IMPROVING THE QUALITY OF MULTI-LEVEL GOVERNANCE AND STRENGTHENING THE RESILIENCE OF ISLAND ECONOMIES OF SWEDEN

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Project outline

- In cooperation with EC DG REFORM
- Beneficiaries : Croatia, Greece, Sweden
- 6 case study’s island regions /municipalities
- Timeline : September 2023 – September 2025
- Objectives
  - develop islands' economy through the green and digital transition
  - improve multi-level governance system

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Island Challenges

Key challenges

Main challenges

Small scale of markets (lack of agglomeration benefits), higher costs (incl. transport), reduced institutional capacity

- Island specific: Transport logistics to mainland, housing & permanent residence challenges, natural resource management
- Common to rural remote areas: Demographic decline, limited financial capacity, workforce constraints, service provision

Table – Common challenges and opportunities in Island economies

Themes	Challenges	Opportunities
Economic	• Lack of critical mass (e.g.,local market size and narrow production base) • Geographic isolation and transport costs • Seasonality of industries (e.g. tourism), including in primary sector • Integration with national communications and energy networks • Low level of innovation • Lack of qualified labour and professional development	• 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	• Vulnerability to climate change and natural hazards • Complex land use planning • Sensitive environmental management issues (e.g. waste, water and sanitation)	• 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	• Ageing population, migration trends and "brain drain" • High cost of services • Diseconomies of scale (higher unit costs for infrastructure and public services) • Expensive housing and poor access to housing for all stages of life	• Quality of life • Close social ties and community support structures • Territorial attractiveness / cultural heritage and histories

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Swedish Island's specific challenges

Key challenges

- **Swedish islands are exposed to the costs of insularity and can be costly for their economies.**
- **Gotland and Öckerö (home to more than half of Sweden's island population) give lessons of challenges and policy actions. Both islands show distinctive characteristics but highlight common success factors for policy making.**

Gotland

Strengths:

- Good image nationally, key sectors like agro industry produce high-quality local products with a strong trademark.
- laying the foundations for long-term smart specialization: (1) Food and food industry, (2) energy transition and (3) tourism (with growth potential)

Challenges:

- Gotland stands out because of the connections and the costs of travel and transport (e.g. high ferry fares)
- Lack of economic diversification → vulnerable to sector-specific downturns and global shocks, limited innovation and export capacity
- Insufficient attraction of businesses and talent
- difficulties in co-operating with other municipalities and regions due to the lack of a fixed link to the mainland.

Öckerö

Strengths:

- Tourism and the maritime industry (e.g. fishing, shipbuilding, consumer products) serving as key drivers of growth.
- Öckerö has seen the second-highest economic growth in Sweden.

Challenges:

- Finding skilled workers and managing high labour costs are two significant challenges.
- Seasonality in tourism and other key industries
- Renewable energy is a source of untapped potential
- Geopolitics has underscored the need for enhanced civil defence, resilience, and cybersecurity, especially for island communities.

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Gotland policy assessment – strategic initiatives

Good practices

- Integration of regional development strategy with national strategies.
- Alignment of Gotland's regional food and food industry strategy to the respective national strategy.This strategy has an action plan that refers directly to Our Gotland 2040 and Smart Specialisation strategy.
- Aligning strategy and operation with steering approach.
- Regular monitoring and revision of the regional development plan (Our Gotland), with public consultations
- EU Funding and strategic use of funds (e.g. in sustainable food or hospitality), but still room for improvement
- Collaborations with neighbouring regions.

Areas for improvement

- Though the Comprehensive Plan accommodates for national interests and regional needs, including for land use, there is no mechanism that arbitrates between national interests.
- Though by law Region Gotland "holds the plan" for regional development, it is less clear to what extent it influences national authorities.
- Limited long-term impact analysis of regional development projects.
- Dependence of local actors on regional co-funding, which limits scale of initiatives.
- Insufficient organisational capacity for an active management of the implementation of the existing strategies.
- Underutilisation of EU funds (given organisational and competence limitations by local development actors)
- Internal communication and resources in Region Gotland can be improved to better meet national commitments.
- Strategies for strengthening business ecosystems are lacking detail.
- No specific strategies for digital transformation.
- Further focus on social services (incl. healthcare infrastructure) would strengthen ability to attract residents
- Double insularity unique challenges (e.g. with Fårö), with no clear solutions for lack of critical mass and higher costs to deliver services.

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Öckerö policy assessment – strategic initiatives

Good practices

- A common vision, as a collaborative effort involving all political parties.
- Solid steering model, with a vision, objectives for the current term and various policy documents (led by the Comprehensive Plan).
- The Comprehensive Plan is regularly updated, with consultation with residents for political direction.
- Regional collaborations in Gothenburg to pursue strategic goals. Active in several networks to promote the municipality as part of the Gothenburg archipelago.
- Have initiated a visit and business council in the municipality.

Areas for improvement

- Limited municipal resources.
- Municipality does not have a person responsible for EU coordination.
- No central structure for applying for national or EU grants.
- No local smart specialisation strategy, which is primarily addressed at the regional level through Business Region Gothenburg
- Need for a diversification strategy, which is missing.
- Insufficiently defined SMART goals for strategic initiatives
- Systematic policy analysis and evaluation.

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Reinforcing strategic frameworks for island development in Sweden

National Strategy for Sustainable Regional Development 2030

Key challenges:

- National Strategy does not recognise islands as a distinct territorial category (only sparsely-populated and urban areas).
- Lack of national-level data to help identify island-specific challenges.

Recommendations:

- Improve island data coverage to strengthen the evidence base for island-specific interventions.
- Develop a typology of island challenges, assets and needs.
- Amend the National Strategy to recognise different island categories identified in the typology.
- Consider requiring island impact assessments for policy making.

International example

The Scottish Government's Islands Typology

- Data collected on island populations, local amenities and ferry connectivity
  - ➢ Ten island typologies identified through data (e.g. independent hub islands, unserviced islands)
- Data help improve policy makers' understanding of island capacity and how to target support to specific islands.
  - E.g. they are used as a resource to inform Island Communities Impact Assessments

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Cross-government co-ordination and consultation mechanisms to support island development

Vertical co-ordination and dialogue mechanisms in Sweden

Key challenges:

- Current multi-level co-ordination and consultation mechanisms provide limited opportunities for regular dialogue on island-specific challenges.
- SALAR has limited capacity to advocate consistently for island needs.

Recommendations:

- A number of approaches could help to bolster the voice of islands in national policy design and implementation, including:
  - Holding an annual cross-government forum on island challenges
  - Setting up a cross-government committee on island affairs
  - Allowing subnational governments to submit proposals to adapt the territorial application of certain laws and regulations

International example

Finland's Advisory Committee for Island Affairs

- Composed of national and subnational government representatives and supported by a technical secretariat
- Reviews proposals made by regional and local governments to support island development
- Also conducts research on island-related challenges and formulates national government recommendations

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Subnational funding and financing arrangements to support island development

Subnational funding and financing arrangements in Sweden

Key challenges:

- Fiscal equalisation system is reviewed infrequently, and without ongoing consultation of island territories on service cost measurement.
- Eligibility criteria for Cohesion Policy funding may place potential island beneficiaries at a disadvantage.
- Lack of human resource capacity in certain island territories to apply for/or manage EU Cohesion Policy funding.

Recommendations:

- Create a multi-level working group on islands to improve measurement of service delivery costs.
- Develop specific funding calls that aim to address island insularity.
- Establish island co-ordinators to help territories apply for EU funding.

International example

Croatia's island co-ordinators

- 11 co-ordinators appointed to cover every coastal region
- Amongst other tasks, they are responsible for helping island territories identify funding opportunities, and assisting them with proposal-writing activities.

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