



SPARSELY POPULATED AREAS: THE CASE OF THE NSPA

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Presentation outline

1. NSPA analysis and findings
2. Policy recommendations:
 - Cross-border
 - National government
 - Regional level



Northern Sparsely Populated Areas

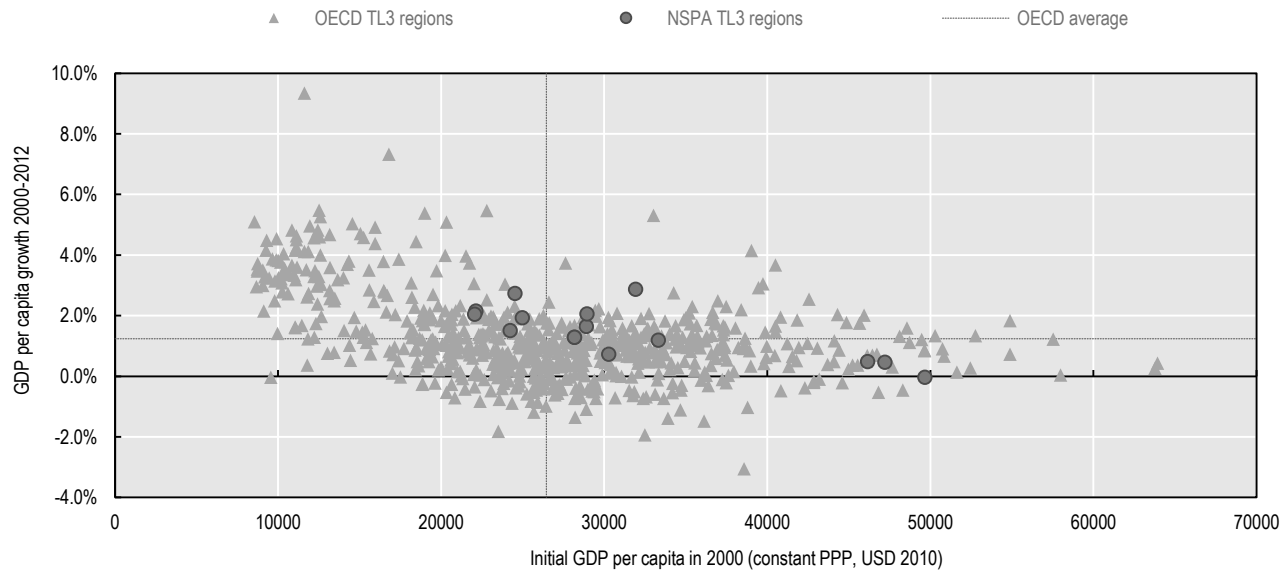


- NSPA collaboration established in 2004 (14 regions across 3 countries)
- 2.6 million people over an area of 532 000 square kilometres, which is comparable to the population of Rome inhabiting the entire area of Spain.
- Share common territorial characteristics (low density, resource-based, and harsh climate)
- Special status recognised in Accession treaty for Sweden and Finland to join EU in 1995
- Increasing economic and geo-political importance to EU and respective countries



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%
	Norrbottn	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 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.



Factors influencing the productivity performance of NSPA regions

- **National factors** play a role e.g. sectoral specialisation at a national level, exchange rate flexibility
- **Tradeable sector – size and structure, sectoral specialisation** linked to natural resources and amenities (mining, fisheries and aquaculture, tourism, forestry), and **participation in global value chains** (first stage processing, value-adding services, research and development)
- **Proportion of the public sector in the regional economy** – symptom of a weak private sector economy
- **Enabling factors** – human capital, and the quality of transport and digital infrastructure
- **Population size and density** – necessary for economies of scale and scope (concentrated v. dispersed settlement patterns)



Enhancing NSPA collaboration to address shared challenges

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.



National and EU support for low density economies

- **Continue to ensure that the unique characteristics of the NSPA regions (a harsh climate, long distances from markets, and a small number of isolated settlements) are effectively incorporated into national and European level policy settings for regional and rural development, and service delivery. This includes:**
 - Recognising the importance of improving infrastructure for connectivity;
 - The need to focus scarce economic development resources in areas of absolute advantage; and,
 - Accounting for the higher unit costs of delivering public services (due to remoteness, low population densities, and the harsh climate).

Sweden allocates close to 20% of its ERDF allocation to addressing transport bottlenecks and broadband access which is mostly allocated in the northern regions.

Lapland's smart specialisation strategy is focussed on exploiting and commercialising arctic resources and conditions, and combines sectoral and cross-cutting approaches.

Norway has a system of regionally differentiated employer social contributions with a 0% rate applying in Finnmark and northern Troms (compared to 10.6% in the southernmost zone).



Recommendations for national governments (common themes between Norway and Sweden)

Theme	Summary
Productivity and competitiveness	<ul style="list-style-type: none">• Provide support to link smart specialisation strategies to areas of absolute advantage, build scale, facilitate access for SMEs to external markets• Improve access to finance (brokering, facilitating and potentially CDFI)• Support and incentives to better coordination of local and regional tourism efforts• Strengthen the role of counties in employment and skills - clear mandates and introducing flexibilities so vocational education and employment services can be better adapted to regional needs
Connectivity and access to services	<ul style="list-style-type: none">• Improve incentives and support to extend e-services initiatives• Reduce regulatory/ administrative barriers to service delivery innovation• Joint position on northern transport priorities which can be considered in a consistent and coordinated way across the three countries
Governance of regional development	<ul style="list-style-type: none">• Strengthen the strategic role of regional political bodies in prioritisation of European and national regional development and sectoral policies• Improve alignment of administrative boundaries of state agencies at a regional level• Allocate competencies for regional spatial planning and transport planning and coordination to the body responsible for regional development in the region



Recommendations at a regional level – common themes

125 recommendations across 14 regions which focus on better mobilising endogenous assets, for example, by:

- Working with local businesses and research and educational institutions to identify areas of absolute advantage and **strengthening platforms to facilitate innovation and value-adding** to them
- Strengthening their brokering role (between municipalities, local businesses, service providers and educational and research institutions) to **improve labour market matching and facilitate service delivery innovation**
- Strengthening mechanisms that facilitate the **coordination and alignment of planning, investment, and maintenance of infrastructure** between the regional and local levels
- Facilitating **bespoke local and regional cross-border collaboration** (e.g. shared transport corridors, common tourism destinations)



THANK YOU FOR YOUR
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