

Improving the quality of multi-level governance and strengthening the resilience of island economies of Croatia, Greece, and Sweden

OECD Capacity Building Seminar

UNDERSTANDING AND ADDRESSING THE COST OF INSULARITY (COI)

23 June, 09:30–12:00 CEST (Virtual)

Summary

The workshop was attended by 48 participants. It opened with remarks from representatives of the OECD, the European Commission's DG REFORM, and participating countries (Croatia, Greece, and Sweden), who shared perspectives on the challenges related to the Costs of Insularity (COI). This was followed by an OECD presentation of the draft COI report, highlighting the methodology, key findings, and policy implications.

Representatives from Croatia, Greece, and Sweden then reflected on how the OECD COI report aligned with their national contexts and suggested areas for improvement. Following a short coffee break, the session continued with stakeholder reflections, including expert contributions from Greece and Sweden, and an open discussion which shared experiences and proposed ideas to strengthen COI analysis.

The event concluded with remarks by the OECD that summarised the key takeaways and next steps.

Key policy issues emerged from the presentations and discussions

1. Territorial and data inconsistencies

- Differences in territorial classifications (e.g., municipalities vs. TL2 regions) hinder cross-country comparability.
- Inconsistent or missing data on key indicators such as transport, productivity, and public services.

2. Geographic and structural cost drivers

- Factors like remoteness, small populations, and rugged terrain drive up the costs of service provision and living on islands.
- Additional structural challenges include double insularity, environmental constraints, and seasonality.

3. Transport and connectivity barriers

- Maritime and air transport costs remain high and are often poorly documented.

- Lack of disaggregated transport data complicates targeted policy responses.

4. Data gaps and measurement challenges

- Absence of island-specific socioeconomic indicators (e.g., municipal budgets, seasonal activity).
- Need for harmonised, specialised tools like an “Island Business Barometer” or a COI Vulnerability Index.

5. Small-scale economies and vulnerability

- Islands face diseconomies of scale and limited economic diversification.
- Heavy dependence on tourism and fragmented services weakens resilience.

6. Uniform policy inadequacy

- One-size-fits-all models overlook significant differences between islands (e.g., urban vs. remote, connected vs. isolated).
- Island policies need to consider differentiation based on typologies such as size, governance, or connectivity.

7. Governance and implementation capacity gaps

- Many island authorities lack the institutional resources and capabilities needed to deliver policy effectively.

8. Unclear policy objectives

- Ambiguity persists between compensatory (equalising) and developmental (transformative) aims of COI policies.

9. Fragmented integration with broader development policies

- Limited alignment between COI initiatives and national or regional rural development strategies exists.

10. Country-specific barriers

- Croatia: High island-related costs and complex territorial classifications.
- Greece: Significant data gaps, particularly in transport and productivity metrics.
- Sweden: Strong governance and data systems, but representativeness is limited by small sample sizes.

Key takeaways from the seminar

1. Insularity significantly raises costs, but not uniformly

- Elevated costs stem from remoteness, scale, and seasonality, though drivers vary across contexts.

2. Comparability is undermined by weak data and territorial classifications

- Variations in data availability and definitions across countries weaken cross-country analysis.

3. A multi-method analytical framework is essential

- Combining descriptive statistics, econometric models, and transport cost analyses improves COI understanding.

- Standardised indicators and consistent territorial frameworks are critical.

4. Policy should focus on long-term development, not just compensation

- COI strategies should support resilience, sustainability, and competitiveness.
- Typology-based, tailored interventions are more effective than uniform compensation schemes.

5. Stronger governance and data systems are vital

- Investments in local capacity, participatory governance, and harmonized data collection can improve policy outcomes.

6. Island policy should be linked to broader rural and regional policies, but maintain a distinct focus

- While overlaps exist, islands face unique challenges that require insularity-specific strategies.