



**Opinions from the Northern Sparsely Populated Areas on the Consultation on the conclusions of the Fifth Report on Economic and Social Cohesion 2011-01-28**

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*The NSPA network for Northern Sparsely Populated Areas represents close collaboration between the four northernmost counties of Sweden (Norrbotten, Västerbotten, Jämtland, Västernorrland), the seven northernmost and eastern regions of Finland (Lapland, Oulu, Central Ostrobothnia, Kainuu, North Karelia, Pohjois-Savo and Etelä-Savo) and North Norway (Finnmark, Troms and Nordland) with a special focus on the future European Cohesion Policy. These regions have many common circumstances such as sparse population, harsh climate and long distances. The network is working together to raise awareness of the region in the EU institutions, influence EU policy and to provide a platform for best practice.*

### **1. SUMMARY OF NSPA COMMENTS ON THE CONCLUSIONS OF THE FIFTH COHESION REPORT**

The NSPA welcomes the debate on the European Cohesion policy after 2013 and would like to contribute to the debate with the following reflections and recommendations based on our experience with the previous and current cohesion policy.

The EU cohesion policy is an important tool for regional development. A forceful and ambitious cohesion policy can help the NSPA to fully realise the areas vast potential for further contributing to the EU added value. Today, the NSPA provide the EU with world class knowledge and vital natural resources. The NSPA wants the Cohesion policy to support a further development of the natural resources such as minerals, energy resources and wood, into more competitive products and products with higher added value, and to develop more sustainable modes of production through e.g. energy efficiency, cleaner processes and a more sustainable exploitation. Important factors for a future strong export of vital natural resources are strong infrastructural connections to central markets and enhanced connectivity within the NSPA as well as between the NSPA and the surrounding world.

Cohesion policy triggers important processes of structural changes that are vital for a sustainable development of the NSPA area. Cohesion policy funding has been an important factor for investments targeted at strengthening the service sector and to transform the economies of the NSPA into more diversified economies characterized by knowledge and innovations. Many industries has the potential of becoming vital for the future EU competitiveness, such as the NSPA research and production of energy sources, the NSPA knowledge of how to handle an ageing population through public service organisation and technology, and the emerging creative and cultural industries. The innovative capacity of the NSPA has been significantly strengthened by the EU Cohesion policy, and could be even more strengthened in the future by creating a specific innovation strategy for the area.

On the future Cohesion policy and on the findings in the 5th cohesion report, The NSPA especially wants to stress the following:

- The NSPA supports a strong future EU cohesion policy – a policy for economic, social and territorial cohesion in the European Union
- The NSPA believes that regional policy plays an important role in achieving the vision of EU 2020, and for achieving the vision of EU 2020 the NSPA stress the importance of a future cohesion policy available for all regions in EU
- Focusing investment on where economic growth best can be achieved has to be clearly understood as focusing development measures and reforms on the specific regional factors and activities that have the greatest potential for strengthening the development of the specific region, in all regions of the EU. To achieve this ambition, the instruments for development of the competitiveness and employment objective are vital.
- The NSPA is pleased about the territorial dimension added to the cohesion policy through the Lisbon Treaty and agrees on the writing that special attention needs to be given to regions with certain geographical features such as sparsely populated areas. The special conditions are also confirmed in protocol 6 of the Accession Treaty for Sweden, Finland and Austria, and article 174 of the Lisbon Treaty.
- The NSPA believes that cross border cooperation is an important element of cohesion policy. The INTERREG and ENPI programs are a vital part of cross border cooperation and activities, stimulating interregional contact and networking, and the exchange of ideas and best practice. The INTERREG and ENPI programs are especially important for the increasing cross border cooperation with the EEA countries and Russia.
- The NSPA strongly emphasises the importance of multilevel governance. The involvement of the regional and local levels is essential for designing and implementing effective policies for sustainable growth in Europe. In order to establish multi level governance and to respect the principle of subsidiarity, partnership agreements must include three parties. Not only the commission and the member states, but also the regions
- It is important that the cohesion policy acknowledges the pronounced demographic challenges associated with outmigration, age imbalances and gender imbalances. The social as well as the economic aspects.
- The NSPA considers it problematic that the importance of gender equality has not been thoroughly analyzed. Gender equality is not only a question of wellbeing and equal opportunities, but also an important factor of growth, which further stresses the importance of gender equality as an essential priority in the future cohesion policy.
- The NSPA still needs a large variety of instruments to help the SMEs to grow and develop and create new jobs. The NSPA wants a framework that enables greater participation from the private sector, and in particular SME's, in development activities. Financial contributions from the private sector should be accepted as co-financing in EU funded development activities in all member states, although allowing for certain national flexibility regarding the accepted share of private co-funding
- The NSPA believes that the possibilities, challenges and processes for the development of sparsely populated areas must be analysed separately and not be judged based on GDP analysis or in comparative statistical analyses on EU level alone. The analysis of the NSPA by Nordregio<sup>1</sup>

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<sup>1</sup> To download the report "Strong, specific and promising", visit [www.nspa-network.eu](http://www.nspa-network.eu)

and the subsequent joint position paper<sup>2</sup> could serve as an example of how to analyse the specific conditions of the area and design strategies and programs for overcoming, the challenges, and develop the potentials of the area

- The NSPA area contains Sapmi, the home of the indigenous Sami people. In order to create a positive development for the Sami, the NSPA need specific EU programs aimed at promoting Sami entrepreneurship and culture.
- The NSPA stresses that coordination between EU policies is important and supports the plan of designing a common strategic framework for policies and for financial instruments. The regulations must allow for different types of funding and programs to be mixed and used for development activities. The regulations must also provide remote and sparsely populated areas with the possibility of financing activities that strengthen connectivity, such as cross border knowledge infrastructure and physical infrastructure.
- The NSPA need different types of financial instruments and programs in order to fully develop the potential of the area. The NSPA wants a cohesion policy which enables more flexibility for sparsely populated areas when it comes to regulations on state aid and that provide financial instruments that are sustainable in a longer perspective. The complexity of development obstacles in the area requires direct as well as indirect financial support structures.
- It is important that the specific conditions found within the NSPA and expressed in the future cohesion policy is also incorporated into other EU-strategies such as the Baltic Sea Strategy.

## **2. DELIEVERING EU2020 GOALS THROUGH COHESION POLICY**

The NSPA believes that EU needs an ambitious strategy for sustainable economic growth and development that focuses on our common challenges and possibilities and welcomes that the EU2020 strategy supports further implementation and engagement at national, regional and local level.

EU2020 calls for engagement on all governing levels for its future success. The EU cohesion policy has supported development of multilevel governance, which is essential for regional development and economic growth of the EU. Since its design and introduction phase, the EU cohesion policy has contributed considerably to economic and social development of the EU regions. NSPA supports a strong future cohesion policy for sustainable development, competitiveness and employment in the European Union. Thus, the NSPA believes that EU regional policy is of great importance for achieving the EU2020.

Strengthening the territorial perspective of cohesion policy and considering the specific conditions of a territory and the development of its potential and strength, does not only contribute to the development of that territory, but also to the development of the entire EU. It strengthens not only the objectives of future EU 2020 strategy, but also those set for cohesion policy.

## **3. REGIONS PARTICIPATING – MULTILEVEL GOVERNANCE**

The NSPA strongly supports multilevel governance and wants, on an ongoing basis, to participate in a constructive and creative dialog with the EU level on issues of common concern such as designing and implementing the future cohesion policy and realising the common vision for sustainable growth and a competitive and cohesive European Union.

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<sup>2</sup> To download the position paper “Strong, specific and promising – NSPA political statements regarding the future EU cohesion policy”, visit [www.nspa-network.eu](http://www.nspa-network.eu)

The Lisbon strategy highlights the importance of involvement at the regional and local level for achieving the goals of the strategy. Multilevel governance suggests that the responsibility is shared by all concerned levels of governance and is supported by the democratic legitimacy and repetitive nature of contributing actors. Thus, regions and regional policy play an important role in developing Europe, and it is important that regions are actively involved in developing new strategies for the European Union. Development and progress are achieved in communities. To realize the EU2020 strategy and in order to ensure that the choice of actions that these policies, and subsequent programmes, have to offer meet existing needs at the regional level, the local and regional level needs to be involved in the process of designing and implementing the future cohesion policy. Therefore, the principle of subsidiarity should guide the work. This implies that the future cohesion policy should not to be re-nationalised and that the EU should act as a guarantor for the implementation of joint development strategies. This also implies that the development and investment partnerships must include the regions as well as the member states and the Commission. Further, some important factors for development such as the participation of the private sector and most notably SMEs in development activities should be encouraged in all regions. Financial contributions from the private sector must be accepted as co-financing in all member states, but with the possibility for certain national flexibility regarding the accepted share of private co-funding.

#### **4. STRUCTURAL FUNDS OFFERED ALL REGIONS IN ALL EU MEMBER STATES AND STRONGER COORDINATION BETWEEN DEVELOPMENT STRATEGIES**

Earlier and ongoing programming periods have had a positive impact on the NSPA with regard to the regional development and interregional cooperation. The NSPA stresses the need to further develop territorial cohesion and territorial cooperation as a part of the future cohesion policy. The EU cohesion policy has become an important part of the European integration process and should be continued after 2013. The NSPA stresses the importance of the availability of structural funds that are offered to all regions in all EU member states. Instruments for territorial cohesion and territorial cooperation have high added values for a cohesive European Union which supports collaboration across borders.

Furthermore, the NSPA wants to stress the importance of deriving advantages from synergies that can be obtained through more effective coordination between development programmes/strategies introduced by the EU. The NSPA stresses the need for more complementary frameworks in structural fund programming as well as between structural funds and other financial funds for addressing comprehensive development issues. Obvious examples of how clear synergies can be obtained are the priorities set in the Baltic Sea Strategy and actions in future territorial cohesion policy. Moreover, better coordination of the Structural Funds and other development programmes (the European Agricultural Fund for Rural Development, the Framework Programme for Research and Technical Development etc.) can also result in synergies. Migration policies and other EU-policies such as competition policy, environmental policy, transport policy and fishery policy should be coordinated for desired synergy effects.

#### **5. COHESION POLICY AND TERRITORIES WITH PARTICULAR GEOGRAPHIC FEATURES**

The NSPA possesses great resources and possibilities that bring added value to its regions and to all of Europe. However, as indicated in Protocol 6 of the Accession Treaty for Sweden, Finland and Austria, and article 174 of the Lisbon Treaty, the NSPA is a region with specific challenges.

The permanent natural and geographic handicaps of the sparsely populated areas of the NSPA are of cumulative nature. The low population density, the demographic change, the extreme remoteness and the harsh climate contribute to the accumulation of effects, which not only results in a complexity of problems for regional development but also pose an increasing risk of losing a critical mass of the population

especially in the rural areas. The low population density and the long distances are serious problems for both public and private sector and hamper the competitiveness of the society and businesses. To ensure an effective and competitive EU internal market it is of great importance that EU acknowledges these permanent handicaps when designing policies. These special circumstances should not only be highlighted in the Cohesion Policy, but should also be incorporated into other EU strategies and programs such as the Baltic Sea strategy.

The NSPA contains Sapmi, the home of the Sami people. The Sami are one of the world's indigenous peoples. They have their own culture, language and customs that differ from those of the rest of society. Over the centuries, the Sami have adapted to a way of life with combined livelihoods. Handicraft, hunting, fishing, small scale agriculture, reindeer herding and tourism are some of the most important traditional Sami occupations. Specific EU support should be directed towards Sami entrepreneurship and culture, in order to secure a positive development of the Sami community.

Small societies limit economic activities and the public sector pays a high cost for maintaining an adequate level of services of general interest, especially in the areas of the NSPA where a large proportion of the population is retired. However, the NSPA has a large potential for development. Many of the structural and geographical obstacles have, with i.a. EU support, been turned into sources of innovation. The NSPA possess a unique knowledge and experience of how to e.g. provide services for an ageing population or in remote areas. Other innovative activities are the expanding and highly innovative production and research of energy and renewable energy, businesses based around testing in cold climate, innovative service solutions (e.g. ICT) and tourism. In addition, some localities have become strong centres of knowledge and some are emerging as hubs for the creative and cultural industries.

In order to strengthen policies aimed at the sustainable development of areas with specific geographic and demographic characteristics, it is important to incorporate these special circumstances and structures which affect the development of these areas into analyses and documents such as the cohesion report. This involves highlighting the effects of structural, demographic and geographic handicaps for the regions concerned. In EU documents, the obstacles for development are not explicitly analysed or presented and therefore they become concealed, which in turn implies that they are not included in the creation of policy and development processes. This omission creates a negative bias for the sparsely populated areas in the NSPA as the specific challenges are systematically ignored. Some examples of such factors are the following:

- Productivity growth is high in several parts of the NSPA but this is influenced to a high degree by trends on the world market and development can be severely affected if demand fall in some sectors, due to a lack of diversity in the economy. Productivity growth can have a negative relationship to employment rates in areas characterized by capital intensive industries and productivity growth can also be increased by outmigration of working age population.
- Incorrect conclusions and policy actions could be made if the specificity of the regions in the NSPA is not incorporated when analysing regional characteristics. For example, the county of Norrbotten (Sweden) was classified in the Eurostat regional yearbook (chapter 15 – A revised urban- rural typology) as an intermediate rural area, which indicates that the large distances between the urban centres in Norrbotten was not incorporated into the analysis and conclusions.
- Gender equality is measured comparing gender employment rate. However, a serious obstacle for development in many areas is gender imbalances between sectors and industries, which make less diversified economies vulnerable for outmigration of the gender that is underrepresented in the sectors of the local labour markets.

- Some demographic issues such as outmigration, age imbalances and gender imbalances are more pronounced in the NSPA than other areas. These demographic problems do not only constitute a social issue, but are serious obstacles for the economic development of the area.

The conclusions drawn from the 5th Cohesion report regarding the northern sparsely populated regions are that the area is one of the most competitive areas of the union with a high quality of education, excellent living standards, high economic growth and equality between men and women. This is essentially an adequate description of the region but, as stated in the Cohesion report, geographical or demographical features can intensify development problems. Thus, the territorial dimension is of great importance when designing the future cohesion policy. Interlinked to this is the need for special policies for regions with permanent geographical challenges. This must also be taken into consideration when discussing other policy areas like the forthcoming re-shaping of the regulatory framework for state aid. Such policies are important to avoid demographical disadvantages in the region that will lead to less effective extraction and processing of the resource base in the region.

## **6. CROSS BORDER COOPERATION**

The NSPA area has the longest external border in the European Union of which a large part constitutes of the EU border to north western Russia. The regions have a long historical tradition of cross border cooperation of varying intensity within the NSPA and between NSPA and Russia and the Barents area as well as around the Baltic Sea. It is important that EU-strategies such as EU2020, the European Artic policy, the Northern Dimension complement each other and support cross-border cooperation and strategies. Good governance and multilevel governance can also be emphasised and promoted in a horizontal perspective where regions cooperate across borders within the European Union and address the challenges by working together, exchanging knowledge and experience, thereby increasing their capacity to formulate and deliver policy.

Cohesion policy is a vital part in increasing cross border cooperation and exchanges between the EU and its neighbours. The INTERREG and ENPI programs have so far been important tools for increasing cross border activities. The programs serve as an important complement to the competitiveness program as they provide incentives for increasing the geographical scope of development activities as well as stimulating interregional contacts and networking. They have also been important for the increasing cooperation with non-EU states such as Norway and Russia. These programs enhance the impact of EU competitiveness programs e.g. by stimulating benchmarking and exchanges of ideas from successful development policies. However, as indicated in the 5th cohesion report, there is a need for better coordination between the INTERREG and ENPI programs and other EU programs such as the competitiveness and employment program. Currently, the possibility of creating comprehensive cross border development activities is hampered by the lack of compatibility between programs.

The focus of the INTERREG programs should be directed more towards the territorial cooperation aspect rather than the content of the activities, i.e. there should be a possibility to create broad development processes across national and regional borders regardless if the activities are eligible for e.g. ESF, ERUF, EAFRD or INTERREG funding. This would intensify cross-border exchange and strengthen the incentives for creating more functional development strategies and activities that encompass larger geographies.

## **7. GENDER EQUALITY**

The NSPA would like to underline that gender equality is an important factor for a sustainable development of the European Union. The importance of gender equality can be explained in many different terms e.g. as the right to equal opportunities, in terms of balanced societies or in terms of economic benefits

such as increasing labour output. To be successful, future EU strategies must fully incorporate the gender perspective. A successful Europe must give men and women the opportunity to control their own life, to choose their own careers, to start, to run and develop their own business. Even though some aspects of gender equality are presented in e.g. the 5th cohesion report, not much analytic focus is dedicated to this important issue.

An important aspect to highlight further is the economic impact of increasing the employment rate and entrepreneurship of women. This is not merely a question of rights or an indicator of the well being of regions but rather a crucial factor for development. This is especially true for many of the regions in the southern member states where an increase of the employment rate of women constitutes an enormous untapped potential. It is also of great importance for the NSPA where the labour market has been less attractive for women, causing outmigration and demographic imbalances as well as decreased economic development. Gender equality must have a pronounced role in EU development strategies.

The NSPA believes that development indicators should clearly articulate the correlation between gender equality and economic growth. Gender equality should not only be described as an indicator of wellbeing or exclusion, but as an important factor of economic growth.

Further, gender equality should be highlighted and analyzed as a factor for growth and development in the same way that e.g. the level of tertiary education, infrastructure or business sophistication are highlighted. Gender equality should be prioritized in all EU regions and perhaps become an obligatory priority for EU regions that score very low on equality indexes and EU indicators of equality. NSPA believes that EU strategies and instruments for regional development should stimulate projects and strategies aimed at gender equality.

## **8. CLIMATE CHANGE**

Climate change is a global challenge affecting all of Europe. Climate change and increased demands for secure sustainable and renewable energy resources will pose an increasing challenge for the regions of Europe. The increase in energy prices are expected to raise transport costs if alternative modes of transporting individuals and goods are not developed and shifts from road to rail and/or more fuel efficient ways within the transport sector developed to compensate the increased price level. As stated in the report, peripheral regions, such as the NSPA, with a sparse population, long distances within the region and the main markets of Europe are most likely to be affected by this.

Climate change needs to be addressed at all levels of governance, especially at the EU-level.

Coordination between EU-policies can stimulate development addressing climate change e.g. through development and exploitation of renewable energy sources. Cohesion policy can support regions addressing these challenges where regions such as the NSPA can develop or expand renewable energy sources such as biomass, wind power potential of energy extraction from e.g. the forest based industry, wind, hydropower, tidal and salt water which create added value for all regions in EU. Nevertheless, in order to secure a sustainable and efficient extraction and processing of the rich energy and natural resources of the NSPA, a strong regional policy is needed. Funding and support should be given to technologies in the region with great development potential. The development of new environmental techniques such as climate friendly housing, innovative ways of utilizing ICT and e-solutions, biogas and other renewable energy sources are examples of fields with great potential.

EU policies must further support transformations of the transport infrastructure into a system based on more eco-friendly transportation. To achieve this there is a need for investments in better internal transport infrastructure and inclusion into the green-corridors for transportation. Furthermore, the design of

energy grids should also enable increased internal use of energy within regions such as the NSPA. This implies that focus should not only be placed on energy infrastructure going north-south but the importance of the east-west dimension should also be highlighted.

## 9. INNOVATION AND COMPETITIVENESS

As indicated in the cohesion report, and most evidently in the competitiveness index, the innovation index and indexes concerning tertiary education, the NSPA is highly competitive in a European context. However, the indexes hide some important territorial aspects. Many of the high scores attained by the NSPA in the index indicators are influenced to a high degree by the very strong competitiveness and educational level of specific localities within the sparsely populated areas of the north. This is also especially evident in indicators such as tertiary education, market size, labour market efficiency and infrastructure. The area is sparsely populated and for many localities within the NSPA, competitiveness is much lower than suggested by the Cohesion report. The rural areas of the NSPA constitute a large part of the territory and are unique within the EU because of their relative remoteness to central markets, but also to larger urban areas. This implies that even if some very strong urban areas of the sparsely populated area create a strong competitiveness at the NUTS 2 level, the effects of this cannot be expected to have the same spatial effects as in NUTS 2 regions that have a higher degree of proximity between cities and larger urban areas.

These regional imbalances constitute severe challenges for the cohesion and innovative capacity of the sparsely populated area and require specific attention when development policies are formed and discussed. Policies that are overly focused on strengthening NSPA competitiveness accordingly to the thematic areas of e.g. the competitiveness index run the risk of exacerbating regional imbalances by creating a bias for EU financial instruments that are truly effective only in a few very competitive areas of the NSPA.

The NSPA wants to underline that the key priorities and the concentration of investments cannot be fixed exclusively around the factors outlined in the competitiveness index. For the region, even though innovative capacity is strong and business sophistication is high, the importance of market size, infrastructure, higher education and labour market efficiency is potentially higher for some areas within the NSPA than for comparable areas in more central parts of the EU. For many localities, the innovative strength is hampered by such factors as weak infrastructure, low educational level and small local markets and labour markets. A way of strengthening the innovative capacity of the NSPA would be the establishment of an innovation strategy for the area.

Connectivity and functionality with other localities and markets is of crucial importance for creating the critical mass and differentiation of labour markets and services needed as well as increasing the level of education. However, the costs and difficulties of bridging these obstacles are significantly increased by specific factors. Long distances, high maintenance costs for physical infrastructure and provision of service reduce the possibilities of enlarging regions and increasing connectivity. These special circumstances must be acknowledged when discussing EU policies such as regulations on state aid. Based on the findings of the cohesion report, it is evident that the regions needs for economic instruments is broader than suggested e.g. by the competitiveness index. This implies that if greater concentration on priorities and thematic areas is to create stronger results in all parts of the EU, the special circumstances of remote and sparsely populated areas, also highly developed areas, must be addressed when priorities are set.

Cities and urban areas are important for regional development in the EU. In order to maximize the potential of urban areas for a sustainable development of the EU, policies aimed at strengthening cities and urban areas must be formed with regard to their function within larger territories. Cities have different functionalities depending on their geographic location. Remote urban areas function as growth engines, but for much larger geographic areas which have a weaker connectivity than more central urban areas.

NSPA believes that this underlines the significance of emphasizing functionality when formulating policies aimed at urban areas, and not only focus on social issues mostly associated with the largest urban areas. Functionality and infrastructural improvements within as well as between societies in the NSPA are of great importance. The need for improved infrastructure is of significant importance to secure a sustainable and effective extraction and processing of the natural resources in the region. This is important to secure the supply of both raw materials and energy to the rest of Europe.

## **10. A STRONG FUTURE EU COHESION POLICY**

Solidarity between regions in Europe will create added value for the whole European Union. Therefore EU needs a strong future cohesion policy. For the NSPA and other regions within the European Union to continue to be healthy regions in the future, which can contribute to the realisation of the EU2020 strategy, there is a need for focused efforts to develop business and the infrastructure. Further, supporting the regions capacity to create employment, education, and a good environment with renewable energy sources, good communications and a positive demography with good public health is also important to equip the regions to meet the demands of tomorrow.

The NSPA is convinced that the cohesion policy and the structural funds of the EU will be even more needed in the future for meeting tomorrow's demographical demands, rising energy prices and other challenges for our regions in the European Union. The NSPA persistently emphasizes the importance of a strong and continuous European cohesion policy for the period 2014-2020 which supports the regions facing the challenges of tomorrow.

### On behalf of the NSPA

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