

Study on the relevance and the effectiveness of ERDF and Cohesion Fund support to Regions with Specific Geographical Features – Islands, Mountainous and Sparsely Populated areas

Second Intermediate Report

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Study coordinated by ADE

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views of the European Commission.

4. Analysis of the five selected island regions

4.1 The Balearic Islands

1. Identification

1.1. Identification of NUTS2 area and corresponding NUTS3 regions

Code	Name	Nuts level	Country
ES53	Islas Baleares	2	ES
ES531	Ibiza, Formentera	3	ES
ES532	Mallorca	3	ES
ES533	Menorca	3	ES

Source: Eurostat, 2011.

1.2. Identification of relevant programmes supported by ERDF or Cohesion funds:

Regional Development Programmes for Islas Baleares

Period	Programme	Progr. type
00-06	Balearic Islands Objective 2 Programme	Regional
07-13	Operational Programme "Balearic Islands"	Regional
07-13	Operational Programme "Cohesion Fund – ERDF"	National

Source: European Commission, 2011.

2. Regional features and Domestic Policy Responses

2.1. Main characteristics

The Balearic Islands are a small group of islands off the Spanish coast. According to the analysis of current status carried out by the Operational Programme "Balearic Islands" 2007-13 and by the "Rural Development Programme 2007-13 Balearic Islands", the main geographic challenges of the region are related to their geographic isolation from the mainland by its insularity feature; the incidence of double insularity (island versus inland areas); the territorial fragmentation in four geographic areas (islands) with a limited territorial extension; the lack of strategic natural resources such as water, energy, soil; the lack of infrastructure and transport services and telecommunications to offset the difficulties of communication and accessibility of the archipelago from the outside, amongst the islands, and within them.

2.2. Position, trends and dynamics

The population of the Balearic Islands (0.8 million) represents around 2% of the total Spanish population and has enjoyed some 23% increase during the period 2000-2007. Compared with the Spanish territory, the region has a particularly high density of population (206.3), nearly 2.3 times higher than the national figure.

Population and Population Density

Nuts code	Region name	Total Population (M)			Population density		
		2000	2007	Incr.	2000	2007	Incr.
	EU27	n.a.	n.a.	n.a.	112.3	115.5	3%
ES	Spain	40.049708	44.474631	11%	79.6	89.4	12%
ES53	Islas Baleares	0.822337	1.014405	23%	206.3	206.3	n.a.
ES531	Ibiza, Formentera	n.a.	0.121385	n.a.	189	189	n.a.
ES532	Mallorca	n.a.	0.805606	n.a.	224.6	224.6	n.a.
ES533	Menorca	n.a.	0.087414	n.a.	126.8	126.8	n.a.

Source: Eurostat, 2011.

The economic indicators for the Balearic Islands rank the region well ahead the national average; Spain had in 2000 a GDP of 15.700 versus 19.300 of the islands (3.600 difference). However for the 2000-2007 period, the gap was reduced to a difference of 1.900. The Balearic Islands were slightly ahead EU27 (19.100) in 2000, a difference that increased a little bit more in 2007 (25.4000 vs. 24.900 EU27). All and all, the GDP of Balearic Islands increased by 41.1% for 1999-2007 period. Observing the performance of the different islands, the remarkable increase (71.5%) of Ibiza and Formentera. The other two, Mallorca and Menorca show much lower performances (37% and 56% increase, respectively).

The unemployment indicators depict that the Islands are in a good position (7%) compared to Spain (8.3%) and nearly at par with EU27 (7.2%) for 2007. Yet, when looking at the period 2000-2007 there is an overall increase of unemployment in the region of 3% compared to outstanding decrease rates of both Spain (-40%) and EU27 (-20%). Within the Islands, the only province experiencing an unemployment decrease in that period is Mallorca (-4%) while the other two, Ibiza and Formentera, and Menorca show a 38% and 49% increase, respectively.

GDP

Nuts code	Region name	GDP (current market prices)		
		2000	2007	Incr. 99-07 (%)
	EU27	19100	24900	n.a.
ES	Spain	15700	23500	62.1
ES53	Islas Baleares	19300	25400	41.1
ES531	Ibiza, Formentera	19500	25900	71.5
ES532	Mallorca	19300	25400	36.6
ES533	Menorca	18500	24600	56.7

Source: Eurostat, 2011.

Unemployment

		Unemployment rate % (15 or over years)		
Nuts code	Region name	2000	2007	Incr.
	EU27	9	7.2	-20%
ES	Spain	13.9	8.3	-40%
ES53	Islas Baleares	6.8	7	3%
ES531	Ibiza, Formentera	5.8	8	38%
ES532	Mallorca	7.1	6.8	-4%
ES533	Menorca	4.9	7.3	49%

Source: Eurostat, 2011.

The employment trend for 2000-2007 within the Agriculture and Fishing sector followed a similar pattern at state and regional level, both suffering 11% decrease of employment during 2000-2007. Yet the statistics show significant variations at NUTS3 level, Mallorca (-16%) whilst Ibiza and Formentera (33%). Menorca shows no variation.

Within the Services sector, the Balearic Islands, as well as Spain, show a remarkable increase for 2000 to 2007 although the Islands perform slightly lower (28% and 32% increase respectively). Only Ibiza and Formentera enjoy equal increase as of Spain, whilst the other two present somewhat inferior rates: Mallorca 28% increase and Menorca 23%.

With regard to socio-demographic issues, the analysed reports show that the main deficits relate to a high rate of unemployment among the young population (36.2% while in Spain is 29.2%) and women (10% vs. 5.2% of men); a high level of job insecurity (the rates of temporary stands at 32.6%); the lack of provision of social infrastructure at local level, and an increased need due to the double insularity that characterizes the territories, as well as the growth of population due to seasonal visitors; and a gradual settlement of the population in areas distant from the main urban and tourist areas, with a predominance of scattered residences.

To meet these challenges, the region counts on a high rate of activity (62.7%, 5.4 percentage points higher than the national average); unemployment rates below the national average; the potential to develop economic activities in fields of activity with significant market demand and high technological focus, which present a significant potential for job creation; and finally, the high degree of penetration of the Information Society in the productive sector and the Balearic society as a whole.

Employment per sector at NUTS 1, 2 and 3 ('000)

Nuts code	Region name	Employment					
		Agriculture, fishing			Services ⁶⁸		
		2000	2007	Incr.	2000	2007	Incr.
	EU27	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
ES	Spain	1037.4	925.3	-11%	10464.9	13793.9	32%
ES53	Islas Baleares	9.6	8.5	-11%	300.3	384.2	28%
ES531	Ibiza, Formentera	0.6	0.8	33%	31.1	40.9	32%
ES532	Mallorca	8.2	6.9	-16%	248.5	318	28%
ES533	Menorca	0.8	0.8	0%	20.7	25.4	23%

Source: Eurostat, 2011.

Tourism in the Balearic Islands increased during 2000-2007 at a much lower rate (4%) than Spain (25%) or EU27 (10%). This may be explained by the fact that the islands have a long and well-established tourism infrastructure. Yet, within the region, some islands show much higher increase than others, for example Menorca doubles Mallorca (8% and 4% increase, respectively) and both perform much better than Ibiza and Formentera (just 2% increase).

Tourism

Nuts code	Region name	Tourism (Nr. of bed-places*)		
		2000	2007	Incr.
	EU27	10639232	11715177	10%
ES	Spain	1315697	1642417	25%
ES53	Islas Baleares	314666	326028	4%
ES531	Ibiza, Formentera	58845	59829	2%
ES532	Mallorca	230179	238486	4%
ES533	Menorca	25642	27713	8%

* Hotels and similar establishments

Source: Eurostat, 2011.

The transport infrastructure, mainly motorways and railways experienced very positive results during 2000-2007. The number of kilometers raised to 62%, compared to 44% in Spain, whilst in 2008 the kilometers of railway lines was 107 as compared to none in 2000.

⁶⁸ Services include (except extra-territorial organizations); Wholesale and retail trade; hotels and restaurants, transport; Financial intermediation; real estate, public administration and community services; activities of households

Accessibility

Nuts code	Region name	Motorways (km)			Other roads (km)			Railway lines (km)		
		2000	2007	Incr.	2000	2007	Incr.	2000	2008	Incr.
	EU27	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
ES	Spain	9049	13013	44%	154508	152998	-1%	12310.1	0	26%
ES53	Islas Baleares	58	94	62%	2118	2080	-1.8%	0	107	n.a.

Source: Eurostat, 2011

Finally, the promotion of the Information Society and new technologies within the region for 2000-2007 presents positive results. The households that have broadband Internet access increased by 88% during that period.

ICT: Households that have Broadband Internet access at home

Nuts code	Region name	Households that have Broadband Internet access at home (%)		
		2006	2010	Incr.
	EU27	n.a.	n.a.	n.a.
ES	Spain	n.a.	n.a.	n.a.
ES53	Islas Baleares	34	64	88%

Source: Eurostat, 2011

To address these economic challenges, the region counts on its strategic geographic position, enhanced by its communication with Europe by sea and air transport; it also benefits from great weather conditions and natural environments; the emergence of new type of tourism and leisure activities in inland areas, which have traditionally been more agrarian and industrial, and less favored by traditional sun and beach type of tourism; finally, another factor the region shall capitalize on is the added value of its rural heritage (landscape, nature, history, culture, architecture, lifestyle, etc.).

The main challenges faced include the existence of an economy heavily dependent on the tertiary sector (tourism subsector) resulting in a triple imbalance: sectoral, geographical and temporal. The contrast between a coastal tourist area of high economic and demographic dynamism and a declining area of most traditional agricultural and industrial municipalities; the stagnation of the agriculture sector and its working population, accentuating the small contribution of the sector to employment generation and to the economy; a business network based on the dominance of micro-enterprises, in terms of number of workers; an economy much dependent on foreign supply, with a greater volume of imports vs. exports; and, finally, the emergence of new competitors particularly in the tourism sector.

To address these challenges, the region counts on a market of high purchasing power for new tourism and leisure activities in inland areas, in relation to the promotion of its rural heritage; also its high potential for tourist attraction is supported by a long-track experience in the sector; there is an important industrial and artisanal tradition and a growing demand for tourist and leisure activities from international markets; finally, the region may benefit

from its potential of development in high technology sectors, such as aircraft maintenance, and environment.

2.3. Domestic Policy Responses

The “Rural Development Programme Balearic Islands 2007-13”, which succeeds the previous 2000-06 Programme, establishes objectives and priorities for the rural sector along the following axis: (1) Improving the competitiveness of agriculture and Forested; (2) Improving the environment and the rural areas; (3) Quality of life in rural areas and diversification of rural economy; (4) Implementation of Leader -local development strategies.

The Programme investment total 174 million Euros, of which 44.8 million are from the European Union and the remaining part from the National and Regional Government as well as private contribution.

The Programme analyzes and explains potential complementarities with ERDF 2007-13 along the following lines: low complementarities with Priority-3 “Accessibility to transport and communications networks”; moderate complementarities for Priority-1 “Competitiveness, innovation, business development and information society” as well as high complementarities for Priority-2 “Environment protection and risk prevention”.

In 2009, the “Covenant for the Competitiveness, Employment and Social Cohesion in the Balearic Islands” was signed to empower the social dialogue that facilitates establishing common objectives for the development of the different sectors of the economy society welfare, as well as defining the actions to achieve them. The covenant was agreed amongst the Balearic Government and representatives from a wide spectrum of socio-economic stakeholders, namely chambers of commerce and trade unions alike.

The agreement intends to work on a threefold dimension: (a) A competitive and innovative economy based on a model of sustainable development; (b) Employment and social cohesion, addressing stability, quality and security of employment and the entire social welfare system; (c) Tourism and conditions of its strategic development. The covenant document states its intention to analyze the complementarity of its measures those funded by the EU (ESF, ERDF).

“Slow Ibiza Breaks” – Competitive Plan for Tourism Products falls under then national Strategic Plan from the Spanish Council of Tourism in the aim of boosting initiatives promoting the innovation for the differentiation of tourist products as well as fighting against the seasonal factor within the tourism market.

This Plan will create the tourist package “Slow Ibiza Breaks” particularly designed to target foreign tourists and short visits to the island during off-peak season. It aims to increase by 260% the number of tourists by means of a wide variety of choices: sun and beach tourism family, culture, nature, nautical sports, wellness and business congress. The Plan will have a duration of four years and 3.3 million Euros funded by the

national and regional government, as well as chambers of commerce and tourism from Ibiza and Formentera.

Similarly, another plan under the Competitive Plan for Tourism Products, “Mallorca diverseArta surprise”, was launched in 2009 to increase the quality of tourist services in the municipality, improving the urban and natural environment of the island, promoting the expansion and improvement of public areas, and the diversification and creation of new products.

The initiative (3.9 million Euros) stems from an agreement of collaboration between the Ministry of Industry, Tourism and Trade, the Consell de Mallorca, the City of Arta, and the Hotels Business Federation of Mallorca.

The regional plan, “Islas Baleares Industrial Plan 2011-2020” is the first of its kind in the Archipelago, including a programme of ten years with the aim to strengthen the importance of the industry sector in the overall economy of the Islands. The Plan intends to capitalize on the already existing business tradition, the brand experience and quality that have characterized the local industry so far, adding best practices from emerging industries. The expected result is a cluster of highly specialized, sustainable, competitive, flexible businesses with an important component of internationalization. The allocated budget for the Plan until 2020 is of 638 million Euros. Other partners that have collaborated in this Plan include chambers of commerce and trade unions.

3. ERDF and CF Programme priorities and fields of intervention

The total EU budget allocation for the Balearic Islands regional Operational Programme for the 2000-2006 period was of 93.5 million Euros. The contribution came from two different funds: ERDF (92.5 million Euros) and the ESF (1.8 million Euros). For the 2007-2013 programming period, the Operational Programme “Balearic Islands” received total financial support of 107.2 million Euros, entirely coming from ERDF. This allocation represents an increase of some 16% with respect to previous programming period 2000-2006. Additionally, the region benefited from the national programme “Cohesion Fund – ERDF”⁶⁹, entirely financed by the ERDF (4.900 million Euros).

Total budget allocation

Period	Programme	Progr. type	EU Contribution (mil. Euros)	
			ERDF	ESF
00-06	Balearic Islands Objective 2 Programme	Regional	92.5	1.8
07-13	Operational Programme "Balearic Islands"	Regional	107.2	
07-13	Operational Programme “Cohesion Fund – ERDF”	National	4.900	

Source: European Commission, 2011.

Looking at budget allocated by priority, the table below shows that for the 2000-2006 period, three areas received nearly 80% of the budget, namely “1- Improving

⁶⁹ The operational programme of the European Regional Development Fund (ERDF) under the "Convergence" objective applies to the Autonomous Communities of Andalusia, Castilla-La Mancha, Extremadura and Galicia whereas the Cohesion Fund applies to the whole of Spain for the period 2007-2013.

competitiveness and developing the productive fabric” (19%), “2- Knowledge society (innovation, R+D, information society)” (28%), and “3- Environment, nature and water resources” (33%).

Allocation by priority

2000-2006: Balearic Islands Objective 2 Programme		Contribution (million)		
Priority Area	Total	EU	%	National
1 Improving competitiveness and developing the productive fabric	35,160,000	17,580,000	19%	17,580,000
2 Knowledge society (innovation, R+D, information society)	52,296,578	25,950,052	28%	26,346,526
3 Environment, nature and water resources	62,184,198	31,092,099	33%	31,092,099
4 Development of communications and energy networks	12,670,635	4,226,651	4%	8,443,984
5 Local and urban developments	28,816,720	14,408,360	15%	14,408,360
9 Technical assistance	2,160,000	1,080,000	1.1%	1,080,000
Total	193,288,131	94,337,162		98,950,969

Source: European Commission, 2011.

For programming period 2007-2013, there are two priority areas that receive around 85% of the funds: “1-Knowledge economy (R & D, Information society, ICT)” (59%); and secondly, “3-Energy resources and access to transport services” (26%). The latter shows a significant change with respect to the previous period where its peer axis “3-Development of communications and energy networks” just received 4% of the allocated share. In 2007-13, priority “4-Local and urban sustainable development” comes third (11%) and “2- Environment and risk prevention” receives 3% of funding compared to 33% in previous programming period.

2007-2013: Operational Programme "Balearic Islands"		Contribution (Euros)		
Priority Area	Total	EU	%	National
1 - Knowledge economy (R & D, Information society, ICT)	126,520,704	63,260,532	59%	63,260,172
2 - Environment and risk prevention	6,000,000	3,000,000	3%	3,000,000
3 - Energy resources and access to transport services	67,000,002	27,500,000	26%	39,500,002
4 - Local and urban sustainable development	23,458,242	11,729,121	11%	11,729,121
5 - Technical Assistance	3,414,184	1,707,092	1.6%	1,707,092
Total	226,393,132	107,196,745		119,196,387

Source: European Commission, 2011.

For the 2007-2013 Operational Programme “Cohesion Fund – ERDF”, the Cohesion Fund (CF) contributes 73% of funds whilst the ERDF takes the rest. Instruments, financed transport and environment related projects nationwide. However, while the CF instrument nearly balanced the funds allocated to both areas (33% to transport and 38% to environment), the ERDF mainly focuses on transport and energy (24%).

2007-2013: Operational Programme "Cohesion Fund – ERDF"		Contribution		
Priority Area	Total	EU	%	National
1 - TEN-T – Transport - (Cohesion Fund)	1, 997,382,054	1,597,905,643	33%	399,476,411
2 - Environment and sustainable development (Cohesion Fund)	2,354,778,512	1,883,822,810	38%	470,955,702
3 - Environment, nature, water resources and risk prevention (ERDF)	210,287,500	168,230,000	3%	42,057,500
4 - Transport and energy (ERDF)	1,485,901,668	1,188,721,334	24%	297,180,334
5 - Technical assistance (Cohesion Fund)	76,855,694	61,484,555	1%	15,371,139
Total	6,125,205,428	4,900,164,342		1,225,041,086

Source: European Commission, 2011.

By field of intervention at NUTS2 and NUTS3 level, (please see table below) the SWECO analysis for the 2000-2006 programming period classifies the three NUTS3 regions of the Balearic Islands as having specific geographical feature type "island". Yet, the report does not analyze the field of intervention by each one of these three NUTS3 areas but the region as a whole. The report remarks that at NUTS2 level, the region shows a relatively larger investment in basic infrastructures than all other reference territories (national, Objective 2 or EU Islands regions); furthermore, it is worth noting the particularly significant investment in environmental infrastructures.

Comparison of ERDF and CF Commitments by Fields of Intervention, 2000-2006

Fields of intervention	Territorial level (Nuts)	EU	EU	ES	ES53	ES530
	Name		Islands	Spain	Illes Balears	Illes Balears
	Region eligibility	Objective 2	Objective 2		Obj. 2	Obj. 2
	SGF		I		I	I
11 Agriculture		0,2%			0,0%	
12 Forestry		0,1%			0,0%	
13 Promoting the adaptation and the development of rural areas		2,5%	5,5%	0,1%	0,0%	
14 Fisheries		0,0%			0,0%	
15 Assisting large business organisations		5,1%	16,4%	10,2%	8,6%	8,6%
16 Assisting SMEs and the craft sector		31,2%	12,7%	0,1%	0,0%	
17 Tourism		10,2%	5,0%	0,2%	0,0%	
18 Research, technological development and innovation (RTDI)		10,1%	11,5%	7,9%	5,1%	5,1%
21 Labour market policy		0,1%			0,0%	
22 Social inclusion		0,7%			0,0%	
23 Developing education and vocational training		1,4%	2,0%	2,3%	1,0%	1,0%
24 Workforce flexibility, entrepreneurial activity, innovation, ICT		0,4%			0,0%	
25 Positive labour market actions for women		0,1%			0,0%	
31 Transport infrastructure		7,7%	4,6%	33,5%	10,9%	10,9%
32 Telecommunication infrastructure and information society		2,9%	6,0%	0,7%	0,5%	0,5%
33 Energy infrastructure		0,8%	0,5%	0,2%	0,2%	0,2%
34 Environmental infrastructure		5,2%	22,6%	26,6%	69,6%	69,6%
35 Planning and rehabilitation		17,0%	8,7%	14,9%	3,7%	3,7%
36 Social and public health infrastructure		1,9%	2,9%	3,2%	0,0%	
41 Technical Assistance and innovative actions		2,3%	1,7%	0,2%	0,3%	0,3%
Total		100,0%	100,0%	100,0%	100,0%	100,0%
Total 1 Productive environment		59,5%	51,0%	18,5%	13,6%	13,6%
Total 2 Human resources		2,7%	2,0%	2,3%	1,0%	1,0%
Total 3 Basic infrastructure		35,6%	45,3%	79,0%	85,0%	85,0%
Total 4 Technical Assistance		2,3%	1,7%	0,2%	0,3%	0,3%

Source: Svecio, 2008.

4. ERDF and Cohesion Fund strategies and relevance

Both the OP 2000-06 and 2007-13 address the problem of the “insularity” factor of the Balearic Islands and its impact on the economy, society and environment. In this sense, it seems very relevant that “insularity and its territorial discontinuity” is the first point listed in the weaknesses section of the SWOT analysis for both periods.

The OP 2000-06 remarks that this problematic is further stressed by the double insularity of the region: in relation to the continent and amongst the islands of the region themselves. Equally, the OP 2007-13 emphasizes how “the main feature of the Balearic territory is without question its double insularity linked to its condition of archipelago which results in discontinuity, fragmentation and access difficulties”. The document continues explaining that although the insularity problem affects all the activity areas of the Islands, this is

particularly accentuated in the islands of Formentera, Menorca and Ibiza, due to its double insularity.

According to the OP 2000-06, in general terms, the insularity feature had an important impact on the regional economy: “(...) the Balearic Islands enjoyed the highest GDP growth in Spain during 1995-99, despite the added cost due to the insularity”. Both documents provide further analysis on the issue, such as the following:

The waste treatment activity in the Islands was affected by its insularity, according to OP 2000-06. The insular factor brings an extra cost, and since there is lack of sufficient waste volume, this is shipped and treated outside the Islands, thus increasing the maritime cost. In the OP 2007-13 there is further explicit mention of the insularity impact on the transport, “(...) the condition of double insularity of the Balearic archipelago difficult accessibility to the region and, consequently, the competitiveness of the enterprises. Therefore, the development of a network of transport and telecommunications infrastructure is deemed as a priority”.

The reduced presence of regional companies within the international market is also explained, accordingly to the OP 2007-13 to the double insularity factor, which “determines the cost of transport, communications, port rates, supply of raw materials and products, energy, public services such as health, or the investment in R&D”

With regard to the energy market, in both programming period documents agree that “insularity, the market dimension and the absence of natural resources (solid and liquid fuels) causes in fact a monopoly in the supply of electricity”.

The OP 2000-06 clearly identified which areas at NUTS3 level the Programme targeted. The criterion was based on areas presenting low population density and ageing population, as well as based on agricultural, livestock or industrial activities in decline and lacking economic alternatives. In this regard, despite all the participating Balearic Islands NUTS3 regions in the Programme, not all of them showed the same degree of involvement. Thus, the Programme defines “permanent” areas of intervention - include all municipalities of Menorca and Formentera, and all of Ibiza except for the capital, and parts of Mallorca. It also defined areas of “transitional” and “excluded” intervention. Additionally, the OP showed some geographical and population analysis of the three areas of intervention and their respective municipalities.

Similarly, the OP 2007-13 defines the selection criteria of those geographical areas that the Programme will target. Likewise, it is emphasized that while the whole Balearic Islands are characterized as “insular” there will be some specific areas – showing common features - that will receive more investment, namely, areas with low population density in the regional context, the underdeveloped areas, and those with poor communication infrastructure. The report also explains the rationale behind each of these criteria.

In summary, both programmes analyze those areas concerned by the “insularity” specific geographical feature, since the whole territory is classified as such. Yet, both do define what particular areas will be the main targets of the operations based on similar criteria for both

programming periods, although the OP 2007-13 factor explicitly incorporates the communications and transport factor. Also, while the 2000-06 explicitly named municipalities eligible for the Programme, in the 2000-07 OP merely defines the selection criteria.

The insularity issue is present throughout the whole document in both programming periods. Not only, as it was explained earlier, when describing the current situation but also when establishing the strategy, objectives and fields of intervention. In that sense, for example, the priority axis-1 “Improving competitiveness and developing the productive fabric” of the OP 2007-13, clearly describes to what extent the measures under this axis aim at solving the insularity problem, “(...) help the enterprises of the Balearic Islands overcome the problems inherent to its insularity, namely the transport costs for both export and import products, the competitiveness they have to face in a market so small, given the large number of foreign companies progressively settling in the Balearic Islands, and against which our companies lack the necessary infrastructure”. As per the rest of priority axes, there is no explicit mention to how are these addressing the insularity problem, although the connection may be easily established following the objectives of the axis and diagnosis and impact of the insularity issue described earlier in the document.

There is no explicit mention in the Operational Programmes 2000-06 and 2007-13 with regards to how existing opportunities allowed by the current legal framework are used to deal with the insularity feature of the Balearic Islands. This could be explained by the fact that the whole territory has the specific geographic feature of insularity. In this sense, the OP 2007-13 states that the Management Authority will demand guarantees to secure that the state aids granted are compatible with current rules and procedures at the time the grant is conceded. Equally, it will demand guarantees of compatibilities of the different aids one particular beneficiary may receive from different public instruments.

The need to comply with the objectives of the Lisbon Strategy has been taken into account when deciding on how to allocate the budget amongst the different priorities. That way, the Ex-Ante Evaluation Report OP 2007-13 states, “59.77% of the programmed expenditure is linked to categories that contribute to the attainment of the Lisbon Strategy”. Besides, the Operational Programme 07-13 document clearly shows the two axis of priority that have “earmarking” operations: Axis-1 ‘Knowledge economy’ with seven earmarking operations that account for 59% of total OP 07-13 budget. The other is Axis-3 “Energy resources and access to transport services” with one earmarking operation (3.2% of total budget). The weight given to Axis-1 “is in line with the provisions of the National Programme Reform towards the attainment of the objectives of the Lisbon Strategy set by European Commission”.

5. Quantitative results of the ERDF/CF programme

Updated Interim Evaluation Report OP 2000-2006 for the Balearic Islands, the financial effectiveness of the Programme resulted successful for 2000-06. During 2000-2004 the volume of certified payments accounted for 97.509.715 Euros representing 70% of the total budget for 2000-04 and 50% for the whole period 2000-06. Equally, for 2000-04 the

committed payments summed 128.004.885 Euros representing 92% of the total budget for 2000-04 and 66% for 2000-06.

The results concerning physical effectiveness for 2000-06 are also positive. It is remarkable that most relevant indicators reached very close values to what was foreseen. In this sense it is worth noting that 2.058 SMEs benefited from the activities of the Programme versus the 1.809 initially considered; in the same manner, 754 direct jobs were created versus 622 planned. The Ex-Ante Evaluation Report for the Balearic Island OP 2007-13 indicates the three most successful measures (achievement over target): (1) Support to industrial, craft, trade and services (70%); (2) Strengthening the human potential in research, science and technology; (3) Protection and regeneration of natural environment.

Finally, the Interim Report 2000-06 concludes that “although the limited volume of concerned funds does not allow to ascribe to the Programme macroeconomic effects noticeable at the regional scale, it can be stated that the programme is having a positive effect in the Balearic Islands, and specifically in sectors like SME (...)” and “(...) with regard with transportation infrastructures, 14 railway stations have been renewed and about 76 Km of railway network have been improved, assisting in this way to 50.000 citizens and attaining an increase of 21,50% in passenger numbers. In this respect, it should be stressed that all the improvements carried out in the Red de Ferrocarriles de Mallorca are co-financed by ERDF.”

In similar terms, the Ex-Ante Evaluation Report 2007-13 indicates that “the analysis conducted so far shows a positive rate of execution, as of December 31, 2005 nearly 72% of the programmed budget for that period was executed”.

At this stage, it is difficult to make sound comparisons between the results of both programming periods, since no conclusive reports or analysis on the published results have yet been identified for 2007-13 programming period. The Annual Report 2009 for the Balearic Islands OP 2007-13 shows results on execution. In this sense, Axis-3 “Energy resources and access to transport services” presents 12% of executed over total programmed for 07-13; Axis-4 “Local and urban sustainable development” (10%); Axis-1 “Knowledge economy” (R & D, Information society, ICT) (6%); and finally, Axis-2 “Environment and risk prevention” (0%). In the same way, no information has been found yet with regards to the contribution of the Programme to the Lisbon objectives.

Relevant programme's indicators

Looking at the result indicators for transport and environmental infrastructure (see Tables below) on average the successful rate (achieved value versus target value) for environmental infrastructure indicators was of 60% whereas for transport infrastructure the rate increased up to 91%. On the positive side, for environmental infrastructure, the stand out is the “Homes potentially supplied by the improved network” indicator (110% successful rate) whilst on the downside, the low 6% rate of the ‘tons treated per year’ in relation to measure “comprehensive management of urban and industrial treated waste”. With regards to transport infrastructure, all three indicators present positive values (higher than 70%) and it is remarkable the 124% successful rate of “directly benefiting population” indicator in relation to “railway and underground”.

Environmental infrastructure

Measure	Type of indicator	Indicator	Unit	Year target	Target value	Achieved value	Year achieved
Improvement in the existing infrastructures, water supply to population and economic activities and sewerage and water treatment	Result	Homes potentially supplied by the improved network	number	2006	16500	18200	2006
	Result	Homes potentially supplied by the improved network	number	2006	1500	1000	2006
	Impact	Decrease in losses from the supply network	%	2006	15	n.a.	2006
	Result	Firms potentially supplied by the renovated network	km	2006	1500	1161	2006
Comprehensive management of urban and industrial treated waste	Result	Tons treated per year of solid urban waste	mt/year	2006	7000	5000	2006
	Result	Directly benefiting population	number	2006	250000	100000	2006
	Result	Tons treated per year	mt/year	2006	7000	400	2006
	Result	Directly benefiting population	number	2006	50000	32000	2006
Protection and regeneration of the natural environment	Result	Visitors to the environmental education facilities	number	2006	700	300	2006

Source: ADE, 2008.

Transport infrastructure

Measure	Type of indicator	Indicator	Unit	Year target	Target value	Achieved value	Year achieved
Railway and underground	Result	Increase in speed	km/h	2006	10	7	2006
	Result	Users per year of the financed infrastructures	number	2006	12500000	9717333	2006
	Result	Directly benefiting population	number	2006	50000	62000	2006
	Impact	Increase in number of passengers per year	%	2006	30	n.a.	2006

Source: ADE, 2008.

6. ERDF Governance and complementarities with other sources of funding

The governance of the funds for the 2000-06 programming period was structured around three main bodies: the management authority, the paying authority and the control authority. Supporting these, there will be the monitoring committee, which meets at least once a year and to guarantee the effectiveness and successful development of the Programme.

As stated by the Cohesion Policy 2007-13 documents, for the current period, the certification authority and the auditing authority replace the previous Regulation's paying authority and control authority. The functions and responsibilities, though, show no significant changes as per 2000-06.

Both in 2000-06 and 2007-13, the management authority role was owned by the DG Fondos Comunitarios y Financiación Territorial (DGFCFT) from the Ministry of Economy and Finance, through its Subdirectorate General for ERDF in collaboration with the Regional Administration of the Balearic Islands to secure a successful coordination of

all regional stakeholder involved in the co-financed actions. Further to this, the Programme is under the surveillance of the ECN – the National Coordination Structure for all Objective 2 Operational Programmes. The ECN will guarantee the coordination, coherence, and complementarities of the different instruments operating in Objective 2 zones, namely, FEOGA-G, IFOP, and CF.

The role of the paying authority is played in both programming periods by each one of the three ERDF Administer Units from the Ministry of Economy and Finance, Ministry of Labour and Social Affairs, and Ministry of Agriculture, Fisheries and Food.

Control over the OP is achieved by means of different authorities. At a state level, the ‘Tribunal de Cuentas’ is responsible for the external control, while the ‘Intervención General del Estado’ (IGAE) focuses on internal aspects, whilst at regional level, the ‘Tribunal de Cuentas de las Islas Baleares’ takes the external control and the ‘Intervención General de las Islas Baleares’ the internal.

The Committee will meet at least twice a year and its members practically remain the same along the two programming periods. These include representatives from the Ministry of Economy and Finance, Ministry of Labour and Social Affairs, Regional Authority on the Environment, Regional Authority on Equal Opportunities, Most relevant Association of Municipalities, Rep from DG Regional Policy, Reps from economic and social stakeholders (advisory role), Rep from EC and BEI, as required (advisory role), External advisors / experts, as required (advisory role).

The 2000-06 OP clearly describes the different stakeholders involved in the Programme design, as well as the tools to facilitate their participation. DG Economy from the Balearic Government together with the Ministry of Economy and Finance led the process. In doing so, DG Economy has invited stakeholders from institutions, society, and the economy of various fields – agriculture, regional development, employment, technology, rural and environment development, etc. - to provide feedback through public consultations and working groups. A very similar process and level of stakeholder involvement is carried out for the 2007-13 OP.

With regards to coordination with other financial sources allocated within the region, the OP 2007-13 foresees a double mechanism. On the one hand, the Ministry of Economy and Finance, will lead the Coordinating Committee of the EU funds and Sectoral Networks, guaranteeing an effective complementarity of the different actions financed through EU instruments. On the other hand, the OP Monitoring Committee has the right to invite – in an advisory role - representatives of other Administrations involved the management of other EU funds within the territory of the Balearic Islands.

There seems to be a good degree of complementarity between ERDF and other sources of funding, according to the OP 2007-13 document. The document explains, for example, that ERDF comprises a series of actions that can enhance, significantly, the positive effects of the EAFRD programming. The ERDF complements and supports the objective of rural and agricultural development EAFRD through measures such as: investment in rural infrastructure (road network); the development of Natura 2000 in forest and agricultural

areas (only complementary actions with the EAFRD and LIFE instrument); rehabilitation of rural areas; the attention to isolated areas; the recovery soil and spaces; fight against desertification. On the other hand, in relation to agricultural infrastructure, the ERDF co-finances water infrastructure to meet the high demand, while EAFRD deals with irrigation (low demand).

Furthermore, the OP 2007-13 document also points towards good complementarity of activities between ERDF and the IFOP 2007-13. Given the description of both programmes, the opportunities for complementary activities are focused on four categories of spending, namely: other investments in enterprises; household and industrial waste treatment; natural heritage protection; cultural heritage protection.

7. Conclusion

Overall, it can be said that ERDF/CF programmes for 2000-2006 and 2007-2013 programming periods are relevant to the Balearic Islands' specific geographical features - its insularity. This statement is based on the following points:

First, for both programming periods, the respective Operational Programmes clearly address the insularity issue of the region by analyzing its impact on the economy, the society and the environment. The analysis goes even further to describe the double insularity factor – from the continent, and amongst the islands themselves.

Second, even though the insularity feature affects the whole territory of the Balearic Islands region, both operational programmes narrow down the scope to increase the impact of its operations by defining what particular areas will be the main targets of the funding programmes and what the criteria are for following that.

Third, it is worth noting the wide spectrum of stakeholders that, directly or indirectly, have participated in the elaboration of both programmes. Since all the territory is classified as 'insular' it may be inferred then that the "insularity issue" will have been brought in by most of these participants. These stakeholders include representatives from local institutions, the society, and various fields of the economy – agriculture, regional development, employment, technology, rural and environment development, etc.

Next, the insularity issue is present throughout the whole document in both programming periods. Not only, as discussed earlier, when describing the current situation but also when establishing the strategy, objectives and fields of intervention which are the same at NUTS3 level since the insular factor is common to the whole territory although the Programmes differentiate between areas, "(...) despite the insularity problem affects all the activity areas of the Islands, this is particularly accentuated in the islands of Formentera, Menorca e Ibiza, due to its double insularity". Similarly, the OP 00-06 establishes three different areas of intervention, namely, "permanent", "transitional", and "excluded" attending to their structural needs.

Overall the analyzed reports indicate the success of OP 2000-06. In this sense, for example, during 2000-2004 the volume of certified payments accounted for Euro 97.509.715 representing 70% of the total budget for the whole period. Equally, the results concerning physical effectiveness were positive: most relevant indicators reached very close to the values that were foreseen.

Furthermore, the Closure Report for the OP 2000-06 shows very positive data in terms of impact of the measures carried out under the Programme. Even though the document does not present a horizontal analysis or conclusion on the overall effectiveness of the Programme, it can be observed when looking at the impact indicators (jobs created and jobs kept) set for each measure that most of them score higher than 80%, a good number beyond 100%, and very few of them between 70% and 79%. As for the current programming period 2007-13, it would be hard to come up with any conclusion at this stage since not much information has been produced.

Finally, with regard to concrete examples of successful projects that have helped to transform “handicaps” into “opportunities”, an examples using ERDF, from the previous programming period is “The inland alternative” project⁷⁰. The project explained that Majorca receives almost a quarter of the tourists coming to Spain every year. Tourism used to be exclusively based on the coasts until three years ago, when rural and inland tourism began to be developed. “We had to diversify the rural economy to contend with the crisis in agriculture and to do this we had to stimulate tourism in inland areas. With the help of the ERDF, old houses in the countryside, some of great historical significance, have been converted to accommodate tourists. In this way we have partly stemmed the exodus of the rural population caused by a lack of opportunities”, explained the head of the Department of Economy, Agriculture, Commerce and Industry of the Balearic Islands Government. Today, the Balearic Islands Association for Agri-tourism manages 90 establishments ranging from agri-tourism manors to rural hotels. Majorca has 83 of these manors, which afford the opportunity to spend a few days surrounded by nature, visiting villages and learning about the many cultural traditions of the island. The policy is to keep capacity low - no more than 25 guests per manor -, to avoid over- expansion and to promote good relations between guests and hosts. Since the rural tourism programme started in 1991, 100 new direct and around 500 indirect jobs have been created and tourism facilities in inland Majorca have increased by 50%.

⁷⁰ <http://www.agroturismo-balear.com>