



Entrepreneurship on islands and other peripheral regions

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Aims of this study:

- To analyse the **particular challenges and obstacles faced by entrepreneurs and Small and Medium-sized Enterprises (SMEs)** on islands and in other peripheral areas, including inner peripheries, when starting up and running a business
- To **identify and analyse good practices** to foster resilience and to stimulate innovative and sustainable entrepreneurial development in these areas

Methodology:

- **Desk research** combining documents, literature & data analysis
- **Six case studies** have been analysed to show the different socio-economic, geographical and institutional situations of peripheral areas in Europe
- For each case, **relevant SME and entrepreneurship policies and programmes as well as good practice examples are included** to demonstrate the diversity of approaches to overcome the challenges associated to entrepreneurship and innovation in specific territories

Case studies: Crete (EL), Malta (MT), Canary Islands (ES), La Réunion (FR), Highlands and Islands (UK) and Västerbotten (SE)

Entrepreneurship in islands and in other peripheral areas at a glance:

- **remoteness, low population density, small size and fragmentation of markets, and economic dependence** on few economic sectors and niches (‘monocultural economies’)
- **usually low share of exports**, higher transport costs and the fabric of innovation, knowledge and higher education centres is not so dense as in more central regions
- **predominance of small firms** and the lack of large companies increase the dependency on SMEs and entrepreneurial initiatives as compared with other regions
- **share of self-employment higher** than on EU average, further indicating the importance of entrepreneurial initiatives for the overall economic development
- **the labour market is limited**, however sometimes unemployment is also low because of low population density and more flexible employment
- **highly qualified human capital and innovation activities are below European averages** on islands

Key challenges for islands and other peripheral areas from the perspective of entrepreneurship (I)

Challenges beyond the reach of economic policy and human design:

- Isolation and physical constraints
- Climate conditions and natural disasters

Challenges partly in the reach of economic policy and human design:

- Geopolitical situation
- Remoteness
- Fragile environments and endangered biodiversity
- Exposure to climate change effects

Key challenges for islands and other peripheral areas from the perspective of entrepreneurship (II)

Challenges that can be overcome by economic policy and human design:

- Small market size
- Reduced supply capacity
- Low economies of scale
- Higher cost of production and modernisation
- Low attractiveness for investments
- Monocultural economies
- Low density of population/companies and reduced number (and quality) of services
- Less and outdated digital infrastructures and services
- Reduced internal competition
- Brain drain
- Reduced opportunities for life-long learning
- Reduced availability of qualified workforce
- Low attractiveness for (high-potential) entrepreneurs
- Low density of research, development and innovation
- Technology and skills gap
- High intraregional disparities
- Specific border challenges

Business creation and entrepreneurship opportunities for islands and other peripheral areas

- Natural resources
- Agro-food value chains
- Blue Economy
- Tourism
- Sports and Leisure
- Culture and creative economy
- ICT, digital services and products
- Geostrategic assets

Policy approaches at EU for enterprise creation and expansion in peripheral areas

- Building entrepreneurial capacity
- Support of labour market, employment and skills
- Support for diversification of business in rural and coastal areas
- Cross-border and transnational programmes tackling territorial challenges
- Other policy areas such as competition rules, procurement, tax policy...

- EU policy approaches are complemented with national policies

for regional/national authorities:

- develop **place-based** and **tailor-made strategies** with a focus on exploiting their comparative advantages
- **coordination** with other policies
- adopt **business models** built on quality, environmental values, distinctiveness, recognition of quality and/or territorial labels and cultural references
- support to **innovation** in service sectors (tourism, retail) as well as in agricultural and agro-food sectors
- promote rural innovation **ecosystems and links** between farmers, fishermen and knowledge suppliers (universities, technology parks)
- Enhance **networks** of entrepreneurs, networks with business angels and venture capital investors, and networks of professional business services

at EU level

- develop **specific indicators** (at NUTS 3 or LAU-2 level) to make the territorial challenges of islands and peripheral areas visible
- support **specific knowledge transfer** and management processes with regard to economic development on islands and peripheral areas
- specific support for **capacity-building measures** and travel grants for participation at events (knowledge exchange, networking)