

**Réseau
des Chambres de Commerce
et d'Industrie
Insulaires
de l'Union Européenne**



**Network
of the Insular
Chambers of Commerce
and Industry
of the European Union**

**Proposals for the New Structural Funds Regulations
for the period 2007-2013**

- *Position Paper* -

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Do the Proposals for the new Structural Funds Regulations offer clear solutions to the handicaps generated by island status ? Can SMEs be truly satisfied by their content ? Basically, these are the two main questions which the INSULEUR Network poses when perusing these documents.

Our association made a concerted effort during the drafting phase to add its ‘building block’ to the structure of the draft Regulations : both through its forums (Cagliari in 2002 and Ajaccio in 2003) and through its studies (such as : “SMEs and the Handicaps of Island Status”, “Negative Management Differential as perceived by the Entrepreneurs of the Province of Cagliari”¹). And it has always stressed the fact that, in order to be effective, European policies must :

- Take into account the local conditions of territories, and more particularly those of islands ;
- Contain a clear message of support for SMEs and entrepreneurship development, an essential condition for freeing the islands from their dependence on a single industry.

On the whole, we must admit that these messages are indeed included in the Proposals for the new Structural Funds Regulations, which provide for:

- Maintenance of objective 2 (hoping that the European Commission Proposals concerning the financial perspectives for the period 2007-2013 will be followed) ;
- Recognition of the territorial element mainly through :
 - o Reference to “territorial cohesion” in the explanatory memorandum of the Proposal for a Regulation laying down general provisions on the ERDF, the ESF and the Cohesion Fund (hereinafter referred to as “Proposal for a Regulation laying down general provisions”).
 - o Recognition – albeit purely relative – of island status in the Proposal for a Regulation laying down general provisions, and in the one for a Regulation on the ERDF.
- Strong support for SMEs and innovation.

However, the INSULEUR Network feels that the Commission has not fully implemented its territorial approach. We could almost speak of disengagement on its part in this respect.

¹ Cf. <http://www.insuleur.net>

Consequently, as regards the burden represented by insularity for island SMEs, we are convinced that two changes should be made to the text :

- Bringing the conceptual approach of insularity adopted in the Proposals for Regulations more in line with the approach contained in the draft Constitutional Treaty ;
- Strengthening the differentiated approach in favour of islands.

I- For a conceptual approach of insularity more in line with the one outlined in the draft Constitutional Treaty

The Proposal for a Regulation laying down general provisions (15th *recital*), ranks islands from now on in the group of “areas with a natural handicap”. This group refers to **certain** : islands, mountainous areas, areas with a low density of population, border areas of the Community following its enlargement. We might ask ourselves how the Commission addresses this territorial group. Indeed, the proposed formulation is a synthesis of :

- the 17th *recital* of the Proposal for a Regulation laying down general provisions (dated the 9th June 2004) stating that : “Action for areas with a natural handicap, i.e. certain islands, mountainous areas and areas with a low density of population, should be strengthened to cope with their particular development difficulties”;
- article III-220 of the future Constitutional Treaty (drawn up to reformulate in a clearer manner Article 158 of the EC Treaty forming one of the legal bases of the Proposal for a Regulation laying down general provisions) : “In particular, the Union shall aim at reducing disparities between the levels of development of the various regions and the backwardness of the least favoured regions. Among the regions concerned, particular attention shall be paid to rural areas, areas affected by industrial transition, and regions which suffer from severe and permanent natural or demographic handicaps such as the northernmost regions with very low population density and island, cross-border and mountain regions”.

In the light of the forthcoming entry into force of the Constitutional Treaty (estimated implementation date is 1st November 2006), logic requires that the overall approach of Article III-220 be maintained, and that the adjective “certain” be deleted from the above mentioned 15th *Recital*.

Consequently, we propose the following amendment:

15 th Recital Proposal for a Regulation laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund	
Original Version	Amended Version
“Action for areas with a natural handicap, i.e. certain islands, mountainous areas and areas with a low density of population, should be strengthened to cope with their particular development difficulties, as well as for certain border areas of the Community following its enlargement.”	“Action for areas with a natural handicap, i.e. islands, mountainous areas and areas with a low density of population, should be strengthened to cope with their particular development difficulties, as well as for the border areas of the Community following its enlargement.”

II- Reinforcement of the differentiated approach in favour of islands

a. Increasing the co-financing rate

The choice of Article 158 of the EC Treaty as legal basis for the Proposal for a Regulation laying down general provisions, or the idea of limiting the action of Structural Funds to “certain” islands explains clearly the reasons which led the European Commission to integrate them explicitly and solely at the level of the new Objective 2 (regional strand). In fact, it will be up to the Member States to indicate the regions which will benefit from them : the Commission, which was unable to assess island issues for lack of sufficiently detailed input, in particular the additional costs engendered by insularity, in the study commissioned to Planistat in 2003², “sends the ball back to the court” of the Member States.

Nevertheless, the Commission recognized that an additional effort must be made in respect of islands. What needs to be done is to increase the Community co-financing rate under the ERDF. Thus, “the ERDF contribution for priorities of operational programmes may be increased by 5 percentage points under the “Regional competitiveness and employment” objective [new objective 2] where the priority principally concerns areas with a geographical

² Analysis of the island regions and outermost regions of the European Union, *Planistat Europe*, March 2003.

or natural handicap [including] island Member States eligible under the Cohesion Fund, and other islands except those where the capital of a Member State is sited or which have a fixed link to the mainland.”. The INSULEUR Network cannot but welcome this practical application of the territorial differentiation principle.

Nevertheless, no provision appears to have been made for areas suffering from more than one handicap, although the study commissioned to Planistat in 2003³ recognises that: “The vast bulk of European Islands have to contend with a double or even a triple handicap, their island status, their mountainous terrain and their place in an archipelago. It is noteworthy that a large majority of these territories are mountainous (which the Commission recognises as a permanent structural handicap). At the same time, many of them must deal with the constraints imposed by belonging to an archipelago (increased investment in infrastructure and complexity of transport networks). This latter factor is also reflected in rates of growth of GDP and populations which are falling in comparison with other islands.”

As a consequence, we put forward the following proposed amendment:

Article 52, § 1, c) (new) Proposal for a Regulation laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund:
“10 percentage points under the “Regional competitiveness and employment” objective when the priority principally concerns areas with more than one natural or geographical handicap”.

b. A better knowledge of territories

Addressing the existence of a sum of geographical or natural handicaps means that attention is finally being focused on the territorial dimension of the EU in its full extent.

Thus, it is necessary to further the research on territories with geographical or natural handicaps, which began, in particular, with studies on island regions⁴ and mountain areas⁵. Indeed, as regards islands, for instance, some points require further study (in particular, additional costs generated by insularity). In order to fine-tune allocation of Structural Funds,

³ Analysis of the island regions and outermost regions of the European Union, *Planistat Europe*, March 2003.

⁴ Analysis of the island regions and outermost regions of the European Union,, *Planistat Europe*, March 2003.

⁵ Mountain Areas in Europe, *NORDREGIO*, January 2004.

more in-depth knowledge of the EU territories is required. Indeed, taking up one of the recommendations made by the Study on island regions, the Commission proposed – and quite rightly so – in Article 6, § 3 of the Proposal for a Regulation on the ERDF, that action should be implemented to promote networking and exchange of experiences among regional and local authorities above all with a view to improve observation and analysis of development trends in the Community.

Whereas the INSULEUR Network cannot but support this approach, it wishes to go on record with the following comments:

- It regrets the fact that the social and economic partners are not associated and included. It should be noted that the Chambers of Commerce & Industry can rightly be considered privileged sources of information regarding the economic fabric of their territories insofar as they are in constant and direct contact with enterprises. Indeed, this is but one example of the weaknesses of the Commission's proposals as regards partnership. Admittedly, the Commission does foresee some measures in this sphere (cf. Article 10 of the Proposal for a Regulation laying down general provisions). And the 21st recital of the same Proposal, does state that : “the partnership should be strengthened through arrangements for the participation of various types of partners, in particular the regions”. **But** (it goes on to add) “with full regard to the institutional arrangements of the Member States”.

While it is understandable that the Commission – for reasons both practical and political – leaves to Member States the onus of organising the partnership, we do however object to the fact that the Commission simply formulates a recommendation, without proposing methods of participation, not even by way of example. We should mention in this regard the attribution of voting rights to the drafting and follow-up bodies, such as that foreseen by the EESC in its opinion of 14/01/2004 on *the Partnership for implementing the Structural Funds*.

- At the same time, to ensure that this type of analytical approach produces “reinforcement of the effectiveness of regional policy”⁶, could one not foresee the creation of a structure for the centralised handling of data and other types of input ? Couldn't it be the mission of a European Grouping of Cross-border Cooperation (EGCC) ⁷?

⁶ Cf. Article 6, § 3 of the Proposal for a Regulation on the ERDF, COM(2004) 495 final, 14/07/2004.

⁷ Cf. Proposal for a Regulation on the Establishment of a European grouping of cross-border

We welcome the proposal for an EGCC as it seems to indicate the will of the Commission to overcome obstacles to cooperation (as we can observe in the current implementation of INTERREG programmes). On the other hand, it is difficult to see how this Grouping would work in practice. Likewise, would it be possible to foresee a kind of participation of the Chambers of Commerce & Industry having a public status, in this type of grouping⁸? And if the answer is yes, in what manner, considering that members (pursuant to Article 7 of the Proposal for a Regulation on the Establishment of a European grouping for cross-border cooperation) are presumed to contribute to its budget. Moreover, shouldn't it be possible to extend membership in this body to all economic and social partners, as far as it would make the approach of the Commission regarding the issue of partnership much more significant ? But, in the case of participation of private bodies, wouldn't we find ourselves in a situation of the EEIG type (European Economic Interest Grouping), a type of association which largely targets participation in programmes financed by public funds? And lastly, what would be the link between the EEIG and the EGCC?

- Finally, the INSULEUR Network wonders for which reason(s) the Commission has limited the scope of Article 6, § 3 to two key topics of the *Regional competitiveness and employment* objective (namely *Innovation and the knowledge economy*, and the *Environment and risk prevention*) and to the urban dimension ? According to us, all EU territories should be involved in this process. If we take the example of the islands, it is clear that the study performed on their situation is incomplete and should be repeated.

Consequently, we submit the following amendment :

cooperation (EGCC), COM(2004) 496 - final, 14/07/2004.

⁸ Cf. Article 2 § 1 of the Proposal for a Regulation on the Establishment of a European grouping for cross-border cooperation (EGCC) COM(2004) 496 – final, 14/07/2004: “The EGCC can be made up of Member States and/or regional and local authorities and/or **local public bodies**, hereafter referred to as “members”.

Article 6, § 3 Proposal for a Regulation on the ERDF:	
Original Version	Amended Version
Reinforcement of the effectiveness of regional policy by promoting networking and exchange of experience among regional and local authorities focusing on the topics referred to under Article 5(1) and (2) and Article 8, including cooperation network programmes covering the whole Community and actions involving studies, data collection, and the observation and analysis of development trends in the Community.	Reinforcement of the effectiveness of regional policy by promoting networking and exchange of experience among public authorities, economic and social partners, and the other representative bodies of civil society , and actions involving studies, data collection, and the observation and analysis of development trends in the Community”.

c. Regarding priorities for financing

Both in the draft Regulation on the ERDF and in that on the ESF, the Commission has focused its attention on themes linked to:

- SMEs and the fostering of entrepreneurship
- Vocational training
- Innovation

Since one of its main aims is to defend the interests of SMEs, and having explored and examined the best way of fostering entrepreneurship on the islands during its last Forum (held at Ajaccio in November 2003), the INSULEUR Network welcomes these proposals. That is why our Association would like to see reference to the themes of entrepreneurship and innovation in Article 10 of the Proposal for a Regulation on the ERDF (the Article on *Areas with natural handicaps*). Indeed, the INSULEUR Network feels that focusing special effort on these two key topics would certainly make it possible to resolve – or reduce considerably – the problem of the single-industry economy of these areas, and more particularly of the islands: a problem which impinges on the sustainable development of these territories. We need to create conditions fostering the diversification of economic activities on the islands. This should come about :

- In full respect of their social and territorial realities ; and
- In line with their choice of development pathway.

Moreover, it seems obvious that “accessibility” as mentioned in this article should be understood in the widest possible sense. Indeed, its improvement must be based on actions coordinated at the level of infrastructures, networks and services.

Consequently, we submit the following amendments:

Article 10, § 2 Proposal for a Regulation on the ERDF:	
Original Version	Amended Version
“Without prejudice to Article 3 and 4, the ERDF shall in particular contribute towards the financing of investments aimed at improving accessibility, promoting and developing economic activities related to the cultural heritage, promoting the sustainable use of natural resources, and stimulating the tourism sector.”	“Without prejudice to Article 3 and 4, the ERDF shall in particular contribute towards the financing of investments aimed at improving accessibility (at the level of infrastructures, networks and services), encouraging economic diversification, promoting and developing economic activities related to the cultural heritage, promoting the sustainable use of natural resources, and stimulating the tourism sector.”

**Proposed amendments to the New Proposals for Regulations
on Structural Funds for the period 2007-2013**

- Summary -

15 th Recital Proposal for a Regulation laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund	
Original Version	Amended Version
“Action for areas with a natural handicap, i.e. certain islands, mountainous areas and areas with a low density of population, should be strengthened to cope with their particular development difficulties, as well as for certain border areas of the Community following its enlargement.”	“Action for areas with a natural handicap, i.e. islands, mountainous areas and areas with a low density of population, should be strengthened to cope with their particular development difficulties, as well as for the border areas of the Community following its enlargement.”

Justification: *In the light of the calendar for the adoption of the Constitutional Treaty (foreseen to come into force on 01/11/2006), it is more logical to adopt the global approach of Article III-220 and thus eliminate the adjective “certain” from the 15th Recital.*

Article 52, § 1, c) (new) Proposal for a Regulation laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund:
“10 percentage points under the “Regional competitiveness and employment” objective when the priority principally concerns areas with more than one natural or geographical handicap”.

Justification: *If the Commission feels the need to take into consideration specific territorial situations, it must pursue this approach to its logical conclusion. Thus, if an initial provision is made for a 5% increase in the co-financing rate for an area suffering from one geographical or natural handicap, it would seem legitimate to add a further 5% when an area is affected by more than one handicap.*

Article 6, § 3 Proposal for a Regulation on the ERDF:	
Original Version	Amended Version
Reinforcement of the effectiveness of regional policy by promoting networking and exchange of experience among regional and local authorities focusing on the topics referred to under Article 5(1) and (2) and Article 8, including cooperation network programmes covering the whole Community and actions involving studies, data collection, and the observation and analysis of development trends in the Community.	Reinforcement of the effectiveness of regional policy by promoting networking and exchange of experience among public authorities, economic and social partners, and the other representative bodies of civil society , and actions involving studies, data collection, and the observation and analysis of development trends in the Community”.

Justification: *Since the aim is to strengthen the long-term effectiveness of regional policy, observation of territories and the exchange of experiences require:*

- *mobilisation of all players involved (public authorities, social and economic partners, and other representative bodies of civil society) ;*
- *global coverage of the themes addressed in Articles 4, 5 and 6 as well as the full range of territorial dimensions (urban dimension, rural areas and areas dependent on fisheries, areas with natural handicaps, outermost regions).*

Article 10, § 2 Proposal for a Regulation on the ERDF:	
Original Version	Amended Version
“Without prejudice to Article 3 and 4, the ERDF shall in particular contribute towards the financing of investments aimed at improving accessibility, promoting and developing economic activities related to the cultural heritage, promoting the sustainable use of natural resources, and stimulating the tourism sector.”	“Without prejudice to Article 3 and 4, the ERDF shall in particular contribute towards the financing of investments aimed at improving accessibility (at the level of infrastructures, networks and services), encouraging economic diversification, promoting and developing economic activities related to the cultural heritage, promoting the sustainable use of natural resources, and stimulating the tourism sector.”

Justification: The “accessibility” issue is a major concern for areas suffering from natural handicaps (and more specifically for islands). Consequently, it would seem appropriate to refer to the 3 strands of accessibility development (whether in the field of transportation, telecommunications,...) i.e.: infrastructures, networks and services. The long-term objective is to guarantee complete territorial continuity between island territories and all Community territories (both mainland and island areas). Finally, since most areas facing natural handicaps (more specifically the islands) suffer from the effects of a single-industry economy, they should be able to benefit from all the tools necessary to engender economic diversification: in this regard, the fostering of entrepreneurship and innovation (research and technological development) should be supported to a larger extent.