

CASE STUDIES REPORT //

**Territorial impacts of
COVID-19 and policy answers in
European regions and cities**

La Réunion island (France)

Case study report // July 2022

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Inspire Policy Making with Territorial Evidence

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The final version of the report will be published as soon as approved.

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Introduction

This report provides an assessment of the situation on Réunion Island at the time of the emergence of the COVID-19 crisis and the authorities' responses. Within this framework, the report explores the 'proactive' policies that were introduced in response to the pandemic and assesses whether the crisis presented a 'window of opportunity' for regional and local authorities to promote good practices. The report is structured around the following main sections:

1. **Regional Characteristics:** Outlines the key socio-economic and governance characteristics of the region.
2. **Impact of Covid-19:** Highlights the socio-economic impacts of the pandemic on the region.
3. **Covid Policy Response:** provides an overview of the regional policy response in relation to three core policy thematic areas - the just transition (social policies), green transition (climate policies) and smart transition (innovation policies).
4. **Covid Policy Impacts:** assesses the main socio-economic, governance and financial impacts of the policy measures introduced.
5. **Future Policy Directions:** examines the medium and long term direction of policy in the region and analyses whether the policies identified can be upscaled to other EU regions.
6. **Policy Recommendations:** provides policymakers and practitioners with policy, governance, territorial and financial recommendations.

Research Methods

Two types of resources were used in this case study. The first is based on an analysis of several documents dealing with the economy of Réunion: its general operating characteristics, its reactions to recent crises (such as the "Gilets Jaunes" and the initial phase of the COVID-19 pandemic), its projections from several strategic planning documents linked to regional development, the economic development plan, the intelligent specialisation strategy and various economic studies conducted recently by INSEE (Institut national de la statistique et des études économiques) in Réunion, the IEDOM and the CEROM (Comptes Economiques Rapide des Outre-Mer) expert group. Finally, documents produced for the European Commission were also used (e.g. the Ecorys study). These documents enabled us to characterise the field of study and to obtain initial indications of the impact of the health crisis on the Réunionese economy. Similarly, a look at documents and resources from the media helped to consolidate the characterisation of the reaction of the local economy or of public or private stakeholders during this phase of the crisis.

The second is related to the conduct and analysis of several interviews with key actors involved in the management of the crisis during the phase covering the period from March 2020 to the end of 2021. These exchanges were conducted in the form of semi-structured interviews with representatives of the most important local administrations, structures and institutions, non-governmental organisations and the private sector. The aim of these interviews was to better appreciate or even refine the impact of the pandemic as well as the policy responses, the impact of the policy responses and the impression on the future of local and regional policies. The specific people that were chosen are linked to the observations made about the most relevant stakeholders during this unprecedented phase. Of course, several other actors interacted naturally during this crisis. Nevertheless, observations by the major public financing circuits of the Réunionese economy and the public actors in charge of them quickly revealed that, beyond the people interviewed, few other actors were in the capacity to add new comments or statements, since they did not control either the sources of financing or the mechanisms set up by the main actors heard (EU, the State, the Region).

Table 1 List of interviews conducted

N°	Structures	Position held during the interview	
1	Regional Council of La Réunion	Deputy Director General for Economic and Enterprise Affairs	01/2022
2	Medef de La Réunion	President of Medef Réunion	01/2022
3	AGILE (Agency for Local Initiatives in European Affairs)	Director of AGILE	02/2022

4	CPME of La Réunion	Secretary General of the CPME	01/2022
5	Prefecture of La Réunion	SGAR of La Réunion (Secretary General for Regional Affairs) of the Prefecture of La Réunion	02/2022

1 Characteristics of the Réunionese economy at the time of the crisis

Located in the Indian Ocean, 700 km east of Madagascar, Réunion Island, with its subtropical climate, forms the Mascareignes archipelago with the islands of Mauritius and Rodrigues. Réunion and Mayotte are the only French departments in the southern hemisphere. Réunion Island is 9,180 km from Paris.

With a total surface area of 2,512 km², the island is bordered by 210 kilometres of coastline, which is mostly inhospitable, apart from 40 kilometres of sandy beaches. Réunion's climate is subtropical and is influenced by trade winds. It changes significantly depending on the location and the relief. The average temperature is 20 °C on the coast and 14 °C in the interior plains. The cyclone season lasts from December to April.

The population of Réunion Island was estimated to be 865,000 in 2021. The density was 312 inhabitants/km². As a French department, Réunion is under the authority of a prefect appointed by the government.

Map 1 Location of the case-study in the India Ocean



The island, which became a French department under the law of 19 March 1946, has a Regional Council and a Departmental Council. All national laws are applicable there. Only certain adaptations have been provided by the law.

As a French Overseas Department, Réunion is part of the European Union, within which it is an outermost region; as such, it benefits from “specific measures” that adapt community law to take account of the particular characteristics and constraints of these regions. These adaptations fall within the framework of the application of Article 349-2 of the TFEU.

The isolation of the island, its size and location are often put forward as constraints. However, they can also be seen as advantages. For example, in several sectors, such as energy, agri-food and industrial symbiosis, the usual configuration of industrial or economic models is that of economies of scale, and therefore, large dimensions. However, in several of these fields, Réunion Island has already demonstrated its ability to adapt “to the small” in what is usually designed for “the large”. This does not happen by chance, but is the result of organisational innovations and agile processes that can be seen as levers of resilience.

1.1 Economic characteristics

The occurrence of the COVID-19 health crisis in February–March 2020 arrived in a Réunion economy already facing several structural challenges well before this crisis. Although the island’s initial situation was so precarious that we can speak of a kind of “success story” in longitudinal terms over the last half-century, the growth and development process has not made it possible to close all the gaps in relation to mainland France and remains dependent on several key variables, particularly national solidarity. Moreover, challenges, such as climate change and the major changes to come, such as those resulting from the digital transition and the tensions in international value chains, highlight the many vulnerabilities in the functioning of this island economy.

In 2019, the GDP per capita of €22,300 was 64% of that of mainland France. Nevertheless, the island’s economy has generally followed a positive growth trajectory. According to INSEE, household consumption was the main driver of growth during this year. However, the increase in imports slowed down growth due to the high consumption of imported goods compared to local products. Indeed, according to INSEE, in 2019, Réunion imported €5.3 billion worth of goods and exported €361 million. This highlights the island’s trade deficit and its dependence on imports.

Beyond these indicators, it appears that Réunion’s economy remained marked by a turbulent decade that began with a late recovery from the 2008 financial crisis and continued until the middle of the 2010s. This decade of convalescence was also marked by the end of the impact of several “major projects”, notably the tipping of the waters from east to west of the island and the completion of three-quarters of the “New Coastal Road”. However, it is also necessary to underline the prevalence of the social crisis of the “Yellow Vests”, which occurred at the end of 2018. However, after having suffered an air gap at the time of this social movement, paralysing the island for a fortnight at the end of November and the beginning of December 2018, the Réunionese economy regained a good dynamic in 2019. Unfortunately, this favourable situation was brutally interrupted, in Réunion as elsewhere in France and in the world, by the health crisis linked to the COVID-19 pandemic.

1.2 Social characteristics

Despite its dynamism over the last few decades, the economic and social development of Réunion is still lagging behind that of mainland France. Thus, the wealth created per inhabitant is still 36% lower than that of mainland France. Poverty, whether monetary or in the sense of material and social deprivation, affects three times as many people on the island. Indeed, employment is rare here: only 46% of people aged between 15 and 64 have a job, i.e. 20 points less than in France, which results in higher income inequalities than at the national level. However, Réunion is less distant from the national level in terms of life satisfaction expressed by its inhabitants or life expectancy without disability. The longer-term development of the island also depends on the level of training and the capacity of the economy to innovate. However, a quarter of young people leave the school system without a qualification and the level of research and development efforts is significantly lower than the national average, both in Réunion and in the other French overseas

departments and regions (Drom). Economic development also raises the issue of environmental sustainability, with the challenge of containing the soil sealing, which is already particularly high on the coastal strip.

The monetary poverty rate, regularly cited in the public debate and monitored within the framework of the law on Real Overseas Equality (Erom), also reflects this still significant development gap: it reached 39% in 2018 compared with 15% in France. However, the level of wealth created in a territory does not reflect the fact that the local labour market mobilises a greater or lesser proportion of people of working age. In fact, it is not sufficient to determine how the resulting income is unequally distributed. In Réunion, income inequalities are particularly high. For example, in 2018, an inter-quintile analysis showed that the income received by the wealthiest 20% of households was 5.4 times higher than that of the lowest 20%. In metropolitan France, this ratio was smaller at around 4.0 (only a few departments in the Paris region were higher than in Réunion). However, income inequalities were even greater in the other Droms.

As the INSEE reminds us in its analysis of “the economic, social and environmental challenges of the 21st century in Réunion”, the fight against inequalities is an objective in itself, which goes in the same direction as the issue of economic efficiency; the first cannot be sacrificed on the altar of the second. The increase in inequalities can, in fact, negatively influence economic development. In Réunion Island, income inequalities are essentially based on inequalities in access to employment rather than inequalities in access to education, training, health or housing. The ratio of people of working age who have a job is significantly lower than the national average: in 2019, the employment rate of 15–64-year-olds was 46%, 20 points lower than in France. This level is a long way from the sustainable development objective of achieving full and productive employment by 2030 and the 75% target set by the “Europe 2020” strategy. In Réunion, it is also particularly low for women and young people, who are therefore very exposed to the risk of poverty when they do not live in a household with other people receiving an income from work. In the same vein, the proportion of Réunionese in a situation of material and social deprivation was similar to the monetary poverty rate: four out of ten people in 2018. They were deprived of at least five of the 13 elements considered necessary for a decent life: not having the means to build up savings, to buy new clothes or to have a regular leisure activity, etc. In connection with a much lower standard of living, these deprivations affected three times as many people in Réunion as in mainland France (13%). In the Antilles, material and social deprivation was as prevalent as in Réunion, although the median standard of living of the Réunionese population was lower.

Beyond these objective indicators, which help to measure the sustainability and quality of economic development, it is established that well-being is not only material and covers various more subjective dimensions (social relations, participation in public life, security, confidence in others and in institutions, etc.), which are likely to be affected by the mode of economic development. In this case, an increase in the standard of living does not necessarily imply an increase in the sense of well-being in the long run. Therefore, a subjective indicator of well-being is necessary to check whether the feelings of the inhabitants of a territory are in line with the “objective” indicators. This is the challenge of the life satisfaction indicator, which is based on a score from 0 to 10 that respondents give to their well-being. In Réunion, this indicator was relatively better positioned than the objective indicators of poverty; it was halfway between France and the Antilles. More people than in the other French outermost regions were very satisfied with their lives (with a score of at least 8 out of 10): 42%, compared with 51% in metropolitan France and 33% in Martinique. Another indicator that is particularly relevant for assessing the well-being of a population is disability-free life expectancy. In 2018, the people of Réunion could expect to live 62 years in good health. As the island’s inhabitants have health structures that are fairly similar to those in metropolitan regions, their health expectancy is close to the national average.

2 Impacts of COVID-19 on the region

2.1 Economic characteristics

Strict containment and the aftermath of the health crisis test the resilience of an economy

At the height of the crisis: An unprecedented 28% drop in activity, but the feared collapse was avoided.

In Réunion, the first case of the Coronavirus was confirmed on 11 March 2020. On 17 March 2020, the French population was placed under lockdown in order to reduce the spread of the virus and thus limit hospital overcrowding. As elsewhere in France, the island's 865,000 inhabitants had to limit social contacts and outings to a strict minimum.

Although the suppression of the COVID-19 virus was relatively successful in Réunion, its economy suffered a severe blow following the introduction of this first set of restrictive measures in March 2020. The island's economy contracted by approximately 4.2% in 2020. More precisely, economic activity contracted considerably during the period March–May 2020, with a 28% fall in quarterly GDP (this is slightly lower than that observed at the national level (33%), due in particular (as we shall see) to the greater weight of the public sector in Réunion's economy, which cushions this decline). The contraction of economic activity during the period of restriction was entirely consistent with the 29-point drop in the business confidence index (from 101 to 72) in the first quarter of 2020 (100, indicating the long-term average). Then, economic activity recovered after the easing of restrictive measures. Business climate indicators and more detailed sectoral analyses over the last two quarters of 2020 showed that Réunion's economy managed to recover more of the ground lost during the first stalemate period. The business confidence index showed a solid recovery in V after the easing of COVID-19 restrictions, with the index exceeding the 100 mark in the first quarter of 2021.

Despite this V-shaped recovery, it is important to stress that Réunion's economy remained vulnerable. Indeed, the proximity of countries experiencing an exponential increase in new cases (e.g. Madagascar) due to new variations of the virus has affected the attractiveness of Réunion for businesses and tourists.

In addition to the impact on the GDP, the crisis led to an increase in local public expenditure and a loss of immediate tax revenue. This is partly due to the specific nature of Réunion's tax system (e.g. consumption tax on petroleum products and customs tax on dock dues). For example, revenues from the specific tariff on imports for La Réunion (called "Octroi de Mer") naturally fell in the first and second quarters of 2020. Réunion's geographical isolation also disadvantaged the economy by adding to the already difficult circumstances faced by some sectors (e.g. the food industry), such as the disruption of supply chains due to complications in exporting and importing necessary goods. Restrictive measures led to a reduction in consumer demand and restrictions on shipping and air transport activities also had an impact on trade flows. As a result, in the second quarter of 2020, imports decreased by 10% compared with the previous quarter and by 22% compared with the second quarter of 2019.

The data also show, paradoxically, that the number of dissolved businesses decreased by 13% between 2019 and 2020, i.e. before the start of the COVID-19 pandemic. The sectors that contributed the most to this decrease were wholesale and retail trade and services, including restaurants and accommodation. The main reason for the reduction in the number of businesses closing down was that the French central government made aid available through solidarity funds and state-guaranteed loans to support businesses' cash flow. This aid thus prevented the dissolution of companies in these sectors. In this respect, it can also be emphasised that the crisis has had the effect of "bringing out of the shadows" a number of activities or actors who were obliged to declare themselves in order to benefit from aid and support.

In addition, a positive trend could also be observed in the number of new businesses created, with a 10% increase in this figure from 2019 to 2020. Again, this was mainly due to an increase in the number of businesses in wholesale and retail trade, food, accommodation, construction and industry, which accounted for more than 50% of all new businesses (35%, 11% and 6%, respectively). One of the markers of this first phase of the crisis was the drop in electricity consumption. The confinement and the slowdown in economic activity resulted in a significant reduction in electricity consumption in Réunion. Since 17 March 2020, compared with 2019, it fell by 10 to 15% on working days. This drop was mainly due to the closure of numerous establishments (shops, restaurants, etc.) and the slowdown in the activities of other businesses.

Contrasting sectoral impacts

Although the market sectors were the most affected overall, with a loss of activity of 37%, compared with 14% for the mainly non-market sectors, the economic effects of the crisis were nevertheless contrasted according to the activities: some were very strongly slowed down (construction, hotels and restaurants, transport, etc.), while others were much less affected (telecommunications, financial activities, agrifood industries, etc.).

In Réunion, commerce was the branch that contributed the most to the drop in activity: 6 points out of the 28% drop in total activity. The drop in activity was evaluated at 60%, masking nonetheless strong disparities between non-food and motor vehicle shops at a standstill or almost and food shops that continued, for the most part, their activities to meet the needs of the population.

Affected by the almost complete stoppage of building sites, the activity of construction companies fell by 80% and contributed to a 5-point loss in total activity. The drop in activity was also immediate and of comparable magnitude for activities linked to tourism: closures of hotels and restaurants, cessation of leisure activities and drastic restrictions in land and air transport.

In other market services, some branches were relatively less affected by confinement (information and communication, financial activities, legal and accounting activities). For others, however, the drop in activity exceeded 50%: recreational and cultural activities, personal services, associations, etc. Business services contributed less to the drop in activity, as their weight in the Réunionese economy is lower than at the national level.

Agricultural activities and the agri-food industry were much less affected by containment than in other sectors. Agriculture managed to find fallback solutions to the crisis and avoid increasing losses by setting up short circuits or using new products in the agrifood industry. For their part, the agri-food industries continued to produce at almost the same rate as before to meet strong household consumption demand during the period of confinement.

2.2 Social characteristics

Social analysis: Hard hit population escaped the worst

During the period of total containment, the aid mechanisms were widely mobilised, particularly partial unemployment, which concerned more than 100,000 employees at the end of April 2020, i.e. 56% of private salaried employment, but also bank loans guaranteed by the state (€376 million pre-granted on 24 April 2020). Fears about the social consequences of the crisis remained strong at this point in the crisis, a risk justified by the fact that four out of ten employees and one out of two non-employees in Réunion worked in a sector whose activity had been reduced by more than 50%. On the positive side of the environment, the drop in road traffic resulted in a reduction in gas emissions of up to -70% during this period.

Despite these fears, the social impact was also mixed. Indeed, the crisis did not affect the entire population in the same way. Thus, those receiving minimum social benefits and civil servants were not affected by a reduction in their income, whereas private sector employees and the self-employed were affected by the introduction of part-time work and compensation of only 80%. In this context, an unexpected consequence of this situation was that the incomes of the poorest have moved closer to those of the middle classes. A form of settlement has thus been observed. Several respondents to the study expressed doubts about the INSEE's diagnosis of poverty, which was not necessarily apparent in the field.

In terms of material living conditions, the crisis, and in particular the sensitive period of confinement, has underlined the acuteness of housing challenges in overseas territories. Indeed, the typologies not adapted to many families in general appeared to be more restrictive in the face of the obligations of working at a distance and of promiscuity in housing, which were already overcrowded initially. This issue is not specific to the overseas territories in its existence, but it is in its magnitude, given the importance of social housing. In this respect, some respondents were disappointed that there had been no increase in the number of third-party teleworking facilities since the initial phase. These could appear to be intermediate solutions to facilitate remote working conditions. However, as the containment phases in 2020 and 2021 in Réunion were less numerous than those in France, it can be assumed that this "stay-at-home" management dimension was less significant in Réunion.

Concerning the impact on purchasing power during this phase of the crisis, it should also be pointed out that this has not yet been explored in the Ecorys study. However, the second half of 2021 began to show signs of tensions on logistics flows linked to the diversion of shipping companies' routes away from the main routes to Réunion, the increase in freight costs (blocking of the Suez Canal, massive losses of containers in the world and the confinement of major world ports such as Shanghai), and the disruption of value chains on a global scale during the “stop and go” phases. Purchasing power also started to deteriorate in the second half of 2021 and more acutely in early 2022.

2.3 Governance

In this first phase, public governance did not remain without reacting: Far from it! The various national and local authorities quickly “went to battle”. A crisis management and resilience committee was quickly set up under the chairmanship of the Prefect of Réunion, mobilising state services, as well as local authorities and socio-professional organisations. The aid and support provided by public authorities played a leading role in cushioning the impact of the crisis.

The state put in place various measures to accompany and support businesses in the face of this crisis, such as compensation for partial activity (also known as “partial unemployment”), loans guaranteed by the state, a solidarity fund for small businesses, etc. The region and other local economic actors also decided on support measures to complement those of the state (regional solidarity fund, mobilisation and reallocation of certain unused expenditures, use of the levers proposed by the European Commission).

In so doing, the mainly non-market sectors (public administration, education, human health and social action) confirmed their crucial role as shock absorbers for economic crises in overseas departments. With a weight of 36% in the Réunion economy (compared to 22% at the national level), non-market services maintained 85% of their activities compared to normal. This represents a contribution of 5 points to the drop in activity in Réunion. This drop mainly reflects the slowdown in the activity of the market component of these services: educational services (private training, in particular) and urban healthcare. Regarding non-market services, the decline in activity was less marked, as state and territorial agents continued to carry out their missions as much as possible, even if the exercise of their activity was often disrupted. For example, despite the closure of the 660 educational establishments in the region, the national education system mobilised all the teachers to ensure educational continuity for the 245,000 pupils, secondary school students and students who were confined. For their part, the hospital service agents were heavily mobilised. In spite of this, some non-market service activities fell sharply (for example, crèches, day-care centres and sports activities).

An economic situation marked by a rebound in the Réunionese economy

After an unprecedented standstill, economic activity was recovering. In the fourth quarter of 2020, the business climate indicator (BCI) rose by 3.6 points and came close to its long-term average. The rebound observed in the third quarter thus confirmed and suggested an improvement. This recovery in economic activity resulted in an improvement in the labour market. Over the quarter, 3,600 jobs were created, thus offsetting the losses of previous months. Moreover, the organisation of work in companies gradually resumed its normal course. More than one-third of the professionals questioned declared that they had not taken any specific measures concerning their employees during this end-of-year period (against only 2% the previous quarter).

Nonetheless, uncertainties about the health crisis persisted. At the end of 2020 and the beginning of 2021, Réunion escaped a new confinement or curfew, but this fear remained present and plagued morale. More globally, the return to “normal” did not apply to all sectors. While trade and industry benefited from the upturn in Réunion's economy, and in particular from the dynamism of household consumption, others, such as construction and tourism, continued to suffer heavily from the consequences of the COVID-19 pandemic. Finally, concerns about the health situation and its consequences for economic activity still remained palpable, with investment forecasts, at this very moment, badly oriented for the year 2021 as a whole.

Foreign trade recovery

After some difficulties with port traffic and air freight, foreign trade recovered. The upturn in economic activity and household consumption resulted in imports rising by 18.6% over the quarter (seasonally adjusted). Imports of petroleum products returned to the levels observed in volume terms in the third quarter of 2019.

However, as the price of Brent crude oil had still not recovered at the beginning of 2021, a 35% drop in the value of these imports compared with the pre-crisis period continued to be observed. Exports also recovered, but remained lower than in the third quarter of 2019, particularly those of food industry products. Exports of sugar fell by 41% year-on-year.

In the end, the health dimension illustrates the agility of a territory that is used to manage health crises.

Although the crisis hit the economy and society of Réunion hard, the island undoubtedly had the ability to bounce back after several crises. Without going back to the experiences of the Spanish flu at the beginning of the 20th century, the beginning of the 21st century will have challenged Réunion on several levels. Facing threats has therefore become a form of reflex.

Indeed, the relatively successful containment of the Coronavirus pandemic reflects Réunion's track record in crisis management. Over the years, the island has faced several recessive shocks, including health (Chikungunya, a viral disease transmitted to humans by infected mosquitoes and affecting nearly 40% of the region's population between 2005 and 2006), climatic (cyclones), social (the yellow waistcoat movement, in 2018 and 2019) and financial (2008 and 2011). The Chikungunya crisis is the most relevant example in the context of COVID-19, as it had already provided an understanding of the links between health, insularity and tourism. Following the Chikungunya crisis, the French government adapted the measures set out in Plan Blanc (a national strategy containing organisational measures to deal with a pandemic crisis or an increase in hospital admissions) to better prepare for a similar future crisis. The government and local authorities were able to draw on this experience in the current situation.

Réunion's resilience to health shocks has increased over the last few decades, as the island's medical infrastructure has steadily improved. The number of doctors per 100,000 inhabitants rose from 259 to 338 between 2010 and 2018, with a 14.5% increase in the number of hospital beds per inhabitant over the same period. Nevertheless, the number of hospital beds (402 per 100,000 inhabitants in 2019) remained well below the French and European averages (584 and 532 per 100,000 inhabitants, respectively).

3 Policy Response to COVID-19

As noted earlier, in the very first phase of the health crisis, stakeholders emphasised the responsiveness of the EU-State-Region and other local public governments. The various national and local authorities quickly became combat-ready. A crisis management and resilience committee was quickly set up under the chairmanship of the Prefect of Réunion, mobilising state services as well as local authorities and socio-professional organisations.

The aid and support provided by the public authorities were rapidly developed to provide support to the economy in general and progressively to sectors in particular (for example, tourism). Overall, the state put in place various measures to accompany and support companies in the face of this crisis, such as partial activity (also called “partial unemployment”), state-guaranteed loans, a solidarity fund for small companies, etc. The region and other local economic actors also decided on support measures. In addition, the European Union reacted quickly to modify measures and regulatory constraints and to provide new funds to relieve actors and society (modification of the dock dues regime, React-EU, relaxation of co-financing conditions, raising of the thresholds for intervention by public funds, etc.).

3.1 Global political context

The COVID-19 crisis, with the implementation of its first containment in March 2020, took place in a context marked by relative confusion among the main stakeholders in Réunion. Indeed, the containment decided by the president of the Republic on 17 March 2020 came the day after the first round of the municipal elections. This meant that the population, despite warnings issued by the media, was focused on traditional political news and on the possible consequences of these elections.

From then on, the containment implemented implied a “180-degree turn” of certain stakeholders who, until then, had been caught up in the rhythm of the electoral campaign postponed sine die, immediately resumed their original positions or responsibilities. The urgency was to face up to the situation, to avoid an economic catastrophe and to advance cautiously into unknown terrain linked to the first generalised and relatively strict confinement of an entire population of a territory.

The prefect, the presidents of the regional and departmental authorities and the mayors were each mobilising within their respective competences. At this stage, it is important to emphasise once again that Réunion Island already had certain experience in dealing with such blockades. Recent curfews linked to social events, such as the yellow waistcoats, but above all to cyclone warnings, have led the population to understand the need to be blocked or to have their movements restricted for imperative reasons. Despite this, the scale of the decision affecting the entire territory and almost all economic activity, as well as the absence of any perspective on the timeframe, was surprising to those in charge.

Their respective reactions, confirmed by the various interviews, showed that they were able to cope with it. A phase of unprecedented social dialogue began and would never be interrupted during this entire phase of the crisis until mid-2021.

The Prefect of Réunion Island set up the “Economic Continuity Unit” and held weekly meetings on the monitoring of the Pandemic with the mayors or their representatives. The President of the Réunion Region also set up collective meetings with the various economic sectors (tourism, exporters, agriculture and socio-professional network heads).

For some of the respondents, the reactivity of the authorities was mainly marked by the weight of the economic recovery, but it also suffered from bureaucratic constraints in the management of certain measures. After the reaction phase, which led to prioritising the emergency under the guise of “whatever it takes”, the latter did, in a way, regain its rights.

Finally, beyond the reactivity and capacity to deal with emergencies, the responses of the interviews revealed, in the end, a form of absence of strategy over the longest period, or at the very least, that the strategy devised by the public authorities was not necessarily shared with the private sector players.

Overall, the 2020–2021 crisis period saw the emergence of a number of new measures to deal with the emergency at all three levels (Europe-State-Region) and measures to strengthen several transitions: environmental, digital and social. These can be examined in part in the following table. In the first case, we can

cite the launch of React-EU, the relaxation of constraints linked to dock dues until June 2021 and tools linked to the Solidarity Fund at the national and regional level, the financing of part-time work and the tourism voucher. In the second case, we can cite, for example, the state recovery plan from August 2020, the digital voucher, the financing of computers, conditionalities linked to the environmental dimension in React-EU, etc.

3.2 Overview of proactive policies

Just transition policies

In Réunion, as in the other French overseas departments, the precariousness and poverty which are still important (20% of the total population) have led the national and local authorities to develop social policies to help the suffering populations by means of aid on income, housing and equipment. Conducting aid policies is therefore not a new way of thinking. In that perspective, the pandemic did not surprise the authorities. However, it was the magnitude of the shock and the consequences on already poor populations that raised many fears. Faced with this, the national and local authorities, experienced in this field, were reactive. They also showed a lot of cooperation during the most difficult period. The different measures taken, some of which are presented below, illustrate this reactivity and this willingness to work together to manage emergencies and avoid the collapse of several parts of the population and also to maintain students or economic actors in a state to be able to pass the crisis. The famous quote “What ever it costs” pronounced by President Macron at the beginning of the crisis took on all its full meaning when it was the momentum to face this unprecedented challenge.

Focus area(s)	Policy description	Target group(s)/ Beneficiaries	Responsible level of governance / Financing	Stakeholders involved in policy implementation	Timing of policy	Duration
Food, medical and housing support	Distribution of food vouchers and parcels to the most deprived inhabitants and students as well as fresh food baskets to the elderly by the General Council.	Vulnerable groups Students Elderly people	Municipal level/Regional level	Communal Action Social Center (CASC)	Pandemic	Short term
Protective equipment	Mask distribution. During the first containment and the uncertainties concerning the protocols, the regional and municipal authorities organized the delivery, the preparation, and the distribution of masks, particularly to the most deprived populations or to the most exposed actors. Once again, the context of the elections led to a form of reactivity regarding the desire to protect fellow citizens.	Vulnerable groups Key workers	Regional level	Municipal authorities, CASC,	Pandemic	Short term
Education and training Digital access and competencies	Distribution of computers and 4G kits to students and high school students. Implementation during the months of March-June 2020 of a device allowing students identified by the university and high school students identified by the high schools to have a computer and a connection in order to avoid the digital break and to be able to participate in distance learning.	Children and youth Students	Regional level	University	Pandemic	Short term
Business support Income support	Maintaining activity and safeguarding employment. (1) Implement the part-time financing scheme to compensate the	Businesses Employees and self-employed people	Regional level	European Commission, State,	Pandemic	Short term

	wages of employees put on part-time or total unemployment. (2) Petrel Plan.(Petrel is a plan of 20 measures for employment entitled Priorities and gathering for local employment in Réunion. This plan aims to set up an ecosystem favorable to the economic and social development of La Réunion in order to cause a shock of employment) (3) Social security exemption scheme. (4) Authorization given by the European Commission to the French State to extend the application of exemptions or reductions in dock dues for specific products for which local production exists. (5) Implementation of solidarity funds: FSN (national solidarity fund) and FSR (regional solidarity fund), then recovery plan from August 2020. (6) BPI rebound loan. (7) Tourism vouchers to boost local consumers' consumption of tourism products and services during periods of travel restrictions. Measures for the emergency spread over the period March 2020-2021 and then over the period September 2020-December 2022. And for React-EU until 2023.	Unemployed people		Regional council		
Education and training	Implementation of the state's apprenticeship plan to prevent mass unemployment from hitting students and young people in training hard hit by the crisis.	Students Children and youth	Regional level	State	Pandemic	Medium/Long term

Green transition policies

Reunion Island has long been a sentinel territory for climate action. For the past 20 years, national and local policies have supported initiatives to accelerate the energy transition and support the associated industrial sectors. The same is true for raising awareness among the population in order to involve them in the preservation of the territory and the protection of the environment (waste, biodiversity, etc.). The occurrence of the pandemic and the fact that it implied an even stronger change in behaviours led national and local public actors to further strengthen the green dimension in the mobilization of funds. They also took advantage of the possibility of using React-EU to direct these new funds towards actions that took the environmental dimension into account. The challenge was therefore not to discover new tools for action but to strengthen the levers already in place and their impacts.

Focus area(s)	Policy description	Target group(s)/ Beneficiaries	Responsible level of governance / Financing	Stakeholders involved in policy implementation	Timing of policy	Duration
Business support	The mobilization of the React-EU program and its green dimension. These dimensions were taken into account by the Prefecture of La Réunion and by the	Business Employees and self-employed people	European Commission, State, Prefecture of La Réunion	Prefecture of La Réunion, Regional Council	Pandemic	Medium/Long term

	<p>Réunion Region when reallocating the actions to be financed by REACT-EU. The environmental dimension was incorporated into the schemes set up in order to comply with the REACT-EU funding criteria. For instance, several new activities were eligible for funding: renovation of educational buildings, resilience and risk prevention, investments in potable water, circular economy, smart and soft mobility, charging stations, digital transformation.</p> <p>The other measures affecting the green dimension are incorporated into the evolution of the 2021-2027 programming of the European OPs in order to orient them towards strengthening resilience. The Commission's proposal to mobilize the REACT-EU fund on the condition that it respects several dimensions, particularly that it supports actions contributing to the ecological transition. Funding covering the period 2020-2023 and allowing the extension of the 2014-2020 OPs.</p>		nion, Regional Council			
Business and Public stakeholders	Plan linked to the mechanism launched by the State: France 2030 - France Relance. The aim is to finance major projects that consolidate the strengths of the territories and make them part of the ecological transition.	Public institutions, Business	State	State, Prefecture de La Réunion	Pandemic and beyond	Medium/Long term

Table 2 Smart transition policies

Réunion Island, an isolated territory in the Indian Ocean, has been aware for a long time of the challenges related to its digital connection to the World and within the island. Despite these efforts, the pandemic has nevertheless shown that a significant part of the population (the poorest) was under-equipped in terms of connection and digital tools. This has raised the stakes for the continuity of education for young people and students. In the same way, the crisis revealed that a large part of the actors had not yet entered the digital transition. This is why the measures taken have focused on these two major needs: equipping the population and supporting business investments.

Focus area(s)	Policy description	Target group(s)/ Beneficiaries	Responsible level of governance / Financing	Stakeholders involved in policy implementation	Timing of policy	Duration
Business	Aid schemes for the digitalization of training actors to prepare them for new waves of distance learning. Continued funding of the digital voucher for companies. These measures were either initiated during the crisis, or their implementation was reinforced or	Businesses	Regional level	Regional council	Pandemic	Medium/Long term

	accelerated to meet the demands: the objective of reducing the very strong digital divide, the competitiveness of companies, and the emergence of new distribution methods.					
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3.3 Governance and funding policy

With regard to the financing of the measures presented, the following details should be noted: The three main sources of funding for the measures came from the European Union, the French state and the local authorities' own funds. While Réunion's local authorities were finalising the construction of the 2021-2027 operational programme, the European Union was able to adapt its intervention with the launch of REACT-EU, enabling it to bridge the gap between the end of the previous programme and the future one, while at the same time supporting the emergency measures to be carried out. This aid has sometimes taken indirect forms, with the relaxation of certain constraints linked to interventions in terms of public funding. For the state, the first phase was first marked by the famous "whatever it takes" to safeguard activity and employment, notably through the use of short-time working and financing tools, as well as guarantee mechanisms. Then, in the second phase, once the emergencies were over, the state directed its interventions towards sectors that were suffering the most, such as tourism, and reduced its actions towards those that no longer needed them. Finally, for the local authorities, it was a question of being able to immobilise their own funds, resulting in particular from non-spending, due to the halt in the economy or the cancellation of several projects for the year 2020. Local authorities were therefore focused on reallocating their expenditure and the need to consider meeting the conditions set by REACT-EU to mobilise these funds. As for the state, the interventions of the local authorities, after an initial emergency phase until mid-2020, were gradually adapted to the new challenges and contexts of late 2020 and 2021.

More specifically, during this first phase:

- State intervention via the guaranteed loan of €1.2 billion.
- At the level of the Réunion Region, a solidarity fund was set up to complement that of the state. The fund for tourism was increased by €10 million.
- At the European level, aid ceilings were raised and support for working capital was authorised.
- At regional level: The introduction of a digital cheque.
- At the level of the BPI: The mobilisation of an interest-free loan up to €300,000.
- At the training level: Support for the digitalisation of training devices.
- Efforts in the area of public procurement to support companies' order books.

Obtaining funding is a necessary, but not necessarily sufficient, condition for maximising its impact. This is the challenge that those in charge have tried to meet. First, by mobilising all stakeholders. This was the will of the Prefect of Réunion Island with the implementation of meetings linked to the Monitoring Committee on aid and continuity. The stakeholders (local authorities and private actors) played the game by participating, expressing their needs and responding to requests. This committee was considered a success because it was new and made it possible to do what other institutions had not been able to do until then (e.g. the Territorial Public Action Conference (CTAP) required by the NoTRé law). Second, the initiatives taken by local authorities (Region and Department) wishing to support the community (populations and living forces) to get through the crisis with the least possible damage or by reducing their pain. Finally, certain socio-professional networks also mobilised their members to consolidate the diagnosis of their sector and to better explain their grievances to public authorities. It is in this tangle of bodies that we should perhaps see a downside, as there were regrettable disparities in the flow of information. However, the context of election campaigns, marking the years 2020 (municipal) and 2021 (regional), undoubtedly constituted an element that may have led to some actors using certain strategies. Nevertheless, the overall assessment from the interviews is positive in terms of the impression that the territory was mobilised to respond collectively to emergencies and tried to ensure that the good practices initiated were maintained.

4 Policy impacts

4.1 Policy measures

The impacts of proactive measures are certainly not uniform. Nevertheless, overall, the measures, thanks to their intensity of intervention and their speed of implementation, have made it possible to avoid an economic, social and health disaster. Réunion Island did not collapse.

First of all, Réunion probably suffered less during the year 2020 than other regions of France because of a single confinement (mid-March/mid-May). Overall, the interviews underlined the relative resilient nature of the Réunionese economy: it was bent but did not break.

Second, in terms of the suffering of the population, only private sector employees and the self-employed have seen their income situation deteriorate. This is undoubtedly linked to the fact that, unlike in other countries or regions, a large part of the population has seen its situation maintained in terms of income, since it does not depend on the immediate pace of activity. However, here again, the measures devised by the state prevented a total collapse.

Third, it is necessary to take into account the unequal conditions associated with housing, the important social component of which has led some parts of the population not to experience confinement or teleworking in the same way as others who are better off. In this respect, fears about widening inequalities have emerged. However, again, this analysis linked to the first phase of the COVID-19 crisis must be conducted with caution. Regardless, actors note that in terms of poverty, while the measures prevented a collapse, the measures did not make it possible to reduce this precariousness. Regret was expressed that the measures were not sufficiently directed towards the most vulnerable populations.

Fourth, at a chronological level, proactive policy measures have made it possible to first assist companies in avoiding collapse and then to help them restructure by mobilising the recovery plans for, for example, digital and environmental transitions.

Finally, one of the consequences of the implementation of these measures has been the adoption of more virtuous behaviours. Indeed, in order to be eligible for national or local measures, companies and employees had to register in official processes. In other words, the measures based on declarations enabled a number of informal businesses to become part of the formal sector. In so doing, the crisis made it possible to target more people who, until now, had not been in the spotlight. Will this effect last after the end of the schemes?

An assessment of the schemes also shows that employers have largely mobilised the partial unemployment scheme to reduce the burden on their workforce: it concerned 101,800 employees at 13,700 companies in Réunion on 28 April 2020, according to the Ministry of Labour, that is, 56% of private salaried employment. The partial unemployment scheme was intended to limit redundancies as much as possible. However, the confinement also resulted in a sharp slowdown in hiring (entries into assisted contracts were notably lower than usual) or contract renewals, including temporary work, in which 4,400 temporary workers were directly affected by this crisis. Furthermore, a company whose cash flow was affected by the coronavirus could ask its bank for a state-guaranteed loan (PGE). As of 24 April, 2020, 2,445 companies had benefited from this loan for a pre-granted amount of €376 million in Réunion.

Trade accounts for almost a third of beneficiary companies. This was followed by construction (16%), accommodation and catering (10%), business services (10%) and industry (9%). Furthermore, 85% of the companies were very small enterprises. Finally, the state created a solidarity fund allowing the payment of aid of up to €1,500 to the smallest companies, the self-employed, micro entrepreneurs and the liberal professions affected by the coronavirus crisis. In the department, €32.7 million in aid was granted to 23,760 beneficiaries.

In spite of the measures taken during this first phase, the real fragility that emerged in Réunion is linked to the island's connectivity. Maritime and air logistics are weak points, since any interruption in these levers leads to a halt in freight. The isolation of the territory was clearly underlined at the time (this dimension also increased with the Ukrainian crisis and disruptions in the various logistical chains). In the same vein, the crisis has also highlighted the issue of autonomy (energy, agriculture and food).

4.2 Governance impacts

The responsiveness of the institutions and the implementation of measures have highlighted the capacity of local stakeholders to work and act together informally or more explicitly within the framework of the bodies initiated as a result of the crisis. This collective mobilisation not only concerned political institutions but also the dynamic forces and socio-professional organisations: universities, consular chambers, etc.

In practice, monitoring governance has been set up through the aid and continuity monitoring committee, either at the global or sectoral level, such as in tourism. It should be noted that the aid monitoring committee continues to function. The dialogue phase has never been interrupted. It was even reactivated to respond to the challenges of the Ukrainian crisis.

As already mentioned, this ability to work together is probably the result of experience gained in previous crises that led the partners to combine their efforts.

However, at the time of the hearings, the responses indicated disappointment with certain aspects of the consultation process, particularly regarding the feedback of information. The socio-professional organisations also argued that there had not been sufficient consultation on the part of the local authorities, no doubt due to habit. Otherwise, to express regret that the state, with the start of the second phase, “had taken things in hand”. Here again, the context of the electoral period undoubtedly played a role in the strategies and postures.

One of the consequences of the decrease in consultation has been the reduction in the relevance of the recovery plan in its territorial dimension (little thought given to the context of Réunion’s VSE-SMEs and the characteristics of the local economic fabric). It seems important to remedy this risk.

Finally, the crisis showed that it was possible to cooperate, but also that bad habits quickly took over if not managed. Among the bad habits were bureaucratic slowness and a lack of tools adapted to the territorial level. In this context, the regional authority set up a digital application and website specifically for the submission of applications and documents for the regional solidarity fund and loan guarantees. This possibility of being able to do things together also led to the observation that intermediary structures can no longer play the role of irresponsibility or moral hazard. They must change their positions. They cannot only make claims but must also co-produce the solution.

4.3 Financial impacts

As has been mentioned, the financial context of the first phase of the crisis mobilised European, national and local funds.

While Réunion’s local authorities were finalising the construction of the 2021–2027 operational programme, the European Union was able to adapt its intervention with the launch of REACT-EU, enabling it to “bridge the gap” between the end of the previous programme and the future one, while at the same time supporting the emergency measures to be carried out. This aid has sometimes taken indirect forms, with the relaxation of certain constraints linked to interventions in terms of public funding. For the state, the first phase was first marked by the famous “whatever it takes” to safeguard activity and employment, particularly through short-time working and financing tools, as well as guarantee mechanisms. Then, in the second phase, once the emergencies had passed, the state directed its interventions towards the most suffering sectors, such as tourism, and reduced its actions towards actors who no longer needed it. Finally, for the local authorities, it was a question of being able to immobilise their own funds, resulting in particular from non-spending due to the halt in the economy or the cancellation of several projects for 2020. Therefore, local authorities were focused on reallocating their expenditures and the need to consider meeting the conditions set by REACT-EU to mobilise these funds. As for the state, the interventions of the local authorities, after an initial emergency phase until mid-2020, were gradually adapted to the new challenges and contexts of late 2020 and 2021. In addition, the Réunion Region initiated a rebound loan over this short period, up to mid-August 2020, to supplement the arsenal of traditional financial engineering tools.

If the triptych of actors is not necessarily innovative, their capacity to have been able to quickly modify the mechanisms, regulations and financial engineering processes has been innovative. It was not a given to act with such agility in the design of loan and guarantee tools, in the reallocation of budgets, in the acceptance of derogations to certain community rules that were thought to be set in stone indefinitely (intensity of public aid, dock dues differentials, etc.). Finally, the participation of private actors should be mentioned. Projects have appeared, such as mask production lines, or have been maintained, such as the construction of hotels or the efforts made by tourism players to support their sector at each moment of recovery.

5 Future policy directions

5.1 General recommendations

More and more crises improve learning by doing and resilience

The policies implemented in Réunion could be transposed to other regions facing similar contexts or, at least, could inspire them. Not every region was able to respond so quickly to deal with the crisis during its initial phase. Thus, in terms of governance, Réunion's experience can now serve as a model since it has gone through several health, economic and social crises over the past 15 years, not to mention the ordeals endured during the advent of cyclones. Following the example of the regional emergency plan (called "Plan d'Organisation Regional des Secours- ORSEC") for crises, a mechanism for working together was quickly established. Of course, it needs to be improved in order to consolidate the confidence of the participants. However, the operation of the aid monitoring committee could be transposed.

Sharing best practices to inspire

Similarly, the realisation that access to aid was a real stumbling block led to the development of digital tools (in 10 days) to facilitate the procedures for those entitled to them. Here again, this type of approach, which uses the lever of territorial public innovation, could be a source of inspiration for parallel initiatives in other territories. Another example is a payment module that facilitates the instruction and payment of sums. In this field of innovative tools, Région Réunion also initiated, over this short period until mid-August 2020, a rebound loan to complete the arsenal of the usual financial engineering tools.

At the social level, in addition to the measures deployed at the national level, it is necessary to highlight the measures aimed at containing the rise in the prices of essential consumer goods. This was the purpose of the price-quality shield (PQS). It is not its existence that is original, since the PQS originated in a previous crisis, but updating it has undoubtedly made it possible to contain the rise in prices of the basic basket of necessities. This is all the more important, as the cost of the PQS is observed as an indicator of the evolution of purchasing power.

The quality of the governance, during the crisis, is a key factor of success

Lastly, the arrival of a sub-prefect in charge of monitoring the deployment of aid as closely as possible, alongside the Prefect of Réunion, is also one of the initiatives that could be useful in other territories. Clearly, it is a question of strengthening operational territorial governance in these singular contexts. And this is what has been done. An example of the initiative of the Directorate General for Overseas Territories at the Ministry of Overseas Territories on a training module on European policies also goes in this direction.

5.2 Regional recommendations

The crisis has revealed several dimensions relating to the vulnerability of Réunion's economy to unforeseen events. It is the whole question of its resilience that has been put on the table and that inspires recommendations at several levels.

5.2.1 Financial recommendations

- **Successfully combining and articulating the various programs and funding levers.** At a financial level, the challenge today is to know how to manage the new mechanisms and funds by including them in the new challenges of the century (climate transition, digital, etc.). Of course, we have the new European programming 2021–27, but also the end of REACT-EU. At the national level, all the measures surrounding France 2030 must also be combined with the levers mobilised during the crisis.
- **Strengthen the mobilization of specific financial tools (European operational programs) and accelerate the capacity to mobilize transversal funds.** The ability to diversify sources of funding to finance future investments in resilience is at stake.

- **Maintain (and enhance) the financial commitments that have helped those most in need to cope with the emergencies that will persist and build their resilience.** Aid for household equipment, investment in digital technology for the most vulnerable companies, efforts to promote green growth, etc.

5.2.2 Territorial recommendations

- **Update and adapt strategic documents to the new challenges posed by the crisis.** At the local level, the ambition is to be able to revise strategic documents or operational plans (such as the Regional Economic Scheme-SRDEII or the Regional Landing Managing Plan -SAR), taking into account the new dimensions of the post-crisis period.
- **Include the major objective the question of ecological transition and resilience all over the territory.** In that perspective, facilitate the actions of companies for new relationships with customers. Supporting the efforts of local authorities to use digital solutions in public action.
- **Investing in smart governance at the city, regional and local levels.** increase the capacity of citizens to use the digital services of local authorities

5.2.3 Governance recommendations

- **Support and maintain the efforts and progress made in good governance** and good habits adopted at the heart of the crisis by local actors.
- **Maintain forums for dialogue and meetings in the face of the new threats that are lurking on the horizon.** It is true that these bodies need to be consolidated, for example, by making the still overly technocratic functioning of certain mechanisms more fluid. Since the crisis, the resurgence of the debate around centralisation versus decentralisation has also been under discussion.
- **Enhance the trust between actors** particularly in the dissemination of information and the coherence of vertical (Europe-State-Region) and horizontal (at the level of territorial authorities and socio-professional actors) public policies.
- **To understand the question of the resilience of the island in the widest dimension** within the territory and with the neighbouring islands. Indeed, the completion of this first phase highlights the challenges facing Réunion Island: reducing the vulnerability resulting from its isolation and dependence on several resources and better managing the development of the territory to accelerate the transition to a more sober operation. There is also the whole issue of housing and living conditions, as well as the balance between the high and coastal parts of the territory. In other words, it is the entire question of resilience that must become the focal point of territorial ambitions.
- **Continue to support the rediscovery of the island's fundamentals with regards to nature and all the potential associated with it,** in order to offer the territory development levers associated with the energy and agro-ecological transition, the potential of the blue economy and innovative social solutions to consolidate living together. This rediscovery has been one of the unexpected outcomes of this crisis, and not the least,
- **Deploying cooperation with neighbouring.** The respondents also emphasised the interregional dimension, which became apparent during the crisis phase with the solidarity between the islands of Mayotte and Réunion. This is another area that needs to be explored in order to extend good practices and find additional sources of resilience at the regional level.



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