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Alexandra PLIAKOURA

Shocks, hazard risk management and resilience from an institutional outlook: what lessons for a (smart) city?

Ramona ȚIGĂNAȘU*, Alina NICUȚĂ**

Abstract

As a result of various shocks and natural disasters, the scientific community has expressed a particular interest in the study of countries resilience capacity, after being affected by a hazard. In association with this concern, hazard risk management is becoming a relevant and highly debated topic, due to an increased exposure of people to devastating disasters, all around the world. In the context of fighting for the mitigation of threatening manifestations of nature, the paper provides an overview of hazard risks and resilience, from an institutional perspective, underlying the main characteristics and lessons that can be learned by smaller administrative units (cities) from the emergence of some shocks. In recent years, European Union policies have focused on the component of (smart) city resilience to fatidic events, which has led us to further highlight the major elements that should define it, in order to minimize as much as possible the negative effects of hazards.

Keywords: shocks, resilience, institutions, hazard risk management, (smart) city policies

Introduction

Confronting the current intensive urbanization process and the features associated with this context, the world should prepare for an urban planning transformation and a management that integrates innovation and technologies like “Internet of Things - IoT” (Jayavardhana *et al.*, 2013), in changing stages, from traditional cities to smart cities (Nilssen, 2019; Opdyke *et al.*, 2017; Allam and Newman, 2018). The new challenge is based on data processing and management, incorporating a new decision management mechanism and various systems (physical, digital, etc.) for a future sustainable development.

Hazard risk management and resilience are issues that cities, particularly those of developing countries, should put them at the forefront of policymakers’ discussions. Currently, these are topics of high interest in public discourse, due to a growing exposure of people worldwide to devastating natural disasters, demonstrating the unpredictable and intense force of nature. Recent intense hazard

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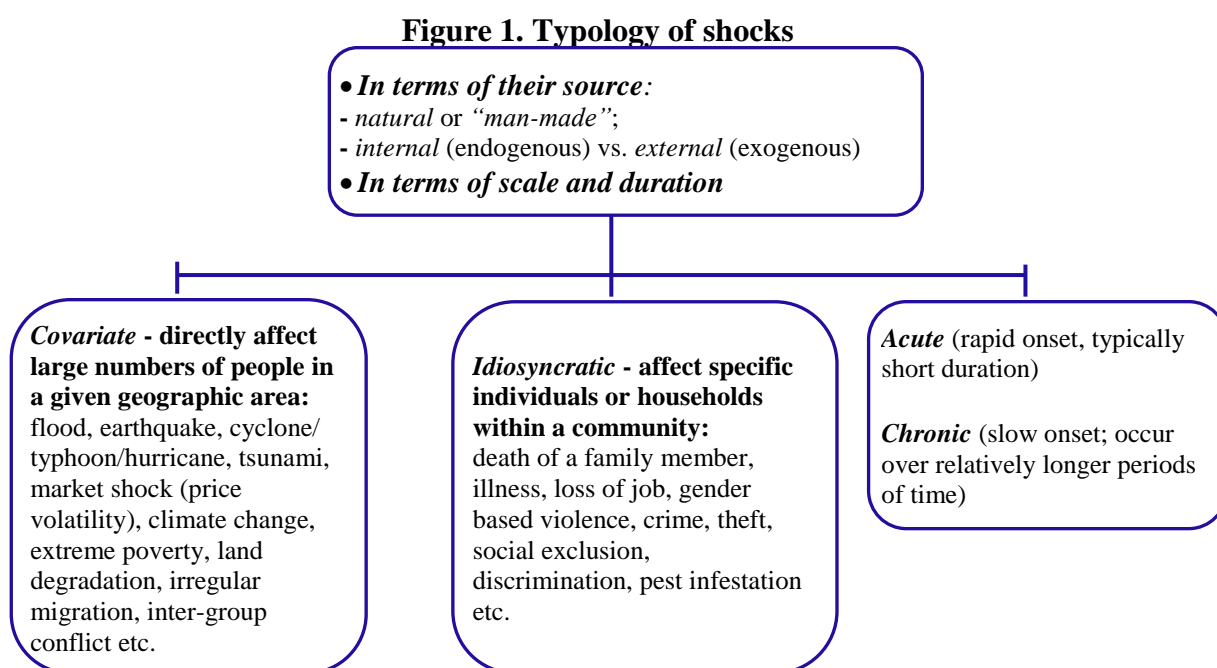
risk manifestations brought changes in urban developments, so that the research activity towards smart cities has become a priority for political entities, practitioners and scientific community. International statistics show a dramatic multiplication of hazard risks and, at the same time, they draw attention to the fact that in the period 1975-2015, the population living in seismic areas increased by 93% (European Commission, 2017, p. 6). Hazards integrate one of these categories: atmospheric, hydrologic, geologic, biologic, technologic, putting under risk people, buildings, environment, facilities, production and economic activities (Bourdeau-Brien and Kryzanowski, 2020; Kappes *et al.*, 2012). Statistically, the consequences of these hazards are quantified in deaths and injuries, economic losses or number of constructions destroyed (McCaughey *et al.*, 2018; Saja *et al.*, 2018; Mebarki *et al.*, 2016; Vrouwenvelder *et al.*, 2012; Paton and Johnston, 2001; Kreimer, 2001). In fact, the impact is more significant, containing complementary aspects like social impact, immeasurable environmental impact and so on. The distribution in time and the intensity of hazards around the world is inequitable, certain territories being more affected than others.

The management of hazards, consisting of an optimal plan for decision making, is responsible for the resilience or, at the opposite, for the vulnerability of a city, and can influence the scale of a disaster impact. The states differ in their degree of adjusting to disturbances from the external, economic, politic, cultural environment, according to their resilience capacity. Countries that are confronting high frequency and intensity of hazards, such as USA or Japan, have reconfigured their strategies and policies in disaster management, invested significant resources to reduce the consequences of hazards (Liu *et al.*, 2013; Chang and Shinozuka, 2004; Klein *et al.*, 2003). In the same trend, the European Union (EU) created joint strategies and action plans with other regional or country groups. An example is Hyogo Framework for Action: “Managing risks to achieve resilience”, covering a plan on “Building the resilience of nations and communities to disasters” (European Commission, 2014; United Nations Office for Disaster Risk Reduction, 2007).

By reference to technologically, innovative and complex administration of urban life, the development of urban areas should become smarter. A sustainable and smart city implies proper management and resilience in the face of hazard risks manifestation, and, essentially, means establishing early warning systems (EWSs) and shelters. Smart cities imply using technology and innovation to model contexts, create scenarios, provide alternative solutions, inform and assess impacts (Aelenei *et al.*, 2016; Angelidou, 2014). The smart city approach on hazard risk resilience is a perspective on newly developed measures, attitudes and techniques. It focuses on regional risk management, on hazard occurrence, action and reaction, as well as on associated strategies.

1. Resilience - a key concept in hazard mitigation

The term *resilience* was frequently included in the development strategies and policies of the EU, to urge the states to adopt measures favorable to the constantly changing context and, implicitly, to provide the most efficient answers in the event of disturbances of the system. Although not recent, the concept of resilience is still relevant today, especially as the challenges faced by governments and economic agents can be diverse, very few of them having the ability to anticipate them or to find the most appropriate answers to combat them. The reaction speed and the degree of recovery of the systems, following the appearance of some shocks, depend on the extent to which decision makers manage to prepare optimal measures and policies for their absorption, by accumulating the previous experiences. Usually, when discussing about the achievement of a transformation, after the installation of a shock, the capacity of a system to generate new development models, its ability to ensure an upward trend, which exceeds the ante-shock level, needs to be considered. In addition, other characteristics of resilience (resistance, absorption, adaptation) could have different magnitudes in territories, due to zonal peculiarities. There is a possibility that less developed countries to be more resistant to shocks compared to developed ones, but, the latter could prove to be better placed in the direction of recovery. At the same time, it should be noted that this is not a general rule, as the opposite can also happen. With reference to shocks, these can be multiple, and Figure 1 displays some of them.

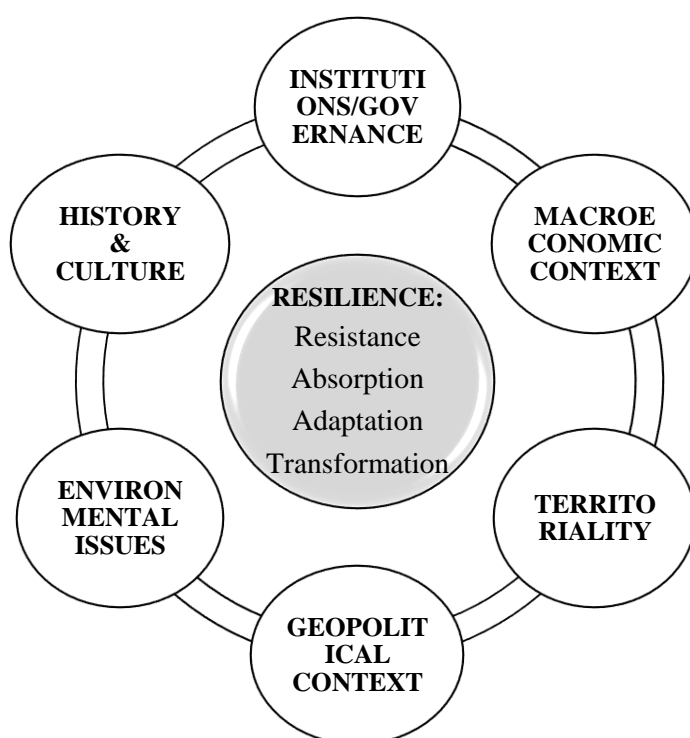


Source: authors' representation based on Sagara (2018)

Resilience can be approached from a multidimensional perspective, but in our paper we will focus on the resilience of institutions and on the resilience of governance system, and this because it is often stated that high institutional quality and a good governance are in strong connection with the capacity to absorb shocks more easily, while institutional weaknesses are associated with lower shock resistance (Fuchs and Thaler, 2018; Cruz *et al.*, 2016; Herrfahrdt-Pähle and Pahl-Wostl, 2012; Hills, 2002; Handmer and Dovers, 1996). Thus, on the one hand, the resilience of institutions is defined as being the ability of the system, characterized by a diversity of formal and informal institutions, to cope with change, without collapsing, by adapting to the context (Sjöstedt, 2015; Swidler, 2013).

The resilience of a system to shocks is closely related to its institutional diversity, while “the resilience of an institution is a function of its position and role within the system” (Aligică, 2014, p. 103). According to Steinberg (2009, p. 65) “an institution is resilient if it maintains its effectiveness over time, despite changes and shocks (effectiveness indicates the extent to which the institution fulfills its core mission)”. On the other hand, the resilience of governance system represents the capacity of government/public administration to respond effectively to shocks and stressors. In a broad sense, the government/public administration proves its resilience in relation to: the efficiency of the measures taken in conditions of crisis, the quality of the decision-making process and the strategic vision, the capacity to generate transformative policies.

Considering these, in our analysis, institutions emphasize the existing values and rules in a state (laws/regulations/norms), while governance refers to all levels of government, not including other actors than government. The differentiation on the two categories of resilience was necessary in the context in which we intend to capture the relevance of both the rules in society and the governance in preventing certain shocks and minimizing the negative effects of hazards. For instance, a high institutional quality, together with good governance, would ensure the premise of taking timely measures to counteract the damages caused by an earthquake (loss of life, collapse of buildings, pollution, etc.). To be able to effectively fight shocks means, in essence, to have strong institutions, stable governments, and risk experts, who can guarantee a proper hazard risk management. But, as we mention, besides institutions, the resilience has multidimensional valences, reflected in Figure 2.

Figure 2. The determinants of resilience

Source: authors' representation

Therefore, in the analysis of the resilience capacity of a state, several aspects can be considered that may be related to the macroeconomic climate, the historical past, the cultural patterns, geographical/environmental issues, etc. From an institutional point of view, it is important to find the most suitable elements that can prove their adaptability to shocks. Formal institutions (compliance with property rights, contracts, rule of law, etc.) are elements that are taken into account when assessing good governance and that can strengthen the resilience capacity of countries. In addition, national specificity should not be neglected, in the sense that, for example, institutional development in the former communist states was different, depending on their path dependence and also on location (e.g., the influence of the Nordic patterns on the Baltic countries shaped another institutional and individual behavior, strengthening their governance systems in the face of shocks).

2. Methodological approach

From an institutional perspective, the analysis of resilience capacity could integrate indicators such as: control of corruption, government effectiveness, political stability, absence of violence and terrorism, quality of regulations, the rule of law, or, at the same time, issues that capture the values

of a state (morality, trust, responsibility, tolerance, empathy, saving, diligence, perseverance), all these providing an overview of the institutional characteristics likely to contribute to the differences in transformation, adaptation and management of shocks that occur in the economy. However, it should be noted that the governance is usually measured by perception data, thus being difficult to quantify faithfully. Many of the data of an institutional nature are fragmented, the missing values leading to the inclusion in the research only of that variables that have been available for a longer period of time, reflecting the comparability (ante-shock analysis vs. post-shock analysis).

Our research is applied on the EU countries and there were considered certain shocks: a) the integration moment of Central and Eastern European states into the EU: 2004 and 2007; b) the economic crisis of 2007/2008. Viewed in dynamics, the institutional data do not have significant trends, this being justified, because the institutions change in a longer period of time; they are usually much more stable than, for example, socio-economic indicators. In addition, institutions often do not respond immediately to shocks, having a time lag when a change is expected. Shocks must be extremely strong (profound transformations) to lead to variations at the level of institutions.

The methodological approach supposed to complete the following steps: each selected indicator was reported to a shock and to the EU average and two periods were identified: the resistance period (corresponds to the period in which the value of an indicator has decreased to the minimum value after the moment of shock) and the recovery period (corresponds to the period in which the value of an indicator has reached the level before the shock). For these periods, the average variation of each indicator (slope for resistance and slope for recovery) was calculated. After analyzing the outliers, the weights of the variables for the latent factors formed were obtained, using the Principal Component Analysis (PCA). The standardization of the variables (slopes) was computed using the z-scores. In order to measure the resilience of the institutions, we took into account the following indicators: *control of corruption, rule of law, respect of property rights, legal enforcement of contracts, institutional capability, voice and accountability, trust in the political system*. For the resilience of the governance system, we considered: *government effectiveness, trust in Parliament, government integrity, government consumption, business regulations, government enterprises and investments*. The data were collected from secondary sources such as: World Bank - Worldwide Governance Indicators, Bertelsmann Stiftung, Democracy Barometer, World Economic Forum - The Global Competitiveness Index, etc.

3. Results and discussion

Some of the results provided below were achieved by involvement in the research activities of the PNCDI III project “ReGrowEU - Advancing ground-breaking research in regional growth and development theories, through a resilience approach: towards a convergent, balanced and sustainable European Union”, implemented by the Centre for European Studies within the “Alexandru Ioan Cuza” University of Iasi.

In the following, we present the equations obtained for the two types of resilience defined (resilience of institutions versus resilience of governance system), related to the two periods considered (resistance period and recovery period).

$$\begin{aligned} \text{Resilience of institutions_resistance} = \\ 0.215 * \text{control of corruption} + 0.105 * \text{rule of law} + 0.173 * \text{property rights} + 0.069 * \\ \text{contracts} + 0.108 * \text{institutional capability} + 0.102 * \text{voice \& accountability} + 0.224 * \\ \text{trust in political system} \end{aligned}$$

**Table 1. Resilience of institutions – resistance
(factor loadings weighted by share of variance)**

Rotated Component Matrix					Maximum value of factor loadings weighted by share of variance	Principal component analysis (PCA)
	1	2	3	4		
Control of corruption	0.032	-0.121	0.925	0.035	3.247	0.215
Rule of law	0.826	0.144	0.151	0.105	1.585	0.105
Respect of property rights	-0.128	0.858	-0.155	0.082	2.616	0.173
Legal enforcement of contracts	0.186	0.543	0.465	-0.457	1.048	0.069
Institutional capability	0.839	-0.022	-0.082	0.140	1.636	0.108
Voice and accountability	0.816	-0.316	0.081	-0.073	1.544	0.102
Trust in the political system	0.169	0.055	0.036	0.930	3.372	0.224
Explained Variance (sum of squared values)	1.448	1.171	1.132	1.117	15.049	1
Expl. Var. / Total for selected factors	0.297*	0.240	0.232	0.229		

Notes: *the estimates were obtained based on the values of the variables with six decimals, but, in order to be easier to follow, we chose to present the results with three decimals. Most of the data on institutions do not vary significantly from year to year and for this reason they appear in statistics with many decimals, thus ensuring a certain degree of comparability between the units analyzed.

According to the analysis carried out, the strongest influence on the resistance of the EU countries is exercised by the following variables: trust in the political system (0.224) and control of corruption (0.215) – Table 1.

1. *Journal of the American Medical Association*, 1997; 277: 1033-1037.

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1. *Journal of the American Medical Association*, 2000; 284: 2689-2695.

Business regulations	0.149	0.790	-0.489	-0.112	1.367	0.093
Government enterprises and investments	-0.170	0.935	0.132	0.014	1.914	0.131
Explained Variance (sum of squared values)	1.630	1.575	1.218	1.016	14.570	1
Expl. Var. / Total for selected factors	0.299	0.289	0.224	0.186		

In the case of governance system resilience, according to the equations, the general conclusion is that resistance is conditioned by the way in which the governmental consumption is made (0.357), this influencing the trust in Parliament (0.208) – Table 3. Besides these factors, in Table 4, it can be seen that the recovery is also determined by the level of government effectiveness (0.174), more precisely by the government's ability to formulate and implement sound policies and regulations, which to allow long-term development, and by the government integrity (0.148), which refers to issues associated with: trust in politicians, transparency in government policy making, absence of corruption, etc.

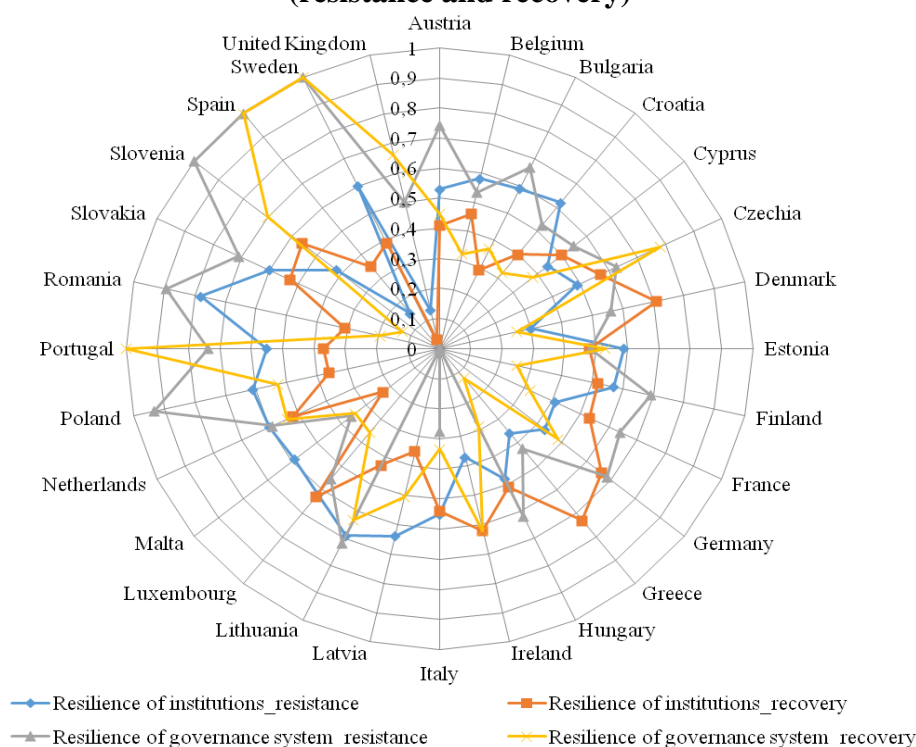
$$\begin{aligned}
 \text{Resilience of governance system_recovery} = & 0.174 * \text{government effectiveness} \\
 & + 0.305 * \text{trust in Parliament} + 0.148 * \text{government integrity} \\
 & + 0.097 * \text{government consumption} \\
 & + 0.086 * \text{business regulations} + 0.187 * \text{government enterprises and investments}
 \end{aligned}$$

Table 4. Resilience of governance system – recovery
(factor loadings weighted by share of variance)

Rotated Component Matrix					Maximum value of factor loadings weighted by share of variance	Principal component analysis (PCA)
	1	2	3	4		
Government effectiveness	-0.146	0.922	-0.001	0.180	2.335	0.174
Trust in Parliament	0.145	0.219	0.052	0.954	4.095	0.305
Government integrity	0.903	-0.119	-0.115	0.089	1.995	0.148
Government consumption	0.499	0.157	-0.652	0.252	1.303	0.097
Business regulations	0.593	0.648	0.206	0.195	1.155	0.086
Government enterprises and investments	0.046	0.146	0.907	0.159	2.516	0.187
Explained Variance (sum of squared values)	1.460	1.379	1.306	1.078	13.402	1
Expl. Var. / Total for selected factors	0.279	0.264	0.250	0.206		

We point out that in most European states, there are lower scores in terms of recovery compared to resistance, which indicates that governance systems, although prepared, in many cases, to meet challenges, have failed to produce sufficiently strong shock absorption effects (Figure 3).

Figure 3. Resilience of institutions versus resilience of governance system (resistance and recovery)



Based on the variables used in the analysis, it can be noticed the situation of Sweden, Spain, Slovenia, Poland, which, according to the obtained scores, on a scale between 0 and 1, proved to be the most resistant countries in terms of governance system, in relation to the shocks taken into account. In terms of institutions, Romania and Lithuania are most resistant. Concerning the recovery, Denmark, Greece, Luxembourg (recovery for institutions) and Portugal, Spain, Sweden (recovery for governance system) are leaders, while Romania (0.190) is at the opposite pole in the direction of governance system recovery, along with Greece and Slovakia, which recorded the lowest scores (both with 0.130). Recovery is usually associated with institutional adaptability to ever-changing contexts. According to the results, the EU enlargement towards East has had a greater impact on the institutional component compared to the economic crisis, and a possible explanation for this could lead to the need to adapt institutions to the requirements of the Internal Market/acquis communautaire, institutions being forced to show greater flexibility and adaptive capacity. If in the case of countries with a long history of EU membership there is an explanation for this position, dictated, in particular, by the ability of institutions to respond promptly and effectively to shocks, in the case of states integrated in the EU after 2004, there is a better ranking of those who directed their resources towards reducing the acts of corruption, by implementing, on a large scale, public sector performance

evaluation and monitoring systems based on the digitization process, so that national and regional actors can increase their mutual trust and to respect the rules of society, especially those related to the enforcement of the contract, property rights, legal systems.

All these results capture the increased importance of institutional quality and governance in combating shocks and their direct link with hazard risk management at the country level. However, it is possible that the management of shocks to be more appropriate in the case of a bottom-up approach, in the sense that smaller territorial-administrative units (such as cities) could act according to local specificities, which, in the end, could mean their ability to be smart and resilient.

4. Smart city approach on hazard risks

The cities, in their complexity, can be considered as a multi-functional puzzle, where each piece has its own vulnerabilities to risks. The capacity for fast recovery and reduced losses associated with hazard manifestation can be correlated to an optimum management of causality, planning and action, leading to the system resilience. The current trend in the development of new technologies, modern tools and innovations (“smart technologies”) should be used towards the support of the resilience linked with hazard risks (Parker, 2020; Schroeder and Hatton, 2012; Cutter *et al.*, 2008). The main concern has to be focused on preventive measures, prompt response to emergencies, sustainable planning and future growth (Remes and Woetzel, 2019). The integration of these smart technologies in a city management is the fundament of a smart city. In the context of a danger, international organizations (United Nations, 2016) propose recommendations related to:

- ✓ reviewing the resilience policy and development of risk reduction strategies;
- ✓ creation of hazard maps and Geographic Information Systems (GIS) databases to improve risk and vulnerability approaches and establish correlations between threats;
- ✓ improvement of emergency preparedness, early warning and communication;
- ✓ land planning based on seismic mapping;
- ✓ using modern information technologies.

The majority of these recommendations introduce the “smart” concept in risks analysis and management, integrate the concept of innovation, encourage the exploitation of modern technologies in facing hazards and promote the resilience process. Moreover, hazard management cycle covers four stages, namely: prevention, preparedness, response, recovery, as observed in Figure 4 below. Each of these phases has associated smart approaches since a smart city uses innovation and technology for each of them. The smart city approach on hazard risks means being prepared to face,

manage and recover from a hazard manifestation, with minimal losses and the rapid restoration of the disturbed system to its initial equilibrium (although it would be desirable to be even exceeded). Transition from a traditional to a smart management on hazards risks implies being opened to new approaches, incorporating and using the innovation and technology at their full potential.

Figure 4. Hazard management cycle



Source: authors' representation based on El-Kholei (2019)

Hazard risk management described as a four-stage cycle is detailed in Figure 4 with associated actions. Paying more attention and investments in the first two stages will imply a reduced impact for the last two stages. First stage in hazard risk management refers to the creation of a risk profile (define, inform and map), but also increasing the awareness issue among people and administrative bodies. The second stage is about preparedness to face the envisaged hazard risks. It is highly important to perform the assessment of risks in accordance with four main components (hazard, exposure, vulnerability and losses), in order to estimate with high accuracy the probability of the disaster occurring. Based on the identified potential risks, the manner in which the action is to be taken and any interventions associated with the monitoring of the risks should be decided. At this point should also be performed an extended evaluation of consequences linked to a hazard manifestation, available early warning systems (EWS) and potential options. The third stage involves tackling the actual hazard manifestation based on the strategy or plan previously undergone. This stage tests the plan,

questions the preventive and supporting measures, quantifies losses. The last stage in hazard management refers to the recovery period that follows a hazard. It is a stage of reconstruction, improvements and restructuring, this time „smarter” than before.

In terms of the four stages of hazard risk management, a smart city would imply a smart administration of all sectors and resilience, independent of the occurrence and manifestation of the hazard. A smart city addresses some priority areas and according to El-Kholei (2019, p. 141), they are: “build capacity for Disaster Risk Reduction (DRR) activities at local government and community level; recognize the vital role that civil society organizations play in implementing the new framework for DRR; increase funding for DRR; ensure strong accountability; make sure there is coherence between all international development frameworks”. They are also in line with the “Sendai Framework for Disaster Risk Reduction 2015-2030”, elaborated in 2015 by the United Nations Office for Disaster Risk Reduction.

The smart city is prepared to face risks, with significant high levels of prevention measures and preparedness strategies, where the third and fourth stages of hazard management cycle register reduced values and impacts. A smart city is a resilient city, safe, developed and sustainable.

Conclusions

Scientific literature promotes the concept of resilience as a new approach in the process of development, meaning the system’s ability to resist, absorb, adapt and transform/regenerate. In association with hazard risk management, the resilience is translated as a country/city adaptability and reconfiguration in case of shocks. As the results of the research have pointed out, resistance to shocks or stressors of various kinds and the acceleration of the recovery process can be strengthened through concentrated efforts, through the coordination of economic policies, these being guided by factors such as: accountability, transparency, rule of law. In essence, formal institutions (legal norms, regulations, contracts) intervene in this issue, guiding the activities of an economy, by taking into account some principles that lead to subsidiarity, equity, inclusion, participatory governance. “Good governance is associated with the rule of law and property rights, as well as with the provision of efficient public services through an authority that uses mechanisms, processes and institutions to manage country issues” (Briguglio, 2014, p. 20). From this statement, it follows that in the absence of good governance, chaos is created, public policies are discredited, the levers of action in the economy are weakened and, in the end, the capacity to absorb the adverse effects of a shock will diminish. On such unfavorable ground, with systemic vulnerabilities, the magnitude of the shock will

be much higher, which will lead to low development outcomes. Consequently, according to our analysis, it is highlighted that the institutions establish a causal relationship with resilience, the states that adopt measures to protect them show a greater capacity for recovery after the appearance of a shock. In addition, the institutional adaptability has a great relevance for this purpose: the more the countries adjust their governance systems to the constantly changing contexts, the more they will offer more adequate answers to the possible shocks.

In an international context, characterized by hazard risks, with a wide range of types, frequency distribution and impact categories, the cities should accelerate the level of change. The cities, in their multi-functionality, may face various vulnerabilities. The city, seen as a system, in correlation with the institutional resilience, implies processes of fast recovery and reduced losses. In order to reach such a result, it is necessary to obtain performance in terms of planning and strategy, supported by the new trend in technology and innovation. The smart city approach on hazard risks implies an urban development customized on each city system vulnerabilities and resilience, with focus on perpetual information flow. A smart city is digital and connected to local needs, where the rules are respected, citizens feel protected, the authorities try as much as possible to communicate with them, it has adequate resources to prevent possible risks, etc. In fact, there is a causal relationship between smart governance and smart city.

To counteract the effects of some shocks (landslides, volcanic eruptions, floods, fires, earthquakes, economic crises, etc.), it is possible to act in time by taking anticipatory measures, while in others, the generating sources are not known, the subsequent disturbances being directly proportional to the quality of interventionist policies. Therefore, the institutions have the decisive role in crisis management, the need to adapt them being constant, due to the multitude of unpredictable aspects that may occur. So, broadly speaking, these could be the main directions that can be learned at the city level from the analysis conducted.

Future research may want to capture the differences in terms of crisis management in some European smart cities, considering a multidisciplinary approach, integrating elements specific to the economic, institutional, social, cultural and geographical environment.

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The rebirth of Keynes during the COVID-19 pandemics - a theoretical approach

Ardit NAMANI*

Abstract

The global COVID-19 pandemic caused a severe blow to the world economy, bringing the biggest economic downturn since the Great Depression. This economic downturn was accompanied by various controversies regarding the role of the state in the economy. To withstand these shocks, most of the states started to use fiscal stimulus measures. The main purpose of this paper is to present the effects that COVID-19 caused on the world economy, as well as to review Keynes's ideas regarding the need for state intervention in the economy. The results of the study show that many countries have used monetary and fiscal stimulus measures to cope with the negative effects caused by the COVID-19 pandemic. Thus, Keynes's ideas for state intervention in the economy are still relevant and necessary in today's economy, until the number of people infected with COVID-19 decreases and the economy reopens completely as it was before.

Keywords: fiscal policy, monetary policy, COVID-19, state intervention, economy

Introduction

On December 31, 2019, China informed the World Health Organization office regarding the first cases of pneumonia of an unknown etiology. In four days, forty-four new cases of this pneumonia appeared (WHO, 2020). Global concern was growing over the fact that China as a country and East Asia as a region are the most populated areas in the world. On January 7, 2020, Chinese authorities announced that the virus first appeared in the seafood market in Wuhan, Hubei province of China, and became known as COVID-19 (Kumar *et al.*, 2020, pp. 8–25). The COVID-19 virus has not only caused loss of lives but also an economic crisis that will prevail in a long run. The high uncertainty on both the demand and supply side, could cause a greater socio-economic crisis than the two world wars of the last century (Ali, 2020, p.25). Since March 2020, the virus has begun to spread rapidly to other parts of the world, transforming both social life and the global economy. Therefore, the year

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2020 has been an "extremely difficult" one for the economy. The COVID-19 pandemic brought a major shock to all sectors of the economy and millions of people around the world have been isolated due to lockdown measures taken by states, flights have been canceled, borders, gastronomy, schools, universities, and other businesses have been closed, creating a difficult situation for the global economy. Whenever such an economic crisis occurs it brings the ideas of John Maynard Keynes back to life. Keynes is known as the one who found the 'formula' of economic recovery from the great depression crisis of 1929–1933 through state intervention in the economy. According to Keynes, people are unpredictable and so is the economy, that's why a state intervention is necessary to control it.

Even in the past, the world has faced pandemics that in terms of the number of deaths were even more severe than COVID-19. Let's take the Great Influenza Pandemic also known as Spanish Flu as an example. This pandemic that occurred in 1918 and was present till 1920 caused over 40 million victims which at that time was equal to 2.1% of the world population. In the US it caused for the unemployment to rise and many businesses to close. In November 1921, Warren Harding became the President of the United States. The 29-th US President immediately began implementing his plans to repair the economy by subsidizing the agricultural sector, he also proposed significant tax cuts in other sectors. In fact, it was the combination of technology and intellectual, physical and financial capital that caused an economic boom known as the 'roaring twenties' until the Great Depression of 1929-33.

However, an economic crisis caused by the pandemic is very different from the Great Depression crisis in the way it started, but the need for state intervention in the economy in order for it to revive is still the same. Although there is a great risk of increasing public debt, most world governments have used monetary and fiscal stimulus measures, which increased their budgets and created a burden for future generations. The aim of this paper is to review Keynes's economic ideas for state intervention in the economy, his controversies with Frederich Hayek, the review of fiscal and monetary policies, the emergence of the COVID-19 pandemic and its impact on the global economy, the return of Keynes's ideas to today's economy, Biden administration employment plan, and the increasing global deficit.

1. Theoretical Background

The name of John Maynard Keynes became known from his book "The Economic Consequences of Peace", where he opposed the Treaty of Versailles, especially the point that forced Germany to pay the repercussions of the war. According to Keynes, it was better to allow Germany's

economic strength and stability than to force it to pay immediately because this could bring hyperinflation and the outbreak of a new world war, which it did. However, he achieved his greatest fame during the crisis of the Great Depression 1929-1933 as the originator of the idea that helped United States get out of the crisis. The economic downturn that began in 1929 without a doubt was the worst in the history of the American economy. The winter of 1932-1933 was a very difficult period for millions of American workers. A lot of them lost their jobs and their lifetime savings when the local banks began to close. The crisis was so severe that some American parents began looking for food scraps for their children (Burgan, 2002, pp. 2-5). The end of the First World War known as the “Roaring Twenties” seemed to bring peace and economic prosperity to both Western Europe and America and made it seem that everything was going to be working perfectly. During this period productivity increased, wages began to rise at a very high pace, the automobile and electronics industry had begun to flourish causing an economic boom, and no one except Keynes imagined that a major economic crisis would follow. In this period, the economic view that prevailed was the classic one that presumed that the market can be adapted automatically and with flexible wages, unemployment is impossible. However, the sharp increase in production made it impossible for the market to absorb the goods as the demand was low and supply too high, thus triggering the beginning of a major economic crisis. While classical economists believed that the economy would recover on its own, Keynesians believed that the state should intervene. Given that the economy is a social science, Keynes in his study analyzed the relationship between uncertainty and investments. He stressed that the marginal efficiency of capital is depended only on what he called the 'state of long-term expectations', where the concern of investors regarding market performance, stock markets and the difficult economic situation would lead to widespread destabilization in the economy.

When it comes to investing, everyone knows the importance of interest rates. Keynes introduced the idea that money is not only sought and used to conduct transactions, but also is very important as a deposit of value. When we have an uncertain economic situation, people tend to save money because of the expectations that they will get a better return and postpone the planned investments depending on the economic situation (Backhouse, 2002, p. 263).

While classical economists believed that supply determines demand, Keynes said it was the opposite. He believed that when the economy was in recession, then only the state through expansionary fiscal policy by increasing spending could recover it. In his work "The General Theory of Employment, Interest, and Money", he pointed out that the decline in total demand was the cause for the great depression crisis. This decline in demand would lead to long periods of unemployment, workers would be left without wages, which would mean lower consumption and a further decline in demand, firms would reduce production due to the continuing decline and this would continue with

job losses and supply fall. Therefore, according to Keynes, government intervention through increased spending would be decisive to revitalize the country's economy, because as he put it, "*in the long run we are all dead*". When economic agents cut spending, the recession begins and the economy collapses Keynes emphasized. In this case, the Government would have to create new jobs for peoples, people would pay more by increasing demand, self-confidence would increase and the economy would recover.

A concrete example of this policy is the Hoover Dam, built in Nevada as a stimulus package by US president Franklin D. Roosevelt. The cost of building this dam was millions but the benefits are billions, even today, it attracts a large number of visitors and is considered as one of the wonders of the world. The built of the Hoover Dam brought about an increase in employment (tens of thousands of workers) and even the creation of a new town near the dam by the same workers of the dam (Flanders, 2012).

1.1. Keynes vs Hayek

The biggest opponent of Keynes's ideas was undoubtedly the Austrian economist Friedrich Hayek with his book "The Road to Serfdom". The only point where Keynes and Hayek's economic views matched is at capitalism, they both agreed that capitalism is a good economic system. However, their views differed on the "freedom of capitalism". Unlike Keynes, Hayek had a classical economic view and relied on the "laissez-faire" idea that the "hand of the state" should not be present in the economy as the economy can recover automatically and full employment will be achieved. According to him, the main cause of inflation is government control of the money supply. The more services the government provides, the more it will get into debt (Spencer, 1975, pp. 06-10).

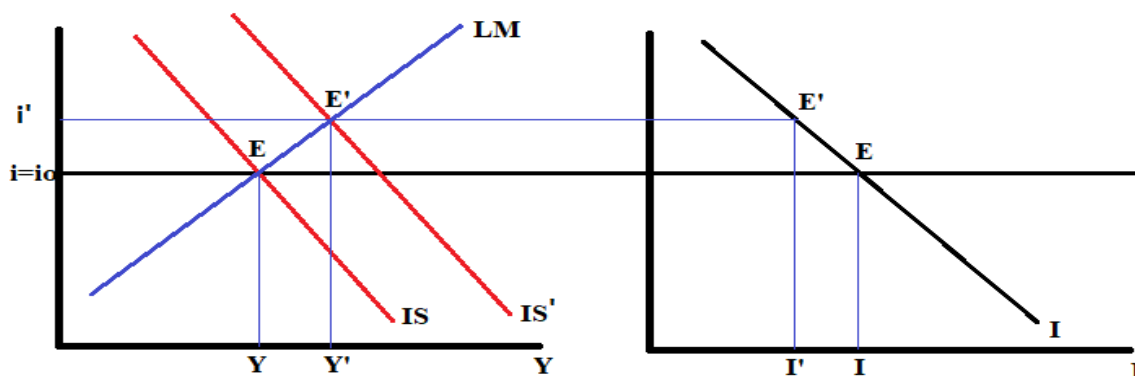
According to Hayek, when the government intervenes in the economy, the money and bank loans will cause economic imbalance. For example, with expansive monetary policy, Central Banks increase the amount of money in circulation, which enables Commercial Banks to increase loans and set lower interest rates. Reducing interest rates will attract investment activity by businesses but will not increase consumption as money that is supposed to be spent on consumption goes to investments. In an economic crisis most of the borrowers would be reluctant to spend their money due to uncertainty for the future, and this situation would lead to enforced savings and declining demand for consumption. An increase in capital production will lead to an increase in income, which in the future will be followed by an increase in demand for consumption but the supply will be small and this would cause inflation. Further investment will be needed to further increase consumer production,

Commercial Banks will raise interest rates and this will cause lower investment levels, leading the country into recession (Lisý, 2002, pp. 20-22). According to Hayek, the government's intervention by affecting interest rates was the main cause of the imbalance and it was what caused the crisis of the Great Depression.

The 1960s marked a decline in Keynesian economic ideas. Although at the beginning of his mandate the US President John Fitzgerald Kennedy had aimed for full employment with Keynesian policies, things changed with the start of the Vietnam War, which led to a significant increase in US military spending. The rest of the world was hit hard by the collapse of the Bretton Woods system and the rise in oil prices as a result of the Yom Kippur war between Israel and the Arab world. This led to a global economic downturn and a massive balance of payments deficit. The coexistence of unemployment with inflation was present as never before, thus hitting the ideas of Keynesian policies as on one hand the increase in unemployment required an increase in government spending, but the on the other hand the high level of inflation required the opposite. Thus, the ideas of the Philips curve that unemployment and inflation are inversely related fell down (Backhouse, 2002, p. 364). During this period, the ideas of Hayek for a free economy and the non-involvement of the state in it began to prevail.

1.2. Fiscal and monetary policy review

The two main policies which the state uses to intervene in the economy are fiscal and monetary ones. This paper will present these two policies through the IS-LM model that was created based on Keynes's general theory and shows the effects of policies on the economy. IS represents the market of goods and services in which government can intervene through fiscal policies while LM represents the money market where the central bank can intervene with monetary policy. Usually, the classic response to an economic crisis is to lower interest rates. However, this does not mean that it is always effective as Commercial Banks are often reluctant to lend to consumers at interest rates set by the Central Bank (Skidelsky, 2009). The effects of the crisis will also hit Commercial Banks, which could maneuver with interest rates. For example, if they increase interest rates people would not be able to repay existing loans and would be reluctant to take out new loans. Usually, in times of economic recession, fiscal policy is considered the main tool for economic recovery in the long run. Fiscal policy can be restrictive and expansive.

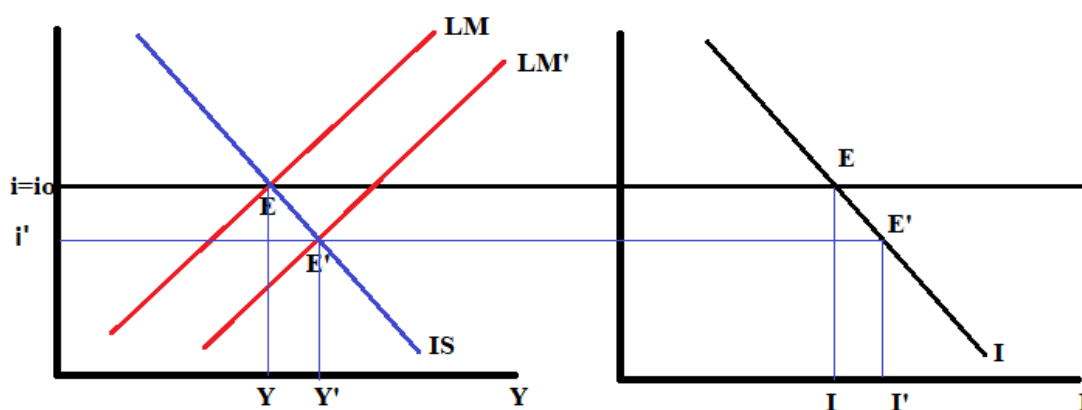
Figure 1. Expansive fiscal policy and its impact on the balance of payments and investments

Source: own representation

In Figure 1, the point $i = i_0$ represents the local interest rates equal to global ones on a balance of payments equal to zero, I represents investments and Y represents income or output. An expansive fiscal policy would lead to an increase in interest rates at i' and the amount of money in circulation at Y' , which would be accompanied by the appreciation of a country's national currency (Dornbusch, *et al.*, 1994 p. 168). This appreciation of the national currency would increase the demand for imports, since with the same amount of national currency we could buy more foreign products while exports would be more expensive. This means that in the short run, the expansive fiscal policy associated with an increase in interest rates would harm the level of investment as the domestic investment would decline from I to I' , exports would decline and imports would increase due to currency appreciation. However, knowing that the price of capital is the interest rate, in the long run, expansive fiscal policy would bring foreign capital within the country. The opposite would happen with restrictive fiscal policies that would lead to lower interest rates, increased domestic investment, but, in the long run, the outflow of capital from the country would be high due to lower-interest rates.

Monetary policy is the policy pursued by the Central Bank of a country to control the level of prices, interest rates, and the amount of money in circulation. Expansive monetary policy would bring domestic interest rates lower than world interest rates and increase the amount of money in circulation from Y to Y' and that would be accompanied by the devaluation of the national currency (Dornbusch, *et al.*, 1994, p.173). This can be considered effective in the short run as it increases investment, encourages consumers to borrow, and can also increase the level of exports due to the devaluation of national currency.

Figure 2. Expansive monetary policy and its impact on the balance of payments and investments



Source: own representation

However, even if consumers take loans from commercial banks there is no guarantee that they will spend the money and increase demand, as fear for the future emerge when there is a crisis and the level of savings increases which can lead to the paradox of savings within a country. Inflation will also rise and the only way for Central Bank to control it again is to raise local interest rates equal to global rates $i=i_0$ (see Figure 2). In the long run, lower interest rates would lead to capital outflows from the country, while a return to normality or an increase in interest rates would make it harder for borrowers to repay. Therefore, both the fiscal and monetary expansive policies will increase the level of output from point Y to Y' . However, looking at the effects mentioned above expansive fiscal policy is considered more favorable for long-term economic growth than monetary policy.






2. Spread of COVID-19 and its impact on the global economy

The COVID-19 Pandemic is continuing to spread around the world rapidly, infecting millions of people and no state has been left untouched except for a few small and isolated states. As of May 22, 2021, the number of COVID-19 cases in the world is 166 million, and the number of deaths stands at 3.44 million. The US is the most affected country by the COVID-19 pandemic followed by India, Brazil, France, and Turkey (Figure 3).

With the onset of the pandemic, there were four possible scenarios for how long the economic crisis would last. Various analysts assumed that the economic recession would take the form of V, U, L, or W. The letter V - represents a short economic downturn and rapid economic recovery, the letter U - represents an economic downturn that lasts longer than V until the recovery, L - indicates a major economic crisis, which is still ongoing, while W - represents an economic downturn that is followed

by a rapid recovery and then another downturn until the final recovery. As the world was going through a pandemic situation and fears of a second wave of infection, the W shaped was seen as the most likely scenario of economic recession.

Figure 3. COVID-19 Global Cases (as of May 22, 2021)

Cases 166M		Recovered -	Deaths 3.44M
Location	Cases ↓	Recovered	Deaths
 United States	33.1M	-	588K
 India	26.3M +257K	23.1M +358K	296K +4,194
 Brazil	16M +76,855	14.1M +23,711	446K +2,215
 France	5.92M	361K	108K
 Turkey	5.17M +9,528	5M	45,840 +214

Source: Google Statistics, 2021

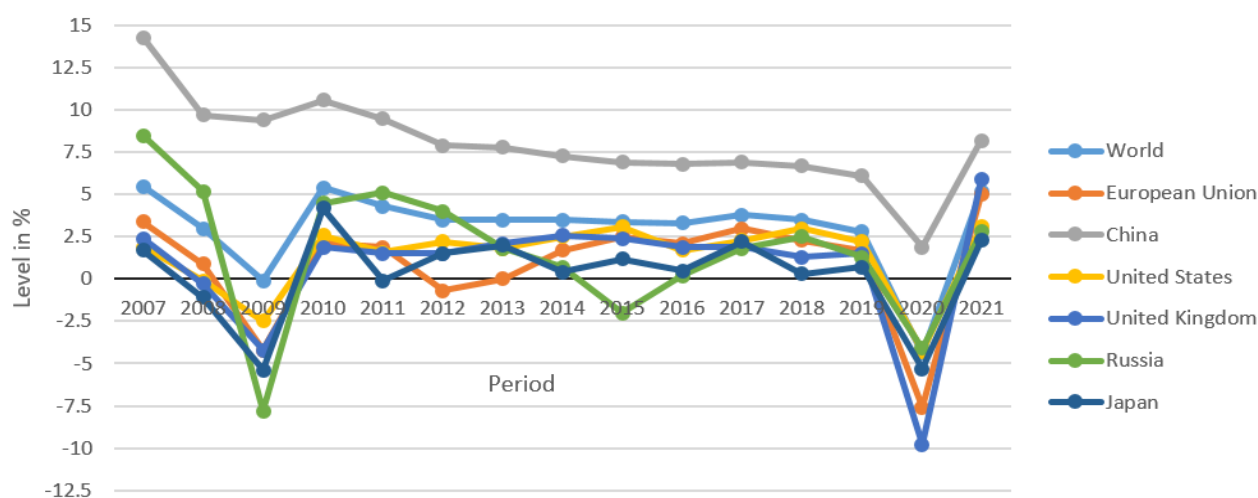
The pandemic experience proved that the V scenario did not come true, since the crisis has been going on for more than a year and the economy has not yet fully recovered. Also, the L scenario, also proved to be inexact, since the economic recovery has begun. However, without the stimulus packages used by the countries, the L-shaped recession scenario could most likely have occurred.

Governments had two choices: save millions of lives and close the economy or leave the economy open and let millions of people die. They found it more reasonable to shut down economic activity to slow the spread of the pandemic, which would be less harmful than doing nothing about the disease that would eventually affect the economy. However, this shut down of the economy was not an efficient solution as the economic agents faced many challenges and constraints that slowed down their economic activity. Undoubtedly, a more efficient solution would be mass testing and quarantine of infected persons but not closing the economy as a whole.

The emergence of the COVID-19 pandemic and the subsequent restrictive measures brought a major blow to the global economy, causing one of the largest economic recessions ever to occur. Components of GDP such as consumption, investment, government spending, and net exports fluctuated widely, hitting hard the GDP of countries.

The ensuing economic crisis brought a resurgence of Keynesian economic thought. It was these thoughts where all the foundations of all world government economic policies in response to the crisis were laid. The only hope for economic recovery returned to state intervention in the economy since most of the world governments used fiscal and monetary stimulus packages to cope with the effects of the crisis caused by the COVID-19 pandemic.

Figure 4. Annual GDP growth rate



Source: International Monetary Fund , 2020

The effects of COVID-19 on the world economy have been far more severe than the 2007-09 mortgage crisis. While in 2009 mortgage crisis marked a decline of 0.1% in world GDP, the situation during the pandemic was much worse, causing the largest decline in world GDP since the time of the Great Depression, with a decrease by -4.4% (see Figure 4). However, according to the IMF projections, the world economy is expected to grow again by 5.2% in 2021 due to the fiscal and monetary incentives undertaken by the countries and also by the discovery of vaccines, which has sparked optimism that life will return to normality.

The economic recession of 2020 hit all the largest global economies such as the European Union, China, USA, United Kingdom, Russia, and Japan wherein all these countries except China the annual percentage of GDP growth took negative values. The biggest GDP blow to these countries seems to have been in Great Britain, with a -9.8% annual decreased rate, a decline where Brexit also is seemed to have played its role. European Union had an -7.6% GDP decline, while Japan had a decline of -5.3%, the US as the biggest economy in the world -4.3%, and Russia with -4.1%.

A decrease in the annual growth rate of GDP compared to previous periods was also present in China but it did not go to negative values, as the annual growth rate of GDP in China in 2020 was

1.9%. The second-largest economy in the world and, the country where COVID-19 was first discovered, already seems to be overcoming the worst and based on the IMF projections for 2021, is expected to have the highest economic growth of 8.2%. In terms of its population, China is considered to have made the best use of the blockade measures, thus stopping the spread of the virus within the country and opening up the economy earlier than any other country. This is considered as the main reason for its expected economic success during 2021.

2.1. Impact on Industries

Restrictive measures taken by world governments to prevent the spread of the virus have dealt a major blow to the industry as a whole. These restrictive measures, not only reduced the level of industrial production, but also significantly increased the level of unemployment. The COVID-19 impact on primary, secondary, and tertiary industry is discussed below.

Primary industry

The primary industry suffered a major blow due to restrictive measures that prevented workers to go to work especially in agricultural production. Restrictive measures prevented farmers from going to markets to sell their product, to buy food, seeds, or supplies needed for production. Although the contribution of agriculture to the GDP of countries has declined over the years, it remains very important as it ensures the survival of over 1 billion people in the world who receive direct income from it and it is the main source of income for developing countries with about 60.4% of employees (ILO, 2020a).

In addition to agriculture, there was a major blow to the forestry sector. The International Labour Organization estimates that this sector employs over 54.2 million people worldwide, mainly in the informal economy, while for 1.5 billion people, forests are essential for generating income, food, jobs, and energy. The COVID-19 pandemic in this sector has also disrupted production chains, marking a decline in imports and exports across the globe of wood products with the exception of products such as toilet paper and masks that marked an increase in global demand for them (ILO, 2020b). The agricultural and forestry supply chain is large so the impact of COVID-19 has also spread to other industries such as secondary and tertiary one.

Secondary industry

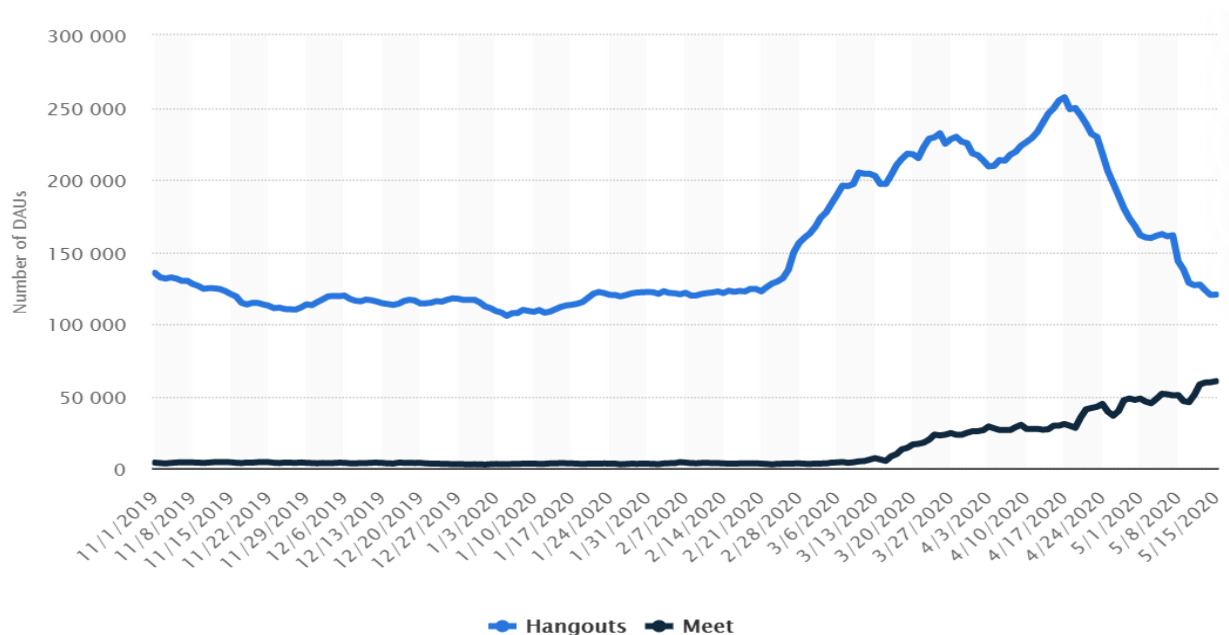
The secondary industry with and its manufacturing sectors such as energy, mining, automobiles, textiles, and food production was also hit hard by the pandemic. For example, in the textile, clothing, and footwear industries, restrictive measures such as lockdowns, shop closures, and wage cuts have led to a declining supply. This sector is also highly globalized and dependent on supply chains that were affected heavily by the COVID-19 pandemic. Sportswear giant Adidas recorded a drop in sales in China by about 80 percent between January and February 2020, and forecast a loss of 1.3 billion \$ in the first quarter of 2020. Also, US fashion company Ralph Lauren forecast a global loss of about 70mln \$ (ILO, 2020c).

The automotive industry was also hit hard. Wuhan, the epicenter of the COVID-19 pandemic in China, is also known as the "city of motors". There, the major car-makers such as General Motors, Nissan Motors, Peugeot Group, Renault, and Toyota were forced to suspend their production due to pandemic. The same situation was later reported in the automotive industry in Europe (ILO, 2020d). The dire situation was also in construction, where the pandemic has broken its global chains by suspending the production and distribution of necessary building materials. In addition, there has been an increase in the cost of raw materials such as steel, coils, and tiles as many factories have closed due to restrictive measures. Limited transportation and a shortage of workers have also severely damaged this sector (ILO, 2020e).

Tertiary industry

Tertiary or service industries such as trade, tourism, transport, education, culture, and film have had much larger fluctuations in the pandemic than primary and secondary industries. Tourism, transport, hospitality, culture, education, and film have suffered big blows due to restrictive measures. With the outbreak of the pandemic and the imposition of restrictive measures, millions of world flights were canceled, schools were closed to pass online, film events were closed and tourism was made impossible. While the Air Transport Association (IATA) estimates that passenger revenue in this industry could fall by about \$ 252 billion, or 44 percent less than 2019 revenue (ILO, 2020f). However, there has been the opposite effect in online services especially in the field of education and cinematography, which marked an increase in profit.

Figure 5 shows the number of daily active users of the online video communication platforms Google Hangouts and Google Meet, where it is observed that with the closure of schools in March 2020, the number of daily active users of these platforms for online learning, communication, and work has marked a rapid growth in the United Kingdom.

Figure 5. Number of daily active users in Google Hangouts and Google Meet in the UK

Source: Statista database, 2020

Video conference company ‘Zoom’ is another online platform that marked a record increase in new users during the pandemic where on the last Saturday of March 2020 over 3 million people downloaded it. That day COVID-19 pandemic made the ‘Zoom’ platform the most downloaded app in the App Store, leaving behind WhatsApp, Google, and other social networks (Konard, 2020). There was also a huge increase in online services of the cinematography industry. For example, Netflix added 15.8 million new users in the first quarter of 2020, compared to 8.8 and 9.6 million users in the third and fourth quarter of 2019 (Speetjens *et al.*, 2020, p.5).

3. How can Keynes theories be applied to today’s economy?

As mentioned above, it was President Warren Harding's vision that revived the US economy from the economic crisis caused by the Spanish flu of 1918-1920, although it did not take long until the orientation of the economy towards production and technology brought the crisis of the Great Depression where supply exceeded demand. The economic crisis of the Great Depression was arguably the worst in US history. It was Keynes's ideas that brought the solution to the recovery of the economy through the expansive fiscal policies implemented by the administration of the 32nd US President, Franklin D. Roosevelt.

With the onset of the COVID-19 pandemic and its impact on the economy, the need for government intervention in the economy was greater than ever and a return to Keynes's idea for state

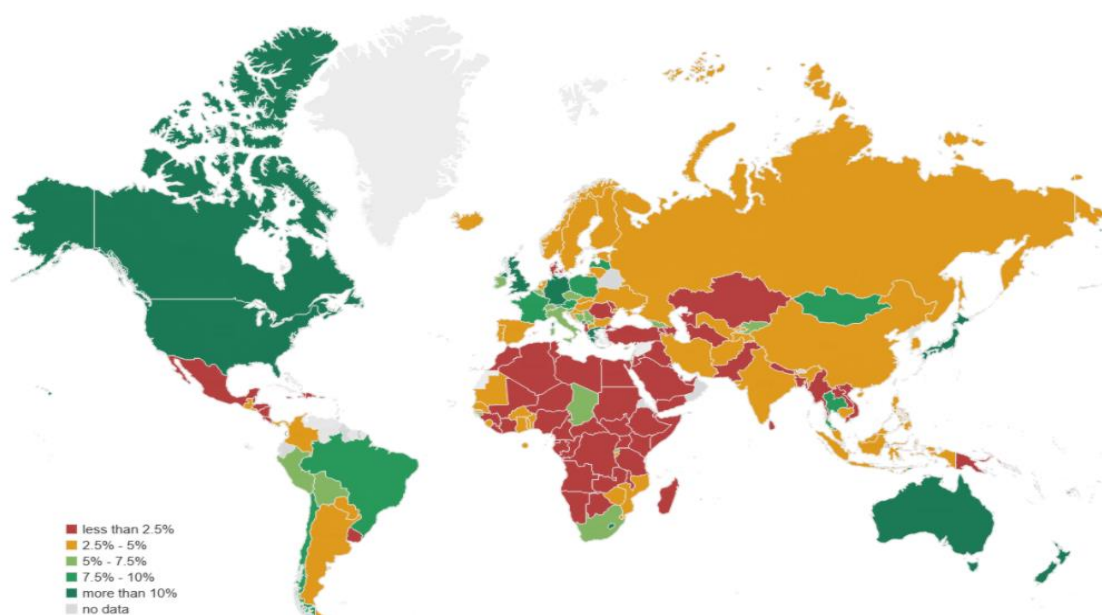
intervention in the economy became more apparent than ever. With the start of the lockdown and restrictive measures, the US, as the largest economy in the world, immediately began taking measures to mitigate at least some of the economic damage that the COVID-19 pandemic would cause.

In March 2020, to protect the local economy from the impact of the pandemic, the Federal Reserve System - FED cut interest rates to near zero and announced an asset purchase program of about 750 billion \$. In an interview with CNBC, renowned economist Joseph Stiglitz said: *"This is a kind of crisis different from normal crises. Aggregate demand is not the only problem"*. The initial expansionary monetary policy measures did not seem to have the expected effects on the US economy as stocks experienced the biggest drop since the "Black Monday". He acknowledged that the situation would be much worse without this intervention, but the expansionary monetary policy would not be able to stabilize markets, even if the demand increases more, the problem of closing shops and restaurants will not be solved. He said *"the crisis would not save the banks either, as people would not have the money to pay off existing loans and would be reluctant to take out new loans"*. Stiglitz stressed that fiscal policy is what it should've been used, as monetary policy has more limited efficiency. He knew that strengthening health capacity, social distancing, and encouraging patients not to show up for work will have their costs. According to him, it would take a "Helicopter of Money" to spend to fulfill all the needs, which of course will bring the deficit and debt that the US will face in the future. He argued how much effective the introduction of the deficit was by saying, *"When we went to World War II, we did not ask if we could afford it"* (Tan, 2020). One thing is clear, after the end of the COVID-19 pandemic, the public debt of the countries will increase, but not intervening would be fatal for the economy.

With the introduction of restrictions and the implementation of measures, the national governments increase their public spending, especially on health programs and mitigating the lockdown shocks that led to the closure of businesses and rising unemployment. This intervention significantly increased the level of debt of countries creating a concern for the future of these countries.

The figure above taken from the International Monetary Fund shows the fiscal support through additional spending and forgone revenue as a percentage of GDP that countries have taken to respond to the pandemic by 31 December 2020. From this figure, we see that most world governments are committed to fiscal budget support for firms and workers.

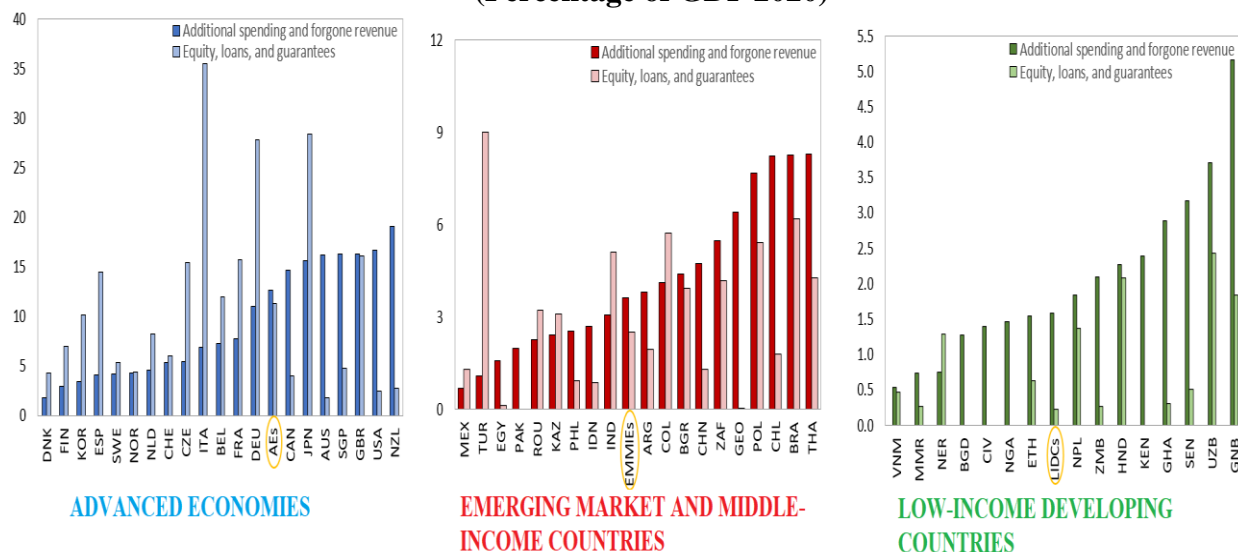
Figure 6. Fiscal support through additional expenditures and foregone revenues as an aid concerning the GDP of countries by the end of the year 2020.



Source: International Monetary Fund, 2020

These fiscal measures in some countries such as the United States, United Kingdom, Canada, Greece, Japan, New Zealand, and Australia were more than 10% of their GDP, most Asian countries had fiscal support of 2.5-5% of GDP, while in African countries it is observed that in most of them, fiscal support through additional expenditures and foregone revenues is lower than 2.5% of GDP.

Figure 7. Discretionary fiscal response to the COVID-19 crisis in selected economies (Percentage of GDP 2020)



Source: International Monetary Fund, 2020

Figure 7 shows the discretionary fiscal response to the crisis caused by COVID-19 in advanced economies, middle-income countries with increasing engagement in international markets, and low-income developing countries. We can see a global inequality in the ability of countries to help their economy. The fiscal measures taken by the Governments were divided into two groups: additional expenditures or forgone revenue and inequity, loans and guarantees. In additional spending, it is understood that most Governments were focused on increasing spending on improving health capacity to better cope with the effects of the pandemic (IMF, 2020). Forgone revenue is distributed in the form of incentives and tax exemptions for corporations to make it easier for them to cope with the difficult economic situation they are going through as a result of the pandemic and lockdown measures, while equity, loans, and guarantees are provided mainly through Government programs. For example, the European Union gives loans for developments in the field of R&D¹ and innovation, provides guarantees to borrowers of banks or other lending institutions, and can participate in capital projects through co-investment (European Commission, 2020). This fiscal response has saved lives by supporting peoples and firms in need and mitigating the effects of COVID-19 on economic activity (IMF, 2020). Looking at the figure above, we see a huge difference between global economies in their ability to deliver these fiscal measures. In most countries with advanced economies, fiscal measures with additional spending and forgone revenue have gone from 5% to 10% of their GDP, while with equity, loans, and guarantees as a form of aid there have been countries like Germany and Japan that have used close to 30% of their GDP as well Italy with over 35% of GDP.

In countries with increasing engagement in international markets and average incomes, these measures have been lower than in advanced countries with an average of additional spending and forgone revenues of 3% while equity, loans, and guarantees as a form of assistance with an average of around 2.8%. Turkey is the middle-income country that has provided the most equity, loans, and guarantees as a form of aid with about 9% of GDP, while Chile, Brazil, and Thailand are more focused on additional spending and forgone revenue reaching over 8% of GDP. Of big concern is the provision of these fiscal measures to low-income developing countries where on average additional spending and forgone revenue were 1.5% of their GDP, while equity, loans, and guarantees as a form of assistance were lower than 0.5% of GDP. Except for Uzbekistan and Guinea-Bissau, in no other developing country, these fiscal measures were not above 3.5% of their GDP. Given this, countries with increasing engagement in international markets and low-income developing countries will find it difficult to overcome the economic crisis because they do not have the necessary financial capacity to take adequate fiscal measures to support their economy. Also, one of the reasons that will widen

¹ Research & Development

this divergence is the inequality in access to vaccines between those countries. Therefore, the chances are very high that the gap that exists in the standard of living between advanced countries and other countries will widen even more than it was before.

3.1. Biden Administration and American Jobs Plan – 2.3 trillion \$ investments

The epidemiological situation of COVID-19 that is still going on around the world seems to turn 2021 into a year of experiments and government interventions in the economy, or in other words the year of the revival of the economic theories of John Maynard Keynes. During a visit to Pittsburgh on March 31, 2021, US President Joe Biden presented his administration's fiscal plan for 2.3 trillion \$ investments in infrastructure aimed at modernizing the transportation network and creating millions of jobs. He said that the plan to create new jobs will be funded by tax increases for large companies and the rich people. According to President Biden, the plan would focus on four aspects:

- Improving the infrastructure in transport would facilitate the movement of citizens. Destined: 621 billion \$.
- Improvement of physical infrastructure (water supply, electricity supply, improvement of infrastructure in schools, etc.). Destined: 652 billion \$.
- Home care services and workforce. Destined: 400 billion \$.
- Increased focus on production including innovation, R&D, and workforce development. Destined: 580 billion \$.

Another plan “The Made in America Tax Plan” was created to show how the costs of the “American Jobs Plan” would be covered. This plan proposes the increase of the corporates tax rate from 21% to 28%. According to the Biden administration, the changes that will come with “The Made in America Tax Plan” would raise 2 trillion \$ over 15 years. (Kirkland *et al.*, 2021).

As mentioned above, a similar plan which turned out to be successful was used by US President Franklin D. Roosevelt, fueled by John Maynard Keynes's ideas for investing in infrastructure and creating new jobs. Given this, Keynes's concept that governments can and should intervene to prevent economic depressions and recover the economy is still valid today.

3.2. Record growth of global debt – was Hayek right?

The increase in spending by governments and companies in response to the coronavirus pandemic has seen global debt rise from a record high of 255 trillion \$ in 2019 to a record high of

272 trillion \$ in the third quarter of 2020. According to the International Finance Institute projections by the end of 2020, global debt will hit 277 trillion \$ (Tiftik *et al.*, 2020).

The huge increase in public debt came as a result of restrictive measures and lockdowns that led to the cessation of economic activity and led many businesses to seek alternative funding. As a result, borrowing increased and brought in more debt, increasing the debt burden for the next generations. So, Hayek's ideas that government intervention in the economy will increase debt are real. Debt growth is another negative signal that governments may increase taxes in the future to cover it and this would have a negative impact by deterring potential investments. Moreover, the "hand of the state" in the economy accompanied by an increase in public debt will also be able to increase and widen inequalities between developed and developing countries as seen above in Figure 7. The possibility of misuse of funds remains another concern, especially in those countries where the quality of institutions is poor.

Although these concerns of classical economists remain real, it is still clear that without government intervention through increased public spending to minimize the effects of COVID-19 on the economy, the situation for firms and businesses would have been much worse. With the closure of businesses and restrictive measures, businesses would reduce production, workers would be laid off, wages would fall, demand would fall due to lower incomes, unemployment would rise and this situation would cause a deep economic recession for which will take years to recover. Therefore, the only way to boost the economy will be to increase government spending, which is what led countries to this record increase in public debt, although this debt will be a burden for future generations.

Conclusions

The outbreak of the COVID-19 pandemic has sparked an economic crisis across the globe where world GDP has plummeted, unemployment has risen sharply and millions of businesses have been shut down as a result of government measures to stop the spread of the virus. Also, given that we are dealing with a global crisis, the need for global coordination in both health and economic terms has never been more necessary.

Seeing the economic situation that the world went through during the first decade of XXI century with the mortgage crisis caused by the 'free hand' of bankers, but even today with the great economic recession caused by the COVID-19 pandemic, as never before, turned the attention to English economist John Maynard Keynes ideas for intervention in the economy, prompting all governments to adopt a Keynesian approach to coping with the effects of the economic crisis caused by the pandemic COVID-19.

The national governments of countries to mitigate the impact of the pandemic and revive their economies have begun to use monetary and fiscal policies en masse, overthrowing the classic and neo-liberal idea that the “state's hand” in the economy should not be present. Expansionary monetary policy has been used by many countries, but since the fiscal policy has more effective impacts in the long run the main focus of governments has been on expansionary fiscal policies. Discretionary fiscal measures taken by governments today were divided into two groups: additional spending & forgone revenue in equity, loans, and guarantees as forms of assistance. Inequalities between countries in the ability to deliver these measures were enormous and world public debt rose to a record high of over 270 trillion \$. In response to this economic crisis the administration of US President Joe Biden unveiled their plan to invest in infrastructure and create millions of new jobs through a 2.3 trillion \$ expansionary fiscal policy. Most classical economists today are still convinced that this state intervention in the economy will have negative effects in the future due to rising inequalities between countries and world public debt, but without these measures and state intervention, it is clear that the world economy would suffer even more. So, even today, 86 years after “The General Theory of Employment, Interest, and Money”, Keynes's economic ideas on the need for state intervention in the economy are still active and considered the main way to save the world and national economies of countries whenever any economic crisis appears.

State intervention through monetary and fiscal economic policies would reduce market uncertainties and increase the optimism of economic agents in the markets. Otherwise, the ‘free hand’ and non-supervision of the state in the economy would make economic recovery impossible and only complicate it where many firms would go bankrupt and workers would be laid off. As some of restrictive measures along with the pandemic are still ongoing, the need for state intervention with fiscal and monetary stimulus packages will be necessary until full immunity of people through vaccination is gained and till life returns to normality, only then it the recovery would be enabled and the economy would be opened. In conclusion, through this paper we can confirm that the fiscal and monetary policies undertaken by the national governments of the advanced countries, middle income and low-income countries have been necessary in mitigating some of the negative economic effects of the COVID-19 pandemic.

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The EU eastern enlargement from today's perspective

Ionelia Bianca BOSOANĂ*

Abstract

This paper discusses the major challenges for the present European Commission, starting with Brexit and ending with issues such as EU Eastern Enlargement from today's perspectives, trying to explain why it is difficult to talk about enlargement in a fragmented European Union. How will the European Neighborhood Policy and Enlargement Negotiations evolve in the actual mandate of the European Commission? Did the European Commission succeed in offering Eastern states the opportunity to join the European Union by developing instruments encouraging states to meet the accession criteria? A qualitative analysis will be used to highlight the novelty elements analyzed by the proposed theme; the author uses a study case using as research instruments discourse and content analysis. Therefore, the main objective of this research paper is to highlight how the European leaders' discourse on a possible enlargement of the European Union has evolved.

Keywords: European Union, European Neighborhood Policy, challenges, enlargement, perspectives

Introduction

Nowadays, the European Union is one of the best models of cooperation between European states, a model replicated on the basis of economic cooperation, principles, values, beliefs and other elements forming the European identity (Warleigh-Lack, 2008, p.15). This is also due to the changing expectations of European States regarding the opportunities offered by the European Union, i.e., they felt that, in exchange for the sovereignty given to the European Union, they would receive other national privileges. Increasing their responsibility comes along with a number of requirements from European States and, sometimes, with disputes on the part of the States dissatisfied with their privileges.

The European Union, as it exists today, derives from thousands of large and small political negotiations (Kotlowski and Hoff, 2000, p.16). Member States have transferred some decisions to a supranational body internal policy (Dedman, 1996, p.7). The difficult road that the European Union has been going through over half a century has been one full of obstacles in terms of negotiations

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between States, but also of concessions between them because, without these two extremely important elements, today's European Union would not have survived. Behind these ongoing negotiations were people with persuasion, who put pressure on states to renounce some of their national prerogatives and hand them over to the supranational level.

The European Union enlargement remains a sensitive topic for Members of the European Commission but also for the Member States because Member States' representatives advocate for other national priorities. Article 2 of the Treaty on European Union gives States the legal basis by which they may accede to the European Union. The Article states that "any European country which respects the EU values set out in the Treaty on European Union (TEU) and which undertakes to promote these values may apply to become a Member of the EU" (Treaty on European Union, 2012). A second criterion that States must take into account is to meet the Copenhagen criteria. These new criteria established that the process of a new state's accession to the European Union would only take place if it had the strategic capacity to integrate new members, and membership will take place once the country is able to take on its membership obligations by meeting the required economic and political conditions (Treaty on European Union, 2012).

There is currently a number of States that have applied for accession to the European Union but whose request has only been made clear on the waiting list of countries that wish to join the European Union.

Throughout the previous mandate of the European Commission which had a difficult portfolio because it has to deal with strong issues such as Brexit, expansion of terrorism, rise of Euroscepticism and loss of citizens' trust in the European values, it is hard to have an optimistic perspective with reference to the EU Eastern Enlargement.

This paper discusses the major challenges for the present European Commission, starting with Brexit and ending with issues such as EU Eastern Enlargement from today's perspectives, trying to explain why it is difficult to talk about enlargement in a fragmented European Union. It is simple when we talk about countries where convergence criteria are not met, but it is complicated when we talk about states with ethnic problems or states with frozen conflicts, which are far from being resolved. Here, the chances of possible integration into the future are extremely low.

In this paper, a qualitative analysis will be used to highlight the novelty elements analyzed by the proposed theme. As a research method of this paper, the author proposes a case study using discourse analysis and content analysis as research instruments. Discourse analysis helps us to outline some variables (persuasion, context and actions) to explain how the European leaders' discourse on a possible enlargement of the European Union has evolved! There are some research questions

developed in this paper - How will the European Neighborhood Policy and Enlargement Negotiations evolve in the actual mandate of the European Commission? Did the European Commission succeed in offering Eastern states the opportunity to join the European Union by developing instruments encouraging states to meet the accession criteria? What is the EU Eastern Enlargement from today's perspective?

1. A European Union full of challenges

This subchapter will discuss the challenges for the European Union, trying to highlight present perspectives for the development of a new enlargement. The analysis will capture the current tendencies and vulnerabilities of the European Union.

The achievement of the European Union was a complex process, which started from the idea of cooperation between European States, followed by complementary policies, common values and beliefs of Member States that wanted to join to the European Union. Building the trust of the Member States and their leaders was one of the most difficult challenges in the construction process because there were many tense moments between them and, many times, hatred between States was more important than the beneficial results for their economies. There were egos and nationalist demands, and the road to ideal was increasingly assiduous. We can even say that the European Union was built from a series of failures of previous constructions but, following the logical thread of the succession of events, we can see that the idea has been preserved over time - let us just say that it has been slightly polished to reach today's result.

The current prototype of the European Union is not a perfect one; although it has undergone many reconfigurations throughout history, it is subject to change and often faced with crises. This is due to uncertainty, technological evolution, but also to the new dangers facing humanity. For the latter, it seems that the European Union has not been equipped with a success recipe, but with the policy specialists' support, it is looking for solutions to solve the problems, thus reconfiguring problems that have not been anticipated so far.

Over time, construction has undergone several institutional changes aimed at facilitating the integration of new states into the current European cooperation structure – the European Union. The treaties were the main legislative instruments for implementing new regulations to help European integration. The European Union has developed means by which European States have been able to adapt to key challenges, such as the rise to better life, economic independence and the provision of stability that will keep States away from a new World War. Countries have learned over the years

that cooperation is important to achieve the objectives, which must be ensured in the integration process (Warleigh-Lack, 2009, p. 10).

The new era has brought a lot of challenges which Europe has had to face, with European integration being the key challenge for the European Union. Yugoslavia's violent disintegration has increased pressure on the European Union, prompting it to develop its foreign policy, security and defense capabilities against external threats. The free movement of people has required increased cooperation in the management of the EU's external borders, visa coordination, – replace, it doesn't make sense and police cooperation across borders. There have also been pressing environmental challenges. Equally, eager to address the inadequacies of the previous reform, the follow-up to the work agenda and integration projects (Phinnemore, 2013, p.5), EU supporters were planning to further integrate the accession countries.

There is now a dangerous mix between political wear and economic stress, between the current formal limitations and structural and material challenges. The combination of politics and economy is pushing the European Union to instability at systemic risk (Laursen, 2012, p.97).

The current challenge is the unstable external context, whether we are talking about frozen conflicts, social and economic crises, political conflicts between States, the issue of Euroscepticism or challenges arising from the possibility of enlargement of the European Union. When Europe is in one of the situations mentioned above, the first attempt is to return to the text of the treaties in force and to negotiate compromise between States or to find public policy solutions that will solve the current problems facing the States.

Another key factor in explaining the continuing controversy between Member States is the diversity of persistent ambitions between the Member States of the European Union. Some countries continue to be generally supportive of the idea that the EU should become a form of federation, and others continue to expect the EU to offer them more tools. One of the major factors contributing to the controversy over the EU reform process is that there are different options as to how a problem needs to be addressed and that no one will be fully covered by the compromise it creates (Warleigh-Lack, year, p. 10).

In a compromise for a country that brings a legislative proposal that it deems necessary for the whole European Union, discussions will arise that that compromise only has a political stake and that it was not necessary to be addressed as a matter for the whole of the European Union. This is where long negotiations start, where states are relying on alliances to support their own ideas by offering compromises in exchange for mutual benefits.

1.1. Brexit

The United Kingdom of Great Britain and Northern Ireland was officially declared a Member of the European Economic Community in 1973. Although the British were invited to join the initiative for cooperation between European States from the start of the project, they were not interested because they were in a favorable and stable position in relation to the countries that were deeply affected after World War II. After about fifty years of EU membership, the United Kingdom of Great Britain and Northern Ireland decided to leave the bloc on 23 June 2016: UK citizens with voting rights participated in the polls to decide whether Britain should stay in or leave the European Union. The success of the 51.89% pro-departure vote astonished not only the British public, but also the big political parties, voting organizations, and the media, not to mention the majority of political scientists. The result of the vote also brought together their continental counterparts who, until then, did not believe such a result possible. Despite the numerous crises experienced by the European continent, national and supranational authorities have not anticipated the possibility of Brexit (Martill and Staiger, 2018, p.4).

The period immediately following the outcome of the referendum and 2020 was an extremely tensioned, full of uncertainties and complex negotiations between the European Union and the United Kingdom of Great Britain and Northern Ireland.

This post-Brexit process has been highly criticized by political analysts but also by Member States and all actors who took part in the debate on the UK-EU relationship after leaving the bloc. It was clear from the outset that no consensus would be reached to resolve all the claims raised by the negotiating actors, but one of the most sensitive issues of the issue and a key Brexit debate was linked to the citizens.

Although we have seen a prolonged process of negotiations between the European Union and Britain and a first departure from the Community bloc by a European state, the question which arises is whether the European Union is ready for enlargement in the next five or ten years? On the other hand, there are Eurosceptics who rule out the possibility of a new wave of accession from the outset, even talking about the possibility of other European States following the example of Britain and wanting to leave the European construction.

1.2. The euroscepticism phenomenon

Another risk caused by Brexit is the increase in populism at the Member States' level, a trend which is intensified on the basis of the populist discourse of political leaders and the nationalism of the European Union Member States. Populists or Euro-sceptics, as I called them, try to manipulate the masses in favor of the growth of the polls and to gain them by talking about national principles, state sovereignty and the limitation of the decision-making power in the framework declared by the rules coming from Brussels.

Euroscepticism is growing and anti-European activity characterized by the founding States of the Union itself, as well. States like Ukraine, Republic of Moldova or Turkey are against EU institutions, its expansion and the Schengen area. The free movement of people is starting to be disapproved and becomes a strong reason against the effectiveness of joining the European Union. In this respect, religion becomes a sensitive point and solidarity is coming out of the landscape, because we wonder: Is it possible to stand together even if our specificity is restricted? Obviously, the answer is no, and this response is the basis of Euroscepticism.

The rise in polls of parties with Eurosceptic visions can be seen as a threat to the future of the European Union. This may be a problem, because the story of Brexit can be repeated with other States that could jeopardize the EU project and contribute to its breakdown. For this reason, it is important that the European Union does not focus its efforts on the UK's penalty for Brexit, but rather on resolving its pain points and rethinking its instruments of action to prevent the increase in Eurosceptic trends within the European Union. The Union needs a new breath, which will restore confidence to those who no longer believe in the effectiveness of the structure and the benefits it brings to the European continent.

2. European Neighbourhood Policy and Enlargement Negotiations

Smith argues that enlargement was a means by which the European Union deliberately develops its broader foreign policy capacity by developing new instruments and ideas that are portable in the problematic areas of foreign policy (Smith, 2004). Given the external dangers at Europe's borders, the European Union has tried to facilitate the accession of States to this structure in order to secure its European borders. Member States have been given the necessary instruments for economic development but also instruments for action against external threats. Accession to the European Union has also been closely linked to NATO membership, a structure that aims to provide States with

support against foreign threats. Although today there are States calling for strengthening PESCO and for creating a common European army, thereby abandoning the dependence on NATO and its ties with the US, the new European defense structure is not able to ensure the deployment of European citizens. The European army is now a French old dream of being back in the spotlight and becoming a new power at European level, but also a subject trying to gain political support.

The European Neighborhood Policy (ENP) was developed to promote prosperity, stability and security within the EU's neighbours and to avoid new dividing lines between the enlarged EU and its neighbours. Home Affairs issues remain a priority.

The EU offers its neighbours a privileged relationship, building upon common values (democracy and human rights, rule of law, good governance, market economy principles and sustainable development). Ambitions for the relationship depend on the extent to which these values are shared (European Commission).

The benefits of EU enlargement are: increased prosperity for all Member States: 3 times more trade between old and new Member States, 5 times more between new Member States; greater stability in Europe; a stronger role for the EU on the world stage (Consiliul European, 2021).

The renewed consensus on enlargement agreed at the December 2006 European Council continues to guide EU enlargement policy. EU leaders agreed to follow a strategy based on: Strengthening the EU's commitments to the ongoing accession negotiations; fair and rigorous conditionality at all stages of the negotiations with candidate countries; increased transparency and better communication, to ensure broad and sustained public support: The EU's capacity to integrate new members.

For the European Union, enlargement to Central and Eastern European States is of great political interest and this is linked to the role of European integration in preserving peace and democracy. If the EU were to reject enlargement to the East, it would have discouraged the countries of Central and Eastern Europe from the reform process. By promising accession to the European Union, it opens up the prospects for security and welfare for these countries.

It is unlikely that in the coming years there will be new accessions by states to the European Union due to their difficulties in failing to meet accession criteria. If these countries remain excluded from the enlargement process, they can be kept in a peripheral position, which could make them less attractive, especially in terms of foreign investment, whose role is essential in the transition process. At the internal level, this enlargement will have an impact on the nature and functioning of the EU institutions, the enlargement being preceded by a reform of the Community institutions so that their functioning is efficient.

The extension of the European Union's borders to Eastern Europe raises a number of questions. This is because of the peculiarities of non-member states. We have the example of the Republic of Moldova, where the question of whether the Republic of Moldova has any chance to enter the European Union in a near future is a firm no. The first explanation is very simple: The European Union cannot receive a country with unclear borders with foreign troops on its territory.

Secondly, it is that of the countries in the process of transition to a market-economy system. This is reflected in the special conditions for accession imposed by the Copenhagen Summit in 1993, namely stable democracy, a competitive market economy and the adoption of the *acquis Communautaire*.

The differences in income between the EU and EU candidate countries was very large. These gaps give rise to tensions and major problems - Enlargement to the East threatens the Union with a stronger migration wave than that of previous enlargements. The labour force from Eastern European countries tends to migrate to Western Europe in search of better living conditions than in the countries of origin. This migration brings losses to the economy of less developed countries, creating development gaps between Member States.

Economic challenges and vulnerabilities are numerous and complex. The whole sense of human society is a competition for power, more specifically, for the means and mechanisms of power, which are primarily economic and financial.

At present, discussions about enlargements for countries such as Ukraine, Moldova or Georgia are not currently on the agenda. The main problem is the fact that a decision regarding the accession of a new state must be approved with a unanimous vote of the Member States and, nowadays, states have a political interest in other specific problems, other than integration issues.

It is known that the European Union is determined to continue its expansion in the future in the Western Balkans countries, especially after the dispute with Greece over the name of Northern Macedonia has been resolved. When it comes to Turkey's accession, things are much more complicated. Ukraine and the Republic of Moldova have no real prospects of joining the European Union in the next few years, as they, too, are far from joining the Euro-building process.

Under these circumstances, the question arises as to whether, in the future, when the European Union is ready to receive them in the community, they will still be interested in joining it?

I think everything will depend on the time it runs until the countries become eligible to join the European Union. It is known that the European States currently joining the European Union do not meet the convergence criteria for joining this structure. It is clear that years will pass by the time of the accession and it is possible that the states will change their priorities and political guidelines. The

European States in the Eastern Neighborhood of the European Union are positioning themselves at the confluence between two extremely strong players - the European Union and Russia - a diametrically opaque player, who, in turn, have an interest in attracting States to one of the two camps.

The vision of the ruling political party has an important mission to decide to join or stay outside the European Union. Efforts towards accession need to be backed up by a plan and concrete actions in this direction. Although the European Union would offer them new prospects for economic and social development, Russia may come up with a counter-offer for the candidate countries. So, for this reason, it is very difficult to anticipate a future integration for the states that are far from being able to be integrated in the near future. It is happening in States such as the Republic of Moldova, Belarus or Ukraine. It is not difficult to explain why excise countries are far from being integrated into the European Union.

The answer to the question whether the Republic of Moldova has any chance to enter the European Union in the near future is a firm no. The first explanation is very simple: The European Union cannot get a country with unclear borders and which has foreign troops on its territory (Russian forces in Transnistria, in the case of Moldova).

Yes, we have agreements signed with the EU, which we see as a possibility to change the situation and quality of life in Moldova. But I do not think Moldova will become a Member of the EU. Europe itself is not ready for enlargement. Some countries are even leaving the EU. But the agreements we have with the EU are an opportunity to use their experience, financial resources to change the situation in the Republic of Moldova (Dodon, 2019)

The President of the Republic of Moldova tends towards closer cooperation with Russia, at the moment this alliance is easier to sustain than a possible accession to the European Union. He added that we must fortify these relationships, these are our traditional markets, they are our brothers. That is why we must turn the strategic partnership to this direction as well (Dodon, 2019).

Another question is whether the European Union will invest in the future in the neighbourhood policy to support States that are not members of the European Union?

President Jean-Claude Juncker said that the European Union has achieved impressive results in supporting investment outside the EU. But we could achieve much more if we worked together more effectively and more closely. We do not need new institutions or groups of wise men to achieve our goals: we need wise decisions, taken quickly with our existing structures and our partners (European Commission, 2018 a).

The incentive-based approach (more for more) has succeeded in supporting reforms in the areas of good governance, democracy, the rule of law and human rights, insofar as there has been a commitment from partner countries to these reforms. However, where there was no political will, this

approach has not proved strong enough to allow commitments to reforms. In these cases, the EU will seek to find more effective ways of supporting the opportunity to initiate fundamental reforms, including through cooperation with civil, economic and social actors in the dialogue with its partners (European Commission, 2015, p.5).

The European Union is aware that the potential of these countries to adopt new reforms to be eligible for integration is rather low, which is also the main reason for financially reverting these countries on its borders. The European Neighbourhood Policy was launched with the aim of avoiding the formation of new dividing lines between the EU extended neighbours. Also, it promotes prosperity, security of borders, democratization and a good governance for non-EU states.

3. Enlargement progress during European Commission mandates

For the qualitative analysis proposed for this article, I have chosen for analysis the speech of three distinguished personalities from the European Commission, namely: José Manuel Barroso, President of the European Commission between 2004 to 2014, Jean-Claude Juncker, President of the European Commission between 2014 to 2019 and Ursula von der Leyen, the current President of the European Commission. Although all three presidents of the European Commission have addressed the issue of EU enlargement in their speeches, it is worth noting that only during Barroso's mandate, there were multiple accessions of new states to the European Union.

During the José Manuel Barroso's mandate, he managed the biggest enlargement of the European Union in early 2004, a few months before taking responsibility. Juncker addressed this issue during his mandate, but no state has been able to enter the European Union. It is known that this enlargement has also brought a number of challenges and, yet, new States have been interposed throughout its mandate. The increase in the European Union budget, but also the expansion of the continental borders has been one of the main benefits of this new enlargement.

A success of the Barroso Commission has also been the preservation of the integrity of the euro area, which has not collapsed, as many feared at the beginning of the economic crisis. Moreover, the common currency has emerged from turbulent times with new fiscal governance rules designed to prevent possible future slippages (Economica, 2014).

A substantial critique against Barroso's mandate is related to the difficult 'digestion' of enlargement to the east which has weakened the internal cohesion of the Community building, and there are opinions that the European Union was not prepared to take on such a wide scale enlargement (Economica, 2014).

It is true that enlargement was not even a priority for Juncker's mandate although he admitted that this topic was a historic success for the European Union. He said that the European Union and our citizens need to adapt to the accession of 13 Member States to the EU, in ten years the European Union must take a break in enlargement so that what has been achieved among the 28 Member States could be strengthened. For this reason, when I am President of the Commission, the ongoing negotiations will continue and, in particular, the Western Balkans will have to retain a European perspective, but no further enlargement will take place in the next five years. With the countries of the Eastern Neighborhood, such as Moldova or Ukraine, we need to promote closer cooperation, association and partnership in order to further strengthen our economic and political ties (European Commission, 2014, p.12). There is not enough Europe in this Union. Next year, in his speech, Jean-Claude Juncker continued the idea of a strong European Union *and emphasized that there is not enough Union in this Union* (European Commission, 2015). *The vision of a more united, stronger and more democratic Europe I am outlining combines elements from all scenarios I set out in March. But our future cannot remain a simple scenario, a sketch, an idea amongst others* (European Commission, 2017). There can therefore be not a moment's respite in our efforts to build a more united Europe. Europe can export stability, as we have done with the successive enlargements of our Union. For me, these are and will remain success stories – for we were able to reconcile Europe's history and geography (European Commission, 2018 b).

The European Union is still not allowing itself to expand the number of Member States, as an extended formula would be much more difficult to manage. We note that since the last accession in 2013, no state in the process of joining the European Union has been able to meet the criteria and become a full member.

The taking over of the new term of the European Commission by Ursula von der Leyen also brings no new perspectives for the integration of the Eastern Neighborhood States into the European Union. On the contrary, taking office finds the European Union in an even greater deadlock. Britain's departure from the EU bloc, the deepening of Euroscepticism and the issue of climate change were the main topics of the European agenda.

Her discourse, *State of the Union* address, at the European Parliament Plenary seems to be even worse in September 2020. The Coronavirus pandemic that has affected all European States exposes the fragility around us and how easy uncertainty can be propagated and further increase the uncertainty of how to overcome this obstacle which humanity faces (European Commission, 2020). She encourages states by saying that we must continue to handle this pandemic with extreme care, responsibility and unity for building a stronger European Health Union (European Commission,

2020). At a first glance, we can see that the focus is on the health component and on building a close link between European countries in the fight against the invisible virus.

The second component is the task of the European Union to provide the stability needed by our economies. This is a remarkable moment of unity for our Union. This is an achievement that we should take collective pride in (European Commission, 2020). Nowadays, Europe is more fragile than in the past and it is urgent to find solutions.

The only references to the countries in the European Union's neighbourhood are related to the fact that it will build up relations of cooperation in the future and support them financially. She added that people must be free to decide their own future without any implication in election meddling. She ensures that we will also be there for the Eastern Partnership countries and our partners in the southern neighbourhood— to help create jobs and kickstart their economies (European Commission, 2021).

Following the speeches of the three presidents, we can see the prospects for the future enlargement of the European Union are extremely modest in the near future. There are no new enlargements, and all the more so since the European Union is facing increasing challenges coming from outside and from within every year. The current crises facing the European Union have become increasingly acute and the current challenge is to succeed in staying together with the 27 States. With regard to the partnerships with non-Member countries, the European Union aims to support their financial support and cooperation initiatives in the future by developing partnership relations that help secure the borders of the European Union.

Conclusions

At the end of this article, I prepared some conclusions. I will start with the benefits brought by the European Union enlargement. The enlargement of the European Union to Central and Eastern European countries is, alongside monetary unification, the major challenge in the history of the integration process in Europe, the rise of the EU budget and more pillars of regional developments.

Currently, the extension to the east is likely to occur from the perspective of the fact that the European Union is currently focusing on the consolidation of the structure, rather than on a new process of extension. Critics emphasize the fact that a new extension would lead to the complete dissolution of the European Union. In the context of Britain's exit, it is time for the European Union to deepen European integration and close the gaps in the enlargement process towards the eastern border of the European Union. The European Union wants to develop new instruments for cooperation between the Member States and the Eastern Neighbourhood, thus avoiding a new wave

of accession that would destabilize the European Union. There are no real prospects for future membership from Eastern Europe states but there are some initiatives for supporting those states. Overcoming the current obstacles will demonstrate European Union's Member States that only together will they be a stronger international player and could, therefore, overcome all obstacles.

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Enhancing competitiveness and resilience of tourism in crises condition. Experiences from Eastern Partnership countries

Mihai TALMACIU*, Irina Teodora MANOLESCU**

Abstract

The long-term goals set for the post-2020 EaP policy are oriented to support economic resilience. Due to its peculiarities, tourism has proved to be one of the most sensitive economic sectors to the manifestation of multiple crisis experiences. The present study aims to: study and identify the effects of crises on tourism competitiveness and performances in Eastern Partnership countries; to identify measures by which the European Union authorities intend to counteract the effects of crises and improve the response capacity of governments and tourism companies; and to identify actions through which the tourism industry can improve its capacity to manage the various crisis phenomena. To achieve these objectives, the authors used European Commission programmatic documents and reports, statistical reports, data and information on the effects of crises on the activity of the tourism industry in EAP countries. In the frame of the partnership and cooperation relations between the European Union and the EaP countries, special attention has been paid to the support measures established to counteract the negative effects of the pandemic crisis.

Keywords: competitiveness, Eastern Partnership policy, tourism, resilience, crisis

Introduction

The scope of the European Neighbourhood Policy initiative is to strengthen security at the periphery of the European Union and to improve the resilience of the economies of the states that are part of the eastern and southern partnerships. Achieving and supporting resilience is a key element of the policy targeting Eastern Partnership (EaP) countries after 2020. Thus, in order to address the many challenges the Eastern Partnership countries are facing, to support sustainable development and to provide concrete results for their citizens, the following long-term goals have been set: resilient, sustainable and integrated economies; responsible institutions, the rule of law and security; environmental resilience and climate; resilient digital transformation; and resilient, fair and inclusive societies (European Commission, 2020, p. 4). The long-term goals set for the post-2020 EaP policy

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are oriented to support economic resilience, in order to respond to the common challenges facing the European Union and the EaP countries. Due to its peculiarities, tourism has proved to be one of the most vulnerable domains to the manifestation of crisis phenomena (economic or financial, health, climate, energy, food crises, environmental, political, military). Thus, the resilience of tourism implies the adoption of political and economic measures to improve the response capacity of governments and companies and to prevent the negative effects of crises.

The benefits of tourism sustainable development must be expressed in the form of a positive long-term impact for all stakeholders: local communities, governments, investors, tourists, the environment, etc. EU policies have focused on encouraging sustainable tourism, which starts from the premise that aspects of economic sustainability, environmental conservation and the preservation of identity and cultural heritage are mutually supportive, and long-term investments in sustainability guarantee the long-term competitiveness of the tourism industry (Tambovceva *et al.*, 2020; Manolescu *et al.*, 2016). Thus, in order to achieve the long-term efficiency, effectiveness and competitiveness of tourism and to strengthen the resilience of the sector, solutions must be identified to neutralize the factors that can generate sectoral crises and to minimize their effects, but also is needed the adoption of some appropriate practices for crisis management. Under these conditions the results obtained will be: improved image of tourism destination (safety and security), increased economic performance of tour operators and the business value, increased operational efficiency, increased societal and environmental protection.

The six member countries of the EaP have faced, after the disintegration of the former USSR, numerous political and military crises caused by territorial disputes, fuelled by Russian interference and by the economic and energetic dependence on it. Thus, the countries in the region face security and safety issues, which have a negative impact on the development of tourism (Talmaciu *et al.*, 2020). To these were added the negative effects exerted by the global crises: the economic/ financial crisis of 2009 and the health crisis that began in the early 2020. Under these conditions, is necessary to adopt measures to improve resilience and responsiveness of the tourism industry, in the face of various crisis situations.

Through this paper, the authors aim to determine and analyse the effects of crises on tourism industry performances in the Eastern Partnership countries; to identify measures by which the European Union and EaP countries intend to counteract the effects of crises, to improve the response capacity of governments and tourism companies; and to identify actions through which the tourism industry can improve its capacity to manage the various crisis phenomena.

1. Literature review

Tourism is the economic sector characterized by a high vulnerability and sensitivity to various crisis situations, reacting to the smallest changes in economic, socio-political, environmental (natural disasters), biological/ health (epidemics) environments (Timothy, 2006). Pandemic medical crises can induce a state of inertia, with long-term negative effects, the fear of infection causing an extension of voluntary quarantine, a reaction with important negative influences on tourism (Borysova *et al.*, 2021).

Tourism crisis represent unforeseen events having a disruptive nature, which have unfavourable impact on the resilience and sustainable development of tourism (Robertson *et al.*, 2006). These events may cause many negative effects:

- undermine the trust of tourists into destination (World Tourism Organization, 1998);
- affect the capacity of businesses to operate normally (Robertson *et al.*, 2006);
- prejudice the destination image (affecting safety, attractiveness and comfort); negatively alter visitors' perceptions (Sönmez, 1998);
- requires radical management practices (Beirman, 2003);
- induces necessities of immediate reactions in order to reduce the negative effects (Glaesser, 2005);
- perturb the activities of the markets or tourism services and may discredit the reputation of a tourism destination (Hapenciuc *et al.*, 2009; Sönmez *et al.*, 1999).

In the literature are identified various factors generating crises in tourism (Hapenciuc *et al.*, 2009):

- natural causes - natural extreme phenomena;
- actions having an anthropogenic character that appear more often: *economic risks* - financial crisis, economic recession, economic restructuring or transition; *crises related to the social environment* - violence acts, organized crimes acts, social conflicts, etc.; *political risks* - terrorist attacks, armed conflicts, civil wars, etc.; *biological risks* - the threat of some extremely contagious biological agents (SARS, Ebola, avian or swine flu, COVID, pollution of the environment with toxic substances); *technological risks* - dangers determined by the development of ICT, nuclear accidents, pollution related with the increase of intensity of the economic activities.

Often, crisis conditions in tourism have their source in the diversity of human actions, which make their mark on the health and balance of the macroeconomic, political, social, legal, institutional and natural environment (Talmaciu *et al.*, 2015). The factors that contribute to tourism safety and

security are considered essential for the realization of the potential tourism entrepreneurship (Mazur *et al.*, 2020).

Tourism industry is one of the most vulnerable economic sectors to crisis generating phenomena, fact highlighted by the data in Table 1. The average values presented in the table were established analysing the impact of the different types of crises that have confronted the tourism sectors in different countries of the world. Thus, in terms of the magnitude of the impact the disease crisis has the strongest impact, followed by the political turmoil and environmental crises. Regarding the number of months of recovery depends on the magnitude of the crisis generating phenomena, a higher number of recovery months is needed in the case of political turmoil crises, followed by the disease and environmental crises. The data (see Table 1) show that the largest losses of tourists are determined by political turmoil crises, followed by disease crisis and terrorism crisis. Regarding the lost spending indicator, the biggest losses are also determined by political turmoil crises, followed by disease and environmental crisis.

Table 1. The impact of crises on tourism industry - an analysis at global level

Type	Disease		Environmental		Political turmoil		Terrorism	
	Between	Avg	Between	Avg	Between	Avg	Between	Avg
Impact depth (%)	1 - 70	24	1 - 57	18	6 - 56	24	0 - 34	9
Month to recovery	10 - 34	19,4	10 - 92,8	16,2	10 - 44,9	22,2	2 - 42	11,5
Lost Arrivals (Thou.)	78 - 5,599	2,177	3 - 7,824	761	72-18,435	2415	2 - 17,815	1,481
Lost spending (Mill. \$)	67 - 4,411	1,447	2 - 10,971	1,168	43-16,426	2,146	2 - 10,658	861

Source: Adaptation from World Travel & Tourism Council (2019)

Undoubtedly, crisis phenomena have an disruptive effect on the normal conduct of human activities and generate many negative effects on all sectors of the economy: declining demand and income, rising costs, disrupting the normal conduct of operations, disrupting decision-making and communication (increased risks and uncertainty, reduced reaction time), staff availability, stressful work and living environment, disruption of investment processes, disappearance of companies, etc. (Okumus and Karamustafa, 2005; Kash and Darling, 1998). Beyond the negative effects, we must see crises as an opportunity to accumulate new knowledge, to improve the response capacity of economic operators, governments and society as a whole to the manifestation of such crises or disasters (Faulkner and Vikulov, 2001; Fink, 1986).

The literature emphasizes the importance of crisis situations preparedness and the adoption of appropriate strategies for managing them. Thus, tourism specialists should not question whether such unwanted events will occur, how often and to what extent, but should anticipate procedures to improve the resilience and their ability to respond to various types of crisis and minimize their

negative effects. The models of response to crisis and disaster situations, recommended in the literature, present a variable number of stages:

- 4- or 5-stage models that provide appropriate procedures to each stage: pre-crisis, acute crisis, chronic crisis, and resolution (Fink, 1986; Kash and Darling, 1998);
- the 6-phase model proposed by Faulkner and Vikulov (2001): *Pre-event phase* - disaster contingency plans, scenarios or probability assessments play a major role in the disaster management strategy; *Prodromal phase* - the disaster is imminent, and warning systems and command centres are established (contingency plan actions are initiated); *Emergency phase* - measures are required to protect people and property in the tourism destination; *Intermediate phase* - short-term and immediate necessities of people have to be undertaken by emergency and rescue teams, coherent media communication strategy is decisive; *Long-term (recovery) phase* - the impaired infrastructure has to be rebuilt, and environmentally damaged areas have to be rehabilitated; *Resolution phase* - routine is restored or a new, improved state occurs.
- the 3-phase model proposed by Ritchie (2004) is considered a more comprehensive (holistic) and strategic model for approaching crisis management: *the preventive stage* of strategic planning of policies, actions and procedures in crisis situations; *the stage of implementing the strategy* that involves the implementation of policies and procedures, the application of adequate communication and control systems, the adequate management of the organization's resources; *the stage of resolution, evaluation and feedback* - involves post-crisis recovery and recording of lessons learned.

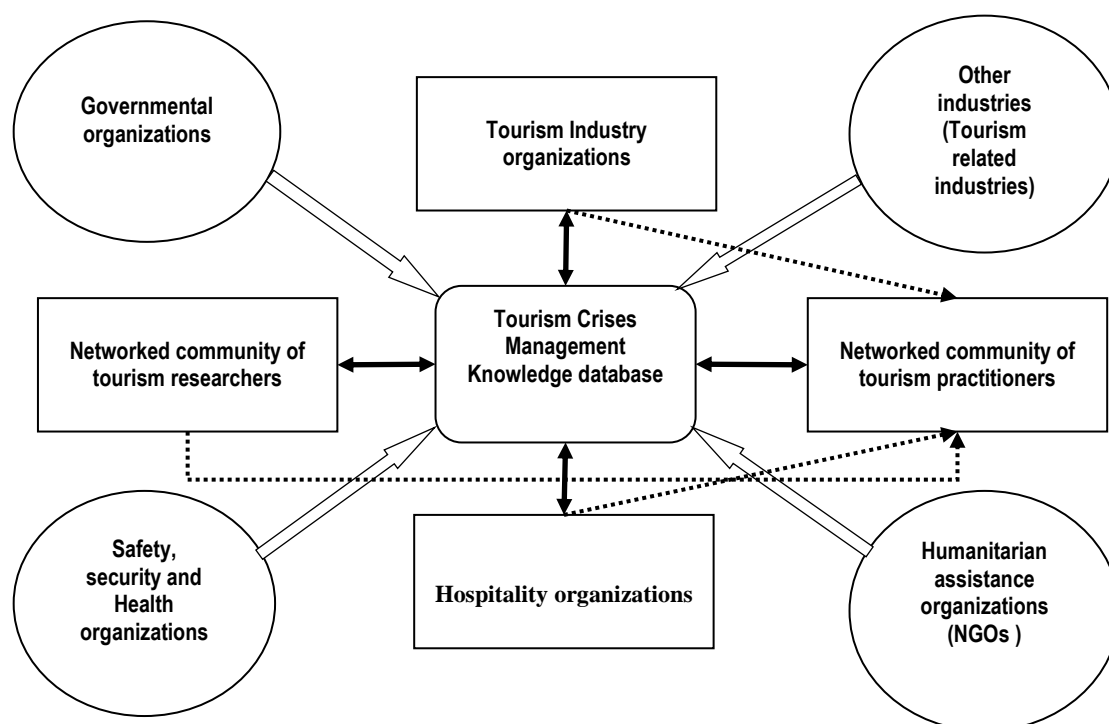
The specific strategies of crisis response models can be divided into two categories (Xu and Grunewald, 2009):

- proactive strategies - characteristic of the pre-crisis stages, which include activities specific to the preparation of the crisis / disaster management plan, training of employees and awareness of stakeholders (community) on the possibility of crisis / disaster;
- reactive strategies aimed at taking action after the onset of the crisis or disaster (disaster communication, resource management, stakeholder collaboration and elimination of negative effects).

The development of effective tools for managing future crises requires collaborative actions carried out at regional/ national/ international level, respectively the development of international platforms for sharing knowledge and experiences of tourist destinations that have faced comparable crisis situations, through which to provide systematic and complete documentation on crisis management processes (see Figure 1). The databases to support the effective management of crises in tourism can contain information from different sources:

- the entities directly involved in tourism: the tourism industry organizations, the hospitality organizations, the networked communities of tourism practitioners and researchers;
- the organizations that are not part of the tourism industry: the governmental organizations, the organizations from tourism related industries, the safety, security and health organizations and the humanitarian assistance organizations.

Figure 1. Collaborative Crisis Management System for the Tourism Industry



Source: Adaptation from Pizane and Kozmina, 2010

Crisis management plans need to be developed, to provide a rapid response to potential threats and to offset their negative effects. These plans require to assessing the economic impact of the crisis on the tourism industry, to think about possible scenarios for its evolution and to propose actions / procedures to improve the resilience of tourism companies to the occurrence of such unforeseen events.

2. Methodology

The present study aims to: study and identify the effects of crises on tourism competitiveness and performances in Eastern Partnership countries; to identify measures by which the European Union and Member State authorities intend to counteract the effects of crises and improve the

response capacity of governments and tourism companies; and to identify actions through which the tourism industry can improve its capacity to manage the various crisis phenomena.

In order to accomplish the objectives, the authors identified and analysed academic works and scientific papers on crisis management and tourism resilience in crisis / disaster situations, documents and reports of the European Commission on cooperation relations with EU eastern border countries to overcome the effects of the pandemic crisis (COVID 19). Also, they were identified and analysed reports from the World Tourism Organization, the OECD and the World Bank on the implications of the COVID 19 crisis on the countries from the eastern border of the European Union and the measures taken by them to overcome the crisis (Eurochambres, 2021; European Commission, 2020, 2021; OECD, 2020; World Economic Forum, 2019; World Tourism Organisation, 1998; World Travel & Tourism Council, 2019). The authors also analysed information on the combined initiatives of the European Union and the EaP countries in order to improve the responsiveness and resilience to the crisis phenomena facing tourism.

At the same time, were analysed statistics on the development and competitiveness of tourism in the EaP countries, prepared by the World Tourism Organization (UNWTO), Eurostat and national statistical organizations.

In order to establish the effects of crisis situations on tourism in the EaP countries, the empirical research was based on an integrated methodology, combining descriptive-exploratory research with quantitative analysis of statistical indicators on socio-economic development of tourism and qualitative analysis of the strategic documents prepared by the 6 member countries in partnership with the European Union and other international organizations.

The analysis of the documents was carried out on three levels: identifying the crises faced by EaP countries in the last 20 years, their effects on tourism development and identifying and analysing action plans and initiatives taken to overcome crises and strengthen tourism resilience to the crisis phenomena.

3. Results and discussions

All six state members from the Eastern Partnership have been confronted with many security and stability challenges, which exerted a negative influence on tourism development (Talmaciu *et al.*, 2020):

- security and territorial integrity risks: the incidents in the secessionist territories of South Ossetia and Abkhazia in Georgia - 1991-1992 and 2008; the disputes between the Republic of Moldova

and Russia over the Transnistrian secessionist region - 1990-1992; the conflicts between Ukraine and Russia that have ending up in the annexation of the Crimean peninsula by Russia - 2014 until now; the conflicts between Armenia and Azerbaijan regarding the autonomy of the Nagorno-Karabakh region - 2020;

- the vulnerability of the economy and energy dependence - vulnerability of the Georgian economy as a result of the dependence of the tourism economy;
- social risks to which citizens are exposed as a consequence of incidents and of autocratic regimes altering the rule of law (Belarus).

To these were added the effects induced by the global crises: economic / financial in 2009 and the health crisis that began in 2019. Although the pandemic has hit countries with the highest share of tourism revenues in GDP, the poorly developed, rural regions, where tourism contributes to complementary incomes for the population, are extremely vulnerable to the negative effects of the health crisis (Kyrylov *et al.*, 2020). In the case of Armenia, Azerbaijan and Ukraine, tourism has been affected by the combined effect of the health crisis and of the conflicts over territorial disputes.

The consequences of the crises on tourism have been multiple. Regional conflicts have reduced the population in the affected areas (Kohler *et al.*, 2017), infrastructure and some tourist facilities have been destroyed (for example in the province of Svaneti, Georgia, where there are UNESCO World Heritage Sites), the image of tourist destinations has long-term suffering, causing potential tourists to bypass them (Radvanyi and Muduyev, 2007). The landscapes, fauna and flora of the war-affected regions also suffered, both directly as a result of the attacks and subsequently as a result of the pollution involved in the use of ammunition and chemical agents (Metreveli and Timothy, 2010). The impact was higher on foreign tourists, who consider the entire region dangerous, not just the areas affected by the conflict. Although the regions directly involved in the conflict are the most affected, the negative effects also spread to the adjacent regions, considered safe by domestic tourism actors. Conflicts often deepen a negative state from a social and economic point of view (Lyubitseva and Zavarika, 2019), previous tensions and inefficiency of institutions acting as barriers in the tourist development of these areas.

The economy of the countries involved in the conflict is also affected, resulting in more shock waves on tourism. Economic agents involved in tourism see their marketing efforts as inefficient, experiencing an increase in costs and a dramatic reduction in revenues, associated with a decrease in the number of tourists (Ivanov *et al.*, 2017). The migration of the local population, although partially reversible after the end of the conflicts, creates problems for the labour market (Elizbarashvili *et al.*, 2020), including in the field of tourism.

War and tourism are considered irreconcilable phenomena, visitors being concerned about their safety and cancelling trips when there are political tensions in certain areas. The threat of terrorism, more present in areas that have been involved in armed conflict, is another factor that contributes to reducing the intention to visit (Aliyev, 2020).

Domestic crises can also have a significant impact on tourism. Belarus' image in the international arena is closely linked to domestic politics - human rights violations, electoral fraud, changes in the constitution in favour of dictatorship, repression of protesters and opposition, hijacking of planes to arrest dissidents, etc. - with disastrous effects on the intention visitation, including the emergence of the phenomenon of boycotting a political regime (Biketova, 2016).

In conflict situations, internal / external tourist flows change dramatically, causing macroeconomic imbalances. Thus, the population prefers foreign tourism, while international tourists are in a much smaller number (Sass, 2020).

Recommendations for mitigating the impact of the pandemic on tourism can be divided into three broad categories: crisis management, mitigating the negative consequences and stimulating the accelerated recovery of the tourism industry (Borysova *et al.*, 2021). In the post-pandemic period, a reformation of tourism is recommended. The emphasis will be on domestic tourism, with a focus on individualized forms of tourism, such as ecotourism. This will have a positive impact on the development of local companies, small and medium, with offers for small groups of tourists. Tourist services will have to meet all epidemiological standards, will increase the possibilities of own transport, reservations will be much more flexible, including the option of cancellation without penalties (Rahmanov *et al.*, 2020).

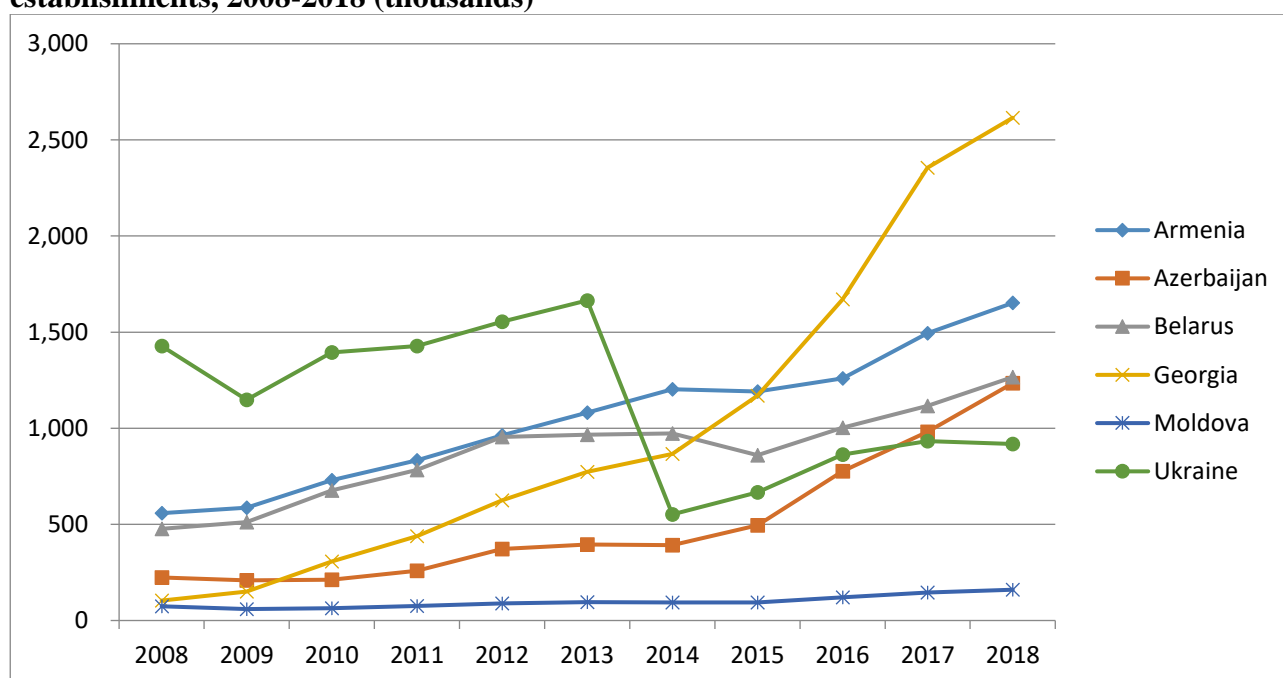
The orientation towards sustainability, both at programmatic, strategic level and at the level of projects, represents a success factor in the development of tourism, through the multiplier effect highlighted in the related fields (Manolescu *et al.*, 2019). The diversification of activities, even in the deficient institutional context of the analysed countries, can contribute to the survival of the actors involved in tourism (Doan and Kiptenko, 2017) and to the resilience of rural destinations (Ilitsky and Chikurova, 2015).

Crisis situations with careful management can lead to the creation of new products and services, generating new opportunities on the tourism market (Melnichenko *et al.*, 2021). In the context of the medical crisis, however, it is necessary to reduce the uncertainty in the travel preparation processes and during its development, by ensuring confidence in the rapid responses to tourist demands and correlating the quality of services with customer expectations. Violence and conflicts can be included in the tourist products of the affected areas, through thematic tours, guided tours that remind visitors

of the tragic events. Although the market for such tourism products is limited, it contributes to the definition of the tourist image of the region (Schlegel and Pfoser, 2021).

In the period 2008-2018, tourism registered a favourable evolution in most Eastern Partnership countries, except for Ukraine, where tourism was strongly affected after the outbreak of the war with Russia in 2014 (see Figure 2). Among the EaP countries that have registered a higher dynamic of international flows of tourists and with the tourism industry better represented in the macroeconomic indicators, we mention: Georgia - 33,7% total contribution to GDP, 29,7% total contribution to employment and 43,5% total contribution to exports, and Armenia - 14,1% total contribution to GDP, 12,5% total contribution to employment and 23,5% total contribution to exports (Talmaciu *et al.*, 2020). In Georgia's case, given the higher vulnerability of tourism to crisis situations, the high economic importance of tourism leads to a higher vulnerability of the entire economy.

Figure 2. The evolution of the international tourists staying in tourist accommodation establishments, 2008-2018 (thousands)



Source: Eurostat (online data code: tour_occ_arnat)

According to the Tourism and Travel Competitiveness Report (World Economic Forum, 2019), most of the EaP states are placed in the centre of the ranking, with the exception of the Republic of Moldova which occupies the 100th position (out of 144 countries). The best positioned are: Georgia (68th position), Azerbaijan (71st position), Ukraine (78th) and Armenia (79th). The vulnerability of tourism to various risk factors is highlighted by the score obtained at Safety and Security Pillar, where the most of countries occupy positions in the first half of the ranking: Georgia position 25 out of 144

states, Azerbaijan position 38, Armenia position 40 and Republic of Moldova position 67. The exception is Ukraine, which ranks 107.

After the onset of the COVID 19 crisis in the first quarter of 2020, the activity of companies in the tourism industry has decreased considerably as a result of restrictions imposed by the authorities. In some periods was imposed the economic lockdown and the activity of tourism companies has been completely stopped. In these circumstances the international arrivals of tourists experienced a radical decline: Armenia -80%; Azerbaijan -75%, Georgia -79%; Republic of Moldova - 83% and Ukraine - 75% (<https://www.unwto.org/international-tourism-and-covid-19>).

As policy response to the COVID 19 crisis the major part of the EaP countries adopted general measures dedicated to support all economic sectors (see Table 2).

Armenia has focused on liquidity, risk management and on incentives and adopted special measures for post-crisis tourism recovery: liquidity measures to help SMEs pay salaries, interest-rate subsidies for loans that banks agreed on granting to SMEs etc. For the fast recovery of tourism Armenia authorities plan the implementation of a post-crisis tax system for the tourism sector.

Azerbaijan has focused on tax measures deferrals, holidays, amendments to tax code and has adopted general character measures. Also, the authorities plan to change the growth model, to support job creation and sustain income and SMEs, to foster digitalisation and a more flexible tax administration. For the fast recovery, they intend to adopt several measures: changing the growth model to support job creation and sustain income and SMEs, increased investments to foster digitalisation, a more flexible tax administration, SME support policies/ developing access to finance and technology, enhancing the relations of government with business environment and B2B services.

Belarus has focused on differentiated sectoral responses and has adopted limited measures: identifying the most affected sectors and to reduce tax rates, providing support through wage subsidies, credit guarantees, etc.

Georgian authorities have focused on the tourism sector and has adopted special measures for tourism: full exemption of property taxes, delay of income tax for 9 months, 80% loan subsidies for six months, and support packages under the “Produce in Georgia” programme. Also, the authorities conceived an action plan to ensure a fast recovery: to facilitate the participation of tourism service providers in international fairs, to develop tourism products and services that could be needed after the crisis (medical services/wellness, wine and eco-tourism), promoting high safety standards to prevent tourists from bringing the pandemic to Georgia, arrangements are being planned for green corridors with partners from areas with low numbers of infections.

Moldova authorities has focused on support measures to SMEs and sole entrepreneurs: tax measures, introduction of payroll subsidies, the Interest Grant Subsidy Programme, e-commerce programme, virtual academy for entrepreneurs, and a SME digitalisation programme etc. As fast recovery measures adopted by the authorities are: e-commerce programme, an EU financing programme about the virtual academy for entrepreneurs, a programme for the SME digitalisation, a plan to launch an early warning mechanism based on EU practice.

Ukraine has focused on tax measures and liquidity support: unified tax contribution, temporary cancellation of fines for violation of tax regulation, temporary suspension of real estate tax, reducing the refinancing rate, the programme “Affordable loans at 5-7-9%” for SMEs, the digitalisation of government services etc. The fast recovery measure was the digitalisation of government services.

Table 2. EaP country policy response to the COVID 19 crisis

	ARM	AZR	BLR	GEO	MLD	UKR
Bank incentives						
Support measures for individual entrepreneurs						X
Reducing the refinancing rate						X
Interest rate subsidies/reduced interest rates on loans for SMEs/ credit guarantees	X		X		X	X
Targeted liquidity measures to help SMEs pay salaries	X	X	X		X	X
Tax exemption/relief/delay						
Changes in tax legislation	X	X	X	X	X	X
Increased budget spending on public health	X	X	X	X	X	X
Exemption from property tax		X		X		X
Exemption/ corporate income tax delay		X	X			
Deferrals of tax payments		X				
Reduction of VAT/zero VAT rate/refund VAT		X			X	
Unified tax contribution						X
Temporary cancellation of fines for violation of tax regulation					X	X
Temporary suspension of real estate tax/non-residential properties						X
Postponement of personal income tax declaration					X	X
Reduce tax rates			X			
Different social measures			X			
Tourism policy measures						
Post-crisis tax system for the tourism sector	X					
full exemption of property taxes				X		
delay of income tax for 9 months				X		
80% loan subsidies for six months				X		
Support packages under the “Produce in” programme				X		
Credit guarantee scheme to help overcome liquidity shortages				X		

Source: Own elaboration after OECD Eurasia Competitiveness Programme (ECP) (2020)

In the frame of the partnership and cooperation relations between the European Union and the EaP countries, special attention has been paid to the support measures established to counteract the negative effects of the pandemic crisis (see Table 3).

Table 3. Summary of the EU support to the Eastern Partnership countries during the COVID19 crisis

	ARM	AZR	BLR	GEO	MLD	UKR
COVID 19 response package (mill. EUR)	96	31,6	17,4	183	128	190
Support to the health sector and emergency needs	x	x	x	x	x	x
Support to the civil society (children, elderly people, isolated communities)	x	x	x	x	x	x
Support to SMEs and to small farms - Eu4business (grants, loans, business advice, digital transformation)	x	x		x	x	x
Support to fiscal resilience - economic resilience, built resilience of health sector, anti-crisis economic plans	x			x		
Support to socio-economic resilience		x			x	x
Support to the environment and green transition				x		
Support to macro-financial stability				x		

Source: Own elaboration after European Union. Eastern Partnership (2021)

Based on the cooperation relations established with the EaP countries, the European Union provided emergency financial support to the 6 countries. Regarding the issues covered by the support, it can be seen that all countries have received support for the urgent needs of the health system and for vulnerable social groups (children, the elderly, isolated communities). Support is also provided to SMEs and small farmers from all countries (except Belarus for which no information was found) through grants, loans, advice. In the case of Armenia and Georgia, fiscal resilience is strengthened, and in the case of Georgia, the support is provided for macroeconomic stability and for the environment and the green transition. In 2020 was organized a webinar, under the auspices of the OECD and the European Commission, which aimed to identify the most appropriate measures to respond to the COVID 19 crisis and the medium and long-term priorities for recovering from the crisis. The following opinions were formulated by the participants (OECD, 2020):

- among the preferred policy instruments to help SMEs indicated by respondents are: tax and social security payment deferrals (48%), followed by wage subsidies grants and loan guarantees (46%), the direct lending being the least appreciated measure (19%);
- among the biggest challenges for providing support to SMEs during the crisis were highlighted: large informal SME sector (33%), the limited capacity of the public administration (31%), lack of digital infrastructure (24%) and limited access to information (13%);

- regarding to the most appropriate means to improve the resilience and competitiveness of SMEs, the following were highlighted: digitalization and e-commerce (46%), connectivity and regional value chains (22%), green economy (16%) and innovation (15%).

The industries highlighted as needing long term support (Eurochambres EU4Business: Connecting Companies, 2021), after the end of the pandemic crisis were: tourism and hospitality, hotels, restaurants and catering, textiles (Armenia, Georgia), creative industries (Moldova, Ukraine), transport and logistics (Azerbaijan, Moldova), events and entertainment (Azerbaijan). In the case of Ukraine, the intention to focus on horizontal measures (rather than on certain industries) was highlighted: access to public procurement for SMEs, promotion of exports for SMEs, access to markets, access to finance. The Republic of Moldova is focusing its efforts on the digitization of SMEs and sustainable growth, taking into account that digital transformation is one of the EU's five long-term policy goals for the Eastern Partnership. Special attention should be paid to the fight against corruption (anti-corruption measures, investigation of corruption cases and sanctioning acts of corruption), as corrupt people can look for opportunities to gain personal benefits, especially in times of crisis.

The health crisis that began in 2019 is proving to be one of the worst in the last century and has shown the vulnerability and inability of the economic sectors and authorities to provide an adequate response to neutralize its negative effects. Tourism industry, more than the other economic sectors, were more severely affected by the measures that have restricted the free movement of people and the activity of the companies in the hospitality industry. In these circumstances, in addition to the measures taken since the beginning of the crisis by the authorities of the Eastern Partnership countries, some of them with EU support, for the future is needed a proactive attitude, by developing plans, strategies, measures and procedures, to improve both the ability to anticipate the occurrence of crisis situations, as well as the ability to act.

To this end, it is needed to adopt multi-stakeholder approaches, by creating collaborative networks of entities (economic, political, social, research), which share knowledge, experiences and good practices, in order to adopt preventive measures and to improve the resilience of tourism industry in crisis situations. Thus, it can prove useful to set up communication platforms and databases that incorporate the knowledge and expertise of tourist destinations that have faced crisis situations and to share the good practices adopted to neutralize their effects.

Conclusions

Given the frequent political crises that confronted the EaP countries is needed to mitigate the security and territorial integrity risks, by close collaboration and cooperation in the context of ENP initiative. In addition to the global crises that have affected tourism on a global scale, a source of vulnerability for the Eastern Partnership countries is the political turmoil (territorial disputes, undemocratic regimes, corruption, etc.). Thus, in order to strengthen the economic resilience the EaP countries, it is necessary to provide more effective support for the elimination of territorial disputes, the strengthening of the sovereignty and territorial integrity of all countries in the region.

Various actions are needed to improve the resilience of tourism to crisis situations: studying crises and generating adequate knowledge on prevention and establishing appropriate procedures to neutralize their effects; effectively cope with the effects of crises through cooperation and collaboration actions between all stakeholders; improving the capacity of public authorities to adopt appropriate policies to support the business environment in order to overcome crisis situations; improving the knowledge and capacity of companies on crisis management.

The measures taken by the Eastern Partnership countries to mitigate the effects of the pandemic crisis had, in most of the cases, a general nature, targeting all sectors of the economy, such as fiscal facilities and banking incentives. In the case of Georgia and Armenia, due to the increased economic and social importance of tourism, special measures have been envisaged to increase the resilience of tourism and post-crisis recovery plans have been established.

Among the measures that can be taken to reduce the vulnerability of tourism to crisis situations and to strengthen the resilience of the sector are:

- to increase the capacity of human resources to realize and better understand the risks of crises, in order to change attitudes and behaviours regarding the security of tourist destinations in crisis conditions;
- to eliminate the negative influence of bureaucracy on business and improving the capacity of public administration to act in crisis situations;
- to enhance the communication efforts and to regain the trust of tourists in the safety and security of the tourist destination;
- diversifying the tourism services portfolio through innovation, in order to minimize the effects of crises and to attract new segments of visitors (proposing post-crisis tourist services);

- to improve the connectivity between countries and regions, in order to develop cross-border value chains and to develop joint tourism development projects by capitalizing on the complementary character of neighbouring countries' tourism offers;
- digitalizing of tourism businesses and modernizing the way they are managed, enhancing their capacity to prevent and to react in crisis situations; to provide the access to databases with useful information on preventive measures that can be taken and related to the business behaviours in crisis situations.

Based on the experience gained from various crisis situations, a proactive approach to crisis management must be adopted, by developing management plans that capitalize the expertise of all stakeholders in the tourism industry. To reduce the negative impact of the crisis on the tourism industry, collaborative management systems can be developed, supported by stakeholder networks that can provide useful knowledge on the measures that can be taken to strengthen the resilience of tourism.

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Board characteristics and board committees in the Greek corporate governance framework

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Abstract

The paper investigates board characteristics and committees' structure in the Athens Stock Exchange (ATHEX) using unique data culled from the database of the Hellenic Observatory of Corporate Governance. The current corporate governance framework applying in Greece is also analysed while comparisons with the international experience are offered. In Greece, while the Law calls for the need to have a Committee comprising of non-executive Board of Directors (BoD) members, it permits the participation of non-BoD members that collectively fulfill the independence criteria as laid out by Law 4706. L.4449 introduced the current Audit Committee composition and operation framework and the accompanying tighter monitoring role on the part of the Hellenic Capital Market Commission (HCMC) and the Hellenic Accounting and Auditing Oversight Board (HAASOB), has undoubtedly overhauled all the audit framework. The average number of committees per listed firm in the Greek stock exchange almost reached the two-committee threshold only in 2018. Average board size is 7.85 members slightly smaller than the average size for major markets around the globe. This shows the potential for an increase in Board size given also recent regulatory changes necessitating the gender representation of at least 25% in the Board of public firms.

Keywords: board size, audit committee, corporate governance, Greek corporate governance code

Introduction

The Greek capital market during the last ten years underwent significant changes that paved the way to a new era that is fast approaching. The significant decrease in the total number of listed firms

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(203 in 2016 over 280 in 2009) was coupled by the introduction of new legislation that has significantly changed the corporate governance (CG) framework (Grant Thornton, 2018). Legislation passed in 2010 has introduced the practice of adopting a CG code and issuing a CG report by each listed firm. The new legislation aims at adopting EU directives and the need to keep pace international evolvments. Corporate governance has been rapidly changing worldwide and the Greek legislative framework has attempted to incorporate those changes with a further aim to follow the changes in developed capital markets. The establishment of the Hellenic Council of Corporate Governance acts as a consulting Body to the Hellenic Securities and Exchange Committee on corporate governance issues.

Historically Sarbanes-Oxley has given prominence to the Board of Directors (BoD) as a basic tool towards resolving the agency problem. Regulatory authorities have ever since viewed the BoD as a major monitoring mechanism (Hillier *et al.*, 2011). L.3016 in Greece placed the foundations for today's influential role of the average Board. The BoD closely monitors the decisions of the managers and ascertains that decision-making within the company follows agreed schemes and formal documentation (Vafeas, 1999). BoDs that are more independent are believed to have greater monitoring power. In order to achieve independence a prerequisite remains the number of non-executive members in the BoD (Shivadasani and Zenner, 2004). The existence of independent non-executive members in the BoD guarantees more efficient monitoring of the management team's actions (Lei and Deng, 2014). The greater the number of independent members in the BoD the greater the autonomy and compliance with decisions that are not harmful to shareholders (CFA, 2016).

The size of the board is recognized as one of the most important elements of any board (Shleifer and Vishny, 1997). Theory derived from academic and business research, suggests that increasing the number of directors comes both with costs and benefits (Florou and Galariotis, 2007). On the one hand, boards' capacity for monitoring and advising increases with board size, simply because there are more people to draw on. A larger group also pools more information and allows for greater diversity of backgrounds and viewpoints. As board size increases, "expertise" and "critical resources" of a firm and in turn company performance can be enhanced. More specifically, larger boards provide a larger number of interlocks, which are linked with increased effectiveness in the mitigation of organisational problems (Alzahrani and Lasfer, 2012). It is worth mentioning, that larger boards can provide increased access to critical knowledge for the firm resources. Furthermore, larger boards utilizing their capability to delegate duties, are able to replace directors more easily than smaller boards (Gutierrez and Surroca, 2014).

Board Committees are considered to perform many of the board's most critical functions (Kolev *et al.*, 2019). The existence of Committees, namely the Audit, Remuneration and Nomination, is positively related with conditions enabling efficient control (OECD, 2019). Their widespread operation has also empirically proven to benefit the decision making process (Anderson and Reeb, 2004).

The participation of executive members in these committees hampers their monitoring role. The active involvement of the CEO in their formation will result in few outsiders being chosen for these positions. Many of those appointed under such schemes may have controversial vested interests in the firm (Rahman *et al.*, 2020). For this reason, sound corporate governance practices call for the need exclusively non-executive, and primarily independent members, to form these committees.

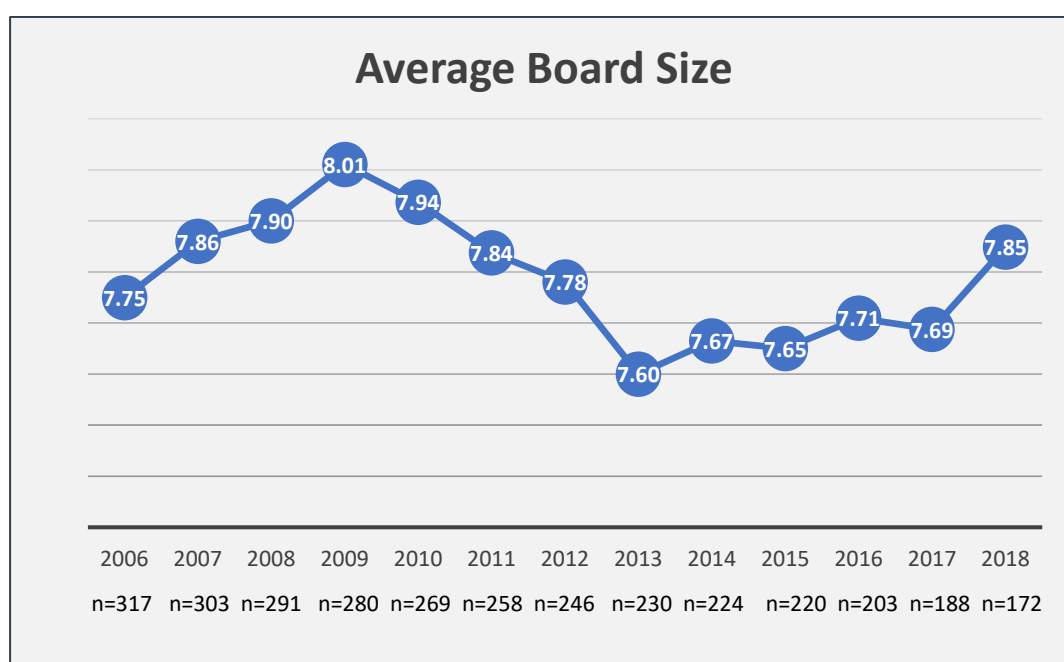
The prevalent Board committee is the Audit Committee (AC). Following the evolution of corporate governance, it became apparent that there is an imminent need to develop internal mechanisms that would ensure high quality in the produced financial information and protection of companies' assets. The AC is the committee that oversees internal and external audit quality. Its existence is believed to enhance board oversight, improve auditors' performance, reduce the asymmetry of information between managers and different stakeholders, thus mitigating the agency problem, and improve companies' disclosures like CSR (Dwekat *et al.*, 2020). The introduction of organized internal audit departments under the supervision of the AC were the primary mechanisms towards achieving these goals.

This paper attempts to offer analysis of Greek corporate governance characteristics over the last 10 years using data from the Hellenic Observatory of Corporate Governance (HOCG). The data have been drawn from all the listed companies in the Athens Stock Exchange (ATHEX) as the applied at the end of 2018. The results are significant since they show clearly how the most important organisational population of the Greek economy adopts principles and practices related to CG. The emphasis is shed on the Board structure and data concerning the Committees operating in the Greek context but further information is also offered, thus providing a good basis to anyone seeking for opportunities for scholarly research or professional usage of the depicted data. The remainder of the paper is organised as follows. Section 2 provides data on the Board structure, including size, independent and executive directorships and male/female members. Section 3 introduces some secondary data on Board Committees while Section 4 offers some relevant discussion. Section 5 summarises the main findings.

1. The board of directors in the Greek framework today

The average number of Board members for ATHEX firms for 2006 and 2018 are analytically shown in Figure 1, depicting the variation of board size across the firms listed in ATHEX. Until 2009, the average board size had been increasing steadily, reaching an average of 8 directors (8.01). Before then average Board size was 7.75, 7.86 and 7.90 in 2006, 2007 and 2008 respectively, evidence that verifies this consistent average size increase. The next four years, the number of listed companies, and the average board size, decreased (7.60 average board size, 230 listed companies in 2013). From 2014 to 2016, the average board size fluctuated ending at 7.71 members in 2016, while the number of listed companies continued to decrease with only 203 listed companies in Athens Stock Exchange as of December 2016. Board size picked up again in 2018 with an average of 7.85 members for a sample of 172 public firms.

Figure 1. Average Board Size 2009-2016



Source: Own representation

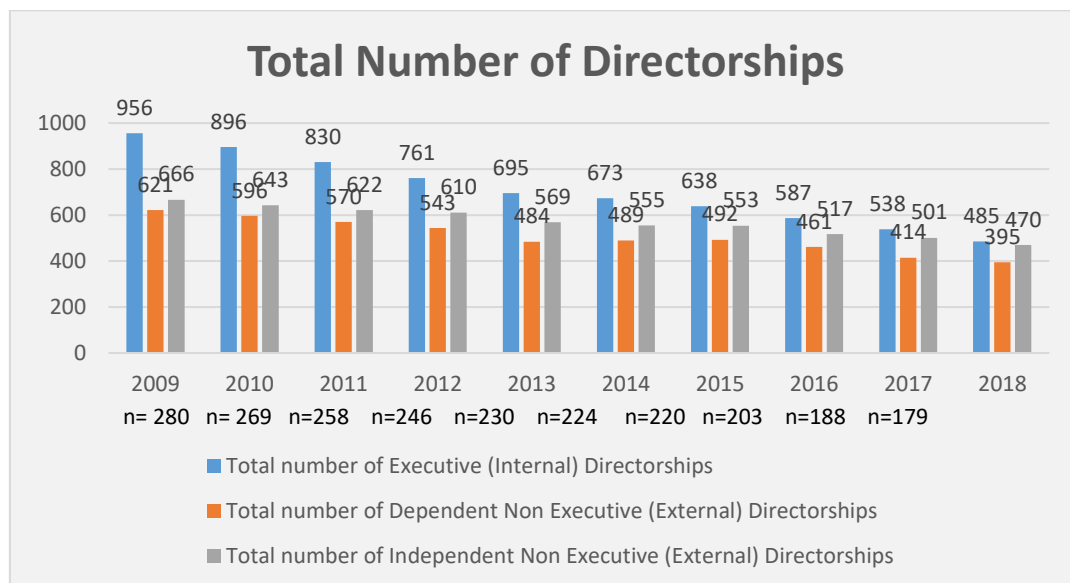
Directorships refer to the total number of seats existing in Boards, while the total number of directors is slightly smaller since in some cases, directors serve in more than one Board. As seen in Figure 2, in total, 2,243 board seats (or directorships) existed in the boards of the listed companies in Greece in 2009. This was significantly reduced by 2016 as the total number of directorships dropped to 1,565 (-30.2%). This trend followed the previously discussed continuous decrease in the number

of listed firms. In 2017 and 2018 following the gradual reduction in the number of listed firms directorship reduced further (1,350 in 2018).

A closer examination of the data regarding the nature of non-executive board members revealed that the seats these members held are separated into non-executive dependent and independent ones representing a relative idiosyncrasy of the Greek market. In most developed markets non-executive members are also independent.

In 2009, 956 seats were classified as internal directorships, whereas non-executive directorships were 1,287. The absolute number of independent non-executive directorships in 2016 was 517 representing an increase over 2009 (666 independent) as a percentage of the total number of directorships. More specifically, independent non-executive directorships were 33% in 2016, while they were 29.6% in 2009. Dependent non-executive directorships were 621 in 2009 (27.7% of total seats), while in 2016 they were 461 (29.5%). Executive directorships accounted for 35.9% in 2018, while non-executive directorships were 64.07%. Therefore, almost 2 out of 3 directorships was non-executive at the end of the examination period.

Figure 2. Total number of directorships 2009-2018

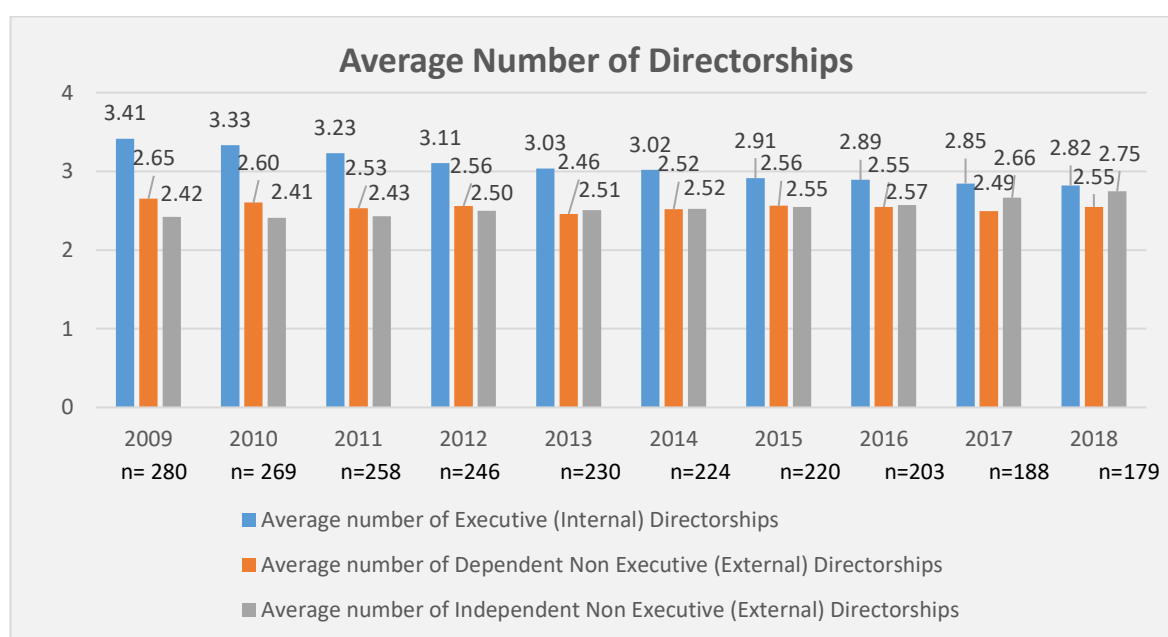


Source: Own representation

During the examined years the total number of executive directorships decreased at a larger pace over those of non-executive and independent non-executive members (Figure 3). The above finding is evident by the fact that average number of executive directorships was 3.4 in 2009 and was less than 3 (2.9) in 2016 and 2.8 in 2018. On the contrary, average non-executive directorships were 2.7 in 2009 and 2.5 in 2018. They exhibited minimal variation around these values and the long-run

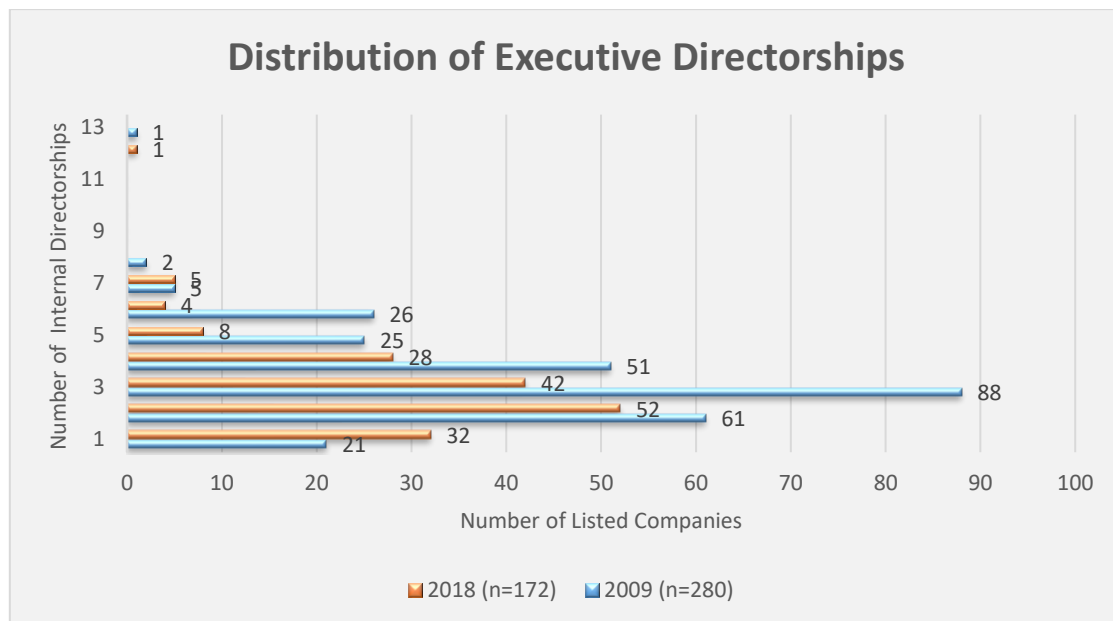
trend is clearly slightly downward. Interestingly, independent directorships increased through the years from 2.4 per company in 2009 to 2.6 in 2016 showing a very slow, but consistent, tendency towards increasing further. In 2018 2.8 members of the Board were independent signifying that the observed small increase of Board size over the recent years is mainly attributed to the increase of independent members following global trends.

Figure 3. Average number of directorships 2009-2018

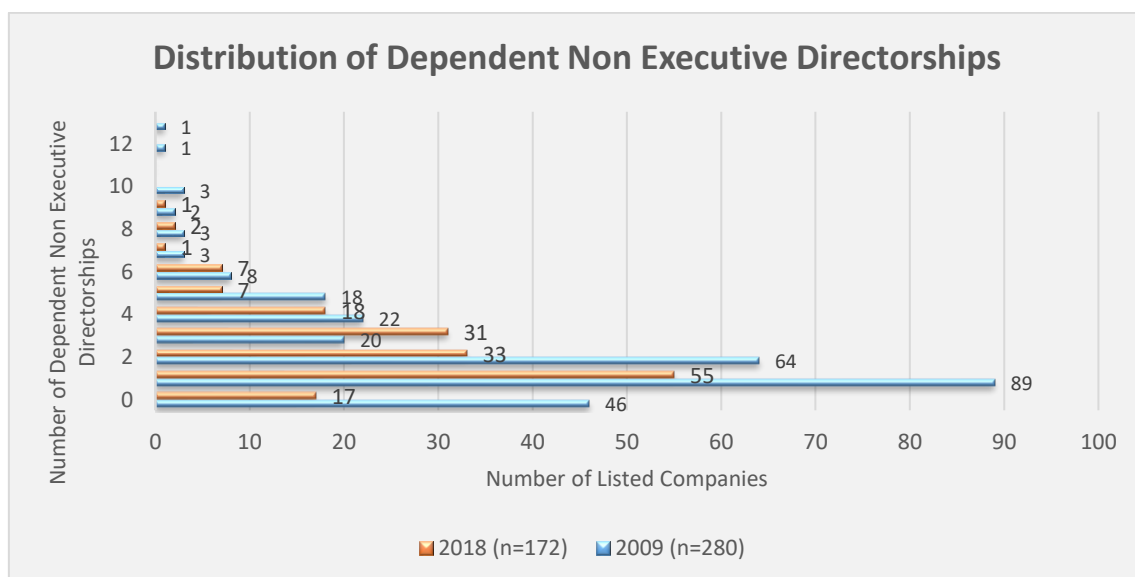


Source: Own representation

Figure 4 shows the distribution of executive directorships. As discussed earlier internal (executive) board seats are less compared to the external seats. While it is true that CG good practices promote the existence of a majority of non-executive members, it also holds that the existence of some executive directors is imperative for the smooth operation of a Board. The vast majority of firms in 2009 had 1-6 executive directors. More specifically 88 companies had 3 directors, while all in all 200 out of 280 firms had 2 to 4 internal directors in 2009 (69.4%). In 2018 the total number of firms holding 2 to 4 directors was slightly higher (70.9%), showing that the tendency is towards companies holding a smaller number of executive directors. Firms holding more than 4 internal directors shrunk from 21.1% in 2009 to just 10.5 in 2018 (12.8% in 2016) underlying further the previous finding and the gradual reduction of Boards being dominated by executive members.

Figure 4. Distribution of executive directorships in 2009 and 2018

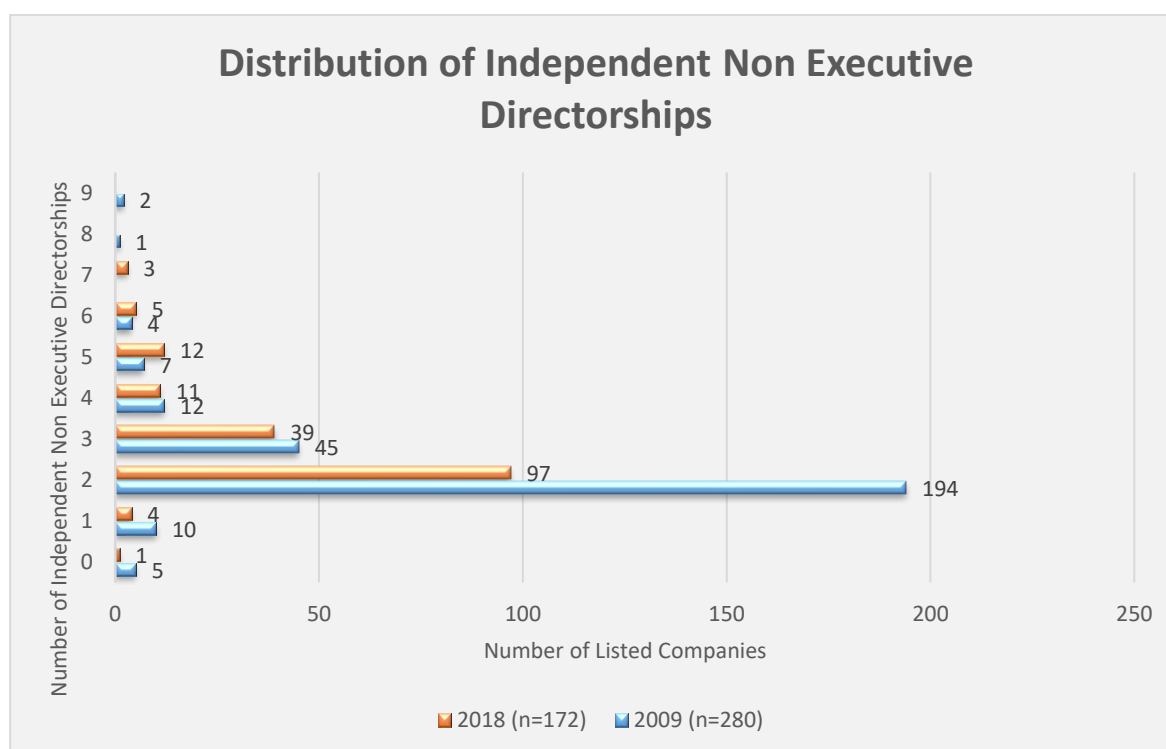
As mentioned earlier, non-executive (external) board seats outnumbered internal board seats throughout the aforementioned period. For the year 2009 we identified 1,287 non-executive board seats, which exceed the total number of internal directorships in 2009 by 331 seats. In 2018 with 865 non-executive board seats, the difference over executive directorships was even higher (380 seats). Figure 5 depicts the distribution of non-executive directors in 2009 and 2018 respectively where we can further examine the distribution of the 395 dependent non-executive directorships.

Figure 5. Distribution of non-executive directorships (both dependent and independent) in 2009 and 2018

The majority of firms had 1 to 3 dependent non-executive Board members in 2009 (61.8%) and the same applied in 2018, 69.2%). As highlighted earlier the small shift that took place during this time is towards a slightly greater representation of independent non-executive directors over dependent external directors.

Figure 6 presents the distribution of independent non-executive directorships in 2009 and 2018 respectively. As mentioned earlier the average number of independent directors slightly increased during the examined period. 194 out of 280 companies (69.3%) held at least 2 independent directorships in 2009, whereas in 2016, 127 out of 203 firms (62.6%) and in 2018, 61%. Therefore, 2 independent members, with few exceptions in the case of minority shareholders being represented at the Board, has been the minimum number of independent directors Greek firms were obliged to follow throughout the examination period given also the existing legislation. It appears that through time, in line with the small increase in average independent directorships, Greek firms have opted for an even larger number of independent directors. More specifically, 39% of firms in 2018 had more than two independent directors. This represents a significant increase over 2009 when the relevant figure was 25.3%. However, the majority of firms were strictly in line with the absolute minimum requirements a condition that is though, in line with international standards, gradually changing.

Figure 6. Distribution of independent non-executive directorships in 2009 and 2018



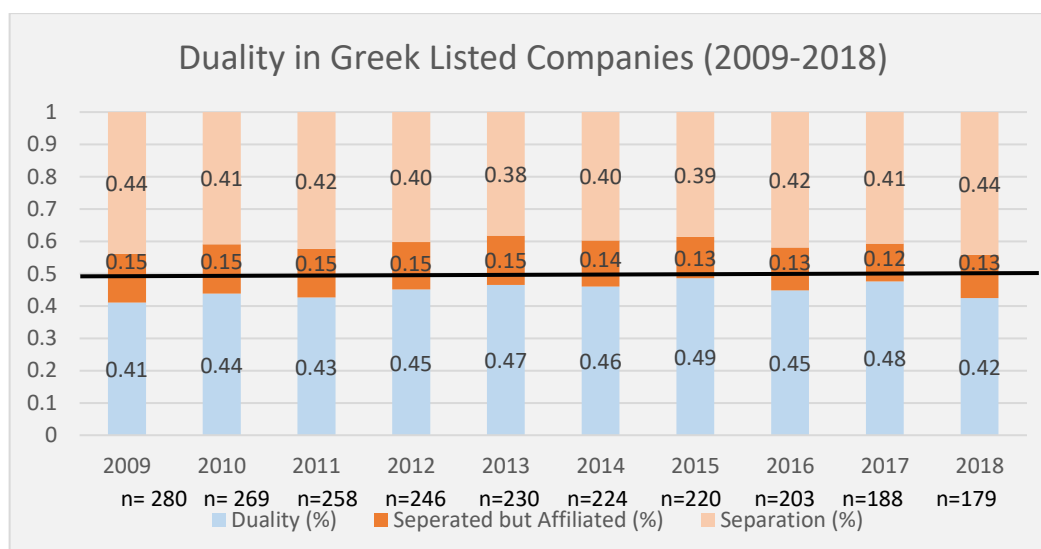
Source: Own representation

One of the prevalent good practices of CG is the separation of roles of the Chairperson of the Board and the CEO. While the good practices of the Greek CG code call for the separation of the two roles a large number of firms in Greece and abroad do not separate the two roles. Part of the examined firms separated the two roles, but appointed as the Chairperson of the Board a director affiliated with the CEO. Our criterion for affiliation in this study was the identical last name. This leads us to surmise that, although job separation existed, an indication of affiliated status was present. This criterion (namely the last name) is naturally neither absolute nor scientific. However, its employment offers further insight into Boards that partially fulfil suggested good CG practices.

123 companies or 43.9% of the sample, separated the leadership roles, having two individuals serving as Chairperson of the board and CEO respectively, in 2009. On the other hand, 115 companies (41.1%) had duality as they trusted these seats to one individual for that year. Respectively, 85 firms (41.9%) separated the leadership roles in 2016, while 91 firms (44.8%) had duality in their boards in the same year. Duality further decreased in 2018 (42%) and the full separation of the two roles further strengthened (44%). Notably, there was a critical 15% and 13% for 2009 and 2018 respectively, where the Chairperson is affiliated following the categorization provided earlier. Once again though figures are gradually moving further towards global good practices.

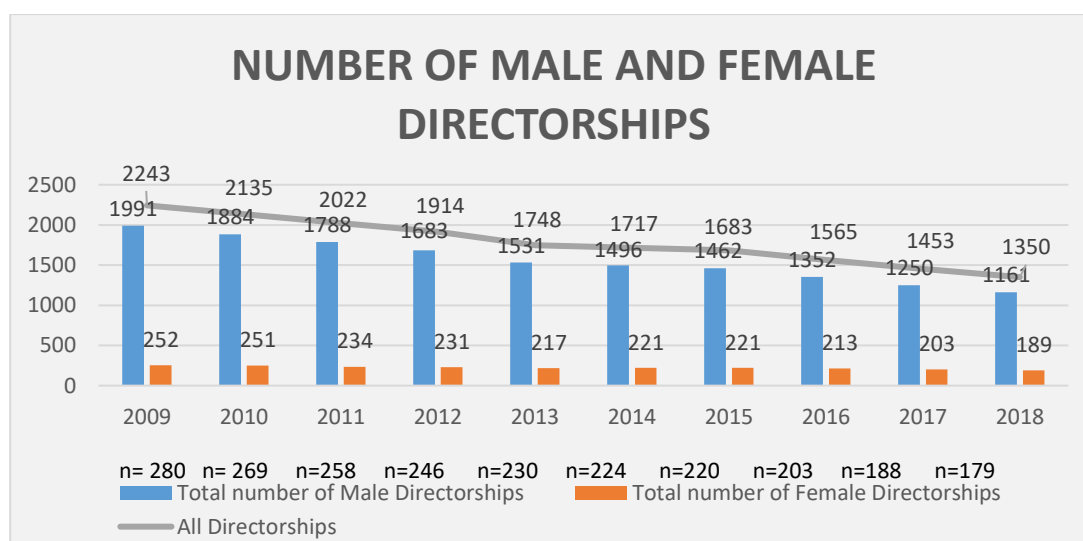
A closer examination allows us to infer that duality increased temporarily during the examination period approaching the 50% threshold of listed firms in 2013 and 2015 (46.5% and 48.6% respectively), but experienced a significant drop in 2016. The number of companies that separated the two roles during the examined period followed a steady downward trend in line with the decreasing number of listed firms. The highest percentage over the entire sample was observed in 2011 (109 out of 258 firms or 42.2%). As for the cases where the Chairperson is affiliated, with the exceptions of 2010 and 2013, when the percentage of affiliated Board Chairperson was observed above the 15% threshold (15.2%), the gradual long-term tendency is declining.

Lastly, when adding firms with duality and affiliated Chairperson over separated ones there appears to be, as previously documented in the case of the independent Board members, an extremely small, but gradual, trend towards more independent Boards. The corresponding figure was 58.9% in 2009, 58.1% in 2016 and 55% in 2018. These finding though is alarmingly weak considering that during the examined period the Greek CG Code was formed and the relevant directives towards the separation of roles in Greek firms were explicitly set out. The above information is reflected in Figure 7.

Figure 7. Board leadership and CEOs 2009-2018

Source: Own representation

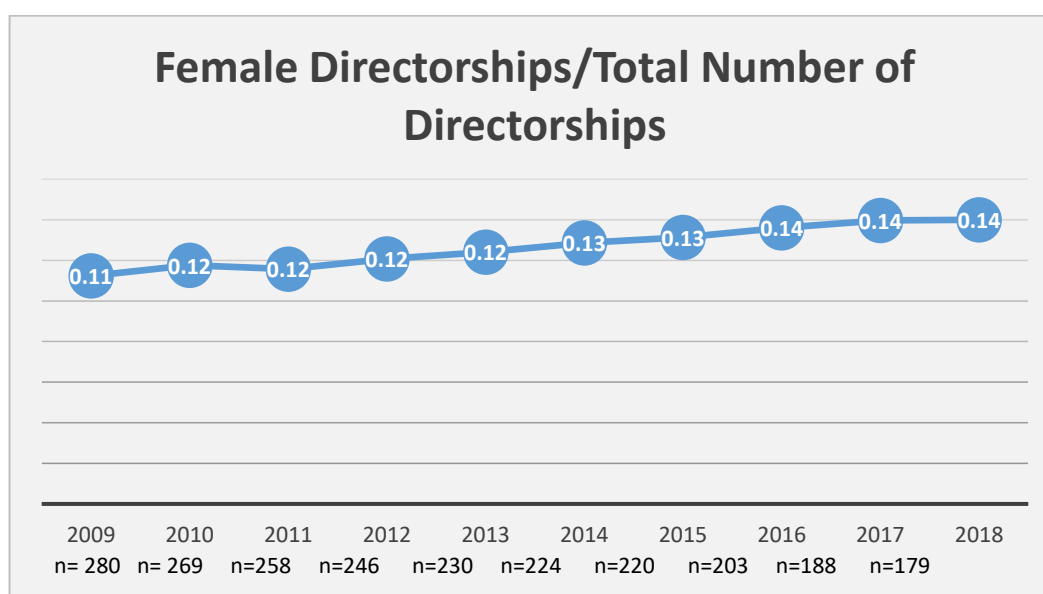
In 2009 there were 1,991 male and 214 female directors. Respectively, in 2016 we identified 1,352 male and 213 female directors, while in 2018 the corresponding figures were 1161 and 189. Male directors were 88.8% in 2009 while in 2016 they were 86.4% and 86% in 2018 demonstrating a small increase in female representation. Therefore, female directors representing 13.6% of total directorships in 2016 (14% in 2018) experienced a 22% percent increase during the examined 10-year period (Figure 8). The above analysis reveals that women have been consistently a small minority in the Boards of the firms listed in ATHEX.

Figure 8. Directorships' allocation by gender 2009-2018

Source: Own representation

However, as shown in Figure 9 women participation in Greek Boards has consistently increased over the examined period, ranging from 11 to 14%. This small, but gradual, increase is consistent with international standards. However, it is still lagging over developed markets' averages. The recent L.4706/2020 regulatory changes will undoubtedly change this finding in the years ahead of us. Public firms are currently moving towards a minimum of 25% participation of women in the Boards as in July 2021 the provisions of the new Law towards this end are being enforced.

Figure 9. Female representation in Boards 2009-2016



Source: Own representation

2. Recent evolvments in board committees

Committees operating next to the Board have evolved following Sabranes-Oxley. L.3683/2008 in Greece set the foundations of the functioning of the AC. In 2010, following L.3873/2010 and the introduction of the CG code and the CG Statement, the Hellenic Federation of Enterprises, through its first CG Code, suggested as a good practice for public firms the formation of the Remuneration and Nomination Committee. The Hellenic CG Code of the Hellenic Corporate Governance Council kept the same reasoning in its renewed Corporate Governance Code in 2013. Other committees have operated following good practices adopted by some Greek public firms but only recently L.4706 has made compulsory the operation of a Remuneration and Nomination committee.

According to Chen and Wu (2016) all US public firms operate an Audit Committee (AC) while 98.1% and 84.8% respectively have a Compensation and a Nominating/Governance Committee. The size of these committees is a further aspect that academic literature has investigated. The average size

for committees in Europe is 4.2 members for ACs while it is respectively 3.9 and 3.4 members for Nomination and Compensation Committees (Green and Homroy, 2018). It appears that smaller committees are less likely to be influenced by insiders (Singh *et al.*, 2018). On the contrary, larger committees are more prone to manipulation. McKinsey (2018) claims that independent committees more efficiently introduce sound management practices. The frequency of committee meetings also directly influences monitoring quality and facilitates the proactive action process. This, in turn, enhances their supervisory role.

Since 2008 when ACs were introduced in Greece all public interest entities, including public firms, operate an AC. Largely, firms appear to fulfill the minimum requirement by operating on average, simply, the AC. This as explained is set to change following L.4706/2020 since henceforth companies will be obliged to operate a Remuneration and Nomination Committee.

Firms according to Greek CG laws are obliged to disclose detailed and timely information on Board Committees. The law that governs the formation of the AC is L.4449/2017. Previous legislation (L.3693) called for the need to have exclusively non-executive BoD members as members in the AC. Nine years after the initial implementation of L.3693 regulatory authorities relaxed the membership of the committee clause whereby AC members should also be serving BoD members. Today AC members should either be non-executive members of the BoD or non-BoD members elected directly from the General Assembly, the latter members fulfilling the prescribed characteristics for independent BoD members. The majority of the committee members have to be independent.

L.4706 has updated the list of characteristics that render an individual as independent. The numbers of independent members in the Boards has continuously been on the rise; thus, allowing for the greater representation needed in the increasing number of Board Committees. The average number of independent directors in the ASE almost equals executive members. The AC should have at least three members and they should be appointed under the provision that they have adequate knowledge of the firm's operations and specialist audit knowledge. The latter should apply for at least one member of the Committee.

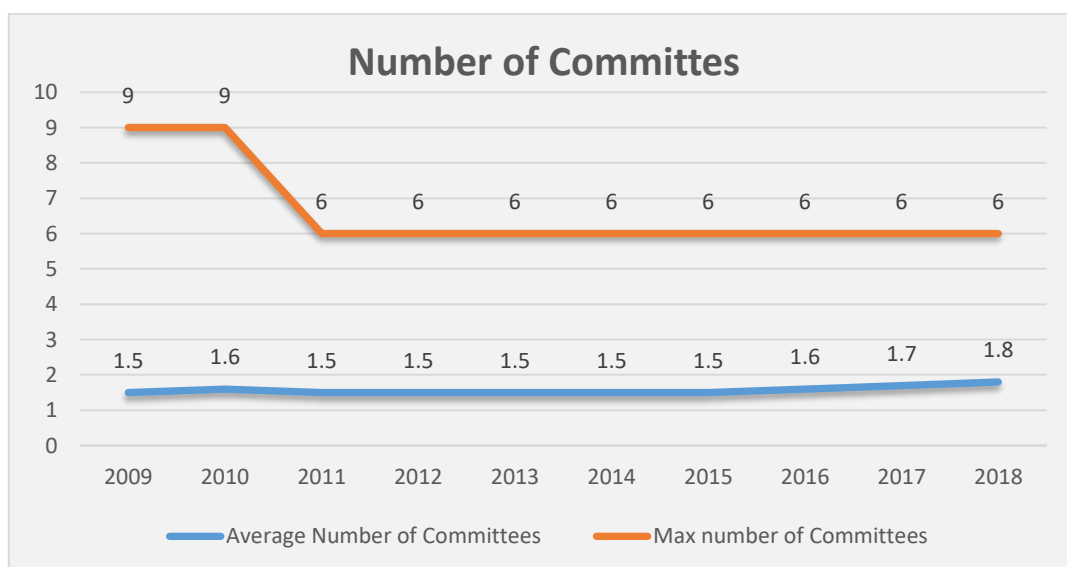
According to the HCGC the remuneration committee should be composed entirely by non-executive board members, the majority of whom should be independent. The remuneration committee is responsible for proposing to the board the remuneration of each individual executive board member, including bonuses, incentive payments and share options. Its responsibilities also include reviewing and making proposals to the board on the total annual package of variable compensation in the company, reviewing and making proposals to the board on the stock option and/or share award programmes, proposing targets for performance-related compensation amongst other remuneration

policies related issues. The Nomination Committee in turn focuses on issues relating to the nomination of independent Board members and the selection and retention of executives for key management positions.

Most firms are still reluctant towards disclosing detailed information on the internal audit practices through the CG Report or/and the CG Code. The same largely applies for the particular mechanism of communication underpinning the AC-Internal Audit department collaboration. It is reported that on average ACs assemble four times a year, presumably during the period coinciding with the 3-month interim financial results release. No further information is usually offered towards these meetings and the corrective action taken. In this respect it is often not clear to what extent the existing communication channels ensure that internal audit procedures commensurate with internationally accepted standards actually exist. The same largely applies for the involvement of the AC in the selection of external auditors and regulatory compliance.

Based on Figure 10 the average number of committees per listed firm in the Greek stock exchange gradually approaches the two-committee threshold. The average number of committees per firm has been surprisingly steady through the years with 1.5 on average in 2009 and 1.6 and 1.8 committees in 2016 and 2018 respectively. During the period 2011-2015 mean figure was 1.5 committees. Largely, firms appear to fulfil the minimum requirement by operating on average, simply, the Audit Committee. The maximum number of committees is found in 2009 and 2010 with individual firms operating 9 committees (Hellenic Post Bank). Maximum number of committees has been 6 during 2011-2018.

Figure 10. Number of Committees 2009-2018



Source: Own representation

3. Discussion

The above results underline the gradual adoption of CG good practices by Greek public firms with an emphasis on issues around the Board operation and the existence of Committees and most importantly the AC. This move towards stronger compliance and alignment with international practices has been notable but gradual and only recently has the Greek framework rendered necessary the adoption of practices that so far have only been suggested as ideal practices for public firms (e.g. separation of CEO-Chairperson role, existing of other Committees, gender minimum representation in Boards etc.).

Other practices though have correctly not been adopted yet by Greek legislation. Having reviewed though the main CG codes (see FRC 2020, Australian CG Code, German Code, Japanese Corporate Governance Code and US Common sense Principles of CG), we can conclude that rightly the regulators do not impose strict regulations on the number of directors that any organization is choosing to have on its board. The main guideline is that “The board and its committees should have a combination of skills, experience and knowledge”. Other important issues that must be taken into consideration are length of service and all aspects of diversity. As already mentioned the recent L.4706 aims at covering the gaps in the Greek legislation and keep apace international trends and good practices has been passed through Greek parliament covering all aspects of CG for the companies listed in the Athens Stock Exchange.

Nevertheless, our research on a number of issues pertaining to the function of Boards alongside guidelines for the separation of the leadership structure (Chairperson/CEO), the number of independent directors, the number of committees formed as well as issues relating to board diversity allow us to conclude that a required minimum should be reconsidered and prescribed and as such as stricter guidelines might be formed.

The AC has evolved through time as the predominant Committee within firms that comply with CG under mandatory laws and directives. In Greece, while the Law calls for the need to have a Committee comprising of non-executive BoD members, it permits the participation of non-BoD members that collectively fulfill the independence criteria as laid out by Law 4706. The Greek legislative framework has kept apace international evolvments and complies with good practices that govern the operation of the AC.

L.4449 introduced the current Audit Committee composition and operation framework and the accompanying tighter monitoring role on the part of the Hellenic Capital Market Commission

(HCMC) and the Hellenic Accounting and Auditing Oversight Board (HAASOB), has undoubtedly overhauled all the audit framework.

However, recent major accounting scandals and current cases of public firms under investigation for repeatedly misstating their official financial results, pose open questions towards whether the existing framework manages to successfully raise investors' concerns in a fragmented capital market. Regulatory authorities (namely HCMC and HAASOB) should further enforce their supervisory role towards ensuring the sound operation of ACs and the ensuing protection of firm and public interest.

Conclusions

This paper investigated Board and Committee characteristics for the full set of Greek public firms over the period 2009-2018 using unique data and variables monitored and kept on the HOCG database. When examining the average Board size, it appears that after a steady decrease in average size initiated in 2009, when peak levels were reached (8.01 directors), average size appears to gradually stabilize at 7.8 directors. Directorships during this period tend to lean towards a more independent Board in line with international trends and good practices, as in 2018 we find only 2.8 internal directorships and 5.3 external ones (2.5 dependent non-executive directorships and 2.8 independent ones).

According to HOCG's most recent data the vast majority of firms have 2-4 executive directors in their Boards while more than 70% of Boards had up to 5 external directors and the total number of external directors outnumbered executive ones by 3 to 2. 90% of Greek Boards also have at least one dependent non-executive member in line with the notion that, in the Greek setting, the concept of non-executive directors is still not synonymous with independent ones.

The separation of the roles of the Board Chairperson and the CEO is one constantly revisited issue in the CG codes and the legislation. Despite the fact that good practices call for the separation of the roles, or at least the appointment of an independent Vice Chairman, it appears that only in 4 out of 10 firms the roles are clearly separated since, beyond the 42% of firms where the roles are filled by the same individual, in a further critical 13% of firms the CEO is affiliated with the Chairman. The Greek legislation has recently adopted the obligatory separation of the roles with the exception of firms that have an independent Vice Chairperson. Conclusively, the board leadership structure is still another dimension in which the ATHEX listed companies are, even slightly, continuously scoring better than the last time examined through our reports.

Women continue to be a minority in Greek Boards. With a mere 14% of Greek Boards represented by women, gender under-representation has therefore been one of the main focuses of the recent Greek regulatory changes. Under the arrangements, applying from July 2021, Greek public firms will by Law have a minimum 25% representation of women in their Boards. Therefore, following the regulatory adjustments their representation is expected to at least almost double in the years to come.

Lastly, ATHEX firms lag over their international peers towards the adoption of Committees beyond the Audit Committee. Greek firms operated 1.8 committees on average in 2018. This is set to change once again given the recent regulatory changes that necessitate the existence of a Remuneration and Nomination Committee for all public firms. However, once again the increasing number of committees operated by ATHEX firms is a sign that CG principles assume their fair share on Greek corporate agendas, and we expect this effort to be intensified in the coming years.

Conclusively, CG in Greece during the last decade has faced some critical regulatory changes that have paved the way for a brighter future. The implementation of the CG code, the inclusion of the CG report as an integral part of the annual financial statements, and, more recently, amendments to the CG system concerning the Board structure and committees all reflect significant turning points in the compliance of CG. Greek legislator framework has therefore successfully managed to bridge to a significant extent the gap between the Greek and the developed capital markets framework. However, the quest for stronger governance mechanisms in the Greek capital market is an ongoing endeavour. There is still a need to continuously follow international trends and keep apace commonly used practices with a long-term aim to attract funding and offer further developed opportunities to the struggling capital market. This in turn will fuel growth and increase in the future the number of listed firms. The role of the Hellenic Council of Corporate Governance in collaboration with the legislative authorities should be crucial in the years to come in the quest to rapidly adjust to international good practices of corporate governance. Ongoing research should track the adoption of these practices by listed firms and provide comparisons with the international experience.

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Accepting the challenges of agricultural entrepreneurship and management development research: a viewpoint

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Abstract

The purpose of this paper is to put forward some ideas on what factors significantly affect entrepreneurship in the agricultural sector, in order to help strengthen them as well as outline practical strategies that can be used by future researchers. The paper is a viewpoint contribution based on the author's research on “entrepreneurship” and “entrepreneurship education” engagement with the development of management in the agricultural field. The research carried out in Western Greece among farmers entrepreneurs. A number of ideas are outlined under the following headings: creating mutually interesting content; demonstrating practical implications; motivating academics. The viewpoint summarizes the key challenges of agricultural entrepreneurship stakeholders and will be of interest to policy makers for the creation of well-targeted development programs.

Keywords: agricultural entrepreneurship, entrepreneurship education, agricultural development, management development, Greece

Introduction

This viewpoint paper on challenges in agricultural entrepreneurship research opens a new viewpoint series in the field of knowledge about agricultural management development. So, examines issues related to entrepreneurship in agriculture and offers a conceptual approach, explanation, and critical analysis of the concept. Studies of entrepreneurship confront the researcher with the difficult problem of identifying the essential properties in this multi-layered, dynamic process. The research literature strongly supports the positive relationship between financial robustness and entrepreneurial activity (Kan *et al.*, 2018) as well as the ascertainment that high levels of general education and entrepreneurship education lead to intensification of entrepreneurship (European Commission, 2006a). According to Kasseeah, (2016), entrepreneurship is increasingly seen as a development-promoting tool and it is recognized that countries, which facilitate entrepreneurship, tend to have

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higher economic development. Calls for more attention to this area of research in relation to managerial development are common (Maurer *et al.*, 2021; Zaccaro *et al.* 2000). But entrepreneurship is not just about the above. It is a factor of personal development and can enhance social cohesion, as entrepreneurial opportunities can be given to everyone regardless of their social background or the region in which they are located (Onalan and Magda, 2020).

The recent Global Entrepreneurship Monitor (GEM) report 2019/2020 summarizes the results of over 150,000 individual interviews conducted over 50 economies, enquiring about attitudes towards entrepreneurship, the motivations of those starting businesses and the level of entrepreneurial activity in each economy, as well as the relationship between these and a host of demographic and other variables (Bosma *et al.*, 2020). While the GEM report examines entrepreneurship as a global concept, the focus here is mainly on agricultural management development and entrepreneurship in Greece as a member of the European Union.

Although the elements of entrepreneurship seem to be relatively universal, regardless of context, one of the classic questions posed in the international literature is whether agricultural entrepreneurship is different from entrepreneurship in other sectors of an economy (Lans, *et al.*, 2013). Entrepreneurship has always been an integral aspect of the agricultural sector, a fact obscured by the presence of complex mechanisms of market regulation and by the perspective that agriculture is a special case that must be analyzed separately from other forms of economic activity (Alsos *et al.*, 2011). The study of agricultural entrepreneurship should consider the following characteristics: a) the agricultural sector, where historically agricultural work is not an entrepreneurial behaviour, b) the immediate environment of the farm, which is integrated into the countryside, c) the escalation of the risk intensity and the state intervention, and d) the family character of the agricultural enterprise.

According to Deakins *et al.*, (2016) there are different types of agricultural entrepreneurship, and they are involved in different ways in their agricultural environment. Agricultural entrepreneurship is based on the innate (natural, cultural, historical, human, social and/or financial) resources of a place where the venture needs to support its development. In Europe, as in Greece, agriculture is generally a family activity where management and control are inseparable (Pindado and Sanchez, 2017). Over the past two decades, however, the environment in which agricultural enterprises operate has greatly increased its complexity. A variety of pressing problems, including growing market globalization, changes in consumer habits and high rates of change in areas such as technology, biotechnology, and industry, have transformed the context in which the social and economic exchanges take place.

Under such globally and locally competitive circumstances, this viewpoint seeks to victual more information on the policies of strengthening entrepreneurship and to highlight the contribution of the development of entrepreneurial spirit to the general economic development of the countryside. The value seems to lie in the way in which farmers can help overcome some of the most recent changes in employment structures to achieve the goals for sustainable and smart inclusive development. This is an issue that is particularly topical and relevant given the new Common Agricultural Policy (CAP)² after 2020 (CAP 2021-2027) which will have a more comprehensive and coherent approach and will focus on, inter alia: a) maximizing the CAP 's contribution to environmental protection and tackling climate change (“green architecture”) through the establishment of ambitious environmental and climate targets by the Member States (MS); b) the establishment of a new relationship with MS; strengthening the principle of subsidiarity and design flexibility, with a simultaneous transition from a compliance-based system to a more targeted “achievement-oriented” system (by setting and achieving relevant objectives and milestones by MS) and c) promoting innovation, knowledge and new technologies (digitization) (NIEIR, 2019).

In this light, entrepreneurship has become even more important, and is a field of great emphasis at the level of academic study and central policy planning by national governments and supranational organizations such as the European Union.

The main assumption underpinning this research is that entrepreneurship influences and is influenced by the personality of the entrepreneur. In other words, entrepreneurship is in a reciprocal relationship with the individual. Therefore, the main purpose and necessity of this study is the importance of the issue of promoting entrepreneurship through the study of the impact of entrepreneurial intentions, entrepreneurship education and farmers' perception of entrepreneurial success. These constructs are believed to be vital to understanding why some entrepreneurs are more entrepreneurial than others.

Combining all of these complementary constructs is the first challenge of agricultural entrepreneurship research and leads to various sub-challenges such as the adoption of the cooperative and digital model of entrepreneurship. The paper offers a personal viewpoint of the state of entrepreneurship in the agricultural sector and discusses a range of implications for future research.

This paper is a result of the data collection experience during my doctorate. The topic of my research was “Entrepreneurship and Agricultural Development”. The need of the writing this paper is three-fold. First, provide results from one of the very few large-scale studies on personality traits

² It is the agricultural policy of the European Union and was launched in 1962. It implements a system of agricultural subsidies and other programmes.

in agricultural entrepreneurship, and to deliver insights on how to apply them in business practice. Second, based on the experiences gathered in my research on agricultural entrepreneurship over the last three years, to raise a number of implications and questions about the current and future state of the research and practice process. Third, stimulate future debate and discussion among practitioners, researchers, and policymakers.

The paper proceeds as follows. The reflection starts with a brief introduction of the context of this viewpoint. This is followed by the overall contribution and implications of the research. Finally, the paper concludes with the formulation of directions for future research and explains the practical strategies and my reflections.

1. Context

This paper is based on previously five works by the author, which emerged from extensive empirical research in the field of agricultural entrepreneurship. These papers present theoretical and empirical research about the challenges affecting aspects of agricultural entrepreneurship research using both quantitative and qualitative data. Primary data were collected using a structured questionnaire and the random sampling method.

1.1. The research approach to entrepreneurship and agricultural management development

The analysis utilized data from an extensive survey of a sample of over 400 agri-entrepreneurs in the region of Western Greece. The following is a brief overview of the content of each of the articles included in this viewpoint. This section provides a foundation for the rest of the paper.

The purpose of the first paper, entitled “The impact of locus of control and motivations in predicting entrepreneurial intentions among farmers: a field research” (Pliakoura *et al.*, 2021) was to examine the relationship between personal characteristics (such as Locus of Control (LOC), motivations) and entrepreneurial intentions (EI) among farmer entrepreneurs.

Although many researchers have focused on the predictors of EI (Autio *et al.*, 2001; Krueger, 1993; Reitan, 1996), the conceptual model of EI presented in this study uses a sample of existing agri-entrepreneurs able to explain decisions to join entrepreneurship not from university halls but from existing enterprise. This research tests the idea that EI can be used to predict certain outcomes and therefore determines the two-way relationship with personality traits. The main results indicate that a two-way relationship is evident between entrepreneurial intention, total entrepreneurial motivations, and the LOC of the survey participants, which were the main variables tested in the

model. The results of the research showed the statistical significance and strength of individual relationships of EI, to have the strongest significant two-way relationship with internal LOC and pull motivation. That said, individuals who are high in the professional hierarchy display internal LOC (Hattie *et al.*, 1997). In agriculture Kaine *et al.* (2004) found the LOC correlated with farmers' propensity to adopt innovations, to participate in extension activities and their financial performance, and Van Kooten *et al.* (1986) found the LOC correlated with farmers' objectives. It is also known that the motivations for entrepreneurial activity are many and varied, with stronger in agricultural areas the desire for socio-economic achievement and the recognition of entrepreneurial opportunities. In other words, in agricultural areas, it seems that motivations such as independence, the search for a way to increase income and social prestige are what define the concept of entrepreneurial behavior and are able to attract the establishment of businesses. In this sense, this paper is close to understanding why farmers decide to start their own enterprise. The findings of this study provide a number of theoretical and practical contributions. This research adds to the existing literature of the EI by using a different set of the sample extending the antecedents of intention by using a sample of existing agri-entrepreneurs. In this sense, the study provides a theoretical assessment of how and when LOC, as well as motivations, affect the entrepreneurial intentions of existing agri-entrepreneurs. On the other hand, the findings on EI and LOC have important practical implications for motivating the agri-entrepreneurs. Agricultural development initiatives could be aimed at farmers based on these criteria (internal LOC and motivations) to achieve the maximum impact on production. However, care must be taken to examine the potential distributive impact of these targeting farmers who are considered "non-entrepreneurial". The key managerial implication is that EI and LOC could assist policy-makers, educators, as well as existing and start-up farmers with the understanding that these specific entrepreneurial traits are necessary for a successful business venture or for moving to the next stage of the venture life cycle. It is also possible for an individual's LOC to express something about their approach to agriculture, and for this reason alone, it can be valuable as an extension, especially as a focus variable for discussion and reflection. In future research and practice it can be a first step in understanding how farmers reflect, proposing a management development framework that focuses on the farmer personality.

In the second paper, entitled "Farmers' Perception of Entrepreneurial Success: Evidence from the Greek Reality" (Pliakoura *et al.*, 2021), an attempt was made to create an entrepreneurial model of success of agricultural enterprises, based on theoretical perspectives used in previous studies in an attempt to understand what entrepreneurial success from the perspective of the farmer entrepreneur is. A review of the literature did not identify a consistent and acceptable definition or a benchmark

for achieving entrepreneurial success (ES) (Fisher *et al.*, 2014). In contrast, entrepreneurial success is usually understood through the context in which it finds itself, and from the different perspectives of the academic, the policymaker, the commentator and the entrepreneur. Previous research findings (e.g., Lin, 1998; Rose *et al.*, 2006; Rodriguez-Gutierrez *et al.*, 2015) suggest the importance of many variables that determine ES. In this sense, to answer the question "How do farmers perceive entrepreneurial success?", this empirical paper studied personality traits (e.g. locus of control, motivation), socio-demographic features (e.g. gender, educational background, initial financial capital), and external non-organizational predictors (e.g. financial crisis, competition, taxes, labor problems, etc.) to discover the relationships between selected organizational and non-organizational predictors and to contribute to the body of knowledge that identifies and examines perceived entrepreneurial success (PES). The inclusion of internal and external indicators is in line with the literature which recognizes an important relationship between them and success (Staniewski, 2016). The research revealed that ES is recognized through the presence of internal/organizational factors and not the external environment. The significant loss of the direct impact of external/non-organizational factors on perceived entrepreneurial success is an important finding that shows that success is more related to the human factor, emphasizing the need for independence, good business organization, personal work, ability to collaborate, communication skills as well as the use of innovative views. Indeed, a body of literature (Vallerand, 2008; Mageau *et al.*, 2007) exists that addresses and highlights the "*things that make our lives worth living*" showing the interrelationships between satisfaction, achievement, and entrepreneurial activities. Considering the different approaches to the studies of entrepreneurial success this paper contributes to entrepreneurial practice in that it provides guidelines on exactly which predictors are positively associated with PES, which predictors are negatively associated with PES, and which ones are unrelated to PES. That said, internal LOC, pull motivation, innovativeness, and entrepreneurial capacity have positive impact on PES, whereas the ratings for push motivations, educational background and internal funding were negative. Contrary to expectations, external/non-organizational predictors did not appear to play a significant role in farmers' perception of success. This result shows that external/non-organizational predictors as a measure of success have nothing to do with perceptual scripts.

In the third paper, entitled "Education in agricultural entrepreneurship: training needs and learning practices" (Pliakoura *et al.*, 2020), the authors highlight the role and necessity of entrepreneurship education in enhancing entrepreneurship. At the same time, the research seeks to highlight good practices and particularly educational methods in the field of agriculture. The study of the way of entrepreneurship education (EE), leading to its development and acceptance can

ameliorate our understanding of EE research and how it influences entrepreneurial success. Entrepreneurial education is very important for subsequent entrepreneurial behaviour and attitude because it can be a powerful indicator not only for entrepreneurial intentions but also for entrepreneurial success and management development.

Existing entrepreneurship education research is useful in delineating the body of knowledge of what, when and how farmers need it, giving policymakers and researchers the opportunity to evaluate and build on research findings. In addition, it can be argued that the investigation of farmers' needs, views, and attitudes towards entrepreneurship education revealed that they are positively disposed about the concept and practice of lifelong learning and are willing to pay to fill real gaps in their knowledge and skills. In particular, farmers believe that entrepreneurship can be taught. In light of this, there is a need to develop a social culture oriented towards entrepreneurship, especially in Greece where logics of the past prevail that do not release the forces of “we” versus “me”. In any case, given the existence of different subgroups and profiles within the wider group of farmers, but also the different local conditions and needs, entrepreneurship education should consider the individual training needs.

The teaching of personal skills should not only be limited to traditional methodologies and specific courses, but they also require a different pedagogical style. The transfer of knowledge in the context of structured educational programs can incorporate combinations of different methods, adapted to the content of the programs. The research findings highlight the need to introduce new, more participatory models of knowledge dissemination, such as field activities or contact with other entrepreneurs. This paper supports “learning experience”, “learning by act” and “social learning” (the process by which knowledge is created through the transformation of experience). Participating in an entrepreneurship program has an impact on both LOC and EI. The research concluded that the implementation of any educational effort should be based on the “targeting before implementation” approach.

In the fourth paper, entitled “Significant barriers to the adoption of the agricultural cooperative model of entrepreneurship: a literature review” (Pliakoura *et al.*, 2022), a theoretical framework was presented. A systematic review of the literature (SLR) led to the identification of significant obstacles that undermine the adoption of the agricultural cooperative model of entrepreneurship. The originality of the study lies in proposing a conceptual framework for carrying out effective management development that predicts higher cooperative member commitment and participation. The methodological originality lies in utilizing the systematic literature review for developing a new concept. A study of cooperative entrepreneurship is important today, as citizens in many countries

(both developing and developed) are seeking diverse pathways to carve out viable livelihoods within agriculture. In this context, cooperatives are organizations whose activity revolves around people and their needs (Hidalgo-Fernandez *et al.*, 2020). Ribeiro-Soriano and Urbano, (2010), referring to the idea of collective entrepreneurship, point out that individuals sharing similar roles across various organizational contexts construct a new occupational identity and mobilize resources to increase the status or (“professionalize”) their occupation. So, building the model of cooperation for the agri-food sector is not an ideological or social luxury, but an insurmountable economic need. The reason is simple. The size of the agri-food sector at all levels is so small that it makes the majority of agricultural units non-competitive in terms of both cultivation and exports and internationally traded products. Therefore, the purpose of this review was to identify the main problems encountered in the organization/management of agricultural cooperatives and factors that may influence their entrepreneurship internationally. Specifically, the objective was to categorize the problems arising from the research so as to help cooperatives focus and overcome these problems, making them a dynamic entrepreneurial model. The real challenge is how small farmers can be connected in a market and integrated into the farm-to-fork value chains. The participation of young farmers in strong agricultural cooperatives can help them succeed in their business endeavors and then be a solution to their limited market presence. The most important benefits from the existence of robust agricultural cooperatives in the market stem from the existence of countervailing power, economies of size, risk reduction, minimization of asymmetric information and the rise of social capital (Kontogeorgos *et al.*, 2017; Sergaki and Nastis, 2011). In agriculture, this entrepreneurial model, based on “cooperative capitalism” combines business freedom, economic solidarity, and a strong bond with a local area, placing farmers at the heart of their governance and business development strategy. The cooperative model also promotes self-determination and a sense of responsibility -key qualities- that allow cooperative members (in this case farmers) to play their role as entrepreneurs. It is a model for the people by the people, able to take part in the regional development programs. The literature review identified several obstacles which are largely due to the lack of education and awareness about the cooperative movement. In particular, the most important obstacles for the existence of strong agricultural cooperatives in the market are identified in the existence of Management problems (decision making, participation and cooperation, transparency, as well as the problem of organizational fragmentation), financial problems (finance and accounting, economies of scale, product diversification) as well as lack of cooperative training (technical training and work, cultivation of a spirit of cooperation). If education focuses on what this study identifies as significant barriers, targeted actions and learning practices can be suggested not only to reduce but also to

eliminate these barriers, thus contributing to the success of this entrepreneurial model. The present SLR can be beneficial not only for academics and researchers but also for Managing Directors and policymakers. Based on the analytically presented important barriers as well as the respective themes revealed, academics and researchers can design studies of high value for further investigation of this agricultural entrepreneurial model.

Finally, the fifth paper, entitled “Enhancing Agricultural Entrepreneurship Through Mobile Applications in Greece: The Case of a "Farm Management" Application” (Pliakoura *et al.*, 2021), analyzes how mobile applications can be powerful tools in the hands of farmers. In recent years, heightened attention has been given to the digital model of entrepreneurship as a new and growing area of research. Digital entrepreneurship broadly refers to creating new ventures and transforming existing businesses by developing novel digital technologies and/or novel usage of such technologies (Beliaeva *et al.*, 2020). Bearing in mind this dynamic, the owners of 10 agricultural enterprises were asked to manage their farms with the help of a mobile “farm management” application for a period of 4-6 months. The paper then presents, from an empirical point of view, how this process evolves, considering the experience of users through a process of evaluation of the application under study in order to research the field of digital technology and to highlight its adoption factors. The evaluation identifies those features that an application should have in order to be user friendly and easily applicable by users (farmers) so that they can manage the farm efficiency from anywhere, to gather all information in one note, to have real data and make better decisions on inputs, crop planning, leases, etc. in order to enhance the productivity and competitiveness of holding and achieve their business goals. The rural population must compete in a complex and highly competitive environment and must therefore make changes to its strategic process. This research suggests that this entrepreneurial model is based on the service offerings that combine the demonstration of innovation, growth strategies with an increasing user base, and the ability to management development. It is necessary to identify the opportunities for the development of the Greek economy through the modernization of technical, technological and management processes based on the use of the latest technologies that digitize the economy as a new development model. In this sense, the study suggests that the design of user-friendly applications would help their mass adoption by agricultural enterprises. According to the results, it was found that the main factors influencing the acceptance and intention to use the new technology are the user experience of mobile applications, the expectation of improved performance, ease of use and utility, the expected personal benefits (e.g., less effort) and the suitability of the technology for its intended purpose. Although the majority of users were experienced in using the Android system, all of them were concerned about the ease of

use and the learning time of the application. Given the high application of digital technology in agriculture, farmers' technological skills are vital to identifying and exploring opportunities in every direction. The acquisition of "analytical" skills, the expanded field of knowledge and the friendly functional environment of these systems for users who do not have programming knowledge is considered of utmost importance. Digital farm management is a way for farmers to use their time and space to diversify existing business practices. That said, digital technology offers the opportunity for farmers to create new business ventures that are complementary to the knowledge economy. In addition, the document encourages the adoption of a hybrid strategy (combining cost control and diversification) to improve the competitive position of these agricultural enterprises by identifying which crops, fields, machines, or workers have the best productivity. Finally, this document, among others, contributes to the development of farm entrepreneurship by focusing on the use of mobile technology.

1.2. Locus of Control and management development

There is a need to better understand and manage Locus of Control as a bridge between experience and development. To the extent that control focuses on changeable or improvable factors (e.g., behaviors, skills, knowledge, etc.), locus of Control as a deliberate tool of managerial ability is conducive to development. According to Selart, (2005) locus of control may act as a bias in organizational decision-making. Abay *et al.*, 2017 claim that locus of control significantly predicts farmers' technology adoption decisions, including use of chemical fertilizers, improved seeds, and irrigation. Locus of control can distinguish between successful and unsuccessful businessman. In Nuthall (2010) research, while it does not appear the LOC is a major basic component of a farmer's managerial ability, it might well relate to other important aspects of a farmer's operation and be useful as an aid to training and extension activities. It is also likely a farmer's LOC expresses something about his/her approach to farming, and for this reason, it can be a valuable construct in agricultural management development.

1.3. Cooperatives and management development

In the current changeable economic environment, businesses have become interested in the management of human capital, considering this to be a key factor for their success (Lau and Ngo, 2004). The cooperative model has for many years been considered a mechanism for community

development and regional development. The model is used by many developing countries as a tool for economic self-progress and management development (Fernandez *et al.*, 2018). The unique characteristics of the cooperative sector provide a specific framework for human resource management in this sector. In addition, in a cooperative organization many employees have different roles in the same company. This tool can be adapted for other types of cooperatives with different activities (economic and non-financial activities) in different sectors (Hidalgo-Fernandez *et al.* 2020). The implementation of quality management systems in cooperatives is a business strategy that can assist companies, to improve their operational efficiency and consequently their financial and managerial performance (Kontogeorgos, *et al.* 2018).

1.4. Digital technology and management development

Digital models are playing a significant role in entrepreneurship and management development (Panda, (2019). Digital entrepreneurship is a category of entrepreneurship that incorporates the use of information technology and entrepreneur. The degree of difficulty of the decisions that managers / producers are called upon to make is becoming more and more complex, requiring their support by specialized tools. The evolution of digital technology, especially of Information and Communication Technology (ITC) poses many challenges for smart, sustainable and inclusive growth, and is therefore a crucial initiative to strengthen entrepreneurship and management development in the agricultural sector (Pliakoura *et al.*, 2021).

2. Discussion

Many practitioners and researchers acknowledge the need for inclusive thinking. Overall, empirical research that are included in this paper highlighted several challenges and solutions within the framework of the entrepreneurship agricultural model. Although promising research is ongoing, this viewpoint continues to focus on the self-aware, educated and growth-oriented farmer entrepreneur. The following sections highlight the finding's contribution to the literature, practitioners and policymakers.

2.1. Overall contribution

In agriculture, despite the extensive literature on entrepreneurship, there are few studies focusing on the study of individuals. This paper addressed these challenges by shedding light on some

of the specific aspects of agri-entrepreneur's personality associated with creating and discovering entrepreneurial opportunities. The study of the entrepreneurial process among existing agri-entrepreneurs provided a fertile ground for explaining, anticipating and defining entrepreneurial intentions and entrepreneurial success as factors creating opportunities and agricultural economic development. According to this reasoning, the research stressed first the importance of individual characteristics for entrepreneurial practices and management development creation efforts and secondly the need for entrepreneurship education and training among farmers. The challenges arising from covering the above research gaps have as recipients:

- Researchers, for the different approach of entrepreneurship beyond the economic data, but also for the exploration of new complex scientific fields and issues. It is often said that practice finds a solution, but researchers explain it away. The study and analysis of the factors by which entrepreneurship can be enhanced makes it obvious that management and the theory of entrepreneurship is a multidimensional phenomenon that requires coordinated and intensive efforts by all stakeholders, in order to have a positive economic result. In this way, the previous research on personality variables (e.g., Chlosta *et al.*, 2010; Denisi, 2015; Souitaris *et al.*, 2007; Fisher *et al.*, 2014; Katekhaye *et al.*, 2019, Sergaki *et al.*, 2020) that affect agricultural entrepreneurship is expanded.
- Local agents, in order to be able to develop actions, better oriented to the needs of the agri-entrepreneurs and the inhabitants of their place.
- Policymakers, so that the design of development programs is not piecemeal and individually oriented towards entrepreneurship or agricultural development but aims at their simultaneous reinforcement. Policy makers and practitioners engaged in rural development face a complex problem with no easy solutions. The presented evidence in this paper is believed to be valuable for understanding the heterogeneity of entrepreneurship in the agricultural sector. First, public policy should realize the value of critical perceptions (desirability, motivations and feasibility) held by farmers to behave entrepreneurially. In addition, policymakers will have to design their own specific programs to create favorable conditions for agri-entrepreneurs in the specific environment in which they operate. From a managerial point of view, the results of the research prove the complexity of the field of agricultural education and confirm the need for careful approaches of the target populations before the design and implementation of the educational process. Program implementers need to realize that agricultural societies are not homogeneous and focus on designing training programs tailored to the requirements of individual groups and how to enhance certain attitudes associated with management. Policies often fail to consider the

specificities of the rural population and local ethos or culture (North and Smallbone, 2006). This viewpoint can help policymakers and community actors understand how to build bottom-up entrepreneurial capacity that considers the farmer's personality. Recognizing the way in which agricultural entrepreneurship interacts with individual characteristics can enable a more effective design, implementation, and enforcement of entrepreneurial policies in lagging areas. It is important to understand how agricultural entrepreneurs think, behave and act in order to put forward practical or policy recommendations. This document hopefully has contributed to enhancing such understanding.

- Agents involved with entrepreneurship, in order to transfer and communicate to agricultural entrepreneurs the role and responsibility they undertake in local development, where they settle and operate. The person-centered dimension is just one piece of the puzzle of entrepreneurship, and they need to know this in-depth in order to complete it properly. Entrepreneurial individuals are imperative for agricultural development, as they are individuals who - not only create jobs - but are also interested in improving the quality of rural life by focusing on their entrepreneurial skills, innovation, and seizing opportunities.

Additionally, the paper contributes to the “agricultural management”, which on the one hand the object itself is complex, on the other hand, those who are called to implement it, are farmers, cooperatives and all those who are active in the agricultural sector.

Finally, the contribution to the effort of acceptance and use of mobile applications by farmers is important, providing the opportunity to minimize cross-border barriers to trade and investment as well as to strengthen the regional integration of the value chain. Even more in troubled periods like the one we are currently going through with the pandemic (Covid-19) that came to further isolate the agricultural world, diffusion applications of information and technology are of crucial importance.

In order to strengthen the new models of entrepreneurship (cooperative, digital) where the contemporary reality demands, emphasis should be placed on educational and training programs. The development of skills, with the aim of promoting collaborative forms and creating a channel of communication and contact between farmers in order to find “common ground”, is the solution to many of the problems faced by farmers entrepreneurs.

The combination of all these different acceptances and challenges simultaneously creates the framework for research approaches to entrepreneurship research at all levels. There may, of course, be many more challenges, some of which may only become apparent once others have “reached” their recipients.

3. Critical reflections and future works

This paper opens various avenues for further research. First and foremost, scholars need to reconsider fundamental entrepreneurship and theory models. A constructive way to do this could be to develop more integrated and multilevel tools and methodological approaches for evaluating entrepreneurship factors at a developmental level. A holistic approach that involves more variables of farmer entrepreneurial attitudes with economic data (e.g., yield) can be added to the conceptual model and consist an important research path for future empirical studies in the field.

However, the empirical evidence on which this view is mainly based is the result of some choices regarding approach, design and method and not exempt from limitations, which may involve future lines of research. First, the studied empirical data is the result of a cross-sectional research which focuses on the investigation of the phenomena under consideration at a “statistical” time point. Second, future work could consider other moderating variables such as the work experience of the farmers, or if they have undertaken previous programs or courses of entrepreneurship. Third, personal skills have been measured using self-perception tools. Future lines of research can work on tests where these skills can be directly audited. In addition, future research should focus on exploring the effectiveness of entrepreneurial education programs, namely the degree of achievement of learning and behavioral goal in all directions as they are set by the respective development framework. Moreover, it would be interesting to bring to this research the model of cooperation between farmers. What makes farmers work together and why? How this changes with the entrepreneurial culture of the area and how the collaboration affects the entrepreneurial culture. In this way, a comprehensive plan for the promotion of entrepreneurial, innovative and creative attitudes could be advanced.

Finally, future research needs to consider entrepreneurship in theory and application. As entrepreneurship researchers, we need to add variance to the theory and avoid being trapped in the same old way of thinking.

Conclusions

In this viewpoint, a series of findings critical to understanding the factors affecting the entrepreneurship and management development of Greek farmers were presented. At the same time, it was documented that entrepreneurship is a complex issue, the success of which depends on the determination with which to deal at the same time all those elements involved in highlighting entrepreneurial opportunities, cultivating entrepreneurial thinking, developing a cooperative spirit,

adopting necessary technology and in the lifelong presence of entrepreneurship education. These elements, which are concretized in appropriate skills, are key components of the conditions for the effectiveness of this human resource in the enterprises that they will potentially create or already possess. The synchronous competitive environment developed in agriculture needs new, flexible, organized farms with management control and adaptation to market requirements. That is why it is necessary to have people with an entrepreneurial spirit and innovative ideas that will take advantage of the comparative advantages and expand the productive potential of the country. That said, the process of upgrading the level of education will contribute to the formation of the necessary critical mass of people in the agricultural sector, with a relatively satisfactory level of education that will allow them to capture the challenges presented in the field of agricultural production internationally. Both the empirical research and the previous literature reflect the need to apply new methodologies of agricultural entrepreneurial education.

The findings discussed in this paper provide empirical evidence on the influence of personal abilities to improve entrepreneurship. Individual development plays an important role in the understanding of the behaviour and attitude of farmers that differentiate “entrepreneurial” individuals from “non-entrepreneurial” and could be used to promote entrepreneurship through several approaches. This is a general finding, which in practice will help policymakers to achieve faster growth. What is needed is the “translation” of the individual findings into specific actions and programs of parallel and simultaneous development and improvement focusing on the personality of the farmer. This can be achieved by constantly informing, educating, and training the farmer by placing in the role of “farmer entrepreneur”, the “professional farmer”, aware of his socio-economic position. The present research demonstrated that there is empirical value in framing individual traits differences in this type of overall framework.

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