

Study on the relevance and the effectiveness of ERDF and Cohesion Fund support to Regions with Specific Geographical Features – Islands, Mountainous and Sparsely Populated areas

Second Intermediate Report

June 2011

Study coordinated by ADE

This report has been prepared by ADE
at the request of the European Commission.

The views expressed are those of the
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1. Introduction and rationale for six case studies for Task 3

1.1 Introduction

This Second Intermediate Report presents the work carried out by the Team for Task 2: Analysis of ERDF and Cohesion Fund (CF) interventions within the 15 selected regions with specific geographical features (Objectives 1 and 2 covering 2000-06 and 2007-13 programming periods).

In accordance with the Study tender specifications and approved Inception and First Intermediate Reports, the analysis covers several main elements, namely:

- (i) Analysis of financial allocations and expenditure by priority and category of expenditure, as well as achievements against targets wherever possible. Particular attention should be paid to changes in strategies (if any) between the two programming periods.
- (ii) Examining the extent to which programmes are relevant and adapted to the specific context of islands and mountainous regions. Particular attention will be paid to the use of the existing opportunities allowed by the current legal framework for specific territories. To what extent have these territories been taken into account in programme and policy design and their implementation?
- (iii) Assessment of the extent to which ERDF complements other sources of funding (ESF, EAGGF, FIFG, EAGF, EAFRD or national funds)
- (iv) Identification of 6 cases of interesting practice that could be useful for other specific regions facing similar problems; to be further examined in the following task.

In this regard, this Report is organized into five chapters. This Introduction is followed by Chapter 2 which summarises the 15 regions selected for analysis in Task 2. In addition, the rationale for the choice of the six case studies for Task 3 is described, which builds on the work carried out in Task 1 (the Literature Review) and Task 2. Chapters 3, 4 and 5 provide the respective regional analyses for the 15 selected regions. Chapter 3 focuses on the five selected sparsely populated regions; Chapter 4 discusses the five selected mountainous regions; and Chapter 5 analyses the five selected island regions.

1.2 Overview of the 15 regions selected for Task 2

This section reviews briefly the 15 regions that were selected for analysis under Task 2. As discussed in detail in the First Intermediate Report, the aim was to choose regions that are representative of some of the different issues relating both to ERDF as well as the different geographical specificities. Table 1 below summarises the 15 regions at NUTS 2 level chosen for further analysis in Task 2 and Map 1 locates the different regions across the EU.

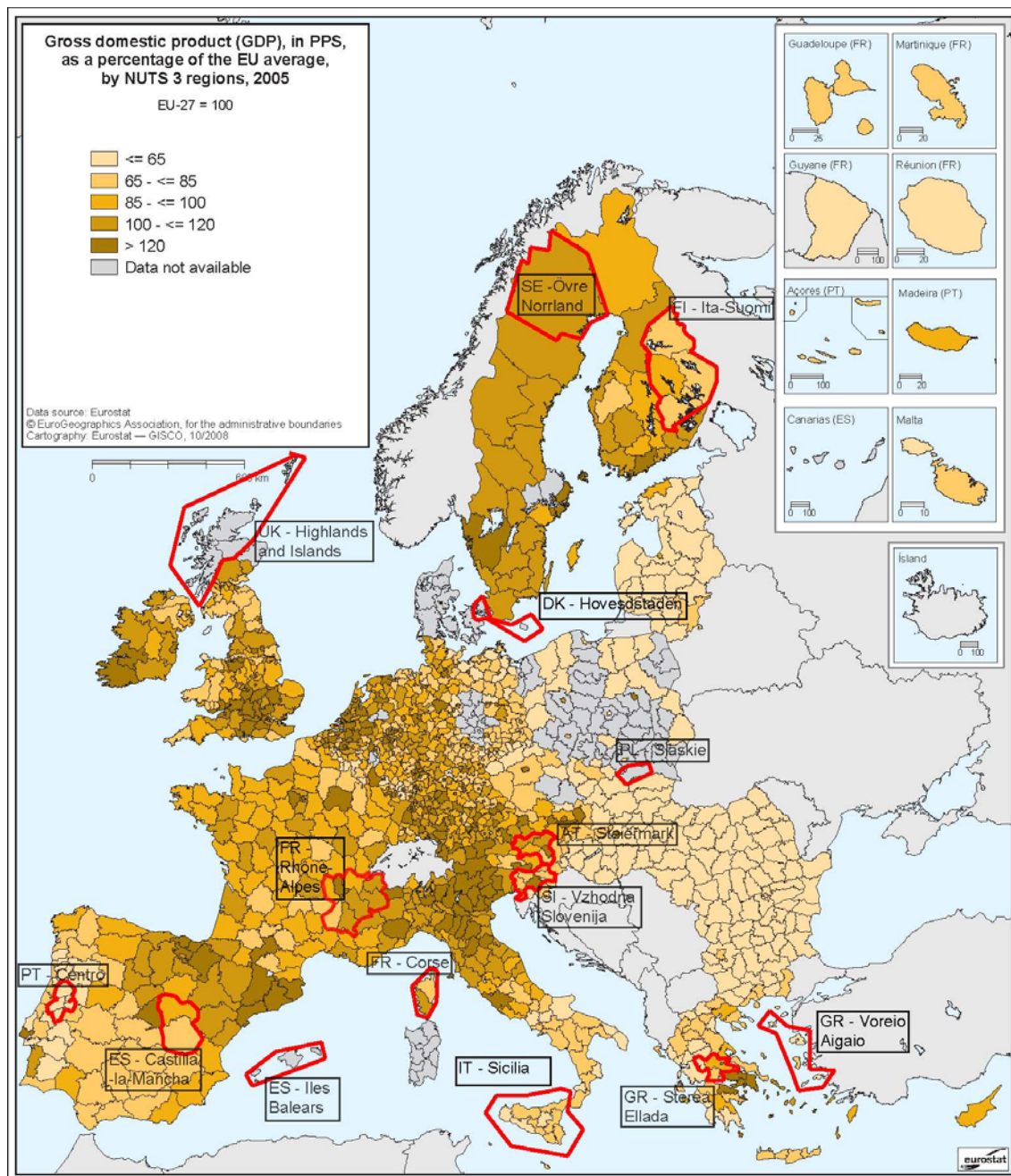
Table 1: Overview of the 15 selected regions

REGION CODE	REGION(NUTS2) NAME	MS	GDP per capita PPS2007 (€)	GDP per capita PPS index EU (2007)	Total Growth 99-07 (%)	Total Population (Mil.)	Employment rate % (15-64 years)	Nbre of NUTS3 specific geo. Features	geographical feature			Region relative growth trend
AT22	Steiermark	AT	26400	106.1	34%	1.2	70.9	5	m			
FR71	Rhône-Alpes	FR	30000	120	30%	6.1	64.8	4	m			
ES42	Castilla la Mancha	ES	20800	81.5	58%	2.0	57.8	2	m		s	
ES63	Balearic Islands	ES	28400	113.8	41%	1.0	68.0	3		i		
FI13	Itä-Suomi	FI	22100	88.8	49%	0.7	61.8	3	m		s	
FR83	Corse	FR	21100	84.6	34%	0.3	56.9	2	m	i		
ITG1	Sallia	IT	16400	66	34%	5.0	48.5	9	m	i		
GR24	Sterea Ellada	GR	20800	83.9	9%	0.6	58.8	3	m		s	
GR41	Voreio Aigaiio	GR	16600	66.6	30%	0.2	58.6	3		i		
PL22	Śląskie	PL	14400	57.8	98%	4.7	57.5	1	m			
PT16	Centro (P)	PT	16100	64.4	38%	2.4	69.9	6	m			
DK01	Hovedstaden	DK	37400	150.3	27%	1.6	77.4	1		i		
SE33	Övre Norrland	SE	28700	115.1	44%	0.5	70.1	1	m		s	
SI01	Vzhodna Slovenija	SI	18200	73.1	60%	1.1	66.4	4	m			
UKM6	Highlands and Islands	UK	21700	87.2	42%	0.4	73.7	5	m	i	s	

Source: Eurostat, 2011.

NB: Colours are blue, red, green and grey for respectively dispersed, lower, better and similar relative growth performances of regions at NUTS3 level (as compared to their respective NUTS2)

Map 1: Map to show the location of the 15 selected regions



Some interesting points regarding the selection are:

- 5 island, 5 mountainous and 5 sparsely populated regions;
- 6 convergence, 6 regional competitiveness and employment, 1 Phasing-out and 2 Phasing-in regions;
- regions from 12 Member States are represented, including 2 from 'new' Member States;
- the selected mountainous regions can be found in all sub-regions of Europe;
- the selected island regions contain both 'small' (i.e. Hovedstaden comprising of Bornholm) and 'large' islands (i.e. Corse and Sicilia) as well as those comprising groups of islands (i.e. Balearic Islands and Vorei Aigaio);
- the selected sparsely populated regions belong to Nordic Countries (Finland, Sweden), two South European ones (Spain and Greece) and a Western Europe one (UK). Hence, the sample is also fairly balanced in terms of subregional coverage of each geographical category;
- Some NUTS2 regions are comprised of NUTS3 region that all have specific geographical features (e.g. Balearic Islands) while other NUTS2 regions have a limited part of their space under the category of areas with specific geographical features (e.g. Slaskie, Poland);
- A range of socio-economic performances is observed at the NUTS2 level in terms of GDP per capita, growth rate, employment rate and size of population;
- Some NUTS2 regions have relatively strong intra-regional income differences at NUTS3 level (e.g. Rhone-Alps in France and Steiermark in Austria);
- Some NUTS2 regions are located in central parts of their Member State territory (e.g. Castilla La Mancha in Spain), while other ones are located in more peripheral areas (e.g. Ovre Norrland in Sweden).

In terms of the respective ERDF and CF programmes, the 15 regions selected represent a range of interesting examples of the ways in which ERDF has been used, in regard to different intervention areas. Table 2 below provides a summary of the ERDF and CF profile of the whole group for the previous and current programming period.

Table 2: ERDF and CF profile at a glance of the 15 selected regions

REGION CODE	REGION (NUTS2) NAME	MS	Operational Programme at NUTS 2 level	ERDF and Cohesion Fund (CF) expenditures (2000-2006)	Objective 2007-2013
AT22	Steiermark	AT	Yes	Objective 2 (except in AT221 Graz : no fund)	RCE
FR71	Rhone-Alps	FR	Yes	Objective 2	RCE
ES42	Castilla la Mancha	ES	Yes	Objective 1 & CF	CONV & CF
ES53	Balearic Islands	ES	Yes	Objective 1 & CF	RCE
FI13	Itä-Suomi	FI	Yes	Objective 1	Phasing in
FR83	Corse	FR	Yes	Objective 1	RCE
ITG1	Sicilia	IT	Yes	Objective 1	CONV
GR24	Stereia Ellada	GR	OP 2007-2013 covers several NUTS2 level regions	Objective 1 & CF	Phasing in
GR41	Voreio Aigaio	GR	No: OP 2007-2013 covers several NUTS2 level regions	Objective 1 & CF	CONV & CF
PL22	Śląskie	PL	Sectoral programmes	Objective 1 & CF	CONV & CF
PT16	Centro (P)	PT	Yes	Objective 1 & CF	CONV & CF
DK01	Hovedstaden	DK	Only 1 national programme	Objective 2	RCE
SE33	Övre Norrland	SE	Yes	Objective 2	RCE
SI01	Vzhodna Slovenija	SI	Yes	Objective 1 & CF	CONV & CF
UKM6	Highlands and Islands	UK	Yes	Objective 1	Phasing out

Source: DG Regio, 2011.

Overall, there are a range of interesting points of comparison that emerge. For example:

- Seven regions benefitted from the Cohesion Fund during the two programming periods;
- There is a mix of regions implementing their Operational Programme at the NUTS2 level (e.g. Steiermark); several NUTS 2 combined (e.g. Voreio Aigaio), through sectoral programmes (e.g. Slaskie) or through one national programme (e.g. Hovedstaden in Denmark).
- The selection includes some regions which benefit from ERDF additional support as outlined in the ERDF Regulation e.g. Corse (Disposition n°29), Ita-Suomi in Finland and Övre Norrland in Sweden (for parts of some of their NUTS3 regions, i.e. respectively Kainuu, Pohjois-Karjala, Etelä-Savo and Norbotten, alongside outermost regions, Disposition n°20).

1.3 The selection of six case study regions for Task 3

This section identifies six cases of interesting practice at NUTS 3 level to be analysed in more detail in Task 3 that could be useful for other regions facing similar problems. The final list will be agreed with the Steering Group prior to the commencement of the case study phase.

The choice of the six is based upon the information gathered for this Task regarding the detailed analysis of ERDF (and Cohesion Fund (CF) in the 15 selected regions. Each of the five regions within the respective territorial types ie sparsely populated, mountainous and islands are presented in detail in the subsequent chapters.

Importantly, insights from the Literature Review carried out under Task 1 were also taken into account when selecting the six NUTS 3 regions. A summary of the key points that emerged from the Literature Review are listed below:

Defining the territories

- The regions with specific geographic features - island, mountainous and sparsely populated regions - **do not represent a 'standardised' category or definition;**
- The categories themselves are as much **sociological or cultural constructs as geographical or territorial ones**, as often definitions and perceptions change depending on regional or national context.
- **There are differences within the categories themselves;** for example, Sicilia is an island although due to its size and location, the effect of its 'island-ness' is very different to a smaller island, such as Bornholm (Denmark) which is considerably smaller in size and population. Although both 'big' and 'small' islands exhibit similar characteristics there is no single consensus theory of economic growth and development of the two types of island economies;
- In addition, **sparsely populated is actually a demographic feature**, which in theory, could change over time whereas being an island or a mountain is a fixed, 'natural' geographical feature. Moreover, sparsely populated regions do not only suffer from population scarcity related to their geographical position but also from the resulting economic vulnerability related to their high dependency and exposure on volatile market forces. This condition is often fostered or the result of relatively scarce transport infrastructure and relatively higher costs of (basic) services including access to ICT;
- **Mountainous regions are probably the most diverse category in terms of their geographic, demographic and socio-economic specificities** although they do have certain characteristics that are common to the majority of them, such as relatively low accessibility, higher costs of infrastructure development and relative peripherality;
- **Some regions belong to more than one category** i.e. islands that are also mountainous, such as Corse (France) or Highlands and Islands (UK) which contains islands that are sparsely populated or Castilla-La- Mancha which has areas that are sparsely populated and mountainous. In short, defining the

territories is far from straight-forward plus the range of features plays out differently in the contrasting contexts;

‘Assets’ and ‘obstacles’ in the three territories

- **The territories do have some inherent *advantages* which may offset (either partially or fully) their inherent *handicaps*.** Actually, the scenario is mixed as most EU regions with specific geographical features present both a mix of constraints or ‘disadvantages’ and assets or ‘advantages’, the relative combination and intensity of which can led them to perform better or less well;
- In addition, **such ‘assets’ and ‘opportunities’ along with ‘handicaps’ or ‘obstacles’ are actually interlinked.** Thus, it is vital to examine such features holistically in order to reap both the benefits of certain ‘assets’ as well as mitigate or overcome some of the negative effects of these inherent features.
- **The three territories concerned do exhibit some common inherent characteristics** such as *remoteness, small size, extreme climate*, and so on that remain mostly out of reach of human action – this is why we call them *inherent*. In other words, they are “natural” (i.e. mostly given by nature) and cannot be altered in the long run – in this sense they are different from structural features that can be changed through time thanks to an appropriate long term policy;

Socio-economic differences and the role of policy and governance

- Evidence suggests that **what unites all three territories is the enormous *variation* within each category in terms of socio-economic performance.** Each category contains within it some of the best performing and worst performing regional economies within the EU.
- **The role of public policy and governance is crucial.** The key point is that economic performance of any particular region with specific geographical features will vary with the quality of its policy-making, including the policies aimed at mitigating specific constraints, specialisation policies, and so on;
- It is possible to distinguish between **three main territorial approaches** adopted in the respective territories:
 - 1) **Reactive strategies** that are usually aimed at mitigating the specific ‘obstacles’;
 - 2) **Proactive strategies** aimed to stimulate the emergence of new innovative sectors with a higher value added and/or develop new governance approaches;
 - 3) **Sustainable strategies** which focus on exploiting the opportunities in terms of the environment, renewable energy in the various territories;

The role of ERDF in the three territories

- The share of population² living in the three territory types compared to their relative share of ERDF/CF spending in 2000-2006 shows that they did receive relatively more than their population size:
 - **For mountainous regions: 14 per cent of the spending 2000-2006, for 8 per cent of the EU population;**
 - **For islands: 5.8 per cent of the spending for less than 3 per cent of the EU population;**
 - **For sparsely populated regions: 1 per cent of the spending for 0.6 per cent of the EU population;**
- **In 2000-6, over a fifth of the total of the ERDF funds (c. 30 billion Euros) were committed to the three types of territory combined.** Clearly, a significant amount of money which shows that the relative need of the territories was relatively high compared to other EU regions;
- There are proportionately more Objective 1 or 2 regions that are either mountains, islands or sparsely populated. **Whereas Objective 1 accounts for 66 per cent of EU regional support (ERDF+CF), it represents 75 per cent in mountainous and 71 per cent in sparsely populated regions as well as 90 per cent in islands.** In the latter case, less than 2 per cent of the funding was committed to Objective 2. All in all, this indicates the relatively lower level of socio-economic performance within and between these three types of territory;

In conclusion, then, given the diversity within the three respective types of territory as well as the ways in which ERDF and CF strategies differ, there is not a 'typical' case to consider but rather a mix of different approaches, strategies, governance systems, good practices etc. It is not feasible to choose a 'definitive' sample of six NUTS 3 regions that are 'representative', instead the aim is to select six case studies that provide an interesting mix of different aspects both of geographical specificity as well as the ways in which ERDF and the CF have been utilised.

The rationale for selection of the six NUTS 3 case studies is provided in the next section.

² The population data for the three territories is taken from Montfort (2009). However, there are limitations since it includes Romania and Bulgaria, which were no beneficiaries in the 2000-2006 programming period as well outermost regions which are out of the scope of this Study.

1.3.1 Rationale for six NUTS 3 case study regions

The six regions highlighted are those that have been selected for further investigation in Task 3. The rationale for each region is discussed further below.

REGION CODE	REGION (NUTS2) NAME	NUTS 3 selected (code)	Territory type
Spain (ES42)	Castilla la Mancha	Cuenca (ES 423)	Sparsely populated and mountainous
Sweden (SE33)	Övre Norrland	Norrboten (SE332)	Sparsely populated
Greece (GR41)	Voreio Aigaio	Lesbos (GR411)	Islands
Denmark (DK01)	Hovesdstaden	Bornholm (DK014)	Islands
France (FR71)	Rhone-Alps	Ardèche (FR712)	Mountainous
UK (UKM6)	Highlands and Islands	Western Isles (UKM64)	Sparsely populated & islands

Source: Eurostat, 2011, DG Regio, 2010

1) Cuenca (in Castilla La Mancha)

- The province of Cuenca is located in the heart of Spain around 150 km east of the capital Madrid. Geographically, it is a sparsely populated area but the on northeastern part of the province, bordering the neighbouring province of Guadalajara, there is the Sistema Ibérico mountainous area. In 2007, the province of Cuenca had a population of just over 211,000 with a density of 12 per km². The city of Cuenca, the administrative capital, accounts for 25 per cent of all residents of the province whilst, in 2008, nearly 85 per cent of the towns in the province had less than 1,000 inhabitants spread over a territory of over 17,000 km².
- It is one of the few non-Nordic regions that is sparsely populated and so it provides an interesting comparative case as much of the literature on sparsity focuses on the Nordic cases. However, in the Spanish case the issue of sparsity is viewed more as a question of rurality rather than solely as a lack of population. In addition, the province is also mountainous which creates a further 'handicap' to be dealt with;
- In terms of governance, the Spanish case is interesting because it has a 'mixed' structure with the central government playing an important role in the management of

ERDF whilst the regions do have considerable autonomy in areas such as economic development. Exploring the ways in which ERDF governance issues play out in Cuenca will be interesting in order to see the extent to which the NUTS 3 level stakeholders can play a role in developing projects related to their specific territorial specificities;

- Exploring the role of the Cohesion Fund is important in this regard as it has a national focus yet significant amounts of funds have been spent in the fields of transport in Cuenca. The interactions, therefore, between local stakeholders in the management of the projects will be explored;
- ERDF and the Cohesion Fund have played an important role in the region and have been used to try to address some of the territorial constraints (e.g. hi-speed rail link (Madrid to Valencia), enhanced road network, tourism promotion etc.). In terms of successful projects that have capitalised on its handicaps to produce opportunities is the 'Plan to Promote Tourism Product of the Serrania de Cuenca Alta'. Co-financed by ERDF, this project is a joint effort between various governments and agents, with the aim of promoting the tourism sector in an area that, despite having sufficient resources, have not hitherto been fully exploited.
- More in-depth work will be done with stakeholders to analyse the strategy and approach that was used to develop such projects to turn 'handicaps' into opportunities.

2) Norrbotten (in Övre Norrland)

- Norrbotten is in some ways an 'extreme' and remote region. Its geographical location in the far north of Europe means that it has a harsh climate with a dispersed population with a very low density of only 2,6 persons per km². This combined with its vast territory (98,911 km², one quarter of the whole of Sweden) and the long distances ensure that internal travel is very time consuming;
- Norrbotten has a long tradition of exploiting natural resources in the form of mining and forestry. These are still strong sectors in some locations. At present new mines are being started, e.g. the Pajala-Kolari mine on the Swedish-Finnish border bringing extensive cross border activities. Despite being sparsely populated agriculture only makes up for a minor part of the regional economy though. Due to climate and geography the area is in many ways unsuitable for large scale agricultural activities;
- The demographic trends seen in many parts of rural Europe, with an ageing and shrinking population is really quite marked within the various settlements within Norrbotten making it a very interesting case to study from an EU point of view;
- At the same time, Sweden has a long tradition of strong welfare and regional policies resulting in a high level of public services, regional redistribution of wealth and investments in new technologies to try to overcome the problems of remoteness and sparsity. The traditional focus on redistribution, however, has been rather tuned down in Swedish national development policies and debates more recently, with the focus shifting to building competitive regions based on endogenous resources;
- Norrbotten is a very good example, therefore, of the alignment between domestic and EU policy in this regard as the region is making use of its inherent resources, partly with the use of ERDF funding, to develop innovative projects. Indeed, the

region is eligible for additional ERDF financial support because of its territorial specificity;

- The long experience in service supply in sparse regions does for example make up a basis for the development of e-health, while the vast distances, cold climate and peripheral location is used to develop parts of the county into an international car test region. Efforts are currently put into the development of the local business sector so that more highly skilled jobs will be carried out by local firms instead of by the large international automotive manufacturers visiting the region. Work is for example also done to prolong the season to avoid the seasonality of the local jobs created;
- Despite its peripheral location Norrbotten has many international connections and borders both Norway and Finland and is also located close to Russia. There are a number of transnational cooperation bodies covering both the three Nordic as well as all four countries and effort is made to increase the cooperation further. Some parts of Norrbotten have long traditions of cross border cooperation and the closeness to other countries enlarges the markets and increases service supply for example;
- Overall, Norrbotten constitutes an interesting case of a NUTS3 region that has really focused on turning its considerable territorial handicaps into opportunities to foster economic growth through the innovative use of both ERDF and domestic funds;

3) Lesbos (in Voreio Aigaio)

- The Greek islands make up a significant number of the EU's islands and Voreio Aigaio is interesting because it is a Convergence region (and Cohesion Fund) which needs to deal with the issue of 'double insularity' due to being an archipelago with problems of remoteness, small size of markets etc. It is also a border region being located very close to Turkey;
- The NUTS 3 region of Lesbos is the largest of the seven islands in the archipelago of Voreio Aigaio and the administrative and commercial capital. In fact it is the third largest Greek island and actually the largest in the Aegean Sea;
- In terms of the strategy for using ERDF it is apparent that there was much more focus on issues relating to the territorial specificity of the island in the previous than in the current period. This relates to governance issues in Greece because the region of Voreio Aigaio had its own Operational Programme (OP) in 2000-06 but that was changed for the current period in favour a multi-regional OP grouping together several NUTS 2 regions;
- The result is that ERDF and CF funding has focused mainly on developing transport and environmental infrastructure rather than being based on a regional strategy to overcome the specific territorial handicaps that the region faces. Clearly, the large amount of ERDF and CF funding have brought benefits to Lesbos in terms of improved transport access etc however there is not a strong rationale linked to overcoming specific issues on the island. In many ways, the funding is allocated in the same ways as programmes for mainland Greece;
- This raises a number of issues about the most appropriate scale of governance for programme management which will be explored further with stakeholders on the

islands of Lesbos. In addition, to explore issues about how the strategy for ERDF could be more focused on island specific issues, relating to areas such as tourism or improving ICT provision as well as better evaluate ERDF results and measure progress at the local level in Lesbos;

4) Bornholm (in Hovedstaden)

- In contrast to Lesbos, Bornholm is a Nordic ‘small island’ which is relatively wealthy and receives much less ERDF support as a Regional Competitiveness and Employment region. It is an interesting case because, although at NUTS 2 level it is a part of the Copenhagen capital region, which territorially is very different, administratively the island manages ERDF administration and regional development independently from the Capital Region. In other areas, not related to regional development, Bornholm is a part of the administrative Capital Region;
- This point will be explored in more detail during the interviews with stakeholders to explore the point about the congruence in governance at the NUTS 3 level for the management of ERDF. In contrast to Lesbos, which has a highly centralized management structure, the management of ERDF is much more focused on the needs of the island itself;
- The issue of peripheral areas has recently become a more intensified part of the political debate in Denmark, and in 2010 the policy document ‘A balanced Denmark in a global world’ which allocates additional funding to peripheral areas, e.g. with green growth as one focus area, was introduced. National policy, otherwise, does not seem to have focused on dealing with specific geographical characteristics;
- ERDF has, on the other hand, provided an opportunity to establish exemptions for the islands in Denmark to provide direct support to investments to individual firms. The national policy focus combined with the local level governance of ERDF funds will be an interesting issue to explore further, and the limits/opportunities related to dealing with specific geographical features, notably in a country where it has recently been debated whether Denmark can even be considered to contain peripheral areas seen in relation, for example, to the other Nordic countries;
- In addition, even though Bornholm receives relatively small amounts of ERDF funding, it has developed some very interesting projects that are focused on turning ‘handicaps’ into opportunities, for example, in areas such as cluster development and tourism. Again, such projects will be explored in more detail in the interviews with the key stakeholders on the island;

5) Ardèche (in Rhone-Alps)

- The French region of Rhone-Alps contains several NUTS 3 mountainous regions, which depict contrasting socio-economic performances. The selected region Ardèche is located in the Massif Central, which is actually the poorest location in the region compared to the relatively wealthier areas in the Alps.
- Ardèche and the Massif Central actually offer a more interesting and representative case compared to other EU mountainous regions based on the nature of their

handicaps such as remoteness, attractiveness to business, demographic challenges etc.

- In regard to ERDF, Ardèche is interesting since most of its territory was eligible under Objective 2 in the previous period, during which a strong focus was given to the development of tourism and ICT infrastructure. In the current period, however, the abandonment of territorial zoning means that the entire region is eligible for support which has actually meant that the other NUTS 3 areas of Rhone-Alps, which are relatively wealthier, receive proportionately more support than the previous period. The interviews with the stakeholders in Ardèche will show the implications of this change.
- Complementarity with domestic policy and EU funds for rural development is of particular interest. France has is one of the few EU Member States that developed a policy approach and legal framework for supporting mountainous areas, which has been in place for many years. The extent to which such domestic support is aligned with ERDF is an interesting point as well as the complementarity with EU funds supporting rural development (EAFRD).
- In terms of governance, Ardèche provides an appealing case of multi-regional approach between neighbouring French regions in the Massif Central. Some ERDF funding is used to promote such kind of cooperation in order to tackle common issues within and between the mountainous regions. Such examples could potentially provide good practice for other regions to adopt.

6) Western Isles (in Highlands and Islands (H&I))

- The Western Isles have elements of all three territorial types i.e. islands that are sparsely populated with some upland areas as well. Moreover, the island archipelago contains small off-shore as well as 'big' islands. The Western Isles are the most remote and peripheral of the NUTS 3 sub-regions within the H&I. Indeed, peripherality and insularity are stressed as key points in both the 2000-06 and 2007-13 ERDF programmes. The two programmes also show a movement from seeing the geographical characteristics as solely problems/weaknesses to a slightly more positive view;
- In terms of the socio-economic performance of the Western Isles, there are low levels of growth and new business formation, relatively high levels unemployment and a relative over-dependency on public sector employment. Plus, unlike the other islands in the H&I such as Shetland and Orkney, the Western Isles do not have natural resources endowments such as oil or natural gas;
- Demographically, the challenge is one of a falling population with the out-migration of the younger and more educated as well as a drift from rural areas into Stornaway, the main town on the Isle of Lewis in the Western Isles;
- In relation to ERDF, the H&I has developed a very interesting methodology for defining 'fragile areas' in the context of regional economic development and the ERDF Operational Programme. This is used to allocate project funding in the respective NUTS 3 regions so the case study will explore the extent to which this has been effective in the Western Isles context;
- In terms of governance, the region also has an interesting governance system built upon strong devolved powers in Scotland with a variety of domestic strategies and

funding streams aimed at tackling the geographic specificities in the Highlands and Islands. Moreover, the Western Isles, has its own Islands Council which has a range of competencies and elected officials. Again, the ways in which the devolved system of governance plays out in the Western Isles will be a focus of the case study work;

- There are many exemplar projects of how geographical disadvantage can be ameliorated and turned to advantage. For example, the Western isles Broadband Initiative and the joint Scottish executive/HEI ERDF-supported Broadband Supply Side Intervention. The region now has some of the highest broadband access rates in the UK. In addition, the Stornoway Creative Industries and Media Centre in the Western Isles is another good practice example.

The methodological approach that will be used for carrying out each of the case studies is described in Annex 1. Having outlined the selection of the six NUTS 3 case studies the subsequent sections focus in detail on the 15 regions analysed under Task 2. The main sources of information analysed for Task 2 were Operational Programmes and related documents written in the original languages of the respective region and country. The main statistical sources consulted were the DG Regio Study carried out by SWECO, 2008 on financial commitments for the 2000-06 period made at the final stage of programming, which means that the figures illustrated are close to payments. For the information on indicators, the data was extracted from the DG Regio, Work Package 2 database for all OPs, 2000-06. The Eurostat provided focuses on two years – 2000 and 2007; this was to ensure full availability at the NUTS 2 and 3 level as well to coincide with the respective start dates of the two programming periods. In addition, a short questionnaire survey was sent to each of the 15 Managing Authorities to complement the desk research; a total of seven were returned completed. The next section focuses on the five sparsely populated regions.