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on the role of Cohesion Policy in the outermost regions of the European Union
in the context of EU 2020

Committee on Regional Development

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United in diversity

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1. Introduction

The role of cohesion policy in the European Union (EU) is to promote the reduction of disparities between the levels of development of the various regions and the backwardness of the least favoured ones. According to article 174 TFEU, in order to promote EU's overall harmonious development, actions leading to the strengthening of its economic, social and territorial cohesion shall be adopted. In this context, the Treaty foresees that economic policies shall be conducted in order to attain cohesion objectives, including European policies related to the internal market, and that it's through structural funds that the EU shall support its actions in the field of economic, social and territorial cohesion.

Article 174 TFEU recalls that a particular attention shall be paid to some areas, namely the areas affected by industrial transition, and regions which suffer from severe and permanent natural or demographic handicaps such as the northernmost regions with very low population density and island, cross-border and mountain regions.

However, as indicate in articles 349 and 355 TFEU, the Outermost Regions (ORs) form a unique group with special legal status. Article 349 explicitly outlines the unique nature of challenges faced by ORs and therefore stresses the need for differentiated treatment to be applied to their situation in EU strategies.

ORs of the EU have a specific structural social and economic situation due to their remoteness, insularity, small size, difficult topography and climate, and economic dependence on a few products. The permanence and the combination of these factors severely restrain their development and justify the adoption of particular measures in order to face these constraints. Specific measures can then be adopted by the EU, including internal market and common policies, which concern particular areas such as customs and trade policies, fiscal policy, free zones, agriculture and fisheries policies, conditions for supply of raw materials and essential consumer goods, State aids and conditions of access to structural funds and to horizontal Union programmes.

ORs have their own statute in the Treaty, which allows differentiated treatment at laying down the conditions of application of the Treaties, to adapt policies and to implement specific measures.

The need for differentiated treatment in the EU approach to the ORs under the cohesion policy has a legal base in article 349 of the TFEU, which allows derogation to the general conditions of cohesion policy and to the conditions of implementation of European policies.

2. Context

The Treaty of Lisbon has confirmed the statute of ORs in articles 349 and 355 TFEU. Besides, it has explicitly recognised the possibility of State aids to ORs, in article 107, 3 TFEU. These references are significant as they reinforce the need for specific arrangements in these regions, independently of purely economic considerations. However, there is still much to be done, namely through cohesion policy, to contribute to reduce economic disparities and improve growth in ORs. The regional dimension of cohesion policy consecrated in article 174

TFEU, recalling the contributions of the Barca Report¹, must have a more relevant expression. Furthermore, the subsidiarity principle has been reinforced after the entry into force of the new TEU, with an enhancement of the participation of national and regional parliaments in the European decision process.

In what concerns the future period 2014-2020, the European Commission has in June 29th presented its proposal for the next MFF 2014-2020². Despite the recognition achieved in the EU Treaties on the statute of EU ORs, no specific framework is foreseen for this group of regions.

Furthermore, the decrease in the extra allocation for ORs and sparsely populated regions to only an amount of EUR 926 millions for the next period decreases substantially the aid received by ORs compared to the current programming period, EUR 976 millions granted to ORs (on the basis of 35 euro's per capita and per annum).

Regarding the cohesion policy financial regulations for the next period, the proposals of the Commission in October 6th, envisage some specific measures on ORs³. Nevertheless, it is doubtful that such proposals are enough to fulfil the needs of these regions, especially in a moment where the economic crisis and the liberalisation of trade risk challenging their economic activities. This situation is also aggravated by severe austerity programmes that lower the possibility of national governments to assist their regions, because they are also dependent on external assistance, namely from EU. Even if co-financing rate can reach 85%, it is limited to 75% in the territorial cooperation goal and to 50% within projects financed by the additional specific allocation for ORs and sparsely populated regions. Furthermore, there is a specific request applying only to ORs that at least 50% of the total amount received under that allocation shall be allocated to actions contributing to the diversification and modernisation of the economies.

The importance of the insertion of these Regions in its geographical areas started to gain some attention. Cooperation programmes involving ORs shall receive not less than 150% of the ERDF support received in the current period, and 50 millions from interregional cooperation shall be set aside for ORs' cooperation.

Taking note of the recent proposals and with a focus on a renewed strategy for the EU ORs, to be presented by the Commission on 2012 following the request of the June 2010 General Affairs Council, the Initiative Report on the role of Cohesion Policy in the Outermost Regions of the EU in the context of EU 2020 aims at contributing to expose the major issues that need to be addressed when forecasting the ORs performance within the goals of EU2020, namely a smart, sustainable and inclusive growth.

3. What is at stake

What is at stake for ORs can be summarised in the following priorities to be pursued: a

¹ COM(2008)616final, 06.10.2008.

² COM(2011)500final.

³ COM(2011)615final, COM(2011)614/3 and COM(2011)611 final.

differentiated and joint treatment that takes duly into account their specificities in the framework of EU policies, with particular emphasis on cohesion policy, as the main leverage of their small economies, adaptation of European policies and a better insertion of the ORs in the internal market as well as in their geographical areas.

3.1. A differentiated and joint treatment for EU ORs

Standing for a differentiated and joint treatment for EU ORs has been one of these regions' flagships. A differentiated treatment, as resulting from the Treaty, allows for specific measures with regard to the objectives of economic, social and territorial cohesion, and calls for a constant particular attention by the EU. The implementation of EU2020 Strategy must be adapted to the specific reality of ORs. As their situation is not similar to any other EU regions, their treatment has to be different and adapted to their reality.

This 'differentiation' does not mean only to give particular attention to these regions' constraints, trying to compensate the effects of their remoteness, namely through structural funds or the additional allocation. It must also include an adapted strategy that foresees a development model capable of taking advantage of their assets¹, specifically in what refers to their competitiveness, growth potential and job creation. If EU2020 must develop taking into account regional diversity, measures have to be adopted in order to make its goals effective. This pursuit recalls a joint treatment of this group of regions, given their common statute in the Treaty and the need for specific measures adapted to their own reality.

3.2. An adaptation of the implementation of European policies in EU ORs

The Treaty expressly allows an adaptation of EU policies in its ORs. So far, specific measures by the implementation of the POSEI, have revealed to be a success, namely in the areas of Agriculture and Fisheries, in addressing the challenges deriving from the difficulties related to the dependence on a small number of products. A reflexion should be made in order to evaluate if other programs of the kind could be launched to propel further development of potential sectors, such as energy and renewable energy sources as also underlined by Pedro Solbes report on ORs².

Furthermore, the priority given to innovation and research in EU2020 must be accompanied by the relevant measures to promote such a strategy in ORs, namely through exchange networks. Due to their lack of accessibility, ORs are deprived from stronger connectivity, what requires a special attention to transports and telecommunications. Also other sectors, such as tourism, customs, fiscal policy, free zones, trade policies, shall retain an adaptation of the European policies. Only with a specific framework for EU policies would these regions better attain the objectives of economic, social and territorial cohesion and achieve a better integration in the EU internal market.

¹ COM(2008)642final, 17.10.2008.

² "Europe's ORs and the single market: The EU's influence in the world", Report to Commissioner Barnier, presented by Pedro Solbes Mira, 12.10.2011.

3.3. A better integration of ORs in the EU and in their geographical areas

The aim of a better integration of ORs in the EU calls for a more effective governance with the participation of all, European, national, regional and local levels. Multilevel governance means reinforced partnership and its need for a coherent implementation of the EU policies in ORs. This is essential to ORs differentiated and joint treatment and it shall contribute to a continuous dialogue between these regions with the EU. Also relevant is the fact that the Treaty presents a 'passerelle' which offers the possibility to other territories, namely ultramarine territories, to choose the statute that is more adequate to their reality. Since these territories can apply to become ORs and benefit from their statute, current ORs can, in this context, play a decisive role in attracting new members and in promoting their statute.

The full integration of the ORs in the single market as well as in their respective geographical areas remains a goal to be achieved. Territorial and digital continuity remains major issues to be dealt to. Therefore, proper action must be taken in order to allow ORs better access to the benefits of the single market and to develop their regional integration in the framework of a coherent neighbourhood policy.

As ORs are located in geographical areas away from mainland they are Europe's active borders and entail a geopolitical dimension. A special attention is therefore required, namely within the programs in the field of territorial cooperation, in relations with third countries and with countries with privileged cultural and historical relations.

As stated in Pedro Solbes report "...the EU must renew its integration pact and give substance to Article 349 TFEU, not only by reinventing its sectoral policies but also by reinforcing its governance and the legibility of its action with regard to the ORs. Emphasis must also be placed on the external dimension of the single market, by integrating the constraints of the ORs in European trade policies, and the advantages of developing a neighbourhood policy focused on the emergence of proper integrated regional markets should be fully exploited".

4. Conclusion

In the latest Memorandum of the ORs¹ it has been convened that the Cayenne principles established in 1999, still remain the main fundamentals of EU action toward its ORs. According to these principles, the equality of opportunities principle, the value of potentialities principle, the coherence of European policies principle and the partnership principle, European action must deliver the conditions to convert ORs potentialities in real factors of economic growth, namely through specific measures.

The 'road map' that has been drawn here matches the guidelines that are at the core of EU ORs claims. It will serve as the 'backbone' of the initiative report whose contribution is expected to propose a more balanced response from cohesion policy to the challenges touching ORs in the context of EU2020.

¹ Memorandum on a Renewed Vision for a European Strategy on Outermost Regions, Las Palmas, May 2010.