

The NSPA views on EU's long-term vision for rural areas

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

In regard to the European Commission's consultation on a long-term vision for Europe's rural areas, the Northern Sparsely Populated Areas would like to make the following comments:

- Promote a place-based approach
- Strengthen the link between urban and rural areas
- Invest in digital and transport infrastructure
- Manage territorial market failures
- Support entrepreneurship and innovation capacity in sparsely populated areas
- Take advantage of the potential for a green transition

Promote a place-based development approach

The regional economy in the NSPA area remains vulnerable due certain geographical and structural challenges, such as long distances and sparsely populated areas with aging populations. A lack of critical mass as well as an economy based on natural resources, highly sensitive to global market fluctuations, are severe structural challenges to tackle. At the same time, the regions in the European Arctic delivers added value to the whole of Europe, not least in terms of raw materials. The NSPA regions have great potential to lead the way for a green transition and a sustainable growth, given adapted policies and investments. Especially with regard to supply and refinement of natural resources, which are crucial for the EU to reach the goal of climate neutrality by 2050.

The NSPA wants to emphasize the variety of rural areas within the EU, which all require different adapted strategies and development support based on their unique conditions. Regional and rural development is about the interaction between the local entity and its surroundings, including the linkages between urban and rural areas. This is particularly evident in the OECD's *Territorial Review of the NSPA* (2017), the *OECD's regional Outlook* (2016), and the latest OECD study (2020): *Rural Well-Being: Geography of Opportunities*. While big parts of Europe consist of small and medium-sized cities, the northernmost part of Europe is to a big extent characterized by extreme sparsity and scattered small communities, which are important regional growth facilitators for its surrounding areas. The upcoming long-term vision on rural development, with associated investment tools, must acknowledge the specific conditions and potential of each territory. Additionally, the NSPA would like to stress the importance of statistics and data that can provide a place-based understanding for analysis, especially in areas with structural and geographical challenges as the ones in the NSPA area.

Strengthen the link between urban and rural areas

The NSPA believes that the EU's different policy areas for development and growth must be able to adapt to each region's unique context and conditions. Successful local and regional development – where territorial challenges and opportunities are addressed – requires place-based policies, cross-sectoral coordination, and multi-level governance. The EU policies with its investment tools should therefore include a stronger place-based and territorial dimension in order to ensure efficient development. In the Northern Sparsely Populated Areas with large distances and demographic challenges, there is a need for more holistic policies for regional development that consider both urban and rural areas.

The NSPA therefore regrets that the European Agricultural Fund for Rural Development (EAFRD) have been proposed to not be a part of the Common Provisions Regulations of EU Cohesion Policy. The EAFRD should not be exclusive for rural areas with traditional agricultural businesses but also be designed as a continued development tool for remote less densely populated areas with a harsh climate to truly link local rural, regional and urban development for more effective sustainable growth efforts.

According to the OECD, the link between urban and rural areas is absolutely crucial for growth, which then makes the division between densely and sparsely populated areas contradictory. Investment and growth policies should instead be better adapted to different regions' different special conditions and opportunities. Place-based strategies for regional development and smart specialization (S3) are suitable starting points for the design and implementation of the EU's various funds and programs. S3 provides both an analytical basis and a strategic coordination of local, regional, national, and European efforts for regional development. The S3 strategies are also characterized both by actions for diversification of regional economies and the promotion of a green and sustainable transition.

Invest in digital and transport infrastructure

The NSPA welcomes the EU's political ambition to contribute to better conditions for living and working in sparsely populated areas. One of the most important tools is access to digital services with good service, accessibility and security - no matter where you live. Access to fast broadband is a precondition for being able to use digital services fully. The expansion of fast broadband must therefore be accelerated.

Due to territorial challenges, commercial actors do not see sufficient financial incentives in building broadband via fibre in places with large distances. The 5G network is often mentioned as an alternative to fibre, but it will probably not be relevant in the near future as it is required that fibre is first drawn to a mast which will then supply a large number of 5G masts placed at a distance of 300–700 meters from each other. The geographical conditions of the northern sparsely populated areas make such an expansion more difficult. Instead, broad collaboration and special investment support are required to expand broadband and secure access and be able to take advantage of the possibilities of digitalization.

The NSPA area's access to raw materials and processed products are critical to European industry. A green transition requires functional and robust road, rail, and sea connections. The OECD study of NSPA (2017) shows the industry's need for necessary investments both in north-south transport routes to the EU internal market, but also investments in east-west transport routes to markets in Asia and west across the Atlantic. The European Commission's report on investment priorities in the Arctic shows that there is a lack of investment, particularly in infrastructure. Investments in infrastructure are crucial to utilize the growth potential in the European Arctic.

The NSPA calls for flexibility to be able to invest in airport infrastructure and thereby support the restart of economic activities in the northernmost regions of Europe. The total shutdown of air traffic due to the Covid-19 outbreak has painfully shown the fragility of communities and businesses. The global pandemic has shown how fragile the dependence on access to airports is, especially for tourism, testbeds to global industries, and SMEs delivering niche products and services through global value chains. At the same time as the aviation industry is experiencing a decline in demand, the technology to reduce carbon dioxide emissions is developing very quickly. An industrial transformation that will require significant investment in airport infrastructure, especially in regions with long-distances where there are few reasonable alternatives to air traffic.

Manage territorial market failures

Investments in intermodality between modes of transport, access to broadband, and expansion of electric charging infrastructure need to increase drastically in sparsely populated areas. The municipalities want to, but lack of financial strength in combination with restrictive regulations makes it difficult to use public funds for this purpose. Experience shows that regulatory systems can be a major, or even crucial, obstacle to co-financing investments in, for example, high-speed electric charging systems with either national or European public funds. In addition, there are also major market challenges, as the investment is likely to be financially disadvantageous for the investor compare to investments elsewhere.

Another challenge in sparsely populated areas is to maintain bus connections with commercial viability. Territorial market failures often make regional traffic on a commercial basis impossible. Public transport contributes to improving accessibility to services, work, education, culture, and leisure over a larger geographical area, and a basic public transport offer is therefore important for an active, vibrant, and cohesive region. Continued exemptions from EU state aid regulations are a basic precondition for municipalities and regions to be able to meet basic needs in sparsely populated areas, such as transport subsidies and public subsidies to regional airports.

Support entrepreneurship and innovation capacity in sparsely populated areas

In sparsely populated regions with large distances and a lack of critical mass, companies and academic institutions are often forced to cooperate on an interregional and international level. The region usually also has smaller economies with a higher degree of small and micro enterprises, as well as small local and regional authorities with a lack of institutional capacity. This means that sparsely populated areas can seldom create entire innovation ecosystems within their own region but need to strengthen their capacity through networks outside the region to a greater extent than other regions. The work with smart specialisation strategies needs to be more actively accompanied by investments in skills supply and attractiveness, as access to labour is limited due to large distances and a lack of critical mass. Also, the ability to provide higher education in sparsely populated areas is of major importance to tackle all of the challenges mentioned above, as pointed out by the OECD in the Territorial Review of the NSPA in 2017.

Take advantage of the potential for green transition

The NSPA welcomes the EU's goal of having net zero greenhouse gas emissions by 2050, with the goal of making Europe the first climate-neutral continent. The EU's Green Deal is a welcomed initiative that sets the agenda for sustainable regional development in the future. The EU's new forest strategy is one of the initiatives that will be of great importance to the NSPA regions, as the European Arctic is home to the most forest-rich areas in the whole of Europe. An active and sustainable forestry will have a central role in the green transition. Growing forests has a positive effect on the climate and sustainable forestry provides green products that can replace concrete, plastics and fossil fuels. Additionally, the NSPA area also has good access to renewable energy sources such as biomass, hydropower, and wind power. Not to forget the crucial access to critical raw materials, minerals, and metals, as well as rare earth metals, which all are required and key industrial components to achieve the EU's climate and energy goals.

Although the large natural resources make a significant contribution to the EU economy and the global market, it is often a difficult economic situation in the areas where resources are extracted, as the profits and tax revenues generated largely end up elsewhere. The industrial processes of extraction and refinement of natural resources put great pressure on local communities to provide companies with skills, while trying to create attractive communities and living environments for more long-term and sustainable development, thus avoiding local economies based on a fly-in, fly-out and more limited industrial cycles. Special support for managing the various dimensions of sites with large natural resources is therefore particularly important, and

something that requires more place-based policies and a more flexible design of the EU's various investment instruments.

Adopted by the NSPA Steering Committee, December 2, 2020.

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