

## Cohesion Policy in Northernmost Regions of the EU: North Sweden, North & East Finland



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**Northern Sparsely Populated Areas (NSPAs)** include one NUTS 2 region in Finland (North and East Finland) and two NUTS 2 regions in Sweden (Upper Norrland and Middle Norrland). These regions all have average population densities below 8 inh./km<sup>2</sup>. On this basis, and with reference to the 1994 Act of Accession of Sweden and Finland to the European Union, they benefit from a specific additional allocation under Cohesion Policy.

### Key findings

- Northern Sparsely Populated Areas (NSPAs) have **high economic potentials**, especially in the context of Europe's Green and Digital Transition.

- To unlock these potentials, some key challenges need to be overcome: make it possible for companies and public authorities to recruit staff with needed skills, ensure essential levels of transport infrastructure endowment and connectivity.

- Cohesion Policy has successfully supported R&D&I activities, helped develop SMEs and contributed to the diversification of local economies.

- However, limited attention is paid to the preservation of territorial cohesion at the subregional level. **More coordinated efforts are needed to address demographic challenges**, make NSPA more attractive to skilled workers and overcome recruitment difficulties of NSPA companies.

- Territorial instruments** such as Integrated Territorial Investments targeting individual labour market areas **could help overcome this challenge**.

Authorities in both Sweden and Finland have decided not to use such instruments in the 2021-2027 programming period.

### Conclusions and policy recommendations

NSPA regions have multiple strengths, many of which are actively made use of for economic development. At the same time, those regions face key vulnerabilities that may become development bottlenecks.



- The NSPA regions host a number of industrial plants of global relevance that **generate substantial income**. Such activities to variable extents contribute to enhanced welfare and sustainable development in the regions as a whole.
- As part of efforts to capitalise on these assets, **Cohesion Policy has successfully supported R&D&I activities**, helped develop SMEs and diversify local economies. Tourism has also grown substantially.
- Manufacturing and extractive activities and energy production** in the NSPA region play a major role in ensuring a stable supply of key industrial inputs in other parts of Europe. This is increasingly important in a context of increasing geopolitical tensions and uncertainties.

### The study

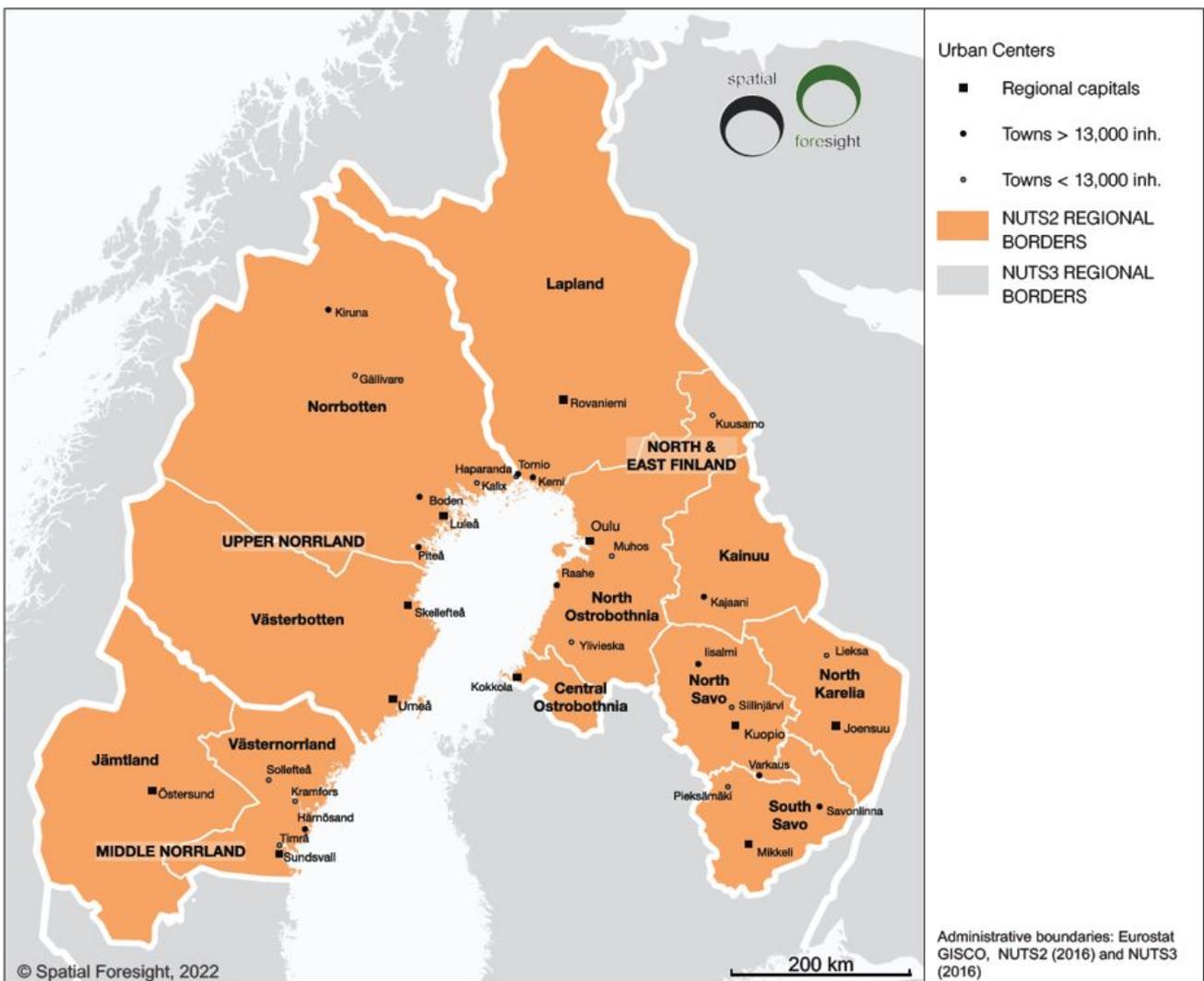
describes measures implemented to overcome key demographic challenges in Northern Sparsely Populated Areas under EU Cohesion Policy. It suggests that more integrated approaches could help address these challenges in a more effective way and preserve territorial cohesion within NSPA regions.



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- In the **absence of territorially integrated approaches** at the level of local labour markets, the extent to which cohesion policy may effectively help overcome key social challenges (lack of skilled labour, ageing, gender imbalances) can be questioned.
- There are **current institutional and political obstacles to the use of Cohesion Policy's territorial instruments** in NSPA regions. If they were to be overcome, NSPA regions could capitalise

on good practices in other parts of Europe, e.g. Italy, Spain and Portugal. Continued efforts are needed to ensure that Cohesion Policy effectively contributes to the green and digital transitions of NSPA regions.



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