

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

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DRAFT INCEPTION REPORT

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Introduction

The project officially commenced on 11 September 2023. Since its initiation, the OECD has entered the inception phase, undertaking tasks such as reviewing existing documents, conducting preliminary analyses, discussing with stakeholders, and overseeing an assessment of activities.

This initial three-month implementation phase aims to produce an inception report by 15 December 2023. The report will encompass a preliminary analysis of the situation, a revised work plan and timeline for the project, an updated account of potential project risks along with corresponding remediation approaches, and an outline of the project's methodology.

In addition to desk research and bilateral discussions, key events for the inception phase included:

- the second OECD Island Economies initiative workshop, held virtually on 20 September 2023, where representatives from nine OECD countries (including Croatia, Greece, and Sweden) presented and discussed their perspectives on island economies;
- the project's Kick-off meeting, held virtually on 2 October 2023, during which project beneficiaries outlined their strategies related to islands;
- a workshop and study visit in Athens, organized by TAIEX and the Special Office of the Secretary General for Aegean & Island Policy of Greece on 29-30 November 2023, where beneficiary countries, the OECD, EC, and other Greek stakeholders discussed the project structure, activities, and deliverables, as well as topics relevant to island economies such as transport and island decarbonization; SMEs and entrepreneurship; human capital, and capacity building.

This draft inception report is divided in three chapters.

Chapter 1 lays the foundations for the project by introducing the concept of island economies. It also includes a preliminary analysis and discussion of the strategic and policy framework to support island economies in Croatia, Greece, and Sweden, and provides some preliminary elements of socio-economic trends on island economies.

Chapter 2 discusses the key stages of the project's implementation and management. It includes an update of the work plan and timeline for the project, and an updated of potential project risks along with corresponding remediation approaches,

Chapter 3 delineates the project's methodology, providing a framework that will guide the implementation of the entire project.

1 Preliminary analysis for the project

Characteristics of island economies

The term "island" encompasses a broad and multifaceted concept that eludes easy definition¹. The sole unifying characteristic is their enclosure by water; beyond this, islands exhibit considerable diversity in factors such as size, administrative structures, geographical location (including proximity or remoteness from the mainland), and population size. Nevertheless, a shared set of distinctive and enduring features sets islands apart from mainland territories. These are generally described within the concept of "insularity". Insularity extends beyond mere geographic placement, embodying a phenomenon of enduring physical discontinuity and peripherality arising from specific geomorphological conditions in connection with social, cultural, and economic factors.

From a socio-economic perspective, insularity, particularly on smaller islands, often entails limitations in economic activities, reliance on subsistence economies and, in some cases, dependence on public subsidies. In addition to their specialised nature and limited diversity of economic activities, many island economies are also experiencing development constraints related to limited local market size, inadequate and/or costly transport links with the mainland and environmental vulnerability². All in all, Islands form a significant aspect of the European Union's geographic and demographic landscape. They not only contribute to the cultural and natural diversity of the EU but also play a pivotal role in the economy and administrative framework of various EU member States.

- Sweden boasts the most islands worldwide, with 267,570 islands, while Greece and Croatia follow with 3,054 and 1,244 islands, respectively ranking 16th and 22nd³.
- About 4.6% of the EU-27's population⁴ lives on islands, with Greek islands hosting over 15% of the country's population and nearly 18% of its land, contributing almost 25% to the national GDP through maritime sectors.⁵
- Croatian islands constitute 3.3% of its population and nearly 6% of its territory⁶.

¹ Eurostat defines islands as territories having with a minimum surface of 1 km², which are located at a minimum distance of 1 km between the island and the mainland of 1 km, with a resident population of more than 50 inhabitants and no fixed physical link with the mainland, Eurostat 2018. Also: "OECD (2022), OECD Territorial Reviews: Gotland, Sweden". However, it should be noted that numerous EU countries, including Croatia, advocate for a reconsideration or adoption of alternative definitions for islands. In Croatia, many islands don't meet the EU criteria due to size, distance, inhabitants, or physical links, prompting a need for a revised classification that aligns with national perspectives.

² Haase, D. and A. Maier, Islands of the European Union: State of Play and Future Challenges, European Parliament. EU, "European Economic and Social Committee on "The islands of the EU: from structural disadvantage to inclusive territory", 2017/C 209/02, Official Journal of the European Union. CoE 2005, "Development challenges in Europe's islands". ESPON 2013 Programme: The Development of the Islands-European Islands and Cohesion Policy (EUROISLANDS). Deriu, R. and C. Sanna 2020, "Insularità: una nuova Autonomia attraverso la cooperazione tra le Regioni insulari euromediterranee. OECD Territorial Reviews: Gotland, Sweden, 2022.

³ World Atlas, World Map/World Atlas/Atlas of the World Including Geography Facts and Flags, <https://www.worldatlas.com/> (accessed on 13 December 2021).

⁴ Islands of the European Union: State of play and future challenges, Haase and Maier, 2021.

⁵ Special Office of the Secretary General for Aegean & Island Policy, Ministry of Maritime Affairs and Insular Policy, Greece (2023).

⁶ Ministry of Regional Development and EU Funds, Directorate for Islands, Republic of Croatia (2023).

- Swedish islands make up 3% of the nation's land area but only about 0,9% of the population, with Gotland being the largest and having a unique administrative structure⁷.

The insular economies, shaped by small scales and geographic remoteness, present both challenges and opportunities for development, highlighting the need for tailored approaches in policy-making that consider the distinctive nature of island territories. Overall, there are two main strands of economic analysis connected to islands:⁸

- Analysis based on the concepts of small scale. The findings highlight that small markets, small pools of human resources, limited capital, etc., are typical of many islands and can become bottlenecks that slow down socio-economic development and hamper the efficiency of public administration.
- Analysis related to the geographic position, including issues of peripherality, isolation and remoteness of islands. Thus, the geographic position and nature of the islands are characteristics that often hinders the ability of these territories to reach the same standards of quality of life, (e.g. in relation to the provision of the same or similar level of services and work opportunities), offered on mainland.

Challenges and opportunities for island economies

Insularity determines the development trajectory of islands, shaping their economic structures and long-term prospects. Islands typically rely on primary sector activities like agriculture and fisheries, hyper-specialization in either these or tertiary sectors like tourism, and seasonal economic patterns. These activities, while crucial, often revolve around low value-added services and the use of limited resources, contributing to a fragile economic stability and exposition to economic volatility.

Overall, islands often face less favourable conditions for economic growth and general well-being of their citizen than the mainland. On many islands, incomes tend to be lower, infrastructure and services costlier, investment more demanding and means of transport poorer. In addition, many islands suffer from a limited supply of resources such as water, energy, living space and arable land.⁹ Archipelagos and other situations of double insularity brings extra levels of complexity: islands that face double insularity issues are often less accessible compared to more standard islands and face critical issues related to e.g., access to markets and to (essential) services and labour market shortages that extend beyond individual islands.

The following bullet points, synthesising key findings from the preliminary analysis detailed in the next section, present a concise overview of the disparities and trends that distinguish island regions from mainland areas:

- Economic disparity. A persistent and widening gap in GDP per capita between islands and mainland regions has been observed over the past two decades, particularly since the 2008 financial crisis.
- Population dynamics. Island regions have demonstrated dynamic population growth, surpassing mainland growth rates until a notable decline in 2021-2022, likely impacted by the COVID-19 pandemic.

⁷ Region Gotland, Sweden (2023).

⁸ See for example: Armstrong, H.W. and R. Read (2004), "Small states and island states: Implications of size, location and isolation for prosperity", in J. Poot (ed.), *On the Edge of the Global Economy*, Edward Elgar, Cheltenham, pp. 191-223; Baldacchino, G. (2007), "Introducing a world of islands", in *A World of Islands*, Agenda Academic/University of Prince Edward Island, Canada, pp. 1-29; Carbone, G. (2018), *Expert Analysis on Geographical Specificities – Mountains, Islands and Sparsely Populated Areas – Cohesion Policy 2014-2020*, DG Regional and Urban Policy, European Commission; Deidda, M. (2014), "Insularity and economic development: A survey", *Working Papers CRENoS*, Vol. 14/07; ESPON (2019), *Bridges, Balanced Regional Development in areas with Geographic Specificities*; EC (2019), *Europe's Jewels – Mountains, Islands, Sparsely Populated Areas*, European Commission. Also: "OECD (2022), OECD Territorial Reviews: Gotland, Sweden".

⁹ OECD (2022), OECD Territorial Reviews: Gotland, Sweden.

- Aging populations. Both Island and mainland regions are experiencing an increase in elderly dependency ratios, with a declining youth dependency ratio, indicative of aging populations and the resultant socio-economic implications.
- Gender disparities in employment: Gender differences in employment rates are evident, particularly in island economies, where women's employment rates lag behind those of men, and behind those on the mainland.
- Sectoral shifts in employment. While the "Public Sector" and "Trade and Transport" sectors dominate employment in both island and mainland regions, post-2008 has seen a downturn in these sectors on the islands, emphasizing the need for economic diversification.
- Declining productivity. Islands have experienced a decline in productivity, particularly in sectors sensitive to global market dynamics and tourism.
- Environmental strides. On average, GHG emissions per capita are higher in mainland regions compared to island regions. .

These bottlenecks and a lack of economic diversity accentuate the exposure of island economies to fluctuations in macroeconomic conditions and to global megatrends, (especially globalisation, population ageing and migration, digitalisation and technological change, and climate change).¹⁰ However, island economies are also endowed with valuable means to tackle challenges and take advantage of megatrends, including strong local identities and cohesion and an abundance of natural resources.¹¹ Table 1.1 presents a summary of potential vulnerabilities and opportunities typically encountered by the majority of island economies:

Table 1.1. Common challenges and opportunities confronting island economies

Themes	Challenges	Opportunities
Economic	<ul style="list-style-type: none"> • Lack of critical mass (e.g., local market size and narrow production base) • Geographic isolation and transport costs • Integration with national communications and energy networks • Low level of innovation • Lack of qualified labour and professional development 	<ul style="list-style-type: none"> • Diverse tourism offers (natural, recreational, business, cultural, health and well-being) • High-quality, diverse food production (agriculture and fisheries) • Entrepreneurial spirit and "can do" mindset • Blue economy
Environment	<ul style="list-style-type: none"> • Seasonality/sustainability of tourism • Vulnerability to climate change and natural hazards • Complex land use planning and sensitive environmental management issues (e.g. waste, water and sanitation) 	<ul style="list-style-type: none"> • Green economy, renewable sources of energy • Natural resources and high levels of natural and man-made amenities • Unique biodiversity and ecosystem services
Social and institutional	<ul style="list-style-type: none"> • Ageing population, migration trends and "brain drain" • High cost of services • Diseconomies of scale (higher unit costs for infrastructure and public services) 	<ul style="list-style-type: none"> • Quality of life • Close social ties and community support structures • Territorial attractiveness/cultural heritage and histories

Source: OECD (2022), OECD Territorial Reviews: Gotland, Sweden.

¹⁰ OECD (2022), OECD Territorial Reviews: Gotland, Sweden.

¹¹ OECD (2022), OECD Territorial Reviews: Gotland, Sweden.

Box 1.1. OECD Initiative on Island Economies: Key takeaways from the 2nd dialogue

The OECD Initiative on Island Economies, launched in December 2022, aims to create a global platform for knowledge sharing and dialogue among countries, islands, and island-regions.

The second workshop of the OECD Island Economies initiative economies, held on 20 September 2023, brought together representatives from 9 countries/islands to share their perspectives on advancing island economies.

Four key points emerged from the discussion.

- *Perception of islands.* Islands are not remote areas; instead, they are remote and peripheral in the eyes of the mainland or capital. For islanders, their island is the centre of their world. Language, such as the term "remote" or referring to islands as "laboratories," should be used carefully. For instance, the Shetland Islands or the Faroe Islands can be considered the centre of Nordic geography, and the same applies to some Mediterranean Islands regarding historical and economic relationships between Europe and North Africa.
- *Market failures.* A significant challenge for smaller islands is scale within the current market system. This prompts two considerations: first, how to promote alternative economic opportunities by clustering islands to achieve the necessary scale for investor attractiveness, and second, carefully considering the role of the public sector/budgets in creating jobs and driving the economy on islands where the market alone cannot reach.
- *Balance between data and transformative change.* There is often a lack of island-specific data hindering the effective tailoring of policies to the real needs of islanders. Striking a balance is essential between projects attempting to gather the "perfect" data and initiatives aimed at driving the economy and implementing changes on islands.
- *Island policy.* Three options have emerged from the nine represented countries in the Initiative. Some countries have bespoke island policies, some supported by legislation. Others lack a specific island policy but embed flexibility in regional or national policies to cater to islands. Some countries have both a bespoke island policy and flexibility. The key challenge is how to address the needs and realities of all islands, considering their diverse characteristics.

Source: OECD Island Economy Initiative, 2nd workshop, 20 September 2023.

Preliminary findings on islands

This preliminary analysis aims to discern demographic, economic, and environmental trends across islands in Croatia, Greece, and Sweden, despite the challenges posed by limited and not homogeneous data. For Greece and Sweden, we have partially grouped islands or archipelagos designated as TL3 regions¹². Greece encompasses 52 TL3 regions, which include 9 islands¹³, while Sweden has 21 TL3 regions, with

¹² The OECD regional typology simplifies regional data comparability across OECD countries. It classifies two levels of geographic units within each member country: i) large regions (TL2), which generally represent the first administrative tier of subnational government; and ii) small regions (TL3), which aggregate local administrative units.

¹³ See "OECD Territorial grids", June 2022, <https://www.oecd.org/cfe/regionaldevelopment/territorial-grid.pdf>. The 9 TL3 Greece's regions that include only islands are: EL421 (Kalymnos, Karpathos, Kos, Rhodes); EL422 (Andros, Thira, Kea, Milos, Mykonos, Naxos, Paros, Syros, Tinos); EL411 (Lesbos, Lemnos); EL412 (Ikaria, Samos); EL413 (Chios); EL621 (Zakynthos); EL622 (Corfu); EL623 (Ithaca, Cephalonia); EL624 (Lefkada).

Gotland as the only TL3 island¹⁴. We have compared these 10 islands with the 63 mainland regions¹⁵. Additionally, owing to the lack of TL3 regions in Croatia that are exclusively composed of islands, we have incorporated population data, (currently the only available data), at the municipality level. This approach has led us to examine 20 Croatian islands, merged from 51 municipalities out of a total of 556 in Croatia, and the Swedish island municipality of Öckerö. This has enabled us to make some initial (test) analysis, though we acknowledge that more detailed and consistent data need to be developed for a comprehensive and more meaningful study. This will be achieved as one of the project's goals.

Table 1.2 presents a snapshot of the currently available data. Table 1.3 offers a tentative overview of the demographic, economic, and environmental conditions in mainland and island regions of Croatia, Greece, and Sweden, with also highlighted the island of Öckerö.

Overall, the data available, ranging from population density to dependency ratios, and from economic productivity to environmental sustainability, echoes the broader narratives of insularity, signalling the challenging economic aspects prevalent in island regions, like lower GDP per capita and higher unemployment rates. However, it also brings to light their advantages, such as lower greenhouse gas emissions and a significant reliance on renewable energy.

Table 1.2. Data availability for Greece, Sweden and Croatia

Variable	Greece		Sweden		Croatia	
	Number of Islands covered (9 out of 52 TL3 regions)	Years covered	Number of Islands covered (1 out of 21 TL3 regions + Öckerö)	Years covered	Number of Islands covered (20 islands that are located in 6 out of 21 TL3 region)	Years covered
Population	Mainland covers 41 TL3 regions, Islands 9 TL3 regions	1995-2022	Mainland covers 20 TL3 regions, Islands 1 TL3 region and Öckerö	1995-2022, for Öckerö from 1981-2022	Mainland covers 505 municipalities/towns, Islands cover 51 municipalities forming 20 islands	2001, 2011, 2021
Population density (pop. per km ²)	Mainland covers 41 TL3 regions, Islands 9 TL3 regions	1995-2022	Mainland covers 20 TL3 regions, Islands 1 TL3 region and Öckerö	1995-2022 for Öckerö from 1991-2022	N/A	N/A
Youth dependency ratio (% -15 over population 15-64)	Mainland covers 41 TL3 regions, Islands 9 TL3 regions	1995-2022	Mainland covers 20 TL3 regions, Islands 1 TL3 region and Öckerö	1995-2022, for Öckerö from 1981-2022	Mainland covers 505 municipalities/towns, Islands cover 51 municipalities forming 20 islands	2001, 2011, 2021
Elderly dependency ratio (% 65+ over population 15-64)	Mainland covers 41 TL3 regions, Islands 9 TL3 regions	1995-2022	Mainland covers 20 TL3 regions, Islands 1 TL3 region and Öckerö	1995-2022, for Öckerö from 1981-2022	Mainland covers 505 municipalities/towns, Islands cover 51 municipalities forming 20 islands	2001, 2011, 2021

¹⁴ OECD Territorial grids, June 2022, <https://www.oecd.org/cfe/regionaldevelopment/territorial-grid.pdf>.

¹⁵ The term "mainland" refers to everything that is not 100% island according to the TL3 definition (for Sweden and Greece) or based on municipalities (for Croatia).

GDP per capita (USD)	Mainland covers 41 TL3 regions, Islands 9 TL3 regions	2000-2020	Mainland covers 20 TL3 regions, Islands 1 TL3 region	2000-2020, for Öckerö N/A	N/A	N/A
GVA (all industries, in million USD)	Mainland covers 41 TL3 regions, Islands 9 TL3 regions	2000-2020	Mainland covers 20 TL3 regions, Islands 1 TL3 region	2000-2020, for Öckerö N/A	N/A	N/A
Labour productivity (all industries, USD per worker)	Mainland covers 41 TL3 regions, Islands 9 TL3 regions	2000-2020	Mainland covers 20 TL3 regions, Islands 1 TL3 region	2000-2020, for Öckerö N/A	N/A	N/A
Employment (all industries)	Mainland covers 41 TL3 regions, Islands 9 TL3 regions	2000-2020	Mainland covers 20 TL3 regions, Islands 1 TL3 region and Öckerö	2000-2020, for Öckerö 2020-2022	N/A	N/A
Unemployment rate (%)	Mainland covers 41 TL3 regions, Islands 9 TL3 regions	2016-2022	Mainland covers 20 TL3 regions, Islands 1 TL3 region and Öckerö	2016-2022, for Öckerö 2010-2022	N/A	N/A
GHG emissions (in Mt of CO2 equivalent)	Mainland covers 41 TL3 regions, Islands 9 TL3 regions	1970-2018	Mainland covers 20 TL3 regions, Islands 1 TL3 region and Öckerö	1970-2018, for Öckerö 1990, 2000, 2005, 2010 2015-2021	N/A	N/A
GHG emissions per capita (in tons of CO2 equivalent)	Mainland covers 41 TL3 regions, Islands 9 TL3 regions	1970-2018	Mainland covers 20 TL3 regions, Islands 1 TL3 region and Öckerö	1970-2018, for Öckerö 1990, 2000, 2005, 2010 2015-2021	N/A	N/A
Renewable energy share in electricity generation (in %)	Mainland covers 41 TL3 regions, Islands 9 TL3 regions	2019	Mainland covers 20 TL3 regions, Islands 1 TL3 region	2019, for Öckerö N/A	N/A	N/A

Source: Based on the OECD Regional Statistics (database), <https://www.oecd.org/regional/regional-statistics> and (Hellenic Statistical Authority, 2023^[11]); the Ministry of Regional Development and EU Funds, Directorate for Islands, Republic of Croatia, December 2023; the Municipality of Öckerö (Sweden), December 2023.

Table 1.3. Descriptive overview for Croatia, Greece, and Sweden

Indicators by: (i) mainland and 10 TL3 island regions from Greece and Sweden; (ii) mainland and 20 islands (merged from 51 municipalities) from Croatia; and (iii) the municipality of Öckerö (Sweden).

Dimension	Indicator	Period	Mainland (Sweden and Greece) (average TL3)	Islands (Sweden and Greece) (average TL3)	Öckerö (Sweden) (only Öckerö)	Mainland (Croatia) (average municipalities)	Islands (Croatia) (average municipalities)
Demography	Population	2022	319,433	78,782	12,800	7,426	2,385
	Population density (pop. per km ²)	2022	547.3	67.7	491.1	N/A	N/A

	Youth dependency ratio (% -15 over population 15-64)	2022	23.79	23.76	30.00	21.7	21.3
	Elderly dependency ratio (% 65+ over population 15-64)	2022	38.61	37.50	48.40	38.1	52.0
Economy	GDP per capita (USD)	2020	28,995	22,269	N/A	N/A	N/A
	GVA (all industries, in million USD)	2020	10,763	1,656	N/A	N/A	N/A
	Labour productivity (all industries, USD per worker)	2020	58,963	45,778	N/A	N/A	N/A
	Employment (all industries)	2020	147,514	37,327	N/A	N/A	N/A
	Unemployment rate (%)	2022	10.3	7.43	2.8	N/A	N/A
	Environment /Green transition	GHG emissions (in Mt of CO2 equivalent)	2018	2.27	0.61	0.032	N/A
GHG emissions per capita (in tons of CO2 equivalent)		2018	10.81	7.96	2.47	N/A	N/A
Renewable energy share in electricity generation (in %)		2019	79.0	91.8	N/A	N/A	N/A

Note: The provided values are averaged across all regions (i.e. unweighted), meaning each regional value is treated as one observation in both the “Mainland” and “Islands” groups. In the case of Croatia, the averages are calculated based on municipalities. Moreover, the values for Croatia are based on 2021. Monetary values are always in USD, constant prices, constant PPP, base year 2015. As for the unemployment rate, data has been calculated as population weighted means between North and South Aegean with data from the Greek National Statistical Office. Source: Based on the OECD Regional Statistics (database), <https://www.oecd.org/regional/regional-statistics> and (Hellenic Statistical Authority, 2023^[11]); The Ministry of Regional Development and EU Funds, Directorate for Islands, Republic of Croatia, December 2023; the Municipality of Öckerö (Sweden), December 2023.

Demographic patterns

The demographic trends in both mainland and island regions from Greece and Sweden reveal distinct patterns of population change. Figure 1.1 highlights an overall growth in population since 1995, (probably due to various factors such as migration patterns, birth rates, and economic opportunities), with island regions experiencing a notably steeper increase. This trend, however, is tempered by a marked decrease in population numbers between 2021 and 2022 across all island regions, which could be attributed to shifts in migration patterns potentially influenced by the COVID-19 pandemic. Island regions have shown a dynamic demographic performance, with a steep population increase over the 27-year span, outpacing the growth of mainland areas. Mainland regions have displayed a more consistent upward trend, maintaining a level at 108% of their 1995 population.

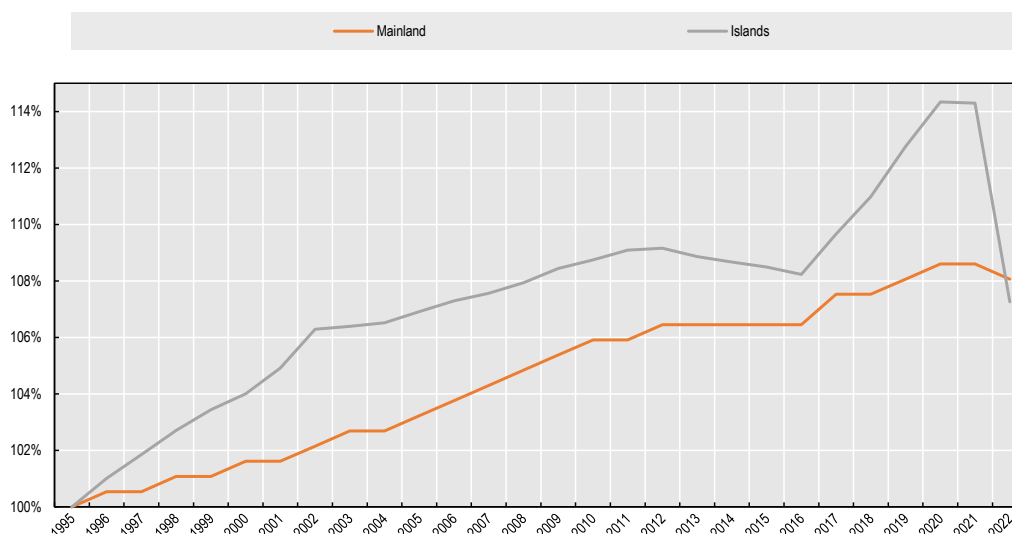
The same pattern applies to Öckerö, which experienced a 31% increase in population over the period from 1981 to 2022, followed by a slight decrease after 2019 probably due to COVID-19.¹⁶ On the other side, the population trends on many Croatian islands appears to be on a downward trajectory, as evidenced by the diminishing figures from the 2011 census to the 2022 estimates. Notably, larger islands like Brač, Cres, and Krk have witnessed a steady decline in their populations over this period.¹⁷

¹⁶ Data provided by the Municipality of Öckerö, December 2023.

¹⁷ Data provided by the Ministry of Regional Development and EU Funds, Directorate for Islands, Republic of Croatia, December 2023.

Figure 1.1. Population growth (%), 1995-2022 (Greece and Sweden TL3 regions)

Total population growth by island and mainland regions



Note: 1995=100. Growth/Shrinking index of the total population (i.e. summed across regions) broken down by mainland and islands (2001=100). Source: Based on the OECD Regional Statistics (database), <https://www.oecd.org/regional/regional-statistics>

Concerning the elderly and youth dependency ratio, the analysis reveals that elderly dependency ratio has increased over the past decades in island regions from Greece and Sweden. In contrast the youth dependency ratio has consistently decreased (Figure 1.2). This is the case for both mainland and island regions in Greece and Sweden.

In Öckerö, a similar trend is observed. The youth dependency ratio has seen a significant decrease of 26% since 1981, dropping from 40.8% to 30.0% by 2022. In contrast, the elderly dependency ratio has more than doubled, experiencing a 110% increase from 23.0% in 1981 to 48.4% in 2022.¹⁸ In Croatia, the youth dependency ratios are slightly lower on the islands, indicating a marginally younger population on the mainland. Conversely, the elderly dependency ratio is significantly higher on the islands, suggesting a larger proportion of elderly residents¹⁹ (see also Tab 1.3).

Upon closer analysis of gender-specific trends in Greece and Sweden, as depicted in Figure 1.3, we observe negligible disparities in the dependency ratios of young people between males and females. In contrast, the elderly dependency ratio consistently presents a 6 to 8 percentage point higher rate for women compared to men mainly. The significant increase in 2001-2002 might be attributed to a sharp rise in the dependency ratio among both youth and elderly women. Regarding gender-specific trends in Öckerö's dependency ratios, there's a distinct gender aspect. While both male and female youth dependency ratios have decreased from 1981, the female elderly dependency ratio has consistently been higher than that of males, suggesting that women in this population are living longer than men. As of 2022, the female elderly dependency ratio has reached 51.1% compared to 45.7% for males. This trend could reflect differences in life expectancy, which is often higher for women than men.²⁰ Concerning Croatia, the gender distribution is quite balanced across many of its islands, though there are instances where the number of women slightly surpasses that of men. This aligns with common demographic patterns where

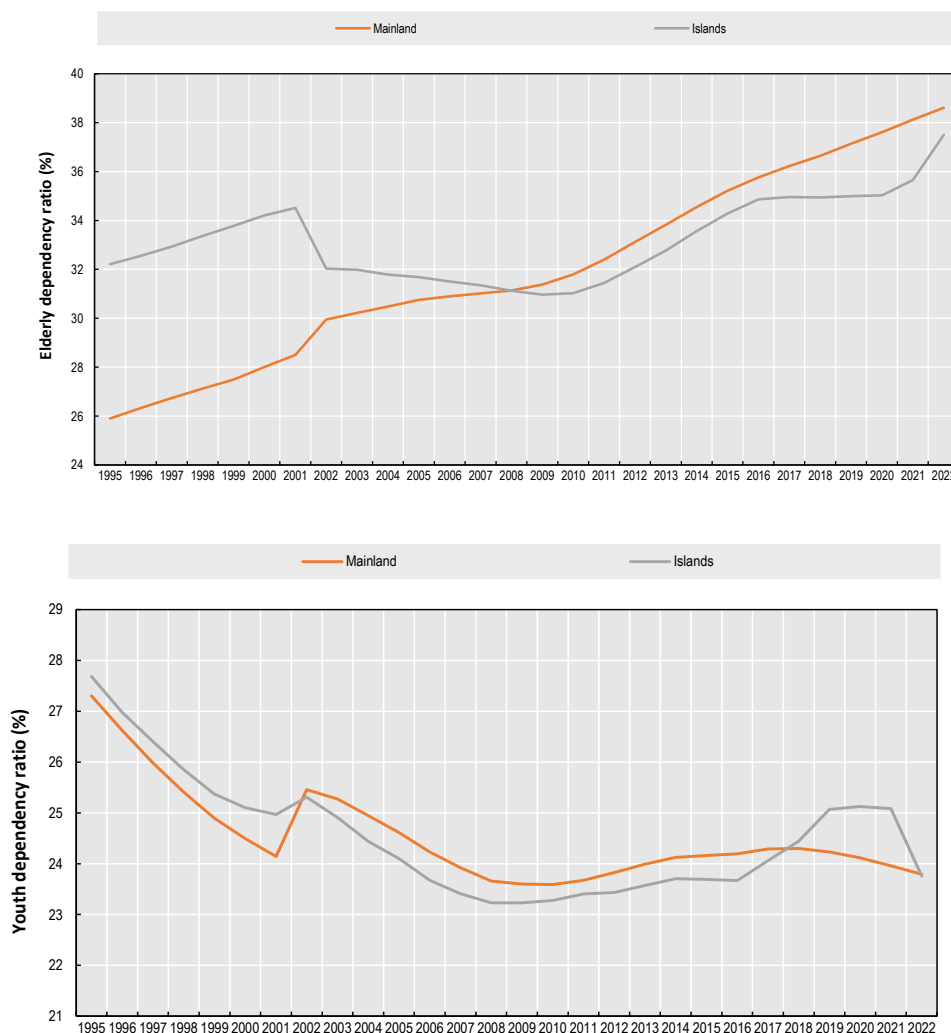
¹⁸ Data provided by the Municipality of Öckerö, December 2023.

¹⁹ Data provided by the Ministry of Regional Development and EU Funds, Directorate for Islands, Republic of Croatia, December 2023.

²⁰ Data provided by the Municipality of Öckerö, December 2023.

women often outnumber men, likely attributable to their longer life expectancy. An examination of the 2021 gender distribution data reveals a varied picture.²¹

Figure 1.2. Elderly and Youth dependency ratio, 1995-2022 (Greece and Sweden TL3 regions)



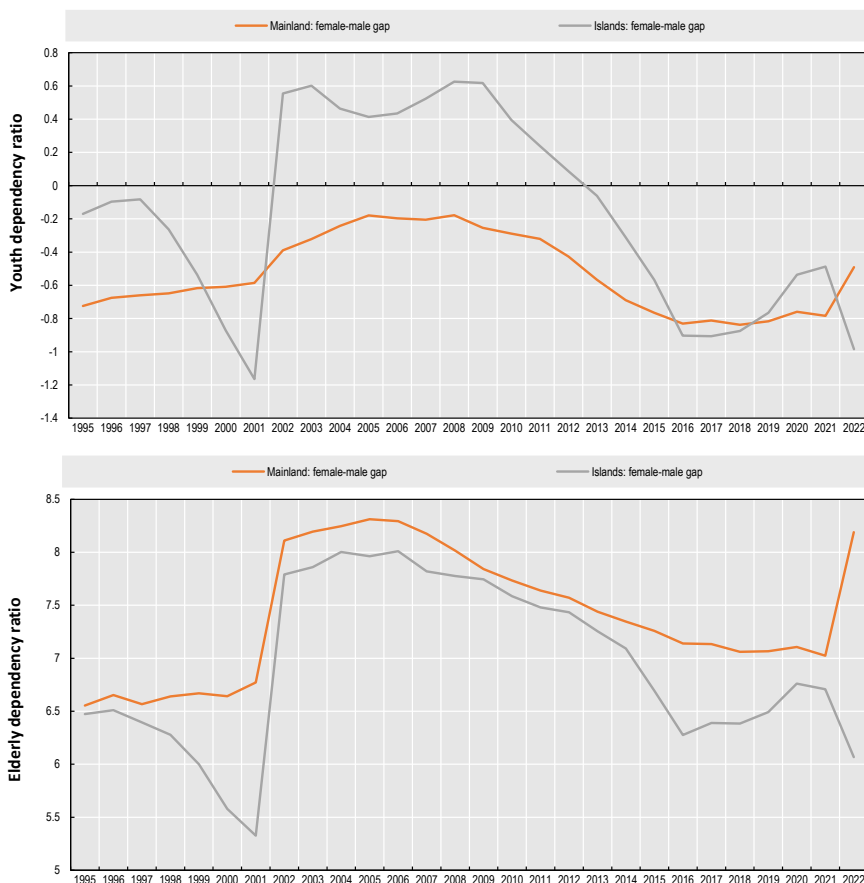
Note: Youth dependency ratio is the ratio of the population aged -15 to the population aged 15-64 as a percentage. Elderly dependency ratio is the ratio of the population aged 65+ to the population aged 15-64 as a percentage.

Source: Based on the OECD Regional Statistics (database), <https://www.oecd.org/regional/regional-statistics>

²¹ Data provided by the Ministry of Regional Development and EU Funds, Directorate for Islands, Republic of Croatia, December 2023.

Figure 1.3. Gender dimension of elderly and youth dependency rate, 1995-2022 (Greece and Sweden TL3 regions)

Gender gap in the average youth/elderly dependency ratio by island and mainland regions



Note: The female-male gap is calculated by subtracting the average male elderly/youth dependency ratio from the female one. Elderly dependency ratio is the ratio of the population aged 65+ to the population aged 15-64 as a percentage and youth dependency ratio is the ratio of the population aged -15 to the population aged 15-64 as a percentage.

Source: Based on the OECD Regional Statistics (database), <https://www.oecd.org/regional/regional-statistics>

In sum, the demographic landscape of islands presents unique dynamics compared to mainland regions for our sample of regions in Sweden and Greece, as well as for the sample in Croatia and Öckerö. The existing contrast in growth patterns reflects the vulnerability of island demographics to fluctuating circumstances, including the pronounced decline observed in the aftermath of the COVID-19 pandemic, and to other various socio-economic factors, such as the migration of residents to mainland regions, a decrease in birth rates, and other demographic changes, which underscores the distinct challenges faced by island communities.

The distribution of age demographics within islands populations seem to tell a story of aging societies. Both mainland and island regions show an increasing elderly dependency ratio, reflecting a trend towards an older population. However, the youth dependency ratios has decreased or remained relatively stable on many islands, indicating a certain balance between the younger and working-age population.

Gender distribution within these demographics reveals additional layers of complexity on island regions, which show a more pronounced gender gap in dependency ratios, with a consistently higher dependency ratio for females.

Economic and Productivity trends

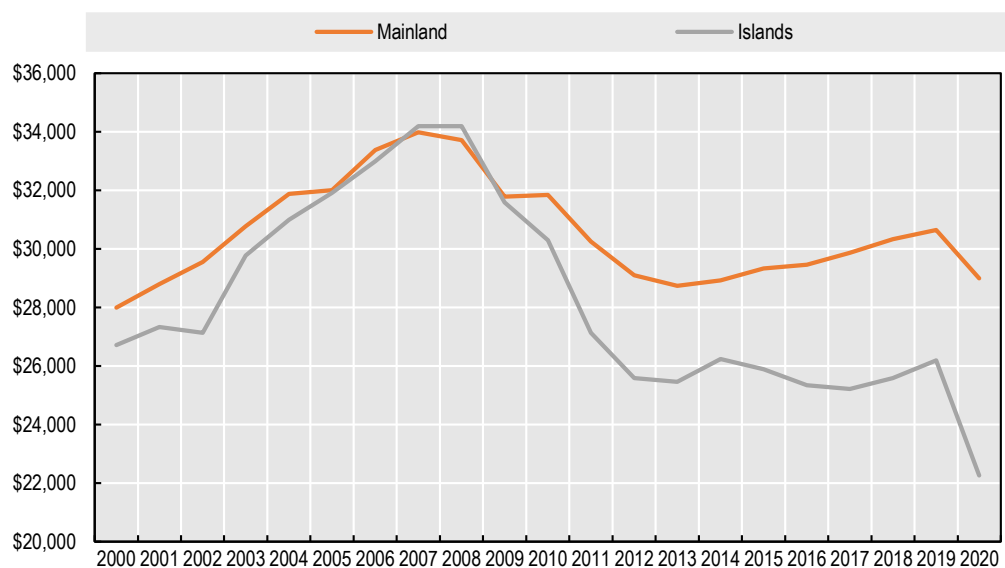
Island specific economic data for Croatia and Öckerö is not yet available. Consequently, the subsequent text outlines some initial trends observed in the island regions of Greece and Sweden.

Island economies, often distinct in their socio-economic structures from their mainland counterparts, present unique challenges and opportunities that are reflected in their GDP per capita. From 2000 to 2020, as [Figure 1.4](#) illustrates, island regions in Greece and Sweden have experienced considerable fluctuations in GDP per capita. While there have been periods of growth aligning closely with mainland trends, a disparity becomes evident, particularly after the financial crisis of 2008. This gap suggests that island economies may be more susceptible to economic shocks, possibly due to their reliance on limited industries and external factors, such as tourism and trade, which can be volatile.

The divergence in GDP per capita between island and mainland regions in Greece and Sweden has become more pronounced over the last two decades. In 2008, the difference was negligible, but by 2020, islands suffered a 23% lower GDP per capita compared to the mainland, as shown in [Figure 1.5](#). For example, in 2020, the mainland's GDP per capita stood at USD 28,995.33, while the islands lagged at USD 22,269.00. This reduction for islands underscores the growing economic divide and highlights the pressing need for economic diversification and resilience-building strategies tailored to the unique needs of island regions.

Figure 1.4. GDP per capita, 2000-2020 (Greece and Sweden TL3 regions)

Average regional GDP per capita by island and mainland regions

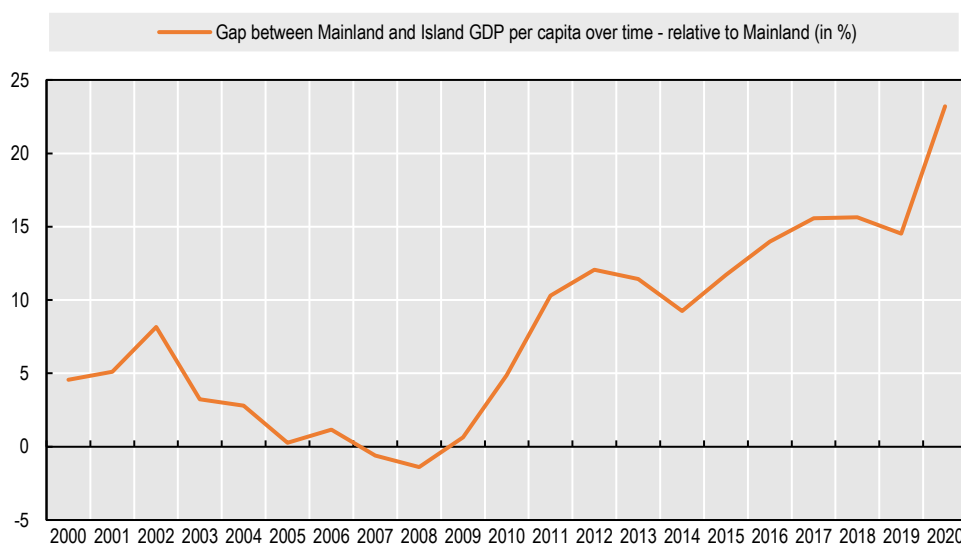


Note: GDP per capita is measured in USD, constant prices, constant PPP, base year 2015.

Source: Based on the OECD Regional Statistics (database), <https://www.oecd.org/regional/regional-statistics>

Figure 1.5. Gap in GDP per capita between Mainland and Islands, 2000-2020 (Greece and Sweden TL3 regions)

Difference in average regional GDP per capita between island and mainland regions in %



Note: The construction of this gap is as follows: $(\text{Mainland average} - \text{Islands average} / \text{Mainland average}) * 100$.

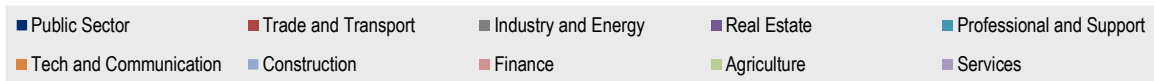
Source: Based on the OECD Regional Statistics (database), <https://www.oecd.org/regional/regional-statistics>

The economic structure of island regions, while diverse, shows a distinct composition when compared to the mainland (Figure 1.6). On the islands, Trade and Transport emerges as a significant sector, reflecting the critical role of connectivity and logistics in island economies, as depicted in the provided graph. However, the islands show lesser contributions from sectors like Industry and Energy and Professional and Support, which are more prominent on the mainland. The data indicates a need for islands to diversify and strengthen their economic sectors to enhance resilience and self-sufficiency.

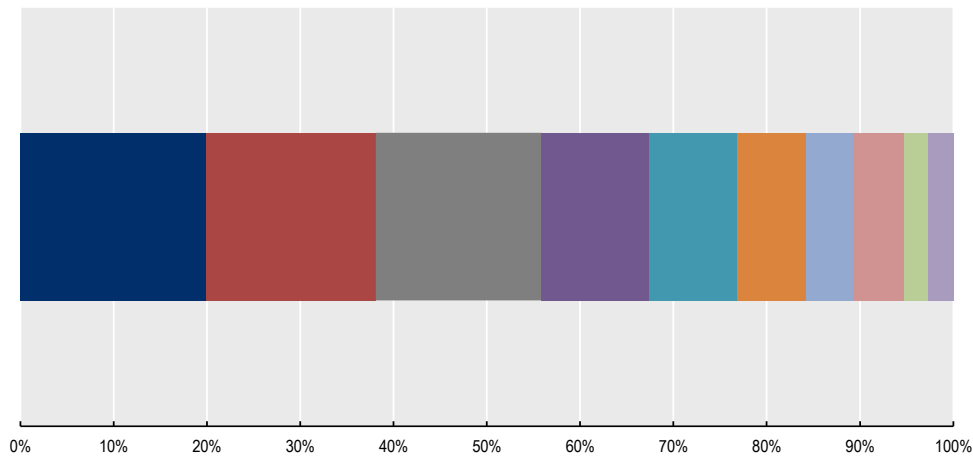
Differences between the island and mainland economies become more pronounced when examining specific sectors. Mainland regions demonstrate a larger contribution from the Public Sector, highlighting the role of governance and public services in economic output. Additionally, mainland regions show substantial activity in Real Estate and Tech and Communication, suggesting a more diversified economic base that includes both traditional and emerging industries. In contrast, island regions have lower values across these sectors, with the data pointing towards a narrower economic base, which could impact their long-term economic stability and growth potential. Some preliminary findings include:

- **Sector dominance.** Trade and Transport is the dominant sector on islands, constituting a significant 38.7% of the island sectors' total, compared to 27.6% on the mainland. Meanwhile, the Public Sector represents a much larger share of the mainland economy at 30.1% compared to 25.1% on islands.
- **Sectoral disparities.** Industry and Energy, along with Professional and Support sectors, are considerably less represented on islands, at just 9.8% and 4.7% of the islands' sectoral economy respectively, whereas on the mainland, these sectors account for 26.9% and 14.5%.
- **Innovation and Infrastructure.** Tech and Communication, alongside Construction and Finance, are significantly more prominent on the mainland, indicating a stronger focus on innovation and infrastructure development. On islands, these sectors make up a mere 1.4%, 4.5%, and 4.0% respectively, compared to the mainland's contributions of 11.2%, 7.6%, and 8.1%.

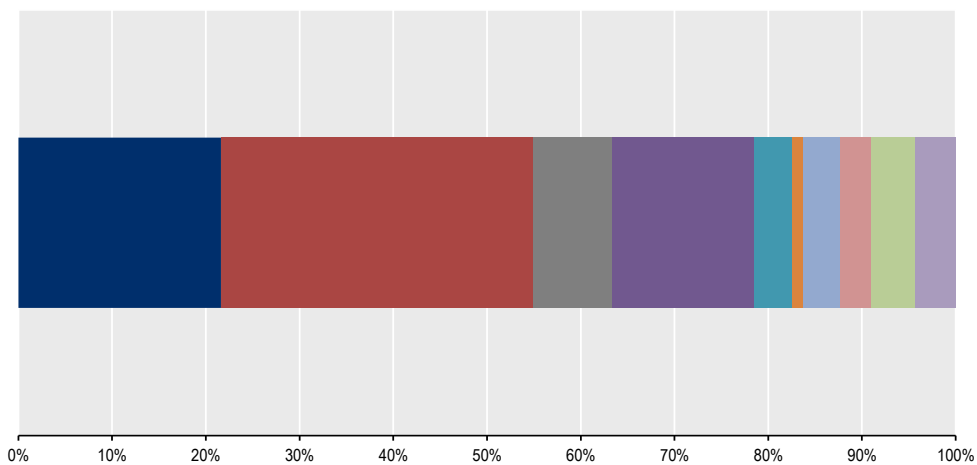
Figure 1.6. Economic structure of Islands and Mainland (Share of Sectorial GVA over the total economy), 2020 (Greece and Sweden TL3 regions)



Mainland



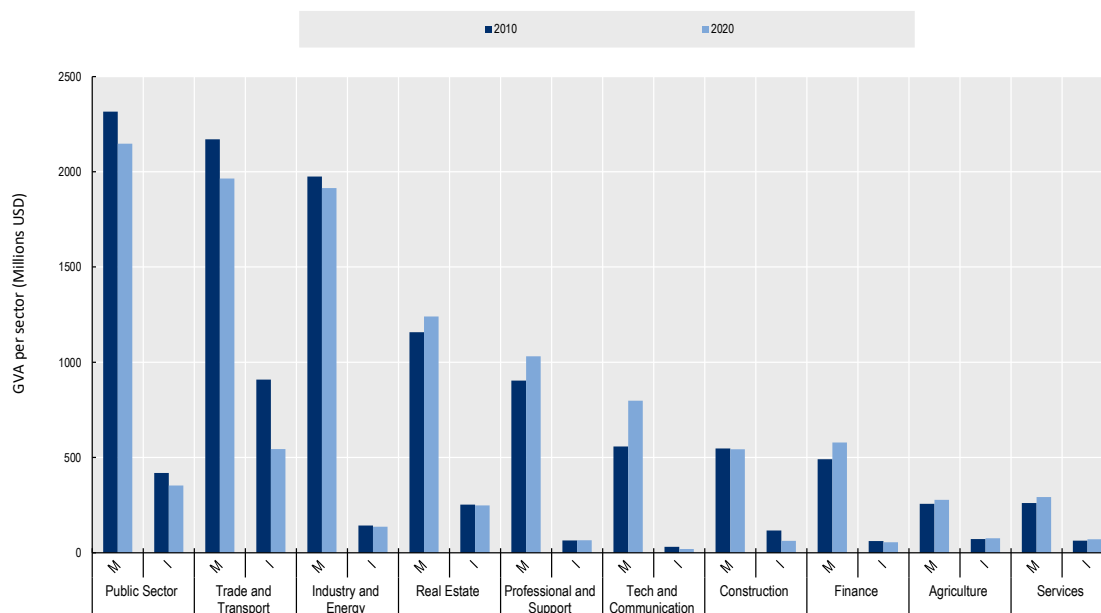
Islands



Note: Calculated as the share of GVA per economic activity over the total economy.

Source: Based on the OECD Regional Statistics (database), <https://www.oecd.org/regional/regional-statistics>

Figure 1.7. GVA by sector, Mainland and Islands, 2020 (Greece and Sweden TL3 regions)



Note: M = Mainland / I = Islands

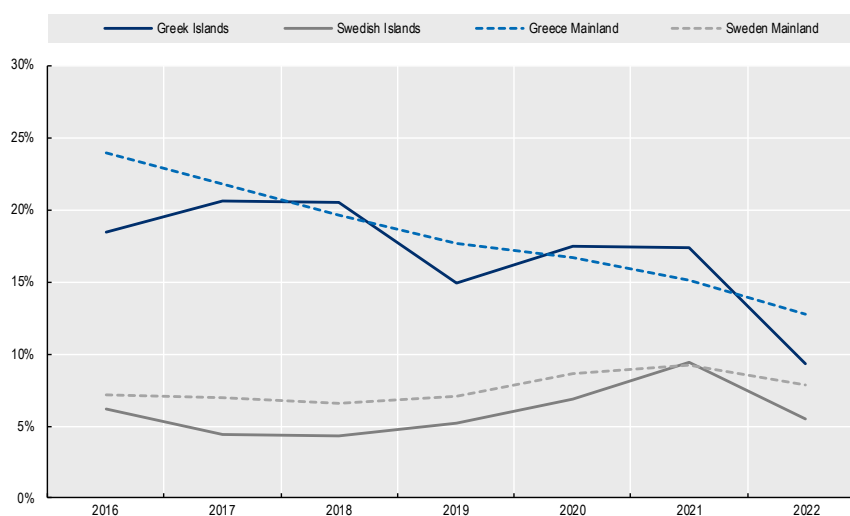
Source: Based on the OECD Regional Statistics (database), <https://www.oecd.org/regional/regional-statistics>

The labour market dynamics within the Greek and Swedish islands, as compared to their mainland counterparts, offer a glimpse into the employment challenges and resilience of these regions (Figure 1.7). The Greek islands have shown a volatile unemployment rate, peaking at 21% between 2017 and 2018, then declining to 9% by 2022. This fluctuation could reflect the seasonal nature of employment, heavily reliant on tourism, which is prone to significant annual shifts.

In contrast, the Swedish islands have maintained relatively lower unemployment rates, peaking at 9% in 2021 and settling at 6% in 2022. The lesser volatility might indicate a more diverse or stable economic base, less dependent on seasonal industries. Mainland Sweden's unemployment rate, while higher than its islands, reflects a steady market with rates hovering around 7-9%. Greece's mainland, however, has seen a consistent decrease in unemployment from 24% in 2016 to 13% in 2022, probably showcasing a labour market that appears to be performing well compared to the island regions .

- ***Greek islands' unemployment volatility.*** The Greek Islands experienced a peak unemployment rate of 21% in both 2017 and 2018, indicative of the region's economic fluctuations, likely tied to the seasonal nature of the tourism industry. However, by 2022, the rate had notably decreased to 9%, signalling a potential recovery or adaptation within the local labour market.
- ***Swedish Islands' Stability.*** The Swedish Islands have demonstrated relative stability in their labour market, with the unemployment rate only reaching as high as 9% in 2021 before dropping to 6% by 2022. This stability contrasts with the higher and more variable rates seen on the Greek Islands.
- ***Mainland Trends.*** Sweden's mainland has maintained a steady unemployment rate around 7-9% in recent years, with a slight increase to 9% in 2020 and 2021 before a modest decrease to 8% in 2022. Meanwhile, Greece's mainland has shown a consistent decline from a high of 24% in 2016 to a lower rate of 13% in 2022, suggesting the possibility of strength and resilience in the Greek mainland labour market.

Figure 1.8. Unemployment rate, Islands and Mainland, 2016-2022 (Greece and Sweden TL3 regions)

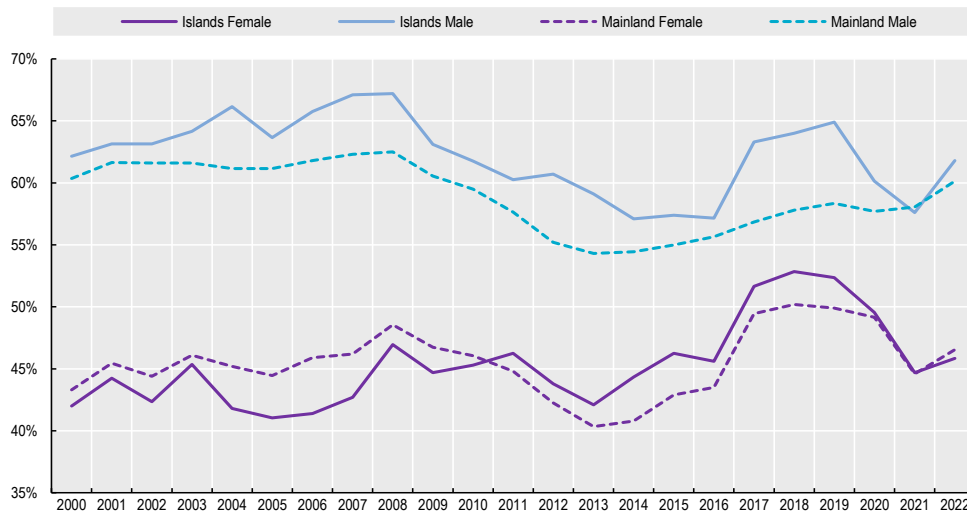


Source: Based on the OECD Regional Statistics (database), <https://www.oecd.org/regional/regional-statistics>

Within the labour market of Greek and Swedish islands, a nuanced view of gender disparities emerges. In Greece, women on the islands have incrementally improved their employment rate to 46% in 2022, up from 42% in 2000, indicating slow yet positive change (Figure 1.9). Men, with an employment rate consistently around 62%, enjoy a slightly more robust job market on the islands compared to the mainland, by an additional 2.40pp. However, Greek island women face a relative disadvantage with their employment rate falling 1.40pp behind their mainland counterparts, suggesting gender-specific economic challenges that require attention.

The Swedish islands, while maintaining a relatively stable employment rate for women at 46%, show a slight uptick in male employment rates by 0.90pp above the mainland. This subtle difference contrasts with the more significant 2.80pp lower rate of employment for island women compared to the mainland, revealing a gap (Figure 1.10). These gender-focused employment rates on the islands and mainland of Greece and Sweden emphasize the need for targeted interventions. Such policies should aim to harness the potential of the female workforce on the islands and build upon the stable employment foundation for men, ensuring that economic growth is inclusive and beneficial for all.

Figure 1.9. Employment rate by gender, Islands and Mainland, 2000-2022 (Greece and Sweden TL3 regions)



Source: Based on the OECD Regional Statistics (database), <https://www.oecd.org/regional/regional-statistics>

Figure 1.10. Employment rate gap between Islands and Mainland by gender, 2022 (Greece and Sweden TL3 regions)

The bigger the gap, the less gender balance



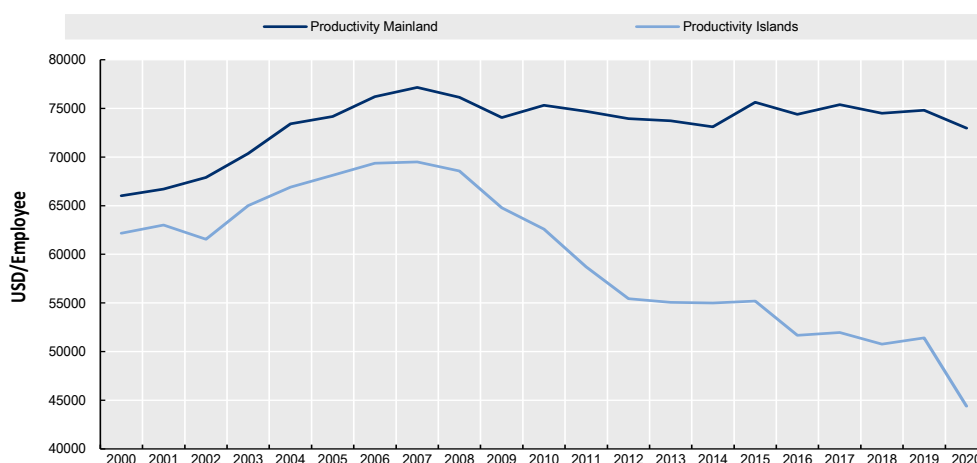
Source: Based on the OECD Regional Statistics (database), <https://www.oecd.org/regional/regional-statistics>

Productivity in island regions, while demonstrating growth in the early 2000s, has faced a downward trend in recent years (Figure 1.10). The islands started with productivity levels at 62,159 in 2000, seeing an uptick until 2007, but then observed a decline, ending at 44,389 in 2020. This pattern suggests that islands have unique economic vulnerabilities, particularly in sectors that are sensitive to external economic shocks, such as global market changes and tourism fluctuations, which have been further exacerbated by the pandemic.

Mainland regions, in comparison, have maintained higher productivity levels across most sectors, though they too experienced a decline in 2020. The productivity gap between island and mainland regions is significant in sectors such as Real Estate and Tech and Communication, where the mainland shows substantially higher figures. Conversely, in sectors like Agriculture and Services, the islands exhibit lower productivity, which may reflect constraints such as limited economies of scale and isolation from central markets. Preliminary findings are:

- Dominant sectors such as Agriculture or Public Sector on the islands show a significantly lower productivity compared to the mainland, pointing to potential areas for development and investment.
- Islands have seen a decrease in productivity from 62,159 in 2000 to 44,389 in 2020, indicating economic challenges unique to these regions. This decrease in productivity needs deeper analysis since it could be attributed to one or several factors, such as for example the 2009 economic crisis, tourism dependency and fluctuations in tourist numbers (also because of the COVID-19 pandemic), etc.
- As an exception, the productivity gap is positive towards Islands in Services (+28% for Islands) and more notably in Real Estate, where the Island's productivity is approximately 630% greater than that of the mainland's (Figure 1.11).

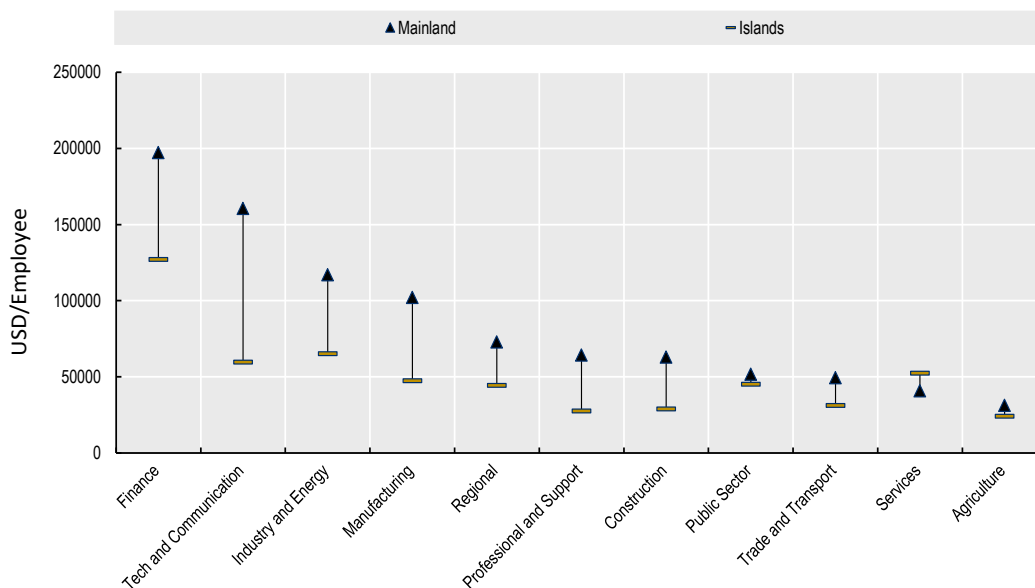
Figure 1.11. Productivity of Islands and Mainland, 2000-2020 (Greece and Sweden TL3 regions)



Note: Calculated as the GVA/Employee in USD, constant prices, constant PPP, base year 2015.

Source: Based on the OECD Regional Statistics (database), <https://www.oecd.org/regional/regional-statistics>

Figure 1.12. Productivity gap by sector in Mainland and Islands, 2020 (Greece and Sweden TL3 regions)



Note: Calculated as the difference of GVA/Employee by sector.

Source: Based on the OECD Regional Statistics (database), <https://www.oecd.org/regional/regional-statistics/>

In sum the economic analysis of island regions compared to their mainland counterparts from Greece and Sweden presents a complex picture of disparity and opportunity. While island economies traditionally enjoyed a degree of parity with mainland GDP per capita, as shown in Figure 1.4, the last twenty years have introduced a widening gap.

Over the past two decades, the gap in GDP per capita has expanded, with island regions experiencing a 23% lower GDP per capita than their mainland counterparts in 2020, as evidenced in Figure 1.5. This disparity, particularly acute post-2008, underscores the islands' vulnerability to economic downturns and the imperative of evolving beyond traditional economic dependencies.

Labour markets in these island regions display patterns that reflect the broader economic context. Greek islands, in particular, have seen significant unemployment rate fluctuations, suggesting a reliance on sectors susceptible to seasonal and cyclical changes. In contrast, the Swedish islands, with lower unemployment rates, indicate a potentially more diverse economic base. However, gender disparities in employment rates persist, as shown in Figures 1.9 and 1.10, necessitating focused policy measures to support women's employment on the islands.

Productivity trends add another layer to this economic narrative. Island regions have not maintained the early growth seen in the 2000s, with productivity levels falling by 2020, a trend that is starkly outlined in Figure 1.11. While the mainland has also experienced productivity dips, the contrast with the islands is marked, highlighting the need for strategic investment in sectors that could drive economic growth and productivity on the islands. Some preliminary findings include:

- Island regions are lagging in GDP per capita growth, with a notable 23% gap compared to mainland areas.
- Employment sectors such as the "Public Sector" and "Trade and Transport" are significant for both island and mainland regions, yet islands have experienced a post-2008 decline in these areas, pointing towards a critical need for economic diversification.

- Productivity in island regions has decreased notably from 62,159 in 2000 to 44,389 in 2020, underscoring unique economic challenges.
- The employment rate trends illustrate persistent gender gaps, especially on the islands, which call for targeted interventions to enhance labour market inclusivity and support women’s employment.

Environment and Energy tendencies

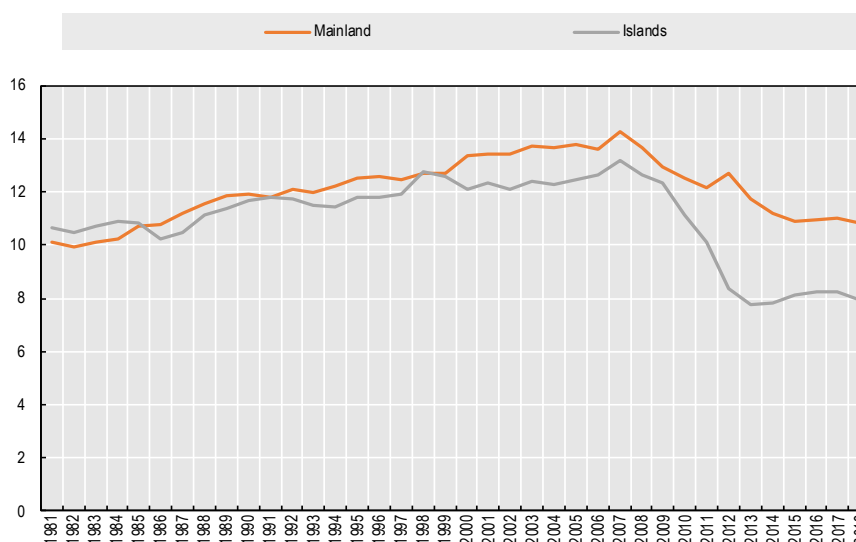
Island specific environment and energy data for Croatia is not yet available. Consequently, the subsequent text outlines some initial trends observed in the island regions of Greece and Sweden and on Öckerö.

On average, GHG emissions per capita are higher in mainland regions compared to island regions. This was not always the case for Greek and Swedish island regions, as shown in Figure 1.13: from 1981-2008 the difference was relatively small, and shortly afterwards the gap widened. While mainland regions in Greece and Sweden still have slightly higher GHG emissions per capita in 2018 than in 1981, the trajectory has been declining since 2007. In contrast, island regions have successfully reduced per capita GHG emissions between 1981 and 2018, suggesting effective environmental policies or shifts in economic activities with lower emissions profiles. One example for such a transition is Öckerö, which experienced a 63% reduction in GHG emissions per capita (from 6.8 to 2.5 of CO₂ equivalent) between 1990 and 2018.²²

The substantial difference between island and mainland regions from 2008 onwards is also evident in Figure 1.14. Mainland regions have also reduced emissions but maintain higher per capita rates compared to islands, highlighting potential differences in industrial activities and energy consumption patterns. However, the trends indicate a convergence in environmental performance between islands and mainland over time, reflecting a broader regional commitment to reducing the carbon footprint.

Figure 1.13. GHG emissions per capita, 1981-2018 (Greece and Sweden TL3 regions)

Average regional GHG emissions per capita by island and mainland regions



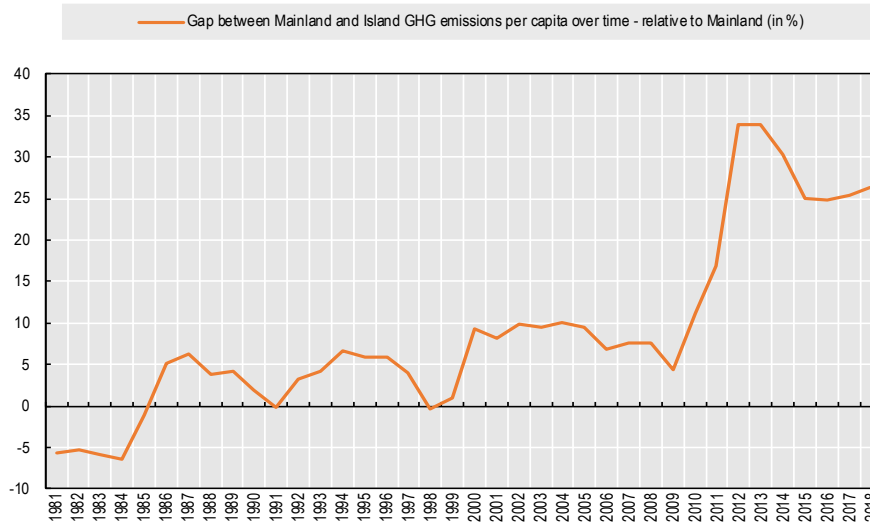
Note: GHG emissions are measured in tons of CO₂ equivalent per capita.

Source: Based on the OECD Regional Statistics (database), <https://www.oecd.org/regional/regional-statistics>

²² Data provided by the Municipality of Öckerö, December 2023.

Figure 1.14. Gap in GHG emissions per capita between Mainland and Islands, 1981-2018 (Greece and Sweden TL3 regions)

Difference in average regional GHG emissions per capita between island and mainland regions in %



Note: The construction of this gap is as follows: $(\text{Mainland average} - \text{Islands average} / \text{Mainland average}) * 100$.

Source: Based on the OECD Regional Statistics (database), <https://www.oecd.org/regional/regional-statistics>

Policy context of the project

While the previous section lacked data for Croatia, this section examines challenges islands face in Croatia, Greece, and Sweden across sectors and policy areas, such as: competitiveness, the demographic and social dimensions, multi-level governance, digital and green transition, regional policy, data and indicators. Many of these islands also have a geopolitically strategic position in terms of maritime security and surveillance (e.g., with regard to defence and international migration flows). The lack of critical mass of land, people, competence, and capital, as well as the lack of administrative capacity and alignment and integration of sectorial policies, constitute structural barriers for the realisation of national and EU ambitions of sustainable development and the European Green Deal on islands.²³ The possibilities to connect stakeholders on cross-border and multi-level governance platforms to work together on adapted interventions for green transition, digitalisation, and skills supply are also limited due to the same territorial difficulties.

Island characteristics present unique policy challenges, but also offer opportunities for policymakers to unlock their growth potential and leverage their natural and cultural resources, particularly in the context of the ongoing transitions to cleaner energy and digital technologies, that require place-based and tailored solutions. The governments of Croatia, Greece and Sweden have recognised this potential and are actively exploring dedicated strategies and policy measures to enhance the resilience of island regions and the well-being of their inhabitants.

Overview of the policy approach for island economies in Croatia, Greece and Sweden

An overview of strategies and policies targeting island economies currently developed by Croatia, Greece and Sweden include:

²³ https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/european-green-deal_en.

Croatia

The governance and administration of Croatian islands encompass 1,244 natural island formations, comprising 78 islands, 524 islets, and 642 reefs. This archipelago stands as the second largest in the Mediterranean. Distributed across 7 counties, the islands are governed by 59 local governments.

Vertical coordination is structured into three levels: 1) National level, overseen by the Ministry of Regional Development and EU Funds (Directorate for Islands); 2) Regional level, managed by county regional and island coordinators; 3) Local level, comprising municipalities and cities. Horizontal coordination involves the Ministry of Regional Development and EU Funds coordinating with other public bodies implementing programs for the islands. Additionally, the Island Council serves as an advisory body to the Ministry of Regional Development and EU Funds.

Recognizing the islands as pivotal assets for economic growth, Croatia is committed to fostering their development and long-term sustainability through a well-defined legal, strategic, and policy framework.

The legal framework includes the Act on Regional Development, acknowledging islands as areas with specific development needs, and the Islands Act, delineating the islands' development policy. The Islands Act²⁴ adopted in 2018 and subsequently amended in 2020 and 2021, governs the management of Croatian islands' development. It defines the policy of island development, establishes the institutional framework, and introduces the 'smart island concept.' The implementation of the Islands Act is subject to annual reporting and discussion in the Parliament, ensuring transparency and accountability.

The strategic framework includes (i) the National Development Strategy 2030, which defines the development of smart and sustainable islands as a priority area, and (ii) the National Island Development Plan 2021-2027, which is the main strategic document for island development. In detail the National Islands Development Plan 2021-2027 (NIDP)²⁵ guides the development of programmes, projects, measures and activities related to islands within the activities of all state and public bodies. The NIDP defines four priority areas of investment on islands: (i) the quality of life and the availability of public services on islands; (ii) sustainable development of island economies; (iii) Smart and sustainable management of island resources and environment; (iv) Mobility and connectivity for islands.

Other programmes that contribute to the sustainable development on the islands include: (i) Co-financing of water transportation costs for the islands, (ii) Island Development Programme, (iii) Programme for awarding grants of small value to island employers for starting economic activities and preserving jobs, (iv) The Croatian Island Product (HOP), (v) Civil society on the islands, (vi) Integrated Territorial Programme 2021-2027. (ITP) for the islands; 2) sectoral programmes e.g. Health, Education and social services, Agriculture, Transportation, Water supply and drainage, Waste.

The preparation of the Integrated Territorial Programme (ITP) is a significant step in implementing these policies, focusing on green and blue infrastructure, energy efficiency, climate resilience, environment protection, business infrastructure, and cultural and social infrastructure. EU Structural Funds will finance the ITP, offering substantial support for island development. In addition to the ITP, stakeholders from islands can apply for all other EU-funded programs managed at the national level, including the Programme for Competitiveness and Cohesion, ESF+, as well as shared management programs like Interreg and other centralized EU programs. However, islands in Croatia lack a separate statistical classification in the country's administrative system²⁶, hindering the collection and analysis of structured data and indicators specifically related to the islands. This limitation makes it challenging to compare their performance with each other or with the mainland. In response, Croatia has developed a comprehensive set of island

²⁴ <https://www.zakon.hr/z/638/Zakon-o-otocima>

²⁵ <https://razvoj.gov.hr/o-ministarstvu/djelokrug-1939/otoci/nacionalni-plan-razvoja-otoka-2021-2027/4473> and <https://razvoj.gov.hr/o-ministarstvu/djelokrug-1939/otoci/izvjesca-o-provedbi-nacionalnog-plana-razvoja-otoka-2021-2027/5329>

²⁶ This is a result of islands not having their own level of administration. Islands are part of counties (regional administrative units), which span across mainland and island areas. Islands with insufficient population to form local self-government units are part of municipalities that span mainland and island areas.

development indicators (approximately 148 indicators), providing an opportunity to refine and evaluate these measures.

Greece

The administrative structure of Greece is defined by the Kallikrates and Cleisthenes Programmes (Law 3852/2010 and Law 4555/2018). This structure comprises includes: 7 Decentralized Administrations; 13 Regions; 332 Municipalities; 4,783 Municipal Communities, among which 103 are Municipalities incorporating islands or inhabited islands, and 1,481 are Island Municipal Communities.

Islands play a crucial role in Greece, influencing both the national maritime policy and overall economic development. The General Secretariat of the Aegean and Islands Policy, operating under the Ministry of Maritime Affairs and Insular Policy, holds a pivotal position in harmonizing and adapting government policy for Greek islands. The responsibilities of the General Secretariat include:

- Implementation of policies fostering the sustainable development of the islands.
- Prompt and effective recommendations to the Greek Government and the Prime Minister concerning necessary governmental measures to address and resolve issues faced by island societies.
- Exploitation and dissemination of the cultural heritage of the islands.
- Shaping the Greek island area as a region characterized by economic and social prosperity, achieved through the implementation of distinct sustainable development strategies tailored to each island.

The challenges faced by islands and island regions in Greece, including declining GDP per capita, limited technological progress, and inadequate public and private services and transportation networks, underscore the need for targeted policies to promote their economic development. These challenges are further compounded by significant factors such as diversity and distance.

Greece employs a decentralized and multi-insularity approach to spatial planning and economic development for its islands. However, coordinating actions across different government levels and engaging stakeholders present challenges. The utilization of EU Structural Funds for regional and island policies also encounters spending challenges. While prioritizing connectivity for Greek islands, there is a recognized need to align it with the green transition, considering the environmental impact of key elements such as vessels.

To this end, in 2018 the Greek Government defined a specific policy for islands (“Sustainable Development of Greek Islands”) within its National Growth Strategy. This policy included several dimensions for island development, such as: Improving accessibility, Protecting the unique natural environment of islands, Infrastructure and Energy Efficiency, Digital Islands, Farming and Fisheries, Public Health Care (Hellenic Republic, 2018^[2])

The recently (2021) introduced National Strategy on Integrated Maritime Policy on Islands, adopted through Laws 4770/2023 and 4832/2021,²⁷ acknowledges the unique characteristics of islands and seeks to revitalize island policies. The focus is on promoting blue growth, maritime spatial planning, maritime surveillance, and sea basin strategies. To realize these objectives, strategic measures include: (i) the establishment of a so called “Nearchos” plan to provide finances for ports, (e.g. basic infrastructure, maritime cabotage and tourist services), (ii) a Maritime-Blue Economy Fund to promote maritime economy and blue growth, (iii) an Island Entrepreneurship Funding Programme, which, although it is directed to the entire national territory, showcases clear insular priorities. (CPMR, 2021^[3]) (General Secretariat for the Aegean & Island Policy, 2023^[4]).

²⁷ <https://cpmr-islands.org/uncategorized/adoption-of-a-national-strategy-for-islands-in-greece-the-formal-recognition-of-insular-territories-specificities/6867>.

On this basis, the General Secretariat of the Aegean and Island Policy has developed an Action Plan for 2024 based on 9 main points (General Secretariat for the Aegean & Island Policy, 2023^[4]):

- Specialisation of the National Strategy for the Integrated Maritime Policy in the Island Area
- Upgrading of governance structures and procedures in the Island Area and Maritime Policy
- Application and Specialisation of Financial Instruments in the field of the Blue Economy and the Island Area
- Strengthening of the European and international dimension of insularity
- Digital transformation in the field of public policy for insularity
- Strengthening social cohesion on the islands with an emphasis on island cultural heritage and people
- Integrated water resources management in island regions
- Enhancing territorial cohesion by improving the means and infrastructure of the islands' interconnectivity

Sweden

In Sweden, insularity is not explicitly recognized as a distinct category; instead, island issues are addressed within the broader framework of regional development policy, encompassing both rural and urban concerns. The Ministry of Rural Affairs and Infrastructure is in charge of regional development and also oversees rural affairs, transport and infrastructure, housing and community planning, while it is the Ministry of Climate and Enterprise is in charge of energy, business development and industry, and the Swedish Agency for Economic and Regional Growth is tasked with rural development and with promoting sustainable growth and competitive companies nationwide, including on islands. Various national agencies also have specific responsibilities within the context of regional and rural development policy. Each of Sweden's 21 counties (including Gotland) has a County Administrative Board, which serves as the regional government authority (Öckerö belongs to the county of Västra Götaland).

Insularity poses a significant and nuanced challenge to the sustainable economic and social development of numerous Swedish island communities. While these challenges are indeed acknowledged within the context of regional development policy, the specific dimension of insularity tends to be underemphasized in national steering documents for regional development. This lack of explicit recognition may inadvertently hinder the formulation of targeted strategies and initiatives that adequately address the distinctive issues faced by island communities. The economic performance of Gotland, the biggest Swedish island, has recently undergone scrutiny through an OECD Territorial Review of the region²⁸. Despite outperforming many other remote rural areas and islands, the evaluation highlighted that Gotland still fell behind mainland Swedish regions concerning both productivity and population growth. This discrepancy underscores the need for a more tailored and focused approach to tackle the multifaceted challenges posed by insularity. The findings of the review emphasize the importance of adopting evidence-based policies to navigate and overcome the intricacies of insularity within the context of Swedish island communities. Such policies should be designed to foster sustainable development, enhance economic resilience, and promote social well-being, considering the unique geographical and socio-economic characteristics of these island regions.

Conclusions

To address the challenges faced by islands in Croatia, Greece, and Sweden, governments should prioritise policies that foster economic growth, diversification, and competitiveness. These initiatives should aim to

²⁸ <https://www.oecd.org/publications/oecd-territorial-reviews-gotland-sweden-aedfc930-en.htm>.

address the low productivity levels on islands, reduce the high dependency on the public sector, mitigate the effects of an aging and shrinking population, address the significant mismatches between available skills and production needs, and allocate public and private resources to sustain sectors with a competitive advantage. Additionally, governments should also prioritise the delivery of public and other vital services such as health and education, while working to strengthen multilevel governance and policy coordination mechanisms. To support evidence-based policymaking, emphasis should be placed on developing structured and comparable data and indicators for islands. Addressing these challenges will create an environment that enables islands to realise their potential as vibrant and sustainable communities.

In the context of the project "*Enhancing the Quality of Multi-level Governance and Building the Resilience of Island Economies in Croatia, Greece, and Sweden*" the involved national and island governments of these countries will collaborate closely with the OECD and the EC. Together, they will develop comprehensive solutions to address shared challenges and opportunities, simultaneously creating new, comparable data and indicators for assessing the performance and well-being of island regions. The insights derived from this project will enable policymakers to implement tailored, place-based policies for islands and island regions. These policies will align with the economic, social, and environmental priorities of the respective countries and the European Union, fostering effective strategies for the betterment of these regions.

Box 1.2. Project “Improving the quality of multi-level governance and strengthening the resilience of island economies of Croatia, Greece, and Sweden”: Takeaways from the Kick-off.

The kick off meeting the Project “Improving the quality of multi-level governance and strengthening the resilience of island economies of Croatia, Greece, and Sweden” was held on 2 October 2023 between the OECD, the Directorate-General for Structural Reform Support (DG REFORM) of the European Commission, the Ministry of Regional Development and EU Funds of Croatia, the General Secretariat of the Aegean and Island Policy, Ministry of Maritime Affairs and Insular Policy of Greece, Region Gotland (Sweden), the Ministry of Rural Affairs and Infrastructure of Sweden, and the island-municipality of Öckerö (Sweden).

Five key points emerged from the discussion.

- Islands characteristics. It was highlighted that islands, although diverse, exhibit a notable comparability owing to their shared characteristic of geographical isolation. Residents frequently encounter limited access to essential services, such as healthcare, education, and economic opportunities. These challenges compel policymakers and community leaders to seek solutions that address the unique needs of island populations.
- Definitions and data. It was recognized the need to delve deeper into the factors that contribute to creating a dynamic island economy and the necessity to enhance the definitions of islands, along with the taxonomy, typology, and granular knowledge and data pertaining to these territories.
- Place-based policies. It was acknowledged that the development of effective policies and measures should be tailored to suit the unique characteristics of islands /island regions and the differences among them.
- Multi-level governance. Strengthening multilevel governance, also by establishing dedicated mechanisms, was pointed out as a key factor to effectively address the specific needs of islands.
- Networks. It was highlighted the significance of reinforcing networks (at OECD and EU level) among islands to foster peer learning and develop new policy initiatives.

Source: OECD 2023

2 Project's implementation and management

Beneficiaries

Request of technical support for this multi country project was submitted to DG REFORM by Greece on October 2022, also on behalf of Croatia and Sweden.

The authorities that are the main beneficiaries of this project are confirmed:

- The General Secretariat for Aegean & Island Policy, Ministry of Maritime Affairs and Insular Policy, Greece;
- The Ministry of Regional Development and EU Funds, Directorate for Islands, Republic of Croatia;
- Region Gotland, Sweden.

Other beneficiaries of the project have been identified, as indicated by Croatia, Greece, and Sweden in the inception phase. They are:

- for Croatia: the County of Zadar and the County of Dubrovnik-Neretva.
- for Sweden: the Municipality of Öckerö.
- for Greece: the Regional Unit of Chios (including small islands of Psara and Oinousses) and Municipality of Kastelorizo.

More in general, the islands, island-municipalities, and island-regions of Croatia, Greece, and Sweden, and those of the European Union, will also indirectly benefit from the project.

Objectives, impacts and outcomes

The project's objectives, expected impact and outcomes, as defined in the Detailed Project Description (DPD), are confirmed.

The project aims at *“Supporting Greece, Croatia, and Sweden to improve their multi-level governance system as well as to design, develop and implement efficient strategies to develop the islands' economy, including advancing the twin green and digital transition, and improve citizens' well-being”*.

The expected short /medium-term outcome of the Project is: *“Recommendations and draft action plans to address island socio-economic development and multi-level governance produced and adopted in national and/or regional and/or local strategies in the three beneficiary countries”*.

The expected long-term impact of this Project is: *“Improved multi-level governance system for island development” and “improved foresight, resilience, and economic performance of islands in the three beneficiary countries”*.

Outputs, activities and timeline

The duration of the project indicated in the Detailed Project Description (DPD) is confirmed. The project, initiated on 11 September 2023, is scheduled to span over 24 months, concluding on 10 September 2025.

All the expected outputs of the project (as outlined in the DPD) are also confirmed. They are described listed below, together with an overview of the outputs achieved.

The timeline for the scheduled output and activities has been revised and is also outlined below.

OUTPUT 1. Kick-off meeting

- ✚ The project Kick-off meeting was held on 2 October 2023 via a video conference between the OECD; the Directorate-General for Structural Reform Support (DG REFORM) and the Director General for Urban and Regional Policy (DG REGIO) of the European Commission; the Ministry of Regional Development and EU Funds of Croatia; the General Secretariat of the Aegean and Island Policy, Ministry of Maritime Affairs and Insular Policy of Greece; Region Gotland (Sweden), the Ministry of Rural Affairs and Infrastructure of Sweden, and the island-municipality of Öckerö (Sweden).
- ✚ The objective of this meeting was to discuss all relevant operational aspects of the project in accordance with provisions of the Agreement and the DPD with the view to ensure clear understanding of the project among the participants. The partners discussed all relevant operational and policy aspects of the project. Beneficiary countries also presented and discussed key elements of their strategic approach to island economies.
- ✚ The first meeting of the Advisory Group of the project was agreed to take place virtually on end-January 2024 (exact date to be determined). Decision was taken by the project partners at the TAIEX workshop held in Athens on 29-30 November 2023.

OUTPUT 2. Inception report.

- ✚ From the start of the project on 11 September 2023, the OECD has been: (i) gathering information relevant to island economies in several bilateral and multilateral discussions with the project beneficiaries, (ii) reviewing existing relevant documents, (iii) leading an assessment of project activities, developing a methodology (with indicators) for implementing the project.
- ✚ A draft inception report was produced and circulated for discussion at the TAIEX workshop held in Athens on 29-30 November 2023. The draft inception report includes (in accordance with the DPD): (i) an introduction of the concept of island economies, and a preliminary analysis of the strategic and policy framework to support island economies in Croatia, Greece, and Sweden, including socio-economic trends; (ii) an analysis of the key stages of the project's implementation and management, including an update of the work plan and timeline for the project, and an updated of potential project risks along with corresponding remediation approaches; (iii) an outline of the methodology that will guide the implementation of the project.
- ✚ The final report is expected to be delivered by mid-December 2023.

OUTPUT 3. Diagnostic reports of the factors holding back growth and productivity of island economies in Croatia, Greece, and Sweden.

- ✚ This work package will target Croatia, Greece, and Sweden at national and sub-national level. Work at the subnational level will be developed through case studies involving selected (pilot) island-regions (or regions containing islands or island municipalities) within each beneficiary country. Namely: (i) two island-regions (or regions containing islands or island municipalities) selected by Croatia in agreement with the OECD; (ii) two island-regions (or regions containing islands or island municipalities) selected by Greece in agreement with the OECD; (iii) the island-region of Gotland and one additional Swedish island.

- ✚ Regarding Croatia, the project will focus on islands with distinctive administrative features, being included within counties alongside the mainland. Moreover, the project will also assess (in the islands selected as case study) the effectiveness of the recently implemented "Programme for awarding grants of small value to island employers for starting economic activities and preserving jobs" and the "Croatian Island Product" programme.
- ✚ This work package will include one cross-country (Croatia, Greece, Sweden) virtual workshop to discuss, cross-reference and disseminate the preliminary results of the diagnosis/analysis/assessment specific of each country as well as to exchange knowledge and lessons through peer-learning.
- ✚ This work package will produce three reports (one for each beneficiary country: Croatia, Greece and Sweden) with analysis/assessment and a discussion of what works and what does not work in terms of strategies, policies and multi-level governance for island economies.
- ✚ Each report will include:
 - Diagnostic of the main socio-economic conditions and trends, and gap analysis in the (selected) islands /island-regions (including identification of indicators for island development and estimation of "insularity costs" (e.g. econometric analysis of factors affecting the development of insular regions).
 - Identification of barriers to: (i) foster growth and productivity on islands (including by reviewing barriers to innovation, green and digital transition, economic diversification); (ii) improve the quality-of-service provision on islands (e.g. transport infrastructure, ICT-digitalisation, social, health, education, water), also in relation to current and future demographic challenges. Assessment of the effects of existing measures focused on the business sector.
 - Identification of weaknesses and blockages related to the overall quality of multi-level governance system, including: (i) policy planning and policy coordination processes and practices impacting on island economies; (ii) good practices on multi-level governance affecting island economic performance.

Implementation

- Island case studies were selected and presented at the Kick-off meeting (2 October 2023):
 - for Croatia: the County of Zadar and the County of Dubrovnik-Neretva
 - for Sweden: the County of Gotland and the Municipality of Öckerö
 - for Greece: the Regional Unit of Chios (including small islands of Psara and Oinousses) and Municipality of Kastelorizo.
- Desk research and analysis has started with the inception phase and it is ongoing.
- The identification in consultation with the beneficiary countries of relevant national and regional/local stakeholders to be involved in all phases of the project is ongoing.
- The preparation of a project questionnaire (to better understand the socio-economic context and main development challenges, policy responses and governance settings in each of the pilot regions and at national level), is ongoing. It will be distributed to the beneficiary countries and case study islands by mid-December 2023. Beneficiaries will be expected to provide responses within a 2-month timeframe, e.g. by 15 February 2024.
- Three study visits/fact finding missions for each country, visiting the island case studies and the country's capital cities, are expected to take place between mid-February and end-April 2024 (following the return of the questionnaires filled from the beneficiaries). The study visits/fact finding missions will last 3-5 days for each country and aim to gather data and exchange experiences and good practices in policymaking on key topics of importance for the Project. During the missions, the OECD team will interview policymakers, key actors and stakeholders from the national,

regional and local levels, as well as private sector and civil society representatives, who will be selected and invited to participate in the meetings.

- One draft report for each beneficiary country is expected to be circulated to the beneficiaries for comments and fact-checking by 10 July 2024. Comments are expected to be returned by the beneficiary countries by mid-September 2024. Final drafts delivered by end-September 2024.
- One cross-country (Croatia, Greece, Sweden) virtual workshop to exchange knowledge and lessons through peer-learning is expected to be held on end-September 2024.

OUTPUT 4. Recommendations and draft action plan to improve the quality of multi-level governance for islands and address the economic performance and wellbeing on island economies in Croatia, Greece, and Sweden

✚ Based on the diagnostic and policy analysis, consolidated in the three reports on Croatia, Greece and Sweden described in Output 3, this work package will produce for each of the three countries one report containing: .

- Recommendations to improve the quality of multi-level governance for island economies, through: (i) enhanced capacities to plan and implement coordinated policies and measures for strengthening island economies; (ii) enhanced foresight capacity, and (iii) better management of available national and EU funds.
- Recommendations to address the economic performance of island economies and the well-being of their citizens through: (i) increased economic diversification and innovation in entrepreneurship, taking advantage of opportunities stemming from the green, digital and energy transitions: (ii) improved service provision (e.g. transport, digitalisation, social, health).
- Draft action plan to implement the recommendations on multi-level governance and on performance of island economies. The draft action plan will include: (i) implementation responsibility /involvement of coordinating bodies; (ii) timeline /priorities for implementation; (iii) definition of monitoring/supervision mechanism.

✚ This work package will include one cross-country (Croatia, Greece, Sweden) virtual workshop to discuss, cross-reference and disseminate the preliminary results of the diagnosis/analysis/assessment specific of each country as well as to exchange knowledge and lessons through peer-learning.

Implementation

- Identify in consultation with each beneficiary country relevant stakeholders and consult with them in all phases of the preparation of the recommendations and draft action plan, also through the organisation of virtual consultation when appropriate.
- Organise and conduct one cross-country (Croatia, Greece, Sweden) virtual workshop to exchange knowledge and lessons through peer-learning.
 - Virtual workshop expected to be held on September 2024 .
- Draft a report for each country with recommendations to foster multi-level governance and to improve the economic performance of island economies (including better management of available national and EU funds) and well-being of citizens.
 - Draft reports delivered by October 2024.
- Draft a proposal for an action plan for each country to implement the recommendations.
 - Draft action plans delivered by November 2024.
- Organise one high-level event in each of the three beneficiary countries to discuss and facilitate the buy in of stakeholders in the draft action plan.

- Workshops expected to be held on November 2024.

OUTPUT 5: Report on support to the implementation of the draft action plans

- ✚ This work package will support Croatia, Greece, and Sweden with the implementation of proposed action plans through: (i) two bilateral workshops between the OECD and each beneficiary country; and (ii) one pilot implemented for each beneficiary country to implement the recommendations/draft action plan in one selected policy areas (such as for example: to improve EU funds' performance, or improve evidence-based decision making through data and indicators, or support the replicability of good ongoing projects).
- ✚ This work package will also produce one “policy toolkit” to support the implementation of recommendations and address key challenges and opportunities facing island economies.
 - Identify in consultation with the beneficiary countries relevant stakeholders and consult with them in all phases of the organisation of this activity.
 - Select one island in each beneficiary country and one thematic area to implement the pilot.
 - One pilot island/theme for each country selected by November 2024.
 - Conduct two bilateral workshops for each beneficiary country to discuss and support the implementation of recommendations and the draft action plan. Workshops may be held virtually.
 - Two workshops expected to be held on January and February 2025.
 - Support the implementation of each pilot by organising two dedicated workshops with peers and experts.
 - Two workshops expected to be held on March and April 2025.
 - Identify in consultation with the beneficiary countries relevant stakeholders and consult with them in all phases of the preparation of the toolkit, also through the organisation of virtual consultation workshop(s) when appropriate.
 - Dedicated interaction/discussions expected between November 2024 and August 2025.
 - Draft one “policy toolkit” to address key challenges and opportunities facing island economies.
 - One policy toolkit delivered by 10 September 2025.
 - Draft a short report (e.g. 5-10 pages) outlining the steps/activities made to support to the implementation of the draft action plans.
 - Report delivered by 10 September 2025.

OUTPUT 6: Capacity building seminars for peer-learning

- ✚ This work package will develop three cross-county (Croatia, Greece, Sweden) capacity building seminars to design and put in place “island proofed” policies and processes, strengthen multilevel governance and policy coordination mechanisms.
- ✚ The seminars will serve to exchange knowledge and lessons learned through peer-learning across OECD and island regions facing similar challenges. They will also contribute to create regional networks to foster long term cooperation in the thematic areas holding back the regions that are facing barriers to their development.
- ✚ The seminars may be virtual or organised in each beneficiary country as deemed more appropriate. Each seminar may involve up to 40 participants (delegates from national, regional and local/city governments, public and private institutions and organisations) selected according to criteria to be decided by the OECD and the beneficiary countries. The seminars will be conducted by the OECD.

Peers from other EU Member States, OECD Member countries and European Commission representatives will also be invited to participate and take an active role.

Implementation

- Design and implement three one-day capacity-building seminars. They may be held virtually.
 - Three cross-countries capacity building seminars expected to be held on May 2024, July 2024, and October 2024.

OUTPUT 7: Project description summary

- ✚ The project description summary will not exceed 800 words and will follow a standard structure presenting the project and outlining the context, the outputs achieved, and the support provided in line with the provisions of Annex VII attached to the Agreement.

Implementation

- Draft a summary description of the Project, following up the project description summary template included in point 17 of Annex VII – Communication and Visibility Plan attached to the Agreement.
 - Project description summary delivered on 8 December 2024.
- Prepare a PowerPoint presentation providing an overview of the Project.
 - Power point presentation delivered on 8 December 2024.

OUTPUT 8: Final report

- ✚ The preparation of a final report, synthesising the main aspects of the analysis, evaluations, discussions, and recommendations stemming from the work developed throughout all the Project Outputs (listed above) will conclude the Project. Recommendations will be formulated for the three beneficiary countries and the European Union.
- ✚ The final synthesis report will be launched at an event to present the main findings and results of the Project. The event will be designed to be attended by a wide audience including representatives from beneficiary countries (Croatia, Greece and Sweden), delegates from other EU and OECD Member countries, the European Commission and the OECD.
- ✚ In addition, the OECD will develop communication materials (e.g. using LinkedIn, Twitter, video) that can be used for various communication purposes to ensure appropriate visibility and awareness of the Project.

Implementation

- Prepare the Project final synthesis report.
 - Final report delivered by 10 September 2025,
- Present and discuss the final synthesis report at a session of the OECD Regional Development Policy Committee (RDPC) or at its Working Party on Rural Policy (WPRUR).
 - Preliminary draft of the final report discussed on RDPC-WPRUR spring 2025 session. Final report presented at RDPC-WPRUR Autumn 2025 session.
- Publish the final synthesis report in line with Annex VII (Communication and Visibility Plan) attached to the Agreement.
 - Final report published on September 2025.

- Organise a launch event at the end of the Project to discuss and disseminate Project Outputs..
 - Launch event held on September 2025.
- Use social media (e.g. Twitter, LinkedIn) in the context of the Project.
- Draft social media text prepared in the context of the Project (e.g. minimum 2 draft unpublished Twitter and/or LinkedIn post texts)
 - Use of social media to celebrate milestones of the project and to signal key workshops over the duration of the project.
- Prepare a short video (e.g. 1-2 minutes) presenting the results of the Project.
 - Video produced by 10 September 2025.

Table 2.1. Updated indicative Timeline by month (project duration 11 Sept. 2023 - 10 Sept. 2025)

Result	Month of implementation																								
	Sep 23	Oct 23	Nov 23	Dec 23	Jan 24	Feb 24	Mar 24	Apr 24	May 24	Jun 24	Jul 24	Aug 24	Sep 24	Oct 24	Nov 24	Dec 24	Jan 25	Feb 25	Mar 25	Apr 25	May 25	Jun 25	Jul 25	Aug 25	Sep 25
Output 1																									
Output 2																									
Output 3																									
Output 4																									
Output 5																									
Output 6																									
Output 7																									
Output 8																									

Management

Key elements for the management of this project have been identified to be:

- Plurality of beneficiaries. The project is multi-country and mobilizes diverse beneficiaries and participants. It is important to ensure a targeted focus on country-specific needs, while simultaneously contributing to a cohesive transversal policy framework.
- Stakeholder engagement: The project encompasses a diverse array of stakeholders. It is essential to precisely define the scope and role of actors that are involved. Further, effective communication of the project and its outcomes is vital to ensure stakeholders active engagement, particularly in the phase of piloting the implementation of the action plans.
- TAIEX. It will be important to utilise effectively the support made available by TAIEX for the implementation of the project.

The following parts of the Detailed Project Description (DPD) are confirmed without the need for revisions or amendments:

- Section 3 “*Location Indicative timetable and Language*”: parts referring to “3.1 Location”, and “3.3 Language”.
- Section 4 “*Project’s Organisational set up*”: all section.

- Section 5 “*Project specific risks and mitigation measures*”: all section.
- Section 6 “*Publication and dissemination of materials*”: all section.
- Annex I “*Indicative logical framework matrix*”: all annex.

In synthesis:

Location and Language

The activities will be carried out by the OECD Project Team located in Paris, France. Presentations, workshops, conferences, and / or any other meetings where physical presence of the OECD Project Team is required are to take place in Croatia, Greece, and Sweden. Selected activities and/or meetings (decided upon by the OECD in consultation with the beneficiaries of the Project and DG REFORM) might be carried out at the OECD Headquarters in Paris (France) or at the European Commission Headquarters in Brussels (Belgium).

All meetings and technical (including preparatory meetings) discussions will be conducted in English. Simultaneous interpretation into English will be provided by Croatia, Greece or Sweden, if required. All outputs under the Project will be produced in English.

Organisation of the Project

OECD

The OECD team is responsible for coordinating and administering the Project, as well as for consulting with DG REFORM and with the Project teams from Croatia, Greece and Sweden, on the Project’s activities and outputs.

The OECD team specifically dedicated to implementing the Project operates under the leadership of the Deputy Director of the Centre for Entrepreneurship, SMEs, Regions and Cities (CFE) and of the Head and Deputy Head of the OECD Regional Development and Multilevel Governance Division (RDG). It is composed of one Senior Policy Analysts, four Economists/Policy Analysts, two junior Economists/Policy Analysts, and one Senior and one Junior Advisors. The advisors will review project advancement and key outputs to ensure consistency across projects and that key corporate priorities of the OECD are mainstreamed in its realisation. They will also be helping to prepare the substantive inputs for the launches of the reports or other outputs which may involve senior officials. The OECD Project team also includes one OECD communication and one administrative staff member who support the implementation of the Project, including communication and publication processes.

Resources to be outsourced

At a timing that appears most suitable for the OECD, the Organization will outsource additional human resources for the implementation of this project in accordance with OECD rules and regulations. Below is an indicative list of the required professional profiles.

Academic background

- An advanced university degree in a relevant field (Master degree or PhD), such as economics, agriculture, rural development, regional development, political science, public policy /management /administration, international economics or other relevant specialisation for the position.
- A multidisciplinary educational background related to island economies and/or regional and/or rural development issues.
- Strong quantitative, analytical and research skills

Professional background

- Senior consultant – A minimum of 10 years of experience in research and analytical activities
- Mid-level consultant – A minimum of 5 years of experience in research and analytical activities.
- Junior consultant – A minimum of 2 years of experience in research and analytical activities.

Skills and Competences

- Proven knowledge of island economies and/or regional and/or rural development, and/or Multilevel governance issues, policies, and practices.
- Knowledge of data collecting, management and producing evidence-based analysis.
- Understanding and experience in policy-making processes.
- Knowledge of EU strategies and policies.
- Experience in designing and delivering capacity building seminars and workshops.
- Excellent drafting skills in English and capacity to synthesise complex information.

Resources to be made available by Croatia, Greece and Sweden

Croatia, Greece, and Sweden have constituted a project team and appointed a project team leader who act as main contact point for the activities and ensure coordination with the OECD and with other national and regional/local stakeholders. The outputs and activities of the project are carried out by the OECD with the support of the countries' project teams.

Coordination with DG REFORM

Coordination of work with DG REFORM is done in line with the provisions of Section 4.4 of Annex I to the Agreement. An AG was established at the beginning of the Project. The AG is expected to convene (virtually) quarterly to take stock of the status of activities, review output progression and advise on the implementation of the Project. The AG is composed by:

- For Croatia: Veljko Radić, Ivo Vrandečić Loje.
- For Greece: Manolis Koutoulakis, Fotis Vrahas, Triantafyllos Pnevmatikos, Menelaos Georgantelis.
- For Sweden: Maria Ahlsved, Roland Engkvist, Cecilia Lindblom.
- For EC (DG Reform): Elodie Boulch, Leticia Lopez-Joya, Nikos Kleniatis.
- For EC (DG Regio): In addition to DG Reform officers, which are responsible for the implementation of the project, additional relevant officers from DG Regio will be also invited to participate to the AG meetings (e.g. TBC: Evangelia Kazila, Nikolaos Kountouroglou, Darjan Dragicevic, Heidi Sanevuori).
- For OECD: Enrique Garcilazo, Stefano Barbieri.

Project specific risks and mitigation measures

The following specific risks and mitigation measures have been identified as relevant for the implementation of this Project.

Risk	Mitigation measure
Lack of co-operation and/or uptake of the recommendations by the appropriate levels of government.	The project will provide recommendations to different levels of government, as needed. The OECD and DG REFORM will support national, regional and local authorities in engaging with the project and in implementing the recommendations resulting from the Project.

Publications and dissemination of materials

Dissemination and / or publication of any materials (including outputs) produced under this Project shall respect the relevant provisions of the Communication and Visibility plan (Annex VII of the Agreement).

Publications, written materials and communication activities	
Official OECD publication and other outputs to be formally published	Output 8, Activity 8.1 (final synthesis report)
Other written materials not to be formally published	Output 2 (inception report) Output 3 (diagnostic reports) Output 4 (recommendations and draft action plans) Output 5 (report on implementation of draft action plans and toolkit) Output 7 (project description summary)
Events	Activity 1.1 (kick-off meeting) Activity 5.1 (workshops for implementation action plan) Activity 6.1 (capacity building seminars) Activity 8.1 (launch event)
Social media	Activity 8.2
Supporting visuals	Activity 8.2

Indicative logical framework matrix

	Intervention logic	Indicator	Values of reference (per indicator)		Sources and means of information	Assumptions
			Baseline (incl. source and reference date)	Target (incl. reference date)		
Impact	Improved multi-level governance system for island development in the three beneficiary countries Improved foresight, resilience, and economic performance of islands in the three beneficiary countries	Status of development and adoption of a national system of "Island proofing" to ensure all relevant public policies are aligned with island and island regions needs and realities. Status of development and adoption of a national framework of indicators which can be used to measure the island's baseline position and future progress against indicated national and regional development strategic objectives	Status of the allocation of responsibilities and coordination processes across government levels for island development in the three beneficiary countries in 2023. Status of foresight, and economic performance of pilot islands /island-regions in the three beneficiary countries in 2023.	At least 25% of the national policies aligned with island and island regions needs by 2029. Existence and implementation of a national framework of indicators for island development by 2029.	Communication by the authorities of Croatia, Greece, and Sweden.	All actors implement the Project's recommendations and adequately finance the relevant policy actions needed.
Outcome(s)	Recommendations and draft action plans to address island socio-economic development and multi-level governance produced and adopted in national and/or regional and/or local strategies in the three beneficiary countries	Status of recommendations and draft action plans to address island socio-economic development and multi-level governance Action plan tested through at least one pilot initiative	No action plan. No actions were implemented by stakeholders.	The action plan is accepted by relevant stakeholders in the three countries and at least 25% of the stakeholders in one pilot initiative have started the implementation of actions recommended by the OECD.	Communication by the authorities of Croatia, Greece and Sweden.	All actors implement the Project's recommendations and adequately finance the relevant policy actions needed.
Output 1	Kick-off meeting	Status of Kick off meeting	Kick-off meeting not conducted.	Kick off meeting conducted as planned	Summary records of the kick-off meeting.	Relevant stakeholders participate in the kick-off meeting and engage with the Project at relevant stages.
Output 2	Inception report	Status of Inception report	Inception report not conducted.	Inception report provided as planned	Inception report circulated to DG REFORM and the Project beneficiaries	Project stakeholders are engaged and collaborate (e.g. Project team, regional actors and policymakers) for the organisation of missions, and the provision of data

						and other information. The report is disseminated among relevant stakeholders.
Output 3	Diagnostic reports of the factors holding back growth and productivity of island economies in Croatia, Greece and Sweden	Status of diagnostic reports	No diagnostic reports	Diagnostic reports provided as planned	Diagnostic reports circulated to DG REFORM and the Project beneficiaries.	Project stakeholders are engaged and collaborate (e.g. Project team, regional actors and policymakers) for the organisation of missions, and the provision of data and other information. The report is disseminated among relevant stakeholders.
Output 4	Recommendations and draft action plans to improve the quality of multi-level governance for islands and address the economic performance and wellbeing on island economies in Croatia, Greece and Sweden	Status of proposal for a policy framework composed by recommendations and action plans to implement the recommendations	No recommendations and draft action plans has been prepared	Recommendations and draft action plans provided as planned	Recommendations and action plans shared with Project partners and stakeholders.	Stakeholders are engaged and collaborate (e.g. Project team, regional actors and policymakers) for the organisation of missions, discussions and workshops, and for the provision of data and other information. Stakeholders are engaged in the definition of the action plan's recommendations and milestones.
Output 5	Report on support to the implementation of the draft action plans	Status of report on support to the implementation of the draft action plans and policy toolkit	No support to the implementation of the draft action plans and policy toolkit	Report on support to the implementation of the draft action plans drafted and one policy toolkit for island economies drafted as planned.	Report and action plan shared with Project partners and stakeholders.	Stakeholders are engaged and collaborate (e.g. Project team, regional actors and policymakers) for the organisation of missions, discussions and workshops and the implementation of the pilot in each beneficiary country
Output 6	Capacity building seminars	Status of organisation of three OECD capacity-building seminars	No OECD capacity-building seminars organised.	Three one-day capacity-building seminars designed and organised	Agenda and participant lists of the seminars.	Stakeholders are engaged and collaborate (e.g. Project team, regional actors and policymakers) for the organisation of missions, discussions and workshops, and the provision of data and other information.
Output 7	Project description summary	Status of the project description summary	No project description summary	Project description summary provided as planned	Project description summary circulated to DG REFORM and the Project beneficiaries and used as planned	
Output 8	Final synthesis report	Status of final report, communication materials and final conference.	No final report, communication materials and final conference.	Final synthesis report published communication materials prepared and final conference organised.	Final synthesis report, communication materials and participant lists of the final conference.	The final synthesis report is disseminated to relevant stakeholders

3 Project's Methodology

Introduction

This multi-country project aims to provide support measures addressing key challenges for the development of island economies, with a particular emphasis on two policy areas: (i) the quality of multi-level governance and services, and (ii) competitiveness, productivity, and innovations (including digital, green, and energy transitions). Project activities will address subnational, national, cross-country, and EU levels. The methodology identified to assist Croatia, Greece, and Sweden in strengthening the resilience of their island economies is based on the OECD Territorial Review methodology (Box 3.1).and will combine:

- Research and data gathering, including a questionnaire to identify key challenges and opportunities for island economies.
- Quantitative and policy analysis of the economic, social, and well-being profile of the islands, focusing on identifying the impact of the green and digital transitions on socio-economic trends and well-being.
- Conducting interviews, discussions with representatives from each level of government, as well as non-government stakeholders and beneficiaries of EU funds.
- Organizing stakeholder workshops, facilitating knowledge sharing and peer exchanges to build evidence and knowledge bases, and strengthen networks.

Box 3.1. What is an OECD Territorial Review?

Many governments are searching for new ways to unlock the growth potential of their economies. This has focused attention on why some regions grow faster than others, and what public policies can do to maximise the performance of regions. Megatrends, such as globalisation, ageing and population decline, climate change, and the fourth industrial revolution, create additional pressures on regions to adapt. Forward looking and effective place-based policies can help steer regions through these transitions.

In this context, OECD Territorial Reviews offer an independent and internationally recognised diagnostic of trends, challenges and untapped opportunities for regional development. Territorial Reviews also provide recommendations on policies, strategies, planning, governance and resource allocation, taking into account successful experiences in other OECD countries. The focus of each Territorial Review is adapted in order to respond to the interests of the requesting authority, which includes the identification of specific policy themes they wish the OECD to focus on (i.e. competitiveness, industrial transition, service delivery, digital and energy transitions, green growth).

Reviews follow a common OECD conceptual framework and address three key aspects:

- Analysis of socio-economic trends, growth potential and underexploited resources, using a standard set of indicators and tools for assessing regional performance. This work draws in part on comparative data from the OECD Regional Database (around 40 socio-economic indicators on approximately 2 000 regions across 35 OECD member countries).
- Policies and strategies to enhance regional productivity and wellbeing which are related to the key enabling factors for regional growth performance (i.e. human capital, infrastructure, land use, and innovation) in rural and urban areas.
- Governance, including the territorial organisation of subnational governments, vertical and horizontal institutional relationships between layers of governments, fiscal relations across levels of government, subnational capacities for strategic planning, and effective implementation of regional/local development strategies.

Methodology

The project will advance through the following indicative methodological steps.

- **Identification of key indicators for island development.**²⁹ Relevant indicators that capture the economic performance and structure of an island economy may include:
 - Demographic indicators, (for example: Population growth, Ratio of net migration, Elderly dependency ratio, Working-age population, etc.).
 - Economic Indicators, (for example: GDP per capita, GVA share by economic sector, Share of employment by economic sector, Growth of employment by economic sector, Labour productivity trend, Unemployment rate over the labour force, Youth unemployment rate, Ratio of imports to the total GDP, Percentage of GDP and employment contributed by the tourism sector, etc.).
 - Social Indicators, (for example: OECD Well-being, Share of education levels in labour force (primary, secondary, tertiary), Broadband speed, Digital skills, etc.).

²⁹ The OECD will identify the indicators in consultation with the three beneficiary countries.

- Environmental Indicators, (for example: Air quality, Renewable energy share, etc.).
- **Data collection and analysis.** Gather the most relevant data for each indicator from OECD datasets, Eurostat, national statistical offices, and regional economic reports. Conduct a comparative analysis highlighting similarities, differences, and trends across the island economies selected as case study against relevant benchmarks or peer regions.
- **Experimental estimation of insularity costs.** Econometric analysis of factors affecting the development of insular regions focused on one or two variables selected from the list below:
 - Transportation costs. Islands often face higher transportation costs for goods and people due to the need for maritime or air transport. Evaluate the impact of transportation costs on the prices of goods and services, which can affect the cost of living and competitiveness.
 - Energy costs. Assess the costs of energy production and distribution on islands. Islands may rely on imported energy sources, leading to higher energy costs. Consider the availability of renewable energy sources and their impact on energy expenses.
 - Public services costs. Consider the costs of providing social services on islands. Healthcare, education, and public services may have unique challenges and costs associated with the smaller population size and geographical dispersion.
 - Housing costs. Assess housing costs, which may be influenced by factors such as limited land availability, construction challenges, and the demand for second homes or vacation properties.
 - Digital connectivity costs. Examine the costs associated with maintaining connectivity to the mainland. Reliable transportation links and digital infrastructure are essential for economic activities and may require ongoing investment.
 - Infrastructure costs. Assess the infrastructure investment required for islands, including the development and maintenance of ports, airports, and roads. Islands may need special infrastructure to address their unique geographical challenges.
 - Environmental costs. Consider the environmental costs associated with insularity, such as waste management and conservation efforts. Islands often face unique environmental challenges that can result in higher costs for sustainability and resilience.
- **Study visits and interviews.** Supplement quantitative data with qualitative insights through study visits and interviews with local authorities, businesses, and community members. This can provide a more nuanced understanding of the island economies.
- **Analysis of Island-specific factors that can significantly impact on islands economies.** The analysis will be conducted at both national and sub-national levels, involving case studies of selected islands within each beneficiary country (see the description of Output 3 and 4 in chapter 2 for more details). The analysis will:
 - Business development and competitiveness. Assess the effectiveness of existing policy measures designed to enhance economic diversification and entrepreneurship on islands, leveraging opportunities arising from innovation, the green, digital and energy transitions. This includes assessment of measures focused on the business sector, including factors like labour costs, availability of skilled workforce, and the impact of insularity on attracting investments.
 - Service provision. Assess the quality-of-service provision, encompassing transport infrastructure, ICT-digitalization, social services, healthcare, education, water supply, and other essential public services on islands. This evaluation will also consider the impact of current and future demographic challenges on these services.
 - Government subsidies and support. Assess the extent of government subsidies and support provided to islands. Governments may offer financial assistance to offset the additional costs of insularity.

- Multi-level governance for island economies. Identification of weaknesses and blockages related to the overall quality of multi-level governance system in relation to e.g. (i) capacities to plan and implement coordinated policies and measures for strengthening island economies; (ii) foresight capacity, and (iii) management of national and EU funds.
- **Capacity building seminars for peer-learning**. Develop three cross-county (Croatia, Greece, Sweden) capacity building seminars to design and put in place “island proofed” policies and processes, strengthen multilevel governance and policy coordination mechanisms.
- **Diagnostic and policy report**. Draft a report on the factors holding back growth and productivity of island economies in Croatia, Greece, and Sweden. One report for each country with analysis, assessment and discussion of what works and what does not work in terms of strategies, policies and multi-level governance for island economies.
- **Policy recommendations**. Based on the analysis, formulate policy recommendations for island economies in each beneficiary country. Identify areas for improvement and potential strategies to enhance multilevel governance, economic development, sustainability, and resilience.
- **Policy action plan**. Define a strategic plan that outlines the steps and timelines for the effective implementation of policy recommendations, ensuring a smooth and successful implementation.
- **Policy toolkit**. Toolkit to support the implementation of the action plan and address key challenges and opportunities facing island economies.
- **Pilot policy implementation**. Support to one volunteer island (or island-region or island municipality) within each beneficiary country to implement the recommendations/ action plan in one selected policy area (e.g. to improve EU funds' performance, or improve evidence-based decision making through data and indicators, or support the replicability of good ongoing projects). Assistance is provided through technical workshops conducted between the OECD and each beneficiary country.