



# EU Cohesion Policy in northern Sweden:

A report on created added values





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## Introduction

Cohesion policy is the EU's main investment tool for stimulating economic growth and jobs at local and regional level. The policy aims to strengthen economic, social and territorial cohesion within the Union and to promote balanced development. The policy is mainly implemented through development projects financed by funds and programmes tailored to the unique needs and conditions of the regions.

Since Sweden's accession to the EU in 1995, cohesion policy has played a crucial role in the development of the regions in northern Sweden. The regions are part of the European Arctic, an area with extensive natural resources, great potential for the green transition and an increased strategic importance due to climate change and a deteriorating security situation. The regions also face specific challenges that make them vulnerable, such as large geographical distances, sparsely populated areas, limited economic resources and an economy that is sensitive to market fluctuations and dependent on natural resources. To address these challenges while at the same time exploiting the opportunities available, cohesion policy has been a key driver of the development in northern Sweden.

Through EU support, actors in northern Sweden have been able to co-finance strategic projects and test innovative ideas, which have then been scaled up and integrated into regular activities. Long-term investments have been made possible at local and regional level, where strong local and regional influence has created commitment and ownership. This has been important to ensure that interventions respond to actual needs and to create an interplay between different interests. In this way, cohesion policy contributes to unlocking the potential for development and creating more competitive business, smarter communities and vibrant regions.

In the upcoming negotiations on the EU's next long-term budget, the Union will be faced with important decisions on which policy areas and investment tools should be priorities and how they should be designed. Ahead of the negotiations, Europaforum Northern Sweden therefore wants to highlight examples of concrete efforts, and the added value created by the EU's cohesion policy in northern Sweden. Other reports, such as the European Commission's Ninth Cohesion Report, show that cohesion policy has played a central role in promoting economic integration and prosperity within the Union. For a country like Sweden, where 70 per cent of exports go to the EU's single market, this creates increased trade opportunities and stronger economic links with other Members States. This report can be seen as a further contribution to the knowledge and understanding of cohesion policy presented from a regional perspective.

With these introductory words, Europaforum Norra Sverige hopes that this report will provide a deeper understanding of cohesion policy and its importance for the development of northern Sweden.

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## 1. Effects and added value

The following text present the effects and added value that cohesion policy has contributed to in Sweden's four northernmost counties: Norrbotten, Västerbotten, Västernorrland and Jämtland Härjedalen. The report highlights examples of interventions implemented with support from the EU Structural and Investment Funds, i.e. cohesion funds, and describes the role they have played in addressing challenges and opportunities. The focus of the report is not on individual projects, although these are also mentioned in the report. Instead, emphasis is on the long-term development journey created in northern Sweden over several programme periods.

The report is structured according five overarching themes presented below. The themes are not decoupled from each other but are interlinked and contribute in different ways to complement and enrich each other.

- **Developing transport and digital infrastructure for a more connected region**
- **Strengthening innovation capacity and developing new niches**
- **Capacity building and collaboration for increased competitiveness and resource efficiency**
- **Skills supply and employment for a sustainable labour market**
- **Cross-border cooperation to address common challenges and opportunities**

Before starting off with the first theme, a key aspect to bear in mind is that although cohesion funds represents a crucial and essential part of northern Sweden's development capital, the EU support does not mean that projects are fully funded, instead they require co-financing, which usually comes from local and regional actors. This means that cohesion funds act as a catalyst to leverage existing resources and mobilise actors towards common goals. This offers opportunities to invest in strategic and long-term initiatives on a scale that would not otherwise be possible.

## 2. Developing transport and digital infrastructure for a more connected region

Northern Sweden's long distances between communities and limited infrastructure in terms of both transport and digital infrastructure make both entrepreneurship and access to basic public services difficult. Cohesion policy has played an important role in addressing these challenges and developing infrastructure in the region.

There are significant shortcomings in the transport system in the region leading to extended travel times for commuting and tourism, limited capacity on the railways and insufficient terminal capacity for reloading between different modes of transport. These shortcomings affect the ability to transport goods and important raw materials to other parts of Europe and the world. However, thanks to EU support, transport has been improved and connections strengthened both within the region and across borders. Investments in strategic projects have enabled regions to remove bottlenecks and improve transport infrastructure which has not only favoured economic growth and regional integration but also improved the quality of life for residents. Improved transport solutions have led to better connectivity to the rest of Sweden and Europe, which has facilitated trade, travel and other



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important growth-enhancing exchanges. In this way, investments have contributed to the EU's goal of a well-functioning single market.

When it comes to digital infrastructure, the long distances and sparse population in northern Sweden mean that market forces alone are insufficient to support expansion in many areas. To address this, cohesion policy has played a crucial role. Cohesion fund investments in broadband networks and the promotion of digital services have enabled many businesses to better harness the opportunities of digitalisation, while schools and health centres have been able to enhance their operations, fostering more efficient and innovative welfare services. This has significantly improved the conditions for living and working in remote areas.

### Improved infrastructure for stronger and faster connections

Through cohesion funds northern Sweden has been able to leverage private and public resources to address gaps in the transport system and develop strategic logistics centres. These act as hubs for transport and distribution, facilitating the efficient handling of goods both within and outside the region. One such example is the **Port of Luleå**, which, by adapting the port area to handle larger volumes of goods, has become a critical logistics point for both maritime and land transport, as well as playing a key role in the region's trade network and linking European freight corridors. Primarily, the port handles materials and raw materials for the mining and steel industries of Norrbotten, which create important added value for Sweden and Europe.

A major expansion of the port of Luleå is currently underway, which by 2030 will be ready to carry three to four times as much goods as today. With funding from the state, the port of Luleå and the Connecting Europe Facility (CEF), dredging is underway both in the Luleå archipelago and inside the port to create a new deep harbour. With support from the European Regional Development Fund (ERDF), this investment is complemented by an upgrade of the railroad that forms the artery for all rail transport to and from the port. Specifically, this involves upgrading the track to enable more and heavier trains to operate which will improve the connection between European freight corridors and the regional transport network. In sum, these investments contribute to strengthening industrial competitiveness, realising the green transition and to significantly reduce environmental impact.

Another example is **Mittstråket** (the central route), a cross-border transport route with significant development potential that stretches from the Baltic Sea and Sundsvall, via the inland and Östersund and then on to Trondheim by the Norwegian Sea, with its Atlantic and ice-free harbours. Through support from the ERDF, important investments have been made to improve the route. These include increased safety at level crossings, higher speeds on sections of the line and new rail connections to facilitate freight transport and transfers between different modes of transport.

The investments have resulted in a more efficient infrastructure, creating better conditions for commuting and business. This also makes it easier for Mid Sweden University, which has 200 kilometers between its two campuses in Sundsvall and Östersund, to share teachers and resources thanks to the direct rail link between the cities. Stronger links within Sweden and to Norway have also benefited several basic regional industries such as timber transport and tourism. In addition, these investments are important from a preparedness and security perspective as they create better conditions for military mobility.

Another important aspect is cohesion policy's contribution to the development of climate-smart transport solutions. Northern Sweden's sparse population structure and long distances mean that there is a lack of sufficient critical mass for a market-driven expansion of electric vehicle infrastructure outside urban centres. Cohesion funds have therefore been important in enabling projects that expand

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charging infrastructure along the region's main transport routes. This helps reduce the regions' carbon footprint and creates better conditions for strengthening the competitiveness of companies offering services linked to electric vehicles and charging infrastructure.

## Digital infrastructure provides improved basic conditions

Access to fast, reliable and secure digital infrastructure, such as broadband network and mobile networks, has become a vital function of society and is an important prerequisite for living, working and staying in northern Sweden. At the same time, the availability of fixed and mobile broadband is limited in many places. This leads to less attractive communities and also creates challenges for businesses that need stable internet access, along with difficulties for education, e-health and other public services that increasingly rely on digital solutions.

In densely populated areas, broadband expansion is being carried out on a commercial basis, but in large parts of northern Sweden the expansion is more costly, leading to private operators not investing in these areas. The farther apart the houses are, the more expensive broadband expansion becomes. Northern Sweden has therefore, with EU support, invested in digital infrastructure over several programme periods. These efforts have included increasing access to broadband with high transmission capacity, increasing the transmission capacity and quality of existing infrastructure. This has contributed to more permanent residents, holiday homes and businesses in rural areas today being offered connection to fibre broadband with fast internet access.

In Västernorrland County, only 73 percent of households had access to high-speed broadband in 2017, but by 2023 this figure had increased to 98 per cent. An important part of this development was the ERDF project ***Dig.2020 – Bredband till hela Västernorrland*** (Dig.2020 Broadband for all of Västernorrland), half of which was funded by the EU and the other half by Region Västernorrland and the municipalities in the region. The project was launched in 2017 with the aim of ensuring that 90 per cent of all households in the county would have access to broadband of at least 100Mbit/s per second by 2020, a target that has now been comfortably met.

For the county of Västerbotten, cohesion funds has also been an important force to expand the broadband in the region. As early as 1995, the same year that Sweden joined the EU, a collaboration model was established between all of the fifteen municipalities in the region, and a joint organisation, ACNet, was formed to run the regional broadband network. By bringing together the municipalities and establishing a clear collaborative structure, Västerbotten has been able to expand the broadband network effectively.

Today, northern Sweden has a relatively well-developed digital infrastructure, but major differences still remain between municipalities and between urban and rural areas. There are also continues to be areas with significant lack of connectivity and where market forces are not sufficient enough for expansion.

For the whole of northern Sweden to grow and develop, all municipalities must offer their residents equal opportunities to live and work, regardless of where they live. At the same time, rapid digitalisation is driving major changes in private and public sector where access to stable networks, efficient data management and smooth information sharing is becoming increasingly important. Giving more people access to fast and reliable connectivity is therefore a key factor for sustainable regional growth and meeting these needs requires further investments.



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## Making better use of the opportunities of digitalisation

Improved digital infrastructure enhances the potential for society to benefit from the opportunities of digitalisation, which can range from boosting the manufacturing productivity, improving access to public and commercial services, mitigate environmental impacts and support distance learning. Digitalisation can also help reduce distances to major global markets while facilitating knowledge sharing and innovation creation. In other words, there are significant potential in the digital transformation and it is therefore important that both public and private actors, especially in sparsely populated areas, capitalise on these opportunities. Here cohesion policy plays an important role in raising the level of knowledge of the opportunities offered by digitalisation and to ensure that the public and private sector as well as civil society are all involved in this development.

To meet the evolving needs of citizens and ensure the sustainable delivery of welfare services, digital skills are becoming increasingly essential – particularly in areas facing reduced resources due to demographic changes. **Välfärdsteknologi i omsorgen** (Welfare Technology in Care Services), was a project funded by the European Social Fund that aimed to strengthen staff capacity to use digital tools that are becoming vital in health and social care. Led by Akademi Norr – a collaboration of twelve inland municipalities across northern Sweden marked by extreme sparsity, limited administrative capacity, small local tax bases, and ageing populations – the project focused both on the digital competence of care workers and on the capacity of participating organisations to integrate new technologies and digital ways of working. As part of the project, a digital learning platform and online training courses were developed to strengthen the digital skills of staff, and a total of 1,013 staff were trained during the project period. This type of intervention, which aims to harness the opportunities of digitalisation and collaboration independent of distance, is crucial for maintaining welfare services in areas where the state and public authorities have gradually moved public services away from smaller towns.

Support from cohesion funds has also been important in strengthening the ability of companies to use digital technologies and to benefit from digitalisation in their operations and business models. An organisation working on these issues is **Bron Innovation**, an IT cluster in Västernorrland that works to promote digital development in both businesses and the public sector. With support from the EU, the cluster has run several development projects and created innovative collaboration environments, and today Bron Innovation serves as collaboration platform where companies, the public sector and academia meet.

An example of local initiatives where Bron Innovation has played a leading role is the project **Digibyggd Västernorrland** (Digital village Västernorrland), which focused on digitalisation in agriculture and forestry. Rural businesses generally use IT to a lesser extent than other industries, especially in production, product development, automation and new business models. Therefore, the project aimed to strengthen the conditions for long-term sustainable growth in rural areas through increased digitalisation. The project included needs assessments with a particular focus on micro and small enterprises, as well as targeted efforts to strengthen the skills of business promotion actors so that they in turn can better support rural companies in exploiting the opportunities of digitalisation.

These are just a few examples of how cohesion policy is helping organizations and people benefit from the opportunities of digitalisation. Through coordinated efforts and knowledge sharing, a solid foundation has been laid for digital transformation across northern Sweden, contributing to the EU's strategic goal of a more competitive and digital economy. However, despite great progress in digitalisation much remains to be done such as in the area of cybersecurity. With a deteriorating security situation and an increasing number of cyber-attacks, both public and private actors are

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threatened. Digitalisation is happening at a rapid pace, and it is important that northern Sweden keeps pace with this development.

### 3. Strengthened innovation capacity and developing new niches

Northern Sweden's sparse population and long distances have historically had a limiting impact on knowledge exchange and innovation capacity. Although digitalisation has enabled more distance-independent collaboration, access to support systems and innovation environments is still limited in many areas. This hampers the creation of innovative start-ups, research and development in small and medium enterprises (SMEs), as well as opportunities for actors from different industries and sectors to exchange ideas and engage in collaborations. Rapid technological change and globalisation further place high demands on innovation and renewal for competitiveness and to meet societal challenges.

For northern Sweden, cohesion policy has been instrumental in increasing innovation capacity and the ability to capitalise on growth potential. Through regional smart specialisation strategies, unique strengths and conditions – such as natural resources, advanced infrastructure and specific skills – have been used to develop new niches and business areas. This has also contributed to more attractive environments for investments and research, and for people to want to live and work in the region.

#### Innovation based on local conditions

Northern Sweden has made significant efforts to establish test beds in different sectors. These test beds serve as unique environments where new ideas, products and services can be developed, tested and demonstrated in a real-life context. The development of Arctic testbeds, such as those in the **car testing industry** and the **space sector**, are clear examples of making use of the region's specific conditions.

The Esrange Space Center outside of Kiruna with its satellite launch infrastructure represents a unique opportunity for northern Sweden and Europe, and several initiatives have therefore been taken to promote the development of the space sector and transform the space base into a strategic asset for the whole union. Through cohesion fund support, cooperation has been developed between academia, industry and the innovation support system. This has contributed to an innovation ecosystem around space and an attractive location for investment, research and technology development. These efforts have led to the establishment of several space companies in the region and the growth of existing companies. As the global space sector is expected to grow strongly in the future, this also means great opportunities for continued development of the space industry in northern Sweden. Furthermore, the existing infrastructure and expertise in the region can play an important role in strengthening the EU's ability to meet the increased competition and growing risk for conflict in space.

If we take a closer look at the **car testing industry**, based in a few small and extremely sparsely populated inland municipalities in Norrbotten, we see that the sector has experienced steady growth since the 1990s. Today, it has a turnover of around €100 million per year. Cohesion funds have contributed to this development by supporting various projects that have promoted test beds, technology development and collaboration between academia, industry and the public sector. With many German car brands as customers, the car testing industry in northern Sweden clearly illustrates how European automotive value chains are connected and how local conditions can be leveraged to support a competitive European industry. Furthermore, it serves as a prime example of example of



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smart specialisation, turning the region's extreme conditions of sparsity and winter climate into a valuable asset for all of Europe.

Linked to the development of these above-mentioned areas in the sparsely populated north, airport infrastructure deserves a mentioning. There is a big difference between densely populated regions with many competing airports and the regions in the north of Sweden, where access to a local airport can be crucial. Previous possibilities to invest in airport infrastructure through cohesion funds have played a key role in increasing travel to the region from representatives of the automotive industry. This, in turn, has generated positive spill-over effects on the local economy, particularly for hotels and grocery stores, as many international guests stay in the area during the winter season and require accommodation, food, and other services. As a result, the tourism industry now generates around 100,000 guest nights annually in the affected inland municipalities..

## Natural resources and development of a more knowledge-based economy

In northern Sweden, there is an extensive specialisation in forestry, wood and paper industries, which requires the development of new products and processes to improve added value. Over time, many organisations in the regions have carried out EU-funded projects in bioeconomy, focusing on research, development and innovation with the aim of making more efficient and innovative use of forest resources. Supporting research and development in forest bioeconomy has helped maximise the value of forest raw materials and create new jobs. At the same time, it has helped to reduce the region's climate impact and strengthen its role as a pioneer in sustainable development.

One example of how cohesion funds has helped build clusters and test environments in the bioeconomy field is the establishment of the **Processum Biorefinery Cluster** in Västernorrland county. With its roots in chemical operations based on ethanol from pulp mills, the site has developed into a world-leading cluster for the development and commercialisation of biorefinery processes, green products, chemicals and materials. The development has taken place step by step, from pulp mill to biorefinery, and on to building a pilot park with equipment to scale up promising ideas in biorefinery. With support from cohesion funds, the cluster has enhanced its capabilities through research projects and business collaborations in industrial biotechnology, energy processes, green chemicals, residual stream processing and business model development.

Today, Processum Biorefinery Cluster is an important node for refining residual streams from the forestry industry and other sectors into new innovative products, which is an important part of the green transition. Building a bioeconomy cluster has created a critical mass of skills and resources that makes the region more attractive to researchers and businesses, leading to increased innovation and competitiveness. The example also shows how cohesion policy can provide the courage and strength to utilize new opportunities based on traditional industries. Currently, efforts are being made to reduce dependence on fossil fuels in the aviation sector and to develop prototypes for green batteries that use biomass instead of fossil elements and toxic compounds. This means that local solutions, such as the battery project, can potentially contribute to achieving the EU's objectives of strategic autonomy and secured value chains.

Other examples of sectors developed through cohesion funds includes northern Sweden's important wood industry such as sawmills and carpentry. These are companies with local roots that are of great importance for jobs in smaller communities. Through joint development efforts via platforms such as **Träbransch norr** (Northern Timber Sector), with around 200 member companies, smaller companies have been able to increase their competitiveness. Companies that supply the entire forestry sector

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with technical solutions have also been supported through cohesion funds, for example through their joint cluster formation, **Skogstekniska Klustret** (the Forest Technology Cluster)

**Process IT Innovations** is another example of capacity building and development of a regional system. Through collaboration between several municipalities, regional representatives, industry and universities such as Luleå University of Technology and Umeå University, a model was created that links new technologies with traditional areas of strength. Cohesion funds and other EU instruments has been important in scaling up this initiative with investments in research, development and innovation that promote the digital transformation and the climate transition of the business sector.

For Process IT Innovations, the aim is to utilise the knowledge and developments of the region's strong process industries to develop new solutions and transfer them to other sectors and applications. This is done through development projects where industry collaborates with smaller companies and academia. Through these collaborations, the technology and knowledge of large companies strengthens the ability of smaller companies to further develop and adapt solutions into new products, services and business opportunities. At the same time, traditional industries gain access to innovations and leading-edge research, which they can implement in their processes to maintain their global competitiveness and stay at the forefront of technology. Process IT Innovations has contributed to several business ventures and leading research projects in the EU, with applications from these projects now being used across Europe.

## Capacity building for the utilisation of ideas and research results

With competitive public innovation environments, particularly in universities and a university hospital, Life Science is a strong knowledge area in Västerbotten. In order to make better use of the knowledge asset that these institutions offer, long-term investments have been made to develop a support system that captures, develops and commercialises new ideas and research results.

Two actors that together form an important part of the support system and that today offer a common platform for developing research and business are **the Support Office for Life Science and Health (SOLH)** and **Umeå Biotech Incubator (UBI)**. For both of these actors, cohesion funds has been an important enabler for the development of the support system. UBI has for example, with cohesion fund support, contributed to increased commercialisation of research results and ideas with high knowledge content by offering lab equipment, coaching, mentoring and support in finding investors. Today, UBI is a key player in the life science sector and was ranked in 2024 as one of the best start-up hubs in Europe by Financial Times. The incubator has played a key role in creating multiple successful companies and, together with the broader support ecosystem, has been instrumental in driving life science growth in Umeå. Between 2017 and 2021, employment in the sector grew by 17 per cent annually, while company turnover rose by 13 per cent per year – figures that include only firms headquartered in the city.

The development of the Life Science support system is a good example of the importance of cohesion funds in fostering collaboration between academia, healthcare and industry, and in identifying needs and ideas that can be further developed into innovations with the potential to improve human health. For northern Sweden, steady growth of the sector means important jobs and a highly skilled labour force, but in the end, the whole world benefits from the innovations created.



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## **The gaming industry – a growing innovation engine**

The gaming industry in northern Sweden is one of the region's fastest growing industries, serving not only as entertainment but also as a driver of innovation in technology, storytelling and design. Through a collaboration between coastal cities of Umeå, Skellefteå, Piteå, Boden and Luleå, the common platform **Arctic Game** has been established to create a base for successful game creation. Today, Arctic Game is the fastest growing game cluster in northern Europe. Cohesion policy has played a central role in this development with investments promoting in meeting places and innovative environments and support to young companies in finding capital and develop their business ideas. Efforts have also been made to introduce industrial SMEs to advanced gaming technologies, thus strengthening their innovation capacity and helping them develop new technologies and services.

These examples show how long-term investments in regional innovation systems, business networks and clusters in areas of comparative advantage have strengthened northern Sweden's competitiveness, diversified the economy and integrated the region more deeply into European value chains. This means that development in northern Sweden also contributes to the EU's overall goals of increased innovation and competitiveness.

Despite challenges such as a lack of critical mass, insufficient infrastructure and a raw materials-based economy, collaboration between industry, academia and society has over time managed to turn many obstacles into opportunities. Advances in digitalisation have also enabled more distance independent innovation support that can reach remote parts of the region. At the same time, several structural challenges remain, and meeting these and unlocking northern Sweden's full innovation potential requires continued investment in research, innovation and skills development. This way northern Sweden can continue to develop strongly in the future.

## **4. Capacity building and collaboration for competitiveness and resource efficiency**

Structural change and capacity building take time. This is particularly true in northern Sweden, where geographical and structural conditions make it more difficult for clusters and innovation ecosystems to develop naturally, as the critical mass of firms is often limited. In addition, access to capital, an important prerequisite for the startup and growth of businesses and for the commercialisation of innovative ideas, is lower than in many densely populated areas.

Through long-term support from cohesion funds, northern Sweden has been able to mobilise local and regional actors to develop innovation and business support systems, and to conduct targeted interventions to help businesses grow and develop.

### **Tailored support for green and digital growth of the region's businesses**

Through cohesion policy, companies in northern Sweden have received support in areas such as business development, marketing, digitalisation and access to technical equipment. This has contributed to increased competitiveness and more sustainable businesses, as companies have been able to adapt and develop their processes in line with the EU's strategic goals for a green and digital transition. There has also been a clear focus on promoting entrepreneurship.

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A good example of growth-promoting initiatives is the ERDF project **Smart Industriell Modernisering i Mittregionen (SIMMITT)** (Smart Industrial Modernisation in the Central Region), which was implemented in Jämtland Härjedalen and Västernorrland counties between 2021 and 2023. The aim was to strengthen the competitiveness of industrial companies, especially manufacturing SMEs, through targeted interventions. The focus was on creating conditions for renewal and transformation in line with the Swedish New Industrialisation Strategy.

During the project period, a total of 125 SMEs participated in various interventions to increase their efficiency, automation and digitalisation, and to adapt their products, services and business models. According to the companies' own data, the project interventions led to investments equivalent to 810 times the project budget. During the pandemic, parts of the project could also be adapted to include skills development, providing additional support to companies in a challenging time.

### **Smart long-term collaboration creates conditions for growth**

The sparsity of northern Sweden means that many communities have completely different conditions compared to those that apply to densely populated areas. In cities, agglomeration benefits arise from the concentration of businesses and consumers within a given geographical area. These benefits include denser labour markets, a greater supply of skilled labour, and good conditions for sharing resources and ideas. Sparsity, on the other hand, results in small local tax bases, higher unit costs of public service provisions and limited administrative capacity, as well as dispersed communities leading to small isolated local labour markets. Because of these factors, many smaller actors in northern Sweden lack the capacity to undertake development activities themselves, which are often time and resource intensive. Cohesion funds have therefore been an important enabler for projects where smaller actors have worked together to make more efficient use of resources and to leverage existing funds.

A good example of cooperation can be found in **Region 10**, a voluntary association of ten inland municipalities in Västerbotten and Norrbotten counties. With many shared challenges and limited municipal resources to support businesses, cohesion funds have enabled investments to strengthen the collaboration between the municipalities' business development units to create direct benefits for the companies. Among other things, new models have been developed for collaboration between municipalities, business promoters, and companies, allowing businesses to be offered concrete, needs-based support. Companies have received help with ownership transfer processes, support to become more attractive as employers, and support to reach out to new markets using digital solutions. The projects have enabled the municipalities to function as a single business development unit, sharing resources across the region.

Another example of smart collaboration and long-term capacity building is **BizMaker** in Västernorrland county. With support from cohesion funds, effective collaboration has been developed between different actors. From being a local incubator in Sundsvall Municipality, BizMaker is now a regional platform covering all seven municipalities in Västernorrland. Today, it functions as an incubator, a science park and as the region's establishment promoting actor, where BizMaker drives the work of attracting international establishments to the county and creating business opportunities in the green transition.

Since 2023, BizMaker has been core-funded by the municipalities and Region Västernorrland, demonstrating how cohesion funds has helped to create a long-term sustainable function that is not dependent on project funding. The organisation can today present a number of successful start-ups and further developed businesses as a result of its work. In 2023, public funding for BizMaker



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generated a return of 17 times the amount invested in terms of tax revenue, clearly demonstrating the value of this collaborative model.

## Investing in tourism brings more than just guest nights

A closer look at cohesion policy investments in the tourism sector reveals how the sector has developed into a key player in creating viable regions. By enhancing local attractiveness and encouraging both people to stay in the region and to attract newcomers, tourism has revitalized villages that have struggled with businesses closures, reduced public services, and depopulation. The industry also attracts women and young people, groups that have historically been difficult to retain in northern Sweden, and offers many entry-level jobs that are important for individuals to establish themselves in the labour market. However, challenges such as the risk of overtourism can put a strain on local natural and cultural environments and create dissatisfaction among residents. To address this, knowledge of tourism volumes and impacts are needed, both locally and regionally.

A successful example is **Höga Kusten** (the High Coast), which has undergone a transformative and positive development. Between 2010 and 2019, the number of guest nights increased by 59 per cent, making the area one of Sweden's fastest growing destinations. Cohesion funds has played an important role in this development based on strategic cooperation and investment in physical infrastructure such as walking trails, as well as targeted business support to promote improved travel experiences. Successful destination development requires collaboration, understanding and engagement between different stakeholders. Therefore, through EU projects with close stakeholder collaboration, the High Coast has analysed different paths for destination development and how responsibilities should be divided between public and private actors. This way a collaborative model has been developed for long-term and sustainable growth.

In Jämtland Härjedalen, the tourism industry is a base industry that has increased its turnover every year since 2013, except during the pandemic year of 2020. Figures from 2022 show as many as 110,000 guest beds and 11 million guest nights in a region with only 130,000 inhabitants, which clearly indicates the importance of the industry for the region. **Besöksnäringens roll för regional utveckling 2.0** (the Role of Tourism in Regional Development), was an ERDF project between 2021 and 2023 which, among other things, focused on mapping the scope of the industry, tax revenues and employment, as well as how holiday homes are used by people living outside the region. The project also examined the needs and future plans of entrepreneurs and offered support to develop business models and test new ideas aimed at attracting visitors to enjoy nature and cultural heritage in a sustainable way.

An important part of the project was the development of the Jämtland Model, a tool to better communicate the values created by the tourism industry and its importance for residents to continue to work and live in the area. By highlighting both the economic importance and soft values such as thriving villages, tradition, community and pride, both residents and decision-makers can be given a better knowledge base for the future development of the tourism industry and the region as a whole.

## 5. Skills supply and employment for a sustainable labour market

Today, northern Sweden faces significant challenges in terms of skills supply in both the private and public sectors. Challenges resulting from an ageing population, sparse population structure, long distances to educational institutions and emigration have consequences both for the dependency ratio and for the prospects of meeting skills supply needs. In addition, the ongoing digital and green

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transition creates new skills requirements. All sectors and activities – such as mining, energy, hospitality and the welfare sector – need to constantly upskill their employees to meet the challenges of the future. The growth taking place in many parts of northern Sweden also means that it is increasingly challenging to find qualified labour. Skills supply has therefore become one of the major issues in coping with the transformation of society.

Supported by cohesion funds, a wide range of initiatives have been implemented to strengthen skills supply, for example to facilitate the integration of immigrants, enhance skills development, and align training programs with labour market needs. Initiatives have not only been directly targeted at individuals but have also contributed to new partnerships between organisations and testing of new models that strengthen the opportunities for lifelong learning and development for people, companies and organisations.

One example is the structure of **vocational training centres** built up between 2001 and 2006, which became an important platform for adult learning and were implemented in almost every municipality. These initiatives coordinated and developed adult education, distance learning and vocational training, making learning available to the entire population of the region. This led to a regionalisation of adult learning and created a flexible learning structure with increased possibilities to adapt learning to local and regional skills needs.

**Piteå Municipality** has implemented employment and integration projects with support from the ESF, providing personalised learning opportunities for adult Ukrainian citizens residing in the municipality under the mass displacement directive. These efforts aim to strengthen their position in the labour market and promote social inclusion. Thanks to EU funding, the municipality has developed targeted interventions for the Ukrainians – such as Swedish language training and tailored labour market integration programs – that would not otherwise have been possible. These interventions play an important role in empowering Piteå's new residents to become active contributors to both the local economy and community.

Another example of ESF-funded projects is **The Ånge Model** (Ångemodellen) which focused on people who are far from the labour market, for example due to long-term sick leave or disability. The Ånge Model is based on an individualised approach, where each participant receives support based on their specific needs, which requires close cooperation between different actors such as the municipal development unit, social services, adult education, and the Public Employment Service. In the short term, the project aimed to bring individuals closer to the labour market, while the long-term goal was to develop a sustainable working model that promotes inclusion and reduces poverty. The results have been positive, and the model has since been integrated into Ånge municipality's regular work and inspired other municipalities.

### **From an individual focus to a structural perspective**

The current high demand for skills in northern Sweden, combined with low unemployment, means that efforts aimed solely at integrating people that are outside the labour market, or upskilling existing staff, will not be sufficient to meet present needs. Instead, a more structural approach to identify, attract, recruit and retain labour is needed. To ensure a positive societal development it is also crucial to improve regional attractiveness so that a diversity of individuals are interested in moving to and settling in the area. This is particularly important to meet the needs of large green industry investments in the region, as well as to manage the ongoing generational change across key sectors facing workforce turnover.

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Against this backdrop it is important that the special allocation to northern Sweden within the current ESF+ programme enables capacity strengthening of local and regional structures and collaborative projects to create capacity among actors to work with skills supply. This can include mapping skills requirements in business and the public sector, developing cooperation between the relevant industries, education providers and authorities, and efforts to increase the ability of municipalities to attract, recruit and retain the skills they need.

An initiative with a more structural focus is the ongoing ESF+ project **Move up North**, run by the inland municipalities of Region 10. The project aims to increase the capacity to receive new residents and to make information more accessible about what the ten inland municipalities has to offer potential new residents. Measures include enabling a well-functioning newcomer service in each municipality that provides information about the labour market, assistance with official procedures, introductions to the local civil society and meeting places, and support and guidance to employers. This will benefit both those already living and working in the municipalities and those moving in. Similar initiatives are taking place in several places in northern Sweden with support from the ESF+.

During the current programme period, the Just Transition Fund (JTF) is also an important resource for strengthening the region's skills supply. One example financed by the fund is the ongoing project **Yrkesvux för metallindustrin och den gröna omställningen** (Vocational Training for the Metal Industry and the Green Transition). The project aims to address the skills needs in the metal industry in Skellefteå and contribute to the region's green transition. Strengthened collaboration between training providers and employers will ensure that training courses better meet the requirements of the labour market. By developing new courses and modern training environments adapted for sustainability and digitalisation, the aim is to create better conditions for a competitive and sustainable industry in Västerbotten.

The possibilities within the current programme period to implement capacity-building interventions on an organisational and systemic level, rather than only individually focused interventions, are of great importance for the region. Based on the specific challenges of the sparsely populated geography of northern Sweden, and taking into account the severe challenges in skills supply, new approaches must be tested. However, the impact of these initiatives will become clearer in the longer term, as many projects are still on-going. Still, the assessment is that these efforts will have important and long-term effects for northern Sweden, which emphasises the necessity of these opportunities to continue to be developed and supported over time.

## **6. Cross-border co-operation to adress common challenges and opportunities**

Previous examples in this report show the strength of initiatives based on local and regional conditions, where capacity has been built from the bottom-up and where actors have mobilised around common challenges and ambitions. With support from cohesion funds, northern Sweden has also been able to increase its cooperation across national borders, which in several cases has proved crucial to find effective solutions to common challenges. Being part of a larger geographical context also creates new opportunities for development, innovation and knowledge exchange.

In northern Sweden, these collaborations have created synergies between regional and national cohesion fund programmes, cross-border programmes (Interreg), as well as with various sectoral programmes. Interreg also serves as a springboard for finding international partners, which in turn

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strengthens opportunities to participate in the EU's sectoral programmes where funding is sought in competition with actors from the whole EU.

## Innovation without borders and joint efforts for growth and security

**Swedish Lapland** is a collaborative platform representing the tourism industry in the Swedish part of the Arctic, a region with unique nature and culture and which is also part of Sápmi, the traditional settlement area of the indigenous Sami people. Cohesion funds have played a crucial role in enabling small tourism operators with limited resources, such as Sámi entrepreneurs, to develop structured cooperation and joint collaboration models. This has led to the establishment of the Swedish Lapland cooperation platform and enabled the creation of tourism packages with increased global visibility. This is an example of how cohesion policy is helping to address challenges linked to limited access to capital in sparsely populated areas and in sectors often perceived as uncertain by investors.

Today, cooperation is being further developed through Interreg projects in collaboration with actors in northern Norway and northern Finland. One example is the Interreg project **Arctic Europe Tourism Cluster**, which is a cross-border collaboration to strengthen the position of the European Arctic on the international travel map. The aim is to develop more resilient and regenerative tourism, adapting the industry to rapid change and creating benefits for the tourism industry, local communities and visitors.

Interreg support has also played an important role in the establishment and development of **Green Flyway**, an international test arena for electric aircraft and drones linked to an airspace corridor between Trondheim and Røros in Norway and Sveg and Östersund in Jämtland Härjedalen on the Swedish side of the border. With few aircraft movements in the airspace, Green Flyway offers a unique test environment with vast mountains, a challenging winter climate and the possibility to conduct tests in international airspace. The development of Green Flyway has created opportunities to test and implement drone services and infrastructure for the future of aviation, as well as to demonstrate airspace and transport solutions for goods and people in order to promote the development and transition of the aviation sector.

Through Interreg-funding, **the Kvarken Council** (a Swedish-Finnish cross-border cooperation forum between Västerbotten, Västernorrland and the three Ostrobothnia counties of Finland) has also carried out projects focusing on electric flights and other modes of transport. The **FAIR** project investigated, among other things, routes for electric regional flights in the Kvarken region as well as concepts and business models to support the early implementation of regional electric flights. There is already strong cooperation between the regions in the Kvarken area and there is a need to further improve east-west connections. In this regard, the FAIR project is a good example of actions taken today but with eyes on the future, especially as the historically large industrial investments in northern Sweden have led to an increased demand for accessibility, both for companies and citizens. A functioning regional electric aviation network can help to address parts of this demand.

The Kvarken Council is also implementing initiatives focusing on developing logistics and transport corridors in light of the worsened security situation and the rapid industrial transition in northern Sweden and the European Arctic. The ongoing Interreg project **New North - Transport, Logistics and Security of Supply**, brings together Swedish, Finnish and Norwegian actors with the aim of strengthening cooperation and ensuring that cross-border logistics networks remain safe and sustainable in the future.



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Cross-border cooperation has also focused on disaster preparedness, leading to better crisis management and increased security in the European Arctic. **Gränsöverbyggande Samverkan för Säkerhet (GSS)** (Cross-border Cooperation for Security) was an Interreg project between 2010 and 2013 focusing on crisis management and security in Swedish and Norwegian border regions. The project was led by Mid Sweden University and Nord-Trøndelag University College, in collaboration with public authorities, emergency services and energy companies. The aim was to strengthen cooperation across the border to increase security, improve crisis management capabilities and protect lives, the environment and economic assets, and to make the border region more attractive through improved safety.

Another Interreg-project, **Mountain Rescue II**, increased the skills of mountain rescue teams through training and improved knowledge of local conditions, both in Swedish and Norwegian areas. The project also tested technical equipment that enables people on both sides of the border to hear emergency calls. This allows emergency calls to be passed on to the nearest emergency services, regardless of which country it comes from. Overall, the project contributed to improve cross-border cooperation in mountain rescue operations.

## From local capacity building to excellence

Support through cohesion funds has enabled actors in northern Sweden to build capacity and capabilities and to engage in cross-border cooperation through Interreg. This journey has been important for regional actors to be able to participate in projects funded by the EU's Framework Programme for Research and Innovation, Horizon, as well as other sectoral programmes that place high demands on applicants. Participation in these sectoral programmes has enabled actors in northern Sweden to participate in international research and business collaborations and benefit from the latest knowledge. This has led to the development of new products and services that can compete in both national and international markets. Participation in these programmes also helped regional actors build international networks and collaborations that create added value for both the region and international partners while promoting cultural understanding and new opportunities for research and development projects.

The **Processum Biorefinery Cluster**, which was highlighted in a previous chapter, is one of several examples of how long-term efforts based on local conditions can create world-leading innovation environments that help meet European challenges. Through local and regional capacity building, the cluster has over time built up a capacity to participate in both cross-border Interreg projects and Horizon projects. Within the ongoing Interreg project **GreenBattery**, that was mentioned earlier, Processum is working with partners in Finland to develop a prototype of a bio-based battery, in which residual product from the forest industry replace fossil elements and toxic compounds. They are also coordinating the Horizon-funded **ALFAFUELS** project, involving several European universities and research institutes, which aims to reduce the aviation sector dependence on fossil fuels through new innovative production technology. The project has the potential to play a key role in the decarbonisation of aviation by enabling scalable production of sustainable aviation fuels.

**TRIWA LIFE** is another example of cross-border collaboration, where Swedish and Finnish actors work together to restore wetlands and catchment areas in the Torne River, which forms the 190-kilometer border between Finland and Sweden. Since the late 1990s, the regional authorities in northern Sweden and northern Finland have been co-operating on various projects related to water management issues in the Torne River basin. This cooperation has mainly focused on comparing methods to harmonise

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principles on, for example, monitoring, classification of water bodies and field inventory of environmental impacts.

A significant part of the cooperation has taken place within the framework of a series of Interreg projects, the last which resulted in a concrete programme of restoration measures. In 2020, an application to the EU's LIFE programme was launched to implement the proposed restoration actions. The application was successful, and the project started in March 2023. It will be carried out over seven years and will be the most comprehensive restoration of water environment and increased biodiversity in the region. In addition to environmental improvements, the project will create conditions for growing ecotourism and strengthen cooperation between Sweden and Finland.

## 7. Final reflections

This report presents good examples of the development journey of northern Sweden in a number of different areas that have been made possible by long-term investments adapted to the regions' specific challenges and conditions. The list could be much longer than this report, but it is clear that this development with support from the EU has not only been crucial for growth in northern Sweden, but it has also helped to create important added value for Sweden and for the EU as a whole.

Cohesion policy has also encouraged smaller organisation, municipalities and actors with small institutional capacity to position themselves in larger contexts, cooperate and take on the EU's objectives. In this way, municipalities and regions have been linked to the European project, giving the EU greater legitimacy at local and regional level. The combination of financial support with strategic guidance towards innovation and new partnership thus allow regions to develop their economic fabric while contributing to common EU priorities.

In addition to long distances from major markets, a cold and challenging climate and an increasingly vulnerable geopolitical position, northern Sweden's challenge is the lack of capacity. This applies both to depopulation areas in geographically large but demographically small municipalities, as well as to the more populated parts that, although they have greater self-sustainability, have challenges related to industrial structures to offer attractive communities that can attract labour force. The EU's support for regional development and the green transition has been crucial for the major investments taking place in many parts of northern Sweden, as well as for smaller-scale initiatives in the reindustrialization with a green focus, which is driven by old industrial traditions, access to clean energy, and critical raw materials. However, it must be managed by the surrounding community, and the development needs to be spread to unlock the potential of more sectors and the many small businesses that exists, in interaction with indigenous peoples and the hospitality industry and others for long-term sustainable development.

Much of what is taken for granted today would not have happened without the investments made a long time ago, including many of the industrial investments and record increases in tourism that are taking place today. At the same time, it is important to emphasise that many challenges remain. For the sparsely populated north of Sweden, with its long distances to major markets, small local tax bases and limited economic resources, a continued robust cohesion policy is central to its development potential and, by extension, to a stronger EU. In other words, the growth-promoting measures of cohesion policy entail a low cost in relation to the socio-economic benefits they have the potential to achieve and thus contribute to the competitiveness of the whole of Europe. Given the deteriorating security situation and the strategic importance of the European Arctic, it is also of great importance

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that people can live, work and stay in the region. Viable and competitive communities in northern Sweden are therefore not only important from an economic point of view, but also an important prerequisite for a safer, more secure and more resilient region in an increasingly unstable world.

Cohesion policy provides strength and incentives for northern Sweden to be able to continue to develop to the benefit of the whole EU.