



OECD TERRITORIAL REVIEW OF THE NSPA: WHERE IS NORTHERN SWEDEN'S GROWTH POTENTIAL?

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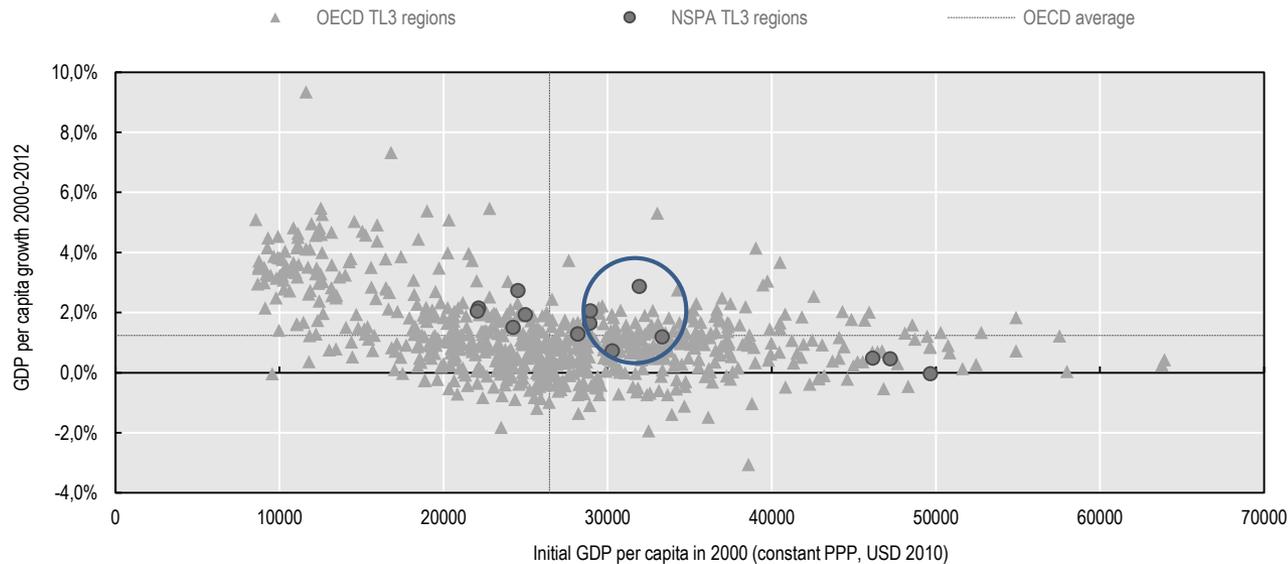
Presentation outline

1. NSPA findings and recommendations
2. Findings and recommendations for Sweden
3. Some initial thoughts on implementation



Relatively strong performance in an OECD context

Benchmarking GDP per capita performance in NSPA regions, 2000-2012



Note: GDP per capita growth is measured as the average yearly growth rate between 2000 and 2012.

Source: OECD (2016), "Regional economy", *OECD Regional Statistics* (database)

Within the context of the OECD these regions are relatively wealthy and generally growing above average.



Productivity and workforce activation important to future growth

Decomposing GDP growth in NSPA regions (1999-2012)

| | Productivity | Population | Employment | Activity rate | |
|---------|-----------------------|------------|------------|---------------|-------|
| Sweden | Västernorrland | 0.5% | -0.9% | -0.5% | -0.1% |
| | Jämtland Härjedalen | -0.1% | -0.9% | 0.1% | 0.1% |
| | Västerbotten | 0.2% | -0.5% | 0.2% | 0.1% |
| | Norrbotten | 0.6% | -0.9% | 1.1% | -0.1% |
| Norway | Nordland | -0.1% | -0.9% | 0.0% | 0.0% |
| | Troms | -0.8% | -0.5% | 0.1% | -0.1% |
| | Finmark | -0.7% | -0.9% | 0.6% | -0.1% |
| Finland | South Savo | 0.7% | -1.1% | 0.4% | -0.2% |
| | Pohjois-Savo | 0.1% | -0.6% | 0.4% | 0.0% |
| | Northern Karelia | 0.5% | -0.7% | 0.1% | 0.1% |
| | Kainuu | 0.0% | -1.3% | 0.4% | -0.1% |
| | Central Ostrobothnia | 1.6% | -0.4% | 0.1% | -0.1% |
| | Northern Ostrobothnia | -0.3% | 0.3% | 0.0% | 0.0% |
| Lapland | 0.8% | -0.9% | 0.2% | 0.0% | |

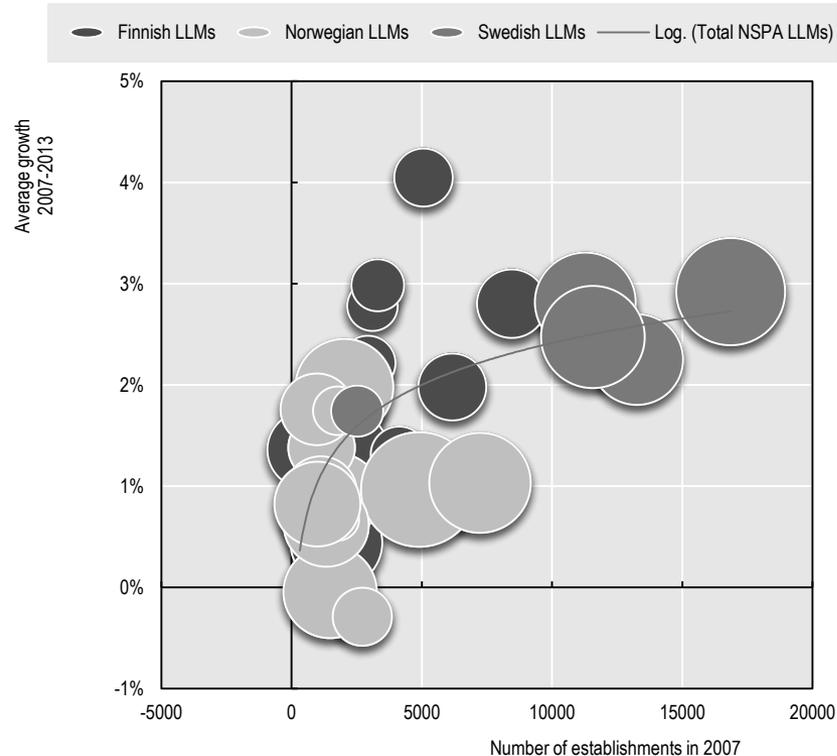
Source: Own calculation based on OECD (2016), *OECD Regional Statistics* (database)

Only one of the NSPA regions has been affected by the so-called 'rural paradox' whereby productivity growth is generated by shedding labour.



Growth is concentrating in a smaller number of places

Establishment growth in NSPA Local Labour Markets (LLMs)



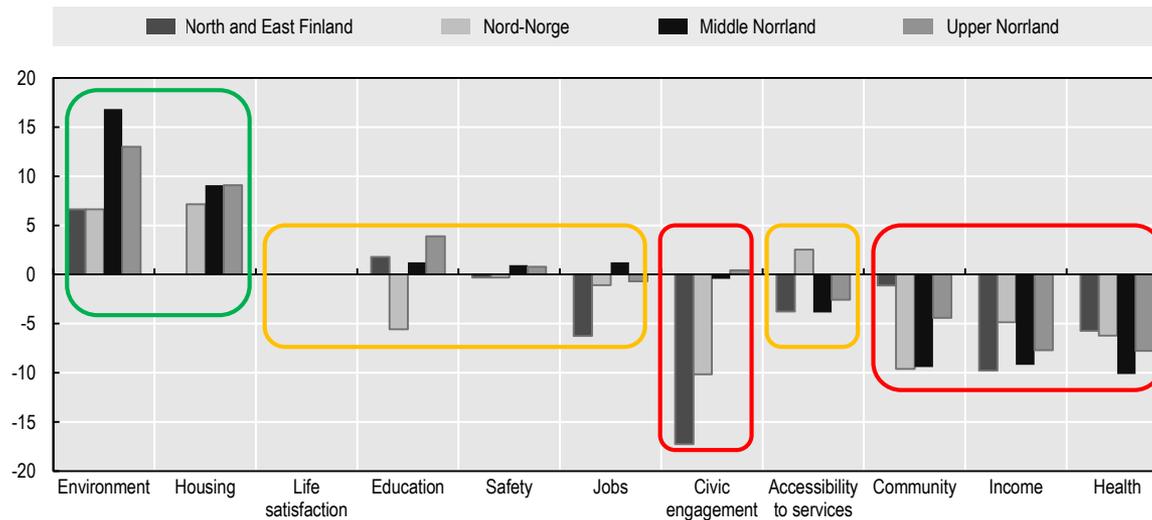
Source: Own calculation. The size of the bubbles represent the estimated number of workers within the LLM.

Larger local labour markets are generating business and employment opportunities at a faster rate.



Gaps in wellbeing are relatively small in key areas

Well-being in NSPA (TL2) regions, difference with national averages



Source: Own calculation based on OECD (2016), "Regional well-being", *OECD Regional Statistics*

Closing the gap on the country will depend on raising incomes. In turn, this depends upon increasing productivity.



Common challenges facing NSPA regions

Summary of policy challenges for NSPA regions

| Policy themes | Key challenge |
|---|---|
| Demographic change and labour markets | Population ageing which will reduce the size of the future labour force, and there are structural problems in local labour markets including higher levels of youth unemployment and welfare dependence. |
| Service delivery innovation | Demographic change and fiscal consolidation continuing to place pressures on public infrastructure and services. |
| Infrastructure and connectivity | Remoteness from markets and long distances between urban settlements, which is compounded by an often challenging topography and harsh climate (e.g. maintenance costs). |
| Increasing entrepreneurship | The sustainable development of the NSPA is dependent upon facilitating new local businesses in areas such as ICT related services, tourism, niche manufacturing, and food production. |
| Smart specialisation and low-density economies | Research and innovation resources are limited across the NSPA and high technology sectors constitute a small part of these economies. Because home markets are small growth will come from developing the tradeable sector. |
| Linking indigenous communities with regional development | The Sami have an important role in regional economies; however, the connections with regional and rural development strategies are often inconsistent and weak. |



Enhancing cross-border collaboration

- **Enhance existing cooperation across the NSPA with a focus on addressing shared challenges and opportunities with objectives** such as:
 - **Adopting a more integrated approach to infrastructure planning, investment, and maintenance** including identifying new ways to work with the private sector (this includes improving cross border planning and investment coordination to facilitate improved east – west linkages).
 - **Improving the functioning of labour markets**, for example, by harmonising certification and skills requirements for similar occupations, and facilitating cooperative arrangements between educational institutions.
 - **Encouraging a more coordinated approach between NSPA regions to smart specialisation** which builds upon core areas of absolute advantage, provides better support for SMEs and start-ups for example by addressing barriers such as access to finance, and facilitates access to external markets.
 - **Better linking Sami communities with regional and rural development** policies to help create new employment and business opportunities for local communities.

Formalise this work programme with national governments by linking it with the Nordic Council.



Findings and recommendations for Sweden





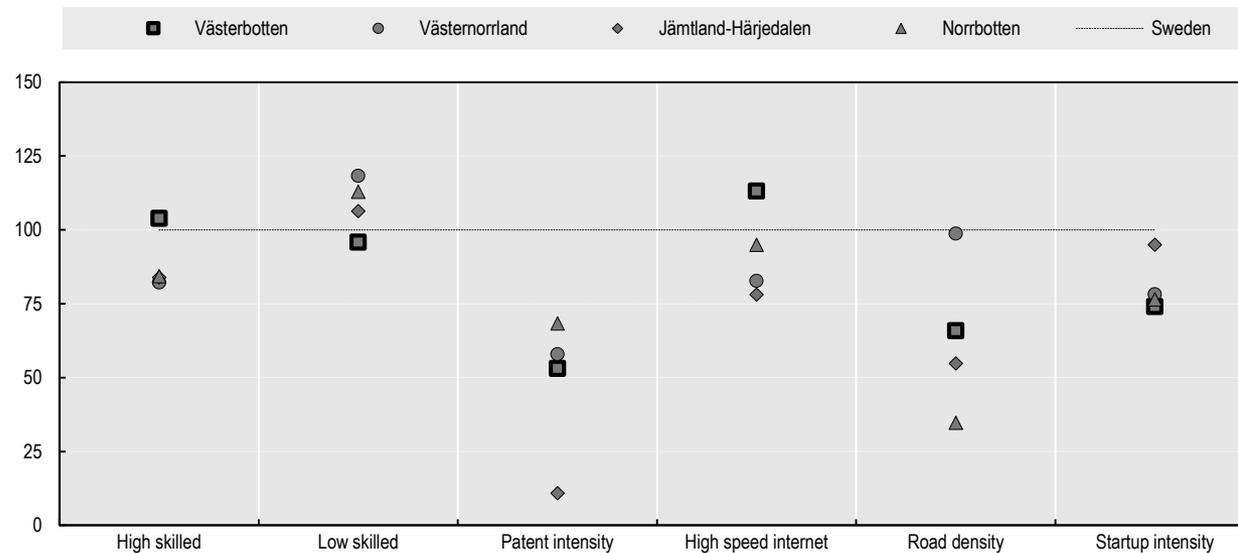
Important contribution to national prosperity and wellbeing

- 4 NSPA regions in Sweden account for **8.6% of the national economy**, **9.1% of its population**, and **54.6% of the national land area**
- **Wood and paper, chemicals, minerals and basic metals** (mostly located in the north) are all major exports for Sweden - **also key inputs for the manufacturing sector, and for professional and technical services located in Stockholm**
- Key role in **national energy sector** with over half of the country's energy production coming from hydroelectricity
- **Costs of low-density are relatively low** (e.g. estimated at 0.2% of GDP for cost equalisation system)



Key growth factors

Benchmarking Sweden's NSPA regions against key growth factors



Note: Note: High skilled: share of population 16-74 with education isced 4,5,6 (2015). Low skilled: share of population 16-74 with education isced 1,2 (2015) (higher value means few low-skilled). Patent intensity: PCT patent applications, per million inhabitants (2011). High speed internet: at least 100 Mbit/s (2015). Road density: road surface (sq km) divided by total land surface (2010). Startup intensity: startups per 1,000 resident 16-64 (2014).



Absolute advantages vary between regions

| Region | Absolute advantages |
|---------------------|--|
| Norrbottn | Mineral endowments and forestry resource, attractive landscapes (mountains, lakes and rivers, wilderness areas), industry-research networks embedded within the Luleå University of Technology, and proximity to Norway and Finland. |
| Västerbotten | Mineral endowments and forestry resource, a history and tradition of manufacturing and services linked to these natural resource based industries, its attractive landscapes and proximity to Norrbotten and Lapland, and the research and innovation infrastructure based around Umeå University. |
| Jämtland-Härjedalen | Attractive landscapes (mountains, lakes and rivers, wilderness areas), proximity to Trondheim, a history and tradition of tourism related activity, and food producers which are integrated with the tourism industry. |
| Västernorrland | Proximity to Stockholm and relatively lower land costs, attractive landscapes (e.g. high coast), a history and tradition of heavy industry and related activity, and its urban and transport infrastructure. |



National recommendations: (1) Productivity and competitiveness

- a) Supporting these regions to **facilitate new economic opportunities by linking smart specialisation strategies** with areas of absolute advantage (including niche manufacturing and services associated with resource extraction, energy production, and forestry, and leveraging the arctic climate and know-how).
- b) **Facilitating access for SMEs** related to these core areas of absolute advantage to **build scale, and connect them with opportunities to access external markets, and R&D and innovation opportunities** (particularly specialised services related to the primary sector and health technologies).
- c) Ensure that the **national tourism strategy** includes clear measures to **better link and coordinate existing marketing and destination management efforts across the northern regions** (for example better linking up efforts along the coast of the Gulf of Bothnia), and **facilitate a cooperative approach with regions that have complementary assets in Norway and Finland**.
- d) **Increasing the scope of Regional Competency Platforms** to adapt vocational training and education and employment services within their region (including at the scale of LLMs).



National recommendations:(2) Connectivity and access to services

- a) Providing **better incentives and support** for the northern regions to **extend e-services initiatives** for rural communities, and share good practices such as the provision of e-health services in the region of Västerbotten.
- b) **Reducing barriers and disincentives for service delivery innovation** in rural communities, including sharing resources and involving voluntary organisations in the design and management of services (e.g. more flexibility in how schools can share teaching staff and other resources).



National recommendations:(3) Governance of regional development

- a) **Strengthening the role of County Councils** in setting priorities and coordinating projects under the ESIF.
- b) Allocating a competency for **spatial planning and transport planning and coordination** to the **body responsible for regional development in the region**, and ensuring these regional spatial plans are integrated with planning for regional transport and communications infrastructure (thereby helping to facilitate urban-rural linkages and complementarities in land use and infrastructure between different rural municipalities).
- c) Ensuring the relevant **regional level body with competency for regional development** has a **lead role alongside the County Administrative Board in the development of the National Transport Plan**.



Recommendations at a regional level – common themes

30 recommendations across the 4 regions which focus on better mobilising endogenous assets by:

- Identifying areas of absolute advantage and value-adding to them
- Working with municipalities and local businesses to improve labour market matching and facilitate service delivery innovation
- Better coordinating and aligning planning, investment, and maintenance of infrastructure at a regional and local level
- Facilitating bespoke cross-border collaboration (e.g. shared transport corridors, common tourism destinations)



Key messages: where is northern Sweden's growth potential?

- **Shared view about drivers – tradeables and finding the niche** (natural assets → mining, forestry, tourism → related technologies, manufacturing and services)
- **Tailored, aligned and coordinated policies** to increase productivity and value-adding (skills, accessibility, market intelligence, institutions, innovation)
- **Better linking urban and rural areas** (spatial planning, infrastructure and connectivity, and share policies and governance)
- **Access to services and cost efficiency** (ICT, governance and procurement, social innovation, and regulatory/ administrative reforms)



Initial thoughts on implementation

- What are we doing already (but could do better)? What are the gaps?
- Who and how including prioritisation, timing, costs and interdependencies
- Look after your own backyard first! Quick wins to build momentum and build credibility
- Utilise existing networks and relationships
- Champions matter (political and administrative)
- Coordination role of Ministry of Enterprise and Innovation – link to Monitoring Review of Sweden
- Engagement with other regions e.g. Småland-Blekinge – intensive engagement with local municipalities to discuss recommendations and establish a work plan – now engaging the OECD in a monitoring review to conduct a formal assessment of progress and next steps



THANK YOU FOR YOUR
ATTENTION!

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