

Cohesion Policy in the outermost regions


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The EU has **nine outermost regions**: Guadeloupe, French Guiana, Réunion, Martinique, Mayotte and Saint-Martin (France), the Azores and Madeira (Portugal) and the Canary Islands (Spain). Altogether, close to **5 million people** live in the outermost regions, which is slightly more than 1% of the EU's total population.

The study

outlines the geographic, socio-economic, demographic and administrative characteristics of the outermost regions and analyses the vulnerabilities affecting their convergence processes. It also assesses the implementation of EU Cohesion Policy and the use of place-based approaches to foster their economic growth.

These regions are located in different parts of the world, far away from their Member States' mainlands. The **insularity** of the vast majority of the outermost regions and their **remoteness** from the European continent are barriers to socio-economic development, insofar as distance and non-contiguity increase transportation costs and thereby hinder their

integration into the 'core' of the EU's Single Market. Likewise, their relatively small size impedes them from achieving economies of scale and their production costs are thus higher than in mainland Europe.

These geographic features legitimise the **specific measures** granted to them by Article 349 of the Treaty on the Functioning of the European Union (TFEU).

Main observations

Although Article 349 TFEU aims to overcome permanent and non-permanent constraints on these regions' development and offset their drawbacks,

they still face **major development challenges** in terms of education, employment and income, governance, demographic pressure and reliance on fossil fuels, among others.

More specifically, the development paths of the outermost regions have been heavily affected by internal, structural and geographic challenges as well as by external shocks (e.g. the Great Recession or, more recently, the Covid-19 pandemic), which have proved difficult to cope with.



As a result, the **convergence process** in the outermost regions has been **mostly slow and irregular**, if not subject to reversal. Crucially, **climate change** has been identified as a major threat to the outermost regions' existing infrastructure and ongoing economic activities, and hence to their future development prospects.

EU Cohesion Policy represents a major source of support for the outermost regions, the majority of which are categorised as **less developed regions**. The implementation of Cohesion Policy in these regions has been marked by numerous challenges, chiefly pertaining to capacity issues, thereby leading to delayed fund absorption and/or lower impact



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Even so, the (potential) qualitative and quantitative effect of Cohesion Policy on regional socio-economic development is far from insignificant (not least through its support for basic infrastructure).

At the same time, Cohesion Policy does not sufficiently underpin transformative projects that could boost innovation and competitiveness in the long term. The use of **place-based, tailor-made approaches** (as in Smart Specialisation Strategies), the territorialisation of Cohesion Policy funding management and the complementarity between Cohesion Policy programmes and other support programmes are determinants of the outermost regions' economic catch-up.

Conclusions and policy recommendations

The outermost regions show common patterns in terms of their (natural) handicaps, (structural) vulnerabilities and erratic convergence processes. This further legitimises their specific status in the EU regulatory and policy framework granted by Article 349 TFEU.

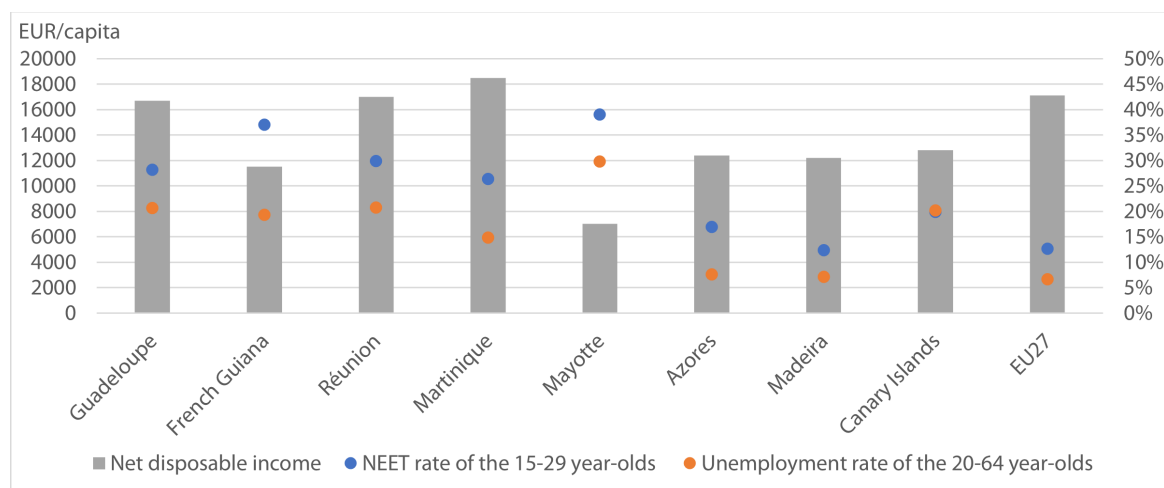
However, there are notable differences across these regions in terms of **governance structures and institutional capacity** as well as **economic and**

demographic dynamics, which could potentially exacerbate disparities not only vis-à-vis the rest of the EU but also between themselves. In any case, place-based, tailor-made, multilevel governance approaches assume a central role in supporting sustainable and inclusive growth in these regions.

Therefore, Article 349 TFEU should be safeguarded as an essential regulatory provision allowing the outermost regions to (partly) overcome their handicaps while competing in the EU Single Market and to mitigate their economic downturn relative to the rest of the EU. A **wider and reinforced application of Article 349 TFEU**, leading to further adaptations of existing policies (notably EU Cohesion Policy) and/or new outermost-specific programmes (e.g. a POSEI-like transport programme or a dedicated Green Deal instrument), could help to stimulate transformative investments and thus boost the competitiveness of the outermost regions.

With regard to EU Cohesion Policy in particular, further **flexibility** could be introduced with a view to increasing the participation of local stakeholders and the quality of their projects, e.g. by creating pre-financing instruments or loosening state aid and eligibility rules.

Income, education and employment indicators in the outermost regions and EU averages (2019)



Source: authors' own elaboration, based on data from the European Commission (Eurostat) and INSEE (Mayotte, NEET rate of 15-29 year-olds).

Note: Guadeloupe and Saint-Martin are grouped in a single NUTS 2 region. EU27 refers to the 27 Member States from 2020 onwards. The left-hand axis refers to net disposable income (grey bars) and the right-hand axis refers to NEET and unemployment rates (blue and orange dots, respectively). The data correspond to the year 2019.

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