

## Position on the 7<sup>th</sup> EU Cohesion Report and future of the EU Cohesion Policy

*The Northern Sparsely Populated Areas network, NSPA, represents the interests of the four northernmost counties and 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 Etelä-Savo) and North Norway (Finnmark, Troms and Nordland).*

### **NSPA welcomes a more place-based development approach for the future of the EU**

The Northern Sparsely Populated Areas network (NSPA) welcomes the 7<sup>th</sup> Cohesion Report and looks forward to delivering the northernmost Europe's views on future cohesion policy during the announced consultation in the beginning of 2018. We would, nonetheless, like to take the opportunity to make some initial comments that also link to the debate on the Future of the EU.

The NSPA network is positive to the on-going future-orientated debate in the EU, even if many challenges still lay ahead. We in the NSPA would like to be partners in this debate, building our common European Union. We do also need to engage all Europeans. The only effective way to do so is to engage with the regional political level as the bridge between the EU, national policies and the very local actors. The concrete development efforts are carried out in the local and regional contexts, and thus the EU policies must be anchored there for true success.

These policies cannot be successfully conducted in a centrally administrated, one-size-fits-all manner. They must be grounded in a genuine place-based approach, acknowledging each regional ecosystem with its specificities. Designed in this way, EU policies can truly address the obstacles and challenges, turning them into potentials and opportunities. They will otherwise fail in their centralised overloaded bureaucracy, missing the diversity and different regional and local needs that can never be effectively captured by averages and aggregated statistics.

Policies at EU level need therefore to interlink to and take on the existing regional differences, in partnership between the EU, the national level and the regions. This will deliver many beneficial results, including fostering cooperation at all levels: between actors, sectors and over the borders both within and outside the EU. The cross-border cooperation is one of the cohesion policy's best deliverables and is crucial for the NSPA regions in Sweden, Finland and Norway as such, but also towards Russia and in the Arctic context and to overall get external exchange, knowledge and inputs to the regions own development work. This is the true European added value the EU can deliver – building common growth and access to the common market on fair terms for all parts of Europe.

*NSPA supports the Cohesion Report focus on the need of regionally adapted place-based approaches.*

### **NSPA is a best practice of EU support schemes that truly deliver added value to all of Europe**

The NSPA regions are, on one hand, vulnerable regions in peripheral border areas. They have scarce and ageing populations dispersed over a vast geographic area, dominated by a harsh climate. They depend on raw material markets and suffer from market failures due to the remoteness. On the other hand, they perform comparatively well with strong innovation capacity and, in some parts of the NSPA, positive migration flows. Thus, turning disadvantages to advantages. Furthermore, the

NSPA is increasingly in the global spotlight due to new arising Arctic challenges and potential – an emerging “peripheral centre” of the EU.

ERDF funding, combined with the extra allocation to the NSPA regions, have been essential for compensating the regions’ lack of critical mass and the absence of a strong capital market. These funds have allowed the NSPA regions to build up their innovation capacity, delivering growth. The academia in the NSPA has been able to take a strong role also in the EU research programmes and climate action, with the help of EU sectorial programmes. National and regional own instruments have naturally been simultaneously used to leverage the regional potential.

The regionally targeted EU support and the specific state-aid exceptions for the Northern Sparsely Populated regions, in line with the accession treaties for Sweden and Finland joining the EU and Norway’s close ties via the EEA, are of immense importance for overcoming the regional vulnerabilities. Such instruments need to be adapted to the specific regional needs and assets, to ensure the delivery of long-term resilience and growth built on innovation.

There are several specific aspects to consider related to the NSPA circumstances, highlighting the importance of a place-based approach. One of the most illustrative examples is the fact that general approach to SME support via strong clusters does not automatically fit the regional context with micro-companies spread over a vast geographic area. These companies are nonetheless in dire need of support systems and beneficial interactions. Under such circumstances we can build common “distance-spanning clusters” for tackling the competence needs and build capacity for growth and internationalisation. Businesses in remote regions with small home markets must quickly aim at global markets to grow.

The NSPA cooperation in the northernmost Europe is by itself a concrete example of the EU delivering a platform for the regions to step up their joint cross-border efforts for common growth, to the benefit of all EU and Europe. The NSPA collaboration has, among other things, resulted in studies on the regional potential to invest for growth, such as the Territorial Review the OECD conducted on the 14 regions in the NSPA published in March 2017.

*The specific EU support for vulnerable regions, as the NSPA, is crucial for unlocking the potential of these regions.*

### **The focus for the EU budget should be to leverage EU growth potentials in all parts of the EU**

While acknowledging the pressure on the EU budget, we would like to invite everyone to give priority to visions of what the EU should be and be able to accomplish rather than only what it should cost. Cohesion policy is in this view an important investment tool for the EU, especially in remote regions with specific needs and small own capital markets. The overall gains are far bigger than the costs, when investing in line with the Smart Specialisation principles in support of innovation and growth. The OECD puts forward the concept of Smart Specialisation as being especially relevant for regions as the NSPA. The NSPA network is now taking further steps to see how the NSPA regions together can support and collaborate on common smart specialisation priorities to leverage each regions potential. We also welcome initiatives on integrated EU regional support approaches, for focused investment priorities in the regions and between the regions in a common geography.

Even if the NSPA regions are well-functioning Nordic societies, they are administratively small and vulnerable due to the low population density over vast areas. To be able to make and implement development plans and make use of and deliver to the EU instruments, collaboration with adapted support is needed. For the future EU programming period, true simplification would be, from the EU and national level, to trust the regional capability to know their own local needs and implement the support to deliver added value. This combined with an insight about the administrative capacity constraints that exists to fully implement the development strategies, necessary to also take in to account for the formulation of the support schemes for regional development in low density areas.

The OECD study on the NSPA was paralleled with the making of the OECD Regional Outlook report, launched during 2016. That report makes the case for that growth also happens outside the urban areas, on lower levels, but aggregated it delivers substantial input to the economy. Without adapted strategies, it can instead very well turn into an economic backlash that further deepens the regional imbalances and social tensions. It is however not so easy as to divide between cities and “the rest”, the OECD in their analysis pinpointing the importance of understanding that rural areas consist of different type of rural settings that need different strategies and support.

*EU cohesion policy should support local smart specialisation, collaboration and rural innovation.*

#### **NSPA urges EU to deepen the analysis on remote rural regions for the cohesion policy debate**

What we in the light of this lack in the 7<sup>th</sup> cohesion report, is the broader analyse on growth potentials for less urban and remote areas and how EU policies and support can deliver this. We support a cohesion policy focused on structural change and administrative support in lagging regions, it is crucial for Europe, but would welcome the broader picture, taking in different regional needs, especially of course peripheral regions lacking critical own mass, to deliver overall competitiveness by encouraging continued focus on innovation and regional cooperation to the gain of all of EU.

For the NSPA regions it is overall of importance to address the ecosystem of small cities and the large hinterland to build a balanced sustainable development. Several of the NSPA cities are already today very much true testbeds for Europe, having a size and close collaboration between the public sector, businesses and research to roll-out new solutions in energy, ICT, transport, social inclusion and more, also to the gain for the EU urban agenda, even if situated in sparsely populated areas far from the bigger urban agglomerations in Europe. This would not have happened without the EU platforms and support to build on, to be further developed.

We hereby urge the EU to deepen the analysis on different regional contexts and the added value for the EU to deliver adapted support for investments in innovation for smart, sustainable and inclusive growth. It is especially critical in regions such as the NSPA, being also of increasing geopolitical interest for the EU and the development in the Arctic and Baltic to take in to account, together with basic communication needs in infrastructure and ICT, notably put forward by the OECD, as a part of EU aggregated potentials for global competitiveness in all its geographical areas.

*Growth efforts in all of Europe out of each region's unique ecosystem, is true EU added value.*

**The NSPA Steering Committee on 9 November 2017**

Position on EU 7<sup>th</sup> Cohesion Report  
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