822/32282/COVIDWM.pdf?sequence=1&isAllowed=y>

<sup>201</sup> Generalitat de Catalunya website. *La Agencia de Residuos de Cataluña ha establecido diferentes opciones para tratar los residuos sanitarios en el periodo COVID-19*. 15/04/2020. Available at: <http://residus.gencat.cat/es/actualitat/noticies/detall/residus-sanitaris-COVID19-00001>

<sup>202</sup> Centre for Evidence-Based Medicine. *COVID-19 in wastewater*. 30/06/2020. Available at: <https://www.cebm.net/study/COVID-19-in-wastewater/>

<sup>203</sup> EC. *Eurobarometer 481/2018*. 19/05/2019. Available at: <https://ec.europa.eu/commfrontoffice/publicopinion/index.cfm/survey/getsurveydetail/instruments/special/surveyky/2194>

For Europe's economic recovery from the COVID-19 crisis **it is of critical importance to invest in nature protection and restoration**<sup>204</sup>. As stated in the EU Biodiversity Strategy for 2030<sup>205</sup> "Biodiversity conservation has potential direct economic benefits for many sectors of the economy. For example, conserving marine stocks could increase annual profits of the seafood industry by more than EUR 49 billion, while protecting coastal wetlands could save the insurance industry around EUR 50 billion annually through reducing flood damage losses<sup>206</sup>. The overall benefit/cost ratio of an effective global programme for the conservation of remaining wild nature worldwide is estimated to be at least 100 to 1<sup>207</sup>".

Figure 40 shows the potential territorial impact of the post-2020 biodiversity policy framework based on the share of protected areas. It combines the expert judgement of a strong positive effect with the sensitivity of specific regions. A very high impact is predicted in 61% of the EU regions, while a high impact is expected in 25% of regions and moderate impact in 14%. This is an opportunity that has been seized for example by Wallonia in Belgium, where some of the measures taken under the regional strategic recovery plan deal with strengthening the protection of nature to benefit from the ecosystem services it provides (water, soil, natural resources, etc.) and reconnecting to nature by enhancing natural resources via ecotourism.

**Figure 39: COVID-19 in an Urban World**



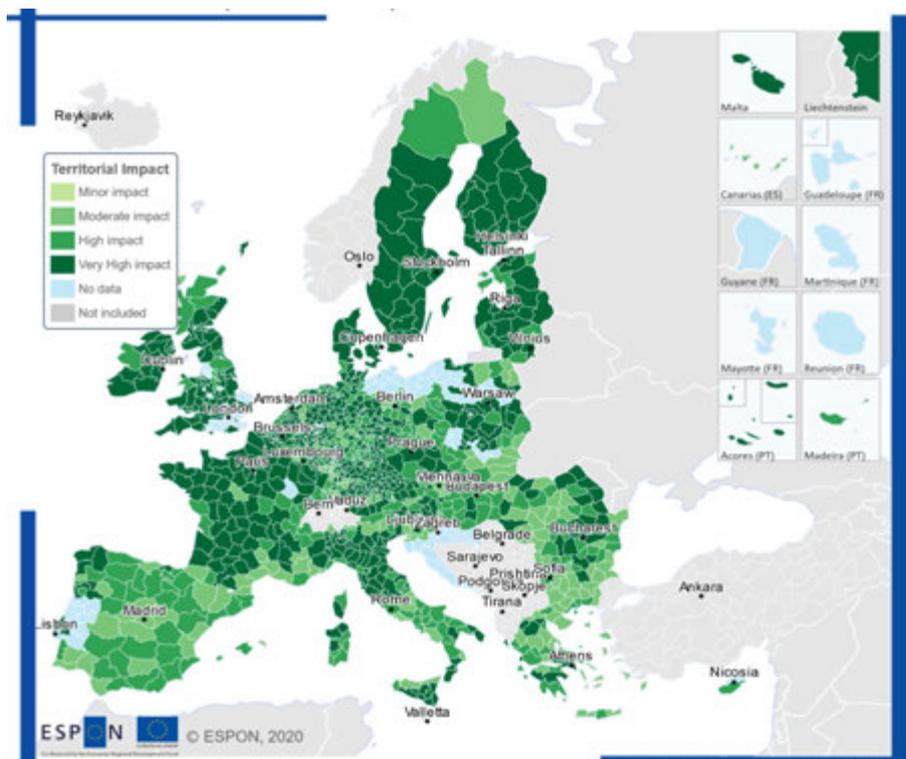
<sup>204</sup> The increasing impact of humankind on nature and biodiversity, in combination with climate change, is also weakening natural ecosystems. This facilitates the spreading of pathogens and exposure of humans to such risks. The transmission of pathogens, such as COVID-19, from wildlife to humans is happening more and more due to the progressive destruction and alteration of ecosystems caused by humans increasingly penetrating pristine areas to build their settlements and to carry out – often illegally – hunting, fishing and agriculture/livestock production.

<sup>205</sup> EC. *Communication "EU Biodiversity Strategy for 2030"*. COM(2020) 380 final. 20/05/2020. Available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1590574123338&uri=CELEX:52020DC0380>

<sup>206</sup> Barbier, Burgess, Dean. "How to pay for saving biodiversity". *Science*. 04/05/2018. Available at: <https://science.sciencemag.org/content/360/6388/486>

<sup>207</sup> Balmford et al. "Economic reasons for conserving wild nature". *Science*. 09/08/2002. Available at: <https://science.sciencemag.org/content/297/5583/950>

**Figure 40: Protected areas (NATURA 2000 sites)**



Source: Territorial Impact Assessment expert workshop, Brussels, 31 January 2020

The crisis and the resulting lockdowns have also highlighted the need, as well as the demand, for more urban greening. Europe's regions and cities have already demonstrated commitment to and acceptance of such actions and are best equipped to deliver concrete results. Paris has set out plans to go fully green by planting "urban forests" around architectural landmarks<sup>208</sup>, and, despite the struggles with an unprecedented health, social and economic crisis, other European cities are showing a continued commitment to sustainability<sup>209</sup>. In order to ensure that this commitment can become a real driving force for the EU towards climate neutrality, new funding mechanisms have to be sought and the governance of the existing funds needs to be re-discussed, with a more central role for local and regional authorities. LRAs are the ones with the best knowledge and understanding of the specific needs of the territories and of the implementing mechanism: this knowledge will be crucial now that we have to combine the post-pandemic recovery and the climate-neutral transition, both of which are urgent and incredibly relevant for the future of EU citizens.

<sup>208</sup> Métropole du Grand Paris. *Plan de relance pour un territoire durable, équilibré et résilient*. Op. cit.

<sup>209</sup> EC website. *Building urban resilience: nine cities on the shortlist for the next European Green City Awards*. 12/05/2020. Available at: [https://ec.europa.eu/environment/europeangreencapital/news/EGCA\\_2022\\_EGLA\\_2021\\_finalists\\_announced.html](https://ec.europa.eu/environment/europeangreencapital/news/EGCA_2022_EGLA_2021_finalists_announced.html)

# Chapter VI – Local democracy and governance in the COVID-19 crisis

## A. The democratic process during the COVID-19 crisis

While the health threat posed by COVID-19 and the challenge it represents for human health are paramount, the strain it puts on the legal order is no less significant. For most of the affected countries, in particular in the EU, this outbreak is posing unprecedented institutional challenges and has obliged institutions and governments to adopt strict measures affecting citizens' rights in a way unparalleled since the Second World War<sup>210</sup>.

This has raised concerns about the meaning of democracy and how the pandemic has affected the democratic process both at EU, central and local level.

The dramatic spread of the COVID-19 pandemic in Europe has led Member States to adopt a series of emergency measures in an effort to contain the virus as quickly and effectively as possible. A majority of EU governments have resorted to "emergency powers" to radically limit internal and international travel, carry out sanitary controls, close schools and universities, shops and public places, and confine people at home, thus drastically limiting individual freedom of movement and assembly<sup>211</sup>.

States of emergency and similar regimes importantly imply an increase of the powers of the government (and sometimes also of the police and the army) and a diminishing of the powers of parliaments and of the judiciary, with a serious blurring of the lines separating executive, legislative and judicial powers and causing an imbalance in the system of checks and balances that are at the basis of democracy<sup>212</sup>.

The executive authorities should be able to act quickly and efficiently. That may call for adoption of simpler decision-making procedures. This may also involve, to the extent permitted by the constitution, bypassing the standard division of competences between local, regional and central authorities with reference to certain specific, limited fields, to ensure a more coordinated response to the crisis and on the understanding that full rights of local and regional authorities shall be re-established as soon as the situation allows it<sup>213</sup>.

The major social, political and legal challenge facing EU Member States will be their ability to respond to this crisis effectively, whilst ensuring that the measures they take do not undermine the genuine long-term interest in safeguarding Europe's founding values of democracy, rule of law and human rights<sup>214</sup>.

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<sup>210</sup> EP think tank. *States of emergency in response to the coronavirus crisis: Situation in certain Member States*. 04/05/2020. Available at: [https://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS\\_BRI\(2020\)649408](https://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS_BRI(2020)649408)

<sup>211</sup> EP think tank. *The Impact of COVID-19 Measures on Democracy, the Rule of Law and Fundamental Rights in the EU*. 23/04/2020. Available at: [https://www.europarl.europa.eu/thinktank/en/document.html?reference=IPOL\\_BRI\(2020\)651343](https://www.europarl.europa.eu/thinktank/en/document.html?reference=IPOL_BRI(2020)651343)

<sup>212</sup> *Ibid.*

<sup>213</sup> Council of Europe. *Respecting democracy, rule of law and human rights in the framework of the COVID-19 sanitary crisis. A toolkit for member states*. 07/04/2020. Available at: <https://rm.coe.int/sg-inf-2020-11-respecting-democracy-rule-of-law-and-human-rights-in-th/16809e1f40>

<sup>214</sup> *Ibid.*

### Case: Local elections in France

One particularly striking example of the chaotic impact of the COVID crisis on local democracy is the case of the recent municipal elections in France: On 14<sup>th</sup> March, a few hours before a national lockdown, the first round of local elections went ahead. The authorities justified this as a means to ensure continuity of democratic life and assured the public that voting was safe.<sup>215</sup> Only 2 days later, however, the President announced that the second round of these elections, normally organised one week after the first, would have to be delayed because of the pandemic.<sup>216</sup> The decision of postponement of the second round was made after consultations and in broad agreement with political leaders and health officials. Nevertheless, it raised serious questions about the appropriateness of holding the first round.

The second round was eventually held in late June and was one of the first national votes to be held in the EU since the outbreak of the pandemic. These unusual circumstances likely contributed to an exceptionally low turnout of 41.6%, despite the measures taken by the authorities to avoid the spread of the virus at polling stations. The Greens and Socialists performed well in this election, although this was mostly limited to large cities and is therefore not necessarily an indicator of national-level success in the future<sup>217</sup>.

### Case: Local and Regional elections in Italy

Despite the rising number of confirmed COVID-19 cases, citizens of 1,149 municipalities across Italy, in 7 regions (Aosta Valley, Campania, Liguria, Marche, Puglia, Tuscany, and Veneto) and 18 provincial capitals (Agrigento, Andria, Aosta, Arezzo, Bolzano, Chieti, Crotone, Enna, Fermo, Lecco, Macerata, Mantua, Matera, Nuoro, Reggio Calabria, Trani, Trento and Venice) went to the polls on the 20-21 September 2020.

A candidate for the far-right "Fratelli d'Italia", running for the centre-right coalition, has ended 25 years of leftwing rule in the eastern Marche region, while the centre-left managed to retain its stronghold of Tuscany.

The centre-right coalition retained Veneto, with the incumbent leader, Luca Zaia (Lega), set for a landslide victory, as well as the Liguria region. The centre-left easily kept Campania, where the popularity of Vincenzo De Luca, the incumbent president, has surged thanks to his handling of the coronavirus pandemic, and Puglia.

The "Lega" was also ahead in the small Aosta Valley region, which has its own party system. If the coalition's wins are confirmed in the final results it would give the group more than half of Italy's 20 regions, with nine captured from the left within the last few years.<sup>218</sup>

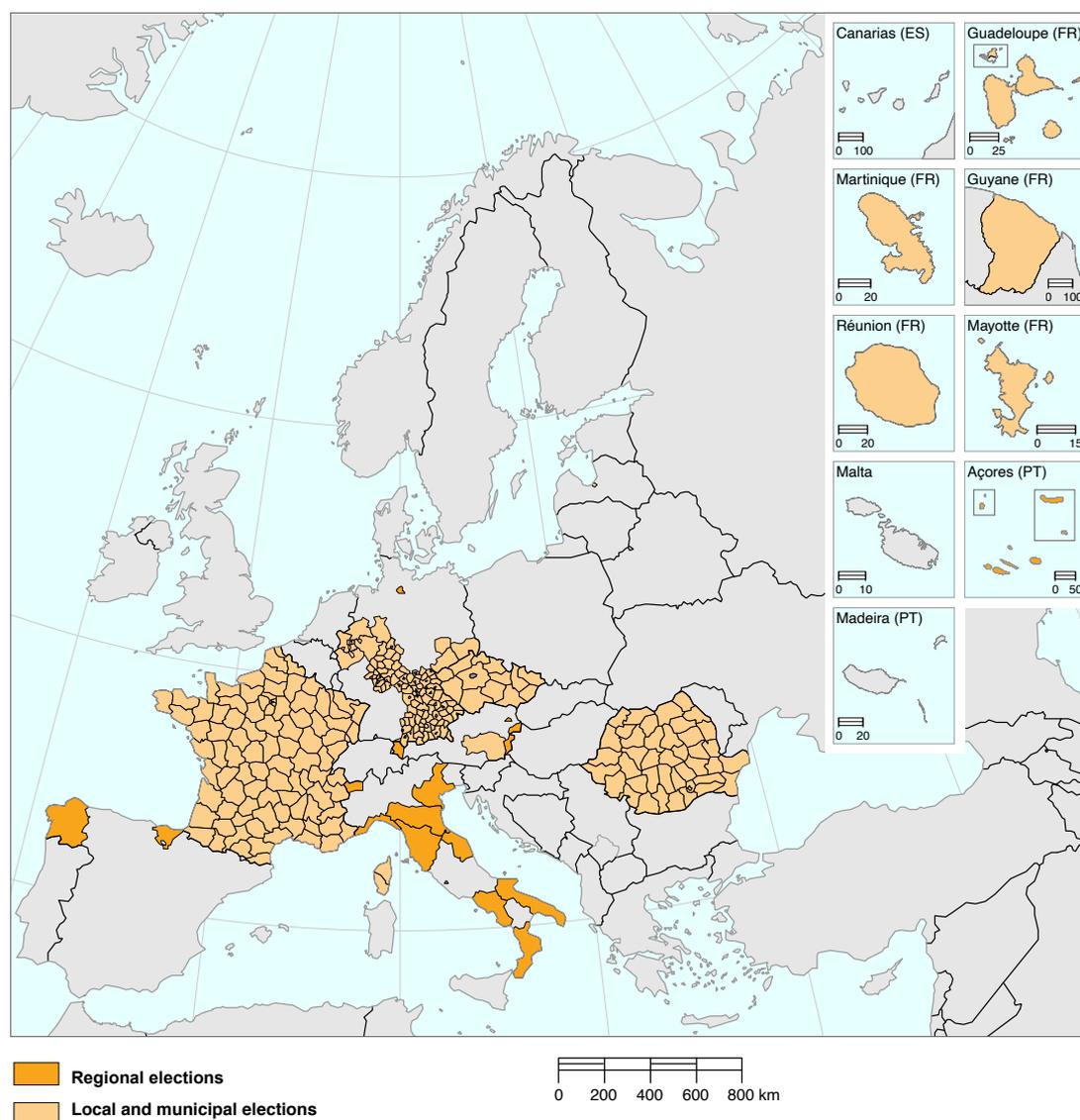
<sup>215</sup> Emmanuel Macron. "Adresse aux Français du Président de la République", 12/03/2020. Available at : <https://www.elysee.fr/emmanuel-macron/2020/03/12/adresse-aux-francais>

<sup>216</sup> Emmanuel Macron. "Adresse aux Français du Président de la République", 16/03/2020. Available at : <https://www.elysee.fr/emmanuel-macron/2020/03/16/adresse-aux-francais-COVID19>

<sup>217</sup> Margulies. "What the municipal elections in France told us about the future of the French party system". *LSE and EUROPP*. Available at: <https://blogs.lse.ac.uk/europpblog/2020/07/03/what-the-french-municipal-elections-can-tell-us-about-the-future-of-the-french-party-system/>

<sup>218</sup> *Far-right Brothers of Italy close to snatching Marche region from left*, The Guardian. Available at: <https://www.theguardian.com/world/2020/sep/21/far-right-brothers-of-italy-on-course-gain-marche-region-from-left>

**Figure 41: Regional and local/municipal elections in EU27 in 2020**



*Source: Elaboration by the CoR, Communications Directorate, 2020*

## **B. Governance in the EU during the COVID crisis**

The extraordinary situation brought about by the COVID-19 pandemic has led to unprecedented public policy action on the part of authorities at all levels, as shown in the previous section. The effectiveness and appropriateness of this action is more important than ever, in a fast-changing situation with many lives – and livings – directly at stake. In critical aspects of public action, from health care to social services and business support, responsibilities are frequently shared among levels of government, often with a major role for LRAs. This raises important questions with regard to the role of governance and policy coordination mechanisms in this crisis, and concerning the impact of the crisis on these mechanisms, as well as on trust in the EU and in government action. While it is too early to draw definitive conclusions, some initial observations allow us to gain an initial understanding of the situation.

At the level of the EU and Member States, the immediate action early on in the crisis appeared almost chaotic. For instance, some Member States unilaterally suspended exports of key equipment or closed borders, thereby disregarding EU law, and the early response more generally displayed a lack of

coordination that an EP study called "remarkable"<sup>219</sup>. Progressively, cooperation between Member States was re-established and a more coordinated response was enacted at EU level<sup>220</sup> (the key elements of which are detailed in Chapter VII).

On behalf of the CoR, Kantar Belgium S.A. carried out a public opinion survey between 3 and 17 September 2020 on the views of EU citizens on the coronavirus crisis and the role of regional and local authorities. National representative panels in EU27 included responses from more than 26 000 citizens between 15 and 64<sup>221</sup>. They were asked online about trust in different levels of government, their capacity to tackle the economic and social impact of the pandemic, and – more generally – on their views on whether and on which EU policies there should be more influence of regional and local levels of government. Findings can be summarised as follows<sup>222</sup>:

- More Europeans trust regional and local authorities (52%) than they trust the EU (47%) and their national government (43%).
- Similarly, regional or local authorities are more trusted (48%) than the EU (45%) and national governments (44%) to take, now and in the future, the right measures to overcome the economic and social impact of the coronavirus crisis.
- For both questions, there is a clear geographical pattern: Trust in the regional and local authorities is higher in northern and western EU countries; this pattern is similar for national governments but not for the EU, for which higher levels of trust in the EU can be found in most eastern Member States when compared to those of national governments.
- Around two-thirds of Europeans think that regional and local authorities do not have enough influence on the decisions taken at the European Union level.
- Europeans would like their regional and local authorities to have more influence on the decisions taken at EU level; the most mentioned policies for more influence would be preferred are those related to health (45%), employment and social affairs (43%), and education, training and culture (40%).
- A clear majority of Europeans (58%) think that more influence of regional and local authorities would have a positive impact on the EU's ability to solve problems, and this is the majority view in all Member States.

In more detail and as regards trust in different levels of government, the survey confirmed that one European in two trust their regional or local authorities (52%), a slight majority trust the EU (47% vs 45%) while only a minority of Europeans trust their national government (43% vs 50%).

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<sup>219</sup> EP study. *Possible Avenues for Further Political Integration in Europe - A Political Compact for a More Democratic and Effective Union*. 03/06/2020. Available at: [https://www.europarl.europa.eu/RegData/etudes/STUD/2020/651849/IPOL\\_STU\(2020\)651849\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2020/651849/IPOL_STU(2020)651849_EN.pdf)

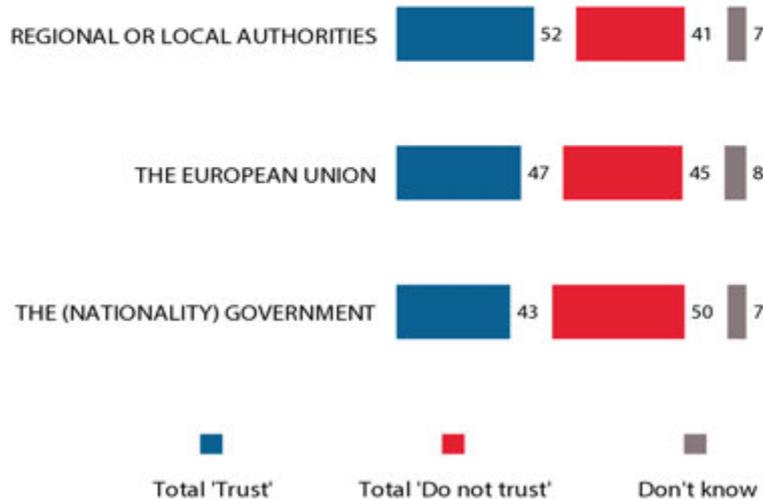
<sup>220</sup> For instance, after developing recommendations on border controls in June, the Commission proposed further recommendations in early September to try to harmonise persisting travel restrictions across Europe (e.g. common evaluation criteria to classify colour-coded zones, standardisation of restriction rules, etc.).

<sup>221</sup> National representative samples of 1 000 respondents (aged 16-64 or 16-54) were asked in in 21 EU Member States (Austria, Belgium, Bulgaria, Croatia, Czechia, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden); national representative samples of 1 000 respondents (aged 16-64) in Latvia, Estonia and Lithuania (via Kantar panels); national representative samples of 500 respondents (aged 16-64) in Luxembourg (Kantar panels) and Cyprus (Cyprus panel); a national representative sample of 500 respondents (aged 16+) in Malta (by telephone).

<sup>222</sup> The full report, national factsheets and a presentation can be found here: [cor.europa.eu/EURegionalBarometer-Survey.go](https://cor.europa.eu/EURegionalBarometer-Survey.go)

**Figure 42: Trust of EU citizens in different levels of government**

**Q1** For each of the following institutions, please indicate how much you trust them or not. Using a scale from 1 to 6, where "1" means that you do not trust at all, and "6" means that you completely trust, the remaining numbers indicate something in between these two positions.  
(% - EU)

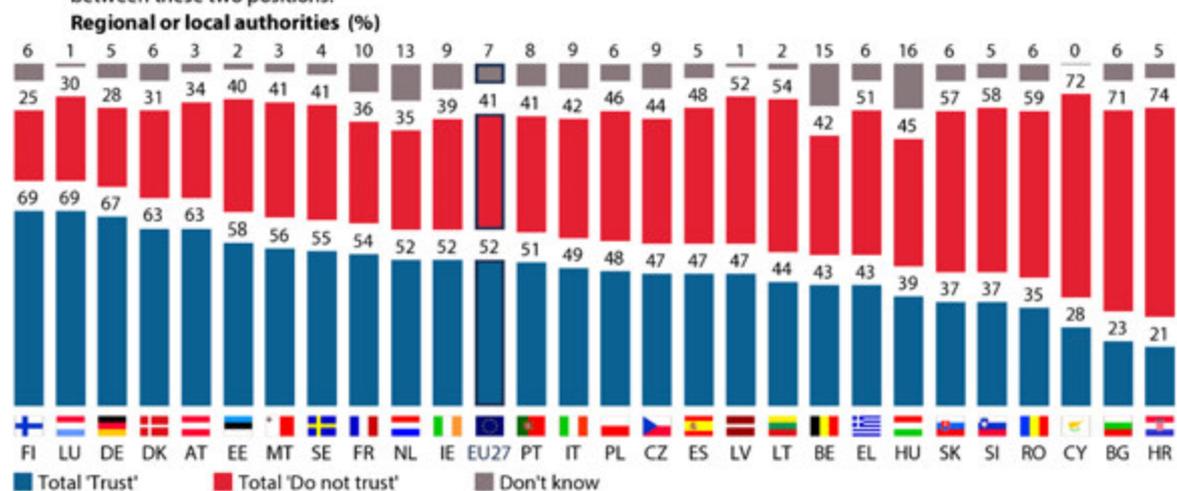


Source: Kantar Belgium S.A.: The coronavirus crisis and the role of regional and local authorities, 12 October 2020

In 16 Member States, a majority of respondents trust their regional or local authorities while levels vary significantly between countries: Respondents in the northern and western European countries tend to trust more their regional or local authorities than Europeans living in the South and the East of the European Union.

**Figure 43: Trust of EU citizens in regional and local authorities by Member State**

**Q1.3** For each of the following institutions, please indicate how much you trust them or not. Using a scale from 1 to 6, where "1" means that you do not trust at all, and "6" means that you completely trust, the remaining numbers indicate something in between these two positions.



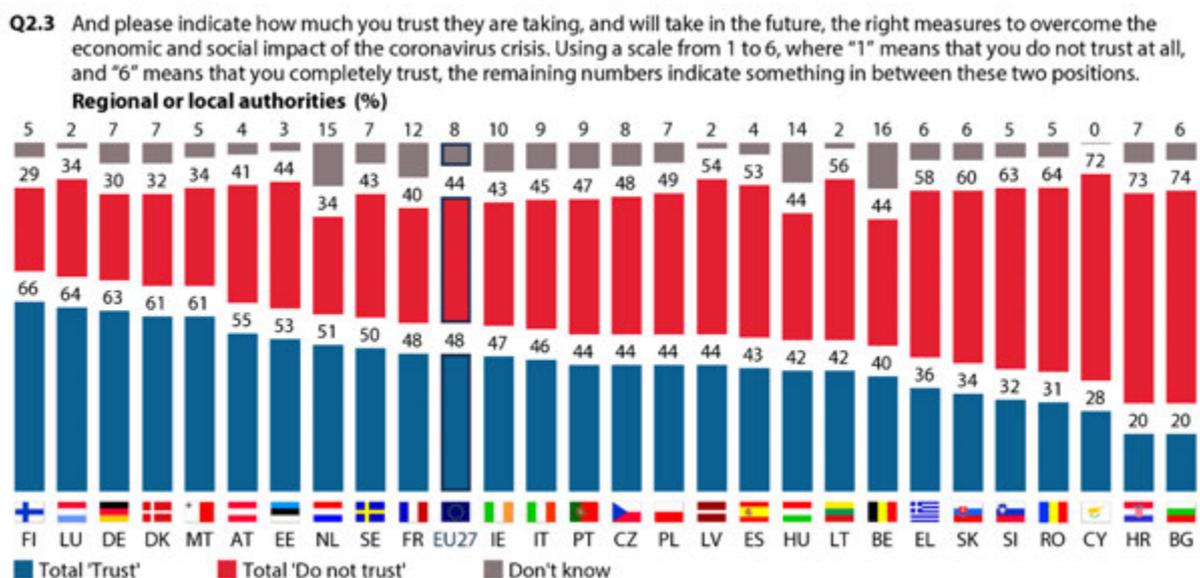
Source: Kantar Belgium S.A.: The coronavirus crisis and the role of regional and local authorities, 12 October 2020

While trust is higher among the younger respondents for the European Union, it is the opposite for regional or local authorities. The EU is trusted by 55% of 16-24 old citizens, vs 41% among those 55 years

and older, while regional or local authorities are trusted by 46% of the young generation vs 56% for the elderly.

When it comes to **trust in different levels of government to tackle the coronavirus crisis**, the survey confirms that a majority of respondents (48%) trust that regional or local authorities are taking, and will take in the future, the right measures to overcome the economic and social impact of the coronavirus crisis while a majority (47%) do not trust that the European Union or their national governments are doing or will do so (48%). In 12 Member States, a majority of respondents trust their regional or local authorities more while in 10 Member States, a majority does not trust their regional or local authorities in this respect.

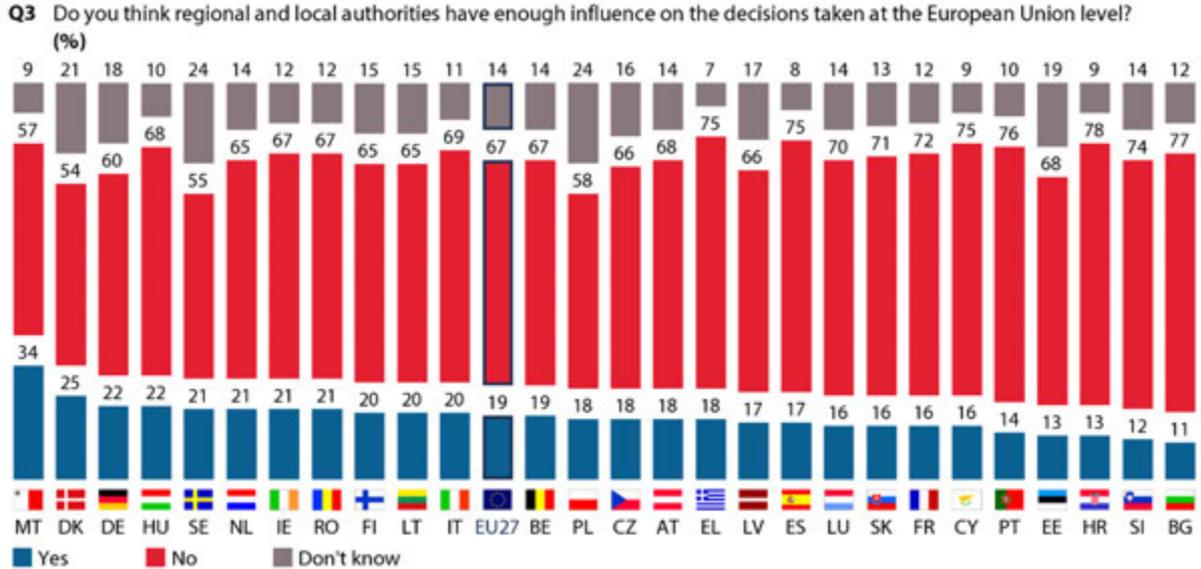
**Figure 44: Trust of EU citizens in regional and local authorities to take the right measures to tackle the coronavirus crisis (by Member State)**



Source: Kantar Belgium S.A.: The coronavirus crisis and the role of regional and local authorities  
12 October 2020

More generally, on the **influence of regional and local authorities on EU decisions**, two-thirds of Europeans (67%) think that regional and local authorities do not have enough influence on the decisions taken at the European Union level and this is the largely dominant view in all 27 Member States.

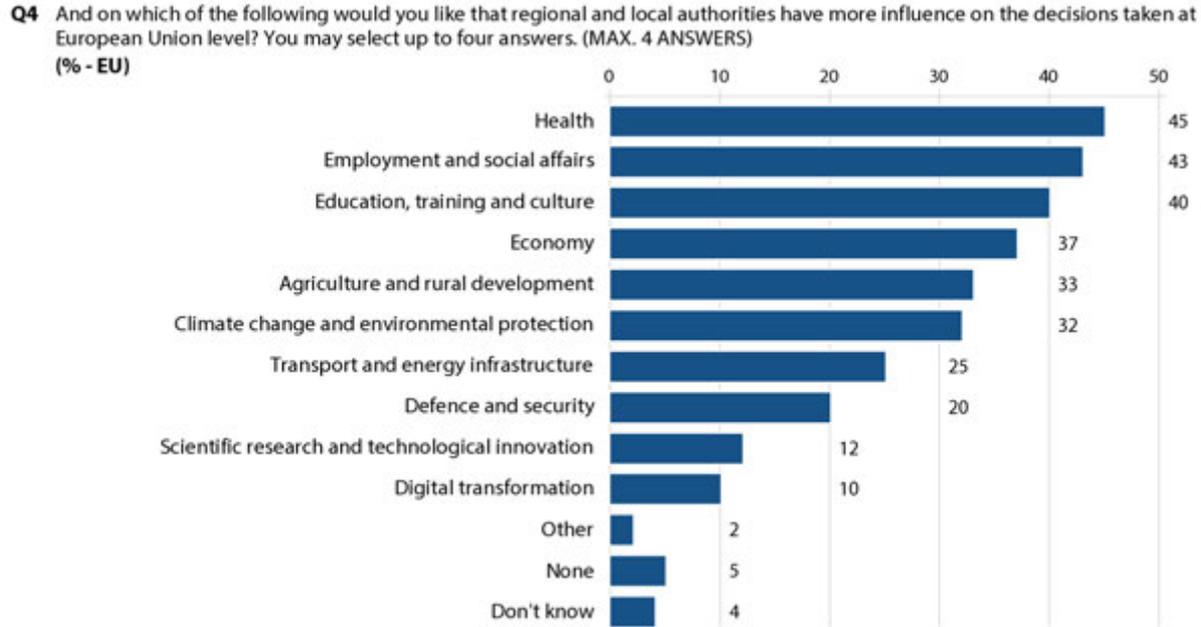
**Figure 45: EU citizens' views on the influence of regional and local authorities on decisions taken at EU level**



Source: Kantar Belgium S.A.: The coronavirus crisis and the role of regional and local authorities  
12 October 2020

More specifically, Europeans would like the regional and local authorities to have more influence at EU level on topics such health (45%), employment and social affairs (43%), and education, training and culture (40%).

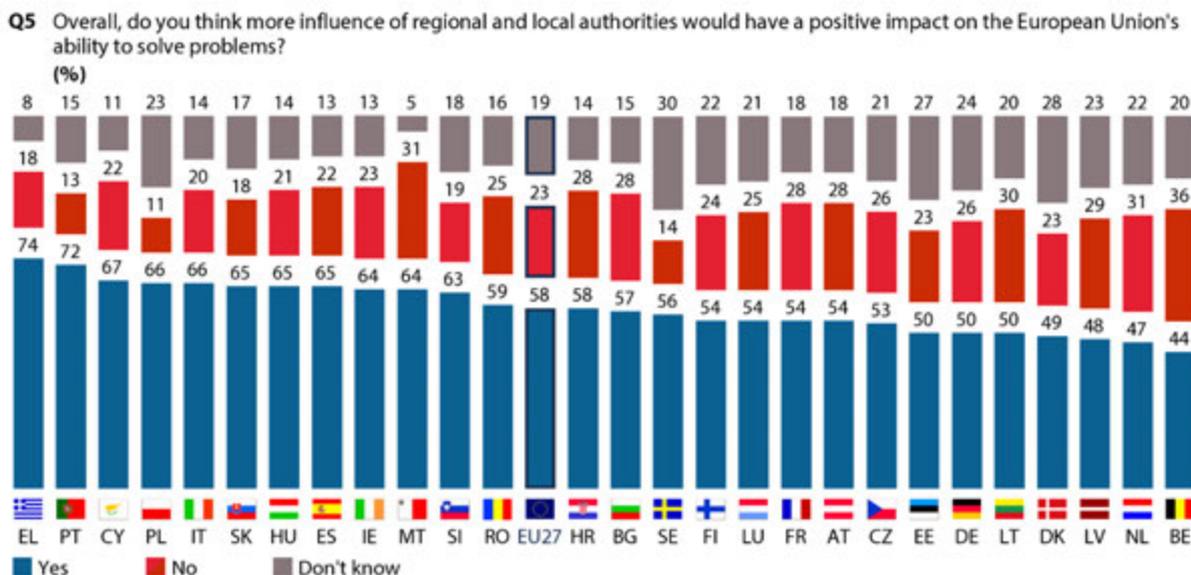
**Figure 46: EU citizens' views on policies to be more influenced by regional and local authorities at EU level**



Source: Kantar Belgium S.A.: The coronavirus crisis and the role of regional and local authorities  
12 October 2020

Finally, a majority of Europeans in all Member States think that more influence of regional and local authorities would have a positive impact on the EU's ability to solve problems (58%).

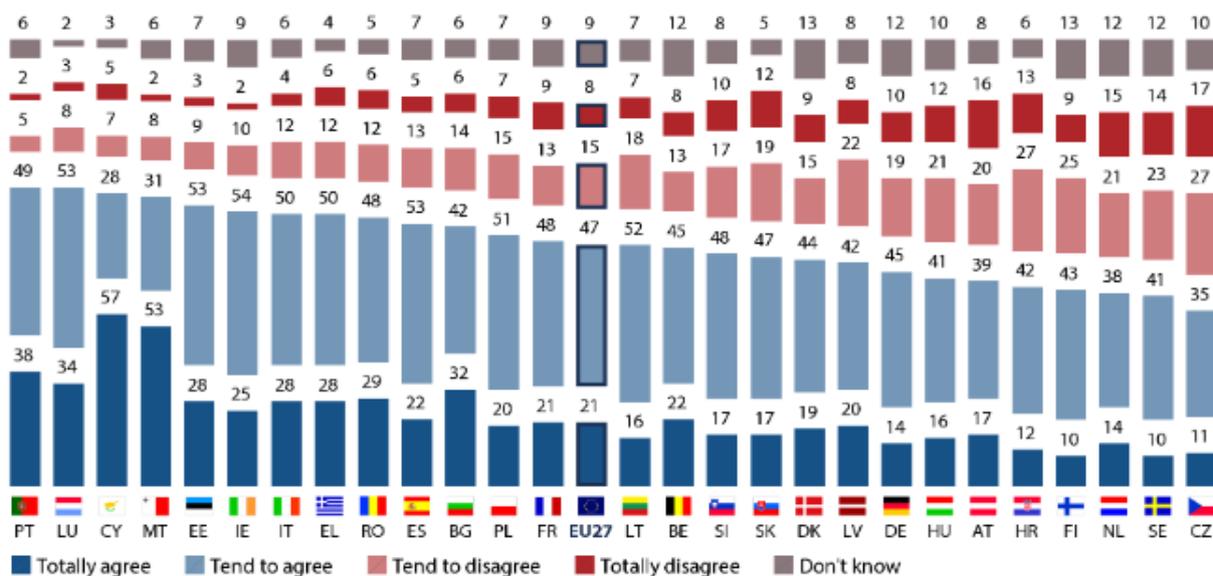
**Figure 47: EU citizens' view on whether regional and local authorities would have a positive impact on EU-level decisions**



Source: Kantar Belgium S.A.: *The coronavirus crisis and the role of regional and local authorities*  
12 October 2020

Turning back to citizens' views of the EU, the early lack of coordination (at times attributed to the relative lack of EU competences in certain fields, including health) and resulting critical opinion of the EU's performance may not tell the whole story: A survey commissioned by the EP revealed a strong majority (68%) in favour of the EU having more competences to deal with crises such as COVID-19, although there are significant national divergences (see Figure 48).

**Figure 48: Opinion survey: Two thirds of respondents agree that the EU should have more competences to deal with crises such as the COVID-19 pandemic**



Source: European Parliament<sup>223</sup>

<sup>223</sup> EP. *Public opinion in times of COVID-19*. 14/07/2020. <https://www.europarl.europa.eu/at-your-service/files/be-heard/eurobarometer/2020/public-opinion-in-the-eu-in-time-of-coronavirus-crisis-2/en-COVID19-survey2-key-findings.pdf>

In the EU context, two complementary concepts must be kept in mind: multilevel governance and subsidiarity.

**Multilevel governance** has been defined by the Committee of the Regions as being based on coordinated action by the EU, the Member States and regional and local authorities according to the principles of subsidiarity and proportionality and in partnership, taking the form of operational and institutionalised cooperation in the drawing-up and implementation of the European Union's policies<sup>224</sup>. Multilevel governance does not address the sovereignty of states directly, but simply states that a multilevel structure is created by subnational and supranational actors as well.

**The subsidiarity principle** aims to ensure that decisions are taken as closely as possible to the citizen and that constant checks are made to verify that action at EU level is justified in light of the options available at national, regional or local level. Specifically, it is the principle whereby the EU does not take action (except in the areas that fall within its exclusive competence), unless it is more effective than action taken at national, regional or local level. It is closely linked to the principle of proportionality, which requires that any action by the EU should not go beyond what is necessary to achieve the objectives of the Treaties<sup>225</sup>. The EU Treaties recognise the legal-political principle of subsidiarity and aim to organise the growing number of competences that are shared between the EU, the Member States and subnational levels of government<sup>226</sup>.

Both concepts, subsidiarity and multilevel governance, are closely intertwined as both deal with the legal, political, economic, structural and cyclical factors that affect relations between the European, national and subnational levels.

Looking in more detail at LRAs as stakeholders of governance, we can easily see how they have complex and multifaceted roles, both as major "rule makers" and also as "rule takers", depending on the Member State and policy area. This is all the more true during a crisis such as COVID-19, as demonstrated throughout this report. In virtually all policy fields, LRAs have played a major role both through their own policy decisions and actions, and through the implementation of policies decided at higher levels of government. The asymmetric impact of the crisis on territories (see in particular: Chapter II section A) makes coordinated, tailored responses necessary and, with this in mind, cooperation and multi-level governance mechanisms are clearly of the utmost importance.

Respondents to the CoR-OECD survey of subnational governments<sup>227</sup> provide a first glimpse of how these mechanisms have functioned in managing the COVID-19 crisis, and the picture is quite diverse. The responses from LRAs representatives to the question "how effective have the following coordination mechanisms been in managing the COVID-19 crisis in your country" are shown in Figure 49 below.

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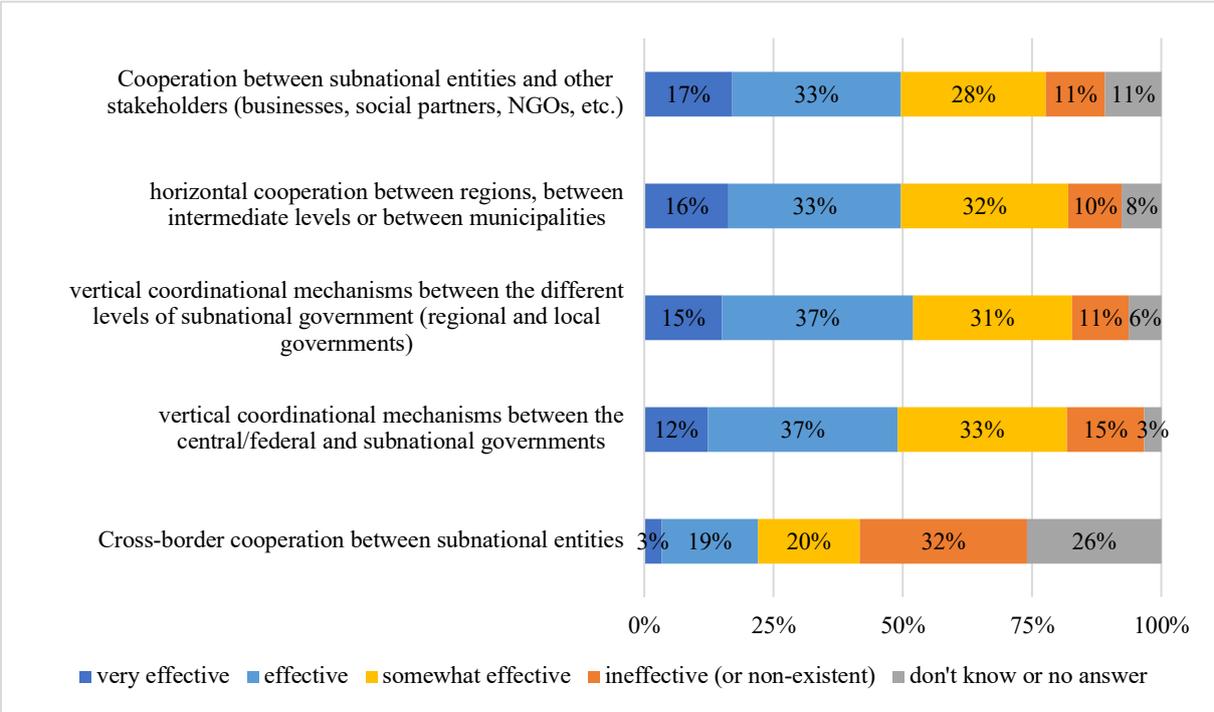
<sup>224</sup> CoR. *White Paper On Multilevel Governance*. COR-89-2009. 17/06/2009. Available at: [https://webapi2016.COR.europa.eu/v1/documents/cdr89-2009\\_fin\\_ac\\_en.doc/content](https://webapi2016.COR.europa.eu/v1/documents/cdr89-2009_fin_ac_en.doc/content)

<sup>225</sup> EUR-Lex website. Available at: <https://eur-lex.europa.eu/summary/glossary/subsidiarity.html>

<sup>226</sup> Pazos-Vidal. *Subsidiarity and EU Multilevel Governance: Actors, Networks and Agenda*. Routledge. 2019.

<sup>227</sup> CoR-OECD. *CoR-OECD survey on "The impact of COVID-19 on regions and cities"*. Forthcoming.

**Figure 49: Effectiveness of coordination mechanisms in managing the COVID-19 crisis**



Source: CoR-OECD survey: "The impact of COVID-19 on regions and cities", June-July 2020

Leaving aside cross-border cooperation for a moment, the responses show only minorities of respondents describing the different coordination mechanisms as either "ineffective or non-existent" (between 10 and 15%), or "very effective" (between 12 and 17%). The bulk of respondents (60% or more) are rather moderate, describing the mechanisms as "somewhat effective" or "effective". This is true for vertical cooperation between levels of government (both between the central governments and the LRAs, and between different levels of LRAs), as well as for horizontal cooperation between LRAs, and also for cooperation with other stakeholders. These results would tend to indicate that while coordination mechanisms did not break down during the crisis, they also probably did not deliver their full potential.

This mixed picture should not obscure the fact that the crisis also paved the way for innovative solutions: The OECD reports that, in Portugal for instance, the government established a contact line for municipalities to answer questions from other municipalities about managing the COVID19 crisis and its consequences<sup>228</sup>.

Concerning cross-border cooperation between subnational governments, the respondents' answers shown in %) described it as "very effective". While such mechanisms are less common, these figures are likely to be, at least in part, a practical reflection of the border closures and other extreme measures taken by some Member States early on in the crisis.%) described it as "very effective". While such mechanisms are less common, these figures are likely to be, at least in part, a practical reflection of the border closures and other extreme measures taken by some Member States early on in the crisis.%) described it as "very effective". While such mechanisms are less common, these figures are likely to be, at least in part, a practical reflection of the border closures and other extreme measures taken by some Member States early on in the crisis.%) described it as "very effective". While such mechanisms are less common, these

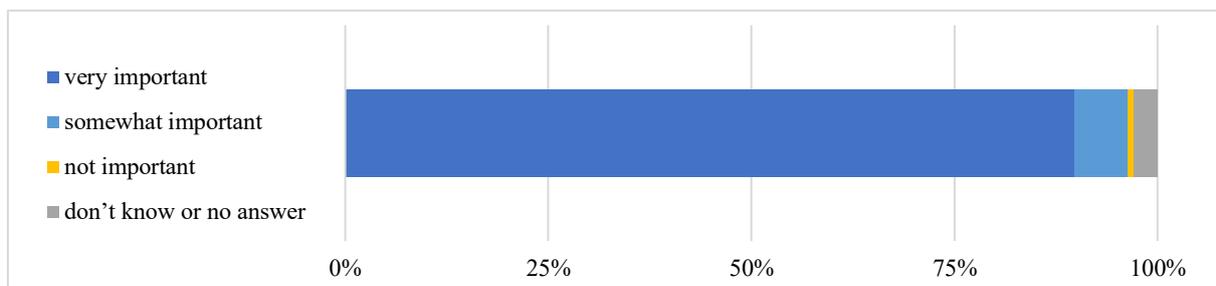
<sup>228</sup> OECD. *The territorial impact of COVID-19: Managing the crisis across levels of government*. 2020. Available at: <http://www.oecd.org/coronavirus/policy-responses/the-territorial-impact-of-COVID-19-managing-the-crisis-across-levels-of-government-d3e314e1/>

figures are likely to be, at least in part, a practical reflection of the border closures and other extreme measures taken by some Member States early on in the crisis.%) described it as "very effective". While such mechanisms are less common, these figures are likely to be, at least in part, a practical reflection of the border closures and other extreme measures taken by some Member States early on in the crisis.

It is however worth highlighting that many cross-border cooperation mechanisms did function well through the crisis and, arguably, allowed for increased resilience. The CoR's COVID-19 Exchange Platform gathers some examples of this. For instance, in the cross-border region between Romania and Hungary, three medical institutions had previously joined forces to implement an Interreg project, aiming at improving accessibility of preventive and curative health care services in Timiș (RO), Bihor (RO) and Hajdu-Bihar (HU) counties. During the COVID-19 crisis, the Interreg project was able to buy specific medical equipment, such as test kits and ventilators<sup>229</sup>. In another example, the knowledge and experience previously gained through cooperation between Zgorzelec (PL) and Görlitz (DE) counties are being used during the current crisis. This includes a pre-existing cross-border information exchange system, which now allows the authorities in the partner counties to exchange information on new cases of COVID-19<sup>230</sup>.

Looking forward, respondents to the CoR-OECD survey of subnational governments were asked to rate the importance of different factors for a successful exit strategy from the crisis. The results for the factor "Coordination in the design and implementation of measures among all levels of government" are very telling. No fewer than 87% of respondents rated it as "very important", and a further 8% labelled it "somewhat important" (see Figure 50).

**Figure 50: Importance of the factor "Coordination in the design and implementation of measures among all levels of government" for a successful exit strategy from the crisis**



Source: CoR-OECD survey: "The impact of COVID-19 on regions and cities", June-July 2020

Overall, the COVID-19 crisis appears to highlight the importance of coordination and multi-level governance mechanisms. With shared responsibilities in critical policy areas, and a territorially asymmetric impact, coordinated, flexible and territory-specific responses built in partnership have been developed and have shown success. According to the OECD, this crisis could lead certain countries to re-evaluate their multi-level governance systems to make them more "fit for purpose", more flexible, and better balanced between centralised and decentralised management.<sup>231</sup>

<sup>229</sup> See story "Romania-Hungary project helps tackle COVID-19 in Bihor county" on the CoR Exchange Platform. Available at: <https://cor.europa.eu/en/engage/Pages/COVID19-exchangeplatform.aspx>

<sup>230</sup> See story "Together we can do more", on the CoR Exchange Platform.

<sup>231</sup> OECD. *The territorial impact of COVID-19: Managing the crisis across levels of government*. Op. cit.

Similar views were shared with the CoR by the Congress of Regional and Local Authorities at the Council of Europe in a contribution to this report<sup>232</sup>. The contribution includes some preliminary recommendations, which could be considered in establishing a coordinated framework for responding to future crisis situations, such as:

- Any emergency measures must be temporary in nature, proportional to the requirements of the situation, and introduced under democratic control, and they must be lifted as soon as the situation allows it;
- Better division of competences and means within the multi-level governance system must be ensured and maintained even in times of crisis;
- Instead of re-centralising competences and funds, better coordination between different levels of governance and improved system of regular consultations with local and regional authorities must be established within emergency mechanisms, making subnational authorities an integral part of national crisis management;
- Local and regional authorities must be closely involved in setting up mechanisms and procedures for future emergency situations in their role as actors of multi-level governance;
- Provision of direct funding to local and regional authorities and their access to direct funding must be ensured during both the crisis management and post-crisis recovery;

All tiers of government should/must be involved in decision-making on postponing or holding of elections in times of crisis in line with international principles, and experiences must be shared on this matter among states and international institutions with a view to identifying best practices.

The COVID-19 pandemic is also impacting the preparation of the **Conference on the Future of Europe**, however, it also provides opportunities. Indeed, aimed at strengthening the participatory dimension in EU democracy beyond elections, and in ensuring that citizens can make their voice heard and are listened to, the Conference seems likely to be more relevant than ever in the aftermath of the pandemic. The Conference process was supposed to kick-off in May 2020 and last two years, but its launch has been delayed to late autumn at the earliest due to the pandemic crisis.

## C. The situation in the EU's neighbourhood

Throughout the European Neighbourhood, several pushbacks against democracy can be noted in the pandemic context. The question of whether democracies or autocracies are coping better with the health emergency has been widely discussed, though the varying performances across the region made the comparison rather difficult<sup>233</sup>. Fragile democracies have become even more vulnerable and restrictive regimes have used the pandemic to further limit the political space, notably in the wake of elections. While governments' responses to the crisis varied from minimalist to maximalist, citizen trust and support in the central authorities is likely to be affected in all cases, either because of the high rate of infections or because of the economic consequences of the lockdown.

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<sup>232</sup> Congress of Regional and Local Authorities at the Council of Europe. *A threat to both public health and democratic institutions, COVID-19 must not lead to a "lockdown" of local democracy*. September 2020

<sup>233</sup> Webinar on the "Political implications of the COVID-19 Pandemic for the Eastern Partnership countries", organised by the Ukrainian Think Tanks Liaison Office in Brussels with the "3 DCFTAs" Project and the EaP CSF. 01/07/2020.

On the other hand, the crisis has raised the awareness of many citizens that pro-democratic activists do more than just criticising the current regimes. Civil society actors have stepped in to assist vulnerable members of local communities and they have been running social support schemes. Although civil society across the world has faced rigid restrictions, the adaptive experience of finding new ways to mobilise is helping them circumvent some of these new obstacles. Finding new ways to undertake both online and offline campaigns, civil society, for example in Israel, has managed to voice concerns either regarding pandemic responses or over political restrictions. Through new civic practices, in many countries civil society actors have provided support to the most vulnerable parts of society. In Turkey, local authorities, hand in hand with CSOs, have become key actors in helping the most vulnerable of their citizens to handle the effects of the pandemic. In Tunisia, volunteerism has expanded in a relatively open context and, once again, showed the exception that this country represents in the whole area. And even in the most difficult contexts like Syria, NGOs have redirected their activities towards the emergency. In the Eastern Partnership, the unprecedented crisis has triggered innovative pro-democratic initiatives, with tangible benefits to citizens<sup>234</sup> and possibly sparking further enhanced civic participation<sup>235</sup>.

Just as they are responding to the unprecedented challenges resulting from the COVID-19 pandemic, local governments could seize these opportunities for innovation, collaboration and exchange, as they are laboratories for democracy.

Unfortunately, against the backdrop of the ongoing pandemic, the international community is less capable of monitoring the democratic pushback in the region, tracking the evolution of restrictive emergency measures or providing support for democracy, as governments across the world are re-orienting resources to health emergency and socio-economic priorities. This would mean losing momentum in supporting pro-democratic activities when they could capitalise most on visibility. Support for good governance at all levels will therefore be crucial in order to maintain the legitimacy of EU actions in relation to its neighbourhood. In a hopeful scenario, the crisis may lead to discovering new ways in which local authorities in partner countries work together with their counterparts in the EU, and among themselves, to promote more resilient and equal societies.

The Congress of Local and Regional Authorities of the Council of Europe will resume the monitoring visits linked to the European Charter of Local Self-Government in 2021, when they will focus on the multilevel management of the pandemic. Meanwhile, its Governance Committee is looking at practical aspects of local and regional governance, such as digital council meetings, legal implications of remote decision-making and citizen participation in municipalities and regions in times of major crisis. It already warned in June 2020 about cases of re-centralisation of local competences, reducing the room for discretion in the conduct of local affairs and reducing the financial autonomy of local authorities.

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<sup>234</sup> Youngs and Panchulidze. *Global Democracy and COVID-19: Upgrading international support*. 14/07/2020. Available at: <https://carnegieeurope.eu/2020/07/14/global-democracy-and-covid-19-upgrading-international-support-pub-82297>

<sup>235</sup> Illustrative examples can be found on the Eastern Partnership Civil Society Forum website: <https://eap-csf.eu/campaigns/prepare-eap-for-health-COVID-response/>



# Chapter VII – A first assessment of the impact of the EU response at local and regional level

Since the beginning of the crisis, the EU has supported Member States in the coordination of their national responses as well as in their efforts to contain the health crisis and to repair the economic and social damage brought by the pandemic. The EU response for a sustainable recovery is multi-faceted: the European Recovery and Resilience Facility is admittedly a major instrument in this regard but it does not stand alone – it comes along with several other instruments (e.g. European Structural and Investment Funds, InvestEU) and policies (e.g. the state aid regime or the Green Deal) and is closely linked to the new multiannual financial framework. This chapter will present an overview of emergency support and recovery measures adopted by the EU and provides a first assessment of their impact on local and regional authorities.

## A. EU emergency support

### 1. *First measures*

The first measures adopted to mitigate the fallout of the economic crisis triggered by the pandemic have mostly targeted Member States and have a direct impact at national level. Their territorial impact is not directly observable but a brief overview of these measures will give a better understanding of the broader context in which the EU supports LRAs.

#### *European Central Bank*

The European Central Bank (ECB) reacted quickly by launching an extensive set of measures in order to react to the severity of the crisis. While key interest rates were left unchanged (at historically low levels), the ECB announced *inter alia* new emergency longer-term refinancing operations<sup>236</sup> to encourage banks to give access to credit to businesses and households hit by the crisis. The ECB also increased its asset purchase programme envelope and launched a new pandemic emergency purchase programme (PEPP), which – together - amount to 7.3% of the GDP of the euro area. Announced on 18 March, the PEPP is a EUR 1 350 billion new temporary programme for public and private sector asset purchases aimed at lowering borrowing costs and increasing lending in the euro area<sup>237</sup>.

#### *European Council*

The European Council endorsed a response package proposed by the European Commission on 23 April 2020 that provides up to EUR 540 billion for the following three safety nets:

- i. The **"Support to mitigate Unemployment Risks in an Emergency" (SURE)** to help workers keep their job during the crisis<sup>238</sup> (EUR 100 billion);

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<sup>236</sup> ECB. *Press release: ECB announces new pandemic emergency longer-term refinancing operations. Our response to the coronavirus pandemic.* 30/04/2020. Available at: [https://www.ecb.europa.eu/press/pr/date/2020/html/ecb.pr200430\\_1~477f400e39.en.html](https://www.ecb.europa.eu/press/pr/date/2020/html/ecb.pr200430_1~477f400e39.en.html)

<sup>237</sup> EP briefing. *The ECB's Monetary Policy Response to the COVID-19 Crisis.* July 2020. Available at: [https://www.europarl.europa.eu/RegData/etudes/BRIE/2020/648787/IPOL\\_BRI\(2020\)648787\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2020/648787/IPOL_BRI(2020)648787_EN.pdf)

<sup>238</sup> *Regulation (EU) 2020/672.* 19/05/2020. Available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32020R0672>

- ii. The **"EIB Guarantee Fund for Workers and Businesses"** to support hard-hit small and medium-sized businesses facing the economic consequences of the pandemic (EUR 200 billion);
- iii. The **"Pandemic Crisis Support credit line"** within the European Stability Mechanism to support healthcare, cure and prevention related costs of the pandemic in Member States of the euro area (EUR 240 billion).

Measures taken by Member States to fight the pandemic and the fall in economic activity will likely lead to a substantially higher budgetary deficit. To ensure that Member States have the flexibility needed to take all necessary measures, the Council also agreed to the Commission's proposal to activate the general escape clause of the Stability and Growth Pact<sup>239</sup>. Its activation – possible in cases of severe economic downturn – will enable Member States "to undertake measures to deal adequately with the crisis while departing from the budgetary requirements that would normally apply under the European fiscal framework"<sup>240</sup>.

## 2. ***Cohesion policy as a rapid-reaction instrument***

In addition to those three safety nets, the Commission decided to mobilise cohesion policy to respond flexibly to rapidly emerging needs and adopted two packages of measures: the Coronavirus Response Investment Initiative (CRII) and CRII+.

**The Coronavirus Response Investment Initiative (CRII)**<sup>241</sup> aims at mobilising available cash reserves in the 2014-2020 European Structural and Investment Funds<sup>242</sup> to provide Member States with immediate liquidity to finance investments related to the COVID-19 outbreak (e.g. buying medical equipment, paying doctors and health workers, supporting the unemployed, keeping people in jobs, keeping SMEs in business). To do so, it redeploys EUR 37 billion of European Structural and Investment Funds (ESIF) within the current MFF. CRII also enables the hardest-hit Member States to rely on up to EUR 800 million from the EU Solidarity Fund (which was already helping Member States recover from floods and other natural disasters, and can now also be used for health crises such as the coronavirus pandemic).

**CRII Plus**<sup>243</sup> introduces extraordinary flexibility to allow all non-utilised support from the European Structural and Investment Funds to be mobilised in order to address the immediate impacts of the coronavirus crisis (transfers across the three cohesion policy funds; transfers between the different categories of regions; more flexibility with regard to thematic concentration; possibility for a 100% EU co-financing rate for the accounting year 2020-2021).

*A first assessment of CRII and CRII+*

Cohesion policy – as defined by the 1986 Single European Act – is about "reducing disparities between the various regions and the backwardness of the least-favoured regions"<sup>244</sup>. However, with the COVID-19

<sup>239</sup> EC. *Communication from the Commission to the Council on the activation of the general escape clause of the Stability and Growth Pact*. Ref: COM(2020) 123 final. 23/03/2020. Available at: <https://ec.europa.eu/transparency/regdoc/rep/1/2020/EN/COM-2020-123-F1-EN-MAIN-PART-1.PDF>

<sup>240</sup> EC. *Press release: Coronavirus: Commission proposes to activate fiscal framework's general escape clause to respond to pandemic*. Ref: IP-20-499. 20/03/2020. Available at: [https://ec.europa.eu/commission/presscorner/detail/en/IP\\_20\\_499](https://ec.europa.eu/commission/presscorner/detail/en/IP_20_499)

<sup>241</sup> *Regulation (EU) 2020/460*. 30/03/2020. Available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32020R0460>

<sup>242</sup> ESI Funds covered: ERDF, CF, ESF, YEI, EMFF. Interreg is excluded.

<sup>243</sup> *Regulation (EU) 2020/558*. 23/04/2020. Available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32020R0558>

<sup>244</sup> OJ L 169, 29/06/1987, p.1. Article 23. Available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ:L:1987:169:TOC>

crisis, this instrument of regional convergence also became an instrument of rapid action. With this new structure (CRII, CRII+), regions that were hard-hit by the economic and social consequences of the pandemic were able to receive additional support from cohesion policy. As detailed in Chapter II, the socio-economic impact of COVID-19 does not follow usual patterns and the map of regions struggling the most with the fallout of the pandemic is completely new. Consequently, the main beneficiaries of CRII and CRII+ will not necessarily be the traditional major beneficiaries of cohesion policy.

It is still too early to comprehensively assess the impact of those two initiatives but the 29 July provisional evaluation by the Commission indicates that Member States have been making good use of the CRII packages. The programmes were widely used: 26 EU countries (with the exception of Austria) and the UK made use of the flexibilities offered by CRII and 18 countries have adjusted their cohesion policy programmes accordingly<sup>245</sup>.

*As a consequence of this increase in flexibility and the fast access to liquidity, many managing authorities of European Structural Funds re-programmed the ERDF and ESF Operational Programmes. For instance:*

*- In Italy, EUR 30 million from the ERDF were redirected to help two Italian regions, Emilia Romagna and Tuscany, to cope with the coronavirus crisis. The two regions were the first to use the flexibilities provided under the CRII: (i) Emilia Romagna will fund a call for short-term projects to develop and test innovative services and products and (ii) Tuscany will facilitate the access of SMEs to liquidity to help them keep their business running in such uncertain times<sup>246</sup>.*

*- In Bulgaria, the European Social Fund was used to extend the scope of the service called "Patronage Care for adults" that aims at providing the most vulnerable groups with social and health workers in their homes. Thanks to the increased flexibility of cohesion funds, this service was extended to allow local authorities to deliver packages of essential goods (e.g. food, medicines) to the elderly people or to people under quarantine – and will be allocated EUR 23 million of additional funds<sup>247</sup>.*

*- The Interreg Euregio Meuse-Rhine programme made EUR 4.2 million available for cross-border projects fostering crisis response capacities in the context of the COVID-19 outbreak in the sectors of health, public safety and security services, public administrative management and social services<sup>248</sup>.*

### **3. EU State aid rules: Enabling national responses**

Keeping in mind the small size of the EU budget in relation to public expenditure as a whole, another key element of the early measures implemented at EU level to respond to the crisis was in fact designed to enable national responses. This was done not only through the suspension of the SGP as already

<sup>245</sup> EC. *EU countries make good use of the Coronavirus Response Investment Initiative*. 29/07/2020. Available at: [https://ec.europa.eu/regional\\_policy/en/newsroom/news/2020/07/29-07-2020-eu-countries-make-good-use-of-the-coronavirus-response-investment-initiative](https://ec.europa.eu/regional_policy/en/newsroom/news/2020/07/29-07-2020-eu-countries-make-good-use-of-the-coronavirus-response-investment-initiative)

<sup>246</sup> EC. *Coronavirus: Increased flexibility under EU Cohesion policy helps Italian regions to cope with the crisis*. 28/05/2020. Available at: [https://ec.europa.eu/regional\\_policy/en/newsroom/news/2020/05/28-05-2020-coronavirus-increased-flexibility-under-eu-cohesion-policy-helps-italian-regions-to-cope-with-the-crisis](https://ec.europa.eu/regional_policy/en/newsroom/news/2020/05/28-05-2020-coronavirus-increased-flexibility-under-eu-cohesion-policy-helps-italian-regions-to-cope-with-the-crisis)

<sup>247</sup> EC. *The Coronavirus response investment initiative in Bulgaria*. 18/05/2020. Available at: [https://ec.europa.eu/regional\\_policy/sources/newsroom/crii/coronavirus\\_response\\_bulgaria\\_en.pdf](https://ec.europa.eu/regional_policy/sources/newsroom/crii/coronavirus_response_bulgaria_en.pdf)

<sup>248</sup> EC. *Interreg EMR programme launches COVID-19 call*. 28/05/2020. Available at: [https://ec.europa.eu/regional\\_policy/en/newsroom/news/2020/05/28-05-2020-interreg-emr-programme-launches-COVID-19-call](https://ec.europa.eu/regional_policy/en/newsroom/news/2020/05/28-05-2020-interreg-emr-programme-launches-COVID-19-call)

mentioned, which freed national budgets from EU constraints, but also, crucially, through flexibility in competition and in particular State aid rules.

The fundamental objective of EU competition rules is to ensure the proper functioning of the internal market. Effective competition enables businesses to compete on equal terms across Member States. All direct aid granted by Member States (e.g. non-repayable subsidies, loans on favourable terms, tax and duty exemptions, and loan guarantees) is banned. So are any other advantages granted as preferential treatment to given undertakings or sectors which distort, or are likely to distort, competition and adversely affect trade between Member States<sup>249</sup>.

During the crisis, however, the priority turned towards giving public authorities maximum flexibility to address the immediate socio-economic impact of COVID-19 and prevent an even worse and long-lasting impact on the economy.

#### a. The State aid Temporary Framework

To this end, on 19 March 2020, the Commission adopted a new State aid [Temporary Framework](#) (TF) to support the economy in the context of the coronavirus outbreak. The Temporary Framework recognises that the entire EU economy is experiencing a serious disturbance. It enables Member States to use the full flexibility provided for under State aid rules to support the economy<sup>250</sup>.

Flexibility in State aid allowed Member States to ensure, amongst other things, temporary liquidity for their companies. Lack of liquidity combined with the loss of demand may lead to mass bankruptcies which, together with the ensuing unemployment, create a spiral effect leading economies deeper into recession. Member States can also grant compensation to companies for damage suffered due to and directly caused by the coronavirus outbreak. This can be useful to support particularly impacted sectors, such as transport, tourism, hospitality and retail.

Member States can also make generally applicable changes in favour of businesses (e.g. deferring taxes, or subsidising short-time work across all sectors), which fall outside State aid rules.

The TF was subsequently amended several times. Among other things, these amendments notably allowed Member States to support all micro and small companies, even if they were already in financial difficulty before the crisis. Given their limited size and involvement in cross-border transactions, temporary State aid to micro and small companies is less likely to distort competition in the internal market than State aid to larger companies. This also effectively increases the options for supporting start-up companies, the vast majority of which fall within the micro and small companies cluster, especially innovative ones which may be loss-making in their high-growth phase, and which are crucial for the economic recovery of the Union.

Moreover, the Commission also adapted the conditions for recapitalisation measures under the Temporary Framework for those cases where private investors contribute to the capital increase of

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<sup>249</sup> EP. *Fact Sheets on the European Union: Competition Policy*, 02/2020. Available at: <https://www.europarl.europa.eu/factsheets/en/sheet/82/competition-policy>

<sup>250</sup> EC. *State aid: Commission expands Temporary Framework to further support micro, small and start-up companies and incentivise private investments*. Ref: IP/20/1221. 29/06/2020. Available at: [https://ec.europa.eu/commission/presscorner/detail/en/ip\\_20\\_1221](https://ec.europa.eu/commission/presscorner/detail/en/ip_20_1221)

companies together with the State. These changes will encourage capital injections with significant private participation in companies, limiting the need for State aid and the risk of competition distortions.

#### **b. Feedback from Regional Hubs on State aid**

In an effort to gather relevant user experience from regional and local stakeholders, the European Committee of the Regions conducted a consultation of the members of the Network of Regional Hubs<sup>251</sup> (RegHub) for policy implementation review from 18 June to 10 August 2020. The consultation gathered responses from 20 of the 36 hubs and covered their experience with the implementation of the Temporary Framework and also with the Guidance on Public Procurement that was published by the Commission on 1 April and summarised the flexibilities available under the Directives on Public Procurement.

As regards the flexibility in public procurement legislation, the respondents indicate that they were well aware (85%) of this already before the Commission issued its guidance on flexible public procurement under the COVID-19 crisis. A majority (65%) have also used these flexibilities and indicate that to their knowledge these flexibilities were used both at national level (55%) and regional level (60%). An overwhelming majority of the hubs also stressed that the current crisis showed that simplification is feasible, and that it should therefore be implemented.

Turning to state aid, the consultation shows that a vast majority of the respondents were aware of the Temporary Framework (85%) and that 75% had themselves implemented measures under the TF. The most common measure was aid in the form of direct grants (55%), followed by aid in the form of guarantees and loans channelled through credit institutions (35%). In general, the respondents had a favourable view of the Temporary Framework, with 75% agreeing, or strongly agreeing, that the Temporary Framework facilitated an appropriate response to the challenges posed by COVID-19. The majority of the hubs took the view that the Temporary Framework enabled the Member States to offer support measures at short notice and without complications to companies that had experienced liquidity bottlenecks and payment difficulties as a result of the pandemic.

The vast majority (80%) of respondents would be in favour of extending the TF beyond the original December 2020 end date. Indeed, the majority of the hubs express the fear that the effects of the pandemic would last much longer than initially foreseen and in any case beyond December 2020. Others, however, pointed to the risk of distortions of competition within the European Union, which must be avoided by limiting the Temporary Framework in time. The role of the Commission in preventing large disparities between Member States in the amount or sums of aid covered by the TF was also stressed by respondents. Otherwise, the internal market could suffer as a result of differences between Member States from the point of view of financial capacity to help their respective businesses.

#### **c. Uneven support across Member States**

These differences between Member States, and the potential impact on the "level playing field" in the internal market, are a major concern raised by the implementation of this flexibility in State Aid rules (and other areas, such as the Stability and Growth Pact).

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<sup>251</sup> For further information see the CoR webpage on Network of Regional Hubs (available at: <https://cor.europa.eu/en/our-work/Pages/network-of-regional-hubs.aspx>)

Going beyond State aid only, the think tank Bruegel<sup>252</sup> has been closely following the total discretionary fiscal response to the COVID-19 crisis in EU countries, the United Kingdom and the United States. They specify that they group those discretionary measures into three categories: (1) immediate fiscal impulse (e.g. additional government spending, or the cancellation of certain taxes); (2) deferrals (of certain payments such as taxes or social security contributions, or even utility bills); and (3) other liquidity provisions and guarantees (e.g. credit lines). These are summarised in Figure 51.

**Figure 51: Discretionary fiscal measures in response to the coronavirus by 15 June 2020**

	<b>Immediate fiscal impulse</b>	<b>Deferral</b>	<b>Other liquidity /guarantee</b>	<b>Last update</b>
<b>Belgium</b>	1.4%	4.8%	21.9%	03/06/2020
<b>Denmark</b>	5.5%	7.2%	4.1%	01/07/2020
<b>France</b>	4.4%	8.7%	14.2%	18/06/2020
<b>Germany</b>	8.3%	7.3%	24.3%	04/08/2020
<b>Greece</b>	3.1%	1.2%	2.1%	05/06/2020
<b>Hungary</b>	0.4%	8.3%	0.0%	25/03/2020
<b>Italy</b>	3.4%	13.2%	32.1%	22/06/2020
<b>Netherlands</b>	3.7%	7.9%	3.4%	27/05/2020
<b>Portugal</b>	2.5%	11.1%	5.5%	04/05/2020
<b>Spain</b>	3.7%	0.8%	9.2%	23/06/2020
<b>UK</b>	8.0%	2.3%	15.4%	16/07/2020
<b>United States</b>	9.1%	2.6%	2.6%	27/04/2020

Source: Bruegel, last update 5 August 2020. (Shown as % of 2019 GDP.)

From the data it is clear that some Member States are making more use of the State aid flexibilities than others, possibly because they have more fiscal space. This is for instance the case with Germany, which stands out as the country with the biggest fiscal space and most generous immediate aid measures in the EU.

Some academics thus point out that the size of the economic shock and the ability to cushion its impact through State aid do not go hand in hand since most countries hit severely by the COVID-19 pandemic are not in a strong fiscal position<sup>253</sup>. Although the flexibility recognised by the Temporary Framework applies in theory to all Member States, the benefits are in practice uneven, and could lead to distortions of competition in favour of "deeper-pocketed Member States"<sup>254</sup>. This would go directly against the objectives of State aid rules.

Certain observers have come forward with possible solutions to this dilemma. Motta and Peitz underline that it would have been much better if liquidity interventions had been offered by an EU-wide fund, so as to maintain the level playing field among EU companies, and they argue in favour of an EU-wide

<sup>252</sup> Bruegel. *The fiscal response to the economic fallout from the coronavirus*. 05/08/2020. Available at: <https://www.bruegel.org/publications/datasets/COVID-national-dataset/>

<sup>253</sup> Motta and Peitz. "State Aid Policies in Response to the COVID-19 Shock: Observations and Guiding Principles". *Intereconomics review*. 2020. pp. 219–222. Available at: <https://www.intereconomics.eu/contents/year/2020/number/4/article/state-aid-policies-in-response-to-the-COVID-19-shock-observations-and-guiding-principles.html>

<sup>254</sup> Rosano. "Adapting to Change: COVID-19 as a Factor Shaping EU State Aid Law". *European Papers*, 2020. pp. 621-631. De Pablo and Buendia. *A Moment of Truth for the EU: A Proposal for a State Aid Solidarity Fund*. Available at: <https://chillingcompetition.com/2020/03/31/a-moment-of-truth-for-the-eu-a-proposal-for-a-state-aid-solidarity-fund/>

programme for critical sectors. In their view, a truly EU public support programme would not suffer from the risks described above, since funding decisions would be made at the European level, based on commonly agreed goals. They also add that all companies operating in a sector covered by such a programme could be beneficiaries, independently of the country they originate from<sup>255</sup>.

Hornkohl and van't Klooster, for their part, argue that the Commission could use the occasion of the general review of the EU state aid framework to provide future compensatory exemptions for Member States that make less use of the Temporary Framework. In their view, the current review of EU State aid rules is a good occasion to reflect on more lasting measures to ensure a level playing field in the EU. Importantly, the unequal distribution of State aid during the COVID-19 crisis is not primarily the fault of the Member States. It may be true that the EU should provide Member States with sufficient funds to take effective national measures. This could be done through EU-level fiscal measures, which provide Member States with the capacity to take state aid measures of a comparable size<sup>256</sup>. They also support the proposal that the Commission could create a State aid solidarity fund that transfers a percentage of aid provided to competitors in other Member States. This proposal was devised by Alfonso Lamadrid de Pablo and José Luis Buendía who also express the view that under the current Temporary Framework, all Member States enjoy the same freedom to unleash their economic arsenal, but some may end up using bazookas, while others are stuck using slingshots<sup>257</sup>.

## B. The European Recovery Plan

Following these early EU-level measures, on 27 May 2020 the Commission proposed a European recovery plan (amended by the extraordinary European Council on 17-21 July) to address the economic and social damage brought by the coronavirus pandemic, help the EU rebuild and support investment in the green and digital transitions.

This two-fold response of EUR 1.824 trillion is composed of (i) an emergency Next Generation EU instrument and (ii) a revamped long-term budget for 2021-2027. With a revised budget and an ambitious emergency mechanism, the European recovery plan is considered by some as a historic moment<sup>258</sup>. The amount of the emergency package, the choice of a mechanism of common debt – even if it is admittedly a one-off solution at the moment – and the commitment to developing new own resources could *de facto* outline the contours of a renewed European project<sup>259</sup>.

Indeed, Next Generation EU is a one-off emergency and recovery instrument that will temporarily (between 2021 and 2024) boost the financial firepower of the EU budget with funds raised on the financial markets. Next Generation EU will invest EUR 750 billion in favour of a green, digital and resilient Europe: EUR 360 billion in loans and EUR 390 billion in grants – including 312 billion in direct aid to States (the latter should receive the money by the beginning of the next year to cover eligible expenses incurred

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<sup>255</sup> Motta and Peitz. *Op. cit.*

<sup>256</sup> Hornkohl and van't Klooster. *Op. cit.*

<sup>257</sup> Lamadrid De Pablo and Luis Buendia. *Op. cit.*

<sup>258</sup> *Les Echos*. "Plan de relance européen: Macron et Merkel arrachent un accord historique.". 21/07/2020. Available at: <https://www.lesechos.fr/monde/europe/plan-de-relance-europeen-macron-et-merkel-arrachent-un-accord-historique-mais-rabote-1225056>

<sup>259</sup> *Le Monde*. "Plan de relance: en s'endettant pour trente ans, les Etats membres de l'UE disent leur volonté de rester ensemble". 21/07/2020. Available at: [https://www.lemonde.fr/international/article/2020/07/21/plan-de-relance-en-s-endettant-pour-30-ans-les-etats-membres-de-l-ue-disent-leur-volonte-de-rester-ensemble\\_6046853\\_3210.html](https://www.lemonde.fr/international/article/2020/07/21/plan-de-relance-en-s-endettant-pour-30-ans-les-etats-membres-de-l-ue-disent-leur-volonte-de-rester-ensemble_6046853_3210.html)

since 1 February<sup>260</sup>). The core component of Next Generation EU (75 % of its budget with EUR 560 billion in the Commission's original proposal, increased to EUR 672.5 billion by the European Council) has been allocated to the Recovery and Resilience Facility (RFF) and the remainder will be used to top up pre-existing EU programmes (such as the science research scheme, rural development and the Just Transition Fund)<sup>261</sup>.

## 1. **The Recovery and Resilience Facility**

### a. **General presentation**

The purpose of the Recovery and Resilience Facility is to offer financial support for investments and reforms while contributing to EU priorities – mainly to the resilience of national economies and to the green and digital transitions (it is interesting to note that the RFF is based on objectives while the others instruments are based on projects). It replaces the proposals to create the Reform Support Programme and the Budgetary Instrument for Convergence and Competitiveness; which were meant to establish a dedicated tool – mainly intended for the euro area – to finance structural reforms and public investments<sup>262</sup>.

Just as important as the amount of the financial effort is how the recovery strategy is designed, governed and implemented, and how the funds are allocated. The Commission proposed a formula taking into account Member States' population, the inverse of their GDP per capita, and their unemployment rates (averaged over 2015-2019). The European Council endorsed this formula for the period up to 2022 but, for 2023, introduced a new one: the fall in GDP after the COVID crisis, instead of the unemployment criteria<sup>263</sup>. Nonetheless, a more forward-looking approach to the allocation of funds based on the specific industrial and economic structure of EU regions would have led to very different results<sup>264</sup>.

The Facility will have a strong link with the European Semester (see box below) which will, in practice, constitute its main governance framework. The Facility will be implemented on the basis of "National Recovery and Resilience Plans" (NRRPs) for 2021-2023 that will address the investment and reform priorities identified in the European Semester. The plans will be assessed by the Commission and approved by the Council (by qualified majority) before payments are disbursed, in instalments linked to the achievement of agreed objectives. An "emergency brake" mechanism has also been introduced by the European Council whereby if, exceptionally, one or more Member States consider that there are significant deviations from the objectives of another Member State's plan, they can request that the matter be referred to the European Council. This would suspend the approval of payments while the matter is being debated.

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<sup>260</sup> L'Opinion. "Clément Beaune: «La France devrait toucher un peu plus de 40 milliards d'euros". 14/08/2020. Available at: <https://www.lopinion.fr/edition/economie/clement-beaune-france-devrait-toucher-peu-plus-40-milliards-d-euros-222005>

<sup>261</sup> EC. Factsheet: *The EU budget powering the recovery plan for Europe*. 27/05/2020. Available at: [https://ec.europa.eu/info/sites/info/files/factsheet\\_1\\_en.pdf](https://ec.europa.eu/info/sites/info/files/factsheet_1_en.pdf)

<sup>262</sup> CPMR. *The EU Recovery Plan: "Next Generation EU" Recovery Instrument in a revamped MFF 2021-2027*. June 2020. Available at: <https://cpmr.org/wpdm-package/the-eu-recovery-plan-next-generation-eu-recovery-instrument-in-a-revamped-mff-2021-2027/?wpdmdl=26053&ind=1591278211055>

<sup>263</sup> European Council. *Conclusions of the European Council meeting of 17-21 July 2020*. 21/07/2020. Available at: <https://www.consilium.europa.eu/en/press/press-releases/2020/07/21/european-council-conclusions-17-21-july-2020/>

<sup>264</sup> Bruegel. *EU recovery plans should fund the COVID-19 battles to come; not be used to nurse old wounds*. 06/07/2020. Available at: <https://www.bruegel.org/2020/07/eu-recovery-plans-should-fund-the-COVID-19-battles-to-come-not-be-used-to-nurse-old-wounds/>

## b. Box: The European Semester and the Recovery and Resilience Facility

The European Semester (ES) process is a key instrument in relation to the RRF, not only because the reforms financed must address the challenges identified in the Semester (i.e. the Country-Specific Recommendations, see below) but also because the NRRPs are to be proposed in annex to the National Reform Programmes submitted by the Member States (see below). Furthermore, the ES will also be used to report on progress in implementing the NRRPs. The Semester is thus clearly meant as the Facility's governance mechanism, and therefore deserves careful consideration:

- For almost a decade, the ES has been the main tool for coordinating the economic policies of the EU Member States and the euro area. It covers both fiscal policy and economic policy more generally, with the aim of promoting growth and competitiveness through the identification and promotion of structural reforms.
- The annual Semester process is marked by various steps and documents: the Commission issues the Annual Sustainable Growth Strategy (formerly the Annual Growth Survey) in November and the Country Reports in February; Member States present National Reform Programmes in April; the Commission then proposes Country-Specific Recommendations (CSRs) in May or June, which are discussed and endorsed by the European Council and then formally adopted by the ECOFIN Council thereafter. The measures identified by the various Semester documents in terms of reforms are most often in areas in which the Union has only shared or support competences, and therefore are not binding for the Member States.
- The CSRs are the main operational tool for governance in economic policy, as they serve to highlight structural reforms which, according to the Commission and the Council, should be implemented as a matter of priority by each Member State. However, these country-specific recommendations have an unsatisfactory rate of implementation. The Commission already considered before the coronavirus crisis that "in view of the remaining economic and social challenges and downside risks to the economic outlook, stronger reform implementation is crucial to strengthen the resilience of EU economies"<sup>265</sup>.
- In the CoR's view, the low rate of implementation of reforms is linked to the nature of the Semester mechanism, which lacks ownership among the various stakeholders and hence legitimacy and effectiveness. This should be addressed by ensuring that local and regional authorities and relevant stakeholders become real partners in the design and implementation of reform commitments. This is all the more important since the CoR's analyses show that a large share of CSRs are addressed to or relevant for LRAs. In 2018, for instance, 36% of all CSRs were directly addressed to local and regional authorities and 83 % of them had a territorial dimension.<sup>266</sup> An analysis of the 2020 CSRs for a selection of Member States points towards the same trend.<sup>267</sup>
- Despite this, LRAs are not significantly involved or not at all involved as partners in the design of reforms. To remedy this lack of involvement, the Committee has proposed a Code of Conduct for the

<sup>265</sup> EC. *Communication in the 2019 European Semester Country Specific Recommendations*. Ref: COM (2019) 500 final. 05/02/2019. p. 4. Available at: <https://eur-lex.europa.eu/legal-content/en/TXT/?uri=CELEX:52019DC0500>

<sup>266</sup> CoR. *Territorial analysis of the country-specific Recommendations 2018*. June 2018. Available at: <http://portal.cor.europa.eu/europe2020/news/Pages/Territorial-Analysis-of-the-Country-specific-Recommendations-2018.aspx>

<sup>267</sup> CoR. *study on Potential impacts of COVID-19 on regions and cities of the EU*. Op. cit.

involvement of local and regional authorities in the Semester<sup>268</sup>. A recent CoR study also presents a set of practical measures and scenarios for better involvement of local authorities in the ES<sup>269</sup>. The better involvement of LRAs called for by the CoR would allow for the identification of the most relevant reforms, increase the ownership of these measures by the levels of governments which are often responsible for their implementation, and thus make them more effective.

- In 2020, the European Semester was temporarily adapted to the launch of the Recovery and Resilience Facility (RRF). The Annual Sustainable Growth Strategy 2021 was published earlier (mid-September instead of November) and exceptionally focuses to a large extent on defining strategic directions for the implementation of the RRF. There will be no Country Reports or Country Specific Recommendations this year and National Reform Programmes will have to be adapted. The role that LRAs should play in setting the milestones, targets and timelines of the reforms and investments is not explicitly recognised even if, admittedly, Member States are usually “invited” and “encouraged” to describe the role of LRAs in the process leading to the adoption of their National Reform Programmes and in the implementation of the reforms/investments.

Given these concerns regarding the Semester, the fact that the governance of the RRF, in practice a very large European fund, is so closely linked to it is problematic. The changes brought about by the exceptional format of the Semester in 2020 do not resolve the issue of the insufficient role given to LRAs and even create new difficulties - especially in terms of complementarity between funds. Consequently, it is important to ensure not only the access of LRAs to these funds, but also their active participation in the preparation of the reform plans, and it is more necessary than ever to strengthen the involvement of LRAs in the Semester itself.

### c. A limited role for LRAs in the governance process of the Facility

As observed in Chapter II and Chapter IV, the economic and social consequences of the COVID-19 pandemic and lockdown measures differ greatly among EU regions. Consequently, it could be useful to take into account regional specificities (mainly industrial and employment structures) in the allocation of EU recovery money – together with contagion rates and previous economic performance. However, the allocation of funds is not the only issue at stake and light must be shed on the governance of the RRF.

The Commission proposal for the Facility Regulation<sup>270</sup> suggests a limited influence of regions and cities on its design, governance and implementation:

- The Recovery and Resilience Facility lacks a territorial dimension and references to the involvement of local and regional authorities<sup>271</sup>. The Facility proposal does not explicitly provide for their structured involvement in the preparation and implementation of National Recovery and Resilience plans<sup>272</sup>. For instance, unlike the Common Provisions Regulation for the European

<sup>268</sup> CoR. *opinion on Improving the governance of the European Semester - A code of conduct for the involvement of local and regional authorities*. Ref.:COR-2016-05386. 11/05/2017. Available at: <https://webapi2016.cor.europa.eu/v1/documents/cor-2016-05386-00-00-ac-tra-en.docx/content>

<sup>269</sup> CoR. *study on Active subsidiarity and the European Semester: The involvement of cities and regions in policy-making for investment and structural reform*. 03/07/2020. Available at: <https://cor.europa.eu/en/engage/studies/Documents/activity-subsidiarity.pdf>

<sup>270</sup> European Commission. *Proposal for a Regulation establishing a Recovery and Resilience Facility*. COM(2020) 408 final. 28/05/2020. Available at: [https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52020PC0408R\(02\)](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52020PC0408R(02))

<sup>271</sup> CPMR. *Options for a place-based Recovery and Resilience Facility*. June 2020. Available at: <https://cpmr.org/wpdm-package/policy-analysis-options-for-a-place-based-recovery-and-resilience-facility-june-2020/?wpdmid=26312&ind=1593435856294>

<sup>272</sup> CoR. *Study on Potential impacts of COVID-19 on regions and cities of the EU*. Op. cit.

Structural and Investment Funds (Article 5 of the current CPR and Article 6 of the proposal for the CPR 2021-2027 respectively), the Facility Regulation does not specify that the "partnership agreement" (where Member States and the Commission detail the strategy and investment priorities) has to be prepared with the involvement of the competent LRAs.

- The Recovery and Resilience Facility will enable Member States to request the transfer of resources under shared management to the Facility; this might involve moving substantial funding away from other EU policies – including cohesion policy<sup>273</sup>.

While Member States will be the main decision makers, the involvement of regional and local authorities would be very useful to ensure that funds are spent where – and how – they are most needed. Their added-value in identifying territories with strategic investment needs is undeniable in this regard. Moreover, such an involvement of LRAs in the design of National Recovery and Resilience Plans (NRRP) could mitigate what the Bertelsmann Stiftung and the Jacques Delors Centre identify as a "lack of democratic elements in the proposed governance of NRRPs"<sup>274</sup>. In the survey carried out by the CoR and the OECD in June and July 2020 on the impact of COVID-19 on regions and cities,<sup>275</sup> more than 9 out of 10 (91%) of respondents representing LRAs indicated that it would be "helpful" or "very helpful" for national governments to engage in early and continuous consultation with subnational entities in the design of recovery measures.

To do so, the Recovery and Resilience Facility could for instance include a "Code of Conduct on Partnership" – similar to the one in force under cohesion policy – to set the minimum standards for the involvement of LRAs and to ensure LRAs are not only implementers but also co-designers of relevant reforms and investments. As mentioned above, the CoR had previously called for the creation of such a Code of Conduct to guarantee the active and structured involvement of LRAs in the European Semester<sup>276</sup>, which, given the role of the Semester, could itself also significantly decrease the risk that the Facility ends up "territorially-blind". Moreover, a CoR forum organised annually together with the European Commission during the European Week of Regions and Cities could influence the management of the Facility and enhance the "place-based" approach that is currently lacking.

Concrete measures can also be adopted to prevent the fragmentation of recovery investment efforts by prioritising innovation and transformation investment in Member States and regions according to their competitive strengths. The smart specialisation approach could become an intrinsic part of the governance of the European investment strategy, providing a strong model on which to build a comprehensive European recovery plan involving regions and cities as key contributors<sup>277</sup>.

#### **d. The expected contribution of the RFF to territorial cohesion**

The Facility Regulation identifies social, economic and territorial cohesion among the main objectives of the instrument (Articles 3 "Scope" and 4 "General and specific objectives"). It also indicates that National

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<sup>273</sup> CPMR. *Options for a place-based Recovery and Resilience Facility*. Op. cit.

<sup>274</sup> Jacques Delors Centre. *How to spend it right: A more democratic governance for the EU Recovery and Resilience Facility*. 11/06/2020. Available at: <https://www.delorscentre.eu/en/publications/detail/publication/how-to-spend-it-right-a-more-democratic-governance-for-the-eu-recovery-and-resilience-facility>

<sup>275</sup> CoR-OECD. *CoR-OECD survey on "The impact of COVID-19 on regions and cities"*. Forthcoming.

<sup>276</sup> CoR. *Study on A code of conduct on the involvement of the LRAs in the European Semester*. 2015. Available at: [https://cor.europa.eu/en/engage/studies/Documents/code\\_of\\_conduct\\_lras\\_european\\_semester%20-%20pdf.pdf](https://cor.europa.eu/en/engage/studies/Documents/code_of_conduct_lras_european_semester%20-%20pdf.pdf)

<sup>277</sup> Tuffs, Larosse and Corpakis. *Post-COVID-19 recovery policies: A call for aligned, place-based, and sustainable development strategies in the EU*. 22/04/2020. Available at: [www.efiscentre.eu/wp-content/uploads/2020/04/Friends-of-Smart-Specialisation-Call-for-Action-April-2020-final.pdf](http://www.efiscentre.eu/wp-content/uploads/2020/04/Friends-of-Smart-Specialisation-Call-for-Action-April-2020-final.pdf)

Recovery and Resilience Plans are expected to "effectively contribute to strengthen the growth potential, job creation, and economic and social resilience of the Member State, mitigate the economic and social impact of the crisis, and contribute to enhancing economic, social and territorial cohesion"<sup>278</sup>. This means that NRRPs will have to explain how this territorial cohesion criterion will be fulfilled – even though territorial cohesion is admittedly not a standalone assessment criterion.

This positive element is in line with the European Commission's recent efforts (albeit limited) to make the European Semester framework less "spatially blind" and more attentive to the territorial impact of reforms (inclusion of investment guidelines on addressing territorial disparities within the Country reports 2019 (Annex D) or on the territorial challenges linked to the climate transition within the Country reports 2020 (Annex D-bis))<sup>279</sup>.

## **2. The other instruments in the first pillar of Next Generation EU**

The money raised for Next Generation EU will be invested across three pillars to (i) support Member States with investments and reforms, (ii) kick-start the EU economy by incentivising private investments (e.g Invest EU) and (iii) address the lessons of the crisis (e.g EU4Health or the reinforcement of Horizon Europe). The following sub-part will present the remaining components of the first pillar (the RFF being analysed above).

### **a. Recovery Assistance for Cohesion and the Territories of Europe (REACT-EU)**

A significant share of the recovery instrument will be channelled through cohesion policy; hereby reasserting the role this policy has had since the COVID-19 outbreak. Recovery Assistance for Cohesion and the Territories (REACT-EU)<sup>280</sup> is a new initiative that aims to add EUR 58 billion in current prices<sup>281</sup> to the ongoing 2014-2020 cohesion policy programmes – which will come on top of the proposed allocations for the 2021-2027 period (see Section B.2 on the revamped MFF). REACT-EU will provide rapid and additional support to Member States and regions most impacted by the coronavirus crisis but – in contrast to the long-term orientation of the Recovery and Resilience Facility – it aims to finance short-term repair actions. It will provide grants for labour markets, short-time work schemes, youth unemployment measures, support for healthcare systems and liquidity for SMEs as well as investments to implement the European Green Deal and the digital transition.

It should be noted that there might be a risk that the regions most severely affected by the crisis may not receive timely and proportional support from REACT-EU. Indeed:

- Despite being integrated into the existing ESIF legal framework, the new instrument does not apply the same distribution key for the allocation of funding (e.g. it is based on national data, contrary to the "Berlin formula" based on many NUTS2 level indicators). It means that Member States would enjoy unprecedented leeway on the allocation of the funding among their regions<sup>282</sup>.

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<sup>278</sup> EC. *Proposal for a regulation establishing a Recovery and Resilience Facility*. *Op. cit.*

<sup>279</sup> CPMR. *Op. cit.*

<sup>280</sup> EC. *Proposal for a Regulation amending Regulation (EU) No 1303/2013 (REACT-EU)*. Ref: COM(2020) 451 final. 28/05/2020. Available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52020PC0451>

<sup>281</sup> EUR 53 billion from Next Generation EU in 2021 and 2022 and EUR 5 billion already in 2020 by adapting the current multiannual financial framework.

<sup>282</sup> CPMR. *Op. cit.*

- This leeway is reinforced by the inclusion in the regulation of the possibility for Member States to set up new dedicated national programmes: nothing guarantees that Member States will actually decide to channel the REACT-EU funding into regional programmes<sup>283</sup>.
- The timeliness of REACT-EU also remains unclear for sub-national authorities given that it will take several months or even years until final recipients receive the money<sup>284</sup>.
- Extending the period for making commitments from the current MFF will place extra pressure on Member States' ability to spend the additional funding in compliance with the rules and the principle of sound financial management<sup>285</sup>, while also increasing the risk of additional administrative burdens in preparing programmes for the 2021-2027 programming period.
- Some Member States, in particular those hit the most by the crisis, also suffer from the lower absorption rates, which puts them at risk of not being able to spend the additional money effectively<sup>286</sup>.

## b. Next Generation EU funds supporting the green transition to a climate-neutral economy

### • The Just Transition Mechanism

The programme supporting territories in their transition towards a climate-neutral economy increases the financial envelope of the Just Transition Mechanism up to EUR 10 billion. The mechanism has an important territorial dimension and a clear focus on region-specific challenges but the Council's major cut to the Commission's initial proposal of EUR 40 billion<sup>287</sup> means that the limited number of beneficiary regions (see Figure 52) will be less supported in their transition. It must however be highlighted that the EUR 10 billion allocated is nonetheless much more higher than what the CoR and the European Parliament requested initially (around EUR 5 billion)<sup>288</sup> – which is an encouraging signal sent to regions in transition.

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<sup>283</sup> CPMR. *Op. cit.*

<sup>284</sup> CoR study. *Op. cit.*

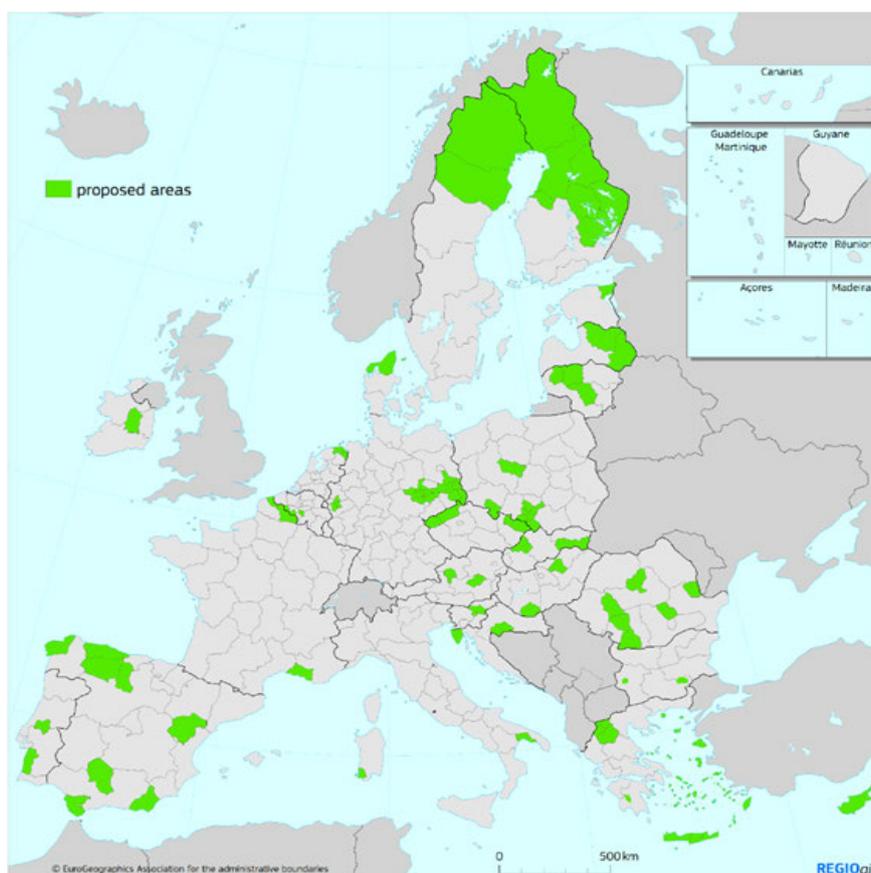
<sup>285</sup> ECA. *Opinion regarding the proposed REACT-EU regulation and Common Provisions Regulation governing the ESI funds*. No.04/2020. 14/07/2020. Available at: [https://www.eca.europa.eu/Lists/ECADocuments/OP20\\_04/OP20\\_04\\_EN.pdf](https://www.eca.europa.eu/Lists/ECADocuments/OP20_04/OP20_04_EN.pdf)

<sup>286</sup> *Ibid.*

<sup>287</sup> The Commission proposed that EUR 40 billion would be available for the Just Transition Mechanism: EUR 10 billion for 2021-2027 from the adapted Multiannual Financial Framework 2021-2027 and EUR 30 billion for 2021-2024 from 'Next Generation EU' (COM(2020) 442 final).

<sup>288</sup> CoR. *Opinion on the socio-economic transformation of Europe's coal regions*. Ref: COR-2018-06337. 09/10/2019. Available at: <https://webapi2016.COR.europa.eu/v1/documents/cor-2018-06337-00-00-ac-tra-en.docx/content>

**Figure 52: Proposed areas covered by the Just Transition Mechanism**



Source: European Commission

- **The programme for development in rural areas**

The last initiative included in the first pillar of New Generation EU is the Programme for development in rural areas. It will support farmers in making structural changes in line with the European Green Deal and the new Biodiversity and Farm to Fork strategies, hence contributing to the achievement of Europe's climate and environmental targets. The initial proposal increased the budget of the European Agricultural Fund for Rural Development (EAFRD) by EUR 15 billion, but this additional amount was halved, to EUR 7.5 billion, in the agreement concluded at the July 2020 European Council<sup>289</sup>.

### 3. **The revamped Multiannual Financial Framework for 2021-2027**

The reflexion on EU emergency supports and recovery plans affecting LRAs would not be complete without the new MFF 2021-2027. On 21 July, European leaders agreed on a EUR 1.074 trillion 2021-2027 Multiannual Financial Framework (quite similar in volume to the Commission's May 2020 proposal of EUR 1.1 trillion) that would *inter alia* allocate 30% of EU spending to climate objectives. Before entering into force, the seven-year budget still requires the consent of the European Parliament and ratification by every Member State according to its constitutional requirements.

#### *Focus on cohesion policy*

The amended EU long term budget adopted at the Council provides EUR 330 billion for regional development and cohesion; which represents an approximately 11.5% cut compared with current

<sup>289</sup> European Council. *Conclusions of the European Council meeting of 17-21 July 2020*. Op. cit.

spending for the EU27. The new 2021-2027 cohesion policy framework will focus on five investment priorities – where the EU is deemed to be the best placed to deliver<sup>290</sup>. Investments will strongly focus on objectives 1 and 2 (Smarter Europe and Greener Europe) given that between 65% and 85% of ERDF and Cohesion Fund resources will be allocated to these two first priorities.

The amended proposal for the Common Provisions Regulation 2021-2027<sup>291</sup> provides increased flexibility (i) for transferring cohesion policy resources towards direct and indirect management instruments and (ii) for transfers between the ERDF, the ESF+ or other Cohesion funds (Article 21). An emergency mechanism will also be introduced to give the Commission the ability to authorise temporary flexibility measures for the use of cohesion funds in the event of a major shock. The original CPR proposal also envisages a review of national cohesion allocations taking place in 2024.

A first assessment indicates that:

- The new rules of cohesion policy give additional powers to Member States and could lead to a reduction in cohesion resources to the benefit of centrally managed instruments<sup>292</sup>. Moreover, the focus on flexibility and simplification of cohesion funding procedures, although welcome in principle, increases the risk of fuelling the economy with cash (mainly to reduce unemployment and limit bankruptcies) to the detriment of ambitious and long-term structural investments<sup>293</sup>.
- The allocation of the cohesion budget among EU regions will change in the period 2021-2027. For instance, the allocation within cohesion policy for developed regions was more than halved (-52%) compared to the current funding period while the allocations for less developed regions (+7%) and transition regions (+31.3%) were increased (this does not include the additional resources of the recovery plan that might be allocated to richer regions hard hit by the COVID-19 crisis).

## C. Green recovery for a more resilient society

### 1. **Short-term relief versus long-term structural changes**

Many uncertainties remain with regard the allocation of recovery funds – especially those of the Recovery and Resilience Facility. How will the money be spent in practice? How will these different funds be integrated together? In practice, will recovery funds really contribute to the EU's ambitious cross-cutting objectives (e.g. the Green Deal and the digital transition)?

A scenario whereby Member States choose to focus emergency funding on existing structures over complex longer-term solutions can be envisaged and jeopardises structural change. Indeed, governments may have difficulty changing their existing programmes – especially countries with limited administrative and absorption capacities ("While you drown, it is not a good time to learn a new

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<sup>290</sup> (i) Smarter Europe (innovation, digitisation, economic transformation and support to SMEs); (ii) Greener, carbon free Europe; (iii) Connected Europe (strategic transport and digital networks); (iv) Social Europe (delivering on the European Pillar of Social Rights and supporting quality employment, education, skills, social inclusion and equal access to healthcare); (v) Europe closer to citizens (support locally-led development strategies and sustainable urban development).

<sup>291</sup> EC. *Amended proposal for the Common Provisions Regulation*. Ref: COM(2020) 450 final. 28/05/2020. Available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52020PC0450>

<sup>292</sup> CPMR. *Op. cit.*

<sup>293</sup> Valenza and Brignani. *Cohesion policy - An effective response to the COVID crisis*. 2020. Available at: <https://www.regionalstudies.org/news/cohesion-policy-an-effective-response-to-the-COVID-crisis/>

swimming technique"<sup>294</sup>). While there is a clear need to maintain discipline throughout this period and preserve ideals as a central point in EU policy-making and implementation, it is a delicate and challenging task to balance this against the great necessity to support economic recovery and restoring employment. Still, achievement of the ambitious objectives set in the Green Deal – the new growth strategy for the EU - or in the UN 2030 Agenda (the Sustainable Development Goals) will require significant commitment from all levels of governments. As Europe fights a historic recession that is likely to last for years, there is a real risk that Europe's sustainable, green and digital ambitions will in practice be pushed to the background.

The SDGs are a telling example in this regard: they are referred to throughout the debate on the EU recovery but no concrete measures are envisaged to ensure that recovery measures will use the SDGs to promote long-term structural changes. Concretely, when assessing the 2020 National Reform Programmes of France, Spain, Belgium, Poland and Sweden, authors of a CoR study observed that the SDGs were very unequally addressed in the European Semester after the COVID-19 crisis. While SDGs related to health, poverty-reduction and education (strongly linked to the COVID-19 crisis) were particularly well addressed, some SDGs related to biodiversity, sea/water protection and reduction of inequalities were rather neglected. The SDGs linked to justice and partnership (SDG 16 "Peace, justice and strong institutions" and SDG 17 "Partnerships for the goals") were not even addressed at all<sup>295</sup>.

However, there seems to be a strong political will to maintain the EU's level of ambition. For instance, at the 17-21 July 2020 extraordinary European Council on the next MFF and Next Generation EU (NGEU), heads of State and government reaffirmed the importance of "*tackling climate change in line with the Paris Agreement and the United Nations Sustainable Development Goals, stating that programmes and instruments should contribute to mainstream climate actions and to achievement of an overall target of at least 30% of the total amount of Union budget and NGEU expenditures supporting climate objectives*"<sup>296</sup>.

## 2. **A necessary Green recovery**

Turning a blind eye to climate change and the degradation of our environment could very well lead to a similar, or even worse, situation and the current health and economic crises serve as a good reminder of the importance of acting on these issues. Setting up ambitious recovery programmes in such a way that they remain compatible with the ambitious climate actions and avoid investments in carbon-intensive industries is even more challenging considering that the EU not only has to implement the challenging targets of the 2030 climate and energy framework, but was also in the process of assessing and, quite possibly, raising the 2030 targets<sup>297</sup>.

Some stakeholders have expressed concern that, without supportive action, the pandemic may put climate goals at risk. In that regard, the International Energy Agency (IEA) has stated that the fall in oil prices poses a significant risk for investment in energy efficiency should governments fail to reaffirm their

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<sup>294</sup> CEPS. *The MFF recovery plan breaks with a fundamental taboo*. 28/05/2020. Available at: <https://www.ceps.eu/the-mff-recovery-plan-breaks-with-a-fundamental-taboo/>

<sup>295</sup> CoR study. *Op. cit.*

<sup>296</sup> European Council. *Conclusions of the European Council meeting of 17-21 July 2020*. 21/07/2020. Available at: <https://www.consilium.europa.eu/en/press/press-releases/2020/07/21/european-council-conclusions-17-21-july-2020/>

<sup>297</sup> EP. *Impact of the coronavirus crisis on climate action and the European Green Deal*. April 2020. Available at: [https://www.europarl.europa.eu/RegData/etudes/BRIE/2020/649370/EPRS\\_BRI\(2020\)649370\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2020/649370/EPRS_BRI(2020)649370_EN.pdf)

commitment to clean energy<sup>298</sup>. In the same vein, Bloomberg New Energy Finance has downgraded its expectations for the solar, battery, and electric vehicle markets, also reducing forecasts for global solar demand in 2020 by 16 %<sup>299</sup>.

Even with a strong political public will, it is important to choose the right instruments to promote a Green Recovery, as path dependency makes back-tracking costly and could put long-term goals in jeopardy.

Another powerful pathway towards climate neutrality, which can also contribute to the post-pandemic recovery, is the "Renovation Wave". The Renovation Wave initiative, which is a part of the EU's Green Deal, aims to optimise building renovation as a whole, including by encouraging investment and financing. Currently the initiative is expected to be launched before the end of 2020. This initiative also synergises with the "EU Strategy for Energy System Integration"<sup>300</sup> as published on 8 July 2020. Energy system integration – the coordinated planning and operation of the energy system "as a whole", across multiple energy carriers, infrastructures, and consumption sectors – is the pathway towards an effective, affordable and deep decarbonisation of the European economy in line with the Paris Agreement and the UN's 2030 Agenda for Sustainable Development<sup>301</sup>.

Collectively, buildings in the EU are responsible for 40% of energy consumption and 36% of greenhouse gas emissions. Currently, only around 1% of buildings in the EU are renovated each year. A much faster rate of renovation is necessary to comply with current 2030 targets. Even more ambitious renovation rates are needed to keep the pace towards climate neutrality. Substantial progress has been made in recent years, in good part due to the provisions of the Energy Performance of Buildings Directive (EPBD). New buildings today tend to consume only half as much energy as similar new buildings 20 years ago for their operation and use – or even less. However, approximately 80% of today's buildings will still be in use in 2050 and 75% of this stock is energy inefficient<sup>302</sup>.

Implementing renovation policy has long been a challenge for local authorities, for example because of knowledge gaps and financial barriers. However, these challenges have allowed the local and regional level to become test beds for innovative solutions and models to then be replicated elsewhere and to become pioneers in the creation of a sustainable and feasible pathway towards a climate-neutral Europe.

Especially in the current difficult situation related to COVID-19, it will be crucial to examine the challenges and opportunities a 'renovation wave' initiative could bring and test innovative financing strategies directly supporting LRAs.

The CoR's Green Deal Going Local working group aims to place cities and regions at the core of the European Green Deal and at ensuring that both the EU's sustainable growth strategy and the COVID-19 recovery plan translate into direct funding for cities and regions and tangible projects for every territory.

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<sup>298</sup> IEA. *Put clean energy at the heart of stimulus plans to counter the coronavirus crisis*. 14/03/2020. Available at: <https://www.iea.org/commentaries/put-clean-energy-at-the-heart-of-stimulus-plans-to-counter-the-coronavirus-crisis>

<sup>299</sup> *GreenBiz*. "Coronavirus dampens 2020 outlook for clean energy and electric vehicles." 17/03/2020. Available at: <https://www.greenbiz.com/article/coronavirus-dampens-2020-outlook-clean-energy-and-electric-vehicles>

<sup>300</sup> EC. *Communication: An EU Strategy for Energy System Integration*. Ref: COM(2020) 299 final. 08/07/2020. Available at: [https://ec.europa.eu/energy/sites/ener/files/energy\\_system\\_integration\\_strategy.pdf](https://ec.europa.eu/energy/sites/ener/files/energy_system_integration_strategy.pdf)

<sup>301</sup> *Ibid.*

<sup>302</sup> EC. *Roadmap for Renovation Wave initiative*. 11/05/2020. Available at: <https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12376-Commission-Communication-Renovation-wave-initiative-for-the-building-sector>

To ensure that the COVID-19 crisis turns into an opportunity to realise and accelerate sustainable structural change, the unprecedented amount of money from Next Generation EU will have to be spent in a coordinated and ambitious manner prioritising shared and long-term benefits. To do so, the governance of the EU recovery plan – fully respecting the principles of partnership and multi-level governance - will be a key element and, in this regard, will deserve continued and close monitoring.

# Key conclusions and recommendations

## ➤ Ensure better coordination among all levels of government to face future crises

Governments at all levels, including LRAs, are being called upon to provide emergency services, implement and communicate on containment measures, and mitigate the socioeconomic impact of the crisis. Common strategies and better coordination with all key actors, not least with regard to emergency management of healthcare facilities and care homes, and continued transnational and cross-border health cooperation would have enabled a more robust and effective response to this crisis.

**More coordination between all levels of governance is needed to ensure a coherent and efficient response to future crises. This applies not only to healthcare, for instance with the procurement of medical equipment, but also to all other areas, to cross-border arrangements and emergency financial support. Effective mechanisms for sharing best practices for LRAs should be established as a priority.**

## ➤ Increase the capacity of health, emergency and care systems in all EU regions

Many LRAs have struggled to maintain adequate health and care capacities to respond effectively to COVID-19, with some of them (e.g. regions with ageing populations) being under particular pressure. In some cases, healthcare has suffered from underinvestment in the years following the previous crisis. Regional disparities in health systems and bottlenecks in emergency preparedness should be reviewed and reduced based on recent experiences on the ground.

**LRAs with significant health competences need more resources from central governments to boost their health and care systems now and in the long term to ensure better preparedness and access to care in all regions. The newly introduced EU-level initiatives such as the RescEU reserve and flexibilities in the use of EU funds may be useful in facilitating the supply of infrastructure, equipment and staff to regions with the greatest needs.**

## ➤ Allocate recovery and resilience funding based on the territorial impact of the crisis

Due to the pandemic, certain regions and cities focused on specific economic activities, such as tourism or transport, were particularly badly hit, as were certain groups such as seasonal workers and young people. The impact of the crisis is drawing a new geography in the EU – a COVID-19 geography distinct from the traditional dividing lines of urban/rural, centre/periphery or cohesion regions.

**The allocation of recovery and resilience funds should be based on the socioeconomic vulnerability and structure of EU regions. Criteria should include their share of risk sectors, reliance on tourism, international trade and transport, share of self-employed people (i.e. in the cultural and creative sectors), SMEs and young people, and loss of GDP since the crisis started. Funds should also be used to diversify local economies and labour markets away from over-reliance on single sectors.**

➤ **Involve LRAs in the governance of EU and national recovery plans**

The involvement of regional and local authorities in the governance of the EU Recovery Plan – in particular its main component, the Recovery and Resilience Facility – is quite limited as currently designed, which means that those instruments are somewhat "spatially blind".

**The European Semester – as the Recovery and Resilience Facility's governance mechanism – must incorporate a Code of Conduct for the involvement of LRAs, following the principle of active subsidiarity. Cities and regions must also be closely involved in the preparation of national plans, also to ensure their complementarity with the necessary regional and local recovery strategies. A recovery and resilience forum should also be organised annually by the CoR and European Commission to ensure that the recovery plan works for cities and regions.**

➤ **Ensure the survival of SMEs and heavily affected sectors like tourism and culture**

Many SMEs and self-employed individuals are at risk of insolvency in the short or medium term, in particular in the tourism and hospitality fields, which are arguably the hardest-hit sectors. Cultural sector organisations, whether for profit or not, are also in distress. Demand for loans is high while credit standards are tightening, and even when access to credit is possible, short-term cash flow is often problematic.

**SMEs and the most heavily affected sectors need specific support to access credit and favourable repayment conditions over the long term. Public authorities should also provide strong incentives to build up resilience through sustainability, circular economy principles, and digitalisation.**

➤ **Provide more support for prevention policies with a focus on the most vulnerable**

Experience has shown that more needs to be done to protect population groups who are more vulnerable to COVID-19 and to the effects of prevention measures, such as isolation. These measures need to be tailored to the local context and to specific vulnerable groups.

**Policies and funding at EU, national and subnational levels should address the social crises highlighted by the pandemic, including through support for active ageing, mental health and health inequalities, in line with the "health in all policies" approach.**

➤ **Prevent a potentially growing digital divide**

The crisis turned digital technologies into an imperative in order to ensure continuity of work, education and private life, and digital solutions were essential for public authorities across EU regions and cities in fighting the pandemic and its consequences. This experience risks exacerbating the "digital divide", including between rural and urban areas, large and small companies, and digitally skilled workers and others.

**It is now more important than ever to achieve high digital connectivity for all EU regions and cities – including rural areas – and to ensure that people and companies can adapt to the crisis and the changing world of work. The use of stakeholder networks and exchanges of good practices can help LRAs design strategies for the (digital) future.**

➤ **Take measures to avoid social exclusion of those most exposed to the pandemic and to the structural changes ahead**

The pandemic is causing a massive recession. Many companies will go bankrupt, and vulnerable groups will be at higher risk of social exclusion. A class of new poor is already appearing. Women, young people and minorities are particularly at risk. The transition to a green and digital economy will also mean that many people's skills and qualifications will become obsolete.

**The EU and national levels should work with regions to support vulnerable population groups in this trying time, not only because of COVID-19 but also in view of the future of work, which will be more technology and green engineering driven. This should include social support, specific safety nets and the opening of many training/re-skilling/upskilling opportunities for all.**

➤ **Avoid a lost generation from COVID-19**

The economic and social effects of the pandemic are particularly acute for vulnerable groups, with youth and women bearing a growing share of the costs. Career prospects are uncertain, some qualifications have become obsolete, others require digital equipment, and there are much fewer student job and training opportunities. Brain drain and other associated demographic problems may plague rural, peripheral and remote regions similarly to the 2008-2012 crisis.

**Research and hard evidence on the impact of the pandemic on young people is crucial in order to ensure this population group does not become the lost generation of the EU. Informed policies at all levels should support the integration of young people into an education system and labour markets based on the green, sustainable and digital transition.**

➤ **Guarantee the contribution of the EU recovery plan to structural change and the Green Deal**

As Europe fights a historic recession, there is a real risk that Europe's sustainable, green and digital ambitions will in practice be set aside and that positive changes triggered by the lockdown measures (e.g. reduction of environmental pollution) will be only temporary. Member States may choose to focus emergency funding on existing structures and objectives over ambitious and complex longer-term solutions. On the other hand, the recovery measures and the new MFF may be opportunities to steer Europe more effectively towards its long-term goals.

**The Green Deal must be at the heart of the EU's recovery strategy. The Commission will have to ensure that the EUR 750 billion of Next Generation EU funding are invested in favour of a green, digital and resilient Europe. In addition, the increased flexibility of cohesion instruments must be closely monitored to prevent Member States from investing massively in short-term measures over long-term structural change. LRAs must be closely involved to guarantee that the sustainable recovery is tailor-made to their territorial specificities, and the CoR's "Green Deal Going Local" working group can play a key role in this regard.**

➤ **Ensure coordination of diverse forms of emergency and recovery support from multiple sources**

In light of the number of support instruments proposed by the European Commission, including modifications to existing and future rules on the use of the European Structural and Investment Funds, managing authorities and final beneficiaries risk being overwhelmed with their number, scope and different administrative procedures, potentially leading to the measures having a low absorption rate.

**The European Commission and the Member States should ensure that there is sufficient clarity with regard to the interplay between different new mechanisms such as React EU, the Just Transition Fund and the Recovery and Resilience Facility on the one hand, and existing national and EU schemes on the other, to avoid additional complexity and more stringent national restrictions being added.**

➤ **Preserve the partnership and multi-level governance principles of cohesion policy**

The new measures to enhance the flexibility and accelerate the use of cohesion policy funding to respond to the coronavirus pandemic bear the risk of increased centralisation at Member State level. This would come at the expense of proper involvement of local and regional authorities and undermine the objective of ensuring that the money is spent in line with investment needs on the ground.

**Any reallocations of resources and changes to cohesion policy programmes have to be carried out in line with the principles of partnership and multilevel governance. LRAs need to be fully involved in decisions on [re]programming investment under REACT-EU.**

➤ **Strengthen the single market and preserve its level playing field**

The crisis has given rise to unprecedented disruptions to the free movement of people, goods and services across the single market, often in an uncoordinated manner and sometimes with disastrous consequences for businesses and individuals – including for instance workers in cross-border regions or students. In addition, the flexibility granted with regards to state aid rules is likely to distort competition, since many Member States or regions severely hit are not in a fiscal position to make full use of it, which could lead to reinforced territorial disparities.

**Measures must be put in place to ensure the smooth functioning of the single market in future crises, as it is a key vector of European unity and resilience. Particular attention must be paid to cross-border regions in this respect. Furthermore, the Commission must assess to what extent the varying levels of state intervention have exacerbated national and regional imbalances and disrupted the Single Market. In its general review of the State aid framework the Commission should consider providing compensatory measures, including future exemptions from State aid rules, for Member States that have made less use of the Temporary Framework. The Commission should also explore the possibility of establishing an EU-wide programme for critical sectors so that all companies affected can benefit, independently of where they are based.**

### ➤ **Safeguard LRA finances and investment capacity, now and in the future**

With significant responsibilities in many sectors of public action that are crucial to fighting the pandemic and its socioeconomic consequences, cities and regions' finances are gravely threatened by the crisis. This jeopardises their ability to deliver valuable public services, now and in the future. After 2008, public investment plummeted and took almost a decade to recover.

**Cities and regions need national and European financial support, which must be flexible enough to respond to the emergency and kick-start the recovery at territorial level. In addition, LRAs need new, smarter rules, both nationally and with the EU's Stability and Growth Pact, to ensure that public services and investment do not once again become the adjustment variable of post-crisis budgetary constraints.**

### ➤ **Support local democracy within and beyond the EU**

COVID-19 has led governments – both in the EU and abroad – to enact strict measures affecting citizens' rights, and a complex balance had to be found to preserve democracy, the rule of law and trust in institutions.

**Those challenging times could be turned into an opportunity to reinforce local democracy – the level of government in which citizens trust the most – and to reflect collectively on Europe's founding values during the Conference on the future of Europe. The pandemic is also a reminder of Europe's interdependence with the rest of the world: the EU should keep supporting democracy, the rule of law and human rights in partner countries and ensure that its "post-COVID" policies and instruments leave no one behind.**



# Annexes

## A. List of abbreviations

ANCI	Associazione Nazionale Comuni Italiani ( <i>National Association of Italian Municipalities</i> )
CCB	Critical care bed
CEF	Connecting Europe Facility
CF	Cohesion Fund
CoR	European Committee of the Regions
CRII	Coronavirus Response Investment Initiative
CSO	Civil Society Organisation
CSR	Country Specific Recommendation
EAFRD	European Agricultural Fund for Rural Development
EARLALL	European Association of Regional and Local Authorities for Lifelong Learning
EC	European Commission
ECA	European Court of Auditors
ECB	European Central Bank
ECDC	European Centre for Disease Prevention and Control
ECFR	European Council on Foreign Relations
EEA	European Environment Agency
EER	European Entrepreneurial Region
EIGE	European Institute for Gender Equality
EMFF	European Maritime and Fisheries Fund
ENI CBC	European Neighbourhood Instrument Cross-Border Cooperation
EPBD	Energy Performance of Buildings Directive
EPHA	European Public Health Alliance
ERDF	European Regional Development Fund
ESC	European Solidarity Corps
ESF	European Social Fund
ESIF	European Structural and Investment Funds
ESPON	European Spatial Planning Observation Network
EU	European Union
GDP	Gross Domestic Product
IEA	International Energy Agency
JRC	Joint Research Centre
LRAs	Local and Regional Authorities
LTCPN	International Long Term Care Policy Network
MFF	Multiannual Financial Framework
MS	Member State
NCEAP	New Circular Economy Action Plan

NGO	Non-Governmental Organisation
NRRP	National Recovery and Resilience Plans
NUTS	Nomenclature of Territorial Units for Statistics
OECD	Organisation for Economic Co-operation and Development
OJ	Official Journal (of the EU)
PEPP	Pandemic Emergency Purchase Programme
PPE	Personal Protective Equipment
REACT-EU	Recovery Assistance for Cohesion and the Territories of the EU
RFF	Recovery and Resilience Facility
SDGs	Sustainable Development Goals
SGP	Stability and Growth Pact
SME	Small and medium-sized enterprises
STEM	Science, Technology, Engineering and Maths
SURE	Support to mitigate Unemployment Risks in an Emergency
TF	Temporary Framework (in the field of State Aid)
TIA	Territorial Impact Assessment
UNEP	United Nations Environment Programme
VSE	Very small enterprises
WHO	World Health Organisation
YEI	Youth Employment Initiative

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## European Committee of the Regions

Created in 1994, after the entry into force of the Maastricht Treaty, the European Committee of the Regions is the EU's assembly of 329 regional and local representatives from all 27 Member States, representing over 446 million Europeans.

Edited by the European Committee of the Regions

October 2020

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