

Islands in Cohesion Policy

How to take into account specific characteristics of islands?

10.03.2016

Mr. **Tonino PICULA**, MEP, Vice-Chair of the Intergroup, in charge of Islands welcomed the strong interest shared by his colleagues on that particular topic. Mr Picula regretted the absence of the European Commission at the conference. The purpose of this event is to keep islands very high upon the list of priorities of the European Commission.

Taken together, European islanders amount to 15 million people which is the same as the ninth most inhabited European Member State. Despite disparities, islands all face challenges linked to isolation; ecological issue; problems of infrastructures; leaving population; economic underdevelopment and other issues. A high number of islands naturally fall into the less developed regions category of Cohesion policy as their GDP is lower than 75% of the EU average. Nonetheless, there is a lot of scope for improvements, stating with the need to use other indicators than the sole GDP per capita which fails to measure islands specificities, such as the lack of hospitals or the additional costs for people living on islands. Likewise, the huge number of tourists living temporarily on Islands but leaving a trace on the environment should be taken into account through an average population number over a year, rather than looking at figures for permanent inhabitants. Finally, this complete change of approach would also involve Member States as “we do need to listen carefully to those who are affected” by Cohesion Policy and encourage the adaption of the EU framework as well as sustainable solutions.

The particular case of Island Member States

Mr. **Alfred SANT**, MEP, Member of the Intergroup explained that Island States face specific problems linked to insularity. Malta and Cyprus managed to get special recognition at the EU level through an “extra-allocation” partly from Cohesion and Structural Funds. However, such criteria remain nebulous and will be renegotiated for the post-2020 period. The main problem lies therefore with GDP, which does not fit to the islands reality. Islands face systemic structural problems which cannot be removed by attaching them to economic measurement. Insularity causes higher transport cost; a need for bigger stocks to prevent shortages; and a small economy. Likewise, archipelagos such as Gozo suffer from double insularity. Even when islands do well, their economic development remains unbalanced relying mostly on the manufacturing or tourism sectors. In Malta for instance, finance, gaming services, and tourism face EU changing rules in taxation, which makes it dangerous to focus development on a specific sector. Cohesion Policy must go beyond funding to tackle systemic problems linked to insularity. For instance Gozo does well in term of tourism and retired people living there, whereas young people are leaving. While digitalization can mitigate some effects of insularity, state aids legislation should be changed to improve the islands

situation. Support for agricultural and manufacturing activities should be allowed for islands since their outputs are too small to have an effect on the single market.

Island Regions

Mr. **Steven HEDDLE**, Convener, Orkney Islands Council, President of the Islands Commission reminded that islands face permanent handicaps linked to insularity which needs to be taken into account by Member States. Mr. Heddle welcomed the resolution of the European Parliament based on the article 174 of the TFEU while Commissioner Cretu failed to properly address this issue before the REGI committee. Mr. Heddle also regretted the absence of representatives of DG REGIO at this conference. The lack of focus of Cohesion Policy for 2014 – 2020 has led to increased regional inequalities. Since the early 1990s “significant investments” have been made in Scottish Islands such as roads and bridges for better accessibility; renewable energy; educational infrastructures. Islanders should not have to be disadvantaged for living on islands. Former Commissioner Hahn was impressed a few years ago by projects in Orkney related to culture; transport; research and the overall contribution to European strategic objectives by turning geographical disadvantages into advantages. Everyday challenges faced by Islands and remote communities are difficulties for maintaining businesses and making a living. These challenges include limited public sector budgets, additional costs for delivery, small local markets; and limited investments from the private sector. Scottish Islands further suffer from energy costs since 63% of households in Orkney and 62% in the Western Islands face fuel poverty whereas the Scottish average is 35%. Investment is therefore needed however Scottish islands are part of the larger Highlands and Islands NUTS 2 region whose GDP is growing due primarily to the growth of Inverness. Better application of the article 174 that is needed more than ever.

Mrs. **Eleftheria FTAKLAKI**, Councillor of South Aegean Region, responsible for European affairs thanked the participants on behalf of the Regional Governor of South Aegean for fighting for islands within Cohesion Policy. Specific problems linked to insularity are not taken into account, neither at interregional level nor intraregional level. In South Aegean Region for instance, there are 79 Islands of which 39 are inhabited by less than 3,000 people. They all face great distances from both the capital of the Region and Athens. Therefore this triple insularity leads to increased demands for spatial, financial and social cohesion. Despite these issues, South Aegean Region is considered a More Developed Region for 2014-2020 due primarily to the high GDP per capita of the five bigger islands at the expense of the 45 others. At the same time, South Aegean Region faced the highest GDP per capita decrease as measured by Eurostat: a 35% decrease from 2010 to 2013 meaning that South Aegean Region would be categorised as a Transition Region and even bordering the Less Developed Region category. South Aegean Region also suffers from the migrants’ crisis and the end of special VAT rate which previously applied to all Greek islands. The European and Greek legal bases for an insularity clause are not put into practice.

Mr. **Nicolas BROOKES**, Director for Cohesion Policy, CPMR, agreed with the previous speakers that Cohesion Policy and the reinforcement of social, economic, and territorial cohesion is not a priority for the European Commission. The latest set of regional statistics (2012, 2013 and 2014 regional GDP average) show both that the policy is working in some regions in Europe (particularly in regions from countries like Poland, Estonia and Czech Republic for instance) and that it is very much needed in the future, particularly in Greece and Spain. As regards the islands, the picture is more mixed. Mr. Brookes presented six scenarios to improve the island dimension of Cohesion Policy for post-2020, some more realistic than others.

Under the first scenario all islands would be categorised as Less Developed Regions implying an increased European Budget and more funding towards NUTS 2 island regions. However Cohesion Policy being based on NUTS 2 Regions, NUTS 3 islands would be excluded from such approach. In the second scenario all NUTS 3 islands would be categorised as NUTS 2 level for the sake of Cohesion Policy eligibility. However, the allocation of funds is mostly decided at the national level meaning that islands would not necessarily get more funds. The third one would be about going beyond GDP for the sake of Cohesion Policy allocation. This is a very popular proposal but it is unlikely to bear fruit, particularly as adding indicators next to the GDP would not automatically increase the level of funding for islands, and bearing in mind the wider threats on Cohesion Policy. The fourth scenario would envisage earmarking funding for islands at national level like the 5% of the ERDF currently allocated to urban areas. This would not require an increased budget but it would need the support of Member States which have islands. There is a wide disparity of funding for islanders: for instance France and Spain currently allocate 24% and 4,9% of their European funds to islands, respectively. The fifth scenario would be the creation of a Special Island Unit in DG REGIO which for instance would work on State Aids derogation or any potential programme for islands like the Urban Innovative Action. The last but not least, a sixth scenario would advocate for a better implementation and the reinforcement of the article 5 of Cohesion Policy Code of Conduct rather than the article 174 of the TFEU which unfortunately remains a dead letter with no legal value

Members of the European Parliament: Statement and Questions from the MEPs

Mrs. **Michela GIUFFRIDA**, MEP, Vice-Chair of the Intergroup, in charge of Social Issues welcomed this very useful event as member of the Italian College of Islands and representative from Sicily. The resolution voted by a very broad majority on islands last February is certainly a milestone. Ms. Giuffrida met Commissioner Cretu who acknowledged that the situation needs to be corrected but looked to be reluctant to further fragment Cohesion Policy. A 2009 study on natural handicaps such as insularity causing geographical, economic and social problems, did not bring to the fore specific indicators and categories for islands. Ms. Giuffrida asked for a specific study on islands in order to determine a specific definition, standards and indicators, and a flexible approach respecting their variety. For instance, this would enable to assess the real costs faced by islands for transport, low investment and production levels, the lack of accessibility. Ms.

Giuffrida also asked for an Islands desk for better coordination with other policies than Cohesion Policy to tackle islands specificities in all cases. Likewise, Commissioner Cretu promised to appoint a coordinator to monitor issues specific to islands in Europe. Regarding the post-2020 period, Ms. Giuffrida urged to continue putting pressure on the European Commission with the help of the CPMR to establish an Islands Desk and a strategy for Islands; and to publish a White Paper and an Agenda on that specific issue.

Mr. **Renato SORU**, MEP, Member of the Intergroup reminded that islands with specific autonomous character are different than small islands, archipelagos, and Island States. Likewise, article 174 of the TFEU deals with a long list of areas and its provisions are already applied by number of policies such as maritime or transport. Islands could contribute to Europe provided that insularity is turned into an opportunity, for areas such as tourism, environment, fisheries. There is a need to reduce isolation and infrastructure gaps by creating networks in transport (States aids and territorial continuity); digitalization; energy (infrastructures and taxation); know-how and education. Mr Soru asked for a working group for islands network and the creation of a macro region for the Mediterranean islands.

Mr. **Juan Fernando LÓPEZ AGUILAR**, MEP, Member of the Intergroup considers this conference as an excellent initiative. Acknowledging the diversity in the EU and also among Islands, there is a need to find common grounds for a single EU policy and synergies need be made to complete the objective of integration and the four freedoms. For instance, derogations should be made and a special status for islands could provide a minimum level of equity and fairness. Cohesion Policy and legislation (article 359 TFEU and ECJ ruling on Mayotte) must look beyond GDP after 2020 as the sole indicator for Cohesion Policy. The evaluation made by the CPMR allows for a dialogue with the European Commission in favour of regional, agricultural and solidarity policies. Cohesion Policy as well as neighbourhood policy providing special funds and alternatives resources, should promote tools for employment, competitiveness, natural and environmental resources, accessibility, and tackle demographic issues.

Mr. **Demetris PAPADAKIS**, MEP, Member of the Intergroup reminded that islands and particularly Cyprus are far from the European administrative and economic centre. This is their main handicap as they are deprived from advantages linked to the single market. The geographical isolation of islands is detrimental to exportations and importations, energy and natural resources such as water, resilience to climate change. Islands also face additional costs. Cohesion Policy is therefore vital for islands, but it needs a stronger territorial dimension and other indicators than GDP. Cyprus economic recovery was permitted thanks to European funds and public investment in favour of sustainable growth. The specific situation of islands needs to be taken into account regarding the access to basic goods and services; and their comparative advantages for renewable energy sources.

Mr. **Louis-Joseph MANSCOUR**, MEP, Member of the Intergroup welcomed this excellent initiative to assess Cohesion Policy in its implementation and to learn about the challenges of islands despite their diversity. For instance Malta is very different than Martinique since the latter is far from continental Europe and has specific recognition under article 349 TFEU. It acknowledges disadvantages such as lack of accessibility,

expensive costs and living, unemployment, natural disasters. Therefore there is a need for better adaptation of EU action such as specific status to develop ports and airports, education, hospitals. Likewise, better flexibility could foster cooperation between Martinique and Azores at a legislative level for instance. Finally the post-2020 period should promote networks and neighbourhood; better instruments for synergies; economic development. Cohesion Policy remains under threat so there is a need to remain watchful and promote solidarity.

Mr. **Miltiadis KYRKOS**, MEP, Member of the Intergroup agreed with Ms Ftaklaki. Mr. Kyrkos stated that Greece is the best example of the failure of European programmes. Indeed Greece remains in a deep crisis and islands suffer even more. He explained that Greece is a champion in corruption and administrative burden and this needs to be addressed as a priority. Moreover, Greece faces immigration with islands on the frontline, and local and regional authorities need to be supported. Islands also face a problem of connectivity while tourism is not always sustainable. There is a need to try new ideas in islands to take advantage of their positive sides, and find smart ways to export island products and create economies of scale.

Mrs. **Roberta METSOLA**, MEP, Member of the Intergroup stated that Gozo is an interesting case of double insularity, it has a small but dense population while tourism also overloads the transport system. However islands should not be left behind, as stated by article 174 TFEU, even if Gozo depends on Malta as acknowledged by an annex to the treaty. Islands offer lots of activities but they are vulnerable. Furthermore, they need flexibility since a one-size fit all approach would not work. There is a need to foster the right conditions for employment and links with Malta through the TEN-T and the Motorways of the Sea.

Mr. **Salvatore CICU**, MEP, Member of the Intergroup welcomed the resolution of the European Parliament after 10 months of work coming in particular from Sicily and Sardinia. This resolution has enabled to bring islands difficulties to the attention of the European Parliament thanks to the coordination between MEPs. As acknowledged by article 174 and 175 TFEU, islands face disadvantages and need compensation at the European level. However, the lack of accessibility and territorial continuity; integration challenges; low administrative capacity for funds are not properly taken into account by the GDP indicator which is also misled by multinational corporations. State aids ban is also a problem for islands. Due to higher energy costs, corporations flee islands. Therefore Islands desperately need an assessment about how to compete fairly.

Concluding Remarks: Mrs. **Sofia RIBEIRO**, MEP, Vice-Chair of the Intergroup, in charge of Outermost Regions said despite their own specificities, islands and outermost regions need to gather for better solidarity. As mentioned by participants, EU treaties do not reflect reality on the ground. Outermost regions fought under a very specific context but the European Commission is starting to review their specific status. A positive discrimination for investment would benefit the entire EU; there is therefore a need to focus on limits and opportunities rather than designation. Finally, Member States are also responsible actors that is why decentralization and subsidiarity are needed.