GROWING REGIONS, GROWING EUROPE
EAST FINLAND’S CONTRIBUTION TO THE PUBLIC CONSULTATION ON THE FUTURE OF EU COHESION POLICY
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East Finland regions /East Finland EU Office
(Representing regions: Joint Authority of Kainuu Region, Regional Council of Etelä-Savo, Regional Council of North Karelia, Regional Council of Pohjois-Savo).

East Finland is pleased to contribute to the Commission’s consultation on the future cohesion policy. The regional councils in East Finland consider this consultation as one forum for the ongoing discussion between the Commission and East Finland on the future regional and structural policies. We wish not only to summarize the current and future needs of regions like East Finland but also contribute to the future policy making in the European Union.

The four NUTS III regions Etelä-Savo, Kainuu, Pohjois-Savo and North Karelia form the East Finland NUTS II region of 660 000 inhabitants. The total area, 85 000 km2, is larger than the Benelux countries together. Nearly 18% of the area is covered by lakes with 83 000 km shoreline. East Finland has 564 km common border with North-West Russia.

While the current programme period 2007-2013 is just in the beginning, we have so far just a little experience of new projects. As the regional structural policy is based on long term development targets and measures, and the new programme has more or less built on the structural basis we have laid in the previous programmes – Objective 1 in 2000-2006 and Objective 6 in 1995-1999 – we have good experience from the former period. The priorities in the regional ERDF programme 2007-2013 in East Finland are (PR1) Promoting entrepreneurship, (PR2) Strengthening innovation activities, networking and knowledge structures, and (PR3) Accessibility of the regions and improving operational environments.

In the light of the Cohesion report East Finland has severe regional handicaps – poor accessibility and long distances, sparse and declining population, weak regional economy measured by various indicators and harsh climate. However, East Finland also has many options for the future, such as situation near the Russian border and St Petersburg with its huge market and cooperation potential, unique nature and rich natural resources, and specialized high expertise and innovation potential on selected clusters or branches of industries.

East Finland has not remarkably succeeded to narrow the gap to the Finnish or the Europe-15 or even the union’s average level in the recent years by almost any measure. However, East Finland has reached the average GDP growth rate of Finland since 2000. While the structural funds have been the main additional tool in regional development in East Finland, it is reasonable to assume that Objective 1 programme has helped us to reach the national growth rate – even if the structural funds represent only some 0,6% of East Finland’s GDP. Unfortunately the GDP per capita volumes are still far behind the national level.
1. Globalization is a big challenge for regions like East Finland. Big companies are moving their production also from East Finland to countries of major and growing market demand and/or low production costs. Nevertheless, East Finland has also managed – at least to some extent – to compensate the loss of jobs by innovation based growth, promoted by the EU structural funds. There are good examples of companies which have grown from local to global (e.g. Bella Boats in Kuopio, Ponsse in Isalmissa, Abloy in Joensuu, Savcor in Mikkeli, Tulikivi in Juuka) and large global companies, which have found East Finland the best place for their headquarters or R&D activities (e.g. Honeywell in Kuopio, Andritz in Savonlinna and Varkaus). This regional growth is based on the high specialized expertise in universities/university units and companies in the regions, often linked to the Finnish national expertise centres programme. East Finland has through this expertise centres’ concept and its public private partnership approach brought added value to regions with similar conditions in other European countries.

Furthermore, we have successfully created business from our nature and natural resources and the special expertise related: tourism based on winter sports or lakeshore activities, mining and stone industries, wood industries and wood related machinery industries, culture etc. Prerequisite for successful structural change like this is to keep the region attractive and accessible enough for enterprises and people. This is why East Finland has also allocated part of the ERDF money to boost up development in needs related to environment and infrastructure.

East Finland is one of the very first European regions facing the big demographic challenges. These are thoroughly described in the response to the consultation given by the “Demographic Change Regions Network”, in which East Finland is involved. We also have cooperation with our Nordic partners in the Nordic Sparsely Populated Area’s (NSPA) group. This cooperation started by a common study on Northern peripheral, sparsely populated regions in the EU (Nordregio 2005) with North Finland and North Sweden.

East Finland has lost its population for decades, while young people have moved to South and West Finland – earlier also to Sweden - to study and to work. Thus the population is now ageing rapidly, and the decline will continue even if the net migration will turn positive. East Finland is sparsely populated but – unlike the other northern peripheral regions – it is also all over populated, which is described in Nordregio’s study mentioned above. This is a special challenge e.g. in organizing and delivering services for the ageing population. To face the challenge of peripherality and population change, East Finland included in the current ERDF programme some measures to improve accessibility of the region and an experimentation aimed to improve the welfare services. Allocations to better accessibility must have a strong boost effect e.g. by bringing major national funding for infrastructure investments or essentially speeding up the investments. Experimentation projects must be largely applicable or highly experimental in nature.

Being among the first regions in Europe to face the ageing challenges, East Finland can offer its experience e.g. on service delivery and welfare technology applications for aged and sparse population to other European regions.

There are also signals that young and educated people, especially families with kids, are willing to move from big cities to the safe, healthy and pleasant East Finland. It is essential that our aims to response to the demographic challenges will be supported also
by national policies e.g. by maintaining education, jobs and services in the regions rather than concentrating them into a few big cities.

In East Finland the climate change will be a challenge and a chance. Extreme weather conditions will probably cause local and occasional damages for forestry, infrastructure and buildings, and flood damages are possible on built-up areas and infrastructure on lakeshores. Warm winters will also cause difficulties for winter tourism. On the other hand, the special expertise in the field of environmental technology and its various applications e.g. in material technology, measurement technology, welfare technology, safety technology and community services forms a good basis to create and strengthen environment related businesses in East Finland. The regions in East Finland have successfully fostered this expertise during the previous programme period, and our experts have also brought added value to the European and world wide networks. In the current programme, the regions have even more concentrated in generating business through innovations in these fields of expertise.

2. How can cohesion policy even more develop an integrated and more flexible approach to development/ growth and jobs in this new context?

2.1. It is essential to have an integrated toolbox, flexible enough for special needs of different regions. East Finland is in the European level a multi-handicapped region with special strengths – East Finland needs regional structural policy to compensate permanent handicaps, to remove structural handicaps and to enhance its strengths. East Finland is able to get good results from the structural fund programmes linked to the regional strategies.

2.2. Regional competitiveness in East Finland is based on global enterprises and high expertise networked world-wide, skilled human resources, attractiveness and accessibility and well functioning structures and services.

As competence areas to be developed East Finland has chosen selected clusters: forest and metal, material technology, ICT, leisure time and tourism, food technology, welfare, environment and energy and mining. We allocate most of the EU structural funds to develop these clusters. Besides the cluster specialized competence areas East Finland aims to develop critical competencies such as business skills, turning innovations to business, attracting investments, international skills etc.

3. Following the appraisal of the previous questions, what is the assessment of the policy management system for the period 2007-2013?

3.1 EU programmes could be better coordinated with national measures, respecting the additionality. National policies as such, without a regional strategy basis, should not be part-financed by EU’s regional programmes. EU programmes should be more focused on regional strategic needs, having consensus with the national level and being in line with the EU policies.

Implementation of the current ERDF and ESF programmes is integrated on regional level (NUTS III regions, “maakunta”) in the regional management groups. This is the proper level of coordination while regions also write the regional strategies and coordinate the implementation of national regional development. Regions cooperate intensively on NUTS II level (programme area), regional councils even have common resources on NUTS II level for the secretary of the monitoring group. Decision-making is however dispersed to several regional authorities, each having their own regulations and procedures, which does not make the mechanism very efficient and user-friendly.

In the near future there will be some rearrangements in the Finnish regional development system on regional level, partly conducted from the ministry level arrangements in the
beginning of 2008. It will hopefully make the Finnish programme management system more simple and bring into the implementation process a stronger connection to regional strategies. It is essential to maintain and strengthen the connection between EU programmes and regional strategy processes and clear up the regional coordination processes.

3.2. Cohesion policy should be accurate enough to forecast the future development trends in different regions, and flexible enough to react – or “proact” – to the special needs in the regions. It must be based on large regional data and relevant analyses and studies.

From the regional point of view, an effective and efficient programme implementing mechanism should be a consistent and transparent regional development framework based on regional strategies. In Finland regional strategies are made on NUTS III level in a large cooperation lead by regional councils. National and EU regional policy instruments and other region-related funding should be channelled through this regional framework and coordinated in the regional cooperation process. In Finland, again, we have the regional management group for regional development coordination purposes. However, we have too many separate programmes (national and EU) and finance channels for regional development, more or less earmarked on state level to various purposes without any real coordination on regional level. Thus the main problem is that regional development funding – national and EU - is split into too many administrative channels.

With a smaller amount of programmes with more simple procedures on EU and national level the regional policy implementation would be more effective, more performance-based and more user-friendly.

3.3. East Finland is ready to contribute to the European level policy formulation in its competence areas such as cooperation with Russia (St Petersburg, Karelia, Barents), environment issues (environment technology and its applications e.g. in material technology, measure technology, machinery etc), renewable energy, welfare technology and services especially for ageing people, etc. East Finland also has experience in how small regions can develop high expertise.

3.4. Regions in East Finland are focusing into more target-oriented cooperation linked to their strategies. Most potential target regions in international cooperation are nearby regions (North West Russia, Baltic Sea regions, Nordic countries), regions with business contacts, regions with common policy interests (e.g. peripheral and sparsely populated regions, demographic change regions), partners in expertise networks, cultural cooperation, etc. As one example of our cooperation with Russia is recently launched Cross Border University Masters programs, which are jointly developed and implemented by highly recognized Finnish and Russian universities. Another interesting project is under way and is called Finnish-Russian Administration School, aiming to educate authorities working with cross-border issues. Thus we see it important to have flexible procedures for regional cooperation with regions in the EU and outside.

Russia should be strongly involved in the future Baltic Sea strategy - even though it is outside the EU. Russia has a growing importance in the Baltic Sea area’s business life, expertise networks or labour markets as well as energy and environment issues and social and cultural life. Having relatively long experience in cooperation with Russia and the former Soviet Union, East Finland also volunteers as a bridge between EU and Russia.
CONCLUSIONS

- Permanent handicaps still exist – poor accessibility, sparse population, long distances, cold climate
- Structural features change slowly – e.g. weak regional economy or demographic features
- Special conditions need special policy applications and regional coordination
- Appropriate tools – versatile, flexible enough, precise enough – will bring the best results
- East Finland has special strengths and special expertise to bring added value to EU policies – e.g. environment technology and its applications in other technologies, welfare technology/ageing and sparse population, Russian cooperation etc.

Mrs. Riikka Railimo  
Director  
East Finland EU Office  
website: www.eastfinland.eu

Mr. Matti Viialainen  Mr. Jussi Huttunen  
Executive Director  Executive Director  
Regional Council of Etelä-Savo  Regional Council of Pohjois-Savo  
website: www.esavo.fi  website: www.pohjois-savo.fi

Mr. Pentti Hyttinen  Mr. Hannu Leskinen  
Executive Director  Executive Director  
Regional Council of North Karelia  Joint Authority of Kainuu Region  
website: www.pohjois-karjala.fi  website: www.kainuu.fi