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
Policy recommendations

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)