NOTE

Content:
This note provides an overview of Finland, including political arrangements, economic, territorial and regional issues. Finland is currently facing challenges presented by depopulation of rural areas and by an ageing and scattered population, which has a heavy dependence on public services. The country is addressing the need to lengthen the average working life of its workforce, to promote greater productivity in what is, nonetheless, a very successful economy. The note describes Finland's approach to regional policy, including its use of European Structural Funds. The note has been prepared in the context of the Regional Policy Committee Delegation to Finland, 20-23 July 2008, and gives particular focus to Pohjois-Pohjanmaa (Northern Ostrobothnia) and Lapland.
This note was requested by the European Parliament's Committee on Regional Development.

This paper is published in the following languages:
- Original: EN
- Translations: DE, FR

Author: Jacqueline Brown
Policy Department Structural and Cohesion Policies
European Parliament
B-1047 Brussels
E-mail: ipoldepb@europarl.europa.eu

Manuscript completed in June 2008

This note is available on the Internet at:


The opinions expressed in this document are the sole responsibility of the author and do not necessarily represent the official position of the European Parliament.

Reproduction and translation for non-commercial purposes are authorized, provided the source is acknowledged and the publisher is given prior notice and sent a copy.
# Contents

1. **FINLAND: KEY FACTS**  
   1.1 **KEY FACTS**  
   1.2 **HISTORICAL OVERVIEW**  

2. **THE ECONOMY**  
   2.1 **KEY ECONOMIC DATA**  
   2.2 **OVERVIEW OF THE FINNISH ECONOMY**  
   2.3 **EMPLOYMENT IN FINLAND**  
   2.4 **RURAL POLICY**  
   2.5 **THE LISBON AGENDA**  

3. **GOVERNMENT IN FINLAND I:**  
   3.1 **CONSTITUTION**  
   3.2 **THE PRESIDENT**  
   3.3 **THE PRIME MINISTER**  
   3.4 **POLITICAL PARTY REPRESENTATION**  
   3.5 **MEMBERSHIP OF INTERNATIONAL GROUPS AND ORGANISATIONS**  

4. **GOVERNMENT IN FINLAND II:**  
   4.1 **MUNICIPAL AUTHORITIES**  
   4.2 **REGIONAL AUTHORITIES**  

5. **REGIONAL DEVELOPMENT POLICY IN FINLAND**  
   5.1 **INTRODUCTION**  
   5.2 **REGIONAL DEVELOPMENT PLANNING**  
   5.3 **POHJOIS-POHJANMAA REGION PROFILE**  
   5.4 **LAPLAND PROFILE**  

6. **EU STRUCTURAL FUNDS IN FINLAND**  
   6.1 **INTRODUCTION**  
   6.2 **STRUCTURAL FUNDS PROGRAMMES 2007-13**  
   6.3 **EU REGIONAL POLICY POST-2013: FINLAND'S POSITION**  
   6.4 **STRUCTURAL FUNDS GOVERNANCE**  
   6.5 **COOPERATION WITH OTHER MEMBER STATES**  
   6.6 **OTHER FINANCIAL INSTRUMENTS**  
   6.7 **EU STATE AIDS**  
   6.8 **INNOVATIVE ACTIONS**  

**ANNEX A**  
**ANNEX B**  
**ANNEX C**
1. Finland: key facts

1.1 Key facts

Population: 5.3 million

Capital City: Helsinki (population: 561,000)

Climate: The climate is marked by cold winters and warm summers

Surface Area: 390,920 square kilometres

Bordering states: Norway, Sweden, Russia

Topography: 187,888 lakes and 179,584 islands. Surface area is growing 7 square kilometres per year due to uplift from the last ice age. Europe's largest archipelago, which includes the self-governing province of the Åland Islands, lies off the south-west coast. Much of the land area is covered by forest (75%), with 10% covered by water.

Main religion: Lutheran (82.5%), Orthodox (1.1%)

Official Languages: Finnish, Swedish

Ethnic groups: Finns (93.4%), Swedes (5.7%), Russians (0.4%), Roma (0.2%), Estonians (0.2%), Sami (0.1%)

Life Expectancy: 82.8 years (Females), 75.8 years (Males)

1.2 Historical overview

Prior to the War of Finland, 1808-09, the country was part of the Swedish realm, between the 12th and the 19th centuries. After this, it became an autonomous grand duchy of the Russian Empire, with a Governing Council. Finland was able to keep much of its Swedish heritage (including its judicial system), a legacy that survives to the present day. After 1816, the Governing Council became the Imperial Finnish Senate.

Independence was achieved in 1917, though Finland lost some territory (Karelia) to the Soviet Union during World War II. The names of the Senate and its component administrative departments were changed to reflect their status as organs of the Government of the independent Finland; there were 11 Ministries. Senators became Ministers and the Senate Chancery became the Prime Minister's office. The judiciary was separated from the executive.

During the second half of the 20th century, Finland successfully modernised and diversified its economy from a predominantly farming and forestry base.
2. The economy

2.1 Key economic data

<table>
<thead>
<tr>
<th>Economic Indicator</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Currency</td>
<td>euro</td>
</tr>
<tr>
<td>Unemployment</td>
<td>6.9%</td>
</tr>
</tbody>
</table>
| Main trading partners | Key markets: Germany, UK, Sweden  
Key suppliers: Germany, Russia |
| Natural Resources | timber, iron ore, copper, lead, zinc, chromite, nickel, gold, silver, limestone |
| Agricultural products | barley, wheat, sugar beet, potatoes, dairy, fish |
| Main Exports | machinery/electronics, paper and paper products, chemicals |

Statistical source: Statistics Finland

2.2 Overview of the Finnish economy

Finland is one of the world's most competitive economies. It is in the world's top 3 for technological innovation, research and development and internet use. The country tops international league tables for education and literacy and for the sustainable use of natural resources.

Finland has a highly industrialized, largely free-market economy with per capita output roughly on a par with that of the UK, France, Germany, and Italy. Its key economic sector is manufacturing - principally wood, metals, engineering, telecommunications, and electronics. International trade is important; exports equal nearly two-fifths of GDP. Finland excels in high-tech exports, e.g., mobile phones. Finland is a market leader in IT. Nokia is a Finnish company, having begun in 1865 with a paper mill, progressing to rubber manufacturing in 1898 and to cable production in 1912, through to electronics in 1960. The world's first GSM call was made on Nokia equipment (1991).

Recent high economic growth has begun to decelerate and is expected to slow from 4.4% in 2007, to 3% in 2008 and 2009 and then to an average of 2.7% over 2010-12. This will still be higher than the eurozone average. The main cause will be a slowdown in export growth, but both the trade balance and the current-account balance will continue to record large surpluses, despite faster increases in imports than exports. Domestic demand growth will also slow, but remain robust. In 2007, household real income increased by 2.4% per cent, but for the first time, debt exceeded annual disposable income.

Finland's manufacturing base depends on imports of raw materials, energy, and some components. Due to the climate, agricultural development is limited to maintaining self-sufficiency in basic products. Forestry, an important export earner, provides a secondary occupation for the rural population. In 2007 Russia announced plans to impose high tariffs on raw timber exported to Finland. The Finnish pulp and paper industry will be threatened if these duties are put into place in 2008 and 2009, with claims that plants will no longer be able to work...
at full capacity. The matter is now being handled by the European Union, following discussions between the Prime Ministers of the two countries late last year.

In Lapland, gold was most intensively mined in the 1900’s and 1940’s. In many places in Lapland it is still a livelihood for some. It is possible to visit the Tampere Gold Village in Sodankylä to become acquainted with the history, and the story of today’s gold mining.

Finland is also known for its architecture and design (eg Alvar Aalto, Marimekko). In the 1970s, the Finnish fashion industry employed more than 70,000 people. Today, Finland employs only around 9,500 people in this sector, following the emergence of small, designer-led companies since the start of the 21st century.

The economy is vulnerable to changes in the fortunes of the information and communications technology sector (and in particular to those of Nokia), which has been a major driver of GDP growth since the mid-1990s. GDP growth could turn out to be weaker than forecast if the telecoms sector were to fail to generate continued substantial growth in foreign demand for its products.

The management of state-owned enterprises has recently been moved to the Prime Minister's Office, as part of an ongoing privatisation agenda in Finland. Product market deregulation is being actively encouraged, for example by easing regulations on shop opening hours and by relaxing zoning laws to facilitate entry into retail distribution.

2.3 Employment in Finland

Employment is split as follows: agriculture and forestry 4.4%, industry 18.6%, construction 6%, commerce 16.3%, finance, insurance, and business services 13.9%, transport and communications 7.6%, public services 33.2% (2004).

High unemployment remains a persistent problem. Given a need to improve employment and labour market flexibility, steps have been taken to make wage bargaining more responsive to local conditions, by moving away from central collective agreements to workplace-level agreements. The OECD has reported that some progress has been made.

**Employment Statistics, February 2008**

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of unemployed job seekers</td>
<td>210,100</td>
</tr>
<tr>
<td>- Male</td>
<td>114,300</td>
</tr>
<tr>
<td>(54%)</td>
<td></td>
</tr>
<tr>
<td>- Female</td>
<td>95,800</td>
</tr>
<tr>
<td>(46%)</td>
<td></td>
</tr>
<tr>
<td>Unemployed job seekers &lt;25 years old</td>
<td>20,900</td>
</tr>
<tr>
<td>Unemployed job seekers foreign citizens</td>
<td>12,000</td>
</tr>
<tr>
<td>- of which, EU/EEA citizens</td>
<td>2,300</td>
</tr>
<tr>
<td>Long-term unemployed (&gt; 1 year)</td>
<td>46,700</td>
</tr>
<tr>
<td>New job vacancies reported</td>
<td>66,200</td>
</tr>
</tbody>
</table>

*source: Employment Bulletin of the Finnish Ministry of Employment and the Economy, Feb 2008*

Finland has a problem of relatively high structural unemployment, and the job market is also characterised by relatively low employment of older and lower-skill workers. The overall
duration of working lives is well below the Nordic country average and the OECD has recommended that this should be changed. The OECD has recommended that workers over the age of 59 should be subject to the same stipulations as younger workers in order to qualify for unemployment benefits. Wide-ranging pension reforms in 2005 seem to have begun to have some impact upon lengthening working lives and the Finnish Government expects that the average retirement age will have increased by 1.2 years by 2012.

Another characteristic of the Finnish employment market is the significant trend for the population to move southwards, and there is a strong connection between this migratory pattern and GDP; Helsinki is thus a focus for population migration and for GDP.

Finland pursues a policy of providing subsidized employment placements, within the public sector (state or municipal level) and the private sector. The total number of placements in February 2008 was 83,596, down 11.4 per cent on the previous year.

### 2.4 Rural policy

Finland is one of the OECD's most rural countries. Eighty-nine per cent of its territory is predominantly rural. Most Finns, some two thirds, now live in urban areas, while one third remain in rural areas, and nearly half of the country's GDP (45 per cent) is produced in them. The public sector is both a provider of services and a key employer, particularly of women. Women can represent around three-quarters of the public sector workforce in rural areas. Student performance in rural areas is almost as high as that of students in urban areas.

There are, broadly, three categories of rural area in Finland:

- rural municipalities close to urban areas (RCUAs)
- rural heartland municipalities (RHMs)
- sparsely populated rural municipalities (SPRMs).

The RCUAs are currently experiencing the fastest population growth in Finland, with the youngest age structure. RHMs and SPRMs, meanwhile, face the prospect of depopulation.

Finland was early in adopting a multi-sectoral approach to regional policy, via a Rural Policy Committee, which has focused both on coherence among different sectors and on tailored programmes to promote rural development. The ageing and very dispersed nature of Finland's rural population call for equitable and efficient public service delivery. The structure of rural activity is moving away from farming to other rural firms. Finding ways of integrating Finland's strongly knowledge-based economy with sensitive rural policies is a challenge for rural policy makers. Additionally, there is the challenge of climate change, in a country already confronted with extreme weather conditions.

According to the OECD Rural Policy Review, rural affairs has not been given sufficient priority by the Government: the Rural Policy Committee was not recognised by law until 2000, and there is said to be a tension between agriculture and rural policy more broadly. Finland is, nonetheless, commended for involving stakeholders from civil society and academia in the preparation, negotiation and implementation of the Rural Policy Programme.
2.5 The Lisbon agenda

Finland, as with all EU Members, has a National Reform Programme, outlining its strategic approach to implementation of the Lisbon Agenda. The national programme contains 11 priorities, concerning macro-economic, micro-economic and employment policies.

At the macro-economic level, Finnish priorities deal with sustainability of public finances, particularly in view of the ageing population and the 2005 reform of pensions. Improved welfare services and increased public sector productivity, within a context of constrained public expenditure, are also included.

Micro-economic reforms sought relate to bringing about structural change through increased competitiveness and productivity. The objectives range from support for knowledge and innovation, to improved communications/transport networks, to energy and climate policies in support of sustainable development.

Employment policy is designed to raise employment rates and balance the supply of and demand for labour. The Government seeks also to improve incentives in the tax and benefits systems.

At the regional level, Finland also has 15 Employment and Economic Development Centres, providing a range of advisory and development services for businesses, entrepreneurs and other individuals.
3. Government in Finland I: Central government

3.1 Constitution

On 1 March 2000, four pre-existing Acts of Parliament\(^1\) were consolidated into a new Constitution, which governs legislative activity and the exercise of public power in Finland. The Constitution is based upon Parliament as the supreme body of the state. The Parliament elects the Prime Minister, who is appointed by the President. Other Ministers are then nominated by the Prime Minister and appointed by the President.

Universal suffrage applies from the age of 18.

Finland is a Sovereign Republic, with a decentralised unitary system. As described in this note (Section 4.1), municipalities play a key role in Finnish governance.

3.2 The president

Ms Tarja Halonen became Finland's first woman President in 2000, being re-elected in January 2006. She is from Social Democratic Party.

Over the years, the powers of the President have diminished, notably during the 2000 reforms. The President remains responsible for Finland's foreign policy, although the Prime Minister coordinates EU matters.

3.3 The prime minister

The Prime Minister is Matti Vanhanen (Centre party). He took office following the resignation of his predecessor, Ms Anneli Jäätteenmäki, in June 2003. The Government is a Centre-Right coalition. Finland was the first country in the world to elect female Members of Parliament.

3.4. Ministry in charge of structural fund programmes

The newest Ministry in Finland is the Ministry of Employment and the Economy, created on 1 January 2008. This brings together duties formally undertaken by the Ministry of Trade and Industry and Ministry of Labour. The new Ministry thus has responsibility for the 2007-13 Structural Funds programmes, both European Regional Development Fund (ERDF) and European Social Fund (ESF).

3.5 Political party representation

\(^1\) Constitutional Act, Parliamentary Act and two Acts concerning Ministerial liability
Centre 51 seats
National Coalition 51
Social-Democrats 45
Left Alliance 17
Green League 14
Swedish People's Party 10
Christian Democrats 7
True Finns 5

Total parliamentary seats: 200

3.6 Membership of international groups and organisations

The Constitution provides for Finland's membership of international bodies in order to promote peace and safeguard human rights. Finland is a member of the following:
European Union (EU), since 1995
United Nations (UN)
Organisation for Economic Cooperation and Development (OECD)
Nordic Council
Barents Euro Arctic Council
Council of Baltic Sea States
Organisation for Security and Cooperation in Europe (OSCE)

Current foreign policy challenges for Finland relate to the development of its EU integration, development of EU - Baltic Rim relations, and closer relations with NATO.

At the regional level, Finnish Regional Councils participate in:

Committee of the Regions (CoR)
Council of Europe Congress of Local and Regional Authorities of Europe (CLRAE)
Assembly of European Regions (AER)
Conference of Peripheral Maritime Regions (CPMR)
Association of European Border Regions (AEBR)
4. Government in Finland II:

Sub-national authorities

4.1 Municipal authorities

Finland has over 440 municipalities, working either individually or in collective "joint municipal authorities" to deliver essential services. The municipalities form the basic building block for all local government structures. They may levy taxes and have a certain amount of flexibility to take on additional, non-statutory, tasks.

Municipalities can vary greatly in size, with an average of 5,500 inhabitants. The largest is Helsinki (500,000 inhabitants), the smallest has around 250 inhabitants. While voter turnout has been declining in recent elections, the role of the municipalities has nonetheless been increasing in recent decades.

Local elections are held every four years, with the number of councillors based on the number of inhabitants in a municipality (thus ranging from 17 to 85). Most seats tend to go to political parties with seats in the Finnish Parliament. Support for the Social Democrats and the National Coalition Party tends to be strongest in urban areas and the south of Finland. Many of the rural municipalities (the vast majority of Finnish municipalities are rural) are dominated by the Centre Party. There are only a handful of full-time, paid politicians in Finnish local government. Many councillors come from the private sector (around 50 per cent at 2000 elections). In 2000, around one-third of councillors elected were female.

Perhaps owing to the absence of full-time politicians and also stemming from a lack of a clearly-designated lead politician at the municipal level, a high degree of power tends to be vested in the municipalities' senior civil servant, the Chief Executive Officer (CEO). This person tends to represent and speak on behalf of the municipality and, accordingly, to have a far more "political" profile than would be expected of a civil servant under other countries' systems. Around 70 per cent of CEOs are members of political parties, one of the highest levels in Europe.

The day to day affairs, and implementation of decisions taken by the Municipal Council, are the responsibility of an Executive Board, which is appointed by the Council for a two-year period. Each municipal authority must establish a Council, an Executive Board, and a Board of Auditors.

As an employer, the municipalities are crucial, with around 400,000 employees. The sector holds a share of national Gross National Product of around 20 per cent, representing a steady increase from 6.5 per cent in 1960 and from 12 per cent in 1980.
4.1.1 Municipal authority functions

Finnish municipalities acquired responsibility for schools, primary healthcare and social services in the 1970s. There are no clearly defined limits to the responsibilities and functions of the Finnish municipalities, but these can nonetheless be split into three main groups:

i. Strictly regulated tasks, which are statutorily required and must be delivered in accordance with national standards (health care, primary and secondary education, day care for pre-school children);

ii. Nationally-regulated tasks but with local discretion in their implementation (care of the elderly, cultural services, libraries, fire and rescue, environmental matters);

iii. Voluntary tasks, at the discretion of the municipality (some infrastructure projects, leisure services, industrial policy).

Services may be delivered by a municipality, alone or in cooperation with other authorities (common for health and education services), or via private providers.

It should be noted that there has recently been a trend towards the transfer of some functions, where appropriate for their effective discharge, to the relatively new regional structures, as described below.

4.1.2 Local government funding in Finland

Around half of local government funding is raised through taxes. With no national restrictions on local tax rates, authorities have been able to levy local income taxes of between 15.5 and 20 per cent. The second main source of revenue is locally-raised income through, for example, day care and hospital fees and public transport charges. This accounts for around one quarter of funding.

Recently, and in line with OECD recommendations, the national governments of Finland have sought to reform taxation to move the emphasis away from income tax to other forms. Property taxes, for example, have risen in many municipalities.

Company taxes are collected according to a fixed national rate, with revenues being shared between the state and the municipality. The unpredictability of company taxes has been a driver in reducing the share of company taxes allocated to the municipalities, in return for a higher state grant (with the goal of guaranteeing more stable revenue, in line with the relatively stable demand for local authority services). Grants from the Finnish state to the municipalities have, nonetheless, decreased over recent years.

4.1.3 Key challenges for Finnish municipalities

The main challenges for service delivery by municipalities relate to the differences between the centrally-located municipalities and those in the peripheral areas. The problems facing Northern Finland are severe, for example, because of the higher costs of providing services to sparsely populated areas and because of the limited scope for joint action between municipalities. At the

---

1 Sandberg, S, "Local Government in Finland", Inst. for Nordic Politics and Administration, 2003
same time, the municipalities of Northern and Eastern Finland\(^1\) have suffered in the past 10-15 years from a decline in private sector employment/service provision and a reduced state presence, eg postal services. This has led to a smaller tax base and an over-reliance on the municipality as an employer.

In order to counter capacity problems relating to their small size, municipalities have, since the 1930s, formed joint municipal authorities (generally comprising 2-10 municipalities), in particular to address education and healthcare provision. In 2000, there were around 200 of these joint authorities, which have their own judicial status, as well as their own budgets and decision-making powers. Joint authorities do not have any tax-raising powers: they are financed by their constituent municipal authorities. Each joint authority has a council, comprising members of the constituent municipalities.

It has been noted (Sandberg, op.cit.) that, in certain respects, there have been recent signs of "re-centralisation", particularly as a response to perceived differences in the level of services provided by different municipalities. In education, for example, there has been a move back towards unitary national standards and curricula, following decentralisation in the 1990s.

By end of 2012, municipalities will implement a reform, in cooperation with the state, to restructure the municipality and services structure. The reform will strengthen the structure, promote new ways of producing and organising services, reform the financing of municipalities, as well as revise the division of tasks between the state and municipalities in order to ensure that provision of services, which is the responsibility of municipalities, will be based on a strong structural and economic basis in the coming decades.

### 4.2 Regional authorities

Finnish Regional Councils depend heavily on their constituent municipalities for their establishment and financing. The region as a political entity is a relatively new concept in Finland and relates to its accession to the EU in 1995. There remains a level of ambiguity about the precise functions of the regions but they are, nonetheless, charged with regional development and regional planning functions, with a remit to articulate the shared needs of the municipalities that comprise the region in question. There is an emphasis both on long-term planning but also on rapid response to day-to-day matters.

Finland has 19 Regional Councils (Maakuntien liitot, landskapsförbund). The Councils act as regional development and regional planning authorities, with responsibility for regional structural funds programmes. The highest body of the Regional Council is the Assembly. The largest of these has around 100 members, the smallest around 30. The Assembly's political composition must reflect political power in the region in question and only Councillors of the constituent municipalities can be members of the Assembly. The Assembly meets around twice a year to take decisions.

Each Regional Council also has a board, elected by the Assembly along party lines. The board meets monthly.

---

\(^1\) The Northern Finnish provinces of Oulu and Lapland have, respectively, an average of 6.0 and 1.5 inhabitants per square kilometre, compared to 20.3 in Southern Finland and 12.4 in the West (2002)
Regarding regional development, the self-governing regional councils are statutorily responsible for planning and programming regional development, while the 15 state regional employment and development centres are responsible for most administrative functions relating to regional development. Regional planning consists of three elements: the regional scheme; the regional plan; and the regional development programme. Fuller details of the regional development process can be found in Section 5, below.

Alongside their statutory responsibility for regional development, the Regional Councils undertake ad hoc activities, in response to the priorities of the region concerned, such as:

- promoting business and tourism
- developing/coordinating regional cultural activities, cultural heritage and education
- marketing the region
- regional research
- improving public services at the regional level and generally promoting quality of life for inhabitants and workers.

Separately, there are 20 regional hospital districts, and 17 regional districts for the care of the disabled; in some areas, these 2 entities are beginning to merge.

Another regional entity is the regional environmental centre (13 in total).

By law, all municipalities are required to be members of the regional councils, regional hospital districts and the regional districts for the care of the disabled.

4.2.1 An experiment in regional autonomy, 2005-13

The Act on the regional self-government experiment in Kainuu was passed in the Finnish Parliament in February 2003. The aim of the self-government experiment is to gain experience of the effects of regional self-government on regional development work, basic services, citizen activity, the relationship between the regional and the state central government, as well as the municipal and the state local government.

According to the Act, the region has the main responsibility for the social welfare and health care services and a partial responsibility for education, both having formerly resided in municipalities. The region is also responsible for the general industrial policy and regional planning and development of the Kainuu region.
5 Regional development policy in Finland

5.1 Introduction

Regional development responsibilities are set out in Finland's Regional Development Act (RDA), which sets targets aimed at achieving balanced regional development, in order to preserve the viability of all Finland's regions. The Act came into force in 1994, a year before Finland's accession to the EU. Since accession, Finnish regional policy is said to be driven and complemented by EU regional development policy.

Targets of the RDA include improved potential for economic growth, the development of business and industry, and the improvement of employment. The key focus of the Finnish Regional Development is to enhance the development of the knowledge based society by promoting regional competitiveness and development of innovation and know-how clusters (centres of expertise).

The Act also seeks to reduce regional disparities in development, with improved living conditions across the country. The continued viability of all Finland's regions is included. Responsibility for implementation and achievement of the targets lies with the State, the municipalities and the Regional Councils.

5.2 Regional development planning

The RDA requires Finland's Regional Councils to draw up regional strategic programmes, as well as programme proposals for the Structural Funds programmes. Recent regional development approaches, as summarised below, are said to have been somewhat complicated but nonetheless successful¹, particularly in reversing a negative trend on net migration and in supporting enhanced decentralisation.

Each regional strategic development programme, which is drafted every four years, includes the following:

- regional plan: a general physical planning strategy, covering long-term (20-30 year) development objectives.

- regional land-use plan: a legally-binding document covering a 10-20 year timescale, which brings together objectives set by the central and local levels of administration.

In Lapland, the regional strategic programme includes specific provision for the Sami culture.

In addition, the Finnish Government has drawn up special programmes as follows:

- Regional Centre Programme, covering 34 regions

- Rural Policy Programme

- Centre Of Expertise Programme, intended to support regional strengths and specialisation and to exploit top-level expertise, from biotechnology to the arts.

¹ NORDREGIO Report on Regional Policy in the Nordic Countries, 2007:1
A key theme in Finnish regional development policy is the importance of small and medium-sized communities.

5.3 Pohjois-pohjanmaa region profile

5.3.1 Overview

Pohjois-Pohjanmaa, or Northern Ostrobothnia, is taken as synonymous with "Oulu region" in a variety of contexts. The population of the Oulu Region is 380,668 (2006). Except in the City of Oulu, the Region is extremely sparsely populated with population density falling as low as 10.5 persons/km².

The main city of the region, Oulu, is the sixth most populated city in Finland. The population of the City of Oulu and its surrounding economic zone is 209,786 (2006). The population is young and well-educated, and the region is growing and developing, with a strong focus on high tech and electronics companies.

The Regional innovation index and R&D input are one of the highest at the European level. Oulu sub-region invests 11.5% of the regional GDP in R&D, i.e. EUR 3,200 per capita annually. The Oulu Triple-Helix model is known worldwide as a good example of successful public-private partnerships.

The University of Oulu is the second biggest university in Finland with a total number of 17,000 students.

Wood processing, steel, chemistry and mining are other important sectors in the region, while agriculture and forestry also provide essential sources of income.

The economic structure is:

<table>
<thead>
<tr>
<th>Sector</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>services</td>
<td>66%</td>
</tr>
<tr>
<td>manufacturing</td>
<td>22%</td>
</tr>
<tr>
<td>agriculture &amp; forestry</td>
<td>6%</td>
</tr>
<tr>
<td>construction</td>
<td>6%</td>
</tr>
</tbody>
</table>

(source: Statfin, 2004)

5.3.2 Political Structure

The Council of Oulu region (Pohjois-Pohjanmaa) has 96 members, elected by local authority representatives for a four-year term. The local authorities in the region comprise 38 municipalities and seven sub-regions.

The political composition of the Regional Council is:

Centre 47 seats
Left Alliance 15
National Coalition Party 14
5.3.3 The regional planning process

Twice a year, the Regional Council meets to agree the region's economic framework. A Board of the Council (chair: Ms Mirja Vehkaperä) is responsible for drafting the Regional Development Strategy.

The Regional Management Committee, made up of Regional Council, State Authorities and the private sector, is responsible for the achievement of strategic targets. Further details about the regional development process are set out below.

Regional development is grounded in the needs of inhabitants, local authorities and sub-regions. The foundation for this work is provided by the Regional Development Plan, which indicates the goals, objectives and focal areas for the development of Oulu region. Regional planning system takes into account the national regional development targets based on the Regional Development Act.

The Regional Development Plan is a long-term scheme implemented through Regional Strategic Programme and Regional Land Use Plan. Definition of policy in the Regional Plan has both direct and indirect effects on decision-making and economic life of the region.

The Regional Strategic Programme defines the priorities for the development work and outlines criteria for the funding. The Regional Land use Plan steers the local authority land use decisions and systematic community development. All other programmes and projects carried out in the region are subordinates to the above mentioned and are aiming at fulfilling their objectives.

An essential part of all the regional planning is an open, transparent and intersectoral participation of different regional actors and decision makers. The Regional Council’s intention has been to create a continuous, iterative strategic decision process that enables immediate functioning and step by step reassessment of strategies.

The Regional Strategic Programme 2007–2010

As regional development authority, the Council of Oulu region also manages the implementation of the Regional Development Plan. A basis for implementation work is the Regional Strategic Programme, which is worked out for periods of 3–4 years by the Council together with member municipalities and different regional actors. The drafting process is open and participatory to gain true commitment to programmes’ targets.

The regional strategic programme outlines regional development targets, key projects and measures, and a financing plan for the programme for the years to come. These are based on the development needs and potential of the region. The regional strategic programme is designed to act as an umbrella programme coordinating regional development work. The programme coordinates the national targets, special national programmes implemented by the region, programmes co-financed by the European Union (EU) and the strategies and development work of different authorities.

Regional Strategic Programme 2007–2010 for Oulu Region (accepted on 29th November 2006 by the Regional Assembly) offers statements that describe the nature of the desired future development in the region. These are: “liberal and tolerant society”, “respect for professional pride”, “quality of living environments” and “internationalization”.

Chair: Ms Tytti Tuppurainen
Policy Department B: Structural and Cohesion Policies

The current Regional Strategic Programme identifies six important underlying strategic themes adapted from those set in the Regional Plan 2020. Themes structuring the regional development processes are “the youth”, “international and unprejudiced society”, “wireless technologies”, “rural-urban co-operation”, “regional identity” and “quality of environment”.

The Regional strategic programme includes impact analysis and environmental impact assessment. The impact analysis is divided along the lines of operative actions defined in the programme. Its purpose is to analyse regional policies and monitor their influence on the territory. List of indicators include the ones chosen by regional officers and those specified by the state. Quantitative data is collected and analyzed primarily on regional level, sub-regional analyses are drawn on some indicators. In addition, comparative analysis is made on national and regional levels. Environmental impact assessment is formulated according to Finnish legislation on environmental impact assessment based on respective EU directives.

Priorities and operational activities

Here we present the priorities defined in Regional Strategic Programme 2007–2010 along with some more concrete examples.

Priority 1: Sources of Livelihood and Competitiveness
- International operations. Enhancing the chances for international activities and contacts of the enterprises.
- Creating new markets.
- Creating new ways of organizing service production. Promoting the interaction and co-operation of entrepreneurs and the public sector. e-solutions.

Priority 2: Know-how and Education
- Knowledge and know-how in Northern Finland. Reaching the national average level of education. Increasing R&D actions in the region. Raising the standards and international connections of university level education and research.
- Developing innovative processes and environments. Finding new ways of organizing the businesses to create new ideas and innovations. Not only new products and technologies but also social and cultural innovations.

Priority 3: Welfare and Social services
- Avoiding social exclusion. Preventive actions; promoting individual initiative in health issues, developing suitable housing for the elderly. Combating unemployment and exclusion, especially among young people.
- Welfare technologies and research. Supporting the welfare cluster, especially the international relationships of the enterprises. Oulu Wellness institute.

Priority 4: Attractive environments
- Cultural environment. Make better use of the region’s natural and cultural heritage, built environments, historical features etc. Updating information and creating co-operation between actors, especially on rural-urban dimension.

Priority 5: Internal organization and Development of sub-regions
- Increasing immigration and immigrants’ employment.
- Regional networks and organizations. Developing the 1+3 regional model, national and international networking.

investments on transportation infrastructure. The strategic programme outlines the most important targets on transportation infrastructure and logistics. In the Programme 2007–2010 the main targets of development include Seinäjoki–Oulu main railway line, airports of Oulu and Kuusamo and the trunk roads 4 and 8.

Oulu region is known for its high technology know-how and professional competence. One of the aims of the present regional programme is to spread this professional know-how and pride to other fields of occupation also. At the same time, emphasis is on social welfare and preventive actions in order to safeguard individual welfare and avoid social exclusion.

Source: Council of Oulu Region website
5.4 Lapland profile

5.4.1 Introduction

In Lapland there are 184 233 inhabitants (2008) with an average population density of about 1,8 people/km² (national average 16,8). The indigenous people of Lapland are Sami, with a population of about 7,000.

Lapland has a surface area of 98 937 km², representing 30% of Finland’s total land area. Of this area 93 057 km² is land and 5 944 km² is water.

Lapland's climate is based on cold, snowy winters are followed by relatively warm summers, due to the Gulf Stream. Snow prevails in winter time in Finnish Lapland, with snowfall during 6-7 months and temperatures may descend below –50 degrees Celsius.

Rovaniemi is Lapland’s administrative capital with 58 951 (2007) inhabitants. Rovaniemi is the heart of Lapland. The great Lappish rivers, Ounasjoki and Kemijoki join at the town of Rovaniemi and give the Lappish capital a strong water theme. The University of Lapland in Rovaniemi is the core of academic life of Lapland with 7,000 students.

The other cities in Lapland are Kemi (22 669 inhabitants), Tornio (22 415 inhabitants) and Kemijärvi (8 800 inhabitants). The province of Lapland has 18 municipalities.

5.4.2 The importance of the natural environment in lapland

There are five very different parts of Lapland. The south and the west are maritime, with rivers and rich flora. Central and eastern Lapland are known for their tree-covered fells. Northern Lapland is more barren. Pine, usually accompanied by lichen, dominates Lapland’s forests. The major industrial fields in the Finnish Lapland are tourism, the basic industry (consisting of forestry, pulp and paper industry, steel industry and mining industry) and hydropower energy production. High tech industries are emerging as well especially in Kemi-Tornio and Rovaniemi.

The reindeer is an important feature of Lapland’s landscape and economy. The 200,000 strong reindeer stock, owned by around 6,500 herdsmen, form an essential source of livelihood for Lapland’s people. In east Lapland, logging has always been a key activity.

Many National Parks, like the National Park of Urho Kekkonen and fells, like Saariselkä are in Northern Lapland.

The village of Inari is a centre for Sami culture. The exhibitions of the Sami Museum in Siida and the Northern Lapland Nature Centre located in Inari, present the history of the northern peoples and the special characteristics of their lives in the course of a year. The Inari village also has a number of handicraft workshops and shops where the visitor can purchase genuine Sami handicrafts.

The culture of Lapland is said to be at the same time Lapp and Finnish but also Swedish, Norwegian and even Russian. In west Lapland, a close 100-year border co-operation with Sweden has characterised the way of life. On both sides of the border, a dialect called “meänkieli” is spoken.
6. Eu structural funds in Finland

6.1 Introduction

Since joining the EU in 1995, Finland has benefited from three generations of structural funds programming. It receives far more funding, per capita, than either Denmark or Sweden, its fellow Nordic Member States.

The Finnish Accession Treaty (as with the Swedish) included recognition of the specific challenges presented to these countries by their northernmost regions. This resulted in the creation of a specific Structural Funds objective, Objective 6, aimed at the "promotion of development in regions with exceptionally low population density". Objective 6 no longer exists, but recognition of this particular handicap remains enshrined in the general Structural Funds regulation1.

Finland's effective use of the former EU-funded LEADER programme has been complimented by the OECD, which noted that Finland had provided a model for other countries. This was attributed to the mainstreaming of LEADER funds with national and other EU funding sources (ERDF and both EAGGF strands), as well as to strong traditions of voluntary village action, and effective Local Action Group structures.

For 2000-06, the northernmost regions became eligible for Objective 1 support. Half of Finland's EU aid for that period, or EUR 1,049 million, was earmarked for the Objective 1 area.

Per capita structural funds support to Finland over the three programming periods is:

<table>
<thead>
<tr>
<th>Period</th>
<th>Amount per capita per annum</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995-99</td>
<td>EUR 54</td>
<td>Nordregio</td>
</tr>
<tr>
<td>2000-06</td>
<td>EUR 66</td>
<td>European Commission</td>
</tr>
<tr>
<td>2007-13</td>
<td>EUR 42</td>
<td>European Commission</td>
</tr>
</tbody>
</table>

6.2 Structural funds programmes 2007-13

For the current structural funds period, Finland has been allocated funds under the Regional Competitiveness and Employment Objective, and is also eligible to seek funds under the European Territorial Cooperation Objective (9 programmes). Additionally, Finland will participate in 3 European Neighbourhood and Partnership Instrument (ENPI) programmes.

Finland's structural funds allocation for this period amounts to EUR 1.7 billion in ERDF. This is expected to be complemented by just over EUR 2 billion national public funding, and by EUR 2.3 billion of private funding. Of the public contribution, 75 per cent is to come from central government, 25 per cent from the municipalities.

A breakdown of ERDF programmes in Finland is at Annex A. Details of the Northern Finland Competitiveness and Employment Programme are set out at Annex B.

Finland is also eligible for EUR 1.4 billion in European Social Fund support (with a further EUR 6.2 million for the Åland Islands, a separate programme). Under the ESF programme,

which applies across the country, Finland has set out the goal of reducing its high levels of structural unemployment, with specific measures for disadvantaged groups (workers with disabilities, migrants, younger and older workers). Vocational training is highlighted as a priority development area, with an emphasis on retention of people going back into work and training. Avoiding teenage drop-outs in particular is seen as a priority, given Finland's need to deal with demographic changes by increasing the length of working life (starting work younger and retiring later).

6.3 EU Regional Policy post-2013: Finland's position

Finland published its views on the future of Cohesion Policy in February this year. Firstly Finland calls for the strategic and comprehensive approach, as evidenced in the current close synergy between cohesion policy and the Lisbon agenda, to be maintained in the next generation of programmes. Finland welcomes the inclusion of territorial cohesion in the Lisbon Treaty, and notes that Finland will continue to require the special treatment based on its sparse population that was agreed in its Accession Treaty. It highlights as other key issues for Finland the likely decline in the labour force, which means that provision of skilled labour and a review of work-related immigration options are areas of possible future structural funds intervention.

Some other notable elements of the Finnish paper, several of which are echoed in the Finnish Government's recent submission on the reform of the EU financial framework¹, are:

- call for national public contributions ("match funding") to be monitored at the EU level;
- the focus on the external borders of the EU should be reinforced, together with greater recognition of the importance of cooperation within the Baltic Sea region, thus more money could be given to cooperation programmes;
- better use to be made of complimentary financial instruments, eg European Investment Bank loans;
- better integration between EU policies for rural development and for competitiveness, as well as greater compatibility between structural funds and other instruments for research and innovation;
- Finland supports the principle of concentration, whereby resources are allocated to the least developed regions and for selected strategic or thematic priorities;
- Permanent geographical and demographic handicap which affect development in the sparsely populated northern regions, such as the long distances, the harsh climate and the scattered population, should be regarded as factors requiring specific measures also in the future Cohesion policy.

The financial framework submission notes that regional and structural policy should "help regions find their niche in global markets".

The full text of the Finnish Government's Cohesion Policy submission is appended at Annex C.

6.4 Structural funds governance

Emphasis is placed on the principle of partnership in the preparation and implementation of Structural Funds programmes in Finland¹.

Regional Policy in Finland

The National Strategic Reference Framework (NSRF) for 2007-13 was coordinated by the Ministry of the Interior, while the Ministry of Labour was responsible for the European Social Fund (ESF) element of the Framework. Programme preparation and management are conducted via extensive stakeholder consultation: for example, Ministries, regional administrations, the Association of Finnish Local and Regional Authorities, social and economic partners, were all involved during the preparation of the Finnish European Social Fund (ESF) strategy. At the central level, overarching coordination of the 2007-13 programmes is the responsibility of the Ministry of the Interior, supported by an ESF Coordination Group and an ERDF Coordination Group. At the regional level, coordination between Structural Funds and national initiatives is undertaken by Regional Management Committees.

The Finnish Ministry does not draw up EU funding programmes for Åland, since there is a special protocol between the islands and the EU, although the funds are channelled via the Finnish state budget.

6.5 Cooperation with other member states

As with all Member States, Finland has been eligible since 2007 to found or participate in cross border cooperation groupings under the new European Grouping on Territorial Cooperation arrangements (Regulation 1082/2006/EC).

During the 2007-13 programming period, Finland is expected to benefit from three cross-border cooperation (CBC) programmes established under the European Neighbourhood and Partnership Instrument (EPNI), previously covered under the SE Finland-Russia, Euregio-Karelia, and North-Kolarctic neighbourhood programmes. National implementing legislation is currently being prepared in Finland for these programmes. Total EU funding available will be EUR 87.6 million.

The general objectives for each programme, as defined by the European Commission are:

i. promotion of economic and social development
ii. addressing common challenges
iii. ensuring efficient and secure borders
iv. promoting local cross-border "people to people" actions

The Kolarctic programme will be managed by the Lapland Regional Council. Among other participating areas will be Northern Ostrobothnia, Karelia, Leningrad and St Petersburg. Total EU funding available for the programme will be about EUR 28.2 million.

The Euregio-Karelia Neighbourhood Programme has Northern Ostrobothnia as its Managing Authority. Lapland is a "non-member participant" in the programme.

6.6 Other financial instruments

In its February 2008 submission on the next generation of structural funds (see Annex C), Finland called for greater use to be made of complementary funding instruments, such as European Investment Bank (EIB) loans. Such loans may be used to finance the national/regional element of a project that has also received ERDF support.

1 Governance and Partnership in Regional Policy, Tödtling Schönhofer, H. and others; PE 397.252
2 Since 1 January 2008, the responsible Ministry for both ERDF and ESF is the newly-established Ministry of Employment and the Economy.
In addition to allocations from the structural funds, Finland may now also access support under the new JEREMIE and JESSICA\(^1\) joint initiatives.

JEREMIE and JESSICA are intended to be complementary schemes, focusing on much smaller projects involving micro- to medium-sized enterprises. The aim of JEREMIE is to give SMEs better access to finance; micro-credits of up to EUR 25,000 are available, for example through the EIB or the EBRD. The focus of JESSICA is urban redevelopment, and the initiative allows member states, or programme managing authorities to transform grants under operational programmes into repayable, or recyclable, assistance via urban development funds or holding funds.

### 6.7 EU state aids

Finland's regions are also affected by EU rules when it comes to the implementation of national regional aid\(^2\), since - like all Member States - Finland must respect the Regional Aid Map and its ceilings, as overseen by DG Competition.

As with Structural Funds allocations, Finland's extremely peripheral areas are recognised within the regional aid guidelines; for 2007-13, a new category of aid is directed towards combating depopulation in the lowest population density regions of Finland and Sweden. These are arctic regions with 8 inhabitants or less per square kilometre.

### 6.8 Innovative actions

The Pohjois-Pohjanmaa region is managing a programme called "X-Branches", aimed at cross-sectoral and cross-regional cooperation in innovative actions. The programme seeks to promote national and international cooperation as well as interregional networks within Northern Finland. The Regional Councils of Central Ostrobothnia and Lapland are also involved in this Programme.

Examples of projects are:

- ISTO (Environments supporting independent living and opportunities to participate in community life). This programme targets the elderly, for example, through small-scale gardening projects, tourism, etc.
- Business Garden Oulunkaari, seeking to exploit the innovation potential vested in local, rural companies and actors by joint activities and knowledge-sharing.
- Northern Seed Potato is a project involving the MTT (Agrifood Research Finland), the Universities of Oulu and Helsinki, Finnish IT companies and partners from the Netherlands and Sweden. The aim is to authenticate the background of seed potato production and provide quality assurance, via a quality labelling scheme.

---

\(^1\) JEREMIE: Joint European Resources for Micro to Medium Enterprises; JESSICA: Joint European Support for Sustainable Investment in City Areas
\(^2\) “Aid for investment granted to large companies, or in certain limited circumstances, operating aid, which in both cases are targeted on specific regions in order to redress disparities” according to the EU state aid guidelines for 2007-13 (2006/C54/08).
Documentary sources

Articles and Papers

Sandberg, S., "Local Government in Finland", published by the Institute for Comparative Nordic Politics and Administration

"Regional Policy in the Nordic Countries", Nordregio Report 2007:1

"Finnish Government's Views on the future of Cohesion Policy: Response to the Commission's public consultation on the 4th Cohesion Report", published 22.2.2008, provided by the Finnish Representation to the EU

Websites

http://www.cia.gov World Factbook, provided on the Central Intelligence Agency website

http://www.economist.com Country data

http://www.eib.org website of the European Investment Bank


http://www.government.fi

http://www.lapinliitto.fi website of the Lapland Regional Council

http://www.newsvote.bbc.co.uk country profile

http://www.nordregio.se website of the Nordic Centre for Spatial Development

http://www.oecd.org website of the Organisation for Economic Co-operation and Development

http://www.pohjois-pohjanmaa.fi website of the Pohjois-Pohjanmaa (Northern Ostrobothnia) Regional Council

http://www.interact-eu.net website of INTERACT Programme, aims to provide information on all aspects of INTERREG


http://strath.ac.uk website of the European Policies Research Centre, University of Strathclyde (Scotland)

http://www.visitfinland.com official travel and tourism guide to Finland
Annex A

ERDF PROGRAMMES IN FINLAND 2007-13

- Åland Islands ERDF operational programme (Operativt program för ERUF på Åland) Programme under Competitiveness and employment objective
  
  co-funded by ERDF: EUR 3.125 million

- Western Finland ERDF operational programme (Länsi-Suomen EAKR-toimenpideohjelma) Programme under Competitiveness and employment objective
  
  co-funded by ERDF: EUR 159.4 million

- Northern Finland ERDF operational programme (Pohjois-Suomen EAKR-toimenpideohjelma) Programme under Competitiveness and employment objective
  
  co-funded by ERDF: EUR 311.3 million

- Eastern Finland ERDF operational programme (Itä-Suomen EAKR-toimenpideohjelma) Programme under Regional Competitiveness and Employment objective, a phasing-in region
  
  co-funded by ERDF: EUR 365.6 million

- Southern Finland ERDF operational programme (Etelä-Suomen EAKR-toimenpideohjelma) Programme under Competitiveness and employment objective
  
  co-funded by ERDF: EUR 138.1 million

Beyond 2013, Finland will be ineligible for convergence funding under the current regulations. All its regions, with the exception of the current "phasing in" region of East Finland, will be nonetheless eligible for Regional Competitiveness and Employment allocations. The northernmost regions will also continue to be entitled to receive entitlements of EUR 35 per capita/per annum relating to the extreme peripherality.
Annex B

POHJOIS-POHJANMAA STRUCTURAL FUNDS PROGRAMMING 2007-13

<table>
<thead>
<tr>
<th>Full Title: &quot;Pohjois-Suomen EAKR-toimenpideohjelma&quot; (Northern Finland ERDF operational programme), programme under Regional Competitiveness and Employment objective, co-funded by ERDF</th>
</tr>
</thead>
<tbody>
<tr>
<td>ERDF available: 311.3 million</td>
</tr>
<tr>
<td>Final approval date: 27.09.2007</td>
</tr>
</tbody>
</table>

Summary

The European Commission approved on 27 September 2007 a regional operational programme for Northern Finland region for the period 2007-2013, entitled "Pohjois-Suomen EAKR-toimenpideohjelma" within the framework of the Regional Competitiveness and Employment objective. The programme covers the regions of Central Ostrobothnia, Lapland, and Northern Ostrobothnia with a population of approximately 634,500 at the end of 2005. This is the first time a single EU programme is covering the whole of Northern Finland. Parts of the region have previously benefited from Objective 1, Objective 2 and transitional support.

The total budget of the programme is around EUR 1.1 billion and the Community assistance through the ERDF amounts to EUR 311.3 million, which accounts for approximately 18% of the total Structural Fund money invested in Finland during programming period 2007-2013. Due to its permanent handicap caused by sparse population and remoteness, the Northern Finland region benefits from a special allocation for sparsely populated areas of EUR 35 per inhabitant per year from the ERDF, totalling EUR 173 million during the programming period. The special allocation amount is included in the total amount of ERDF investment to the programme.

The purpose and aim of the EU investment

Northern Finland is the northernmost and one of the most sparsely populated areas in the European Union. The main challenges of the region stem from its peripherality, harsh climatic conditions and sparse and rapidly ageing population. However, the interesting geopolitical location, with long external borders with Norway and Russia, offer possibilities for more efficient exploitation of Northwest Russian oil, gas and mineral reserves in the future. Northern Finland also has an important processing and knowledge cluster for the metal and steel industry and the region is becoming one of Europe's most important for the extractive industry. In addition, Northern Finland is an important leisure location that specialises in nature-based holidays for European tourists.

During 2000-06 Northern Finland benefited from Structural Funds support of over EUR 335 million within the Northern Finland Objective 1 programme, with the help of which more than 11,000 new jobs were created, nearly 18,000 jobs were maintained. Nearly 1,800 new companies were created by the end of year 2006.

Oulu Region, the Southern part of Northern Ostrobothia and Kokkola region benefitted from Objective 2 support in the last programming period. These areas have nearly the half of the population of Northern Finland. The EU support was much less (about EUR 66 million) than in
the Objective 1 programme. The results of the Objective 2 were good in terms of the amount of EU support available. Nearly 6000 new jobs and 1000 new companies were created.

The new EU programme for 2007-13 aims to build on the success of the previous programme and the objective of the Regional competitiveness and employment programme for Northern Finland is to enhance the region’s national and international competitiveness as a response to the ongoing restructuring in its population and sources of livelihood. The strategy for the programme has four main priorities: innovative competitiveness, enterprise growth, accessibility and regional attractiveness factors.

The expected impact of the investment

The programme aims to create 11,000 new jobs and 1,500 new enterprises. The aim is to use 25% of the financial framework for research and development projects, creating 1,000 new R&D jobs. Of the investment available, 76.2% has been earmarked for Lisbon-related expenditure, which is above the Community objective of 75% for Regional Competitiveness and Employment regions.

Priority axes

The programme will be implemented through three main priorities and a technical assistance priority.

Priority 1: Promotion of business activity: This priority aims at developing productivity, creating more jobs and safeguarding existing jobs through supporting entrepreneurship and growth of enterprises and through improving access to business services and finance.

Priority 2: Promotion of innovation activity and networking, and reinforcing knowledge structures: This priority aims to activate expert networks with strong links to the national and international development projects of enterprises, universities, research institutes as well as regional businesses, and to support the creation and development of centres of excellence for key sectors.

Priority 3: Improving regional accessibility and operational environments. Long distances, a sparse population, a vulnerable environment and the cold climate pose challenges to increasing the competitiveness of enterprises and quality of life. This priority aims to improve the accessibility and attractiveness of the region for businesses, employees and tourist by improving logistics and transport connections, services, environment and tourist attractions.

Priority 4: Technical assistance: This Priority will provide support for programme management and implementation, including technical support, communications and publicity, research and evaluation actions.
### Financial table

**Breakdown of finances by priority area (in EUR)**

<table>
<thead>
<tr>
<th>Priority axes</th>
<th>ERDF-Funding</th>
<th>National public financing</th>
<th>Public total financing</th>
<th>EU share of public financing</th>
<th>European Investment Bank (EIB) funding</th>
<th>Private (a)</th>
<th>(b)</th>
<th>(c)</th>
<th>(d)</th>
<th>(e)</th>
<th>(f)</th>
</tr>
</thead>
<tbody>
<tr>
<td>PR 1. Promotion of business activity</td>
<td>111 836 001</td>
<td>111 836 001</td>
<td>223 672 002</td>
<td>50,0 %</td>
<td>402 609 604</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PR 2. Promotion of innovation activity and networking, and reinforcing knowledge structures</td>
<td>116 076 211</td>
<td>116 076 211</td>
<td>232 152 422</td>
<td>50,0 %</td>
<td>60 436 825</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PR 3. Improving regional accessibility and operational environments</td>
<td>70 910 014</td>
<td>70 910 014</td>
<td>141 820 028</td>
<td>50,0 %</td>
<td>17 018 403</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PR 4 Technical assistance</td>
<td>12 450 926</td>
<td>12 450 926</td>
<td>24 901 852</td>
<td>50,0 %</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>311 273 152</strong></td>
<td><strong>311 273 152</strong></td>
<td><strong>622 546 304</strong></td>
<td><strong>50,0 %</strong></td>
<td><strong>480 064 832</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Annex C

Views of the Finnish Government on the future of the Cohesion Policy; Response to the Commission’s Public Consultation on the Fourth Cohesion Report

Finland welcomes the Commission’s initiative to launch an open discussion on the content of the future Cohesion policy at such an early stage. The Cohesion policy needs to be adapted to meet the challenges of the changing operating environment and the enlarged Union. In order to maximise the effectiveness and the added value of the policy, it is important that its objectives and different options for implementation are assessed openly and without bias.

The Cohesion policy has created added value for regional development. It has brought national and regional actors together, increased perseverance and long-term planning, strengthened coherence and modernised and improved administrative systems and working methods. It has also increased networking, interregional and transnational cooperation, as well as exchange of best practices and transparency.

We welcome the new strategic approach under the Cohesion policy for the period 2007-2013. The Community’s strategic guidelines provide a common framework for measures implemented in the different Member States and regions. We support the close synergy between the Cohesion policy and the Lisbon goals for growth and employment. In our view it is important to maintain the strategic and comprehensive approach also in the future. At the same time we need to reconsider how the responsibility for management and control is shared between the Community and the national level.

The compatibility of the Cohesion policy with the other EU policy areas, such as innovation, rural, environmental, climate and energy policy, must be assessed in depth in the future. For example, we need to seek for more effective and better coordination in the use of the EU policy instruments at regional and national level when promoting the targets for research and innovation under the Lisbon Strategy. This would also facilitate the achievement of the EU objectives for competitiveness and employment.

To adapt to the conditions of global competition, we need to focus our attention on developing the rural economy. In this regard we need to strengthen the integrated approach to the EU policies. Measures under the future Cohesion policy to develop rural areas must be coordinated with other policies, especially with regard to natural resources. Rural development measures should promote the diversification and the competitiveness of the rural economy and the search for complementary employment and income options to agriculture.

Climate change should be taken into account in a comprehensive manner in EU’s actions. Consequently the Cohesion policy should follow the climate and environmental
friendly approach. Projects need to be evaluated in terms of their impact on climate. Solutions which would help to curb and prepare for climate change should be available. The Cohesion policy instruments on their own are, however, insufficient to curb climate change or adapt to it. To meet the objectives of the EU climate policy, we also need other instruments and parallel measures in various policy areas. It is important that the EU pursues a climate friendly cohesion policy, while the aim of such a policy should be the promotion of economic, social and territorial cohesion. The development and testing of regional energy solutions could be an example of this.

In the period 2007-2013 the main focus of the Cohesion policy is on the regions which are the least developed in terms of GDP. The economic, social and territorial cohesion is one of the Union’s basic values. The Cohesion policy promotes, amongst other things, stability within the Community, the development of the internal market and the achievement of the objectives for growth, employment and competitiveness. The solidarity aspect needs to be taken into consideration as a core value also in the future.

EU level action plays a significant role in promoting competitiveness in the Member States. Measures to foster growth, competitiveness and employment must be implemented in a determined and coordinated way throughout the Union. Along with the Community measures there need to be also national measures to promote regional competitiveness and employment. National public contribution should be monitored at EU level as well. It is important to make sure that effective tools are in place for implementing the Lisbon Strategy. An assessment should be made, for example, whether the effectiveness of the Cohesion policy could be increased by strengthening the thematic approach. Thematic implementation could bring added value to the development of competitiveness and human resources.

Social cohesion has a positive effect on competitiveness and productivity, being related with the development of human capital, the rise in living standard through promotion of employment and entrepreneurship, as well as the promotion of equal opportunities and social inclusion.

Structural changes resulting from globalisation combined with the demographic change, in particular the ageing workforce, make the matching of labour supply and demand increasingly challenging. As a result of a likely decline in the labour force, increasing the employment rate and ensuring the availability of skilled labour will be among the key challenges for employment and education policies. The skills of the workforce should be developed to adapt to labour market needs, while adaptability of enterprises and their workers should be improved. It is important to adopt an overall view to achieve a balance between flexibility and security in working life and on the labour market. Reassessment of the principles applied to work-related immigration is necessary in order to secure the availability of labour.

The European territorial cooperation objective brings a clear European added value. Cross-border, transnational and interregional cooperation would not be carried out to the same extent without the Community policy instruments. The challenge for territorial cooperation is to enhance the effectiveness of measures and to discover practices to strengthen European competitiveness.

Finland would like to emphasise in particular the importance of cooperation within the Baltic Sea region and the external border areas. The Baltic Sea region should be
strengthened as a European and global economic area. External border areas are often the most remote and least developed regions within the EU, and at the same time they play a key role in cooperation with third countries. The current territorial cooperation could be developed, for example, to serve cooperation between innovation policy actors in different countries.

Territorial cohesion has played a major role in Finland’s national regional policy for decades. In our view, the territorial cohesion refers to the balanced distribution and availability of nationally funded public services, jobs, educational institutions, research facilities and transport and communications networks throughout the country. The European Cohesion policy has brought added value to this.

The Treaty of Lisbon includes the territorial cohesion dimension as an objective of the Cohesion policy, along with economic and social cohesion. This is a welcome adjustment to the objectives of the Community Cohesion policy. It is important for Finland that the permanent geographical and demographic handicap which affect development in the sparsely populated northern regions, such as the long distances, the harsh climate and the scattered population are regarded as factors requiring specific measures also in the future Cohesion policy. The special treatment based on sparse population was agreed on in the Treaty of Accession of Finland.

It is our opinion that the key principles governing implementation of the Cohesion policy are sound. Their application should be made more effective with the forthcoming reform. The key principles are:

- Integrated approach
- Multi-level governance
- The subsidiarity principle
- The partnership principle
- The principle of concentration, i.e. the allocation of resources to the least developed regions and for selected strategic priorities
- The principle of additionality, i.e. the measures under the Structural Funds should be in addition to national measures in a way that supports the Community's strategic targets. EU money is thus not used to realise projects which would have been implemented nationally
- The principle of proportionality

The administration of the Cohesion policy needs to be simplified and the transparency of the policy should be increased at both EU and national level. At the beginning of 2008 a new ministry – the Ministry of Employment and the Economy – was established in Finland. It is responsible for the management of the both Structural Funds, the European Regional Development Fund and the European Social Fund. We expect to achieve synergy benefits from this reform, by strengthening the integrated approach and through enhanced cooperation between different policy sectors.

The debate on the future Cohesion policy needs to consider development of different financing instruments. More use could be made, for example, of financial instruments such as European Investment Bank loans.
Structural change will strengthen in the Finnish regions in the 2010’s

Economic development was favourable in most regions of Finland during the period 2004-2007. The growth in production and employment was particularly significant in the country’s regional centres. On the other hand, in many rural areas the economic development is rather poor as an ageing population and a weakening local economy create barriers to it.

A forecast for the period 2008-2012 made by ETLA, the Research Institute of the Finnish Economy, states that production will grow by around 2.5% annually throughout the country, varying between 1.5% and 3.5% by region. According to the forecast, unemployment will fall and the employment rate will steadily rise in the same period in all regions. The employment rate is estimated to average around 72% in the country by 2012, with the unemployment rate at 5.5%.

The phenomenon of ageing will strengthen at the start of the 2010’s. This will mean a decline in the number of people of working age in all regions. The number of workforce is expected to drop by approximately 5% nationwide by 2020, while the figure for Eastern Finland is around 15%. The drop in available human resources is expected to weaken growth in production and limit the number of jobs. Unemployment will fall in all regions with the decline in the workforce. At the same time the availability of labour will become a problem. In the 2010’s the size of the age group entering the workforce (20-24 year olds) in many regions will only be 60-80% of the age group leaving it (60-64 year olds). In the 1990s it accounted for more than 100%.

As the young age groups diminish in size, migration within the country will fall in terms of numbers. On the other hand, immigration has increased and the number of immigrants is expected to rise. The quantitative impact of immigration on the regional labour markets is nevertheless slight for now, except in the capital area. The low employment rate among immigrants remains a problem.

The disparity between regions is predicted to grow, although the unemployment rate is expected to fall and employment increase in all areas. In areas poor in resources the workforce will decrease in size at the end of the 2010’s by as much as 20% compared to current levels. In strong areas conditions for growth in production and jobs will remain good, although availability of labour will be a problem.

The share of jobs in service industries is expected to exceed the 70% mark nationwide by the end of the 2010’s. According to forecasts, the main service sectors to see growth will be commerce, tourism, business services and social and health services.

The public sector in Finland accounts for an internationally high number of all employment. On average, the state and the local authorities employ 25% of the labour force, while the share in some regions exceeds 30%. With the ageing population, the need for public services is estimated to increase.
In conclusion, with the declining population and labour force resources, the long-term trend for centralised regional development will continue and strengthen in the 2010's. Conditions for economic growth are more favourable in the Helsinki area and in strong regional centres and their commuter belts. In other areas economic success depends mainly on one strong sector of industry and on individual companies. In rural areas the growing sectors have in recent years been tourism and mining.