



► **Commission des Iles CRPM** ►
► **CPMR Islands Commission** ►

C/O CPMR
6 Rue St Martin - F - 35700 Rennes
Tel : +33 2 99 35 40 50 - Email : alexis.chatzimpiros@crpm.org
SITE WEB : <http://www.islandscommission.org>



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Islands and Cohesion Policy debate at the European Parliament: analysis and proposals for follow-up actions

1. Introduction and background

- A debate session took place at the European Parliament in Strasbourg on 4 February on the topic of the island dimension within Cohesion Policy.
- The debate follows on from an oral question from the Chair of the Regional Development (REGI) Committee of the European Parliament **Iskra Mihaylova MEP (ALDE, Bulgaria)**, which she asked on behalf of the whole REGI Committee on October 15 2015.
- The [question](#) raises the following issues:
 - A definition of **the kind of permanent natural or demographic handicaps** islands are expected to face (as per article 174 TFEU) is needed;
 - Clarity from the Commission with regards to the instruments and **resources at the disposal of islands from Cohesion Policy**;
 - Clarity from the Commission with regards to compliance of Cohesion Policy with Article 174 TFEU, specifically with regards to the place of islands (for NUTS 2 and NUTS 3 islands regions alike);
 - Consideration to be given to **alternative criteria from GDP** to take into account the challenges of islands, such as the Regional Competitiveness Index.
- The European Parliament also approved [a resolution on the specific situation of islands](#):
 - Asking the Commission to clarify which ‘permanent handicaps’ defined by Article 174 TFEU are faced by Islands **and how the Commission intends to implement the provisions of this article** ;
 - Requesting an **in-depth analysis on extra costs for Islands inhabitants and SMEs (a long lasting proposal from the CPMR Islands Commission)**; a proper categorisation for all the Islands taking into account other indicators than the sole GDP to reflect their ‘economic and social vulnerability’;
 - Recalling the importance of **special tax arrangements for Islands** in order to foster their development and their competitiveness as well as their potential related to Blue Growth, i.e. sustainable tourism, renewable energy, biotechnologies ;
 - Stressing on the need of **better connectivity** regarding maritime and air transport; digital and broadband access; education and other services ;
 - Calling on the Commission to foster synergy between all European instruments as well as levels of government; to establish an **‘islands desk’** linked to the Directorate-General for Regional and Urban Policy (DG REGIO) to coordinate and evaluate Islands policies; **to publish an ‘Agenda for EU Islands’ as well as a White Paper on that particular topic**; finally, to take into account Islands specificities in the next MFF proposal.

The purpose of this note is to analyse points made by Commissioner Crețu in the European Parliament on the specific situation of islands (section 2) and summarise points made by MEPs at the debate (section 3). Section 4 of this note makes proposals for further action from the CPMR Islands Commission.

2. Key points from Commissioner Crețu on islands within Cohesion Policy: analysis and fact check

2.1 General confusion between Outermost regions, island Member States and islands regions

Throughout Commissioner Crețu's contributions in the debate, she seemed to mix up – quite liberally – Cohesion policy provisions which apply to outermost regions, island Member States and islands regions. For instance, Commissioner Crețu stated that outermost regions as well as islands already enjoy various derogations regarding the ERDF such as thematic concentration of investments. It is true that both Island Member States (Cyprus and Malta) and Outermost Regions do enjoy additional flexibility with regards to the thematic concentration of priorities, **however there are no provisions of that kind for islands regions in general.**

Commissioner Crețu did also refer to a recent ruling of the European Court of Justice of last December confirming that Member States must take into account in their Operational Program the specific issues faced by outermost regions.

The above mentioned [ruling](#) rejected the application for annulment from the European Parliament and the European Commission related to the legislative package on Mayotte. The EP and EC were contesting Article 349 TFEU as an autonomous legal basis to justify the adoption of specific measures granting Mayotte - after its accession to Outermost Region Status -, transitional derogations in some areas (fisheries, environment, agriculture).

2.2 Flexible approach of Cohesion Policy towards territories such as islands

Commissioner Crețu stated that the reinforced provisions on multilevel governance and structures such as the Partnership Agreement have allowed Member States to shape operational programmes to mitigate special handicaps faced by islands.

The recently published [CPMR study on regions](#) with 2014 – 2020 Cohesion Policy seem to contradict the optimism displayed by Commissioner Crețu, and confirm that special provisions or flexibility granted to islands has more to do with the constitutional setup of individual Member States than EU legal provisions per se.

2.3 Confirmation that “additional indicators are being examined, beyond GDP, to classify European regions”

Commissioner Crețu confirmed that the European Commission is looking internally at how other indicators (such as the Human Development Index and the Regional Competitiveness Index) could be used to analyse the specific situation of European territories and regions. With regards to the RCI and HDI, there is insufficient data available at this stage but the Commission is investing in higher quality data collection, which should be available in time for the Seventh Cohesion Report (due mid 2017).

However, recent discussions between the European Commission and the CPMR confirm **the complete lack of appetite of DG REGIO for going beyond GDP** with regards to the allocation of funding from structural funds, in the current context which is highly unfavourable to Cohesion Policy¹. The HDI, the RCI or the Social Progress Index could be considered to evaluate the progress and the performance of the policy, however.

¹ See CPMR Note on mid-term review of EU Budget: http://cpmr.org/pub/agenda/3025_tp_eu-budget-02-2016.pdf

2.4 “Islands should be recognised as such by their respective Member State, not by the Commission”

Commissioner Crețu compared the case of Greece, which does not recognise islands as specific territories in its EU accession treaty, and France, in which there is a mention of the French DOM and TOM.

In other words, this fully confirms that the EU does not recognise island territories within Cohesion Policy, or as European Parliament **Dimitrios Papadimoulis (VP, GUE, Greece)** put it, that **‘Article 174 TFUE is a dead letter’**.

2.5 “Transport accessibility should be taken care of by Member States”

Commissioner Crețu argued that only France and Spain to some extent agree to subsidise Islands transport for instance, and that the EU cannot ‘interfere’ on that topic.

2.6 “Greece refuses to reprogramme funds towards migration”

Commissioner Crețu reminded MEPs that she advocates in favour of extraordinary measures and to modify regulation in order to enable 100% co-financing grant for Greece. She then acknowledged that Greece hosted more than 180,000 refugees in 2015 and that it needed help and support, but she also stated that Greece refuses to use these funds to tackle the refugee crisis, unlike other countries such as Italy.

2.7 “There is a need for more interaction between the Commission and islands”

Commissioner Crețu also referred to the annual conference of Outermost Regions as not being good enough with regards to the frequency of contacts between islands and the Commission, and suggested that further meetings should be organised. In particular she recognised that the Financial Framework for ESIF 2014-2020 **represents an important means to address the specific needs of island regions**, and encourages governors of insular regions **to assume a more active and proactive role, and to ensure a permanent dialogue with the Commission to better communicate the islands’ concerns**.

3. Contributions from MEPs: main points

- **Salvatore Cicu (EPP, Italy):** gave some examples of Islands specific difficulties in order to show the mismatch between EU Commissioner Crețu’s proposals and the Islands reality. Because of a lack of territorial continuity, Islands do not currently access the Internal Market while the European Commission rules on State Aids. Besides, there is a lack of competition implying monopolies in the energy as well as transport sectors. Tourism is mainly seasonal. Finally, he argued that Islands do not enjoy dedicated funding so that he requires a revision of the strategic framework.
- **Michela Giuffrida (S&D, Italy):** reminds that she comes from Sicily. Insularity condition as a structural and natural condition providing advantages as well as weaknesses such as less mobility; higher fuel prices; harder access for tourists; fewer exports. She required help from the European Commission such as an Islands Desk with experts to coordinate and evaluate Islands policies. Finally, she also argued that Islands could contribute to Blue growth, renewable energy, organic agriculture amongst other issues.
- **Ruza Tomasic (ECR, Croatia):** stated that islands lacked services and mobility; unemployment because of the lack of manufacturing industries; and young people leaving. She argued that Islands potential could be better developed and that there is a need for investors and workers; special tax policy; deregulation; infrastructures; cooperation with private sector.
- **Ivan Jakovcic (ALDE, Croatia):** also stressed the Islands demographic issue reminding that Islands are not ‘statistic category’. Then he added that many Islands do not constitute NUTS 2 or 3 categories, particularly in Croatia where there are many small Islands. Living in the smaller ones is very difficult but he states that Islands identity is part of many Member States’ identity and even part of the EU identity.

- **Dimitrios Papadimoulis (VP, GUE, Greece):** article 174 TFEU is actually a 'dead letter'. Islands particularly in Aegean (Lesbos) face even more difficulties since the beginning of the refugee crisis. He states that Lesbos hosted 500,000 refugees in 2015 while there are only 85,000 inhabitants (some of them could be awarded with the Peace Nobel Prize). They host many of them so there is an urgent need of deeds rather than words while they are tourism places and faced transport and infrastructure issues.
- **Rosa D'Amato (EFDD, Italy):** agrees with her colleagues on the project of resolution. She spoke from the situation of Sicily and Sardinia. The GDP of the latter is rather good ('70%' of EU average) but it does not show the difficulties faced by Sardinia such as unemployment so there is also a real need of other indicators of development. Transport and Energy are the main difficulties for Islands but there is only low utilisation of the Funds because of inability of the regional authorities. She argued that Islands need projects of renewable energy and sustainable transport.
- **Matteo Salvini (VP ENF, Italy):** Evaluation of the European Commission does not reflect the Islands reality. For instance he states that there is currently 50% unemployment in Sicily and Sardinia which explains why young people are leaving. He argued that Sardinia and Sicily are both treated as 'colonies' by Italy and the EU. EU fisheries regulation is a problem while the EU agricultural regulation is a 'dementia' fostering imports at the expense of local workers. Regarding environmental issue, in Sicilia 50% of the railway is single track while there is also 50% diesel trains. Finally, he required autonomy for Islands rather than the involvement of the European Commission, the latter only expecting from Islands that they host refugees.
- **Rosa Estaras Ferragut (EPP, Spain):** agreed with the project of resolution and she reminds that she comes from Majorca in the Balearic Islands. Islands facing additional difficulties (dual or triple insularity) such as higher prices regarding agriculture and transport; lack of connection, education, and health care. Necessary compensation as acknowledged by the article 174 TFEU but not provided by the current budget. Need of an EU dedicated program, an Islands Desk as well as a White Paper on that particular topic. Competitiveness issue as well in the strategic sectors.
- **Demetris Papadakis (S&D, Cyprus):** islands face multiple issues such as remoteness. Need for special initiatives to tackle these permanent issues. Currently there is a lack of access to basic goods such as water or basic services. For instance, in Greece with a lot of small islands. Also a need to reduce inequalities since for instance Islands have no access to renewable energy. Therefore, he required reviewing the Eurostat category to include other indicators. Finally, it is necessary to review the 2014-2020 programming period since current EU funding causes losses of time, money, and opportunity.
- **Nikolaos Chountis (GUE, Greece):** multiple support needed for Islands. Austerity issue in Greece where there is no more special tax policy (lower VTA) while airports were sold out to foreign investors for instance. High transport costs and lots of refugees in Aegean. Lack of EU solidarity. He finally asks about the measures expected from the European Commission.
- **Giovanni La Via (EPP, Italy):** Islands face economic, social, and geographical marginality. However, the European Commission acts in favour of outermost regions rather than all Islands. What are then the measures for territorial cohesion and continuity? Islands lacking behind mainland areas in term of development. Besides he argues that he has to take three different flights to reach Brussels. Transport costs as well as market access issues.
- **Ivana Maletic (EPP, Croatia):** more than 1,000 Islands in Croatia but people leave them. Need for EU and national policies in favour of economic projects in Islands. Currently possible thanks to better cofinancing rate for Cohesion projects. However, there is also a need for flexibility on State aids.
- **Tonino Picula (S&D, Croatia):** multiple issues faced by Islands where the GDP is 5% fewer than elsewhere. People are leaving and there is also a lack of transport and health care. Need of other

criteria. Application of the article 174 TFEU. He requires an evaluation on Islands living costs to then adapt programs which currently mismatch with the reality.

- **Notis Marias (VP ECR, Greece):** reminds the article 174 TFEU dealing with permanent handicaps faced by Islands related to their geographic as well as demographic situation. Lack of competitiveness and social cohesion. For instance, in Greece the Troika put an end to the specific tax policy (VTA from 13% to 23%) while the main regional airports were sold. Then the Aegean Islands hosted 160,000 refugees in 2015 while there is a current lack of infrastructures.
- **Antonio Marinho e Pinto (ALDE, Portugal):** the two Portuguese autonomous regions in the Atlantic Sea (Azores and Madeira) face dual insularity and multiple issues such as mobility between the different islands of the Azores. People leave to Canada and the US where it is cheaper to travel. Transport cost issue so. People from Azores must take four different flights to reach Brussels for instance. Need for Cohesion Policy.
- **Miguel Viegas (GUE, Portugal):** austerity policies hit particularly Islands. Need more than tourism or an EU year for Islands. Specific policies for transport as well as productive activities.
- **Lefteris Christoforou (EPP, Cyprus):** No EU without Islands! Need of acts to tackle remoteness. He required a specific proposal such as a legislative package. Creation of free wireless networks for Islands; incentives for transport and basic goods.
- **Juan Fernando LOPEZ AGUILAR (S&D, Spain):** comes from Canarias. EU 2020-2030 strategy as a great opportunity to impulse improvement for Islands. He stressed the Islands' unemployment rate. Need to foster education and formation for workers. There is a need to change the GDP criterion to take into account social, demographic and environmental indicators. He required synergies and solidarity. Integration of insularity condition in all the other EU policies.
- **Andreas Schwab (EPP, Germany):** Not from any Island but similarity with mainland areas. Bureaucratic and administrative issues in Islands even more than in mainland areas. Need to improve administration and procedures.
- **Renato Soru (S&D, Italy):** important initiative from REGI. Development issue acknowledged by the report on Cohesion. Growth could help cohesion as well. Need of digital, energy (no gas in Sardinia), and transport networks.
- **Mercedes Bresso (S&D, Italy):** similarities between Islands because they face greater issues than mainland area. But also heterogeneity among them such as archipelagos; autonomous regions, small Islands, insular RUP. She finally calls on EU Commissioner Crețu to take into account these differences for a potential White Paper on Islands.
- **Maria Grapini (S&D, Romania):** not from any Island but similarity with Eastern Europe. Cohesion policy to boost living standards. Taking into account human development indicators rather than the sole GDP. Importance of Local and Regional Authorities regarding Cohesion Funds.

4. CPMR action and next steps

The following course of action is suggested:

- A letter will be prepared by the CPMR Islands Commission to Commissioner Crețu

- The letter will make a reference to the forthcoming **Islands dimension within Cohesion Policy** seminar which will be held on 10 March at the European Parliament, which will be an opportunity for the CPMR Islands Commission to address points made by Commissioner Crețu in her speeches
- The CPMR Islands Commission (with support from the CPMR General Secretariat) is developing scenarios with regards to Cohesion Policy allocations for CPMR Islands Members; e.g., such as if all island Members were at least in the Transition Regions category, and further comparison between the regional GDP and the Regional Competitiveness Index
- The 10 March seminar will be an occasion to test ideas, scenarios and concepts with MEPs with regards to how islands could be better taken into account in post-2020 Cohesion Policy
- The letter will also suggest a meeting with Commissioner Crețu and Presidents of CPMR Islands Region.