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INVESTMENT BANK**

**A stronger and renewed strategic partnership with the EU's outermost regions**

{COM(2017) 623 final}

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## **1. Introduction**

The outermost regions are an integral part of the European Union. Under Article 355 of the Treaty on the Functioning of the European Union (TFEU), these regions are governed by the Treaties. However, the outermost regions are remote from continental Europe and located in a different geographic, climatic, socioeconomic and political environment<sup>1</sup>. Article 349 TFEU recognises their particular situation and gives the outermost regions a unique status which distinguishes them from any other region in the EU and from the overseas countries and territories (OCT) that are associated to the EU.

In the Commission's Communication<sup>2</sup> of 2012, the EU set out a strategy for the outermost regions, in line with the Europe 2020 strategy<sup>3</sup>. It proposed a range of measures to help the outermost regions to build on their assets in order to create a stronger and self-reliant economy, promote social development and create sustainable jobs.

The 2012 Communication also invited the outermost regions to draw individual action plans to promote a smart, sustainable and inclusive growth in their territory. These action plans have largely inspired the 2014 - 2020 European Regional and Development Fund (ERDF) programmes.

This document reviews the implementation of the measures proposed in 2012. It also provides information on policy developments relevant to these regions since then and analyses their socioeconomic situation.

## **2. The European Union and the outermost regions: a long lasting partnership**

For more than 30 years the EU has been building a solid partnership with its outermost regions. The Treaty of Rome provides that the institutions of the Community should ensure the economic and social development of the French overseas departments. A declaration annexed to the Maastricht Treaty went a step further, recognising, for the first time, the notion of 'outermost region' (Article 227(2)).

The Treaty of Amsterdam (Article 299(2)) asserted for the first time the status of the outermost regions in the body of the European Treaties and formally recognised their geographical and economic specificity. It acknowledged that the outermost regions are affected by a specific set of constraints<sup>4</sup> the permanence and combination of which severely restrains their development. Article 299(2) further states that the Council, on a proposal from the Commission and after consulting the European Parliament, shall adopt specific measures,

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<sup>1</sup> See Annex I for the geographical location of the outermost regions.

<sup>2</sup> COM(2012) 287 final, 20.6. 2012.

<sup>3</sup> See footnote 2.

<sup>4</sup> The outermost regions are affected by remoteness, insularity, small size, difficult topography and climate, and economic dependence on a small number of products.

aimed, in particular, at laying down the conditions of application of the Treaties to those regions, including common policies, to take into account their structural social and economic situation.

Following the entry into force of the Treaty of Lisbon in 2009, this status has been consolidated under a dedicated Article 349 TFEU.

In its judgment of 15 December 2015<sup>5</sup>, the Court of Justice of the European Union clarifies the scope of application of Article 349 TFEU on the basis of which the Council is entitled to adopt specific measures for the outermost regions derogating from the Treaty or from a secondary law.

The EU has approved over the years specific or derogating legislative and non-legislative measures applicable to the outermost regions. They cover areas such as taxation, customs, agriculture, fisheries and State aid, with the objective of mitigating as much as possible the negative effects of their specific constraints and promoting their development.

In 2004<sup>6</sup>, the Commission presented for the first time a strategy for the outermost regions, aiming to strengthen the partnership between the EU institutions and those regions. The strategy was renewed in 2008<sup>7</sup>, to make the most of the outermost regions' assets and in 2012<sup>8</sup>, to align the strategy with Europe 2020 goals, emphasising the need for sustainable growth and jobs' creation.

A series of measures were proposed in different EU policies, across five main axes for action: improve accessibility to the single market, increase competitiveness, strengthen regional integration within the respective geographic zone, reinforce the social dimension of the development, including through measures for job creation, and mainstreaming climate action into all relevant policies.

To better address their needs, the Commission has put the spotlight on the outermost regions' specific assets and the constraints faced by them through a number of significant events. Since 2010, the Commission has been promoting discussion fora dedicated to the outermost regions, with the participation of all interested parties, in collaboration with the regions, the Member States concerned and the European institutions.

The 4<sup>th</sup> Forum held in March 2017 debated the following strategic themes: circular, green and blue economy; energy; integration of outermost regions in regional and international markets; and digital and physical accessibility. It also examined the support available from the EU funds. In addition, a seminar on employment in the outermost regions, organised in March 2016 together with the European Economic and Social Committee, provided some important ideas for future actions to improve mobility and promote job creation, in particular in emerging sectors such as the blue and green economy.

The outermost regions have also taken actions to strengthen their partnership with the European institutions. Since 1995, the annual event of the Conference of Presidents of the

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<sup>5</sup> <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:62014CJ0132>

<sup>6</sup> COM(2004) 543 final, 6.8.2004.

<sup>7</sup> COM(2008) 642 final, 17.10.2008.

<sup>8</sup> See footnote 2.

outermost regions is hosted by the region holding the rotating presidency and attended by representatives of EU institutions and Member States. At every conference, a declaration is issued outlining the outermost regions common position. At the last one, in 2016 in Madeira, the Presidents called on the Commission and the Member States for a new dynamic towards the outermost regions and committed to presenting a joint Memorandum. The Memorandum<sup>9</sup> was handed to the President of the European Commission during the 4<sup>th</sup> Forum. It presented several proposals calling for reinforcing the differentiated approach of the European policies for the outermost regions. The Member States concerned (France, Portugal and Spain) have also submitted individual contributions. Furthermore, joint contributions were submitted to the Commission on the future strategy for the outermost regions<sup>10</sup>.

The European Parliament has also been very active in promoting the interests of the outermost regions. It adopted in 2014 a resolution on creating synergies between the European Structural and Investment Funds (ESI Funds) and other European Union programmes to optimise the potential of the outermost regions<sup>11</sup>. In 2017, it adopted two additional resolutions on the management of fishing fleets in the outermost regions<sup>12</sup> and the implementation of Article 349 TFEU<sup>13</sup>.

These political proposals complement the work undertaken by the Commission on the EU strategy towards the outermost regions. In early 2014, the Commission set up a working group with representatives from the outermost regions, the three Member States concerned and the Commission to follow up concrete aspects of the 2012 Communication. Since then, the group has met regularly to analyse and discuss developments in the European policies affecting these regions, strengthening the communication between institutions and interested parties.

Other Commission initiatives are important to evaluate the impact of European policies on the outermost regions and identify potential avenues for future action. In December 2016, the Commission adopted a report on the implementation of the POSEI scheme, expressing a positive assessment of its implementation and relevance<sup>14</sup>. In the same year, the Commission launched a study on the blue growth potential in the outermost regions. The results of the study were recently published<sup>15</sup>.

Furthermore, the Commission has set up four expert groups to reflect on key areas for future growth in the outermost regions, such as digital accessibility, transport, energy, green and circular economy. Each group included experts from the outermost regions, the Member States and the Commission, aiming to define future actions at EU, national and regional levels in order to boost progress in these strategic areas<sup>16</sup>.

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<sup>9</sup> [http://ec.europa.eu/regional\\_policy/sources/policy/themes/outermost-regions/pdf/memorandum\\_rup2017\\_fr.pdf](http://ec.europa.eu/regional_policy/sources/policy/themes/outermost-regions/pdf/memorandum_rup2017_fr.pdf)

<sup>10</sup> [http://ec.europa.eu/regional\\_policy/index.cfm/en/policy/themes/outermost-regions/#5](http://ec.europa.eu/regional_policy/index.cfm/en/policy/themes/outermost-regions/#5)

<sup>11</sup> European Parliament resolution of 26 February 2014, Procedure reference (2013/2178(INI)), Rapporteur: Younous Omarjee.

<sup>12</sup> European Parliament resolution of 27 April 2017 (2016/2016(INI), Rapporteur: Ulrike Rodust.

<sup>13</sup> European Parliament resolution of 6 July 2017 (2013/2178(INI), Rapporteur: Younous Omarjee.

<sup>14</sup> POSEI (Programme of options specific to the remote and insular nature of the outermost regions); COM(2016) 797 final, 15.12.2016.

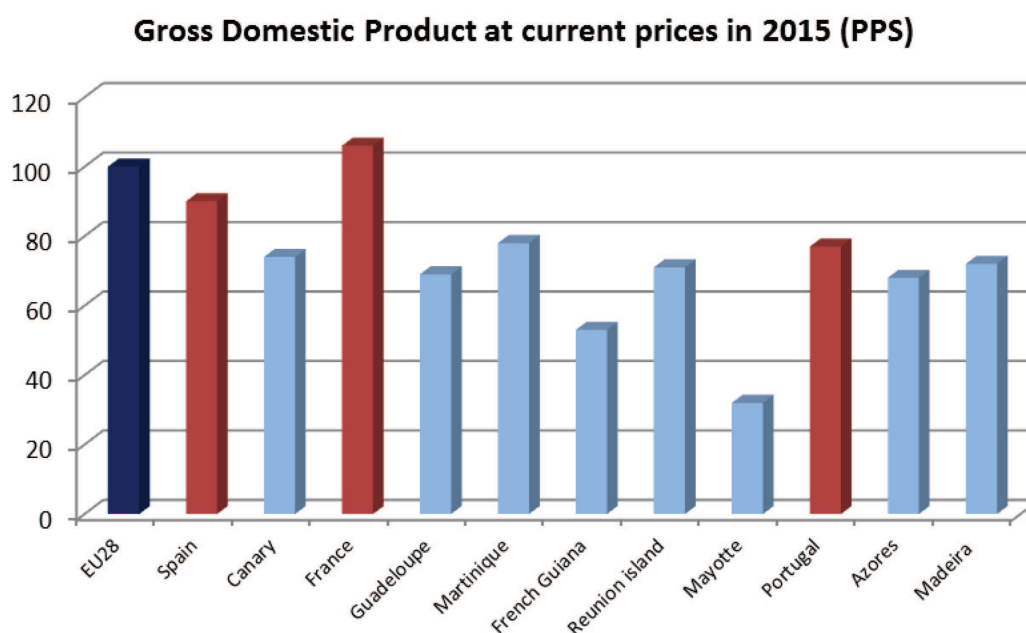
<sup>15</sup> <https://publications.europa.eu/en/publication-detail/-/publication/029afe70-a725-11e7-837e-01aa75ed71a1/language-en>

<sup>16</sup> [http://ec.europa.eu/regional\\_policy/en/policy/themes/outermost-regions/#5](http://ec.europa.eu/regional_policy/en/policy/themes/outermost-regions/#5)

### 3. Socioeconomic trends in the outermost regions<sup>17</sup>

On **GDP per capita** in purchasing power standard (pps)<sup>18</sup>, all outermost regions are still far away from the respective national and EU-28 average (data of 2015). The average GDP per capita of all the outermost regions is at 64.6 %, with Mayotte and French Guiana only at 32 % and 53 % respectively, while the national French average is at 106 %. The highest GDP per capita among all the outermost regions is observed in Martinique with 78 %, followed by the Canary Islands with 74 % (Figure 1). However, there is no clear common trend for the 2011-2015 programming period. The Portuguese outermost regions, the Canary Islands and Guadeloupe have seen their GDP per capita decreasing in 2011 - 2015; while Martinique, Reunion Island and Mayotte have seen their GDP per capita increasing in the same period. In French Guiana, there was no clear pattern in 2011 – 2015. There was an increase in 2011 - 2012 and then, a decrease in 2012 - 2015.

Figure 1 — Gross domestic product at current prices in 2015 (PPS) in the outermost regions, Spain, France Portugal and EU-28 average.



There is a fluctuation in terms of **growth rates** in 2010 - 2015<sup>19</sup>, with no common pattern for all outermost regions. For the Spanish and Portuguese outermost regions (two Member States significantly hit by the economic crisis), the growth rates were positive in 2014 for the first time since 2010. In 2015, the growth rates were positive in almost all outermost regions. The average growth rate stands at 2.1 %.

<sup>17</sup> More detailed information for each region is presented in Annex III.

<sup>18</sup> EUROSTAT: Gross domestic product (GDP) at current market prices by NUTS 2 regions [nama\_10r\_2gdp]; unit: Purchasing power standard (PPS) per inhabitant in percentage of the EU average; updated on 30.3.2017; extracted on 12.6.2017.

<sup>19</sup> EUROSTAT data: Real growth rate of regional gross value added (GVA) at basic prices by NUTS 2 regions — percentage change on previous year [nama\_10r\_2gvagr]; updated on 16.6.2017 and extracted on 12.7.2017.

On **demographic changes**, in 2012 - 2016<sup>20</sup>, the population increased in the Canary Islands, French Guiana, Mayotte and Reunion Island while it decreased in the other outermost regions. It is worth highlighting that the outermost regions have a relatively young population compared to the national situation. In most outermost regions, the percentage of young people (up to 25 years-old) is significantly higher than the national average. In some cases it is the double (Mayotte) or almost the double (French Guiana).

**Life expectancy** in 2015 was lower than the national average in all outermost regions, with the exception of Martinique, where it is slightly higher than the national average (82.7 years-old against 82.4 years-old)<sup>21</sup>. The gap observed between the national average and the outermost regions' average is marginal. The lowest life expectancy can be observed in Mayotte (76.5 years-old).

On the labour market situation, in most outermost regions, the **employment rates** of those aged 20-64 have increased in 2012 - 2016<sup>22</sup>, with the exception of Guadeloupe and French Guiana, where slight drops in the employment rates have been observed in the same period. The average employment rate (20-64) for all the outermost regions is at 56.91 % (in 2016); which is significantly below the average target of the Europe 2020 strategy (75 %) and of the respective national targets (74 % for Spain, 75 % for France and 75 % for Portugal<sup>23</sup>). The French outermost regions present the most important gap between the regional employment rates and the respective national averages.

The **unemployment rates** of those aged 15-74, have decreased in most outermost regions in 2012 - 2016, after observing a peak in 2013. The exceptions are Guadeloupe, French Guiana and Mayotte; with the latter having observed a trend towards increased unemployment rates in 2014 - 2016. The most recent data available, from 2016, show that the unemployment rates are much higher in all the outermost regions than the respective national averages, with the exception of the Azores (equal to the national rate of 11.2 %). The average unemployment rate in all outermost regions stands at 20.6 %, which is much higher than the EU-28 rate of 8.6 %. The highest rates are observed in Mayotte with 27.1 % and the Canary Islands with 26.1 %. The rates of the French outermost regions in 2016 (except from Martinique) are more than double the national rate of 10.1 % (Table 1).

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<sup>20</sup> EUROSTAT: Population on 1 January by age, sex and NUTS 2 region [demo\_r\_d2jan]; updated on 30.5.2017; extracted on 9.6.2017.

<sup>21</sup> EUROSTAT: Life expectancy by age, sex and NUTS 2 region [demo\_r\_mlifexp]; updated on 31.5.2017; extracted on 6.6.2017.

<sup>22</sup> EUROSTAT: Employment rates by sex, age and NUTS 2 regions (%) [lfst\_r\_lfe2emprr]; updated on 27.4.2017; extracted on 12.6.2017.

<sup>23</sup> <http://ec.europa.eu/eurostat/web/europe-2020-indicators/europe-2020-strategy/headline-indicators-scoreboard>



Table 1 — Unemployment rates in the outermost regions, Spain, France, Portugal and EU-28 average in 2016.

| 2016           | Unemployment rate 15-74 (%) | Long-term unemployment (% of active pop) | Female unemployment 15-74 (%) | Unemployment rate 15-24 (%) | NEET |
|----------------|-----------------------------|--|-------------------------------|-----------------------------|------|
| Canary Islands | 26.1                        | 14.2                                     | 28.0                          | 51.3                        | 16.0 |
| Spain          | 19.6                        | 9.5                                      | 21.4                          | 44.4                        | 14.6 |
| French Guiana  | 23.2                        | 16.2                                     | 25.2                          | 43.9                        | 32.3 |
| Guadeloupe     | 23.9                        | 17.1                                     | 25.4                          | 46.7                        | 19.4 |
| Martinique     | 17.6                        | 11.5                                     | 17.6                          | 44.3                        | 19.7 |
| Mayotte        | 27.1                        | 21.9                                     | 32.6                          | 54.5                        | -    |
| Reunion Island | 22.4                        | 14.2                                     | 22.5                          | 44.0                        | 22.5 |
| France         | 10.1                        | 4.6                                      | 9.9                           | 24.7                        | 11.9 |
| Azores         | 11.2                        | 6.5                                      | 9.8                           | 41.5 <sup>1</sup>           | 19.2 |
| Madeira        | 13.0                        | 7.8                                      | 11.9                          | 50.5 <sup>1</sup>           | 16.1 |
| Portugal       | 11.2                        | 6.1                                      | 11.3                          | 28.0                        | 10.6 |
| EU-28          | 8.6                         | 4.0                                      | 8.8                           | 18.7                        | 11.5 |

<sup>1</sup> 2014

The **long-term unemployment** rates (as percentage of the active population) in 2012 - 2016<sup>24</sup> show a downward trend in most outermost regions (Canary Islands, Martinique, Reunion Island, Madeira and the Azores). In 2016, most of the outermost regions observed unemployment rates which are much higher than the national rates and the EU-28 average.

The average long-term unemployment rate in all outermost regions is 13.7 %, compared to 4 % in EU-28, 9.5 % in Spain, 4.6 % in France and 6.1 % in Portugal. The Portuguese outermost regions have long-term unemployment rates that are higher but not very far away from the national ones (6.5 % in the Azores, 7.8 % in Madeira compared to 6.1 % in Portugal).

The biggest gap can be observed in the French outermost regions where the rates vary from 21.9 % and 17.1 % in Mayotte and Guadeloupe respectively to 11.5 % in Martinique; while the French national rate is at 4.6 %. In addition, it is worth comparing with the long-term unemployed as percentage of the unemployed; a comparison which shows that in all outermost regions more than half of the unemployed are long-term unemployed. Mayotte and Guadeloupe have the highest share of long-term unemployed among their unemployed, with 80.9 % and 71.6 %.

The **female unemployment** rates of those aged 15-74, show a downward trend in the outermost regions in 2012 - 2016<sup>25</sup>, after reaching their peak in 2013 and 2014. The exception to that is Mayotte (data for 2014 - 2016), where female unemployment tended to increase. The average rate for all outermost regions is 21.6 % (in 2016), which is more than two times

<sup>24</sup> EUROSTAT: Long-term unemployment (12 months and more) by NUTS 2 regions [lfst\_r\_lfu2ltu]; unit: percentage of active population; updated on 27.4.2017; extracted on 31.5.2017.

<sup>25</sup> EUROSTAT: Unemployment rates by sex, age and NUTS 2 regions (%) [lfst\_r\_lfu3rt]; updated on 9.8.2017; extracted on 11.9.2017.



higher the EU-28 rate (8.8 %) and higher than the national rates (21.4 % for Spain, 9.9 % for France and 11.3 % for Portugal). The highest female unemployment rate is observed in Mayotte and the Canary Islands with 32.6 % and 28 % respectively. The lowest is observed in the Azores (9.8 %) which is also the only outermost region scoring lower in female unemployment than the national average (11.3 % for Portugal).

On the **youth unemployment** rates of those aged 15-24, it is worth noting that in all the outermost regions the rates have decreased from 2012 to 2016<sup>26 27</sup>, in some cases by more than 10 percentage points (Canary Islands, Martinique, Reunion Island). However, 2016 rates in the outermost regions remain much higher than the national and the EU-28 rates. The average rate for all the outermost regions (except for the Portuguese ones) stand at 47.5 %, while the Spanish and French national rates are at 44.4 % and 24.7 % respectively and the EU-28 rate at 18.7 %. The Canary Islands and Mayotte have the highest rates with 51.3 % and 54.5 % respectively.

On **young people not in employment, education or training** ('NEET' indicator), there is a reduction of the rate in all outermost regions in 2012 - 2016<sup>28</sup> (and in 2012 - 2014 for the French outermost regions). A significant decrease is observed in the Canary Islands and Madeira, with a drop of more than five percentage points, in the same period. The 2016 rate is significantly higher in all outermost regions than the national average and the EU-28 rate. The average rate for all outermost regions stands at 20.7 %, which is much higher than the Spanish (14.6 %), the French (11.9 %), the Portuguese (10.6 %) and the EU-28 (11.5 %). The highest values are observed in French Guiana with 32.3 %, followed by Reunion Island with 22.5 %<sup>29</sup>.

On **early school leavers**, there was a significant reduction observed in the Canary Islands, the Azores, Madeira and Reunion Island in 2012 - 2016<sup>30</sup>. During this period, there was an increase in early school leavers for Guadeloupe, Martinique and French Guiana. The rates observed in 2016 in the outermost regions are significantly higher than the respective national averages, with the exception of the Canary Islands where the rate is slightly lower than the national average (18.9 % compared to 19 % for Spain). French Guiana<sup>31</sup> has the worst performance with 36.7 % of early school leavers, far from the national average of 8.8 % in France. The Portuguese outermost regions have also a much higher rate than the national average, with the Azores and Madeira at 26.9 % and 23.2 % respectively and Portugal at 14 %. The combined average rate for all outermost regions is 22.5 %, which is significantly higher than the 'less than 10 %' target of the Europe 2020 strategy and the national targets set at 15 %, 9.5 % and 10 % for Spain, France and Portugal respectively.

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<sup>26</sup> EUROSTAT: Unemployment rates by sex, age and NUTS 2 regions (%) [lfst\_r\_lfu3rt]; updated on 27.4.2017; extracted on 9.6.2017.

<sup>27</sup> No data are available for the Portuguese outermost regions for 2015 and 2016.

<sup>28</sup> EUROSTAT: Young people neither in employment nor in education and training by sex and NUTS 2 regions (NEET rates) [edat\_lfse\_22]; updated on 27/04/17; extracted on 6.6.2017.

<sup>29</sup> Mayotte is not reported on this dataset.

<sup>30</sup> EUROSTAT: Early leavers from education and training by sex and NUTS 2 regions [edat\_lfse\_16]; updated on 27.4.2017; extracted on 6.6.2017.

<sup>31</sup> Mayotte is not reported in the data.

On **higher education** attainment<sup>32</sup>, in 2012 - 2016, there is a slight increase observed in almost all outermost regions, with the exception of French Guiana (slight decrease in 2014 - 2016<sup>33</sup>). In 2016, all outermost regions have lower rates than the national and EU-28 rates. The average rate for all outermost regions is approximately 21 %; while the EU-28 rate is at 30.7 % and the Spanish, French and Portuguese ones at 35.7 %, 34.6 % and 23.9 % respectively. The rates of the outermost regions are also significantly lower than the EU-2020 target set of 40 % and the national targets set at 44 %, 50 % and 40 % for Spain, France and Portugal respectively. The lowest higher education attainment is observed in the Azores and French Guiana with 14.8 % and 17.7 % respectively. The highest tertiary education attainment is observed in the Canary Islands with 29.4 %.

## 4. Assessment of the European strategy for the outermost regions

### 4.1. Accessibility to the single market

Accessibility is the cornerstone of the outermost regions integration in the single market as stressed in the report by Pedro Solbes of 12 October 2011<sup>34</sup> which inspired, and continues to inspire, specific measures for the outermost regions. One of the main axes of the 2012 Communication was improving access to the single market; physical access (transport) but also digital access through broadband networks and digital services.

#### Transport

The **cohesion policy** remains the main instrument to support physical accessibility infrastructures in the outermost regions, in particular for air and maritime transport investments. In 2007 - 2013, the ERDF allocation for transport was about EUR 1 billion; more than one fifth (22 %), in average, of the total support for this period for all outermost regions.

A wide range of projects have been financed, including port and airport infrastructures, maritime connections and inland waterways. The port and airport infrastructures represented 24 % and 25 % respectively of the total ERDF allocation on transport in the outermost regions; while the European average was 4 % and 2 % of the respective transport allocation.

For 2014 - 2020, support to the transport sector in the outermost regions remains significant (14 % of the ERDF allocation), with about EUR 660 million made available via regional programmes, with an emphasis on a strategic approach and sustainable transport. Investments

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<sup>32</sup> EUROSTAT: Population aged 25-64 by educational attainment level, sex and NUTS 2 regions (%) [edat\_lfse\_04]; tertiary education (levels 5-8); updated on 27.4.2017; extracted on 9.6.2017.

<sup>33</sup> There are no data available for Mayotte.

<sup>34</sup> 'Europe's outermost regions and the single market: The EU's influence in the world.'  
[http://ec.europa.eu/internal\\_market/outermost\\_regions/docs/report2011\\_en.pdf](http://ec.europa.eu/internal_market/outermost_regions/docs/report2011_en.pdf)

for ports and airports continue to represent a big share of transport investments in these regions (33 % and 11 % respectively), while this share decreases significantly at the EU level (0.6 % for ports and 2.9 % for airports).

Cohesion policy is therefore responding to the particular needs of the outermost regions, where air travel and maritime transport are of particular importance for socioeconomic development. The **specific additional allocation** of the outermost regions in the ERDF has also been used to compensate additional transport costs, including operating costs.

Such **examples** of cohesion policy improving accessibility in 2007 - 2013 are:

- the new Pôle Caraïbes airport in Guadeloupe (ERDF EUR 4.4 million<sup>35</sup>);
- the requalification of the port of Praia de Vitoria, on the Terceira Island, in the Azores (ERDF EUR 27 million); and
- the construction of Camopi airport, in French Guiana.

On sustainable mobility and access within the local territory, the outermost regions have made major efforts and many examples can be listed, such as:

- a hybrid bus project in Fort-de-France in Martinique (EUR 66 million budget supported by ERDF); and
- plans to develop demand responsive transport services for the remoter areas using a mix of vehicles integrated to ferry operations (Guadeloupe) or alternative water transport lines (French Guiana)<sup>36</sup>.

The main ports and airports of the outermost regions are included in the **comprehensive Trans-European (TEN-T) networks**<sup>37</sup>. This implies eligibility for EU funding under the **Connecting Europe Facility (CEF)** and applies mostly to maritime ports located in the outermost regions that can be backed financially by the Motorways of the Sea (MoS) programme. However, the bulk of CEF funding is currently on the core network infrastructures where only two ports and airports (Las Palmas and Tenerife in the Canary Islands) are included (Atlantic corridor).

Three outermost regions' projects related to ports were financed by the **CEF** (with a maximum total EU contribution of EUR 28.3 million) including:

- a) a project to retrofit a dual-fuel high-speed craft ro-pax vessel, fuelled by a mix of 75 % liquefied natural gas (LNG) and 25 % diesel to make — among others — the link between the Canary Islands<sup>38</sup>.
- b) the GAINN4 mOS, a twinned action between a number of Member States which contributes to the implementation of the LNG bunkering project in the Atlantic and the Mediterranean, including the port of the Azores<sup>39</sup>; and

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<sup>35</sup> Total investment of 12.5 million.

<sup>36</sup> Source: Report of the expert group on transport accessibility for the outermost regions [http://ec.europa.eu/regional\\_policy/sources/policy/themes/outermost-regions/pdf/transport\\_report\\_en.pdf](http://ec.europa.eu/regional_policy/sources/policy/themes/outermost-regions/pdf/transport_report_en.pdf)

<sup>37</sup> With the exception of Saint Martin.

<sup>38</sup> [https://ec.europa.eu/inea/sites/inea/files/fiche\\_2014-es-tm-0593-s\\_final.pdf](https://ec.europa.eu/inea/sites/inea/files/fiche_2014-es-tm-0593-s_final.pdf)

<sup>39</sup> [https://ec.europa.eu/inea/sites/inea/files/fiche\\_2014-eu-tm-0698-s\\_final.pdf](https://ec.europa.eu/inea/sites/inea/files/fiche_2014-eu-tm-0698-s_final.pdf)

c) the use of Onshore Power Supply system's technology in Spanish ports, including the Canary Islands<sup>40</sup>. The latter is part of a global project aiming to spread the use of electricity for ships calling at Spanish ports along Core Network Corridors and beyond. Santa Cruz and Las Palmas of the Canary Islands will benefit from the pilot deployment.

Under **TEN-T**, two studies were financed that included the outermost regions: one with the objective to describe existing solutions on the access to natural gas and the possibility to introduce LNG and Compressed Natural Gas<sup>41</sup> in Spain, including the Canary islands; and the other under the name COSTA Action<sup>42</sup>, to develop framework conditions for the use of LNG for ships in the Mediterranean, the Atlantic Ocean and the Black Sea, including the Deep Sea cruising in the North Atlantic Ocean, towards the Azores and Madeira.

In addition to funding, regulatory provisions are also very important for supporting transport in the outermost regions. The **guidelines on State aid to airports and airlines**, adopted by the Commission in 2014, take into account the challenges faced by the outermost regions. These guidelines set out the conditions under which investment aid and operating aid can be granted to airports.

More flexible conditions apply to airports situated in the outermost regions (such as higher permissible investment aid, as a share of eligible costs). These guidelines also contain flexible provisions on start-up aid to airlines for opening new routes from outermost regions' airports regardless of their size and even when those routes connect airports with countries outside the EU.

Outermost regions can also benefit from aid of a social character for air transport services. In the context of the 2017 review of the **General Block Exemption Regulation (GBER)**, the Commission further simplified the procedures. On transport, the revised GBER allows investment aid to be granted to ports and airports of a certain size<sup>43</sup>, without notifying the Commission, if specific conditions are met. The revised GBER also provides for more flexible rules on granting operating aid for small airports with fewer than 200 000 passengers per year.

Furthermore, Member States can also provide State aid to outermost regions on the basis of existing EU rules on services of **general economic interest**. In case of genuine transport needs, Member States may impose a public service obligation on certain routes, with or without exclusivity and/or compensation. Similarly, the operation of some airport activities may be designated as a service of general economic interest, with the ensuing compensation.

As for the **maritime guidelines**, the outermost regions had expressed the need for start-up aid for new maritime routes towards non-EU countries. However, following the previous public consultation results, it was considered that the overall rationale was still valid and therefore the 2004 Maritime guidelines were maintained.

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<sup>40</sup> [https://ec.europa.eu/inea/sites/inea/files/fiche\\_2015-eu-tm-0417-s\\_final.pdf](https://ec.europa.eu/inea/sites/inea/files/fiche_2015-eu-tm-0417-s_final.pdf)

<sup>41</sup> [https://ec.europa.eu/inea/sites/inea/files/download/project\\_fiches/spain/fichenew\\_2013es92006s\\_final\\_1.pdf](https://ec.europa.eu/inea/sites/inea/files/download/project_fiches/spain/fichenew_2013es92006s_final_1.pdf)

<sup>42</sup> <https://ec.europa.eu/inea/en/ten-t/ten-t-projects/projects-by-country/multi-country/2011-eu-21007-s>

<sup>43</sup> <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32017R1084&from=EN>

Moreover, introducing provisions on aid for investments in ports in the GBER and the extension of the regional operating aid provisions to the transport sector has simplified State aid rules in the maritime sector. The Member States can grant aid for relevant investments without having to notify them to the Commission.

Considering the importance of air transport for these regions, the Commission, in its proposal amending the Directive 2003/87/EC for a new regulation on the **Emission Trading System** in aviation of February 2017, maintained the exemption of the flights to and from airports in the outermost regions from 2017, subject to a new review in the light of the international developments to implement a global scheme on international aviation emissions.

## Digital connectivity

One of the main obstacles to the integration of the outermost regions in the single market is their remote location, but could be partly compensated by a good level of digital connectivity.

The outermost regions are in contrasting situations for the 2020 and 2025 broadband objectives<sup>44</sup>. In terms of **coverage**<sup>45</sup> by next generation access networks<sup>46</sup> all outermost regions are below the EU average (76 %) with the exception of Azores (99.8 %) and Madeira (86.3 %); Gran Canaria (86.8 %) and Tenerife (79 %) in the Canary Islands. With a few exceptions, most outermost regions are also below their national average and in some cases they present a very substantial gap: El Hierro (Canary Islands) has a coverage of 6 %, French Guiana 9 %, Las Palmas (Canary Islands) 10.4 %, La Gomera (Canary Islands) 17.2 %, Fuerteventura (Canary Islands) 18.6 %, Reunion Island 22.9 % and Martinique 42.8 %.

The proportion of **subscribers** to the high-speed network is generally close to or above the national average, which demonstrates the interest and need for connectivity among the populations of these regions; Mayotte being the notable exception. The high number of broadband subscribers could be because the internet plays an even more important role for the communication needs of the populations of these outermost regions than on the mainland<sup>47</sup>. However, this penetration is unevenly distributed within these regions and is lower for example in the southern islands of Guadeloupe, the less densely populated islands of the Canary Islands and many areas in French Guiana and Mayotte.

To improve the outermost regions' access to the digital market, the EU supports investments in network and services through a flexible regulatory framework and financial support where there are market failures.

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<sup>44</sup> The Union has set as objectives by 2020 the availability of 30 megabits per second (Mbps) connectivity for all citizens and the subscription by at least 50 % of households to a service offering at least 100 Mbps. The objectives for 2025 include that all European households will have access to internet connections of at least 100 Mbps, upgradable to Gigabit speeds.

<sup>45</sup> Sources: European Commission Services 2017 — European Digital Progress Report 2017 [https://ec.europa.eu/digital-single-market/en/news/europes-digital-progress-report-2017\\_and](https://ec.europa.eu/digital-single-market/en/news/europes-digital-progress-report-2017_and) 'Broadband Coverage in Europe 2016. Mapping progress towards the coverage objectives of the Digital Agenda'.

<sup>46</sup> Next Generation Access (NGA) coverage includes fixed-line broadband access technologies capable of achieving download speeds meeting the Digital Agenda objective of at least 30 Mbps coverage. These figures are the result of combining VDSL, DOCSIS 3.0, and FTTP coverages taking into account the possibility of overlapping coverage.

<sup>47</sup> Report of the expert group on digital accessibility and ICT (coverage and use) in the outermost regions: [http://ec.europa.eu/regional\\_policy/sources/policy/themes/outermost-regions/pdf/ict\\_report\\_en.pdf](http://ec.europa.eu/regional_policy/sources/policy/themes/outermost-regions/pdf/ict_report_en.pdf)



The **EU rules** for electronic communications encourage competition, lower prices and more choice for businesses and consumers; while guaranteeing basic user rights. The legislation does not contain specific rules for outermost regions but allows national authorities to identify specific competition conditions in the territory of an outermost region, to take them into account in their market analysis and to adapt their regulatory intervention if necessary (as has been the case for wholesale access tariffs to some submarine cables).

In addition, the proposed new **European electronic communications code** includes measures to encourage competitive investments, notably by providing incentives to co-investment in very high-capacity networks. This is expected to enable the participation of smaller players in investment projects, thanks to the pooling of costs and reduction of scale barriers and to make the investment case more predictable for ‘first movers,’ who take the risk to invest in those networks in less profitable areas, such as less densely populated and remote areas.

The outermost regions also benefit from the ban on retail **roaming** surcharges, as from 15 June 2017, subject to fair use policy, and if mobile operators operating in these regions are not exempted from the ban by the national regulator<sup>48</sup>.

State aid rules enable public funding for the deployment of networks offering substantial improvements over existing networks as recalled in the **Broadband State aid guidelines** adopted in 2013<sup>49</sup>. The Commission will take into account the projected evolution of the long-term demand for such networks<sup>50</sup>. It will do this by assessing notified measures supporting such improvement and will consider favourably efficient blended financing that contributes to lower the aid intensity and to reduce the risks of distorting competition, as part of its assessment of State aid interventions.

In 2014 - 2020, **ESI Funds** are supporting investment in digital public services and in the roll out of broadband networks, in those areas where market investment has not materialised and public funding proved necessary. The upgrade and roll out of new high-speed broadband infrastructures are supported in the French outermost regions and to a lesser extent in the Canary Islands. Furthermore, all outermost regions have mobilised ESI Funds to support the development and use of Information and Communication Technology (ICT) services. The aim is to allow the population and SMEs to access advanced and affordable electronic communications and digital services and to attract new activities creating employment. This effort is accompanied with a support to the digitalisation of SMEs, the acquisition of digital skills and the development of public digital services for people and businesses (in particular eGovernment, eHealth, eLearning and eTourism).

Around EUR 287 million are allocated in 2014 - 2020 **ERDF** regional programmes for digital connectivity in the outermost regions, representing a global increase of around 80 %,

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<sup>48</sup> Regulation (EU) 2015/2120 of the European Parliament and of the Council of 25 November 2015 laying down measures concerning open internet access and amending Directive 2002/22/EC on universal service and users' rights relating to electronic communications networks and services and Regulation (EU) No 531/2012 on roaming on public mobile communications networks within the Union (OJ L 310, 26.11.2015, p. 1).

<sup>49</sup> Communication from the Commission "EU guidelines for the application of State aid in relation to the rapid deployment of broadband networks" (OJ C 25, 26.1.2013, p. 1).

<sup>50</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions 'Connectivity for a Competitive Digital Single Market — Towards a European Gigabit Society' - COM(2016) 587 final, 14.9.2016.

compared to the previous programming period. This allocation represents 6 % of the total EU funding for those programmes. In addition to ERDF, the **European Agriculture Fund for Rural Development (EAFRD)** has also supported digital connectivity with EUR 5.7 million in 2014 - 2020.

In the previous programming period (2007 - 2013), supported by the ERDF regional programmes, the Azores and Canary Islands directed their efforts mainly towards services and applications for people, Martinique in ICT services for SMEs, while the other outermost regions favoured investments in telecommunication infrastructures.

In addition to the ESI Funds support, the **Connecting Europe Broadband Fund (CEBF)**, announced in December 2016 by the Commission and the European Investment Bank (EIB), is expected to trigger additional investments in broadband deployment. The CEBF will complement the lending activity of the European Fund for Strategic Investments (EFSI) and EIB by enabling smaller and riskier projects to attract market investments. It could thus fit better the financial investment needs of specific projects in the outermost regions.

### **Better information on the single market**

The 2012 Communication proposed that ‘single market’ contact points are set up in each outermost region and that the Internal Market Information (IMI)<sup>51</sup> and SOLVIT<sup>52</sup> platforms are better used by the outermost regions.

The **IMI** system allows public authorities across the European economic area to exchange information in the form of requests, notifications, alerts and centralised repositories, in line with the provisions in 11 single market areas. With the exception of Mayotte, IMI competent authorities have been appointed in all the outermost regions. The authorities in the Canary Islands’ have extensively used the system, due to the training and awareness-raising activities carried out by Spain.

On **SOLVIT**, a number of cases were dealt with by the Canary Islands, Madeira and Azores. The authorities of the outermost regions are invited to continue cooperating with the national SOLVIT centres placed in the central administration<sup>53</sup>. SOLVIT can offer assistance in case a public authority has caused problems between two Member States in the single market. In addition, the ‘**Your Europe**’ portal<sup>54</sup> offers user-friendly information and access to advice about EU rights which all Europeans and business enjoy in the single market. The portal is available in the official EU languages spoken in the outermost regions.

The uptake of these tools in the outermost regions has been overall limited compared to the rest of the EU and their use should be further encouraged.

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<sup>51</sup>[http://ec.europa.eu/internal\\_market/scoreboard/archives/2013/07/performance\\_by\\_governance\\_tool/internal\\_market\\_information\\_system/index\\_en.htm](http://ec.europa.eu/internal_market/scoreboard/archives/2013/07/performance_by_governance_tool/internal_market_information_system/index_en.htm)

<sup>52</sup> [http://ec.europa.eu/solvit/index\\_en.htm](http://ec.europa.eu/solvit/index_en.htm)

<sup>53</sup> Increasing the use of SOLVIT by citizens and businesses is a general objective of the reinforcement of the network as expressed in the SOLVIT action plan - COM(2017) 255 final, 2.5.2017.

<sup>54</sup> <http://europa.eu/youreurope/index.htm>



## 4.2. Increasing competitiveness through modernisation and diversification of economies

### Cohesion policy

Cohesion policy is the main EU instrument to deliver growth and jobs. The 2012 Communication highlighted the need to support funding for research and innovation, promote new opportunities for employment and enterprises as well as to renewable energy and energy efficiency, and improve access to finance for SMEs. Moreover, the Communication underlined the role of the smart specialisation strategies to this aim.

On the **Cohesion Fund (CF)**, the Azores and Madeira are the only two outermost regions belonging to a Member State eligible for Cohesion Fund support. The actions supported under this fund in the 2007 - 2013 programming period were financed under the national programme 'Valorização do território'. EUR 235 million were earmarked to Madeira to prevent and manage risks and to improve transport infrastructures and EUR 105 million to the Azores, to enhance the maritime transport conditions in the archipelago as well as the environmental protection and sustainable development. In 2014 - 2020, those regions are eligible to apply for support under the national programmes financed by this fund.

The **total ERDF allocated budget** to the outermost regions in the regional programmes in 2007 - 2013 amounted at EUR 4.6 billion. It includes an additional specific allocation of EUR 850 million.

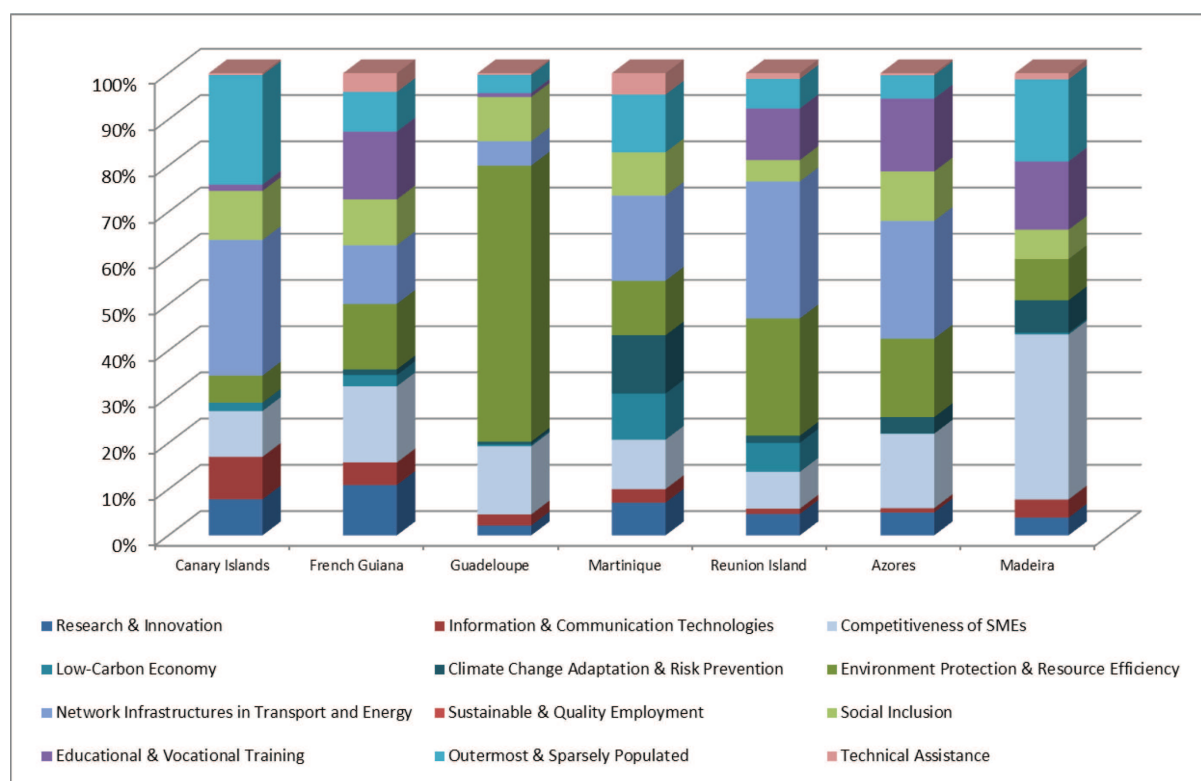
According to preliminary data submitted for the closure of the 2007 - 2013 operational programmes in March 2017<sup>55</sup>, the 2012 strategy is well reflected in the priorities supported from the cohesion policy. The **most commonly supported sectors** (based on the thematic objectives<sup>57</sup>) in the outermost regions were: transport and energy networks with 21.6 % of the total budget, environment and resource efficiency with 19.4 % and SME competitiveness with 13.4 %. Research and innovation was supported with 5.8 % and information and communication technologies with 4 %. It is worth observing that by aggregating the contribution under research and innovation, ICTs and support to SMEs, a total investment of 23 % is attained (Figure 3).

The outermost regions used the **specific allocation in 2007 - 2013** in different manners. For example, in Martinique, Reunion Island, Mayotte and Madeira, the specific allocation supported investments aimed at promoting the competitiveness of enterprises. In Reunion Island and the Azores, the allocation was used for transport. In the Canary Islands, the specific allocation was used for infrastructure (upgrade works in airports, ports and roads) and for running costs (providing grants for transport between islands and covering medical costs).

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<sup>55</sup> The data may be subject to change following the exchange of information between the Member State authorities and the Commission in the framework of the 2007 - 2013 closure exercise.

Figure 3 –Financial allocations of ERDF regional programmes in the 2007 - 2013 programming period by thematic objective <sup>56</sup>



In the 2012 Communication, **Financial Engineering Instruments** and microfinance were mentioned among the possibilities to be explored by the outermost regions. In 2007 - 2013, this opportunity was used in Martinique (ERDF, EUR 12.85 million), with financial engineering instruments allowing 600 businesses to benefit from financial support. In French Guiana EUR 5.7 million was used from ERDF on financial engineering instruments, including instruments for risk-sharing, microcredit, bank guarantees and funds to support projects with high potential. In total, 306 persons have benefited from microfinance and 530 businesses (SMEs and bigger firms) received support.

Based on the same preliminary data, the ERDF contribution helped to achieve the following **results in 2007 - 2013**: 6 956 jobs were created; among which 204 jobs in the research sector and 1 227 in tourism. 66 331 students benefitted from projects in the field of education. 662 start-ups were supported and 326 413 additional people are covered by broadband access. In terms of physical accessibility, 65.8 km of new roads were constructed and 621.2 km reconstructed. 65 468 additional people are served by waste water projects and 143 311 additional people are served by water projects. 229 renewable energy projects were supported.

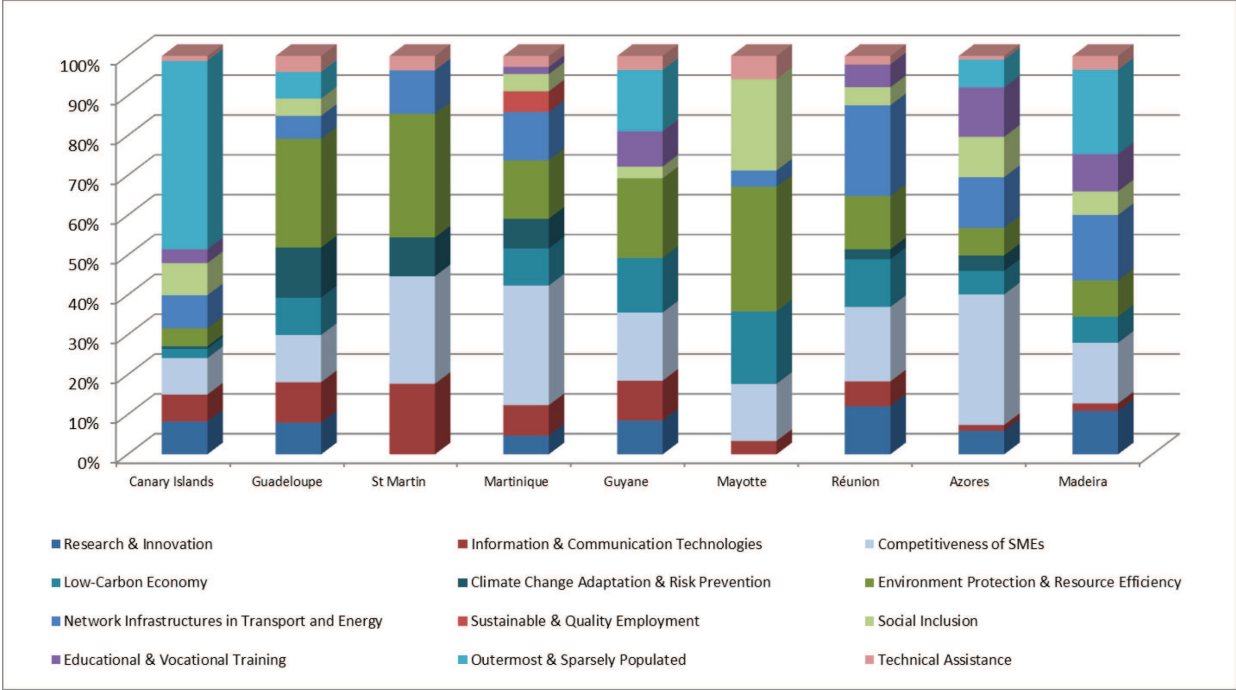
In **2014 - 2020**, the ERDF allocates EUR 4.7 billion in the regional programmes to support investments in smart, sustainable and inclusive growth. This amount includes the additional specific allocation for the outermost regions (EUR 1 billion)<sup>57</sup>. An increase of 4.6 % can be observed in the total budget for all outermost regions between the two programming periods.

<sup>56</sup> The term thematic objective is used as a reference to the 2014-20 Regulations for comparability reasons.

<sup>57</sup> The funding contribution from the national programmes, namely for the Canary Islands, is not included.

The **most commonly supported sectors** (based on the thematic objectives) are SME Competitiveness; Environment Protection and Resource Efficiency; and Network Infrastructures in Transport and Energy (Figure 4).

Figure 4 –Financial allocations of ERDF regional programmes in the 2014 - 2020 programming period by thematic objective.



The **additional specific allocation**, will be used in **2014 - 2020** to support businesses (Madeira, Guadeloupe, French Guiana, Reunion Island, Mayotte), transport (the Azores, Canary Islands, Guadeloupe, Martinique, French Guiana, Reunion Island, Mayotte), medical transport (Canary Islands), civil protection against natural disasters (Guadeloupe, Saint Martin, Martinique, Reunion Island), protection of the environment and biodiversity (Canary Islands) and ICTs (Saint Martin, Martinique).

The 2012 Communication highlighted the need to assess if the individual needs and assets of the outermost regions were taken into account in the design of the Partnership Agreement of the 2014 - 2020 programming period. As a result, a specific Chapter is devoted to the outermost regions in the national Partnership Agreements.

In 2014 - 2020, different **financial instruments** are envisaged to support different priorities in each outermost region, in particular risk capital, capital investment, microcredits, guarantee funds and pre-financing. These instruments aim to support SMEs and projects in energy and environment (Guadeloupe); and entrepreneurship (Saint Martin). Reunion Island envisages also financial instruments to support entrepreneurship with EUR 22.4 million from ERDF, EUR 20 million from EIB and EUR 7 million from the Region<sup>58</sup>. French Guiana envisages also the set up of financial instruments with a budget of EUR 10 million for research and innovation and support to entrepreneurship.

<sup>58</sup> This is an EFSI project. More details are presented under the ‘European Investment Bank (EIB) Group and the EFSI’ section of the present Staff Working Document.

The ERDF contribution in 2014 - 2020 is expected to achieve the **following results**: 8 772 businesses in all outermost regions and increase employment in the supported enterprises by 5 328 full-time equivalent. On research and innovation, 758 researchers are expected to work in improved research infrastructure facilities, 456 businesses will cooperate with research institutions, 229 enterprises are expected to introduce new to the market products and 466 enterprises will be supported to introduce new to the firm products. Additional 480 000 households are expected to have broadband access of at least 30 Mbps, the additional capacity of renewable energy production is expected to be 153.29 MW and the estimated reduction in greenhouse gas emissions is 432 117 tonnes of CO<sub>2</sub>.

As outlined in the 2012 Communication, the **European Social Fund (ESF)** invested EUR 1.3 billion in the outermost regions during the **2007 - 2013** programming period. The objectives were to boost education, employment, skills and lifelong learning. Furthermore, in 2013, an additional allocation of EUR 180 million<sup>59</sup> was made available through the **Youth Employment Initiative (YEI)** to implement the Youth Guarantee scheme.

As regards the observed **results** of the ESF interventions, the ‘Régiment du Service Militaire Adapté’ (RSMA) - a French social-professional military system project - was implemented successfully in all French overseas regions. The objective was to train young unemployed people and assist them to integrate into the job market. After participation, 29 % of them were in employment.

In the Canary Islands’ programme, more than 200 000 participants benefited from the ESF interventions, approximately 2 000 businesses were created and 26 000 unemployed people found a job, after participating in active labour market policies. In Madeira, 39 % of young people who attended an information and career guidance session, found employment within 12 months after their participation in 2015. In addition, 83.6 % of the working population participated in actions of professional training. In the Azores, 57 % of the young people who completed the ‘transition to active life’ plan programme, found a first job once the programme was completed: 16 974 persons participated in certification courses to improve literacy levels and basic qualification.

In **2014 - 2020**, the **ESF** investment has increased in all outermost regions to a total allocation of 1.8 billion. In addition, the **YEI** budget is approximately EUR 260 million<sup>60</sup>, expected to be further increased for all eligible regions, following the mid-term revision of the Multiannual Financial Framework in June 2017. The outermost regions will thus, benefit from additional resources.

The **main priorities** of the ESF programmes in the outermost regions are promoting youth employment, fostering mobility of workers and trainees, supporting vocational trainings, reducing early school leaving, promoting lifelong learning, increasing social inclusion and enhancing the institutional capacity of public authorities and stakeholders among others.

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<sup>59</sup> The French outermost regions benefited from EUR 110 million (35 % of the YEI for France), the Portuguese outermost regions of 11.3 million and the Canary Islands of EUR 58.6 million.

<sup>60</sup> The YEI total budget includes the budget earmarked to the respective regions from the national YEI programme and for Guadeloupe and Martinique, it also includes the YEI allocations in their regional programmes. The amount includes the ESF matching part.

Some examples of the **expected results** are the following: an increase of 30 % by 2023 of the number of people placed in employment pathways in Reunion Island<sup>61</sup>, the support of 10 560 jobseekers in Guadeloupe, reduce school dropout rate by 30 % in French Guiana and 32 000 students completing their secondary education training, in the Canary islands.

Furthermore, all ESI Funds support since 2014 the **Community-Led Local Development** strategies, which promote employment and labour mobility and have an important role in job creation by involving by local communities and organisations. Moreover, Integrated Territorial Investment strategies are also implemented to tackle urban and other complex territorial challenges.

## **Agriculture and Rural Development**

The agriculture is a **fundamental sector** for the outermost regions both for the economy and employment. Together with forestry and fisheries, it represents on average 3.8 %<sup>62</sup> of the economic activity and 5 % of the employment, with the Azores being, by far, the region where these sectors have a higher importance in both: 9.8 % and 13.8 %, respectively.

Specific measures for agriculture have been implemented through the **POSEI** scheme under the first pillar of the common agricultural policy (CAP) and of Article 349 TFEU. Although some provisions of the POSEI scheme were revised in 2013, the general provisions of the scheme remained unchanged. It is financed by the European Agricultural Guarantee Fund (EAGF). The basic regulation<sup>63</sup> sets an *annual* ceiling for each Member State<sup>64</sup>, with a total of EUR 653 million for all the regions. Two categories of measures have been implemented within the programmes: the specific supply arrangements, to support the supply of agricultural products and the support to local agricultural production. The way POSEI is programmed offers Member States the flexibility to define their actions based on their needs, while at the same time responding to common overall goals.

On 15 December 2016, the Commission adopted a **report on the implementation** of the 2006 - 2014 POSEI scheme<sup>65</sup>. The report recommends maintaining the current basic regulation and underlines that the POSEI programmes succeeded in addressing the particular agricultural challenges faced by these regions over the examined period. It further stresses that Member States should also take into account the results and the recommendations to further improve the effectiveness of the measures in their programmes.

In fact, this scheme is critical in reducing the difference in price of the supported products in the outermost regions compared to the European mainland and in maintaining the agricultural production activities. It contributes to the maintenance of production of both the traditional sectors for export, such as banana, milk, sugar, meat and wine and the diversification of

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<sup>61</sup> Under the Operation Programme Réunion- État.

<sup>62</sup> 1.6 % for the EU28 in 2014.

<sup>63</sup> Regulation (EU) No 228/2013 of the European Parliament and the Council of 13 March laying down specific measures for agriculture in the outermost regions of the Union and repealing Council Regulation (EC) No 247/2006 (OJ L 78, 20.3.2013, p. 23).

<sup>64</sup> French outermost regions: EUR 278.41 million, Canary Islands: EUR 268.42 million and Azores and Madeira: EUR 106.21 million.

<sup>65</sup> See footnote 14.



productions for local consumption. The whole value chain was addressed through different support measures, including processing and marketing, although with a different balance for each outermost region.

The POSEI programmes contributed to the overall objective of the CAP: viable food production, sustainable management of natural resources and balanced territorial growth. Without this scheme, the risk of agricultural production abandonment could negatively affect employment, environment or the territorial dimension of the outermost regions.

There is a strong coherence between **POSEI programmes** and **Rural Development Programmes (RDP)**. Numerous synergies have been identified (training, setting-up of young farmers and investments supported by RDP and production supported by POSEI). This is crucial to achieve the CAP objectives, given the strong interdependence between the two types of support.

In the framework of the **second pillar of the CAP**, the rural development plans are financed by the **European Agricultural Fund for Rural Development (EAFRD)**. These programmes were set up, in line with the analysis of the territory and the needs identified by the outermost regions. During the 2007 - 2013 and 2014 - 2020 programming periods, the outermost regions benefit from more advantageous EAFRD contribution rates (85 % of the eligible public expenditure) and higher support rates (for physical investments in farms and investments in forestry technologies). During the 2014 - 2020 programming period, these regions also benefited from more flexibility on how to programme their allocations in order to better adapt the programmes to their specific needs.

In the **2007 - 2013** programming period, the **RDP** had to be structured in four axes: competitiveness in the agriculture and forestry sector; environment and countryside; quality of life in rural areas; and diversification of the rural economy, and LEADER approach<sup>66</sup>.

The outermost regions allocated approximately half of the amount of EAFDR in the competitiveness axes, except the Azores and French Guiana (with a more balanced distribution between the competitiveness and environment axes and the competitiveness and quality of live axes, respectively).

The **total public expenditure** for the outermost regions was EUR 1 738 million (EUR 1 285 million of EAFRD support). The main results were the installation of nearly 1 400 young farmers, the modernisation of 13 000 farms, nearly 11 000 farmers with agro-environmental commitments, the support for 250 tourist projects, more than 600 projects promoting basic services for the rural population, 650 projects preserving the natural and cultural heritage, the creation of 2 000 jobs in rural areas and the support to 27 local action groups under the LEADER approach.

In the **2014 - 2020** programming period, the outermost regions adopted different strategies in their **RDP**, according to the five priorities stipulated in the Rural Development regulations<sup>67</sup>.

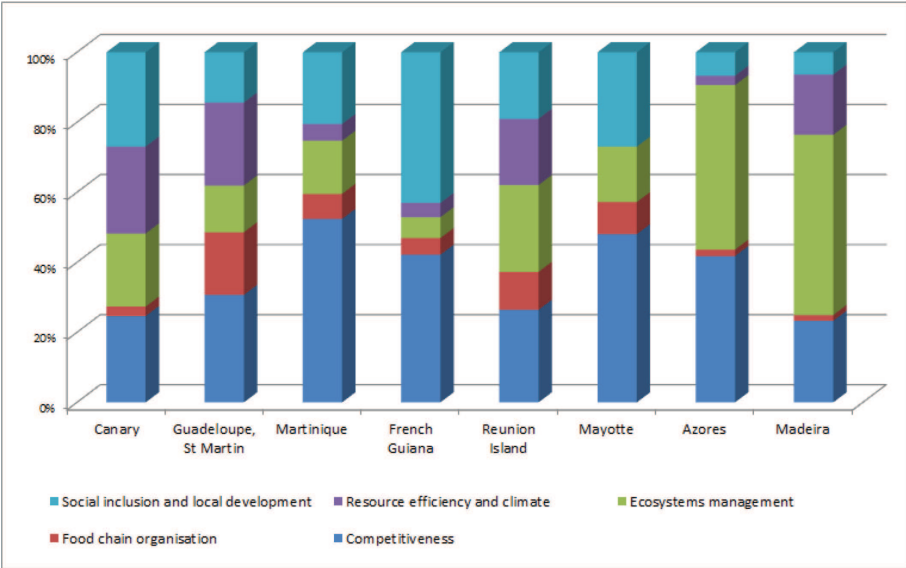
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<sup>66</sup> The LEADER (from the French '*Liaison Entre Actions de Développement de l'Économie Rurale*') is an initiative to support rural development projects initiated at the local level aiming at revitalising rural areas and create jobs.

<sup>67</sup> The RDP programmes addresses at least three of the following priorities: competitiveness, food chain and risk management, ecosystems management, resource efficiency and climate, social inclusion and local development. There is also a cross-cutting priority: knowledge transfer and innovation.

Some regions clearly favoured one or two priorities, like the Azores (ecosystems management and competitiveness), Madeira (ecosystems management), French Guiana (social inclusion and local development), Martinique and Mayotte (competitiveness). Others, like the Canary Islands, Reunion Island and Guadeloupe opted for a more even distribution of the financial allocations across all priorities (Figure 5).

Figure 5 –Financial allocations of the European Agricultural Fund for Rural Development in the 2014 - 2020 programming period by investment priority.



In all outermost regions ‘investments in physical assets’ is the main support measure in financial terms, with the exception of French Guiana, where the main support goes to basic services and village renewal in rural areas. In this regard complementary use of EARDF (LEADER included) and ERDF support for basic services helps to promote employment and sustainable growth.

In the **2014 - 2020** programming period, the allocation to the outermost regions is EUR 1 494 million (EUR 1 896 million of total public expenditure). This amount will contribute to supporting: the installation of more than 1 000 young farmers; the training of 13 000 participants; the modernisation of 7 400 farms; 97 000 ha under management contracts to improve biodiversity; water management and soil management measures; 230 tourist projects; more than 200 projects promoting basic services for the rural population; 100 projects preserving the natural and cultural heritage; the creation of 1 200 jobs in rural areas (900 jobs through LEADER); and 28 local action groups.

The EAFRD also contributes to the **European Innovation Partnership for agricultural productivity and sustainability (EIP-AGRI)**<sup>68</sup> by supporting EIP operational groups. These groups are set up by actors such as farmers, researchers, advisers and businesses involved in the agriculture and food sector. The outermost regions propose to support 133 operational groups in their RDP.

<sup>68</sup> The European Innovation Partnership for agricultural productivity and sustainability (EIP-AGRI) has been launched in 2012 to contribute to the European Union’s strategy ‘Europe 2020’ for smart, sustainable and inclusive growth. Different types of available funding sources can be used, such as EARDF and Horizon 2020.



For 2014 - 2020, **the allocation from both CAP pillars** amounts at EUR 6.1 billion.

Between 2012 and 2016, state aid for a total budget of about EUR 200 million was approved for the outermost regions under the **AGRI State aid guidelines**. This shows the interest for and the importance of those aids in the relevant Member States. The state aid granted to the outermost regions has contributed to support and maintain employment and economic activities in territories facing significant additional costs compared to other areas.

## **Fisheries**

The outermost regions' **fishing sector** consists mainly in small-scale vessels. Industrial and long distance fishing fleets are also based in these regions, supplying raw material to locally important fish processing industries.

Stimulating the development of sustainable fisheries and aquaculture was a strong priority for **the European Fisheries Fund (EFF)** in the outermost regions during the programming period 2007 - 2013. As less favoured regions, they benefited from higher budget and higher public support rates. The EFF allocation to the outermost regions amounted at EUR 92.3 million, with a level of execution of 88 %. Additionally, EUR 104 million was available through a specific 'compensation regime' for some of the regions<sup>69</sup>.

Under the **2014 - 2020** programming period, a **specific financial envelope** for compensation of additional costs in the outermost regions was included in the national programmes under the **European Maritime Fisheries Fund (EMFF)**. This envelope may cover additional costs in the production, processing and marketing of fishery and aquaculture products in these regions. The financial allocation for the 'compensation regime', has been reinforced by 50 % for the Canary Islands, the Azores and Madeira, and by 150 % for the six French outermost regions. Geographic coverage was extended to all French outermost regions. This represents EUR 192.5 million for 2014 - 2020, roughly 9 % of the EMFF allocation to the three Member States.

Moreover, the **EMFF** finances 100 % of the compensation plans and the maximum aid intensity (share of public funding in the total costs) for other EMFF measures in the outermost regions, at 85 %, is 35 percentage points higher than for other regions. The latter applies to all eligible measures (e.g. support for young fishermen, investments on board in health and safety, investments in fishing ports, support for control and enforcement and for data collection) with the exception of engine replacement (30 %).

On public aid for fleet renewal, which was allowed until 31 December 2006<sup>70</sup> in the outermost regions, a total of around EUR 110 million of EU funds were spent in vessels based in these regions, corresponding to a total investment of EUR 271.5 million between 1994 and 2006.

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<sup>69</sup> The 'compensation regime' in the 2007 - 2013 programming period covered only the following regions: Canary Islands, French Guiana, Reunion Island, Azores and Madeira.

<sup>70</sup> Council Regulation (EC) No 639/2004 of 30 March 2004 (OJ L 102, 7.4.2004, p. 9), later extended to 31.12.2006 by Council Regulation (EC) No 1646/2006 of 7 November 2006 (OJ L 309, 9.11.2006, p. 1).

The new **Common Fisheries Policy (CFP)** adopted in 2013, also takes the specific situation of the outermost regions into account. It allows protecting the fishing communities by establishing an exclusive access zone up to 100 nautical miles from the baseline of the outermost regions, extending to all of them the protection mechanism already in place in the Azores, Madeira and the Canary Islands since 2004. In these zones, until 31 December 2022, the Member States can restrict fishing activities to vessels registered in the ports of these territories and to vessels that traditionally fish in those waters.

In addition, the CFP envisages the creation of a new **Advisory Council** for the outermost regions designed to ensure the appropriate consultation of stakeholders from these regions on issues related to fisheries. To date, this new Advisory Council has not been set up, as the Commission has not yet received the necessary request from interested parties.

As a way to stimulate economic growth and jobs creation in the fisheries sector, the Commission signed a grant agreement in 2016, with Guadeloupe as a coordinator. The **pilot project** on ‘Innovative, low impact offshore fishing practices for small-scale vessels in the outermost regions’ (EUR 1 million) aims to make easier the exchange of knowledge on eco-efficient fishing techniques, problems encountered and solutions adopted. The expected result is to promote the development of offshore fishing in all outermost regions by increasing their economic and environmental effectiveness, therefore facilitating alleviation of fishing pressure in the more coastal fish resources.

On **Sustainable Fisheries Partnership Agreements (SFPA)**, the specificities of the outermost regions are taken into consideration during the negotiations, with the objective of obtaining for the fleets of those regions a fair share in the fishing opportunities obtained through these agreements, taking into account the type of activity and characteristics of the vessels concerned.

Understanding the **blue economy** requires detailed and continuous data collection to inform and help decision-makers and businesses to devise appropriate policies and strategies. While the Commission is working with Eurostat to develop economic indicators for the blue economy, so far these are only available at the national level and do not allow the identification and monitoring of trends in individual regions.

Gaps still exist in the collection, storage and availability of data and information in the outermost regions, and for some territories, the required data are not available. In order to improve the knowledge in the fisheries sector specifically, the Commission has put forward a new data collection framework since 2016, which can help the outermost regions to improve their knowledge in this domain.

To investigate the current state and the potential of the **blue economy** in the outermost regions and in the corresponding maritime areas, the Commission published a **dedicated study** in 2017<sup>71</sup>. The main focus of the study is on the possibilities for outermost regions to complete their blue growth potential in a number of sectors, such as coastal and cruise

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<sup>71</sup> COGEA et al., ‘Realising the potential of the Outermost Regions for sustainable blue growth’, Publications Office of the European Union, 2017 - <https://publications.europa.eu/en/publication-detail/-/publication/029afe70-a725-11e7-837e-01aa75ed71a1/language-en>

tourism, fisheries, aquaculture, blue biotechnology, shipping (maritime transport, ports, ship building and repair) and blue energy.

Preliminary results highlight the socioeconomic importance of traditional sectors like tourism, fisheries and shipping in all outermost regions. On the other hand, innovative activities such as aquaculture, blue biotechnology and blue energy emerge as promising sectors for the future. For example, Reunion Island has the potential to become an innovation and knowledge transfer hub for blue biotechnology in the Indian Ocean.

## **Maritime policy**

The outermost regions have **significant Exclusive Economic Zones** that harbour unique marine biodiversity hotspots. However, they are also greatly affected by climate change and the rise in sea level is a major threat to their coastal ecosystems and economies. Hence, taking a cooperative approach to governance at the global level is fundamental for these regions. The joint communication of the Commission and the European External Action Service on ‘International ocean governance: an agenda for the future of our oceans’<sup>72</sup> highlights that ‘the outermost regions, due to their contribution to the EU maritime dimension and to their position in the Atlantic and Indian Oceans, are important actors that can actively contribute to improved ocean governance’.

On **sea basin-strategies**, the outermost regions in the Atlantic ocean (Macaronesia and Caribbean-Azononia), are part of the maritime strategy in the Atlantic and of its corresponding action plan<sup>73</sup>. This plan was adopted in 2013 and it suggests concrete actions to support blue growth and jobs creation, namely through the targeted use of ESI Funds and Horizon 2020. The strategy offers a framework for cooperation on issues from coastal tourism and fisheries to renewable energy, mineral seabed exploration and marine biotechnology.

For these regions, the **planning of their maritime** space is essential to achieve sustainable blue growth. To support the related work of the Member States and their outermost regions in implementing the Directive establishing a framework for Maritime Spatial Planning (MSP), a call for proposals covering their geographical area was launched in 2016, aiming at supporting concrete actions in these regions, helping to build capacity for maritime spatial planning and to support cooperation across borders. Due to their geographic location, flexible provisions in eligibility criteria were envisaged for projects carried out in the outermost regions (i.e. the participation of at least two Member States was not requested to those outermost regions that did not border other EU Member States).

Following this call, two projects have been awarded in 2017. For both of them, the grant agreements are yet to be signed and it is foreseen that activities will start in the beginning of 2018. The first one intends to reinforce maritime spatial planning in the Macaronesian archipelagos (Azores, Madeira and Canary Islands), by assisting the competent authorities of Portugal and Spain to develop operative mechanisms for effective planning. It will also help to reduce asymmetries in the implementation of maritime spatial planning in remote areas.

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<sup>72</sup> [https://ec.europa.eu/maritimeaffairs/sites/maritimeaffairs/files/join-2016-49\\_en.pdf](https://ec.europa.eu/maritimeaffairs/sites/maritimeaffairs/files/join-2016-49_en.pdf)

<sup>73</sup> COM(2013) 279 final, 13.5.2013.

The second project, "Ocean Metiss", is led by Reunion Island in the Indian Ocean. Supported by the intergovernmental organisation of the Indian Ocean State Islands<sup>74</sup>, the project will facilitate discussions and exchange of best practices in tackling issues of common concern related to the development of blue economy, exposure to natural risks, protection of the biodiversity and the ecosystem.

On marine knowledge, the **European Marine Observation and Data Network (EMOD-net)**<sup>75</sup> currently provides access to marine data concerning many diverse maritime themes (e.g. coastal mapping, seabed habitats, bathymetry) covering all regions. Relevant environmental data<sup>76</sup> are also being assessed in the context of the Marine Strategy Framework Directive (2008/56/EC) and in particular, the marine strategies covering Macaronesia.

## Tourism

Although tourism is an established area of activity for many outermost regions, there is still a potential for further development for most of them to build in particular on their unique natural and cultural assets by reinforcing or diversifying into new forms of tourism (such as yachting, pescaturism, whale watching or coasteering).

In line with the Communication '**A European Strategy for more Growth and Jobs in Coastal and Maritime Tourism**'<sup>77</sup>, a study was published in 2016, on how to improve island connectivity and design innovative tourism strategies for (remote) islands. This study included some outermost regions as case studies: Lanzarote (Canary Islands) for Islands Connectivity and Reunion Island and the Azores for mass tourism destinations.

The **COSME**<sup>78</sup> programme has supported in the past five years the development and promotion of transnational thematic tourism products, in areas such as maritime affairs, culture, gastronomy, sports and wellness. Such examples are: the **SUNRISE**<sup>79</sup> project to develop surf routes for tourism, coordinated by the University of Las Palmas de Gran Canaria (started in 2016); and the **CurioSEAty** project, to connect the market potential of water sports to the European maritime heritage, with the participation of the Madeira region.

The **ERDF** also supported actions related to tourism through the promotion of natural and cultural assets, protection and development of natural and cultural heritage and measures to improve tourism services. During the **2007 - 2013** programming period, the total spending amounted to roughly EUR 221 million, representing in average 5 % of the total financial expenditure under this Fund, a figure higher than the 2 %, spent in average at the EU level. A project financed by ERDF (EUR 13 million) in this field, was the Memorial ACTe – a Memorial to Slavery and the Slave Trade, which is expected to develop tourism prospects in Pointe-à-Pitre.

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<sup>74</sup> Mauritius, Comoros, Madagascar and Seychelles

<sup>75</sup> <http://www.emodnet.eu/>

<sup>76</sup> Directive 2008/56/EC of the European Parliament and of the Council of 17 June 2008 establishing a framework for community action in the field of marine environmental policy (Marine Strategy Framework Directive) (OJ L 164, 25.6.2008, p. 19).

<sup>77</sup> COM(2014) 86 final, 20.2.2014.

<sup>78</sup> EU programme for the Competitiveness of Enterprises and Small and Medium-sized Enterprises.

<sup>79</sup> <http://sunriseproject.org/about-us/>

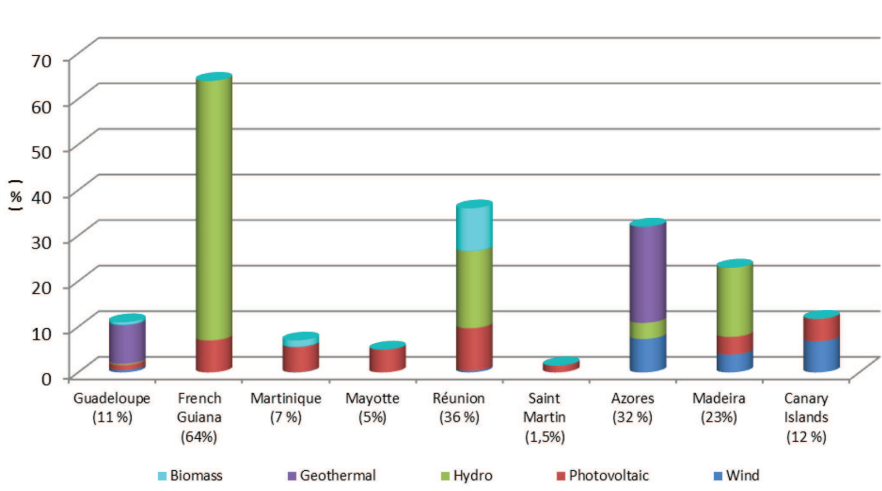
This sector continues to play a prominent role in the ERDF in the planned actions for **2014 - 2020**. The development of endogenous potential is supported, in particular, with investments in equipment and small scale structures. About EUR 220 million are allocated in the outermost regions operational programmes for the development and promotion of: tourism potential in natural and cultural areas; public tourism services; and commercial tourism assets and services in SMEs.

Given the importance of tourism in rural areas, the **EAFRD** also provides funding for activities in this sector, in particular for the development and promotion of rural tourism. In 2007 - 2013, most of the outermost regions incorporated in their rural development plans a measure to promote tourism activities. For both the 2007 - 2013 and 2014 - 2020, actions in this sector can be supported under different measures, such as support for basic services in rural areas, diversification of activities and also by local development projects developed in the framework of the LEADER initiative.

**Low-carbon economy**

The current share of **renewable energy** in electricity production varies among the outermost regions, ranging from 1.5 % in Saint Martin to 64 % in French Guiana. The higher percentages correspond to outermost regions with hydro and geothermal resources that are able to provide stable power supply. Several strategies and plans are being put in place for a transition to renewable sources and energy efficiency, such as the Reunion Island 100 % renewable electricity strategy (by 2030), based on the combined use of several renewable sources; the plan to increase by 30 % the renewable electricity in the Azores (by 2021); the Porto Santo (Madeira) smart fossil free island (in 20 to 30 years) and the development and expansion of geothermal energy in Guadeloupe and Martinique (by 2023). However, despite the ongoing efforts, all outermost regions are still heavily dependent on imported oil<sup>80</sup>.

Figure 6 — Presence of different renewable sources in the electricity production in the outermost regions and share of the total renewable sources in electricity production.<sup>64</sup>



<sup>80</sup> Source: Report of the expert group on energy in the outermost regions. [http://ec.europa.eu/regional\\_policy/sources/policy/themes/outermost-regions/pdf/energy\\_report\\_en.pdf](http://ec.europa.eu/regional_policy/sources/policy/themes/outermost-regions/pdf/energy_report_en.pdf)



The outermost regions could further explore **ocean for power generation** at a larger scale. Feasibility studies have been carried out on the potential of floating windfarms and of ocean thermal energy in Martinique, a pilot project has been implemented for a wave energy plant in the Azores, and seawater air conditioning is to be used in public buildings in Guadeloupe and Reunion Island. However, affordable and suitable technologies for the exploitation of blue energy under the oftentimes extreme weather and sea conditions in the outermost regions are missing, and marine renewable energy is still at a research and development stage.

Approximately EUR 400 million of **ERDF** are available in the **2014 - 2020** programming period for the outermost regions in order to invest in renewable energies, smart grids, energy efficiency<sup>81</sup> and promote sustainable multimodal urban mobility, including the shift towards a low-carbon economy. Around 32 % of this budget is allocated to promote energy efficiency (namely, through renovation of public infrastructures and housing), demonstration projects and support measures for energy efficiency in SMEs and large enterprises. Canary Islands, Mayotte and Madeira, will direct more than half of their investments to this area.

In the **2007 - 2013** programming period, the expenditure related to this objective in the operational programmes amounted at EUR 136 million, mostly dedicated to promote energy efficiency; co-generation and energy management; assistance to SMEs for the promotion of environmentally-friendly products and production processes; and clean urban transport.

**Transport** is one of the biggest energy challenges in the outermost regions, as it represents more than half of their primary energy needs. For instance, under the 2007 - 2013 programming period, ERDF supported a project to promote a cleaner and more efficient urban transport system in Funchal based on the previous initiative CIVITAS Mimosas<sup>82</sup>. Following this initiative, other actions to promote electric mobility in Madeira are provided in the Civitas Project Destinations (2017-2019), supported by the Horizon 2020 programme.

With regard to European **Regulations** related to Energy Efficiency and Renewables, the three applicable Directives (Energy Efficiency<sup>83</sup>, Renewable Energy<sup>84</sup> and Energy Performance of Buildings<sup>85</sup> (EPBD) do not contain any specific measures for the outermost regions. In the first two, the targets are set at national level, while the EPBD requires that the whole territory of each Member State must comply with EPBD requirements ‘on a national or a regional basis’.

The **Clean Energy for All Europeans**<sup>86</sup> package (adopted in November 2016), is of interest for the outermost regions, in particular the promotion of local energy communities (Article 16

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<sup>81</sup> It includes also the sustainable multimodal urban mobility budget and the ETC allocated budget to this objective from the Caribbean programme.

<sup>82</sup> This project was the Award winner of Regio Stars Awards 2011 — Category 4 ‘City Star’. Integrated, clean urban transport projects. [http://ec.europa.eu/regional\\_policy/en/projects/best-practices/portugal/2120](http://ec.europa.eu/regional_policy/en/projects/best-practices/portugal/2120)

<sup>83</sup> Directive 2012/27/EU of the European Parliament and the Council of 25 October 2012 on energy efficiency, amending Directives 2009/125/EC and 2010/30/EU and repealing Directives 2004/8/EC and 2006/32/EC Text with EEA relevance (OJ L 315, 14.11.2012, p. 1).

<sup>84</sup> Directive 2009/28/EC of the European Parliament and of the Council of 23 April 2009 on the promotion of the use of energy from renewable sources and amending and subsequently repealing Directives 2001/77/EC and 2003/30/EC (OJ L 140, 5.6.2009, p. 16).

<sup>85</sup> Directive 2010/31/EU of the European Parliament and of the Council of 19 May 2010 on the energy performance of buildings (OJ L 153, 18.6.2010, p. 13).

<sup>86</sup> COM(2016) 860 final, Annex II, 30.11.2016.

of the proposed Directive on common rules for the internal market on electricity<sup>87</sup>). The proposals on the energy communities recognise the growing phenomenon of the local citizens' initiatives and aim to boost public acceptance for renewable sources of energy and to increase the uptake of new technologies in distributed generation and peer-to-peer electricity sharing.

Moreover, this package included the '**Action to boost the clean energy transition**'. It identifies islands and island regions as platforms for pilot initiatives on clean energy transition and as potential showcases at international level. The outermost regions are presented as an example, illustrated by the case of El Hierro (Canary Islands), an island with 100 % renewable energy. Following on the commitment of holding a high level meeting on clean energy opportunities and challenges for islands, the Commission, with France, Portugal and Spain, together with other 11 EU Member States<sup>88</sup>, met in May 2017 and signed a political declaration launching the new 'Clean Energy for EU Islands' initiative. The aim is to help islands reduce their dependency on energy imports by making better use of their own renewable energy sources and adopt more modern and innovative energy systems. This declaration was followed by an inaugural Forum in September 2017 in Crete (Greece), where the outermost regions presented their initiatives and projects.

The Energy and Environmental Aid Guidelines (EEAG)<sup>89</sup> allow state aid for energy and environment purposes, under certain conditions. According to the EEAG, in assessing the national support schemes, the Commission will take into account the specific handicaps of 'assisted areas' which include the outermost regions. Also, the guidelines allow for higher aid intensities for some types of aid or for investments located in these areas. Finally, the GBER<sup>90</sup> deems as compatible with State aid rules the energy infrastructure investments located in assisted areas, under certain conditions and up to a certain threshold<sup>91</sup>.

### **Small and medium size enterprises, social entrepreneurship**

SMEs are vital for the outermost regions' economy as they account for the majority of private sector jobs. The 2012 Communication recommended improving access for SMEs and social enterprises to EU funding, by creating, among other measures, microcredit financial instruments and local investment funds in each outermost regions.

In the programming period 2007 - 2013, the ERDF financed around EUR 621 millions of investments in business support in the outermost regions. For the 2014 - 2020 programming

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<sup>87</sup> Proposal for a Directive of the European Parliament and the Council on the common rules for the internal market in electricity - COM(2016) 864 final, 30.11.2016.

<sup>88</sup> The other participating Member States in this initiative are Croatia, Cyprus, Denmark, Estonia, Finland, Germany, Greece, Ireland, Italy, Malta and Sweden.

<sup>89</sup> Communication from the Commission 'Guidelines on State aid for environmental protection and energy 2014-2020' (OJ C 200, 28.6.2014, p. 1).

<sup>90</sup> Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty (OJ L 187, 26.6.2014, p. 1).

<sup>91</sup> In accordance with point 46 of the EEAG, 'assisted areas' means areas designated in an approved regional aid map for the period 1 July 2014 to 31 December 2020 in application of Articles 107(3)(a) and (c) of the Treaty.



period, roughly EUR 900 million are allocated to boost the competitiveness of SMEs, which represents, on average, about 19 % of the total budget.

Furthermore, the ESF supported measures to promote entrepreneurship in 2014 - 2020 in the Canary Islands, Azores, Madeira and Reunion Island. For example, the Canary Islands programme includes two actions to offer guidance and support services (training and mentoring) during and after the set-up of new businesses with a budget of approximately EUR 10 million. The Madeira 2014 - 2020 operational programme includes ESF interventions on promoting entrepreneurship by trainings on updating IT skills, promoting innovation business management and market knowledge skills. The Azores operational programme 2014 - 2020 includes similar measures, such as training and qualification actions to promote the modernisation of SMEs. In Reunion Island a project supported (with EUR 2.8 million) actions targeting businesses in difficulty, with the aim to create accompanying paths adapted to the needs of beneficiaries and offering favourable conditions for the creation, consolidation and recovery of the businesses.

On 31 December 2016, about 5 080 SMEs from five outermost regions (Guadeloupe, Martinique, French Guiana, Reunion Island and Canary Islands) out of a total of 172 800 SMEs accessed financing with the support of the COSME Loan Guarantee Facility programme. The overall volume of financing made available to these SMEs under this programme amounts to EUR 84.1 million<sup>92</sup>.

The active participation of the outermost regions in the Erasmus for Young Entrepreneurs scheme under the COSME programme has been limited to Canary Islands since the programme initiated in 2009, although there are enterprises registered as hosts in other regions. Since the beginning of the programme, a total of 131 entrepreneurs have registered and 39 participated. In order to stimulate participation from remote locations, like the outermost regions, changes have been made in recent years both to lift the overall amount and to ensure that entrepreneurs coming or going from this regions benefit from the maximum value.

In 2014, the Commission launched two calls for proposals to establish the Enterprise Europe Network. The aim was to assist SMEs in finding business partners and better understanding EU regulations and access to funds. The second call of proposals was directed to regions where no coverage emerged from the first call, as was the case for most of the French outermost regions. In 2017, businesses from Reunion Island, Guadeloupe, Martinique, Madeira, the Azores and Canary Islands participate in this network.

More recently, a study carried out by the Committee of Regions on 'Entrepreneurship on islands and other peripheral regions' (April 2017) highlighted the opportunities linked mostly to the territorial specificities and to the endogenous potential. Out of the six cases studies, two focused on outermost regions: Canary Islands and Reunion Island, with identification of best practices. The study highlighted the efforts made by the regions' interested parties to exploit

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<sup>92</sup> Financing was possibly also made available to SMEs located in the French overseas collectivity of Saint Martin, specific data on the number of SMEs and volume of financing is however not available as included in the aggregated data for 'Collectivités d'outre-mer'.

the full potential, diversify the economy and focus on knowledge-intensive, technology-based activities and emerging sectors such as carbon economy<sup>93</sup>.

In the field of social entrepreneurship, the 2012 Communication referred to exploring the options presented by the Social Business Initiative, in order to create a favourable environment for companies whose first ambition is to tackle social needs. In that respect, dedicated investment priorities were proposed in the ERDF and ESF regulations for 2014 - 2020. As an example, the Madeira 2014 - 2020 operational programme includes measures to promote social innovation, crowdfunding and upgrading the business environment. Though this measure is not directly linked to social enterprises, social innovation is usually closely linked to social enterprises, as the latter constitutes one of the main instruments towards social innovation.

## Research and innovation

The **smart specialisation strategies** developed at regional level provide a framework for identifying priority areas and activities in order to enhance the outermost regions' innovation and competitiveness potential. Seven out of the nine outermost regions joined the Smart Specialisation Platform initiated by the Commission to support regions in designing and implementing their strategy and facilitate exchange of experiences. An analysis of the state of play of these strategies in 2017<sup>94</sup> underlined the opportunity they offer to those regions to promote their assets and capacities, in Europe and internationally. It also highlights the necessity that strategies continuously adapt to emerging markets and technological progress and the challenge in closely involving enterprises in this process.

The EU supports the research and innovation capacities of the outermost region; for example, through the funding of research infrastructures, science parks, training initiatives and networking actions. This is done in particular through the **ERDF** programmes that allocated EUR 389 million in 2014 - 2020 to strengthening research, technological development and innovation. This amount, which represents around 8 % of the total budget is an increase compared to the 2007 - 2013 period, where the estimated expenditure was around EUR 262 million. The NONAGON<sup>95</sup>, a science and technology park in the Azores, the multipurpose technical-scientific service infrastructure PLOCAN<sup>96</sup> in Canary Islands, the satellite monitoring centre in Madeira, the scientific centre 'Canopée des sciences'<sup>97</sup> in French Guiana, and the reconstruction of the Volcanological and Sismological Observatory of Martinique<sup>98</sup>, are examples of scientific and technological infrastructures developed with the support of the EU.

Research and innovation is also a relevant component of the 2014 - 2020 **ETC programmes** of Madeira-Açores-Canarias (MAC) and Indian Ocean, with 25 % and 42 % of their budget

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<sup>93</sup> Entrepreneurship on islands and other peripheral regions, pages 48 and 65.

<sup>94</sup> [http://ec.europa.eu/regional\\_policy/fr/information/publications/studies/2017/analyse-de-la-mise-en-oeuvre-des-strategies-de-specialisation-intelligente-dans-les-regions-ultraperipheriques](http://ec.europa.eu/regional_policy/fr/information/publications/studies/2017/analyse-de-la-mise-en-oeuvre-des-strategies-de-specialisation-intelligente-dans-les-regions-ultraperipheriques)

<sup>95</sup> <https://nonagon.pt/>

<sup>96</sup> <http://www.plocan.eu/index.php/es/>

<sup>97</sup> <http://www.ccasti973.fr/>

<sup>98</sup> <http://www.ipgp.fr/en/ovsm/volcanological-and-seismological-observatory-of-martinique>

respectively, planned for this objective. This is also a strong priority for the Atlantic Area programme<sup>99</sup>, where about 33 % of the funding is concentrated on supporting cooperation between research organisations, industries, social and public organisations.

The 2012 Communication stated that the participation of the outermost regions in Research and Innovation networks is important in ensuring ‘smart’ growth. Horizon 2020, the EU Research and Innovation programme in 2014 - 2020, offers through calls for proposals the possibility for outermost regions to nurture their scientific excellence and innovation, including in agriculture and biodiversity which are of particular interest to those regions.

The participation of these regions in the **European research programmes** is difficult to track with complete accuracy, given that the Commission research database<sup>100</sup> only provides the name and location of the contracting entity and thus, identifying regional partners in projects proposed by national research institutions, which is often the case in France, is not straightforward. Since 2007, a rough estimate counts around 200 projects developed with the participation of outermost regions’ institutions since 2007, half of them already in Horizon 2020. However, in both framework programmes the majority of the funded projects are from the Canary Islands.

Some interesting projects supported in the field of **biodiversity** are the following:

- The NetBiome — CSA<sup>101</sup> (2013-2016), with the objective to strengthen the cooperation for smart and sustainable management of tropical and subtropical biodiversity in the outermost regions and OCTs. The outcome of the NETBIOME led to the adoption of the pilot project on *‘Mapping and Assessing ecosystems and their ecosystem services (MAES) in the EU’s Outermost Regions and Overseas Countries and Territories’* by the European Parliament in 2016.
- The BiodivERsA3<sup>102</sup>, a network of 32 EU funding agencies, including a few from the outermost regions<sup>103</sup>, aiming at coordinating national research programmes on biodiversity. Its task is to reinforce the outermost regions and OCTs’ research capacities on biodiversity and ecosystems. Since 2010, the network has published six joint calls<sup>104</sup> for a total of EUR 95 million on various subjects related with biodiversity and ecosystems services.

Being most of them islands territories; the **blue economy** is an important area for research activities in the outermost regions. For instance, under the first Horizon 2020 Blue Growth call for proposals, launched in 2014, the following projects were supported with the participation of research institutions from the outermost regions:

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<sup>99</sup> This programme covers in its geographical eligibility the Azores, Canary Islands and Madeira.

<sup>100</sup> [http://cordis.europa.eu/home\\_en.html](http://cordis.europa.eu/home_en.html)

<sup>101</sup> The NetBiome — CSA followed up the ERA-net NETBIOME supported under FP6 - <http://www.netbiome.org/>

<sup>102</sup> <http://www.biodiversa.org/>

<sup>103</sup> Azores, French Guiana, Guadeloupe, Reunion Island and the Canary.

<sup>104</sup> For the last two joint calls the network has been supported by Horizon 2020, through ERA-Net COFUNDs leveraging, EU H2020 and national funding provided by national funding agencies.

- TASC MAR<sup>105</sup> (Reunion Island), to develop the bio discovery and industrial exploitation of novel marine and derived biomolecules (pharmaceuticals, nutraceuticals and cosmetics).
- AtlantOS<sup>106</sup> (Azores and Canary Islands), a flagship project aiming at establishing an integrated Atlantic ocean observing system, with 62 joining partners from 18 countries, in a transatlantic cooperation including the USA, Canada, Brazil and South Africa.
- The MERCES<sup>107</sup> project (Azores) aiming to improve our understanding of the changing interaction between humans, the environment and marine species.

Other examples of projects with strong outermost regions participation are the following:

- The VUELCO<sup>108</sup> project (El Hiero, in the Canary Islands) provided considerable insight into processes that take place before and during volcanic unrest.
- The MATRIX<sup>109</sup> project developed methods and tools that account for interdependencies between the different hazards in order to generate more accurate and comprehensive risk assessments, leading to better mitigation and response plans.
- The URBAN WASTE<sup>110</sup> project (the Canary Islands, Azores), aims to develop eco-innovative and gender-sensitive waste prevention and management strategies, in cities with high levels of tourism, in order to reduce the urban waste production and improve municipal waste management.
- As part of the Biotechnology programme, the AGROCOS project (2010 – 2014)<sup>111</sup> aims to discover and carry to the stage of development candidates, from small molecules with good potential as new cosmetic and agrochemical agents, deriving from plants originating from major biodiversity hotspots in Europe, Africa, Latin America, and the Asia-Pacific regions.

Furthermore, under the **Framework Programme 7 (FP7)**, theme ‘Capacities’, two programmes were implemented:

- 1) the ‘**Regions of Knowledge**’<sup>112</sup>, aiming to stimulate cooperation between innovation clusters;
- 2) the **REGPOT**<sup>113</sup>, aiming to strengthen capacities of convergence and the outermost regions.

<sup>105</sup> The project continues the work initiated in the AGROCOS project - <http://www.tascmar.eu/>

<sup>106</sup> <https://www.atlantos-h2020.eu/>

<sup>107</sup> MERCES Marine Ecosystem Restoration in Changing European Seas - <http://www.merces-project.eu>

<sup>108</sup> VUELCO — Volcanic Unrest in Europe and Latin America, including Phenomenology, eruption precursors, hazard forecast, and risk mitigation. It was financed under the previous EU Research and Innovation Framework Programmes - <http://www.vuelco.net/>

<sup>109</sup> New multi-hazard and multi-risk assessment methods for Europe. The methodologies and approaches were tested in Germany, Italy and the French West Indies; each test case covering different natural hazards and potential variations of events - <http://matrix.gpi.kit.edu/>

<sup>110</sup> <http://www.urban-waste.eu/project-consortium/>

<sup>111</sup> Guadeloupe, Martinique and French Guiana were involved in the project -

[http://cordis.europa.eu/project/rcn/94701\\_en.html](http://cordis.europa.eu/project/rcn/94701_en.html)

<sup>112</sup> [https://ec.europa.eu/research/fp7/index\\_en.cfm?pg=know](https://ec.europa.eu/research/fp7/index_en.cfm?pg=know)

<sup>113</sup> <https://ec.europa.eu/research/participants/portal/desktop/en/opportunities/fp7/calls/fp7-regpot-2012-2013-1.html>

These programmes were of particular interest for the outermost regions. However, some might have found difficulties in complying with the requirements to access the first programme<sup>114</sup>, although two of the projects coordinated by an outermost region were funded and successfully implemented (INRES<sup>115</sup> and INTRAREGIO<sup>116</sup>). On REGPOT, although a final evaluation concluded on the overall success of the programme<sup>117</sup>, it also suggested that these regions would need a similar programme support, for at least one more period, to give sustainability to the obtained achievements.

In 2012, the Commission launched a first pilot call on **ERA Chairs Scheme**<sup>118</sup> open to research organisations located in less-developed EU regions or similar areas in countries associated to FP7. Institutions of two outermost regions (Madeira and the Canary Islands), were among the 11 selected out of 111 proposals. However, for the 2014 - 2020 programming period, ERA Chairs eligibility rules are based on the excellence composite indicators calculated at national level. According to this indicator, eligibility is restricted to the Member States that joined the EU after 2004 plus Portugal and Luxembourg<sup>119</sup>. As a consequence, Spain and France are not eligible to participate in this programme as coordinators.

## European Investment Bank (EIB) Group and the EFSI

Under the EFSI, one of the three pillars of the Investment Plan for Europe, four projects benefiting the outermost regions have been signed: the bus transit system in Las Palmas<sup>120</sup>, the economic development risk-sharing instrument for overseas territories with the French Agency for Development (AFD)<sup>121</sup>, *La Financière Région Réunion*<sup>122</sup>, under the French regions' SME programme and the improving and development of digital connectivity in Reunion Island and Mayotte.

- The **Las Palmas bus transit system** (EIB finance of approximately EUR 50 million, to a total cost of approximately EUR 127 million) is expected to increase the capacity and improve the quality of service of the bus network. The project contributes to sustainable transport and climate change mitigation, in line with the EU's objectives on climate action.
- The **economic development risk sharing instrument** for overseas territories consists of an unfunded risk-sharing framework guarantee scheme for the *Agence Française de Développement's* financing of investments in the French overseas departments.

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<sup>114</sup> The research-driven clusters must have been composed of at least three types of legal entities (legal entities conducting research, business entities and local/regional authorities) with the consortia of partners representing at least EU Member States and/or Associated Countries.

<sup>115</sup> [http://cordis.europa.eu/project/rcn/90156\\_en.html](http://cordis.europa.eu/project/rcn/90156_en.html)

<sup>116</sup> [http://cordis.europa.eu/project/rcn/101608\\_en.html](http://cordis.europa.eu/project/rcn/101608_en.html)

<sup>117</sup> [https://ec.europa.eu/research/regions/pdf/publications/regpot-final\\_evaluation\\_report.pdf](https://ec.europa.eu/research/regions/pdf/publications/regpot-final_evaluation_report.pdf)

<sup>118</sup> The ERA Chairs Scheme aims at enabling institutions to attract top academics so that they can compete with centers of excellence elsewhere in the European Research Area (ERA) - [http://ec.europa.eu/research/era/era-chairs\\_en.html](http://ec.europa.eu/research/era/era-chairs_en.html)

<sup>119</sup> It includes as well eight of the non-EU countries associated to Horizon 2020.

<sup>120</sup> <http://www.eib.org/projects/pipelines/pipeline/20160323>

<sup>121</sup> <http://www.eib.org/projects/pipelines/pipeline/20150363>

<sup>122</sup> <http://www.eib.org/projects/pipelines/pipeline/20170340?f=search&media=search>

- The Reunion Island project for **SMEs** is expected to provide EUR 50 million of lending and investment to SMEs through a combination of EFSI and ESI Funds resources and, thereby, support the growth ambitions of entrepreneurs and small businesses.
- In addition, the **digital connectivity** project recently signed under EFSI in 2017 (EUR 25 million of EIB financing), aims to modernise and develop the mobile network in Reunion Island and Mayotte, enabling the islands to move to superfast mobile broadband.

Apart from EFSI-supported EIB interventions, the EIB has also provided ‘standard’ loans on its own risk in the outermost regions such as the Electricity project in Madeira and the Azores and the Madeira post-floods framework loan.

### **International trade agreements**

The Commission continues to take into account the outermost regions’ interests in trade agreements that have been negotiated and agreed with non-EU countries and groups of countries. Specific provisions relevant to the outermost regions have been included in trade agreements concluded with trade partners producing agricultural products that could directly compete with the outermost regions production. In trade negotiations (e.g. with Latin America and with Vietnam) special protection has been given to sensitive agricultural products of the outermost regions and safeguard clauses have been included.

On bananas, a special safeguard is provided under the free-trade agreements with some Latin American countries: a banana stabilisation mechanism (established until December 2019) can be activated in case of market disturbance. According to this mechanism, the Commission continuously monitors the EU banana market and carries out market analysis at regular intervals. If a serious disturbance of the EU banana market is found, an extension of the period of validity of the mechanism may be sought, subject to the agreement of the parties.

On sugar, a special protection was granted in negotiations with different countries, including with Vietnam and Ukraine through the application of limited duty-free quotas.

Moreover, the Economic Partnership Agreements (EPA) negotiations resulted in protection of the *octroi de mer*; protection of **sugar** and **bananas** from the outermost regions, and specific safeguard clauses, which the EU can activate to protect the outermost regions when a product imported from an African Caribbean Pacific (ACP) EPA country causes, or threatens to cause, serious damage or disruption. So far, the safeguard clauses were not activated (see Section 4.3).

### **Impact Assessments and Evaluation**

The likely impacts on the outermost regions are assessed, when relevant, in the Sustainability Impact Assessments. However, estimating properly the possible impacts requires detailed and



timely data. Lack of information resulted in the past in re-opening trade negotiations, so as to include special protections for specific products from the outermost regions.

Interested parties have at their disposal a range of tools that they can use to express their opinion since an early stage: they can participate in public consultations feeding into impact assessments and in *ex-post* evaluations and in the consultations carried out in the framework of the sustainability impact assessments during negotiations.

Another tool that the Commission applied in 2016 and 2017 in the cohesion policy sector was the methodology of the **ESPON TIA Tool**<sup>123</sup>. The objective was to **identify *ex-ante* potential territorial impacts** of new EU legislations. This approach includes a workshop setting, where the experts can discuss on a set of indicators to establish potential territorial impact (economic, societal, environmental, governance) of an EU initiative. The results are fed into the ESPON TIA Quick Check web tool which combines the expert judgments with the sensitivity of regions into maps showing the potential territorial impact of EU policy on NUTS3 level.

These maps serve as a starting point for further discussing the different impacts of a concrete EU policy on different regions. So, the experts participating in the workshop provide an important input for this quick check on potential territorial effects of an EU initiative. Thus, the participation of outermost regions' experts and providing relevant data are of particular importance to identify the potential impact of EU policies on outermost regions.

### 4.3. Strengthening the regional integration

Over the years, the Commission has been promoting a greater integration of the outermost regions in their regional neighbourhood and supported political dialogue and exchanges between the outermost regions and the neighbouring countries, including ACP countries and OCTs. The European Territorial Cooperation programmes (INTERREG) involving the outermost regions and their neighbours, the regional indicative programmes concerning the neighbouring ACP and OCTs countries funded by the European Development Fund (EDF) and the relevant EPA have been important instruments to support this process.

In the 2012 Communication, the Commission argued for the establishment of regional neighbourhood plans, 'consistent with EU external policy objectives'. For this purpose, the Commission started a process with representatives from the nine regions, the three Member States and the Commission, gathered in the outermost regions' working groups to establish, at technical level, a common framework for these regional neighbourhood plans. This resulted in drawing a comprehensive set of measures and actions that could be taken at various levels for a better and deeper integration of the outermost regions in their respective neighbourhood.

Moreover, in agreement with the outermost regions, it was decided that these plans would be established per geographical basin, and each region would select the actions to carry out in

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<sup>123</sup> [https://www.espon.eu/main/Menu\\_ToolsandMaps/TIA](https://www.espon.eu/main/Menu_ToolsandMaps/TIA)



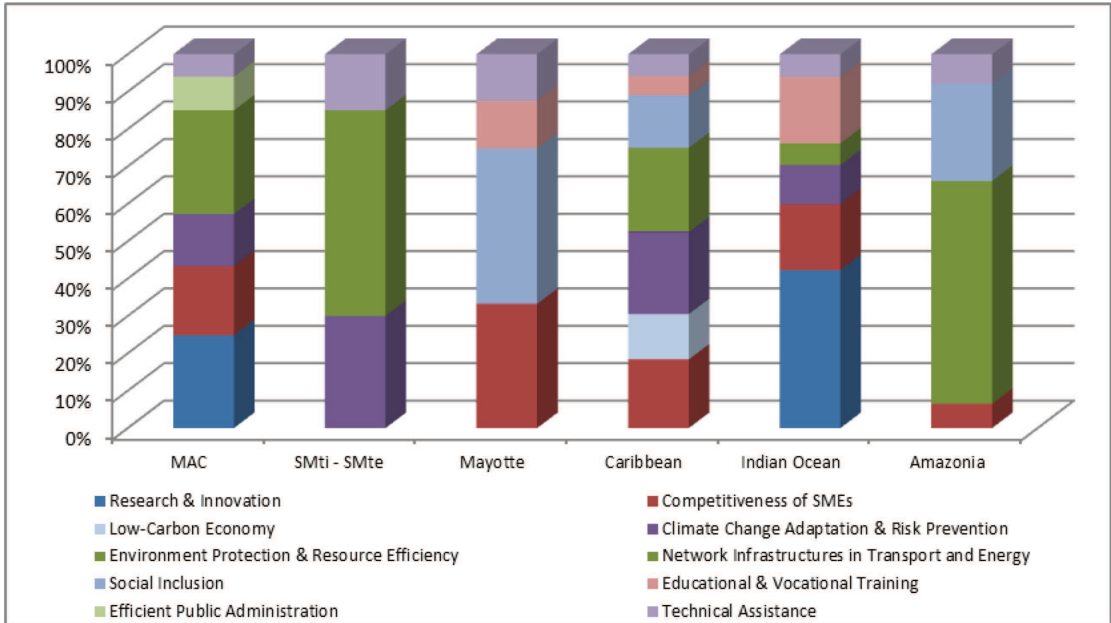
priority, adapting them on the basis of its specific situation and location. So far, the regional plans have not been established, however, the preparation of a common framework, intended to serve as a tool to support the regions in establishing their regional plans. It triggered an important dynamic on the strategic discussion of the outermost regions development within their respective basins.

The 2012 Communication also mentioned territorial cooperation as one of the aspects that had to be reinforced, ‘in order to improve competitiveness, trade and knowledge links with the neighbours’.

In the **2007 - 2013** programming period, the **European territorial cooperation programmes** invested, with an EU contribution of approximately EUR 147 million, in four different cooperation areas: MAC<sup>124</sup>, Indian Ocean, Caribbean and Amazonia. For the 2014 - 2020 programming period, the EU support is of EUR 295 million and two new programmes were added (Mayotte - Comores and Saint Martin/Sint Maarten) to a total of six programmes concerning the outermost regions. On the Atlantic area, the scope of the Atlantic programme was broadened so as to cover the outermost regions of the Azores, Madeira and the Canary Islands.

Figure 7 gives an overview on the **main priorities** of investment for the outermost regions territorial cooperation programmes in the 2014 - 2020 programming period.

Figure 7 — Financial allocations of the European Territorial Cooperation Programmes in the 2014 - 2020 programming period by thematic objective.



Interreg Cross-Border: Madeira-Açores-Canarias (MAC); Saint Martin-Sint Maarten (St Martin); Mayotte-Comores (Mayotte).  
 Interreg Transnational: Caribbean; Indian Ocean Area, Amazonia.

<sup>124</sup> Interreg V-A - Spain-Portugal (Madeira-Açores-Canarias). It should be noted that Canary Islands also took part in the cross-border cooperation programme ‘Spain — external borders 2008-2013’ with a EU support of approximately EUR 15 million.

Amongst the many Interreg projects financed under the 2007 - 2013 programming period, some examples are listed below:

- The CONNECTAFRICA<sup>125</sup> project in the Canary Islands under the MAC programme, aiming to improve the exchange between Tenerife (and in general the Canary Islands) with West Africa (Senegal, Mauritania and Cabo Verde) by specific lines' connections, in addition to the ones offered already by the transport system.
- A cooperation platform called PReRAD (in French '*Plateforme Régionale de Recherche Agronomique pour le Développement*'), a regional platform for agronomical research.
- The ICT 'Spany Est' project, under the Amazonia programme, which led to set up a cable connecting French Guiana and Amapa and therefore to reduce communication costs in the cross-border area.

It should be noted that the number of joint projects (financed by EDF and ERDF) was overall limited.

For the **2014 - 2020** programming period, further progress was made to enhance cooperation on the ground between the outermost regions and their neighbours. At the end of 2014, the Commission issued a guidance note to the EU delegations, the outermost regions' managing authorities and the relevant stakeholders to facilitate cooperation between them and the neighbouring ACP and OCTs (EDF beneficiaries). A range of options that the managing authorities could use, under existing provisions, to improve cooperation with non-EU countries or territories were put forward.

In the framework of INTERREG programmes, platforms for the dialogue between **EDF and ERDF** authorities and beneficiaries have been set up in each outermost region basin, based on the example of the Indian Ocean Region where a regional operational platform for EDF-ERDF funding coordination already existed. Furthermore, in 2014 - 2020, the programming periods for the EDF and the ERDF have been aligned; a timing aspect which makes coordination easier.

The **EDF** provides also support for regional integration and cooperation between the EDF beneficiaries and their neighbours, including the outermost regions. For instance, under the 10<sup>th</sup> EDF<sup>126</sup>, a project called 'Wider Caribbean', supporting the implementation of the EPA EU-CARIFORUM<sup>127</sup>, was implemented. The project aimed to develop the CARIFORUM capacity to deepen and widen cooperation, both among CARIFORUM countries, as well as with outermost regions present in the Caribbean.

The proximity of the outermost regions with the EPA partners offers them new opportunities of partnership in their respective regions. The EPA for trade and development are an

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<sup>125</sup> <http://www.pct-mac.org/registroficha?id=d0589ab6-7ea7-4c80-9467-329284bfe02a>

<sup>126</sup> [Tenth European Development Fund as set up by the internal agreement between the Representatives of the Governments of the Member States, meeting within the Council, on the financing of Community aid under the multiannual financial framework for the period 2008 to 2013 in accordance with the ACP-EC Partnership Agreement and on the allocation of financial assistance for the Overseas Countries and Territories to which Part Four of the EC Treaty applies - https://ec.europa.eu/europeaid/sites/devco/files/internal-agreement-10edf-2006\\_en.pdf](https://ec.europa.eu/europeaid/sites/devco/files/internal-agreement-10edf-2006_en.pdf)

<sup>127</sup> [CARIFORUM countries: Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Dominican Republic, Grenada, Guyana, Haiti, Jamaica, St Lucia, St Vincent and the Grenadines, St Kitts and Nevis, Suriname and Trinidad and Tobago - http://ec.europa.eu/trade/policy/countries-and-regions/regions/caribbean/](http://ec.europa.eu/trade/policy/countries-and-regions/regions/caribbean/)

important tool to deepen cooperation and exchanges. They aim at promoting trade and investment between the EU and the ACP countries on a stable and lasting basis. Specific articles in EPA texts provide for cooperation in different fields between the outermost regions and their ACP neighbours. In certain regions (CARIFORUM), the outermost regions participate to the EPA Committees while in others, the EPA have brought them closer to ACP countries (Reunion Island and Mauritius), becoming facilitating factors of regional integration. Between June 2012 and June 2017, all EPA have been negotiated and are (or about to be) in the process of being implemented. However, most of them are recent and given the duration of the transitional implementation periods, the main results are still to be seen in the future.

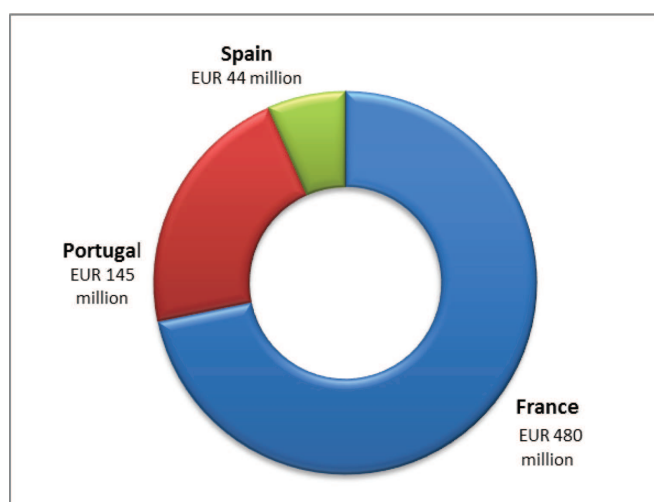
#### **4.4. Fostering employment, education and social Inclusion**

As the previous analysis on the socioeconomic trends on the outermost regions demonstrated (Chapter 3), the unemployment is the main issue in these regions, in particular among young people (the average rate is double the EU-28 rate).

##### **Promoting sustainable and quality employment and supporting labour mobility**

**Sustainable and quality employment** is supported by ESF through the respective regional programmes in all outermost regions, with a total allocated budget of EUR 669 million (Figure 8). As an example, Madeira and the Azores invest, among others, in measures aiming to improve gender equality of job opportunities and promote self-employment. ERDF also supports investments in employment and labour mobility with a contribution of EUR 23 million in the regional programmes.

Figure 8 — French, Spanish and Portuguese allocations in 2014 - 2020 (in million EUR) for the Thematic Objective on promoting sustainable and quality employment and promoting labour mobility



The **YEI** aims to foster youth employment and includes among others training actions to improve employability; actions to reduce early school leaving; and interventions to promote cooperation with the metropolitan area.

The ESF also supports measures to encourage **mobility** in different outermost regions, through regional programmes in 2014 - 2020. For example, in the Azores programme, the ESF supports internships for young people in different European cities. Similarly, the Agency for Overseas Mobility<sup>128</sup> supports the mobility of young people with trainings outside the French outermost regions. The Canary Islands programme supports a transnational mobility project to favour the labour market integration of the workforce on sectors with high-demand in jobs. Specific training will be also provided to participants (such as languages, job counselling and socio-cultural integration).

On the **EURES** initiative, the Commission has taken into account the particular situation of the outermost regions in a call for proposals, launched in 2014, for targeted mobility schemes under your First EURES Job. Under this call, the initiative covered the costs of the projects (for example interview attendance costs, relocation costs, etc.).

To make the movement of people in **non-EU countries** easier, the EU negotiated an EU-Cape Verde Visa Facilitation Agreement that entered into force on 1 December 2014. It facilitates EU citizens (including citizens from the Canary Islands, the Azores and Madeira) to travel to Cape Verde as well as citizens from Cape Verde to travel to the Schengen area.

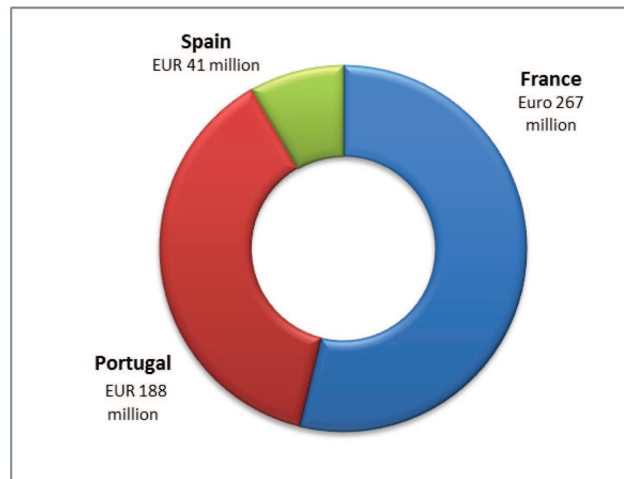
The outermost regions have set up in 2014 a **network** dedicated to fostering employment in their regions and exchange good practices. In March 2016, the Commission and the European Economic and Social Committee organised a seminar on employment to accompany the work of this network. As from the beginning of 2017, the outermost regions network has been supported by the INTERREG Europe programme.

### **Promoting social inclusion, combating poverty and any discrimination**

<sup>128</sup> L'Agence de l'Outre Mer pour la Mobilité.

The 2012 Communication highlighted that **fighting poverty and enhancing social inclusion** is one of the main priorities of the ESF for the outermost regions. For the 2014 - 2020 programming period, the ESF allocated a total of EUR 496 million to this priority (Figure 9). In addition, ERDF supports investments in this field with a contribution of EUR 317 million in the regional programmes.

Figure 9- French, Spanish and Portuguese allocations in 2014 - 2020 (in million EUR) for the Thematic Objective on promoting social inclusion, combating poverty and any discrimination



Projects as the one implemented in Guadeloupe, by reinforcing street teams to accompany marginalised young people or those in great difficulty of labour integration, are among the examples of social inclusion actions. Another example is the project implemented in Madeira, where unemployed people with viable business ideas were assisted to create their enterprise, which in turn could contribute to the creation of employment through the recruitment of additional employees. Moreover, the ESF supports measures in favour of the **inclusion of migrants** such as the construction of shelters or the protection of women who are alone or accompanied by young children, in Mayotte.

In particular, Mayotte and French Guiana have continued to face significant migratory flows. The outermost regions benefit of the financial support provided by the EU to face migratory flows and ensure secure conditions for social and economic development. In addition to the assistance provided by ESI Funds, the **Asylum, Migration and Integration Fund (AMIF)** supports actions regarding integration of migrants and return of persons in irregular situation.

The **Internal Security Fund (ISF)** helps in strengthening operational capacities to prevent and fight against organised crime, including drug and arm trafficking. For instance, the ISF national programme of France for the 2014 - 2020 programming period contains a specific reference to the French West Indies regarding prevention and fight against organised crime.

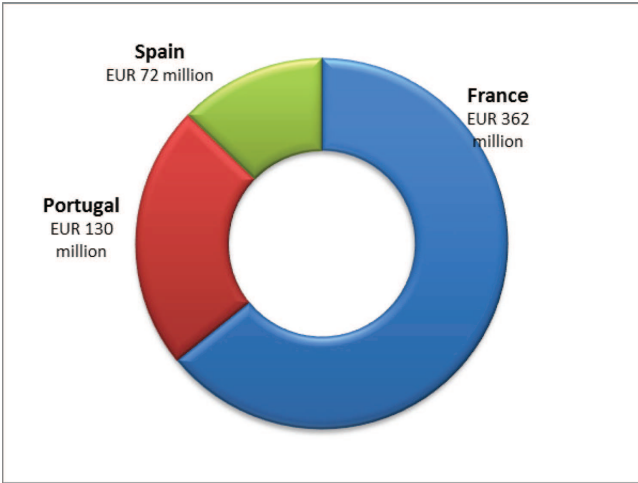
The 2012 Communication also underlined the need to improve **healthcare infrastructure** in the outermost regions: under the ERDF programmes in the 2007 - 2013 programming period, EUR 152 million were invested in healthcare infrastructures in most regions,. In Madeira, for example, a healthcare centre was built in Porto da Cruz (Centro de Saude do Porto da Cruz). In the Azores, EUR 40 million from ERDF was devoted to interventions in 14 health

infrastructures. This effort continues under the 2014 - 2020 programming period with the installation of eHealth equipment in all islands of the Azores, the construction of health centres for population with specific needs (elderly, disabled) in remote areas of the French outermost regions and the improvement of health infrastructures - including eHealth and transport between islands or between the islands and the mainland - in the Canary islands (with a budget of more than EUR 72 million). For this period, about EUR 161 million from ERDF are allocated to investments in healthcare infrastructures.

**Investing in education, training and vocational training for skills and lifelong learning**

Concerning **education and training** in both 2007 - 2013 and 2014 - 2020, the main objectives of the ESF support in all outermost regions are to reduce early school leaving and increase participation in higher education, lifelong learning and vocational education and training. For the 2014 - 2020 period, the ESF allocated a total of EUR 564 million to this priority (Figure 10). Furthermore, ERDF supports investments in this field with a contribution of EUR 266 million in the regional programmes.

Figure 10 — French, Spanish and Portuguese allocations in 2014 - 2020 (in million EUR) for the Thematic Objective on investing in education, training and vocational training for skills and lifelong learning



**Early school leaving** is still a major challenge in many outermost regions, with levels far above the national and European average. Measures to combat early school leaving are implemented in all outermost regions with the support of ESF. In French Guiana, which is particularly affected by this challenge, measures under the ESF include the development of educational support and literacy modules in college, especially for young non-French-speakers. Reunion Island devotes 31 % of its ESF allocation to reduce the dropout rate and improve employability: the aim is to support 7 647 young people by 2023. In the Canary Islands, EUR 61 million are allocated in 2014 - 2020 to Vocational Education and Training (VET) programmes, aiming to help students to complete their secondary education training programmes. The programmes are implemented in sectors with high job creation perspectives, such as the ICT sector. In the Azores, in both 2007 - 2013 and 2014 - 2020, preventive measures to reduce early school leaving, to combat absenteeism, diversifying the educational



offer and offering an inclusive access to pre-school, primary and secondary educational levels are supported.

On **higher education**, in the Azores for example, the programme supports students from a disadvantaged background to pursue a PhD in research and innovation and schemes to support the employability of young graduates. The ESF programme for the Canary Islands 2014 - 2020 will support PhD students receiving grants to complete their training programmes and to follow an International MBA Programme (budget of EUR 11 million). In Madeira in 2007 - 2013, EUR 114.6 million were dedicated to education and training with a particular focus on certifying competences and knowledge. The number of young people with certification was 1 176 in 2015, while the number of adults certified through 'Recognition, Validation and Certification of Skills' (RVCC) processes was 2 895, overachieving the expected target. 7 893 students in total are in the process of skill recognition and validation and 5 383 apprenticeships are supported.

The 2012 Communication stated that 'the **Erasmus+** programme will provide opportunities to support partnerships between business and education and training institutions (i.e. universities, vocational training institutions) of the outermost regions and facilitate and promote the mobility of student and teachers to and from the outermost regions.

The outermost regions' dimension has been taken into account under Erasmus+ in the following ways. In case of both higher education and vocational training (including adult education), there are special rules for both learners and staff: if the contribution to the travel costs covers less than 70 % of the real cost, then applicants can request a higher contribution, under the exceptional costs budget, covering up to 80 % of the eligible costs. As from the 2017 call, such possibility has been extended, in some cases, to those going to the outermost regions. Moreover, in the 2017 call, for beneficiaries travelling from and to regions which are far away (more than 8 000 km), the reimbursement of travel expenses has increased to EUR 1 300 (against EUR 1 100 previously).

According to the latest data available, in 2014-2015 the number of participants (students, teachers and other higher education staff) under the Erasmus+ programme coming from the outermost regions was about 1 800 and the participants going to those regions were about 2 200.

In addition, Erasmus+ supports the outermost regions through the international credit mobility (ICM) scheme. The ICM action is about student and staff international mobility (i.e. between a programme country and a partner country) between 3 and 12 months to obtain credits in a host institution, which are then recognised by the home institution. In 2016-2017, **seven** higher education institutions from the outermost regions are involved in ICM, organising **276 mobility's**, with financial support of approximately **EUR 1 million** in total. These institutions offer their students and staff the opportunity to participate in international learning mobility's, and also welcome students and staff from partner country higher education institutions<sup>129</sup>.

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<sup>129</sup> The Erasmus+ programme distinguishes 'Programme Countries' and 'Partner Countries'. Programme Countries are those participating fully in the Erasmus+ programme. To do so, they have set up a National Agency and contribute financially to the programme. The 33 Programme Countries are the 28 EU Member States and Iceland, Liechtenstein,

The 2012 Communication recommended that the Commission should seek to ensure access for the outermost regions to the EU's future cultural policy programmes and initiatives in order to develop **cultural and creative industries**. However, nothing specific is registered at this level.

#### 4.5. Mainstreaming climate change and protecting the environment

The outermost regions are among the EU areas facing some of the most significant challenges related to climate change. In 2014, a **study carried out for the Commission** on the economic impact of climate change and adaptation in the outermost regions, identified significant risks for their ecosystems as a result of climate change<sup>130</sup>. This study helped to support the mainstreaming of climate mitigation and adaptation into the European Structural Investment Funds dedicated to those territories in the 2014 - 2020 programming period.

Keeping in line with the EU goal for 20 % of the EU budget to be directed to climate change mitigation and adaptation, around 22 % of the budget was allocated to **climate related expenditure** in the EARDF and ERDF<sup>131</sup> in the outermost regions for the 2014 - 2020 programming period. One example is the ERDF operational programme of Reunion Island, a region particularly exposed to climate related risks, where around 23 % of the allocation is related to this objective. Additionally, the European territorial cooperation programmes are used in particular to develop long-term strategies covering territories struck by the same climate related risks. The Caribbean area programme, for example, envisages a comprehensive approach of cooperation on climate-related risk management.

The **rural development programmes** also support the shift to low carbon and climate resilient economy in agriculture, food and forestry sectors. Some examples of actions aiming at coping with climate change are the introduction of climate change resilient varieties of sugarcane, sustainable management of banana plantations to limit soil erosion (Guadeloupe) or strengthening the environmental functions of forests (Martinique).

The outermost regions are home to a rich and valuable biodiversity, unique in the European context. The **LIFE programme**, the EU's funding instrument for the environment and climate action, has supported 21 projects in the outermost regions since 2012 concerning biodiversity protection or Natura2000, (6 in France, 10 in Portugal and 5 in Spain) for a total amount of EUR 26.8 million (EU contribution of EUR 15.1 million). Since the French outermost regions don't have protected areas defined in the framework of the Birds and Habitats directives<sup>132</sup>, these regions cannot apply under the financial envelopes for LIFE

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Norway, the Former Yugoslav Republic of Macedonia and Turkey. Partner Countries are all other countries in the world, grouped together in different regions.

<sup>130</sup> Final report 'The economic impact of climate change and adaptation in the outermost regions', 2014, [http://ec.europa.eu/regional\\_policy/sources/activity/outermost/doc/impact\\_climate\\_change\\_en.pdf](http://ec.europa.eu/regional_policy/sources/activity/outermost/doc/impact_climate_change_en.pdf)

<sup>131</sup> The EMFF budget is defined at national level is not possible to have the estimative for climate related expenditure specifically for the outermost regions.

<sup>132</sup> The wild bird species naturally occurring in these regions, as well as other wild species and habitat types, are not included in the annexes of the Birds and Habitats directives listing the protected species and habitats.

Nature and Biodiversity priority area<sup>133</sup>, except under the thematic priorities for biodiversity. The climate action sub-programme, since it started in 2014, has supported one project with an outermost regions participant (Canary Islands)<sup>134</sup>.

As an example, the project *LIFE + Cap Dom*, was selected as a LIFE Nature and Biodiversity ‘Best Project’ by the Commission, allowing exchange of good practice between French Guiana, Martinique and Reunion Island on techniques to protect endangered birds or methods of calculation and follow-up of more common birds, later adopted by other regions and OCTs. Two other project examples under this theme are the LIFE *Terras do Priolo*<sup>135</sup>, adopting conservation measures to protect one of Europe’s most endangered birds — the Azores bullfinch — and the LIFE+ Garajonay Vive, dedicated to the ecological restoration works on the Garajonay National Park and surrounding area following the forest fire in 2012<sup>136</sup>.

On **biodiversity and ecosystem services**, the outermost regions have benefited since 2012 from six projects out of the 16 BEST projects funded under the two open calls for proposals (BEST 2011 and BEST 2012) in the frame of the **BEST preparatory action**<sup>137</sup>. The French Development Aid Agency (AFD) funded 2 additional projects in the French outermost regions from the reserve list proposals<sup>138</sup> of BEST 2012. In the frame of the BEST III contract<sup>139</sup>, regional ecosystem profiles<sup>140</sup> have been established in a participatory process, aiming at strengthening the efforts to support the conservation of biodiversity and the sustainable use of ecosystem services in the outermost regions and OCTs. These profiles provide valuable information, helping to define and prioritise needs and to ensure the financing institutions and private benefactors of the relevancy and added value of the projects they wish to support. Links between the BEST initiative and the structural funds have not yet been developed.

In addition, the European Parliament adopted two further **Pilot projects**, one on the ‘Inventories of Species and Habitats in French outermost regions’ (EUR 1 million) in 2015, and another on ‘Mapping and assessing the state of ecosystems and their services in the outermost regions and OCTs’ in 2016 (EUR 1 million). In the framework of the first project, a call for ‘*swift small grants*’ in French outermost regions has been launched in 2017<sup>141</sup>.

The **Marine Strategy Framework Directive (MSFD)** requires that EU Member States take the necessary measures to achieve or maintain the Good Environmental Status of the EU’s marine waters by 2020. This Directive applies in the Macaronesian region, namely on the waters surrounding the Azores, Madeira and the Canary Islands. Spain and Portugal have identified a number of pressures acting on the marine environment and have designed

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<sup>133</sup> Under the sub-programme for Environment.

<sup>134</sup> The Green Link, aimed at restoring desertified areas with an innovative tree growing method across the Mediterranean border to increase resilience, with the participation of an institution from the Canary Islands.

<sup>135</sup> [http://ec.europa.eu/environment/life/project/Projects/index.cfm?fuseaction=search.dspPage&n\\_proj\\_id=4740](http://ec.europa.eu/environment/life/project/Projects/index.cfm?fuseaction=search.dspPage&n_proj_id=4740)

<sup>136</sup> <http://lifegarajonayvive.com/english/>

<sup>137</sup> [http://ec.europa.eu/environment/nature/biodiversity/best/projects/current/index\\_en.htm](http://ec.europa.eu/environment/nature/biodiversity/best/projects/current/index_en.htm)

<sup>138</sup> Reserve list proposals are proposals which had passed the evaluation but which could not be funded because all budget available through the BEST preparatory action had been used.

<sup>139</sup> To implement the third and last year of the BEST preparatory action an open call for tender was published in 2013 aiming to create a critical mass to achieve the transition towards a sustainable scheme. The BEST III contract is the outcome of this call for tender, which was won by a consortium led by IUCN.

<sup>140</sup> [http://ec.europa.eu/environment/nature/biodiversity/best/regions/index\\_en.htm](http://ec.europa.eu/environment/nature/biodiversity/best/regions/index_en.htm)

<sup>141</sup> [http://ec.europa.eu/environment/nature/biodiversity/best/funding/index\\_en.htm](http://ec.europa.eu/environment/nature/biodiversity/best/funding/index_en.htm) - <http://www.bestrup.org/>

programmes of measures to tackle them, thereby allowing for the sustainable use of the marine environment.

In the programming period 2014 - 2020, EUR 780.8 million are allocated in the **ERDF regional operational programmes** for the preservation and protection of the environment, promotion of the resource efficiency objectives and promotion of the climate change adaptation. Around EUR 125 million of this budget will be dedicated to measures related to biodiversity. The French outermost regions will concentrate a major part of their funding on waste management and the water sector, while the other regions will favour actions on biodiversity and nature (Canary Islands), support to resource efficiency in SMEs (Madeira) and adaptation to climate change and climate related risks (Azores). An additional EUR 99 million is available in this domain in the ETC programmes<sup>142</sup>.

During the **2007 - 2013** programming period, the **ERDF** supported moreover environment-related actions with approximately EUR 1 billion. Drinking water management and distribution and water treatment represented strong priorities in this programming period, particularly for the French outermost regions. The Matiti's water treatment facility, implemented in French Guiana, is an example of a project in this area. The promotion of natural assets in the Azores, risk prevention in Madeira and promotion of biodiversity and Natura2000 in the Canary Islands were also key priorities of investment in this domain.

In the programming period **2014 - 2020**, EUR 603 million of **EAFRD**<sup>143</sup> are allocated in the Rural Development Plans of outermost regions to restoring, preserving and enhancing ecosystems and promoting resource efficiency related to agriculture, food and forestry sectors. To achieve these objectives several measures are being implemented, such as training, advice, physical investments in agriculture and forest sector, agri-environment-climate measures, organic farming but also investments in basic services and cooperation. In the **2007 - 2013** programming period EUR 319 million of **EAFRD**<sup>144</sup> were allocated to improve the environment and the countryside by measures such as agri-environmental payments, investments in forestry, forest environment payments and support for non-productive investments.

**Waste management** is a challenging area for the outermost regions. Relevant investments, benefiting from EU funding, have been made in these regions, such as the Ecodec recycling centre in Guadeloupe to process tyres and plastics for reuse, or the waste processing centres in most of the Azorean islands. However, additional efforts and investments are required<sup>145</sup>.

In the fight against **Invasive Alien Species (IAS)**, the Regulation<sup>146</sup> takes into account the specificities of the outermost regions by giving them the possibility to define their own list of IAS. On the basis of Article 6(2) of this Regulation the list had to be proposed by the Member State in consultation with the outermost regions.

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<sup>142</sup> This value does not include the budget available under the national Operational Programmes, the Atlantic Ocean Programme and the technical adjustment [COM(2015) 320 final 22/05/2015].

<sup>143</sup> EAFRD allocated to priorities 4 and 5 in RDP 2014-2020.

<sup>144</sup> EAFRD allocated to axe 2 in RDP 2007 - 2013.

<sup>145</sup> Report of the expert group on green and circular economy in the outermost region:

[http://ec.europa.eu/regional\\_policy/sources/policy/themes/outermost-regions/pdf/green\\_circ\\_econ\\_report\\_en.pdf](http://ec.europa.eu/regional_policy/sources/policy/themes/outermost-regions/pdf/green_circ_econ_report_en.pdf)

<sup>146</sup> Regulation (EU) No 1143/2014 of the European Parliament and of the Council of 22 October 2014 on the prevention and management of the introduction and spread of invasive alien species (OJ L 317, 4.11.2014, p. 35).

The outermost regions are particularly vulnerable to natural disasters, while their geography and difficult topography hampers the intervention in the event of a major emergency. Decision 1313/2013/EU<sup>147</sup> on a **Union Civil Protection Mechanism**<sup>148</sup> provides financing for exercises and specifies, in the scope, the need to take into account the special needs of isolated, outermost and island regions. In 2017, an EU RICHTER-17 exercise took place, organised by France and funded by the EU: a violent earthquake and tsunami north of Guadeloupe was simulated, triggering the response of security teams from neighbouring countries of the region and the European Civil Protection Mechanism (EERC).

In the **EU Solidarity Fund revision** of 2014<sup>149</sup>, the threshold to benefit from financial contribution in case of regional natural disaster, in terms of the direct damage occurred, has been reduced, compared to other regions, from 1.5 % to 1 % of the regional GDP. Since 2012, the Fund has provided assistance at one occasion: a natural disaster in Madeira (fires in 2016) with EUR 3.9 million.

Moreover, Regulation (EU) No 2017/1199 of the European Parliament and of the Council<sup>150</sup> provides for **specific measures** offering additional assistance to **Member States affected by natural disaster**. Member States now have the possibility of introducing a separate priority for reconstruction and recovery projects supported by the ERDF within a programme. Given the potential magnitude of the impact of such natural disasters, the ERDF can support such projects with limited national co-financing<sup>151</sup>. As the outermost regions are particularly exposed to the risk of natural disasters and climate change, this possibility could be of interest in the future.

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<sup>147</sup> Decision No 1313/2013/EU of the European Parliament and of the Council of 17 December 2013 on a Union Civil Protection Mechanism (OJ L 347, 20.12.2013, p. 92).

<sup>148</sup> The Union Civil Protection Mechanism was set up to foster cooperation among national civil protection authorities across Europe and enable coordinated assistance to victims of natural and man-made disasters in EU, participating countries and elsewhere.

<sup>149</sup> Regulation (EU) No 661/2014 of the European of 15 May 2014, amending Council Regulation (EC) No 2012/2002 establishing the European Union Solidarity Fund (OJ L 189, 27.6.2014, p. 143).

<sup>150</sup> Regulation (EU) 2017/1199 of the European Parliament and of the Council of 4 July 2017 amending Regulation (EU) No 1303/2013 as regards specific measures to provide additional assistance to Member States affected by natural disasters (OJ L 176, 7.7.2017, p. 1).

<sup>151</sup> The ERDF co-financing rate can go up to a maximum of 95 % and thus, the national co-financing can be at least 5 %.

## 4.6 Taxation and State aid

### Taxation

The outermost regions have been benefiting from specific taxation regimes in favour of the competitiveness of their economies aiming to offset the permanent handicaps affecting their economic and social situation.

The fiscal dock dues (*octroi de mer*) scheme in force in the French outermost regions (except from Saint Martin) provides for reductions or exonerations from the dock dues tax, subject to authorised limits, for a specific list of locally produced products so as to allow these products to compete with imported ones, given the additional costs incurred by companies in the outermost regions. The current dock dues regime is authorised by Council Decision 940/2014/EU<sup>152</sup> until 31 December 2020.

The **AIEM** (*arbitrio sobre las importaciones y entregas de mercancías*) is a similar tax scheme applied in the Canary Islands. In June 2014 the Council adopted Decision 377/2014/EU<sup>153</sup> authorising the Spanish authorities to apply, subject to the authorised limits, reductions in or exemptions from the AIEM tax for a specific list of domestic products until 31 December 2020.

In line with the relevant decisions, both regimes will be reviewed in the course of 2017-2018, following the submission of reports by national authorities indicating the impact of the schemes and their contribution to the development of local economic activities in the light of the handicaps affecting the outermost regions. On the basis of these reports, the Commission will submit a report to the Council and may decide to make proposals for adapting the provisions of the decisions at issue.

Other **specific taxation regimes** targeting certain local products were revised in the last years, namely the reduced rate of excise duties for French rum in 2014 and the scheme for locally produced and consumed rum and liqueurs in Madeira and liqueurs and *eau-de-vie* in the Azores the same year. In 2017, following a request from the French authorities supported by a report justifying the adaptation, the Commission proposed to the Council the increase of the rum quota at a reduced rate of excise duties. France will send a report to the Commission by the end of 2017, enabling it to assess whether the reasons justifying this derogation still exist and whether the fiscal advantage is proportionate and sufficient to support a competitive cane-sugar-rum value chain in the concerned outermost regions.

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<sup>152</sup> Council Decision No 940/2014/EU of 17 December 2014 concerning the dock dues in the French outermost regions (OJ L 367, 23.12.2014, p. 1).

<sup>153</sup> Council Decision No 377/2014/EU of 12 June 2014 on the AIEM tax applicable in the Canary Islands (OJ L 182, 21.6.2014, p. 4).



## State aid

In 2013, the Commission adopted new **regional aid guidelines** for the programming period 2014 - 2020. Regional aid intensities were lowered in all European regions, except in the most disadvantaged and outermost regions. In line with the provisions of Article 107(3)(a) TFEU, the 2014 - 2020 regional aid guidelines designate all outermost regions as ‘a’-regions<sup>154</sup>.

As a result of their status as ‘a’ areas, outermost regions also benefit from a favourable State aid treatment in some other State aid areas (e.g. companies in outermost regions qualify for increased bonuses for innovation aid). As in the past, operating aid can be granted to companies in the outermost regions under the 2014 - 2020 regional aid guidelines.

To reduce the administrative burden on the national and regional authorities responsible for the outermost regions, the Commission introduced regional operating and transport aid provisions for outermost regions in the 2014 **GBER**. As a result, Member States could grant these types of aid to companies in the outermost regions without a need for *ex-ante* notification to and approval by the Commission. In 2017, the GBER was reviewed, extending the scope of the regional operating aid provisions of the GBER to cover undertakings of all sectors, including transport and energy, agriculture and fisheries, as well as businesses in difficulty. In addition, operating aid ceilings were increased significantly to ensure that all estimated additional costs of companies in the outermost regions (including additional transport costs) can be covered.

The recent reform of the EU State aid regime under the **State aid modernisation** process (including the 2017 revision of the GBER) introduced changes to the specific rules affecting the outermost regions. The changes were made in full dialogue with the representatives of these regions and of the Member States concerned, accommodating their main concerns, in particular by the amendments introduced in the regional operating and investment aid rules.

In addition to the extensive possibilities for aid for which no notification is required, the Commission has already approved several schemes providing further investment and operating aid to companies in the outermost regions. For example, in March 2017, the Commission approved support in the form of reductions of the dock dues tax, as compatible state aid on the basis of regional aid guidelines, considering that it promotes the development of Guadeloupe, French Guiana, Martinique, Mayotte and Reunion Island without distorting competition in the single market to an extent contrary to the common interest.

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<sup>154</sup> Areas fulfilling the conditions set out under Article 107(3)(a) TFEU. The guidelines stipulate what can be designated as ‘a’ area: NUTS 2 regions with a gross domestic product (GDP) per capita in purchasing power standards that is equal to or less than 75 % of the EU-27 average and outermost regions.

## 5. Conclusion

Since 2012, significant progress has been recorded in several EU policy fields, in order to promote growth and employment in the outermost regions. Cohesion policy has played an important role in that respect, by supporting investments for a smart, sustainable and inclusive growth. In parallel, support to traditional sectors like agriculture and fisheries, essential for the societies of the outermost regions, has been provided.

Specific measures have been maintained and new ones have been taken across many EU fields, including State aid, taxation, and other important sectors for the outermost regions' development. Despite the achievements, the specificities of the outermost regions were not always systematically taken into account or adequately reflected in the EU initiatives. There is the need to scale up efforts and better meet these regions' needs on the basis of a stronger strategic framework and a partnership enlarged to other EU Institutions and relevant actors.

Although innovative practices and solutions are already being developed in many areas, research and innovation is fundamental for boosting business competitiveness, helping the development of emerging sectors (such as renewable energies and marine bio-technology) and sustainable use of their unique assets. This requires reinforced efforts on education and professional training to equip people, in particular youth, with new skills and experience adapted to their local labour markets.

There is also the need to further improve transport and digital connectivity. Deepening cooperation with their neighbours and other partners is an important avenue to follow for a better integration in their geographical context and create new opportunities in the neighbouring and international markets. Furthermore, improving climate change adaptation and protecting their rich unique biodiversity remain crucial for livelihoods and economy.

The Commission will pay more attention in the future to the specific constraints of the outermost regions recalled in Article 349 TFEU and value better the extraordinary assets they offer to the EU. In particular, their specific interests should be better reflected upstream in the legislative process in the framework of the Better Regulation Agenda<sup>155</sup>.

The Commission is committed to pursue its efforts and further maximise the potential of the outermost regions. The support of the partnership will be crucial in that respect.

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<sup>155</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions 'Better regulation for better results - An EU agenda' - COM(2015) 215 final, 19.5.2015.

## List of acronyms and abbreviations

ACP — African, Caribbean and Pacific countries  
AFD — French Agency for Development  
BEST — Biodiversity and Ecosystem Services in Territories of European overseas  
CAP — Common Agricultural Policy  
CEF — Connecting Europe Facility  
CFP — Common Fisheries Policy  
COSME — Competitiveness of Enterprises and Small and Medium-sized Enterprises Programme  
EAFRD — European Agricultural Fund for Rural Development  
EAGF — European Agricultural Guarantee Fund  
EDF — European Development Fund  
ESA-IO RIP — Regional Indicative Programmes Eastern Africa and Indian Ocean  
EERC — European Civil Protection Mechanism  
EFF — European Fisheries Fund  
EFSI — European Fund for Strategic Investments  
EIB — European Investment Bank  
EIP — European Innovation Partnership  
EMFF — European Maritime and Fisheries Fund  
EPA — Economic Partnership Agreement  
EPAs — Economic Partnership Agreements  
ERDF — European Regional Development Fund  
ESF — European Social Fund  
ESI Funds — European Structural and Investment Funds  
ETC — European Territorial Cooperation  
ETS — Emissions trading system  
EU — European Union  
EURES — The European job mobility portal  
GBER — General Block Exemption Regulation  
GDP — Gross Domestic Product  
ICT — Information and Communication Technologies  
INTERREG — European territorial cooperation programmes  
LNG — Liquefied natural gas  
MSP — Maritime Spatial Planning  
NEET — Young people not in employment not in training  
OCTs — Overseas countries and territories  
POSEI — Programme of options specific to the remote and insular nature of the outermost regions  
RDP — Rural Development Programme  
RDP — Rural Development Programmes  
SME — Small and Medium Enterprise  
TEN-T — Trans-European Networks  
TFUE — Treaty on the functioning of the EU  
TIA — Territorial Impact Assessments  
YEI — Youth Employment Initiative

**Annex I — Geographical location of the outermost regions: lands of Europe in the World.**



## Annex II — European Union funding in the outermost regions

| European funding for the 2014 - 2020 period (million €) |                   |                     |                  |                     |                               |                   |                |
|---|-------------------|---------------------|------------------|---------------------|-------------------------------|-------------------|----------------|
|   | ERDF <sup>1</sup> |                     | ESF <sup>2</sup> | YEI <sup>3, 4</sup> | EMFF                          |                   | EAFRD          |
| Region / Operational programme                          |                   | Specific allocation |                  |                     | Classic measures <sup>5</sup> | Compensation Plan |                |
| Canary Islands  | 513.6             | 484.1               | 162.4            | 117.2               | 22.0                          | 60.9              | 157.5          |
| Guadeloupe and St Martin (State) <sup>6</sup>           | 31.4              | 7.2                 | 165.2            |                     | 44.8                          | 86.5              | 174.0          |
| Guadeloupe  | 424.1             | 97.8                | 84.5             | 22.0                |                               |                   | 130.2          |
| Martinique  | 352.0             | 93.1                | 70.8             | 19.4                |                               |                   | 112.0          |
| Martinique (State)                                      |                   |                     | 124.7            |                     |                               |                   | 385.5          |
| French Guiana   | 286.0             | 52.1                | 54.4             | 12                  |                               |                   | 60.0           |
| French Guiana (State)                                   |                   |                     | 83.9             |                     |                               |                   | 295.3          |
| Reunion Island  | 940.2             | 190.3               |                  | 57.8                |                               |                   | 179.4          |
| Reunion Island (State)                                  |                   |                     | 516.8            |                     |                               |                   |                |
| Mayotte   | 146.0             | 2.8                 | 65.5             | 9.2                 |                               |                   |                |
| Azores  | 767.5             | 57.5                | 314.7            | 10.6                |                               |                   | 56.9           |
| Madeira   | 216.2             | 58.2                | 129              | 11.8                |                               | 14.5              | 179.4          |
| <b>Grand Total</b>                                      | <b>3 677.0</b>    | <b>1 043.1</b>      | <b>1 771.9</b>   | <b>260.0</b>        | <b>123.7</b>                  | <b>192.5</b>      | <b>1 493.9</b> |

Sources: Open Data Platform, for ERDF, ESF and EAFRD.

<sup>1</sup> Regional Operational Programme. The funding contribution from the national programmes, namely for the Canary Islands, is not included.

<sup>2</sup> The figures do not include the ESF amounts used for matching the YEI special allocation. These amounts are included in the column YEI.

<sup>3</sup> The figures show the budget earmarked to the respective regions from the national YEI programme. For Guadeloupe and Martinique, they also include the YEI allocations in their regional programmes. All amounts include the ESF matching.

<sup>4</sup> The YEI budget is expected to be further increased for all eligible regions, following the mid-term revision of the MFF in June 2017.

<sup>5</sup> The allocations for the classic measures are based on informal communication by the Member States. The values presented are indicative and non-binding. Spain and France set-up national measures, covering also the outermost regions, which are not included in this Annex.

<sup>6</sup> The ERDF allocation under this Operational Programme is devoted only to St Martin.

**European Territorial Cooperation (INTERREG) funding for the 2014 - 2020 period  
(million €)**

| <b>Cross border Cooperation Programmes</b> | <b>EUR</b> |
|--|------------|
| Mayotte — Comores — Madagascar             | 12.0       |
| Saint Martin — Sint Maarten                | 10.0       |
| MAC  | 126.5      |
| <b>Transnational</b>                       |            |
| Amazonia                                   | 18.9       |
| Indian Ocean Area                          | 63.2       |
| Caribbean Area                             | 64.3       |

Source: Open Data Platform, except MAC programme.

## POSEI

The POSEI Scheme is financed by the EAGF. The financial *annual* ceiling for each Member State is laid down in Regulation (EU) No 228/2013. For all outermost regions, the total allocation amounts to EUR 653 million (EUR 4 571 million for 2014 - 2020).

| <b>Annual allocations for POSEI programmes (million €)</b> |               |
|--|---------------|
| Spain  | 268.42        |
| France   | 278.41        |
| Portugal   | 106.21        |
| <b>Total</b>   | <b>653.04</b> |