

Northern Sparsely Populated Areas' (NSPA) views on the future of Cohesion Policy within the next Multiannual Financial Framework

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

With the proposal for the next EU long-term budget approaching, discussions on the role of cohesion policy in shaping the Union's future takes centre stage. For the Northern Sparsely Populated Areas (NSPA), cohesion policy has been a vital tool for unlocking economic potential. It helps regions address structural challenges, build on their strengths, and contribute to the EU's global competitiveness.

A recent OECD study on the 14 NSPA regions, supported by the EU DG Reform technical support instrument and launched on 18 February in Brussels in connection with this position, highlights the need for capacity-building to successfully navigate the green and digital transitions. The OECD emphasizes the importance of EU regional support for the NSPA in the European Arctic. By integrating the area to the single market, improving the ability of surrounding societies to host large green industry investments, while fostering small-scale communities and businesses in the surrounding ecosystem – cohesion policy helps transform current challenges into future opportunities.

While defending cohesion policy, the NSPA recognises the need for improvements in certain areas to make it more focused, effective and simple. This will ensure it can deliver greater impact in building a just, competitive and safer Europe.

1. For NSPA regions, cohesion policy is also security policy

The Arctic is becoming a geopolitical hotspot, with major powers like Russia, China, the U.S., and the EU showing increased interest. At the same time, increased hybrid attacks in the Baltic Sea and along the eastern borders, combined with geopolitical tensions and closed borders, is already affecting daily life. The NSPA regions, located in the European Arctic, serve as a northern frontline for the EU and form part of a globally significant border region. For these sparsely populated areas in Europe's periphery, cohesion policy has been vital in unlocking economic potential.

Since joining the EU, the northern sparsely populated regions of Sweden and Finland have received additional allocation of cohesion funds, based on Article 174 of the EU Treaty and Protocol 6 of the Accession Treaty for Sweden and Finland, which recognises the unique challenges of the NSPA. Given the rising geopolitical tensions in the area and Sweden and Finland's recent NATO membership, addressing the specific needs and potentials of the NSPA is not only vital for these areas to prosper and deliver needed resources for the EU, but also an integral part of EU security policy.

The allocation to the NSPA is also a core element of the EU Arctic Policy, given the specific Arctic circumstances like remote and sparse populations over vast areas, harsh and changing climate, long

distances to the larger markets and small financial resources with difficult demographic imbalances to tackle. To address these challenges, cohesion policy plays a crucial role.

2. Competitiveness is built from the ground up

Our experience shows that competitiveness is best achieved through a bottom-up approach, empowering local communities to build on their strengths and invest in long-term capacity building, innovation, and renewal. True EU competitiveness cannot rely solely on sectoral policies targeting specific sectors and technologies. It is important to evaluate how European production, and strategic autonomy can be improved, but it is equally important to avoid a reactive, centralized framework with a too narrow focus.

Cohesion policy must remain focused on its long-term objectives of promoting local innovation ecosystems to attract capital and investments that enable the transformation of businesses and societies in line with the EU's overarching objectives. This strengthens globally competitive value chains within the EU and broadens and deepens the single market by creating a foundation for sustainable and inclusive growth across Europe. The NSPA is a good example of regions that lack own capacity in many areas, but that with adapted support have been able to release potentials to the benefit of all of Europe.

Cohesion policy can be seen as a two-sided coin. On one side it supports basic needs in the Europe's less developed regions and on the other side it helps build a base for innovation and competitiveness in all parts of the EU, strengthening value chains and driving growth. The NSPA, though highly developed regions with unique innovation systems, requires support for continued capacity-building to overcome existing challenges and fully integrate to the single market.

3. A more coherent policy connected to EU strategic priorities

To achieve greater impact, cohesion policy must be more integrated and closely aligned with broader EU objectives. Cohesion policy alone cannot address all challenges, especially given the constraints of the EU budget and the influence of other policies. This highlights the need for a better coordination across different EU funding streams to maximize their effectiveness. Instead of creating new instruments for every new challenge, the NSPA calls for greater flexibility in existing funds and stronger alignment between cohesion policy and EU strategic priorities. A new overarching EU strategy, building on the previous Europe 2020 strategy, would help in this respect, to guide the local, regional and national strategies toward shared goals.

Merging funds like the ERDF, ESF+, and EARD, could in this context create a more holistic approach to regional development. This could enable a critical mass of investments that connect local capacity building with actions promoting skills supply in both urban and rural areas and the combined regional innovation ecosystem. This would also help simplify administrative burdens for both beneficiaries and managing authorities.

4. Prioritize long-term approach while accelerating implementing

Unlike the Recovery and Resilience Facility (RRF), which in our view prioritizes rapid spending and fosters a "run for the money" approach, cohesion policy has a strategic, long-term approach that connects local and regional efforts to EU objectives. This approach is crucial to maintain, as it

ensures effective investments that deliver meaningful impact. Moreover, the current cohesion policy framework can be quickly adapted to new priorities and changed needs, if organised in the right way.

To accelerate absorption rates, administrative burdens must be reduced. This is particularly important for the NSPA, where many small organizations and SME's, rather micro enterprises, struggle to access funding due to resource constraints and complex administrative procedures. Further simplification is therefore needed to ensure that those being most in need can receive support to transform and develop.

The NSPA supports a more result-oriented approach. While reducing administrative burdens, it is important to have robust follow-up mechanisms to track progress. Expanding the use of simplified cost options and milestone-based funding can help accelerate implementation and improve performance tracking. However, a performance-oriented model should not mean payments solely based on results. This risk to favouring activities that are easier to execute and beneficiaries with sufficient resources to absorb potential financial losses if objectives are not met. Such an approach would risk excluding beneficiaries with less own resources, particularly if they are required to fulfil too narrow and strict set outcomes. The NSPA considers it essential to preserve opportunities for innovative projects with uncertain outcomes, provided they are based on a solid plan to address key challenges and opportunities.

5. A partnership to do the right things at the right level

If reforms are to really strengthen the impact of cohesion policy investments and align different policies towards a common goal, the reform design and implementation cannot be left solely to national discretion. Instead, it requires meaningful regional involvement to ensure policies are tailored to specific territorial needs.

The NSPA believes that smart specialisation (S3) can serve as a key tool for linking regional investment priorities with structural reforms. Regional S3 strategies can be used to enable agendas for regional investment and reforms that address structural obstacles for growth and development. The reforms in such agendas may be carried out at national, regional or local level, depending on the nature of action and the competences of different levels, with a need to be coordinated between all levels to ensure a coherent approach and outcome. The NSPA therefore calls for a partnership principle that secures cooperation between national and regional level to achieve set EU objectives.

It is also evident that a more centralized approach with national envelopes will not capture the true needs in different parts of the EU. It can even be counterproductive if not taking a place-based approach to address the actual bottlenecks and thresholds in each different region and even sub-regional level, as the differences today are often wider within than between regions and nations. The data and maps in, for example, the Ninth Cohesion Report show this very clearly, as they are put to show the situation around Europe on a regional level, but for the regions of NSPA, covering a large part of Europe, it becomes aggregated statistics of small value for any policy making effort.

Statistics such as GDP per capita say something about productivity, that is, producing more with fewer workers, as well as the impact of global raw material markets on regions with rich natural resources. However, it does not say anything about income levels, tax revenues, capital market functionality or investments and needs connected to communities, citizens, skills supply or migration

flows, among other things, which also can differ greatly within regions. Having a strong raw material industry does not necessarily mean a strong community to build sustainable growth on. It also hides the struggles for small communities and SME's. This can only be addressed with the knowledge that is to be found on the local and regional level, in dialogue and partnership with national level and EU for relevant support schemes and investment tools.

6. Active partners in the European project

The current system means that, in many ways, local and regional levels are not just implementers of EU policies but co-creators, actively engaged in shaping and legitimizing the European project.

The principles of partnership and multilevel governance play a crucial role in ensuring that policies are better aligned with real needs. It fosters stronger collective commitment to shared objectives and creates a sense of ownership among stakeholders. It improves coordination with other instruments, including the important support to extend collaboration over national, administrative and sectorial borders.

Cohesion policy is not a system without flaws, but it is the pillar upon which the EU comes closer to its citizens. The local and regional elected politicians become a part of the EU policy processes, as a link for the EU to the local communities and their needs. The possibilities to engage in Community Led Local Development (CLLD) and Integrated Territorial Investments (ITI) are tools to further develop to build local capacity in relation to EU objectives. The involvement in strategic common work within the NSPA network, together with organisations like the OECD, to develop better strategies and tools for sustainable development through collaboration, is an example of what the cohesion policy has been a catalysis for.

The NSPA therefore wants to reaffirm its firm belief in these principles of cohesion policy, to ensure trust in the European project and to avoid a disconnect between local and regional actors in the broader vision of the EU.

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