

A FURTHER STRONG DEVELOPMENT IN THE NORTHERN SPARSELY POPULATED AREAS NEEDS A FURTHER ADDITIONAL SUPPORT¹

1. THE PERMANENT GEOGRAPHICAL DILEMMA

Sparse population, long distances, remote location as well as cold climate increase building and logistics costs and complicate the market penetration of the region's enterprises. Decrease and aging of population weaken the regions' economic situation and purchase potential. Because of the limitations in the local market potential, maintaining and developing the production capacity of enterprises often requires exploring more remote markets. This, for one, makes the expenses higher when the enterprises are marketing and delivering their products.

The regions within the northern sparsely populated area (NSPA) suffer from permanent competitive disadvantages. Making use of the vast natural resources and benefitting from the special knowledge in the regions by developing the business operations and entrepreneurship and strengthening the vitality of the regions brings value added not only for these regions but also for whole Europe.

1.1 Extremely sparse demography

NSPA is characterized by low population densities and dispersed settlement patterns which create specific challenges for economic activity and public service provision. However, the low regional population densities in NSPA are not sufficient to characterise the region as "sparse". Sparsity in NSPA also occurs as the combination of low population densities and dispersed settlement patterns which lead to specific challenges for economic activity.

Specific issues and challenges in NSPA are connected to the concentrated and outspread types of settlement structures in the area. In the case of the more concentrated settlement structure, the few households situated outside of the main nodes and axes are particularly isolated, and social interaction may be difficult to maintain. The outspread nature of the settlement structure is a major challenge for the provision of both public services (e.g. community nursing and home help to elderly persons) and transport infrastructure.

1.2 An arctic climate

The arctic climate in NSPA can be seen as a general constraint on human settlement, but the most distinct economic impacts concern primary activities such as agriculture and forestry and the transport sector. The cold climate in NSPA is generally characterized by a short growing season, a soil with a reduced agricultural potential and temperatures considerably below freezing point in the wintertime. In terms of transport, harsh climatic constraints in NSPA lead to erratic variations in accessibility during winter, and to increased costs in respect of keeping the infrastructure free from snow.

¹ These PM is based on information found in "Northern peripheral, sparsely populated regions in the European Union", Nordregio, 2005;

"The Northern Sparsely Populated Areas – Strong, Specific and Promising - NSPA political statements regarding the future EU Cohesion policy " <http://www.nspa-network.eu/>

1.3 A peripheral part of Europe

Sparsity and remoteness are, strictly speaking, distinct concepts that characterize NSPA – Sparsity is related to the spread or distribution of population within a region while remoteness referring to the distance between the region and the main economic centres of Europe. The degree of remoteness corresponds to the distance between NSPA and the core areas of Europe, where concentrations of people and companies create the main European markets, and where the most specialized providers of goods and services are to be found. Even if transport costs in the narrow sense have diminished over the last decade, there is only little hope that this will outweigh the distant geographical location of the NSPA.

Indeed, other types of ‘transaction costs’ are still in favour of agglomerations: costs to compensate for the lack of modern logistics systems, additional costs for the lack of business networks and the lack of innovative milieus, extra costs for diseconomies of scale and for the lack of the critical mass, and extra costs for the lack of specialized business-related service sectors (such as banking, lawyers, tax advisers, translation services).

2. NSPA WILL CONTINUE TO CONTRIBUTE TO EUROPE BUT NEEDS EXTRA SUPPORT TO OVERCOME THE GEOGRAPHICAL CHALLENGES

The NSPA is a strong, specific and promising region. The NSPA is an important part of the EU, most notably due to the large amount of natural resources, advanced research institutions and high performance process industries found in the area. However, the NSPA is at the same time a peripheral and sparsely populated region with long distances to the European markets. To allow for NSPA to continue contributing to the European added value despite the geographical handicaps in NSPA it is important that the NSPA also still have the extra funds under the cohesion policy during the next structural fund period.

Globalisation, demographic changes, climate changes and energy assets are all important aspects for the future development of the EU-regions. Extra funds towards NSPA during the next structural fund are necessary if NSPA is to overcome the permanent handicaps and be able to contribute to these aspects in line with the NSPA’s high vision.

The vision in NSPA is an economy characterized by high value added products, high RDI intensity, innovative green technology, effective use of natural resources and an expanding service sector. The region is a strong knowledge economy with innovative environments and world class higher education opportunities. The NSPA has a thriving sustainable tourism industry adapted to climate change and promoted by coordinated actions from various sectors. The NSPA is a gateway for the rest of Europe to the North-West Russian market, offering high quality service supply, border infrastructure and border crossing facilities. Further, the improved transport system makes it possible for the NSPA to become a more integrated region with well functioning North-South connections and constantly increasing East-West traffic. Economic relations with Russia and Asia have intensified. The opening of the North-West and North-East passages form significant global transport links.

Further, the NSPA have created a dynamic and modern area with attractive secure living conditions and a diversified labour market attractive for both men and women of all origins. The restructuring of areas with a sparse or declining population has been a source of innovation and development regarding new ways of offering services in e.g. ICT and public transportation.

In the vision, the NSPA has become an area less vulnerable to changes in energy prices and is in the forefront of developing and using renewable energy sources. NSPA green energy contributes significantly to the European energy supply as well as it benefits local and regional development and industrial opportunities. The process of transforming the NSPA into a region less dependent on fossil fuels has stimulated new innovative solutions for collective modes of transportation and environmental technology.

That ambition has put NSPA in the forefront of challenging the notion that energy-efficiency is best obtained through population concentration. NSPA green technology and renewable energy has become a globally important contribution to sustainable development.

We know today that earlier and ongoing programming periods have had a positive and important impact on the NSPA with regard to the regional development and interregional cooperation. Cohesion policy has triggered 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. 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

To further develop NSPA and achieve the vision, the need of special attention to the area must be highlighted. Regional development in the area relies on political initiatives and understanding in several policy areas for example infrastructure and research and on all levels of governance. The cohesion policy and financial support is especially important. Extra funds canalized through the structural funds are thus very important also in the next period.

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.

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