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**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN
PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL
COMMITTEE, THE COMMITTEE OF THE REGIONS AND THE EUROPEAN
INVESTMENT BANK**

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

{SWD(2017) 349 final}

1. INTRODUCTION

The nine outermost regions - Guadeloupe, French Guiana, Martinique, Mayotte, Reunion Island and Saint-Martin (France), Canary Islands (Spain), the Azores and Madeira (Portugal) - are an **extraordinary asset for the European Union (EU)**. They enrich the EU economically, culturally and geographically. They give it strategic access to the seas and provide it with unique natural assets, hosting 80% of its biodiversity.

However, their remoteness, small size, vulnerability to climate change and for most of them insularity¹ pose **challenges** for their development and hinder their integration in the internal market.

The special situation of the outermost regions has been recognised since 1999 by the EU treaties and since 2009 under Article 349 of the Treaty on the Functioning of the European Union (TFEU), which enables them to benefit from specific measures in key EU policies such as agriculture, cohesion and competition.

Between 2014 and 2020 the European Structural and Investment Funds and a dedicated scheme on agricultural measures (the POSEI Regulation)² provide almost **EUR 13.3 billion to the outermost regions** - an important source of investments and job creation. This includes two specific allocations in the fields of regional development and fisheries to compensate for the additional costs faced by these regions because of their particular situation³.

Furthermore, specific rules apply to the outermost regions in areas such as State aid⁴, with regard to operating and investments aids, as well as in taxation and customs, to help boost their competitiveness. This **significant public support from the EU** develops infrastructure, provide services for the population, create jobs, invest in education and skills and increase businesses' competitiveness. It also helps enhance and diversify agricultural activities, preserve the environment and addresses climate change. The accompanying Staff Working Document reviews the implementation of the measures proposed in the 2012 Strategy and provides detailed information on the socio-economic situation of the outermost regions.

Despite the progress that they have made over the years, the outermost regions continue to face serious challenges, which are further amplified by globalisation and by climate change. Their **development is fragile**. Most of them need to invest in basic infrastructure - such as roads, water and waste management facilities - and their economy depends on a limited number of economic sectors⁵. Their constraints including remoteness bring additional costs to their companies, primarily small and medium sized enterprises (SMEs), impeding their full participation in the single market.

The evolution of the political, economic and social situation in the outermost regions over the past years - rising unemployment rate, especially alarming among the youth, and, for some of them, growing irregular migration and social crises – is a cause for concern. Between 40% and 55% of

¹ The outermost regions are all islands with the exception of French Guiana.

² Programme d'Options Spécifiques à l'Éloignement et Insularité (POSEI) - Regulation (EU) No 228/2013 of the European Parliament and of the Council of 13 March 2013 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).

³ The Outermost Regions benefit from a specific additional allocation under the European Regional Development Fund (ERDF) and a compensation regime under the European Maritime Fisheries Fund (EMFF).

⁴ In accordance with Article 107(3)(a) TFEU. The 2014 State aid reform as well as the recent General Block Exemption Regulation reform take account of the situation of outermost regions. Exceptional rules for these regions will now apply with regard to operating and investment aids in all sectors, in addition to other specific aid schemes.

⁵ Agriculture and fisheries contribute more than double to the outermost regions' economy compared to the EU average: 3.8% of these regions' added growth against 1.6% at EU level.

young people are unemployed in these regions. For some of the outermost regions, the divergence in the level of development, wealth, and economic and social opportunity between these regions and continental Europe remains critical. And the devastation caused by hurricanes in September 2017 - in particular in Saint-Martin - sheds new light on the **vulnerability** of these territories, just as extreme weather conditions are likely to occur more frequently in the future.

There is a clear **need to improve efforts** to enable the outermost regions to reap fully the benefits of EU membership and harness globalisation. A more robust and better tailored approach is necessary to create an enabling framework for their development and offer equality of opportunities to their citizens. While they share certain common challenges, they are different from each other and each outermost region has its own specific needs. The policy responses need to take this into account.

Moreover, **not all solutions to the outermost regions' challenges lie at the EU**. Member States are first and foremost responsible for the economic and social development of their respective outermost regions in particular in key areas such as health and education. And the outermost regions themselves should invest additional efforts to unlock their endogenous growth potential. At the same time, the EU should provide a better enabling framework to maximise the impact of these efforts and continue taking into account the interests of the outermost regions in areas of EU competence, such as trade.

This Communication presents the Commission's **new approach to how to galvanise the development** of the outermost regions by making the most of their assets and tapping into the opportunities provided by new vectors of growth and job creation. This entails, in particular, providing stronger recognition of their specificities and needs. It also requires concrete and coordinated actions to be taken at EU and national level, as well as by the outermost regions themselves (the detailed list of actions is provided in the Annex). And it involves a **strengthened partnership** between these regions, their Member States and the EU institutions.

This **new approach** is based on the lessons learned from the implementation of the previous strategy⁶ and on wide exchanges with representatives of the outermost regions, including through the 4th Outermost Regions Forum held in Brussels on 30-31 March 2017. It builds on the proposals submitted by these regions to the President of the Commission, and contributions from the European Parliament⁷ and Member States.

Any initiative having budgetary implications will duly follow the annual budget procedures and cannot prejudice the next Multi-Annual Financial Framework post-2020.

A new governance based on a strong partnership

While being a part of the EU and of its single market, the outermost regions are different in many respects. Under its new, proactive, approach, the Commission will better take into account their needs and **foster EU policies that better suit their situation**, by ensuring that their specificity is consistently taken into account in its initiatives whenever relevant.

This entails **adapting EU policies to their circumstances**, as many of the proposed actions in this Communication aim to do, without undermining the coherence of the Union's legal order. This means finding a balance between treating the outermost regions as European regions with all the rights and obligations involved and acknowledging proactively their specific geopolitical and economic context.

⁶ COM(2012) 287 final, 20.6.2012.

⁷ European Parliament resolution of 6 July 2017 (2013/2178(INI), Rapporteur: Younous Omarjee; European Parliament resolution of 27 April 2017 (2016/2016(INI), Rapporteur: Ulrike Rodust.

This approach takes into account the **judgement of the European Court of Justice** of December 2015⁸ which clarified the scope of application of Article 349 TFEU.

In line with its Better Regulation Guidelines⁹ and in particular its procedures on territorial impacts, the Commission will assess any significant impact on the outermost regions to inform policy design and to devise appropriate mitigation measures whenever needed. The identification and analysis of such impacts, as well as the evaluation of the impacts of existing legislation on the outermost regions, relies upon the existence of reliable data and the engagement of those stakeholders with the best knowledge of the specificities prevailing in the outermost regions.

Accordingly, Eurostat and national statistics institutes are encouraged to work together to improve the **reliability of their data** and to refine statistics, which currently do not fully reflect the outermost regions' specificities and risk biasing the results. In addition, stakeholders are encouraged to take part in the Commission's consultation and feedback mechanisms to give their views and provide evidence of impacts on outermost regions.

Assessing the impact on these regions is particularly important when the EU concludes and reviews **international agreements**. The outermost regions' interests may be particularly sensitive in some trade or fisheries agreements. It is essential, therefore, to ensure informed continuous dialogue and exchange of information between the Commission, Member States and the regions at all stages of negotiations. The outermost regions are encouraged to express their interests and specific concerns through all available tools such as the consultations carried out in the framework of the impact assessments for the launch of trade agreements negotiations and the sustainability impact assessments carried out during the negotiations.

In addition to the existing tools to express the interests of the regions, the Commission will provide an **ad hoc platform facilitating** the exchange of views with the outermost regions and relevant stakeholders to exchange views at all stages of EU policymaking and implementation. This should allow the Commission, when specific issues arise, to present initiatives that better exploit their assets and answer their concerns. And it should help review the efficiency of relevant EU policies on the ground as well as identify growth opportunities. This platform will bring together the Commission, national and outermost regions' authorities, as well as other relevant players.

In addition to having a broad platform gathering all the outermost regions, the Commission will also take action to support individual regions having specific concerns. When an outermost region identifies such a concern that requires joined up action by relevant stakeholders, the Commission will launch where appropriate a **dedicated task force** to address that issue and assist through appropriate measures.

The Commission will:

- **Set up an ad-hoc platform to exchange views on the interests and concerns of outermost regions**, bringing together the Commission, national and outermost regions' authorities, as well as other relevant players;
- **Launch dedicated task forces** to address specific needs of an individual outermost region, as necessary;
- Ensure that the **concerns and interests of the outermost regions** are taken into due

⁸ C-132/14 Judgment of the Court of 15 December 2015.

⁹ https://ec.europa.eu/info/better-regulation-guidelines-and-toolbox_en

consideration as relevant in impact assessments and policy evaluation;

- Continue paying special attention to sensitive products from the outermost regions in the framework of trade agreements with third countries; cooperate with the Member States to better involve the outermost regions in negotiations regarding **fisheries**.

2. BUILDING ON THE OUTERMOST REGIONS' ASSETS

The outermost regions have **unique assets** that could be better exploited for cutting-edge research and innovation in areas such as bioeconomy¹⁰ or climate change, including on measures to reduce greenhouse gases by testing low-carbon transport and energy efficient solutions. Their natural assets include, in particular:

- Rich **biodiversity** – a buffer against storm and flood surges, the basis for key economic sectors including tourism, fisheries, forestry, agriculture and for growing sectors, such as natural bio products, biomedicine and cosmetics;
- Significant **exclusive economic zones** offering opportunities for developing the blue economy and making them important players in international ocean governance;
- **Location and climate** suitable for activities in the fields of space and astrophysics;
- **Proximity to third countries' markets** to facilitate exchanges, including trade and investments.

In addition, the outermost regions have remarkable **societal assets**: a rich **cultural heritage**, which together with their biodiversity and natural landscape makes them attractive tourism destinations; **European know-how**, providing a solid base for their enterprises, as well as **quality education**.

These assets should be better exploited to generate jobs and business opportunities; the outermost regions should focus their efforts on areas where they have **comparative advantages**, as identified in their **smart specialisation strategies**, and on traditional activities important for creating employment. The Commission encourages the outermost regions to explore an appropriate funding mix for grants and financial instruments combining different national, regional and European sources of funding.

To value their assets and optimise their development through new opportunities, the outermost regions should make the best out of the available financial support, including **the European Fund for Strategic Investments**. In addition, the outermost regions should make most use of the possibilities offered by the European Investment Advisory Hub and the European Investment Project Portal.

The Commission will:

- Set up with the European Investment Bank Group a **dedicated initiative**, including through advisory support from the European Investment Advisory Hub, for the outermost regions, to enhance their access to the European Fund for Strategic Investments.

¹⁰ In line with the EU Bioeconomy Strategy - COM(2012) 60, 13.2.2012.

Blue economy

A sustainable **blue economy** should contribute to the socio-economic development of all outermost regions. At present, progress towards it is uneven. While the intensity of activities is different in each region, the patterns of growth and shortcomings are similar. The traditional marine and maritime sectors, such as fisheries¹¹, shipping, coastal and cruise tourism, provide jobs for the local population while new sectors such as marine renewable energy, aquaculture and blue biotechnology are still insufficiently developed.

Developing the blue economy will require **strategic planning and investments**. For instance, fisheries could be managed in such a way as to increase the income of local fishermen while exploiting resources at sustainable levels. Larger tourism flows could be accompanied by water saving measures and development of desalination plants powered with renewable energy to meet the growing demand for water¹². Marine resources should be used to develop blue biotechnology beyond current niche markets; in particular, projects using algae to produce cosmetics, food or biofuels could be further scaled up.

The outermost regions should set up **blue economy strategies** to improve synergies between public policies and investments, and should facilitate access to finance for small-scale operators through micro-credits and financial instruments (such as loans and guarantee funds).

Member States should step up the collection of scientific data and support for **fisheries** and marine research, adopt fisheries management measures, explore, where feasible, the possibility to restrict fishing within a 100 miles zone to vessels registered in the outermost regions¹³. They should also strengthen their efforts in the fight against illegal fishing; the Commission will put this issue on the agenda of the relevant cooperation and economic agreements with third countries.

The Commission will:

- Consider specific measures (including a compensation regime) for the outermost regions under new EU programmes to support the **sustainable development of fisheries** and other **blue economy sectors**¹⁴;
- With regard to **fleet capacity**, evaluate by the end of 2018 the current "entry/exit" scheme¹⁵ and propose, as appropriate, amendments;
- Take into account specific needs of the outermost regions when launching calls to **support blue economy** under the European Maritime Fisheries Fund;
- Consider allowing **State aid for the construction of new vessels** in the outermost regions subject to conditions ensuring sustainable fisheries.

¹¹ The outermost regions have mainly small-scale fishing vessels. Industrial and long distance fishing fleets are also based in these regions, supplying raw material to locally important fish processing industries.

¹² COGEA et al., Realising the potential of the Outermost Regions for sustainable blue growth, Publications Office of the European Union, 2017.

¹³ In line with Article 5(3) of Regulation (EU) No 1380/2013 of the European Parliament and of the Council of 11 December 2013 on the Common Fisheries Policy, amending Council Regulations (EC) No 1954/2003 and (EC) No 1224/2009 and repealing Council Regulations (EC) No 2371/2002 and (EC) No 639/2004 and Council Decision 2004/585/EC (OJ L 354, 28.12.2013, p. 22).

¹⁴ Building, inter alia, on the findings of the 2017 report GOCEA et al., see footnote 12.

¹⁵ For each EU country a fishing fleet capacity ceiling is established. In the case of the outermost regions, a specific, detailed fleet capacity system is set out in Regulation (EU) No 1380/2013. New fishing vessels may enter the fleet only after the same fleet capacity is removed.

Agriculture and rural development

Agriculture and rural development are an important part of the outermost regions' economy. The EU agricultural scheme for the outermost regions (POSEI) and rural development programmes, which together represent half of the total allocation for the outermost regions under the European Structural and Investment Funds¹⁶, contribute to **modernising agricultural production** in a sustainable way and to increasing the competitiveness of the agri-food sector.

In addition, rural development programmes support actions to restore, preserve and enhance biodiversity in agriculture and forestry, and promote economic development in rural areas. Together with the European Innovation Partnerships for Agricultural Productivity and Sustainability, they **support research and innovation**. Furthermore, the revised EU rules on State aid, the General Block Exemption Regulation¹⁷, which now also covers agriculture, will make it easier to grant State aid in this sector, enabling fresh investments.

The outermost regions should **promote investments in new technologies for agriculture** and rural development, as well as use and develop the tools of risk management (insurance against economic losses, mutual funds, income stabilization) provided by the European Agricultural Fund for Rural Development (EAFRD) Regulation¹⁸. They should also increase the number of recognised Community or national quality schemes for agricultural products and foodstuffs, encourage the participation of farmers in these schemes, and support the promotion of these products including through the outermost regions' logo on the EU and international markets¹⁹.

The Commission will:

- Seek the **continuation of the POSEI Regulation**²⁰, without prejudice to the negotiations foreseen for the future multiannual financial framework;
- Seek to maintain **specific provisions** for the outermost regions in the **European Agricultural Fund for Rural Development**.

Biodiversity

The biodiversity in the outermost regions represents **a unique heritage for Europe and the world**. Several economic sectors in the outermost regions, including tourism, fisheries, forestry and agriculture, depend directly on it. Moreover, healthy ecosystems provide crucial goods for society, for instance clean air and water, and contribute to climate change adaptation and mitigation.

¹⁶ The Common Agricultural Policy allocates EUR 6.1 billion to the outermost regions between 2014 and 2020.

¹⁷ Commission Regulation (EU) No 2017/1084 of 14 June 2017 amending Regulation (EU) No 651/2014 as regards aid for port and airport infrastructure, notification thresholds for aid for culture and heritage conservation and for aid for sport and multifunctional recreational infrastructures, and regional operating aid schemes for outermost regions and amending Regulation (EU) No 702/2014 as regards the calculation of eligible costs (OJ L 156, 20.6.2017, p. 1).

¹⁸ Regulation (EU) No 1305/2013 of the European Parliament and of the Council of 17 December 2013 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) and repealing Council Regulation (EC) No 1698/2005 (OJ L 347, 20.12.2013, p. 487).

¹⁹ Regulation (EU) No 1144/2014 of the European Parliament and of the Council of 22 October 2014 on information provision and promotion measures concerning agricultural products implemented in the internal market and in third countries and repealing Council Regulation (EC) No 3/2008 (OJ L 317, 4.11.2014, p. 56).

²⁰ See footnote 2.

The EU's Common Agricultural Policy supports this through different instruments such as agri-environment-climate measures or support for sustainable forest management, co-funded by the EAFRD. Furthermore, since 2010, the **BEST** initiative²¹ promotes the conservation of biodiversity and the sustainable use of ecosystem services in the outermost regions and the Overseas Countries and Territories through small size projects seeking to unlock the local potential. Several projects on biodiversity in the outermost regions were also funded under the financial instrument for the environment (LIFE) since 2012.

In addition, the outermost regions and the relevant Member States should work together with partners from Overseas Countries and Territories and African-Caribbean-Pacific countries on **promoting common objectives** on biodiversity in international agreements.

The Commission will:

- **Building on the experience of the BEST initiative, consider providing specific support for the conservation of biodiversity** and the sustainable use of the ecosystems services²², including for climate adaptation in the outermost regions and Overseas Countries and Territories in the new EU programmes.

Circular economy

The circular economy is a promising area of growth **supporting endogenous development** in the outermost regions. Accelerating the transition toward a circular economy is particularly important in these small and remote territories, dependent on imported resources. Waste management can be particularly challenging because of limited infrastructure for waste treatment, lack of economies of scale for waste collection, treatment and recycling. This situation is aggravated in some cases by a growing population and seasonal tourism peaks generating large amounts of waste. As a result, several outermost regions send waste to their mainland.

Pursuing the circular economy also provides **business opportunities**, and fosters innovation and job creation. The solutions developed by the outermost regions could be replicated in other territories looking for an efficient use of resources, including islands. Certain outermost regions have developed good practices and methods – such as the use of bio-waste as compost in the public parks in the Canary Islands, the use of banana molecule in bio-cosmetics in Martinique, the development of a renewable energy reversible system for hydroelectric production in Madeira.

The Member States and the outermost regions should analyse the potential of the circular economy to generate growth and employment in these regions and identify priority projects - including sustainable tourism. They should enhance appropriate **waste management** to increase the separate collection of waste, develop local compost of organic waste, re-use of products, repair and recycling and encourage waste prevention. They should further improve the promotion of environmentally-friendly practices, including organic farming, and methods of sustainable management of natural resources in agriculture and forestry through Common Agricultural Policy instruments.

The Commission will:

²¹ Voluntary Scheme for Biodiversity and Ecosystem services in Territories of European Overseas
<http://ec.europa.eu/best>

²² These are currently funded by the BEST initiative.

- Propose a project topic under the **LIFE 2018-2020** work programme on waste to address the waste management problems encountered by the outermost regions; support these regions in becoming **testing locations for circular economy** pilot projects, in the LIFE programme;
- Consider introducing provisions to facilitate the shipments of waste from the outermost regions to neighbouring countries for treatment through the review of the **Waste Shipment Regulation** foreseen by 31 December 2020.

Climate change

The outermost regions are **particularly vulnerable** to a range of specific climate change impacts, in particular to the rise of the sea level and extreme weather events such as the hurricane Irma that hit Saint Martin²³. In such situations, the European Commission's Emergency Response Coordination Centre can provide help, including via the EU Civil Protection Mechanism.

The **EU Solidarity Fund**²⁴, which provides support to rebuild regions hit by disasters, contains specific provisions for the outermost regions, enabling funding to be disbursed from a lower threshold of damage. The Commission will assess the implementation of the EU Solidarity Fund in the outermost regions in the context of the broader evaluation of the fund, to be completed in 2018.

Member States and the outermost regions should regularly update the specific needs, risks and vulnerabilities of the outermost regions, including possible adaptation measures, to be tackled in regional or national approaches to **climate change adaptation and disaster risk management**. They should support exercises, training and exchange of best practices in the context of the EU Civil Protection Mechanism, including in areas relevant to **prevention and preparedness** and, where relevant, associate the outermost regions' neighbours.

The Commission will:

- Strengthen the outermost regions' dimension in the EU's instrument for environment and climate action (LIFE), by including **outermost regions' preparedness for extreme weather events** as a new policy area for Climate Change Adaptation under the 2018-2020 work programme;
- Launch a **preparatory project on climate change adaptation** in the outermost regions in 2019 in consultation with Member States and the outermost regions;
- Integrate the **specific adaptation challenges** of the outermost regions in the review of the 2013 EU adaptation strategy²⁵.

Energy

²³ European Environment Agency: "Climate change, impacts and vulnerability in Europe 2016":

<https://www.eea.europa.eu/publications/climate-change-impacts-and-vulnerability-2016>

²⁴ Council Regulation (EC) No 1257/2002 of 11 November 2002 establishing the European Solidarity Fund (OJ L 311, 14.11.2002, p. 3).

²⁵ EU Strategy on adaptation to climate change:

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2013:0216:FIN:EN:PDF>

The outermost regions often benefit from better **renewable energy** resources than mainland Europe. But these are not being used to their full potential due to technical, economic and legislative barriers²⁶. Being unconnected to continental energy grids, the majority of the outermost regions are still dependent on costly imported oil for their electricity production: this also requires a subsidy for oil purchase; otherwise electricity prices would be too high. Considering their often confined energy systems, there is a potential for outermost regions to underline their role as frontrunners in the clean energy transition by implementing sustainable energy solutions. Increasing the outermost regions' energy self-sufficiency will represent significant economic benefits, in terms of growth, competitiveness and local job creation while contributing at the same time to the implementation of the EU energy and climate policy goals.

The outermost regions set up an 'energy network' in 2014 to cooperate on sustainable energy solutions and most of them are testing and developing renewable options. But further efforts and investments are necessary, in particular in marine renewable energy (ocean thermal energy, waves energy, off-shore wind energy) in combination with innovative storage technologies, as well as increased energy efficiency technologies and clean transport solutions, which all have strong potential for the outermost regions.

The outermost regions are indeed prime candidates to **test sustainable energy** systems and promote local and renewable energy communities. But they can only reap these opportunities fully if their respective Member States adapt their legislation to their needs. In particular, State aid rules allow Member States to provide support schemes to renewable energy development in the outermost regions that take into account the real costs of producing electricity instead of the national electricity benchmark prices.

The **Member States should ensure that their legislation and schemes support** the development of renewable energy and energy efficiency in these regions (e.g. organisation of auctions specifically for the outermost regions, local taxation schemes, development of electricity grids and storage capacity). National provisions on energy efficiency in the building sector, which transpose the Energy Performance of Buildings Directive²⁷, can be adapted to take into account local conditions²⁸.

Moreover, the outermost regions should take a leading role on **clean energy transition**, in line with the Clean Energy for EU Islands²⁹ initiative, launched with the Clean Energy for all Europeans package.

With EU support, the outermost regions are also investing in improving their **energy efficiency**. And as transport accounts for more than half of their primary energy consumption, the outermost regions are starting to promote electric mobility. The EU energy legislation, including some of the latest proposals³⁰, offers opportunities and incentives for them to become energy self-sufficient. The outermost regions should organise campaigns informing the population and local communities on the payback to invest in renewable and energy efficiency.

²⁶ See 2017 Energy outermost regions experts report:
http://ec.europa.eu/regional_policy/en/information/publications/reports/2017/expert-group-report-on-energy-for-the-eu-outermost-regions

²⁷ 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).

²⁸ In line with Article 1 of this Directive.

²⁹ Political Declaration of 18 May 2017 signed by the Commission and 14 EU Member States (Croatia, Cyprus, Denmark, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Malta, Portugal, Spain, and Sweden).

³⁰ <https://ec.europa.eu/energy/en/news/commission-proposes-new-rules-consumer-centred-clean-energy-transition>

The Commission will:

- Mainstream within the EU and internationally through the **Clean Energy for EU Islands** initiative the good practices developed by the outermost regions.

3. ENABLING GROWTH AND JOB CREATION

The outermost regions have adopted **smart specialisation strategies**³¹ to support investments in research and innovation under the 2014-2020 European Regional Development Fund programmes. These strategies identify assets and promising sectors to explore, taking into account each region's strengths and constraints - in particular the small size of their companies, low number of researchers and a limited offer of support services.

These strategies allow the outermost regions to focus their investments on key regional priorities and sectors with high potential, and strengthen collaboration among universities and research centres, businesses and regional governments. They should be **regularly assessed**, with the involvement of relevant stakeholders, to reorient priorities according to technological progress and the emergence of new markets.

Research and innovation

Research and innovation as well as technology transfers are crucial for enabling the outermost regions to become frontrunners in many promising sectors. The outermost regions host world-class research and operational centres, such as the Institute of Astrophysics in the Canary Islands, the Guiana Space Centre, or hold high-level international events on themes such as biodiversity³². They experiment with emerging activities related to ocean life, volcanology, energy and telemedicine.

The outermost regions are well placed to benefit from and should seize new opportunities for commercial markets for space activities. This includes the growing micro-satellite market seeking to satisfy growing needs, particularly in the fields of near-space video, low-orbit or telecommunications.

In line with the space strategy for Europe adopted in 2016, the Commission will support market uptake which includes accompanying activities such as access to investment and risk finance. It will also support aggregating the demand of European launchers for the Galileo and Copernicus programmes.

However, the participation of most of the outermost regions in the EU research programmes is still insufficient and could be significantly increased. Action needs to be taken at several levels to achieve this, including through participation in international cooperation under these programmes. As a first step, a **dedicated Coordination and Support Action**, with a budget of EUR 4 million, will be set up in the Horizon 2020 work programme 2018-2020, to enhance the participation of the outermost regions in the EU's research programme and the visibility of their research and innovation capacities and smart specialisation priorities by valorising their assets. This should also help explore their specific challenges for which research and innovation could bring solutions.

This action will allow **mapping the outermost regions' capacities** in their research expertise fields and, on this basis, matching potential European and international partners that could strengthen their

³¹ See Communication "Strengthening Innovation in Europe's Regions: Strategies for resilient, inclusive and sustainable growth" - COM(2017) 376 final, 18.7.2017.

³² International conferences on biodiversity, Reunion Island (2008), Guadeloupe (2014) - http://www.guadeloupe.developpement-durable.gouv.fr/IMG/pdf/communique_conference_bio.pdf

capacity further. It will also support them in setting up consortia to prepare project proposals. And it should inspire the design of the future EU Research Framework Programme to further enhance their effective participation.

Moreover, to move up a gear in research and innovation, the outermost regions and their Member States should assess these regions' **needs for long-term investments**. And they should also set up contact points in each outermost region, linked to the National Contact Points, to disseminate information on research opportunities and organise awareness-raising campaigns.

The Commission will:

- Launch a dedicated **Coordination and Support Action** (EUR 4 million) in the Horizon 2020 work programme 2018-2020 to enhance the capacities of the outermost regions to participate in the EU's Research Framework Programme;
- Give particular attention to the outermost regions' assets and specific needs when drawing the **future EU Research Framework Programmes**.

Employment, education and training

The outermost regions are among the EU's regions with the **highest unemployment rate**, in particular among young people³³. The Commission, in close cooperation with the Member States, supports people from the outermost regions to **adapt their skills** to new production systems and technologies, in particular to the digitisation of the economy, through the European Social Fund, the European Regional Development Fund and the European Agricultural Fund for Rural Development, as well as through the Youth Employment Initiative.

In Reunion Island for instance, the E2C (*École de la 2^{ème} chance*) develops the personal competences, autonomy and confidence of disadvantaged people based on a partnership with companies. Pursuing the same objectives, a programme in French Guiana involved local young people for one year in construction works for the Ariane project at the European Space Center.

But efforts to equip their students and workers with the adequate qualifications in important sectors such as the blue, green or digital economy to enable them to find jobs in their region or outside, should clearly be stepped up. Increased mobility of learners and staff in education and training, notably under the Erasmus+ programme, would be highly beneficial for the outermost regions. The European Solidarity Corps provides further opportunities for young people to engage and support communities, while developing skills and acquiring valuable human and professional experience.

In the area of higher education, the Commission will further promote the existing opportunities for mobility and capacity building through targeted awareness raising campaigns organised in close cooperation with the national agencies. It has already significantly increased the financial support for participants travelling from and to the outermost regions since the launch of Erasmus+ and will further adjust this support as from the calls for 2018. Moreover, the specific funding rules for the outermost regions under the Erasmus+ will apply to the European Solidarity Corps. This will provide increased support for travel costs for participants coming from and going to the outermost regions. The Commission will also explore possibilities to extend regional Erasmus+ cooperation in the

³³ Between 17 and 27% in Martinique, French Guiana, Guadeloupe, Reunion Island, Canary Islands and Mayotte. More than 40% of youth unemployment in all outermost regions, more than 50% in Canary Islands and Mayotte (Eurostat 2016) and in Madeira (Eurostat 2014).

relevant areas to further stimulate mobility between the outermost regions and neighbouring third countries.

The Member States and the outermost regions should consider reinforcing or setting up schemes, possibly similar to the French "International Internship Programme", enabling businesses to give young candidates temporary assignments abroad.

The Commission will:

- Intensify efforts to promote **Erasmus+, including Erasmus Pro** which is designed to promote mobility for apprentices, in the outermost regions; increase use of existing possibilities and encourage the outermost regions to better exploit these mobility schemes, to strengthen learning exchanges between these regions and third countries – covering higher education and vocational training;
- Promote the **European Solidarity Corps** for young people in the outermost regions and facilitate their mobility to give them opportunities to support those in need as well as to ease their access to the labour market;
- Intensify cooperation with the outermost regions to improve the use of available resources from the European Social Fund and the Youth Employment Initiative to **foster employability and skills in particular of the youth**, including by strengthening support for successful measures such as the *Service Militaire Adapté* in the French outermost regions.

Competitiveness, entrepreneurship and Single market

The outermost regions, whose markets are small, depend heavily on exchanges with Europe and face **high competition from their neighbours**. However, in many sectors such as energy, biotechnology, information technology and services, their know-how and capacity should enable them to compete within their regional markets.

The outermost regions need to further enhance the capacity of their businesses to **operate in the single market** and internationally, to reap the benefits of globalisation and make the best of trade opportunities in their geographic areas.

The Commission will:

- Consider the special needs of the outermost regions' enterprises in new **schemes supporting SMEs** (current "COSME" programme) to enhance their competitiveness in international markets;
- Promote participation of entrepreneurs from the outermost regions and assess the impact of a possible extension of the "**Erasmus for Young Entrepreneurs**" programme to neighbouring countries on the basis of the pilot project allowing exchanges between entrepreneurs from the EU and third countries.

Digital accessibility

Connecting the outermost regions to mainland Europe, their neighbours and the rest of the world through adequate and reliable electronic communications networks and ensuring that their **citizens and businesses can benefit from digital services** is essential for their further development.

Over the past years, these regions have significantly reduced the digital gap, from connectivity and use of internet services to the digitisation of businesses and public services - although the gap is still sizeable in rural areas. Ambitious national and regional programmes have been set up to support infrastructure deployment as well as the development of digital services. The population embraced keenly new digital services such as mobile telephony.

However, **obstacles** remain such as the dependence on undersea cables, the extra costs of digital infrastructure roll-out, the limited size of local markets and projects which can render private investment and access to financing more difficult, the small size of enterprises which hamper their digital upgrade or the difficulty to retain and attract digital skills.

The Commission's ongoing initiatives in the field of information, communication and technology should help the outermost regions address these obstacles. **Broadband roll-out** will be supported by new measures proposed in the European Electronic Communications Code³⁴ to foster competitive investments in high capacity networks. The Commission will continue, upon the request of the relevant Member States, to assess the designing of local or national State aid measures for broadband roll-out to connect areas of market failure, applying the Broadband State Aid Guidelines. The **Connecting Europe Broadband Fund**, supported by the Connecting Europe Facility and the European Fund for Strategic Investments, can also help finance smaller and riskier projects to attract market investment.

Furthermore, the **EU network of Broadband competence offices** initiated by the Commission in early 2017 should enhance the sharing of experience by national and regional authorities, including on funding sources. The Member States should ensure that such offices are set up, to provide assistance to the outermost regions in broadband roll-out. The relevant **National Regulatory Authorities** should continue monitoring the situation of the outermost regions in their market analyses, to detect competition constraints justifying specific regulatory measures.

As 90% of the jobs currently require at least a basic level of **digital skills**, training and reskilling of the labour force, in particular of young people, is crucial to take advantage of the digital transformation of the economy and society. The outermost regions are encouraged to build on the good practices identified by the Digital Skills and jobs coalition³⁵ and to join a "national coalition".

The Commission will:

- Encourage the exchange of best practices and information on **broadband roll-out** through the EU network of Broadband competence offices.

Transport

Enhanced **transport mobility** is essential for reducing the outermost regions' "accessibility gap" caused by remoteness from continental Europe, insularity (in most cases) and difficult topography. Regular and reliable connections to Europe and within intra-basin can stimulate growth and job creation by attracting business, tourists and service operators and facilitating exchanges. They also improve the quality of life and economic prospects for residents by granting access to higher education and professional training, to health services and to a wider job market³⁶.

³⁴ http://eur-lex.europa.eu/legal-content/EN/ALL/?uri=comnat:COM_2016_0590_FIN

³⁵ <https://ec.europa.eu/digital-single-market/en/digital-skills-jobs-coalition>

³⁶ Report of the expert group on transport accessibility for the outermost regions

EU policies, in particular cohesion policy, have helped **reduce this accessibility gap** and its costs to the outermost regions and its inhabitants. European Regional Development Fund and Cohesion Fund³⁷ investments have been essential for upgrading transport infrastructure and facilities. In addition, the Connecting Europe Facility is supporting projects related, inter alia, to the Motorways of the Sea programme and to green shipping.

Competition policy - including State aid provisions and rules on public service obligations - also plays an important role. As a result of the revision of the EU General Block Exemption Regulation, the outermost regions have the possibility to directly **finance and implement port and airport projects** meeting certain criteria (only projects not meeting these criteria continue to require prior approval by the Commission).

Boosting **air and maritime transport** as well as other water-way transport, which are the outermost regions' primary link with Europe and with neighbouring countries in their basin, is key for these regions. Their proximity to important maritime lines, such as the Panama Canal or the transatlantic routes, offers them opportunities for shipping and transshipment activities. The outermost regions could become maritime hubs in their basin and serve, for instance, as energy refuelling stations along maritime lines (including liquefied natural gas).

The Commission will look at how Trans-European Transport Network (TEN-T) policy, including the **Motorways of the Sea Programme**, can better meet the outermost regions' needs and take into account their geographic position. The outermost regions should integrate EU and regional perspective when developing connectivity projects.

As regards **air transport**, flights between the European Economic Area and the outermost regions are currently excluded from the EU Emissions' Trading System, as are all flights with third countries. This derogation expired on 1 January 2017 but the Commission presented a legislative proposal³⁸ to maintain it, pending the completion of international negotiations³⁹ on implementing rules for the Global Market based measure.

As regards **local transport**, the outermost regions suffer from traffic congestion in cities or coastal strips and difficult access to inland rural areas. Projects to make transport more sustainable and clean are being developed and can serve as good practice for other EU regions and for their neighbouring countries. The outermost regions should continue testing and developing at local level sustainable mobility solutions.

The Commission will:

- Launch a **study on the outermost regions' connectivity needs**, including needs for EU funding support (from CEF, ERDF and other instruments), for technical assistance (project preparation and financial structuring) and for regulatory improvements and reforms;
- **Better meet the outermost regions needs** and facilitate their participation to the Trans-European Transport Network Programme, Connecting Europe Facility and future EU programmes for transport; **enable EU investments in ports and airports** in the outermost

http://ec.europa.eu/regional_policy/sources/policy/themes/outermost-regions/pdf/transport_report_en.pdf

³⁷ http://eur-lex.europa.eu/legal-content/EN/ALL/?uri=comnat:COM_2016_0590_FIN

³⁸ Proposal for a Regulation of the European Parliament and of the Council amending Directive 2003/87/EC to continue current limitations of scope for aviation activities and to prepare to implement a global market-based measure from 2021 – COM(2017) 54 final, 3.2.2017.

³⁹ Negotiations are ongoing in the International Civil Aviation Organisation on implementing rules for a Global Market based measure and its concrete operationalisation.

regions, in duly justified cases.

4. SCALING UP OUTERMOST REGIONS' COOPERATION WITH THEIR NEIGHBOURHOOD AND BEYOND

Promoting regional cooperation and deepening outermost regions' links with neighbouring countries and regional organisations have been a **key pillar of the EU's outermost regions' strategy** since 2004. The Commission has promoted this cooperation through political dialogue, territorial cooperation programmes and Economic Partnership Agreements.

The ERDF and European Development Fund (EDF) Regulations, the Cotonou Agreement - which governs the relationship between the EU and African, Caribbean and Pacific (ACP) States - and the Overseas Association Decision on the EU's relationship with Overseas Countries and Territories already facilitate such cooperation. However, this should be further scaled up in areas where there is benefit for all parties. **Joint programming and planning of projects** should be pursued, by using all relevant cooperation instruments.

Under the current regulations, cooperation projects involving the outermost regions and other regional partners have been implemented in recent years in the Caribbean basin, the Indian Ocean and West Africa. In particular, the pilot carried out in the Caribbean with EDF and ERDF funding⁴⁰ is a positive step toward **greater synergy in the use of the two instruments**.

Moreover, the recent disaster caused by hurricane IRMA in Saint Martin – Sint Maarten requires the EU to join reconstruction efforts with all relevant stakeholders and to coordinate its support so to facilitate cooperation and joint projects for the benefits of all island inhabitants.

Based on the lessons learnt, the Commission will reflect on new means to facilitate and strengthen cooperation initiatives on the basis of the needs and assets of the concerned regions. And it will work closely with relevant EU delegations to facilitate exchanges and joint projects between the outermost regions, their neighbouring countries and territories, and regional organisations.

Growing **global challenges** and **greater interdependency** require the outermost regions to strengthen and widen cooperation beyond their neighbourhood, reaching out to other third countries and international partners. Given their geo-strategic position, these regions can play an important role in international fora on global issues such as international **ocean governance**. The Commission will work with their Member States to explore concrete actions for advancing the related agendas in the respective geographical areas of the outermost regions.

Partnering with regional and international **organisations** having technical know-how and expertise will also foster development opportunities in promising sectors and ease the development of joint actions in areas of common interest. Moreover, participating in initiatives, such as the "**Smart Islands Initiative**"⁴¹, will allow the outermost regions to showcase their territories as test beds for new solutions.

The Commission will:

- Consider targeting new EU investments on priority and larger scale projects in the outermost

⁴⁰ Under the 2014-2020 programming period, under a '*Convention de délégation*' between the Regional Council of Guadeloupe and the EU Delegation to Guiana, the Regional Council will manage part of EDF funds from the Caribbean ACP regional programme, to identify and finance EDF/ERDF common projects.

⁴¹ <http://www.smartislandsinitiative.eu/en/index.php>

regions' geographic basins;

- Facilitate cooperation between the outermost regions and their neighbours by a **closer alignment of rules** of the relevant funding instruments and possible setting-up of joint programmes.

Migration

The **migratory pressure** some of the outermost regions face from neighbouring countries, combined with a high population growth rate, especially in French Guiana and Mayotte, present economic and social problems, as illustrated by recent tensions in French Guiana. Support should be provided to these regions to manage migration sustainably. The situation is different in other outermost regions where it would be important to ease mobility of people, students and workers from neighbouring countries, to create new job and growth opportunities and foster the outermost regions' regional integration.

The Commission will:

- Take into account the outermost regions' concerns when negotiating or implementing **international agreements and mobility partnerships** with their neighbouring countries.

5. CONCLUSION

Enabling the outermost regions to become more resilient, reach their development potential, reap the full benefits of EU membership and harness globalisation requires **political will and prioritisation**, as well as consistent efforts to better use their assets and find new sources of growth.

This Communication sets a new approach for a **robust partnership**. This is based on a preventive approach – under which the interests and concerns of the outermost regions will be subject to thorough scrutiny – backed by a **platform** enabling them and relevant stakeholders to exchange views at all stages of policymaking and implementation.

The Commission will work closely with the outermost regions and their respective Member States **to ensure that the concrete actions it has proposed will be implemented**. It will act proactively, ensuring upstream that its initiatives consider the impacts on and opportunities for the outermost regions. It will also propose, where appropriate, tailored measures to take into account their specific features.

Fostering the development of the outermost regions also requires robust investments and **ownership from the relevant Member States and the outermost regions themselves**. The Commission is committed to strengthening the longstanding partnership with the outermost regions and their Member States, to enable the EU's lands in the world to flourish.