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.