



**EUROPEAN ISLANDS ECONOMIES NEED MORE ATTENTION AT THE NEW
COHESION POLICY AFTER 2027**

**A Hybrid workshop organized by the
Network of the Insular Chambers of Commerce and Industry of the EU
(INSULEUR) in partnership with the European Economic and Social
Committee,
with the cooperation of the CPMR Islands Commission and the
European Small Islands Federation (ESIN)**

**FRIDAY, JUNE 28TH, 2024 FROM 9AM TO 1PM
EESC, BRUSSELS
ROOM JDE 63**

***A preparatory internal technical meeting of INSULEUR will be organized
from 09.00 to 10.30 CET.***

Interpretation in English, Spanish and Greek

BACKGROUND DOCUMENT

1. European Islands and Cohesion Policy after 2027

In the informal meeting of EU ministers responsible for cohesion policy, held in Mons (BE) on the 6th of February 2024, the President of the EESC presented the recommendations on the future of cohesion policy contained in the exploratory opinion on "[The Recovery and Resilience Facility and Cohesion policy: Towards Cohesion policy 2.0](#)", which was adopted by the EESC in September 2023.

During the meeting, President of the EESC Mr. Röpke supported that cohesion policy should be rooted in the principle, that "[no one and no region be left behind](#)". The policy should cover both territorial and social cohesion and needs to be supported by appropriate funding. The President reflected on the post-2027 framework, which should consider future enlargement of the EU and informed the Ministers about the ongoing work of the EESC on an opinion on the issue, named "The role of cohesion policy in upcoming rounds of EU enlargement".

The High-level Group established by the European Commission to assess how to ensure the Policy can continue to deliver on its main goal of social, economic, and territorial cohesion in the EU while contributing to a fair digital and green transition which is socially inclusive met in Brussels nine times and **published strategic conclusions and recommendations on February 20, 2024.**

According to this Report, 60 million EU citizens live in regions with GDP per capita lower than in 2000, 75 million in regions with near zero growth and one third of the EU population in places that have slowly fallen behind. Economic growth increasingly concentrated in a few large urban areas, many regions falling into development traps, from which, in contrast to other parts of the world, escaping is challenging.

According to Article 175 of the Treaty on the Functioning of the European Union, the Commission must submit a report to the European Parliament, the Council, the Economic and Social Committee and the Committee of the Regions on the progress made towards achieving economic, social, and territorial cohesion in the EU. This report is foreseen to be adopted in March 2024.

The Report will draw on studies on regional development traps, contributions of national policies to cohesion, regional quality of government, access to education and healthcare in towns and rural areas and the impact of migration on regional development and other studies linked to regional analysis.

However, an event with stakeholders linked to this report (the 9th Cohesion Forum) is planned for April 2024 in Brussels. Further consultation activities will be carried out during the preparation of the new legislative proposal for post-2027, including an open public consultation.

INSULEUR suggests organizing a half-day event in the EESC, with the same format adopted in previous events, in partnership with the EESC.

2. Cohesion Policy

Cohesion Policy is the main EU investment policy and represents a unique instrument to achieve the overall harmonious economic, social, territorial development and reduce disparities across all EU regions.

In this context, [Article 174](#) of the Treaty of the Functioning of the EU (TFUE) underlines the need to pay “particular attention” to territories beset by severe and permanent natural or demographic handicaps. Yet, despite these provisions, it appears that island territories are not duly treated as areas suffering from serious handicaps under Cohesion Policy and the insular dimension of territorial disparities is often neglected.

In its Resolution adopted on June 7, 2022 on “**EU islands and cohesion policy: current situation and future challenges**”, the European Parliament **stressed, among others**, that the future cohesion policy should support the local economic fabric of European islands, in particular micro-enterprises and small and medium-sized enterprises (SMEs), to support the creation of quality jobs, to limit the depopulation of islands, and to encourage, at the local level, close cooperation, mobility and exchanges of knowledge between education, research and technological innovation institutions, businesses, and individual citizens.

Regarding **State Aid schemes**, the European Parliament underlined, in this connection, the importance of more flexible State aid for air and maritime transport companies and other undertakings in these island territories, given their total dependence on these means of transport; to design a specific degressive scheme for island territories the abolition of the ‘de minimis’ ceilings for European islands and outermost regions, above which the Commission’s authorization is required; reassessment of the distance criterion (150 km) used to classify islands as border regions eligible for financing under cross-border cooperation programs.

3. State Aid

The issue of competitiveness and attractiveness in islands is also key for their economic, social, territorial development and it is strictly linked to the availability and use of state aid, even more in the face of the recent global crisis and challenges related to their twin transition.

Island territories are indeed extremely dependent on maritime and air transport which generates additional costs and places them in a structurally disadvantaged position compared to the mainland. Furthermore, the absence of economies of scale highly affects the offer of goods and services in island markets.

For these reasons, state aid rules at EU level should be further adapted to the specific context of these territories, bearing in mind these additional operating costs deriving from insularity. To this end, greater flexibility in the use of state aid is needed, as well as horizontal provisions and a legal specially designed and broader approach in related EU legislation (e.g. in regional aids, de minimis, GBER, among others).

4. The successive reports on Cohesion Policy

INSULEUR has remained attentive and extremely preoccupied over the past years of the previous reports on economic, social, and territorial cohesion. It has voiced its surprise when the 5th Cohesion Report failed to propose a clear identification at EU level of specific measures for different types of territories other than urban territories. In contrast, on several occasions, the 5th Cohesion Report described the specific issues of territories with permanent handicaps and these references lead to the affirmation that, beyond cohesion policy alone, targeted provisions will need to be developed to reflect their specific characteristics. However, the 6th report assumed that Cohesion Policy intervention has moved beyond the need to invest in regions which suffer from specific geographical handicaps such as islands and ignoring geographical characteristics triggered an alarming claim which contrasts strongly with INSULEUR positions on the subject. In the 7th report, INSULEUR welcomed the fact that specific needs of outermost regions were highlighted several times in the report but could not help noticing that, regretfully so, there was still no consideration of islands territories at all throughout the whole report. Regarding the 8th Cohesion Report, INSULEUR adopted a more offensive stance by shaping the debate instead of merely reacting to it.

5. Regional impact of Covid-19 in EU islands

Now, more than ever due to the pandemic, the economic, environmental, and social impact in international tourism is likely to be disproportionate for islands, which economies are mostly dependent on it. Due to the COVID-19 crisis, traditional tour operators, which in fact played a crucial role for the development of insular tourism, (offering organized travel and all-inclusive packages) have cancelled all their contracts (guaranteed and non-guaranteed) signed with hotels in islands. The same applies for independent travelers who had booked their holidays through online platforms, and who have cancelled their reservations. The cruise Industry, which for several islands represented a significant source of income, was also adversely affected. Cruise operators have cancelled their planned schedules without any clear date when their activities are going to resume.

While the Covid-19 pandemic was in general well contained in islands due to their relative isolation, they are nevertheless the ones suffering some of the major economic setbacks. This is due to several reasons. Often, islands face, albeit to varying degrees, several permanent natural or demographic handicaps compared to their mainland counterparts, including:

- limited accessibility.
- isolation
- Ageing population
- high dependence on a narrow range of economic activities – in some cases reliant solely on tourism
- inexistent or inadequate healthcare facilities
- the availability of few resources due to their small size.
- insignificant internal markets.
- prioritization in bridging the gap between insular and mainland territories even for basin infrastructure downgrading environmental and/ or digitalization issues that should be considered important.

- limited accessibility in financial resources, especially for greening and digitalizing.

All these factors have left islands particularly exposed during this pandemic. This has led to an even more significant reduction in their economic activity and Gross Domestic Product (GDP), and a substantial increase in unemployment. While the effect on the mainland was also significant, the economic, environmental and social impact on islands due to the factors listed above, was greater and should not be ignored.

This alone adds to the obvious necessity that INSULEUR never stopped voicing, of the need for integration of insularity in all national and community policies in terms of their impact on the islands.

The pandemic adventure therefore significantly also highlighted the importance of resilience for insular small and medium-sized enterprises.

6. Where Insular Small and Medium Enterprises Stand?

Small and medium-sized enterprises are the key to the growth of Insular Economies. Employing two out of three employees, micro, small and medium-sized enterprises should be a driver of innovation and a critical link in value chains.

The response of European economies to the dual challenge of the "green" and "digital" transition will depend to a large extent on the ability of small and medium-sized enterprises to adapt effectively to the demands, but also the opportunities, of the rapidly changing economic and technological environment.

The gradual return to normalcy focuses on medium-term productivity growth. It is a key hallmark that only 17% of small and medium enterprises digitize their basic functions, in contrast to 54% of large enterprises.

Community funding is the main financial instrument to support the sustainable transition of small and medium-sized insular enterprises, their digital and green upgrade, the strengthening of their synergies (clustering), their enlargement (scaling up), the introduction of innovation upgrading the skills of their employees (in-company training), the effective utilization of financial tools (guarantee, co-investment funds, factoring, etc.).

Taking the above into consideration, can we state that, in the coming years, Insular small and medium will have at their disposal the necessary financial tools which, in combination with the promoted interventions could create a more favorable business environment and contribute to their development?

Program

10.30-10.50 Introductory Session

- **Ioannis Vardakastanis**, President of the ECO Section, EESC
- **Eleftherios Kechagioglou**, President, Greek Small Islands Network
- **Joseph Borg**, President of INSULEUR and the Gozo Business Chamber

10.50 – 11.05

Danae Krokou, Project Officer, INSULEUR, *Business Demography in Islands as a knowledge base for EU Policies*

11.05 – 11.20

Claire Helly, CPMR Islands Commission Representative, **Key speaker:** *European Cohesion Policy after 2027 and the place of European Islands*

11.20 - 12.10 European Institutions responses

- **Benoit Nadler** - Deputy head of unit - Policy Development and Economic Analysis - Regional policy - European Commission
- **Ioannis Vardakastanis**, President, EESC ECO Section

Q & A

12.10 – 12.20 Implementation of the European Cohesion Policy for Islands on National and Regional Level

Manolis Koutoulakis, Secretary General for Insular Policy and Aegean, Greek Ministry of Maritime Affairs & Insular Policy (on-line)

Moderator: **George Assonitis**, Member, Technical Committee of INSULEUR