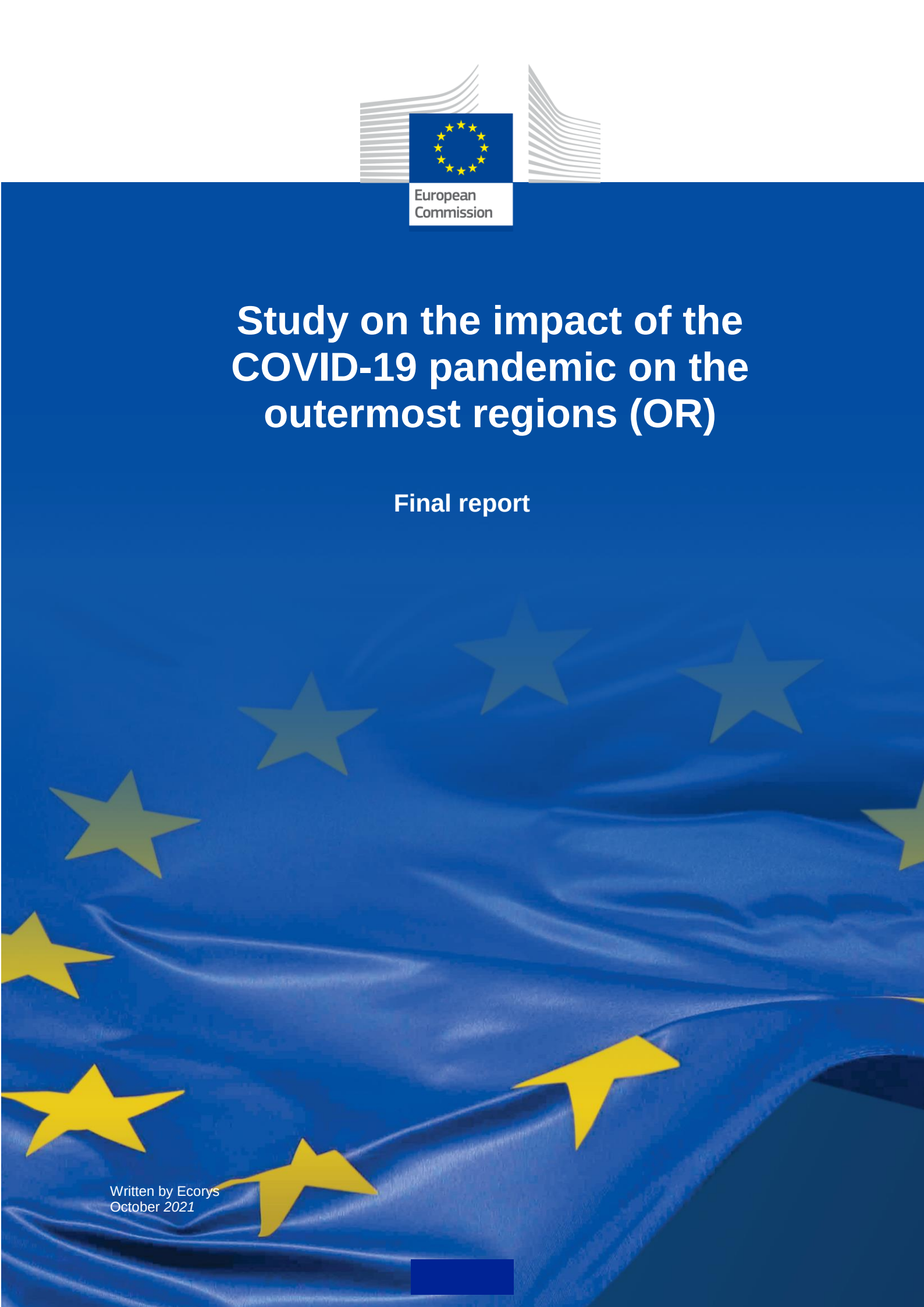

Study on the impact of the COVID-19 pandemic on the outermost regions (OR)

Final report

Written by Ecorys
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Summary

Introduction

The future dynamics of the COVID-19 pandemic remain uncertain due to its evolving nature (new/ongoing waves of infection, new restrictions, new variants, vaccination efficacy and rollouts). The full extent of the impact of the crisis in the outermost regions (ORs) and related policy and support measures is still not fully known. This report provides a preliminary picture of the socio-economic effects of COVID-19 in the ORs. It presents an overview of the health, economic, and social impacts of the pandemic in the ORs, assesses the factors which shape its impacts (Task 1 of the study), and puts forward recommendations for recovery and resilience-building measures (Task 2 of the study).

This study was commissioned by DG REGIO, European Commission (EC), and it was carried out in the period December 2020-September 2021 by a consortium led by Ecorys. The findings and recommendations of the study are based on: **statistics** for key socio-economic indicators (e.g. GDP, employment statistics, sector-specific statistics); a **literature review** (e.g. reports on COVID-19 effects in the ORs); **80 interviews** (74 interviews with OR stakeholders and six with different EC services); **four workshops** with representatives of the OR administrations, industry organisations, and Non-Governmental Organisations (NGOs).

The situation before the COVID-19 pandemic

Before assessing the impacts of the COVID-19 crisis on the nine ORs, it is essential to consider the pre-pandemic situation. **All of the outermost regions** have had GDP per capita levels (PPS) **below the EU average and below those of their respective Member States**.[1] The difference between Member State and OR GDP per capita levels is especially salient in the French ORs.[2] Before the COVID-19 pandemic, all **ORs had unemployment levels which were higher than those of their respective Member States and the EU average**. The same was true of **long-term unemployment levels. Youth unemployment was high in all of the ORs** for which data are available (i.e. all except the Azores and Madeira). In 2019, while the respective EU average in 2019 was around 15%,[3] youth unemployment rates in the Canary Islands and most French ORs were well above 40%, and above 50% in some of them. Thus, the ORs were in a disadvantaged position at the outset of the COVID-19 pandemic when compared to the EU mainland.

Healthcare impact

The ORs have generally experienced mild first waves and much stronger second, third, and - in some cases - fourth waves (e.g. Guadeloupe, Martinique and Réunion). In Guadeloupe, Martinique, Mayotte, French Guiana, and Saint Martin the high number of COVID-19 cases put the health services under significant pressure - patients were sent to other regions and health personnel were sent from mainland France to provide support. Overall, the healthcare systems of the ORs are in a fragile state and lack the capacity to manage an increase in patient numbers, particularly in the French ORs, which must also manage

[1] Purchasing power standard (PPS) is the technical term used by Eurostat for the common currency in which national accounts aggregates are expressed when adjusted for price level differences using PPPs (see here).

[2] Eurostat does not provide data for Saint Martin, therefore the graphs in this section do not contain comparable data for this region; however, based on the limited number of estimates available though INSEE and IEDOM, the conclusions presented here hold for all ORs.

[3] Eurostat, Youth unemployment rates, EU27 and EA19, seasonally adjusted, Available at: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Unemployment_statistics#Youth_unemployment [Accessed: 22 September 21]

repeated outbreaks of dengue fever. In all French ORs the vaccination rate is much lower than in mainland France, while in the Azores, Madeira, and the Canary Islands, vaccination rollout has progressed well. The dynamism of the data on the COVID-19 cases shows that the situation in the regions may still deteriorate quickly and must be monitored closely.

Economic impact

OR economies **suffered significant consequences** following the introduction of the first round of restrictive measures in March 2020. In the Canary Islands, GDP decreased by 20% in 2020, while in Spain the decrease was estimated at 10.8%.[4] The Portuguese ORs are also experiencing a slower resumption in economic activity, compared to the Portuguese average. In December 2020, the economic activity index variation compared to the same month of 2019 was -2.5 in the Azores and -3.5 in Madeira, compared to a national average of -1.2. Economic activity in the French ORs decreased by 18-28% in the period March-May 2020[5], while in France the largest decrease in GDP was 18.6%, observed in Q2 2020.[6]

The availability of robust macroeconomic forecasts for the ORs is very limited, which makes predictions regarding recovery difficult. Nevertheless, **existing data suggest that most ORs will recover more slowly than national macroeconomic averages**. The GDP index of the Canary Islands is on a recovery trend, but due to its significant economic downturn in the first half of 2020, it remained approximately 10% lower than the national index in Q1 2021, despite convergence between the two prior to the COVID-19 pandemic.[7] Measured via the economic activity variation compared to the previous year, **the recovery in Portugal** (12 points above the benchmark in April 2021) **as a whole seems to be faster when compared to the Azores** (1 point above the benchmark in April 2021) **and Madeira** (7.3 points above the benchmark in April 2021).[8] On the basis of business climate indicators, while all French ORs were recovering in 2020, **Guadeloupe, French Guiana and Martinique clearly recovered more slowly than the national rate** until Q3 2020.

The tourism sector is among those most affected by the COVID-19 crisis in all ORs, and it has not recovered since the first wave of cases in Q2 2020. Available data indicate that tourist numbers decreased by approximately 70% from 2019 to 2020 across the ORs. The suppression of tourism activity due to the pandemic has been significant both in the ORs and their respective mainland Member States. However, most ORs rely on tourism activities more than their respective Member States (the Canary Islands, Martinique, Saint Martin, Guadeloupe, French Guiana, the Azores, Madeira) and therefore the negative impact on their (much smaller) economies is proportionally much greater.

Measures restricting the mobility of tourists have also **negatively impacted the transport sector, including both air and sea transport**. In terms of **air passenger traffic**, several airlines have had to reduce the frequency of flights. The reduction in air traffic has consequently suppressed airline and airport turnover. OR-based airlines have experienced significant financial difficulties, being unable to claim the same level of support available to national carriers. Shipping experienced a similar impact. Furthermore, the **price of maritime transportation has increased considerably** due to a surge in e-commerce and

[4] Source: Instituto Canario de Estadística and Eurostat (online code TEC00115)

[5] CEROM – Comptes Économiques Rapides pour l'Outre-Mer

[6] It should be noted that comparisons between the French OR and the national averages are arbitrary as the available figures for the French ORs show the economic activity in March-May 2020 and GDP predictions, while for France there is already Eurostat data on the real GDP.

[7] Gobierno de Canarias (2021). Informe de seguimiento del impacto económico del COVID-19. July 2021. Available at: https://www.gobiernodecanarias.org/cmsweb/export/sites/economia/galeria/Galeria_politica_economica_2/Informe-de-seguimiento-impacto-covid-19_Julio-2021.pdf [16.09.2021]

[8] SREA, DREM, and INE data

stockpiling, which puts the ORs in a very disadvantaged position considering their geographic locations.

Although there are significant challenges in finding data on the size of the cultural sector in the OR economies and the impact of the COVID-19 pandemic, the **creative sector appears to be one of the sectors hit the hardest by the lockdowns and restrictions** caused by the COVID-19 pandemic. For example, in the Canary Islands, the cultural sector - which accounts for a total of 26,500 direct and indirect jobs (almost 3% of total employment)[9] - has been brought to a complete standstill.

Due to the closure of stores and shops, the retail sector **suffered a significant economic shock** (a reduction of up to 70% in economic activity), particularly in the first months of the pandemic. Non-food goods and automotive sales suffered a particularly steep drop. Overall, **the shock registered in the retail sector was more severe in the ORs than in the respective mainland Member States.**

The **sudden halt in construction activity due to COVID-19 restriction measures, and the concomitant fall in investment,** led to a decrease in sectoral economic performance in all ORs from March to May 2020. This was particularly the case in Guadeloupe, where the sector is among the main contributors to GDP and the weight of the sector in the economy is higher than that in mainland France. As a whole, however, the available data suggest that the sector quickly rebounded and did not exhibit a significant decline.

The agricultural sector experienced a decrease in economic output in the first months of the pandemic (March-April 2020), but the drop was not as pronounced as in other sectors reviewed above. Based on the available data, the agriculture sector in the Azores (which has the biggest weight in the economy compared to the other ORs) likely experienced the largest contraction in economic output in comparison with the other ORs.

Social impact

The full impact of COVID-19 on employment is still unknown, and will likely only be clear once compensation measures are concluded and robust statistics are available. Nevertheless, in some ORs (the Canary Islands and Madeira) the pandemic resulted in **noticeable negative effects on overall employment in 2020**.

The **unemployment rate in the Canary Islands increased from 18.8% in Q4 2019 to 25.2% in Q4 2020**,[10] while in Madeira, the pandemic reversed a decline in the unemployment rate observed since 2015 (in 2019 the unemployment rate was 7.1%, but reached 8.1% in 2020). In both ORs these effects were more pronounced than at national level. At the same time in the Azores, the support measures implemented by the regional and national authorities prevented an immediate collapse in employment and, therefore, helped to mitigate the social impact of COVID-19. **During 2020, the unemployment rate in the Azores was slightly lower than that in Portugal** (6.1% compared to 6.8%), down from 7.9% in 2019.[11] Similarly, the measures put in place in the French ORs (i.e. compensation for partial unemployment, unemployment benefits, facilitation for access to training) partially mitigated the immediate impact of lockdowns and closures on unemployment. **French ORs registered decreased unemployment rates in 2020 as compared to 2019** (no data are available for Saint Martin). This is mostly due to the large public administration sectors in these regions. However, the size of the informal economy

[9] BOC, 2020/111. Viernes 5 de Junio de 2020 - Anuncio 1750 (gobiernodecanarias.org)

[10] Viceconsejería de Economía de las Islas Canarias.

[11] Eurostat: Unemployment rates by sex, age, educational attainment level and NUTS 2 regions (%). Code: lfst_r_lfu3rt. Extracted on 13 July 2021.

in many ORs makes it difficult to accurately estimate the number of people who lost their jobs as a consequence of the COVID-19 pandemic.

Recorded aggregate unemployment statistics may mask **disproportionate impacts on vulnerable groups**. For example, in Saint Martin, **younger (under 25) jobseekers were disproportionately affected** by the pandemic, as unemployment in this demographic group increased by almost 20%.[12] Considering the total amount of registered jobseekers in January 2019 and January 2021 in Madeira, **the rate of unemployed people aged below 25 years increased from 11.7% to 12.5%**. In the **Canary Islands, the impact on young people, aged between 15 and 24 years, was very high** - the unemployment rate increased from 42% to 52% between 2019 and 2020. In **the French ORs, the youth unemployment rate remained higher than the EU and national averages**, although decreasing youth unemployment rates were registered in Réunion, Guadeloupe and Martinique.

The rates of **young people not in employment, education or training (NEET) are reaching or sustaining alarming levels in the ORs**. In all ORs, NEET rates are higher than the EU (13.7% in 2020) and national averages. Although the NEET rates (15 to 29 years old) in the French ORs have not changed significantly due to the COVID-19 crisis, they remained extremely high in 2020 – between 23% in Martinique and 40% in French Guiana.[13] NEET rates in the Canary Islands increased by 3.3 percentage points, reaching 23.2%. In Madeira, the increase in the NEET rate between 2019 (12.4%) and 2020 (16.7%) was particularly high – 4.3 percentage points. These data show that **young people in ORs are in a very challenging position, which was aggravated by the COVID-19 pandemic**.

With regard to other social effects, the pandemic has had **a disruptive effect on school-age education** in the ORs through school closures. In most ORs, the direct effects of the COVID-19 pandemic on poverty are not yet quantifiable, but have been highlighted by various stakeholders. **Since the onset of COVID-19, flows of migrants have increased** in Mayotte, French Guiana, and the Canary Islands, due largely to their relative success in managing the pandemic compared to some neighbouring countries.

Measures: Looking back

A total of 345 policy measures addressing economic, social and health effects have been identified. The majority of the measures consist of public or private sector support schemes used to guide the strategic allocation of European, national and regional funds, in order to mitigate the adverse effects of the pandemic. The three most common types of measures identified so far are grants (99), followed by loans and equity financing (52), and subsidies (41). Short-term measures (those that span less than two years) are by far the most prevailing form of support, accounting for 273 of the total number. Long-term measures (those which span more than five years) are scarce in comparison, with an aggregate of 41 measures. Medium-term measures (average duration of 2-5 years) are the least common modality, with a total of 30 measures.

The wide variety of measures supporting the economy and labour market are perceived by stakeholders to be **broadly relevant** to addressing the impacts of the pandemic in the short-term, as they are designed to sustain a significant number of businesses and jobs. **However, it is far too early to come to a conclusive verdict on the effects of the implemented measures, due to the evolving nature of the pandemic.** Some key factors currently limiting the possibility of a conclusive evaluation are the evolving and short-term nature of the measures, the timespan necessary for initiatives to take full effect, the availability of information on recent programmes and outputs, and the large number of

[12] Bilan 2020 du Marché du travail à Saint Martin

[13] Eurostat, Young people neither in employment nor in education and training by sex and NUTS 2 regions (NEET rates), online code: edat_lfse_22, extracted on 22 September 2021.

measures put in place. However, **in terms of effectiveness, the feedback on the utility of most of the measures supporting the economy and labour market obtained from interviewees is broadly positive.** In particular, **the speed and broad scope with which state aid** has been unblocked is positively evaluated by most regional authorities and stakeholders. The REACT-EU package and the Coronavirus Response Investment Initiative (CRII), and Coronavirus Response Investment Initiative Plus (CRII+) have played a significant role in helping Member States tackle pandemic challenges.

Nonetheless, the effectiveness of the measures has also faced challenges. The capacity of regional authorities is one of the key challenges related to the implementation of the measures, affecting their results. Other observed difficulties relate to: the indebtedness of enterprises functioning as a barrier to applications for some modalities of support; uncertainty regarding post-pandemic recovery prospects, which has motivated some firms to 'hoard' support money that was intended for immediate spending and investment; refraining from applications for long-term business adaptation support; the high prevalence of informal economic activity in the ORs; and operational difficulties in applying for support.

Opportunities to build on existing measures

Each OR experienced the impact of the pandemic differently, which underlines the need for responses to the COVID-19 crisis tailored to each OR. In addition to the recommendations of new policy measures, the following paragraphs summarise the key types of measures that merit continuation and could be built upon.

Targeted and justified support to SMEs

Several measures and financing instruments are being deployed to safeguard business survival, including SMEs. Given the impact of the pandemic on economic operators and the uncertain recovery in the short-term, it is clear that targeted measures to support the private sector, particularly SMEs, could continue – as long as they can be justified.

Skills development for digitalisation

Immediately after the start of the pandemic, a major challenge was to ensure continuity, especially for the health, education and business sectors, which was primarily achieved through digitalisation. As the situation evolves, it will be critical to continue the measures related to digital skills development to ensure a digital transition. Digitalisation could help the ORs to overcome their geographical handicap and strengthen their access to digital education, business advisory and government services offered in the mainland.

Reinforcing the long-term performance of the health system

Given the nature of the pandemic, a range of health measures have come to the forefront, particularly related to immediate short-term needs. Emergency provisions, for instance, can provide the legal and administrative framework necessary for the rapid allocation of staff, capital and other necessary resources required for the effective functioning of hospitals. It is critical to strengthen health systems to improve the capacity of the ORs to deal with such health crises, addressing efficiency and infrastructure issues in the healthcare sector.

Flexibility in state aid rules

Temporary flexibility in state aid measures rolled out during the pandemic appears to have been effective in addressing critical challenges in society, welfare and employment. This type of measure could continue in the short-term to ensure the consolidation of broader efforts undertaken so far, even as the situation develops and economies recover. In the medium-term – guaranteeing compliance with the applicable state aid regime – it would be useful to consider focusing support on micro-enterprises and SMEs, and to combine it with targeted business

advisory support to encourage behavioural adaptation (flexibility and resilience) to the post-pandemic 'new normal'.

Social measures targeting youth, employment and poverty alleviation

Measures to support some of the most vulnerable in society – children, youth and the unemployed – maintain their relevance. The societal importance of these groups, and the disproportionate impact of the pandemic on their wellbeing, makes it particularly important to provide support during these evolving times. Measures focussing on support for youth employment and entrepreneurship are of particular importance, as these demographic cohorts continue to be reabsorbed into the workforce at a slower pace compared to experienced professionals.

Keeping vital transport corridors open

A considerable number of state aid measures have been devised to support large airlines and the transport sector amid the disruptions caused by pandemic response measures across the world. The remoteness of the ORs makes transport corridors particularly important – for the movement of nationals and tourists and to keep supply chains functioning. However, at the national level, attention could shift to more granular and localised transport networks and operators, which are vital in the ORs.

Address energy risks and promote energy independence: invest in reliable and renewable energy sources

The pandemic has increased reliance on digital and energy-dependent activities, highlighting the need for resilient and renewable electricity generation capacity. A promising example of measures in that direction is given by Portugal's investment in grant and loan schemes for projects in the Azores and Madeira that address challenges in production capacity and storage systems for renewable energy, among other related areas. These forward-looking investments may be used as a framework to inspire other regions to undertake similar initiatives.

Targeted measures to support sustainable recovery, growth, and resilience

The ORs have not been affected uniformly, and accordingly, the medium- and long-term impact will vary significantly across regions. Therefore, the choices made at national, regional, and local levels will largely determine recovery transition pathways, and progress towards a more resilient tomorrow. The paragraphs below provide a broad summary of possible measures based on patterns and similarities among the ORs.

Invest in the effectiveness of the public sector – nurturing citizens' trust

The pandemic has highlighted and tested the critical role of public governance. Accordingly, many of the specific recommendations to the ORs focus on governance-related challenges, such as public sector reform through public financial management in Guadeloupe, reducing the administrative burden on applicants for support in Saint Martin, or digitalising the public sector in Madeira and the Azores. In terms of overarching measures, relevant opportunities may lie in ensuring full access to information on public sector measures, monitoring their impact, and improving the absorption capacities of the regional agencies/governments through targeted capacity development efforts.

Invest in employment support schemes and apprenticeship programmes

Employment incentives, such as state aid support, subsidies and social security waivers, have been particularly relevant to ensure an appropriate safety net that limits unemployment fallout. These emergency measures have often been deployed for the benefit of young people, whose labour market integration remains relatively low in the ORs. In the medium- to long-term, while

there will be scaling back of temporary programmes, targeted employment incentives should be addressed with more emphasis on long-term needs and a vision of becoming sustainable.

Ensure long-term investment in youth: focus on job retention and hiring schemes

In general, broader interventions coupling job retention schemes, hiring subsidies, skills development, and informal education systems, especially focussing on young people, are needed. Related recommendations at OR level include: skills development in digitalisation, entrepreneurship, and sector-specific skills, amongst others. These include improving hiring or retention support schemes while addressing skills shortcomings, for example, in French Guiana and the Canary Islands; widening the scope of existing training programmes for young people in Saint Martin; and developing appropriate vocational training offers in Martinique.

Targeted sectoral strategies to safeguard regional business resilience

Numerous sectoral support measures have been undertaken during the pandemic, the majority focussing on helping sectors to rebound, through instruments such as grants, loans and subsidies. While it is clear that an integrated approach to improving the broader business environment could benefit all regions, there are several sector-specific opportunities to improve the long-term competitiveness of the ORs, which could be explored and developed through forward-looking policy measures. Recommended sectoral strategies include stimulating marine technology and bioeconomy R&D in Madeira, the dairy sector in the Azores, and further developing and diversifying tourism in Azores, Réunion, Madeira, Martinique, and the Canary Islands.

Strengthen enterprise resilience by supporting future-proof business models

As evidenced in the analysis of measures, several financing, grant and subsidy schemes have been introduced to support businesses, with a particular focus on SMEs. Moving forward, public policies could take a step forward and increase focus in strengthening the capacity, skills, and resilience of SMEs, as well as promoting their diversification. Moreover, the high prevalence of informal economic activity in the ORs demands customised strategies to reach the informal sector, promoting its upskilling and incentivising the shift towards the formal economy, i.e. the “formalisation” of business activity. Specific policies with the potential to address those challenges in the ORs include: facilitating access to credit for entrepreneurs in Martinique; promoting the visibility of EU funding opportunities in Saint Martin; and developing frameworks to support informal business in Mayotte.

Boost digitalisation as an opportunity to tackle remoteness

More structured and planned digital transformation measures across the ORs can support the reform of the public sector, the transformation of key sectors, the transition of business towards more resilient models and the emergence of new economic opportunities connected to remote services. Accordingly, recommendations include improving home access to digital tools in Guadeloupe and Martinique, promoting digital skills and digitalisation in business in Saint Martin, French Guiana, Mayotte and Réunion, and supporting public sector digitalisation in the Azores.

Capture the momentum towards green transition

While several measures have been rolled out to facilitate the green transition, current policies still do not represent a robust long-term green emphasis. This will be key to addressing overarching challenges, such as developing circular and blue economy strategies across the ORs, and expanding the local generation of renewable energy. Such measures could assist the ORs in generating further opportunities based on national and European policies, increasing resilience, and reducing both their carbon emissions and dependence on imported fossil fuels. In this context, several recommendations address infrastructure and renewable energy

opportunities for the ORs, such as the implementation of an energy neutrality project in the Canary Islands, improving regional connectivity, and accelerating renewable energy generation in Réunion.

1. Introduction

1.1. Objectives of the study

This report presents the findings of a study on the impact of the COVID-19 pandemic on the outermost regions (ORs), which was carried out in the period December 2020-September 2021. More specifically, the report provides **conclusions and recommendations** addressing the following objectives and key questions:

Table 1.1: Objectives and key questions of the study

Specific objective	Key questions
Provide an in-depth, evidence-based analysis of the short, medium and long-term impact of the COVID-19 pandemic on the outermost regions (Task 1)	• What is the impact of COVID-19 on each outermost region in the key sectors? What are the similarities and differences across regions, and how does this compare with the impact of COVID-19 on the respective Member States? Any trends? *(addressed in section 2.1 and OR fiches)* • How have the outermost regions' specificities influenced the economic and social impact of the COVID-19 pandemic on these regions? *(addressed in section 2.2)* • To what extent has the COVID-19 pandemic aggravated economic and social inequalities in the outermost regions compared to their Member States and the EU as a whole? *(addressed in section 2.3)*
Propose, on the basis of the analysis, tailored recovery and resilience-building measures in the short, medium and long-term adapted to the situation of each outermost region (Task 2)	• What is the impact so far of EU, national, and regional COVID-19 related measures on the recovery of the outermost regions? *(revised and partly addressed in section 3.1-3.2)* • How can existing measures be used/explored further to support the economic recovery in the outermost regions? *(addressed in section 3.3)* • What additional measures – investment, policy, legislative - can be undertaken at EU, national and regional levels to support sustainable recovery, growth, and resilience in the outermost regions? *(addressed in section 3.3)* • What actions should be undertaken as priorities in the operational programmes to be co-financed by cohesion policy funds in 2021-2027? *(addressed in all parts of the recommendations presented in section 3.3 and OR specific fiches)*

The findings presented in the report are based on:

- **A literature review** (including reports on the COVID-19 effects in the ORs, sources presenting COVID-19 related measures, and strategic documents).
- **Statistics** for the key indicators selected in the inception stage.
- **A total of 80 interviews** (74 interviews with OR stakeholders and six with different EC services), which provided valuable information and data both for Task 1 and Task 2 of the study (see Annex 1 for the list of interviewees).
- **Four workshops** with high-level representatives of the OR administrations, industry organisations, and NGOs.

1.2. Challenges of the study and mitigation measures

The study was implemented in line with the planning and methodology described in the Inception report. The study team has encountered various challenges in the implementation of the study, which we present in the table below, along with associated mitigation measures.

Table 1.2: Identified challenges and mitigation measures

Task/theme	Challenge	Mitigation measures
Task 1		
Timing	The data as of mid-2021 do not show the full effects on key parameters such as GDP, employment, and poverty. This is due to the lack of availability of up-to-date information for these indicators, for all ORs. Furthermore, the healthcare situation and the respective restrictions at OR/EU level are very dynamic, and will likely continue to evolve due to recurring waves of COVID-19 cases and new variants.	The most up-to-date information was used in the OR fiches and reporting. All limitations in the study findings are presented in the fiches. Furthermore, key parameters and indicators on COVID-19 impacts are identified (section 2.4), so that they can be continuously monitored in the future.
General issues with indicators	Heterogeneity of sources with different methodologies (e.g. the business confidence index, employment statistics), which makes meaningful comparison more challenging.	The most comparable indicators and values are used in the comparisons, while also flagging potential differences in methodologies, availability, and timing.
	A variety of indicators available for the same parameter (e.g. on the shares of the sectors in the OR economies, sectoral impacts).	
	Different time series for the same indicators (e.g. on GDP loss).	
	Assessing the socio-economic effects of the pandemic on informal economies is extremely challenging, while at the same time important particularly for the ORs with large informal economies (e.g. Mayotte).	The study team used quantitative information (where available), but these effects were also explored qualitatively during interviews and focus groups.
	The availability of data for Saint Martin was significantly more challenging than for the other ORs.	Stakeholders provided data on Saint Martin during and before/after interviews performed for the study. The latest available data for the OR was used, but the OR does not have comparable Eurostat data similar to other French ORs.
Economic indicators	• For most regions, there are currently no estimates on GDP impact beyond May 2020. • There is a general lack of quantitative information on the impacts of COVID-29 on the culture/events industries.	• Additional sources of data were explored with stakeholders. Where GDP data were not available, we used information on economic activity. • Requests for information on culture/events industries were made during interviews and focus groups, making sure all available data were used, but the information on this aspect is scarce.
Social indicators	• Different contexts (e.g. the very large informal sector in Mayotte), lack of consistent data, and various reference points lead to challenges in providing robust comparisons between the ORs in terms of all labour market indicators. • Unemployment welfare claims data have not been identified for Saint Martin, the Canary Islands, the Azores, and Madeira.	• All available information was gathered on indicators such as unemployment, jobseekers (across sectors, where available) to make sure that comparisons between ORs/MS/EU are possible for the same periods. Contexts are presented to explain unexpected trends (e.g. gaps in jobseeker data in some ORs so far). • Sources of data on school dropout rates in 2020 were discussed with stakeholders, but overall the data remain limited.

Task/theme	Challenge	Mitigation measures
	• There are still no available data showing disruption in school education (e.g. on early school leavers). • The effects on poverty are not yet quantifiable in most ORs, but have been flagged by various stakeholders.	• In addition to the sources used for the Interim report, in this report and the relevant OR fiches we included data from sources such as Observatoire des inégalités. • Furthermore, in section 2.4 we provide a list of key indicators and sources, which could be used to monitor social effects in the future.
Task 2		
Timing	The crisis and its responses are evolving. Several measures identified have been extended, and new measures are being initiated over time. This implies that the long-term impact of the measures undertaken at various levels is not yet visible.	In conjunction with the analysis in Task 1, the study team discussed this issue with stakeholders and presented caveats where data are insufficient to support conclusions on the impact of the measures.
Availability of information	• Lack of information on the measures, including basic information such as start and completion dates for over 40 measures. • In numerous cases the origin of the funding remains ambiguous, i.e. whether national and regional measures were solely funded by their governments, or if they have been financed with European funds. • While a number of financial instruments have been introduced, the size of these instruments does not specify the exact value to be granted or how this value is calculated. In many instances, these measures simply stated their total allocated budget whilst omitting the exact amounts committed or disbursed.	While attempts were made to gain further information and clarifications through interviews and further investigation on the ground, not all information and sources of funding could be traced. To the furthest extent possible, the source of financing is traced in the OR fiches, e.g. concerning the REACT-EU package, the Coronavirus Response Investment Initiative (CRII) and the Coronavirus Response Investment Initiative Plus (CRII+).
Impact of COVID-19 related measures	• Given the nature and timeframe of the measures, it became clear that it would take time for measures to be translated into actions, results and impacts visible on the ground. • No evaluations are yet available that trace the impact of the first phase of the pandemic. Therefore, it is a challenge to trace back and assess the actual effectiveness of the measures. • Short-term nature of the measures. While national recovery plans are available and recovery measures are being prepared, many of the actual measures in the database have a temporary short-term objective rather than a focus on post-crisis recovery and stabilisation.	Given these limitations, we focus on general lessons that can be drawn on the “effectiveness” of the actual measures undertaken in terms of “outputs” realised and experiences of the implementing agents and beneficiaries, based on qualitative aspects and anecdotal evidence through interviews. While it is too early to deduce the impact, the findings provide useful insights and directions for further analysis to formulate recommendations for future interventions presented in section 3.3.

1.3. About this report

The remainder of this report consists of two parts. Firstly, the findings on the impacts of the COVID-19 pandemic on the ORs are presented (section 2). Subsequently, the results of the mapping of recovery and resilience-building measures are set out, and some general and OR specific recommendations to address the COVID-19 impact in the regions are provided (section 3). More detailed findings and recommendations for each of the ORs have been made available in nine separate ‘OR fiches’ developed through this study.

2. Analysis of the impacts of the COVID-19 pandemic on the ORs

2.1. Similarities and differences across regions

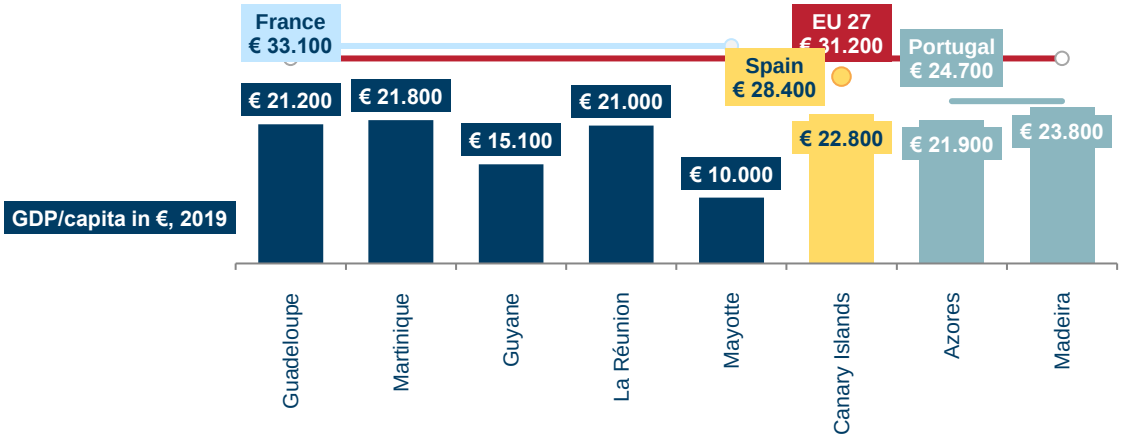
This section summarises the impacts of the COVID-19 pandemic in the ORs, which have been further detailed in the OR fiches developed through this study. Here, we provide an overview of the economic and social characteristics of the ORs as compared to the EU and national averages, followed by a summary of impacts in three domains: healthcare, the economy, and society.

Situation before the COVID-19 pandemic

Before assessing the impacts of the COVID-19 pandemic on the nine ORs, it is essential to put figures and trends into context. As well as exhibiting markedly different economic development levels, sectoral structures, and social characteristics, the ORs also differ considerably from mainland Europe and their respective Member States along some of the key indicators examined for this study. The findings of this study should be considered with these specificities in mind.

In 2019, **all ORs** had GDP per capita levels (PPS) that **were below the EU average and those of their respective Member States**.[14] The difference between Member State and OR GDP/capita levels was especially salient in the case of the French ORs.[15] Conversely, the difference in terms of GDP/capita between Portugal and its ORs was not as pronounced.

Figure 2.1: GDP per capita (PPS) in the nine outermost regions and their respective Member States, 2019



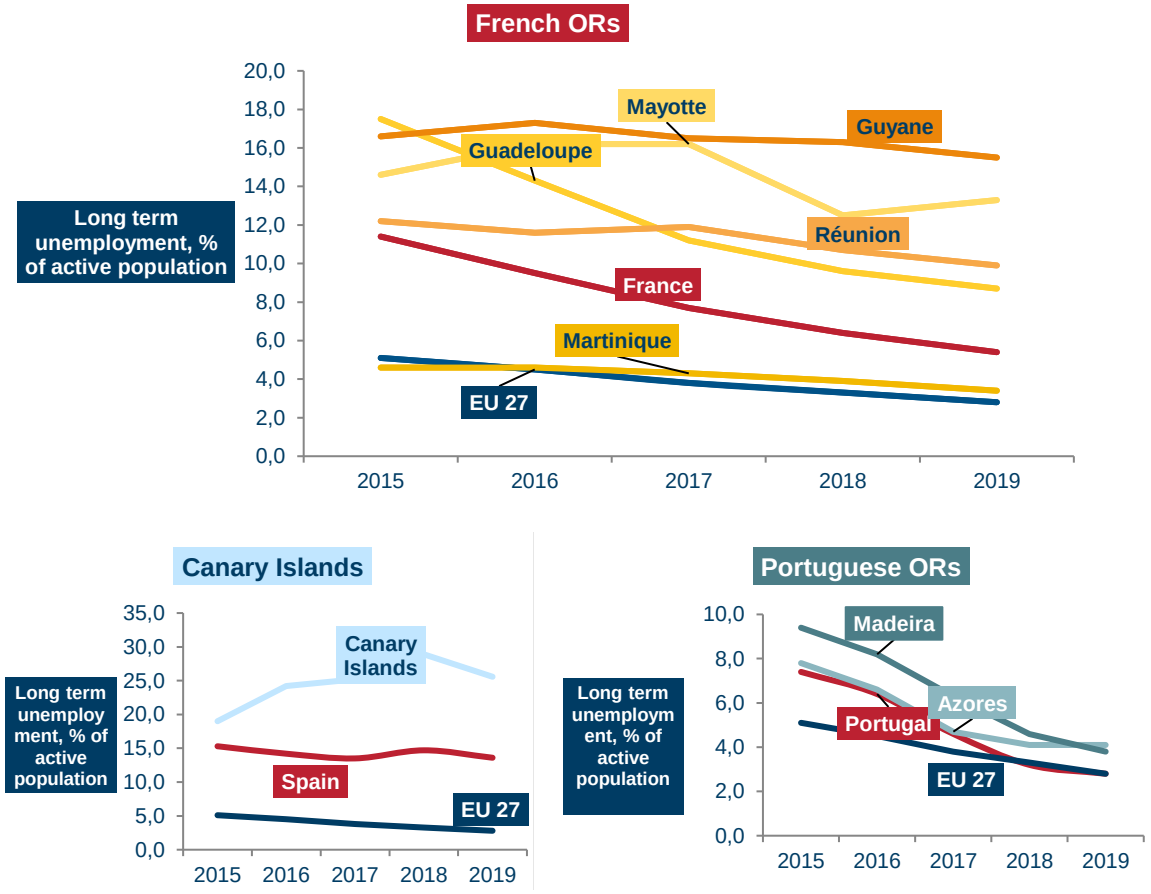
[14] PPS is the technical term used by Eurostat for the common currency in which national accounts aggregates are expressed when adjusted for price level differences using PPPs (see here).

[15] Eurostat does not provide data for Saint Martin, therefore the graphs in this section do not contain comparable data for this region. However, based on the limited number of estimates available though INSEE and IEDOM, the conclusions presented here hold for all ORs.

Source: Eurostat, code: nama_10r_2gdp (extracted on 23 July 2021)

Before the COVID-19 pandemic, all **ORs had unemployment levels higher than those of their respective Member States and the EU average.**[16] The same was true for **long-term employment levels** (Figure 2.2). The share of the active population in long-term unemployment is the lowest in the two Portuguese ORs, following a steady downward trend between 2015 and 2019. Long-term unemployment in the Canary Islands is higher than the EU27 and the national average, and showed an increasing trend between 2015 and 2019. The French ORs, however, have consistently registered a high proportion of long-term unemployed. The lowest rate of long-term unemployment in the French ORs was in Martinique, while the highest rate was registered in French Guiana.

Figure 2.2: Share of long-term unemployment in the active population (%), 2015-2019



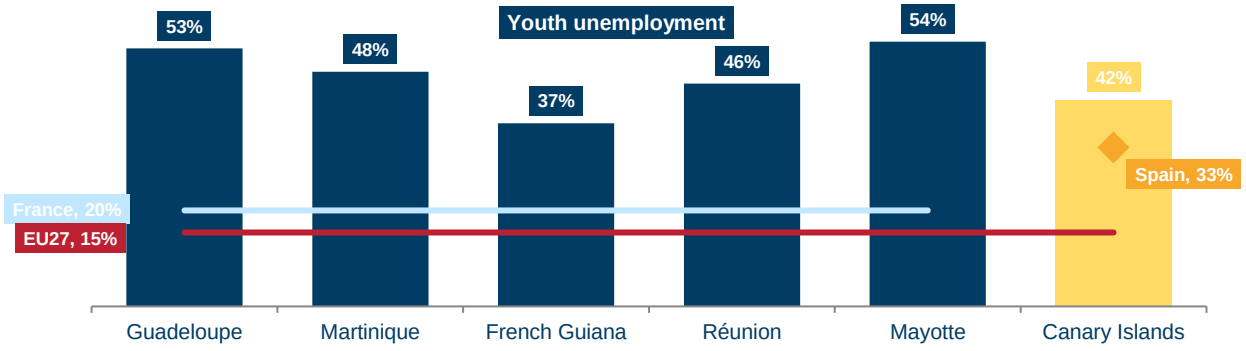
Source: Eurostat, code: lfst_r_lfu2ltu

Youth unemployment was high in all of the ORs for which data are available. While the respective EU average in 2019 was around 15%,[17] the French ORs and the Canary Islands were close to 40%, with more than one young person in two unemployed in Mayotte (54% and in Guadeloupe (53%) (Figure 2.3).

[16] Eurostat, code: lfst_r_lfu3rt

[17] Eurostat, Youth unemployment rates, EU-27 and EA-19, seasonally adjusted, Available at: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Unemployment_statistics#Youth_unemployment [Accessed: 22 September 21]

Figure 2.3: Share of youth unemployment in the active population (%) (2019)



Source: Eurostat, code yth_empl_110

The **share of the population with tertiary education was lower than the respective national average in all ORs**. Furthermore, the **proportion of tertiary-educated residents** was slightly above the EU average in the Canary Islands, but lower in all other ORs for which data are available (Figure 2.4).

Although no respective data are available for the French ORs, **the share of the population at risk of poverty or social exclusion was well above EU and national averages for the Canary Islands and the two Portuguese ORs** (Figure 2.5).

Figure 2.4: Share of population with tertiary education (ISCED 5-8, %) (2019)

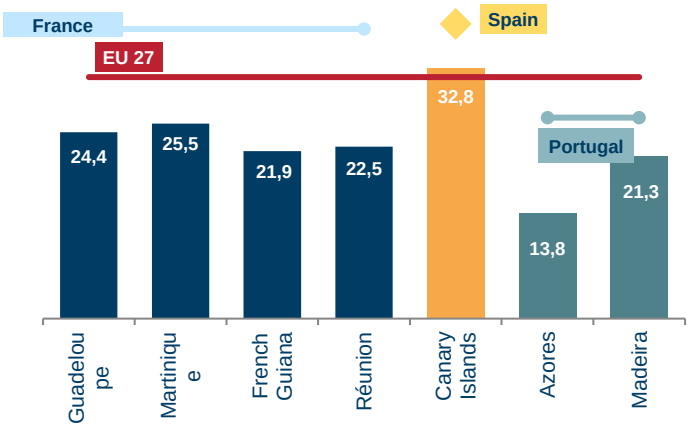
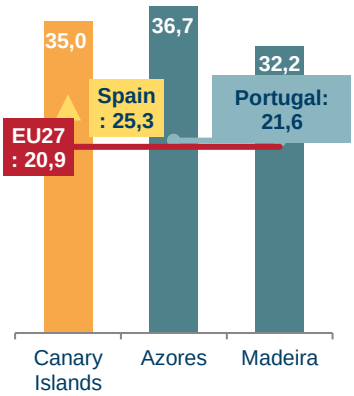


Figure 2.5: People at risk of poverty or social exclusion, % (2019) (Spain and Portugal)



Source: Eurostat, codes: edat_lfse_04 and ilc_peps11

Finally, **digitalisation** levels appear to be closer to EU and mainland averages. Nevertheless, **the share of households with broadband access in 2019 remained below the EU average (88%)[18] for all ORs except the Canary Islands, which is slightly**

[18] Eurostat (2020). Available at: https://ec.europa.eu/eurostat/statistics-explained/index.php/Digital_economy_and_society_statistics_-

above the EU average of 90%.[19] Both Madeira and the Azores have digitalisation levels above the Portuguese average (78%). The French ORs exhibit more variation, but rates were below the overall French share; 71% of the households in French ORs had broadband access in 2019, compared to the national average of 83%.

All of the above indicators are essential to contextualise the resilience of the regions to external shocks and the specific effects of the pandemic. The lower levels of GDP per capita, education, and digitalisation - coupled with high levels of structural unemployment - generally suggest a socio-economic situation that is less prone to withstanding external shocks when compared to their respective Member States, and the EU as a whole.

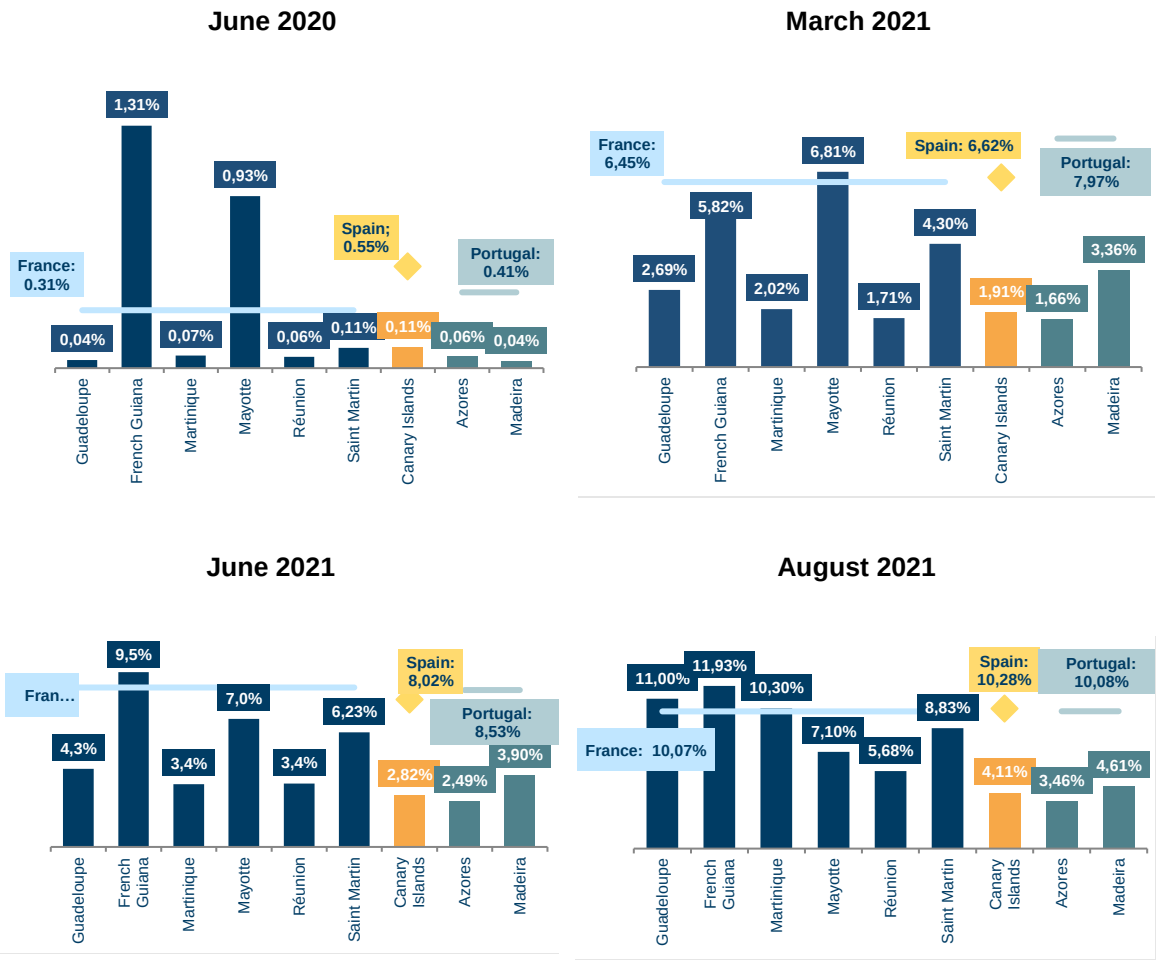
households_and_individuals#:~:text=By%202019%2C%20the%20share%20of,in%202009%20(55%20%25) [Accessed 22 September 2021]

[19] Eurostat, code: isoc_r_broad_h [Accessed 22 September 2021]

Healthcare impacts: fluctuations in infection numbers confronted by fragile healthcare systems

In terms of health-related statistics, the situation strongly varies across regions. **Réunion, Saint Martin, Canary Islands, Azores and Madeira have recorded lower rates of infection compared to their respective Member States, while in Guadeloupe, Martinique, Mayotte and French Guiana, the proportion of COVID-19 cases exceeded the national average**. In Figure 2.6 we provide a comparison across four points in time: June 2020, March 2021, June 2021, and August 2021, which presents a comprehensive picture of the evolving number of cases.

Figure 2.6: Percentage of cumulative COVID-19 cases over total population (comparison June 2020, March 2021, June 2021, and August 2021)



Source: WHO Coronavirus (COVID-19) Dashboard

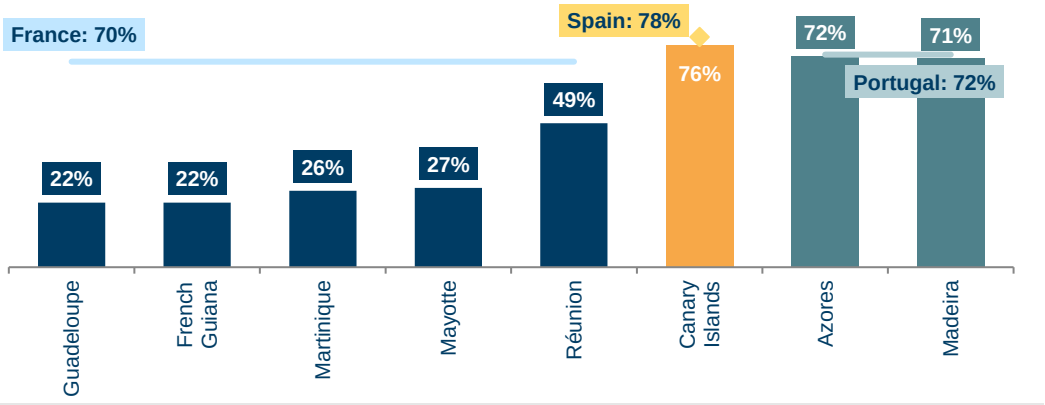
Generally, the ORs experienced **mild first waves (in March-April 2020) and much stronger second/third and fourth waves** (at different times across ORs). In most ORs, cumulative COVID-19 cases were lower in June 2020 when compared to their respective Member States, with the exceptions of French Guiana and Mayotte. In March 2021, the region with the highest percentage of cumulative cases was Mayotte (still higher than in mainland France), while the lowest numbers were registered in Réunion and the Azores. As of June 2021, the cumulative number of cases in Mayotte was below national levels, but French Guiana surpassed the national level again, making it the OR with the highest

percentage of cumulative COVID-19 cases as of mid-2021. Between July and August 2021, the situation changed rapidly for some of the French ORs. Martinique, Guadeloupe and French Guiana registered a substantial increase in the number of COVID-19 cases due to the spread of the delta variant in the regions. As of 31 August 2021, the cumulative number of cases in Guadeloupe, French Guiana, and Martinique exceeded the national average.

The **evolution in the number of cases and related control measures differs significantly between ORs**. As of August 2021, Martinique, Guadeloupe and French Guiana were still experiencing high numbers of COVID-19 infections, while in the remaining ORs (Mayotte, Saint Martin, Réunion, the Azores, Madeira, and the Canary Islands), the most recent waves were subsiding. **The dynamism of the data on the COVID-19 cases shows that the situation in the regions could deteriorate quickly** and should continue to be monitored closely.

Vaccination rates also differ significantly between the ORs. **In all French ORs the vaccination rate is much lower than in mainland France** (Figure 2.7). Slow mass vaccination progress in the French ORs is partially the result of limitations in the healthcare system and as a consequence, it is likely to impede speedy economic recovery. For the regions with lower vaccination rates, this can also be attributed to a lack of trust in the public sector, and/or general scepticism regarding the safety of COVID-19 vaccines - which makes people reluctant to get vaccinated.[20] The situation is particularly challenging in French Guiana, Guadeloupe and Martinique where the low vaccination rate is the main cause of the strong rise in the number of cases. On the other hand, in the Azores and Madeira the rate of vaccination rollout is comparable to that in mainland Portugal. The Canary Islands are also very close to mainland Spain in terms of vaccination progress.

Figure 2.7: Percentage of the population fully vaccinated (August 2021)



Note: Saint Martin is not included as data on the % of the population vaccinated is not available

Source: WHO Coronavirus (COVID-19) Dashboard

The fragility of the healthcare systems in most ORs is a factor that has shaped the impact of the pandemic from a health perspective. In most ORs, the number of doctors per 100,000 inhabitants remains below that of the respective mainland Member States and the EU27 average (with the exception of Madeira, which has slightly more doctors per 100,000 inhabitants than the EU27 average, but fewer than in Portugal; French Guiana is another exception as it has more doctors per 100,000 inhabitants than the French average, but fewer than the EU average). The numbers of hospital beds per 100,000 inhabitants are also lower than in mainland Member States and the EU27, with the exception of the Azores and Madeira and, to some extent, the Canary Islands, which have more hospital beds per

[20] There are local specificities behind the general mistrust towards the vaccination process, but some factors that could be highlighted include: attachment to traditional medicine; structural mistrust of products resulting from chemical transformations, as a result of the chlordecone scandal (a pesticide used in Guadeloupe and Martinique); insufficient incentives and confusing political speeches; a general mistrust concerning so-called 'expert speeches'.

100,000 people when compared to Spain.[21] It should also be noted that there are issues related to the overall capacity, availability of equipment and intensive care units, and medical countermeasures, which were flagged by stakeholders during this study. The weaknesses of the health systems limit their ability to manage larger numbers of severely affected patients, **particularly in the French ORs.**

Based on these data, **the hardest-hit ORs in terms of immediate healthcare impacts are Mayotte, Saint Martin, Guadeloupe, Martinique, and French Guiana**. The strain on the system is illustrated by the following examples. At the onset of the pandemic, Mayotte had one hospital with 16 intensive care beds, approximately 2,250 staff and 250 doctors to care for an official population of 279,000 (although irregular migration means that the true figure is likely much higher). As a result, Mayotte had to transfer some patients to Réunion. Saint Martin's health infrastructure was also quickly overwhelmed with COVID-19 cases (its only hospital centre has 80 beds,[22] while the number of daily recorded cases was more than 100 in May 2021), and Saint Martin had to send patients to Guadeloupe. In French Guiana, cases spiked in July 2020, at one point accounting for a quarter of new daily cases reported in all of France and leading to the emergency deployment of 130 reserve health care workers.[23] Relying on the largest hospital in Cayenne, limited and uneven access to intensive care unit (ICU) beds was provided across French Guiana.

This limited capacity led to some COVID-19 patients being evacuated to Guadeloupe and Martinique. These overall limited capacities exist in a wider context of limited public spending, particularly so for the French ORs. According to the Regional chamber of accounts, in Mayotte, per capita health expenditure is four times lower than in Réunion, and half that of French Guiana.[24] The fourth wave of the pandemic in Guadeloupe and Martinique (July-August 2021) put the health systems of the regions under severe pressure, and in the second half of August around 500 doctors, nurses and firefighters were sent to Martinique and Guadeloupe from mainland France to provide support.

Considering the risks posed by the state of the health systems and the remoteness of the ORs from the hospitals in their respective mainland Member States, the first round of **COVID-19 restrictions** was imposed shortly after the detection of the first COVID-19 cases (March 2020). Thus, precautionary and social distancing measures (including mandatory polymerase chain reaction (PCR) testing to enter the regions and isolation in dedicated hotels) were critical in managing infection rates. Restrictions included the closure of all non-essential services, such as shops and restaurants, and the restriction of movement. This was followed by cutting down flights between mainland Member States and the ORs and introducing curfews. There were several rounds of restrictions throughout 2020 and 2021, depending on the number of cases in each region.

There are still many risks and uncertainties concerning the future dynamics of the virus, including possible further waves, emerging variants, vaccination rollouts, and new restrictions. Thus, this analysis and the details in the OR fiches provide only a preliminary picture of the healthcare situation and challenges.

[21] No consistent information is available on the number of ICU beds per inhabitant across all ORs.

[22] Website - Centre Hospitalier Saint Martin Louis Constant Fleming; accessed 22 September 2021; https://www.chsaintmartin.org/centre-hospitalier-st-martin/chiffres-hopital-saintmartin.html [Accessed 22 September 2021]

[23] France 24 (2020) France's new PM vows help for Covid 19-hit French Guiana, 13 July 2020, Available at: https://www.france24.com/en/20200713-france-s-new-pm-vows-help-for-covid-19-hit-french-guiana [Accessed 22 September 2021]

[24] Cour des Comptes – Mayotte (2020) Centre hospitalier de Mayotte (CHM) - Exercices 2015 et suivants. Available at: https://www.ccomptes.fr/fr/publications/centre-hospitalier-de-mayotte-chm-exercices-2015-et-suivants

Economic impact

This assessment of economic impacts begins with a presentation of key macroeconomic impacts and then focusses on specific sectors.

Macroeconomic overview: heavy consequences following the first round of restrictive measures

The OR economies **have suffered heavy consequences** following the introduction of the first round of restrictive measures in March 2020. In the Canary Islands, GDP decreased by 20% in 2020, while in Spain the decrease is estimated at -10.8% (Table 2.1). In 2020, the Portuguese ORs also experienced a slower resumption in economic activity compared to the Portuguese average. Economic activity in the French ORs declined by 18%-28% in the period March-May 2020[25], while in France the largest reduction in the GDP was 18.6%, observed in Q2 2020. Yet, comparisons between the French OR and the national averages are somewhat arbitrary as the figures for the French ORs show the economic activity in March-May 2020 and GDP predictions, while for France the table presents real GDP based on the most up-to-date Eurostat data.

Table 2.1: Effects of the COVID-19 pandemic on GDP/economic activity

OR	Effects on GDP	Source
Mayotte	-7% loss of annual GDP / -18% economic activity for the period March-May 2020.	CEROM[26]
Guadeloupe	-3% loss of annual GDP / -20% economic activity for the period March-May 2020.	
French Guiana	-3.8% loss of annual GDP / -25% economic activity for the period March-May 2020.	
Martinique	-3% loss of annual GDP / -20% economic activity for the period March-May 2020.	
Réunion	-4.2 loss of annual GDP / -28% economic activity for the period March-May 2020.	
Saint Martin	No comparable data available, but a study estimated that the impact of the eight weeks of confinement on yearly GDP growth for 2020 would be -5.7%.[27]	ACCIOM
France	Real GDP growth rate (volume) -7.9% in 2020 (percentage change compared to 2019) / largest percentage change compared with the same quarter of the previous year -18.7% (Q2 2020).	Eurostat[28] (online code TEC00115) / Eurostat Quarterly national accounts (online code NAMQ_10_GDP)
Azores	No GDP figures or estimates for 2020 are available yet. Nevertheless, economic activity dropped at a higher rate compared to the mainland in the period March-November 2020 (except the period March-May), i.e. the recovery at national level (-1.2% variation from the benchmark in November 2020) is faster than in the Azores (-2.7% variation from the benchmark in November 2020).	SREA and INE

[25] CEROM – Comptes Économiques Rapides pour l'Outre-Mer

[26] CEROM (2021). Les conséquences économiques de la crise sanitaire dans les Outre-mer. Published: March 2021. Available at: https://www.cerom-outremer.fr/IMG/pdf/cerom_impact_crise_sanitaire_vf.pdf [Accessed on 16 September 2021]

[27] In a business as usual scenario, which did not materialise due to the ongoing COVID-19 crisis.

[28] Data from Eurostat for France, Spain, and Portugal, extracted on 19 September 2021

OR	Effects on GDP	Source
Madeira	No GDP figures or estimates for 2020 are yet available. Nevertheless, economic activity dropped at a higher rate compared to the mainland in the period March-November 2020 (except the period March-April) and the recovery at national level (-1.2% variation from the benchmark in November 2020) is faster than in Madeira (-3.5% variation from the benchmark in November 2020).	DREM and INE
Portugal	Real GDP growth rate (volume) -7.6% in 2020 (percentage change as compared to 2019) / largest percentage change compared with the same quarter of the previous year -16.5% (Q2 2020).	Eurostat (online code TEC00115) / Eurostat Quarterly national accounts (online code NAMQ_10_GDP[29])
Canary Islands	20% drop in real GDP in 2020.	Instituto Canario de Estadística
Spain	Real GDP growth rate (volume) -10.8% in 2020 (percentage change as compared to 2019) / largest percentage change compared with the same quarter of the previous year -21.6% (Q2 2020).	Eurostat (online code TEC00115) / Eurostat Quarterly national accounts (online code NAMQ_10_GDP)

There was a **substantial decrease in business confidence in all French ORs in Q1 2020, but it has since rebounded** (Table 2.2). In the French ORs, there was a V-shaped recovery in business confidence following the easing of restrictions in mid-2020. The index continued the recovery despite further restrictions that were later imposed. Data reveal that the recovery to pre-COVID-19 levels of business confidence has been more rapid in the French ORs as compared to mainland France, but the French ORs experienced greater falls in business confidence in Q1 2020. In Mayotte and Réunion, the business confidence index in Q1 2021 was higher than during pre-COVID-19 times. Concurrently, the situation in the Canary Islands was the opposite. Although business confidence levels are increasing in the Canary Islands, they remained much lower in Q4 2020 than they were before the pandemic, and the gap with Spain has increased. The estimates for Q3 2021 show a gap of more than 16 points between the Canary Islands (112.4) and Spain (128.9).[30] Further information on the business confidence index is presented in section 2.4.

Table 2.2: Effects on the business confidence index

OR	Q4 2019	Q1 2020	Difference between Q4 2019 and Q1 2020	Q4 2020	Difference between Q4 2020 and Q42019	Source
Mayotte	103.4	92.6	-10.8	102.1	-1.3	CEROM
Guadeloupe	92.93	54.9	-38.03	96.9	3.97	IEDOM
French Guiana	93.5	**64.2**	-29.3	96.1	2.6	IEDOM
Martinique	100.3	69.8	-30.5	99.1	-1.2	CEROM
Réunion	100.6	71	-29.6	99.6	-1	IEDOM
Saint Martin	N/A	N/A	N/A	N/A	N/A	N/A
France	105.7	101.7	-4	86.9	-18.8	INSEE
Azores	N/A	N/A	N/A	N/A	N/A	N/A
Madeira	N/A	N/A	N/A	N/A	N/A	N/A

[29] Extracted on 19 September 2021

[30] ISTAC (2021). La confianza empresarial en Canarias registra en el tercer trimestre de 2021 una subida del 15,2% con respecto al anterior. Available at: http://www.gobiernodecanarias.org/istac/.content/noticias/indicadores-confianza-empresarial-canarias-noticia.html [Accessed: 17 September 2021]

OR	Q4 2019	Q1 2020	Difference between Q4 2019 and Q1 2020	Q4 2020	Difference between Q4 2020 and Q42019	Source
Portugal	N/A	N/A	N/A	N/A	N/A	N/A
Canary Islands	121.2	122.2	1	93.5	-27.7	ISTAC
Spain	131.1	130.6	-0.5	105.5	-25.6	INE

Quarterly statistics on **imports** and **exports** in the ORs paint a volatile picture, and quarterly trends are difficult to discern. However, looking at the annual situation (excluding Q4 2020), **both imports and exports were lower on average in 2020 than in 2019.** An exception can be seen in imports in Mayotte and the Azores, where imports were higher in 2020 than in 2019 (Table 2.3). As ORs typically have relatively small and open economies characterised by a heavy dependence on imports, variations in import volumes provide an important indication of overall changes in internal consumption. Restrictions in maritime and air transport are another explanatory factor. Exports have been suppressed due to reduced economic activity as a direct result of pandemic restrictions in the ORs, and because of disrupted supply chains.

Table 2.3: Effects on imports and exports (€ million)

OR	Imports	Exports	
	Difference average 2019-2020	Difference average 2019-2020	Source
Mayotte	7.16%	-27.50%	CEROM
Guadeloupe	-8.33%	-13.11%	CEROM
French Guiana	-6.05%	-13.08%	IEDOM
Martinique	-1.75%	-12.25%	CEROM
Réunion	-4.75%	-18.75%	CEROM
Saint Martin	N/A	N/A	N/A
Azores	4.20%	-6.96%	INE
Madeira	-16.28%	-12.94%	INE
Canary Islands	-26.06%	-29.14%	ISTAC

Sectoral analysis

In general, due to the nature of the measures introduced globally to halt the spread of COVID-19, **the sectors most commonly affected are characterised by physical human proximity and mobility**. This is no different in the case of the ORs, although their geographical and economic characteristics (insularity, significant reliance on transport, and the structure of the economy) also influence these dynamics. As mentioned in section 1.2, this analysis focusses on the sectors which have been most severely affected by the pandemic: tourism, retail (wholesale and retail trade), transport, construction, agriculture, fisheries, and cultural/events sectors.

Tourism – high dependence and heavily hit

Due to its strong reliance on visitors by air and sea (cruises), **tourism is among the sectors most affected by the COVID-19 pandemic in all ORs**. Intuitively, the severity of the overall impact of the pandemic in each outermost region has largely been determined by the economic importance of its tourism sector. In ORs which rely the most heavily on

international tourism, such as the Portuguese ORs, the Canary Islands, Martinique, and Saint Martin, the associated overall impact was more severe than that in Réunion or Mayotte (where tourism has a lower weight in the economy). Data on economic impacts per sector are inconsistent, but some ORs experienced a reduction in tourism sector economic activity of up to 90% (Table 2.4).

Available data indicate that the number of tourists decreased by approximately 70% across the ORs. The suppression of tourism activity due to the pandemic has been significant both in ORs and their respective mainland Member States. However, **most ORs rely on tourism activities more than their respective Member States** (the Canary Islands, Martinique, Saint Martin, Guadeloupe, French Guiana, the Azores, and Madeira), meaning that the negative impacts on their (much smaller) economies are proportionally much greater. In a national context, the Canary Islands was the region with the largest proportional decline in the number of companies registered within the Spanish Social security system during the months immediately following the lockdown of March-May 2020. In December 2020, there was a recorded decrease in the number of Canarian companies of approximately 10% compared to that in December 2019 (almost 6,000 companies). The largest change was in the tourism sector (-11%), followed by the services sector (-7%).

Table 2.4: Economic effects of the COVID-19 pandemic on the tourism sector

OR	Weight in the economy	Illustrations of the effects on the sector	Source
Mayotte	~1% of GVA	The accommodation and catering sector experienced a 90% loss in economic productivity during the first COVID-19 lockdown (March-May 2020) due to the cessation of activity and air transport, and a 60% loss in June 2020.	IEDOM / CEROM
Guadeloupe	9.5% of GDP in 2019	The tourism sector was severely hit, showing a 49% loss in turnover in Q4 2020. Hotel visits dropped by more than 63% in 2020.	Sénat, 2020 / INSEE
French Guiana	9-12% of French Guiana's GDP	The added value of the hotel and restaurant sector may have fallen by 90.7% in 2020.	Sénat, 2020 / INSEE
Martinique	10-12% of the GDP	Tourism suffered a setback of 80% during the first lockdown, then 75-80% during the second wave.	ACCIOM 2020 / interviews and INSEE
Réunion	~2% of GDP	39% reduction of turnover / According to the Observatoire Régional du Tourisme, only 121,072 people visited Réunion in 2020, compared to 533,622 in 2019 (-77.3%).	CEROM / Observatoire Régional du Tourisme
Saint Martin	14.9% share of the accommodation and food sector in total employment, but according to some estimates, the overall contribution of tourism to the economy may be above 90%	The economic loss of the confinement measures were €30m until June 2020. Only 583,172 people visited Saint Martin in 2020, compared to 2,059,623 in 2019 (-71.7%).	Sénat, 2020 / IEDOM / Saint Martin Tourism Office
France	7.3% of GDP (2018); close to 8% (according to France Diplomacy, October 2020)	Loss of turnover in the tourism sector estimated in the range 30%-50% in 2020 compared to 2019.	OECD[31] / Observatoire de l'économie du tourisme - OFCE

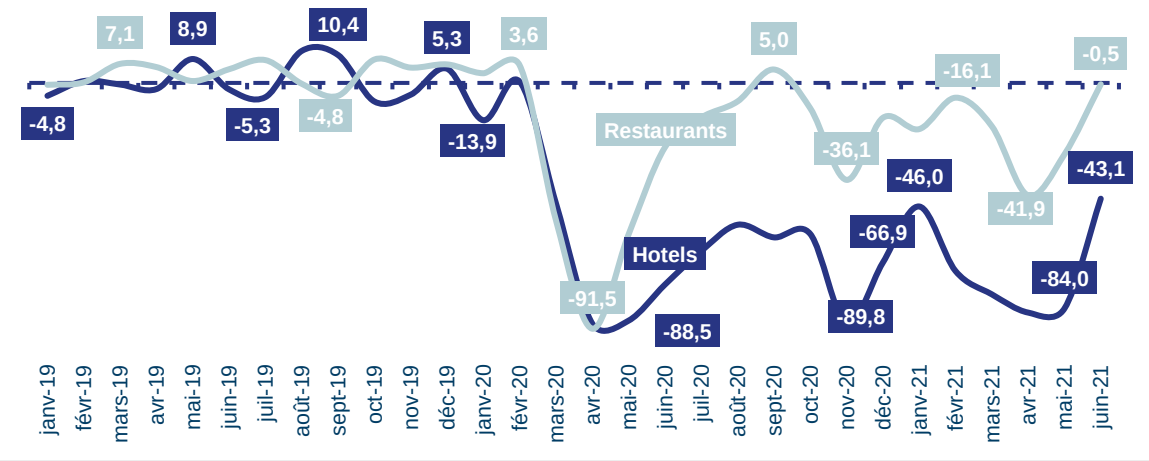
[31] OECD. Tourism GDP. Available at: https://data.oecd.org/industry/tourism-gdp.htm [Accessed 17.09.2021]

OR	Weight in the economy	Illustrations of the effects on the sector	Source
Azores	17.2% of GDP	In 2020 there were 69% fewer guests in tourist establishments and a 75% drop in total income.	Resolution from Azorean regional legislative assembly
Madeira	26% share of GDP	There were 61% fewer guests in tourist establishments in 2020 than in 2019, and a 64% drop in income from these establishments.	Interview with a representative of the Madeiran regional government
Portugal	15.4% of GDP and 8.5% of GVA (2019)	Between March 2020 and February 2021, there was a decrease of 70.9% in guest numbers and 71.7% in overnight stays compared to the previous 12 months.	INE
Canary Islands	35% of GDP	The number of tourists fell by around -70% in 2020, from 15.1 million (in 2019) to 4.6 million.	IMPACTUR (2018) / Instituto Canario de Estadística data
Spain	12.3% of GDP (2018) and 12.9% of employment (2019), according to INE Weight of tourism in the Spanish economy as a whole at 4.3% in 2020, compared to the 12.4% it represented in 2019.	69% loss in “tourism GDP” in 2020.	OECD / INE / Exceltur The Exceltur study

The effects of the pandemic on the tourism sector are well illustrated by an example from Martinique, which is presented in the following textbox.

Box 1: Tourism turnover in Martinique

Figure 2.8: Turnover of the tourism sector in Martinique (Jan 2019-June 2021, %)



Source: Ecorys based on INSEE data

Most hotels remained closed during the first lockdown in Martinique, with only one in eight remaining open. This was lower than in mainland France, where one in every four hotels remained open. In June 2020, 70% of hotels were open again; slightly lower than in mainland France (78%

of hotels open) but higher than in Guadeloupe (54%).[32] The number of booked stays during the second quarter of 2020 decreased by 93% compared to the same period one year before.[33] Consequently, hotel sector turnover in April and May decreased by 90% compared to the same period the previous year. Even after restrictions were lifted, hotel turnover in June 2020 remained 75% lower compared to June 2019.[34] A similar situation applied to restaurants, for which turnover in April and May decreased by 90% year-on-year.[35]

Retail – a severe shock in sales volumes

Due to the closure of stores and shops, the retail sector **suffered a significant economic shock** (e.g. a decrease of up to 70% in economic activity in Guadeloupe, as shown in Table 2.5), particularly in the first months of the pandemic. Non-food goods and automotive sales suffered an especially steep drop. Overall, **the shock registered in the retail sector was more severe in the ORs than in the respective mainland Member States.** This was particularly the case for the French ORs, although data are not fully comparable. As the pandemic progressed, consumer preferences shifted towards buying in smaller local stores during the lockdown. Vendors of luxury goods and clothes have generally sustained the heaviest losses, while small food businesses benefited from increased sales. The Google mobility index shows that visits to retail and recreational centres (including shopping centres) and to grocery and pharmacies had all but ceased between March 2020 and May 2020, and remained below the baseline average figures even after the end of the first lockdown period. Nonetheless, this (along with online shopping) supported the sectoral **recovery in June and in the second part of the year, somewhat limiting economic losses**.

Table 2.5: Economic effects of the COVID-19 pandemic on the wholesale and retail sector

OR	Weight in the economy	Illustrations of the effects on the sector	Source
Mayotte	8% of GVA	-16% economic loss until June 2020 (followed by recovery).	INSEE / CEROM
Guadeloupe	14% of GDP	-70% economic activity in March-May 2020 (followed by recovery).	CEROM
French Guiana	N/A	N/A	-
Martinique	13.4% of total production	-43% economic activity in March-May 2020 (followed by recovery).	DEM / CEROM
Réunion	11% of GDP	-16% economic loss until June 2020. The second half of 2020 saw an increase in turnover for the sector, with results for Q4 7% higher than during the preceding year.	CEROM / IEDOM
Saint Martin	14% share of the wholesale and retail sector in total employment	N/A	IEDOM
France	10% (share of the sector in the total added value in 2018)	Retail sector: - 2% in September 2020 (compared to 2019).	INSEE

[32] INSEE, 2020. *Au 2e trimester 2020, l'activité économique de la Martinique reste impactée par la crise sanitaire.* [online] Available at: < https://www.insee.fr/fr/statistiques/4800506#titre-bloc-17> [Accessed 22 September 2021]

[33] *Ibid.*

[34] *Ibid.*

[35] *Ibid.*

OR	Weight in the economy	Illustrations of the effects on the sector	Source
		Wholesale sector: - 4.1% in September 2020 (compared to 2019). -9% of economic activity in 2020 compared to 2019 for both sectors (including car repair).	
Azores	N/A[36]	In April 2020, there was a 34% decrease in the number of purchases via points of sale compared to April 2019. As compared to the same months in 2019 between October and December 2020, there were increases fluctuating between 2.3% and 4.9%.	SREA – Regional Statistics of Azores
Madeira	N/A[37]	In April 2020, compared to the same month in 2019, there was a 48% decrease in the number of purchases via points of sale. As compared to the same months in 2019 between September and December 2020, there were decreases fluctuating between 2.4% and 4.7%. The Google Mobility Index for grocery and pharmacy shows a decrease of 16% compared to the baseline during the dates of 1 November and 13 December 2020.	DREA - Regional Statistics of Madeira / Google Mobility Index
Portugal	In 2018 Retail trade, except for motor vehicles and motorcycles, was 5.1% of the national GVA and Wholesale trade, except for motor vehicles and motorcycles, was 6.8%.	There was a 42% decrease in the number of purchases via points of sale from April 2019 to April 2020. Between September and December 2020, decreases compared to the same months in 2019 fluctuated between 5% and 13.2%.	INE
Canary Islands	N/A[38]	N/A	Instituto Nacional de Estadística
Spain	13% of Spanish total added value (2019)	After a difficult period during the hardest months of the pandemic, sectoral activity recovered strongly. Retail activity is close to, but below, pre-COVID-19 levels. However, there is heterogeneity in the recovery. On one side, large chains and supermarkets (large shops in both cases) have recovered to their pre-COVID-19 sales levels. On the other hand, the situation for small retailers is more challenging, with a level of activity still 13% below the 2019 average.	Bank of Spain, Caixabank

[36] The currently available data is for the sector of Commerce, which includes wholesale and retail trade; repair of motor vehicles and motorcycles; transportation and storage; accommodation and food service activities Information and communication activities), which is not a proper representation of the sector's value in the economy.

[37] *Ibid.*

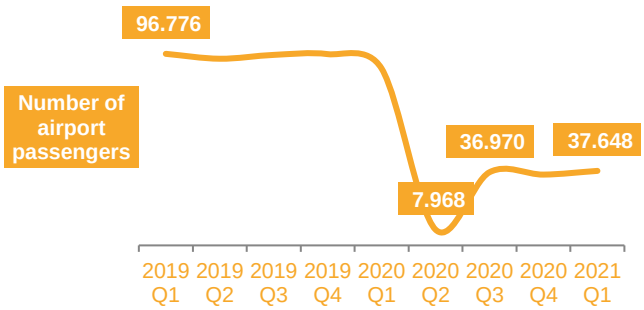
[38] The currently available data combines retail, transport, hotels, and accommodation, which is not a proper representation of the sector's value in the economy.

Across the ORs, before COVID-19 lockdowns were imposed, large and medium-sized department stores (and markets) were the main channels for consumer activity. As noted above, after the pandemic started, consumer preferences shifted towards buying in smaller and local stores during the lockdown (e.g. in Martinique and Guadeloupe). However, as lockdowns ended, large department stores and markets recovered and once again took the leading role in retail sales.

Air and maritime transport: consistently strong impacts and increased freight prices

Given their geographic locations, the air and maritime transport sectors are essential to OR economies. Naturally, measures restricting the mobility of tourists have also impacted the transport sector, including both air and sea transport. The transport sector was significantly impacted during the first lockdown period, i.e. March-May 2020. In all French ORs, the impact was consistently stronger than in mainland France, but it should be noted that comparisons are not fully aligned due to the fact that they are based on different indicators and data sources (Table 2.6). In the Portuguese ORs, the impact on maritime traffic was also greater compared to that in the mainland. Regarding the economic impact on air traffic rates, there was no observed significant difference between the mainland and the Portuguese ORs. The Canary Islands suffered an average reduction of 70% in the transport of air passengers in 2020 compared to 2019, even reaching a 99% decrease in April and May 2020, compared to the same period in 2019.[39] An added concern for the region is that fuel prices and other transport costs have remained above the Spanish average for the entire period, thereby posing further constraints to the transport system to and from the islands.[40]

Figure 2.9: Air passengers, Mayotte, 2019-2021



Source: Ecorys based on Instituto Canario de Estadística data

In terms of air passenger traffic, several operators had to reduce the frequency of flights or cancel flights. By way of example, the effects of the pandemic on air passenger volumes are evident in the case of Mayotte (Figure 2.9).

Air passenger numbers in French Guiana dropped from approximately 117,000 in Q1 2020 to 15,000 in Q2 (-87%).[41] In December 2020, the number of passengers disembarking in Azorean airports decreased by 61.7% compared to the same month in the previous year.[42] In the Canary Islands, there was a 51.8% drop in the number of flights as a result of the effects of the COVID-19 pandemic over the 2020 calendar year.[43]

[39] Instituto Canario de estadística. Data available at: ISTAC | Tráfico aéreo comercial. Llegada de pasajeros no interinsulares (gobiernodecanarias.org)

[40] Instituto Canario de Estadística (ISTAC)

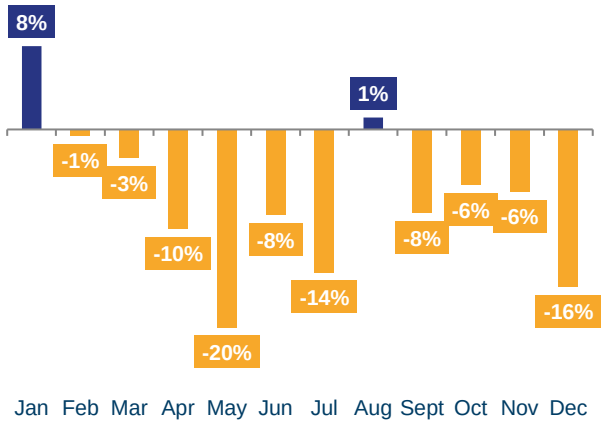
[41] IEDOM (2020) Annexes statistiques Guyane, 3e trimestre 2020

[42] SREA Azores Statistics Portugal

[43] AENA official data. Available at: https://wwwssl.aena.es/csee/Satellite?pagename=Estadisticas/Home&_ga=2.77517971.707072575.1632407902-2060326067.1626624145

The reduction in air traffic has consequently suppressed the turnover of airlines and airports. In the French ORs, local airlines experienced significant financial difficulties as they were unable to claim the same level of support available to Air France, the national carrier. For example, Air Austral, which had about 1,100 employees, had to reduce its staff numbers by 15-20% based on voluntary leave plans. Air Caraïbes also incurred heavy losses.

Figure 2.10: Annual variation (2020) of goods transport by ports, Canary Islands



Source: Ecorys based on Instituto Canario de Estadística data

Shipping experienced a similar impact. Between March and May 2020, freight shipping measured by the volume of cargo fell compared to the same period in 2019. Although the maritime transport of goods did not cease, delivery times were lengthened. Shipping companies had to adjust their routes to ensure supplies to some other territories. In some ORs, the volume of goods rebounded after July-August 2020, and in Q4 2020 reached a higher level than during the same period in 2019 (e.g. in Réunion, the Azores). However, this was not the case in Madeira or the Canary Islands, where freight transport by ports decreased monthly by -1% to -20% during 2020[44] (Figure 2.10 for the Canary Islands).

Furthermore, the **price of maritime transportation has increased considerably** due to the surge of e-commerce, stockpiling, lack of containers, congested ports.[45,46]

In the Canary Islands, fuel prices and other transport costs remained above the Spanish average for the entirety of 2020 and the half of 2021. The consumer price index (CPI) for fuel prices in July 2021 was 132.2 in the Canary Islands, compared to 122.7 in Spain.[47]

Table 2.6: Economic effects of the COVID-19 pandemic on the transport sector

OR	Weight in the economy	Illustrations of the effects on the sector	Source
Mayotte	4% of GVA (also includes warehousing)	-27% economic loss until June 2020, from 96,000 air passengers across Q1-Q4 2019 to fewer than 8,000 in Q2 2020 and 37,000 in Q1 2021 (61% decrease as of 2019).	INSEE / CEROM
Guadeloupe	7.3% of GDP	-25% economic activity in March-May 2020. Airport Pôle Caraïbes registered a 49% decrease in traffic in 2020.	CEROM / IEDOM
French Guiana	No data	Air passenger numbers dropped from approximately 117,000 in Q1 2020 to 15,000 in Q2.	IEDOM
Martinique	4.9% of total production	-32% economic activity in March-May.	DEM / CEROM

[44] Instituto Canario de Estadística data

[45] For example, by early 2021, freight rates from China to South America had jumped by 443% compared with 63% on the route between Asia and the eastern seaboard of North America.

[46] UNCTAD (2021) Shipping during COVID-19: Why container freight rates have surged. Available at: https://unctad.org/news/shipping-during-covid-19-why-container-freight-rates-have-surged [Accessed 22 September 2021]

[47] Instituto Canario de Estadística (ISTAC)

OR	Weight in the economy	Illustrations of the effects on the sector	Source
Réunion	4% of GDP	-58% air passenger traffic decrease and -20% air freight in 2020 overall. -13% in maritime stopovers in 2020.	CEROM / Port authority data
Saint Martin	4.3% share of the transport sector in total employment	-60% loss in economic activity in March-May 2020.	IEDOM / ACCIOM
France	5% - transport & storage (share of the sector in the total added value in 2018)	-18% of economic activity in 2020 compared to 2019 (transport and storage).	Commissariat général au développement durable / INSEE
Azores	N/A	Overall 32% decrease in 2020 compared to 2019 / -71% number of disembarked air passengers (March to November 2020) / between 40 and 75% decrease in port traffic in terms of gross tonnage.	contribution of the regional government of the Azores to the public consultation on the 8th report on economic, social and territorial cohesion / SREA / INE
Madeira	N/A	Air transport (mainly passenger aviation) registered a decrease of 98.2% between Q1 and Q2 2020. The number increased in Q3 2020, but no month reached the levels of Q1 2020 / decrease in the volume of commercial vessels between 16 and 98% in 2020 as compared to the same months in 2019.	INE
Portugal	In 2018, the following activities had the indicated share in the GVA: Land transport and transport via pipelines - 2% Water transport – 0.1% Air transport – 0.6% Warehousing and support activities for transportation – 2%	Air transport significantly decreased from 2019 to 2020, reaching a 99% decline during the month of April / decrease in the number of commercial vessels between 4.3% and 26.3% in 2020 as compared to the same months in 2019 and in gross tonnage of between 7% and 30.3%.	INE
Canary Islands	N/A	The Canary Islands suffered an average reduction of 70% in the transport of air passengers in 2020 compared to 2019, even reaching a 99% decrease in April and May 2020. Freight transport by ports decreased monthly by magnitudes ranging from -1% to -20% during the whole of 2020.	Instituto Canario de Estadística data
Spain	4.6% of total added value (2019)	In 2020, Spain received 60.4% fewer flights than in 2019. National flights showed a decrease of 46.2, while international operations amounted to a drop of 65.6%. During the months of severe lockdown, flights were reduced by 95%. The transport of goods has also been affected but to a lesser extent. For instance, transport of goods by railway declined 31.2% during Q2 2020.	Bank of Spain Hosteltur Enaire Instituto Nacional de Estadística

Construction – coming to a sudden halt – followed by recovery

The **sudden halt in construction activity due to COVID-19 restriction measures, and the concomitant fall in investment,** led to the suppression of sectoral economic performance from March to May 2020 in all ORs (Table 2.7). This was particularly the case in Guadeloupe, where the sector is among the main contributors to GDP and the share of the sector in the economy is higher than that in mainland France. The sector recovered in Q3-Q4 2020 in the Portuguese ORs, but not in the Canary Islands. However, the economic

shock in the sector registered in the Canary Islands in 2020 was less severe than in mainland Spain. There are no up-to-date economic data on construction sector output in the French ORs (i.e. up to the end of 2020), so an assessment of the sector's economic recovery cannot yet be made.

Table 2.7: Economic effects of the COVID-19 pandemic on the construction sector

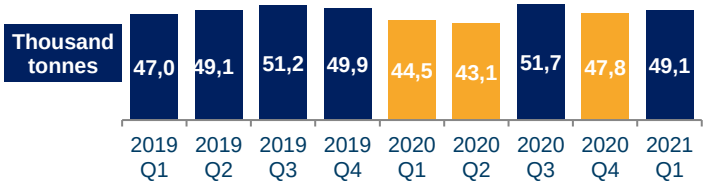
OR	Weight in the economy	Illustrations of the effects on the sector	Source
Mayotte	5% of GVA	-31% economic loss until June 2020 (followed by recovery).	INSEE / CEROM
Guadeloupe	9.2% of GDP	-83% economic activity in March-May / the added value of the sector decreased by 25% during the lockdown and 12.6% for the whole of 2020.	CEROM
French Guiana	5% of GVA	Significant decrease in the index of the dwellings authorised for construction from January 2020 (152.4) to May 2021 (66.7).	INSEE
Martinique	8.2% of total production	-81% economic activity in March-May 2020 (followed by recovery).	DEM / CEROM
Réunion	6% of GDP	13% loss in turnover for 2020 (overall a recovery trajectory).	CEROM
Saint Martin	9.7% share of the construction sector in total employment	N/A, but overall recovery.	IEDOM / ACCIOM
France	6% (share of the sector in the total added value in 2018)	-14% of economic activity in 2020 compared to 2019.	INSEE
Azores	4% of GDP	In March and April 2020, there was a drop in the number of construction activities compared to the same months the year before (14% and 18% respectively). However, in May 2020, these figures were back at the same level as the previous year and continued to increase across the year. Overall, there was a 2% increase in 2020 compared to 2019.	INE Contribution of the regional government of the Azores to the public consultation on the 8th report on economic, social, and territorial cohesion
Madeira	5.6% of GDP	During March, April, and May 2020, there was a drop in the number of construction activities compared to the same months the year before. However, there was a 17% increase in the number of construction projects from 2019 to 2020, and further growth in the construction sector in 2021.	INE
Portugal	4.1% of GDP	During March, April, and May 2020, there was a 7-25% reduction in the number of construction activities when compared to the same months the year before. However, there was an increase in the number of construction projects from June 2019 onwards.	Trading economics
Canary Islands	5.9% of GDP	Economic loss of: -28% (Q2 2020), -11.3% (Q3 2020), -12.6% (Q4 2020).	Instituto Nacional de Estadística, Instituto Canario de Estadística data

OR	Weight in the economy	Illustrations of the effects on the sector	Source
Spain	6.5% of total added value (2019)	Estimation of -52% in the construction sector in 2020.	Bank of Spain

Sales of cement are a useful proxy indicator to assist in an understanding of the effects of the COVID-19 pandemic on the construction sector. This is illustrated in the following text box.

Box 2: Cement sales in Guadeloupe

Figure 2.11: Cement sales, Guadeloupe, 2019-2021



Source: Ecorys based on CEROM data

In Guadeloupe, cement sales dropped substantially in the first two quarters of 2020. Sales recovered sharply in Q3 2020, indicating a tentative resumption in construction activities. They then decreased again in Q4 2020, before recovering in Q1 2021.

Agriculture – contraction of outputs - followed by recovery

The **economic output of the agricultural sector decreased in the first months of the pandemic** (March-April 2020), but the drop was not as pronounced as in other sectors reviewed above (Table 2.8). Across all ORs, the agricultural sector is most economically important in the Azores, in proportion to the regional economy. Based on the available data, the agriculture sector in the Azores also likely experienced the largest contraction in economic output, in comparison with the other ORs. The reduction was due to the physical restrictions and the diminished demand from the HoReCa (Hotel/Restaurant/Catering) sector. However, stakeholders have indicated that local markets resumed their activities very quickly, thanks to implementing a market relocation system (to reduce the COVID-19 transmission risks associated with crowding). This facilitated farmers' efforts to sell their stocks despite the crisis. In some ORs such as French Guiana, subsistence farming, which was already common, has helped to mitigate the strain on commercial food supply chains. Home delivery and point-of-sale systems have also been set up, as farmers and business owners have adapted. Overall, **the sector has seen recovery** since the initial hit from the first lockdowns in Q1-Q2 2020. In the Canary Islands, no economic loss in this sector was recorded in 2020.

Table 2.8: Effects of the COVID-19 pandemic on the agriculture and agri-food sector

OR	Weight in the economy	Illustrations of the effects on the sector	Source
Mayotte	5% of GVA	-3% economic loss until June 2020 (followed by recovery).	INSEE / CEROM
Guadeloupe	4.6% share of GDP	-12% economic activity in agriculture and -26% economic	CEROM

OR	Weight in the economy	Illustrations of the effects on the sector	Source
		activity in agri-food in March-May 2020.	
French Guiana	5% of GVA (agriculture, forestry, and fishing)	Agricultural exports and imports dropped in Q2 2020 following the first lockdown, but both recovered in Q3 2020.	INSEE / IEDOM
Martinique	4.9% of total production	-6% economic activity in agriculture and -22% economic activity in agri-food in March-May 2020.	DEM / CEROM
Réunion	3% share of GDP	Turnover dropped by an estimated 2% overall in 2020.	CEROM
Saint Martin	0.3% share of the agriculture sector in total employment	N/A	IEDOM
France	2% (share of the sector in the total added value in 2018)	-3% of economic activity in 2020 compared to 2019 (agriculture, forestry and fisheries).	INSEE
Azores	8.5% of GDP (agriculture, farming of animals, hunting and forestry)	-9% contraction of the sector in 2020 as compared to 2019.	Contribution of the regional government of the Azores to the public consultation on the 8th report on economic, social and territorial cohesion
Madeira	1.9% of GDP (Agriculture, farming of animals, hunting and forestry)	Currently no data available.	INE
Portugal	1.8% share of GDP	13.1% decrease between January 2020 and January 2021.	Trading economics
Canary Islands	1.47% of GDP (2019)	In 2020, no economic loss observed, increases of 1.4% (Q2), 2.5% (Q3), 3.8% (Q4).	Instituto Nacional de Estadística, Instituto Canario de Estadística data
Spain	2.9% (share of the sector in the total added value in 2019)	No data.	Bank of Spain

Fishing - a diverging picture[48]

The COVID-19 pandemic caused **diverse effects on the fishing sector in the ORs** depending largely on the following factors: (1) whether the sector is mainly made up of small-scale fishing boats, or large commercialised operations; (2) whether the main buyers are local consumers (i.e. via markets) or commercial wholesalers; (3) whether market demand increased or decreased; and (4) if individual enterprises were able to adapt their business models accordingly.

In relation to the latter factor, in French Guiana, the sector was affected not by lack of demand but because of social distancing measures; particularly by the restrictions on the number of people on fishing vessels, which are generally small in size. Fishermen who implemented specific COVID-19 protocols and adapted their business models (e.g. delivery/click and collect) coped relatively well with the COVID-19 crisis. However, even those who did successfully innovate still suffered losses as a result of reduced catch volumes.

Some ORs, such as the Azores, saw decreased demand for fish. Although there was an increase in the volume of fish caught in March-July 2020, catch value dropped significantly

[48] So far no specific effects have been identified in the aquaculture sector.

due to lower demand driving down prices.[49] In Guadeloupe the fishing sector suffered greater consequences than the agricultural sector, because: (1) fishing is still largely an informal activity on the island, with fish being sold to customers directly rather than through commercial shops; and (2) the fishing industry relies on its sales to restaurants and hotels, which were closed during lockdowns. In Réunion, however, the sector benefitted from increased local demand (due to customers turning to more readily available maritime produce) and demonstrated the same adaptability as the other agri-food sectors. Nevertheless, in Réunion, the fisheries sector suffered a 12% decline in export volumes compared to 2019, due to more limited access to important Asian (mostly Chinese) and US markets as a result of transport restrictions.[50] In the Canary Islands, the fishing sector is historically only secondary to agriculture, and has not been significantly affected by the pandemic.

Cultural/events sectors – standstills due to lockdowns and restrictions

The **creative sector is one of the sectors that has been hit the hardest by the lockdowns and restrictions** caused by the COVID-19 pandemic.[51] Yet, there are significant challenges in finding data on the size of the cultural sector in the OR economies and the impact of the COVID-19 pandemic. For example, in the Canary Islands, the cultural sector - which accounts for a total of 26,500 direct and indirect jobs (almost 3% of total employment)[52] - was brought to a complete standstill. However, the economic impact of this disruption cannot yet be quantified.

In Réunion, recreational offers, events, and cultural activities, which are an essential part of the Réunionese tourism offer, and of youth culture, have seen a reduction of more than 50% in cultural activities.[53] Many events on the island have been cancelled, such as the Grand Raid (a world-famous ultra-trail crossing the island) and the SAKIFO music festival, which usually attracts many tourists. A survey in Réunion found that over 95% of all professionals and entities in the performing arts industry suffered turnover losses ranging from 10% to more than 70% in 2020.[54] In the Azores and Madeira, municipal festivals, stage artists, and associated cultural services have been cancelled. Interviewees from Martinique and Saint Martin highlighted that sectors classified as non-essential (tourism, culture, leisure) suffered the heaviest losses as they are mostly represented by self-employed people, most of whom have not had an active source of income. These effects have not been limited to 2020. For example, all major events in Saint Martin (including the Saint Martin carnival and music festivals) have been cancelled in both 2020 and 2021.

[49] For the rest of the year, the value of fish caught remained similar to 2019, although the figures in the last month of 2020 showed a further decrease. From the available data for 2021 both figures follow the same pattern and volume as in 2019, what evidences a return to pre-pandemic levels for this economic activity.

[50] Interview input

[51] IDEA Consult, Goethe-Institut, Amann S. and Heinsius J. 2021, Research for CULT Committee – Cultural and creative sectors in post-Covid-19 Europe: crisis effects and policy recommendations, European Parliament, Policy Department for Structural and Cohesion Policies, Brussels

[52] BOC, 2020/111. Viernes 5 de Junio de 2020 - Anuncio 1750 (gobiernodecanarias.org)

[53] CEROM

[54] Accord-cadre régional pour le développement de l'emploi et des compétences du spectacle vivant á la Réunion.2021 *Résultats de l'enquete flash : Le Spectacle Vivant á la Réunion*.

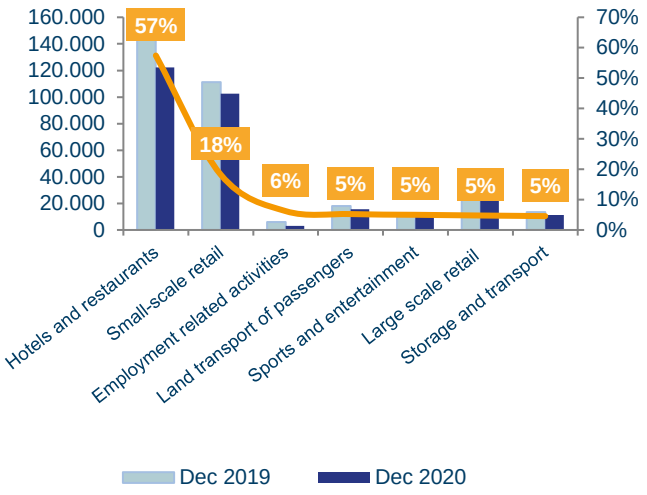
Social impact

The analysis of the social impact of the COVID-19 pandemic covers three key dimensions: employment; education; and other social issues, such as poverty and migration.

Employment effects – a partial spike in overall unemployment, but youth and vulnerable groups being affected the most

The full impact of COVID-19 on employment is still unknown and will likely only be clear when compensation measures are concluded, and once robust statistics have been made available. Nevertheless, in some ORs (the Canary Islands and Madeira) the pandemic resulted in **noticeable negative effects on employment in 2020**. Such losses were largely due to the virtual standstill in the tourism sector. Decreases in employment, particularly in the tourism sector, were also observed in the other ORs.

Figure 2.12: Change in employment by economic activity, Canary Islands (Dec 2019 - Dec 2020)



Source: Ecorys based on Instituto Canario de Estadística data

The **unemployment rate in the Canary Islands increased from 18.8% in Q4 2019 to 25.2% in Q4 2020.** This increase is much more pronounced than at the national level, which increased from 13.78% to 16.13% (see Figure 2.17 in section 2.3).[55] Unsurprisingly, the most affected branches of activity in terms of employment were tourism (hotels and catering), trade and transport. The largest percentage loss in employment occurred in the hotel and catering sector, in which the number of affiliated workers fell by 57%, followed by small-scale retail and employment-related services (Figure 2.12).

In Madeira, the pandemic reversed a decline in the unemployment rate observed since 2015. Unemployment increased from 7.1% in 2019 to 8.1% in 2020. This effect was more pronounced than in Portugal as a whole (which had a 6.5% unemployment rate in 2019 and 6.9% in 2020).[56]

In the Azores, the support measures implemented by the regional and national authorities prevented an immediate collapse in employment and, therefore, helped to mitigate the social impact of COVID-19. For years, the region consistently had a higher unemployment rate than mainland Portugal. Nevertheless, during the pandemic, the region not only

[55] Viceconsejería de Economía de las Islas Canarias.

[56] Eurostat: Unemployment rates by sex, age, educational attainment level and NUTS 2 regions (%). Code: lfst_r_lfu3rt. Extracted on 28 July 2021.

performed better with respect to the rest of the country but also accomplished an unexpected improvement with respect to the previous year. As a matter of fact, **during 2020, the unemployment rate in the Azores was lower than the overall rate for Portugal** (6.1% in the Azores compared to 6.8% in Portugal). Moreover, it had decreased from 7.9% in 2019 (an improvement of 1.8%).[57]

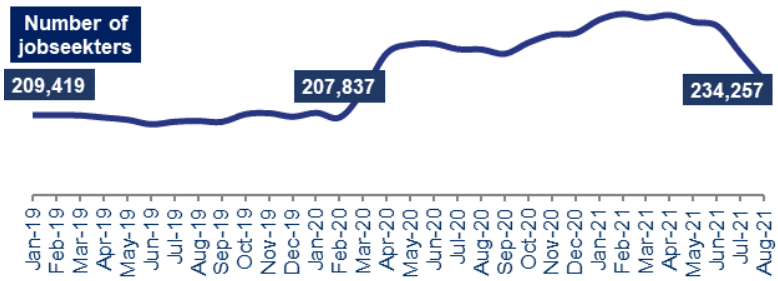
Similarly, the measures put in place in French ORs (i.e. compensation for partial unemployment, unemployment benefits, facilitation for access to training) partially mitigated the immediate impact of lockdowns and closures on unemployment. **As a result, French ORs registered decreased unemployment rates in 2020 as compared to 2019** (see Table 2.9. No data are available for Saint Martin). At the same time, it should be mentioned that these regions have large public administration sectors (accounting for 37-48% of employment in 2020, compared to 33% in France[58]), and the size of the informal economy does not allow full estimates of the number of people who lost their jobs as a consequence of the COVID-19 pandemic.

Table 2.9: The effects of the COVID-19 pandemic on the unemployment rates in the French ORs (%), 2019-2020

OR	2019	2020
French ORs	20.5	17.3
Guadeloupe	20.6	17.5
Martinique	14.8	12.4
French Guiana	19.3	16.1
Réunion	21.3	17.4
Mayotte	30.1	27.8

Source: Eurostat[59]

Figure 2.13: Registered number of jobseekers in the Canary Islands (Jan 2019 - Aug 2021)



[57] Eurostat: Unemployment rates by sex, age, educational attainment level and NUTS 2 regions (%). Code: lfst_r_lfu3rt. Extracted on 13 July 2021.

[58] Eurostat, online code lfst_r_lfe2en2. The shares refer to employment in Public administration, defence, education, human health and social work activities, according to NACE Rev. 2 classification.

[59] Eurostat: Unemployment rates by sex, age, educational attainment level and NUTS 2 regions (%). Code: lfst_r_lfu3rt. Extracted on 13 July 2021.

Source: Ecorys based on Instituto Canario de Estadística data

Registered jobseeker statistics do not provide a comprehensive picture of the effects of the COVID-19 pandemic on the labour market in the ORs. The number of registered jobseekers generally increased month-on-month during the first lockdowns before falling steadily when restrictions were relaxed. However, overall jobseeker numbers do not show a clear trend across all ORs, compared to pre-COVID-19 levels. For example, in French Guiana, Martinique and Réunion, the number of jobseekers was lower in November-December 2020 than before the crisis. In French Guiana and Martinique, the number of jobseekers remained flat in the period January-May 2021.[60] In Mayotte, the number of registered jobseekers increased substantially in Q2 2020, but then decreased in Q3-Q4 2020. In Q1 2021, the number of jobseekers in Mayotte was lower than in Q1 2020. In the Azores, the number of jobseekers has shown only small fluctuations in 2020,[61] and it started to decline again in March 2021, returning to its previous pre-pandemic trend. This was not the case in Saint Martin, as in Q4 2020, the number of registered jobseekers stood at 5,650; an increase of 15% compared to Q4 2019.[62] A substantial increase in the number of jobseekers was also recorded in Madeira – from 15,646 (March 2020) to 20,349 (January 2021).[63] In the Canary Islands, the number of registered jobseekers increased from 207,837 (February 2020) to 234,2577 (August 2021), with increases following the first round of restrictions in March 2020, the second in October 2020, and the third in January 2021 (Figure 2.13).[64]

The observed overall unemployment and jobseeker trends only present a partial picture and may mask **the effects on vulnerable groups**. For example, in Saint Martin, **younger jobseekers (aged under 25) were disproportionately affected** by the pandemic, as the increase in this category reached almost 20%.[65] In the Canary Islands the impact on young people aged between 19 and 24 years was very high - the unemployment rate for this group increased from 42% to 52% between 2019 and 2020. In the French ORs the youth unemployment rate remained higher than the EU and national average, even though Réunion, Guadeloupe and Martinique registered decreasing youth unemployment rates.

[60] Ecorys based on Pôle emploi data

[61] IEFP

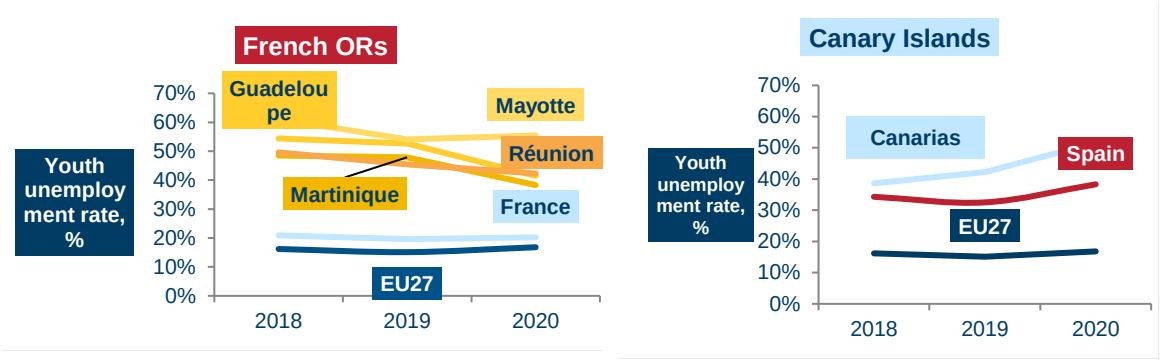
[62] Bilan 2020 du Marché du travail à Saint Martin

[63] IEFP

[64] Instituto Canario

[65] Bilan 2020 du Marché du travail à Saint Martin

Figure 2.14: Youth unemployment rate (19-24 years old) (2018-2020)[66]

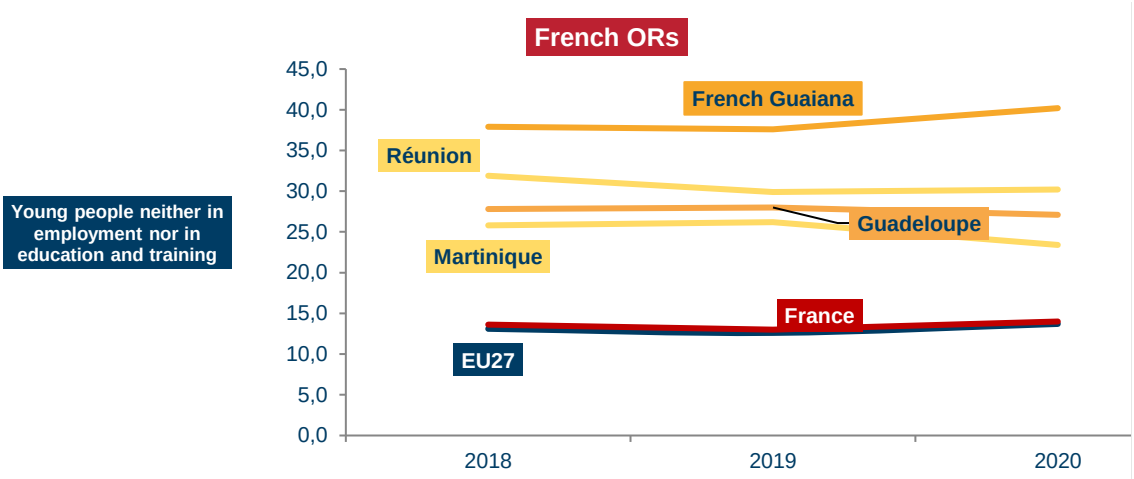


Source: Eurostat (online code: YTH_EMPL_110)

Furthermore, the number of job applications related to the lowest level of education has increased faster than the average, highlighting the vulnerability of this group. Considering the total amount of registered jobseekers in January 2019 and January 2021 in Madeira, **the rate of unemployed people aged below 25 years increased from 11.7% to 12.5%**. The proportion amongst those aged 25 to 34 years increased from 19.8% to 22.2%.[67]

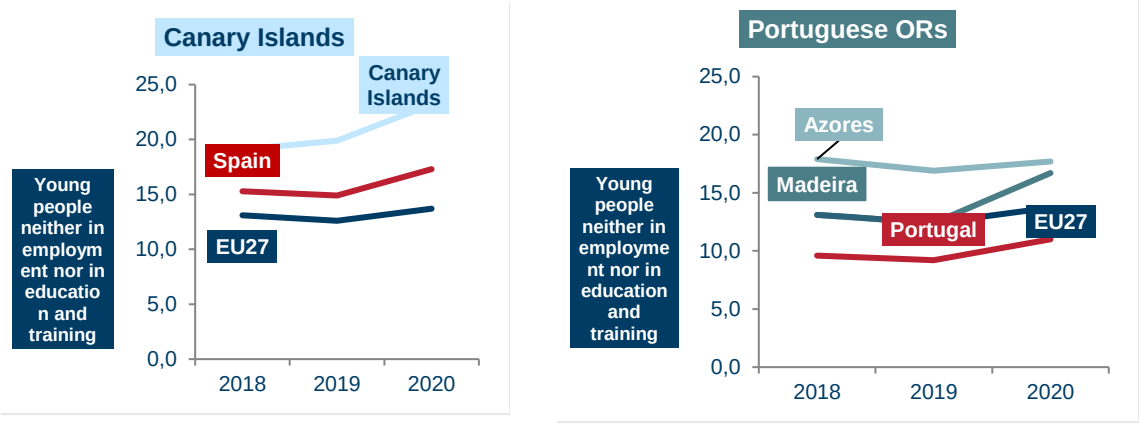
Overall, rates of **young people (aged between 15 and 29 years) not in employment, education or training (NEET) increased in almost all ORs between 2019 and 2020** (with the exception of Guadeloupe and Martinique for which the percentage of NEET decreased in 2020 with respect to the previous year)**.**

Figure 2.15: Percentage of young (15-29) people not in employment, education or training (2018-2020)



[66] Data for Saint Martin, French Guiana, Azores and Madeira are not available

[67] Statistics Portugal (INE) and Regional Directorate of Statistics of Madeira (DREM)



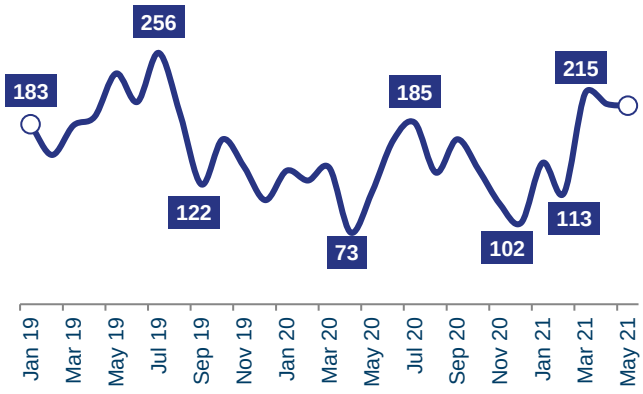
Note: Data for Mayotte and Saint Martin are not available

Source: Eurostat (online code: edat_lfse_22)

Unemployment welfare claims in French ORs peaked during the first COVID-19 lockdown (March-May 2020). For example, in Guadeloupe there were 9,295 claims in April 2020, and just 915 in April 2021. In Mayotte, partial unemployment welfare claims dropped from above 9,000 in April 2020 (the month with the highest number of claims in 2020) to just 165 in April 2021.

Following the relaxation of strict measures, by and large, the claims decreased in all sectors. However, **claims in the transport, accommodation and food (in particular), agriculture and agri-food sectors remained relatively high across the French ORs**. This was most likely because of ongoing social distancing measures in restaurants, coupled with the ongoing reduction in tourists and travellers. The number of welfare claims are, above all, related to the severity of the pandemic waves and the corresponding restrictions. This is illustrated by Réunion, which saw a rise in welfare claims in March/April 2021 (although they were much less pronounced than the rise in March/April 2020; approximately 1,200-1,600 in March/April 2021 compared to approximately 12,300-14,100 in March/April 2020) due to the more pervasive spread of the virus in the region.

Figure 2.16: Registered job offers, Azores, 2019-2021



Source: Ecorys, based on IEFP data

In the Azores, the **number of job offers decreased** from 2,203 (2019) to 1,564 (2020) - a reduction of nearly 30%. In Madeira, job offers also decreased in number, and in 2020 were fewer than in 2019. Job offers significantly increased in March 2021 in the Azores (Figure 2.16) and in May 2021 in Madeira. However, these patterns could be attributed to seasonality, as many jobs see greater activity during the spring-summer months, mainly due to tourism. The numbers of **job offers in both Portuguese ORs remain below their 2019 peak.**

Education: disruptive effects on school-age groups

COVID-19 has had **a disruptive effect on school-age education** in the ORs, due to school closures. Schools were closed in the period March-May 2020, but were able to resume

afterwards, with strict infection safety protocols in place. School closures have reportedly (based on interview input) resulted in an increase in dropout rates in some ORs (e.g. in the Azores). In 2020, 27% of residents in Azores aged 18-24 years had not completed secondary education; nearly three times higher than the national average (8.9%).[68] Yet, no such effect has been observed in Madeira and the Canary Islands, where rates of early leavers from education and training continued to decrease in 2020. For example, in Madeira, the rate of early leavers from education continued to decrease significantly between 2015 (24.2%) and 2020 (11.2%), while the higher education rate of the resident population aged between 25 and 64 years old continued to increase (17.3% in 2015, 22.9% in 2020).[69]

Remote classroom activities have been only partially successful due to a lack of sufficient equipment for the poorest households, as well as limited internet connectivity, limited access to digital tools, and in some cases, a family environment not conducive to digital learning. Online courses became the standard for a period, leaving students with no or limited access to digital equipment at a disadvantage. For example, in Martinique, the local authorities were only able to procure tablets for about 800 children.[70] Additionally, students studying abroad have faced the interruption of their academic studies, given that some returned to their respective ORs because of university closures.

Other social effects: poverty and migration

The onset of COVID-19 in 2020 **likely pushed more of the population below the poverty line**. Many ORs (particularly the French ORs) had been struggling with high levels of poverty and inequality before the crisis. In France's least prosperous *département,* Mayotte*,* 77% of the Mahoran population lived below the national poverty line in 2018.[71] In comparison, the poverty rate was 53% in French Guiana, the least prosperous French overseas department after Mayotte, while in Guadeloupe, in 2017, one person in three was under the poverty threshold.[72] In most ORs, the direct effects of the COVID-19 pandemic on poverty are not yet quantifiable but have been highlighted by various stakeholders. Data for Madeira show that 32.2% of the population in 2020 was either at risk of poverty, facing severe material deprivation or living in households with low labour intensity per capita (up from 31.9% in 2018). In the Azores, data from 2020 indicate that although there has been an improvement in the average monthly wage compared to 2019, the average of €859 per month is still more than €90 lower than the net mean wage in Portugal (€951 per month). Nevertheless, it should also be noted that this value was the highest since 2011, reflecting socio-economic progress in the region in recent years, which may have stalled as a result of the pandemic.

Irregular migration has long been a challenge for some ORs, which are seen as both a destination in their own right, and also as a possible gateway to mainland Europe. **Since the onset of COVID-19, flows of in-migrants have increased** in Mayotte, French Guiana, and the Canary Islands, due largely to their relative success in managing the pandemic compared to some neighbouring countries. This, in turn, has put public services under increased pressure. For example, a migrant camp was established at Pointe Buzaré in

[68] Regional Statistics of Azores (SREA)

[69] Statistics Portugal (INE) and Regional Directorate of Statistics of Madeira (DREM)

[70] Interview with Organisation of Eastern Caribbean States.

[71] Merceron, S. (2018) Insee Analyses No.25, Revenus et pauvreté à Mayotte en 2018, Juillet 2018

[72] INSEE, 2020. *Niveaux de vie en Guadeloupe en 2017: la pauvreté touche un tiers de la population guadeloupéenne.* [online] Available at: https://www.insee.fr/fr/statistiques/4623253#:~:text=En%202017%2C%20134%20800%20Guadeloup%C3%A9ens,de%20moins%20de%20quatorze%20ans [accessed 22 September 2021]

Cayenne (French Guiana), with overcrowding and unsanitary conditions increasing the risk for a localised COVID-19 outbreak. In Mayotte, on 11 February 2021, the French government announced that three patrol boats to combat irregular migration had been deployed.[73]

In addition, the worsening of the global economy due to the COVID-19 pandemic has had a direct impact on the number of irregular migrants reaching the Canary Islands. During 2020, 23,023 irregular migrants arrived at the Canary Islands by sea; 757% more than in the same period in 2019 (2,687). The number of vessels which arrived in 2020 was 745; 478% more than in 2019 (129). This unprecedented increase in the arrival of migrants to the Canary Islands posed a big challenge that resulted in an institutional crisis, with institutions and NGOs being unable to accommodate all the arriving people properly. In particular, the area around Arguineguín port (located on the island of Gran Canaria) showcased the lack of regional capacity to provide arriving migrants with the required legal protection, health assistance and accommodation. As a response, the port had to be closed, and the Spanish Government developed a plan to deal with the migration situation in the Canary Islands.

Saint Martin offers an example of another migration-related challenge. Despite the decrease in the overall population, the high rate of immigration to Saint Martin is placing a strain on territorial social cohesion. Irregular immigrants make up an estimated one-third of the population. The closure of Saint Martin's borders highlighted the impact of migration on many aspects of life. The **uptake of child protection and maternity care services more than halved since March 2020,** which is partially due to the fact that these services are mainly performed by migrants that had to stay home.[74]

The COVID-19 pandemic has led to **social upheaval and increased crime in some ORs**. The social situation in Guadeloupe was further worsened by unrest since the beginning of March 2020, when Guadeloupe was paralysed by a social movement led by enterprises. Under pressure to adhere to pandemic restrictions, and fuelled by the lockdown, business owners expressed their frustration at being unable to pay social and fiscal fees. In Saint Martin there were protests and strikes against vaccination obligations.[75] In Mayotte, general hardship and lack of access to food and water have led to a rise in theft and social unrest. In January 2021, France announced the deployment of two additional platoons of mobile gendarmes in response to **heightened crime** (currently, there are no data available to quantify the magnitude of this problem).

[73] interieur.gouv.fr (2021) Gérald Darmanin et Sébastien Lecornu annoncent le renforcement du dispositif sécuritaire à Mayotte et au large de ses frontières. Available at: https://www.interieur.gouv.fr/Le-ministre/Communiques-du-ministre/Gerald-Darmanin-et-Sebastien-Lecornu-annoncent-le-renforcement-du-dispositif-securitaire-a-Mayotte-et-au-large-de-ses-frontieres

[74] Interview input.

[75] More information available at the following sources: http://www.soualigapost.com/fr/actualite/40036/sant%C3%A9/passe-sanitaire-le-pr%C3%A9fet-re%C3%A7u-sxm-r%C3%A9sistance and https://www.sxmbreakingnews.com/20/07/2021/5236/pass-sanitaire-et-vaccination-obligatoire-manifestation-a-saint-martin-contre-ces-mesures/ [Accessed on 22 September 2021]

2.2. How have the outermost regions' specificities influenced the economic and social impact of the COVID-19 pandemic?

This section focusses on specific geographical, economic and demographic characteristics of the ORs relevant to the infection patterns and the socio-economic impacts of the pandemic.

A variety of factors affecting the infection patterns

A key factor which has influenced the dynamics/waves of the pandemic is the **geographical location** of the ORs. Their remoteness from the European continent and insularity led to delayed waves (as compared to Europe) and allowed the early imposition of restrictions and preparatory measures.

Another factor is the demographic structure – specifically the relatively **young population** – of some of the ORs. For example, as of 2017, 44% of French Guiana' population was made up of people aged under 20.[76] The population of Mayotte is also heavily skewed towards young people, in 2017 half of the inhabitants were aged under 18 years old.[77] **The prevalence of young people has helped to moderate severe cases of COVID-19,** because young people are more likely to be asymptomatic and to make a full recovery – hence putting less pressure on healthcare systems. At the same time however, symptomless cases can more easily **lead to underreported infection rates and undetected transmission**, and so the high proportion of younger people may have made COVID-19 suppression more challenging.

The **variety of spoken languages has made public communication and information more challenging** in some ORs. In French Guiana, in early 2020, translating official COVID-19 guidance into all 12 territorial languages took longer than one month. During the first wave in March-July 2020, there was a general lack of public awareness and understanding regarding the risks of COVID-19, and how best to safeguard against infection.[78]

Learning from previous crises

Previous experience with health crises and disasters has helped the OR in their response to COVID-19. For example, Réunion has built up a track record in the management of crises. Over the years, the island has faced several emergencies, including the Chikungunya virus, which is the most relevant example in the context of COVID-19, as it had already shaped an understanding of the links between health, insularity, and tourism.[79] The COVID-19 pandemic is not the first crisis to hit Martinique in recent years either. Besides dealing with the dengue outbreak that started in 2019, Martinique has faced

[76] INSEE (2020) Évolution et structure de la population en 2017; Département de la Guyane (973), 12/09/2020

[77] INSEE (2019) In Mayotte, nearly one in two inhabitants has foreign nationality. Available at: https://www.insee.fr/en/statistiques/4227071

[78] apnews.com (2020) In French Guiana, virus exposes inequality, colonial legacy, 19 July 2020, Available at: https://apnews.com/article/973303ef333b0a4d1ea9b622eef031ea [Accessed: 22 September 21]

[79] Magnan, A., 2008. L'espace littoral a-t-il toujours de la valeur ? Réflexion à partir du cas de l'île de Saint Martin (Petites Antilles). *Norois*, (206), pp.37-52.

a sanitary and climate crisis following a drought and periods of severe rain. The dengue epidemic has been ongoing since November 2019, with the French authorities declaring an epidemic in September 2020, which placed an additional strain on a healthcare system which was already under pressure from the COVID-19 pandemic.[80] Additionally, Martinique is a territory facing other natural environmental and health-related challenges: sargasso (toxic algae), cyclones, water cuts and water treatment management.[81] These challenges have strengthened Martinique's crisis management capacity over time. The relatively successful containment of the COVID-19 pandemic in the Azores also reflects the planning, prevention, and management of crises (e.g. volcanoes, earthquakes, storms/hurricanes, and air and maritime accidents).

Factors affecting the economic impact of the pandemic

The overreliance of some ORs on tourism is undoubtedly a key factor shaping the economic impact of the COVID-19 pandemic. Naturally, the larger the share of the tourism sector in the economies of the ORs, the higher the economic impacts of the crisis. As described in the previous section, the most vulnerable ORs in this regard are the Canary Islands, Madeira, the Azores, and Saint Martin – all of them having a high tourism share in the economy. Martinique and Guadeloupe also have large tourism sectors.

The geography of the ORs is also a handicap to freight transport. Although the insularity of the ORs helped protect them from higher infection rates, their isolation means long supply chains which are easily disrupted. This is due not only to long distances, but also to complications with exports and imports, an increase in freight transport prices, and restrictions on peoples' mobility. Disruption has taken different forms. In some cases, the challenge has been social - providing food, water and basic supplies to the local population (see below). In other ORs, exports of agricultural and fishing sector produce were disrupted (e.g. in Guadeloupe); there was a lack of raw materials for the agricultural industry (e.g. in Martinique); or a lack of construction materials (e.g. in Saint Martin). Supply chain disruptions were largely short-lived prior to the onset of the most recent waves in early 2021 in some ORs (e.g. French Guiana). Nevertheless, the global supply chain disruptions in maritime freight, observed in the summer of 2021[82], may also create challenges in the future for the OR exports and imports.

Lockdown measures imposed in France had an uneven impact on passenger transport, with strong repercussions for the ORs. Whilst movement between French mainland regions was authorised, the same did not apply to the ORs. This impacted inter-island maritime transport particularly severely, as transport between Caribbean islands ceased. According to the Chamber of Commerce of Guadeloupe, the impact could have been cushioned without stopping aerial transport – vital for the ORs.[83] The same applied to maritime transport. The network between continental Guadeloupe and the other islands of the archipelago was not ensured.

The limited agricultural base in some ORs made it difficult to provide enough food for the population. Overreliance on imports is a risk, which challenges other sectors (particularly the HoReCa), but more importantly, it may threaten the supply of food to local populations. For example, in Saint Martin, the closure of the land border with the Dutch side has led to

[80] European Centre for Disease Prevention and Control, 2020. *Dengue epidemic in Martinique, France* [online] Available at: < https://www.ecdc.europa.eu/en/news-events/dengue-epidemic-martinique-france> [Accessed 17 September 2021]

[81] Interview with the Collectivité Territoriale de Martinique

[82] Sources with more information, e.g.: https://www.forbes.com/sites/garthfriesen/2021/09/03/no-end-in-sight-for-the-covid-led-global-supply-chain-disruption/?sh=312e84793491 and https://www.bbc.com/news/business-58643717 [Accessed 22 September 2021]

[83] Information from interview with CCI, Guadeloupe.

severe disruption in food supply chains. Mayotte has also been hard-pressed to avoid food shortages. In French Guiana, a survey[84] conducted in the summer of 2020 found that 45% of adults and 32% of children had had only one meal the previous day.[85] Thus, there was a need for the Red Cross to distribute food in coastal areas (as further inland subsistence agriculture is more prevalent). Canarian agriculture only covers a tenth of the region's food needs, and even though no shortages of food have been reported due to the COVID-19 pandemic, this vulnerability and reliance on external suppliers are indicative of a limited resilience to future shocks which might disrupt supply chains.

A particular feature of the ORs is their relatively large public sectors, i.e. non-market services such as education, public administration, and healthcare (see Table 2.10). This is particularly the case in Mayotte, French Guiana, and Réunion, where the size of their public sectors partly cushioned the overall impact on the economy compared to metropolitan France, given that the salaries of public sector employees – and associated private sector contractors – were fully maintained.[86] The Azores and Madeira also have sizeable public sectors. In contrast, private sectors such as recreation, accommodation, tourism (hotels) and transport have been more significantly affected by the pandemic.

Table 2.10: GDP/GVA contribution by the public sector in the OR economies

OR	Share of the economy (%)	Source
Mayotte	51.4% of GVA in 2017	IEDOM (2018)
Guadeloupe	26.3% of total production	CEROM (Dec 2020)
French Guiana	35.8% of GVA in 2018	INSEE, 2018
Martinique	24.4% of total production	CEROM
Réunion	36% of GDP in 2020	CEROM (Dec 2020)
Saint Martin	29.9% of total employment	IEDOM (2020)
France	22% of VA in 2018	INSEE
Azores	29.3% of GDP in 2019	INE (2020)
Madeira	27.6% of GDP in 2019	INE (2020)
Portugal	18.7% of GDP in 2020	PORDATA
Canary Islands	18.2% of GDP in 2019	INE (2020)
Spain	18.9% of GDP in 2020	INE (2020)

A variety of factors affecting the social impact of the pandemic

As with the economic impacts, the pre-existing social characteristics of ORs have both shaped, and been shaped by, the COVID-19 pandemic. Most regions have **ongoing social challenges** relating to growing populations, high unemployment rates (especially youth unemployment), poverty, migration, and social tension. In many cases **the level of digitalisation did not allow a full transition to distance learning, teleworking, and the digital provision of public services**.

Many ORs suffer from **long-term structural unemployment** as a result of skills mismatches and economies which do not offer sufficient numbers of jobs to residents.

[84] The survey was conducted by the Red Cross, Médecins du monde (Doctors of the World), the Cayenne Hospital Centre and the Regional Health Agency (ARS)

[85] Santé publique France (2020) Bulletin épidémiologique hebdomadaire, n°29, 17 novembre 2020

[86] Association des CCI des Outre-Mer (2020) Outre-Mer: l'Etat d'Urgence, Association des CCI des Outre-Mer

These issues are especially pronounced in the French ORs and the Canary Islands, in which the labour market situation has been aggravated by a likely increase in long-term unemployment.

Another important characteristic of the labour market is the **high level of youth unemployment,** which has been further increased by the COVID-19 pandemic. For example, pre-COVID-19, INSEE demographic projections revealed that 50% of the youth population in Guadeloupe and Martinique could be unemployed by 2030. As mentioned earlier in this report, this problem is also pertinent in Saint Martin, where preliminary jobseeker data show that **younger (under 25) people have been disproportionately affected by the COVID-19 pandemic**, as the percentage of jobseekers in this category increased by almost 20%.[87] The youth unemployment rate, traditionally high in the Canary Islands, stood at 57.7% in Q4 2020 (40.1% nationally) after standing at 35.4% (30.5% nationally) in Q4 2019, i.e. an increase of more than 22%.[88]

Poverty and social deprivation are correlated with geographical and environmental determinants such as the tropical climate (and associated epidemiological risks such as unsanitary conditions) and with the **quality of infrastructure**. Issues relating to the latter include the inefficient collection and treatment of waste and poor quality housing infrastructure. For example, in French Guiana, the **lack of access to fresh drinking water emerged as a problem** shortly after the imposition of lockdown measures in March 2020 (due to insufficient water pipelines and wastewater treatment plants). Limited access to clean drinking water in Mayotte, Martinique, and Guadeloupe due to frequent water cuts has also made it more difficult for residents to adhere to sanitary protocols. All these factors have impeded the effectiveness of measures designed to inhibit the spread of COVID-19.

In addition to poverty, the **heterogeneity of ethnic groups** in ORs (e.g. French Guiana's population is composed of nine different ethnicities) is a complicating social factor, which further increases social tensions during the COVID-19 pandemic due to the varying socio-economic effects of the pandemic on different groups. This is not a new phenomenon. For example, persistent poverty and perceived insufficient financial support from France led to social unrest in French Guiana in recent years, notably in 2017 when widespread protests broke out, motivated by anger about lack of access to healthcare and education, low wages, and high crime. However, all of these aspects have deteriorated due to the COVID-19 pandemic, which makes future social unrest, further growth in the informal economy, and increased crime more likely.

Remote geography also played a role in shaping the social effects of the COVID-19 pandemic. In French Guiana, more remote inland indigenous communities have been less exposed to the social impacts because many rely on subsistence agriculture, which has not been affected. At the same time, as in Réunion, the population is more exposed to poverty in small rural communities where employment is limited. For instance, more than one resident in two lives below the poverty threshold in Cilaos and Salazie, which are cities located in the centre of Réunion.[89] Consequently, and as explained in the study '*La Réunion Face au Chômage de Masse*' (Réunion Island in the Face of Mass Unemployment), this part of the population shifts to the informal economy, as a means of last resort, for coping with very precarious situations.

In times of crisis, the **informal economy** is even more vulnerable, and people working in the informal sector are not covered by official statistics. Thus, quantifying the effects of the pandemic on people in the informal economy is very challenging. Anecdotal evidence from interviews shows that in French Guiana the informal economy was dampened by the strict lockdown restrictions from March-May 2020, but informal activity resumed shortly after the

[87] Bilan 2020 du Marché du travail à Saint Martin

[88] Viceconsejería de Economía de las Islas Canarias.

[89] INSEE 2020

measures were relaxed, and has continued since June 2020. Mayotte also has a large informal economy, which has made it difficult to enforce anti-COVID-19 restrictions. Another layer of complexity is that many unregistered and irregular immigrants are involved in activities in the informal economy. Many unregistered citizens (i.e. irregular immigrants), who overwhelmingly work in the informal economy, have been left unsupported by social measures, as they are not eligible for welfare support.

ORs generally lag behind their respective mainland Member States in terms of **digital skills and access to the internet**, which creates challenges for teleworking and homeschooling. For example, on average, 23% of Guadeloupe residents do not have access to the internet, thanks largely to high connectivity costs. The main reason for high internet costs in the ORs is the reliance on submarine cables (which are very costly), less competition with respect to the mainland, and market failures which have necessitated public intervention.

Some regions (e.g. Réunion) are making efforts to liberalise the telecommunications market to make internet access more affordable. In French Guiana, 83% of the population has internet access at home, putting it ahead of Martinique (78%) and Réunion (78%), but internet access is mostly limited to urban (coastal) areas.[90] School closures and difficulties in ensuring access to the internet for all children have had disruptive effects, e.g. in Mayotte, which already suffers from high school drop-out rates. According to anecdotal evidence from interviews, the first lockdown in Martinique affected one-third of the workforce due to bad internet networks. In short, lack of sufficient equipment for the poorest households, slow or no internet connections, and in some cases, a family environment not conducive to digital working or learning, have created many challenges to ensuring seamless teleworking and telelearning in the ORs. On top of this, the closure of some government services and lack of access to digital equipment created challenges for people (e.g. in Martinique) seeking to **follow up on their social aid files and to request social aid**.

[90] INSEE (2019). L'usage d'internet varie fortement selon l'âge et le niveau d'études. [online] Available at: https://www.insee.fr/fr/statistiques/4175675 [Accessed 22 September 2021]. Note - this measure was limited only to municipalities accessible by road, making it likely to be an overestimate.

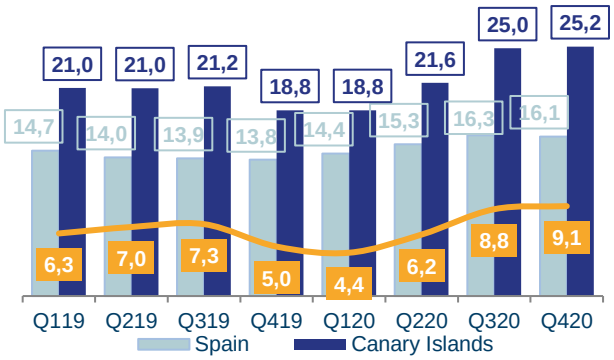
2.3. To what extent has the COVID-19 pandemic aggravated economic and social inequalities in the outermost regions compared to their Member States and the EU as a whole?

In this section we summarise some of the impacts observed on key socio-economic parameters (e.g. different forms of unemployment, the informal economy, and poverty) with the aim of addressing the question of the extent of aggravation of economic and social inequalities in ORs caused by the COVID-19 pandemic.

Unemployment disparities confirmed or exacerbated

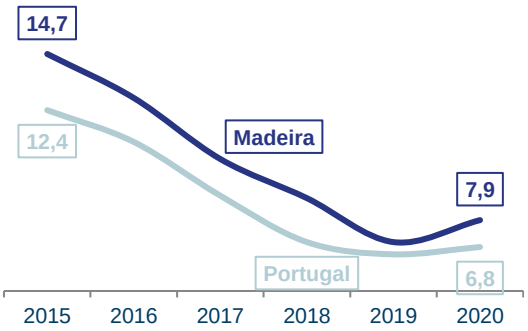
Unemployment is causing serious concern in terms of aggravating socio-economic inequalities. The ORs typically have higher unemployment rates in comparison with their respective Member States and the EU27 average. To date, the available data indicate that this status quo has further deteriorated, with **increasing unemployment rate disparities between the ORs and Member States/the EU27 in the Canary Islands and Madeira.** In the Canary Islands (Figure 2.17), the difference in the unemployment rate in comparison with the national average has been steadily increasing since Q2 2020, and in Q4 2020 it stood at 9.1%. In Madeira, the unemployment rate had been converging with the national average in the period 2015-2019 (Figure 2.18). However, the pandemic widened the disparity between Madeira and the national unemployment level to 1.1%.

Figure 2.17: Unemployment rates in Spain and the Canary Islands (Q1 2019- Q4 2020), (%)



Source: Ecorys based on INE data

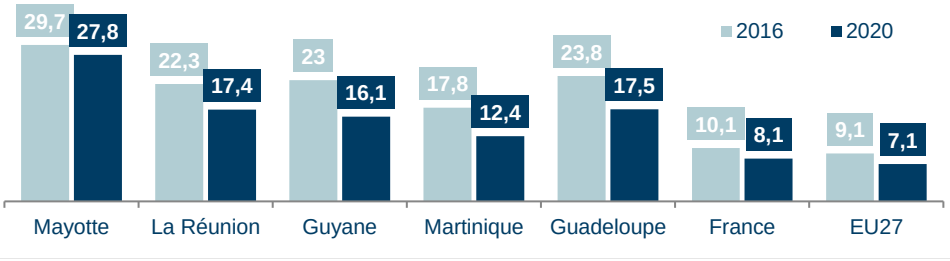
Figure 2.18: Unemployment rate (%) in Madeira, 2015-2020



Source: Ecorys based on INE data

As noted in previous sections, unemployment rates in the remaining ORs showed some positive tendencies in 2020, with **the Azores recording a lower unemployment rate than the Portuguese average**. Yet, it should be noted that even though **unemployment rates did not increase in the French ORs, neither did the rate in France**, and the difference with the national average remains significant (Figure 2.19).

Figure 2.19: Unemployment rate in the French ORs, comparison 2016-2020 (%)



Source: Eurostat[91]

As shown in the sectoral analysis, the impacts of the pandemic differ between sectors. Consequently, **effects on unemployment are not evenly distributed**. Sectors such as tourism and transport have suffered disproportionate economic impacts due to the COVID-19 waves and restrictions. This is also reflected in higher levels of unemployment in these sectors. **Another disparity can be observed between employment rates in the public sector and the private sectors**, with the latter suffering much more pronounced negative effects on unemployment.

The COVID-19 pandemic is also aggravating **youth unemployment**. In Saint Martin and the Canary Islands, the proportional increase in youth unemployment was higher than the rise in youth unemployment in the other ORs, and far above the youth unemployment figures in the respective Member State. As mentioned, the youth unemployment rate in the Canary Islands increased by more than 22% from Q4 2019 to Q4 2020, while nationally, this increase was approximately 10% in the same period.

Rates of **young people not in employment, education or training (NEET) are reaching or sustaining higher levels in the ORs**. As mentioned in section 2.1, in all ORs, NEET rates are higher than the EU and national averages. While in the French ORs, the NEET rates (15 to 29 years old) have not changed significantly due to the COVID-19 crisis, they remained extremely high in 2020 – between 23% in Martinique and 40% in French Guiana. By comparison, the French national average is 14% and the EU27 average is 13.7%.[92]

The Spanish national average increased by 2.4% between 2019 and 2020, but in the Canary Islands it increased even more – by 3.3%, reaching 23.2%. In the Azores (17.7% in 2020) and Madeira (16.7% in 2020) NEET rates are lower than in the other ORs, but still substantially higher than the Portuguese (11%) and EU27 rates. In Madeira, the increase in the NEET rate between 2019 and 2020 was particularly high at 4.3%. These data demonstrate that **young people in ORs are in a particularly challenging position, which is further aggravated by the COVID-19 pandemic**.

[91] Unemployment rates by sex, age, educational attainment level and NUTS 2 regions (%). Code: lfst_r_lfu3rt. Extracted on 22 September 2021.

[92] Eurostat, Young people neither in employment nor in education and training by sex and NUTS 2 regions (NEET rates), online code: edat_lfse_22, extracted on 22 September 2021.

Invisible but not insignificant: impacts on the informal economy

As presented in the previous section, the size and effects of the COVID-19 pandemic on the **informal economy** cannot be determined at this stage. However, the evidence so far indicates that people in the informal economy have been left largely unsupported by social support measures. For example, in Mayotte, the formally employed (many of whom are in the public sector) generally continued to receive income after March 2020, when COVID-19 measures were first introduced, either through daily work (for the regional administration) or welfare payments from the state. The unregistered population (often operating in the informal economy, and including irregular migrants) has been more exposed to the economic impacts of COVID-19. The difference in the coverage of measures between the formal and informal economy would further aggravate disparities in the ORs, especially those with a large informal sector.

A digital divide

Insufficiently advanced digital skills in the ORs, and the lack of sufficient access to digital infrastructure and tools in the French ORs, are likely to further deteriorate disparities between the ORs and mainland Europe.[93] Many workers and students have found it extremely challenging to work from home and follow classes online due to the lack of internet connection or limited access to equipment. Digital disparities are multidimensional:

- Decreased potential for innovation in non-digital sectors and businesses in the ORs, and consequently slower growth of the OR economies.
- An increased mismatch between labour market needs and the digital capabilities of the workforce.
- Increased numbers of early school-leavers and lower quality of education (for those pupils/students who do not have access to digital tools and the internet).

Higher costs of living – especially for low-income groups

A persistent problem affecting the ORs due to their geographical location is that **the price of freight transport has increased** more than threefold (as discussed in section 2.1). This affects the exports and imports of ORs and may significantly increase the prices of commodities, goods, and the general cost of living. Currently, the impact on freight rates has been greatest on trade routes to developing regions in South America and Africa, where consumers and businesses can least afford it.[94] In the Canary Islands, fuel prices and other transport costs remained above the Spanish average for the entirety of 2020 and the first half of 2021 (in July 2021 the CPI was 132.2 in the Canary Islands compared to 122.7 in Spain).

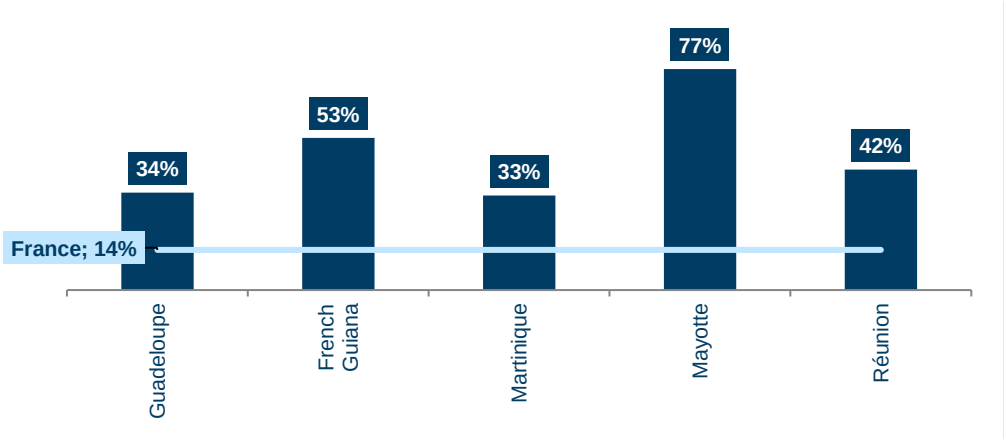
[93] Eurostat data on the percentage of households with broadband access show that as of 2020 the Canary Islands, the Azores, and Madeira have higher rates than in Spain and Portugal respectively. Currently, there is no data for 2020 for the French ORs, but considering their starting position and previous trends, they have likely remained behind the national average.

[94] UNCTAD (2021). Shipping during COVID-19: Why container freight rates have surged. Available at: https://unctad.org/news/shipping-during-covid-19-why-container-freight-rates-have-surged [Accessed 22 September 2021]

Some ORs, such as Réunion, already face a much higher cost of living than in mainland France (an equivalent food basket costs 37% more). As a result, the share of social benefits in household income (excluding pensions) is 17%, which is almost three times higher than in metropolitan France with 6%.[95] The impact of the crisis on the economy has further aggravated the situation of those with already low income and the most vulnerable (including the elderly and the young). Further **increases in the cost of living** will widen socio-economic inequalities within the ORs, and when compared to the EU.

These aggravating disparities will likely **further push people under the poverty line**. The population at risk of poverty or social exclusion was already significantly higher in the ORs than in the respective Member States and across the EU27 (the percentage of the population at risk of poverty or social exclusion in the EU27 was 20.9% in 2019).[96] By comparison, in 2019, the percentage of people at risk of poverty or social inclusion in the Azores[97] was 36.7%, while in Portugal it was 21.6%, reflecting a much more precarious situation in the region compared to the national level. The poverty rate was almost three times as high in Guadeloupe as in mainland France (34% in 2017, compared to 14%).[98] As the pandemic continues, these effects are likely to be further aggravated.

Figure 2.20: Poverty line in French ORs in comparison with France (2017) (%)



Source: Ecorys, based on Insee - Données 2017, © Observatoire des inégalités[99]

So far, no significant disruptions in the energy supply chain have been observed in the ORs due to the COVID-19 pandemic. However, it is worth noting that the Canary Islands face serious **energy poverty**, which might be further aggravated by the crisis. The Canary Islands score 37% in the After Fuel Cost Poverty Index[100]; 10% more than the national average.

[95] INSEE 2021

[96] Eurostat (2021). online data code: SDG_01_10

[97] INE

[98] INSEE (2020). Niveaux de vie en Guadeloupe en 2017 : la pauvreté touche un tiers de la population guadeloupéenne. [online] Available at: https://www.insee.fr/fr/statistiques/4623253#:~:text=En%202017%2C%20134%20800%20Guadeloup%C3%A9ens,de%20moins%20de%20quatorze%20ans [Accessed 22 September 2021]

[99] Observatoire des inégalités (2021). DOM: des inégalités de revenus et une pauvreté très élevées. Published on 10 June 2021. Available at: https://www.inegalites.fr/DOM-des-inegalites-de-revenus-et-une-pauvrete-tres-eleves [Accessed 22 September 2021]

[100] After Fuel Cost Poverty defines fuel poverty as a situation where the equivalent household income without energy and housing costs is less than 60% of the median income without energy and housing costs of all households.

2.4. Recovery outlook and indicators

The analysis shows that the dynamics of the COVID-19 pandemic in each of the ORs are different in terms of timing and severity of the waves and restrictions (specific timelines are included in each of the OR fiches). Thus, the prospects for the ORs are very difficult to predict. Nevertheless, in the following paragraphs we outline possible outlooks for the COVID-19 crisis and its potential impacts on the ORs/sectors. These are schematic outlooks based on the existing data, rather than econometric modelling for each of the ORs, which is beyond the remit of the study. Their objective is to illustrate possibilities and to provide context for the suggested indicators for the monitoring of the effects of the crisis (further in this section).

In Table 2.11 we present three standard possible scenarios for the development of the crisis and their main parameters: (1) a One-off crisis; (2) a Light Structural crisis; (3) a Severe structural crisis.

Table 2.11: Possible scenarios

Parameter	1 - One-off crisis	2 - Light structural crisis	3 - Severe structural crisis
Occurrence of the virus / vaccination progress and efficacy	Decrease in the occurrence of the virus for the remainder of 2021 / mass vaccination in full swing.	New waves in the remainder of 2021 / mass vaccination rollout continues to lag.	Strong waves continuing in 2022 / Mass vaccination falls short and/or vaccines prove unsuccessful in halting the pandemic.
Overall macroeconomic impact and impact on economic sectors (tourism, retail, transport, agriculture, fishing, construction, cultural sector)	Slight (temporary impacts on tourism and transport).	Moderate (mid-term effects on tourism/transport and impact spreading to the retail and construction sectors).	Severe (impact affecting all sectors of the OR economies).
Social impact	Slight (observed only in a few months of restrictions).	Moderate (impact lasting beyond the immediate months with restrictions).	Severe (long-term impact).

Occurrence of the virus / vaccination progress and efficacy

The observed dynamics of the virus (described in section 2.1) **do not indicate that the virus is likely to abate in the ORs over the remainder of 2021**. The ongoing waves experienced in June-September 2021 by the French ORs make further increases in the occurrence of the virus across ORs more likely. The emergence of the highly transmissible delta variant also points in this direction.

Another factor that will influence the future severity of the COVID-19 crisis in the OR is the rate of the vaccination process. As presented in section 2.1, vaccination rollout has been rapid in the Azores, Madeira, and the Canary Islands. Even though the efficacy of the existing vaccines may be challenged by new variants, **the strong vaccination rollout in the Portuguese and Spanish ORs may decrease the likelihood of significant new waves/high fatality rate by the end of 2021**. However, the vaccination process in the

French ORs is much slower than the Portuguese and Spanish ORs and the French national average. Coupled with the fragility of the health systems, particularly in the French ORs, and the high occurrence of cases, this **may lead to further waves in the French ORs, possibly extending beyond 2021**.

Overall, the data on virus cases and the vaccination process across ORs do not point to a one-off crisis limited to 2021 (scenario 1). Instead, scenario 2 (light structural crisis) is more likely, while scenario 3 (severe structural crisis) cannot be ruled out.

Macroeconomic recovery and recovery of key sectors (tourism, retail, transport, agriculture, construction, cultural sector)

The following paragraphs provide an overview of the macroeconomic recovery trajectory of the ORs, starting with the Canary Islands, as it has the most abundant data.

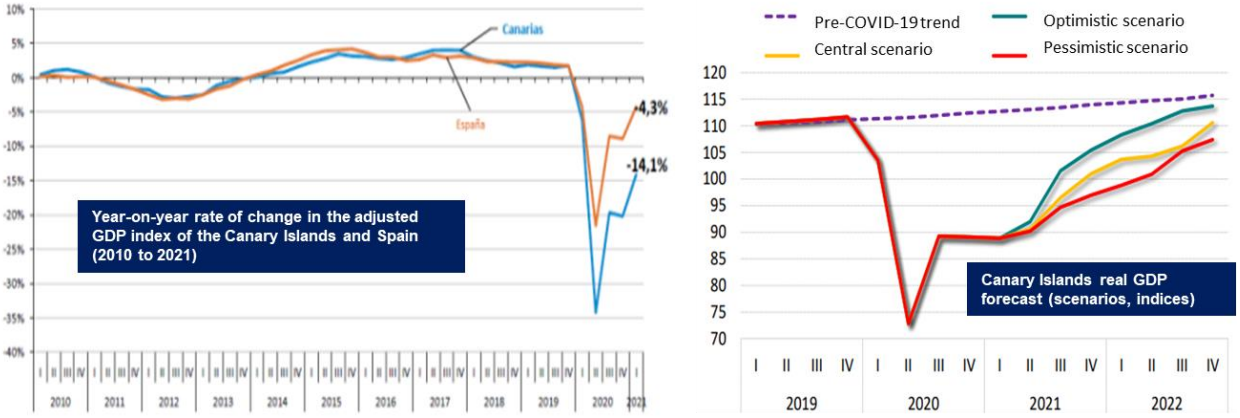
The GDP index of the Canary Islands is on a recovery trend, but due to the significant hit in the first half of 2020, it is about 10% lower than the national index in Q1 2021, despite the convergence between the two before the COVID-19 pandemic (Figure 2.21) [101]. The rebound in the business confidence index in the Canary Islands is also slower when compared to Spain (12.4 points lower in the Canary Islands in Q3 2019, 9.8 points lower in Q3 2020, and 16.5 lower in Q3 2021).[102] The forecasts for the Canary Islands with respect to Spain are limited due to uncertainties about foreign tourism and a weaker than expected 2021 summer season in the Canary Islands. Indeed, the Canary Islands are one of the three Spanish regions most affected by the lower than expected arrival of foreign tourists during the months of July and August 2021. Moreover, the Canary Islands will also be among the regions with the slowest recovery in 2022 compared to the national average.[103] Therefore, although the region will likely experience economic growth in 2022, it will probably still not reach full recovery of the pre-COVID-19 level of 2019, even in an optimistic scenario. This outlook is illustrated in the figure below, which provides scenarios for the real GDP recovery of the Canary Islands.

[101] Gobierno de Canarias (2021). Informe de seguimiento del impacto económico del COVID-19. July 2021. Available at: https://www.gobiernodecanarias.org/cmsweb/export/sites/economia/galeria/Galeria_politica_economica_2/Informe-de-seguimiento-impacto-covid-19_Julio-2021.pdf [16.09.2021]

[102] ISTAC (2021). La confianza empresarial en Canarias registra en el tercer trimestre de 2021 una subida del 15,2% con respecto al anterior. Available at: http://www.gobiernodecanarias.org/istac/.content/noticias/indicadores-confianza-empresarial-canarias-noticia.html [Accessed: 10.09.2021]

[103] BBVA Research (2021). España | Observatorio Regional. Tercer Trimestre 2021. Updated on 12 August 2021. Available at: https://www.bbvaresearch.com/publicaciones/espana-observatorio-regional-tercer-trimestre-2021/ [16.09.2021]

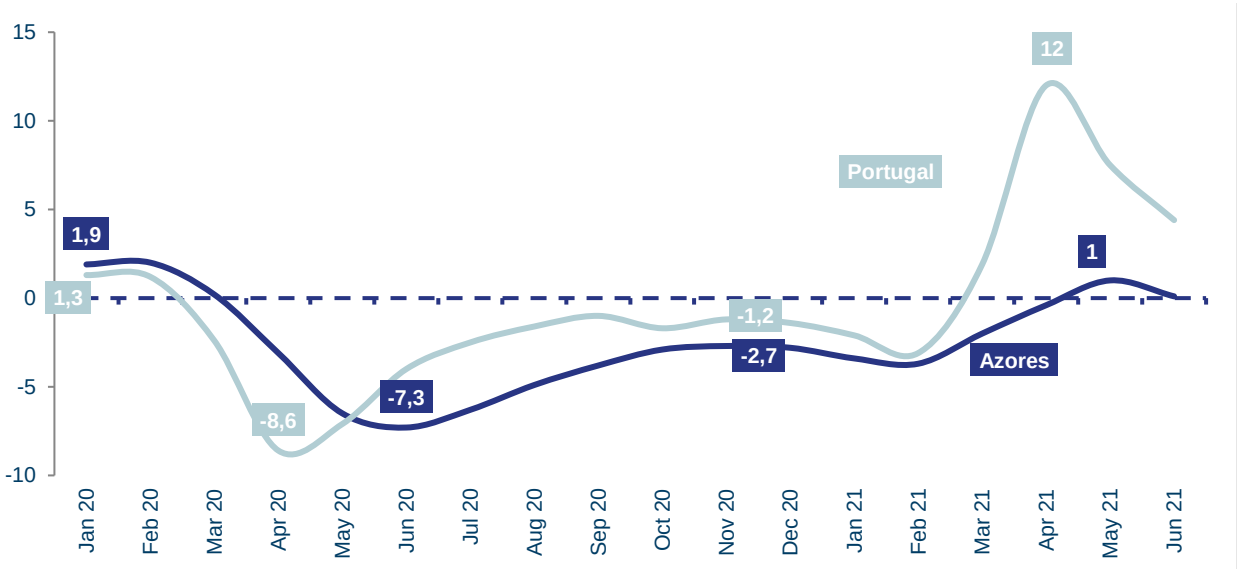
Figure 2.21: Year-on-year rate of change in the adjusted GDP index of the Canary Islands and Spain, 2010 to 2021 (left) and Canary Islands real GDP forecast, scenarios, indices (right)



Source: Gobierno de Canarias (2021) [104]

With regard to the Azores, judging from the available data, the economy is on a path for recovery in 2022. The performance of several indicators, such as the index of economic activity (see figure below), the number of registered jobseekers or the number of licensed constructions, suggest that the socioeconomic situation of the region has already started to improve. Should these trends continue, then **the Azores could reach pre-pandemic levels by 2022**. However, uncertainties related to global economic and COVID-19 developments (e.g. new, more contagious variants, persistent travel restrictions, etc.) remain, and affect the development of the region's economy. Furthermore, as the figure below shows, **recovery in economic activity in the Azores lagged behind the recovery at the national level in the period May 2020-June 2021.**

Figure 2.22: Economic activity index variation as compared to the same month in the previous year (2020-2021) – Azores and Portugal

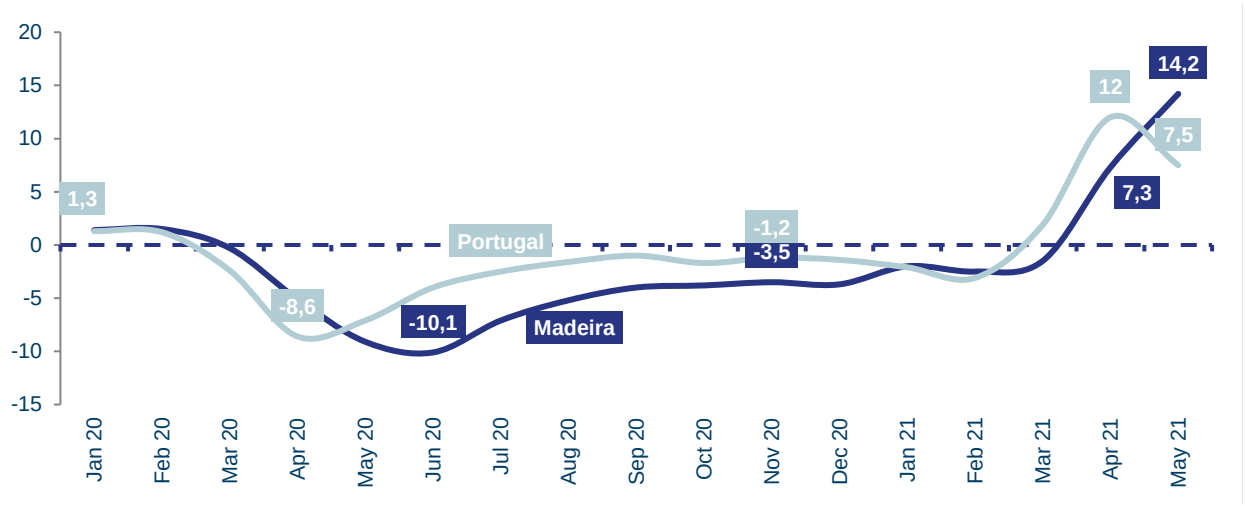


Source: Ecorys based on SREA and INE Data

[104] Gobierno de Canarias (2021). Informe de seguimiento del impacto económico del COVID-19. July 2021. Available at: https://www.gobiernodecanarias.org/cmsweb/export/sites/economia/galeria/Galeria_politica_economica_2/Informe-de-seguimiento-impacto-covid-19_Julio-2021.pdf [16.09.2021]

Similarly to the Azores, **the Madeira economy is on a recovery path**. It has shown a very strong recovery in May 2021 (the latest available data), and this trend is likely to be reinforced. However, the caveats presented above for the Azores are also valid for Madeira. Furthermore, March-May 2020 was a period of heavy restrictions, which affects the estimates for the indicator, i.e. the figure below may not be fully representative of the rate of recovery in Madeira. Overall, during most of the pandemic, **Madeira's economic activity was suppressed to a greater extent than Portugal as a whole** (Figure 2.23).

Figure 2.23: Economic activity index variation as compared to the same month in the previous year (2020-2021) – Madeira and Portugal

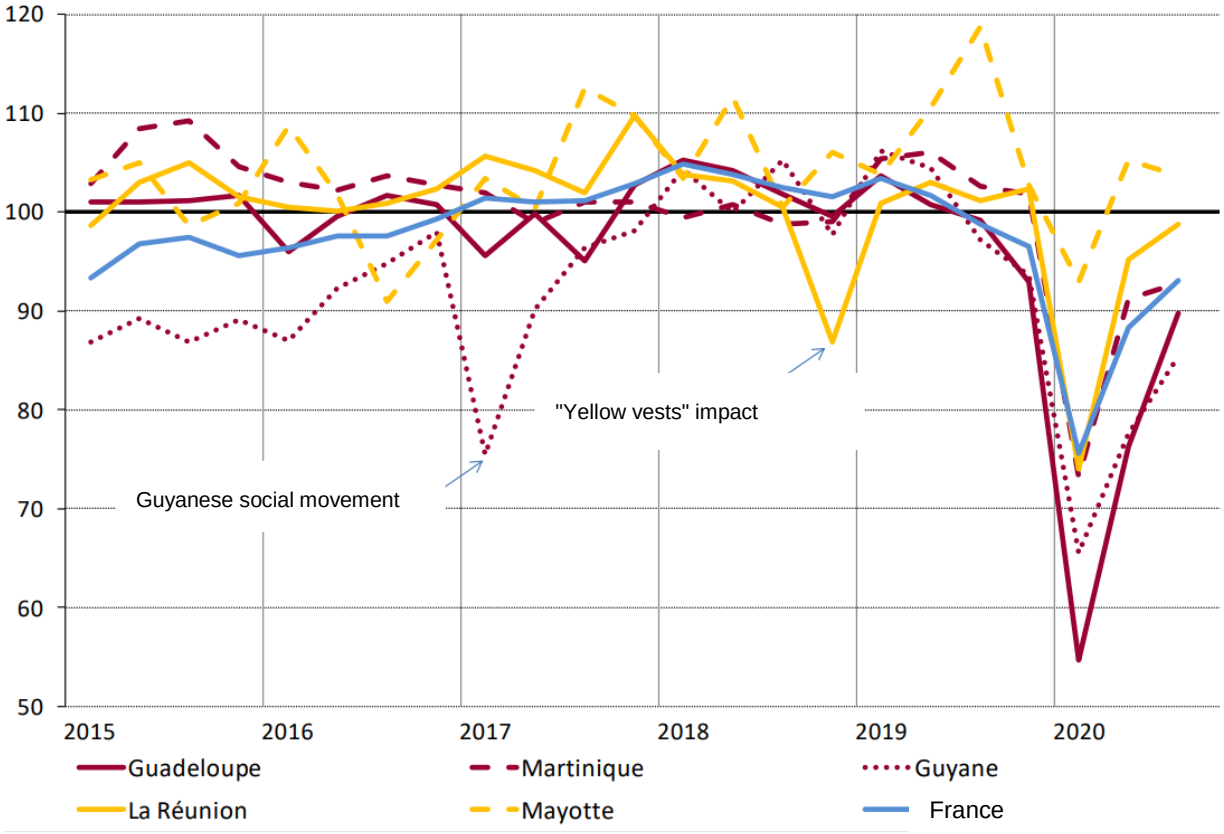


Source: Ecorys based on DREM and INE Data

Macroeconomic data for 2021 for the **French outermost regions** are not fully available, which makes an assessment of the recovery outlook extremely challenging. A relevant macroeconomic indicator for recovery for the French OR is the business climate indicator, which is reported by CEROM.[105] To a large extent, the latest available data show a V-shaped recovery trajectory (Figure 2.24).

[105] Available at: https://www.cerom-outremer.fr/cerom/ [Accessed on 16 September 2021]

Figure 2.24: Business climate indicator in the French OR (100 = long-term average) – 2015-2020



Source: CEROM (2021)[106] *(translation – Ecorys)*

The figure shows that in **all French ORs**[107] **the decrease in the business climate indicator was unprecedented**[108], but that all of them were recovering already in 2020. **Guadeloupe, French Guiana, and Martinique recovered more slowly than the national level** until Q3 2020 (Figure 2.24). Beyond the period illustrated in the figure, the latest data[109] (Q1 2021) retrieved for Mayotte and Réunion confirm the upward trend, as both ORs exceeded the 100 long-term average. This was still not the case for Guadeloupe, French Guiana, or Martinique, which remained below the 100 long-term average. In Q2 2021, France overall exceeded the 100 long-term average (106.6).[110]

When reviewing the current macroeconomic outlooks described above and the future prospects for the ORs, the following key considerations should be taken into account:

- The outlooks should be considered in the context of a less favourable macroeconomic 'starting' position for all ORs as compared to the national figures (see section 2.1). Thus, **any recovery, which is slower than the national**

[106] CEROM (2021). Les conséquences économiques de la crise sanitaire dans les Outre-mer. Published: March 2021. Available at: https://www.cerom-outremer.fr/IMG/pdf/cerom_impact_crise_sanitaire_vf.pdf [Accessed on 16 September 2021]

[107] Saint Martin is not included due to lack of data.

[108] Excluding Mayotte, which experienced a similar decrease in 2016.

[109] Latest publications of CEROM, Available at: https://www.cerom-outremer.fr/cerom/ [Accessed on 16 September 2021]

[110] INSEE. Indicateur du climat des affaires - Tous secteurs - France métropolitaine Identifiant 001565530. Latest update: 26.08.2021. Available at: https://www.insee.fr/fr/statistiques/serie/001565530#Graphique [Accessed on 16 September 2021]

averages (as already observed in the Canary Islands, Madeira, the Azores, Guadeloupe, French Guiana, and Martinique) would further increase disparities. Even though Mayotte and Réunion have demonstrated faster recovery of the business climate indicator as compared to the national averages, **their business climate is very volatile** – illustrated by the peaks and lows of Mayotte in the whole period 2015-2020 and the impact of the 'yellow vests' movement in Réunion (Figure 2.24).

- The availability of robust macroeconomic forecasts for the ORs is very limited. Furthermore, the COVID-19 pandemic is very dynamic and macroeconomic forecasts tend to become outdated very quickly.[111]

- As described throughout the report, some French ORs are experiencing stronger COVID-19 waves in 2021 than in 2020, in terms of numbers of infections, which could negatively affect their economic recovery.

Based on different impacts observed in the various ORs, **expectations for recovery vary significantly from sector to sector**. Detailed analysis is presented in section 2.1, but the overall trends are summarised in the table below. All of these outlooks are dependent on the occurrence of the virus/vaccination process and the related lockdown measures. As noted above, the optimistic scenario of a limited (one-off) crisis is not likely to materialise. In case scenario 3 materialises, the recovery of the sectors presented below will take even longer. This is particularly the case for the sectors of tourism, culture, and transport.

Table 2.12: Outlook at sectoral level

Sector	Outlook
Tourism	The tourism sector took a heavy blow in 2020 and is unlikely to fully recover before 2022 or even before 2023, which will have significant long-term effects particularly for ORs with large tourism sectors (e.g. the Canary Islands, Saint Martin, Madeira). This may lead to structural effects for the economies (scenario 3 from Table 2.11) as tourism is a cross-cutting economic activity that has effects on all related sectors, including culture, transport, and agriculture.
Cultural sector	The negative effects of the COVID-19 pandemic on the cultural sector were not limited to 2020 only, but continue in 2021. Before the full lifting of the restrictions and full recovery of international tourism, the sector would not be back to its pre-pandemic levels.
Transport	Overall, across the ORs, the transport sector is still well below its pre-pandemic levels. Neither air nor maritime traffic have recovered fully, and their recovery will be intertwined with the rebound of tourism and imports/exports to pre-pandemic level, which are not expected to take place before the end of 2021.
Retail	The sector experienced an economic shock in the first months of restrictions in 2020. However, fuelled by increased spending thanks to the accumulated household savings over 2020 and by the undertaken measures for physical distancing, the sector has largely recovered and its outlook is positive (unless new supply chain disruptions occur due to the current issues in maritime freight).
Construction	The construction industry did not suffer significant declines in all ORs in 2020 (to the extent that data are available), during the lockdown period. For example, in the Azores by May 2021, the sector was already outperforming its pre-crisis revenues, which indicates no structural crisis in the sector.
Agriculture and fishing	The agriculture and fishing sectors have experienced different impacts across ORs, but overall they rebounded, and are both on a recovery trajectory in 2021.

[111] For example, the EU Economic Forecasts, available at: https://ec.europa.eu/info/business-economy-euro/economic-performance-and-forecasts/economic-forecasts/summer-2021-economic-forecast_en [Accessed on 16 September 2021]

Social impact

Assessing the social impacts of the COVID-19 pandemic in the ORs is extremely challenging due to lack of data, effects of ongoing social measures, ongoing pandemic, large size of the informal sector in some ORs, and early period for manifestation of the social effects (see section 2.1, which describes effects on employment, education, and poverty). Making forecasts in the short-, mid- and long-term would be next to impossible.

As described in section 2.1, unemployment rates showed different dynamics in 2020 across the ORs - increases in the Canary Islands and Madeira, but overall apparent decreases in the remaining ORs. However, for the assessment of the effects and outlooks for the social impact, the analysis could also explore the effects on vulnerable groups, such as: young unemployed, NEETs (people not in employment, education, or training), long-term unemployed and people below the poverty line. Although there is limited data across the ORs for some of these indicators, they are likely to be negatively affected by the COVID-19 pandemic and should be continuously monitored (see the section with indicators below).

Key indicators

Considering all the methodological and data availability challenges described throughout the study (e.g. in section 1.2), in this section we provide guidance for indicators, which could be used to further monitor the socio-economic effects of the COVID-19 pandemic (even though for some of them there is currently no information beyond 2019). Annex 2 presents the latest available data for each indicator included in the table below.

Table 2.13: COVID-19 key indicators for socio-economic effects

Indicator	Rationale	Possible sources	Latest available data
Healthcare impact indicators			
Number of doctors per 100 000 inhabitants	Monitor the situation of healthcare system in the ORs. However, for the moment this indicator is only available until 2019.	Eurostat (online code: TGS00062) (all ORs)	2019
Number of hospital beds per 100 000 inhabitants	Monitor the situation of healthcare system in the ORs. However, for the moment this indicator is only available until 2019.	Eurostat (online code: TGS00064) (all ORs)	2019
Economic impact indicators			
GDP per capita	A useful indicator for macroeconomic developments, but it is not updated frequently for all ORs.	Eurostat (online code: TGS00005) (all ORs)	2019

Indicator	Rationale	Possible sources	Latest available data
Economic activity	Another indicator, which provides a macroeconomic overview. Its advantage is that it is more frequently updated than GDP.	SREA (Azores) DREM (Madeira)	June 2021
Business confidence index	The index shows the business expectations and could serve as an early sign for economic depression/recovery. A downside is that it is not used in all ORs.	ISTAC (Canary Islands) IEDOM/CEROM (French ORs)	Q3 2020 Q1 2021
Imports	Another indicator which provides a macroeconomic overview. The figures are frequently updated.	ISTAC (Canary Islands) IEDOM/CEROM (French ORs)	Q3 2020 Q1 2021
Exports	As above, another indicator which provides a macroeconomic overview. The figures are frequently updated.	ISTAC (Canary Islands) IEDOM/CEROM (French ORs)	Q3 2020 Q1 2021
Number of guests in tourism accommodations	An indicator, which can show effects in the tourism sector.	SREA (Azores) DREM (Madeira) ISTAC (Canary Islands) IEDOM/CEROM (French ORs)	July 2021 June 2021 Q4 2020
Google mobility indicators	These datasets could provide an indication on the effects in the retail sector (an issue with them is that they will be available only for a limited time).	Google (only Réunion, Canary Islands, Azores, Madeira)	25/06/2021 (Réunion) 02/09/2021 (Canary Islands) 17/09/2021 (Azores) 17/09/2021 (Madeira)
Number of air passengers	An indicator showing effects on air transport.	ISTAC (Canary Islands) DREM (Madeira) IEDOM/CEROM (French ORs)	July 2021 March 2021 Q1 2021
Number / Gross tonnage of commercial vessels	The indicators can show effects on maritime traffic.	INE (Azores/Madeira) ISTAC (Canary Islands)	March 2021 April 2021
Port traffic (goods)	An indicator signalling effects on maritime transport.	ISTAC (Canary Islands)	July 2021

Indicator	Rationale	Possible sources	Latest available data
Sales (or import) of cement / or cement consumption	The sales (or import) of cement could be used as a proxy indicator for effects in the construction sector.	CEROM/IEDOM (French ORs)	Q1 2021
Catches of fish (value and weight)	The indicators could show effects in the fishing sector.	SREA (Azores)	July 2021
Social impact indicators			
Unemployment rate	An indicator showing general effects on unemployment.	Eurostat – for all ORs (online code: lfst_r_lfu3rt) (all ORs)	2020
Youth unemployment	An indicator, which can show effects on disadvantaged groups, which, as shown by the analysis, can be negatively influenced by the COVID-19 pandemic.	Eurostat for all ORs (online code: YTH_EMPL_110) (all ORs)	2020
NEETs (people not in employment, education, or training)	As above, this is an indicator, which can show effects on disadvantaged groups that have been negatively affected by the COVID-19 pandemic.	Eurostat (online code: edat_lfse_22) (all ORs)	2020
Long-term unemployment	This indicator will require time to manifest fully potential COVID-19 effects, as long-term is defined as 12 months and more,	Eurostat (online code: lfst_r_lfu2ltu) (all ORs)	2020
People at risk of poverty or social exclusion	An indicator, which could show how many people have been pushed below the poverty line since the onset of the pandemic (unfortunately, largely unavailable at the time of writing of this report).	Eurostat (online code : TGS00107) (all ORs)	2020
Early leavers from education and training	An indicator that could potentially show effects on early school leaving (although admittedly the direct link with the pandemic could be difficult to establish).	Eurostat (online code: edat_lfse_16) (all ORs)	2020
Broadband access	An indicator that shows the digitalisation of the regions.	Eurostat (online code: TGS00048) (all ORs)	2020

3. Recovery and resilience-building measures in the short, medium, and long-term

This section presents findings from the analysis of implemented measures and the resulting overarching and OR-specific recommendations. **Section 3.1** presents the results of the mapping of the implemented measures. **Section 3.2** provides insights on the measures carried out. Finally, **Section 3.3** presents the study's recommendations.

3.1. Looking back: Profiling COVID-19 response measures

This section presents the analysis of the COVID-19 related measures implemented in the period April 2020 - September 2021. Before presenting the main findings, some ongoing challenges and caveats to this analysis are of note. These include:

- **The evolving nature of the measures**: Given that the COVID-19 situation is still evolving, measures are still being introduced and several of those identified are still ongoing.

- **Availability of information on recent measures**: Although the objective of this report is not to formally evaluate measures, it is appropriate to consider three indicators for their description: outputs (the immediate deliverables of a measure, such as number of businesses supported in a sector); results (the short- to mid-term changes which occur, such as lower business closure rates); and impacts (the wider long-term effects, such as regional GDP growth). Information regarding the results of recent measures is often not fully available, signifying that, in numerous cases, it is too early to identify clear effects. In many instances, implementation dates are unclear or are unspecified. Following rounds of fact-checks and information collection on the ground in support of this study, over 60 measures still had no identifiable implementation dates, whilst over half of the remaining ones were either missing their initiation date or finalisation date. This makes it very difficult to determine whether measures have generated short-, medium- or long-term results. Additionally, in numerous cases, the origin of the funding remains ambiguous, i.e. whether national and regional measures were solely funded by their governments or financed with the help of European funds.

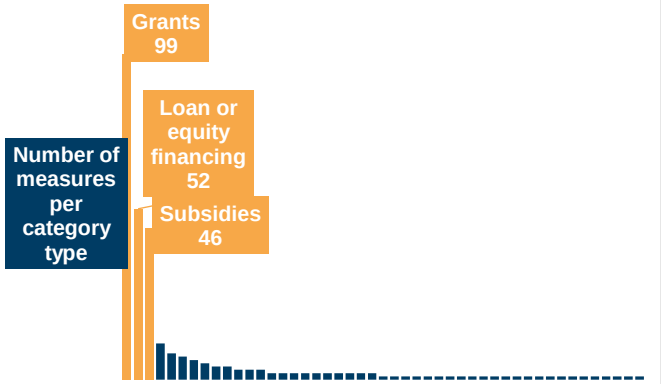
- **Size of disbursements:** While a number of financial instruments have been introduced, the size of these instruments does not specify the exact value effectively granted to beneficiaries (typically one of their main outputs), or how this value is calculated. In many instances, total budgets are stated whilst omitting the value of the financial support actually paid out to beneficiaries. Thus, in some cases, (basic) information on outputs is limited or unavailable.

- **Scope of measures reviewed:** Responsive health restrictions, such as immediate regulations (facemask regulations, curfews, etc.), have not been included in the analysis simply due to the sheer number of measures undertaken at the outset of the crisis. To ensure focus and a forward-looking approach, the mapping focussed on health measures that relate to broader or medium-term health policies. For instance, measures such as increased funding for public hospitals and pharmaceutical research have been incorporated into the database.

Synthesis of the policy measures

A total of 345 policy measures addressing economic, social and health effects have been identified. These measures have been compiled and used to make a database of all policy measures implemented. The majority of the measures are public or private sector support schemes used to guide the strategic allocation of European, national and regional funds, in order to mitigate the negative effects of the COVID-19 pandemic.

Figure 3.1: Number of measures identified



The most prevalent types of measures identified are grants, loan and equity financing, subsidies, welfare and unemployment benefits, legislation, other private sector investments, tax and rent deferrals, educational programmes, and food aid.

The most common type of measures is grants[112], with a total of 99 grant schemes introduced during the period assessed. Of these, 83 were in the form of short-term support policies, the majority organised and funded at the national level. Additionally, 25 of these grant schemes were related to state aid measures approved under the EC's Temporary Framework.

Grants have been made available to various recipients across industry sectors. Given the general focus on economic stabilisation, nearly half of all grant schemes offer financial support to SMEs or self-employed workers. Grant values vary significantly across measures, ranging from €500 to €100,000 per recipient. In many cases, grants are calculated as a percentage of company (decrease in) turnover or wages. For example, a recent Portuguese scheme[113] for the Azores, approved under the Temporary Framework, targets SMEs in the most severely impacted sectors, including the tourism and hospitality sectors, whose turnover declined by at least 25% over Q2 2021, relative to the same period in 2019. The grants cover up to 40% of the amount lost, and have a ceiling of €12,000 for micro-enterprises, €48,000 for small enterprises and €50,000 for medium-sized enterprises.[114]

Grants often incorporate specific expenditure conditions. For instance, Guadeloupe's *Cheque TIC* provides firms with direct grants up to a maximum value of €10,000, to be used for the digitalisation of local operations.[115] Similarly, the Canary Islands' *Canarias Fortaleza* administers grants to local SMEs in the tourism industry, with values equal to 60-75% of incurred accessibility and digitalisation expenses.[116]

[112] A grant is a fund given by an entity – often a public body, charitable foundation, or a specialised grant-making institution – to an individual or another entity (usually, a non-profit organisation, sometimes a business or a local government body) for a specific purpose linked to public benefit. Unlike loans, grants are not to be paid back.

[113] €8 million Portuguese scheme to support micro, small and medium-sized enterprises in the outermost region of the Azores in the context of the COVID-19 outbreak

[114] https://ec.europa.eu/competition/state_aid/cases1/202127/294841_2292585_24_2.pdf

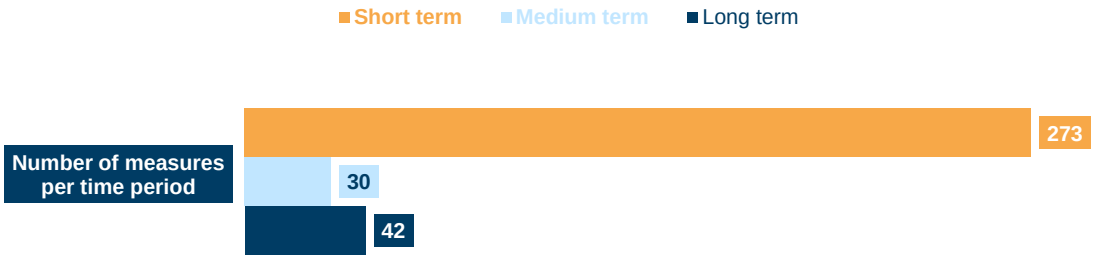
[115] https://les-aides.fr/aide/VCRfGTwZTAwOFQ/region-guadeloupe/cheque-tic.html

[116] https://turismodeislascanarias.com/sites/default/files/guia_informacion_y_comunicacion_canarias_fortaleza.pdf

The second most common category of measure is loans and equity financing, with a total of 52 loan schemes introduced during the observed period. Over half of the loans disbursed have a payback period of two years or more. Therefore, most loan schemes are considered to be medium-term support measures. Seven of these loan schemes have been financed and instituted as state aid measures approved under the EC's Temporary Framework. Complementing these loan schemes, eight additional loan guarantee schemes have been devised with the approval of the EC's Temporary Framework. Loan schemes have generally been implemented at the national level, and many have been devised and carried out in partnership with private or public banks. For example, France's *Prêt Rebond* were loans formulated and distributed by the public investment bank BPI France, whilst being financed with government funds. Most loans are low-interest or zero-interest, with values dependent on recipient size.

The third most prevalent type of measure is subsidies[117], with a total of 46 subsidy schemes**.** All subsidies made available were/are of a short-term nature, whilst more than half were enacted by regional governments. In contrast to the aforementioned measures, these subsidies not only focus on supporting the private sector, but also aim to support households. The value of subsidies also varies greatly across measures. However, most subsidies equate to between €150 and €2,000 per beneficiary.

Figure 3.2: Number of measures per time period

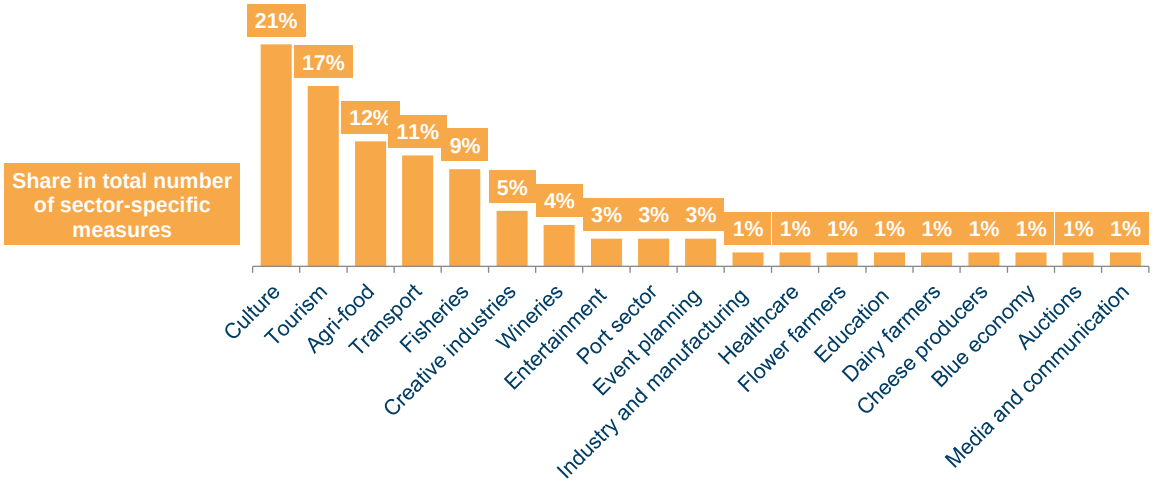


In terms of duration, medium-term measures (average duration 2-5 years) are the least common type of measure, with a total of 30 measures. Long-term measures (average duration of 5 years or more) are also scarce, with an aggregate of 41 measures. In contrast, short-term measures (those that span less than 2 years) are the prevailing form of support, numbering 273.

A total of 231 measures were formulated to provide financial support to the private sector in the ORs (the other 154 measures primarily address social or health effects – addressed below). Measures mainly consisted of grants, subsidies, loans and solidarity funds. These measures are intended to ensure that firms, especially SMEs and other vulnerable firms, are able to operate and survive the COVID-19 crisis. Of these 231 measures, 70 were devised to target SMEs, very small businesses, and self-employed workers. This comes as no surprise, considering that SMEs are prevalent in OR economies. Furthermore, as mentioned in the analysis of impacts in section 2.1, digital transformation is an absolute necessity for most businesses. To facilitate this process, nine measures specifically promoting digital transformation have been decreed at national and regional levels.

[117] Subsidies are defined as direct payments or tax breaks provided to a receiving entity by the state or a public body. In contrast to grants, subsidies do not have to be used for a defined purpose.

Figure 3.3: Distribution of sector-specific measures



Moreover, numerous sector-specific measures were developed, including support for the agri-food, education, cultural, blue economy, fishing and transport sectors (amongst others). The cultural sector has been one of the sectors most hard-hit by the pandemic (although there is a lack of statistical evidence to quantify the impact). For this reason, national and regional governments implemented 15 measures to support individuals dependent on this sector. The French government accounted for seven of these cultural sector-specific measures, consisting of special unemployment benefits and subsidies. Moreover, 12 measures were directed at supporting firms in the tourism sector and closely related industries. Aid for the tourism industry is mostly comprised of low-interest and zero-rate loans, such as Bpifrance's *Prêt Tourisme*, and grants, such as the Canary Island's *Canarias Fortaleza* grant scheme, amongst others.

Additionally, 14 fishery and agri-food measures have been implemented by regional and national governments to safeguard the production of essential agri-food goods during the pandemic. Only one measure is directly aimed at supporting the blue economy. The majority of sector-specific measures have been launched by regional governments, and are short-term. Nevertheless, seven of these sector-specific measures fall under the scope of state aid measures under the Temporary Framework. Some of these measures include France's *€25 million aid scheme to support the horticultural sector* and Portugal's *€20 million credit line scheme to support the fishery and aquaculture industry sector*. Furthermore, certain regional measures, such as Guadeloupe's Grant scheme to aid farmers, *Aide Aux Agriculteurs et Entreprises Impactés par la Crise Covid-19*, have been financed by European funds (in this case, the European Regional Development Fund (ERDF) and the European Agricultural Fund for Rural Development (EAFRD).

In addition to the above-mentioned economic measures, various social and health measures have been implemented. Social measures mostly consist of welfare and unemployment benefits, educational programmes, food aid and other subsidies aimed at supporting household income. Some of these social measures explicitly target specific, vulnerable societal groups. For instance, Martinique's *Sè yon a lot* specifically aims to combat the isolation and loneliness felt by elderly people in nursing homes during the pandemic. Likewise, Spain's *Becas Comedor*, a food support programme for children, approved under the Temporary Framework, serves the purpose of supporting vulnerable children that are part of financially unstable households.

Moreover, numerous labour market support measures, such as social security payments, have been introduced (or adapted from existing mechanisms) to reinforce employment and income stability. Diverse state aid measures have been instituted and amended to ensure employment protection. Whilst state aid is provided to market actors (i.e. businesses), governments may stipulate that it must be used to directly support

workers. For example, one such measure is Portugal's *Incentivo Regional à Normalização da Atividade Empresarial in the Azores*. Other labour market measures, such as France's *1 jeune, 1 solution*, focus on supporting youth employment. Health-oriented measures largely consist of legislation, tax exemptions and other support schemes which aim to promote COVID-19 related pharmaceutical research and funding for public hospitals. Within the domain of health, legislative authority has been implemented in order to: enact travel restrictions, grant extraordinary tax deferrals to medical equipment imports, and allow for the structural reform of public hospitals. For instance, France's *Plan Blanc* – which was originally introduced in 2004 – allows for the immediate mobilisation and implementation of resources in the event of a crisis. In response to COVID-19, it was activated in order to increase hospital capacity including the number of beds for COVID-19 patients. In addition, the Portuguese *R&D Investment Scheme* provides grants in order to promote investment in R&D, testing and production of goods relevant to the COVID-19 outbreak.

3.2. Insights on EU, national, and regional COVID-19 measures in the outermost regions

As noted in the previous section, it is too early to draw definite conclusions regarding the extent to which the above-presented regional, national and EU-level measures have contributed to the recovery of the ORs to date. This is due to:

- **A time lag before results and impacts materialise.** As explained in section 3.1, outputs take time to translate into measurable and attributable results and impacts. The former generally become evident in the medium-term, and the latter over the mid- to long-term. Given the relatively short time which has elapsed since the introduction of measures, few evaluation reports have yet been released.

- **Lack of evidence available.** Not all measures have been established with an associated set of monitoring and performance indicators. This is unsurprising (and understandable) given that governments were under pressure to react quickly and implement rapid actions, as the pandemic began to spread in 2020, with little time for elaborate performance planning. This makes it a challenge to trace back and assess effects using quantified metrics.

- **Short-term nature of the measures.** While national recovery plans are available and recovery measures are being prepared, many of the actual measures in the database have had a temporary short-term objective rather than a longer-term focus on post-crisis recovery and stabilisation.

Given these limitations, we focus on general lessons that can be drawn on the effectiveness of the actual measures undertaken in terms of outputs realised, based on qualitative evidence; the feedback from implementing agents and beneficiaries, and anecdotal evidence through interviews. Although not quantitative, these findings are valuable and have utility, offering useful insights and directions for further analysis to formulate recommendations for future interventions.

Measures considered broadly relevant – at least in the short-term

During interviews, stakeholders expressed their general satisfaction with the relevance of the measures introduced. For example, measures to support the tourism sector ranged from the 'Canarias Fortaleza' grants to support SMEs in the hotel industry and ensure biosecurity against COVID-19, to the *Mon île 974* Tourism Cheque for lower-income households in Réunion, providing them with vouchers to sustain local restaurants and leisure activities.[118] The French government introduced a series of measures to support the cultural sector, whose activities have been curtailed by confinement measures. These include the *Fonds d'urgence Spectacle vivant* administered by *Société des Auteurs et Compositeurs Dramatiques - SACD* (Society of Dramatic Authors and Composers), emergency aid for traditional circuses, and the *Fonds d'indemnisation pour la reprise des tournages,* directed to film producers. In the Azores, the transport sector has been supported via grants to passenger transport companies, to mitigate the sudden liquidity shortage brought about by the pandemic.

The wide variety of measures supporting the economy and labour market are seen as **broadly relevant to the impacts of the pandemic in the short-term**, as they are designed to sustain a significant number of businesses and jobs. Under the fiscal flexibility provided by the EC's Temporary Framework, numerous state aid measures have been introduced to safeguard the economic and social realms. Most state aid measures consist of grants, tax deferrals, loan schemes, loan guarantees, and credit insurance schemes, among others. Relevant measures include:

- A Spanish guarantee scheme of €2.55 billion to compensate certain self-employed individuals and companies for losses incurred due to the pandemic, approved in November 2020.[119]

- A French guarantee scheme mobilising up to €20 billion support from private investors for companies affected by the pandemic, approved in March 2021.[120]

- Portuguese schemes to support micro, small, and medium-size enterprises in the context of the pandemic, amounting to €8 million for the Azores and €22 million for Madeira, approved in June[121] and May[122] 2021 respectively.

Furthermore, relevant measures have been introduced in all ORs to address COVID-19 health consequences. For example, the French government mobilised army doctors to support local personnel in French Guiana and supported the transfer of patients from the overburdened hospitals in French Guiana and Guadeloupe toward Martinique, and from Mayotte toward Réunion.

[118] Biosecurity refers to measures aimed at preventing the introduction and spread of pernicious (including viruses' parasites) organisms to human beings.

[119] https://ec.europa.eu/commission/presscorner/detail/en/mex_20_2191.

[120] https://ec.europa.eu/commission/presscorner/detail/en/ip_21_812.

[121] https://ec.europa.eu/commission/presscorner/detail/en/mex_21_3322.

[122] https://ec.europa.eu/commission/presscorner/detail/en/mex_21_2423.

The effectiveness of the measures is broadly positive

In terms of effectiveness, interviewee feedback on most of the measures supporting the economy and labour market is broadly positive.

The REACT-EU package, the Coronavirus Response Investment Initiative (CRII) and the Coronavirus Response Investment Initiative Plus (CRII+) have played a significant role in helping Member States tackle the challenges brought by the pandemic. The two initiatives allowed modifications to the operational programmes in order to make European Structural and Investment Funds (ESIF) available to support those sectors most vulnerable to the impact of the COVID-19 pandemic. These funds were mobilised in particular to support the health care sector and private businesses. Between February 2020 and July 2021, under the Coronavirus Response Investment Initiative (CRII), Coronavirus Response Investment Initiative Plus (CRII+), and REACT-EU:[123]

- Planned EU support to the healthcare sector increased by €108.2 million in the Canary Islands, by €182.6 million in the French ORs, and by €56.6 million in the Portuguese ORs.

- Planned EU support to enterprises increased by €161.35 million in the French ORs and by €105.9 million in the Portuguese ORs.

With regard to measures supporting the labour market, in Madeira, EU-funded projects via REACT EU are to support 3,465 unemployed participants affected by COVID-19 consequences up to 2023,[124] in addition to supporting around 1,190 young people to keep their job for six months after exceptional support expires.[125] In the Azores, under the European Regional Development Fund (ERDF) it is planned to support 12,626 jobs via grants for working capital in response to COVID-19.[126] In particular, the speed and wide scope with which state aid has been made available are positively evaluated by most regional authorities and stakeholders.

Both national and regional governments have taken advantage of such funds and have put in place **several support mechanisms from which a large number of companies have benefitted.** At the national level, for instance, the Portuguese €750 million scheme to support companies in sectors particularly affected by the COVID-19 outbreak has allowed for the development of various measures, including *Apoiar.PT*, *Apoiar Restauração* and *Apoiar.PT Açores*. These measures have provided direct grants to firms of all sizes who have suffered significant decreases in turnovers during the pandemic. Furthermore, the French National Recovery Plan *France Relance* allocated €1.5 billion worth of funds to its outermost regions. Some examples of how businesses in the ORs were aided by support measures from the national government include:

- The *Fonds National de Solidarité* granted €115.1 million worth of funds to 48,026 beneficiaries in Mayotte.

- In Guadeloupe, companies received a tax reduction worth a total of €289 million.

[123] Latest information provided by the European Commission. EU support to healthcare sector includes relevant Coronavirus Response Investment Initiative (CRI) & Coronavirus Response Investment Initiative Plus (CRII+) amendments to Operational Programmes and REACT-EU under ERDF for health. EU support to enterprises includes relevant Coronavirus Response Investment Initiative (CRI) & Coronavirus Response Investment Initiative Plus (CRII+) amendments to Operational Programmes and REACT-EU under ERDF for economic support and SMEs.

[124] Nota justificativa da Proposta de Programação do REACT-EU Madeira 14-20 (February 2021).

[125] Proposta de reprogramação REACT-EU Madeira 14-20, Fiche indicators (April 2021).

[126] Nota Justificativa da Programação do PO Açores 2020, Programação REACT-EU (June 2021).

Businesses also benefitted from measures undertaken at the regional level. Clear outputs in the forms of disbursements can be seen in a number of measures, for instance:

- The regional government of Madeira has approved 140 agri-industry SME applications for the Rural Development Programme for the Autonomous Region of Madeira (PRODERAM), worth €734,310, financed by the European Agricultural Fund for Rural Development (EAFRD).

- Mayotte's regional government has already paid out €3.1 million worth of *Prêt d'Honneur (honour loans)* to 113 companies to help SMEs with liquidity issues.

- In Guadeloupe, 94 applications have been approved for the *Cheque TIC* for a total amount of more than €538,000.

In the maritime field, the EU reacted with the revision of the European Maritime and Fisheries Fund (EMFF) regulation in April 2020 to include new measures to mitigate the impact of the COVID-19 outbreak on the fishery and aquaculture sectors. The measures included specific provisions for ORs, as well as an accelerated adoption procedure for all compensation plan amendments. This revision to the European Maritime and Fisheries Fund (EMFF) regulation allowed for the swift adoption of Portugal's proposed amendments to its compensation plan for Madeira in autumn 2020, and by France to its compensation plans for Guadeloupe, French Guiana, and Réunion to mitigate the economic impact of the COVID-19 outbreak. This was in addition to the measures (temporary cessation) available to all Member States for COVID-19 impact mitigation.

In addition to the economic support, significant efforts have been made to **address the challenges within the social and health sectors, where clear outputs from several measures can be identified.** Such initiatives include:

- *1 jeune, 1 solution*: a French plan aimed at providing younger individuals with employment opportunities during the pandemic. The plan facilitated hundreds of hiring bonuses, apprenticeship contracts and subsidised jobs for young citizens in the French ORs.

- *Activité Partielle*: minimum wage employees throughout the French ORs benefitted from this compensation scheme. For example, 17,406 employees in Mayotte received pays totalling €8.9 million, calculated on the basis of minimum wage working hours. Across the French ORs, business continuity and employment were successfully safeguarded; this was highlighted in many interviews as the measure that most noticeably supported businesses.

- Layoff formation schemes: vocational training plans with the purpose of upskilling local workers in the Azores in periods of reduction or suspension of work. This plan aims at maintaining employment and operates in synergy with partial activity schemes.

- An extension of the *estagiar L e T* internship programme in the Azores: this measure supports the integration of young school leavers into the labour market, supporting their acquisition of new competencies, and enhancing their future prospects. This measure has been very well received by young people and employers alike.[127]

However, the effectiveness of the measures depends on several key factors. As mentioned in section 1, the **specificities of each outermost region** must be kept in mind when assessing the effectiveness of the measures. The EU's nine ORs encompass vastly

[127] Nota Justificativa da Programação do PO Açores 2020, Programação REACT-EU (June 2021).

different demographic profiles. For example, half of the population of Mayotte is under 18 years old, whereas according to INSEE projections, Martinique and Guadeloupe will be the oldest departments in France by 2030. The smallest region, Saint Martin, only has 34,000 official inhabitants, whereas the Canary Islands has 2.2 million.

Regional geographies have also acted to shape pandemic dynamics, and the severity and nature of impacts**.** Such differences in the impact of COVID-19 highlight the pressure faced by health systems - several health-related measures have been effective in mobilising additional resources. For example, in Guadeloupe the CHU hospital suffered a fire in 2017 and works to restore it were still underway when the pandemic hit the territory. In French Guiana, where due to the remoteness of the territory, medical evacuation was more complex than elsewhere, medical personnel from continental France had to support regional health workers dealing with both COVID-19 and dengue fever. In the midst of the crisis, Cuban medical personnel were also deployed in Martinique.

The evolving crisis led to the rapid response and deployment of several critical interventions. As can be witnessed, a diverse set of measures so far supported significant numbers of beneficiaries. Despite this remarkable progress, **several challenges impact the effectiveness and deployment of these measures**. Moving forward, these challenges can be used as opportunities to strengthen future responses. The following summarises some of the key issues which have influenced the effectiveness of measures.

The administrative capacity of regional authorities is one of the key determinants of the effectiveness of measures. In particular, the absorption capacity of the regional governments to process all funding received from national and EU funds is perceived to be limited. In several ORs, the regional authorities found themselves overwhelmed with applications and needed time to assess the applications, in some cases leading to longer time periods before disbursing the support measures.

For example, stakeholders in Martinique noted that administrative burden makes progress cumbersome and slow. The national recovery plan was intended to quickly inject money into the economy, but the regional administration’s capacity to react swiftly and mobilise the funds impacted the efficiency and effectiveness in relation to the disbursement of such funds. Moreover, in the initial phase of the pandemic, the local authorities were overburdened by requests and due to severe lack of capacity, it was a challenge to effectively reach out to all private sector actors or to respond to requests.

Similarly, in French Guiana, companies faced cumbersome procedures and were affected by slow and allegedly insufficient communication from the French authorities. According to interviewees, administrative capacity issues remain a challenge, and regional authorities have been struggling to respond to applications, which has extended the average processing period by up to three to four months per application. Moreover, French Guianese business leaders faced delays in the disbursement of the *Prêt Rebond* scheme to be offered automatically due to the administrative requirements (accounting and fiscal information), which created delays.

The (potential) indebtedness of enterprises can be a barrier to applications for support. Whilst this does not shape the design or implementation of measures, it does ultimately influence their effectiveness (since low take-up makes a limited difference). Interviewees from Réunion and Guadeloupe highlighted the difficulties faced by small enterprises to repay COVID-19 support measures in the form of government loans. In Réunion, for example, only around 10% of local businesses applied for and received support from the *Prêt garanti par l’État PGE,* a state-backed loan. In Madeira, extended loan repayment periods are valued by the beneficiaries, though it was also mentioned that repayment could be due when companies have lower capital reserves, due to delays in business recovery.

Uncertainty regarding post-pandemic recovery prospects is a component in this outlook. Stakeholders in Martinique noted that companies which have received loans through government support schemes have been reticent to commit to new investments, preferring to 'store' the money and use it to restart their activities when feasible. This may influence the effectiveness of such measures, which are intended to stimulate short-term economic activity.

In many cases, eligible enterprises do not opt for some forms of support designed to promote long-term business adaptation. This is because plans to increase resiliency or foster digitalisation may not appeal to business owners with a mindset preoccupied with day-to-day survival. Hence, several interviewees from across the regions indicated that financial support measures would preferably be non-refundable (i.e. subsidies or grants) whilst the pandemic is ongoing. This is especially the case in the tourism sector, which is highly dependent on the openness of borders (and availability of transport connections) with other countries. There are many examples of infection control-oriented measures to safeguard tourists, but without incoming tourists, such measures are redundant. Partial unemployment schemes supporting the tourism sector may also be difficult to implement in the context of 'stop and go' (i.e. continually changing) travel and tourism policies. Moreover, whereas some measures have been implemented to encourage locals to support businesses – such as the tourism cheque *Mon île 974* in Réunion, which was extended by the regional authorities with contributions from REACT-EU – part of the sector is solely dependent on foreign visitors, notably tourist operators and vehicle rental companies.

As described in section 1, many micro-businesses and SMEs in the ORs operate in the informal sector. In general, **unregistered businesses are ineligible for public support,** potentially reducing the effectiveness of the measures introduced. Even though several measures were rolled out, it has been challenging to effectively reach out to the informal economy, opening them up to additional vulnerabilities. Interviewees in Mayotte mentioned that the informal sector, therefore, suffered significantly more from the crisis compared to the group of registered companies that are eligible for the government support measures.

Together with unregistered businesses, interviews from Mayotte, Saint Martin[128] and French Guiana – among others – highlighted the difficult situation faced by immigrants in the ORs. In general, irregular **migrants are not eligible for public support**, with direct consequences on their health and sustenance. Therefore, confinement measures in most cases prevent irregular migrants from earning the means to survive without receiving countervailing support from public authorities.

Finally, the **ability of applicants to understand and comply with the application requirements** is another factor, albeit one which can also reflect overly complex or burdensome eligibility requirements attached to some support measures. For example, in the Azores, the effectiveness of financing lines was hindered by misinterpretation of the SME support measures by the (potential) beneficiaries due to a lack of clarity. Some entrepreneurs expected that the financing would be non-refundable, which turned out not to be the case. Furthermore, in the Azores, it was mentioned that conditions for accessing support are demanding and (in some instances) so complex that they are not possible for small businesses to access, or do not justify the expenditure of resources required. Small businesses can be more disadvantaged than large ones when it comes to applications for support. This was noted by stakeholders in Mayotte, who highlighted that as a result of this obstacle, available funds were left partially unutilised. The complexity of application requirements for state support was also mentioned by an interviewee from French Guiana.

[128] The prefecture estimates around 15,000 irregular immigrants - with a total population of 35,000 - on the French side and 18,000 on the Dutch side with a total population of 40,000

3.3. Looking forward: Recommendations

Based on the evidence collected and analysis presented above, the following sections present (i) recommendations for measures that could be maintained and further developed; (ii) targeted measures to support sustainable recovery, growth and resilience; and (iii) recommendations per OR in summarised form (for detailed versions, please refer to the OR-specific fiches). Key gaps and areas that require attention based on the analysis presented in section 1 and on the analysis of measures are assessed.

3.3.1. How can existing measures be used/explored further to support the economic recovery in the outermost regions?

As discussed in this report, each OR has experienced the impact of the pandemic differently. **It is therefore important to design a response to the COVID-19 crisis which is tailored to the specific situation of each OR.** Numerous measures have been rolled out, most of which have proven to be relevant to the needs of the ORs in responding to the crisis. The following paragraphs summarise the key types of measure that merit continuation and that can be built upon. More detailed and OR-specific recommendations can be found in the fiches.

Targeted and justified support to SMEs

A number of measures and financing instruments have been deployed to safeguard business survival, including for SMEs. Given the impact of the pandemic on economic operators and the uncertain recovery in the short-term, targeted measures to support the private sector, particularly SMEs, could continue – as long as they can be justified.

Support structures are critical for OR economic recovery because of the market environment and the socioeconomic structure within which SMEs in the ORs operate. It is important to continue to provide support to SMEs through financing, subsidies and grants to recover from the losses and shocks as a result of the crisis. In addition to the various forms of financing support, some ORs have used innovative methods to provide 'in-kind' grant support, which is often oriented towards business capacity building. Guadeloupe's *Cheque TIC*, for example, came into existence in an effort to financially support digital transition amongst micro-entrepreneurs and SMEs during the pandemic. These vouchers can be spent on the development of IT services and security, and the acquisition of specific hardware and software for SMEs. Réunion's *Mon île 974* provided consumer vouchers to Réunionese families to be spent on tourism and leisure activities, directly targeting companies in one of the island's most affected sectors, many of which are SMEs.

Skills development for digitalisation

At the start of the pandemic, a major challenge was to ensure continuity, especially for the health, education and business sectors. **This was primarily achieved through digitalisation**; by ensuring that business processes, government services, and school classes could transition into an online setting. As the situation evolves, it will be critical to continue measures related to digital skills development to ensure a digital transition. Furthermore, digitalisation has the potential to help the ORs to overcome their geographical

disadvantages and strengthen their access to the increasing offer of digital education, business advisory and government services offered in the mainlands.

In French Guiana, BPI France formulated a series of measures to equip individuals and firms with the necessary skills to manage the effects of the pandemic on their economic performance. These educational measures included a variety of e-training offers, webinars and digital guides. Similarly, as per the Portugal Recovery and Resilience Plan 2021-2026, a wide digital transformation effort is being undertaken with a particular focus on digital schooling and digital public administration. In Martinique, emergency aid for the digital transformation of SMEs was provided, aiming to accelerate digital modernisation to allow all traders, craftsmen, hotel and restaurant professionals to start and develop their online activity, thus supporting resilience and skills development.

As described in section 2.1, the retail sector in the ORs suffered economic losses of up to 70% during the first lockdown in 2020. Having a more digitally prepared retail sector, able to receive and process sales online, could have somewhat mitigated the effects of lockdown restrictions. The same applies to other affected sectors. Digitalisation enables companies to be more resilient in times of crisis through improved business processes and flexibility in delivering their services.

Reinforcing the long-term performance of the health system

Given the nature of the crisis, **a range of health measures has come to the fore**, particularly related to immediate short-term needs. Moving forward, it will be critical to strengthen health systems to improve the capacity of the ORs to address the impact of such health crises.

To ensure the efficient allocation of resources needed by hospitals and other healthcare institutions, the French government launched the *Plan Blanc*. This plan was introduced in 2004, but has been used to improve the capacity of hospitals and ensure enough beds are reserved for patients who have contracted COVID-19.[129] Based on this nationwide framework, French Guiana launched a regional *Plan Blanc* aimed at the hospitals of Cayenne, Kourou and Saint-Laurent. This plan was introduced on 22 January 2021, and provided the flexibility needed for the rapid reorganisation of resources and staff in order to accommodate more COVID-19 patients.[130] The plan also allowed for non-essential medical activities to be halted in order to accommodate more patients. Other nationwide measures facilitated the flexible allocation of resources, and removed bureaucratic obstacles faced by hospitals and healthcare providers. Emergency provisions, which may require legislative initiative at Member State level, can provide the legal and administrative framework necessary for the rapid allocation of staff, capital and other necessary resources required for the effective functioning of hospitals.

In the ORs which have seen slow vaccination progress, public information campaigns and vaccination incentives could be explored. Such campaigns could be combined with some use of mandates (e.g. proof of vaccination for access to certain public venues). It is important to address vaccine scepticism – which is widespread in the French ORs[131] – to

[129] Demmer, B. (2020) Coronavirus: déclenchement du plan blanc dans tous les hôpitaux de France. Available at: https://www.doctissimo.fr/sante/epidemie/COVID-19-chinois/COVID-19-plan-blanc-et-bleu-definition

[130] Laporte, S., 2021. Coronavirus : les raisons de la réactivation du plan blanc dans les trois hôpitaux de Guyane. [Online]

Available at: https://la1ere.francetvinfo.fr/guyane/COVID-19-les-raisons-de-la-reactivation-du-plan-blanc-dans-les-trois-hopitaux-de-guyane-916024.html

[131] https://www.connexionfrance.com/French-news/Anti-vax-views-will-cause-many-deaths-in-French-overseas-territories

strengthen trust in the public sector and develop capacity to reach vulnerable groups and remote areas swiftly, e.g. through appropriate digital tracking systems.

In addition to immediate responses to promote health sector capacity, **some long-term responses are needed to strengthen efficiency and infrastructure in the health care sector.** Examples are peer learning and the exchange of best practices across the ORs. Stakeholders from the Azores discussed the ORs' intention to reform the governance model for public hospitals, to ensure greater efficiency in the management of resources, equipment, and processes, especially during times of crisis. While the measure is still being undertaken as part of the long-term recovery action plan, such steps could be continued to address long-term resilience and efficiency. It would also be important to draw lessons from the health response to earlier crises, such as natural disasters, e.g. Hurricane Irma.

Only cooperation and a combination of measures are likely to produce tangible results. While a mammoth effort has been undertaken to address the crisis, responses have often been improvised. Learning from the pandemic, combinations of measures could be explored. First, regional cooperation could be increased and better planned for in the future. For example, Cuban doctors and the French army supported the French ORs in the Caribbean. In the future, joint pandemic preparedness plans could be drafted between neighbouring regions to ensure the swift deployment of personnel and equipment in the case of a health emergency in one of the participating members. Retired medical personnel were reinstated in service to address the overburdening of health systems across both ORs and continental Europe. Future preparedness plans could include such regularly updated lists of volunteers to be deployed in the case of a health emergency.

Flexibility in EU state aid rules

State aid measures rolled out during the pandemic appear to have been effective in addressing critical challenges in society, welfare, and employment. As the situation develops and as economies recover, state aid measures could continue in the short-term to ensure the consolidation of broader efforts undertaken so far. In the medium-term – guaranteeing compliance with the applicable state aid regime – it would be useful to consider focusing support on micro-enterprises and SMEs, and to combine it with targeted business advisory support to encourage behavioural adaptation to the post-pandemic 'new normal'. This could help strengthen the capacity of businesses to better anticipate and absorb external shocks through building more resilient business models (e.g. incorporating digital sales channels), business continuity plans, and support to innovate into promising niche demand sectors.

Numerous umbrella state aid measures have been introduced to support employment and businesses under the flexibility provided by the EC's temporary state aid framework. France devised multiple schemes, including a €7 billion umbrella scheme to financially support SMEs and large corporations most affected by the COVID-19 pandemic. Based on this scheme, numerous forms of support have been instituted, including direct grants, equity injections, repayable advances, subsidised and public loans, and state guarantees for loans.

Likewise, Spain introduced an umbrella scheme totalling €13.25 billion, through which it supports the self-employed, SMEs and large firms which have suffered considerable liquidity losses as a consequence of the pandemic. By means of this scheme, the Spanish government has been able to provide direct grants, repayable advances, tax and payment advantages, guarantees on loans and subsidised interest rates on loans for those firms most affected by the pandemic. In the medium-term, this support could be more targeted towards micro-enterprises and small enterprises, in combination with business support and technical skills to strengthen their capacities.

Portugal also formulated an economic support scheme accessible to SMEs and large companies facing difficulties due to the COVID-19 outbreak. This support measure has a total estimated budget of €13 billion and is made up of a direct grant scheme and a state guarantee scheme.

In addition to the aforementioned measures, Member States have also instituted relatively small state aid measures that have directly targeted, or have directly benefitted, their ORs, as presented in section 3.2. In the short-term, these schemes could be extended – and if necessary adapted – based on the evolving trends related to the pandemic. Given the vulnerability of OR economies, recovery prospects vary per region. Some territories may take longer to achieve socioeconomic recovery than others.

Social measures targeting youth, employment and poverty alleviation

Measures to support some of the most vulnerable in society – children, youth and the unemployed may be sustained and replicated. The societal importance of these groups, and the disproportionate impact of the pandemic on their wellbeing, makes it particularly important to provide support during these evolving times.

Spain's *Becas Comedor*, for example, provides food aid to children from financially vulnerable families during the COVID-19 pandemic. This short-term measure was instituted to ensure that children are provided with the food and nutrition vital for their growth and development.

Madeira's *Fundo de Apoio Regional a Organizações Locais* (FAROL) supports young people of school age, disadvantaged elderly people and households. It provides food support for those in need and computer equipment for disadvantaged young people, to enable their participation in the distance education model.

Similarly, the French government launched a call for projects to support poverty alleviation. Using *France Relance* funding, €100 million will be disbursed to associations facilitating access to essential goods.[132] As a whole, the *France Relance* plan includes more than €1.8 billion allocated to poverty reduction. Measures include solidarity checks, food support, and financial support for room and board for low-income young people pursuing tertiary education.[133] In the Canary Islands, the *Prestación Canaria de Inserción* provide direct financial aid and insertion activities for those citizens who are in a situation of greater social inequality with respect to the average Canarian population.

Moving forward, in the short-term, these measures are of critical importance and may be considered to continue and be extended, given the high rates of poverty across ORs. In the medium-term, a specific focus could be afforded to the ORs, where precarious situations are more prevalent than in continental Europe. This may be accompanied by continued targeted support to the most vulnerable groups within the ORs.

Other important measures have focussed on **supporting youth employment and entrepreneurship**. For instance, France's *Projet initiative-jeune* aims to support the creation or takeover of businesses by young people in French overseas territories. The measure provides direct grants to individuals aged 18-30 who have the opportunity to start up or join a local business. As noted in previous sections, younger jobseekers have been disproportionally affected by the crisis, as youth unemployment and NEET levels rose. They are not being reabsorbed into the workforce at the same pace as older age cohorts, because

[132] https://solidarites-sante.gouv.fr/affaires-sociales/lutte-contre-l-exclusion/article/plan-de-soutien-aux-associations-de-lutte-contre-la-pauvrete.

[133] https://solidarites-sante.gouv.fr/IMG/pdf/dp-mesures_pauvrete-24_10_2020-2.pdf.

youth unemployment and NEET levels rose higher than for other age groups. Therefore, moving forward, such important measures could continue to address the medium-term gaps, with a long-term view of addressing youth entrepreneurship and employment. In section 3.3.2, we have provided some additional recommendations for the long-term actions that may be explored further.

The COVID-19 pandemic has also highlighted the need for measures that support vulnerable societal groups, including disabled individuals. In that regard, the Portuguese government launched the *#EUFICOEMCASA* campaign, whose purpose is to provide guidelines in terms of sickness prevention, mental health, nutrition and other forms of help aimed at caring for the elderly and disabled during the COVID-19 pandemic. The government also published the *Manual para famílias: Como lidar com o isolamento em contexto familiar*, a handbook with useful recommendations for parents in terms of how to emotionally support their children during isolation caused by the COVID-19 pandemic.

Similarly, the French government has formulated various measures to support the well-being and employability of disabled persons. By means of the Agefiph (*Association de Gestion du Fonds pour l'Insertion Professionnelle des Personnes Handicapées*), nationwide support measures for the disabled have been introduced during the pandemic. Some of these measures include the Agefiph support scheme for disabled entrepreneurs, which has successfully provided grants of €1,500 to disabled entrepreneurs who have created or taken over a business during the COVID-19 pandemic.[134] Additionally, 9,500 firms employing disabled workers benefitted from the postponement of the Agefiph 2020 OETH collection withdrawals (loan payments).[135] Such measures make an important contribution to bolstering social cohesion and support, and their extension may be considered.

Keeping vital transport corridors open

A considerable number of state aid measures have been devised to support the transport sector amid the disruption caused by pandemic response measures across the world. The remoteness of the ORs makes transport corridors particularly important, both for the movement of citizens and tourists, and to keep supply chains functioning. However, attention could possibly shift to more granular and localised transport networks and operators that are vital in the ORs.

A number of measures have been used to support large airlines and key transport agencies. In the short and medium-term, it would be key to shift the focus and extend support to micro-enterprises and small businesses due to their vulnerabilities and the need to increase outreach.

The Portuguese government, for example, has already instituted measures supporting relatively small transport firms. Under the EC's Temporary Framework, it has formulated a scheme to support the passenger transport sector in the Azores. This measure amounts to €500,000 and has been made available to smaller but equally important passenger transport firms, such as Atlanticoline, which operates the Azores' inter-island ferry system. In addition to these measures, the government also introduced a measure to provide technical and financial support to Madeiran taxi drivers unable to work because of renewed COVID-19 restrictions. It is imperative that support is kept open to small-scale passenger transport operators to ensure their survival throughout the pandemic.

[134] AGEFIPH (Association de Gestion du Fonds pour l'Insertion Professionnelle des Personnes Handicapées) (2020) Communiqué de presse Covid-19: l'Agefiph prend 10 mesures pour soutenir l'emploi des personnes handicapées. Available at: https://guadeloupe.deets.gouv.fr/sites/guadeloupe.deets.gouv.fr/IMG/pdf/agefiph-cp-mesurescovid-vf-.pdf

[135] *Ibid*.

Address energy risks and promote energy independence: invest in reliable and renewable energy sources

The COVID-19 pandemic has led to increased reliance on digital and energy-dependent activities, highlighting the need for resilient and renewable electricity generation capacity.

Even though every OR is characterised by different resource endowments, the need for reliable and renewable sources of electricity seems to be universal.

To address this need, the Portuguese government has allocated €116 million to the *Transição Energética nos Açores* scheme, and €69 million to the *Potenciação da eletricidade renovável no Arquipélago da Madeira* scheme.[136] These accelerated investment channels will deliver grant and loan schemes to finance projects which: increase the production capacity of existing renewable energy sources; integrate energy storage systems and provide technical services to the grid; and decentralise production and promote the storage of clean energy.

In French Guiana, during the pandemic, parts of the region suffered from power cuts due to production failures at the Dégrad plant in Cannes.[137] At a time where digitalisation is key, such power outages have severe adverse socio-economic effects. Hence, there is an urgent need for accelerated investment into renewable energy. The forward-looking investments in Madeira and the Azores may be used as a framework to inspire other regions renewable energy projects in other ORs, such as the construction of French Guiana's new thermal power station Larivot, in Matoury.[138]

3.3.2. Targeted measures to support sustainable recovery, growth and resilience

The COVID-19 pandemic has transformed how we see the future of economies and society at large. Therefore, the choices made at the European, national, regional and local levels will largely determine the transition and the path towards a more resilient tomorrow. The paragraphs below provide directions towards this vision. These overarching recommendations are based on a number of patterns and similarities, which are critical to shaping the path forward. It is important to note that these are a broad set of recommendations to consider for the long-term. OR specific measures follow in section 3.3.3.

Invest in the effectiveness of the public sector – nurturing citizens' trust

The pandemic has highlighted, and – to a great degree – tested, the critical role of public governance. At all levels, the public sector has had to act and move swiftly and effectively to address the challenges presented. The analysis of measures provides evidence that public agencies have stepped forward to mobilise a range of actions. While the measures rolled out were largely deemed to be targeted and relevant by interviewed stakeholders, the efficiency of government processes and procedures involved was at times

[136] República Portuguesa (2020), Plano de Recuperação e Resiliência. Plano preliminar. Link available here.

[137] Marot, L., 2020. *Coupures de courant à répétition en Guyane en raison des défaillances de production de la centrale de Dégrad des Cannes.* [Online]
Available at: https://la1ere.francetvinfo.fr/guyane/ouest-guyanais/guyane/coupures-de-courant-a-repetition-en-guyane-867614.html

[138] *Ibid.*

found lacking. Different ORs are faced with different level of administrative capacity. For example, Mayotte only became a French overseas department and region (départements et régions d'outre-mer) in 2011, and an OR of the EU in 2014. In this respect, a multitude of measures have been already taken, both at the national and EU level, to support ORs' authorities even before the COVID-19 crisis. The pandemic has put some of those regional authorities under stress, and in some cases, public trust has been affected. There are opportunities to showcase transparency and trust, particularly through:

- **Ensuring full access to information on measures and monitoring their impact.** Access to information is a critical aspect in the implementation of measures, helping to guarantee transparency and to build trust. Whilst significant efforts have been made to introduce measures across the ORs, information has often been lacking, impacting public awareness and engagement with some measures. A lack of available data on the reach of support mechanisms also makes it more challenging to scrutinise and improve them. Therefore, in the short-term, centralised information is critical for effectiveness. This could be organised and presented on centralised regional government websites. In the short to medium-term, efforts could be made to set up a centralised observatory to track, collect, review and monitor the impact of these measures.

- **Easing administrative burden for beneficiaries.** While the availability of measures has been generally successful, as reflected in the analysis, support has not always been easily accessible. Eligible beneficiaries to COVID-19-related support often face administrative burdens and challenges around the interpretation of eligibility criteria, as well as bureaucracy in gaining access to specific support interventions. To achieve their full effectiveness, measures need to come with clarity regarding eligibility criteria and efficiency channels of disbursements. In the short to medium-term, it will be critical to assess and set out clear operating principles for accessing specific measures at the regional level, e.g. provide clear instructions, grant application manuals, and a maximum number of processing days. In addition, based on best practice lessons, future measures could be designed to incorporate clear and simplified criteria, and to link each funding mechanism with a maximum processing period.

- **Targeted improvement of the absorption capacities of the regional agencies/administrations.** As noted in the analysis of measures, it is clear that while many measures have been introduced, the capacity for some OR agencies to receive, organise and disburse funds remains limited. Therefore, it would be advisable to assess the absorptive capacities of specific agencies through a needs assessment exercise, and to explore short to medium-term options for delegating responsibilities to third parties/agencies. In specific instances, for example, private sector banks could be further engaged to execute specific schemes such as grants, or chambers of commerce might be engaged to channel support to SMEs. There may also be a role for public-private partnerships, subject to appropriate contractual and organisational planning. In the medium to long-term, it will be equally important to build the capacity of regional governments to remain fully functional in future crises through training in the areas of project management, risk control, risk mitigation and administrative efficiency. In the long-term, it will be equally important to equip regional governments with efficient data collection and monitoring capacities to allow for evidence-based and informed decision making.

Invest in employment support schemes and apprenticeship programmes

State aid support has been deployed at two levels - national state aid measures, which aim to protect business employment in all regions, and OR-specific state aid employment measures (with the exception of the French ORs). During the first and second waves of the pandemic, support was mobilised to ensure immediate measures in relation to employment incentives, such as state aid support, subsidies and social security waivers. This has been particularly relevant to building appropriate safety nets but also to limiting unemployment fallout.

As the ORs move towards recovery, targeted employment incentive measures could be further refined in the medium to long-term. This means using a combination of employment support schemes, apprenticeship programmes and additional frameworks to target particularly vulnerable groups.

- **Investment for re-skilling.** In the short-term, depending on the evolution of the pandemic, options could be explored specifically for ORs which have suffered significant unemployment, to provide assistance to workers and firms to move from hard-hit to expanding sectors. This will, of course, depend very much on the capacity of education and training institutions. Therefore, depending on the varied contexts, options could be explored to stimulate investment in institutes to support the retraining and career adjustment process. Examples of specific sub-sectors within each OR, for example, blue economy, eco-tourism, agriculture, health, amongst others, have been included in the next section.

- **Investing in informal education systems.** Given the challenges related to employment in the ORs, additional options could be explored to invest in all forms of informal education, training, and certification of skills acquired informally to improve employability. While informal education and vocational training exist in varied degrees within the ORs, it would be critical to strengthen these systems to ensure validation and recognition of all forms of learning; for example, through the use of micro-credentials/digital badges. This is particularly relevant in light of the growing use of technology for education. Some OR specific measures have been included in the next section to explore the strengthening of the vocational education system and incentive schemes for young people.

Possible sources of EU support could be the European Social Fund+ (ESF+) and – to an extent – the European Regional Development Fund (ERDF). Erasmus+, together with the Youth Employment Initiative (YEI) – under the European Social Fund+ (ESF+) in 2021-27 – could be explored to support skills development and labour market activation measures. The Technical Support Instrument (TSI) could also be mobilised on demand.

Ensure long-term investments in youth: focus on job retention and hiring schemes

Emergency income and employment support has been deployed across the ORs, often to the benefit of young people. Six ORs have introduced short-term targeted income support for young people, and it will be helpful to broaden the scope of the support with a long-term view of building the future of the regions by supporting young people in the ORs. Accessible interventions for skills development are needed, coupled with:

- **Implementing job retention schemes**. Short-time work schemes and wage subsidies have been crucial to protecting jobs and livelihoods, and to cushioning the impact of the COVID-19 pandemic. These schemes help preserve jobs at firms experiencing a temporary decline in business activity, by reducing their labour costs and supporting the incomes of workers whose hours have been decreased. While job retention schemes have not always been targeted specifically at young workers, there have been some notable exceptions. For example, in 2020, over 685 young French Guianese residents were able to benefit from the *1 jeune, 1 solution* measure. The *France Relance* programme also sponsored 198 apprenticeship contracts and subsidised 297 youth job positions in French Guiana. Additionally, this measure benefitted more than 633 young Martinicans. In the short to medium-term, after specific COVID-19 response budgets have been exhausted, central governments could step in to continue to deliver job retention schemes, albeit in a narrower range of sectors. Such schemes could focus on emerging high value-added sectors such as those prioritised in regional smart specialisation strategies (S3s).

- **Hiring subsidies and on-the-job skills development.** Structural hiring subsidies can be a very cost-effective way of helping young unemployed people into jobs, especially in the context of the ORs, where the unemployment rate among young people remains a source of concern. For example, in the Canary Islands, the rate stood at 57.7% in Q4 2020, and in Mayotte at 54% in 2019. Evidence from the global financial crisis has shown that 'temporary hiring subsidies' for small and medium-sized firms (and low-wage workers) have the potential to promote job creation in a cost-effective manner. Skills development, particularly through apprenticeships and vocational training, remain key to ensuring long-term youth skills development. In the future, these lessons could help address the structural issues related to unemployment, particularly youth unemployment.

The European Social Fund+ (ESF+), including the Youth Employment Initiative (YEI), supports youth employment, educational attainment and skills development, and could be further mobilised. The Erasmus programme could be used for internship and apprenticeship schemes.

Targeted strategies to safeguard regional business resilience

Whilst a large number of sectoral measures have been undertaken, the majority focus on helping sectors to rebound through instruments such as grants, loans and subsidies. However, in the long-term it would be prudent to focus on:

- **An integrated approach to improving the broader business environment and competitiveness** challenges faced by the ORs, which in turn can sustain and attract investments and jobs. The majority of the ORs still struggle from a varied range of competitiveness issues such as a weak investment climate, lack of capacity to develop production efficiencies, fragmented market connections, and weak export demand. While sector-specific approaches - particularly in agriculture, fisheries, and tourism - support the temporary rebound, strengthening the resilience of OR economies in the long-term demands a consolidated approach to addressing the underlying business-enabling environment, and competitiveness issues. This would require a combination of interventions.

  First, a market systems development approach could have the potential to address value chain linkages, indirectly facilitating the business environment to enable enterprise to operate more effectively and sustainably. This might require national level support to – for example – strengthen bilateral trade connections between ORs

and third countries, or to promote OR-based investment opportunities to EU investors. Second, technical assistance support could greatly benefit product market competitiveness and long-term investment, including investment attraction strategies; for example, by training OR-based entrepreneurs to more successfully pitch for investment.

- **Improving supply chain performance.** Across the ORs, the crisis tested the resilience of supply chains and exposed pre-existing structural weaknesses. Many businesses were initially unable to cope with shortages in supplies caused by closed borders and closed production/manufacturing sites. According to stakeholders and business representatives, the crisis accentuated reliance on imports and well-functioning supply chains to receive consumer goods and inputs for the manufacturing sector. Due to the characteristics of OR economies, reshoring/onshoring are not easily workable approaches. Therefore, the focus could be on trade facilitation, ensuring ease of access to international markets and building resilience by diversifying the origin markets of imports. This could take the form of regional interventions focussing on exchanging lessons learnt and harnessing knowledge exchange to leverage the untapped potential of each OR. It will be critical for policymakers to 'stress test' the robustness of the value chains and address the structural challenges related to standards, certifications, customs clearance regulations, amongst others, to mitigate disruption.

- **Connectivity and logistics** is key to strengthening the supply chains and competitiveness within the ORs. While some ORs have already started developing this aspect, there is a need to focus on long-term investments in strengthening connectivity and logistics, to meaningfully boost competitiveness and economic integration. This means strengthening the quality, capacity, and management of infrastructure, coupled with improvements in the quality and integration of logistics service.

Possible sources of EU support to be considered are the European Regional Development Fund (ERDF), the Neighbourhood, Development and International Cooperation Instrument (NDICI) and the Technical Support Instrument (TSI) on demand.

Strengthen enterprise resilience by supporting future-proof business models

As evidenced in the analysis of measures, several financing, grant and subsidy schemes have been introduced to support businesses. This financing support is critical for the survival of companies, in particular SMEs. However, financing alone cannot build back the businesses. Increasingly, the pandemic has shown that business models must develop and adopt new work processes, diversify, access new markets, and, more importantly, strengthen resilience to external shocks. This adaptation can come through:

- **Providing business advisory services.** It will be critical to support businesses with structured advisory support services. These instruments are of critical importance, especially for less profitable SMEs (which may be due to a lack of resources to adopt new methods, processes, skills and technologies). At the same time, supporting the adoption of new technologies and practices may enable them to strengthen their post-pandemic competitiveness and their ability to address the challenges posed by the evolving nature of the crisis. For early growth businesses and start-ups, it will be equally important to provide support through incubators/hubs and one-stop-shops to provide all the resources for small business survival and growth. Whilst techno-parks often focus on providing space, and business support centres on providing consulting, incubators identify the bottlenecks and try to overcome them. The EU's

Digital Innovation Hub model potentially offers a ready-made blueprint for this.[139] In addition, Enterprise Europe Network advisory services support businesses seeking to expand into international markets and there are opportunities which could be leveraged further. In the short-term, such modalities could be explored with the relevant umbrella chamber of commerce and/on business associations.

- **Encouraging the take-up and development of Business Continuity Plans.** Throughout the evolving pandemic, it has become clear that robust and consolidated continuity planning is a crucial foundation for resilient business models**.** Businesses, particularly SMEs that have been hit the hardest by the pandemic, will need support to re-think their business model, business processes and, more importantly, adaptation to future 'black swan' events, i.e. unexpected events and external shocks.[140] Organisations such as the International Labour Organisation (ILO) have introduced Business Continuity Plan (BCP) toolkits. These toolkits help companies prioritise, implement strategies and restructure their management to address the impact of the pandemic, which can be adapted to the context of ORs to adopt such an approach.

At the sectoral level, it is of key importance to revisit the tourism model. The direct contribution of tourism to the economies of the ORs ranges from 9-35% (except for Réunion and Mayotte, where the productivity contribution from tourism is lower). The future of the industry in the short-term remains uncertain. While economic diversification in these tourism-dependent ORs remains critical, it is a long-term process and one that should not override the need to leverage the strengths of a vital and established sector. While several measures have been adopted to create a cushion in the short-term, a more structured set of approaches is needed to address the challenges faced by the tourism sector. This could optimally be adapted through a staged approach, with a focus on:

- **Restoring confidence and ensuring safety** with safety measures, access to clear information and guidance to attract tourists.

- **Strengthening resilience and diversification of tourism destinations** by, for example, targeting a broader audience and by differentiating the market from similar tourism destinations in the regions. Moving forward, ORs could explore options to build on other sectors. Réunion, for example, might examine the possibility of promoting wellness-related and third age tourism (i.e. tourism targeted at senior citizens) to support a steadier flow of tourists throughout the year.

- **Promoting ecotourism as a way to diversify the sector in a sustainable and resilient manner.** This requires marketing, but also the appropriate skillset for staff working in the tourism sector. Hence, training and education could be provided to ensure that eco-tourism develops fruitfully. This training may consist of tourism-related vocational training schemes for the youth. Support instruments, such as community-led local development approaches (an approach which evolved from LEADER, initially launched as part of EU's rural development policy[141]), could be implemented by regional governments, in partnership with private ecotourism firms, to design and implement integrated ecotourism strategies. A key advantage of this model is its reliance on a 'bottom-up' approach led by grassroots actors.

- **Building more resilient and diverse business models** and tourism offerings (eco-tourism, cultural and nature tourism), a more sustainable model of tourism

[139] There is already one Digital Innovation Hub – NONAGON – operating in the Azores

[140] The black swan theory or theory of black swan events is a metaphor that describes a 'shock' event that comes as a surprise, is difficult to anticipate, and has a major effect.

[141] https://enrd.ec.europa.eu/leader-clld/leader-toolkit/leaderclld-explained_en.

(supporting the low carbon transition) and ensuring companies in the tourism sector are able to provide digital services.

Possible sources of support to be considered are the European Investment Bank (EIB), the European Regional Development Fund (ERDF) and the Single Market Programme (SMP).

Boost digitalisation as an opportunity to tackle remoteness

As outlined in section 2, the analysis of the measures reveals that the pandemic acted as an accelerator of digitalisation. The different trends in the COVID-19 effects are partially explained by the ability of businesses to go digital. While remarkable efforts and measures have been put in place to develop the digital skills within the ORs and support sectors to go digital, a more structured and planned digital transformation measure across the ORs can support the transformation of key sectors and also help adaptation towards more resilient economic operators. In particular by:

- **Encouraging and supporting more e-governance**: This would make public administrations more productive, efficient and resilient. Benefits would include the reduction of the operating costs of the public sector and of the time required for citizens or businesses to access public services. This is especially important in light of the increase in the number of projects that will be launched and managed in the coming months and years, to support the recovery and resilience of the ORs. Furthermore, it would set an example for the population and the private sector, incentivising the uptake of digital solutions.

- **Supporting digital business and e-commerce.** While the example of the public sector can provide incentives to the private one, it is also key to support the private sector's digital transition. Only digitally-savvy citizens and businesses can drive a digital transition. Therefore, training programmes for workers could be expanded to include digital literacy curricula. Regional authorities have already started to support private companies via grants or fiscal incentives to support the creation of websites, the setting up of online platforms or the acquisition of digital hardware such as computers, but also, for example, to hire unemployed people who would receive dedicated training. This would create more productive, efficient and resilient companies, while facilitating the absorption and upskilling of the unemployed.

- **Upskilling the wider population.** Given that the crisis has accelerated digital needs, it is necessary for the ORs to invest in digital training. However, the stages of development vary vastly. In particular, as underscored in several studies and policy recommendations, including the OECD's Designing active labour market policies for the recovery, 2021, "*[e]nabling jobseekers to conduct job search and training online allows greater immediate participation and provides benefits for future utilisation of this mode of delivery. It also allows for more efficient provision of training as content is easy to adjust and can be delivered to customers' timescales and needs.*"

- **Ensuring access to all.** The path to digital transformation requires inclusion and equity, i.e. access to all, as digital skills will become a fundamental skill for all in the new normal. Therefore, it will be key to ensure widespread skills development and opportunities to engage vulnerable groups.

Possible sources of EU support could be the European Regional Development Fund (ERDF) with regard to SMEs competitiveness and the European Social Fund+ (ESF+) for skill development and training. The Digital Europe Programme's (DIGITAL) funding channels to support digitalisation could be explored further.

Capture the momentum towards green transition

The disruption brought on by the pandemic is an opportunity to reinforce efforts to achieve a green transition. **Whilst some measures have been rolled out to support this transformation, they still do not represent sufficient long-term commitment to reorienting OR economies.** The analysis highlights the uneven spread of measures focussed on green transition, particularly in relation to key sectors such as agriculture, infrastructure or the blue economy, amongst others. The green transition can be accelerated by:

- **Focussing on renewable energy.** It will be key to expand the production of renewable energy across ORs, and increase the share of renewable energy in the energy mix to ensure resilience and to reduce both carbon emissions and dependence on imported fossil fuels. Existing projects could be strengthened, such as solar or biomass electricity production in Martinique, Guadeloupe and French Guiana, or smart micro grids in Réunion. This could be achieved through a number of means, such as subsidising tariffs, assisting planning processes, or facilitating technology transfer. The most appropriate means will depend on the specific scheme in question.

- **Implementing waste management systems.** In the short to medium-term, practical waste management and recycling requires urgent attention. This invites investment in infrastructure for recycling facilities, coupled with education and awareness programmes on waste collection and waste separation, amongst others.

- **Developing circular economy strategies.** While some ORs have taken initial steps towards circularity, there is a clear need to inspire and develop 'dedicated circular economy plans/strategies at the OR level and between neighbouring regions for specific sectors (e.g. waste management) with quantified objectives where suitable'.[142]

- **Further developing and implementing blue economy strategies.** All ORs have taken some steps in developing and implementing blue economy strategies – as per the EU Communication on Stronger and Renewed Strategic Partnership with the EU's Outermost Regions.[143] Sustainable blue economy strategies have the potential to support the post-COVID-19 economic recovery and foster job creation.

Finally, the recovery pathway and future interventions need to drive sustainable job creation in sectors such as construction and manufacturing, to ensure a just transition.

Possible sources of EU support could be the European Regional Development Fund (ERDF) under Policy Objective 2 (a greener, low-carbon transitioning towards a net-zero carbon economy) and the LIFE programme. In addition, the Technical Support Instrument (TSI) can support green transition in Member States on demand.

3.3.3. Measures specific to individual ORs

Given that the ORs are defined by unique characteristics and our acknowledgement that 'one size does not fit all', in this section, we put forward OR-specific

[142] *Ibid.*

[143] European Commission (2017), *COM (2017) 623 final "A Stronger and Renewed Strategic Partnership with the EU's Outermost Regions"*; and Commission report on the Implementation of the Communication COM (2020) 104 final and European Commission (2020), *Methodological Assistance for the Outermost Regions to Support their Efforts to Develop Blue Economy Strategies.*

recommendations. Due to the complexity of the challenges faced by each OR, these recommendations are summaries of the more detailed recommendations presented in the fiches themselves.

Before presenting the measures per OR, below we present some rationale and caveats in the formulation of the measures:

- **Avoiding duplication of efforts:** As presented in section 3.3.1, several measures pertaining to social and health infrastructure have already been put in place in various ORs. Therefore, our efforts have focussed on addressing key gaps, and complementing and reinforcing existing measures, in order to avoid duplication of efforts.

- **'Bottom-up' measures - based on priority needs and evidence base:** While the recommended measures encompass various themes and seek to deliver various outcomes, the rationale behind the design of the following measures has been based on (i) the priority needs of the ORs as evidenced by consultations, interviews and the analysis of current measures; and (ii) the evidence base for the feasibility of measures. While a number of measures might require dedicated legislative action, the priority is to focus on measures that are likely to be feasible and are justified by the evidence base.

- **Limits to the specification of the measures:** Efforts have been made to include details on how measures could be implemented. In many cases, robust recommendations would, however, require underpinning by a separate needs analysis and/or further investigation to identify, i.e. which party would be best suited to implement the measure or which sub-groups it should target. This particularly relates to measures that facilitate infrastructure development, changes in the working arrangements or characteristics of government (including capacity building or the setting up of new departments/units), and the mechanisms through which regional entities might explore possible public-private partnerships or set up new organisational structures.

The next section presents the measures for each outermost region in the form of summaries. They have been categorised by country:

- France: Guadeloupe, Martinique, Saint Martin, French Guiana, Mayotte, Réunion

- Portugal: The Azores, Madeira

- Spain: The Canary Islands

The recommendations are presented in order of expected duration starting with short, medium, and long-term measures. Each recommendation title is accompanied by themes and a keyword description (e.g. investment, policy, legislative, etc.).

Guadeloupe

The COVID-19 pandemic strongly affected the economy of Guadeloupe and exacerbated some of the social challenges that the archipelago was already facing prior to the crisis. Recommendations for Guadeloupe, therefore, focus on youth skills development, the digitalisation of households, the development of the healthcare and fisheries sector, and on building the capacity of the public sector.

SUPPORTING SKILLS DEVELOPMENT AMONG YOUNG ENTREPRENEURS (YOUTH SUPPORT, INVESTMENT)

Objective: Encourage youth entrepreneurship and restart employment in Guadeloupe by investing in training.

Action: This recommendation is based on a dual approach. First, a needs assessment could be conducted to identify the main skills shortcomings among young entrepreneurs. The regional government could then provide training courses through the *Stage régional, Jeunes en entreprise* targeted to young people in business. Based on the results of the assessment, it could focus on growth strategies, information on available funding opportunities, and digital tools to expedite administrative practices. In parallel, entrepreneurship could be encouraged by providing grants or financial incentives to young entrepreneurs. The focus could be on those seeking to establish a business in a sector with untapped potential such as digitalisation, marine resources, clean energy and the blue economy. Given the varied skills levels, these support packages might be combined with hands-on, tailored business advisory services to ensure the sustainability of these start-ups. The Chamber of Commerce and Industry could be engaged to provide such advisory support.

PROVIDING AFFORDABLE DIGITAL SOLUTIONS FOR ALL (DIGITALISATION, SOCIAL, INVESTMENT)

Objective: Increase access to digital tools among Guadeloupian households by providing financial support.

Action: Accelerating digitalisation has been identified by local stakeholders as a priority and as a way to strengthen the economic and social resilience to future shocks. In the short-term, local authorities could support low-income families with school-aged children with grants to enable them to purchase digital equipment, in a similar manner to the *Cheque TIC*. In the longer term, a public, territorial wi-fi network would benefit the entire population as laid out in the *Schéma Directeur Territorial d'Aménagement Numérique* in 2013, which aims to achieve digital coverage of the entire territory by 2022.[144] This free of charge territorial wi-fi connection could bring low-income private households and disadvantaged groups, such as students, online. Depending on its reach, it could also lower the initial threshold for businesses to move services online.

[144] The regional government published a call for Expressions of Intent in July of 2021 for the deployment of a territorial WiFi network, see: https://guadeloupe-numerique.fr/fr/content/ami-d%C3%A9ploiement-d%E2%80%99un-r%C3%A9seau-wifi-territorial-en-guadeloupe

INCREASING THE NUMBER OF MEDICAL STAFF FOR THE REGION (HEALTHCARE, SOCIAL, INVESTMENT)

Objective: Improve healthcare capacity by increasing the number of medical staff in the region.

Action: There are ongoing efforts to address shortages in medical staff that are likely to provide some relief in the longer term. In the short-term, however, reward packages (i.e. higher wages and/or higher holiday allowances) could be considered to fill the most pressing gaps. Such packages could be coupled with the option to work in the new hospital once it is completed. This may attract more healthcare workers from outside the region and encourage them to stay in the longer term, but would also warrant a review of the current work permit system to attract healthcare workers from non-EU countries. A short-term increase in medical staff would also boost capacity to respond to the current vaccination rollout challenges.

REFORMING OF THE FISHERY SECTOR (DIVERSIFICATION, FISHERIES, SECTORAL, POLICY)

Objective: Increase sectoral value-added through diversification and increased productivity.

Action: Given the need for diversification, a twofold approach would be advisable. First, a series of non-legislative actions could be implemented, starting with awareness-raising among fishermen regarding best practices to reduce overfishing on the coast and to promote sustainable fishing practices such as reducing by-catch. In parallel, the region could offer specialised training locally by relevant agencies such as the 'Cluster Maritime Guadeloupe', to increase the level of fishermen's' education, particularly that of younger professionals. In addition, technical support could be provided to support both the agency and professionals to access public funding. Secondly, on the legislative front, the regional legal framework could be revisited. This revision may simplify administrative burdens for professionals and could include the harmonisation of standards and the introduction of clear codes of conduct, encouraging a more modern and professionalised industry practice framework.

PUBLIC SECTOR REFORM TO INCREASE ITS CAPACITY (GOVERNANCE, POLICY REFORM)

Objective: Reform the public sector and increase its capacity through public financial management (PFM).

Action: It is critical to address the public finance management (PFM) system to strengthen capacity in relation to public finance revenue streams within various agencies, and in areas such as municipal finance. While France has set forth a number of PFM reforms, at the regional level, it will be key to streamline the public finance management and expenditure effectively. This would imply an effective redirection of public finances to the regional government's priorities and the creation of a long-term funding package to finance these priorities. This might be achieved through the transition to long-term (multiannual) instead of annual planning. In the long-term, capacity development could focus on efficiency in public finance management and capacity to respond to the private sector by establishing a one-stop-shop.

Martinique

COVID-19 highlighted some of the long-term structural challenges faced by Martinique. It strongly impacted the island's key economic sectors and highlighted the importance of building a more robust and diversified economy. Recommendations for Martinique, therefore, focus on modernising its tourism and fishery sectors through skills building, on supporting entrepreneurs and on facilitating digitalisation and skills development.

BRINGING TOURISTS BACK TO THE REGION AND DIVERSIFYING THE MARKET (TOURISM, DIVERSIFICATION)

Objective: Support the recovery of the tourism sector and build its resilience by attracting tourists from an increasing number of countries.

Action: Traveller confidence can be restored by informing tourists about the safety measures adopted in the region. By raising awareness and marketing to attract tourists from a variety of international locations, tourism activity may be more evenly balanced throughout the year. A first step in this direction might involve conducting a study on the travel experience preferences of the targeted tourist segments. This mapping could then guide the setup and implementation of two key actions. Firstly, it would be beneficial to improve hospitality and language skills of personnel in the restaurant and accommodation sector. Subsidised courses, coupled with vocational training to strengthen service provision, could be organised by the Martinique Tourism Office in collaboration with the Université des Antilles. Secondly, a marketing and communication strategy will be needed to ensure that the target group is reached through specific tools, e.g. use of social media channels, improved awareness building and branding.

FACILITATING ACCESS TO CREDIT FOR ENTREPRENEURS (SME SUPPORT, INVESTMENT)

Objective: Stimulate economic recovery by encouraging business creation and entrepreneurship in the post-pandemic period.

Action: Establishing a grant facility connected to a business advisory service would support gradual recovery. Such a scheme could build on the *Fonds National de Solidarité*, the *Fonds de Solidarité Régionale*, and the *Fonds de Subvention Territorial*. Companies that are eligible for (or have received) such funds would be eligible for this new scheme. Because businesses eligible for this scheme face insolvency, a dedicated task force – composed of representatives of the Chamber of Commerce and Industry, the regional authorities and external business advisers – might be established at the regional level to assess the survival prospects of struggling businesses before approving the disbursement of grants. Technical support would guide the disbursement of funds and facilitate agreement on their use with the recipients.

MODERNISING AND DIVERSIFYING THE FISHING SECTOR (FISHERIES, DIVERSIFICATION)

Objective: Increase the fishing sector's value-added and develop its synergies with the tourism industry.

Action: First, raising awareness among fishermen regarding best practices to increase the quality of catches, e.g. improving onboard ice storage for smaller vessels. Employment centres could offer specialised training in cooperation with the Cluster Maritime Martinique (CMT). Second, further diversification could be achieved by better integrating the sector with local touristic offerings. A sustainable strategy for pesca-tourism could include cooperation between local authorities, the Cluster Maritime Martinique and Martinique's Tourism Committee. Basic language training could also be offered to fishermen interested in pesca-tourism. Local authorities, the CMT, and the Cluster Maritime Martinique could establish a task force to provide technical assistance to fishermen to access loans and other sources of financing required to improve onboard safety and to adapt their vessels to comfortably and safely transport tourists.

DEVELOPING SKILLS NEEDED TO MEET THE REGION'S PRESENT AND FUTURE NEEDS (SKILLS, INVESTMENT)

Objective: Support future employment by training and upskilling the population.

Action: Stakeholders have identified future employment opportunities in the fields of clean energy infrastructure, digitalisation and internet infrastructure, and agro-transformation oriented to local production. An assessment of the required skills in these sectors could be carried out, and used to develop and implement the appropriate vocational training offers. Such an assessment could then be used by Pôle emploi, professional associations and the Chamber of Commerce and Industry to promote the design of new vocational training offers, and the establishment of new apprenticeship schemes subsidised by the regional government.

SUPPORTING THE DIGITAL MODERNISATION OF HOUSEHOLDS (DIGITAL, INVESTMENT)

Objective: Increase access to digital equipment for households by providing financial support.

Action: In parallel with ongoing efforts to improve access to the internet, financial support would benefit households to purchase the necessary digital equipment to enable young people (students) to continue their education remotely. Similarly to the emergency aid set up by the regional authorities to help SMEs develop their online activity, the regional authorities could provide grants to disadvantaged households to support their digitalisation and to bridge the digital divide.

Saint Martin

Saint Martin was still in recovery from prior crises when the pandemic hit. [145] COVID-19 further exposed the private sector's need for a business environment framework that provides access to training opportunities and guidance on available funding. The recommendations for Saint Martin specifically focus on recovery and resilience-building through the island's businesses, by proposing training and awareness-raising, continuing efforts to bring companies into the formal sector and supporting youth employment.

REDUCING THE ADMINISTRATIVE BURDEN OF ACCESSING FUNDING OPPORTUNITIES FOR BUSINESSES (REFORM, POLICY)

Objective: Support economic actors in securing funding to strengthen the recovery of the island, and plan investment to increase its long-term economic resilience.

Action: First, with support from the local government, a helpdesk could be created in the Chamber of Commerce and Industry (CCI) to support enterprises in the development of applications for support. Second, tools such as online workshops and guides could be developed to support SMEs in navigating the requirements for tapping into EU funding. Third, seminars and the exchange of best practices could be encouraged by the Chamber of Commerce to increase business owners' understanding of how to successfully and efficiently apply for funding and public sector support schemes.

INCREASING VISIBILITY AND AWARENESS OF EXISTING EU FUNDING OPPORTUNITIES (AWARENESS, ACCESS)

Objective: Support job creation and business recovery from the economic effects of the COVID-19 pandemic by increasing the use of available funds.

Action: Increasing the visibility of existing opportunities could potentially be achieved by the regional government with support from the chamber of commerce and industry (CCI). The CCI might be able to include information on available funding for different types of enterprises via a portal on its website, highlighting opportunities, especially for SMEs. Moreover, all registered businesses could be contacted by mail and redirected to the CCI website. Webinars/in-person seminars could be organised regularly to reach as many associations, SME representative organisations, and sectoral associations as possible, to keep them informed and engaged with EU funding opportunities.

STRENGTHENING CURRENT EFFORTS TO SHIFT TO A FORMAL ECONOMY, AND DEVELOPING A LONG-TERM INTEGRATED FORMALISATION FRAMEWORK (POLICY, LABOUR MARKET)

Objective: Facilitate the shift towards a formal economy and improve informal economic actors' access to funding by developing an integrated policy framework.

[145] Specifically, the widespread damage caused by Hurricane Irma in 2017 and the social unrest from strikes and riots towards the end of 2019.

Action: Building on the existing unit established within the Chamber of Commerce to facilitate a shift to the formal economy,[146] strengthen the unit, increasing its personnel to more quickly support businesses into assembling all the required documents to formalise businesses. Second, ongoing awareness campaigns and mapping of informal activities could continue. Third, the regional government could introduce tax deferrals or tax exemptions for newly established SMEs, therefore reducing resistance to formalisation. However, while this would help to address the acute short-term challenges, in the medium-long-term, it will be critical to develop an integrated policy framework to facilitate the transition to the formal economy in line with the French national development strategy. Such a framework is key to addressing the root causes underpinning the persistence of informal business practice. Framework components may include the establishment of an appropriate legislative and regulatory framework, organisation support, business advisory support, promoting equality of employment opportunity, and access to education, lifelong learning and skills development, financial and business services, markets and infrastructure.

WIDENING THE SCOPE OF THE 'CADRE AVENIR' FRAMEWORK FOR TRAINING YOUNG PEOPLE IN THE REGION (POLICY)

Objective: Strengthen the skills of young people by further developing the existing skills development programme.

Action: Building on the existing *cadre avenir* training framework, that provides leadership and managerial training for young people in the region, use this framework to launch new cohorts with a special focus on promising sectors such as those of renewable energy or sustainable construction. Each cohort could focus on the long-term managerial and business skills needed to take advantage of planned future investments, such as the reconstruction of digital infrastructure or port development on the French side of the island.

IMPROVING PRIVATE SECTOR CAPACITY THROUGH DIGITALISATION (SKILLS, DIGITAL)

Objective: Improve citizens' digital skills and promote digitalisation in the private sector through training.

Action: Training programmes for workers could be expanded to include digital literacy curricula. The regional government could also provide support for private companies via grants or fiscal incentives to support website creation, the setting up of online platforms, and the acquisition of digital hardware. These programmes could also encourage the recruitment of long-term unemployed people, who would then receive dedicated training. Digitally-focussed training could also be used to develop new business models in Saint Martin, such as remote services for foreign companies (e.g. IT services).

[146] CARE (*Cellule d'Accompagnement à la Régularisation des Enterprises*) provides support to informal businesses to move towards formalisation.

French Guiana

COVID-19 and the ensuing lockdowns brought to light key shortages in French Guiana; in access to food and supplies (particularly in more remote regions), in access to opportunities for the younger generation, and in the capacity of the public sector to support the private sector. The recommendations for French Guiana are therefore focussed on improving accessibility and food support, on providing opportunities for youth employment and digitalisation and on improving the public sector's capacity to provide support.

CONTINUING FOOD AID TO INDIVIDUALS AND HOUSEHOLDS BELOW THE POVERTY LINE (SOCIAL SUPPORT, LEGISLATIVE SUPPORT)

Objective: Improve the population's access to food by tracking vulnerable groups and providing food aid.

Action: As the region moves forward towards recovery, it is important to ensure that citizens have sufficient access to food. It is therefore recommended that food aid measures are not only continued but also increased in the short-run, based on a needs assessment using a structured survey or other tools to track vulnerable groups, including those in the informal sectors and migrants. The recent call for project under *France Relance*[147] on addressing poverty and hunger in innovative ways provides an opportunity for ORs to share results and potential solutions. In addition, where possible, digital tools could be explored to ensure improved and effective outreach and tracking, led by possibly the French Ministry for Solidarity and Health and supported by Civil Society Organisations and NGOs. In the long-term, structural and legislative options might be assessed to explore the possibilities of combining food supplies with complementary non-food inputs such as health care and skills development amongst others.

CONTINUING SUPPORT TO PROMOTE YOUTH EMPLOYMENT (EMPLOYMENT AND SOCIAL SUPPORT)

Objective: Reduce youth unemployment levels through financial support and upskilling.

Action: A twofold approach is recommended. The first stage would be to extend the financial aid granted by the *1 Jeune, 1 Solution* initiative in the short-term. The scheme which subsidised employers hiring young people (under the age of 26) expired on 31 May 2021. However, given the longer-term impact of the pandemic and French Guiana's inherent youth employment challenges, the continuation of the support, in combination with the *Projet initiative-jeune*, would play a key role in a rapid recovery and would help to sustain and improve employment among younger age groups. In the medium-term, it would be sensible to go beyond the *1 Jeune, 1 Solution* initiative and conduct an assessment of the extent to which it addresses the structural causes of youth unemployment, i.e. skills mismatch and low education levels. Subsequently, based on this assessment, additional measures could be developed to advance skills and training among young people.

[147] The "France Relance" national recovery plan allocated EUR 100 million to poverty-fighting initiatives through calls for projects. EUR 150 thousand was allocated for projects tackling hunger in French Guiana, which could be submitted up to September 2021. More information at: https://www.guyane.gouv.fr/content/download/17981/126221/file/Cahier%20Des%20Charges_Guyane_PDR_Alim_2021.pdf

PROVIDING SUPPORT TO BUSINESSES TO DEVELOP DIGITAL SKILLS AND SERVICES (DIGITALISATION)

Objective: Accelerate the digital transition through a staged approach.

Action: To tackle the low level of digitalisation in French Guiana, the first step would be to ensure access to digital tools, including software and hardware. Enterprises in particular would benefit from a supporting instrument to facilitate the modernisation of their business practices. A potentially valuable provision would be a digital check for enterprises. Such a scheme could be based on the *Cheque TIC* rolled out in Guadeloupe, which provided financial aid to businesses in the form of grants for the development of IT services and the acquisition of software and hardware. In parallel, it would be critical to promote the adoption and effective use of advanced digital tools. Skills, as well as awareness of the benefits of digital transformation, play a key role in closing the digital divide. Therefore, the adoption and dissemination of digital technologies depend on investment in skills, coupled with grants to guarantee access to digital tools.

IMPROVING THE PUBLIC SECTOR'S CAPACITY TO PROVIDE TECHNICAL SUPPORT TO THE BENEFICIARIES OF SUPPORT (GOVERNANCE)

Objective: Facilitate access to information on available support and ease the administrative burden for (potential) beneficiaries.

Action: In the short-term, access to centralised information regarding types of support for beneficiaries through the regional government's websites would greatly benefit businesses and other applicants. Efforts could be made to set up a centralised observatory to track, collect, review and monitor the impact of these measures. Meanwhile, it will be critical to assess and set out clear operating principles on the supply side (i.e. regional government and other institutions), e.g. clear internal processes, developing grant application manuals, and setting application processing turnaround performance targets. In addition, based on best practices, it would be prudent to review planned support schemes, with a view to optimising the application process to ease the administrative burden.

EXPLORE FREE TRADE ARRANGEMENTS WITH NEIGHBOURING (MERCOSUR) COUNTRIES, PARTICULARLY SURINAME (TRADE POLICY)

Objective: Facilitate trade with regional partners, reducing the regional trade deficit and encouraging economic self-sufficiency.

Action: Stimulate dialogue with Suriname and/or Brazil in order to facilitate trade/set up a free trade (or friction-free) zone. Suriname, in particular, is a recommended focus because it is not party to the existing EU-Mercosur Trade Agreement, which was agreed in principle in June 2019 (but is yet to be ratified). An agreement could, potentially, establish free or low-friction trade within a localised section of the border subject to more effective controls (i.e. closer to the coast), allowing the legitimate sale and purchase of certain types of goods. This is an avenue that is not without precedence but has stalled due to several intractable issues, such as the exact line of the French Guiana – Suriname border.

In practical terms, this would likely require EU and national (French state) level efforts to restart dialogue with Suriname in order to resolve border disagreements and explore the feasibility of a trade zone. This would involve research, including cost-benefit analysis in

order to verify the mutual benefits to both economies. Whilst this recommendation is ambitious – hence the long-term scope – the establishment of a free trade zone would contribute to French Guiana's economic autonomy.

Mayotte

The COVID-19 crisis affected Mayotte across many dimensions, highlighting the vulnerabilities of the island's healthcare system, its food security and of persons working in the informal sector. Making a full recovery depends on addressing these pressing needs in the short-term and building resilience in the long-term through skills building and modernising. Recommendations for Mayotte, therefore, focus on formalisation and digitalisation efforts and improvements to the healthcare, agricultural and education sectors.

EXTENDING FORMALISATION SUPPORT (INFORMAL SECTOR)

Objective: Stimulate large scale registration and provide advisory support to encourage formalisation, increasing the number of companies in the formal economy and eligible for post-COVID-19 aid.

Action: Information campaigns could be developed to advertise the benefits of being registered, and to motivate unregistered companies to move to the formal economy. This, in turn, would allow them to make use of available funds developed to support struggling microenterprises. The awareness campaign could be accompanied by measures to lower the threshold or burden for registration. This requires an assessment of the current procedures, which aims to identify if these can be simplified (e.g. reduce requirements or waiting time, etc.). Setting up helpdesk facilities to provide information and hands-on support to companies would also facilitate the registration process. In the medium to long-term, it would be key to ensuring that such formalisation efforts are more integrated within the region's economic development and poverty reduction strategy to address the needs of the vulnerable groups. In a more integrated framework, the national government could then explore possible options with the associations and third-party private sector support organisations to provide business support services to strengthen their capacity. This could be coupled with business enabling environment measures such as reducing the regulatory burden on small businesses, subsidising costs for a specific duration and creating incentive structures to formalise, amongst others.

STRENGTHENING AGRICULTURAL PRODUCTIVITY THROUGH A STRATEGIC ACTION PLAN FOR THE SECTOR (AGRICULTURAL SECTOR SUPPORT, POLICY)

Objective: Reduce agricultural import dependency by improving local agricultural productivity.

Action: Assess possible interventions to strengthen the region's agricultural strategy and develop an action plan with a focus on improving the sector's long-term productivity and sustainability. This would mean the development of a framework to assess the feasibility of (i) investments in human capital through extension service training to farmers on (innovative/sustainable/environmentally-friendly) farming techniques and productivity increase, (ii) agricultural infrastructure (access to land and resources) and finally (iii) the value chain linkages to facilitate farmers' connections to markets. Long-term agricultural productivity cannot be achieved in isolation. Therefore, it will be key to ensure such a framework and strategy integrates a robust agricultural innovation system, i.e. one that is driven by stakeholder consultation, collaborative farming approaches and strong ownership of the associations.

SUPPORTING THE DIGITAL MODERNISATION OF BUSINESSES (DIGITALISATION)

Objective: Support the digital transition of businesses through a staged approach.

Action: In light of the COVID-19 pandemic, supporting the digital transition of companies could take place through a staged approach, guided by a Regional Digitalisation Plan. Such a plan could be developed involving relevant stakeholders (e.g. the Chamber of Commerce at a regional level and the French Digital Agency at a national one). Levels of digitalisation are low in Mayotte, and the region first needs support to improve access to both hardware and software. In parallel, it will be critical to promote the adoption, dissemination, and effective use of advanced digital tools amongst companies, particularly SMEs and microenterprises. This requires awareness campaigns on the benefits of digital transformation, but also support to investment in ICT (hardware and software) and training to develop relevant skills. The Digital Unit within the Chamber of Commerce already provides digital training to SMEs[148] on a small scale. Their efforts could be built on to reach larger groups.

INCREASING HEALTHCARE PROVISION (HEALTHCARE)

Objective: Increase healthcare capacity by improving medical facilities and attracting human capital.

Action: Investment in medical facilities is required to expand the capacity of the current hospital or to build an additional hospital, based on an up-to-date health needs assessment. In addition, it will be necessary to expand the number of health professionals and supporting staff. In the short-term, this could be done by motivating medical staff currently employed elsewhere to work in Mayotte, e.g. by offering attractive reward packages. In the longer term, the network workshop[149] set up by the region would help to increase the availability of medical staff, e.g. by offering specific scholarships to students following the completion of their medical training.

ENHANCING EDUCATIONAL CAPACITY AND SKILLS (SKILLS DEVELOPMENT)

Objective: Improve the skill level of Mahorans through capacity development and skills training**.**

Action: Given the lack of resources and the inherent challenge presented by educational dropout rates, a twofold approach is advisable. The first step would be to increase infrastructure capacity by expanding classroom facilities, and expanding the number of teachers. Meanwhile, since dropout rates are linked to poverty and the need to find employment, we suggest developing possibilities to combine work and education, in order for students to continue their education while gaining practical experience as well as generating income through a job. This could be achieved through collaboration with

[148] More information available at: https://www.mayotte.cci.fr/developpement-economique/accompagnement-dentreprise/cellule-numerique/

[149] Mayotte has set up a network workshop for professionals in the health and social sectors to facilitate and encourage professionals to apply to work in Mayotte. They offer various vacancies for students at the end of their studies, both in the paramedical field (nurses, pharmacists, etc.) as well as in the field of social action (social service assistant, educators of young children, etc.).

enterprises to offer paid vocational apprenticeships to students. Combined work-education programmes have also been identified by interviewed stakeholders as a possible mechanism through which to create jobs and improve skills in the region.

Réunion

COVID-19 highlighted some of the structural challenges that Réunion was already facing, including the need to further diversify the private sector, improve connectivity and leverage key opportunities in new potential sectors. Recommendations for Réunion, therefore, focus on further developing existing measures to strengthen digitalisation and transport and to further innovate in the key markets of renewable energy and tourism.

INCENTIVISING THE ADOPTION OF DIGITAL SOLUTIONS FOR B2B AND B2C ENGAGEMENT (DIVERSIFICATION)

Objective: Sustain the uptake of digital solutions for businesses to stimulate B2B and B2C relations.

Action: First, regional authorities could conduct an evaluation of the impact of the existing *cheques numériques*. Second, building from the existing measure and the insight of its evaluation, the cheque scheme could be increased in size and expanded in scope to guarantee widespread outreach across the island. Third, the regional government could couple the financial support with advisory services. A helpdesk could be established within the Chamber of Commerce and Industry (CCI) to support entrepreneurs seeking to find out more about options to digitalise their business models.

IMPROVING PRIVATE SECTOR CAPACITY THROUGH DIGITALISATION (INNOVATION)

Objective: Improve citizens' digital skills and promoting private sector digitalisation.

Action: In order to improve citizens' digital skills, two programmes could be introduced. The first programme would focus on providing training to unemployed citizens, focussing on digital literacy curricula. Such training could be coupled with subsidies for businesses that hire digitally trained people. This measure would both reduce unemployment while facilitating the digital transition of local businesses. A second programme would involve sponsoring entrepreneur upskilling by the regional authorities. The CCI could play a facilitating role in providing such a training system.

FURTHER IMPROVING REGIONAL TRANSPORT AND CONNECTIVITY (INFRASTRUCTURE)

Objective: Increase connectivity to reduce supply chain costs in terms of transport costs and lead times.

Action Building on existing measures, which encompass the expansion of the airport, the strengthening of the highway network, a new infrastructure and connectivity plan could be developed, taking into account the lessons learned during the COVID-19 pandemic, e.g. the importance of reducing road congestion to make online shopping and home delivery services competitive. Studies could address coverage, reliability, and the movement of vehicles across the island. Investment plans could be developed in different phases, spanning from short-term steering measures, such as incentives for the use of

public transport and other sustainable transport modes, to longer-term plans, such as reinforcing specific parts of the transport network in Réunion.

EXPANDING THE PRODUCTION OF RENEWABLE ENERGY AND INCREASING ITS SHARE IN THE ENERGY MIX (GREEN TRANSITION)

Objective: Increase resilience and reduce both carbon emissions and dependence on imported fossil fuels.

Action: Private households could be supported in the installation of solar panels, and solar farms could be built in scarcely populated areas. As Réunion is not connected to other grids, it is key to pay specific attention to appropriate energy storage systems, e.g. batteries to guarantee the stability of supply. Cost-benefit analyses could be conducted to assess the financial feasibility of deploying innovative solutions for the storage of energy produced by renewable sources. Being an early deployer of innovative solutions could support the image of the island as a regional hub for energy transition.

ASSESSING THE FEASIBILITY OF DEVELOPING WELLNESS TOURISM (DIVERSIFICATION)

Objective: Improve the resilience of the tourism sector on the island by diversifying its offerings.

Action First, the regional government could prolong the *Mon ile 974* cheques, focussing on promoting local tourism. Second, the Réunion Regional Tourism Committee could expand existing campaigns to include information on the safety of the island, its health infrastructure, and the measures taken to limit the spread of COVID-19. Third, regional authorities could conduct a feasibility assessment to further develop wellness and third age tourism (i.e. tourism for the elderly). This could begin with an analysis of the potential market demand and of the current strength and weaknesses of Réunion, also vis-à-vis the competition. The region's strengths include its thermal baths, e.g. in Cilaos, and the quality of its health system, which might reassure prospective elderly tourists in particular.

The Azores

The COVID-19 pandemic brought several of the Azores' key sectors to a near-standstill, highlighting the need for a more diverse, modern and robust economy. The recommendations for the Azores to recover and build resilience, therefore, focus on further strengthening digitalisation efforts and on diversifying segments of the economy with potential for further growth, namely, tourism, agriculture, and fisheries.

IMPROVING THE BUSINESS ENVIRONMENT AND PUBLIC ADMINISTRATION EFFICIENCY THROUGH DIGITALISATION (BUSINESS ENVIRONMENT, DIGITALISATION, INVESTMENT)

Objective: Improve citizens' digital skills, digitalise public administration, and promote the digitalisation of the private sector.

Action: Efforts could be made to digitalise the public and private sectors in parallel. The Azores has already identified e-government as a key area in its Recovery and Resilience Plan. This could be accompanied by well organised open days for citizens and businesses, to walk in and learn how to organise processes online. At the same time, businesses could receive grants or fiscal incentives to support the creation of websites, the establishment of online platforms, or the acquisition of digital hardware.

PROMOTING THE AZORES AS AN ATTRACTIVE LOCATION FOR REMOTE WORKING AND LONG-TERM STAYS (TOURISM, INVESTMENT)

Objective: Improve the tourism sector through diversification, with a particular focus on attracting remote workers.

Action: Promotion of the Azores as an attractive option for remote workers, through the establishment of a task force in the Tourism Association of the Azores or with a local business incubator. Lessons could be learned from Madeira's Digital Nomad Village. In the longer term, remote workers could be encouraged to collaborate with local professionals or 'give back' to the community by giving one-day presentations, or mentoring high school students in their area of interest.

DEVELOPING THE REGIONAL ECO-TOURISM OFFER (DIVERSIFICATION, INVESTMENT)

Objective: Position the Azores as an eco-tourism hub by increasing the ecological standards of its many tourist activities.

Actions: A combination of marketing, training and the development of new codes of conduct. Training and education could be provided to ensure that eco-tourism can be further developed through tourism-related vocational training for young Azoreans. A community-led local development approach could be implemented by the Azores Regional Tourism Directorate, in partnership with private eco-tourism firms, in order to design and implement an integrated eco-tourism strategy. In the longer term, a focus on

family-friendly tourism could be developed, with the objective of introducing eco-tourism to children.

SUPPORTING THE AZORES DAIRY SECTOR TO BETTER FULFIL ITS POTENTIAL (DIVERSIFICATION)

Objective: Increase exports from the region's dairy sector by continuing to improve its organic production and high standards for animal welfare.

Action: Market research could be conducted to assess the most promising value-added possibilities and markets. The results of such research would guide the continuation of support to the dairy sector with regards to improved packaging, and improving the quality of the milk and dairy product production process in terms of its environmental footprint and animal welfare standards. Priorities could be set accordingly for investment in terms of specific equipment or training, taking advantage of existing extension support services available to farmers in the region.

DIVERSIFYING THE AZORES FISHERY SECTOR IN A SUSTAINABLE FASHION

Objective: Support the fishery value chain – including both fishing activities and the processing sector – while ensuring its sustainability in the long-term.

Action: A three-pronged approach could be implemented, combining awareness-raising (e.g. by quality mark labelling or improving marketing), improvements in fishing practice through training and new equipment, and support to the sector to safeguard environmental wellbeing in regional fishing waters. The focus could be placed on the processing of high-demand species (e.g. tuna) captured using certified sustainable techniques and canned in socially responsible processing plants.

Madeira

The COVID-19 pandemic affected Madeira's traditional economic sectors (particularly tourism) and exposed social and healthcare vulnerabilities. Recommendations for Madeira focus on supporting the businesses and the social groups most affected by the pandemic, building on ongoing efforts for a diverse and sustainable tourism sector, and looking to the future by developing research industries.

PROVIDING INDEBTEDNESS SUPPORT TO COMPANIES AFFECTED BY THE PANDEMIC (BUSINESS SUPPORT, INVESTMENT)

Objective: Build resilience of the companies facing indebtedness by providing business continuation support.

Action: This recommendation concerns two specific areas of intervention. The first is a business finance support facility connected with business advisory services, which would support companies affected by the pandemic. A dedicated task force could be established at the regional level to assess the future prospects of struggling businesses before approving the disbursement of loans. Business advisory services could focus on providing business continuity planning support, and free business advice could be made a component of any loan package being offered to enterprises. Similarly, the acceptance of business advice could be made a conditionality attached to the extension of loan repayment periods. Being able to recover and build resilience requires companies to adapt to a changed, post-pandemic environment and a long-term sustainability outlook, and business continuity plans are essential for businesses to get out of debt.

Group training on developing business continuity plans would be important. The second possibility is the introduction of financing schemes through banks, particularly in relation to the provision of a credit guarantee facility and allowing banks to provide an extension of the debt repayment period. This could encourage banks and lenders to negotiate adjusted terms for the loans, e.g. by extending repayment periods or debt reduction, or encouraging banks to provide additional loans. This might require the state (or an international financial institution such as the EIB) to step in and provide guarantees in case of debt default.

SUPPORTING VULNERABLE GROUPS AFFECTED BY THE PANDEMIC (SOCIAL SUPPORT)

Objective: Develop a well-rounded approach to poverty alleviation based on early identification of at-risk households and potential early school leavers.

Action: The first step would be carrying out an in-depth assessment of the root causes of poverty in Madeira on a provincial level. Such a study could focus on traditional causes, such as undereducation, and assess to what extent new factors have come in post-pandemic. Special attention could be placed on the high rates of hidden poverty developing since the crisis. For each of the causes, the main risks could be identified, to make early mitigation easier. For example, if early school leaving is identified as a main cause, efforts could be made to better understand the decision-making process and to

intervene at an earlier stage. A targeted solution could then focus on placing specially trained advisors in school or providing future-proof vocational schooling.

REINFORCING ONGOING EFFORTS TO ATTRACT LONGER STAY TOURISTS AND ESTABLISHING LINKAGES WITH THE LOCAL ECONOMY (TOURISM SUPPORT)

Objective: Attract longer-stay tourists and strengthen local supply chains by building on ongoing efforts by the regional government.

Action: Expanding on the ongoing pilot for attracting digital nomads, by replicating the model in other regions and providing support for ongoing promotional campaigns. It would also be helpful to facilitate access to housing and working space. Options to leverage the spending habits of longer stay tourists to build deeper and more sustainable linkages with the local economy - whether through their consumption, recreational activities or professional ventures - could also be researched.

FURTHER DEVELOPING A LONG-TERM STRATEGY FOR DIVERSIFIED AND SUSTAINABLE TOURISM (DIVERSIFICATION, POLICY)

Objective: Support a sustainable tourism model and promote the region as a destination for sustainable tourism.

Action: Existing promotion campaigns portraying Madeira as an attractive destination for 'slow tourism' and sustainable activities could be continued. Specific activities with untapped potential - such as recreational boating, sailing, diving and coasteering – could be further developed in a sustainable manner. Madeira's government could support businesses directly and indirectly involved in the tourism sector to adapt to the new challenges faced by post-COVID-19 travel habits.

IMPROVING CITIZENS' DIGITAL SKILLS, DIGITALISING THE PUBLIC ADMINISTRATION, AND PROMOTING DIGITALISATION (DIGITAL, PUBLIC ADMINISTRATION, POLICY)

Objective: Improve citizens' digital skills, digitalise the public administration, and promote digitalisation in the private sector.

Action: Training programmes for workers could be expanded to include digital literacy curricula. Regional authorities could consider support for private companies via grants or fiscal incentives to support the creation of websites, the setting up of online platforms or the acquisition of digital hardware such as computers, or to hire unemployed people, who would then receive dedicated training.

STIMULATING DIVERSIFICATION IN LINE WITH REGIONAL SMART SPECIALISATION PRIORITIES (SMART SPECIALISATION, DIVERSIFICATION, INVESTMENT)

Objective: Develop regional R&D activities by taking advantage of Madeira's geographical location as 'real-life' laboratory to test technological solutions.

Action: A study could be commissioned to investigate the feasibility of promoting Madeira as a valuable research site in order to attract researchers and innovators. The next step would be to invest in the necessary facilities to make the research possible, and afterwards to promote the use of these facilities among the target groups identified.

The Canary Islands

The COVID-19 crisis had a significant impact on the Canary Islands. The standstill of tourism activity highlighted the need for economic diversification. The pandemic's impact on vulnerable groups in society brought to light existing social challenges in the region in matters of poverty, unemployment and social exclusion. The recommendation for the Canary Islands, therefore, focus on supporting vulnerable populations and on increasing vertical diversification in key sectors.

CREATING MORE ADDED VALUE IN THE TOURISM SECTOR THROUGH IMPROVED KNOWLEDGE SHARING, SUSTAINABILITY AND DIGITALISATION (SECTORAL POLICY, DIGITALISATION)

Objective: Adapt the tourism model to make it more sustainable, and to boost its added value.

Action: The COVID-19 pandemic has highlighted the need for new tourism business models which can make the sector more sustainable and resilient. This shift could begin with the creation of a knowledge cluster (group of private and public tourism stakeholders) to stimulate innovation and the further development of the tourism sector, situating the region as a world-class data management and intelligence gathering centre in the sector. The change in the tourism model must focus on two main trends: sustainability (understood as shifting the region's economy onto a sustainable and resilient path based on the idea of having a positive impact on the local community and nature) and digitalisation. Reducing the tourism carbon footprint, sourcing local ingredients, hiring local staff and recycling waste are some avenues via which the tourism model could become more sustainable. Tourism actors also have yet to take up digital business models; there is a particular need for SMEs to digitalise.

TOOLS FOR THE SUSTAINABLE DEVELOPMENT OF THE BLUE ECONOMY (DIVERSIFICATION, INVESTMENT)

Objective: Diversify the economy based on an integrated blue economy strategy

Action: The dependence of the Canary Islands on a single sector – tourism, which was strongly affected by the COVID-19 pandemic - emphasises the need for regional economic diversification. The blue economy offers many possibilities for diversification. It is proposed that the Canary Islands new blue economy strategy could include the implementation of action on specific high potential blue subsectors, such as: blue biotechnology to transform the region into an R&D leader, and marine renewable energy with high potential (such as wind and wave energy). There is also potential to develop fishing activity linked to pesca-tourism, promote the natural and cultural wealth of the coastal areas, and enhance training schemes and curricula to improve blue economy-related skills.

GENERATE KNOWLEDGE AND GOOD PRACTICES ON IMPROVING SOCIAL PROTECTION FURLOUGH SCHEMES (SOCIAL POLICY)

Objective: Improve the social resilience of the region and its labour market, to be better able to maintain its function when facing potential future shocks.

Action: Given the resources used in the implementation of the temporary lay-off schemes ERTEs[150] and their policy relevance, in the short-term, it would be advisable to carry out an objective and independent evaluation of the implementation of these schemes. This would identify best practices and provide essential inputs for improving policy in the future, which go hand in hand with active labour market policies and Effective Active Support to Employment recommendations on training and upskilling. The economic subsidy offered by the ERTE is conceived as a short-term measure and must therefore be accompanied by active labour market policies that focus on improving the employability of the workers (for instance, by providing sector or job-specific training, upskilling or helping to reskill for workers previously employed in sectors heavily damaged by the crisis). These measures focus on the 'hardest to re-employ' groups, such as people over 50, those with low qualification levels, and people in long-term unemployment.

CONTRIBUTING TO THE REDUCTION IN ENERGY POVERTY BY PROMOTING MICRO-GENERATION AND COMMUNITY GENERATION SCHEMES (INVESTMENT, GREEN TRANSITION)

Objective: Reduce energy poverty through investment in the green transition.

Action: Microgeneration and community power generation schemes, in which grassroots stakeholders are both the owners and the beneficiaries of the energy produced, have the potential to reduce energy poverty for the most vulnerable groups in the region, a problem that has been aggravated by the current crisis. They could be implemented in some social housing, where the property is public, and it is feasible to install solar panels. This measure could be further explored via pilot projects, and could build on some existing pilots and initiatives, such as the European project Nesoi, which aims to advance the energy transition of EU islands through its technical support to innovation projects.

PROMOTING ENERGY NEUTRALITY IN THE REGION THROUGH VARIOUS INITIATIVES, INCLUDING THE IMPLEMENTATION OF A PILOT PROJECT IN ONE OF THE ISLANDS WHICH FORM THE ARCHIPELAGO (INVESTMENT, GREEN TRANSITION)

Objective: Promote energy neutrality in the region, in order to reduce dependency on external sources of energy and to increase the perception of the region as a "green destination".

Action: To set up a pilot in one of the smaller Canary Islands (for instance, the island of La Gomera, or Lanzarote) to explore the possibility of achieving energy neutrality as part of the European Commission's 'Clean Energy for EU Islands' initiative. Such a pilot could be based on the example of the Spanish island of Menorca (Strategy for 2030), and develop a similarly comprehensive vision of employing different energy sources, infrastructure and uses, aiming to drastically reduce greenhouse gas emissions. The experience of El Hierro in meeting its energy requirements through renewable sources could provide similar inspiration. The objective of this action would be twofold: firstly, to reduce the dependency of the region on external sources of energy and, secondly, to improve the perception of the Canary Islands as a green destination.

[150] The Spanish temporary lay-off scheme (Spanish acronym ERTE) stipulates that companies, under justified reasons (economic, technical, organisational, production, or due to force majeure), can decide to temporarily suspend or reduce the contracts of their workers. This means that employees, on a temporary basis, either stop working or work fewer hours.

ENHANCING THE ADMINISTRATIVE CAPACITY OF THE REGIONAL GOVERNMENT (GOVERNANCE, POLICY REFORM)

Objective: Increase the administrative capacity of the regional government and agencies, enabling the region to advance in the management and implementation of funds and ensure a pipeline of relevant projects**.**

Action: The region's administrative capacity needs to be strengthened, particularly with the creation of dedicated units within the public sector, specialised in the management and implementation of funds to support regional recovery in the aftermath of the crisis. In the short-term, this would mean first, building the capacity of the existing staff and, in parallel exploring the possibility of setting out public-private partnership vehicles to address the current capacity gaps. This could be explored with the business associations and the Chambers of Commerce. In the medium-term, it would be useful to assess the feasibility of creating dedicated Project Management Units (PMUs) that could respond to funds, implement processes for calls for proposals, and effectively manage and oversee project implementation.

Annex 1: List of interviewees and focus group participants

The tables below provide the list of institutions that took part in the consultation activities under the study. A total of 80 interviews were performed: 74 interviews were performed with the EU outermost regions and six with the different services of the European Commission.

List of interviews performed with the outermost regions

Outermost region	Organisation	Type of interview Scoping / Task 1 &2	Date of the interview
Azores	Economic and Social Council of the Azores	Scoping interview	21/12/2020
	European Affairs and External Cooperation - Government of the Azores	Scoping interview	28/01/2021
	Azores Representation to the EU	Task 1 & 2	08/03/2021
	Business and Economics department - University of the Azores	Task 1 & 2	08/03/2021
	Regional Under-Secretariat of the Presidency - Government of the Azores	Task 1 & 2	08/06/2021
	Chamber of Commerce and Industry of Ponta Delgada	Task 1 & 2	17/06/2021
	Union of Agricultural Workers and Workers in the Food, Drink and Tobacco Industries of Portugal – Azores	Task 1 & 2	18/06/2021
	Association of Municipalities of the Autonomous Region of the Azores	Task 1 & 2	07/07/2021
	Regional Union of Private Social Solidarity Institutions of the Azores	Task 1 & 2	08/07/2021
Canary Islands	Representation of the Canary Islands to the EU	Scoping interview	16/12/2020
	Directorate-General of Integration and coordination of EU General Affairs of the State Secretariat for the EU of the Government of Spain	Scoping interview	16/12/2020
	Directorate-General for European Affairs – Government of the Canary Islands	Scoping interview	26/01/2021
	Department of Economy and Finance. Government of the Canary Islands	Task 1 & 2	09/03/2021
	Vice-Ministry of Finance, Planning and European Affairs - Government of the Canary Islands	Task 1 & 2	10/03/2021
	Department of Applied Economics and Quantitative Methods - University of La Laguna.	Task 1 & 2	16/03/2021
	Department of Economic Analysis - University of La Laguna	Task 1 & 2	16/03/2021
	University School of Tourism in Santa Cruz de Tenerife.	Task 1 & 2	16/03/2021
	AEPN Canarias (social network fighting against social exclusion in the region)	Task 1 & 2	12/07/2021
	Chamber of Commerce Gran Canaria	Task 1 & 2	21/07/2021
French Guiana	Territorial collectivity of French Guiana	Scoping interview	22/12/2020
	MEDEF Guyane (employers federation)	Task 1 & 2	25/02/2021

Outermost region	Organisation	Type of interview Scoping / Task 1 &2	Date of the interview
	Prevention, solidarity and health unit - Territorial Collectivity of French Guiana	Task 1 & 2	04/03/2021
	Association of Medium and Small Businesses	Task 1 & 2	05/03/2021
	Chamber of Commerce and Industry of French Guiana	Task 1 & 2	12/03/2020
	Grand Port Maritime of French Guiana	Task 1 & 2	12/05/2021
	Student association / Crous des Antilles	Task 1 & 2	04/06/2021
	Amazonian Park	Task 1 & 2	08/06/2021
Guadeloupe	European Affairs and Contractualisation - Regional Council of Guadeloupe	Task 1 & 2	23/02/2021
	Chamber of Commerce and Industry of Guadeloupe	Task 1 & 2	10/03/2021
	Economic interventions unit Regional Observatory - Regional Council of Guadeloupe	Task 1 & 2	17/03/2021
	Regional Chamber of the Social and Solidarity Economy of the islands of Guadeloupe	Task 1 & 2	11/06/2021
	Federation of Very Small Enterprises	Task 1 & 2	18/06/2021
	Pôle Caraïbes Airport	Task 1 & 2	21/06/2021
Madeira	Regional Director for European Affairs and External Cooperation	Scoping interview	15/01/2021
	Regional Agency for Energy and Environment of the Autonomous Region of Madeira	Task 1 & 2	09/03/2021
	Institute for Regional Development, Portugal	Task 1 & 2	09/03/2021
	Chamber of Commerce and Industry of Madeira	Task 1 & 2	09/06/2021
	Madeira's Trade Union of Hotel, Tourism, Food, Services and Similar Workers	Task 1 & 2	09/06/2021
	Association of municipalities of Madeira	Task 1 & 2	24/06/2021
	Association of young entrepreneurs of Madeira	Task 1 & 2	12/07/2021
	Madeira's Regional Secretary for Economic Affairs	Task 1 & 2	14/07/2021
	Employment Institute of Madeira	Task 1 & 2	21/07/2021
Martinique	Coordination of External Affairs, Promotion of Territorial Action and Prospective - Territorial Collectivity of Martinique	Scoping interview	13/01/2021
	Chamber of Commerce and Industry of Martinique	Task 1 & 2	08/03/2021
	Territorial Collectivity of Martinique	Task 1 & 2	11/03/2021
	Association of tourist stakeholders (Ziléa)	Task 1 & 2	10/06/2021
	Martinique's International Airport	Task 1 & 2	21/06/2021
	Agency for development in Martinique	Task 1 & 2	01/07/2021
Mayotte	Representation of Mayotte in Paris/Brussels	Scoping interview	25/01/2021

Outermost region	Organisation	Type of interview Scoping / Task 1 &2	Date of the interview
	Chamber of Commerce and Industry of Mayotte	Task 1 & 2	17/02/2021
	Mayotte's Development and Innovation Agency	Task 1 & 2	17/03/2021
	Chamber of the Social and Solidarity Economy of Mayotte	Task 1 & 2	12/04/2021
	Chamber of Commerce and Industry of Mayotte	Task 1 & 2	14/04/2021
	Seaport of Mayotte	Task 1 & 2	21/06/2021
	INSEE[151]	Task 1 & 2	18/05/2021
Réunion	Préfecture of La Réunion	Scoping interview	17/12/2020
	Representation of La Réunion Island in Paris	Scoping interview	22/12/2020
	University of La Réunion	Task 1 & 2	02/02/2021
	Regional Council of Réunion	Task 1 & 2	08/02/2021
	Chamber of Commerce and Industry of La Réunion	Task 1 & 2	15/02/2021
	Temergie	Task 1 & 2	03/03/2021
	Airport of La Réunion	Task 1 & 2	20/04/2021
	Regional Economic, Social and Environmental Council	Task 1 & 2	19/05/2021
	IEDOM	Task 1 & 2	01/06/2021
	Chamber of Trades and Crafts	Task 1 & 2	01/06/2021
	Seaport of La Réunion	Task 1 & 2	04/06/2021
	Air Austral	Task 1 & 2	25/06/2021
Saint Martin	Chamber of Commerce and Industry of Saint Martin	Task 1 & 2	02/03/2021
	Pôle Emploi – Saint Martin	Task 1 & 2	07/04/2021
	Representation of Saint Martin in Paris	Task 1 & 2	19/04/2021
	Collectivity of Saint Martin – Taxation unit	Task 1 & 2	16/04/2021
	Collectivity of Saint Martin – Solidarity and Family unit	Task 1 & 2	11/06/2021
	Collectivity of Saint Martin – Tourism unit	Task 1 & 2	18/06/2021
	Seaport of Saint Martin	Task 1 & 2	22/06/2021

[151] Interview covering both La Réunion and Mayotte

List of interviews performed with the European Commission services

European Commission services	Date of interview
European Maritime and Fisheries Fund (EMFF)	08/06/2021
DG Agriculture and Rural Development (AGRI)/ European Agricultural Fund for Rural Development (EAFRD)/ POSEI	09/06/2021
European Regional Development Fund (ERDF)/ Cohesion Fund (CF) for the French outermost regions	10/06/2021
European Social Fund (ESF)	10/06/2021
European Regional Development Fund (ERDF)/ Cohesion Fund (CF) for Spanish and Portuguese outermost regions	11/06/2021
DG Economic and Financial Affairs (ECFIN)	01/07/2021

List of participants to the focus groups[152]

Focus group	Outermost region	Organisations
Regional Focus group – French outermost regions **23/06/2021**	French Guiana	Territorial Collectivity
	Guadeloupe	Chamber of Commerce and Industry
	Martinique	Territorial Collectivity
	Mayotte	Departmental Council of Mayotte
	Réunion	Regional Economic, Social and Environmental Council University of La Réunion Regional Council of La Réunion Chamber of Commerce and Industry
	Saint Martin	Chamber of Commerce and Industry Territorial Collectivity
Regional Focus group – Portuguese and Spanish outermost regions **02/07/2021**	Azores	Government of Azores University of the Azores (UAc)
	Madeira	Government of Madeira Agência Regional da Energia e Ambiente da Região Autónoma da Madeira Instituto de Desenvolvimento Regional
	Canary Islands	Government of Canarias University of La Laguna Private sector
Thematic Focus group – Tourism, cultural/creative sectors **29/06/2021**	Azores	Government of the Azores
	Madeira	Government of Madeira
	Canary Islands	Government of the Canary Islands Chamber of Commerce, Industry, Services and Navigation of Gran Canaria

[152] Members of the outermost regions Working Group to the European Commission were invited to attend the four focus groups as observers.

Focus group	Outermost region	Organisations
	French Guiana	MEDEF
	Martinique	Tourism Committee of Martinique
	Mayotte	Chamber of Commerce and Industry
	Réunion	Chamber of Commerce and Industry
	Saint Martin	Territorial collectivity
Thematic Focus group – Transport, Agriculture, Retail, and Construction sectors **30/06/2021**	French Guiana	Grand Port Maritime de Guyane
	Mayotte	Regional Chamber of Social and Solidarity Economy (CRESS)
	Canary Islands	Servicio de Estudios, Análisis Sectorial y Coordinación Viceconsejería de Sector Primario, Government of Canary Islands
	Réunion	Regional Council of Réunion, Réunion Airport
	Saint Martin	Port of Saint Martin
	Azores	Official Statistics Office

Annex 2: Overview of latest available data for indicators

Indicator	Source	Latest available data		
Healthcare impact indicators				
Number of doctors (Number per 100 000 inhabitants)	Eurostat (online code: TGS00062)	2019	Réunion	337.69
			Guadeloupe	277.88
			Martinique	305.98
			French Guiana	219.22
			Mayotte	81.01
			Saint Martin	n.a.
			Canary Islands	394.47
			Azores	354.54
			Madeira	442.35
Number of hospital beds (Number per 100 000 inhabitants	Eurostat (online code: TGS00064)	2019	Réunion	401.77
			Guadeloupe	563
			Martinique	521.93
			French Guiana	350.41
			Mayotte	136.47
			Saint Martin	n.a.
			Canary Islands	290.96
			Azores	611.15
			Madeira	735.15
Economic impact indicators				
GDP per capita (PPS)		2019	Réunion	67

Indicator	Source	Latest available data		
	Eurostat (online code: TGS00005)		Guadeloupe	68
			Martinique	70
			French Guiana	48
			Mayotte	32
			Saint Martin	n.a.
			Canary Islands	73
			Azores	70
			Madeira	76
Economic activity (Percentage)	SREA DREM	June 2021	Réunion	n.a.
			Guadeloupe	n.a.
			Martinique	n.a.
			French Guiana	n.a.
			Mayotte	n.a.
			Saint Martin	n.a.
			Canary Islands	n.a.
			Azores	0.10%
			Madeira	14%
Business confidence index	IEDOM/CEROM	Q1 2021	Réunion	104.6
			Guadeloupe	93.9
			Martinique	98.9
			French Guiana	96.4
			Mayotte	119.23
			Saint Martin	n.a.

Indicator	Source	Latest available data		
	ISTAC	Q3 2020	Canary islands	93.5
			Azores	n.a.
			Madeira	n.a.
Imports (EUR million)	IEDOM/CEROM	Q1 2021	Réunion	1 478.5
			Guadeloupe	741.6
			Martinique	641.6
			French Guiana	410.7
			Mayotte	203.6
			Saint Martin	n.a.
	ISTAC	June 2021	Canary Islands	1 206.8
	INE	June 2021	Azores	16.3
			Madeira	13.6
Exports (EUR million)	IEDOM/CEROM	Q1 2021	Réunion	73.4
			Guadeloupe	68.1
			Martinique	67.6
			French Guiana	29.4
			Mayotte	1.3
			Saint Martin	n.a.
	ISTAC	June 2021	Canary Islands	217.9
	INE	June 2021	Azores	9.94
			Madeira	20.61
Number of guests in tourism accommodations	CEROM/IEDOM	Q4 2020	Réunion	185,773
			Guadeloupe	42

Indicator	Source	Latest available data		
	ISTAC INE	December 2020 June 2021 July 2021	Martinique	31.4
			French Guiana	n.a.
			Mayotte	n.a.
			Saint Martin	n.a.
			Canary Islands	730,489
			Azores	67,066
			Madeira	117,928
Google mobility indicators (Retail and recreation/Grocery and pharmacy) (Index)	Google	25/06/2021 02/09/2021	Réunion	Retail: 180 Grocery: 209
			Guadeloupe	n.a.
			Martinique	n.a.
			French Guiana	n.a.
			Mayotte	n.a.
			Saint Martin	n.a.
			Canary Islands	Retail: -13 Grocery: 7
			Azores	n.a.
			Madeira	n.a.
Number of air passengers	CEROM/IEDOM	March 2021 Q1 2021	Réunion	49,131
			Guadeloupe	2,903
			Martinique	21,609
			French Guiana	57,915
			Mayotte	37,648
			Saint Martin	n.a.

Indicator	Source	Latest available data		
	ISTAC	July 2021	Canary Islands	809,895
			Azores	n.a.
	DREM	March 2021	Madeira	39,202
Number / Gross tonnage of commercial vessels	ISTAC	April 2021	Réunion	n.a.
			Guadeloupe	n.a.
			Martinique	n.a.
			French Guiana	n.a.
			Mayotte	n.a.
			Saint Martin	n.a.
	INE	March 2021	Canary Islands	756 (Number) / 20,179 (Gross tonnage)
			Azores	383 (Number) / 1,162,114 (Gross tonnage)
			Madeira	154 (Number) / 2,197,214 (Gross tonnage)
Port traffic (goods)	ISTAC	July 2021	Réunion	n.a.
			Guadeloupe	n.a.
			Martinique	n.a.
			French Guiana	n.a.
			Mayotte	n.a.
			Saint Martin	n.a.
			Canary Islands	3,291,318
			Azores	n.a.
			Madeira	n.a.
	CEROM/IEDOM	Q1 2021	Réunion	86.4 (Imports)

Indicator	Source	Latest available data		
Sales (or import) of cement / or cement consumption / or imports of metal elements (Tonnes)			Guadeloupe	49.4 (Consumption)
			Martinique	40.2 (Sales)
			French Guiana	1,983 (Imports of metal elements)
			Mayotte	29.1 (Imports)
			Saint Martin	n.a.
			Canary Islands	n.a.
			Azores	n.a.
			Madeira	n.a.
Catches of fish (value and weight) (kg and euros)	SREA	July 2021	Réunion	n.a.
			Guadeloupe	n.a.
			Martinique	n.a.
			French Guiana	n.a.
			Mayotte	n.a.
			Saint Martin	n.a.
			Canary Islands	n.a.
			Azores	1,709,873 (weight) / 4,562,420 (value)
			Madeira	n.a.
Social impact indicators				
Unemployment rate (Percentage)	Eurostat – for all ORs (online code: lfst_r_lfu3rt)	2020	Réunion	17
			Guadeloupe	17.5
			Martinique	12.4
			French Guiana	15.6

Indicator	Source	Latest available data		
			Mayotte	27.6
			Saint Martin	n.a.
			Canary Islands	22.4
			Azores	6.1
			Madeira	8.2
Youth unemployment	Eurostat for all ORs (online code: YTH_EMPL_110)	2020	Réunion	42
			Guadeloupe	42
			Martinique	38
			French Guiana	37 (2019)
			Mayotte	55
			Saint Martin	n.a.
			Canary Islands	52
			Azores	n.a.
			Madeira	n.a.
NEETs (people not in employment, education, or training) (Percentage)	Eurostat (online code: edat_lfse_22)	2020	Réunion	30.2
			Guadeloupe	27.1
			Martinique	23.4
			French Guiana	40.2
			Mayotte	n.a.
			Saint Martin	n.a.
			Canary Islands	23.2
			Azores	17.7
			Madeira	16.7

Indicator	Source	Latest available data		
Long-term unemployment (Percentage of active population)	Eurostat (online code : TGS00107)	2020	Réunion	7.4
			Guadeloupe	8.3
			Martinique	3.0
			French Guiana	12.7
			Mayotte	10.7
			Saint Martin	n.a.
			Canary Islands	23.6
			Azores	n.a.
			Madeira	n.a.
People at risk of poverty or social exclusion (Percentage of total population)	Eurostat (online code: TGS00107)	2020	Réunion	n.a.
			Guadeloupe	n.a.
			Martinique	n.a.
			French Guiana	n.a.
			Mayotte	n.a.
			Saint Martin	n.a.
			Canary Islands	36.3
			Azores	32.4
			Madeira	32.9
Early leavers from education and training (Percentage)	Eurostat (online code: edat_lfse_16)	2020	Réunion	16.4
			Guadeloupe	12.2
			Martinique	n.a.
			French Guiana	26.8
			Mayotte	n.a.

Indicator	Source	Latest available data		
			Saint Martin	n.a.
			Canary Islands	18.2
			Azores	27
			Madeira	n.a.
Households that have broadband access (Percentage of households)	Eurostat (online code: TGS00048)	2020 for Canarias, Azores and Madeira. 2019 for French ORs	Réunion	66
			Guadeloupe	72
			Martinique	76
			French Guiana	79
			Mayotte	n.a.
			Saint Martin	n.a.
			Canary Islands	96
			Azores	84
			Madeira	86

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