

CASE STUDIES REPORT //

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

Terceira Island (Azores Archipelago, Portugal)

Case Study Report // September 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 case study report examines the policy response to Covid-19 within the Terceira Island (Azores Archipelago – Portugal). The report explores which 'proactive' policies have been introduced in response to the pandemic and assesses whether the crisis presented a 'window of opportunity' for regional and local authorities to promote specific spatial planning and territorial targeted policy agendas. The case report is structured around the following core 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

The present case study has been conducted following a two-step approach. In a first step, extensive desk research has been conducted with the aim of 1) documenting the main characteristics of the area, 2) assessing the impact of the pandemic on local society and economy according to various national and local statistical sources, and 3) documenting the policy responses as reflected in policy documents and online media outlets. In a second step, 7 semi-structured online and phone interviews have been conducted with representatives of the most important local institutions, non-governmental organizations and private sector. The purpose of the interviews has been to further document the impact of the pandemic, the policy responses, the impact of the policy responses, as well as the future of local and regional policies.

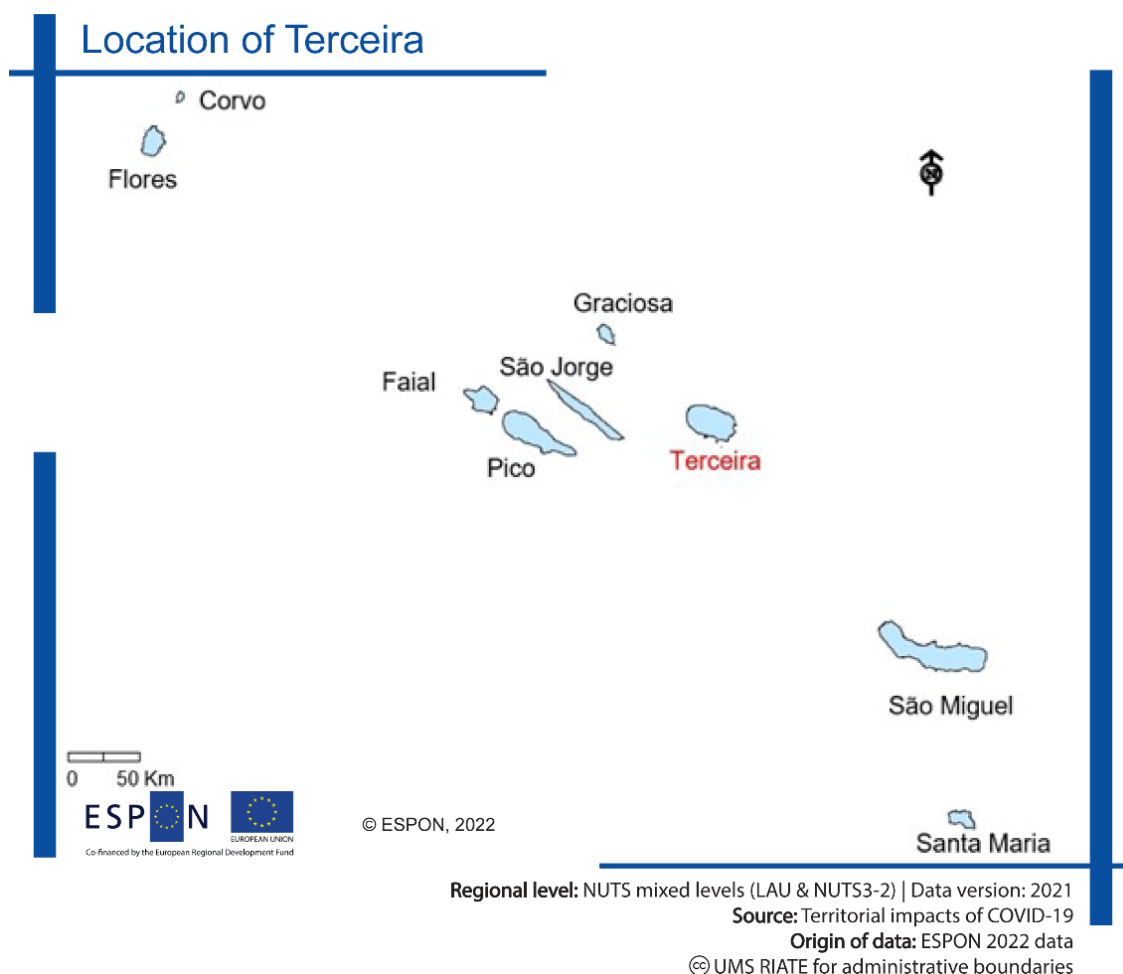
Table 1 lists the stakeholders that have been interviewed as part of the current research. The list includes the most relevant public authorities from the regional (Archipelago - NUTS2-3), Island and county/municipality (LAU2) level. The list also includes one of the most active local associations as a key civil society stakeholder in the area of social protection. On the other hand, the Terceira Farmers Association, together with the Angra do Heroísmo Chamber of Commerce represent the business sector of the island, thus complementing the public administration and civil society views.

Table 1 List of interviews conducted

Sector	Stakeholder	Date
Public Administration	Angra do Heroísmo Municipality	Jan 2022
Public Administration	Praia da Vitória Municipality	Jan 2022
Public Administration	Azores Government	Jan 2022
Private Sector	Farmers association of Terceira (AAIT)	Jan 2022
Private Sector	Angra do Heroísmo Chamber of Commerce: CCAH	Jan 2022
Civil Society	Youth Association of Terceira (AJIT)	Jan 2022
Civil Society	Social Solidarity Association of Terceira (ASSIT)	Jan 2022

1 Characteristics of the case study area

Map 1 Location of the case-study in the Azores Archipelago: the Terceira Island



1.1 Economic characteristics

The Terceira Island is one of the nine islands of the Azores Archipelago, which is an Autonomous Region of Portugal, located in the North Atlantic, 1500 km from continental Europe (distance from Lisbon). The Archipelago is of volcanic origin and is commonly divided in three groups: 1) the Western Group (with two islands: Flores and Corvo); 2) the Central Group (with five islands: Faial, Pico, São Jorge, Graciosa and Terceira); and 3) the Oriental Group (with two islands: São Miguel and Santa Maria, and the Formigas islets). Its maritime surface is 954,496 km², which makes it one of the largest Exclusive Economic Zones (EEZ) in the European Union (EU).

By 2019, the Azores Archipelago had a GDP of around 4,469M€ and a GDP per capita of 18,400€, which represented 69.9 GDP per capita PPC (UE=100). In other words, this Portuguese Archipelago is included in the group of socioeconomic less developed EU regions since the Portuguese adhesion to the EU in 1986. With a surface of 381,96 km², the Terceira island is the third largest of the Archipelago, but it is the second in GDP, representing 22% of the total GDP of Azores after the São Miguel Island (58%).

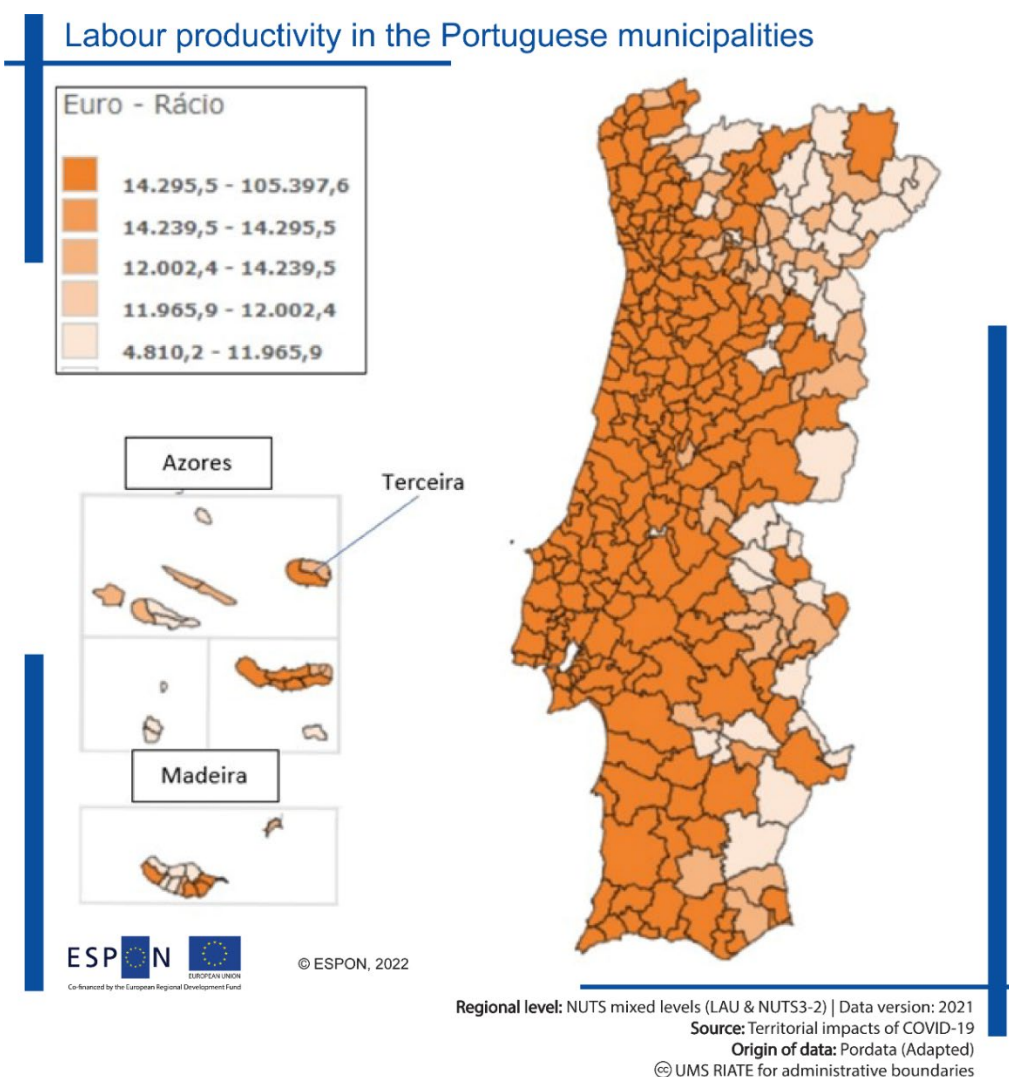
Just like in the remaining Archipelago Islands, the Terceira island economy is mainly based on services, with public administration playing an important role in terms of employment, followed by wholesale and retail trade, transport and accommodation and catering related activities. The sectors of agriculture (with a strong focus on milk production) and fisheries also play a key role in the island economy. With regard to agriculture and primary activities, the respective regional Gross Added Value has been marked by a progressive reduction over past decades: these activities represented 30% of the operating companies in 2017. There is a high

dependence on family work (about 80%). In general, agricultural producers have a low level of education and transport costs make agricultural products less competitive in terms of exports. In recent years, despite the importance of milk production, other products have gained weight in the archipelago's productive structure. These include cereals, vegetables, fruit, flowers and ornamental plants, wine and industrial crops. The presence of a USA military base (Lages) also contributes to provide employment and generate wealth for the island. Recent plans to reduce the activity in this base can lead to a reduction of around 6% of the total jobs in the Island, and an overall reduction of income of around 3.1M€.

Regarding the role of innovation, numbers for the Azores Archipelago (2014-16) show that 72.7% (66.8% in Portugal) of the companies have innovative activities. However, the intensity of innovation in Azores for the same period was only 0,7% (the lowest in Portuguese regions – 1,8% in Portugal). This is a clear sign that the Terceira Island has a very reduced role in innovation for the development process of the island. Indeed, available data from 2013 shows that the exports of products from this island were mainly included in three categories: (i) products from the food industries; beverages, alcoholic liquids and vinegars; tobacco (53%); (ii) machinery and appliances, electrical equipment; image and sound recording or reproducing apparatus (27%); and (iii) live animals and animal related products (19%). It is worth noting, however, that there is a branch of the Azores University in Terceira, specialized in the fields of agrarian sciences and oceanography. In all, research and innovation potential in Terceira is fundamentally restricted to the public sector, with the University of the Azores being the most relevant entity, as well as entities that make up the Scientific and Technological System of the Azores (SCTA), such as public laboratories or INOVA, and its scientific and technological development units. Also noteworthy was the role of the Government of the Azores in developing a Research and Innovation Strategy for Smart Specialization for the period 2014-2020, where it designated the following priority areas to support research and innovation activities for the Archipelago: (i) agriculture, livestock and agroindustry; (ii) fisheries and sea; and (iii) tourism.

In view of economic crisis scenario in which the Azores are one of the poorest EU regions, with a strong primary economic sector and feeble innovation and productivity indicators, the current EU Cohesion Policy Operational Programme for the Archipelago identifies the following main economic challenges: (i) need to increase the quality of scientific production oriented towards smart specialisation; (ii) improve the access to information and communication technologies; (iii) promote a qualified and creative entrepreneurship; and (iv) promote a low-carbon economy. In addition, environmental, social and institutional challenges are added as main challenges to the Azores, including the need to: (v) adapt to climate change; (vi) increase product recycling; (vii) augment the use of sustainable transportation; (viii) integrate unemployed in the labour market; (ix) combat social inclusion and poverty; (x) support lifelong learning; (xi) support institutional capacity and an efficient public administration. Indeed, just like in other small economies and outermost EU regions, the Azores' economy is particularly vulnerable in terms of crisis response. Crucially, there are several socio-economic development challenges due to the geographical location of the Archipelago, which entail additional costs (transport, logistics, energy), as well as constraints that oppose economic and social integration with other national and EU territories. There is also a lack of critical mass for certain economic, financial or scientific projects. Furthermore, it is difficult to balance traditional production processes, local living conditions and the protection of the environment and ecosystems with the need to boost the local economy in order to compete in a globalized world.

Map 2 Apparent labour productivity of non-financial corporations in the Portuguese Municipalities (2019)



1.2 Social characteristics

As previously stated, the Azores Archipelago, in which the Terceira Island is located, is the least socioeconomically developed Portuguese region (NUT 2), and one of the poorest EU regions. Hence, the region already faced major pre-pandemic social challenges. In this context, there are several main social challenges for the Archipelago in general, and for the Terceira in particular, including the need to: (i) integrate unemployed in the labour market; (ii) combat social exclusion and poverty; (iii) support lifelong learning; (iv) augment the employability of graduates; (v) increase the number of graduates and Ph.Ds.; (vi) support social inclusion of students from families with low income to fight school dropout; (viii) improve the access to health and social services; (ix) qualify and enable the regional network of social economy; (x) prevent and combat multiple discriminations and domestic violence, (xi) promote equal opportunities, increase gender equality, and integrate the unemployed in the job market.

Regarding education and skills, the level of qualifications of Terceira' population is clearly below the national average. More concretely, the population with tertiary education is lower than the national average (10.2% against 27.2%), while the population with basic and secondary education is higher than the national average (79% against 74.6%). The population with higher education is proportionally higher in Angra do Heroísmo (a municipality and capital of Terceira - 11.4%) than in Praia da Vitória (the other municipality in the northeast of the Island - 8.2%), although in both municipalities there has been a positive evolution in the last 10 years. Moreover, the youth unemployment rate in Terceira is around 15%, slightly lower than the 17% for the Azores Archipelago.

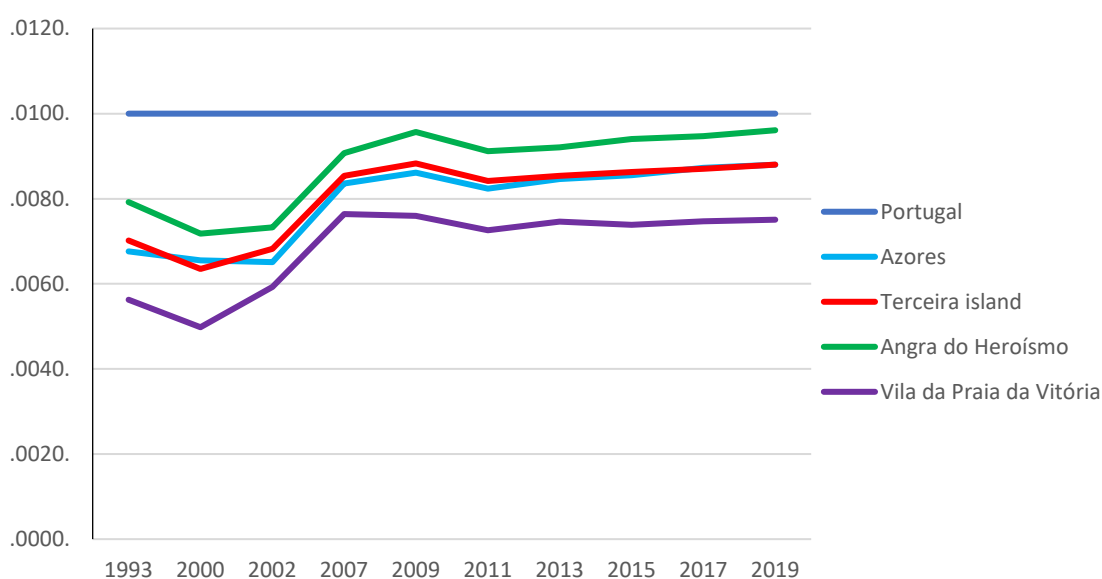
By 2018, the employment rate in Azores was 54.7% against 55% in Portugal. Instead, the unemployment rate was 7.9% against 6.8% in Portugal. The increase in employment occurred mainly in the secondary sector, with increases in the tertiary sector at a pace below the global average. Employment in the primary sector, in turn, was even reduced in absolute terms. The evolution in the secondary sector has shown, in recent years, some recovery, especially in the civil construction sector. This occurred after the strong investment crisis of 2008 and was accentuated in 2011. In the tertiary sector, employment has shown a moderate growth, which was, once again, more evident due to the contention in activities with characteristics of public services. These include administration, education, health and social action, compared to services associated with commercial activities, such as commerce and transport. In all, the primary sector occupies 9.9% of the population, the secondary sector 17.0% and the tertiary sector 73.1%.

Relatively recent data (2018) on living conditions and income in Portugal, show that 17.2% of Portuguese were at risk of poverty, 0.1 percentage point less than in 2017. In the Azores, however, the risk of poverty and social exclusion increased in one year, from 31.5% in 2017 to 31.8% in 2018. Crucially, the Azores is the Portuguese region facing a higher risk of poverty. More particularly, the resident population at risk-of poverty or social exclusion was by 2017-18 36.9% (PT 21.6%), the severe material deprivation rate was 12.0% (PT 6.0%), whereas the Gini coefficient of equivalent net

monetary income was 37.9% (PT 32.1) and the severe housing deprivation rate was 9.2% (PT 4.1). In all, the Azores is the Portuguese region with the highest poverty rate. It also has the largest number of social income support beneficiaries according to their resident population. Ultimately, the poverty rate in the Azores is higher in the largest and more populated island (São Miguel). Hence, in the Azores there is a set of social policy measures that contribute to combat poverty and social exclusion.

The recent 2021 Census identified 53,311 inhabitants in Terceira, -5.5% than in 2011. This is aligned with the overall decrease of inhabitants in the Azores Island (-4.1% since 2011), but is slightly higher than in Portugal (-1.9% since 2011). In terms of age distribution, 14.3% of Terceira's population was, in 2018, aged between 0 and 14 years old, 12% between 15 and 24 years old, 57% between 25 and 64 years old, and 16% aged 65 and over. This age distribution is similar to the Azores average, but it shows a younger demographic structure than the national average (14.5% of the population aged 65 and over, compared to 21.8% in Portugal). Angra do Heroísmo municipality, has a greater proportion of the elderly population (65 and over), 17.1%, than the other island municipality (Praia da Vitória - 15.1%). In essence, the relative weight of the younger population is higher than the national average, demonstrating that the region shows a more attenuated aging profile than the continent. However, there is a strong tendency towards aging, which is already to be verified from the previous decades.

Figure 1 Purchasing power per capita change in Terceira Island (1993-2019) – Portugal = 100



Source: Pordata (Adapted).

1.3 Governance characteristics

Since 1976, the Azores enjoys the status of a Portuguese autonomous region with its own political-administrative regime, having its own governing bodies, that is, the Regional Government and the Legislative Assembly. The Regional Government is the executive body of the region and the highest body of regional administration. It is also politically responsible to the Legislative Assembly. The Legislative Assembly is made up of 57 deputies, elected every 4 years by direct universal suffrage, and, in addition to the respective legislative powers, performs functions of monitoring the activity of the Regional Government. In the Azores, there are 19 municipalities. As an autonomous region, the Azores has its own taxing power and has the power to adopt the regional economic and social development plan and the regional budget, and also to participate in the negotiations of international treaties and agreements concerning the region. This Archipelago can also legislate on agricultural policy, fisheries, sea and marine resources, trade, industry and energy, tourism, infrastructure, environment and spatial planning. As regards multi-level governance and stakeholder networks, it is considered that the Territorial Management System in the Azores has evolved decisively in recent years, as a result of the efforts of the Regional Government, local authorities and the collaboration of other civil society partners. This work has made it possible to alleviate the multi-level cooperation gaps that still exist, which are affected by both the geological, biophysical and socio-economic specificities of the Archipelago, as well as the territorial policy options pursued by the bodies of the self-government.

2 Impacts of COVID-19 on the region

2.1 Economic impacts

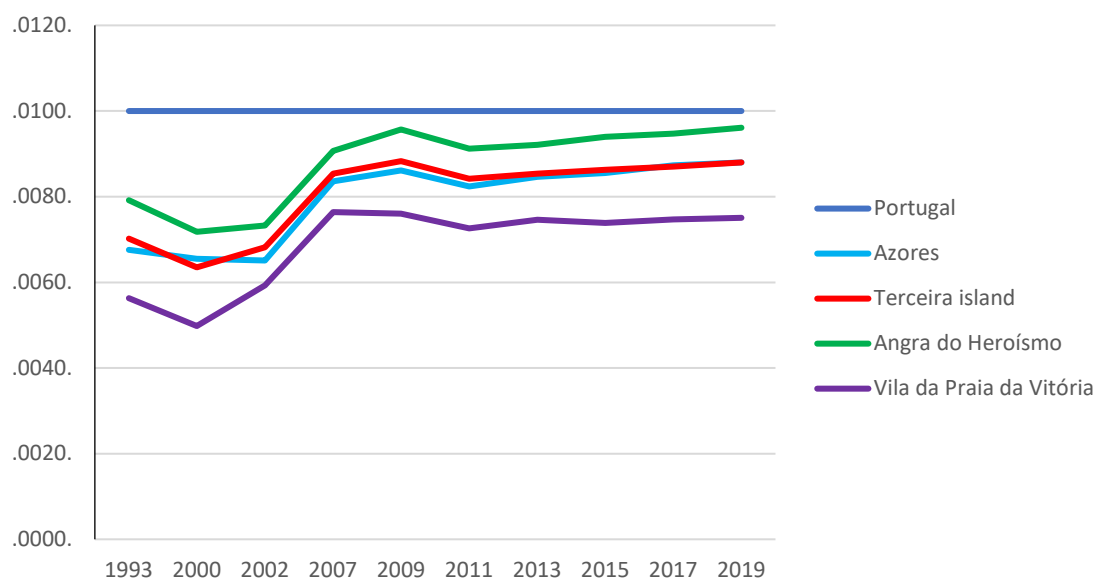
Terceira was the first island of the Azores to have a COVID-19 case. This led to an immediate cancellation of the travel connections in the island by April 2021 (soon after the Carnival - first wave), including the connections with the other Azores Islands. This situation led to an almost instant collapse of the island's main economic activities with the exception of the primary sector (agriculture and fisheries). In particular, the tourism related activities (restaurants and hotels) were suddenly shutdown, since the airport was closed, and no one could travel any longer to the island. Some persons were retained in the island for almost two months. Some inhabitants of the island were also prevented to return. The restaurants tried to initiate a personal delivery (door to door) process that was not very successful. Even by late 2021, the tourism related economic activities were not fully resumed.

The economy of Terceira is also much dependent on the organisation of fairs and festivals. These were obviously suddenly stopped for the two pandemic years (2020-2021), and greatly affected the island economy. So, the two municipalities of Terceira (Angra do Heroísmo and Praia da Victória) decided to support the entities and workers related to this economic activity. Likewise, they provided food support to socioeconomic deprived families daily, which had a financial impact of around 1.5M€ per year. This support was complemented with the implementation of several other measures to mitigate socioeconomic impacts of the pandemic which added an additional financial strain to the municipal budgets. Here the Azores Government only covered a reduced part of the extra costs associated with supporting economic activities and households affected by the pandemic.

Since the summer of 2021 there were clear signs of economic recovery in Terceira. The pre-COVID-19 economic numbers were yet to be achieved in all economic sectors, however. This is especially true in the tourism related activities (restauration and accommodation). There is, nevertheless, a reasonable economic and social recovery process. As regards the rest of the economic activities, there are economic sectors in which the resume of activities was very positive (e.g. construction, which has no more capacity to accept new orders). On the other hand, other economic sectors, mostly related with hospitality (restauration, accommodation, bars, etc.) are still a long way from the pre-COVID-19 activity numbers. For one, the arrival of tourists in Terceira in the summer of 2021 was a far cry from the ones registered in the summer of 2019. On the other hand, there was a replacement of foreign tourists by nationals, with less purchasing power. Thirdly, there is a social delicate question associated with the substantial removal from the labour market of many workers, now protected by social measures and reluctant to return to a labour market characterised by low wages.

This novel and somewhat unexpected scenario is provoking a lot of restrictions to the economic activity in the Island. Indeed, there is a lack of workers in multiple economic areas. In other words, there are many jobs available now and, at the same time, many potential workers continue to receive financial aid from social protection mechanisms. This job market mismatch is a result from the COVID-19 pandemic in the Terceira Island, and the subsequent generous social protection measures introduced to mitigate the pandemic negative effects. Crucially, some workers that left the job market are not willing to return to work any longer, since they do not feel enough incentives to abandon a novel comfortable financial situation that does not require them to work and still receive a salary. It is also important to stress the fact that many workers retired due to their age, and the persons that left the island during the pandemic are young and qualified. This new scenario has led to political debates with some more right-wing political forces accusing that social protection measures are poisoning the labour market. Hence, there are several complex challenges ahead for solving the problem of lack of workers in some economic activities.

Figure 2 Overnight stays in tourist accommodation establishments (n° - 2013.2020), according to Portuguese NUTS 2



Source: Author – based on national statistics

2.2 Social impacts

There were many negative and immediate social impacts of COVID-19 in Terceira. In more detail, with the shutdown of several economic activities the unemployment rose, even though many jobs were protected via social measures, mostly of national character. This rise in unemployment is justified by the fact of a high level of informal economic activities in the Island. Moreover, as previously stated, several workers applied for their retirement and some young workers left the Island. Also, mostly during the beginning of the first wave, there was a significant loss in income, which was latter on compensated via public social financial support.

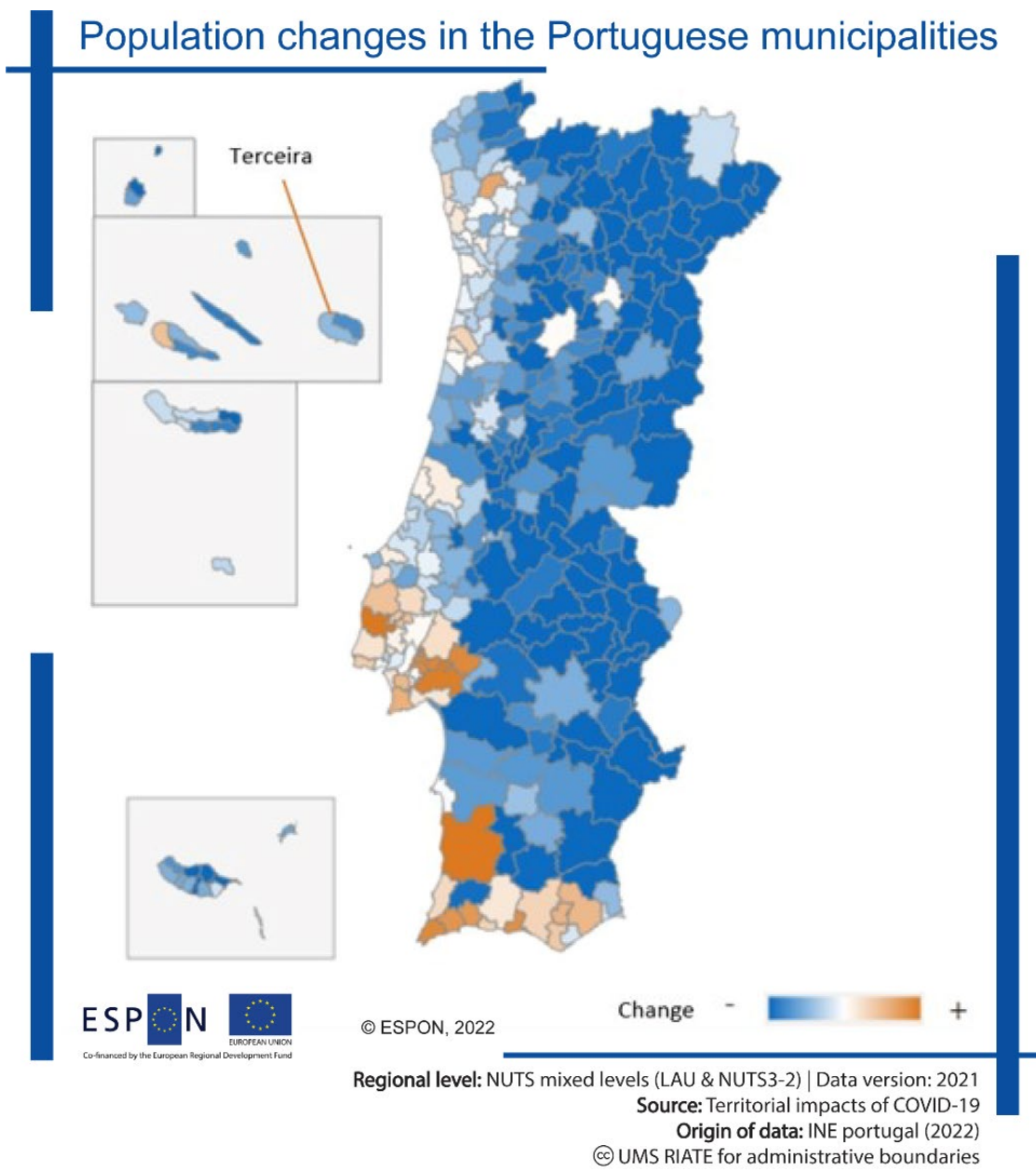
One crucial aspect very much related with the prevalence of a significant informal economy is associated with the Island festivities. In fact, Terceira has an old tradition of organising many festivals. For instance, on a given year, there are around 250 (rope) bullfights. All these festivals were suddenly halted. Moreover, during the past two pandemic years (2020-2021) the island Carnival and the traditional 'Sanjoaninas' festivity did not take place. All these festivals represent several million Euros for the Terceira' economy. Worse still is all the informal economy that is associated with the organisation of these festivals, with many persons (around 1000) selling their products and making a living out of this work. All of them suddenly lost their means of income and have no means to apply for social protection, as they were not in the system.

In general, one can state that the quality of life in the Terceira island, during the COVID-19 pandemic, was reduced. This was manifested via the restrictions to circulation in public spaces, the restriction of contacts between residents, and the total elimination of hundreds of festivities, which provide convivial moments and the reinforcement of social relations. On the other hand, the public social protection measures have contained the substantial rise of unemployment and poverty levels. As regards the COVID-19 cases of infection, these were never very high in the Island in relative terms, since the closing of the airport, right from the first wave, mitigated the spreading of the pandemic. Moreover, by November 2021, more than 80% of the Island inhabitants were fully vaccinated, which follows the national trends. Hence, only 8 inhabitants were, by then, killed by the pandemic, all of them included in the group of old persons with other medical pathologies. By then, there was only around 20 active cases of persons infected with the COVID-19, mostly from tourists. In all, the COVID-19 cases have been very well controlled in Terceira along the first two pandemic years.

Curiously, from a living condition standpoint, certain households saw a slight improvement of their situation following from all the financial support they have received from the public authorities. In this context, the extreme poverty levels are expected to have been reduced in the island during the pandemic. Here, for instance, all the homeless were removed from the streets. In turn, new poverty pockets occurred from the persons who depended from the informal economy associated with the organisation of the island festivals. Since their income was not declared to the finances, they did not have the opportunity to apply for social support.

As expected, following the lift of several COVID-19 related lockdown measures, since the summer of 2021 it is possible to see positive emerging social trends in several indicators in Terceira, as the economic activities are resumed. However, as stated, there are new social challenges resulting from the reduction of the overall workforce numbers and the related departure of young and qualified workers. It goes without saying that these social trends will imply a restructure of the tourism sector, which is the most affected economic activity by the reduction of the workforce contingent.

Map 3 Population changes between 2011 and 2021 in the Portuguese Municipalities



3 Policy Response to COVID-19

3.1 Policy Context

In overall terms, the pandemic did not present a novel window of opportunity for policymakers and practitioners to advance specific and new regional and local policy goals and strategies for the Terceira Island. Indeed, the opportunity to carry out policy reforms within the island was lost, either for the island and for the Azores Archipelago.

However, some existing policies and strategies were changed during the pandemic, like the establishment of new social supporting systems and also novel and more effective health procedures in public vaccination. These have, however, a more tactical rather than a strategic character, and have a pinpoint context associated with a specific moment in time that requires an appropriate action. Moreover, the pandemic ended up delaying policies/strategies under construction but did not change any major policy local and regional development strategy.

3.2 Proactive Policy Overview

The tables below present some of the best examples of policies in Terceira in relation to the just, green and smart transition policies.

Most of the Terceira Island policy support was placed in improving socioeconomic related needs to its inhabitants, since the pandemic greatly disrupted the normal panorama of many crucial economic activities in the island. Poverty, inequalities and social exclusion was addressed by concrete policy measures to provide the necessary financial aid to families and economic activities. Some measures and policies to address the socioeconomic effects provoked by the pandemic included the suspension of fees, rents and tax collection, for instance the ones related with the occupation of the public areas and municipal spaces like the municipal market and bars. In parallel, non-profit institutions, which are the majority of the entities in the Island had to be financially supported (5000€ every six months) to be maintained, since they suddenly stopped having activities.

Alongside, some students of socioeconomic deprived households and old persons received food packages from the municipality. Moreover, there was supporting in distributing medical masks and other medical equipment to the population. Another measure was the attempt to fully remove from the streets all the homeless in the Terceira Island. That was achieved via resettlement processes, the payment of hostels, and the provision of meal tickets by the municipalities. The impact of these measures was very positive since virtually every homeless disappeared from the streets of the Island. Some social protection measures were introduced in the first wave of the pandemic and every six months they were adapted to the new socioeconomic and pandemic context and the concrete situation of each economic sector.

Table 2 Just transition policies

Focus area(s)	Policy description	Target group(s)/ Beneficiaries	Responsible level of governance / Financing	Stakeholders involved in policy implementation	Timing of policy	Duration
Income support	The unemployed could apply for social support to their income. The ones that lost their income were able to apply for a simplified layoff scheme.	Unemployed people	Archipelago	Just transition	Income support	The unemployed could apply for social support to their income. The ones that lost their income were able to

						apply for a simplified layoff scheme.
Food, medical and housing support	Some socioeconomic households with old persons received food packages from the municipality.	Elderly people	Municipal level	Just transition	Food, medical and housing support	Some socioeconomic households with old persons received food packages from the municipality.
Food, medical and housing support	The municipality provided the distribution of medicines to some households with old and ill persons.	Elderly people	Municipal level	Just transition	Food, medical and housing support	The municipality provided the distribution of medicines to some households with old and ill persons.
Business support Income support	The municipality reduced, and many times eliminated the need to pay fees and taxes both for the economic activities and inhabitants.	Businesses General population	Municipal level	Just transition	Business support Income support	The municipality reduced, and many times eliminated the need to pay fees and taxes both for the economic activities and inhabitants.
Business support Food, medical and housing support	The municipality supported the payment for water both for some economic activities and inhabitants.	Businesses General population	Municipal level	Just transition	Business support Food, medical and housing support	The municipality supported the payment for water both for some economic activities and inhabitants.
Food, medical and housing support	Removal from the streets of all the homeless via resettlement processes, the payment of hostels, and the provision of meal tickets.	Homeless people	Municipal level	Just transition	Food, medical and housing support	Removal from the streets of all the homeless via resettlement processes, the payment of hostels, and the provision of meal tickets.
Education and training	An exceptional university student scholarship regime was implemented with increasing funding.	Students	Municipal level	Just transition	Education and training	An exceptional university student scholarship regime was implemented with increasing funding.

The Terceira Island economy is largely dependent on tourism and agriculture. There is no major innovation centre there. This context affected the number of implemented smart transition policies in this island. In the end, the need to remain locked at home led to a financial policy support to increasing digital access to both public entities and private citizens. A main opportunity and advantage from the implementation of policy measures aimed at facilitating telework and the almost full use of online public services. This new context paved the way for a preparation into a new more digital future that will continue to prevail on the Terceira Island in post-pandemic times. This increasing digitalisation process is likely to bring positive advantages and efficiencies for all the economic activities and for the Island dwellers. Then again, the Island schools are now more open to use informatic equipment and digital/online procedures than previously. This new digital positive awareness was extended to several other economic sectors, that mitigated the physical influx of people to the companies. This new context will lead to a new more digital reality across the island. The same will happen with the access to the municipal services that were suddenly closed for the general public during the COVID-19 pandemic.

Table 3 Smart transition policies

Focus area(s)	Policy description	Target group(s)/ Beneficiaries	Responsible level of governance / Financing	Timing of policy	Duration
Digital access and competencies Education and training	Offering of computers to school students (via schools) from socioeconomic deprived households to provide them possibility to study from home.	Children and youth	Municipal level	Pandemic	Short term
E-governance	The municipality implemented the possibility for the inhabitants to access to the municipality services (e.g., payments) online.	General population	Municipal level	Pandemic	Medium/ Long term

The Terceira Island economy is largely dependent on tourism and agriculture. There is no major innovation centre there. This context affected the number of implemented smart transition policies in this island. In the end, the need to remain locked at home led to a financial policy support to increasing digital access to both public entities and private citizens. A main opportunity and advantage from the implementation of policy measures aimed at facilitating telework and the almost full use of online public services. This new context paved the way for a preparation into a new more digital future that will continue to prevail on the Terceira Island in post-pandemic times. This increasing digitalisation process is likely to bring positive advantages and efficiencies for all the economic activities and for the Island dwellers. Then again, the Island schools are now more open to use informatic equipment and digital/online procedures than previously. This new digital positive awareness was extended to several other economic sectors, that mitigated the physical influx of people to the companies. This new context will lead to a new more digital reality across the island. The same will happen with the access to the municipal services that were suddenly closed for the general public during the COVID-19 pandemic.

There were two main types of challenges in implementing the policy measures aiming at mitigating the COVID-19 pandemic in Terceira. Firstly, financial challenges, since the costs involved in their implementation were very high for the island municipalities. Additionally, there was a need to cut or reduce the collection of fees and taxes, and the reduction of other costs (e.g. water supply) with negative consequences for the municipalities' financial revenues. In other words, the Terceira municipalities lost significant financial revenues whilst increasing their expenses with the support to social and economic measures. Another domain is related with the coordination of the implementation of policy measures, in view of the level of dispersion and complexity of these measures and the eventual overlap with the work of other entities and levels of government (NGOs, Government – Azores and National).

The advantages and opportunities of the proactive policies introduced can be seen in the reinforcement of political alliances from all political forces which became tuned with the same policy goals to solve or mitigate

the negative impacts of the pandemic. On the other hand, the municipality also received financial aid from the national government (Republic) to compensate the increasing financial expenditure. The same did not happen when regards to the regional government (Azores Archipelago). But this latter scenario can be justified by the regional government financial constraints in this COVID-19 pandemic reality. When it comes to structural policy issues, the main challenges are related with the implementation of policies with the desired level of sustainability, which do not bring a 'financial catastrophe' to the municipalities.

As expected, the Terceira Island municipalities developed and approved, together with policymakers, a crisis management and resilience plan, as a result of COVID-19. This contingency plan covers fiscal and operational issues, entailing measures to restrict the circulation of persons on public spaces and into certain edifices. Likewise, the access to public services became more digitalised. Here, the prevailing rationale was to channel all persons to use digital platforms to reduce the volume of persons to physically contact the required public and private services. This support to the use of digital forms of accessing public services are expected to be maintained in the future, since the users have realised the advantages of the digital ways of using public services over mainstream physical forms of personal contacts.

3.3 Policy measures

The main socioeconomic impact of proactive policies implemented to mitigate the negative impacts of the COVID-19 resulted from policy measures targeted to the protection of the income. This led to the maintenance of the social stability. Indeed, without the implemented policy measures, the Terceira Island would have experienced a high increase in unemployment and dramatic loss of income which would have resulted in a social collapse with unpredictable consequences. Clearly, several policy measures addressed social challenges like poverty, inequalities and social exclusion, via the protection of the income, the support provided via food baskets, the provision of medicines, the offering of computers, and the reduction or elimination of fees, rents and taxes. Moreover, all these policy measures have facilitated the operation of the economic activities and the normal function of existing institutions in a smooth and relatively fast manner.

Since Terceira is still very much pristine in its environmental characteristics, the proactive policy measures did not produce any significant environmental impacts. Even so, in the main city of this Island (Angra do Heroísmo), the significant reduction of cars circulation inevitably had positive environmental impacts during the phases where the public confinement was higher. Also, on a global level, the increasing introduction of digitalisation processes led to a reduction of the use of paper and printing ink, with potential positive environmental effects.

In overall terms, most of the proactive implemented policies to combat the COVID-19 in Terceira were highly successful in their objectives, in particular in controlling poverty rates via guaranteeing regular and sufficient income to all families. Moreover, students from all ages were supported, with wine and food baskets, computer material or increasing scholarship fees (University). This success avoided social instability in the Island. Another positive successful example of proactive implemented policies was the support to the digitalisation of public services. The latter (digitalisation related) measures are the ones that will remain in a post-COVID-19 scenario.

Conversely, a collateral and somewhat negative impact from the social support measures is already identified: the fact that many of supported workers decided not to return to the job market. This created an unprecedented scenario in which several economic activities, mainly related with the tourism sector, have a difficult time to find needed workers. The extent of these negative impacts is yet to be fully assessed. On the other hand, some public expenditures directed to combat the pandemic were not fully efficient. In other words, some of these funds were not allocated in the most appropriate manner. This was seen in the 'dissipation' of certain funds, and some inappropriate investment (easy money) in certain economic activities financed by the municipality to mitigate the negative effects of the COVID-19 pandemic. These inefficiency cases have been detected in several economic activities and in public entities.

Curiously, the increasing use of online platforms to access to public services ended up having negative effects on the local commerce, since the Island inhabitants soon realised the advantages of buying products and acquiring services via online platforms.

For the most part, the financial measures, actions and instruments introduced to deal with the crisis followed a policy rationale of reducing context costs. Put differently, the municipalities reduced and eliminated fees,

rents and taxes, and also other regular payments, such as the water bills and residue treatment bills. Moreover, there were several simplification measures to using public spaces. Here, the use of these spaces became free to all economic activities. These financial measures were totally financed via public funding.

3.4 Governance impacts

As regards the impacts on the governance structures in the case area, there are two main domains which suffered slight changes. Firstly, was the relation between all the political forces. Here, it has to be said that a positive result can be testified by the union of all of them in solving the regional and local problems that would inevitably result from the pandemic. Put differently, the political cooperation between all political factions in the island was unusually positive, convergent and strong. Secondly, the introduction of digital forms of governance (meetings were held via ZOOM) can also be seen as a highly positive outcome of the implemented policies towards the mitigation of the COVID-19 pandemic in Terceira. In the end, this digitalisation process helped to improve the governance functioning of the public services in the island, as well as the reduction of functioning administrative costs (less use of paper and ink). Likewise, implemented policies connected to the pandemic positively affected the stakeholder cooperation in the case area, since the relation of the municipalities with the economic related entities became more intense and closer, due to the constant need to adapt the policy measures to new pandemic intensities and contexts.

A positive impact in the governance process in Terceira was the mitigation of the political quarrels between all the political forces. Indeed, all of them unanimously decided to approve the policy measures to mitigate the pandemic. Another positive aspect was the increasing participation of some key stakeholders in the municipalities policymaking process, such as the 'Câmara do Comércio' (Commerce Chamber), which represents the main economic activities of the island, as well as the Agriculture Associations. Their participation was also central to the definition of the policy measures to mitigate and combat the COVID-19 pandemic.

3.5 Financial impacts

The pandemic did not lead to any new or innovative public/private financing methods. Nevertheless, there was an introduction of new financial management processes: the creation of two weekly meetings concerning the financial position of the Angra do Heroísmo municipality to optimise the liberation of the necessary funds to cover the measures to combat the COVID-19 pandemic, without creating too much disturbance in other municipality areas, such as the investment in construction, which is a crucial area to maintain the economic activity.

Also crucial to this analysis is the extent that the implemented policies have had in pre-COVID-19 approved municipal investments. Crucially, some of them had to be halted due to lack of funding, and as a means not to increasingly indebted the municipality. Here, there was a clear need to establish policy priorities in view of the limited regional and local development budget.

Multi-level territorial governance structures responded in a highly effective manner to the pandemic situation in Terceira. For instance, the Angra do Heroísmo municipality has 19 parishes which, coordinated the response to the pandemic via the establishment of a common action plan. This plan turned out to be the immediate solution to the most relevant problems to the island dwellers resulting from the pandemic. In other words, the multi-level governance coordination between the municipality and its parishes was very successful in implementing the policy measures. When it comes to the cooperation between the municipalities and the regional government, the coordination existed but it was not so strong and close.

Moreover, the collaborative cross-sectoral governance processes in responding to the pandemic also worked in a very effective manner in Terceira. As an example, the Angra do Heroísmo municipality had a very close and fruitful relation with the Chamber of Commerce, which has participated in the city-hall assemblies and meetings. Likewise, the Agriculture Associations, the Social NGOs, and Schools, even though with a minor degree of collaboration, when compared with the Chamber of Commerce, had an important involvement in formulating and implementing proactive policies aimed at mitigating the pandemic effects. Instead, the local University did not directly or indirectly participate in the formulation of these policies.

4 Future policy directions

4.1 Future policy direction:

The policies implemented in the Terceira Island can definitely be upscaled and replicated in other EU regions, with the necessary adaptations, since some of them are very specific and target an Island territory.

Just transition Policies

Social protection to families

Just transition measures include the maintenance of the income which are fundamental to maintain social stability. Another positive social replicable policy measure to other EU regions used in Terceira is the complete removal of homeless people from the streets. Moreover, in health-related issues, more than the implemented policies, this pandemic revealed the need to put in place in the future a specific funding and strategy to deal with similar pandemic scenarios.

Ready to use financial package for crisis situations

The implementation of policies to mitigate future pandemic scenarios would be facilitated in the future by the availability of *ready to use financial package to deal with such scenarios*. Moreover, all the procedures to use this financial package would need be known in advance. The fact of the matter is that the current COVID-19 pandemic left several lessons which should be used to better know how to deal with future pandemic scenarios.

Smart transition policies

Reducing the carbon footprint

As regards environmental issues, one can only highlight the potential positive replication of the measures which reduce the use of paper and ink via the increasing use of online digital programmes. Likewise, increasing digitalisation of public services could have a positive environmental impact from the reduction of travelling to access public services via private cars and public transportation. The immediate consequence of those measures would be a consequent reduction of the carbon footprint in the Azores and globally.

Green transition policies

Policy support to increasing online digitalisation of public services

The policy measures aimed at increasing the digitalisation of public services can and should be adopted by other EU regions, since they facilitate a more efficient and autonomous management of the institutions. In the case of the Azores, included among the group of less socioeconomically developed EU regions, the need for increasing digitalization of public services is especially relevant, as it has showed the advantages of increasing gains in efficiency to both the public and the local and regional administrations.

Governance transition policies

Policy support to increasing online digitalisation of public services

It is also expected that the created governance and stakeholder collaboration can be improved in the future, due to mutual gains that were achieved by these closer and stronger local and regional networking processes. This applies to both social and economic related stakeholders. On a negative note, the relation of Terceira with the remaining Archipelago islands during the pandemic phase was weaker, from an institutional standpoint. Each of the islands were closed in their own territory when dealing with the pandemic. Since the beginning of the pandemic, the previous institutional relation has not yet fully recovered.

4.2 Regional recommendations

4.2.1 Policy Recommendation

- **Develop proactive social protection policy measures** to capitalise on the Covid-19 pandemic on local and regional level and/or to mitigate social consequences of containment measures in the Azores Islands. Local and regional authorities should work collaboratively with the national government and NGOs to implement a crisis plan dealing with a future pandemic scenario with increasing efficiency. In particular, domains such as housing, nourishment and medical assistance are crucial policy areas that should be dealt swiftly to avoid a social crisis in one of the poorest regions of Europe (the Azores).
- **Provide financial support to maintain the levels on income of the population to maintain social peace.** In this domain, the significant reduction, or even elimination of taxes and fees on elementary services (water, electricity), can provide a critical help to families and business affected by future pandemic scenarios. Here, the collaboration of local, regional and national authorities is needed to effectively define policy strategies which can maintain the levels of income of the local population in crisis scenarios. Furthermore, in the most critical socioeconomic situations, local authorities, together with local NGOs and the civil protection related entities, have a prominent role in solving pin-point situations to mitigate the negative consequences of pandemic scenarios (rising unemployment, famine, poverty, etc.).
- **Provide financial support to increase the digitalisation of the public services.** Local authorities have a critical role in modernising their public service infrastructure towards an increasing use of online services. This requires close collaboration with regional and national governments and entities to access to needed funding. Besides the modernization of telecommunications, there is a need to provide financial support to socioeconomically deprived families towards the acquisition of informatic equipment which can be used to communicate via online platforms. In this regard, local authorities are the most appropriate governance level to act in a more effective and efficient manner to provide such support to the local population.
- **Explore sound vaccination policies and the education in health issues.** Educated persons always make better decisions for their lives when compared with uneducated ones. Hence, policies aiming at educating the young on the advantages of vaccination can make a significant difference on the impacts of future pandemics.

4.2.2 Governance Recommendation

- **Improve and develop governance processes, stakeholder interactions and cross-sectoral collaboration within the Azores Archipelago.** The Azores is one of the poorest EU regions and most islands are largely depopulated and suffer from geographical distances, affecting the personal contacts and interactions between all of them. Hence, the COVID-19 pandemic unveiled the need to development increasing stakeholder interactions and cross-sectoral collaboration within the Azores Archipelago towards a more effective implementation of policy measures to mitigate the mentioned pandemic impacts. This collaboration has to involve not only local, regional and national entities, but also local and regional business associations and NGOs.
- **Increase multilevel and multi-sectoral coordination between all involved actors** (municipalities, parishes, regional and national government, economic and social entities, etc.) to bring added value for the institutional governance. For each policy area, relevant entities should stimulate a multilevel coordination to gain efficiency and effectiveness levels in policy implementation. In the health domain, for example, local and regional health services should engage with the local and national Red Cross

and local, regional and national authorities, as well as local schools, parishes, and civic associations, to prepare an effective strategy to deal with future pandemics.

- Reinforce policy coordination between all political forces and between these forces and the representatives of social and economic entities, to the benefit of the efficiency and effectiveness of policy implementation.
- Develop and increase the collaboration between the Terceira Island municipalities and the Terceira Chamber of Commerce to increase the population interest in acquiring products from local shops, since the increasing use of online shopping platforms by the Island inhabitants have led to a reduced interest in the usual physical shopping processes. As such, the income of local shops has been reduced heavily after the shops were eventually open to the public, following the alleviation of the lockdown COVID-19 measures.

4.2.3 Territorial Recommendations

- **Create suitable conditions to develop spatial planning and territorial policies focusing on the development of island to promote economic diversification and innovation.** The Azores economy is largely dependent on a few economic sectors, such as agriculture, fisheries, and tourism. The latter was particularly affected by the COVID-19 pandemic. In this context, local and regional entities, alongside with local economic associations have a critical role in defining spatial plans and territorial development guidelines which can potentially foster economic diversification and innovation in the Azores, to mitigate the negative economic impacts of potential future pandemics.
- **Promote the construction of open public spaces** which do not concentrate large number of persons to better control the pandemics such as the current COVID-19 one. Confined public spaces can accelerate the dissemination of virus pandemics. In this line of thought, local and regional authorities should favour the construction of open public spaces, favourable to social distancing.
- **Support the construction of vast commercial and public buildings**, which concentrate large numbers of persons with open and less dense commercial and public areas. As such, local authorities should promote legislation regulating the construction of future public and commercial buildings should consider an architecture favourable of wide-open spaces for the circulation of persons.

4.2.4 Financial Recommendations

- **Create a dedicated funding instrument to deal with future Covid-19 alike pandemics**, which can negatively impact the lives of citizens and the economic activities. Virus pandemics tend to spread fast and can be of deadly consequences if not dealt immediately. As a result, local and regional authorities, in conjunction with the national government, should have an immediately available financial package to be used mostly by local entities to face pandemic crisis. That would definitely mitigate the initial potential negative impacts of the pandemic in any given region.
- **Make financial instruments available at all times** to facilitate the immediate implementation of proactive policy measures to deal with a potential novel pandemic scenario. At any given time, local authorities should have financial instruments that can be used, together with local stakeholders and regional entities, to cope with critical pandemic situations. This means that, in any given time of the pandemic phase, local entities would not be dependent on regional and national funding for implementing sound policy measures to deal to the negative impacts of the pandemic in all policy domains.
- **Provide funding instruments with an EU character, an adequate financial package, and a more flexible implementation process to all EU regions**, that can be easily and immediately be accessed by local and regional entities. Poorest EU regions like the Azores need external financial

support for their territorial development process. Furthermore, in EU countries like Portugal in which the financing of regional development policies is largely correlated with EU Cohesion Policy funding, EU funds are instrumental to implementing local and regional development policies. In this context, local and regional authorities would gain by having specific EU policy funding to deal, at any given time, with pandemic crisis.

- **Facilitate the use of policy funding instruments to deal with pandemic scenarios for poorest EU regions like the Azores Archipelago.** Indeed, several Azores municipalities had very difficult times in getting enough funding to finance necessary policy measures to deal with the pandemic related impacts. More concretely, local authorities should have the central role in coordinating and implementing policy measures dealing with pandemic scenarios. In EU poorer regions like the Azores, it is especially important that the access to policy funding instruments to deal with pandemic scenarios is flexible enough for swift and effective policy action.



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