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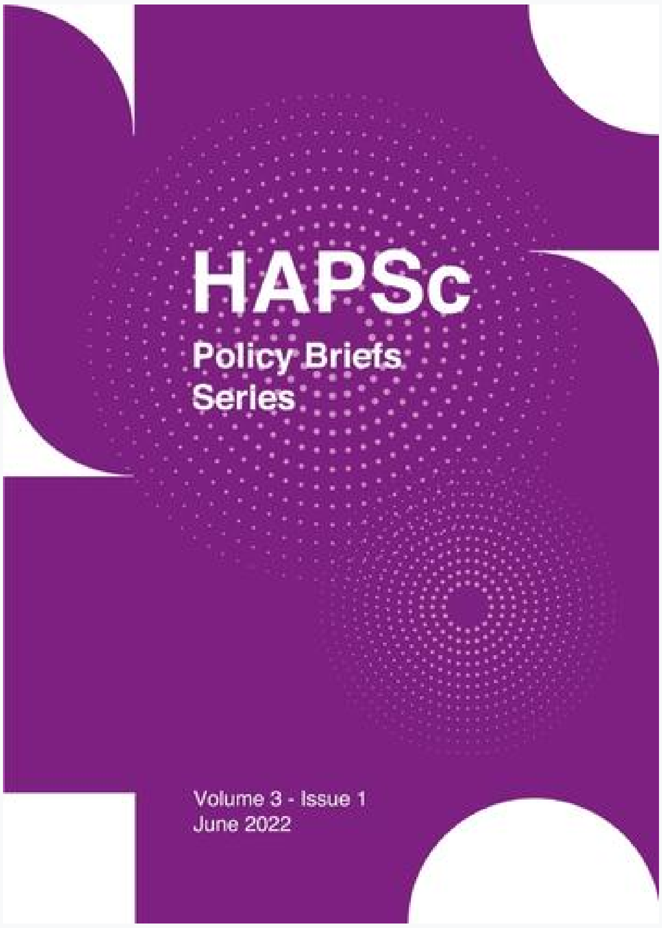

Political Responsiveness in Crisis Period, Sustainability and ESG in EU: The Initiatives of Next Generation EU and the Potentials for Programming Period 2021-2027

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Political Responsiveness in Crisis Period, Sustainability and ESG in EU: The Initiatives of Next Generation EU and the Potentials for Programming Period 2021-2027[1]

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Abstract

Crisis in Europe used to generate significant socioeconomic and political changes in institutions and states cooperation, especially in post war period. During the last decade, the financial crisis, in combination with climate change and the COVID-19 pandemic has challenged significantly EU, while at the same time, the Lisbon Treaty in 2009 provided solutions as well as the political will of "being together is better". The EU Green Deal indicated that cooperation is a prerequisite for EU as a whole and at the same time, it is a fact in combination with the Sustainable Development Goals (SDGs). Moreover, Covid-19 has indicated the need for an effective policy response in order to deal with this health crisis. The main issue for EU is how to inspire and provide a sustainable, fair and social inclusive future for the member states and next generation. The EU via the "Transforming our world: the 2030 Agenda for Sustainable Development" booklet analyzes its international position in sustainable development issues, while the Next Generation EU is an important policy and financial tool in order to improve the common policies in new programming period 2021-2027.

Keywords: European Union, Cohesion Policy, Sustainable Development.

Introduction

The recent and ongoing crises (climate change and Covid-19) affected EU and its member states to expand and improve their institutional framework in order to cooperate more effectively and efficiently. This cooperation within EU among state and non-state actors (e.g. the business sector) is a prerequisite in parallel with states sovereignty in high political issues (e.g. foreign policy, defense), indicating the complexity and the challenges from a political and institutional perspective (Heywood, 2014). Common goods and risks especially under a democratic institutional and multinational framework such as the EU, require advanced synergies with social and development stakeholders such as the business sector.

Climate change issue is a topic where the EU Green Deal indicated that cooperation is a prerequisite for EU as a whole and at the same time, it is a fact in combination with the Sustainable Development

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Goals (SDGs) (European Commission, 2016; 2019). Moreover, Covid-19 has indicated the need for an effective policy response in order to deal with this common health crisis. Health issues such as Covid-19 utilize the institutional tools and settings for common political response from EU at the top, to member states and non-state actors as well such as business sector.

Yet, the EU is not a federation and this highlights the fact that it doesn't respond as fast as that type of institutional framework in common risks and international threats. EU has a unique institutional framework and it is difficult to be compared with federations and states in terms of political responsiveness homogeneity and decision speed. Therefore, the effectiveness of crises management within the EU should be compared before and after the Lisbon Treaty, which was empowered institutionally in order to deal with common risks, such as the recent financial crisis. Especially during Covid-19, the EU political responsiveness was relatively fast, while at the same time, it underlined the significance of common European identity and institutional tradition (e.g. European Social Model), which became more viable and engaged business sector as well. The latter in EU in terms of financial impact, employment generation and environmental impact have an important role to play via SDG 17. This Goal indicates the significance of multistakeholder synergies towards the fulfillment of SDGs' indicators. In this context, one of the most important steps that have been undertaken politically by EU is the Next EU Generation recovery plan and programming period 2021-2027.

The common policy framework against common risks

Since the treaty of Rome in 1957, the optimal goal of common Europe was to deal issues in economy and trade under a common political framework, which was different from the ones that federations have and more holistic and internationalized as sovereign states have. The political evolution of EU especially after the Maastricht Treaty and the Lisbon Treaty indicated the potentials of common policy and political responsiveness in other policy realms. The economic crisis in the EU was a significant milestone for its member states and institutions, accelerating the understanding and realization that common policy solutions in common financial risks and national debts were both national and European issues at the same time. Furthermore, the development of mechanisms (such as the European Stability Mechanism and European Financial Stability Facility) was a significant step towards a strong crisis co-management in between EU institutions, member states etc. Hence, J. Junker said "the creation of the EFSF and ESM was thanks to an unprecedented show of political will and innovation" (ESM, 2019).

The fact that EU is not a federation underlined at first the absence of a common policy framework on how the member states will deal Covid-19 in terms of vaccinations, therapy as well as investments in National Health Systems and economy. Hence in few months the political experience and the institutional setting from economic crisis, was the factor for the institutional tradition of EU in Covid-19, despite the need for states sovereignty in that high policy issue. Some significant examples towards that are the common Covid-19 response was based on the development of a common strategy regarding the Covid-19 vaccination, safety protocols and assistance (e.g. protective equipment); as well as the socioeconomic pillar for jobs protection and support via SURE[4] (Support to mitigate Unemployment Risks in an Emergency) (€100 billion, 31 million people and 2.5 million businesses in 2020, 3 million people and over 400,000 firms in 2021).

Another remarkable policy topic is climate change and Sustainable Development. The Green Deal and the European actions towards SDGs are important steps in order EU to be set as an international pole of excellence in these topics. In political terms, the SDGs influence global sustainability issues regarding the development of a common policy framework via international organizations such as United Nations. Despite the fact that a contested global governance framework is a goal, the process already is significant especially in EU because a common policy framework in combination with a multi-stakeholder platform operate (European Commission 2016; 2019). The political discourse for sustainability highlights the general concern about the role of governments and its synergies with non state actors such as business sector. Furthermore, Corporate Social Responsibility (CSR) political dimensions in EU pictures the institutional tradition and the CSR made in EU approach in norms, political initiatives at member states level and business practices (Williams and Aguilera, 2006; Albareda et al. 2007; 2008; Taliouris and Manasakis, 2021). Therefore, CSR is policy realm since the first definition in 2001 and the redefinition in 2011, while the main goal since 2002 is to engage European business sector with SD and to promote responsible entrepreneurship (European Commission 2001; 2002; 2003; 2011). From a business case perspective, political CSR is "a new conception of political CSR as an extended model of governance with business firms contributing to global regulation and providing public goods" (Scherer and Palazzo in 2011: cited at Scherer 2017: 3).

Another political response beyond political and institutional level was the introduction of hybrid policy tools in order EU to deal more successfully the future challenges via the Next Generation EU[5]

[4]See: https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/financial-assistance-eu/funding-mechanisms-and-facilities/sure_en
[5]See: https://europa.eu/next-generation-eu/index_en

(NGEU) recovery plan (806,9 billion €). The latter is more than a recovery plan, rather it is a once in a great chance for EU to emerge stronger from the pandemic by transforming European economies and societies towards a common and sustainable Europe for everyone. The NGEU budget will work on top of the EU long-term budget of €1.074 trillion for the programming period 2021-2027 and it is divided in policy realms: Make It Green, Make it Digital, Make it Healthy, Make it Strong, Make it Equal. Finally, a total of €2.018 trillion in current prices will help to rebuild a resilient post-COVID-19 Europe. That type of budget will increase flexibility mechanisms to guarantee the capacity to address unforeseen needs during the period 2021-2027 in order to meet today's realities with future's uncertainties under policy realms.[6] The EU long-term budget will be financed through existing revenue sources (e.g. custom duties, member states' contributions based on VAT and GNI and non-recycled plastic packaging waste), NGEU green bonds, SURE social bonds. Consequently, in 2021 EU Commission proposed three more sources for EU overall budget in order to support financial the grants part of NGEU Social Climate Fund: 1) the EU emissions trading system; 2) the Carbon Border Adjustment Mechanism and; 3) the reallocation of Member States' taxing rights on a share of residual profits of the largest multinational companies.

Environmental, Social and Governance disclosure and corporate citizenship

The CSR concept is moving beyond philanthropy and internal dimensions (e.g. total quality management), becoming an innovative and risk assessment process towards corporate contribution to sustainable development. Since the 2001 Green Paper about CSR, responsible entrepreneurship towards sustainability and CSR as policy realm are dynamic fields in the EU as well as in its member states. The policy models for CSR in regional categories indicate the fact that institutional traditions, socioeconomic and environmental concerns differ among business sectors, sizes and origin (Albareda et al., 2007; 2008). During the 21st century, CSR became a widely implemented business and management approach in all kinds of sectors and industries (e.g. shipping, transportation) and as a policy realm in member states via implicit and explicit public policies (e.g. public procurement, SMEs) (Taliouris, 2018; 2019). Therefore responsible entrepreneurship set up hybrid policy tools (e.g. legal and informative together, or financial and partnering) for member states and EU (EU, 2011). This had influenced European business sector to adopt responsible business practices either domestically (e.g. EMAS) or in their international supply chain (e.g. human rights, eco-label).

[6] Single Market, Innovation and Digital 149.5 (+ 11.5 from NGEU) Cohesion, Resilience and Values 426.7 (+ 776.5 from NGEU) Natural Resources and Environment 401 (+ 18.9 from NGEU) Migration and Border Management 25.7 Security and Defence 14.9 Neighbourhood and the World 110.6 European Public Administration 82.

Environmental, social and governance (ESG)[7] considerations are important in order to set up responsible investments and decision making process in financial sector, economic activities and projects in the EU. ESG as process is also crucial for the period 2021-2027 for state and non-state actors (e.g. business sector) in order to be eligible in the above development programmes and funding opportunities[8]. The environmental pillar is based on climate change adaptation, circular economy and environmental capital sustainability. Social considerations could refer to European Social Model institutional tradition and practices in both private and public sector. The governance dimension is crucial due to the fact that it refers to both public and private institutions (as well as partnerships) because it ensures the inclusion of social and environmental aspects and discourse in decision-making process. Moreover, from a neo-institutional perspective and within a comparative policy analysis context, governance setting for SD and CSR is an important aspect so as to understand corporate citizenship and shift it towards sustainability at the level of a state (Alibašić 2017). Governance, as a pillar for SD and its policy implication, is strongly associated with the evolution of a multilevel governance perspective in dealing with common goods. Therefore, EU has developed a disclosure of climate-related information[9], which provides information to private sector on how to report from the one hand the impacts of their business to climate change and from the other hand the impacts of climate change on their business activities. This political initiative is linked with Non-Financial Reporting Directive (a milestone in EU), in combination with non-binding guidelines on non-financial reporting and the recommendations of the Task Force on Climate-related Financial Disclosures (European Commission, 2021).

In 2014 a Directive launched Non-Financial Reporting and rules about the disclosure of non-financial and diversity information by companies. According to Richard Howitt (2014) this Directive was debatable since 1999 and the consensus finally derived through delegations and cohesion. This Directive refers solely to large corporations over 500 employees[10] approximately 11.700 companies) (European Commission, 2014a; 2014b). In 2014, Commissioner M. Barnier said for this Directive that "Companies, investors and society at large will benefit from this increased transparency" (European Commission, 2014a: 1) (e.g. anti-corruption and bribery, environmental and social issues such as employees, human rights, diversity). In 2017, Commission has proposed more guidelines and

[7]See: https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/eu-climate-benchmarks-and-benchmarks-esg-disclosures_el
[8]See: https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance_en
[9]See: https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/corporate-disclosure-climate-related-information_el
[10] Listed companies, banks, insurance companies, other companies designated by national authorities as public-interest entities

in 2020 a revision towards Green Deal objectives by 2050 is necessary because the legal framework don't always provide relevant or adequate information for stakeholders such as investors, whose awareness has increased about sustainability issues that might create future risks to businesses. Furthermore, the growing investment rate and interest in sustainability standards and objectives from investee companies is a trent in international markets; a fact that it is also affected by Covid-19 and the demand for non financial reporting and information in the negative socioeconomic impacts in Human Resrourse and the reslience of supply chains. Summing up, the revision of this Directive is necessary because EU goal is a worldwide harmonization of EU sustainability reporting standards for the minimization of systemic risks to European economy and the accountability as well of European business sector domestically and internationally too.

EU Commission sets a target for an emissions reduction by 55% in 2030 compared to the beginning of '90s[11]. More specifically, EU will invest approximately 350 billion euro per year in order to meet these optimistic SD targets by 2030. The challenges towards these responsible investments are based on co-management perspective and synergies from public, private and third pillar of economy (e.g. social economy). In order to make sustainability work an EU taxonomy[12] is developed and it is based on objectives (climate change mitigation, adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, protection and restoration of biodiversity and ecosystems). Moreover EU is part of International Platform on Sustainable Finance[13], which is a forum in between policymakers in order to increase the amount of capital and investments in responsible and environmentally friendly investments. The members of IPSF promote and exchange ideas in best practices, to benchmark sustainable initiatives, to tackle barriers and promote opportunities in sustainable finance by incorporating local regulations.

Conclusions

Since the Lisbon Treaty in 2009 and the EU institutional empower in order to deal politically issues domestically and internationally many things have changed, the perception of EU at the international community. The crisis factor became the main trigger from EU, its member states and citizens to discover the limitations and the opportunities of European Community and Institutions. The financial crisis was the first and lasted for long, while Covid-19 and climate change nowadays tests the

[11] See: https://ec.europa.eu/clima/eu-action/european-green-deal/2030-climate-target-plan_en
[12] See: https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/eu-taxonomy-sustainable-activities_el
[13] See: https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/international-platform-sustainable-finance_el

institutional setting and political capability to respond in crisis and uncertain risks such the war now in Ukraine. The traditional role of the state has been challenged and changed towards to a more inclusive approach in international organizations and social stakeholders. Especially for sustainability and human development issues, the collaboration and co-management approach in common goods and risks is a prerequisite even for developed economies and states such as the ones in EU. For sustainable development issues (e.g. climate change, health, peace) and in particular SDGs 2030 the stakeholders engagement and business sector is necessary under a specific policy framework that respects regulation, social norms, ethics and private sector activities at regional level. The latter is the main obstacle and challenge of EU in order to deal with the programming period 2021-2027 and through the use on NGEU recovery plan. The institutional setting of EU wasn't as effective and efficient as EU citizens, member states and stakeholders such (e.g. business sector) wanted, due to the absence of leadership in crisis times and vision towards a common policy enforcement of EU ideals for peace, social security, environmental sustainability and competitiveness.

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