

## Περιφέρεια | Regional Integration: Politics, Economics, Governance

Τόμ. 13, Αρ. 13 (2022)

Περιφέρεια | Region & Periphery - Regional Health and Economic Responses to the COVID Crisis in the EU and Latin America

**ΠΕΡΙΦΕΡΕΙΑ**  
ΕΠΙΘΕΩΡΗΣΗ ΠΕΡΙΦΕΡΕΙΑΚΗΣ ΟΙΚΟΝΟΜΙΑΣ ΚΑΙ ΠΟΛΙΤΙΚΗΣ  
**REGION & PERIPHERY**  
REVIEW OF REGIONAL/PERIPHERAL ECONOMY AND POLICY

ΠΕΡΙΦΕΡΕΙΑ / REGION AND PERIPHERY

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13

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The Editors of the Joint Special Issues  
*Andrea Ribeiro Hoffmann*  
and *Dimitris Katsikas*

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Εκδίδεται με την επιστημονική υποστήριξη του  
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Διακυβέρνησης και Ανάπτυξης του Τμήματος Πολιτικής  
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# ΠΕΡΙΦΕΡΕΙΑ

## REGION & PERIPHERY

Το παρόν τεύχος εκδίδεται με την ευγενική χορηγία της  
ΣΜΕ ΡΕΜΕΝΤΙΟΥΜΚΑΠ  
ΣΥΜΒΟΥΛΟΙ



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# Περιφέρεια

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## Region & Periphery

**Η** *Περιφέρεια* είναι ένα επιστημονικό περιοδικό το οποίο φιλοδοξεί να καθιερωθεί ως ένας χώρος ανταλλαγής επιστημονικών απόψεων αλλά και πολιτικών παρεμβάσεων, σε θέματα που σχετίζονται με την ανάπτυξη της «περιφέρειας» από ιστορική, νομική, θεσμική, πολιτική, κοινωνική, περιβαλλοντική, πολιτιστική, χωροταξική και οικονομική σκοπιά.

Στο περιοδικό μας, ο όρος «περιφέρεια» ενέχει διττή υπόσταση. Αφενός, ορίζεται ως μια συγκεκριμένη περιοχή, η οποία καθίσταται αντικείμενο μελέτης υπό το πρίσμα διαφορετικών προσεγγίσεων των κοινωνικών επιστημών (region). Αφετέρου, νοείται ως ένας χώρος ο οποίος προσδιορίζεται μέσα από την διαλεκτική του σχέση με ένα «κέντρο», ο οποίος μπορεί να βρίσκεται σε εθνικό, ευρωπαϊκό ή διεθνές επίπεδο (periphery).

Κατά την πρώτη έννοια, η ανάπτυξη της περιφέρειας αναφέρεται στην Ήπειρο, την Αττική ή οποιαδήποτε άλλη χωρική μονάδα, μεμονωμένα και ανεξάρτητα. Κατά τη δεύτερη έννοια, αναφέρεται στην αντιδιαστολή της «περιφερειακής» Ηπείρου με την «κεντρική» Αττική, στην ανάπτυξη της Ελλάδας ως ευρωπαϊκής περιφέρειας σε σχέση με τον πυρήνα της Ευρωπαϊκής Ένωσης, ή στην ανάπτυξη μιας χώρας του τρίτου κόσμου σε σχέση με τον ανεπτυγμένο κόσμο. Η θεώρηση αυτή είναι καθοριστική για την ταυτότητα του περιοδικού.

Η *Περιφέρεια* εκδίδεται ως διγλωσσο περιοδικό, δύο φορές το χρόνο, δημοσιεύοντας επιστημονικά άρθρα, τόσο στην ελληνική όσο και στην αγγλική γλώσσα, στοχεύοντας στην ευρύτερη δυνατή εξέταση των θεμάτων που σχετίζονται με την ανάπτυξη της περιφέρειας. Ταυτόχρονα, η *Περιφέρεια* δημοσιεύει πολιτικές παρεμβάσεις, περιλήψεις ερευνητικών εργασιών και βιβλιοκριτικές, ενώ προβλέπεται και η περιοδική έκδοση ειδικών τευχών με συγκεκριμένη θεματολογία και κατά το δυνατό εμπειρισιατωμένη θεώρηση των σχετικών θεμάτων.

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**R**egion & Periphery is an interdisciplinary journal which aims to establish itself as a forum for the exchange of scientific views and political interventions on issues related to regional development from a historical, legal, institutional, political, social, environmental, cultural, spatial and economic point of view.

The English title of the journal comprises two related, but different terms, in order to convey the twofold meaning of the Greek word “*periphēreia*” (περιφέρεια). On the one hand, *periphēreia* refers to a specific geographical area, which becomes an object of social scientific analysis (region). On the other hand, it is conceptualized as a space defined by its dialectic relationship with a “centre”, which can be found at a national, European or international level (periphery).

Thus, under the first conceptualization, regional development refers to an individual and independent analysis of the regions of Calabria or Darmstadt, the federal state of Bavaria, the city of Shanghai or any other spatial unit. According to the second conceptualization, regional development refers to the juxtaposition of the “peripheral” region of Calabria to the “central” region of Darmstadt, the development of Greece as part of the European periphery in relation to the European “core”, or the development of a “third world” country in relation to the developed world. This twofold reading of the word περιφέρεια is central to the identity of the journal itself.

*Region & Periphery* is published bi-annually. It publishes scientific articles in the Greek and English languages, aiming for a wide-ranging coverage of issues related to regional development. At the same time, *Region & Periphery* publishes opinion pieces from policy makers, summaries of postgraduate dissertations and book reviews, as well as periodical special issues dedicated to specific topics of regional development.

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The COVID-19 pandemic constitutes a major health and economic challenge for the entire world. Major crises typically leave their imprint on global and/or regional cooperation. Often, the institutions of cooperation are strengthened in their wake, with the aim of addressing the causes that led to them. During the pandemic international cooperative initiatives were launched in both the health and economic fronts. Thus, for example COVAX, the World Health Organization (WHO)-sponsored cooperative initiative was launched to ensure access to vaccines for the world's poorest countries. On the economic front, central banks in several countries facilitated access to dollars in the international currency market, mitigating exchange rate pressures in the early stages of the pandemic.

On the other hand, crises do not always beget more cooperation. During the pandemic we have witnessed individual states resorting to 'egoistic' policy responses, from attempts to secure medical equipment at the expense of the other countries to conflicts over the production and distribution of vaccines. The issue of vaccines, in particular, is crucial from both a medical and economic perspective. As long as large parts of the population in the world remain without access to vaccines the efforts to eradicate the virus will be undermined. Similarly, the recovery of the global economy will be slower and unbalanced if restrictive measures continue to disrupt economic activity due to lack of access to vaccines. The production and distribution of the COVID-19 vaccines to every person across the globe, irrespective of their economic capacity, in a timely manner, is necessary to win conclusively the fight against the pandemic. The protection of global public health against COVID-19 is a global public good, whose provision depends on the active cooperation of states, international and regional organizations, civil society and pharmaceutical companies around the world.

In Europe, the reaction to the pandemic has raised hopes that the mistakes of the previous crises will not be repeated. Following a few weeks of disputes and delays, the European Union's (EU) response to the pandemic became gradually more coordinated and efficient. The climax of this enhanced cooperation was reached in July 2020, when EU member states were able to agree on the Next Generation EU (NGEU), a plan to support member states in the battle against the pandemic, but mostly to help their economies recover after the crisis, while taking into account EU's principal policy objectives, the green and digital transformations. The NGEU, combined with the prompt, strong and continuous response of the European Central Bank (ECB), an array of other EU-coordinated



measures designed to deliver considerable financial support, and the new EU budget, sent a strong signal of solidarity. Having said that, obstacles and failures continued to inhibit cooperation and to delay the implementation of the policies agreed, at great humanitarian and economic cost. From the drawn-out NGEU negotiations to overcome the objections of certain member states over rule of law conditionalities, to failures of coordination over vaccines' procurement, which at certain points in time raised the prospect of "vaccine nationalism", regional cooperation has been constantly challenged and needs to be supported.

In Latin America and the Caribbean, regional bodies that have mandates and instruments to respond to health and economic crises include the Common Market of the Southern Cone (MERCOSUR), the Andean Community, the Pacific Alliance, the Central American Integration System (SICA), the Community of Caribbean Countries (CARICOM), the Community of Latin American and Caribbean States (CELAC), the Organization of American States (OAS), and the Pan-American Health Organization (PAHO), that serves as the Regional Office for the Americas of the World Health Organization (WHO). However, the proliferation of regional institutions and political polarization during the last decade has fragmented the region, and several organizations are now paralyzed or lost member-states. Despite some initiatives and collaboration with third countries and COVAX, most responses took place at the national or sub-national level, and the role of regional organizations was marginal.

The scientific journals *Revista Contexto Internacional*, published by the Institute of International Relations (IRI) at the Pontifical Catholic University of Rio de Janeiro (PUC-Rio), Brazil and *Region/ Periphery* published by the Research Centre for Economic Policy, Governance and Development (EKOPDA) at the Department of Political Science and Public Administration at the National and Kapodistrian University of Athens (NKUA), Greece, issued a joint call in May 2021 for the submission of original research articles on the theme of: "Regional Health and Economic Responses to the COVID Crisis in the EU and Latin America". The purpose of the call was to attract submissions that investigate the handling of the COVID-19 crisis at a regional level focusing on the EU and Latin America. Articles focusing on the EU were submitted to *Region/ Periphery*, and articles focused on Latin America were submitted to *Revista Contexto Internacional*.

The call was an initiative of the EU Jean Monnet Network Project "Crisis Management-Equity-Democracy for Europe and Latin America", in which IRI/PUC-Rio and EKOPDA/NKUA are partners. The project promotes the comparative study of crises and crises management as well as its socio-economic and democratic implications in Europe and Latin America departing from the

premise that these regions can both learn from their respective experiences on crisis response and the distributive and democratic implications at national and regional levels, as well as from the role of regional hegemons, especially in times of political polarization and increasing nationalism. The project allows the exchange of information and experiences between Europe and Latin America, but also the opening of a bi-regional dialogue on the social and macroeconomic policies and crisis management, providing additional content to the Strategic Alliance the Summits EU-CELAC are supposed to build.

As co-editors we are happy to launch the two Special Issues in July and August 2022. The issues cover a wide array of topics related to the policy and institutional reactions to the pandemic in the EU and in Latin America. In the 21st century, crises of different kinds occur with increasing frequency, affecting not only individual countries, but also entire regions and the world as a whole. In this context, these special issues contribute to a growing literature on the impact of crises on regional cooperation and integration. Their concurrent publication in a comparative format, adds a new and -we believe- valuable perspective to the ongoing analysis.

As a final note, we would like to thank the authors for their contributions and the editors of the two journals who agreed to participate in this innovatory endeavor.

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## **Health and Economic Responses to the COVID-19 Crisis in the EU**

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### **Υγειονομικές και Οικονομικές Πολιτικές για την Κρίση της Πανδημίας στην Ε.Ε.**

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#### **1. Introduction**

**O**n March 11, 2020, the World Health Organization (WHO) characterized the outbreak of the COVID-19 virus, which had started in China in late 2019, as a pandemic (WHO 2020). In the two years that followed, the world has experienced a health crisis of a magnitude not seen since the Spanish flu epidemic in the early 20th century; by the end of May 2022 more than 527 million COVID-19 infections and more than 6.2 million deaths related to COVID-19, had been recorded.

Beyond its devastating humanitarian toll, the pandemic has also had a profound impact on the economy. This did not come as a surprise. The health and economic aspects of an epidemic are intimately related; isolation of infected people to contain dispersion of the virus leads to the disruption of economic activity; increased uncertainty in the face of the economic downturn encourages precautionary saving on the part of consumers and scaling down of business operations on the part of producers, which intensify further the recession (Gourinchas 2020). Things get even worse as the effort of governments to “flatten” the epidemic curve through the imposition of “social distancing measures” leads inevitably to a worsening of the economic impact of the crisis. In such circumstances, authorities need to also “flatten the curve” of the recession by introducing countercyclical economic policies and “shield packages” (Baldwin 2020).

For the European Union (EU) and its member states this dual, health and economic, challenge came at a bad time. The European economy had been gradually recovering from the global financial and eurozone debt crises which had left a legacy of economic problems in many countries, principal among them high levels of public debt. At the same time, the reforms in European economic governance promoted during and in the aftermath of the crises, focused on strength-

ening national fiscal discipline and surveillance. Calls for supranational fiscal capacity and the creation of a European safe asset had not progressed. Thus, the EU continued to lack common fiscal and/or debt instruments to cope with a future crisis. Moreover, in countries that underwent economic adjustment, either through the implementation of formal bailout programmes or due to market pressure, public expenditure had been substantially reduced in many policy areas (Di Mascio and Natalini 2015; Randma-Liiv and Kickert 2016), including in public health (Thompson et al. 2015). Under these circumstances and given that healthcare has always remained in the hands of national governments, with EU having limited competence over this policy area (Brook and Geyer 2020), EU prospects when the pandemic broke out seemed bleak.

Concern over EU's ability to handle the crisis climaxed during the early weeks of the pandemic, as Europe rapidly became its epicenter, with the number of cases and deaths rising fast, particularly in Italy and then Spain, two countries that had been heavily affected by the previous economic crises. The initial reactions increased uncertainty further and fueled speculation of a new deep crisis in Europe, as coordination was poor and national strategies prevailed, often carrying a distinct beggar-thy-neighbor flavour (Renda and Castro 2020).

In health, several countries sought to address the escalating crisis by imposing border closures and travel restrictions and tried to retain key resources for fighting the pandemic, such as medical material and protective equipment, through export bans (Brooks and Geyer 2020). Such practices not only delayed a more effective and coordinated response against the virus, but also threatened the integrity of the single market. Coordination at the EU level was also poor as the European Centre for Disease Control and Prevention (ECDC) was late in acknowledging the true dimensions of the crisis due to the slow and inadequate flow of information by the member-states, while the Health Security Committee (HSC), the EU's principal coordination mechanism, was slow to react due to member states' irregular and poorly prepared input (Beaussier and Cabane 2020).

In the economy as well, things did not start well. The measures initially announced by the European Commission and the European Investment Bank (EIB) were well below 100 billion euros, less than 0.5 per cent of the EU's GDP, which compared poorly to the United States' 1.2 trillion dollars fiscal intervention during the same period. Unavoidably, the response was bolder at the national level; the activation of the general escape clause was an unprecedented but necessary move, as lacking EU funding, national governments had to undertake major direct fiscal interventions and liquidity supporting measures, which combined, surpassed on average 20 per cent of member states' GDP (Centeno 2020).<sup>1</sup> Progress on a supranational solution seemed again to hit an impasse, as on the

26th of March Germany and its allies rejected the request of nine European leaders, representing among others, the vulnerable countries of the South, for a ‘common debt instrument’. The decision was followed by a spat between the Portuguese Prime Minister and the Dutch finance minister. The divide between the South and the “frugal North” had once again come to the fore. The drama climaxed as the Eurogroup, assigned by the European Council to come up with new proposals, failed to do so at its meeting on 7 April.

Fortunately, on the monetary policy front, the European Central Bank (ECB) took advantage of its independent status and reacted rapidly. Initially, it added 120 billion euros to its existing Asset Purchasing Programme (APP) to support the prices of assets (including sovereign bonds). At the same time, it launched a new emergency refinancing operation to provide liquidity to the banking sector and expanded the volume of an already scheduled refinancing operation, adding 1 trillion euros of available funds at extremely low (negative) rates. The ECB’s major move came on 18 March with the announcement of a 750 billion euros Pandemic Emergency Purchase Programme (PEPP) with increased flexibility in terms of asset class, maturity and country limits. The PEPP had a strong positive effect on the bond yields of southern member states in the secondary markets, providing some relief against mounting pressures. The volume of the PEPP was later extended to 1.850 trillion euros and its duration extended until early 2022.<sup>2</sup> By the end of 2021 the ECB had 1.6 trillion euros worth of assets on its balance sheet.

Under the increasing pressure of the crisis, cooperation among member states gradually improved and the European institutions seized the momentum to push for a bolder and more active handling of the crisis. With the exception of Sweden, governments seemed to adopt a common virus suppression strategy and realized the need for better coordination to improve its effectiveness (Alemano 2020a). From late March, the European Commission released a series of guidelines and recommendations to coordinate the actions of the member states, proceed with collective procurement of necessary material and plan the next steps, including an “exit strategy” from the strict lockdown measures in view of the summer season. At the same time, the ECDC and the SCH began operating much more efficiently (Brooks and Geyer 2020).

On the fiscal front, progress was also recorded, as a compromise was finally reached at the Eurogroup on 9 April. It was based on a multi-pronged response which included SURE, a 100 billion euros mechanism organized by the European Commission to mitigate the impact of the crisis on the labour market, funded by debt issued by the EU based on state guarantees; a 200 billion euros scheme run by European Investment Bank (EIB) for the provision of private sector loans

by the financial system, also based on state guarantees, and a new 240 billion euros (2% of the member states' GDP as of end-2019) credit line from the European Stability Mechanism (ESM) to support domestic financing of direct and indirect healthcare, cure and prevention-related costs due to COVID-19.

While important, the agreement was clearly not enough in terms of size, particularly in view of the very negative growth projections at the time. The breakthrough came when Germany shifted its position; on the 18th of May, Germany and France proposed the creation of a 500 billion euros fund, to be disbursed in the form of grants. Based on the Franco-German plan, the European Commission presented a week later the Next Generation EU scheme, which called for a 750 billion euros recovery instrument, of which 500 billion euros in the form of grants and 250 billion euros as loans (European Commission 2020a). According to the proposal, these funds would be sourced by the European Commission on behalf of the EU, in the markets, based on state guarantees for an increased 'headroom', i.e., the difference between the 'Own Resources' ceiling of the EU budget and the actual spending agreed in the budget negotiations. In particular, the Commission proposed to increase the own resources of the European budget, using a combination of different policies, such as the introduction of a 'digital tax' for large companies, the implementation of the 'carbon border adjustment mechanism' included in the Commission's Green Deal, as well as the extension of the European emissions trading scheme. The repayment of the bonds was proposed to start after 2027 and be completed by 2058.

Following two months of intense behind-the-scenes talks between the proponents of the plan and the so-called 'frugal four',<sup>3</sup> and an arduous five-day negotiation, the European Council finally reached an agreement on the Next Generation EU on the 21st of July. Despite its shortcomings (principal among them a substantial reduction of the share of grants to 390 billion euros), the agreement endorsed all the major components of the Commission's proposal. The agreed plan introduced several new and ambitious elements that broke new ground, making it, potentially, a catalyst for further European integration. On the other hand, beyond its limitations, the plan, as has repeatedly been stressed by representatives of the group of fiscally conservative countries, is an ad hoc, temporary, and extraordinary strategy to deal with an emergency.

In the area of health too, more ambitious steps were gradually taken, from the EU4Health public health programme to strengthen European health systems, to the EU vaccines strategy, which ensured the equitable provision of vaccines against COVID-19 for all member-states irrespective of size or fiscal capacity (Katsikas and Fasianos 2021), to the European Commission's proposal for a European Health Union (European Commission 2020b), aspects of which,

like a new European Health Emergency Preparedness and Response Authority (HERA) and the European Health Data Space, are already being implemented.

This brief overview shows that despite problems reminiscent of past failures in the early stages of the pandemic, soon -very soon compared to past crises- the EU and its member states were able, not only to coordinate in order to provide effective policy responses, but also to modify and extend the mandate of existing institutions and establish new ones, broadening and deepening European integration in several policy areas. Academic scholarship has already started inquiring into these institutional and policy shifts and their impact on European integration (Wolff and Ladi 2020; Alemanno 2020b; Jones et al. 2021). A host of questions has been raised. Has the pandemic been a critical juncture for European integration? How did the experience of previous crises affect the handling of the pandemic? Is the EU more prepared now to handle future crises? Has the pandemic intensified or moderated the trend towards politicization in policy making at the national and European levels? Has EU's handling of the crisis remedied the damaged trust of European citizens after the previous economic crises? Are the institutional changes introduced incomplete, and if so, is their 'incompleteness' paving the way for the next crisis?

The objective of this special issue is to examine different aspects of EU's reaction to the health and economic challenges of the pandemic. The findings will hopefully contribute to a growing literature analyzing its dynamics and impact on EU integration.

## 2. Outline of the special issue

The special issue comprises four research articles. The first two, by Chantzaras and Yfantopoulos and Papadonikolaki and Souliotis respectively, focus primarily (but not exclusively) on the health aspects of the pandemic crisis in the EU, while the next two articles by Andreou and Kolliopoulos, focus more on economic and governance aspects of the EU's reaction to the pandemic.

More specifically, the article by Chantzaras and Yfantopoulos examines the evolution of the COVID-19 pandemic in the EU and contrasts the virus' impact in terms of infections and deaths with the governments' policy reactions, with an emphasis on Southern Europe. Starting from the premise that beyond humanitarian consequences, health crises also have significant economic implications both for countries as a whole and for different socio-economic groups, the authors try to relate the stringency of governments' reactions to the economic impact of the pandemic in terms of GDP lost. Chantzaras and Yfantopoulos review statistical data that show differentiations between countries in the EU in general,



but also among south European countries in particular, especially after the first and second waves of the pandemic. Reviewing the impact of the crisis in terms of GDP, the authors note that the UK and the countries of Southern Europe were worst hit. Next, the authors review data from the Oxford COVID-19 Government Response Tracker to assess the policy reactions of 30 European governments in 2020. The data show that the south European countries and Ireland had the higher scores in terms of stringency of the measures employed to contain the pandemic. Moreover, most of them (with the exception of Italy), accompanied the highly restrictive measures -which impact negatively the economy- with economic support measures. Interestingly, the correlation analysis that they perform, shows little connection between the different indicators of government response and the course of the pandemic in terms of infection and death rates. This finding, according to the authors, indicates that the policy responses were not primarily dictated by the actual course of the pandemic. South European countries in particular, which imposed the most restrictive measures and sustained the biggest GDP losses, may have chosen this approach to ensure the containment of the virus, fearing that failure to do so would lead to a collapse of their already fragile -from the previous crises- health systems.

The article by Papadonikolaki and Souliotis provides an overview of the health strategies employed by different EU member-states vis-à-vis the pandemic, as well as a discussion of EU's main initiatives on both the health and economic dimensions. Noting the adverse legacy of the global financial and eurozone debt crises on many EU member states, the authors point to the different levels of preparedness for a health emergency across the EU. They proceed to review and categorize the different health strategies of the EU member states, with a focus on the early stages of the pandemic. In this context, they identify three basic strategies, assigning different countries in the respective categories. The first strategy, adopted by the Nordic and Baltic countries was characterized by a rapid, but not too stringent response, coupled with strong communication and economic support elements. The second strategy followed mainly by the UK and Sweden, was a strategy of "herd immunity", which entailed few restrictive measures and mild recommendations. Finally, a third group of countries introduced restrictive measures early on, including lockdowns. However, some of them (e.g., Italy, Spain and France) did so only after experiencing dramatic increases in mortality rates and high pressure in their health systems, while others (e.g., Germany and Greece) did so before reaching high infection and mortality rates. Focusing at the regional level, the limited competency of the EU in matters of health policy and the rapid pace of the pandemic's expansion, led some member states to adopt beggar-thy-neighbor measures in the early

stages of the pandemic with a view to ensuring adequate supply of medicinal and pharmaceutical material. That was a threat to the EU's cohesion, but fortunately one that was quickly addressed. Lessons and institutional capabilities inherited from previous health crises like SARS and H1N1, allowed better cooperation, while the European Commission assumed a very active role early on. As the authors note, the crisis pushed European integration a step further, with the agreement on NGEU, but also with the establishment of new funding programmes and institutions in healthcare, opening the way for more regional integration in this crucial policy area.

The next article, by George Andreou, shifts the focus of the analysis from the health policy aspects of the pandemic to the financial, strategic and operational aspects of EU's reaction. More specifically, Andreou's article examines the new "integrated" budget of the EU, which comprises both the Multiannual Financial Framework (MFF) 2021-27 and the new Next Generation EU mechanism introduced to address the consequences of the pandemic. Given that the Next Generation EU and particularly the Resilience and Recovery Facility (RRF), its core instrument both in terms of policy orientation and funding means, have been hailed as a major step towards increased European solidarity, Andreou examines how these new facilities have affected the cohesion policy, EU's traditional solidarity tool. The author offers a critical overview of the evolution of EU's cohesion policy from its inception in the 1980s until the last programmatic period (2014-2020) before the pandemic. He documents significant changes in both the objectives and means of cohesion policy, particularly after 2006. These changes have altered the redistributive orientation of cohesion policy, by reducing its financing and linking it increasingly with other EU goals, such as those laid out in the Lisbon and EU 2020 strategies (which include increased competitiveness and smart, sustainable and inclusive growth) and to the exigencies of EU's broader economic governance, through coordination mechanisms such the European Semester and increased conditionalities. According to Andreou, the new integrated EU budget of the pandemic, continues and intensifies the previous trend. In fact, the author argues, the RRF represents a radical re-interpretation of the cohesion concept in the EU, as for the first time a facility is introduced in the name of solidarity, which however serves to fund a number of other sectoral policies and strategic goals, like the digital and green transitions, health and economic resilience and policies for the next generation. At the same time, the new mechanism is placed and operates alongside the "old" cohesion policy structure. Given the differences in their operational procedures and their objectives this has effectively created a dual structure which produces a heterogeneous and potential incoherent "cohesion and resilience policy space".

The article by Kolliopoulos deals with a different aspect of the NGEU project. In particular, the author examines legitimacy aspects of the operation of the RRF. Kolliopoulos notes that during the eurozone debt crisis bailout agreements had been accompanied by strict external conditionality. The bailout conditionality put emphasis on technical aspects of policies to produce desired outcomes, and neglected more political aspects, undermining thus the legitimacy of the EU. While the RRF, also includes certain conditionality parameters, its conditionality is characterized as “light” compared to that of the eurozone crisis, as it is based on countries’ own recovery and resilience plans, developed domestically. In principle, this could be an opportunity to improve the legitimacy of the EU, through the involvement of domestic stakeholders in the drafting of the National Recovery and Resilience Plans (NRRPs). To determine whether this opportunity has been exploited, the author reviews four available reports by European organizations, which conducted surveys on public and stakeholder involvement in the drafting of NRRPs. The conclusion of this tentative ‘meta-analysis’ shows that on the whole, public consultation (covering civil society organizations, regional and local governments and the public at large) during the drafting of the NRRPs was limited and that the latter was often characterized by lack of transparency and publicly available information. This situation seems to have undermined public confidence in the merit of the NRRPs, and in some countries, mistrust and confrontation over the distribution of the funds degenerated into full blown political crises. As a result, Kolliopoulos asserts that a significant opportunity was missed to remedy some of the damage done to EU’s legitimacy during the previous crisis.

### **3. European integration from crisis to crisis**

**T**he findings described in the brief overview of the articles relate to several of the issues raised by the literature. The article by Papadonikolaki and Souliotis raises the issue of the previous crisis’ legacy and its impact on the preparedness of the different national health systems to deal with the crisis. The strict conditionality imposed on many countries during the economic crisis of the previous decade -with an emphasis on fiscal consolidation- undermined the capacity of their healthcare systems, affecting, at least to some extent, their strategy against the coronavirus. As the article by Chantzaras and Yfantopoulos shows, this may have imposed unnecessarily high costs to the economy and society as some countries sought to take more restrictive measures as a pre-cautionary strategy to deflect pressure from their healthcare system.

On the other hand, it is also clear that the experience of previous crises improved the reaction at the regional level. This is most evident in the ECB’s reac-

tion; the ECB seized very quickly on its previous experience with unconventional monetary policy and implemented sizable new programmes which gave European governments and businesses significant breathing room at the beginning of the crisis. This and other examples, clearly point to shifts in policy as a result of lessons learnt from the previous crisis (Ladi and Tsarouchas 2020). Moreover, it seems that lessons were learned from previous health crises as well, such as the SARS and H1N1 outbreaks; institutional innovations introduced in their wake, such as the ECDC and SCH were leveraged in the pandemic crisis and gradually their role and their resources increased.

This would seem to verify Jean-Monnet's oft-quoted assertion that European integration will progress through its reaction to the crises it will face. While certainly true to some extent, there is a need for caution here, as crises are not the only way forward for the EU, while they may not necessarily lead to integration deepening (Jones et al. 2021). In the case of the pandemic, it is clear that some of the initiatives undertaken are temporary, others permanent but minor, while others are more substantial and carry the potential for paradigmatic change, that is, change, which alters the objectives and rationale of the institutions affected. Andreou's article in particular, demonstrates that even important elements of the most radical initiative undertaken during the pandemic, the Next Generation EU, follow a path dependent course, and instead of revising, actually reinforce previous trends. This, as Andreou notes, has led to an expanded but incoherent policy space, which may prove problematic in the future, along the lines of a "failing forward" explanation (Jones et al. 2021)

On the other hand, not all changes need to follow such a pattern; it is evident for example, that certain aspects of the Next Generation EU, like those related to the changes in EU's own resources and the budget, are more likely to become permanent and may have profound effects on future steps of European integration (Katsikas 2021). This is because, the nature of the shock this time, more exogenous, symmetrical and related to a humanitarian crisis, led to different preferences for its solution while different people were involved in the negotiations (Rhodes 2021). External shocks are not all the same, and preferences over solutions in previous crises, may not be replicated in future crises, as EU's recent reaction to the Russian invasion of Ukraine clearly demonstrates.<sup>4</sup>

Another interesting point related to the duration of this crisis' legacy, is raised in the article by Kolliopoulos. The way the eurozone debt crisis was handled undermined trust in the EU in many countries; this deficit in trust remained even after the end of the crisis (Verney and Katsikas 2020). Kolliopoulos argues that the involvement of domestic stakeholders could moderate this damage and increase the legitimacy of the EU going forward. The apparent failure to do so, is a missed opportunity whose impact will be felt in the future. On the other hand, it cannot

be denied that EU's legitimacy received a boost during the pandemic crisis due to the way its economic consequences were dealt with. The size of the financing of the Next Generation EU scheme and its characteristics -distributing a substantial part in the form of grants and sourcing it through the issue of common debt- represent a clear signal of European solidarity, while programmes like SURE, helped shield the European labour markets from the worst outcomes. Overall, the recession in 2020, despite its size did not have the same adverse economic and social impact of the previous crisis and recovery in 2021 was swift and strong.

A final note about the role of technocracy and the politicization of policy making. While as Schmidt (2020) notes, there was politicization of the crisis at the top in the early stages of the pandemic, reminiscent of certain moments in the previous crisis, technocracy clearly took over in this crisis, as scientists and public health experts dictated the policy agenda and the policy tools to be used. Still, it is interesting to note the finding by Chantzaras and Yfantopoulos that there seems to be no correlation between the course of the pandemic in terms of infection and death rates and the restrictiveness of the measures undertaken by the authorities. While this is very likely, to some extent, due to the different preparedness state of national healthcare systems, as noted above, this lack of correlation coincides with Alemanno's (2020) argument about policy emulation after a point, i.e., the fact that countries converged on a risk-averse epidemic suppression strategy, despite the fact that there was little robust knowledge on this issue and there was still a lot of uncertainty surrounding the scientific data. This argument has obvious implications for evidence-based policy making in circumstances of increased uncertainty and alludes to subtle, unacknowledged political aspects of technocracy.

All in all, the articles in this special issue provide further evidence of the complex and multifaceted nature of crises and the challenges they raise for regional integration. As the EU is already facing another major crisis, while COVID-19 continues to be present, it is imperative to draw policy-relevant lessons from such experiences.

## Notes

1. An equally important measure was the relaxation of state-aid rules, which allowed governments to help ailing businesses.
2. On the 16th on December 2021 the ECB decided to end the programme by the end of March 2022 due to the strong recovery of the European economy and the rising inflation pressures. In March 2022 the ECB announced its decision to also conclude its previous asset buying programme, APP, in the third quarter of the year, as inflation pressures increased substantially due to the war in Ukraine.

3. The ‘frugal four’ are: Austria, Denmark, the Netherlands, and Sweden. Shortly after the announcement of the Franco-German proposal they circulated their own counterproposal, which insisted on loans instead of grants, accompanied by conditionality, and explicitly rejected debt mutualization. During the European Council negotiations, the ‘frugals’ became five, as Finland joined their position.
4. In the Russian invasion in Ukraine crisis, we observe a different pattern, where the initial reaction of the EU strong, but it gradually shows signs of weakening as the economic and therefore political costs of previous and new sanctions rise and domestic support for the measures may start to wane.

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## **The impact of COVID-19 pandemic and its associations with government responses in Europe**

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### **Abstract**

**A**lthough stringent containment strategies are generally effective in slowing COVID-19 transmission, they also entail severe socioeconomic implications. This study uses aggregated data from Eurostat and the Oxford COVID-19 Government Response Tracker (OxCGRT) to quantify changes in GDP and their association with the stringency index. We examine the evolution of Covid-19 cases and deaths per 100.000 thousand inhabitants in Europe and discuss the impact on the economy. On average, EU member states witnessed a 11.4% reduction in their GDP, due to the COVID-19 crisis. The impact on the southern member states was even greater. We use OxCGRT methodology to rank the European countries on their performance against COVID-19 on the base of four aggregate indices referring to: i) the overall government response, ii) containment and health measures, iii) the stringency index and iv) economic support measures. It is shown that the southern European states and Ireland, top the rankings in terms of the stringency of the implement strategies to contain the pandemic.

**KEY-WORDS:** Pandemic, COVID-19, OxCGRT methodology, economic impact, response measures, Europe, South Europe.

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## Οι επιπτώσεις της πανδημίας COVID-19 σε σχέση με τις κυβερνητικές πολιτικές στην Ευρώπη

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### Περίληψη

**Α**ν και οι στρατηγικές περιορισμού της πανδημίας είναι γενικά αποτελεσματικές στην επιβράδυνση της μετάδοσης του COVID-19, συνεπάγονται επίσης σοβαρές κοινωνικοοικονομικές επιπτώσεις. Η μελέτη αυτή χρησιμοποίησε μακροοικονομικά στατιστικά στοιχεία από την Ευρωπαϊκή Στατιστική Υπηρεσία (Eurostat) και το Oxford COVID-19 Government Response Tracker (OxCGRT) για να διερευνήσει την συσχέτιση μεταξύ του ΑΕΠ και του εύρους των πολιτικών πρόληψης και δημόσιας υγείας που υιοθετήθηκαν στις Ευρωπαϊκές χώρες. Εξετάζοντας τις επιπτώσεις του COVID-19 στην οικονομία διαπιστώθηκε ότι κατά μέσο όρο οι χώρες της Ευρωπαϊκής Ένωσης (ΕΕ-27) αντιμετώπισαν μια μείωση στο ΑΕΠ λόγω της πανδημίας κατά 11.4%. Οι οικονομικές επιπτώσεις στις χώρες της Νότιας Ευρώπης ήταν ακόμη πιο βαριές. Χρησιμοποιούμε τη μεθοδολογία OxCGRT για να κατατάξουμε τις ευρωπαϊκές χώρες ως προς την απόδοσή τους έναντι του COVID-19 με βάση τέσσερις συγκεντρωτικούς δείκτες που αναφέρονται: i) στην κυβερνητική ανταπόκριση, ii) στα μέτρα περιορισμού για την υγεία, iii) στον δείκτη αυστηρότητας και iv) στα μέτρα οικονομικής στήριξης. Διαπιστώνεται ότι οι χώρες της Νότιας Ευρώπης, συμπεριλαμβανομένης της Ιρλανδίας, κατατάσσονται στο υψηλότερο επίπεδο απόδοσης λόγω των αυστηρότερων στρατηγικών που εφαρμόστηκαν για τον έλεγχο και τον περιορισμό της πανδημίας.

**ΛΕΞΕΙΣ-ΚΛΕΙΔΙΑ:** Πανδημία, COVID-19, OxCGRT μεθοδολογία, οικονομικές επιπτώσεις, μέτρα αντιμετώπισης, Ευρώπη, Νότια Ευρώπη.

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## 1. Introduction

The COVID-19 pandemic was initially identified in Wuhan China in December 2019, and the virus spread across the world in an unprecedented manner. COVID-19 became soon a global public health issue. After the economic crisis of the 2010s the European economy was confronted with another economic recession which led to rising unemployment, civil unrest, and strict quarantine laws and policies to mitigate the spread of SARS-CoV-2 (Yfantopoulos and Yfantopoulos 2015, Yfantopoulos 2020). The pandemic brought economic uncertainty, social isolation, and disruption of daily lives (Donnelly and Farrina 2021). Since the outbreak of the pandemic and up to the beginning (2nd) of February 2022, there have been recorded globally, by the WHO dashboard, 377 million confirmed cases, and 5.7 million deaths (WHO Dashboard 2022). The corresponding figures for the European region are 146 million cases and 1.8 million deaths.

COVID-19 has revealed long standing health and economic inequalities among income groups, countries, and regions and problems of access to health services (Public Health England 2021). Health systems across the world confronted critical challenges due to overload in the capacity of health services and the excess demands for health personnel. Analyzing the impact of COVID-19 across the European countries we witness disproportional economic and psychological effects among the richer and poorer social groups as well as among the northern and the southern European states. The pandemic showed early on the need for swift and wide-ranging policy responses to contain the evolving health crisis (Di Longet al. 2021).

Although government strategies varied substantially across countries the mitigation measures generally involved limiting human mobility (e.g., travel restrictions and quarantines), physical distancing measures (e.g., forbidding mass gatherings), closures (e.g., of schools, public spaces and businesses) and public health interventions (e.g., mandatory mask-wearing and population-scale testing) (Souza et al. 2021, Cross et al. 2020). Even though these restrictions were broadly effective in slowing viral transmission, they were also slowing down the economies of most countries (Decerf et al. 2021, Bessell 2021). As the economic cost of 'flattening the epidemic curve' continued to accrue, several scientists, policymakers, and parts of society began questioning the rationale of imposing strict non-pharmaceutical measures that produce negative effects on the economy (Cross et al. 2020, Decerf et al. 2021). Hence, the health crisis was accompanied by an economic shock and the world has had to consider flattening both the pandemic and the recession curves at the same time.

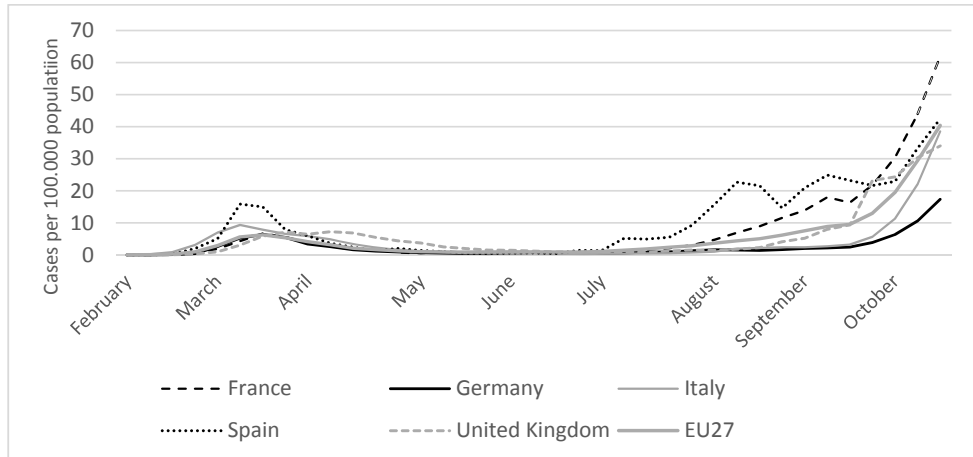
On top of that, it is by now abundantly clear that health risks are not the only consequences related to the COVID-19 pandemic that are unequally distributed across countries and population groups (e.g., older individuals and those with pre-existing chronic diseases are at higher health risk). In addition, this ‘black swan’ event is also associated with unequally experienced knock-on socio-economic effects (Decerf et al. 2021, Bessell 2021, Cuesta and Pico 2020, Laborde et al. 2021). More specifically, the most economically disadvantaged groups of society are particularly vulnerable to the economic consequences of the pandemic and the policy responses that ensued (Patel et al. 2020, Anser et al. 2020, Rammelt 2020). The purpose of this study is to examine the trends of the COVID-19 virus in Europe with an emphasis on the southern European countries and explore the associations between different types of responses to the pandemic (strictness, economic support) and the overall economic performance measured with GDP as an aggregate indicator.

## **2. The health impact of COVID19 in European countries**

**T**he first statistics on reported cases and deaths due to covid-19 in Europe started to be recorded in February 2020. The virus, after a mild phase with few cases and deaths, spread very rapidly across Europe infecting initially northern European countries, like the U.K., Belgium, France, and the Czech Republic, which had high confirmed cases per million people, but also Italy and Spain (Figure 1).

During that time, several public health measures were adopted by governments aiming at an effective control of the spread of the virus. From late August onwards, after the gradual withdrawal of health measures during the summer there was an exponential increase in the number of infections (Figure 1). Southern and eastern European countries did not experience the same trends in COVID-19 infections as northern European countries.

**Figure 1. Evolution of COVID-19 cases, in selected EU Countries 2020**



Differences in the spread of the virus have not only been observed between the northern versus the southern EU member states but also within the European South. Figures 2 to 5 provide updated evidence on the trends (seven days moving average) of reported cases and deaths from COVID-19, standardized per 1 million of population for four southern European states (Greece, Portugal, Spain, Italy). The period under consideration is January 2020 until end of January 2022. Comparing the evolution of deaths (black lines) with the evolution of cases (solid blue areas) we observe different epidemiological profiles in terms of the number of waves and their duration. Greece (Figure 2) appears to have a different profile compared to the rest of the southern European countries with four peaks in deaths and five in cases. In total 1.74 million cases and 22,366 deaths have been recorded in Greece. Portugal (Figure 3), appears to portray an interesting epidemiological profile with an impressive control of deaths and cases (only one peak of deaths and three peaks of cases were recorded). The total number of COVID-19 cases in Portugal is 2.06 million and 19,447 deaths. Spain (Figure 4) and Italy (Figure 5), suffered more severe effects of the virus on the corresponding populations, with six peaks in Spain and four peaks in Italy in the number of reported COVID-19 cases. Both countries achieved an overall control in the evolution of deaths with declining trends. The number of recorded cases in Spain reached the level of 8.83 million and in Italy 9.42 million. The corresponding number of deaths is 91,599 in Spain and 142,590 in Italy.

Figure 2. Evolution of COVID-19 cases and deaths per 1 million of population, Jan. 2020-Jan. 2022: Greece

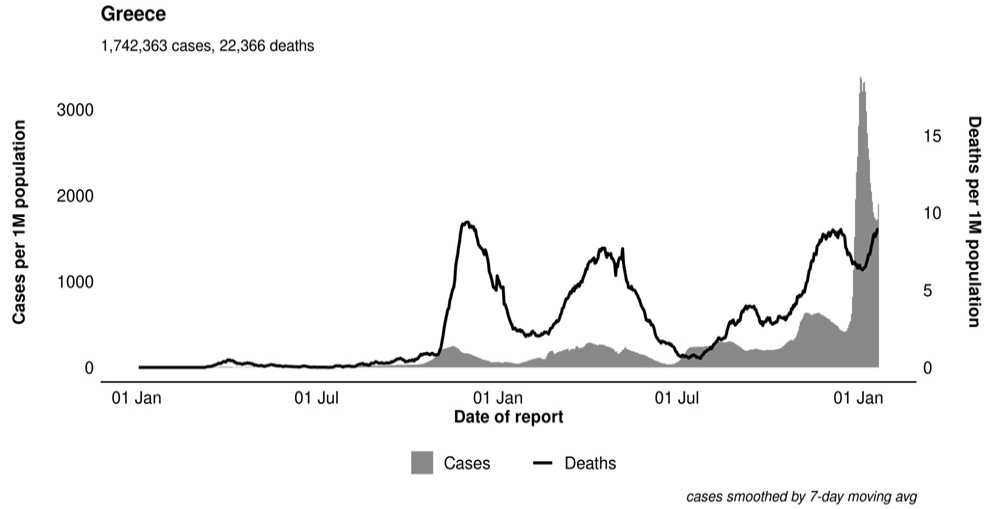


Figure 3. Evolution of COVID-19 cases and deaths per 1 million of population, Jan. 2020 – Jan. 2022: Portugal

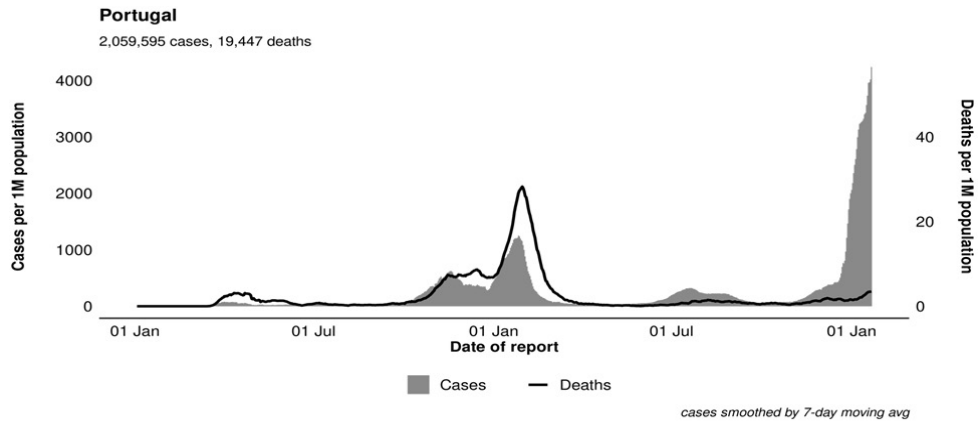


Figure 4. Evolution of COVID-19 cases and deaths per 1 million of population, Jan. 2020 – Jan. 2022: Spain

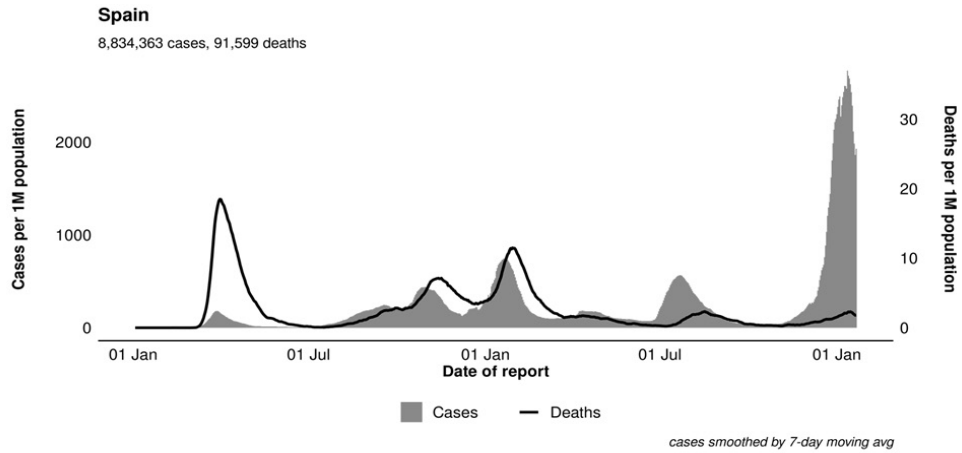
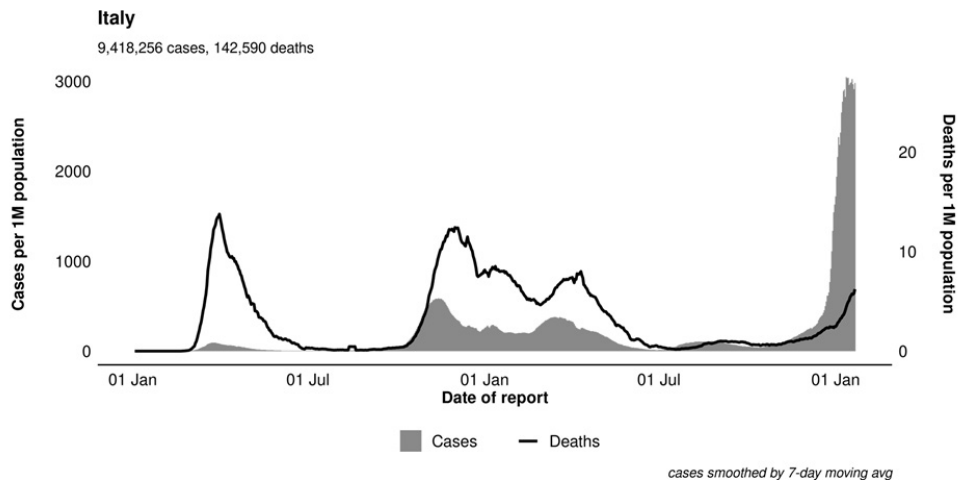


Figure 5. Evolution of COVID-19 cases and deaths per 1 million of population, Jan. 2020 – Jan. 2022: Italy





### 3. The Stringency Index

Following the evolution of pandemic cases and deaths in the southern European countries is worth investigating further the response of these governments to different viruses' waves. We will make use of the stringency index which is a composite indicator developed by a multidisciplinary team of experts at Oxford University. Its aim is to assess the Government responses to corona virus outbreaks since January 2020. The Oxford COVID-19 Government Response Tracker (OxCGRT) consists of nine indicators related to school and workplace closures, travel bans and other containment measures. It takes values from 0= no measures to 100 = strictest measures. Figure 6 portrays the evolution of the stringency index in Greece and Italy and Figure 7 the corresponding values in Portugal and Spain over the period of two years (January 2020 to January 2022). Greece and Italy present similar trends in the stringency index (see Figure 6) as do Portugal and Spain (Figure 7).

At the first stage of the pandemic, as soon as the first COVID-19 cases were recorded during January 2020, and until late March 2020, all southern European countries implemented drastic mitigation measures. The governments introduced full lock down including closures of restaurants, cafes, theaters, cinemas, cultural events and education sites. The values of stringency index varied from 85 in Portugal and Greece to 95 in Italy. After April 2020 and until November 2020 a gradual relaxation of measures was introduced allowing an openness to the economy and society with reopening of businesses, schools and cultural activities. The stringency index reached the level of around 40 in Spain and Greece. The relaxation of measures in all southern European countries was accompanied with several public health measures including mandatory COVID-19 testing, use of masks in public spaces and other safety measures.

As the number of cases and deaths increased during the winter of 2020 a new set of stringent policies were introduced until end of May 2021 followed by a gradual removal during the summer of 2021. From September 2021 onwards and until the end of January 2022 Greece and Italy adopted severe containment measures to control the excess deaths and cases of COVID-19. The value of the stringency index doubled in Greece from 42 at the end of August 2021 to 81 during the winter of 2021 and until January 2022 (Figure 6). Portugal and Spain portrayed a gradual reduction in the value of their stringency index fluctuating around 40 (Figure 7). These differences may be attributed to the success of the vaccination programmes implemented in these countries. Examining the evolution of vaccination programmes implemented in the southern European countries we witness a successful vaccination programme in Portugal with a vaccination rate of 90%, followed by Spain (81%), Italy (77,5%) and Greece (68,2%).

Figure 6. The stringency index in Greece and Italy, Jan. 2020 – Jan. 2022

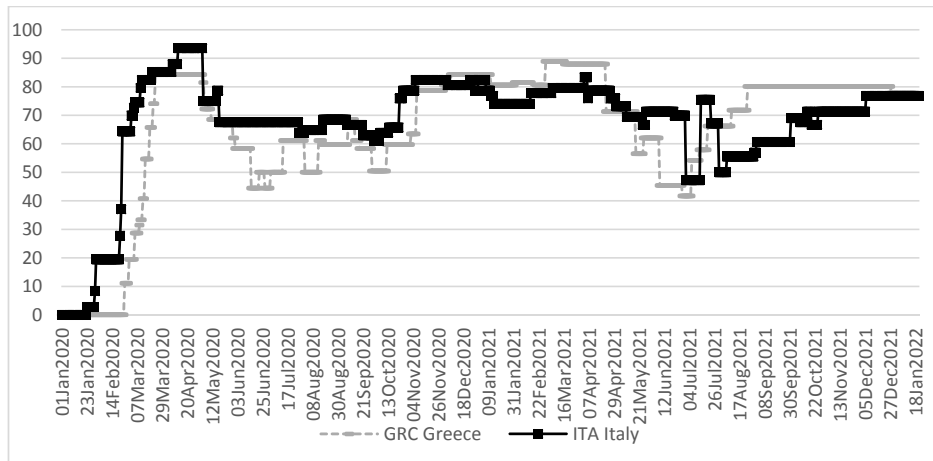
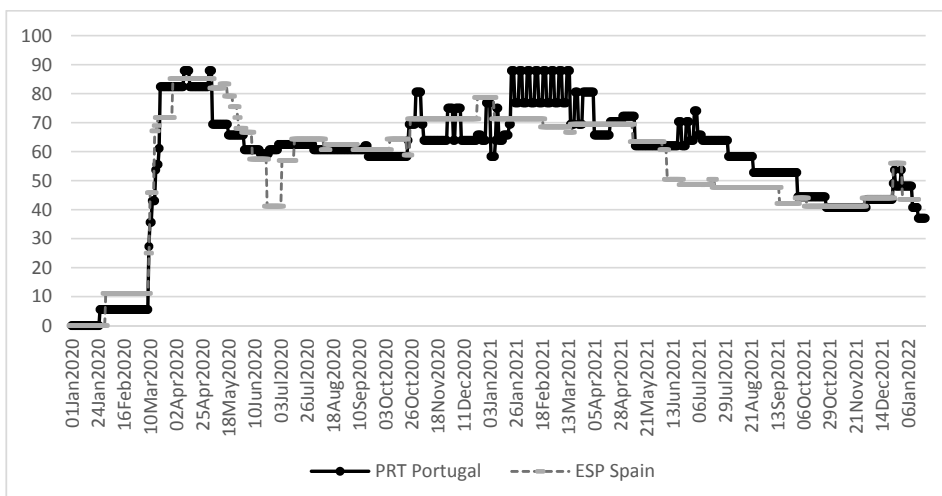


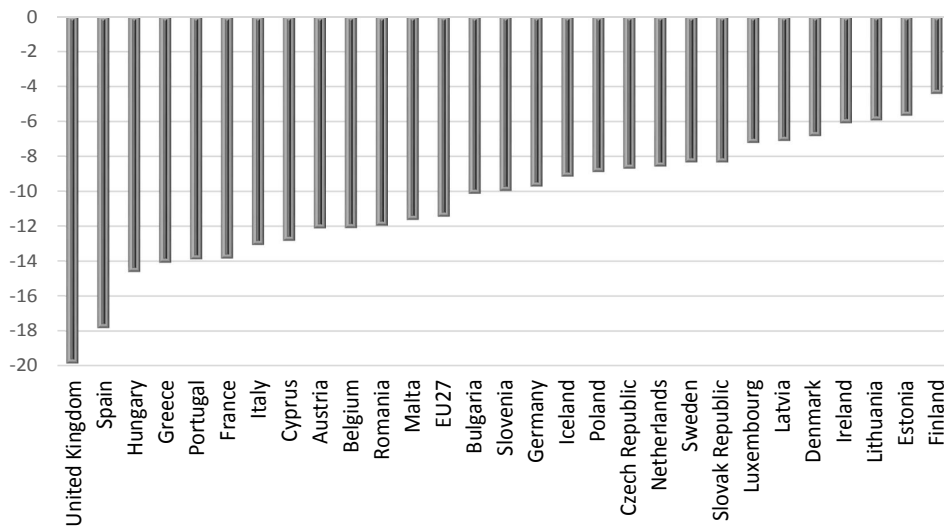
Figure 7. The stringency index in Portugal and Spain, Jan. 2020 – Jan. 2022



#### 4. The economic impact of COVID-19 in European countries

In the literature on health economics it has often been argued that there is a close relationship between health and economic crises (Chantzaras and Yfantopoulos 2018). Examining the impact of COVID-19 on the economic growth of the European States we can see from Figure 8 that all countries experienced negative economic growth in the second quarter of 2020. On average, the reduction of GDP in the EU-27, due to the COVID-19 crisis was 11.4%. The United Kingdom and the European South were severely affected with 20% per cent reduction of GDP in the U.K, and 17% in Spain, 14% in Greece and Portugal and 13% in Italy. The Scandinavian countries were less affected with reductions in their GDP of around 5%.

Figure 8. The impact of COVID-19 on economic growth in European countries, 2nd quarter, 2020



## 5. European governments' responses to the pandemic

In order to assess the impact of the European Governments' responses to the COVID-19 pandemic we will make use of a set of indicators developed by Oxford University. The aggregate data used in this study were collected from two major sources: i) the Oxford COVID-19 Government Response Tracker (OxCGRT) (Hale et al. 2021) and ii) Eurostat (Eurostat 2021) databases. The OxCGRT uses a wide range of indexes ranging on a scale from 0 to 100, with higher scores indicating a stronger policy response to the pandemic. However, it should be noted that a higher score does not necessarily reflect the degree of appropriateness or effectiveness of a country's response. We will focus on four composite indicators: i) the economic support index, ii) the stringency index, iii) the containment health index and iv) the government's response index.

The **economic support** index provides a measure of overall financial assistance to households (i.e., income support to individuals who lost their jobs or cannot work, and debt relief).

The **stringency index** considers the strictness of closure and containment strategies (closures, movement restrictions) that primarily restrict people's behavior, and information campaigns.

The **containment and health index** combines the strictness of restrictions with health measures (e.g., testing policy, contact tracing, and investments in healthcare and vaccines).

The **government response** index captures the full range of government responses for each country. Data from 1 January to 31 December 2020 regarding 30 European countries were downloaded from the OxCGRT dataset.

Table 1 presents the mean values of countries' responses to the pandemic in 2020 along with the ranking of countries. On average, Italy was ranked as the country with the highest overall score in: i) government response, ii) containment and health and iii) the stringency index, followed by Cyprus, Ireland, and Greece. Analyzing the overall ranking of the countries, it appears that the southern European states and Ireland, rank high in terms of the stringency of the measures that were implemented to contain the pandemic (Table 1). Economic support measures varied significantly and disproportionately across countries. Cyprus, Ireland and Luxembourg rank high in this respect with the most generous economic support policies (Table 1).

**Table 1. European countries' responses to the first year of the pandemic (2020) according to the Oxford indicators**

Country	Government Response		Containment & Health		Stringency		Economic Support	
	Mean 2020	Rank	Mean 2020	Rank	Mean 2020	Rank	Mean 2020	Rank
Italy	60.8	1	61.7	1	64.7	1	53.8	18
Cyprus	55.8	2	52.1	3	53.2	7	81.7	1
Ireland	54.1	3	51.0	5	56.0	3	75.4	4
Greece	53.1	4	52.6	2	54.5	4	56.3	14
France	52.6	5	51.7	4	54.3	5	58.8	13
Slovakia	52.1	6	49.8	8	45.5	19	68.0	7
Spain	51.6	7	49.2	10	56.3	2	68.0	6
Portugal	51.5	8	50.3	7	54.2	6	60.0	12
Austria	50.9	9	47.9	13	47.1	16	71.5	5
Belgium	50.8	10	48.8	11	51.2	9	65.2	10
Malta	49.7	11	49.7	9	45.8	17	49.7	23
Germany	48.9	12	50.8	6	51.8	8	35.8	28
Slovenia	48.8	13	48.1	12	50.0	10	53.2	19
Luxembourg	48.0	14	44.1	19	42.7	22	75.8	3
Croatia	48.0	15	47.0	14	43.3	21	55.3	16
Netherlands	47.9	16	45.5	16	49.2	12	64.8	11
Czech Republic	47.5	17	46.3	15	44.8	20	55.9	15
Iceland	47.0	18	42.7	24	39.4	28	77.0	2
Romania	46.2	19	43.2	22	50.0	11	67.0	8
Hungary	45.3	20	45.1	17	48.5	14	46.7	25
Denmark	45.0	21	41.9	25	45.6	18	66.6	9

Latvia	44.3	22	43.2	23	42.5	23	52.5	21
Sweden	44.2	23	44.4	18	49.0	13	42.9	26
Poland	42.9	24	43.4	21	47.7	15	39.9	27
Switzerland	42.4	25	43.8	20	42.3	24	32.8	29
Lithuania	42.1	26	-		42.1	25	52.7	20
Finland	38.5	27	-		38.9	29	54.1	17
Bulgaria	37.8	28	-		40.4	27	50.9	22
Norway	35.4	29	-		41.7	26	29.4	30
Estonia	35.0	30	-		36.4	30	47.5	24
Average	47.3		45.9		47.6		57.0	

Examining further the stringency and economic support measures adopted by European countries we may classify them into four groups (Table 2). The first one includes the European states with governmental measures aiming at low stringency and low support, the second with high stringency and low support, the third with high stringency and high support, and finally the fourth with low stringency and high support. As a cut-off point, separating low from high level responses, the median for each response index was used.

**Table 2. Classification of European countries based on their type of stringency and economic support response in 2020**

<b>Type of stringency and economic support response</b>			
<i>Low stringency/ low support</i>	<i>High stringency/ low support</i>	<i>High stringency/ high support</i>	<i>Low stringency/ high support</i>
Bulgaria Croatia Estonia Finland Latvia Lithuania Malta Norway Switzerland	Germany Hungary Italy Poland Slovenia Sweden	Belgium Cyprus France Greece Ireland Netherlands Portugal Romania Spain	Austria Czech Republic Denmark Iceland Luxembourg Slovakia

Interestingly, most Mediterranean countries were categorized as having a high stringency and high support response, on average, except for Italy which opted for a high stringency and low support strategy (Table 2).

## 6. Correlations between COVID-19 and European response measures

Table 3 presents the results of the correlation matrix between the four indices and the number of COVID-19 cases and deaths. As expected, the correlation between confirmed cases and deaths per 100,000 of the population are positively and significantly correlated ( $r = 0.72$ ) at a high statistical level ( $p < 0.01$ ). The COVID-19 cases are not related to any of the four Government response indices. The COVID-19 deaths exhibit a moderate correlation to the stringency index ( $r = 0.389$ ) ( $p < 0.05$ ) and no other statistically significant correlation to any other Governmental measure. It is interesting to note the negative, but not statistically significant relationship between deaths and economic support index.

**Table 3. Correlation Matrix between COVID-19 cases and European response measures**

		Correlations					
		Confirmed Cases per 100,000 end 2020	Confirmed Deaths per 100,000 end 2020	Government response index mean (2020)	Containment & Health response index mean (2020)	Stringency response index mean (2020)	Economic Support response index mean (2020)
Confirmed Cases per 100,000 end 2020	Pearson Correlation	1	.716**	.188	.174	.062	.125
	Sig. (2-tailed)		.000	.320	.359	.746	.510
	N	30	30	30	30	30	30
Confirmed Deaths per 100,000 end 2020	Pearson Correlation	.716**	1	.285	.340	.389*	-.049
	Sig. (2-tailed)	.000		.126	.066	.034	.795
	N	30	30	30	30	30	30
Government response index mean (2020)	Pearson Correlation	.188	.285	1	.963**	.827**	.539**
	Sig. (2-tailed)	.320	.126		.000	.000	.002
	N	30	30	30	30	30	30
Containment & Health response index mean (2020)	Pearson Correlation	.174	.340	.963**	1	.870**	.293
	Sig. (2-tailed)	.359	.066	.000		.000	.116
	N	30	30	30	30	30	30
Stringency response index mean (2020)	Pearson Correlation	.062	.389*	.827**	.870**	1	.217
	Sig. (2-tailed)	.746	.034	.000	.000		.249
	N	30	30	30	30	30	30
Economic Support response index mean (2020)	Pearson Correlation	.125	-.049	.539**	.293	.217	1
	Sig. (2-tailed)	.510	.795	.002	.116	.249	
	N	30	30	30	30	30	30

\*\* Correlation is significant at the 0.01 level (2-tailed).

\* Correlation is significant at the 0.05 level (2-tailed).

The overall impression from the correlation analysis is that the COVID-19 cases and deaths do not have a direct impact on the government response policies. This may be attributed to the high levels of uncertainty in predicting the evolution of the virus and the lack of accurate epidemiological models. A

more detailed econometric analysis based on time lag models may produce better explanatory results on the evolution of the COVID-19 virus and the corresponding Governmental response measures.

## 7. Discussion

Although strategies that aim at suppressing human mobility in public spaces are generally effective in containing infection rates, they also entail severe economic implications. Previous studies have demonstrated the negative impact of more stringent policies to the economy (Cross et al. 2020, Glocker and Piribauer 2021). This study examined the type of government responses with respect to the level of stringency and economic support policies in 30 European countries. Several studies have demonstrated not only the aggregate – macroeconomic effects of COVID-19 on GDP but also the distributional issues across different income and social groups. Evidence has revealed that the socioeconomic shock for the lower strata of society is significantly higher in countries that implemented high stringency tools to contain the epidemic curve without providing analogous financial and other aid to mitigate the socioeconomic ramifications of these measures and of the pandemic overall (Doti 2021, Sarkodie and Owusu 2021, Whitehead et al. 2021, Tavares and Betti 2021).

It is generally accepted that low socioeconomic status is associated with an increased risk of infection and severe COVID-19 symptoms (Doti 2021, Sarkodie and Owusu 2021). Economically disadvantaged people are more likely to be employed in occupations that do not allow for remote working (e.g., retail and warehouse workers), while they often live in overcrowded accommodations with poor housing conditions and in degraded neighborhoods (Patel et al. 2020, Krumer-Nevo and Refaeli 2021, Lynch 2020, Cuesta and Pico 2020, Whitehead et al. 2021). In addition, prevalence of some conditions, like asthma or diabetes, which increase the risk of serious complications from COVID-19, are more prevalent in the poorer strata of the society (Krumer-Nevo and Refaeli 2021, Whitehead et al. 2021). Low socioeconomic groups are also more likely to delay seeking necessary healthcare treatment, which may lead to poorer health outcomes (Patel et al. 2020, Krumer-Nevo and Refaeli 2021). Finally, people of lower socioeconomic status are usually less educated and are working in sectors of the economy that are at higher risk of layoffs (Cuesta and Pico 2020).

Overall, it appears that both from a macro-economic and a microeconomic perspective, that the pandemic affects disproportionately the richer and the poorer countries as well as the poorer strata of the society not only in health terms, but also socioeconomically. Therefore, policymakers should certainly consider the idiosyncrasies of each country as well as the course of the epidemic curve.



In this context, it is interesting to observe that southern European countries, which were mostly hit by the crisis of the previous decade, implemented the most stringent measures, perhaps fearing that their health infrastructure would not be able to handle an increased number of cases.

This study has obvious limitations. Firstly, it employed measures of the average intensity of government responses. Nevertheless, the speed of escalation, the maximum strength, and the timing of the responses may also affect the socioeconomic magnitude of these policies. This issue has not been investigated thoroughly yet. However, a previous study has shown that rapid responses are associated with decreased infection rates as well as lower annual GDP growth rates in the short-term, whereas a more delayed response may have even more detrimental knock-on long-term repercussions (OECD 2020, Cross et al. 2020). Secondly, the OxCGRT composite indices do not consider subtle differences in sub-national government responses. Furthermore, it is assumed that the measures introduced by the governments were also successfully implemented, whereas their effectiveness may vary by country or region (Cross et al. 2020). Thirdly, the size of the sample was small, as for some countries detailed data on the impact of COVID-19 on the economy and society were not available (yet).

## 8. Conclusion

The fight against the pandemic is typically construed as a trade-off between human and economic health or between lost lives and lost livelihoods, e.g., income and jobs. Financial assistance and other social protective measures can really help in cushioning the socioeconomic consequences of the pandemic. Policymakers should implement variety of fiscal and economic interventions along with public health policies by viewing them through social welfare lens. Furthermore, there is a continuum in the extent and the stringency of restrictions as well as the level of the financial and other support that a government may provide to its citizens, and one size does not fit all. Therefore, the main task for each government is to strike the right balance and to determine the optimum mix of policies that mitigate not only the health and socioeconomic effects of the pandemic but also their distributional and equity aspects in the population.

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## **Overarching policies to address the pandemic crisis in Europe**

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### **Abstract**

**C**COVID-19 pandemic has had a devastating impact on our world, affecting societies, economies, and healthcare systems across the globe, while changing many social, economic, and healthcare determinants. Europe is facing one of the most critical crises in its recent history, not only because of the economic challenges that the COVID-19 pandemic has created but also because of its significant political dimension. The aim of this paper is to provide a descriptive analysis of the different strategies European member states developed to monitor and contain the outbreak during the first wave, and the policy response of the European Union (EU) altogether. Despite the different approaches and time response in tackling the pandemic at its very beginning, EU quickly demonstrated a successful policy response that helped maintain the structure of the economy and sustain societies in the face of this exogenous shock.

**KEY-WORDS:** Health policy, COVID-19, European Union, pandemic crisis, public health

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## Γενικές Πολιτικές Αντιμετώπισης της Πανδημικής Κρίσης στην Ευρώπη

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### Περίληψη

**Η** πανδημία COVID-19 προκάλεσε καταστροφικές συνέπειες στις κοινωνίες, τις οικονομίες και τα συστήματα υγειονομικής περίθαλψης σε όλον τον κόσμο, καθώς επηρέασε πολλούς κοινωνικούς, οικονομικούς και υγειονομικούς προσδιοριστές τους. Η Ευρώπη βρέθηκε αντιμέτωπη με μια από τις πιο σημαντικές κρίσεις στην πρόσφατη ιστορία της, όχι μόνο λόγω των οικονομικών προκλήσεων που δημιούργησε η πανδημία COVID-19 αλλά και λόγω της σημαντικής πολιτικής της διάστασης. Ο στόχος του παρόντος είναι να παρουσιάσει τις διαφορετικές στρατηγικές που ανέπτυξαν τα ευρωπαϊκά κράτη για την παρακολούθηση και τον περιορισμό της πανδημίας κατά το πρώτο της κύμα, καθώς και την πολιτική απάντηση της Ευρωπαϊκής Ένωσης συνολικά. Από την αποτίμηση των στρατηγικών αντιμετώπισης της πανδημίας στην Ευρώπη προκύπτει ότι ενώ οι παρεμβάσεις των κρατών - μελών διέφεραν τόσο ως προς το περιεχόμενο όσο και ως προς το χρόνο ανταπόκρισης, η ΕΕ κινητοποιήθηκε άμεσα και με τρόπο που συνέβαλε στη διατήρηση, στο μέτρο του εφικτού, της οικονομικής και κοινωνικής ζωής, οι οποίες διαταράχθηκαν από την πρωτοφανή αυτή απειλή.

**ΛΕΞΕΙΣ - ΚΛΕΙΔΙΑ:** Πολιτική υγείας, Covid-19, Ευρωπαϊκή Ένωση, πανδημική κρίση, δημόσια υγεία

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## 1. Introduction

The COVID-19 pandemic has had a devastating impact on our world, sweeping societies, economies, and healthcare systems across the globe, and altering social, economic, and healthcare determinants. States were taken aback by the severity of the shock and the unavailability of adequate resources and solutions to contain the virus. Therefore, they found themselves challenged to protect their citizens' health. The pandemic revealed a new global phenomenon: the politicization of the COVID-19 pandemic (Flores et al. 2022).

The EU entered the pandemic affected by years of economic crisis in some of its member states. Since 2007, the global financial crisis and then the Eurozone debt crisis imposed a significant economic burden on Europe - and especially country-members of the Eurozone - that was greater than even that of the Great Depression of the 1930s (Crafts 2013; Copelovitch et al. 2016). The global financial crisis found most European Union member states unprepared and unable to meet the crisis. National public debts and unemployment rates increased while public revenues and the average family income decreased. In the context of the crises, several EU countries - some under bailout agreements (Hungary, Latvia, Romania, Greece, Ireland, Portugal, Cyprus) and others due to pressure from the markets (Spain, Italy) - had to implement a package of policies characterized by austerity interventions, which often included drastic cuts in public spending.

Under the pressure of the economic crisis, most health systems faced persistent and significant budget cuts. Some governments significantly curtailed resources for public health, either directly or indirectly, by limiting public participation, reducing budget for healthcare provision or disinvesting in health system capacity. It is indicative that after 2007, 18 out of the 28 EU Member States reduced public expenditure on health (Eurofound 2013). As a result, citizens' health and access to health services were directly affected, whilst high unemployment rates and cuts in social protection spending exacerbated deterioration of health indicators and inadequate access to services.

Despite this bleak image, European healthcare systems appeared overall resilient. In 2019, the GHS Index (GHS Index 2019) ranked most European healthcare systems in the top 20 among 195, in terms of the overall score, with the UK ranking second after the United States. Regarding prevention capacity, Sweden, Netherlands, Denmark, France, Finland, the UK, Norway, and Slovenia were considered most prepared. In terms of early detection and reporting for epidemics of potential international concern, according to the GHS Index, Latvia, UK, Denmark, Netherlands, Sweden, Germany, Spain, Lithuania, Italy, Greece, Ireland, Estonia, France, Slovenia, and Croatia were considered the most prepared.

On 17 November 2019, the first-ever case of COVID-19 was traced in China (UCSD 2021; SCMP 2020). By January 2020, 41 patients admitted to hospitals were identified as confirmed novel coronavirus cases (Huang et al. 2020). In Europe, France was the first European country to be hit by the new coronavirus with the first case reported on 24 January 2020 and the first death on 15 February (Bernard et al. 2020). The WHO declared the outbreak a “Public Health Emergency of International Concern” (PHEIC) on 30 January 2020 and a pandemic on 11 March 2020 (WHO 2020). On January 30, there were 98 cases and no deaths reported in 18 countries outside China. On March 11, WHO reported over 118,000 cases in over 110 countries around the world. Europe reported 5,338 infections and 242 deaths (Reuters 2021), with Italy leading the devastating toll. On March 13, the WHO’s director-general announced that Europe had become the epicentre of the coronavirus pandemic, with more reported cases and deaths than the rest of the world combined (apart from China).

As of April 13, 2022, 497,960,492 COVID-19 cases and 6,181,850 COVID-19 related deaths have been reported in Europe (WHO, 2022). Life expectancy has been directly affected by COVID-19, and in almost all European countries life expectancy rates declined, with countries like Italy, Spain, Poland and the UK returning to 2010 levels (OECDa 2021). In parallel, a significant negative impact has been observed on mental health, with the prevalence of anxiety and depression doubling in countries like Belgium, France, and the UK (OECDa 2021; Eurofound 2021). The rapid increase in deaths and the imposition of strict lockdowns and social distancing measures further burdened the situation (Santomauro 2021; Scholz 2021; Souliotis et al. 2021).

In addition, access to primary healthcare services was severely affected by COVID-19, whilst essential hospital services were postponed or canceled. Primary healthcare face-to-face consultations decreased considerably (Mughal et al. 2021). For instance, the UK reported significant reductions in consultations for cardiovascular, respiratory, and mental health conditions (Mansfield et al. 2021), while in Portugal, the number of diagnostic exams for diabetes care declined by 24% (OECDa 2021). In addition, elective surgeries declined in all countries (Meredith et al. 2020).

Finally, despite the heterogeneity of the pandemic’s economic impact, all economies were affected. In the first quarter of 2021 euro area real GDP was 4.9% below its pre-pandemic level, having declined by 6.5% in 2020 (Muggenthaler et al. 2021).

The present article aims to provide a brief description of the different strategies European member states implemented domestically, as well as the common EU response, to monitor and contain the spread of the virus during the first wave of the pandemic. This review may inform future policies on optimal management of exceptional public health challenges.

## 2. Early response

At the very beginning of the outbreak, countries in Europe addressed the unprecedented challenge individually and did not appear willing or able to coordinate their policy responses (Souliotis 2020). This resulted in a belated and fragmented response by many countries that negatively impacted on the speed and extent of the outbreak.

We have identified three groups of countries based on their very early response and government decisions. The first group covers countries like the Nordics and the Baltics, which, despite their very low mortality rates during the first wave, opted to respond to the threat of the pandemic quickly. The second group of countries refers to countries like the UK and Sweden, which based their policy response on the theory of “herd immunity”, implementing less restrictive measures and mild recommendations. The third group of countries refers to countries like Germany, Austria, Spain, Italy and Greece, which moved swiftly to more stringent measures with lockdowns (Table 1).

**Table 1 Number of days that had passed between the third death caused by COVID-19 in each country and the implementation of each measure in that country**

	Date of 3rd confirmed death	Events Suspend	Schools closed	Non-essential shops closed	Non-essential movement banned	Borders closed	1st lockdown	Duration (days)
Italy	25-Feb	05-Mar	05-Mar	10-Mar	10-Mar	-	09-Mar	70
France	03-Mar	29 Feb	16-Mar	14-Mar	17-Mar	-	17-Mar	55
Spain	06-Mar	10-Mar	15-Mar	15-Mar	16-Mar	16-Mar	14-Mar	56
UK	09-Mar	17-Mar	23-Mar	21-Mar	24-Mar	-	24-Mar	49
Belgium	12-Mar	14-Mar	15-Mar	17-Mar	17-Mar	20-Mar	18-Mar	47
Germany	12-Mar	20-Mar	15-Mar		22-Mar	16-Mar	16-Mar	76
Greece	15-Mar	08-Mar	10-Mar	16-Mar	23-Mar	15-Mar	23-Mar	42
Poland	15-Mar	09-Mar	16-Mar	15-Mar	25-Mar	15-Mar	13-Mar	29
Sweden	16-Mar	11-Mar	-	-	-	-		
Austria	17-Mar	10-Mar	15-Mar	16-Mar	16-Mar	-	16-Mar	28
Portugal	20-Mar	11-Mar	16-Mar	16-Mar	16-Mar	16-Mar	18-Mar	45
Hungary	21-Mar	11-Mar	16-Mar	17-Mar	28-Mar	17-Mar	28-Mar	13
Czech	25-Mar	11-Mar	11-Mar	14-Mar	16-Mar	16-Mar	16-Mar	27

Source: Oxford COVID-19 Government Response Tracker, HSRM, Politico



### ***2.1 The Nordics and the Baltics***

Countries in northern Europe have generally experienced much lower mortality rates throughout the pandemic than central and southern Europe, with some nations experiencing almost no excess deaths at all. Despite their constitutional and government structure differences, Denmark, Norway, Iceland, and Finland share some common characteristics in terms of their healthcare systems (Saunes et al. 2021). Healthcare among these countries is considered a public responsibility; their healthcare systems are predominantly tax-financed, providing universal coverage to all citizens and there is a high degree of decentralized governance. Most of the decisions during the pandemic were, and are still, subject to parliamentary discussions and supported by the entire government and coalition parties. In fact, the political system of these countries is often led by majority or minority coalitions. That is why these countries have been labelled “consensual democracies” (Jonsson 2014). Not surprisingly, the Nordic countries’ population show high levels of trust in their governments and demonstrate a high degree of confidence in their partner states (Kvittignen 2017).

First confirmed cases were observed in all four of the aforementioned countries in late February 2020, and by mid-March 2020 these countries had implemented several strict policy measures, such as closure of public spaces and some non-essential businesses, restrictions on economic and social activities, borders’ closure, and increased testing. As early as end of January, Norwegian municipalities and the Directorate of Health were temporarily authorised to make binding decisions using the Infection Control Act, and the first strict physical distancing measure was introduced on 12 February (HSRM 2022; Askim & Bergstrom 2021). In Finland, strict measures were also introduced following the government’s decision to announce a state of emergency for the first time since World War II. Policy aims for the Nordics were the same: to ensure sufficient capacity in their healthcare system, to prevent deaths from COVID-19, and to prevent new cases, in other words, reduce the spread of the virus (Saunes et al. 2021). Denmark began to relax its social distancing measures in mid-April and Norway and Finland followed in early and end of May 2020 respectively. During the second wave, as of August 2020, when infections and deaths began to increase, they gradually re-imposed social distancing measures and recommended using a face mask. In mid-December 2020, Denmark confirmed that new cases had reached their pick (25,046 confirmed cases, +22% versus previous week) and implemented a national lockdown as of 25 December 2020 (Gordon 2021). By February 2021, the number of deaths reached its highest level ever in the country (WHO 2022).

In addition, apart from social distancing measures, these countries implemented economic assistance programs very early on. For instance, Denmark implemented a very ambitious financial assistance program and provided great social support, securing wages compensation and maintaining jobs through tripartite agreements with employers and unions.

Similar to the Nordics, the Baltic countries introduced stringent measures early in the pandemic. Despite having been hit by the financial crisis and having a low healthcare spending rate relative to their GDP (Estonia 6.3%, Latvia and Lithuania 6.8% versus Finland 9.1%, Netherlands and Denmark 10%), they responded quickly to slow the spread of the virus (Webb, Winkelmann, Scarpetti et al. 2021).

During the first wave, they recorded relatively lower mortality rates than most other European countries. Estonia reported 63 deaths, Lithuania 33, and Latvia 32 deaths (WHO 2022). As such, their healthcare systems' resilience wasn't fully tested in the first months. Within a few days of the first reported case, all three countries declared a state of emergency. For instance, Lithuania entered an emergency mode two days after its first reported case (Webb, Winkelmann, Scarpetti et al. 2021). The Baltics developed their initial response on an early communication approach, while they established an intergovernmental communication path and, in some cases, coordinated actions (Latvian Public Broadcasting 2020; Republic of Latvia 2020). Apart from social distancing measures and early national lockdowns, extensive government communication, public awareness campaigns, and efforts to enforce proactive recommendations were implemented. Similarly to the Nordics, the Baltic countries also implemented early financial assistance programs to support healthcare systems, employment and businesses (HSRM 2022; Bolt et al. 2021).

In December 2021, as a new wave of the pandemic loomed globally, the Nordics' and the Baltics' daily infections rose steadily, and thus new restrictions were imposed. Between December 2021 and March 2022, the Nordics experienced the highest number of deaths ever reported in their territory, with Norway reaching 1,370 deaths and 1,124,500 infections, Finland 1,811 deaths and 708,208 infections and Denmark 2,810 deaths and 2,549,370 infections respectively (WHO 2022). On the other hand, the Baltics seemed to flatten their COVID-19 curve, having reintroduced physical distancing and other measures to prevent transmissions due to the increasing number of cases recorded since September 2021 (HSRM 2022).

## ***2.2 United Kingdom and Sweden***

UK and Sweden are the two European countries that built their initial strategy to control the pandemic outbreak on the theory of “herd immunity” and delayed the uptake of more drastic measures. Namely, they aimed at broadening the peak of the pandemic and allowing immunity to develop among the population. For instance, the UK government allowed 60% of its population to be exposed to the virus hoping to build herd immunity (Bhatia 2020).

UK’s initial response to the pandemic outbreak has been one of the most criticized responses, with the government implementing health policy measures rather “too late, too little, too slow” (Scally et al. 2020). By August 2020, the United Kingdom reported one of the highest numbers of infections per capita and the highest number of excess deaths (ECDC 2020; Suleman 2021). UK couldn’t have predicted that a country considered to have one of the highest ranked healthcare systems globally in terms of rapid response and mitigation of pandemics would have been the most affected in Europe (GHSI 2019; ECDC 2021).

More specifically, UK’s initial response plan had four phases: containment, delay, research, and mitigation (Department of Health and Social Care 2020). In the containment phase, early cases were detected and close contacts were followed up to delay the spread of the virus for as long as possible. Testing in the community and tracing of contacts was implemented early on in this phase. The delay phase was aimed at slowing the spread of the virus, delaying the peak away towards summer, although public laboratories had reached capacity and tests results lagged often over 4 days and in some cases over a week (HSRM 2022). The research phase was aimed at providing a better understanding of the virus and the actions needed to reduce its impact on the population. The mitigation phase was aimed at providing the best care to people infected by the virus. During the delay phase, in which the country entered on March 12th, 2020, testing rates scaled-down and were limited only to people in hospitals with symptoms. People with symptoms were advised to self-isolate for seven days at home (Mahase 2020; Scally 2020). Social distancing measures were recommended, and people were asked to avoid crowded places. Many big events like football games and concerts were voluntarily postponed (The Football Association 2020).

The Government proceeded to a late mandatory lockdown on March 26, 2020, 18 days after the first reported death, and many days after other EU countries had implemented this measure (Table 1). Different restrictions were applied in different parts of the UK. Most restrictions were lifted in the second half of July 2020, with Northern Ireland lifting most of the restrictions in mid-August 2020 (Sargeant 2021). These different local approaches raised a lot of criticism as they created confusion among the population and health experts (Association

of Directors of Public Health 2020). The country announced a second national lockdown in December 2020, given the pressure on the healthcare system resulting from the rapid increase of daily infections. On December 31st, 2020, the UK reported a record of 81,519 daily new cases (WHO 2022). UK test capacity had risen from around 20,000 per day in mid-April to more than 1,000,000 per day in March 2021, reaching a peak of 2,000,000 per day in early January 2022 (UK Coronavirus Dashboard 2022).

The UK was the first country in the world to approve the COVID-19 vaccine and by mid-February 2021 15 million doses had been administered (BBC 2020). By end of July 2021, 81.4% of UK citizens were vaccinated with the first dose and 66.6% had received the second dose (UK Coronavirus Dashboard 2022).

The social policy response to support businesses, employment and protect income was much swifter. The Government announced an extraordinary economic package to support businesses and the NHS. Free school meals for vulnerable students throughout summer, weekly food packages to vulnerable citizens, and temporary accommodation for the homeless were provided early in the outbreak.

Very much like the UK, Sweden had one of the worst per-capita COVID-19 mortality in Europe at the beginning of the outbreak (Gordon et al. 2021; Mishra et al. 2021). Unlike the other Scandinavian countries, during the first wave, Sweden maintained a less harsh strategy with a more relaxed approach to contain the pandemic and implemented the least restrictive social-distancing measures. Although the EU imposed internal border restrictions on people travelling from Italy in mid-February 2020, external border closure for non-essential travelling in mid-March 2020 and a mandatory 14 days quarantine, Sweden kept its borders open and did not apply any quarantine requirement.

The rationale was that, on the one hand, social distancing measures wouldn't be successful in the long term, given that eventually people would not comply, and, on the other hand, measures like closing borders would cause great economic damage to the country. For Sweden's Public Health Agency, closing borders, social distancing measures, and lockdowns were considered "ridiculous" and lacked a scientific basis (Paterlini 2020). Instead of implementing social distancing measures, the Swedish government relayed to citizens personal responsibility to slow the spread of the virus, while asking citizens to comply with authorities' recommendations. In addition, Sweden recorded a very low testing rate. Even though the country was hit again by a second wave between October 2021 and May 2021, the Swedish government didn't impose a lockdown as the case in the rest of Europe. It is worth noting that masks were only recommended, and Swedish authorities discouraged people from wearing face masks (The Science 2020).

The first vaccine dose was administered in early 2021. By end of July, 61% of Swedish citizens were vaccinated with the first dose and 41% had received the second dose. By end of April 2022, around 73% of Swedish has been fully vaccinated with the two doses and 51% have been administered with the third dose (Swedish COVID-19 Data Portal, 2022).

### ***2.3 Rest of Europe***

We grouped the countries below based on the similarities they demonstrated in coping with the pandemic. They considered the coronavirus a serious threat from the start and witnessed their health systems being challenged to their limits, with some of them almost collapsing. Countries like Spain, Italy, France and Portugal experienced dramatic increases in their mortality rates and then introduced strict measures. Countries like Germany and Greece experienced very low mortality rates during the first wave, nevertheless, they implemented unprecedented containment measures, including lockdowns, closure of schools and universities, closed borders and mandatory face masks.

The first European healthcare systems to collapse in the pandemic's early stages, were those of Italy and Spain, which experienced an uncontrolled transmission of the virus. Italy was the first European country to enter lockdown on March 9, 2020, starting from Northern Italy and expanding nationwide the day after (Borrelli 2020). People were allowed to leave their homes only for work or health reasons. Spain and Portugal followed a few days after, and by the end of March 2020, almost all European countries had implemented partial or nationwide, mandatory, or voluntary lockdowns.

Although Italy declared a state of emergency at the end of January 2020 (Ministero Della Salute 2020), the severity of the situation was probably underestimated, resulting in a two-weeks delay in entering national lockdown (Falkenbach & Caiani 2020). In addition, the highly decentralized healthcare system allowed regions to try different containment policies (Pisano 2020). As a result, the virus spread throughout the entire country, affecting, in the beginning, mainly the regions of Lombardy, Piedmont, and Liguria. Within the first two months of the pandemic, Lombardy, the hardest-hit region in the country, reached a peak of more than 23,000 deaths (Bosa et al. 2022). By the end of March 2020, Italy reported more than 15,000 deaths and over 124,000 infections and by mid-June deaths rose to 34,610 and infections to 238,671 (WHO 2022). Nursing homes were severely hit by the pandemic and according to a survey around 9.1% of nursing homes' residents died in Italy with the highest number being recorded in Lombardy (14%) (Bosa et al. 2022). In May, restrictions eased, as in the rest of Europe. Italy entered the second wave of the pandemic in September 2020 and its third wave in November 2021 and imposed a lockdown in December 2020 and in March 2021.

Spain was also amongst the countries that were severely hit by the pandemic early on. By mid-June Spain reported 30,781 deaths and over 360,000 infections. Within a week (16 March-23 March), the number of deaths increased by 272.8% and the number of infections by 543.8% (WHO 2022). On March 14, the country declared a strict national lockdown and by the end of March lockdown measures were tightened requiring everybody to stay at home (HSRM 2022). Similar to Italy, Spain experienced a high number of deaths in care homes, which has reached 9.9% of the residents living in care homes, with 52% of these deaths taking place until the end of June 2020 (Comas-Herrera et al. 2022). According to the Spanish Ministry of Health, it is estimated that from April 2020 to June, 27,359 people died in nursing homes, which accounts for 69% of all COVID-19 deaths (Dubin 2020). The main reason of this tragedy was the very low availability of testing, the lack of protocols for infected staff and the lack of isolation spaces.

Despite the very clear signs of Italy's and Spain's tragedy, the French health-care system did not frame the pandemic as a public health and multi-dimensional problem until mid-March 2020 (Rozenblum 2020). Delays in implementing a national lockdown and other containment policies resulted in more than 13,000 deaths by the end of March 2020 (WHO 2022). France imposed a lockdown on the 17th of March. Before that, travel restrictions were imposed, mainly for countries with a high prevalence of the virus like China, large meetings were banned, whilst schools and universities closed, visits to nurse homes were banned to protect older people and teleworking became mandatory. New measures and a new lockdown were implemented at the end of October and another one at the end of March 2021, following the rise of infections and deaths.

On the other hand, Germany entered the pandemic with a very detailed and comprehensive plan and rolled out a high-intensity testing scheme very early on. German scientists had created one of the first reliable means of detecting the virus before the declaration of COVID-19 as a pandemic by the WHO (Eckner 2020). The first case was reported on January 27, 2020 and by then, the country's infrastructure was ready to address the pandemic. Non-emergency operations and procedures were postponed. On March 22, Germany enforced strict physical distancing guidelines, banning groups of more than two people in public and shutting down some businesses. Social distancing guidelines and high testing capacity allowed the country to successfully control the pandemic, reduce transmission rates and never come close to reaching healthcare system's capacity limits (Czypionka & Reiss 2021). By the end of March, Germany had reported 162,483 infections and 5,640 deaths. Nevertheless, the country reached a new record of coronavirus infections, despite having ample vaccines with the deaths reaching 79,607 between October 2020 and the end of May 2021 (WHO 2022).

Greece managed the crisis in a paradoxically exemplary way during the first wave of the outbreak, making the country a rare coronavirus success story. Having recently emerged from a decade of recession, Greece had a vulnerable healthcare system (Kanavos & Souliotis 2017; Ziomas et al. 2018; Souliotis et al. 2018), gravely affected by the cost-containment policies implemented under the Economic Adjustment Programs (European Commission 2011). Nevertheless, the country demonstrated a swift and effective response (OECD 2021b). The early success story is attributed to the Greek Government rapidly deploying a plan of drastic and comprehensive responses on the recommendation of its scientific advisers. 13 days after the first coronavirus case was confirmed, Greece went into full lockdown. Such early social distancing measures resulted in both low mortality and morbidity numbers due to COVID-19 (Gountas et al. 2020). By the end of September, Greece was among the countries with the lowest mortality rates and the lowest number of infections. Between February and September, Greece reported 405 deaths (WHO 2022).

After the implementation of the first European lockdown in Italy in March, many countries followed throughout 2020 and 2021 in response to the pandemic. The stringency of the lockdowns differed from country to country, with some countries shutting down their entire economy. Despite the hope that the advent of the covid vaccine will stop the virus, all European countries faced a serious second and third wave of infection, while the discussion around mandatory vaccination was highly politicized. Despite the European society's shock by the pandemic, a significant number of European citizens seemed and still are very reluctant to get vaccinated. Therefore, vaccination rates have remained insufficient to prevent the spread of the disease. By April 2022, 73.2% of the total EU population have been fully vaccinated, with Portugal, Spain and Malta recording the highest vaccination rates at 92.6%, 90.6% and 86.3% respectively, while in Romania and Bulgaria only 42.3% and 29.8% of the populations respectively are fully vaccinated.

### **3. A united Europe – a coordinated and effective response to the pandemic**

**H**istorically, the European Union (EU) is built around the development of an economic union and an internal market with very limited role in health policy. It is not a sovereign state. It is more of a sui generis organization, which cannot be considered a federation or an association (Phelan 2012). It is more what the former President of the European Commission, Jacques Delors called “an unidentified political object” (IGC 1985; Magnette 2009).

The EU was characterized by a weak and limited role in social and public health policy before the pandemic (Brooks, 2021). In line with the subsidiarity principle, according to which the European Union acts only in cases where it considers that better results will be achieved at the European level, the Union operates complementary to national health policies, promoting cooperation between member states in public health. Therefore, responsibility for healthcare policy remains at the national level. According to the Treaty of the Functioning of the European Union (TFEU Art. 168), European institutions have limited power to act in the public health field, by only supporting and coordinating members states. Therefore, a central European response wasn't legally feasible.

The outbreak of the pandemic revealed the fragmented governance within the EU to tackle public health emergencies (Gontariuk et al. 2021). EU was expected to create an immediate and harmonized response that would result in collective actions. COVID-19 differed from previous public health emergencies like H1N1 and SARS as it exceeded member-states' health and social policy capacity and required an urgent and joint response. Nevertheless, several member states, like, Germany, France, and Czech Republic acted alone in an effort to protect their national market and banned exports of personal protective equipment, whilst Belgium, Hungary and Bulgaria put in place an export ban of certain medicines, thus putting solidarity under question (EUobserver 2020, Pirker 2020).

However, member States soon realized that they must work together, to coordinate, and collaborate in different aspects of the pandemic, from shortages in healthcare capacity to economic measures, to support jobs, ensure the sustainability of the healthcare systems, and protect the most vulnerable and those affected by the crisis. The EU had already learned its lesson from previous healthcare crises like SARS in 2003 and H1N1 in 2009. The SARS outbreak and the H1N1 epidemic resulted in the creation of the European Centre for Disease Prevention and Control and the creation of the Joint Procurement Agreement mechanism in 2014 (Brooks and Geyer 2020). During the EU Health Ministers' meeting, on 6 March 2020, it was stressed that "the best contribution to protecting the health of EU citizens is by strengthening solidarity, cooperation and exchange of information" (Council of the EU 2020). They also agreed to ensure a coordinated response to tackle COVID-19.

The European Commission operated effectively (Tesche 2022). It closely monitored the situation before WHO declared the outbreak of the pandemic. In February 2020, it activated the EU Civil Protection Mechanism to repatriate European citizens from the Diamond Princess cruise ship in Yokohama, Japan, where COVID-19 cases had been detected onboard (The Guardian 2020).



Immediately after that, it called on member states to share information and epidemiological data and assess their needs. It then moved to centrally negotiate procurement of personal protective equipment, vaccines and therapies and stockpile supplies. It also activated the general escape clause of the Stability and Growth Pact to respond to the pandemic, providing member states greater flexibility to implement extra-ordinary fiscal measures (European Commission 2020a) while funding research projects to develop treatment and diagnostics for the virus. Through the Coronavirus Global Response, €15.9 billion pledges were made for universal access to tests, treatments and vaccines against coronavirus and for the global recovery. Backed by the EU SURE instrument, member states were able to provide strong support to businesses and workers.

As the first wave of COVID-19 passed, more Europe-centred measures were needed to tackle the pandemic and support European economies. In May 2020, the European Commission proposed a revised Multiannual Financial Framework (MMF) and an emergency recovery tool, the Next Generation EU (NGEU), which would mobilize €1.8 trillion from the EU budget in different EU programs (European Commission 2020b). The recovery packages aimed to alleviate the consequences of the pandemic by creating or replacing jobs affected and restoring damage caused by the pandemic (Fernandez, 2020). The novelty of the NGEU was that it allowed the EU to borrow from the markets by issuing bonds with different maturities between 2028 and 2058. A key tool of the NGEU is the Recovery and Resilience Facility (RRF) of €723.8 billion (€338 billion in grants and €385.8 billion in loans). The EU would distribute the funds of the RRF based on the recovery and resilience plans submitted by the member states.

The road to the agreement wasn't an easy one. Strong divergences existed, and the structural and political differences between the "southern sinners" and "northern saints" surfaced (Tesche 2022). Austria, Denmark, Sweden, and the Netherlands, the so-called "frugal four", opposed the idea of supporting transfers from the wealthiest economies to the most affected. Following negotiations and an intense political background, with member states threatening to veto the process, compromises were made, and an agreement on all technical aspects of the plan was reached and adopted in July 2020, during the second-longest summit in the history of the European Union.

The Commission took over the vaccine procurement initiative for its member states to prevent wasteful competition for scarce vaccines between member states and protect smaller countries from being charged higher prices (Bongardt & Torres 2021). It secured 4.2 billion doses of COVID-19 vaccines for its member states through negotiations with vaccine developers. As noted above, by April 2022, 73.2% of the EU citizens had been fully vaccinated (ECDC 2022).

An ambitious new health strategy also kicked off early in 2021, the EU4Health Programme, earmarking a budget of €5.3 billion to allow member states to make long-standing changes in public health and pave the way to a European Health Union (European Commission 2020c). But the most important initiative towards deeper integration in the field of public health and towards a European Health Union is the establishment of the new Health Emergency Preparedness and Response Authority (HERA). HERA's mission is to prevent, detect, and rapidly respond to health emergencies and will operate in two modes: the preparedness phase and the crisis phase. HERA's main goal is to ensure the development, production and distribution of medicines, vaccines and other medical countermeasures that were often lacking during the first phase of the response to COVID-19 (European Commission 2021).

#### 4. Conclusion

The COVID-19 pandemic has undeniably been one of the most challenging crises the EU has had to manage, not only in terms of health response, but also in terms of solidarity and policy coordination. During the first months of the pandemic, divergent strategies to monitor and contain the spread of the virus and different capacities were revealed, while solidarity was questioned. Thus, criticism and scepticism of a fragmented EU governance arose (Anderson et al. 2020).

Nevertheless, the European Commission not only fulfilled its commitment to coordinate and support member states in “protecting and improving human health” (TFEU, Article 6), but operated effectively (Gontariuk et al. 2021; Tesche 2022; Townend et al. 2020).

The present paper underscored two central European initiatives that demonstrated the need for expanded coordination and more centralised healthcare provision in the EU. First, European member states agreed on a joint plan to tackle the pandemic and help their economies recover, despite initial delays in a joint regional response. Second, the European Commission successfully implemented the Joint Procurement Process for personal protective equipment, vaccines and therapies to safeguard equity in access across member states, irrespective of size or economy. This helped sustain the collective public health response in the continent as well as manage the extent of the outbreak.

The pandemic has also demonstrated how dependent European member states and institutions are on each other's effectiveness and how important cooperation is between member states. Recent healthcare history, from SARS and H1N1 to COVID-19, has shown that healthcare threats and challenges can only be effectively dealt with through cooperation. In addition, governments

should no longer consider healthcare spending as a burden or a cost, but as an investment to society and the economy as well. This healthcare crisis highlighted the importance of the healthcare sector to Europe's economic performance and stability. High performing healthcare systems contribute to economic development and wealth (WHO 2008). Therefore, a new European healthcare narrative and bold policy decisions are needed towards an integrated European health policy and eventually a European Health Union.

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## **Solidarity in the EU after 2020; prospects for the cohesion “policy space”**

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### **Abstract**

In 2020, the EU established the “Recovery and Resilience Facility” (RRF), which aims at promoting its economic, social and territorial cohesion. This development has had a significant impact on the institutional architecture of cohesion policy, which is widely viewed as the main “EU solidarity tool”. The goal of this paper is to map the institutional configuration of “old” and “new” funding programmes devoted to the promotion of cohesion and solidarity in Europe through the lenses of public policy analysis and historical institutionalism. It is argued that, despite its impressive redistributive impact in territorial terms, the new Facility does not represent a break with the past when it comes to the quality of its solidarity content. On top of that, by adding RRF in a “cohesion policy space” burdened with old and new policy goals and means and lacking a clear territorial and social focus, EU actors have further undermined both the coherence and the solidarity impact of “old” cohesion policy.

**KEY-WORDS:** EU budget, solidarity, public policy, cohesion policy, Recovery and Resilience Facility

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## Η αλληλεγγύη στην ΕΕ μετά το 2020· οι προοπτικές του «χώρου πολιτικής της συνοχής»

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### Περίληψη

Το 2020, η ΕΕ εγκαθίδρυσε το «Ταμείο Ανάκαμψης και Ανθεκτικότητας» (ΤΑΑ), το οποίο αποσκοπεί στην προώθηση της οικονομικής, κοινωνικής και εδαφικής της συνοχής. Η εξέλιξη αυτή είχε σοβαρές επιπτώσεις για την θεσμική αρχιτεκτονική της πολιτικής συνοχής, η οποία θεωρείται ως το κύριο «εργαλείο αλληλεγγύης» της ΕΕ. Στόχος του παρόντος άρθρου είναι να χαρτογραφήσει τη θεσμική διάθρωση των «παλαιών» και των «νέων» χρηματοδοτικών προγραμμάτων που εστιάζονται στην προώθηση της συνοχής και της αλληλεγγύης στην Ευρώπη μέσω της ανάλυσης δημόσιας πολιτικής και του ιστορικού θεσμιισμού. Υποστηρίζεται ότι, παρά την εντυπωσιακή αναδιανεμητική του επίδοση σε εδαφικούς όρους, το νέο Ταμείο δεν αντιπροσωπεύει μια ρήξη με το παρελθόν όσον αφορά το περιεχόμενο της αλληλεγγύης που προσβέυει. Επιπροσθέτως, η συμπερίληψη του ΤΑΑ στον «χώρο πολιτικής της συνοχής» -ο οποίος είναι ήδη επιβαρυσμένος με παλαιούς και νέους στόχους πολιτικής και στερείται μιας σαφούς εδαφικής και κοινωνικής εστίασης- υποβαθμίζει περαιτέρω τη σαφήνεια και την αλληλεγγύη της «παλαιάς» πολιτικής συνοχής.

**ΛΕΞΕΙΣ-ΚΛΕΙΔΙΑ:** Προϋπολογισμός της ΕΕ, αλληλεγγύη, δημόσια πολιτική, πολιτική συνοχής, Ταμείο Ανάκαμψης και Ανθεκτικότητας

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## 1. Introduction

EU Cohesion policy - a constellation of variable mixes of European and national sectoral policies serving the objective of economic, social and territorial cohesion- is widely viewed as the main “EU solidarity tool”. During the last two decades, the complex cohesion ‘policy space’ became increasingly linked with the EU’s strategic programming framework; this “strategic turn” undermined the territorial focus of cohesion policy, had a significant cost in terms of policy coherence and went hand in hand with a diminution of the financial envelope of cohesion. The 2020 budgetary reform did not essentially affect the institutional architecture of the ‘old’ cohesion policy space and did not increase its budget. Instead, in its attempt to mitigate the economic and social impact of the coronavirus crisis, the EU chose to enhance its Multiannual Financial Framework through the establishment of a new, unprecedented temporary recovery instrument called “NextGenerationEU”. The centerpiece of “NextGenerationEU” is the «Recovery and Resilience Facility» (RPF), which also aims at promoting the Union’s economic, social and territorial cohesion. The goal of this paper is to map the institutional configuration of “old” and “new” funding programmes devoted to the promotion of cohesion and solidarity in Europe through the lenses of public policy analysis and historical institutionalism. It is argued that, despite its impressive redistributive impact in territorial terms, the new Facility does not represent a break with the past when it comes to the quality of its solidarity content. On top of that, by adding RRF in a cohesion policy space burdened with old and new policy goals and means and lacking a clear territorial and social focus, EU actors have further undermined both the coherence and the solidarity of ‘old’ cohesion policy. The paper starts with a discussion of the concept of solidarity and its application in the EU and its budget; an analysis of the creation and the evolution of cohesion policy space follows; then, the transformative impact of the 2020 reform on the cohesion policy space and its solidarity elements is appraised; the last section concludes.

## 2. Solidarity in the European Union

Solidarity (from the Latin *solidus*, a firm and compact body) is a multifaceted concept. Fundamentally, solidarity refers to the set of feelings of belonging together which supports attitudes of mutual acceptance, cooperation, and support (Ferrera and Burelli 2021: 99). However, it is a highly contested and fragile concept because it relies on preconditions that it cannot guarantee by itself -a common feeling of belonging, a common identity, shared action, or a common belief. Discussions about solidarity are thus linked to questions about the social contract,

the legitimacy of political systems, and the rules for participating in a political community. They also revolve around the questions of who the actors of solidarity are, what unites them, and what they owe to each other.

The nation-state is the main institutional framework for solidarity in the world. National identity has created a sense of common destiny and belonging, and this allowed for the institutionalization and the expansion of numerous national solidarity mechanisms grouped under the term “welfare state”. In this sense, national solidarity can be considered as “first-order solidarity” because it relies on strong social ties, shared values and customs, and a high level of public trust. In contrast, solidarity in the European Union is less developed and is not founded on the same forms of legitimacy. As a Union of states and citizens, the EU relies both on indirect and direct political legitimacy – and, it can be argued, more on the former than on the latter. EU solidarity is thus “second-order” and is based primarily on reciprocity or the enlightened self-interest of EU member states (that recognize that expressions of solidarity are in their own interest) (Porschlegel 2021). In this line of argument, it is highly plausible to assume that developing forms of inter-state solidarity in the EU is a far easier task than developing forms of inter-personal solidarity.

Solidarity among states is inherently different from solidarity between individuals and members of communities: it refers to the cooperative spirit that member states (through their governments) are able to display in certain circumstances. This may include financial solidarity. However, inter-state redistributive policies must be at the minimum indirectly legitimated by citizens (Barbier 2012: 3). Redistributive considerations, in fact, are a key part of existing federal unions, in the sense that the constituent states are willing to transfer some of their competences to the central level in exchange for redistributive mechanisms. Generally speaking, equity-based redistribution can be viewed in two dimensions, interpersonal and interstate (or interregional). Interpersonal (or intra-jurisdictional) redistribution focuses on the welfare of each separate member of a political community, and thus concerns the reduction of inequalities between individuals. Interstate (or interjurisdictional) dimension of redistribution refers to the welfare of the average citizen of each constituent state of a federation, and therefore relates to the reduction of disparities between jurisdictions (be it countries or regions) (Koutsiaras and Andreou 2004: 4).

Compared to the national level, the quality of solidarity-based relationships between European countries and between European citizens is poor. There are several mechanisms related to interstate solidarity at the Union level (see below), but almost no interpersonal solidarity between citizens, let alone mechanisms. The scarcity of interpersonal solidarity in the EU can be attributed to the tendency

of EU institutions to favor negative integration - i.e. the reduction of trade barriers, market liberalization and deregulation - at the expense of positive integration - i.e. common policies aiming at shaping the conditions under which markets operate (Pinder 1968). In other words, while European countries were able to agree on opening their markets to each other and to the outside world, they continue to find it impossible to define common principles of social justice and to devise common instruments of social solidarity. Consequently, : a) the social dimension of European integration has relied on coordination of national policies, rather than regulatory intervention, let alone public spending; and b) EU social policy has been law and court-driven, marked by policy immobilism at the European level and negative market integration, which simultaneously constrains national social policies (Leibfried 2010). Since the early 1990s, developing interpersonal solidarity in the EU has been further inhibited by the domination of a post-Maastricht ethos fundamentally based on national responsibility and on implicit moral judgements about fiscal 'sins' and 'virtues' (Dyson 2014, Tsoukalis 2016). According to this policy paradigm, the current EMU framework is essentially well-designed and structural reform is primarily a matter of doing one's homework. If, however, adjustment is a matter of national homework and rule-compliance, then inter-personal solidarity is not really needed in the Eurozone and the EU.

Under the EMU governance framework, EU intervention in national systems has been confined to measures of coordination and the emphasis of the political discourse is shifting towards the need to invest in the ability of individuals and communities to survive in intensified international competition. Successive EU coordination strategies established over the last three decades have been centered on the goal of simultaneously enhancing European competitiveness and solidarity. In 2000, the Lisbon Strategy was presented as a "positive strategy which combines competitiveness and social cohesion" and set the strategic goal for the EU of becoming "the most competitive and dynamic knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion" (European Council 2000: 1-2). In 2010, in turn, the Europe 2020 Strategy was portrayed as "a strategy for smart, sustainable and inclusive growth". Under this "competitive solidarity" approach, the public actors should not seek to protect the weak from the market, but to invest through the market and with the market in order to enhance in the productive potential of individuals and societies (Streeck 1999: 6). The need for the institutionalization of a limited form of inter-state solidarity in the EU is thus recognized; nevertheless, European solidarity instruments must take the form of economic (structural) policies aiming at raising the relative and absolute performance of the European economy (Chiocchetti and Allemand 2019: 6).



Fiscal solidarity in the EU is limited. In 2019, EU spending amounted to 159,1 billion euros, representing 2,1% of EU Member States' total general government spending and 1,0% of their combined gross national income (GNI); By comparison, domestic budgets collectively represent between 30% and 40% of the Union's GNI. Roughly 71% of EU budget expenditure was directed to the Common Agricultural Policy (CAP) and cohesion policy (37% and 34% respectively), while policies promoting the overall competitiveness of the EU absorbed another 14%. Expenditure on competitiveness (i.e. on research and trans-European networks) is widely perceived as distributive or allocative, while EU actions in agriculture and cohesion are considered by many to be redistributive (Laffan and Lindner 2020). However, apart from some income support components of the CAP, interpersonal redistribution is absent from the EU - the rule instead is inter-regional or inter-country redistribution. By contrast, interpersonal redistribution in the EU member states (in the form of various social protection benefits) amounts to more than 25% of their GNI.

### **3. The evolution of cohesion policy space, 1989-2020**

Given that employment and social policies remain under the competence of EU member states, EU cohesion policy – a complex set of expenditure instruments serving the objective of “economic, social and territorial cohesion” - is widely viewed as the main “EU solidarity tool”. Cohesion and solidarity between member states are fundamental values of the European Union (EU), recognized in Article 3 of the Treaty on the Functioning of the EU (TFEU). As defined in the Treaty (Articles 174-178 TFEU), cohesion is an imprecise and nebulous concept that is open to multiple interpretations. Emphasis is placed on the economic dimension of the term, the reduction of the disparities of levels of development between regions and countries, whereas no definition of social cohesion is provided. It can be argued that the goal of cohesion is only marginally linked to the traditional notion of economic solidarity. Indeed, cohesion is distinct from the broader concept of equity, which relates to the narrowing of the primary income gap between individuals through taxes and transfers. Emphasis is instead placed on improving economic efficiency by using a variety of fiscal and non-fiscal instruments. Thus, the Community and member states intend to improve the allocation of resources across the territory of the European Union, and in the long run, to ensure equal opportunities for the various economic actors. In other words, cohesion policy focuses on the reduction of inter-country and inter-regional disparities, while national policies and welfare systems are meant to take care of inter-personal disparities, including the subsidization of incomes and consumption (Tsoukalis 1998).

The official mission of cohesion policy is to narrow the gap in development levels between the EU regions. However, reality is far more complex; the creation and the evolution of cohesion policy has been inextricably linked with the progress of European integration and the inter-state compromises accompanying it. Cohesion policy has indeed been linked with different aspects of EU integration; each of these linkages has had crucial fiscal and political implications and has decisively affected the ends and the means of the cohesion policy regime. In hindsight, the most influential sources of exogenously driven change have been the Southern enlargement and the single market; the EMU project; the Eastern enlargement, the Lisbon Strategy; Europe 2020; the new economic governance (Andreou 2016: 333); and, more recently, the Covid-19 pandemic.

Every 'policy' is in fact a complex regime of ends and means. Therefore, in order to trace and appraise the development of a particular policy over time, one has to a) identify its distinct components, b) study the interrelationships that develop among them and c) detect the changes that take place at different rates and can result from activities endogenous or exogenous to the policy under examination (Hall 1993). According to Hall, each type of policy component changes with different frequency and for different reasons. More specifically:

- When policy calibrations change, first-order changes occur, which are incremental in nature and are due to endogenous factors.
- When policy tools change, second-order changes of incremental nature occur, also owing to endogenous factors.
- Finally, when the dominant «policy paradigm» is revised, third-order changes take place due to external factors.

M. Howlett and B. Cashore (2009, pp. 38-39) formulated a more sophisticated approach to policy components, arguing that any public policy is a complex set of goals and means that are formulated at three different levels of abstraction. Consequently, every public policy is composed of six distinct elements. On the one hand, objectives are divided into general objectives (abstract ideas that govern the general orientation of a public policy), operational objectives and specific terms (practical requirements for the conduct of a public policy). On the other hand, means are divided into organizational principles (general rules governing the implementation of a public policy), mechanisms (different policy tools that are mobilized) and configurations (different ways of using policy tools).

Studying complex policy regimes is further facilitated by the concept of policy space. The latter refers to a specific group of policies, as well as to the institutional embodiments of the latter. Each of the policies contained within this space is so closely interlinked with the rest that it becomes impossible to describe or

analyze it without also examining the components of the whole set. The structure of a policy space includes both the internal arrangements of its components and the relations and linkages that develop among them. Applying the concept of policy space in the study of public policies makes possible to integrate the substantive and institutional traits of policies in a single whole; moreover, it facilitates the study of the way(s) the internal structure of a policy domain changes over time (Hooghe 1996b: 94-95). Moreover, from a historical institutionalist perspective, political institutions are not only periodically contested; they are the object of constant struggle, as actors attempt to gain advantage by interpreting or redirecting institutions in pursuit of their goals, or by undermining or evading rules that clash with their interests. Gradual change takes different forms; Streeck and Thelen (2005: 19-30) classify five modes of gradual but potentially transformative change: displacement (initially dominant institutions are being displaced by others); layering (new layers of institutions are added); drift (institutions are progressively weakened and rendered ineffective); conversion (institutions assume different functions than the ones they were originally exercising); and exhaustion (institutions gradually wither and die).

Cohesion policy is the spatial configuration of a variety of sectoral policies, each of which is organized according to particular boundary and decision rules. The goal of cohesion policy is to select and coordinate sectoral policy initiatives that are instrumental in developing a specific territorial setting –region, sub-region, area, or country. EU cohesion programmes draw simultaneously from different sectoral policies, such as research and development, industrial policy, education and vocational training, social inclusion policies, environment, transport, energy, agriculture, spatial planning etc. Policy rules and processes differ both at the European and the national level and some policies are more Europeanized than others. When all these differences are taken together, cohesion policy emerges as a complex constellation of variable mixes of European and national sectoral policies (Hooghe 1996a: 10-11).

Cohesion policy space emerged between 1985 and 1989. In 1985, the inclusion of the principle of cohesion in the Treaty was accompanied by the decision to mobilize three pre-existing “Structural Funds” [the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the Guidance Section of the European Agricultural Guidance and Guaranty Fund (EAGGF)] in the name of cohesion. Then, the landmark budgetary reform of 1988 introduced the concept of multi-annual fiscal planning and endowed the Structural Funds with a substantial budget and a multi-annual governance framework based on the principles of concentration, partnership, programming and additionality. The cumulative effect of these processes was the foundation of a new policy space that was put into operation during the 1989-1993 programming cycle (Table 1).

Table 1: The components of cohesion policy space, 1989-1993

		<b>Policy Content</b>		
		<i>High Level Abstraction</i>	<i>Programme Level Operationalization</i>	<i>Specific on-the-ground Measures</i>
<b>Policy Focus</b>	Policy Ends or Aims	<p><b>GOALS:</b></p> <ul style="list-style-type: none"> <li>- economic cohesion</li> <li>- social cohesion (undefined); emphasis on employment creation</li> </ul>	<p><b>OBJECTIVES:</b></p> <ul style="list-style-type: none"> <li>- inter-regional convergence in GDP per capita</li> <li>- converting the regions seriously affected by industrial decline</li> <li>- combating long-term unemployment</li> <li>- occupational integration of young people</li> <li>- promotion of rural development</li> </ul>	<p><b>SETTINGS:</b></p> <ul style="list-style-type: none"> <li>- upgrading of infrastructure</li> <li>- human resources training</li> <li>- combatting social exclusion</li> <li>- business support</li> <li>- investment in R&amp;D</li> <li>- cross-border cooperation</li> </ul>
	Policy Means or Tools	<p><b>INSTRUMENT LOGIC:</b></p> <ul style="list-style-type: none"> <li>- programming</li> <li>- concentration</li> <li>- partnership</li> <li>- additionality</li> </ul>	<p><b>MECHANISMS:</b></p> <ul style="list-style-type: none"> <li>- EU Regulations</li> <li>- national legislation</li> <li>- ERDF, ESF, EAGGF, EIB</li> <li>- national funding instruments</li> <li>- private investment</li> </ul>	<p><b>CALIBRATIONS:</b></p> <ul style="list-style-type: none"> <li>-Community Support Frameworks</li> <li>-Operational Programmes</li> <li>- big projects</li> <li>- Community Initiatives</li> </ul>

Source: adapted from Andreou (2017)

Between 1994 and 2013, cohesion policy space underwent four successive revisions. The first two of these reforms (which took place in 1994 and 1999 respectively) followed an incremental logic, as the changes introduced did not radically alter either the pre-existing balances between cohesion policy objectives and instruments or the place of cohesion policy in the EU political system (Manzella and Mendez 2009). By contrast, the 2006 and the 2013 reforms introduced a substantial change in the positioning of cohesion policy in the EU budgetary and policy frameworks, by placing increasingly greater emphasis on aligning the activities of the Structural Funds with the “Lisbon Strategy” and its successor “Europe 2020” strategy.<sup>1</sup> This change at the level of policy goals was accompanied

by an equally important change in the logic of policy means, as greater emphasis was placed on maximizing policy effectiveness and “added value”. It has been argued that these reforms reoriented cohesion policy away from the traditional goal of promoting balanced socio-economic development towards a growth-policy perspective that puts the issue of competitiveness as a prerequisite for regional convergence (Avdikos and Chardas 2016).

More specifically, in 2006, a new strategic planning system was introduced by requiring the design of National Strategic Reference Frameworks (NSRFs) in conformity with Community Strategic Guidelines (CSGs), links with National Reform Programmes, the earmarking of programme spending to specific expenditure categories, and reporting requirements (Bachtler and Mendez 2020: 235). Then, the 2013 reform produced a much stronger alignment of cohesion policy with Europe 2020 and the new economic governance under EMU. At the programming level, a Common Strategic Framework (replacing CSGs) provided guidance on programming and promoted coordination of the various EU spending instruments, while Partnership Contracts (replacing NSRFs) set out the overall contribution, at national level, to the Thematic Objectives and the commitments to concrete actions to deliver Europe 2020 objectives. Moreover, ex ante and ex post conditionality were further enhanced, and new provisions on macroeconomic conditionality established were introduced to ensure that the effectiveness of expenditure under the Common Strategic Framework Funds is underpinned by “sound” fiscal and macroeconomic policies.

The strategic turn of cohesion policy has had a profound impact on the cohesion policy space itself (Table 2). At the level of policy goals, cohesion policy is now focused on the support of structural reforms aiming at increasing the Union’s overall competitiveness; at the level of policy means, all cohesion policy instruments operate in accordance with the logic of conditionalities and, in theory at least, are fully integrated in the EU strategic programming (as expressed by the European Semester). If we attempt to compare the 2014-2020 “map” of cohesion policy space with the 1989-1993 map following the taxonomy of Streeck and Thelen (2005), we see ample evidence of new layers of goals and objectives added on top of preexisting ones. This phenomenon has also been described as a “broadening” of the policy aims in which cohesion is expected to contribute (Begg 2010: 79). At the level of means, a) the logic the cohesion policy instrument has undergone substantial changes, owing primarily to the increasing emphasis placed on the principle of sound and efficient management at the expense of the four “traditional principles”, b) the number of available policy instruments has increased substantially; and c) policy calibrations have undergone multiple types of change, as some of the early calibrations (like the Community Initiatives) have been abandoned, some new ones (like Research & Innovation Strategies for Smart Specialization) have been

added and some of the original calibrations have been converted to new ones (for instance, the Community Support Frameworks have been replaced by the Partnership Agreements). The main finding of this exercise is that, in 2014-2020, goal congestion is evident at the level of policy aims, while increased complexity is manifest at the level of means (Andreou 2017).

**Table 2: The components of cohesion policy space, 2014-2020**

		<b>Policy Content</b>		
		<i>High Level Abstraction</i>	<i>Programme Level Operationalization</i>	<i>Specific on-the-ground Measures</i>
<b>Policy Focus</b>	Policy Ends or Aims	<p><b>GOALS:</b></p> <ul style="list-style-type: none"> <li>- economic cohesion</li> <li>- social cohesion (undefined); emphasis on employment creation</li> <li>- <i>territorial cohesion (undefined)</i></li> <li>- <i>promoting smart, sustainable and inclusive growth (“Europe 2020”)</i></li> </ul>	<p><b>OBJECTIVES:</b></p> <ul style="list-style-type: none"> <li>- inter-regional convergence in GDP per capita</li> <li>- European territorial cooperation</li> <li>- <i>5 “Europe 2020” goals</i></li> <li>- <i>11 Thematic Objectives</i></li> <li>- <i>3 Horizontal Objectives</i></li> </ul>	<p><b>SETTINGS:</b></p> <ul style="list-style-type: none"> <li>- upgrading of infrastructure</li> <li>- human resources training</li> <li>- combatting social exclusion</li> <li>- business support</li> <li>- <i>thematic concentration of resources</i></li> <li>- <i>promotion of “good governance”</i></li> </ul>
	Policy Means or Tools	<p><b>INSTRUMENT LOGIC:</b></p> <ul style="list-style-type: none"> <li>- programming</li> <li>- concentration</li> <li>- partnership</li> <li>- additionality</li> <li>- shared management</li> <li>- <i>sound and efficient management</i></li> </ul>	<p><b>MECHANISMS:</b></p> <ul style="list-style-type: none"> <li>- <i>Common Strategic Framework</i></li> <li>- Country-Specific Recommendations/ Council recommendations</li> <li>- <i>National Stability Programmes</i></li> <li>- <i>National Reform Programmes</i></li> <li>- national legislation</li> <li>- ERDF, ESF, Cohesion Fund, EIB, EAFRD, EMFF</li> <li>- national funding instruments</li> <li>- private investment</li> </ul>	<p><b>CALIBRATIONS:</b></p> <ul style="list-style-type: none"> <li>- Partnership Agreements</li> <li>- Operational Programmes</li> <li>- <i>big projects</i></li> <li>- <i>conditionalities</i></li> <li>- <i>national, regional and/or local strategies [Research &amp; Innovation Strategies for Smart Specialization (RIS3), integrated territorial approach etc.]</i></li> </ul>

Source: Andreou (2017)

The evolution of the cohesion policy space has gone hand in hand with significant changes in both the size and the allocation of the financial envelope of cohesion. Firstly, EU expenditure in the name of cohesion experienced a spectacular increase between 1989 and 2013, but in 2014-2020 the cohesion budget was reduced for the first time in history. Secondly, since 2006, the intensity of EU aid in less developed regions (funding relative to the population covered) has declined.<sup>2</sup> Thirdly, the share of cohesion funds for the remaining regions has grown from 15,8% in 2007-2013 to 27,6% in 2014-2020 (Andreou 2017).

The changes in cohesion spending can be attributed to several factors. First, since 1999 the negotiations on the future of cohesion policy take place in a policy environment favoring “sound public finances” and “added value”. Second, the divergence of preferences between Eastern and Southern member states has given the richer member states the opportunity to impose a more restrictive approach. Third, in contrast with the earlier rounds of budgetary negotiations in the EU, the 2006 and 2013 negotiations were not integrated into a larger package deal including financial and non-financial issues. Hence, the less wealthy member states did not have the opportunity to maximize their financial gains by exacting side-payments in the name of cohesion (Andreou 2016: 360). Lastly, the dominance of the discourse associated with Lisbon, Europe 2020 and the new economic governance has further legitimized and strengthened the arguments calling for a “contained” cohesion budget transferring resources to poor and rich member states alike.<sup>3</sup> In other words, emphasis on strategy and performance has promoted the distributive interests of the richer member states at the expense of the poorer ones (Andreou 2017).

The 2006 and 2013 reforms represent turning points in the history of the policy, since: a) they introduced new strategic goals that were exogenously defined and not fully compatible with the cohesion objective itself; b) they imposed new centrally and exogenously defined operational objectives, mechanisms and calibrations and c) they put into effect a complex set of conditions and controls, also exogenously defined. This policy shift was officially justified as an attempt to enhance the added value of cohesion policy and to improve the overall policy mix in the EU. However, these changes exacerbate congestion at the level of policy goals and complexity at the level of policy means. Regarding policy goals, cohesion policy has become overloaded with numerous and contradictory objectives, diluting its Treaty focus and reducing the importance of ‘place’ and ‘territory’ in the design and implementation of programmes (Bachtler et al. 2016). This broadening of the mission of the policy was accompanied by a reduction of its financial resources against the backdrop of a marked deterioration of the EU’s regional problem (owing to the Eastern enlargement and the financial, fiscal and

economic crisis of the 2010s). The partial decoupling of cohesion policy from its initial mission – reducing territorial inequalities – constitutes a blow for European integration, since it undermines the goal of cohesion, and also diminishes the degree of inter-regional redistribution (and solidarity) that the latter entails (Andreou 2016: 359-360). Concerning policy means, the growing top-down accumulation of more regulatory requirements hinders the ability of countries and regions to address development needs in ways most appropriate to national and regional circumstances (Bachtler et al. 2016).

#### **4. The transformation of cohesion policy space, 2018-2020**

On 2 May 2018, the European Commission presented a set of general proposals for the 2021-2027 Multiannual Financial Framework (MFF), which sets out the ceilings of both the EU's annual expenditure as a whole and the sub-categories of budget expenditure for the period 2021-2027. The MFF proposed by the Commission was slightly lower than the MFF 2014-2020 and corresponded to 1,08% of the EU GNI. On the expenditure side, significant cuts in the Common Agricultural and Cohesion Policy were proposed, so that expenditure on all other policies would amount to 33% of the new budget. On the other hand, the Commission recommended: a) a further increase in research and innovation spending and b) the establishment of two new financial instruments to promote reform and stabilization within the Eurozone (see below). The Commission's main argument that the proposed MFF meets the needs of the Union because, firstly, it produces the maximum possible "added value" by focusing on areas where the Union is more effective than the Member States and, secondly, it adopts conditionalities that ensure maximum effectiveness of EU expenditure.

The structure of spending categories (the so-called "Headings") proposed by the Commission differed significantly from the 2014-2020 MFF. Cohesion policy spending was included in "Heading 2" which was titled "Cohesion and values" and was allocated the largest amount of funding within the MFF (€392 billion representing 34.5% of the total). Heading 2 was also the most diversified heading in terms of the types of programme and fund included, since it encompassed expenditure on cohesion (one of the EU's long-standing policies), on an entirely new budgetary instrument supporting Economic and Monetary Union, and on other increasingly important goals, including youth employment, the creative sector, values, equality and the rule of law. Specifically, based on their contribution to a given EU policy area, EU programmes were divided into three 'policy clusters': 1): economic and monetary union (5.7% of the allocation in Heading 2), regional development and cohesion (61.8%), and people, social cohesion and values (31.5%).



Under the cluster dedicated to economic and monetary union, a new instrument linked to the functioning of the Eurozone – the Reform Support Programme (RSP) would coexist with the tiny Pericles programme (to protect the euro against counterfeits). Allocated €22,2 billion over seven years, RSP was designed to support structural reforms in Member States (including those outside the Eurozone) that are important for the convergence and resilience of Member State economies. Eligible reforms would cover various policy areas, such as public financial and asset management, institutional and administrative capacities, service and labour markets, the business environment, education and training, public health and education. The new programme was seen by the Commission as complementary to the cohesion funds and as a way to strengthen the link between the cohesion policy framework and the European Semester cycle (i.e. the main EU policy tool associated with the implementation of Europe 2020 strategy and the EU economic governance). The policy cluster “Regional development and cohesion” would include the European Regional Development Fund, the Cohesion Fund and a small program dedicated to Support to the Turkish-Cypriot Community. The policy cluster “Investing in people, social cohesion and values” would bring together programmes that have a social dimension in common but were previously dispersed across several MFF headings - the European Social Fund+, Erasmus+, European Solidarity Corps, Creative Europe and Justice, Rights and Values Fund. The position of the ESF+ in the new structure met some criticism, as it was seen as a way to separate the fund from cohesion policy (and the shared management method applied to the ERDF and Cohesion Fund) and to undermine the importance of cohesion policy.<sup>4</sup>

Overall, the allocation for the three Structural Funds (the European Agricultural Fund for Rural Development being decoupled from the latter) would decrease by around 10% in real terms; moreover, cohesion budget in the total MFF would fall from 34.1% to 29.2%. However, each fund would be affected differently by this change: the ERDF would increase by 2%, the ESF+ would decrease by 7% and the overall allocation of the Cohesion Fund would decrease by 45%. The Commission justified this cut to by the fact that the goals of the 2004 enlargement have been largely achieved and investment needs have shifted from environmental and transport infrastructure to areas covered by the other programmes and funds, such as research, innovation, education and renewable energy (Sapala 2019).

In terms of policy content, following largely the logic of the 2014 reform, the Commission identified four main features of its proposals for cohesion policy: a) a focus on key investment priorities, where the EU is best placed to deliver (innovation, support to small businesses, digital technologies and industri-

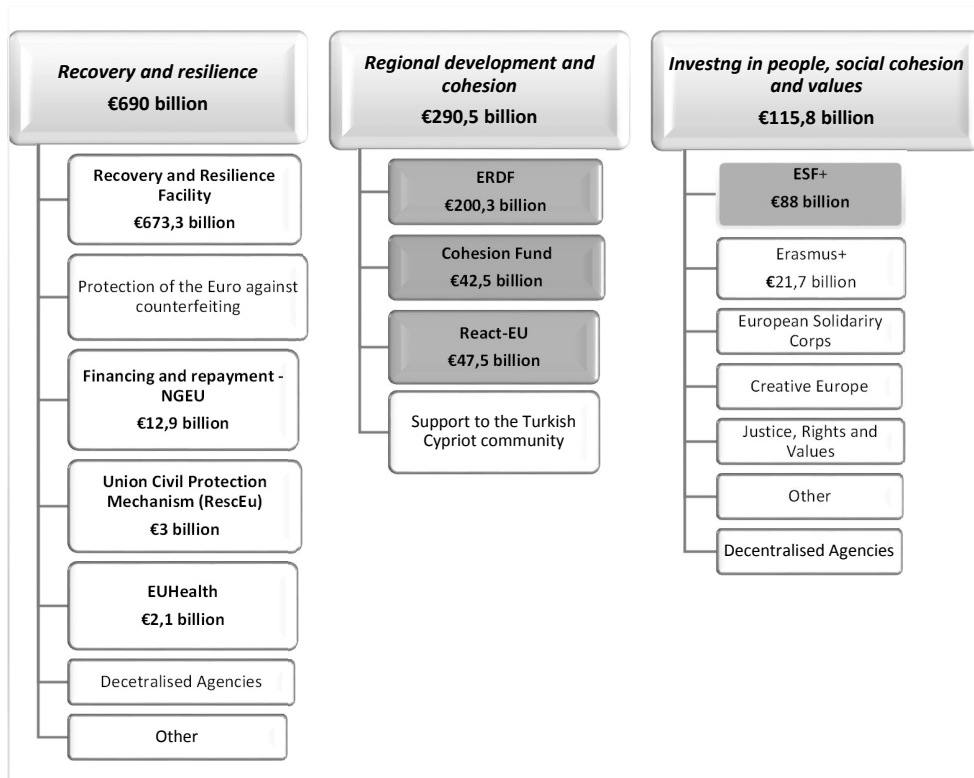
al modernization, shift towards a low-carbon, circular economy and the fight against climate change)<sup>5</sup>; b) a cohesion policy for all regions and a more tailored approach to regional development; c) fewer, clearer, shorter rules and a more flexible framework; and d) a strengthened link with the European Semester to improve the investment environment in Europe. As in 2014-2020 period, the cohesion budget would fall under shared management between the European Commission and member states (except from the small employment and social innovation strand of ESF+, which would be managed by the Commission).

The 2018 package of proposals was followed by a year and a half of painstaking negotiations in the EU Council, a fruitless European Council meeting in February 2020 (when a revised MFF proposal by European Council President Charles Michel that included a further 2% cut of the allocation for cohesion policy failed to achieve consensus) – and the outbreak of the Covid-19 pandemic which triggered radical changes in the EU's financial plans. On 23 April 2020, the European Council asked the Commission to come up with a proposal for a recovery fund of “sufficient magnitude”, and to clarify its link to the MFF. This idea was taken up by a Franco - German proposal for a temporary European recovery instrument endowed with €500 billion of grants and by a non-paper from Austria, Denmark, the Netherlands and Sweden proposing an Emergency Recovery Fund based on a ‘loans for loans’ approach. On 27 May 2020, the Commission presented a comprehensive recovery package; It included the amended proposals for the 2021-2027 MFF and for a decision on the system of own resources, the proposal for a regulation establishing a European Union recovery instrument, Next Generation EU (NGEU), for the years 2021 to 2024,<sup>6</sup> and a proposal to revise the 2014-2020 MFF so as to provide additional resources for urgent investments in relation to the pandemic (or a “bridging solution”). At the same time, the Commission withdrew its proposal of May 2018 for a Reform Support Programme and replaced it with the proposal for a Recovery and Resilience Facility.

Under the new proposal, Heading 2 has been renamed “Cohesion, resilience and values” and will play an important role in the implementation of NGEU. Between 2021 and 2023, €721.9 billion, representing 96.3% of the total NGEU, will be channeled under this Heading through a new policy cluster named “Recovery and Resilience” that will comprise: a) the Recovery and Resilience Facility, the centerpiece of NGEU, b) Recovery Assistance for Cohesion and the Territories of Europe (REACT-EU), and c) the Union Civil Protection Mechanism (rescEU). On the other hand, the Commission withdrew its original proposal for an “economic and monetary union” policy cluster under this Heading. As a result, the MFF and the NGEU resources combined under Heading 2 amount to almost €1.1 trillion and represent 60.3% of the total resources available for 2021-2027.

In July 2020, as part of a compromise on the future MFF and NGEU, the EU leaders agreed on the financing of cohesion policy and on the level of support for different policy goals and types of regions. This agreement was not changed as a result of the subsequent negotiations between the European Parliament and the Council and was sealed on 17 December 2020. It sets the 2021-2027 MFF ceiling for EU spending on Sub-heading 2a: “Economic, social and territorial cohesion” at €330.3 billion. The total allocation is at a level approximating that of the Commission’s first proposal (May 2018) and about 10% lower than its equivalent, Sub-heading 1b, in the 2014-2020 MFF.<sup>7</sup> The cut can be seen as a step towards rebalancing EU spending and reducing the role of spending on cohesion, the share of which in the MFF has changed from 35.7% in the 2007-2013 period to 33.9% in 2014-2020 and 30.7% in 2021-2027. In addition, extra resources financed from NGEU will support the regions the most affected by the crisis caused by the pandemic. The new instrument, REACT-EU, is endowed with €47.5 billion (€2.5 billion less than demanded by the Commission) for the years 2021 and 2022 and will complement actions under the ERDF and the ESF+.<sup>8</sup> This temporary reinforcement will lift the total cohesion policy budget to €377.7 billion, a level comparable to the allocation under the 2014-2020 MFF (€367.5 billion in 2018 prices) (Sapala 2021: 5). As a result, the final structure of Heading 2 has changed significantly compared to the 2018 proposals; however, the budget allocated to the three mainstream Structural Funds remained almost unaffected (Figure 1). More specifically, regarding policy clusters, the budget for policy cluster “Regional development and cohesion” will increase by more than €48 billion thanks to the inclusion of REACT-EU, while expenditure under policy cluster “Investing in people, social cohesion and values” will decrease by €7.7 billion. Finally, a new financial instrument, the Just Transition Fund (JTF), was put at the disposal of cohesion policy – though its budget was not included in Heading 2, but in Heading 3 – “Natural resources and environment”.<sup>9</sup>

**Figure 1 – Structure of Heading “Cohesion, resilience and values” -**  
 2018 prices  
 Includes the Sub-heading 2a “Economic, Social and Territorial Cohesion”  
 (in grey\*)



\* Sub-heading 2 does not include ESF+ strand “Employment and social innovation” (€ 762 million) which falls under direct management rules.

Source: Sapala (2021:2)

The Recovery and Resilience Facility (RRF) is the flagship instrument of Next Generation EU and aims to promote economic, social and territorial cohesion as well as securing lasting recovery. Its official aim is to facilitate competitiveness, resilience, green and digital transformation, smart, sustainable and inclusive growth, and the stability of the EU’s financial systems.

According to Article 4 of its Regulation, the general objective of RRF shall be: “ *to promote the Union’s economic, social and territorial cohesion..., by mitigating the social and economic impact of that crisis... , by contributing to the implementation of the European Pillar of Social Rights, by supporting the green transition, by contributing to the achievement of the Union’s 2030 climate targets and by complying with the objective of EU climate neutrality by 2050 and of the digital transition, thereby contributing to the upward economic and social convergence, restoring and promoting sustainable growth and the integration of the economies of the Union, fostering high quality employment creation, and contributing to the strategic autonomy of the Union ... and generating European added value*” (European Parliament and Council 2021: 31).

RRF concentrates 90% of the total resources of NGEU; it will provide non-repayable financial support and loans to member states to support public investments and reforms, as set out in their National Recovery and Resilience Plans (NRRPs). Its financial envelope (€672,5 billion) is composed of grants (€312.5 billion) and loans (€360 billion). RRF covers policy areas that are structured around six pillars: 1) green transition; 2) digital transformation; 3) Smart, sustainable and inclusive growth (including economic cohesion); 4) Social and territorial cohesion; 5) Health, and economic, social and institutional resilience; and 6) policies for the next generation, children and youth, (including education and skills). NRRPs (to be submitted by April 2021) should propose a congruent set of reforms and public investment projects to be implemented until the end of 2026. At least 37% of the RRFs’ total allocation must contribute to mainstreaming climate actions and environmental sustainability; furthermore, at least 20% of the RRF budget must be dedicated to digital expenditure which will contribute to accelerating digital transformation.

The new RRF is subject to both broad and narrow conditionality. At the strategic level, the NRRPs would be fully integrated with the economic governance of the Union. On the one hand, they would be consistent with country-specific challenges and priorities identified in the context of the European Semester, as well as with Council recommendations for Eurozone member states (CCRs). Furthermore, they would comply with the National Reform Programmes under the European Semester, the National Energy and Climate Plans, the territorial just transition plans, the Youth Guarantee implementation plans and, last but not least, the Partnership Agreements and Operational Programmes under cohesion policy (European Parliament and Council 2021). At the operational level, the final NRRPs would be subjected to an *ex ante* assessment by the Commission

on the basis of four principles - relevance, effectiveness, efficiency and coherence. Then, in case of a positive assessment, the Commission would elaborate a proposal for a Council implementing decision that would need to be approved by the latter with a qualified majority vote. Finally, the implementation of the Plans would take place under the principle of direct management, which means the Commission will assume full responsibility for their monitoring and evaluation throughout all phases (Corti and Nunez-Ferrer 2021).

The cumulative impact of the 2020 reforms on the cohesion policy space is portrayed in Table 4. The introduction of RRF in the cohesion policy space is a milestone in EU policy-making, as it represents a radical re-interpretation of the cohesion objective. As described in this section, placing pre-existing cohesion policy instruments at the service of EU priorities without a clear spatial dimension (such as the Lisbon Strategy, the Europe 2020 strategy and the new economic governance) is not a new phenomenon. What is new under the current period is that the EU has established a new fiscal support mechanism focusing on stabilization, lacking a clear focus of territorial objectives and reserving no role for the regions in the name of cohesion. In other words, while until 2020 EU policy actors tended to use cohesion policy instruments as “a wallet for other EU policies or goals” (Polverari 2013), the introduction of RRF is the first case of employing the goal of cohesion to create a new and very generous policy instrument that, in fact, is pursuing different policy goals. At the same time, the implementation of MFF introduces a new, sectorally organized and centrally managed governance system that is operating in parallel with an “old”, territorially organized and largely decentralized one. What emerges is a heterogeneous “cohesion and resilience policy space” characterized by a marked duality – and, one might argue, incoherence - both at the level of goals and at the level of means.

**Table 4: The components of cohesion and resilience policy space, 2021-2027**

		<b>Policy Content</b>		
		<i>High Level Abstraction</i>	<i>Programme Level Operationalization</i>	<i>Specific on-the-ground Measures</i>
<b>Policy Focus</b>	Policy Ends or Aims	<p><b>GOALS:</b></p> <ul style="list-style-type: none"> <li>- economic cohesion</li> <li>- social cohesion; emphasis on employment creation</li> <li>- territorial cohesion</li> <li>- <i>green transition</i></li> <li>- <i>digital transition</i></li> <li>- <i>resilience and recovery</i></li> </ul>	<p><b>OBJECTIVES:</b></p> <ul style="list-style-type: none"> <li>- inter-regional and inter-country convergence in GDP per capita</li> <li>- European territorial cooperation</li> <li>- <i>2050 goals</i></li> <li>- <i>green transition strategy</i></li> <li>- <i>digital transition strategy</i></li> <li>- <i>5 Thematic Objectives</i></li> </ul>	<p><b>SETTINGS:</b></p> <ul style="list-style-type: none"> <li>- upgrading of infrastructure</li> <li>- human resources training</li> <li>- combatting social exclusion</li> <li>- business support</li> <li>- thematic concentration of resources</li> <li>- promotion of “good governance”</li> </ul>
	Policy Means or Tools	<p><b>INSTRUMENT LOGIC:</b></p> <ul style="list-style-type: none"> <li>- programming</li> <li>- concentration</li> <li>- partnership</li> <li>- sound and efficient management</li> <li>- shared management</li> <li>- <i>direct management</i></li> </ul>	<p><b>MECHANISMS:</b></p> <ul style="list-style-type: none"> <li>- Resilience and Recovery Facility</li> <li>- Common Strategic Framework</li> <li>- Country-Specific Recommendations/Council recommendations</li> <li>- EU Regulations</li> <li>- National Stability Programmes</li> <li>- National Reform Programmes</li> <li>- national legislation</li> <li>- ERDF, ESF+, Cohesion Fund, <i>JTF</i> EIB</li> <li>- national funding instruments</li> <li>- private investment</li> </ul>	<p><b>CALIBRATIONS:</b></p> <ul style="list-style-type: none"> <li>- <i>National Resilience and Recovery Plans</i></li> <li>- <i>Territorial Just Transition Plans</i></li> <li>- Partnership Agreements</li> <li>- OPs</li> <li>- big projects</li> <li>- conditionalities</li> <li>- national strategies (RIS3, integrated territorial approach etc.)</li> </ul>

Source: adapted from Howlett and Cashore (2009)

Turning to the issue of solidarity, the establishment of a temporary facility at the central level that will transfer resources to EU member countries to help them face the economic consequences of the pandemic can be viewed as a “second best solution” – the creation of a central capacity being the first best. RRF and the other instruments set in place recently were based on a key principle that made them politically feasible: resources are borrowed together, and spending decisions are taken together (Cottarelli 2021: 23). Compared to the limited forms of solidarity that emerged as result of the Eurozone crisis (and were built on the tried-and-trusted logic of mutualisation of borrowing costs), the establishment of NGEU and RRF points to a more generous form of solidarity because of both its financial magnitude and its disbursement logic: €312,5 billion (out of a total budget of €672,5 billion) will take the form of grants channeled to member states through the EU budget. It can be argued that the nature of Covid-19 crisis provided a stronger rationale for joint EU action, as it allowed for overcoming some of the collective action problems that the EU had faced during the Euro area crisis (such as the debate on moral hazard and the contrast between the Euro area’s core and peripheral economies) (Ladi and Tsarouhas 2020: 1052). At the same time, the creation of NGEU was primarily inspired by a logic of enlightened self-interest, with advocates of solidarity stressing the economic rationale of a joint response, due to the interconnectedness of the single market. Accordingly, the dominant EU policy actors availed of the opportunity to integrate the setup of new solidarity mechanisms with the implementation of the main reform strategies adopted at EU level just before the outbreak of the pandemic – i.e. green and digital transition and the promotion of the strategic autonomy of the Union. As a result, the EU expenditure policies for 2021-2027 were incorporated in a mix of long-term investment strategies organized in full conformity with the “competitive solidarity” approach and lacking a visible social dimension.

## 5. Conclusions

**T**he crisis caused by the Covid-19 pandemic led the EU to agree on the biggest financial package in its history. The establishment of a new stabilization instrument funded by the issuing of common debt at EU level was seen as a historic step in European integration and a clear expression of solidarity. This view is reinforced by the fact that the cross-country allocation of RRF grants strongly correlates with the level of development (Zarvas et.al. 2021), suggesting that the Facility works also as a powerful tool of inter-country redistribution. Nevertheless, the creation of NGEU and RRF did not amount to a change of philosophy either in terms of the EU’s strategic priorities or in terms of the mission of the



European budget. In fact, the pandemic crisis has acted as a catalyst for accelerating the implementation of pre-existing EU strategic priorities with the support of a - temporarily reinforced - European budget. Furthermore, the planned increases in EU European expenditure were not legitimized on the basis of any new form of solidarity. On the contrary, EU actors were quick to point out the special and temporary nature of RRF, to justify its activation in the name of economic, social and territorial cohesion (a deliberately vague and ambiguous concept that is only marginally linked to the notion of social solidarity) and to set up strict conditionality mechanisms for the implementation of the relevant National Plans.

The 2020 reform has also had an adverse impact on the coherence and the importance of traditional cohesion policy. By adding RRF in a “cohesion policy space” crowded with old and new policy goals and means and lacking a clear territorial and social dimension, EU actors have further diluted the focus and undermined the inter-regional fiscal impact of cohesion policy. As explained in Section 3, this development follows a long-term policy shift that has been evident since the 2000s. Cohesion policy, hitherto the main expression of EU’s fiscal solidarity, does not fit well with the EU’s main policy priorities – which follow a sectoral and centralized logic- and no longer enjoys the degree of political support it did during the 1980s and the 1990s. For 2021-2026, RRF and the Structural Funds are going to operate in parallel, funding similar – though not identical - investment activities based on different mechanisms, processes, and conditions. This is however a temporary arrangement; the next budgetary negotiation will be crucial for the future of the “cohesion and resilience” policy space.

## Notes

1. These strategies were conceived as a policy (and reform) catalyst enabling the member states to adopt the structural reforms required by their participation in the Eurozone, without endangering subsidiarity - and national competences in the field of social policy in particular. Their main delivery mechanism was the open method of coordination (OMC), a halfway house between the Community method and the intergovernmental policy-making (Andreou and Koutsiaras 2004).
2. Aid intensity started out at € 110 per person (at 2011 constant prices) in 1989, increased to € 259 in the EU-15 in the 2000–2006 period, declined to € 188 in the 2007-2013 period – despite the dramatic impact of Eastern enlargement on the EU’s “regional problem” - and was reduced further to EUR 180 per person for 2014-2020.
3. In 2003, the Sapir Report -a report on the economy of the European Union written by a panel of renowned experts upon request of the European Commis-

sion- attacked cohesion policy as basically ineffective, costly and unnecessarily bureaucratic and argued for a radical overhaul of EU spending from cohesion policy and agriculture towards R&D and competitiveness (Sapir 2003), thus providing further ammunition to the advocates of a more limited and less territorially focused cohesion policy.

4. The Commission presented a sub-ceiling named 'Economic, social and territorial cohesion' which did cover all three cohesion funds (ERDF, the Cohesion Fund and the ESF+). By contrast, in the 2014-2020 MFF cohesion funds were ring-fenced under sub-heading 1b 'Economic, social and territorial cohesion'. The sub-heading and sub-ceiling look similar in the MFF structure. However, any unallocated margins or appropriations budgeted for programmes under the sub-ceiling may – if necessary – be used for other expenditure of the same heading but outside the sub-ceiling, while appropriations or margins available under one sub-heading cannot be used for expenditure in another heading or sub-heading (Sapala 2019: 6).

5. The ERDF, the ESF+, the Cohesion Fund (and the European Maritime, Fisheries and Aquaculture Fund) will support five policy objectives: green and digital transition, more connected, inclusive and social Europe, and a Europe that is closer to its citizens.

6. Designed to contribute to macroeconomic stabilization, NGEU would be financed not by EU own resources but by funds borrowed on the capital markets by the Commission on behalf of the Union. These will be disbursed up to the end of 2026 and repaid by 31 December 2058 at the latest. The NGEU issuance will increase outstanding Union debt by a multiple of around 15, constituting the largest ever euro-denominated issuance at supranational level.

7. It is worth noting that the Commission abandoned its earlier proposal for the establishment of a Sub-ceiling for cohesion expenditure and reverted to the use of a Sub-heading as in 2014-2020 (see note 4).

8. The REACT EU represents an important additional financial injection for the countries and regions hit by the crisis. The size of this emergency instrument exceeds the size of the Cohesion Fund. Moreover, it has to be committed in a much shorter period. In addition, contrary to the rules applying for the Structural Funds, implementation of measures under REACT-EU does not require co-financing from a member state.

9. The Just Transition Fund aims to provide support to territories facing serious socio-economic challenges arising from the transition towards climate neutrality, thus facilitating the implementation of the European Green Deal. It has an overall budget of € 17.5 billion for 2021-2027. € 7.5 billion will be financed under the MFF and an additional € 10 billion will be financed under Next Generation EU.

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## **Drafting national recovery plans and stakeholder involvement: an opportunity for strengthening EU legitimacy?**

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### **Abstract**

The Recovery and Resilience Facility (RRF) is at the heart of Next Generation EU, Europe's plan to tackle the economic fall out of the pandemic crisis. To obtain this support, national plans outlining structural reforms to be implemented by member states are to be submitted for assessment by the European Commission before being approved by the European Council. Accordingly, to effectively implement the structural reforms to be financed by the RRF, national governments and their constituents must show ownership over the process. While it should be in everyone's interest to disburse recovery funds as soon as possible so as to reach a strong recovery effect, it is equally important to ensure enough time for public consultations with the relevant stakeholders, and a successful reflection of input from the stakeholders in the national plans. However, drafting national recovery plans proved a laborious exercise, bringing back concerns over the EU democratic deficit. Consequently, a crucial question concerns whether pandemic crisis is a proper opportunity to bridge the legitimacy gap of the EU, which has widened in the era of the EU's economic crisis. In an attempt to answer this question, this paper provides an overview of the overall involvement of stakeholders in drafting national recovery and resilience plans based on information gathered from several official reports.

**KEY-WORDS:** Recovery and Resilience Facility, COVID-19 pandemic, EU legitimacy, stakeholders.

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## Αποτέλεσαν τα Εθνικά Σχέδια Ανάκαμψης ευκαιρία για ενδυνάμωση της δημοκρατικής νομιμοποίησης των αποφάσεων στην Ευρωπαϊκή Ένωση;

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### Περίληψη

**Ο** Μηχανισμός Ανάκαμψης και Ανθεκτικότητας βρίσκεται στην καρδιά του σχεδίου της Ευρωπαϊκής Ένωσης, NextGenerationEU, για την αντιμετώπιση των οικονομικών επιπτώσεων από την κρίση της πανδημίας. Προκειμένου να αποκτήσουν πρόσβαση στα χρηματοδοτικά κεφάλαια του Μηχανισμού, οι εθνικές κυβερνήσεις κατάρτισαν σχέδια ανάκαμψης και ανθεκτικότητας, τα οποία υποβλήθηκαν για αξιολόγηση στην Ευρωπαϊκή Επιτροπή.

Τα εθνικά αυτά σχέδια ήταν αναγκαίο να περιλαμβάνουν, εκτός από τις επενδύσεις σε έργα αναβάθμισης των υποδομών, και τη δέσμευση των κυβερνήσεων για την υλοποίηση μακροπρόθεσμων μεταρρυθμίσεων σε μια σειρά τομέων (δημόσια διοίκηση, αγορά εργασίας, δικαιοσύνη κ.ά.). Με βάση άλλωστε την αξιολόγηση της υλοποίησης των μέτρων αυτών, θα πραγματοποιείται αναλόγως και η εκταμίευση των δόσεων.

Αν και είναι προς το συμφέρον τόσο των κυβερνήσεων όσο και των ευρωπαϊκών οργάνων να εκταμιευτούν τα κεφάλαια το συντομότερο δυνατό, ώστε να επιτευχθεί ισχυρό αποτέλεσμα ανάκαμψης, είναι εξίσου σημαντική και η εξασφάλιση επαρκούς χρόνου για δημόσια διαβούλευση με τους ενδιαφερόμενους φορείς (αυτοδιοίκηση, κοινωνικοί εταίροι, φορείς της κοινωνίας των πολιτών κ.ά.), στο πλαίσιο της κατάρτισης των εθνικών σχεδίων. Στην πράξη, βέβαια, η διαδικασία αυτή αποδείχθηκε επίπονη άσκηση, επαναφέροντας τον προβληματισμό για το «δημοκρατικό έλλειμμα» της Ευρωπαϊκής Ένωσης.

Κατά συνέπεια, το κρίσιμο ερώτημα που εγείρεται είναι εάν η πανδημική κρίση αποτέλεσε ευκαιρία για να βελτιωθεί η νομιμοποίηση στη λήψη των αποφάσεων στην Ένωση, που είχε υποχωρήσει σημαντικά στην εποχή της κρίσης χρέους. Σε μια προσπάθεια να απαντηθεί αυτό το ερώτημα, η παρούσα μελέτη επιχειρεί μια επισκόπηση -με βάση δευτερογενή δεδομένα από σχετικές έρευνες- της έκτασης της συμμετοχής των κοινωνικών εταίρων αλλά και των οργανώσεων από την κοινωνία των πολιτών στην κατάρτιση τόσο των εθνικών προσχεδίων αλλά και των τελικών σχεδίων που υποβλήθηκαν προς έγκριση στην Επιτροπή.

**ΛΕΞΕΙΣ-ΚΛΕΙΔΙΑ:** Μηχανισμός Ανάκαμψης και Ανθεκτικότητας, πανδημία, νομιμοποίηση, ενδιαφερόμενα μέρη

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## 1. Introduction

The EU's Recovery and Resilience Facility (RRF), established to respond to the COVID-19 pandemic, could represent a step towards transforming Europe's institutional set-up, which related literature has described as "incomplete" (e.g., Beck 2020; Blesse et al. 2020). In July 2020 the European Council agreed on the RRF amounting to €672.6 billion of the total €750 billion of the Next Generation EU and on 9 February 2021 the European Parliament (2021a) formally endorsed the agreement on the Proposal for a Regulation establishing a Recovery and Resilience Facility. Access to this funding was subject to submission of a National Recovery and Resilience Plan in which member states laid out what reforms and investments would be supported by the RRF. On achieving pre-set targets and milestones laid out in the plans, funding will be disbursed but the final payments are dependent on completion of final targets and milestones in or before August 2026. Finally, the Recovery and Resilience Task Force (RECOVER) is responsible for steering the implementation of the RRF and for coordinating with the European Semester.

Clear guidelines outlining key actions pertinent to a range of policies were made available to member states (European Commission 2021a) in line with what co-legislators had politically agreed on the regulation. From October 2020 draft recovery and resilience plans could be presented to the Commission after which they would be further revised and finalized. "As a rule", the deadline for their official submission was the 30 April 2021, however, this deadline was flexible (European Commission 2021b). Thirteen countries submitted their plans by the 30 April 2021 deadline or at most with a one-day delay. By the end of 2021, all member states except for the Netherlands had submitted their national plans while, under the RRF, 13% of the total amount allocated to member states was disbursed by the European Commission in pre-financing to 16 EU countries.

It should be noted that all parties involved were interested in having recovery funds disbursed with no delays since a strong recovery effect was intended. However, ample time which would allow for political participation -through public consultations or the involvement of national parliaments- was equally important (Ferrer 2021: 4; Conti & Ferrer 2021a). This is important because of the link between reforms and the disbursement of funds backed by joint EU debt, which the EU's so-called frugal four (Austria, Denmark, the Netherlands and Sweden) pushed for: they wanted a "loans for loans" approach for the bloc's coronavirus recovery fund, and the Commission took their wishes on board. Indeed, the strategy of offering grants in exchange for reform can bring unwanted results because domestic stakeholders could interpret the grants as an attempt



by EU partners to force reforms from the outside (Pisani-Ferry 2013). On the other hand, the anti-cyclical interventions seek to moderate the negative impact of the pandemic (European Economic and Social Committee 2020a).

In some sense, medium and long-term objectives require input responsiveness to citizens' political demands; but drafting national recovery plans implies an immediate output effectiveness. To put it another way, as pre-financing of 13% of the total amount allocated to member states would be made available as soon as recovery and resilience plans were approved within 2021, national governments seemed to make a virtue of necessity limiting the public consultation on the preparation of the draft plans, to ensure that RRF financing arrives as quickly as possible. On the other hand, the European Economic and Social Committee (2020b) emphasized the importance of stakeholders' involvement in this process to have full ownership of the plans.

In light of the abovementioned considerations, this paper tries to address the following questions: Is drafting national recovery plans an opportunity for strengthening EU legitimacy? Have national governments managed to strike a balance between input and output legitimacy processes when drafting their recovery and resilience plans? To cope with the above questions, the information collected to inform this paper is based on several relevant surveys (for a preliminary overview see Lehofer et al. 2021) on the stakeholder involvement (civil society organizations and local and regional governments) in the preparation of national draft plans.

An attempt is made here (a) to describe, according to the literature, the aspects of legitimacy before and after the EU financial crisis; (b) to highlight the character of conditionality attached to the RRF plans; and (c) to examine whether member states endorsed stakeholder involvement in the drafting process.

## **2. Aspects of legitimacy before and after the EU financial crisis**

### *i) The EU legitimacy concepts*

Drawing on the EU-focused studies of democratic theory (Scharpf 1999, 2006; Schmidt 2015), we present three legitimacy concepts: the 'output' effectiveness of EU policies (Moravcsik 2002b); the EU's 'input' responsiveness to citizens' demands (Büchs 2008); and the 'throughput' quality of EU policymaking processes, judged by their transparency and inclusiveness (Schmidt 2013). The key question is whether the relationship between input and output legitimacy is one of synergy or trade-off (Lindgren & Persson 2010). More output legitimacy through effective policy outcomes is often seen at the expense of input responsiveness, or

vice versa (Scharpf 1999). For the third mechanism, there is no such trade-off; better quality throughput seems to reinforce both input and output performance (Schmidt 2013).

While input legitimacy ensures political authorities' responsiveness to peoples' demands and other forms of discursive interactions with the citizens and civil society organizations, output legitimacy is focused on policy effectiveness and can be evaluated in two distinct ways (Schmidt 2015: 11): political and technical. Political evaluations of output legitimacy through effective policy outcomes depend on citizen values such as fairness or equity. Technical evaluations are by contrast related to experts and their technical knowledge, invoking economic principles such as competitiveness, fiscal balance, or growth.

Prior to the Eurozone crisis, the EU appeared to benefit from effective output and throughput legitimacy while the minimal political input by citizens did not appear unduly problematic (Moravcsik 2002a; Majone 2002), due to the overall welfare generating effect from a single currency, the stable interest rates and the social cohesion policies (Enderlein & Verdun 2009: 493).

### *ii) The legitimacy issue in the era of the Eurozone crisis*

With the beginning of the sovereign debt crisis in the Eurozone, governmental authority was deemed less significant than technocratic since technical approaches to output legitimacy were seen as more important (Crum & Merlo 2020: 399,400). As a result, the "European democratic deficit" (Follesdal & Hix 2006: 536; Scharpf 2012: 16) deepened. More analytically, a vast reform agenda for some member states was endorsed, in the form of structural reforms, into the Memoranda of Understanding (MOUs). In order to avoid countries defaulting, disbursement of loan installments was subject to the implementation of MOUs (Sacchi 2015). Hence, there was an increasing tendency for EU funds to be steered towards member states based on conditionality. A consortium of foreign advisers, known as the Troika, composed by the International Monetary Fund, the European Commission, and the European Central Bank were to offer technical assistance and the "necessary know-how" (Pagoulatos 2020: 366).

For the borrowing country, programme ownership is crucial for addressing economic problems and implementing the structural reforms. The principal-agent theory (Khan & Sharma 2003: 228) constitutes the theoretical foundation of programme ownership. The agent has greater scope for pursuing its own interests if its actions are not easy to verify due to information being asymmetric or due to not having a perfect monitoring mechanism. Thus, principal-agent theory implies that the objectives of the principal and the agent should be well-aligned. When realizing conditions are strongly dependent on cooperation and implementation by the agent, ownership of a programme is not a goal but a necessity (Khan & Sharma 2001: 13).

Even so, programme conditionality and ownership have become two contradicting priorities. Conditionality attached to adjustment programmes reinforced the model of the “external governance incentives”; that is, the stakeholders define their policy on a “logic of consequences” (March & Olsen 1989: 22), in which a state adopts EU rules if the benefits of EU rewards or threats exceed the domestic adoption costs. What’s more, conditionality as a policy instrument gives rise to controversy not only as regards effectiveness but also for its legitimacy (Spanou 2016: 1). Different elements in the structural reforms have had conflicting effects. Accordingly, as it has been noted (Boughton & Mourmouras 2002: 4), structural reform plans are a dynamic process referring to “the sum of multiple reform ownerships”. This “plural” approach reveals the complexities hidden in the black box of domestic policy dynamics” (Spanou 2016: 19,20). For these reasons, policy conditionality per se is no guarantee of effectiveness. Instead, “external constraints may in fact aggravate domestic failures of governance, insofar as they empower particular distributional coalitions at the expense of the broad public” (Rodrik 2019: 5).

### **3. Institutional implications and the “light conditionality” attached to the RRF plans**

#### *i) Managing to create ownership of the drafting process*

Going back to the pandemic crisis, the new RRF is “no exception to the use of conditionality”, requiring the funds to be specific, time constrained and under direct management of the European Commission (Corti & Ferrer 2021: 4,5). The large-scale transfer justifies a high level of scrutiny and the imposition of certain conditions from Brussels; but there are two reasons for which this scrutiny is potentially set apart from the conditionality attached to the MoU reforms, which imply a change “from outside” (Moschella 2020: 20,21).

Firstly, given the link between the European Semester and the Recovery and Resilience Facility, the RRF leads to increased domestic ownership, since it allows member states to plan the pace of implementation in the formulation stage of the national recovery and resilience plans. Secondly, because of the unprecedented economic situation that led to the creation of the RRF, EU financial help is more likely to be considered a response to the devastating socio-economic consequences of the pandemic rather than an attempt on the part of EU institutions and partners to enforce domestic fiscal adjustments (Pilati 2021:9; Wieser 2020:9).

That is to say, under the RRF, structural reforms need to come from the inside, as part of a “light conditionality” (Pisani-Ferry 2021), which means that

individual cases could be investigated aiming to identify what might impede successful implementation of the objectives pursued and how specific reforms would address such impediments (Pisani-Ferry 2021). In this context, some authors (Buti & Polli 2021) pointed out that the “institutional features of countries and the internal cohesion of governments” are important factors influencing the drafting and implementation of the EU recovery plan. The time constraints, the veto players, and the importance of such decisions could explain why in countries with -more or less- heterogeneous coalition governments (i.e., Spain, Italy, Portugal) a concertation committee chaired by the Prime Minister was responsible for the national plans to be drafted. In contrast, in single-party governments in parliamentary systems as in Greece, this responsibility was delegated to a minister; that is, without significant veto players.

Moreover, the RRF provides a different governance system compared to the European Structural and Investment Funds (ESIF). Contrary to the management of the partnership agreements on the European Structural and Investment Funds, which are approved by the European Commission, the national recovery plans were approved by the Council of the EU, and the disbursements require the opinion of the Economic and Financial Committee (consisting of representatives of the governments of the member states). As a result, the trend towards intergovernmentalism has been reinforced, threatening to unduly politicize issues and to hinder time wise the adoption of the plans (Kritikos 2021: 12; Corti & Ferrer 2021b: 3).

### *ii) Stakeholder involvement*

Several EU institutions called for greater stakeholder involvement in the drafting process. The European Parliament argued that regional and local authorities, civil society organisations, including youth organisations, and social partners should cooperate in developing and implementing the plans (European Parliament, 2020). In that vein, the EU’s economic affairs commissioner Paolo Gentiloni called for greater involvement from trade unions in the elaboration of national recovery plans. The EU commissioner warned that “without the participation of trade unions, it would be much more difficult for national governments to push the reforms of labour markets and pension systems that were requested from national governments in exchange for EU cash” (Valero, 2021).

To this end, the Parliament also made a request for introducing stakeholder involvement in the RRF Regulation not just nominally but as a legal requirement and as one of the assessment criteria (European Parliament, 2020). Additionally, the Commission invited member states to make their plans public so that the European Parliament, other member states, the Commission and generally the

public can have an overall idea of what objectives the recovery and resilience plan aims to carry through (European Commission, 2020). However, stakeholder involvement is neither a legal requirement nor one of the assessment criteria.<sup>1</sup> Accordingly, the RRF Regulation requires that national recovery plans include a “summary of the consultation process of local and regional authorities, social partners and other relevant stakeholders” (Art. 15.3). As a result, stakeholder involvement did not gain much traction.

This assessment is based on information gathered from several relevant reports examining stakeholder involvement. Most of them analyze the drafting process up until February 2021. In some cases, updated studies were conducted, in the aftermath of the national RRF plans finalization following the initial presentation of the drafts. The first one is a Report which was prepared for the European Center of Civil Society (2020). A short survey was carried out in the period from 1 to 18 December 2020. It gathered responses from civil society organisations from 17 countries who responded to a questionnaire. The questionnaire included a question about the level of involvement of civil society organisations in the preparation of the national recovery plans.

The most important conclusion is that there was “little proactive Government-led consultation or engagement” of civil society organisations in the preparation of the recovery plans (European Center of Civil Society 2020: 11). Except for respondents from Portugal and to a lesser extent Italy, “non-transparent and too limited” were by far the most common answers. In Germany, for example, it was reported that there had been some discussions with Youth organisations, but no substantial consultation. Moreover, there was no clarity of information for civil society organisations and as a result they did not know with which Ministry to engage with; that is, the Ministry of Finance or the Prime Minister’s office? (European Center of Civil Society 2020: 12,13).

Additionally, there is a great deal of uncertainty regarding procedures about the national plans and lack of available information. For example, eight Romanian non-governmental organizations in the environmental area demanded a thorough revision of the national plan’s Climate Change, Environment and Energy sections. The NGOs asked for an “adequate, inclusive, and transparent” public consultation procedure (Jakubowska et al. 2021). In the Czech Republic also, the national debate about the draft plan was almost non-existent before October 2020. Following on criticism from many parties, the government opened the process and organised a total of six roundtables for a more detailed discussion about the individual pillars of the plan (Jakubowska et al. 2021). Additionally, in Poland one of the biggest criticisms was the lack of transparency. However, on January 27, 2021, the Minister of Development Funds and Regional Policy officially

announced that the draft plan would be sent for public consultations within two weeks, allowing local governments and other non-state actors to highlight their priorities (Jakubowska et al. 2021). In Hungary as well, the government has not published summaries of priorities and financial tables (Jakubowska et al. 2021).

In this context, on November 10, 2020, national civil society organisations, supported by their European umbrella organisations that participate in the Social Platform -the largest network of civil society organisations in the European Union-, submitted an open letter (Sadowski 2020) to the German Presidency of the EU, the European Parliament Budget and the ECON Chairs, and the European Commission Task Force on the European Recovery Plan regarding their concerns about the marginal role of civil society organisations in drawing up the national recovery plans. The letter demands the inclusion of civil society organisations as they face significant difficulties in giving input during the elaboration phase due to unclear responsibilities within ministries. Accordingly, the European Economic and Social Committee adopted a resolution on 9 June 2021, noting that governments only slightly involved organised civil society in drafting their plans (European Economic and Social Committee 2021).

A second survey, jointly conducted by the European Committee of the Regions (CoR) and the Council of European Municipalities and Regions (CEMR), tried to understand how much local and regional governments had been involved in the process of drafting national plans (European Committee of Regions 2021a). The sample is based primarily on the views and experiences of 25 organisations representative of a variety of subnational government levels across 19 EU member states. Targeted consultation was carried out from early November 2020 to the beginning of January 2021. The responses to the consultation show that very few member states consulted their local and regional authorities and that an even smaller number actually took their input into consideration. This is particularly evident regarding the governance of the process (coordination, validation, timelines, etc.), where only one respondent reported being consulted and having impact on the outcome. The responses which document a “significant impact” are considerably higher for the definition of priorities and the identification of specific investments, but the vast majority remained not at all involved or were only informed (European Committee of Regions 2021a:3).

Respondents were also asked in what manner they were involved in the process: in a structured and institutionalised manner, or in an ad hoc (informal) manner. At the political level the involvement was largely ad-hoc, while at the technical level there was a slightly different situation, with a higher share of respondents reporting structured involvement. Three respondents from Finland, Lithuania and Spain stated that they were involved in a structured and insti-

tutional manner at both political and technical levels (European Committee of Regions 2021a: 3). Respondents in their majority stated that the national government did not seem willing to engage representatives of subnational government (European Committee of Regions 2021a: 4). In July 2021 the CoR presented an updated study, which found that the lack of local and regional authorities involvement means the territorial dimension is not fully addressed and there is “miscoordination with Cohesion Policy” (European Committee of Regions 2021b: 91). Apart from Belgium and to a lesser extent Poland and Croatia, the consultation process was not a substantial “open dialogue to collect needs and potential solutions from regions and municipalities” (European Committee of Regions 2021b: 91).

Eurocities -the network of 190 cities in 39 countries, representing 130 million people- assessed the involvement of 47 European cities across 18 member states in the development of national recovery plans. It also gathered initial feedback about the upcoming consultations on Operational Programmes of Cohesion Funds. The key-findings (Eurocities 2021: 2,3) indicate that a) over 70% of respondents evaluated the consultation process as insufficient, with only around 5% evaluating them as ‘good’ (only Italian cities), around 25% as ‘sufficient’ and none of them as ‘very good’ and b) respondents from most Eastern European cities expressed their concern that the lack of involvement of cities in the consultation process may result in their investment and recovery endeavors being hindered.

The fourth report (Bankwatch Network 2021) comes from Green 10, a group of major green NGOs including the European Environmental Bureau, Greenpeace and Friends of the Earth. The Bankwatch Network conducted a survey on the drafting process in a score of EU countries looking to access the RRF. The Bankwatch survey of how the spending plans were prepared in 20 countries identified milestones and whether member states complied with EU rules on public participation. As a matter of fact, the Report found that only nine countries had made draft plans publicly available, while only eight had launched public consultations. Only Portugal conducted public consultation on a draft plan and published the responses. Belgium also came out relatively well in the survey, with transparent national working groups and a broad strategic environmental assessment as well as a draft plan and consultation. As for Greece, after the submission of the draft plan to the Commission in November 2020, a stakeholder consultation was carried out on the website of the Ministry of Finance. However, the stakeholder involvement and the public consultation period were limited. More specifically, the authorities received 53 contributions and opinions on the reforms and investments from 24 bodies (European Commission 2021d).

In fact, Portugal was the first member state to present its draft plan to the

Commission. The Portuguese government had organised the widest consultation, including academics, business organisations, trade unions, and municipalities. More specifically, the government in Portugal held a public event inviting a wide variety of representatives from civil society to deliberate a Strategic Vision for the 2020-2030 Economy Recovery Plan. By the end of the public consultation on 21 August, 1153 contributions had reached the government and on 5 September the Strategic Vision for the 2020-2030 Economy Recovery Plan for Portugal was presented based on the contributions received (European Economic and Social Committee 2020a). In Slovakia as well, in October 2020, the Ministry of Finance, which was in charge of preparing the national recovery plan, published a working document called “Modern and Successful Slovakia”. The document, prepared by public sector experts, was commented on by about 100 external experts (Slovak Spectator 2020).

After the submission of several national recovery plans, the Commission called on member states to ensure that the national plans are “fully implemented in a timely manner and in thorough dialogue” with the primary stakeholders (European Commission 2021c: 11). However, the consultation process is not part of the assessment criteria.

In that vein, a Eurobarometer survey (European Parliament 2021b) commissioned for the State of the European Union event on 15 September 2021 shows a climate of distrust: only 44% said they believed their own governments would use this EU money properly even though about 60% of EU citizens believed that the EU recovery budget would help their country overcome the socioeconomic damage caused by the pandemic crisis.

### *iii) Political tensions on the preparation of the draft plans*

Except for public distrust, the preparation of the draft plans triggered political turmoil in two major countries. The Italian political crisis stemmed from Matteo Renzi pulling his party Italia Viva out of the current governing coalition over the use of more than €200 million worth of RRF funds. The move prompted Prime Minister Giuseppe Conte to resign his post. The fractious coalition government spent months arguing about priorities and resource allocation. To begin with, Italy’s government commissioned its national recovery plan to a group of experts led by former Vodafone chief Vittorio Colao in April 2020. Colao’s committee detailed a 53-page plan that was delivered in June 2020. But it was immediately sidelined by political infighting. Subsequently, in December 2020 Conte government published a 13-page rough draft that largely ignored Mr Colao’s recommendations (Borrelli 2021). However, many stakeholders pointed out the draft plan lacked crucial reforms or detail on governance and procedure. Trade



unions, for example, complained that they were excluded from the consultation process. Representatives of small and medium-sized enterprises also were dismayed, because they were never involved in drafting the plan. In this context, Renzi criticized Conte for centralizing control (Leali & Tamma 2021) since the implementation of the plan would have been the responsibility of Conte along with the economy and industry ministers. There followed political confusion for over four weeks and in mid-January Conte coalition collapsed. Subsequently, President Sergio Mattarella asked Mario Draghi, former European Central Bank chief, to serve as the head of a new national unity government. His government was comprised of almost all political parties and his Cabinet is a mix of technocrats, veteran politicians and existing ministers. Not surprisingly, new Italian Prime Minister Mario Draghi has named Vittorio Colao as Minister for Technological Innovation and Digital Transition.

In Spain, the left-wing coalition government managed to secure parliamentary support for the plan thanks to the far-right Vox in January 2021. Although the conservative Popular Party, center-right Ciudadanos and the Catalan Republican Left announced their intention to vote against, in a surprise move, the far-right Vox said its 52 MPs would abstain in the vote, even though Vox accused the government of putting in place an “opaque mechanism” to spend the cash (Gallardo 2021).

#### 4. Conclusions

**D**espite the fact that the Recovery and Resilience Facility enables member states to raise significant funding for reforms and investments, there are no pan-European mechanisms to ensure that citizens have a say in drafting national recovery plans and in monitoring the use of these funds. Consequently, concerns were raised once again as regards decision-making processes which seem to suffer from a lack of democratic legitimacy.

Prior to the sovereign debt crisis, the EU appeared to benefit in principle from effective output legitimacy; as a result, the minimal political input did not appear an unduly worrying signal. In this context, the relationship between input and output legitimacy was seen less as one of synergy and more as one of trade-off. Output legitimacy in particular, can be evaluated in a twofold way: politically and technically. In political terms, output legitimacy is defined through effective policy outcomes depending on how far they reflect citizen values and community norms. Technical evaluations are instead dependent on the domain of experts and on economic principles such as macroeconomic stability. However, over the years how output legitimacy is technically approached appears to have

become more important; and even more so, after the onset of the Eurozone crisis. The Eurozone policies performed worse than expected and national economic governance was subject to tighter hierarchical controls imposed by the EU while at the same time citizens' attitudes towards their national governments and EU governance turned negative. Structural reforms, agreed upon in the Memoranda of Understanding, were designed to improve output legitimacy, in technical terms, through ambitious fiscal adjustment programmes. Hence, political evaluations of output legitimacy were neglected as fiscal reforms were integrated in the coercive context of loan conditionality.

In the light of the above considerations, the "light conditionality" attached to RRF plans and the low stakeholder involvement seem to raise once again legitimacy concerns. However, the "light conditionality" potentially diverges from the "strict conditionality", which implied a change "from outside". The national recovery and resilience plans contain member states' own targets, milestones and timetables for implementation. Countries can therefore set out domestic political evaluations of their policies' output (green transformation, digital transformation, economic cohesion etc.), along with technical evaluations. Despite this greater degree of country ownership of the reforms plans, the vast majority of member states did not develop systems for consulting with their citizens through national and regional organisations. Both the EU institutions and member states acted under high time pressure to disburse recovery funds as soon as possible to reach a strong recovery effect. In fact, in the Resilience and Recovery Facility Regulation, stakeholder involvement is not a legal requirement, nor one of the assessment criteria.

A key finding of the paper is that most member states did not provide a high level of public scrutiny and public consultation processes on the elaboration of their plans, which is mainly influenced by the lack of time. However, other factors may also explain variations observed in the participation of stakeholders among different countries. These variations could be attributed to some extent to institutional features of countries and the internal cohesion of governments. The Italian political crisis in 2021, for example, stemmed from tensions on RRF resource allocation between coalition partners in government. Nevertheless, the more homogeneous -ideologically- coalition government in Portugal conducted one of the most flourishing consultation rounds. Meanwhile, the ruling illiberal parties in central and eastern Europe were more reluctant to enhance engagement with civil society. Consequently, drafting national recovery plans became a laborious exercise for EU member states. As a result, although the national recovery plans were presented as an opportunity to increase stakeholder ownership over the process, their drafting process seems an opportunity missed for strengthening EU legitimacy.

## Notes

1. The 11 criteria require inter alia an assessment of whether: the measures have a lasting impact; the measures address the challenges identified in the country specific recommendations or a significant subset of it; the milestones and targets which allow for monitoring the progress with the reforms and investments are clear and realistic; the plans meet the 37% climate expenditure target and the 20% digital expenditure target; the plans respect “the do no significant harm” principle; and the plans provide an adequate control and audit mechanism and set out the plausibility of the costing information.

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