

POST-2020 COHESION POLICY AND INSULAR AND PERIPHERAL REGIONS' PRIORITIES

Introductory speech to the 47th General Assembly of
EU Peripheral and Maritime Regions' Conference (CPMR)

by Gaetano Armao

Vice-President of Region Sicily - Vice-President of CPMR Island Commission

1. The Region Sicily is honoured to host, here in Palermo, the 47th General Assembly of European Peripheral and Maritime Regions' Conference (CPMR) in the prestigious setting of monumental Royal Hotel of the Poor, commissioned by Charles Bourbon III to host the city's most miserable people and rearranged now as conference and exhibition hall.

I bring to all the participants at this Assembly the greetings of the President of Region Sicily Nello Musumeci, who is now committed outside Palermo and has appointed me to represent him here.

On the occasion of last CPRM Assembly, organized in Madeira by our Portuguese friends, it was proposed to organize the following General Assembly of CPRM Conference in Palermo and I immediately accepted the proposal to host this event in our Region. I welcome then President Vasco Cordeiro and Secretary General Eleni Marianou, thanking them for having offered us what can be, in our opinion, a great opportunity for Sicily and all the European peripheral and maritime Regions. I also would like to welcome all the Regions' representatives present at this Assembly as well as the conference speakers, who have been willing to contribute to the success of this important initiative.

In particular, let me thank for their authoritative presence at today's conference Karl-Heinz Lambertz, President of the European Committee of Regions and Younous



Omarjee, President of REGI Commission at the European Parliament, both promoters of the most important cohesion policy initiatives, and thank also the Conference of Regions and Autonomous Provinces for sponsoring this event.

The organisation of CPMR General Assembly in Sicily confirms not only the interest of Italian Regions for this Conference themes, but becomes also timely significant because it is the first Assembly after the new European Parliament started its works as well as the new European Commission led by President Ursula Von der Leyen is going to do.

And this may be a sign of the shared idea that Regions are essential partners in a European Union that draws its strength and inspiration from the diversity of its territorial institutions, and aims at ensuring the well-being of its citizens, the protection of ecological balances, the defence of peace and human rights throughout the world.

Sicily is the place where European Union idea was born: during Messina Conference (1-3 June 1955), organized by H. Spaak and G. Martino, it was launched the idea to create a common organization to increase the atomic energy production, but also establish progressively a common economic market, ensuring free circulation of workers, easier access to raw materials, coordination of monetary policies and creation of a European investment fund, charging a specific Intergovernmental Committee to elaborate this project.

It was Gaetano Martino, a pro-Europe Sicilian, who caused this coup d'état and described a unified Europe vision as follows: *"a moral and political faith that inspired the best European men, from De Gasperi to Schuman, from Adenauer to Churchill, from Sforza to Spaak right when the ancient continent decline due to the serious Second world war crisis seemed fatal. That faith was a mature expression of a realistic evaluation of conditions and needs at the present historical time, where material power, in its many forms, has become so largely dominating that the limited resources of single European States are no longer sufficient to seize. It is clear that our single countries and peoples, whose importance has been reducing as much as some gigantic continental forces have become so powerful to influence the world history, can no longer solve their problems without joining together permanently and*



collaborating with each other. All European countries, none excluded, need to share an intrinsic unity to have still a role in the civil advancement of humanity.”¹

2. In general terms, it should be noted that cohesion policy in a post-2020 perspective must remain the main investment policy within the European Union, in order to fulfil the objectives of economic, social and territorial cohesion enshrined in the Treaty on the European Union Functioning.

While the results achieved so far have prevented, particularly in the most recent years of economic crisis, from widening furtherly the gap between the central stronger areas and the peripheral (especially Mediterranean) disadvantaged areas, this objective needs to be re-launched, as highlighted by the #CohesionAlliance initiative: it has involved the main European associations of local authorities, some representatives of continental, national and regional institutions and social and business partners. In other words, cohesion policy brings an evident added value by creating jobs and modern infrastructure, promoting sustainable growth, removing structural barriers, enhancing human resources' abilities and improving the quality of life.

However, there can be no doubt that the European Structural and Investment Funds (EIF funds), although substantial, have not fully achieved their objectives, and the Member States' concrete engagement should be verified in practice.

The objective of European cohesion, implemented through the ESI fund support, must necessarily include some measures to balance local economic situations, which is a compulsory clause for Member States.

In particular, Italy is a country characterised by a serious economic and social North-South gap, which has been an unsolved question for 160 years now and may represent the main failure consequent to the Italian state unification. Moreover, this gap has been growing deeper quantitatively, but especially qualitatively for the last ten years, leading to entrepreneurial discouragement, impoverishment, depopulation, youth and intellectual emigration.

¹ G. MARTINO, The European Unification (speech delivered on 19 March 1958), in ID., Ten years in the European Parliament (1957-1967). A man of science at the service of Europe. Speeches delivered in plenary session, in [http://www.europarl.europa.eu/RegData/etudes/etudes/join/2001/305002/DG-4-AFCO_ET\(2001\)305002_IT.pdf](http://www.europarl.europa.eu/RegData/etudes/etudes/join/2001/305002/DG-4-AFCO_ET(2001)305002_IT.pdf) 12.



In this sense, it is emblematic a warning from the Director General for Regional and Urban Policy of the EU Commission, Marc Lemaître - whom I also welcome and thank for his presence in Palermo - to the Italian Government to respect the undertaken commitments to maintain an adequate level of public investment in Southern regions, otherwise a drastic "financial correction" and reduction of structural funds would be applied.

In particular, in a note sent at the beginning of this month, DG Regio pointed out that public investments in the regions of Mezzogiorno using national resources are about 20% lower than the amount Italy had been committed to reach by the European Union. This undermines the effectiveness of EU cohesion policy and structural funds, violating the additionality principle stated in specific regulations, causing a drastic investment reduction and vanishing the financial contribution given by European institutions.

In other words, in recent years the Italian State has replaced national public investment resources with European funds, which are supposed to be an additional, not a replacing financial support to national ordinary spending;² as a result, Italy has reached the highest rate of public investment spending reduction compared to other countries.

This was a European intervention in favour of Southern Italy regions that deserves to be focused for its punctuality and effectiveness. Personally, I had already denounced this situation a few years ago and finally this authoritative position has been taken on the subject.

The Italian State will have to demonstrate now to fulfil not only the Community commitments and the additionality principle, but above all the rights of Southern citizens, who may risk to face a period of progressive impoverishment and an indiscriminate reduction of the allocations for the weakest areas of the country. We hope that 2020 budget law will plan the necessary actions to restore an additional role to economic investments under ESI funds.

² According to 2014-2016 partnership agreement between Italy and EU, Italy was committed to invest in Southern regions some national public resources equivalent to 0.47% of southern Italy's GDP, while – as indicated in the Commission letter - the reported amount is equivalent to 0.40%. Although it may seem a minimal difference, the missing 0.07% is equivalent to about 20% of public resources not spent in this area. And the following years' trend does not bode well. If we look at 2014-2017, the investment rate drops to 0.38%. The Italian commitment for 2014-2020. is instead to guarantee a public spending amount in the South equal to 0.43% of Southern Italy GDP.



Europe's cohesive territorial development is an unavoidable principle, which calls for a further European challenging financial commitment, but requires a de-bureaucratisation and simplification of excessively complicated structural interventions' procedures, a strengthened application of the partnership principle and a locally-based approach, to give a fundamental role to local and regional authorities in cohesion policy implementation.

It is therefore necessary to ensure an active involvement of local and regional communities and a promotion of integrated strategies to encourage and support territorial development. Yet, above all, these development policies must be subject to ad-hoc regulatory conditions established at European level, in no way influenced by local authorities or beneficiaries.

The European Union must plan a long-term cohesion strategy to achieve a balanced territorial development throughout Europe, in accordance with the UN's 2030 sustainable development objectives, promoting any regional potential to create an ecological, zero-emission and socially just Europe. Two crucial points on the subject can be investing in the digital sector and promoting cooperation with across national border regions, to reach a balanced economic growth throughout Europe.

3. If we want a more inclusive and cohesive Europe, the insular issue must be considered a key-point.

It is therefore necessary to put the issue firmly under discussion and call for new Multiannual Financial Framework 2021-2027 and new cohesion policies including some specific compensatory measures to reduce the island economic gap and allow their full integration.

And all this must be done quickly, before the next EU budget and 2021-2027 sectoral policies are defined. The insularity clause must be considered for all socio-economic sectors, which are strategic for European insular territories.

This is a crucial moment for CPRM Regions, but especially for European Islands, as the new cohesion policy is now taking shape and citizens seem to feel the impact of EU cohesion measures more strongly.



This is why we must work together to best represent the unfulfilled demands of our territories and realize a more equal situation for our citizens.³

4. Article 174 of the Treaty on the Functioning of European Union is universally known as the cornerstone of European social, economic and territorial cohesion policy. The first and second paragraphs state that *the EU shall aim at reducing the disparities between the levels of economic development in European regions by strengthening cohesion policies*, while the third paragraph states that *a particular attention shall be paid to regions suffering from severe and permanent natural handicaps*, like islands.

Despite some specific actions on the subject like a 2016 European Parliament resolution ("*Special situation of islands*", European Parliament resolution, 4 February 2016) and a 2017 Committee of Regions' opinion ("*Entrepreneurship on Islands: contributing towards territorial cohesion*", Opinion of the European Committee of Regions 2017/C 306/10, May 2017), as well as other small interventions, it can be said, unfortunately, that the "*insularity condition*" still remains under-considered within cohesion policies and ESI fund framework.

EU 15 countries include 362 islands with more than 50 inhabitants, with a total of 17.7 million people (3.7 million in outermost regions and 5 million in Sicily); in these islands GDP per capita is less than 80% of EU average one and most of them are still defined as less developed regions, since they have to face structural and permanent specific difficulties, entailing additional costs for their citizens and businesses, which limit their development prospects.

Most of these insular regions (classified as NUTS 2 and 3) have not completed any economic convergence process and their situation has even more deteriorated over the last 20 years, as a result of financial crisis, austerity policies adopted by Member States, lack of innovation and the worsening of transport difficulties.

As a large number of studies on this subject have now confirmed (see the Reports of the European Spatial Planning Observatory Network-ESPON), the insular regions

³ In this sense, Ursula von der Leyen considerations on the need to guarantee a fair transition for all should be shared. The new Commission President stressed in her first speech at the European Parliament assembly that "*in this process we must recognise and respect the fact that we are not all starting from the same point: while we all share the same ambitions, some may need a more tailored support than others, in order to achieve them. We will ensure a fair transition for all. The most vulnerable populations and regions will benefit from a support financed under a new Fair Transition Fund. This is the European way: let us be ambitious and leave no one behind.*" U. VON DER LEYEN, *A more ambitious Union*. Brussels, Political guidelines for the new European Commission 2019-2024, July 2019.



have peculiar geographical, economic, demographic and social characteristics and face special challenges within the European policy application: the small size of their surface area, population and economy, limited local market and difficulties to achieve a scale economy, high transport costs, low industrial cooperation, lack of entrepreneurial abilities, business facilities and services (compared to Northern regions), reduction of social and education services for citizens and, more recently, a massive migration increase.

In the European 2021-2027 Programming Document, approved on 21 February 2019 by the Italian Regions' Assembly, it was also highlighted that post-2020 cohesion policy must not only support under-developed islands, but above all recognize their strategic role and unable them to reach an equal and coherent economic development compared to other European areas.

More specifically, the European Institutions have been formally requested to provide for specific regulatory and programming measures to support non-continental regions by defining an "remote insularity index", based on territorial extension, local population and geographical and temporal distance from the most developed continental areas. They should promote a social, economic and environment-friendly development both in urban areas and in other areas having serious and permanent natural or demographic disadvantages and a more difficult access to basic social services (island and inland areas), in line with TFEU Article 174.

Following the 2016 European Parliament resolutions and a 2017 Committee of Regions' opinion, Europe must implement, therefore, ad-hoc measures for islands including a stronger financial support, a lower taxation and an increase of Structural Fund allocations, which recognize their structural competitive disadvantage in terms of higher export costs, difficult access to raw materials, slower mobility, insufficient road and rail infrastructure and insufficient business support.

Only our team-working effort for real implementation of rebalancing measures will empower European islands, including Sardinia and Sicily, to relaunch their growth prospects, not only to reach a territorial continuity, but also to have a more favourable taxation.

A significant recognition of these issues has been recently given to the Region Sardinia, which, from a political point of view, has even requested a referendum to recognize in the Constitution a special status to insularity. In the Constitutional



Court ruling n. 6/2019, very important on this regard, the Judge, who had previously affirmed that the State shall establish a loyal collaboration with local authorities in the management of budgetary policies, stated which criteria must be applied to allocate the contributions:

- the amount of Region budget compared to national state budget;
- the functions actually performed and their charges;
- the permanent structural disadvantages, insularity costs and per capita income;
- the average value of contributions to the enlarged public finance stability, imposed on public authorities over the same period of time;
- the amount of allocation to finance the most essential civil and social services.

5. With regard to Region Sicily, the Regional Council, in its Regional Council Decision No 265 of 18 July 2018 regarding the "*Regional Law No 8 of 8 May 2018, Article 70 - Interventions of regional competence for the recognition of the condition of insularity at EU level*"⁴, asked the Italian government to promptly identify the insularity costs and submit the needs of Sicily and insular regions to the European Union institutions. The definition and full application of effective cohesion policies to support insular regions should plan to create a real "*statute of insularity*".

This statute should not be only a series of derogations regarding the application of general European legislation, but a framework of dedicated policies for insular regions, to be applied depending on the incidence of a multilevel "insularity factor".

⁴ Article 70 of Regional Law No 8 of 2018, '*Interventions of regional competence for a recognition of the insularity condition by the European Union*', in particular, provides, for the first time in regional legislation, that:

"1. In order to implement the provisions stated in Sicily's Regional Statute and European Parliament Resolution of 4 February 2016, the Region shall promote any action or intervention falling within its competence for a recognition by the national institutions and the European Union of its insularity condition and so access benefits and derogations related to aid schemes and achieve a complete and effective territorial continuity and full integration into European networks for transport, telecommunications and energy.

2. Within ninety days from the date of entry into force of this law, the Regional Council shall, on the proposal of Regional Councillor for Economy, adopt a formal resolution, accompanied by supporting documentation, to solicit the national government to ask for the definition of some necessary amendments and additions to Italy's Treaty of Accession to the EU, in order to obtain for some regions the implementation of special schemes, as already provided for in EU legislation for other Member States' outermost regions, under Article 174 TFEU".



In particular, we ask for:

- the implementation of a system of cost reduction for air and sea transport (as it is already existing for Sardinia), to fulfil the Sicilians' right for territorial inclusion, allocating the necessary financial resources;
- with regard to State aid legislation, the recognition of an additional insularity factor and the application of ad-hoc clauses and financial allocation, as provided in Article 349 TFEU for a few outermost islands, recognizing insularity as a structural permanent obstacle to competition, just like the other requirements mentioned in Article 107(3)(a) TFEU. This will make the aids compatible with the common market rules, as the Court of Justice has already observed, admitting this derogation for the regions with a strongly disadvantaged economic situation in relation to the Union as a whole, for example referring to economic taxation;
- in relation to cohesion policy, the allocation of additional funding resources especially designed for Sicily and Sardinia as areas with a structural economic development deficit. They would be allocated on the basis of ad-hoc insularity indicators, so that the eligibility to ESI fund support would not depend only on GDP, in accordance with the principles of substantial equality and balanced infrastructure situation;
- the respect of commitments defined in Declaration No 30 on Island Regions annexed to the Amsterdam Treaty and confirmed in the conclusions stated by the French Presidency of the European Council in Nice in 2000 and, consequently, of the need to define the priorities within general political guidelines to foster EU development (Article 15 TEU), to guarantee the respect of fundamental principles that Member States are bound to refer to, including a shared solidarity among one another (Article 7 TEU);
- starting from the next programming period, a full respect in the Commission and European institutions' acts of the commitments set out in the abovementioned 2016 European Parliament resolution and 2018 Committee of the Regions' opinion, in order to ensure the realization of an effective cohesion.

A similar request was submitted to the Italian and French Governments by the interinstitutional "Corsica-Sardinia Consulta", composed of the Assemblies representing Sardinia and Corsica, in the deliberation of 4 July 2017 "On the recognition of insularity condition stated in article 174 of TFEU".



In its resolution of 4 February 2016 about insularity, the European Parliament:

- calls on the Commission to provide a clear definition of the type of permanent geographic, natural and demographic handicaps that island regions may suffer with reference to Article 174 TFEU;
- calls on the Commission to explain how it intends to implement the provisions of Article 174 TFEU with regard to permanent island regions' handicaps, which hinder their development and prevent them from achieving economic, social and territorial cohesion;
- calls on the Commission to create an 'Island Desk' within the Commission's Directorate-General for Regional and Urban Policy (DG REGIO), composed of a dedicated staff for the study and coordination of island regions' issues;
- calls on the Commission to elaborate a specific communication regarding an 'Agenda for EU island regions' and, subsequently, a 'White Paper' monitoring the island regions' development and the best practices, involving local, regional and national authorities, economic and social partners and other local actors;
- calls on the Commission to start a detailed study/analysis on the additional costs due to insularity charged on passenger and freight transport systems, energy supply and more expensive access to economic market, in particular for SMEs;
- considering the necessity to define a specific island list specifying their different conditions, peculiarities and differences, calls on the Commission to elaborate a homogeneous detailed islands' classification based on Article 174 TFEU and insularity factor, and also to take into account other statistical indicators, in addition to GDP, consequent to permanent natural handicaps of islands, which may worsen their economic and social weaknesses.

In order to examine in greater depth the issues relating to Region Sicily autonomy, following the agreement of 19 December 2018 between the Region Sicily and the Ministry of Economy and Finance, some Technical Committees have been set up, including a specific one analysing the insularity condition (advantageous taxation and special schemes).

During the meetings of the aforementioned specific Technical Committee, the Sicilian delegation asked the Government to submit to the Commission competent



offices its requests referred to in Regional Council Resolution no. 265 of 18 July 2018.

In particular, for the purposes of recognizing the insularity factor within the negotiations about the new Structural Funds, it was asked to verify whether the European Commission has taken into account the requests set out in the European Parliament resolution of 4 February 2016.

Furthermore, it was pointed out that, at par. 30 of its opinion of 12 May 2017 on "Entrepreneurship in the islands: a contribution to territorial cohesion", the European Committee of Regions:

- stresses that many factors which specifically hinder the development of islands are not included considering only GDP per capita as an indicator;
- therefore proposes to broaden the range of cohesion policy additional indicators for a deeper analysis of islands' socio-economic situation and economic attractiveness;
- suggests to include two additional indicators: the regional competitiveness index (RCI) and the location accessibility index;
- recommends to enquiry furtherly for any other indicator which may influence the insularity additional costs;
- recommends that the Commission will carry out studies to compare the productivity of businesses located in islands to their continental counterparts, even when the continent is represented by a whole island Member State.

During the above-mentioned Technical Committee works, the regional representatives also asked, if the Commission had not yet started those studies/analysis on additional insularity costs, that the national Government shall call on the European Commission to carry out them considering also the ESPON parameters and the Regional Competitiveness Index (RCI).⁵

⁵ A recent analysis shows how 15 Member States (Austria, Bulgaria, Croatia, Cyprus, Denmark, Finland, France, Greece, Italy, Malta, Portugal, Slovenia, Spain, Sweden and the United Kingdom) faced some specific challenges due to the insular, mountainous and/or sparsely populated nature of their territories. The analysis – which covers the 2014-2020 period – details these challenges and presents the solutions offered by EU Regional Policy. Specifically, it focuses on actions relating to jobs, growth and investment in mountain, island and sparsely-populated areas co-financed by the European Regional Development Fund (ERDF) and the Cohesion Fund (CF), and via mainstream, as well as European Territorial Cooperation (ETC) programmes. Reflecting its post-2020 full support to such areas, the European Commission has proposed a financial framework focused on flexibility to offer different opportunities to promote their rich potential.



In this regard, the State delegation (Ministry of Economy) pointed out that the issue of insularity may be considered general and submitted to the European Commission in the framework of an elaboration of new regional aid rules and regional State aid guidelines, a definition of a regional aid map for each Member State and the consequent forecast included in the State aid exemption Regulation.

The Region Sicily has then requested to start a constructive dialogue to define which requirements must be fulfilled for the application of Treaty clauses to regional aids for islands, as set out in the European Parliament Resolution of 4 February 2016 and equally provided for in Article 349 TFEU with regard to some outermost islands.

We are in Palermo and I am obliged to explain that it is so difficult to consider Sicily as an island because it is connected to the continent by rail (and ferries across the Strait of Messina). This is incredible, to say the least, not only because of the rail connection status, but also because it neglects the insular status to the largest island in the Mediterranean and the most densely populated European island including non-member State ones.

In line with this opinion, it should also be reminded that, on 5 February 2019 at the Committee of Regions in Brussels, the Presidents of Regions Corsica, Sardinia and Balearic Islands, later joined by region Sicily, agreed a Mediterranean island regions' document and sent it to the European Union highest representatives and to the respective State ministers, asking to include some regulatory clauses specifically tailored to island regions' needs in the future European and national legislation.

In order to achieve an effective integration of peripheral and insular regions into the European Union territory and market, we hope for the most active support "from the European Commission, the European Parliament and the European Council to promote the adoption of those clauses, to share the advantages of common market competition and economic convergence in the European Union."

6. The present phase for the European Union is crucial, its institutions and governance are taking shape as well as post-2020 programming framework, just while our historical, cultural and political attitude seems dominated by scepticism and disaffection with respect to the European cause. Article 174 of TFEU summarizes the spirit of a united Europe built on solidarity, however its full application is still an open question.



Cohesion policies are an example of the coexistence of different government levels (EU, States, Regions), whose actions must be coordinated in order to achieve the expected objectives. This *multi-level governance* needs to be strengthened by coordinating strategies, structures, procedures, implementing instruments, synergies and administrative know-how of the involved public authorities and administrations.

Peripheral and island regions suffer from structural, natural and permanent handicaps, causing their market failures and diseconomies of scale, which can be considered a real "cost of citizenship".

Insularity is made even more critical by a peripheral location and consequent separation from the continent and greater distance from economic and administrative key-sites. The European Commission itself has quantified this competitive disadvantage condition defining a Regional Competitiveness Index, published in 2017. The State aid cases aiming at overcoming these structural and permanent disadvantages due to insularity and peripheral location produce a continuous dispute with the European Commission, as demonstrated by the long-discussed issue of territorial continuity. The post-2020 regulatory and programming framework must not leave island and peripheral regions behind.

It is therefore necessary to implement convergence strategies which will finally and decisively reduce the development gap among European regions and support the citizens and enterprises located in disadvantaged areas. European regions will then be in the best conditions to fulfil 2030 Sustainable Development Objectives with the support of decentralised cooperation strategies and cooperation with third countries.

Next year the Conference "*Which future for Europe*" will take place and the attending Regions will have the occasion to submit their constructive proposals. It is an opportunity we cannot miss to make Europe more credible for our citizens, our businesses, our institutions.

A renewed Europe which can foster economic and social progress, cohesion and convergence, while defending the internal market integrity; which can take into account the peculiarities of each national system and the fundamental role of social partners; which can promote men-women equality and equal rights and opportunities for all; which can fight unemployment, discrimination, social exclusion



and poverty; which can give young people the best education, training and work opportunities throughout the continent; which can preserve cultural heritage and promote cultural diversity.

A Palermo Manifesto for a new regional policy, which we are going to approve at the end of our assembly, shall be our first proposal on the most appropriate way to build up a New Europe.

Palermo, 18 October 2019.

