

Comments from the Northern Sparsely Populated Areas' (NSPA) on the Ninth Cohesion Report and the ongoing debate on the future of Cohesion Policy

The Northern Sparsely Populated Areas network, NSPA, represents the interests of the four northernmost regions of Sweden (Norrbotten, Västerbotten, Jämtland Härjedalen and Västernorrland), seven northernmost and eastern regions of Finland (Central Ostrobothnia, Kainuu, Lapland, North Karelia, Northern Ostrobothnia, Pohjois-Savo and South Savo) and North Norway (Finnmark, Troms and Nordland).

The discussions on the future of EU cohesion policy are fully underway after the publication of the European Commission's Ninth Report on Economic, Social and Territorial Cohesion, the Report of the High-Level Group on the Future of Cohesion Policy, Enrico Letta's report on the future of the single market, as well as Emanuel Macron's speech on the future of Europe. After considering these recent publications and the ongoing discussion, the NSPA in the European Arctic wants to contribute to the debate.

The opinions expressed in this paper are to be considered an addition to [the NSPA position](#) adopted in November 2023 on the future of cohesion policy. Thus, the comments expressed in this position builds on the following key messages from the previous position:

- An impactful EU development policy requires an **ambitious budget line**.
- The geopolitical situation requires **special attention** to the NSPA.
- A policy for structural conversion requires **long-term investment strategies**.
- A comprehensive policy requires a **coherent regulation package**.
- An efficient policy requires **full flexibility** to fit territorial specificities.
- An acknowledged policy requires substantial improvement of **multi-level governance**.

1. Cohesion policy is vital for tackling structural challenges in regions and boosting EU competitiveness through a stronger single market

- The current discussions on the EU's future are largely focused on the needs to address challenges with increased global competition, geopolitical tensions, and with achieving a successful green and digital transition and the demands that follow regarding skills supply and investments. The NSPA recognises the importance of these discussions and the need to revise existing policy tools to deal with challenges more effectively. However, the NSPA wants to reiterate the message from the Letta report that, alongside the single market, cohesion policy is and should remain, the primary EU instrument for driving sustainable development and economic growth. Cohesion policy is essential for unlocking the economic potential in regions, enabling regions to build on their strengths, tackle challenges and contribute to the EU's global competitiveness. By fostering sustainable, smarter and more competitive societies, cohesion policy is also a European security policy for regions affected by geopolitical tensions and closed borders. No region should be left behind, as this leads to a weaker EU.

- Looking ahead to the EU's next budget period, the NSPA advocates for a balanced focus on industry and strategic autonomy. Cohesion policy must remain focused on its long-term objectives of promoting capacity in local innovation ecosystems to enable the transformation of businesses and societies in line with the EU's overarching objectives. While it is sensible to review how European production and strategic autonomy can be promoted, it is important to avoid turning cohesion policy into a reactive and centralised policy with a too narrow perspective on competition. Competitive European value chains can only be built through long-term local and regional attractiveness to draw investment capital and create viable business cases. This approach is especially clear in the NSPA's efforts to enhance potentials for sustainable growth.
- Over the past years, cohesion policy has promoted regional development in the NSPA region, which has contributed to the achievement of EU objectives. Despite geographical and structural challenges – such as long distances, a sparse population, and high dependence on natural resources – cohesion policy has enabled cooperation in combination with strategic investments which has turned arctic challenges into competitive advantages, thus providing added value to the EU as a whole. Looking onwards, the NSPA region has great potential but requires continued support to both address structural challenges and to capitalise on possibilities.

2. Enabling regional reform agendas through the integration of smart specialisation in the European Semester

- The NSPA wants to reiterate the message from the Ninth Cohesion Report that cohesion policy investments alone cannot guarantee economic progress in regions. Other policies, at EU and national level, must consider their spatial impact. The NSPA also believes in the complementarity of policy tools and that reforms can help increase the impact of investments. However, the involvement of regions in developing this methodology is crucial.
- In the context of European transition towards a greener, more digital, and resilient growth model, there is a need for effective governance that involves all relevant stakeholders. All EU initiatives depend heavily on the regional and local level for successful implementation and for a successful European development policy post 2027. To support this synergy of policy levels, the NSPA advocates for the concept of smart specialisation to play a central role.
- Smart specialisation strategies are important tools for boosting competitiveness as they with a forward-looking approach highlight and prioritize vital areas in regions to strengthen competitiveness. Developed at the regional level, they gain economic and political legitimacy through the involvement of local and regional stakeholders. This bottom-up perspective is critical not only for policies to be effective, but also for engagement from local and regional policymakers and their work to connect to shared EU objectives. Ultimately, policies that are both effective and politically legitimate are important for mitigating citizen concerns about inefficient use of funds.
- Looking forward, the NSPA supports the inclusion of regional smart specialisation strategies within the European Semester to guide investments and reforms effectively in the upcoming programming period. Our recommendation is that smart specialisation not only targets regional investment priorities with the support of EU tools, but that it also provides a platform for local and regional reform agendas to overcome structural obstacles and support the work

towards strategic goals. Moreover, through an established partnership principle between regional, national and EU levels, it requires that reforms on all levels align with the European Semester and its recommendations, delivering shared EU objectives. This integration of policy levels ensures that regional needs and potentials are embedded in the broader EU agenda for competitiveness and reform through cohesion policy.

3. More comprehensive analyses are needed to better understand challenges and opportunities at regional and local level

- The Ninth Cohesion Report is rich on data and analysis and raises many important aspects of regional development that go beyond the GDP of regions. However, the report is relying mainly on aggregated and historical data and therefore overlooks significant intra-regional variances and fails to accurately reflect current conditions in the NSPA as well as emerging challenges. For instance, for remote regions such as the NSPA, with few people in vast areas that are heavily dependent on raw material industry, aggregated data on NUTS-2 level can paint a misleading impression of prosperity. This is mainly due to the large industries and energy production pulling up the numbers together with the generally high welfare system in Nordic countries. In reality, many local and regional communities continue to experience population decline, a lack of critical mass, struggle to sustain daily operations and face even greater challenges in making necessary long-term investments and taking strategic actions.
- The report also overlooks the effects of geopolitical tensions in the European Arctic following the Russian invasion of Ukraine as well as the consequences climate change will have in NSPA regions. Furthermore, while it is positive that the report highlights different dynamics of regional development, including the challenges associated with talent development traps, the range of indicators used is too limited and the historical data fails to capture both recent and upcoming challenges. For instance, recent investments in green industries in a number of NSPA municipalities create new opportunities but they also introduce challenges that will only accelerate in the near future such as skills shortages, increased demands on housing, public services, and infrastructure. Consequently, the report does not capture the risk of talent development trap in the NSPA, where the shortage of skilled labour severely hampers the ability to develop sustainable, competitive, and knowledge-based economies and to successfully achieve a green transition.
- Aggregated and historical data can give false presumptions, if not cross-checked with a bottom-up approach on regional development and global competitiveness. The NSPA therefore calls for the inclusion of regional perspectives in EU policy making for developing support schemes that are tailored to address the true needs and potentials in all parts of the EU, and for the allocation of funds to be based on evidence that accurately reflects the diverse realities of different regions. Consequently, the NSPA is participating in initiatives such as the upcoming OECD study, funded by DG Reform, and in previous reports from the [OECD](#), [Nordregio](#) and [Spatial Foresight](#). The purpose of these efforts is to deepen the understanding of local and regional conditions and to generate policy recommendations at regional, cross-border and national levels. By engaging in granular, bottom-up studies, the NSPA contributes to a more comprehensive European analysis and data. The EU's involvement in these efforts is crucial, but it must also be accompanied by tools that are tailored to fit local and regional contexts, thus ensuring the benefits for the EU as a whole.

4. Pursuing long-term goals while adjusting to changed local circumstances

- The NSPA wants to reiterate the message from the Ninth Cohesion Report that the main focus of cohesion policy should remain on the achievement of long-term structural objectives. It is important that while maintaining a focus on long-term goals, there is an in-built flexibility that allows regional level to adjust fund allocation in order to tackle changed circumstances at regional and local level. This enables tailored responses to exceptional and unusual circumstances to crises that have an uneven impact across and within regions. The impacts of crises can hit communities and sectors in different ways, and it is therefore necessary that support schemes can be adapted to address challenges that arise in order to put things back on track for the long-term pursuit of objectives in line with smart specialisation strategies, strategies that also may be revised over time as conditions change.
- It is important that funds within cohesion policy that are not yet disbursed are not regarded as a financial reserve that European or national level can draw upon for crisis response. The NSPA recognises that European or national level may not fully grasp the uneven impacts crises can have across different regions. Moreover, the long-term perspective of smart specialisation strategies exemplified through capacity building and the strengthening of innovation ecosystems is in itself a proactive tool to be better prepared for crises so that businesses and societies are more resilient and can adapt to new circumstances. If there is a need to redirect cohesion funds in order to manage exceptional and unforeseen circumstances, this should be done with the active participation of regional and local level, in line with the partnership principle in order to avoid compromising long-term objectives.

5. A new European strategy accompanied with a strategic framework

- In a world undergoing fundamental changes due to geopolitics, technology, crises, climate, and the paradigm shift in European growth strategy towards a green, digital, and resilient economy - evidenced by numerous significant legislative packages in the EU - the NSPA sees the need for a new, consolidated vision to guide the EU's shared future. The Europe 2020 strategy, which has now come to an end, offered a common language and understanding for the need for different levels of governance to align their long-term efforts in pursuit of overarching strategic priorities through the keywords "smart, sustainable and inclusive growth" to deliver a more competitive Europe. In the NSPA communities, the strategy helped connect regional, local, and municipal development strategies and facilitated their direct linkage to EU goals. As the EU navigates through current and upcoming challenges, the NSPA calls for a new European strategy to help steer different policy levels towards a better and shared future.
- The NSPA recommends that a new European strategy should be accompanied with a clear strategic framework that defines the long-term objectives governing cohesion policy and its alignment with the EU's broader strategic priorities. Such a framework can help improve not only the synergies between cohesion funds but also bridge the gap to other EU instruments and in that way facilitate local and regional level address complex challenges and contribute to common EU goals. The cohesion policy tools should be seen as a steppingstone for local and regional level to make use of the sectorial support schemes and contribute to the EU's overarching aims. This is especially important for regions with small own capacity, such as the NSPA.