

**Declaration**  
**on the future of European Cohesion Policy**  
**presented by the extremely sparsely populated areas of**  
**Finland and Sweden**

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Areas with an extremely low population density have been identified as a special case in the Second Progress Report (January 2003) with a special reference to areas in the Nordic countries (Finland and Sweden) under current Objective 1 programmes. Areas as sparsely populated as the Northern parts of Finland and Sweden are not to be found in any other part of Europe, with their sparsity of population on average of 4.4 inhabitants per square km. The extremely sparsely populated areas of Finland and Sweden comprises an area of 447 000 km<sup>2</sup> with a population of only 1.9 million people.

This declaration is the result of the close cooperation between the four northernmost counties of Sweden (Norrbotten, Västerbotten, Jämtland, Västernorrland) and the Northernmost and Eastern regions of Finland (Lapland, Oulu Region, Kainuu, North Karelia, North Savo and South Savo) on the issue of the future European Cohesion Policy. The declaration will be presented and handed over to the European Commission and the European Parliament on the occasion of the seminar "Regional development in sparsely populated areas - bringing added value for the entire Europe" on the 10th of June 2003.

1. The extremely sparsely populated areas of Finland and Sweden unequivocally support the continuation of the European Union regional policy. This policy of solidarity, stability and integration has over the years greatly contributed to the economic progress of the regions lagging behind; enhanced the strategic and sector free approach in regional development work as well as the role of regions; increased employment and entrepreneurship; improved competitiveness and sustainable development; and integrated exchanges of good practices and transfers of knowledge across Europe.
2. In the spirit of economic and social cohesion, the future EU regional policy should aim at a balanced development between European regions. In the context of the enlarged Union, funding should indeed concentrate on the least developed regions on the basis of the 75% GDP criterion. Cross border cooperation, in particular the Interreg programmes have been particularly successful and important to Northern Europe, contributing to economic development and integration.

**Experiences on Structural Funds**

3. The interventions from the Structural Funds have supported regions suffering from natural and geographical handicaps by way of, among other things, slowing down depopulation, reducing unemployment, and alleviating social exclusion. For example, the Objective 6 Programmes in Finland and Sweden (in 1995-99) were involved in the founding of 6 400 new firms, creation of 4 100 new jobs and maintenance of 12 100 existing jobs. Over

100 000 inhabitants took part in different educational activities. This has developed the knowledge-based industry and strengthened the role of higher education and universities in regional development. The extremely sparsely populated areas of Finland and Sweden were able to make significant progress during the past programming period.

4. The ex-post evaluation of the Objective 6 programme, made by the European Commission, shows that strategies have been accurate, but that a long-term perspective and more resources are necessary to achieve a positive economic development in the extremely sparsely populated areas of Finland and Sweden. This motivates continuing political efforts at a regional level supported by the Union's Structural Funds and national resources.

#### **Accumulation of handicaps**

5. The permanent natural and geographical handicaps of the extremely sparsely populated areas of Finland and Sweden are of cumulative nature. The low population density, the extreme remoteness and the harsh climate contribute to the accumulation of effects, which results in a complexity of problems for regional development.
6. The lack of critical mass and extra costs due to a low population density and long distances are serious problems for both public and private sector, hampering the competitiveness of the region. Small local and regional markets limit economic activities. The smallness and insularity of communities, often with less than 5 000 inhabitants, tens or even hundred of kilometres apart, restrict access to labour market and education. The unemployment levels of the extremely sparsely populated areas of Finland and Sweden are the highest in their respective countries. The public sector experiences high costs for maintaining adequate level of services of general interest, such as elderly care, health care, education, infrastructure as well as commercial services. A high dependency on a limited range of economic activities related to basic industry makes these economies even more vulnerable.
7. The extreme remoteness of these areas, with long distances within the regions as well as to main national and European markets, causes high costs for marketing, training of staff and transports of persons and goods. The remoteness is also an obstacle to networking and contacts with other parts of the country or the EU. The peripheral location of the extremely sparsely populated areas of Finland and Sweden will be more accentuated in an enlarged Union, as all the continental new Member States are located closer to the key European markets. According to the accessibility index developed during the ESPON research programme, the extremely sparsely populated areas of Finland and Sweden have an accessibility that stays below 25% of the enlarged EU average. Furthermore, the harsh climate brings additional costs (for heating, transports, infrastructure investments) and restraints for inhabitants and entrepreneurs.
8. Depopulation and ageing population is a European problem. The initial low number of people in the extremely sparsely populated areas of Finland and Sweden exaggerates the effects of this development in these regions. The

population change in Finland and Sweden's Objective 1 areas has been a decrease of 0,7 % per year from 1995 to 2000. In fact, some areas have already reached the stage where there is not a critical mass of population. Furthermore, the rapid ageing of the population in the extremely sparsely populated areas of Finland and Sweden is creating a situation where a greater number of people are depending on the support of fewer people. This trend, occurring ten years ahead of the rest of Europe, places additional burden on the delivery of basic services and sustainable development of business.

9. The GDP/capita does not give a fair picture of prosperity in the extremely sparsely populated of Finland and Sweden where there is an abundance of natural resources, which are exploited. The capital-intensive industries generate high turnover and therefore significantly inflate the GDP figures. However, due to the high level of modernisation these industries create very few jobs and the wealth does not stay in the regions. On the other hand, the decline in population results in an increase in the GDP per capita figures.

#### **European Added Value**

10. However, regional development in our regions brings true added value for the entire Europe; inter alia
  - 10.1. by presenting innovative solutions and transferring good practices for the development of sparsely populated and peripheral regions across Europe, for example in the fields of e-health, e-learning, e-business, e-governance and new methods of work;
  - 10.2. by supporting the maintenance of a viable regional structure and permanent habitation in the areas neighbouring Russia. The 1300-kilometre border between Finland and Russia is the steepest welfare gap in Europe;
  - 10.3. by acting as the EU gateway to Northwest Russia and to the exploitation of the vast natural resources in the extremely sparsely populated areas of Finland and Sweden (forestry, minerals, etc.), which the Union cannot overlook in the future, by maintaining and developing a functioning infrastructure, education, competence and logistics networks;
  - 10.4. by transferring know-how to the other parts of Europe within specific fields, including cold climate technologies and testing activities, that demand a genuine environment for validation; and
  - 10.5. by supporting the unique natural environment and cultural heritage as well as the only indigenous peoples of Europe, the Sami people; and by providing extensive opportunities for recreation and tourism that necessitate proper infrastructure.

#### **Recommendations**

11. The structural disadvantages of extremely low populated areas should be recognised independent of the GDP. The extremely sparsely populated areas

of Finland and Sweden need to be covered by a special instrument of a permanent nature guaranteeing sufficient financial allocations in parity with the Objective 1 programmes of 2000-2006. The special instrument should provide sufficient support levels in order to enable the participation of small communities in future programmes. The current financial allocation for Objective 1 programmes for Finland and Sweden is only 1.7 billion € or 0.77 % of the total budget of the EU's Structural Funds.

12. The geographic coverage of the present Objective 1 area should be maintained in order to guarantee a polycentric development and the interdependence between growth centres and surrounding rural areas. . It is also important that it allows for comprehensive programmes involving a wide scope of activities addressing the complexity of the problems in these areas and also facilitating the coordination of efforts and resources. Solutions based on long-term investment and consistency between policies such as regional development, agriculture, competition and employment are required.
13. In future European Union regional policy, the criteria for structural funds support to the extremely sparsely populated regions should remain on the basis of Protocol 6 in the Accession Agreement for Sweden, Finland and Austria. Furthermore, there is a need to strengthen the legal basis in the Treaties for the extremely sparsely populated areas of Finland and Sweden in order to ensure that the specific conditions of these regions are also reflected in other EU policies such as competition policy, environmental policy and transport policy. Implications of state aids and taxations are of vital importance for these regions as well as possibilities for rural development. The revised guidelines for regional state aids need to ensure that the net grant equivalent ceilings for the extremely sparsely populated areas of Finland and Sweden on the basis of article 87.3a and c are kept and harmonised with the provisions on structural policies.

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Signed by ?????

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