

Islands of the EU: Taking account of their specific needs in EU policy

SUMMARY

Many EU Member States have islands and insular territories (e.g. archipelagos). Among these islands are several world famous tourist destinations, while they are home to considerable natural and cultural wealth. Certain islands also produce renowned agricultural products and handcrafts. However, islands also face considerable challenges. They may lack adequate transport links with the nearest mainland. Their ecosystems are vulnerable and natural resources are often scarce. Some are small and/or mountainous. Many are located on the periphery of a Member State, or constitute border regions, placing considerable limitations on their potential for economic growth. Islands are usually too small to allow economies of scale. They may lack human capital and possess limited public resources in health, education, research and innovation. More recently, the EU's southern islands have seen a large influx of migrants, whilst lacking the resources needed for their accommodation or integration.

In most cases, islands are not self-sufficient in agricultural and industrial products or tertiary-sector services. They are usually reliant on imported fossil fuels and dependent on mainland energy networks. As the majority of products and services have to be transported to islands, prices are considerably higher, adding to the cost of living in insular territories. However, although the state of insularity creates a large number of problems, various studies suggest that islands can become 'lands of opportunities' by investing in their relative strengths.

Article 174 of the Treaty on the Functioning of the European Union (TFEU) recognises the special nature of island territories. However, very few concrete EU measures have aimed to support islands to date. Several insular regions and municipalities call for the development of an 'insular dimension' in EU policies, and for EU regional policy to take insularity factors, that affect them disproportionately, into account. They also claim that due to the European Commission's established method of regional funding – based on GDP – certain islands and insular territories are severely penalised.



In this briefing:

- Introduction
- Legal background – financial regulations
- Problems stemming from insularity
- European Parliament
- Stakeholders' views
- Outlook
- Main references

Introduction

EU definition of islands

The [NUTS classification](#) (Nomenclature of territorial units for statistics) is a hierarchical system for dividing up the EU's territory in order to collect, develop and harmonise statistics on European regions. The NUTS classification has three main levels: major socio-economic regions within a Member State (NUTS 1); basic regions, for the application of regional policies (NUTS 2); and small regions, for more focused use (NUTS 3).

According to [Eurostat](#), island regions are NUTS 3 regions entirely made up of islands. In this context, islands are defined as territories having:

- A minimum surface of 1 km²;
- A minimum distance between the island and the mainland of 1 km;
- A resident population of more than 50 inhabitants;
- No fixed link (bridge, tunnel, dyke) between the island and the mainland.

NUTS 3 island regions can correspond to a single island, or can be composed of several islands, or can be part of a bigger island containing several NUTS 3 regions. The typology of NUTS 3 island regions distinguishes five categories, depending on the size of the major island related to the NUTS 3 region:

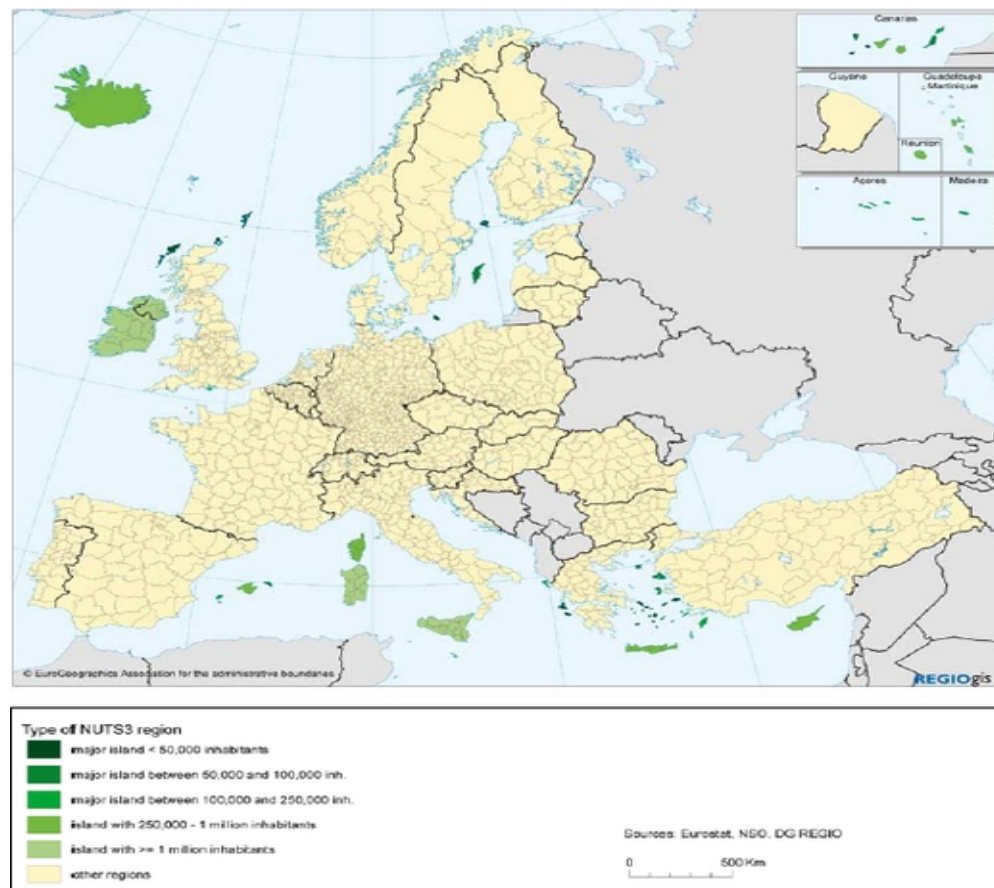
- Regions where the major island has fewer than 50 000 inhabitants.
- Regions where the major island has between 50 000 and 100 000 inhabitants.
- Regions where the major island has between 100 000 and 250 000 inhabitants.
- Regions corresponding to an island with 250 000 to 1 million inhabitants, or part of such an island.
- Regions being part of an island with at least 1 million inhabitants.

Different categories of islands

A [European Spatial Planning Observation Network \(ESPON\) study](#) on the development of EU islands also distinguishes islands according to their size using the following categories:

Category	Population size	Number of islands in the EU
Large islands	More than 50 000 permanent inhabitants	15 islands, of which 5 have more than 500 000 inhabitants (Sicily, Sardinia, Mallorca, Cyprus, Crete)
Medium-sized islands	Between 5 000 and 50 000 permanent inhabitants	44 islands
Small islands	Between 50 and 5 000 permanent inhabitants	303 islands
Very small islands	Fewer than 50 permanent inhabitants	228 islands

The same study also classifies islands as 'performing', 'intermediate' and 'lagging', according to their economic performance. Performing islands are usually large islands, characterised by vibrant economic specialisation (e.g. an advanced tourism sector) in combination with other possible dynamic or emerging sectors. Intermediate islands are smaller entities that may possess one sector of growth combined with other smaller economic activities. Lagging islands are generally small islands with stagnating economies, which usually face tough prospects.

Map 1 Typology of island regions

Source: [Eurostat](#).

Legal background – financial regulations

The need to take the specific situation of islands into account is addressed by Article 174 TFEU, which states that: 'in order to promote its overall harmonious development, the Union shall develop and pursue its actions leading to the strengthening of its economic, social and territorial cohesion'. The same article suggests that particular attention be paid to island regions. Article 170 regarding [Trans-European Networks](#) also states that EU actions shall take particular account of the need to link island, landlocked and peripheral regions with the central regions of the Union.

State aid for the development of less favoured regions is mentioned in Article 107(3) of the TFEU as one of the categories of aid that can be exempted from the Treaty ban on state aid. In particular, Article 107(3)(c) allows aid to be used to facilitate the development of certain areas, where this does not significantly affect competition ('category c' regions). According to the 2014 [Sixth report on economic, social and territorial cohesion](#), the areas concerned include those regions with GDP per head below the EU-25 average; those with unemployment over 15% higher than the national average; or those undergoing major structural change or in serious relative decline; as well as regions with low population density; islands with a population of 5 000 or less; regions similarly isolated geographically; and regions neighbouring 'category a' regions, where the standard of living is abnormally low or where there is serious under-employment. However, according to the same report, aid in 'category c' regions totalled around €2.9 billion in 2011 (i.e. just over a quarter of that in 'category a' regions) and was down by 39% from 2008.

Insular territories and mainland territories benefit from the same funding programmes. However, Member States have the flexibility to provide more financial instruments to insular territories. The Common Provisions Regulation ([CPR](#)) sets out the rules for a number of important EU funds aimed at regional development and growth: the European Regional Development Fund ([ERDF](#)), the European Social Fund ([ESF](#)), the Cohesion Fund ([CF](#)), the European Agricultural Fund for Rural Development ([EAFRD](#)) and the European Maritime and Fisheries Fund ([EMFF](#)). Article 121 of the Common Provisions Regulation also mentions that the co-financing rate from the funds to a priority axis may be adjusted to take account of, amongst others, island Member States eligible under the [Cohesion Fund](#), and other islands, except those on which the capital of a Member State is situated, or which have a fixed link to the mainland. In addition, regarding cross-border, transnational and inter-regional cooperation under the ERDF, the CPR mentions that Member States and regions shall seek to draw on cross-border and transnational cooperation to: (a) ensure that areas that share major geographical features (islands, lakes, rivers, sea basins or mountain ranges) support the joint management and promotion of their natural resources.

[Article 349](#) TFEU also addresses the issue of the EU's [outermost regions](#). These regions are geographically distant from mainland Europe. Certain islands are considered to be outermost regions and benefit from a special status within the EU. This status is supported by specific measures aimed at addressing the challenges faced by these territories as a result of their remoteness, insularity, small size, economic dependence on a few products, difficult topography and climate. However, the special status of outermost regions is not covered in this briefing as it constitutes a separate issue in the development of EU cohesion policy. Nevertheless, it is worth mentioning that certain insular territories demand a similar status to that of outermost regions.

Problems stemming from insularity

The EU's islands are far from being a single homogenous category; having differing sizes, populations and levels of economic growth. Nevertheless, there are a number of common issues that affect most islands to a considerable degree.

Transport

Transport and lack of connections with other territories – whether to neighbouring islands or mainland cities – constitute a major problem for insular territories. Accessibility to most EU islands is problematic and can be characterised by infrequent, and often expensive, transport. Human transport, as well as the transport of products and services, to and from islands imposes additional costs upon the economic activity of insular territories. Islands may also constitute border areas, being located at the periphery of the Member State to which they belong. This geographical position exacerbates difficulties in the transfer of goods and people. EU [Regulation 3577/92](#), applying the principle of freedom to provide maritime transport services within the Member States, thus allows Member States to organise public services to ensure regular connections with island territories. However, the Regulation does not provide for any particular obligation in the matter, leaving this to the discretionary powers of the Member States. Other EU-related projects such as the [trans-European transport networks \(TEN-T\)](#) or the [Motorways of the Sea \(MoS\)](#) include similar guidelines. Nevertheless, their impact in improving transport in island regions is limited, as their remit focuses on mainland Europe.

Environment

Islands may have unique natural features, but their ecosystems are also fragile. They may also be mountainous with limited arable land. Islands are vulnerable to drought, rising sea levels and land erosion. Throughout Europe, fish stocks suffer the effects of continued over-exploitation. For many islands, freshwater is scarce, and the influx of tourists can create problems relating to waste and wastewater management. In addition, islands remain largely dependent on the mainland for supplies of expensive fossil fuels. The goal of becoming energy efficient or ecologically self-sustaining through wind, tidal and solar power remains unfulfilled for many.

Monoculture economies – economic stagnation – inadequate social services

Certain insular economies specialise in one or just a few economic fields (e.g. tourism), or have limited economic activity due to their small size. This is especially the case with very small islands. Therefore, diversification of the economy towards other – particularly non-tourism related – activities is needed. Most islands do not possess vibrant urban cities and therefore cannot benefit from urban financial spill-over like mainland rural areas. Due to their size, resources and the high cost of transport, islands cannot develop economies of scale as mainland territories do. Research and innovation is also limited. The limited use of new information and communications technologies (ICTs) and low broadband coverage due to meagre financial incentives for operators also constitute important problems, especially for the islands of the Mediterranean. The recent financial crisis that affected Mediterranean countries had a severe impact on social services on islands in the region, which were already limited prior to the crisis, and are now considerably reduced.

Demographic trends – emigration – refugee flows

Demographic decline affects the least developed islands, which suffer from ageing populations since younger members of society prefer to migrate to the mainland in search of better job prospects. In particular, very small islands and islands with lagging economies see their younger population leave in search of better job prospects. On the other hand, islands with a strong tourist economy have managed to reverse this trend and to maintain a younger population. Nevertheless, in most insular territories, professional opportunities remain limited and confined to specific fields (e.g. tourism). In certain cases, large numbers of migrants have recently arrived on island territories, sometimes far outnumbering the local population, who are not in a position to supply the necessary means of accommodation and assistance.

Unemployment – lack of professional development

The issue of seasonal employment is evident in many islands. Economic activity slows considerably during the low season and many seasonal businesses close, rendering a large number of people unemployed. Fisheries and agriculture are also stagnating in many insular areas due to low fishing stocks and unprofitable land exploitation. Unfortunately, as certain islands are relatively small or possess fragile economies, they cannot always maintain their human capital and lack expertise in new emerging fields such as ICT. Furthermore, life-long learning opportunities which contribute to professional diversification are not easily accessible for insular populations.

Lack of a framework of financial support for islands

The EU has neither attempted to measure the cost of insularity nor collected data to assess the real needs of island territories. Various island associations claim that islands are punished by the EU system of funding which allocates funds to regions, according to

their GDP level, in [three main categories](#): less developed regions, transition regions and more developed regions. They suggest that this GDP-based classification places islands in the same categories as mainland regions that are privileged geographically. The focus on GDP – to the detriment of other indicators that, if taken into account, would show a more complete picture of the specific challenges of insular life – constitutes a further issue for insular territories.

In addition, many islands are grouped in larger non-homogenous regions that may include mainland areas, urban conurbations or diverging categories of islands. These divergent entities may elevate the GDP of the region, thus attributing it with the status of 'transition' or 'more developed' region. The majority of the islands within such a region might however have the needs of a 'less developed region', and thus lose out on considerable EU funding aimed at, for instance, improving basic infrastructure.

As explained below, 'insular mainstreaming' – that is, the setting of special provisions on how EU programmes and policies are developed for insular territories – is a demand expressed by local policy-makers. Island leaders argue that, due to their small populations, an increase in EU funding for insular territories would have only a small impact on the total EU budget, but this minimal increase of funding would provide a significant boost to insular territories.

Agriculture

Agriculture on islands is hampered by their remote location, the small size of holdings, low diversity of production, dependence on local markets, and – in some cases – climate conditions. Agricultural activity remains dependent on the supply of raw materials and lacks easy access to mainland markets. Recent [Common Agricultural Policy \(CAP\)](#) reforms, rural development programmes ([RDPs](#)) and European Agricultural Fund for Rural Development ([EAFRD](#)) direct aid schemes have not taken into account the specificities of agriculture in European islands.

The European Parliament

A 2002 European Parliament (EP) resolution ([2002/2119\(INI\)](#)) on structurally disadvantaged regions (islands, mountain regions, regions with low population density) in the context of cohesion policy, stressed that the principle of solidarity should apply in particular to regions with permanent geographical handicaps, such as island regions, mountain areas, and sparsely populated areas, since these areas suffer from structural disadvantages. The EP also considered it necessary for policies, particularly on transport and environmental protection, to take account of the specific characteristics of regions with permanent geographical handicaps, and expressed a wish that the TEN-T programme focus more on areas suffering permanent handicaps.

An EP resolution on the islands and natural and economic constraints in the context of EU regional policy ([2006/2106\(INI\)](#)) stated that further work should be oriented towards defining more pertinent statistical indicators and a satisfactory understanding of the regions with geographical and natural handicaps. It added that increased flexibility is required in the implementation of existing and future state aid policies. The EP called on the European Commission to place particular emphasis on the development of broadband and to promote measures in the field of healthcare, energy and online medical services, electronic governance and citizens' services. Parliament considered it imperative that an integrated policy capable of ensuring the sustainability of island tourism be put in place. Finally, the EP requested that the European Commission set up,

within the Directorate-General for Regional Policy, an administrative unit covering the islands, along the lines of the existing unit for the outermost regions.

In a later resolution on the European strategy for the economic and social development of mountain regions, islands and sparsely populated areas ([2010/2856\(RSP\)](#)), the European Parliament stated that GDP must remain the main criterion for determining eligibility for regional policy assistance. However, it called on the Commission and Member States to work towards more pertinent and 'territorialised' statistical indicators, in order to provide a more comprehensive picture of the development level of these disadvantaged regions. It stressed that indicators other than GDP (such as total population, unemployment/employment rates, education levels, and population density) can already be used by the Member States in redistributing funds among regions, taking into account the specific attributes of each region.

The [European Parliament Intergroup](#) on seas, rivers, islands and coastal areas is an informal grouping of Members, established to address the issue of insularity, and active on maritime, coastal and waterway-related matters.

Stakeholders' views

Committee of the Regions

A 2002 [CoR opinion](#) on the problems faced by island regions in the European Union suggested that special measures should be adopted in relation to state aid and that economic and tax incentives should be provided to protect island territories. The opinion states that priority should be given to islands in inter-regional and intergovernmental cooperation measures, and inter-island cooperation must also be promoted. The opinion also stated that island regions should be automatically included under the then 'Objective 1' regional GDP category (similar to the present-day 'less developed regions' category). Other opinions have also covered issues of insularity. For instance, the [2014 CoR opinion](#) on mobility in geographically and demographically challenged regions called on the Commission to adopt a green paper to ensure that mobility issues in challenged regions are better recognised and addressed in the full range of EU policies and programmes.

The Committee of the Regions has also formed an [Inter-regional group on Insular Regions](#).

European Economic and Social Committee

In a [2012 opinion](#), the European Economic and Social Committee stated that the [European Maritime and Fisheries Fund](#) does not provide for special measures, except for the outermost regions and the smaller Aegean islands. It also claimed that the most recent Common Agricultural Policy (CAP) reforms, rural development and EAFRD direct aid schemes have failed to take account of island status. It supported an approach that takes all EU policies into account, both horizontally (by means of an intersectoral approach to the main policies with territorial impact, such as the CAP, the Common Fisheries Policy, state aid, etc.), and vertically (drawing the regional, national and Community dimensions together).

Conference on Peripheral and Maritime Regions of Europe

In a 2015 [opinion](#), the Conference of Peripheral and Maritime Regions of Europe (CRPM) stressed that, although accessibility and interoperability for insular regions is an objective, it has failed to materialise in practice, as no further action has been taken in TEN-T calls for proposals. The same issue was noted with the [Motorways of the Sea](#)

programme, whose inception was based on high volumes of transport and would therefore need to be adapted to fit islands with lower traffic volumes. A CRPM [opinion](#) from November 2015 stated that the amount of European Funds that can be used in dealing with migration issues should be increased, using the opportunity provided by the review of the Multiannual Financial Framework ([MFF](#)) in 2016.

In its [2015 General Assembly Declaration](#), CRPM was alarmed by the fact that the European Commission itself questions whether [EU Cohesion Policy](#) should support all European regions after 2020. It called for consideration of statistical issues, for example the cost of transport to remote regions and islands, alongside GDP per capita statistics, to better reflect territorial specificities when allocating cohesion funding. CRPM claimed that many peripheral and insular regions lack the necessary structures and expertise to successfully tap into the new EU [financial instruments](#). Directing funds for the development of cross-border energy projects and pilots in support of an [Energy Union](#) should also be encouraged in the framework of the MFF review. Financial support should be allocated to island and outermost regions to develop projects designed to foster use of renewable energies, to help reduce dependence on fossil fuels.

Other networks such as the European Small Islands Federation ([ESIN](#)) also group a number of small islands together and focus their activities on similar issues regarding insularity. They represent small islands in a number of international fora and provide examples of good policy practice, as well as the implementation of innovative ideas in small islands.

Outlook

Measures to promote insular policies could be established both at national and European level. Policy ideas put forward by insular territories and their organisations themselves, such as the adoption of 'insular mainstreaming' in national and European policies; measuring the cost of insularity and the collection of data to assess the real needs of insular territories could be explored. Island territories claim that a number of additional aid incentives to their territories will boost local economies considerably, without posing a danger to the EU budget. These incentives could include the granting of additional aid to islands in the fields of environment, energy, transport and infrastructures. Insular territories call for state aid exemptions to be extended to islands with populations above the TFEU limit of 5 000 inhabitants, and the use of additional indicators as well as GDP for the allocation of regional funding.

Islands face considerable challenges. However, through a revision of existing policies, they may have the potential to transform their geographical handicaps into opportunities. The [European Spatial Planning Observation Network \(ESPON\) study](#) on the development of islands provides ideas for conversion, whereby islands can be transformed into 'green' islands of equal opportunities and producers of high-quality local products. With the use of green technologies and smart specialisation, islands can protect their natural resources and become positive examples of self-sustainability. Many islands have already taken the first steps in this direction by participating in the [Covenant of Mayors](#) for the environment.

New [ICT opportunities](#) may contribute to diminishing the 'research and innovation gap' that many island territories face. The potential for growth and jobs can be further developed through the production of high-quality agricultural products and handcrafts. A number of island-produced products have already been protected by EU [geographical](#)

[indication schemes](#) and constitute successful examples of commercialisation. [Rural development aid](#) programmes may also provide additional revenue to rural areas. In addition, [blue growth](#) techniques may be developed in the islands to address the depletion of fishing stocks and to provide a new range of economic activities in coastal areas. Finally, islands offer a unique way of life to inhabitants and visitors. The widely acknowledged high quality of life, relatively stress-free environment, and cultural and natural resources constitute valuable assets which could be further promoted.

Main references

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