

FINAL REPORT

Summary

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*Analysis of the island regions and
outermost regions of
the European Union:*

Part I

The island regions and territories

Presented by the consortium
Planistat Europe (leader)
Bradley Dunbar Ass. (partner)

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Summary

INTRODUCTION.....	3
THE QUESTION OF THE ISLAND TERRITORIES AND AIMS OF THE STUDY	3
DISCUSSION OF THE EUROSTAT DEFINITION.....	4
THE SHAPE OF THESE TERRITORIES	4
PRESENTATION OF THE GEOGRAPHIC INFORMATION SYSTEM (GIS).....	6
MAIN CONCLUSIONS OF REFLECTIONS ON THE ISLAND TERRITORIES AND REGIONS OF THE EUROPEAN UNION.....	8
TWO LEVELS OF ANALYSIS	8
CONCEPTUAL MODEL.....	8
RESULTS OBTAINED	10
NATIONAL, REGIONAL AND LOCAL POLICIES.....	13
OUTLYING POSITION, TRANSPORT AND ACCESS TO MARKETS	13
ECONOMIC STRUCTURE.....	13
DEMOGRAPHY AND ACTIVE POPULATION.....	14
ACCESS TO PUBLIC SERVICES	14
ENVIRONMENTAL PROBLEMS AND LIMITATIONS ON NATURAL RESOURCES	15
GOVERNMENT AND INSTITUTIONAL MEASURES CONCERNING ISLANDS.....	15
EUROPEAN UNION POLICIES AND PROGRAMMES.....	17
POLICIES AIMED AT REDUCING THE PROBLEMS OF THE ISLANDS AND THE ISLAND REGIONS.....	17
EU POLICIES APPLIED THROUGHOUT THE UNION AND SUBJECT TO TERRITORIAL RESTRICTIONS	17
EU POLICIES APPLIED THROUGHOUT THE UNION WITH A WEAK TERRITORIAL DIMENSION	18
EU PROGRAMMES GIVING NO PRIORITY TO THE ISLANDS BUT BENEFITING THEM AND AREAS WHICH ARE EMERGING IN EU POLICIES, E.G. EMPLOYMENT	18
RECOMMENDATIONS.....	19
INTRODUCTION	19
BETTER COORDINATION OF THE UNION’S SECTORAL POLICIES	19
CENTRALISATION, HARMONISATION AND DISSEMINATION OF INFORMATION ON THE ISLANDS AND TERRITORIES WITH NATURAL HANDICAPS.	20
PLANS WHICH COULD BE CONSIDERED FOR THE ISLANDS AND THE TERRITORIES WITH PERMANENT NATURAL HANDICAPS	21
CONCLUSIONS.....	22

INTRODUCTION

The problems of the island territories and aims of the study

As part of its work on economic and social cohesion, the European Commission has recognised the existence of regions whose permanent structural handicaps result in certain shortfalls in development. Three types of permanent structural handicap have been defined, mountainous areas, territories with a low population density and island territories. This study covers one of those types of handicap, the island territories.

In institutional terms, these territories have started to receive special treatment which, however, remains to be implemented. Clear reference is made to them in the Treaties establishing the Community. Article 154 of the Consolidated Treaty of Maastricht refers to *"the need to link island, landlocked and peripheral regions with the central regions of the Community"*. Five years later, Article 158, introduced by the Treaty of Amsterdam, despite certain problems of interpretation, makes clear reference to the island regions, singling out the poorest. Finally, the Declaration 30 adopted by the Conference which adopted the Treaty of Amsterdam *"recognises that island regions suffer from structural handicaps linked to their island status... Community legislation must take account of these handicaps and (...)specific measures may be taken, where justified, in favour of these regions..."*.

However important these institutional references may be, they have so far produced very little in terms of specific measures, even though at the same time the islands have made good use of the instruments devoted to the policy of economic and social cohesion. With a few exceptions, all the island territories of Europe benefit both as eligible areas and for State aid authorisations under Articles 87(3)(a) and (c) of the Treaty.

The European Commission therefore thought the movement begun by the Treaty of Amsterdam needed a fresh boost. It began to consider whether the specific measures referred to in Declaration 30 were justified but rapidly realised that this could not be done without having the most objective and most exhaustive information possible on these territories. Such information was neither available nor obtainable without a study programme or fully dedicated research programme.

These questions relating to the availability of information resulted in this study, which must not only consider the economic and social situation of the island territories and make a certain number of recommendations but also collect a large amount of quantitative and qualitative data in support of those considerations. At the same time, the study is intended to launch the creation of a base of information on a variety of subjects relating to the islands which do not necessarily fit within administrative boundaries.

The study programme is based on the Eurostat statistical definition of an island, which uses five objective criteria. An island must:

- have an area of at least one sq. km.;
- be at least one kilometre from the continent;
- have a permanent resident population of at least 50 people;
- have no permanent link with the continent;
- not house an EU capital.

Following a selection process, a list of 286 island territories was drawn up. This list appears complete although there are still some doubts about certain territories.

Discussion of the Eurostat definition

The comparative base provided by the Eurostat definition goes beyond the sole common point shared by islands, that they are surrounded by water. This definition imposes upper and lower limits as regards size, requires a minimum human presence and eliminates islands too near the coast or connected to the continent. From a statistical point of view, these limits are justified; however, they may not be a genuine reflection of reality.

- Coastal islands (less than one kilometre from the continent) may experience the same problems arising from marginalisation as other islands. Conversely, they may be regarded as examples in terms of activity.
- Small islands in an archipelago and so belonging to a single unit may suffer still more from their 'doubly' island status.
- The permanent link between an island and the mainland does not prevent it from experiencing similar difficulties arising from a maritime environment and marginalisation.
- The common features of a group of islands make an analysis centred on a single island less relevant.
- An archipelago which is not an administrative unit, comprising several islands which do not satisfy the definition, will not be taken into account even if the archipelago itself satisfies these criteria fully.

The constraints imposed by this definition may impoverish the information on and the analysis of the island territories. Nevertheless, this definition has the advantage of existing and strikes a balance between completeness and what is practical in the collection and treatment of information. Furthermore, the work carried out suggests that the problems encountered by islands with fewer than 50 inhabitants are similar to those encountered by those with fewer than 100 included in the analysis. In any case, if the work of collecting information continues, in the near future it will be quite possible to consider looking at the sets of small islands which belong to a single territorial unit at the level of archipelagos. This comment applies particularly to the Finnish islands.

The shape of these territories

Europe's islands are home to almost 10 million people who occupy an area of 100 000 Km², 3% of the population of the Union on 3.2% of its area. Their total estimated GDP is €18 billion, 2.2% of that of the Union and per capita GDP-PPS is €16 300, 72% of the Union average.

The geographical distribution of the islands seems relatively balanced since they are divided uniformly among the three major geographical areas, the Atlantic, the North and the Mediterranean.

The 286 island territories belong to eleven countries of the European Union¹, although five of them account for over 75% of the islands listed. This is the first imbalance to note since the question concerns some Member States little if at all while for others it is a burning issue.

¹ The territories of Luxembourg, Austria, Belgium and Portugal do not include any islands (Portugal insular territories are included in the outermost regions).

Furthermore, the breakdown of the island population is highly unbalanced among the three major geographical areas with 95% of this population concentrated on the Mediterranean islands and only 5% on the northern and Atlantic islands. A breakdown by island makes this imbalance still more marked. Five islands or groups of islands – Sicily, Sardinia, the Balearic Islands, Crete and Corsica – account for 85% of the population, headed by Sicily with 5 million people, as many as Denmark or Finland.

Of these 286 islands, 188 belong to archipelagos which are either NUTS level II or III regions, like the Shetlands or the Cyclades, or geographical archipelagos like the French islands of the Atlantic and the Channel. In administrative terms, Europe has 30 island or quasi-island regions at NUTS level II or III².

Table 1 : Island regions of the European Union

NUTS II Region		No of islands	NUTS III Regions		No of islands
FR83	Corsica	1	ES631	Ceuta	1
ES53	Balearic Islands	4	ES632	Melilla	1
FI2	Åland	11	DK007	Bornholm	1
ITB	Sardinia	5	SE034	Gotland	1
ITA	Sicily	15	UKJ34	Isle of Wight	1
ES63	Ceuta and Melilla	2	UKM44	Hebrides	3
GR22	Ionian islands	12	UKM45	Orkneys	12
GR41	Voreio Aigaio	10	UKM46	Shetland	9
GR42	Notio Aigaio	42	GR421	Dodecanese	18
GR43	Crete	2	GR422	Cyclades	24
			GR411	Lesbos	3
			GR412	Samos	4
			GR413	Chios	3
			GR221	Zakynthos	6
			GR222	Corfu	2
			GR223	Keffalinia	3

With a few exceptions, their economic and social situation is less favourable than that of the country to which they belong and their per capita GDP-PPS is generally lower. There are, however, substantial differences between these regions, with per capita GDP-PPS ranging from 57% (Ionian Islands) to 138% (Åland) of the Union average.

The great diversity of the islands of the Union may be summarised as follows:

- Very high concentration of population on a few islands and a very large number of small islands.
- The population of an island may vary from 50 people to 5 million (Sicily).
- Area may vary from 1 km² to over 25 000 km² (Sicily).
- Distance from the mainland varies from 1 km to 430 km (San Pietro and Sardinia).
- Average standard of living is 72% of the Union average, with considerable disparities among the island regions.

² The analysis of the island regions covered only 19 regions, since some Greek NUTS level III regions were looked at as part of the NUTS level II region to which they belong.

- In political terms, the degree of autonomy of these territories varies from one extreme to another, with certain regions such as Åland having a very large measure of autonomy while others have no administrative powers.

Presentation of the Geographic Information System (GIS)

The construction of a Geographic Information System seemed the best instrument for dealing with the island territories of the European Union. Only a GIS is able to deal with several problems relating to a continent-wide territorial study with common topics. In fact, this instrument has proved essential for several tasks from listing the islands to economic and social analysis.

Much of the information collected was geographical in nature (distance, area, coastline), geomorphological (altitude), organisational (land use, presence of facilities, road networks) or environmental (nature reserves, natural hazards). Work on map presentation (layers) now provides full information on territorial cover and in particular data which are by nature harmonised. Furthermore, the information available in this form allows the limits imposed by administrative divisions to be transcended. In most cases, "traditional information" is linked to these divisions (NUTS II to V). However, the contribution which the geographic information systems can make to the collection of data, runs up against three obstacles: cost (the purchase of the appropriate map layers requires a considerably larger budget), scale (the small size of certain island territories limits the availability of cartographic information) and availability (not all the countries of the Union have developed a system of comparable quality and not all are mutually compatible).

Despite its limitations, mapping seems indisputably the most appropriate way of collecting information on a territorial basis. An assessment of the work carried out for this study suggests that its use for future work on islands is highly recommended. The investment required does not seem enormous in view of the quality of the information likely to be made available.

In view of the constraints on securing information using maps and in order to provide information of a qualitative nature, a statistical database was set up. It proved difficult to feed this base for three main reasons: the complexity of the questions, the quality of the correspondents and the availability of information at this level.

The conclusion on this collection work is that the sources of information should be increased by seeking information from all the administrative levels concerned (Europe, States, Regions, municipalities, associations). The ideal would be to have enough time to investigate certain research topics through country agencies, particularly those concerned with energy or the environment. Work could be developed in this way in the future.

The problem of the availability of data at a sub-regional or sub-municipal level is difficult to overcome without carrying out a survey. Since these are small islands, it is virtually impossible to compile information other than demographic and physical data.

However, despite all these obstacles, the island database, together with an efficient geographic information system, has the merit of existing and being almost 50% complete. It is original in approach in that it is based on a territorial and multi-thematic approach. This is the feature which gives rise to problems but also the one which adds value. The efforts made give rise to the question of its updating.

Table 2: Variables grouped by topic, as required by updating and the difficulties arising from this updating.

Topics	Number of	Number	Degree of	Number
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	variables	unchangeable	completeness	difficult
Demography	17	0	44%	10
Economy	57	0	41%	36
Environment	12	5	57%	5
Facilities	68	0	32%	51
Geomorphology/Distance	37	18	83%	0
Transport links	25	0	50%	16
Total	216	23	48%	118

The breakdown of the data and their likely future treatment as set out in this table emphasise both that this base needs to be updated every two to three years and that it needs to be refined, principally to cover certain topics. If resources are released, mainly for a broader use of cartographic information or to carry out some on-the-spot surveys, the future difficulties do not appear insurmountable, particularly since the surveys or partial mapping would allow estimates based on representative samples to easily offset the problems of collection encountered on the spot.

MAIN CONCLUSIONS ON THE ISLAND TERRITORIES AND REGIONS OF THE EUROPEAN UNION

Two levels of analysis

Because of the diversity of European islands, it was decided to work at two territorial levels: the whole set of 286 island territories and the 19 island regions at NUTS levels II or III. This distinction was required by the gap which exists between these two types in terms of availability of information. A large number of topics, mainly economic questions, cannot be covered for all the island territories. This meant that an analysis of the island territories allowed broad trends in terms of population and natural conditions to be identified while the analysis of the island regions identified trends in terms of economic structures.

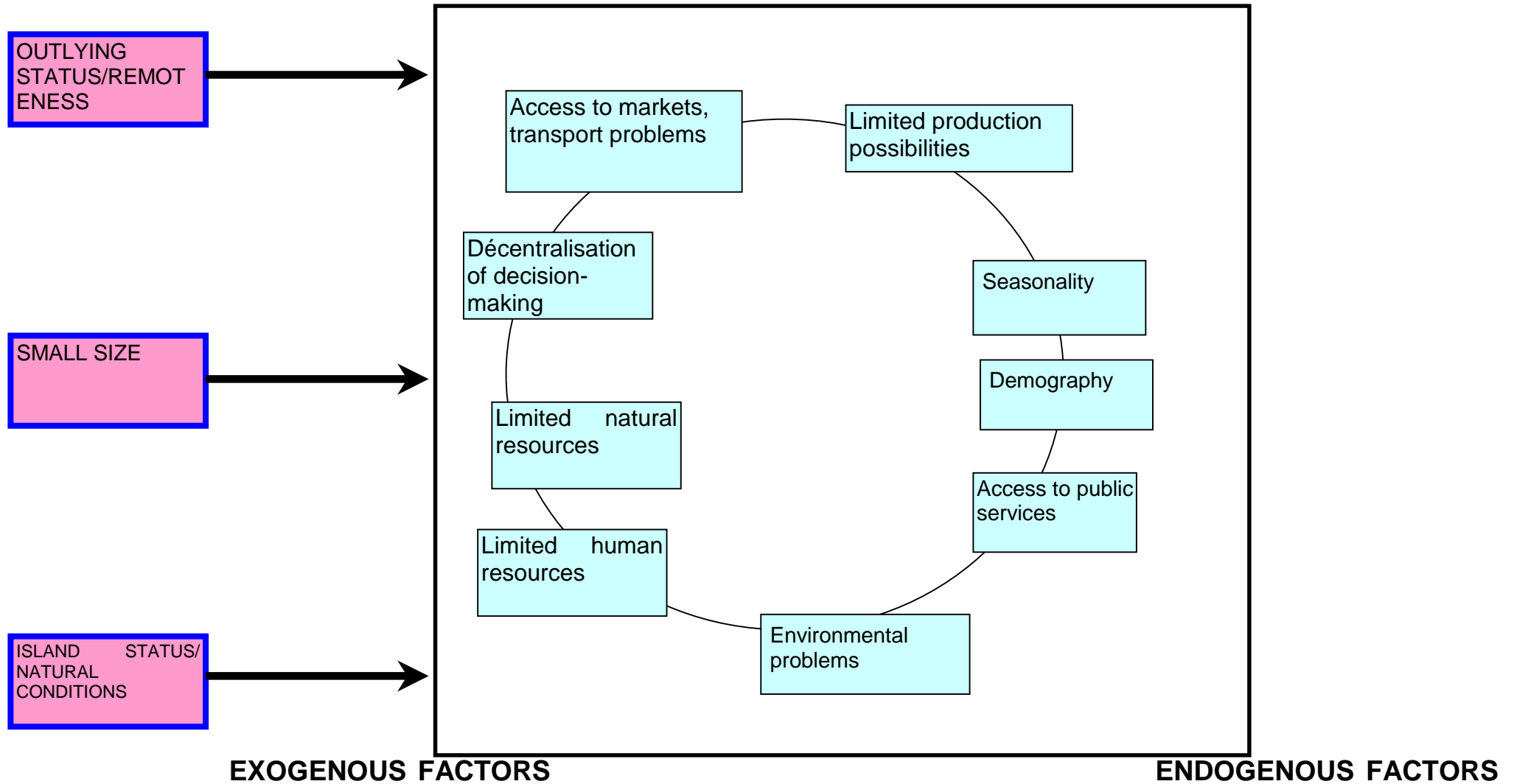
Conceptual model

All the analytical work is based on a theoretical model reflecting the importance of the natural environment on human activities. The underlying idea is that the smaller the size of the territory studied and the more it is regarded as lying outside the main economic flows, the more the human activity which develops reflects that environment. Hence, a large territory not situated at the crossroads of world economic flows may nevertheless base its development on its domestic market and on the existence of readily available raw materials (Brazil, Argentina, the United States in the XIXth century for example). A small country which has no natural resources and a large domestic market but which is geographically located at the crossroads of economic flows may base its development on exploiting that position (Netherlands, Belgium, Hong Kong or Singapore for example). Conversely, a small territory which is geographically remote and has no natural resources will find innumerable obstacles to its development and will often owe its survival to the support of more powerful neighbours (the Pacific States assisted by Australia, New-Zealand, the United States or France).

Considerations of this type, conducted within international bodies such as the UN, have provided the basis for the analysis of Europe's island territories. That choice was made even though the approach is directed more particularly at those States which are genuinely isolated and not geographically integrated into a large-scale economic unit. There are in fact many similarities between the island regions of Europe and the situation of the small isolated States (relative remoteness, low population, economic problems of scale, lack of raw materials and economic dependency).

Hence the approach selected demonstrates the existence of strong exogenous constraints with a direct influence on human activity. The diagram below groups these constraints into three categories: outlying status and remoteness, size and natural conditions. From these constraints, a whole series of causes and effects, with powerful interactions, affects the territory studied. These causes and effects are then considered through nine topics, referred to as endogenous, which can sum up the relative performances of the territory. These topics are grouped into the following fields: demography, economy, environment, policy, access to public services and transport.

Figure 1: Conceptual framework



The second stage was to use this conceptual model to select a whole series of variables illustrating each of the topics presented. This selection work was carried out with regard to two constraints, that of relevance, naturally, but also that of availability. This second constraint prevented full analysis of all the topics related to the endogenous factors. By contrast, since they were based on "physical" considerations, the exogenous factors could be illustrated by many variables.

Results obtained

The analysis of the island territories and regions yielded a number of conclusions demonstrating both their intrinsic fragility and the fact that their position within the Union is relatively good. This intrinsic fragility lies both within the specific physical and demographic features of the island and the checks on development that weigh on these territories. At the same time, a comparative analysis highlights the fact that the island regions are succeeding in maintaining a certain level of development, albeit an unsatisfactory one.

A genuine handicap

The features of the territories

- Their size, particularly the resident population, appears to be of fundamental importance in categorising the behaviour of the islands as a whole. Size takes a variety of forms and the analysis distinguished two types of islands using a threshold of 4-5 000 inhabitants. Above that threshold, several factors exhibit a reverse trend: the rate of population growth is generally positive, the level of facilities and infrastructure is generally high and the population is younger. This exogenous factor therefore underlies the behaviour of many endogenous factors and must also be taken into account when implementing support policies. That is particularly true of infrastructure and access to the services which the programmes must address as a priority on small islands.
- Alongside size, European islands are also characterised by their geomorphologic and natural conditions. The vast bulk of them have to contend with a double or even a triple handicap, their island status, their mountainous terrain and their place in an archipelago. It is noteworthy that a large majority of these territories are mountainous (which the Commission recognises as a permanent structural handicap). At the same time, many of them must deal with the constraints imposed by belonging to an archipelago (increased investment in infrastructure and complexity of transport networks). This latter factor is also reflected in rates of growth of GDP and populations which are falling in comparison with other islands.

Limits of development

- Islands face a certain dilemma engendered by the intensity of human activity. Obviously the greater an island's population, the greater its density. An analysis of the available figures shows clearly that, if the population exceeds 5 000, density exceeds 150 inhabitants per km². Hence reaching this population threshold inevitably entails an environmental price because of the high concentration of people. This imposes a genuine limit on the economic and social development of islands.
- In terms of economic activity, the island regions lag behind the mainland (average of the Union and the countries of which they form part), as reflected by a per capita GDP which is almost always lower than that of that country, dependency on the primary sector, which

may account for up to 30% of local value added, and hyper-specialisation, either in the primary or the tertiary sector. It is remarkable that the secondary sector has not succeeded in becoming dominant in any of the island regions. This hyper-specialisation weakens their economic fabric by making it sensitive to the least downturn.

Not such a bad relative position

- Distance and isolation do not seem to have a preponderant influence on the activity of the islands and have a smaller impact on the economic and social performances of the island regions than size or the impact of mountains. The intensity of exchanges between the islands and the mainland supports this conclusion, with the island economies appearing to be open and relatively integrated into the economic fabric of Europe. This may be explained by the fact that the territories as a whole are not very distant from the coasts or from the regional economic centres of the mainland. Furthermore, these mostly thinly populated territories are located geographically in densely populated areas, which means they have an economic market nearby.
- Compared with a European yardstick of the poorest regions in the Union and a sample of coastal regions, the island regions are in an intermediate position. Although their position is not brilliant, it is better than that of the poorest regions and sometimes than that of the coastal regions.
- Furthermore, European assistance appears widely accessible and widely used. Hence, 98% of the island population is eligible under Objective 1 or 2 and most benefit from the exemptions under Articles 87(3)(a) and (c) of the Treaty.

Conclusion of the analysis

On balance, however, island status clearly leads to real problems. It is certain that these territories could have a higher level of development if they did not have to deal with these problems, which constitute a brake on their success by preventing, for example, the achievement of a critical mass. In addition, European assistance is not particularly suitable for dealing with problems on such a small scale (population of under 5 000 people). The identification of real problems resulting from island status is all the more striking because most of the island regions have seen their situation deteriorate over the last few years.

To illustrate the results of the economic and social analysis which has been undertaken, the following table shows the relative position of each of the 19 island regions studied compared to a European and national yardstick. The table also shows the long term trends noted, i.e. whether the development of the regions is favourable or unfavourable.

**Table 3: Overall view of the relative performances
 of the island regions**

Region	Economic structure	Access to public services	Demography	Presence of public bodies	Outlying nature
Gotland	D	↓ N	D	HA	-
Wight	↓ A	↓ A	D	HA	N
Hebrides	N	-	-	-	-
Orkneys	↓ N	-	-	HA	-
Shetland	↑ N	↓ D	D	N	D
Crete	↓ D	N	↑ N	D	↓ N
Dodecanese	TD	A	HA	D	-
Ionian Islands	↓ D	N	↓ D	HD	D
Cyclades	VD	↓ N		-	-
Voreio Aigaio		↓ N	D	HD	↓ N
Notio Aigaio	↓ D	↓ N	A	D	A
Bornholm	↓ A	↓ D	D	HA	A
Corsica	↓ D	↑ N	↓ N	HA	N
Balearic islands	↑ N	N	↓ N	HD	↑ N
Melilla	D	↓ N	A	N	D
Ceuta	↓ D	↓ N	↑ A	N	↑ A
Sicily	↓ D	↑ N	↑ N	D	↓ N
Sardinia	D	↓ A	N	D	N
Åland	↓ N	D	↓ N	HA	↑ N

Key: HA: Highly advantaged; A: Advantaged; N: Neutral; D: Disadvantaged and HD: Highly disadvantaged.
 ↓, ↓↓, " " : trend noted

This shows that the trend is rather negative, even though a snapshot of the present situation still shows that the position of these territories is favourable compared with similar regions of Europe as a whole.

NATIONAL, REGIONAL AND LOCAL POLICIES

The specification required an analysis of the measures and policies applied in the Member States of the European Union to offset any impediment to development created by the fact of being an island. That is the background to the analyses of the impact of these policies and the recommendations made.

The various policies and initiatives have been grouped around the following topics:

- Outlying nature, transport and access to markets.
- Economic structure.
- Active population and demographic trends.
- Access to public services such as information and communications technologies, health care and education.
- Environmental problems and restrictions on natural resources.

The problems facing those responsible for drawing up policies were identified for each of these topics. Research also focused on general policy approaches, the identification of good or current practice and the formulation of comments on the impacts of the policies implemented on the islands.

It was found that there were many examples of good or innovative practice but that they had to be disseminated as widely as possible throughout the European Union.

Outlying position, transport and access to markets

Many islands regard the time and cost involved in reaching them (particularly by sea) as a major problem. The policies devised to overcome these problems were as follows:

- Introduction of subsidies for passengers and freight transported by air and sea. These measures are often aimed at the islands furthest from the mainland and are less frequent otherwise.
- Improved port and airport infrastructure to reduce journey times and encourage the purchase of new transport equipment (aircraft and ferries).
- Improved transport between islands in the same archipelago.

Even though reduced journey times are welcome, this improvement can have only a limited impact on feelings of isolation or remoteness on an island. The precise impact on the health of an island's economy of removing subsidies is difficult to quantify since any assessment of the behaviour of residents or businesses will remain totally hypothetical until the grant has been reduced or abolished.

Economic structure

The economic structure of the islands differs substantially from that of the mainland. The islands often depend on primary sector activities such as agriculture and fisheries or seasonal activities such as tourism. In addition, many islands lack secondary industries because they have no raw materials. Many economic development strategies seek to enlarge their economic base and reduce seasonal activities.

Another distinguishing feature of islands is their high percentage of small firms. The small size of markets, the low level of qualifications and the lack of a tradition of establishing firms make these businesses particularly vulnerable. Furthermore, the percentage of innovative firms is lower on many islands.

Examples of good practice include:

- Improving the performance of traditional island industries such as agriculture, fisheries and crafts by improving product quality and launching marketing initiatives.
- Developing sustainable tourist strategies and 'green tourism'.
- Services to help small firms such as support for emerging firms, the modernisation of buildings, the labelling of products and support for marketing.
- Aid for exports by island-based firms.
- Construction of work premises on islands which still have land available or modernisation of existing premises.
- Networking of small firms.

Demography and active population

Although the populations of many larger Mediterranean islands are increasing, that is not the case for most of the northern islands and the smaller Mediterranean ones. The people leaving these islands are often the youngest and/or best qualified. Furthermore, the average age of certain groups of workers is rising. The average age of farmers and fishermen, for example, is rising on many islands and on some there is a mismatch between the qualifications of the active population and job vacancies so that there is a need to offer fresh training to enlarge the economic base.

There is a lack of post-secondary and higher education facilities, particularly on the smaller islands. Distance learning is regarded as a vital part of the strategies to raise the skill level of the active population. The European Social Fund plays a key role in vocational training on the islands. The types of courses financed for small firms are as follows:

- Management
- Information technologies and new technologies
- Exporting
- Marketing.

Access to public services

The introduction of information and communications technologies (ICT) on the islands has often been seen as a way of offsetting their island status and helping them provide certain services.

The information and communications technologies can help provide educational services through distance learning and health services through the development of telemedicine. Examples of good practice in these areas include the establishment of the University of the Highlands and Islands and the improved access to post-secondary and higher education which it offers to people living on the islands off the north and west coasts of Scotland. The most scattered Mediterranean islands have also benefited from the establishment of new universities such as the University of the Aegean.

The European Union has also supported a large number of telemedicine projects and the study group looked in particular at the Regional Health Telematics System on Crete. This

system was made possible by the growth of the ICT and the report looked closely at the potential which these technologies offer to island communities.

The MEDIS project (Modèles pour les îles numériques européennes – Models for European Digital Islands) looked at how the ICT could help solve the problems arising from distance and remoteness, particularly in areas such as health, social inclusion, the development of small firms and transport. A manual has been published so that the islands can develop a strategic approach to encourage these technologies. The Åland Islands are a good example of this type of multi-pronged strategy: very-wide-band communications, training and installation of an 'IT village' for small firms.

However, the MEDIS project revealed the limitations of this approach by demonstrating that on certain Mediterranean islands, few households and schools were connected to the Internet and that this low rate of penetration hampered the dissemination of the ICT.

Environmental problems and limitations on natural resources

Many islands have a fragile environment and the development of tourism, particularly on some Mediterranean islands, is further increasing the pressure on it. Waste disposal and management and the supply of drinking water pose particular problems. Marine and coastal pollution may also give cause for concern.

An excellent illustration of the problem of water supply is provided by the smaller Aegean islands, which have to import about 80% of their drinking water needs by pipeline or tankers. The desalination of sea water is the option chosen by the more remote Mediterranean islands. In general, these programmes have proved very costly in terms of the electricity which desalination plants require but the use of renewable sources of energy could reduce this cost in the future.

The use of renewable sources of energy offers substantial benefits to the islands. They have the potential for developing a wide range of such forms of energy: depending on the place, wind energy, wave power or solar energy and biomass. The European Environment Agency has looked at the wide variety of assistance required to develop renewable energy on the islands, which could take a political, legislative, administrative or fiscal form. The report also pointed to improvements in the production of renewable energy over the last two decades as a result of assistance from the Member States and the European Commission. This progress has resulted in the greater exploitation of techniques dependent on renewable sources of energy on many islands in the Union.

However, the development of renewable sources of energy can concern only islands of a certain size. For small islands, importing energy from the mainland is a much more comfortable solution in terms of the management of production capacity and utilisation of space.

Government and institutional measures concerning islands

The analysis of government structures revealed a very varied situation: some islands, such as the Åland and Balearic Islands, have considerable autonomy while others, such as the small Finnish and Swedish islands, are administered by regional centres on the mainland.

The authorities make a large number of innovations on the islands, as shown by the greater responsibilities granted to islands such as Gotland, the creation of a Ministry for the Aegean in Greece in 1985 and the recent reorganisation of administrative structures on Bornholm.

The European Union has also stressed the importance of local and regional partnerships in monitoring the implementation of Structural Funds programmes. The development of partnerships involving those responsible at local level and key decision-makers is vitally important if it is desired to improve the competitiveness of the islands, provide them with more responsibilities and preserve their cultural identity.

EUROPEAN UNION POLICIES AND PROGRAMMES

Any analysis of the position of the islands within the Union's policies and programmes must start with the Treaty on European Union. The islands are mentioned in Articles 154 (Trans-European networks) and 158 (Economic and social cohesion) of the Treaty on European Union and in declaration 30 of the Treaty.

Alongside these institutional references, a wide range of Union policies have an impact on the islands. The sectors of assistance may be divided into the following categories:

Policies aimed at reducing the problems of the islands and the island regions

- Instruments for economic and social cohesion
- Trans-European networks

The continuation of the assistance provided by the Structural Funds after 2006 will be of the utmost importance for the island regions, particularly in the context of the budgetary constraints imposed by enlargement. The demands to be met from the regional policy budget are such that any comment on the content of the Union's Structural Funds after 2006 goes well beyond the scope of this study. However, the consultants feel that assessing the eligibility of many island regions solely on the basis of GDP leaves substantial gaps and that use should be made of other quantitative or qualitative statistical indicators. The collection of statistics on the islands encounters major problems and it would be desirable to establish an Institute for these island regions (or the areas suffering from natural handicaps) to improve the collection process and encourage the dissemination of good practice on the islands. Discussions on statistics must be organised with the island regions to determine the state of their economic health and how these statistics should be collected.

The Cohesion Fund has contributed to improvements in the transport and energy networks on those islands eligible for this finance but many other islands have not been able to benefit and are still experiencing enormous difficulties in connecting to the trans-European networks (TENs). More promising is the potential for renewable energy which many islands possess, which could place them at the forefront of the development of trans-European energy networks based on renewable resources.

EU policies applied throughout the Union and subject to territorial restrictions

- Fisheries – Areas dependant on fisheries
- Common agricultural policy – Second pillar measures

Both the common fisheries policy and the common agricultural policy (CAP) fix certain types of price, such as the intervention price, throughout the Union and are likely to be damaging to the island regions, where production costs are often high. In both cases, distance from large markets often which increases costs and, in the case of the CAP, land which is difficult to cultivate, high altitude and the small scale of working, obstacles which are present on many

islands, may do likewise. Accordingly, even if market prices may in theory exceed intervention prices, competition imposes heavy pressures on the actual margins which may be achieved and hence on the overall profitability of these holdings.

Nor do these two programmes make any distinction between the various types of rural area and it could be argued that more second pillar resources should be directed to the island regions. That point could be discussed during the mid-term review of the CAP even though such a shift would depend to a large extent on the priorities selected by the Member States rather than on those of the Commission.

Union-wide policies with a weak territorial dimension

- Policies concerning competition and the internal market

The desire to create level playing fields throughout the Union is one of the touchstones of its development and forms an integral part of its philosophy. Eliminating the obstacles to trade has been of major concern throughout its history and the foundation of its policies on the development of competition, the single market and public grants.

About 95% of the islands benefit from more flexible rules on competition and public grants as a consequence of their status under the Structural Funds. However, this policy will have to be reconsidered in the light of the likely restrictions on eligibility for these Funds which will affect the present 15 members of the Union after 2006. It may be that some islands will cease to be eligible under the Structural Funds, which could be an advantage provided they remain included on the map authorising the major State aids. At this point, it is important to insist on the aim of this policy. Greater flexibility in public assistance should not involve giving the island regions competitive advantages but enabling them to operate according to the same rules as the mainland.

A number of specific problems have emerged, mainly with regard to coastal shipping. It is essential for competition and tender procedures to be structured so that ferry services continue for the benefit of island communities. Other questions should be raised, for example, there should be a reasonable analysis of the problems concerning slaughterhouses and other services which must be developed with the specific aim of helping island populations.

EU programmes giving no priority to the islands but benefiting them and areas which are emerging in EU policies, e.g. employment

- Energy – Promotion of renewable energy e.g. Altener Programme
- Research – Programmes on the information society
- Public health – Telemedicine Projects
- Environment – LIFE programme
- Employment – Stronger local dimension

Some islands have benefited from some of these programmes. It could be useful for the European Commission to look at each of them and decided either to allow all islands to compete for the funds available or to give specific priority for the island regions so that the various aspects, for example, of the development of renewable sources of energy on the islands can be looked at.

RECOMMENDATIONS

Introduction

The consultants found that the islands and island regions are facing a series of problems which undermine their regional competitiveness in economic terms. Furthermore, the costs of certain services such as education and health care are higher, natural resources are often scarce and the fragility of the environment may hamper their development. On the basis of these findings, this section sets out a certain number of proposals which take account of the many demands on the Union's budget for regional policy after 2006; its institutions will have to weigh the merits of many of these claims.

These proposals are based on the following finding: the chapter on the impact of Union policies on the islands shows that there is a whole range of measures, whether sectoral policies or those for planning and infrastructure, whose impact is quite substantial. It is therefore logical to argue that better coordination of these policies could result in greater efficiency, so generating a fresh dynamic for development. The creation of an inter-departmental working party able to support and guarantee this coordination therefore appears desirable. However, this working party should not be allowed to become an internal pressure group and it should have all the information required.

It is also possible to imagine extending the working party's powers to cover all territories suffering from a handicap, including the mountainous areas, which are of the utmost concern to many islands.

To support its work (coordination, exchanges, economic, statistical and environmental research), the creation of a foundation or an Institute on the handicapped territories appears relevant in the light of the conclusions set out in this report. The information available on these territories sometimes appears sketchy and exchanges between the larger island regions are, with a few exceptions, very slight.

This greater attention to the island and/or handicapped territories (coordination, exchange and research) could use assistance from the Interreg III B or C programmes (or their successor in 2006) which cover some of these questions of inter-regional cooperation.

Better coordination of the Union's sectoral policies

The study showed that many of the Union's sectoral policies have an impact on the islands. However, in the future it would be desirable to adopt a better coordinated approach to these policies in order to comply with the spirit of Article 158 and declaration 30 of the EU Treaty.

This requires an inter-departmental coordination approach within the European Commission. This could take the form of a high-level group of experts from the Directorates-General responsible for looking at how to improve the targeting of the Union's sectoral policies on the needs of the islands and could include experts responsible for specific fields such as transport, competition and energy. The overall objective would be to develop an action plan to implement measures to help island regions throughout the Union.

This action plan would be wide-ranging in scope and include the following sectors of expenditure: economic and social cohesion, trans-European networks, competition, agriculture, fisheries, environmental research and development, the information society, energy, public health and employment. It would also try to promote exchanges among the handicapped regions, whether economic, social or cultural in nature.

The inter-departmental working party could also look at how to help the islands within the existing strategic framework. It would look at the opportunities available to them under existing financing programmes such as Interreg and the environmental, energy, rural development and public health programmes. Finally, it would look at the extent to which the various strands of these programmes could be adjusted to the specific problems encountered on the islands. It would also seek to assess the impact of Union legislation on them. This aspect could prove crucial in the context of competition, the common agricultural policy, the common fisheries policy, etc.

The purpose of this type of 'inter-departmental' coordination would be to look at natural handicaps as a whole, covering mountainous and thinly populated regions as well as the islands. This combination of types of coordination relating to natural handicaps is all the more desirable and appropriate in that there is considerable territorial overlapping. Many islands suffer from at least two handicaps, e.g. as islands and because they are mountainous. This pooling of resources would also have the advantage of permitting rationalisation in the use of the resources employed by territorial policy, so generating some economies of scale.

Centralisation, harmonisation and dissemination of information on the islands and territories with natural handicaps

The consultants encountered several obstacles in collecting valid statistics on the island territories and regions and were also surprised by the fact that, while the islands experience more or less the same problems, there is very little information exchanged about how to solve those problems. The islands tend to seek solutions to their problems on the mainland rather than finding out what is happening on other islands. The lack of a central point for the collection and processing of statistical data from a very wide variety of sources and information on the policies pursued in the islands was one of the main obstacles encountered in this study.

Accordingly, the consultants consider that an institute or research secretariat should be established as a body able to disseminate qualitative and quantitative information on these territories and genuinely spread the good practice detected in the most dynamic island regions. This is supported by their observation of the very many examples of good practice followed on the islands which deserve wide publicity. The establishment of such an institution is also justified by the widely differing natures of the territories concerned, which really share only one point in common, their island status, but which differ in many respects: size, wealth, economic structures, administrative dependency, etc. The institute would act as a federating body at the service of a community with the aim of improving the way the problems encountered by these territories are dealt with.

Hence it would play a leading role through its cooperation with the inter-departmental working party by undertaking research to support and clarify the impact of the implementation of a specific policy. It could be given the following objectives in this regard:

- To collect and publish statistical information on the islands of the European Union and establish methods of quantitative and qualitative analysis to compare and rank them.
- To collect, publish and disseminate information on the measures taken by the Union to promote the development of islands.

- To collect, publish and disseminate local examples of good practice implemented by island communities.
- To provide information on the main trends and strategic initiatives in the island regions which would facilitate social and economic progress there.
- To act as a European forum for meetings and technical discussions. Island communities with similar interests would engage in discussions and the Institute would help them find partners for networking and project partners for individual trans-national partners.

The advantage of a more or less independent institute is that it would not be bound by the constraints imposed on all the European institutions, particularly as regards the collection of information. Eurostat, for example, may not officially contact local authorities or associations but must go through the national administration. The research undertaken for this project shows that the sources of information need to be expanded through approaches both to the national administration (Ministry, INS) and to those on the spot (associations, specialist agencies, municipalities, etc). An institute would have this flexibility and so could really base its conclusions on a vast range of information.

Here too, it seems reasonable to make this institute part of a larger body responsible for analysing and collecting information from all the areas with natural handicaps. This would enable existing information to be improved and give the Commission a genuine insight into any given situation, so improving the coordination of measures it undertakes.

Since some of the objectives which could be assigned to that institute can already be carried out through strands B and C of the Interreg programmes, it would appear logical to include that structure in one such strand. This option would incorporate the idea set out above concerning a greater coordination of Union's sectoral policies. Financing via Interreg would also shelter the research and dissemination work from political pressure, with the aim of preventing this institute from becoming just another lobby.

It could be financed on the same lines as ESPON (European Spatial Planning Observation Network) whose general aims are fairly similar to those proposed for the island territories. The aim of the ESPON programme is to improve know-how and knowledge about spatial planning in the Union and to encourage exchanges between regions. Its budget is €12 million and it is the responsibility of Luxembourg.

Plans which could be considered for the islands and the territories with permanent natural handicaps

The establishment of a form of coordination and an Institute on the islands are the main stages in the development of a coherent Union strategy to develop the islands and island regions. However, there should also be a series of innovative and pilot projects with financial support from the Commission to test new approaches. One way of doing that would be through the existing programmes, particularly Interreg III B and C.

Intensive use of Interreg

The Interreg III B programmes seek to implement solutions offering sustainable growth through better access to the information society, exploitation of the environmental and cultural dimensions and improved integration of the maritime and island regions.

Modern technology may help to reduce the extent to which many islands suffer because of their position. The development of renewable sources of energy, for example, would reduce the costs of electricity generation on many islands. The introduction of new information and

communications technologies cannot but have a substantial impact, while transport initiatives are already cutting journey times. It is essential for the island regions to develop strategies and take steps to profit from these new developments, just as they must devise new methods of improving and marketing local products, supporting and encouraging local firms and expanding the local economic base.

Territorial planning in terms of access to the information society may be done perfectly well through projects financed by Interreg III B, as can the development of renewable energy, which will encourage local development and preserve its ecosystems, by definition fragile because closed. This programme could also be adapted to increase the regional competitiveness of the island regions (and of those suffering from natural handicaps) through the dissemination of good practice and innovative approaches which will stimulate sustainable economic development and the social and environmental development of the Union's island communities. The development of networks and the dissemination of good practice will be one of the main aims of the financial instrument.

At the same time, Interreg III C could be used to develop cooperation among the islands in the form of projects, the establishment of networks and integrated operations within the framework programmes.

Allocation criteria

To take account of the widely differing situations of the island territories, it is essential to include certain territorial priorities in these proposals. These priorities could be a function of the degree of intensity of the 'island status' constraint. The consultants have stressed that this intensity varies depending on the geophysical and human configurations. Hence, priority should be given to the territories which stand out in terms of the thresholds to be determined.

Three criteria could be used:

- The size of the island, mainly its population, with a threshold of 3 000 to 5 000 inhabitants, the idea being to help all the small islands, which are in a really very difficult situation.
- The notion of archipelago: the archipelago regions labour under heavier constraints than the other island regions. This means that both the smaller islands in such a region and the region as a whole must be helped.
- The notion of mountain: the presence of mountains means that some territories are subject to a double handicap. The threshold could be defined by a similar study of the mountain areas.

Conclusions

The points set out above suggest that the general philosophy of the proposed approach should be based on the idea of facilitating life on the spot, which requires improved access to services of general interest and a determined effort as regards training. Hence, rather than focusing on transport problems, it seems better to support a whole series of micro-projects concerned with the presence of light infrastructure, such as dispensaries, libraries and postal or financial services. Links with the energy and telecommunications services on the mainland are also a priority in that they facilitate enormously the life of these islands. Overall, this approach appears more suitable since improving services to small coastal islands often means that economic activity (the opportunity to shop or work on the mainland) moves out – a balance must be struck. Alongside work on small infrastructure, there must be an effort as

regards training (education, vocational and business training designed to meet needs). These measures may take the form of micro-projects, training seminars, grants for secondary and higher education and the supply of equipment, particularly computers with training.

On the large islands, efforts should concentrate on rail infrastructure. This mode of transport has the advantage of offsetting the disadvantages of road transport (for passengers and freight). Rather than developing a number of ports and airports on an island, expanding or modernising rail services could have a substantial impact on the environment and land use. It is abundantly clear that links between the large islands, particularly in the Mediterranean, are very difficult (for example, there is no air link between Corsica and Sardinia and those by sea are very poor). Apart from tourism, there are virtually no 'international' links (access to Sardinia can only be through Italy and to Crete only through Greece). In the context of the trans-European networks, it seems desirable to promote links of this type which help these islands integrate into their geographical environment and develop exchanges rather than limiting them to the straitjacket of bilateral relations with the country of which they form part. This is particularly true of the large islands of the western Mediterranean (the Balearic Islands, Corsica, Sardinia and Sicily). Exchanges between Corsica and Italy or between Corsica and Sardinia are virtually non-existent although both are geographically closer than the French mainland.