



PROPOSALS FROM THE ISLANDS COMMISSION ON POST-2020 COHESION POLICY

*(Policy Position approved by the Islands Commission Annual General Meeting in Corsica
on 12 July 2018)*

PREAMBLE

This position paper is part of an on-going process of reflection undertaken by the Islands Commission and its members on the territorial dimension of Cohesion Policy, and more specifically its island dimension. Over the last two years, this process included the adoption of a [Policy Position](#) in March 2017 and a [Technical Paper](#) in April 2018, both of which set out a number of concrete proposals.

With these proposals in mind, the Islands Commission paid close attention to the European Commission's publication of proposals for the new Multiannual Financial Framework (MFF) on 2 May 2018 and all the regulations related to Cohesion Policy on 29 and 30 May.

Against this background, the Islands Commission welcomes the fact that, in accordance with Article 349 TFEU, the European Commission's strategy launched in October 2017 has led to a large number of measures benefitting the outermost regions in its proposal on post-2020 Cohesion Policy. According to the same logic, and in light of the obligations arising from Article 174 TFEU, island governments draw attention to the fact that the new cohesion regulations take insufficient account of the specific circumstances and constraints of their territories, which nevertheless warrant the introduction of a coherent and proportional approach to insularity applicable to all of the 2,500 European islands.

The Islands Commission therefore calls on the European Parliament and the Council to review the European Commission's proposals in order to correct the insufficient application of the obligations of Article 174 TFEU and ultimately to endow post-2020 Cohesion Policy with an ambitious island dimension.

The Islands Commission asks the Member States to which island territories belong to relay and support the considerations contained in this Policy Position among the European institution.

1 The need to strengthen the territorial dimension of cohesion policy is more important than ever

The new [Common Provisions Regulation](#) (CPR) published by the European Commission continues to use a methodology for determining eligibility for Cohesion Policy funds based on three categories of regions. However, it proposes to increase the threshold above which a region is considered as being “more developed”:

- The least developed regions are those whose GDP per capita is less than 75% of the EU-27 average.
- Transition regions are those with GDP per capita between 75% and 100% of the EU-27 average.
- The most developed regions are those with GDP per capita above 100% of the EU-27 average (as opposed to 90% during the 2014-2020 period).

The maps below show how the regional GDP of the CPMR’s outermost and island regions has evolved and the effect of these new categories on the regions’ future eligibility for Cohesion Policy funds. UK regions are shown for information purposes only.

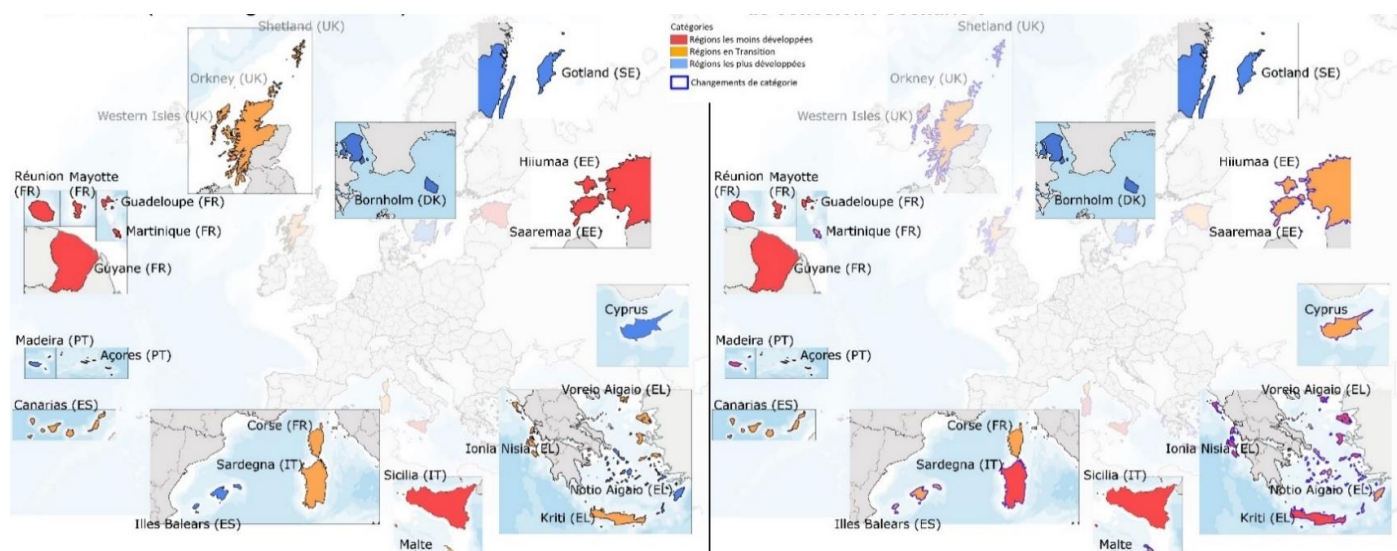


Fig. 1: Comparison of island regions’ eligibility for Cohesion Policy: 2014-2020 (left) / 2021-2027 (right)

- The eligibility status of 11 island regions changes, taking into account the latest regional GDP data and the new categories. Of these 11 islands, nine drop down to a lower category (Ionia Nisia, Voreio Aigaio, Notio Aigaio, Crete, the Balearic Islands, Sardinia, Cyprus, Madeira and Malta) and two move up a category (Hiiumaa/Saaremaa and Martinique).
- Island regions in southern European member states are the most affected by these moves into a lower category: Cyprus, all the Greek islands, Italy (Sardinia) and Portugal (Madeira).
- The picture is more mixed regarding the outermost regions. Martinique enters the transition category, while Madeira drops down from the most developed regions category to the less developed regions category.
- The decision to change the eligibility threshold of transition regions to 75-100% affects Malta, the Balearic Islands and the Scottish region of Highlands and Islands. If the 2014-2020 categories of regions had been maintained as they were for the post-2020 period, these islands would have been considered as more developed regions under the new Cohesion Policy, further to an increase in their regional GDP. With the new transition category, they either drop down a category (Balearic Islands) or stay in the transition category (Malta, Highlands and Islands).

Overall, and although there are a few exceptions, these maps show that all EU islands are experiencing a decline in regional GDP. They confirm that, despite, the positive contribution of cohesion policy and its support to regional development in general, the convergence process of island regions and outermost regions is more complex than that of mainland regions. This demonstrates the need for a more appropriate cohesion policy in these regions, as set out in Articles 174 and 349 TFEU.

This locally-obtained data, together with the legal basis of Article 174 TFEU, should provide the European Parliament and the Council with arguments to demand a strong island dimension to post-2020 Cohesion Policy, reflected in the introduction of concrete measures for all island territories in the EU.

2 Cohesion Policy funding distribution must reflect territorial cohesion needs

The Islands Commission:

- 2.1 **Welcomes** the fact that Cohesion Policy will continue to cover all European regions. This will permit all European island territories to benefit from the leverage effect of investment co-financed by Cohesion Policy. This EU policy has in particular the role of reducing or counteracting certain economic, social and territorial imbalances caused by the internal market. This role is crucial for island regions and for the outermost regions, which are not in a position to sell their local products under the same conditions as other European regions because of their insularity or remoteness and isolation.
- 2.2 **Regrets** any percentage reduction in real terms of the overall budget allocated to Cohesion Policy. It notes that according to the planned reduction, many Member States with islands will see a significant reduction in their national allocation, namely Portugal, France, Estonia, Croatia and above all Malta, which is likely to lose 24% of its Cohesion Policy allocation.

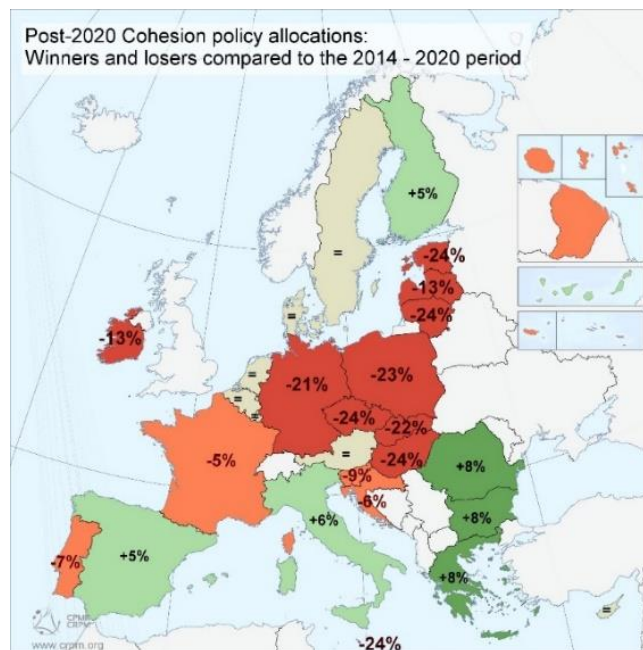


Fig. 1: Variations in Cohesion Policy allocations between 2014-2020 and 2021-2027

- 2.3 In a context in which the Cohesion Fund is being cut drastically by 46%, and because many member states with islands (such as Portugal, Cyprus, Estonia or Malta) are beneficiaries of this Fund, **the Islands Commission is concerned** about the consequences of these cuts when it comes to the redistribution of funds at national level, particularly for island regions.
- 2.4 **Welcomes** the fact that the outermost regions will continue to have a special treatment. As such, they will be eligible for the additional ERDF allocation and a specific allocation planned under ESF+.

- 2.5 Regrets** that, despite the announced changes to the Cohesion Policy allocation methodology (the “Berlin formula”) – with new indicators related to employment, education, migration and climate – GDP per capita remains the main criterion used to determine the distribution of funds. As the Islands Commission already clearly demonstrated in its [Policy Position](#) in 2017, it has to be **emphasised** that the GDP indicator does not adequately reflect the economic and social vulnerability of island regions which, because of the structural constraints related to their insularity, are affected by less favourable access to the European single market and higher production costs than continental regions with comparable regional GDP levels.
- 2.6 Notes** that the European Parliament initiated [a Resolution in 2016 on the special situation of islands](#), aimed at giving full recognition to the insularity condition. As such, the **Islands Commission points out** that several island governments have called for the creation of a peripheral island status.
- 2.7 Calls on** the European Parliament and the Council to consider the introduction of specific redistributive mechanisms for islands, which could be put in place, for example through:
- An ERDF and ESF allocation for islands and outermost regions, corresponding at least to the proportion of the national population living in the member states’ island and outermost regions, notwithstanding any specific allocation for the outermost regions and additional allocations negotiated for island member states.
 - A special allocation of €20 per inhabitant per year for NUTS 3-level islands with a lower GDP than their overall NUTS 2 area.

3

4 A partnership with the regions and stronger multi-level governance

The Islands Commission:

- 4.1 Welcomes** the fact that there will still be an article¹ on partnership and provisions on multi-level governance arrangements, and that current European Code of Conduct on Partnership will be retained.
- 4.2 Notes**, however, that these provisions are still rather weak, given the lack of detail concerning the consequences of member states failing to comply with the principle of partnership, and the disappearance of the obligation for the Commission to present an annual report to the European Parliament and the Council on the implementation of the Operational Programmes.
- 4.3 Regrets** the lack of any description of the role of regional and local authorities in the preparation and implementation of Cohesion Policy funds and the total absence of provisions deriving from Articles 174 and 349 TFEU, which provides that special attention be given to regions with severe and permanent natural or demographic handicaps, such as island regions and outermost regions. This represents a real setback for these territories, some of whom were already relatively poorly involved in the design and management of 2014-2020 programmes by their member state, as was shown by a [CPMR study on partnership](#).
- 4.4 Emphasises** the importance of introducing more ambitious partnership provisions to ensure the effective participation of local and regional partners in the different stages of programming (resource allocation, needs analysis, development of programme priorities, etc.).

¹ Regulation (EU) No 1303/2013 of 17 December 2013, Article 6

4.5 Urges the European Parliament and the Council to consider the following proposals:

- The provisions on partnership and multi-level governance (Article 6 of the CPR) should specify how Cohesion Policy should specifically address the needs and challenges of specific territories mentioned in Articles 174 and 349 TFEU.
- The Commission should play a stronger role in assessing the level of involvement of regional and local stakeholders and how member states address the specific territories issue. For example, when checking the Operational Programmes covering specific territories, the Commission should be able to make recommendations for more effective implementation of Articles 174 and 349 by member states through specific measures or ad hoc programmes responding to the specific demographic and natural handicaps of the islands and/or developing their untapped potential.

5 More flexible thematic concentration at regional level

The Islands Commission:

- 5.1 Welcomes** the introduction of the specific policy objective (PO5) for “a Europe closer to citizens by fostering the sustainable and integrated development of urban, rural and coastal areas and local initiatives,” which is in part dedicated to the use of territorial tools, among the five new POs replacing the 11 current thematic objectives. In this respect, the Islands Commission **stresses** the need to strengthen the territorial dimension of Cohesion Policy by promoting targeted investment through integrated local development strategies.
- 5.2 Calls on** the European Parliament and the Council to provide broader technical assistance as well as support for the exchange of good practices to help ensure they are adopted in island and outermost regions. For example, a technical assistance platform for Article 174 territories could be established to encourage the implementation of integrated territorial development strategies in these territories.
- 5.3 Is concerned**, however, about thematic concentration moving to the national level, whereas it was mainly managed at programme level during the period 2014-2020. Many of these programmes have been established at regional level. Faced with what appears to be a renationalisation of Cohesion Policy at the level of each Member State, the Islands Commission is worried about how much margin for manoeuvre regions will have, particularly island territories in traditionally more centralised countries, when it comes to negotiating with their central government about the targeting of funds in accordance with their specific needs.
- 5.4 Notes** that this change in the Cohesion Policy programming process is a long way from the proposal made by the CPMR in its [Policy Position](#) of March 2018, which suggested introducing the concept of smart regional thematic concentration in order to provide the regions with greater flexibility to allow them to concentrate the financing of European Structural and Investment (ESI) funds on two or three priorities with high European added value, in accordance with their specific needs.
- 5.5 Welcomes** the continuation of differentiated treatment for outermost regions, which enjoy the maximum level of flexibility in terms of thematic concentration and a derogation allowing them to invest in airport infrastructure under the ERDF and the Cohesion Fund.
- 5.6 Strongly regrets** the disappearance of the specific derogation allowing a number of islands to benefit from the maximum level of flexibility in thematic concentration.²
- 5.7 Is concerned** about the ESF’s shift away from Cohesion Policy objectives and principles – in this case the territorial dimension and the partnership with the regions – given its stronger focus on the objectives identified in the framework of the European Semester and the European Pillar of Social Rights, which both stem from top-down and centralised processes.

² Regulation (EU) No 1303/2013 of 17 December 2013, Article 4

5.8 **Calls on** the European Parliament and the Council to amend the European Commission's proposal to ensure that all island territories enjoy the same maximum level of flexibility with regard to the thematic concentration obligations of ESI Funds.

6 Suitable co-financing rates for specific territories in Cohesion Policy

The Islands Commission:

- 6.1** **Emphasises** that, in the current programming period, the allocation of higher co-financing rates, in particular for the less developed regions, has enabled Cohesion Policy to support beneficial investment, particularly in island and outermost regions, with a positive impact on their economy. This would not have been possible otherwise.
- 6.2** **Is concerned**, in this respect, about the European Commission's proposal to lower co-financing rates for all categories of regions, including the outermost regions. It **stresses** that this measure will have a major impact for both the less developed island regions and the outermost regions, which will now have to double their co-financing effort (from 15% to 30%), thus jeopardising the financing of many projects.

	2014 – 2020	2021 – 2027
Less-developed regions	85%	70%
Transition regions	60%	55%
More developed regions	50%	40%
Cohesion Fund	85%	70%
Territorial Cooperation	85%	70%
Outermost regions	85%	70%

Table 1: Comparison of the maximum co-financing rates for the Cohesion Fund

- 6.3** **Regrets** the withdrawal of the provision³ making it possible to modulate co-financing rates for priorities in order to take account of “coverage of areas with severe and permanent natural or demographic handicaps”, which, by definition, applied to all island and outermost regions.
- 6.4** **Calls on** the European Parliament and the Council to consider the following proposals:
- to introduce a specific derogation to maintain the same 85% co-financing rate for all island and outermost regions,
 - to reintroduce the possibility of modulating the co-financing rate according to different priorities for outermost islands and regions.

7 European territorial cooperation that does more for island and outermost regions

The Islands Commission:

- 7.1** **Regrets** the 12% decrease in the overall budget allocated to Interreg, as well as the reduction of the maximum co-financing rate from 85% to 70%, despite the fact that the programme has been assigned new tasks.

³ Regulation (EU) No 1303/2013 of 17 December 2013, Article 121

7.2 Is extremely concerned about the disappearance of cross-border maritime cooperation programmes and the absence of concrete provisions to ensure the continuation of such programmes. In this respect, the Islands Commission **points out** that little account is taken of the impact the discontinuation of these programmes will have on island regions, bearing on mind that insularity is in itself a major obstacle to co-operation between islands and with their neighbouring mainland regions.

Maritime cross-border Interreg programmes which may be discontinued after 2020	Islands concerned (NUTS 3 level)
Central Baltic	- Åland (FI) - Gotland (SE) - Saaremaa & Hiiumaa (EE)
South Baltic	- Bornholm (DK)
Greece-Cyprus	- Crete, Notio Aigaio, Voreio Aigaio (GR) - Cyprus
Greece-Italy	- Ionia Nisia (GR)
France-Italy Maritime	- Corsica (FR) - Sardinia (IT)
Italy-Malta	- Sicily (IT) - Malta (MT)
Italy Croatia	- All of the Croatian islands
Öresund – Kattegat – Skagerrak	- Bornholm (DK)
Northern Ireland-Ireland-Scotland	- Western Isles, the Argyll and Bute islands (UK)

Table 2: Maritime cross-border programmes involving islands that are threatened with discontinuation after 2020

7.3 Calls on the European Parliament and the Council:

- to establish, in the transnational strand of Interreg, specific cooperation sub-programmes for islands sharing the same sea basin (Baltic Sea, East Mediterranean, West Mediterranean, North Sea). These should permit cooperation between islands and the setting up of projects on common themes.
- to provide clear guidance to ensure the participation of island authorities in the governance of transnational programmes and in macro-regional/sea basin strategies with which these programmes will potentially need to be aligned;
- to take LAUs and NUTS 3-level island territories into account in these specific sub-programmes;
- for the Regions of the Azores, Madeira and the Canary Islands to be eligible for the future transnational Atlantic programme, irrespective of their participation in the cooperation programmes under strand 3 (cooperation involving outermost regions);
- under the cross-border strand of Interreg, where a programme area covers islands, there should be a minimum degree of “earmarking” for island themes in the relevant operational programme, through priorities and/or specific calls for projects;
- in the event that none of these previous provisions are adopted, to provide financial compensation for island regions, which will lose part of their funding for cross-border maritime cooperation programmes;
- strengthen technical assistance for island regions affected by the discontinuation of these programmes to facilitate the transition to the new programming period.

- 7.4 Welcomes** the creation of a cooperation strand dedicated to the outermost regions (strand 3). This is the fulfilment of a longstanding requirement, and will considerably facilitate the implementation of cooperation projects between the nine outermost regions, as well as with their overseas countries and territories (OCT), and neighbouring third countries. However, the Islands Commission is **concerned** about the management system that will be adopted for this new strand, and whether it will be partly or totally under indirect management.
- 7.5 Welcomes** the proposal to maintain the UK's participation in cross-border, transnational and maritime cooperation programmes, irrespective of the outcome of the Brexit negotiations. This provision will allow Scottish island regions to participate in European territorial cooperation programmes, and facilitate the outermost regions' cooperation with their British OCT neighbours.
- 7.6 Strongly welcomes** the strengthening of interregional cooperation based on smart specialisation strategies (3S) under strand 5 (interregional investments in innovation). However, it is **concerned** about the European Commission's proposal to set up these programmes through direct or indirect management and calls on the European Parliament and the Council to guarantee the full participation of regional and local authorities in the design and implementation of these programmes.
- 7.7 Regrets** the weakening of the interregional strand, which will lose several areas, in particular "the exchange of experiences focusing on thematic objectives among partners throughout the Union, including in relation to the development of the regions referred to in Article 174 TFEU", provided for in Article 2 of Regulation (EU) No 1299/2013 on European territorial cooperation.

8 Regional state aid

The Islands Commission:

- 8.1 Stresses** the important role played by state aid, especially that with a regional focus, for all island and outermost regions to enable them to cope with the additional costs of their isolation and/or remoteness, in particular the limited size of markets and the lack of economies of scale.
- 8.2** In this respect, and in view of the revision of the state aid policy for the post-2020 period, it **repeats** its call to:
- Increase the special treatment given to the outermost regions, whose combined handicaps continue to justify the automatic eligibility of these regions under Article 107 (3) (a) TFEU;
 - Consider all islands as automatically eligible under the provisions of Article 107 (3) (c) TFEU and revise, accordingly, the population quota for the member states concerned. This is already the case for sparsely-populated areas which, like islands, are covered by Article 174 TFEU;
 - Allow aid to large companies for the territories referred to in Articles 107 (3) (a) and (c) TFEU, given the positive effects that they may have for the economic network of the most vulnerable territories.



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The Islands Commission is one of the 6 Geographical Commissions of the Conference of Peripheral Maritime Regions of Europe (CPMR).

It represents about 15 million people in 21 European regional island authorities from 11 countries located in the Mediterranean, North Sea, Baltic Sea and the Atlantic, Indian and Pacific Oceans.

It operates both as a think tank and as a lobby group for Island Regions, urging European Institutions and Member States to pay special attention to the islands and to implement policies that are best suited to their insularity.

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