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# OPTIONS FOR AN ISLANDS-FRIENDLY POST-2020 COHESION POLICY

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## **The purpose of this note is the following:**

- to recap the latest state of play with regards to discussions over the post-2020 Cohesion Policy, and activities from the CPMR Island Commission ([Section 1: Introduction and context](#))
  - to present scenarios developed by the CPMR Islands Commission secretariat for Cohesion Policy reform, which were presented at the 10 March European Parliament conference on the island dimension of Cohesion policy ([Section 2: Improving the island dimension in Cohesion Policy for post-2020](#))
  - to recommend a way forward ([Section 3: In a nutshell and a way forward](#))
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## **1. Introduction and context**

- Despite provisions of Article 174 of the EU treaty, island regions within Cohesion Policy are not treated as areas with severe handicaps. The conclusions of a [recent CPMR study on the governance of Cohesion Policy](#) strongly suggest that the provisions of Article 174 are hugely ineffective.
- As a result, island regions receive varying degrees of support from Cohesion policy. On financial terms and excluding the outermost regions, funding per capita ranges from 37 euros per capita for Bornholm to 874 euros per capita for the Ionian Islands, for instance<sup>1</sup>. These figures clearly show that islands are not treated as a special category in terms of Cohesion Policy.
- Evidence from CPMR regions suggest that the so-called 'thematic concentration' of priorities for Cohesion Policy is ill-suited to island regions. Many islands are classified in the more developed regions category which makes it difficult for operational programmes to be focused on common challenges for islands (transport and energy accessibility for instance).
- The post-2020 Cohesion Policy debate has so far excluded any mention of the need to reinforce economic, social and territorial cohesion, let alone address the specific challenges of islands.
- A wider question looms large concerning **the very survival of Cohesion Policy for post-2020**. Emerging voices from highly influential decision makers **are questioning its added value, its place within the EU Budget, and its role** (see [Technical Note](#) on EU Budget presented at the CPMR February 2016 Political Bureau for more details). **These developments are of high concern for the CPMR and the Islands Commission in particular**. They also mean that the debate on orienting Cohesion Policy to reinforce territorial, economic and social cohesion in Europe **is clouded more than ever**.

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<sup>1</sup> These figures exclude co-financing

- On 4 February 2016, Regional Policy Commissioner Corina Crețu participated in a debate on the topic of islands dimension within Cohesion Policy organised by the European Parliament. Her main points delivered at the meeting are a cause for concern for Members of the Islands Commission of the CPMR: her general confusion between outermost regions and islands, her assumption that reinforced provisions on multilevel governance have led to a stronger recognition of island challenges within all Cohesion Policy programmes, and her statement that islands should be recognised by their respective Member States, not by the Commission, [are worrisome indeed](#).

- Following on from the 4 February debate, the SEARICA Intergroup organised a high level conference on the topic of the Islands dimension of Cohesion Policy in the European Parliament in Strasbourg on 10 March.

- A number of possible scenarios on how to improve the islands dimension of Cohesion Policy for the post-2020 period were presented by the Islands Commission on the occasion of that conference. These are presented in the section below.

## **2. Improving the island dimension in Cohesion Policy for post-2020: scenarios**

The following scenarios were developed internally at the CPMR (with its Islands Commission) to trigger a reflection on the practical possibilities to improve support from Cohesion Policy to islands in the post-2020 period.

<b>SCENARIO 1 - All island regions or Member States could be considered as less developed regions for the sake of Cohesion Policy</b>
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Strict application of Article 174 should result in islands territories receiving a comparable level of funding from Cohesion Policy. Evidence suggests that this is far from being the case at present.

A relatively straightforward proposal to make would be to consider all island regions in the less developed regions category.

**PROS:** with most of the funding from Cohesion Policy being concentrated in less developed regions, this scenario should result in an increase in funding for island territories. In the last column of the table below the percentage of additional funding that NUTS II island regions would receive under this scenario is shown.

**CONS:** such a proposal would result in a considerable overall increase of the European budget, and would most likely be rejected by net contributors to the EU budget and the Commission alike. Also since Cohesion Policy only works on the basis of NUTS II regions, such a scenario would exclude NUTS III island regions. Among them, especially those that are part of NUTS II areas of the mainland with considerably higher GDP would not benefit at all.

	Structural Funds eligibility 2014-2020	Eligibility simulation - All NUTS2 islands in LDR category	% difference
EL - Grèce			
EL22 - Ionia Nisia	Transition	Convergence	↑ 40
EL41 - Voreio Aigaio	Transition	Convergence	↑ 100
EL42 - Notio Aigaio	Compétitivité	Convergence	↑ 47
EL43 - Kriti	Transition	Convergence	↑ 45
ES - Espagne			
ES53 - Illes Balears	Compétitivité	Convergence	↑ 157
ES70 - Canarias (ES)	Transition	Convergence	↑ 12
FR - France			
FR83 - Corse	Transition	Convergence	↑ 74
FR91 - Guadeloupe (FR)	Convergence	Convergence	→ 0
FR92 - Martinique (FR)	Convergence	Convergence	→ 0
FR93 - Guyane (FR)	Convergence	Convergence	→ 0
FR94 - Réunion (FR)	Convergence	Convergence	→ 0
IT - Italie			
ITG1 - Sicilia	Convergence	Convergence	→ 0
ITG2 - Sardegna	Transition	Convergence	↑ 84
CY - Chypre			
CY00 - Kypros	Compétitivité	Convergence	-
MT - Malte			
MT00 - Malta	Transition	Convergence	↑ 152
PT - Portugal			
PT20 - Região Autónoma dos Açores (PT)	Convergence	Convergence	→ 0
PT30 - Região Autónoma da Madeira (PT)	Compétitivité	Convergence	↑ 345

**Figure 1 – Additional funding (in %) which would result from placing all NUTS II island regions and island Member States in the less developed regions category<sup>2</sup>.**

## SCENARIO 2 - All NUTS III island regions could be classed as NUTS II regions for the purpose of Cohesion Policy

The starting point of this proposal is the realisation that not all island regions are at NUTS II level, and that some NUTS II regions are composed at the same time of both island NUTS III regions and continental NUTS III regions. This means, inevitably, that there is no recognition of the specific challenges faced by islands at NUTS III level in terms of Cohesion Policy funding. Article 174 TFEU does not specify how 'islands regions' should be understood in terms of territorial classification.

Article 6 of Regulation 1059/2003 on the establishment of a common classification of territorial units for statistics (NUTS) opens up the door for flexibility in terms of the NUTS classification at national level, which could be used for the purpose of recognising NUTS III islands regions in Cohesion Policy.

**PROS:** such a proposal would formally recognise island regions at NUTS III level within Cohesion Policy

**CONS:** there would be no guarantee that this proposal would result in additional funding for all NUTS III island regions (see scenario 3 below). In addition, the type of data and the timeframe of statistics collected at NUTS III level is different from the collection of statistics at NUTS II level.

<sup>2</sup> The calculation provided is based on figures from theoretical allocations for structural funds for the 2014 – 2020 period. Figures for Cyprus are not provided due to lack of accuracy in the results of the CPMR simulation.

### SCENARIO 3 – Additional indicators could be sought to recognise challenges faced by islands in the allocation methodology for structural funds

Since Cohesion Policy is largely based on regional GDP, which is a less than perfect indicator for a number of reasons, it could be worth exploring additional indicators to complement GDP in the allocation methodology for structural funds.

Regional GDP does not provide the full socio economic picture of island territories. As stated by Commissioner Cretu during the February debate in the European Parliament, the European Commission is looking at alternative indexes going beyond GDP. Some of these indexes – such as the Regional Competitiveness index which measures the competitiveness of regions – would favour island regions in terms of Cohesion Policy support. In the table below, a comparison of the ranking of island regions according to Regional Competitiveness Index (2013) and Regional GDP (2011) is made.

There are significant issues with this scenario. The conclusions of the CPMR Task Force on Cohesion Policy indicators were very clear that regional GDP fails in a number of ways to recognise territorial challenges and is inadequate for Cohesion Policy. However, much of the allocation of funding from structural funds actually takes place at national level, which means that including additional 'insularity – friendly' indicators would not mean that island regions would automatically receive additional funding. Besides, going beyond GDP for the purpose of the allocation methodology would detract attention from the more crucial issue of Cohesion Policy survival beyond 2020. The CPMR was invited to contribute to a S&D seminar on the 26 January on this topic: please [click here](#) to access the CPMR presentation.

**PROS:** additional insularity indicators would result in more funding going to island Member States and to Member States which have a high number of islands

**CONS:** there does not seem to be a serious reflection within DG REGIO on the need to go beyond GDP for the allocation methodology. This proposal would meet with resistance from a number of Member States.

	RCI Ranking	GDP Ranking
CY00:Kypros	163	118
ES53:Illes Balears	188	103
ES70:Canarias (ES)	199	167
FR83:Corse	195	127
FR91:Guadeloupe (FR)	221	185
FR92:Martinique (FR)	203	184
FR94:Réunion (FR)	239	205
EL22:Ionia Nisia	249	187
EL41:Voreio Aigaio	243	219
EL42:Notio Aigaio	257	136
EL43:Kriti	240	204
ITG1:Sicilia	235	213
ITG2:Sardegna	222	182
MT00:Malta	193	148
PT20:Região Autónoma dos Açores (PT)	228	193
PT30:Região Autónoma da Madeira (PT)	210	107

Figure 2 – Comparison of ranking of NUTS II island regions: Regional Competitiveness Index 2013 and Regional Gross Domestic Product 2011.

## SCENARIO 4 – Funding from ESI funds could be earmarked at national level to address island challenges

One could imagine that a certain percentage of funding from structural funds at national level could be earmarked to address the specific challenges faced by island regions. The earmarking of structural funding at national level already exists: 5% of ERDF needs to be invested on sustainable urban development for instance for the 2014 – 2020 period. Similarly, minimum allocations of ERDF, per category of region, are in place for specific thematic objectives, namely research and innovation, use of information and communication technologies, small and medium sized enterprises, and climate change mitigation.

The table below compares the percentage of the population of islands regions (per Member State) to the proportion of ERDF/ESF funds allocated to islands (also per Member State). The table shows a high level of discrepancies between Member States, which can largely be explained by the proportion of regions in the less developed regions in a given Member State. In the case of France, the proportion of funds allocated to islands is high due to all island regions (except the region of Corsica) being in the less developed regions category, for instance.

**PROS:** This proposal would circumvent the problems related to the allocation methodology for structural funds for island regions, which does not guarantee that more funding goes to islands because they are islands. Another benefit would be that the Cohesion policy budget would not change. The only change would be the share of funding within Member States which have islands towards island challenges.

**CONS:** The difficulty in this scenario would be to convince Member States which have islands to endorse such a proposal.

	Population 2015	National population = 100%		ERDF + ESF	
<b>Denmark</b>	<b>5.659.715</b>			<b>100%</b>	
Bornholm	39.919	<b>0,7%</b>		<b>0,4%</b>	
<b>France</b>	<b>66.415.161</b>			<b>100%</b>	
Corse	326.898	0,5%	<b>3,3%</b>	<b>0,9%</b>	<b>24,1%</b>
Réunion	843.529	1,3%		<b>11,6%</b>	
Mayotte	226.915	0,3%		<b>1,5%</b>	
Martinique CR	378.243	0,6%		<b>4,5%</b>	
Guadeloupe CR				<b>4,2%</b>	
Guadeloupe St Martin	434.691	0,7%		<b>1,5%</b>	
<b>Spain</b>	<b>46.449.565</b>			<b>100%</b>	
Baleares	1.124.972	2,4%	<b>7,0%</b>	<b>0,7%</b>	<b>4,9%</b>
Canarias	2.126.144	4,6%		<b>4,3%</b>	
<b>Portugal</b>	<b>10.374.822</b>			<b>100%</b>	
Azores	246.353	2,4%	<b>4,9%</b>	<b>6%</b>	<b>8,4%</b>
Madeira	258.686	2,5%		<b>2%</b>	
<b>Greece</b>	<b>10.858.018</b>			<b>100%</b>	
Ionian Islands	207.059	1,9%	<b>12,6%</b>	<b>2%</b>	<b>7,2%</b>
North Aegean	197.695	1,8%		<b>2%</b>	
South Aegean	334.865	3,1%		<b>1%</b>	
Kriti	631.513	5,8%		<b>3%</b>	
<b>Italy</b>	<b>60.795.612</b>			<b>100%</b>	
Sicilia	5.092.080	8,4%	<b>11,1%</b>	<b>13%</b>	<b>16,7%</b>
Sardinia	1.663.286	2,7%		<b>4%</b>	

Figure 3 – Percentage of funding allocation from ERDF and ESF per Member State to island regions, compared to percentage of island population in Member States<sup>3</sup>

<sup>3</sup> The table concerns NUTS 2 regions, with the exception of Bornholm (NUTS 3) as figures for ERDF and ESF are available for the Bornholm region

## **SCENARIO 5 – Introducing a programme of innovative actions for islands and establishing a special unit representing islands at DG REGIO**

For 2014 – 2020, 371 million euros are earmarked for urban areas at the level of the Commission (Urban Innovative Actions). One could envisage introducing a programme of innovative actions for islands to test new approaches to the challenges faced by island authorities for the post-2020 period.

There is a need to streamline how islands issues are being dealt at the European Commission. A proposal could therefore consist of either creating a special unit dealing with island issues at DG REGIO (an 'islands desk') or strengthening the existing DG REGIO unit dealing with outermost regions. The functions of the unit could be to island-proof European policy and legislation (particularly with regards to state aid policy).

**PROS:** Such a proposal would reinforce the territorial dimension of Cohesion Policy by going beyond 'urban' issues. An islands desk would go a long way in adapting Cohesion Policy to the needs of islands authorities

**CONS:** Proposing an Innovative Actions for Islands programme would mean increasing the size of the overall Cohesion Policy. Such an idea might not be popular among Member States which do not have islands.

## **SCENARIO 6 - Strengthening partnership provisions of Cohesion Policy so that islands regions needs are taken into account**

As evidenced by a [CPMR study on the governance of Cohesion Policy](#), the recognition of inherent challenges and needs of island regions varies enormously from one Member State to the other. Much depends on the culture of partnership in each country.

Article 5 of the CPR was a breakthrough in many respects. But it could be improved: the Commission should be more stringent when it comes to assessing the territorial dimension of operational programmes.

A relatively consensual proposal to make would be to make specific amendments to Article 5 in order to give the Commission the right to reject operational programmes for post-2020 if they are deemed not to take into account the specific natural and demographic handicaps of islands.

**PROS:** This proposal does not have a direct financial implications and could be supported by a wide range of EU decision makers, particularly if the proposal forms part of a wider 'package' to reinforce the territorial dimension of Cohesion Policy.

### **3. In a nutshell and a way forward**

- Since the 10 March presentation of the above scenarios to the European Parliament, MEPs have delivered some helpful elements of feedback.
- Scenario 1 (islands as less developed regions) **seems out of the question** because of the wider threats affecting the future of the European Union Budget and Cohesion Policy, making it very difficult to ask for a substantial increase of the European budget in those difficult times.
- Scenario 2 (recognition of NUTS III island regions) seems difficult from the point of view of the European Commission, which has traditionally only worked on the basis of NUTS II regions for Cohesion policy eligibility. **There is, however, a possibility within the review of the NUTS classification legislation (Article 6 of Regulation 1059/2003) to shake things up at national level.**
- Scenario 3 (beyond GDP) is attractive yet it seems unlikely to get wide support, including from the larger political groups in the European Parliament.
- Scenarios 4, 5 and 6 in principle appear **more realistic** and worth it dedicating resources to. If these are put forward by the Islands Commission at this point, advocacy work towards the EU institutions and Member States could eventually reveal their practical possibilities and feasibility on the ground.