

The Common Potential in Northernmost Europe

Final Report

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Nordic co-operation

takes place among the countries of Denmark, Finland, Iceland, Norway and Sweden, as well as the autonomous territories of the Faroe Islands, Greenland and Åland.

The Nordic Council

is a forum for co-operation between the Nordic parliaments and governments. The Council consists of 87 parliamentarians from the Nordic countries. The Nordic Council takes policy initiatives and monitors Nordic co-operation. Founded in 1952.

The Nordic Council of Ministers

is a forum for co-operation between the Nordic governments. The Nordic Council of Ministers implements Nordic co-operation. The prime ministers have the overall responsibility. Its activities are co-ordinated by the Nordic ministers for co-operation, the Nordic Committee for co-operation and portfolio ministers. Founded in 1971.

Stockholm, Sweden
2000

Foreword

As the 1994-99 programming period of the Structural Funds draws a close, many regions are well underway with drafting outlines for new programmes for the period 2000-2006. A programme for trans-national co-operation between regions in the northern parts of Finland, Norway, Scotland and Sweden - the Northern Periphery programme (NPP) - is presently under implementation as a Pilot Action Programme for 1997-99.

As part of the preparations for a possible new programme for the Northern Periphery, the NPP programme commissioned Nordregio to carry out a study on *the Common Potential in Northernmost Europe*. The project aims to (1) develop a range of options for policy-makers concerning a new programme within an enlarged geographic area and (2) provide an initial forum for co-operation actors to discuss a possible new programme. The present report was initially prepared in draft form to serve as a basis for discussion at a seminar on 25-26 November 1999 in Oulu, Finland. Following the seminar, the report has been revised to take account of the Oulu discussions and comments of participants.

From the NPP, a steering group was established to follow the work:

- Harald Bollvåg, the Regional Authority of Northern Norway
- Lena Drangel, Storuman Municipality, Sweden
- Jan Edøy, Ministry of Local Government and Regional Development, Norway
- Harry Ekestam, Ministry of Interior, Finland
- Frank Gaskell, Highlands and Islands Enterprise, Scotland
- Agneta Spetz, Ministry of Industry, Sweden
- Elizabeth Williamson, the Scottish Executive

The study has been carried out by a team from Nordregio, the Nordic Centre for Spatial Development (Stockholm), the European Policies Research Centre, EPRC (University of Strathclyde, Glasgow), Barlindhaug consult (Bodø) and Næringssenteret i Vestfold (Tønsberg). Chapters 1 and 3 were written mainly by project co-ordinator Merja Kokkonen of Nordregio, Chapter 2 by Philip Raines of EPRC and Chapters 4 to 7 by Hallgeir Aalbu of Nordregio, Jørn Rangnes of Næringssenteret i Vestfold, Johnny Didriksen of Barlindhaug and John Bachtler of EPRC. Marko Tiirinen from Nordregio has prepared the statistical material for the study, with the help of Ross Brown and Ewa Helinska-Hughes from EPRC. Tomas Hanell, Nordregio, has prepared the maps, and the final revision of the text has been made by editor Keneva Kunz of Nordregio.

Stockholm, December 1999

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1. INTRODUCTION

1.1. The framework and purpose of the project

The period of European Union Structural Funds for 1994-1999 is drawing to a close, which means it is time to evaluate the past and prepare a new start for the next period. Among the main issues here is whom to invite to prepare a new programme, and which geographic region a new programme should target.

One of the four pilot actions targeting broad trans-national regions of Europe is the Northern Periphery programme (NPP), including the northernmost countries in the three Member States of Finland, Sweden and United Kingdom, and the fourth country of Norway. The pilot action programmes on regional and spatial planning share the objectives of the Community Initiative INTERREG IIC.

The overall objective of the NPP is to contribute to the improvement of services and value creation in the Northern Periphery, in ways compatible with the principles of sustainable development, through trans-national exchange of experiences. It involves co-operation in the field of spatial planning, as this affects the development of business activities and social services in the target area. Co-operation focuses on exchange of good practise in spatial planning within each participating region.

The joint strategy is centred on the development of new knowledge about innovative and well-working solutions for sustainable business activity, service provision and land-use/local spatial development planning in northern peripheral areas characterised by extremely sparse population, long distances and harsh climate. As this programme soon comes to an end, the question is what to do next. As a part of the NPP work, a study was commissioned to prepare background material for strategic discussions on the future of co-operation within this region.

The aim of the study is to gather, analyse and disseminate information on the main development issues of the Northern Periphery and adjacent areas and the past experience of co-operation, thus developing a range of development options for policy-makers. The aim has also been to provide an initial forum for different actors to discuss a scope for joint development in a common conference. Hence, this report is not a proposal of a new programme for the region. Its goal is to raise some important questions which need to be discussed by policy-makers before programming work starts.

The Northern Periphery programme is not the only cross-border or trans-national initiative that has been implemented in northernmost Europe. Examples of co-operation are numerous. Several co-operation initiatives have been implemented under INTERREG programmes, a number of them geographically partly overlapping. Thus, in this study we have included discussion of the experiences of different programmes and possibilities that existing co-operation can offer in form of programme content and geographical extent. Geographically, the target area of the study has

been the Northern Periphery programme area in Finland, Scotland, Sweden and Norway, plus Iceland, the Faroe Islands, Greenland and Northwest Russia.

The study is based on a large number of co-operation programme reports, research articles and assessment reports of existing co-operation initiatives. In addition, a limited number of representatives, from each country and from several co-operation initiatives, have been interviewed.

1.2. The structure of the report

The report is divided into seven chapters. Chapter 2 provides a regional analysis where the aim has been to identify inter-regional challenges and illustrate how co-operation across the area could assist in activating development potential. A number of issues, ranging from problems shared with other areas of Europe to key differences particular to this region, are discussed.

Chapter 3 analyses the experience gained from the existing co-operation initiatives in the area. The focus here is on practical results at the programme level and at the project level: what have been the challenges and problems in different sorts of programmes and what has been learned during the co-operation? Chapters 4 to 7 examine possibilities for future co-operation, not least the impact of geography on programme implementation and content. In Chapter 4 some strategic issues and principles for future programmes are raised. Chapter 5 discusses the themes, actors and activities of co-operation. In Chapter 6 the focus is on the impact of geography for the future programme. Alternative future scenarios for co-operation are summarised in Chapter 7.

2. DESCRIPTION OF THE NORTHERN POTENTIAL AREA

2.1. Introduction

The aim of this chapter is to provide a perspective on future areas of potential co-operation by describing the economic and social development context of the Northern Potential area. It will briefly review the common inter-regional issues and challenges, pointing out where future co-operation in the area could assist in activating development potential. Based on both data analysis and literature review, it combines a statistical overview of the region – presented mainly in the Annex 1, though the data is used throughout the chapter - with concise analysis of the main development issues.

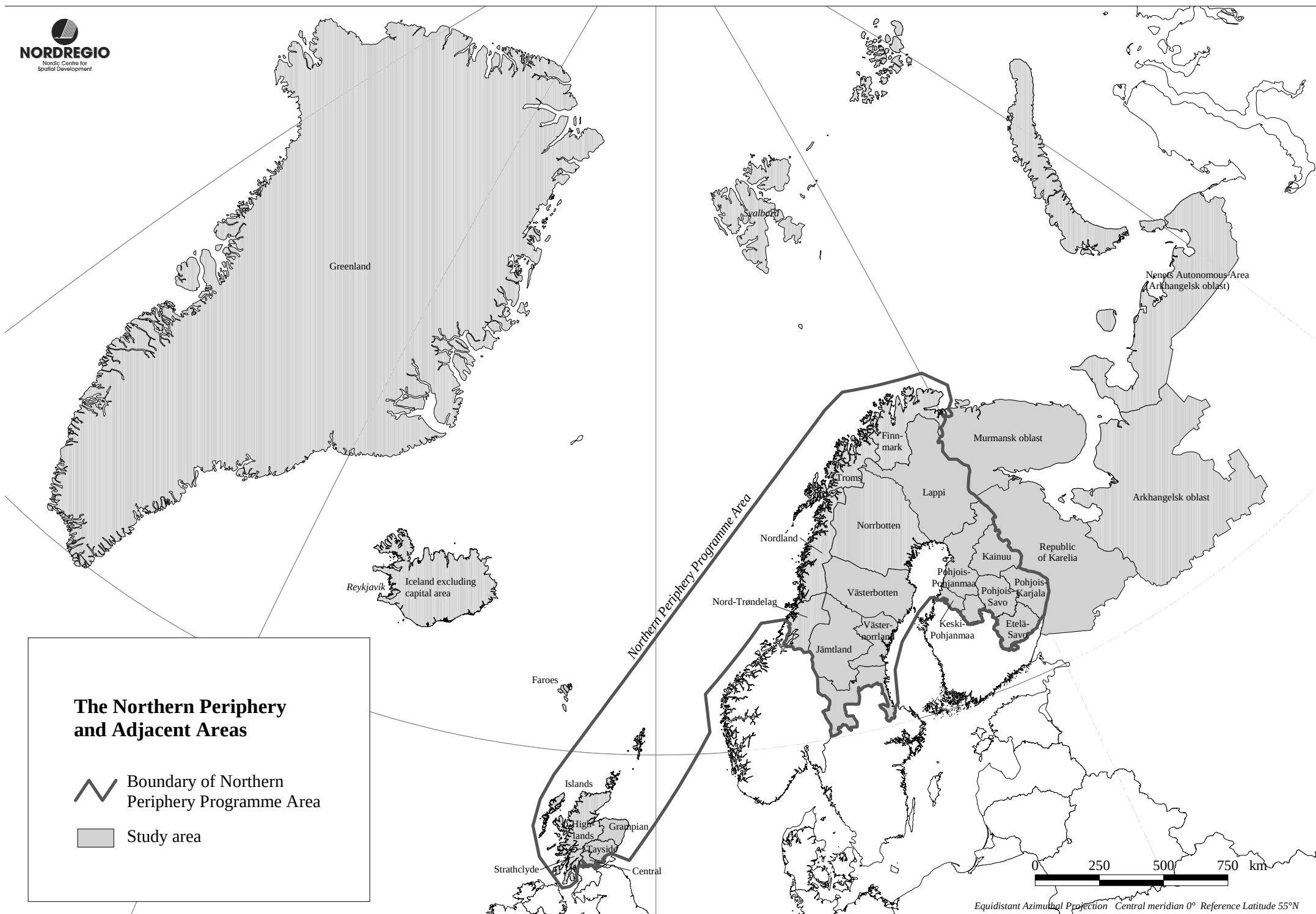
The Northern Potential area comprises the following (see the on the following page):

- the regions participating in the Northern Periphery programme:
 - Highlands & Islands in Scotland,
 - the four most northern *fylker* in Norway (Nord-Trøndelag, Nordland, Troms and Finnmark),
 - the Objective 6 area and adjacent coastlines in Sweden,
 - the Objective 6 area and adjacent parts of the regions of Pohjois-Pohjanmaa, Keski-Pohjanmaa and Pohjois-Savo in Finland;
- Northwest Russia (Murmansk and Arkhangelsk oblasts and the Republic of Karelia);
- the Faroe Islands;
- Iceland; and
- Greenland.

The area described is very large, both in terms of land area (which is greater than that of the EU15) and internal distances between major population centres. Although when viewed as a whole it is marked by considerable similarities in its regional development challenges and opportunities, significant differences also exist which limit the extent of co-operation. The area is characterised by a complex interaction of distinctive development dynamics, some of which operate at regional level, some at national level, with only a few present throughout the entire Northern Potential area. For example, when discussing Northwest Russia, the Russian economic transition is a major factor, although its direct impact on other parts of the Northern Potential area is limited. Similarly, the Faroes and Greenland face specific challenges as island economies which are not shared by other parties within the co-operation area.

At the same time, the area includes extensive cultural and language differences, much greater than the present spectrum contained within the Northern Periphery area. As well as adding new linguistic-cultural groups at national level – both in Northwest Russia and the new island economies – the enlarged area includes regions where internal cultural distinctions have been a significant political and development issue, most notably with regards to the indigenous peoples of Greenland and their self-government.

Nevertheless, in spite of the differences, key common problems define the area under review, of which the most important is peripherality. Because of its centrality to development throughout the



area, the issue of peripherality is discussed in the ensuing section. Some issues are also considered in subsequent sections, including:

- *demographic*: low population density, the prevalence of small population centres and high levels of outmigration;
- *geographical*: the large distances between significant urban centres and problems arising from difficult climate and geographical conditions;
- *economic*: the comparably low levels of per capita income and high rates of unemployment;
- *industrial*: the predominance of resource-based economic activities, dependence of some communities on single activities/enterprises and the high levels of public sector employment; and
- *environmental*: the potential for development of natural resources and the environmental vulnerability of parts of the area.

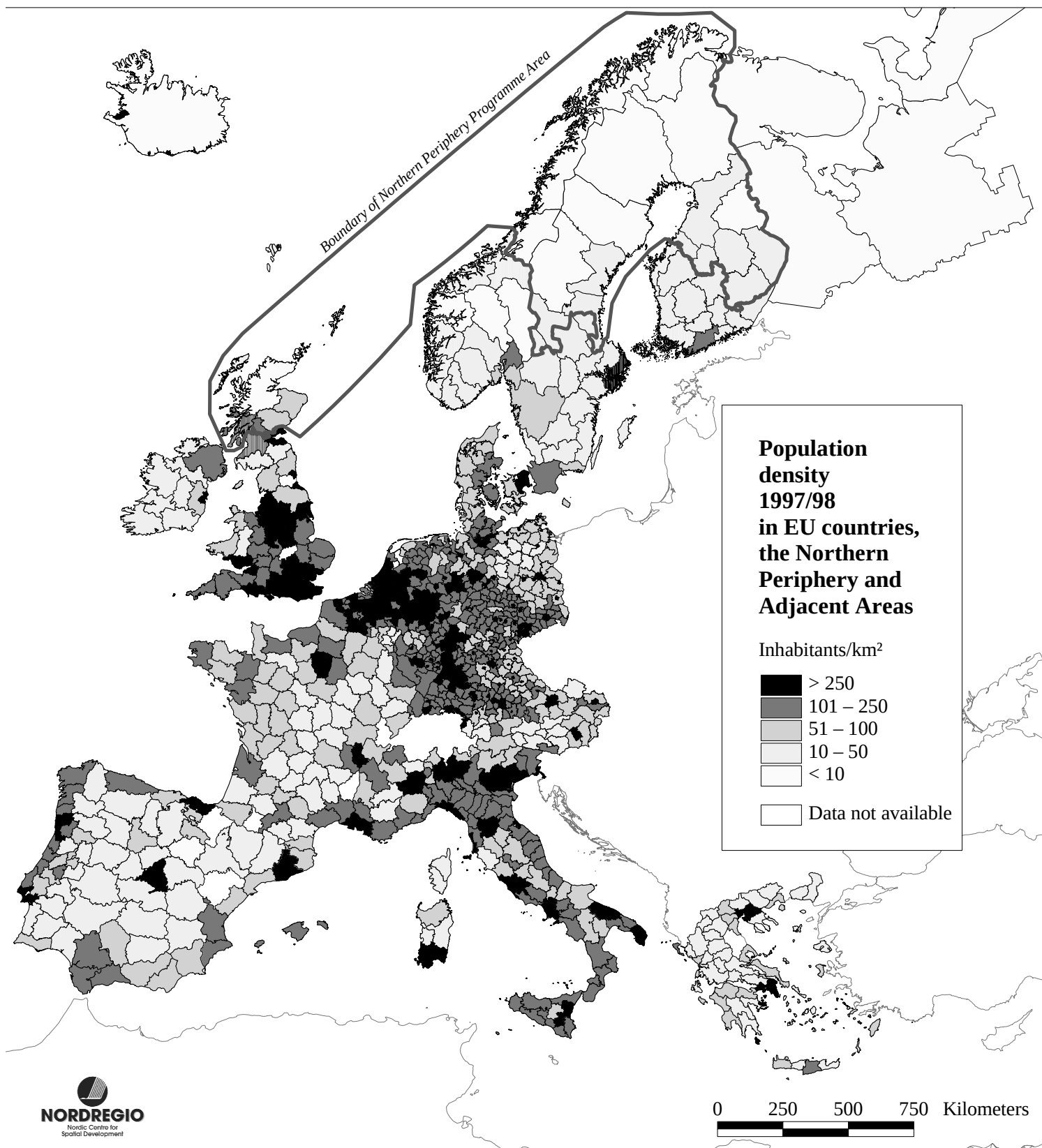
Lastly, the chapter examines regions within the Northern Potential area where development possibilities and challenges are distinctly different from those prevailing across the area as a whole, particularly Northwest Russia and the island economies.

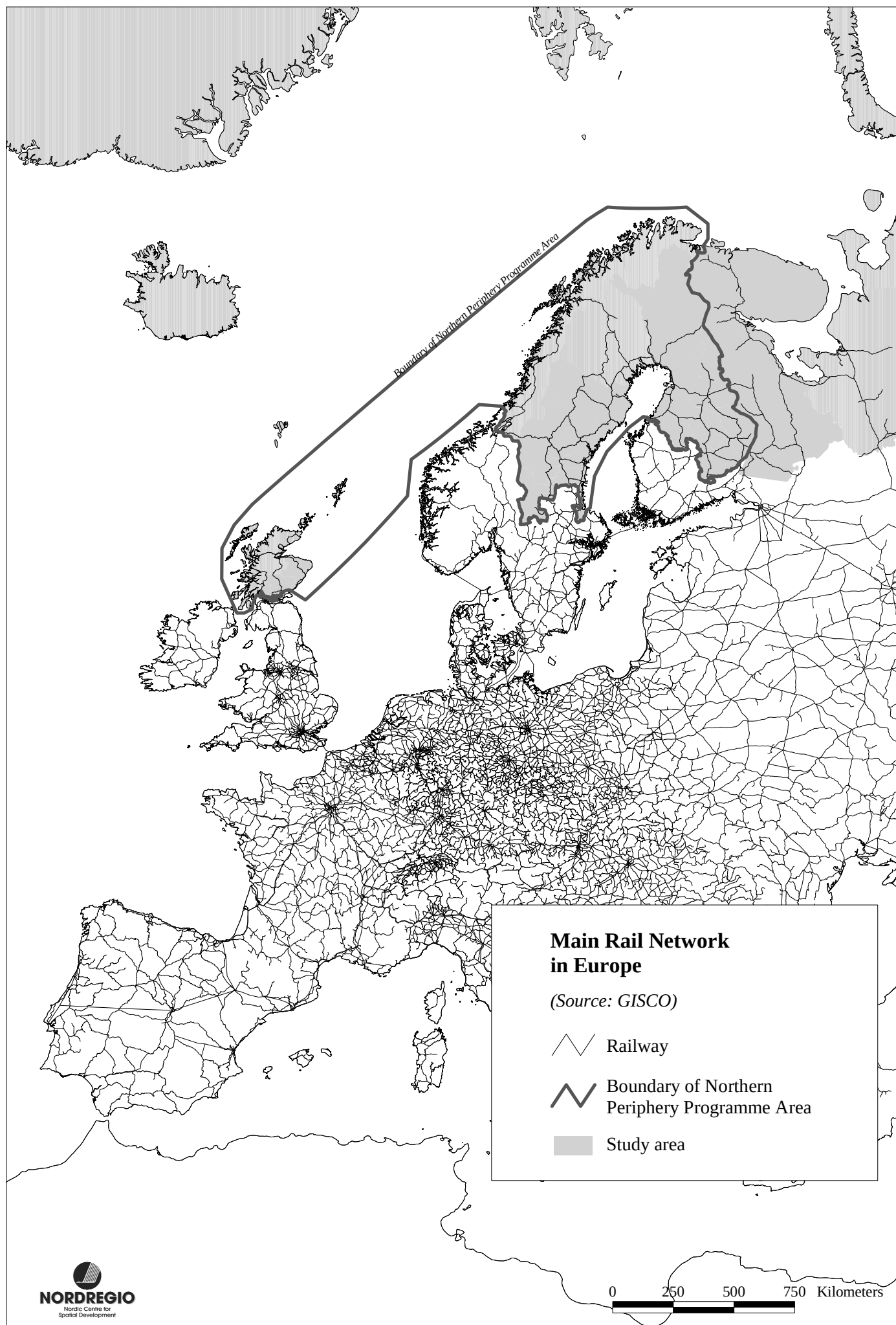
2.2. Peripherality

The Northern Potential area is regularly characterised by the concept of “peripherality”. Indeed, the core regions of the Northern Potential area have been examined in previous co-operation from this perspective: the so-called “Northern Rim” (Highlands & Islands, Centre and North Norrland, and Northern and Eastern Finland) was described as experiencing “extreme peripherality” (Evaluation of Nordic/Scottish Co-operation, 1998), a view echoed in the Article 10 Northern Periphery Programme document. However, peripherality is a fluid term, encompassing numerous definitions not always referring to the same regional development characteristics. For example, it has been used synonymously with marginal locations, particularly within the context of Europe as a whole: the European Commission in its periodic reports on the regions has used peripherality to indicate the coastal/border areas of the EU. However, as well as a strictly geographical, map-based view, peripherality has also been regarded as the sum of a series of socio-economic characteristics, which include low population density, outmigration, large rural hinterlands and large distances from key economic centres. The maps on the following pages illustrate population density and the large distances in terms of the transport network.

In the context of the Northern Potential area, peripherality can be considered as a model of economic development in which a range of factors reinforce persistent regional disadvantage. This is not to say that all the regions within the Northern Potential area are characterised by aspects of socio-economic hardship or decline – significant variation in economic development exists within the area, cautioning against blanket descriptions of the area as a whole – but that where these factors are present, they tend to present substantial development challenges for most regions. As it is viewed here, the peripherality model has two sets of key characteristics.

- The first is *economic isolation* at a regional level, particularly with respect to access to major markets (both national and international), as well as other linkages with businesses and





economic communities elsewhere in the country and internationally. Such isolation means that effects frequently associated with the globalisation of trade and production – including increased levels of exports, foreign investment ties and access to new sources of technology and product innovations – are more muted in peripheral regions. In addition, isolation has a socio-cultural aspect as well, in that some peripheral regions can lack “visibility” and “attractiveness” to individuals and businesses, with damaging consequences in the long term for their economic viability.

- The second major (and related) characteristic is *critical weaknesses in the community-economy*. This can include the absence of supporting infrastructure in the region, whether transport (such as sufficient road/rail links), public (such as education and leisure facilities) or business (such as business services). The weaknesses can also be demographic, resulting from small community sizes, outmigration and imbalances in certain demographic groups (such as young people and women). It can often lead to different forms of dependency in peripheral regions, both industrial (as when some communities are heavily dependent on particular economic activities or single enterprises) and public sector (as public sector employment can be disproportionately high in these regions).

The two sets of features can be found in two distinctive types of peripherality, which have frequently been employed in regional economic analysis: geographical and economic.

Geographical peripherality is principally a function of the geographical disadvantages of a region, which produce a series of deficiencies – both economic and social – hindering its economic development. Regional insularity can result from difficult land terrain – such as landscapes fragmented by mountain ranges or deeply-indented coastlines – or sea environments in the case of islands. For the Northern Potential area, climate is also a significant factor, due to low temperatures and long periods of limited sunlight during the winter. These geographical features tend to produce small population sizes and weak settlement patterns in peripheral regions, which can further hinder development prospects.

This kind of peripherality also tends to be assessed relative to other regions, so it is important to distinguish between the scales at which measurement is made. On the one hand, there is internal peripherality, in which the geographical disadvantages are considered in terms of the area itself: e.g. distances within the area between significant urban centres, the isolation of many sub-regions, and the overall problems of economic sustainability for small communities. On the other, peripherality may be regarded from an *external* perspective, relative not just to other areas within the country, but Western Europe as a whole. This is particularly crucial in terms of the distance to core markets for businesses within the peripheral region.

However, such peripherality is also a measure of *psychic* distance and remains fundamentally a relative concept. Hence, while parts of the existing Northern Periphery area in Scandinavia may feel the economic, social and psychological drawbacks of peripherality, areas such as the island economies may share some of those same features but not necessarily the same attitudes towards peripherality. In the case of the island economies, while there is an awareness of the disadvantages of distance from Western Europe and other parts of the Northern Potential area, the

feeling of vulnerability towards its implications is noticeably much less, in part a reflection of the self-contained nature of their economies.

In addition to geographical peripherality, analysis has also made use of what might be termed *economic peripherality*. Rather than focusing on the geographical features of a region, it refers to the lack of critical conditions necessary for strong economic development of a region, resulting in a similar type of insularity as in geographical peripherality. For example, as noted above, poor economic development potential might arise from critical weaknesses in the region, such as the lack of adequate transport infrastructure or limited education institutions (thereby increasing outmigration). The consequent economic isolation from other regions will be reflected in increasing economic and social disparities. This type of peripherality is more widespread in Europe than geographical peripherality, characterising countries such as Greece, Ireland and Portugal as well as regions within more prosperous countries (such as Italy).

In the Northern Potential area, the two types of peripherality have reinforced each other, creating for many regions a vicious cycle of economic stagnation or decline, characterised by outmigration, weakened labour markets and communities, limited business sectors, shrinking markets and dependence on a small number of economic activities. In this respect, the different parts of the Northern Potential area have more in common with each other than with other regions within their respective countries. This can be seen when examining a range of indicators measuring different aspects of peripherality: demographic; geographical; economic; industrial; and environmental. These are discussed in turn in the sections below.

2.3. Demographic factors

Low population density is perhaps the most outstanding characteristic of the area as a whole, and indeed, the one which the European Commission has identified as its distinctive development challenge. Population density within the area varies from 0.03 per km² in Greenland to 32 persons in the Faroes; the median range is between 3 and 7 persons, with the average for the Northern Potential area as a whole at 2 persons per km² (see Table 1). Indeed, in the case of Greenland, large parts of the territory are virtually uninhabited. Overall though, the area has an average density considerably lower than almost all other European regions: the next lowest regions in the EU, Castilla y Leon (27 persons per km²) and Castilla la Mancha (21 persons) in Spain and Alentejo (20 persons) in Portugal; the EU average as a whole is 115 persons per km².

Table 1.

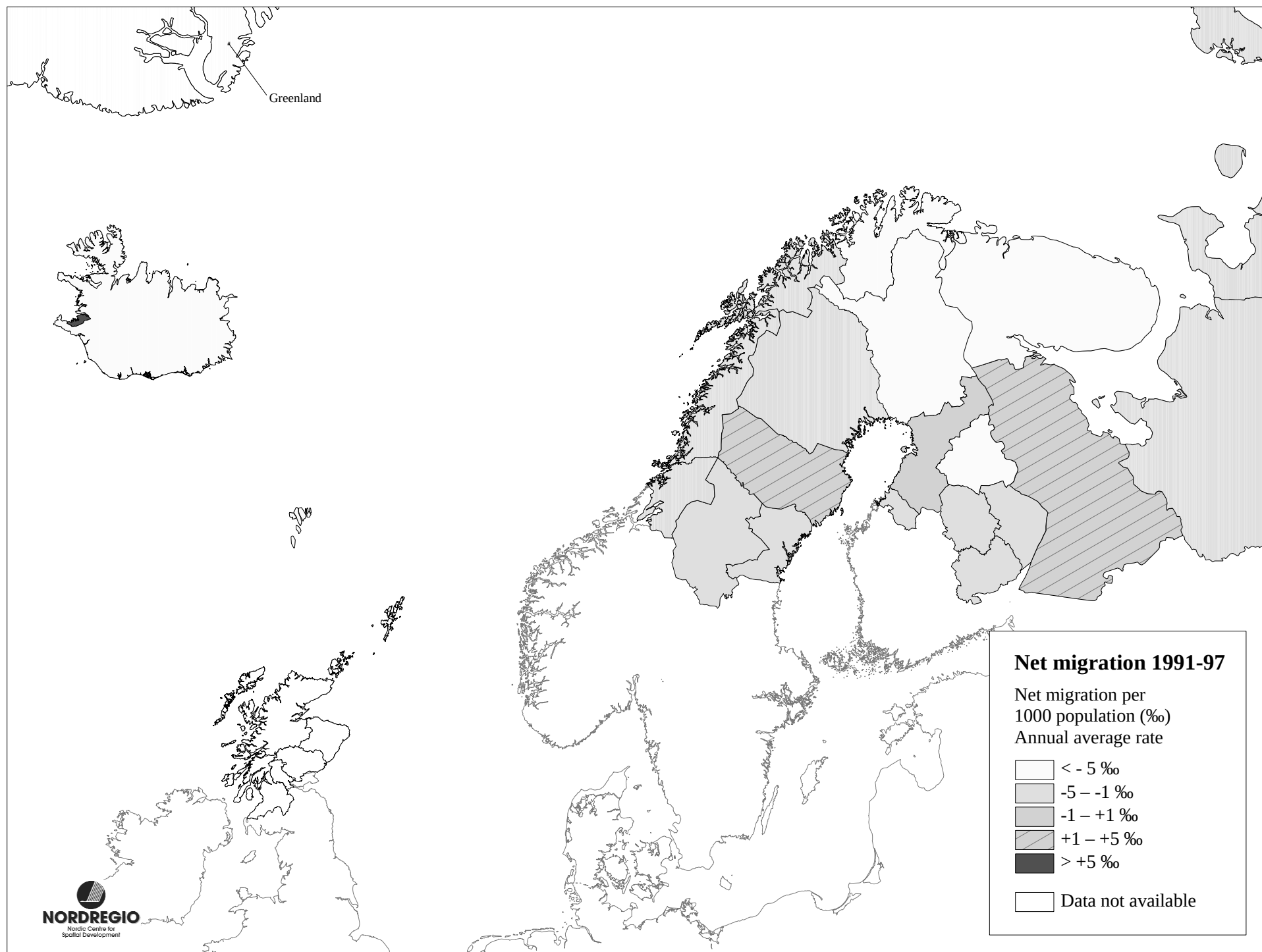
NORTHERN POTENTIAL 1998					
	Land area		Population		Inhabitants / km ²
	km ²	% of total area	1997/1998	Share in % of NP Area	
Faroës	1 399	0.04	44 814	0.7	32
Greenland	2 175 600	57.6	56 087	0.8	0.03
ICELAND	103 000	2.7	275 277	4.1	3
NORWAY/NORTHERN PER.	135 344	3.6	589 870	8.9	4
Republic of Karelia	172 400	4.6	773 000	11.6	4
SWEDEN/NORTHERN PER.	225 433	6.0	901 926	13.5	4
Murmansk oblast	144 900	3.8	1 021 000	15.3	7
FINLAND/NORTHERN PER.	203 875	5.4	1 320 811	19.3	6
Arkhangelsk oblast	587 400	15.6	1 478 000	22.2	3
Highlands and Islands	39 050	1.0	371 771	5.6	10
NORTHERN PERIPHERY TOTAL	3 788 401	-	6 832 556	-	2
EUROPEAN UNION	3 240 000		370 900 000		115

Such low population densities have resulted in a sparse settlement structure for much of the area. Overall, a large number of settlements serve the relatively small population, with the result that there is a lack of significant population centres. In the Northern Potential area as a whole, there are only five cities with more than 100,000 people: these are Murmansk, Archangelsk and Petrozavodsk in Northwest Russia, Reykjavik in Iceland and Oulu in Finland. This substantially restricts business development (as economies of scale in many sectors cannot be reached through domestic markets) and raising the cost of private and public sector service provision in the area.

The settlement structure has been further weakened by sporadically high levels of outmigration throughout the area. Most of the regions in the area had population decline between 1991 and 1997, with the most severe contractions taking place in Murmansk (13% overall) and Arkhangelsk (6%) oblasts (see Appendix 1). The majority of regions experienced declines of five percent and under; only a handful of regions showed positive growth, notably the Reykjavik area, Pohjois-Pohjanmaa in Finland, Västerbotten in Sweden, Troms in Norway, Greenland and Highlands & Islands. Population decline has been projected for most of the Northern Potential area over the next decade, with growth only taking place in Iceland, the Faroës, the Norwegian area and the Highlands & Islands up to 2010.

Outmigration has been a key component of population decline. Even in regions which have had overall population growth – such as Pohjois-Pohjanmaa and Troms – there has been a net loss of population as a result of migration. Only the Republic of Karelia, the Reykjavik area, Västerbotten and the Highlands & Islands (though parts of this area face notable outmigration) have had net inflows of people; all other regions in the Northern Potential area showed negative balances between 1991 and 1997. The most severe outmigration – in absolute terms – has taken place in Murmansk and Arkhangelsk oblasts and the non-Reykjavik areas of Iceland. (See the figure on the following page)

Population loss has been particularly damaging to rural regions within the Northern Potential area, often leading to concentrations in the major urban centres in a region: for example, the population of Reykjavik has been increasing at twice the Icelandic average while the surrounding



rural regions have declined by up to a fifth. It has also been more extensive among key groups within the population.

- Population change has led to decline in the numbers of *young and economically-active people* across the Northern Potential area. All the Finnish and Swedish regions in the area had population decline in the 10-15 years old category and severe falls in the 20-29 age bracket. Norwegian regions faced strong losses among 15-19 years old youths. The largest declines have taken place in the Northwest Russian regions, particularly Murmansk and Arkhangelsk oblasts, where 0-14 year olds fell by nearly a third and a fifth respectively between 1989 and 1997. As a result, the population of the area is experiencing a general ageing, with consequent long-term problems for the region's different labour markets. (More detailed statistics are given in Appendix 1)
- Outmigration has led also to a gender imbalance in much of the Northern Potential area. While there are no clear patterns in population change by gender for much of the area, in only a few regions do the number of women equate or outnumber men, again, with longer-term implications for population growth rates for many already-fragile communities. However, in those regions where there are more women than men (such as Northwest Russia), migration and life expectancy differences between the genders have led to relatively larger shares of older women remaining, a trend in part reinforced by public sector employment tending to favour women.

2.4. Geographical factors

The territory of the Northern Potential area is not only large, covering a distance between its furthest reaches that is wider than mainland Western Europe, but also geographically-diverse. Many of the countries have extensive mountainous terrain, notably the Highlands & Islands, Norway, Sweden and Northwest Russia, where some of their respective countries' highest peaks are located. Large sections of the mainland parts of the Northern Potential area are covered by forest and lakes: for example, the Republic of Karelia alone has over 61,000 lakes. More than half of Karelian territory consists of forests and overall, the region has the largest forested terrain in the Northern Potential area; similar shares can be found for the Swedish regions as well. Much of the population of the area lives on islands, most visibly in the case of Iceland and the Faroes, but island communities are distributed throughout the area: for example, some 30% of the population of Highlands & Islands live on 90 islands, while the Norwegian regions in the area contain 600 populated islands.

Whether they result from an island locations or difficult terrain, the area as a whole shares transport problems caused by geography. In the case of the islands, access to international markets is made more costly by the necessity of traversing significant distances by sea. In the mainland regions of the Northern Potential area, there are long distances between significant communities. Measuring distances between regional centres and national capitals, these are as high as 2,247 km in case of Murmansk region (from Murmansk to Moscow) and 2070 km in Finnmark (Vadsø to Oslo). Even the lowest distances – in the Finnish regions and Swedish regions – are still close to 400 km. Such distances lead to higher transport costs and reduced

market access (especially for exports) for many local businesses, as well as reinforce an overall sense of isolation from the centre of national economic decision-making, whether government policy or private sector.(See Appendix 1, Table 1)

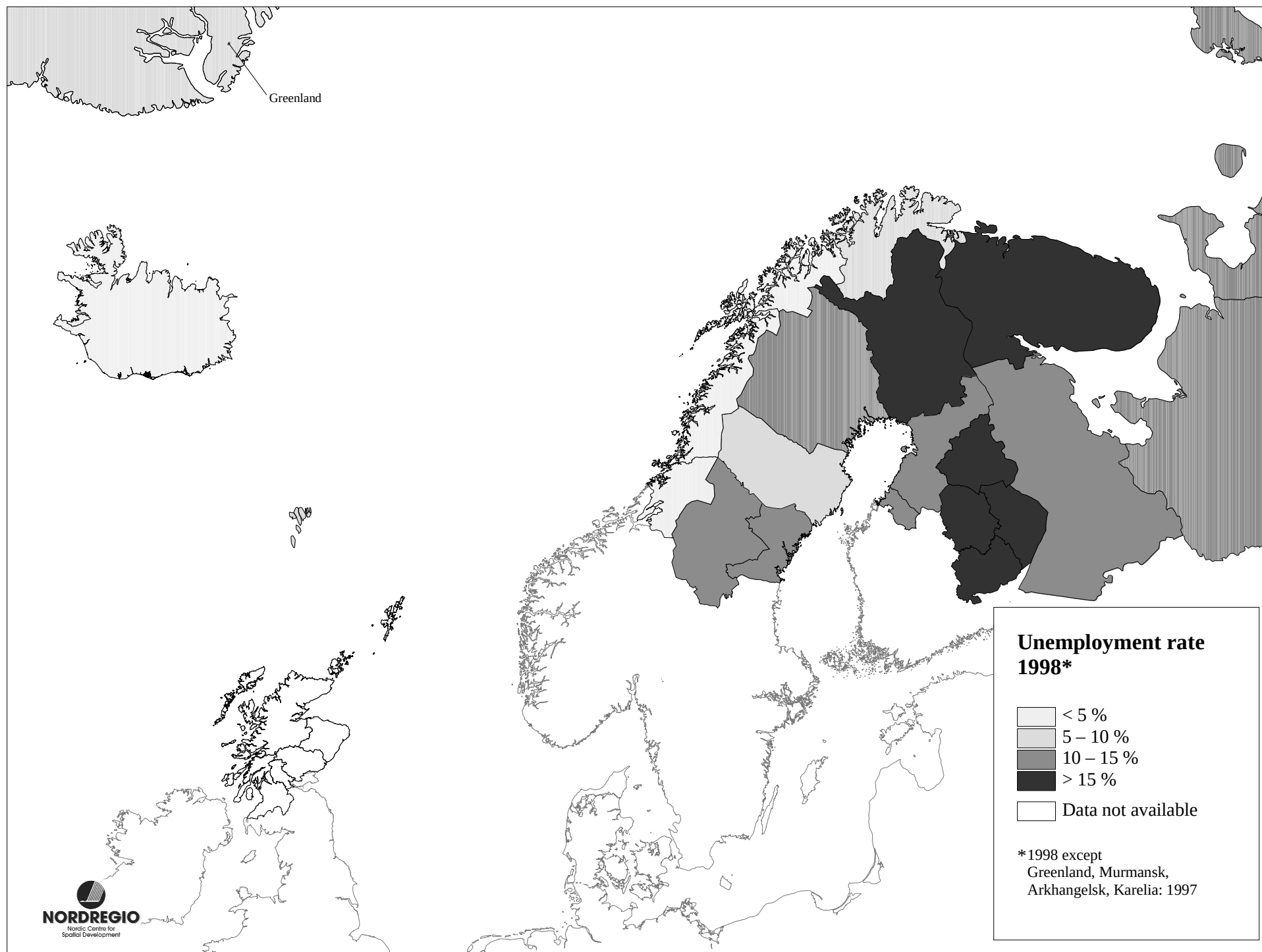
Moreover, the area shares common climate conditions. A long winter period means greatly reduced daylight for all regions within the area. Winter temperatures can be persistently below freezing – down to -45°C in some areas – and transport is made even more difficult by the duration of severe snow and ice conditions on many of the major transport routes (in some cases requiring the use of ice-breakers to clear sea routes). Much of the area lies within the Arctic Circle with some regions reporting permafrost. Climate has significant effects on employment (with short growing and tourism seasons, seasonal employment is high) and infrastructure costs (heating and building/equipment maintenance costs are understandably higher in the area).

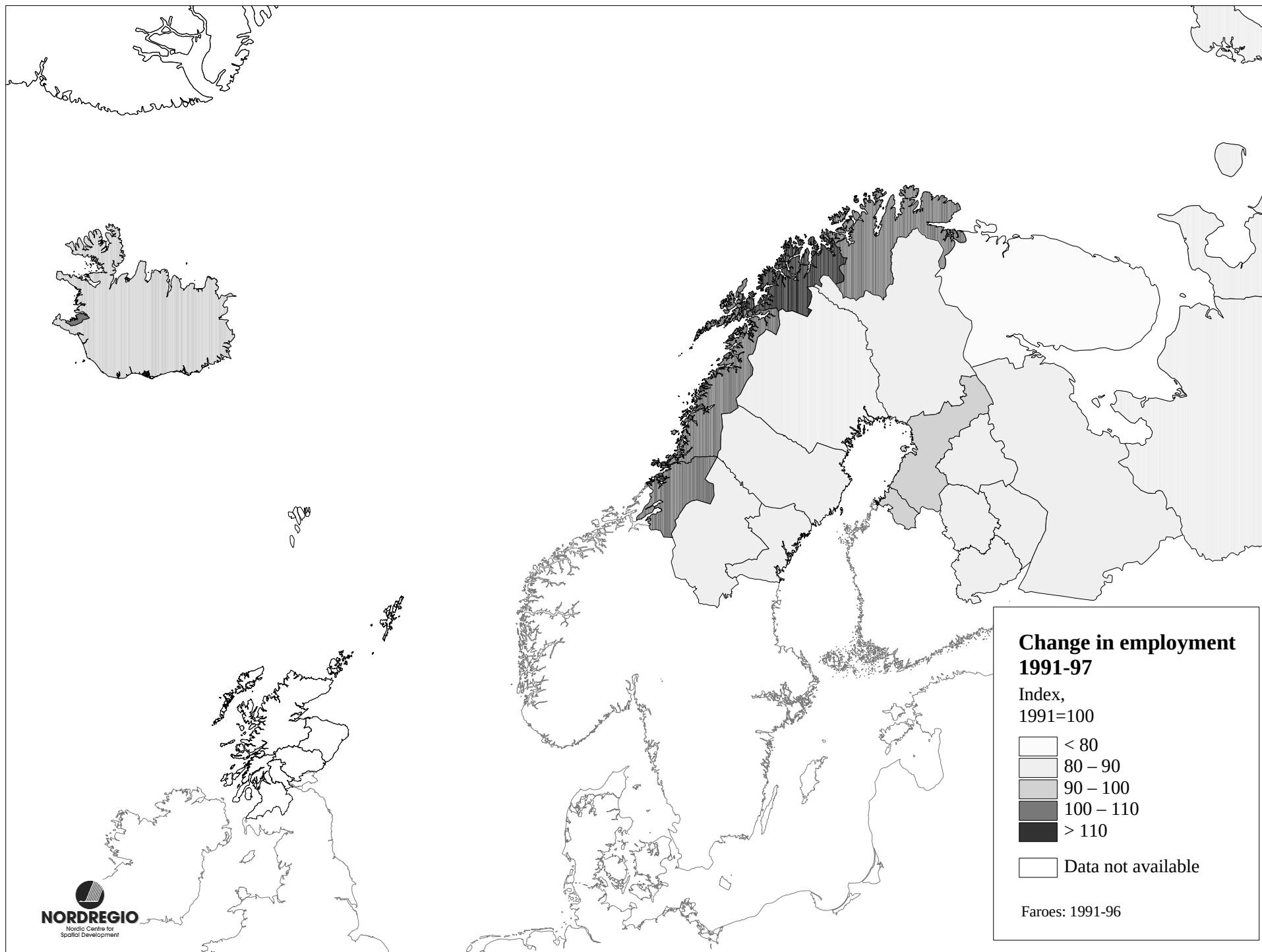
2.5. Economic factors

Economic indicators suggest that it is difficult to generalise too extensively about the Northern Potential area. In spite of the wide-reaching demographic and geographical challenges outlined above, prosperity has been unevenly distributed throughout the area, suggesting that the challenges are modified by other regional factors in determining development patterns. As a result, some parts of the area show low levels of per capita income, especially Northwest Russia (though still higher than the Russian national average), but also eastern Finland and the Highlands & Islands. Other parts have relatively high GDP per capita, such as the northernmost parts of Norway and Sweden and Iceland. Most of the Northern Potential regions have per capita incomes less than their respective national averages, though their economic development paths are in general heavily dependent on their national states. Overall, the trends in recent years have been recovery from the declines of the early and mid-1990s global economic slump.

Similarly, there are wide variations in unemployment (see the figures on unemployment rate and employment changes on the following pages). While unemployment has been rising overall in the area through the 1990s from traditionally low levels, some regions have been experiencing severe problems. For example, following the economic shock of the early 1990s, northern Finland has had unemployment as high as a quarter of the labour force in Lapland and parts of eastern Finland; although these have fallen in more recent years, Finnish regions still have the highest unemployment rates in the Northern Potential area (20% for the Finnish Northern Potential area as a whole, but with a high point of 23.8% in Lapland). In contrast, in the Highlands & Islands, the recent rise in unemployment peaked at just over 11% in 1994 and has since declined to 5.8%, while Iceland has unemployment of 3.1% and the Norwegian Northern Potential area, 4.1%. In general, regions in the area have in common higher-than-national average unemployment rates, though they have been falling from their peaks in the mid-1990s; the exception is the regions in Northwest Russia, where unemployment, though still relatively low (between six and nine percent for the regions in question), has continued to rise throughout the 1990s; it should be noted that labour force surveys show that real unemployment may be more than twice as high than official rates indicate.

In many regions, the structure of unemployment has also hindered economic development. In particular, unemployment has been relatively high among young people, no doubt contributing to





the high levels of outmigration in these age categories (as noted above). For example, unemployment among young people in many Finnish regions has been close to 40% of the economically-active in those age brackets. Fortunately, few parts of the Northern Potential area have experienced significant problems with long-term unemployment, a problem which has been a persistent challenge to policy-makers in the majority of European countries. In part, this reflects the active labour market policies of many of the Northern Potential countries.

Unemployment has led to overall contractions of the labour force in many Northern Potential regions. Measured between 1991 and 1997, the labour force diminished in the Finnish, Swedish and Northwest Russian regions, with particularly strong declines in the Faroes and the Murmansk oblast. In contrast, the workforce has grown slightly in Iceland, Greenland and the Northern Potential regions in Norway.

Alongside unemployment, underemployment within the Northern Potential area has also been significant, a result of the highly rural and seasonal nature of economic activity. The high dependence of the labour force on agriculture and tourism in combination with the impact of the climate on the pursuit of these activities through the year has resulted in widespread seasonality of employment, particularly during winter months.

2.6. Industrial factors

While economic prosperity and growth as a whole varies across the Northern Potential area, there is a greater similarity in the industrial sources of economic activity. The industrial structure of the Northern Potential area is largely resource-based, particularly on fishing, farming, forestry and mining. Agriculture and fishing activities account for unusually high shares of the total workforce, as compared to Western Europe as a whole, with particular concentrations in the island economies and parts of northern Finland. Correspondingly, manufacturing is limited in employment terms, with low levels of value added to the area's resources; the only exception to this is the regions in Northwest Russia, where manufacturing employment is relatively high, in part because of the underdevelopment of the service sectors in the area.

As a result, the settlement and resource-based industrial structures have promoted dependence on single economic activities in many parts of the area. For example, fishing activity has accounted for nearly two-thirds of the manufacturing workforce in Finnmark in Norway. For the island countries – Iceland, the Faroes and Greenland – fish products are by the largest export commodity group, with the result that their economies are particularly vulnerable to variations in supply (diminishing fishing stocks) or demand (volatility in fish prices). They also correspondingly have the highest shares of employment in primary sector activities.

In much of the Northern Potential area, the business structure is weak in terms of its enterprise distribution. As already noted, a few large companies can dominate local labour markets (e.g. the three largest companies in the Highlands & Islands are responsible for 13% of total regional employment). At the same time, regions in the area have a large number of micro-enterprises: over 90% of the area's enterprises have less than ten employees. Perhaps more problematic, much of the area lacks a strong strata of medium-sized companies, which have traditionally been sources of employment and export growth in other European regions.

Many regions in the Northern Potential area also have high levels of public sector employment. In the Norwegian and Swedish regions, it has accounted for approximately 40% of local employment (and 30% in the Highlands & Islands), considerably higher than the national average. In Troms in Norway, it represents the largest employment sector in the region. As a result, service sector employment as a whole is over 70% of total employment in the Northern Potential regions of Norway and Sweden. The high levels can be attributed to two causes: equal standards and policy objectives. As many of the countries in the Northern Potential area have committed themselves to ensuring equal standards of public services to the peripheral regions, public service employment may loom larger in relative terms because of the scattered community structure (e.g. each of these communities will require school and hospital provision) and the overall low levels of population. At the same time, the use of the public sector as a means of providing a source of stable employment in fragile labour markets has historically been a policy objective in many northern European countries.

In contrast, the private services sector is weaker throughout the Northern Potential area, largely reflecting the absence of significant urban conurbations and a large number of industrial consumers for many services. In some parts though, pockets of new services growth have resulted from new communications technologies and the lack of proximity requirements. For example, this has been particularly evident in software and IT-related design services in regions such as the Highlands & Islands, Iceland and above all, the Oulu area in Finland (mainly the result of Nokia's success), supported by policy developments such as the provision of strong telecommunications infrastructure.

2.7. Environmental factors

The importance of common environmental issues to development in the area is another distinguishing factor. This can be in several ways: the existing role of natural resources in the different economies; their potential for development; and shared environmental dangers. The existing use of natural resources in the area reveals a strong dependence in different areas of economic activity. The resource-based nature of economic activity – both direct through agriculture, fishing and forestry as well as in resource-related manufacturing – has already been noted, but other resources have played a key role in economic development. For example, the abundance of hydroelectric power throughout the area has encouraged the emergence of energy-intensive industries, such as aluminium smelting. Moreover, the area is not only characterised by the use of similar resources, but by reliance on common pools of resources as well, notably through the island and mainland coastal economies' dependence on migrating fishing stocks in the North Atlantic.

Natural resources also provide extensive *potential* for development throughout the area. The outstanding and unspoilt natural beauty of the area – in combination with its unusual climatic conditions (such as the midnight sun and the Northern Lights) – has often been viewed as a powerful basis for building on the tourism industry (which is already relatively strong). Similarly, the Northern Potential area also has extensive metals and mineral deposits – such as iron, copper, nickel, zinc and sulphur – which will continue to be the foundation for the area's strong mining activities, particularly in northern Norway, Sweden, Finland, Murmansk region and the Republic

of Karelia. In the Barents Sea, large-scale reserves of oil and (especially) gas have been found, though their exploitation has been partly slowed down by territorial disputes. Areas like the Highlands & Islands have also benefited from the knock-on effects of the North Sea oil/gas industry based in other parts of the country.

As well as a being the source of natural resources, much of the Northern Potential area has importance as natural heritage. For reasons both ecological (such as biodiversity preservation) and cultural (such as unique landscape scenery), many parts of the area have been designated places of special environmental protection, including national parks, nature and conservation areas, forests and wilderness regions. Many of these areas have been included in the EU-sponsored Natura 2000 network, which aims to establish a network of European habitats and protected corridors between them. Large concentrations of these places can be found in the Northern Potential area: e.g. 12% of the total surface area of Finland consists of these sites, while a third of all UK sites can be found in Scotland. The regions in the area face the potential conflict of conservation needs with social and economic development priorities, making the integration of the different goals a key strategic objective in each of the countries.

Lastly, environmental factors underlie the vulnerability of the area as a whole because of the inter-relatedness of the area's environment. In particular, concerns have been expressed about the diffusion of air pollution from smelters operating in Northwest Russia, the absence of adequate treatment facilities for radioactive wastes arising from Russian military activities and the more general need to prevent over-fishing and monitor fishing stocks in the North Atlantic.

2.8. Country-specific issues

While much of the Northern Potential area shares common development challenges, there is still significant variety in the issues faced by some regions. The common issues described above pertain mainly to the Northern Periphery regions in the Northern Potential area, but it is possible to identify other regions within the area with distinctive, self-contained features. In particular, the following sections discuss Northwest Russia and the island countries in detail.

NORTHWEST RUSSIA

Northwest Russia is immediately distinctive in the Northern Potential area because of its size, itself remarkable given the role of scale in distinguishing the area as a whole from the rest of Europe. Apart from Greenland, Northwest Russia contains some of the largest territories in the area, notably Arkhangelsk oblast. In population terms, Northwest Russia accounts for just under half of the Northern Potential area's total population; Arkhangelsk oblast alone accounts for 22%.

Clearly, geographical peripherality has been a significant feature of these regions, and the demographic weaknesses outlined above – particularly population loss – highlight the problems that Northwest Russia share with the other regions in the area. Nevertheless, the Russian regions face unusual economic problems arising from their national economic context. The continuing macroeconomic instability of the Russian economy has a powerful effect on the regions of all Russia, particularly in terms of price stability and investment capital flows (whether domestic or

foreign). The impact is reflected in the very low per capita GDP of these regions relative to other Northern Potential regions (although still higher than the Russian average). Moreover, while parts of Northwest Russia enjoy considerable economic autonomy – e.g. the Republic of Karelia enjoys administrative privileges as a western-bordering region – the area suffers from economic weaknesses common throughout Russia, including: underdeveloped legal frameworks for conducting business (e.g. property ownership); weak consumer markets; poor capital markets; lack of key business services; critical infrastructure deficiencies (e.g. telecommunications); and under-resourced government authorities. While progress is being made in these different areas, over the next decade they will continue to hinder the capacity of these regions to undertake co-operation in cross-border development.

Lastly, it is worth highlighting distinctive characteristics of the industrial structure of the Russian regions. As with other Northern Potential regions, most economic activity is highly resource-based, especially in connection with mining. In addition though, the region has a strong, emerging oil and gas industry, which may substantially alter the development potential and industrial structure of the area in future. Alongside such opportunities, many businesses and industries in Northwest Russia are handicapped by under-investment and outdated industrial equipment. In some cases, notably in the aluminium smelting industry, this has led to more international environmental concerns because of the levels of pollution caused by industrial activity in these regions.

ISLAND ECONOMIES

In one sense, placing the islands of the Northern Potential area (i.e. the Faroes, Greenland, Iceland and, within the Highlands & Islands, the Shetlands and Orkneys) in the same category does not do justice to the clear differences between them. In size alone, they range from the smallest region in the area (the Faroes) to the largest (Greenland), differing by a factor of over 1,500. The difference in population is considerably smaller, but still separated by a factor of over six times (between the Faroes and Iceland).

Nevertheless, their island geographies present these regions with development problems and opportunities that are not wholly shared by other parts of the Northern Potential area. The small size of their populations limits their economic development in several key ways. National markets are smaller, constraining the ability of local enterprises and industries to develop and raising the cost of certain economic activities (particularly in the service sector) relative to mainland parts of the area as a whole. Public sector resources for infrastructure development are also smaller, potentially exacerbating the underdevelopment of community, physical and telecommunications infrastructure in the islands. In the case of Greenland and the Faroes, such problems are further highlighted by the political tie to and financial dependence on Denmark.

In this context, it is worth highlighting the more intensive development problems of Greenland, where the difficulties arising from island-based peripherality are compounded by the sheer size of the territory. In combination with a small population, this has contributed to relatively high communications and transport costs and a narrow industrial base. Moreover, the dominant role of the state has partly compensated for the weak development of the private sector, but again, limits the industrial diversity of the island's economy.

In addition to these issues, it is important to emphasise the impact of the island economies being sea-based. This means that they share common problems arising from their locations – notably difficulties in accessing external markets and the relatively higher costs in certain goods from importing – as well as a common interest in the sea resources on which many islanders' livelihoods depend. In particular, the islands have a very high dependency on fishing activities, as reflected in the high share of employment in primary activities.

The islands also show different demographic patterns to the other Northern Potential regions. In particular, it is worth drawing attention to the situation in Iceland, where migration to the capital has led to significant disparities between Reykjavik (where the overheating of the local economy remains a persistent threat) and other regions of the country, in effect, presenting the wider problems of many Scandinavian countries in microcosm within the Northern Potential area.

3. EXPERIENCE OF PREVIOUS AND CURRENT CO-OPERATION IN NORTHERNMOST EUROPE

3.1. Large number of co-operation initiatives

Cross-border and trans-national co-operation experience in northernmost Europe is wide-reaching and existing programmes are numerous. Tables 2, 3 and 4 show the main initiatives in this area. Several of those initiatives have overlapping geographical areas.

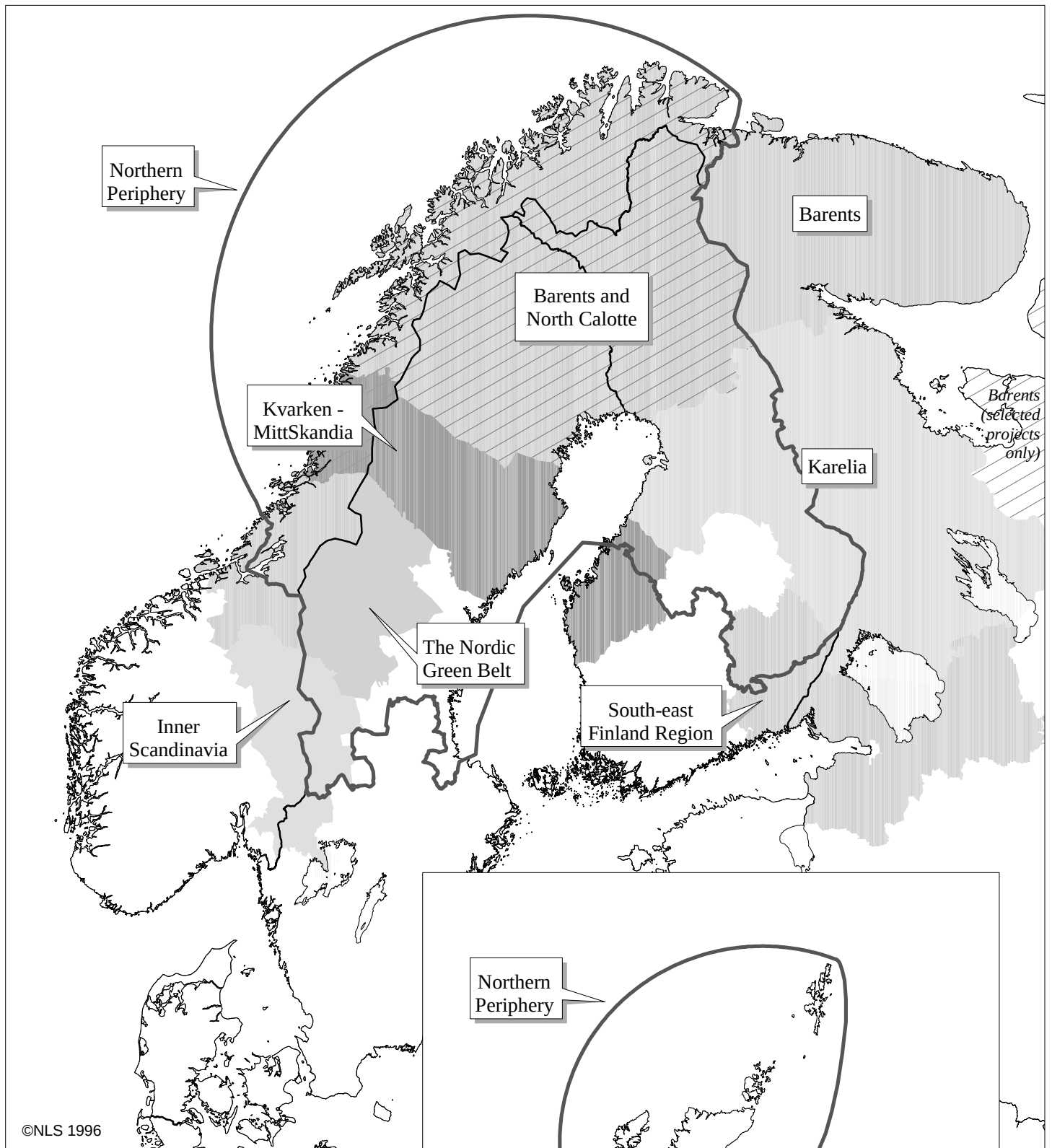
Despite the similarities characterising the Northern area, as discussed in the previous chapter, the area has also sizeable disparities in geography, economy, culture and politics and these facts clearly influence the content of co-operation. There are wide differences between the aims and focus of the co-operation in different initiatives. We can, for instance, find programmes, such as Council of the Baltic Sea, Northern Forum, Arctic Council and Barents Euro Arctic Region (BEAR), that have primarily national foreign policy goals and are based on diplomatic agreements between countries. Another group of actions are INTERREG and Article 10 programmes, which follow EU regulations. Some of these operate in Nordic cross-border areas which have a long tradition of Nordic co-operation (see the map on the following page).

Some basic facts on the various co-operation initiatives are given in Appendix 2. This chapter attempts to draw some conclusions from the previous co-operation experience in Northernmost Europe. The programmes are divided into four categories: Nordic-Scottish, Nordic, Russian, and large trans-national programmes. In addition, the Northern Dimension initiative itself is discussed. Finally, a few common issues on management, partnership and projects are reviewed.

3.2 Nordic-Scottish co-operation

Nordic-Scottish co-operation started formally in 1994. It has focused on a number of selected sectoral themes, such as IT, forestry, university networking and SME development. This co-operation formed the basis for the Northern Periphery Programme (NPP) accepted by the European Commission under the pilot action Article 10 programme in 1997. The themes of former co-operation initiatives influenced projects financed during the Article 10 programme, as many of the project networks are based on earlier co-operation efforts. However, the EU regulations for Article 10 and negotiations with the Commission have decisively shaped the aims and content of the Northern Periphery programme, altering its scope and focusing on three sub-actions: service provision, business development and exchange of good practise and knowledge. The geographical area has also been more limited.

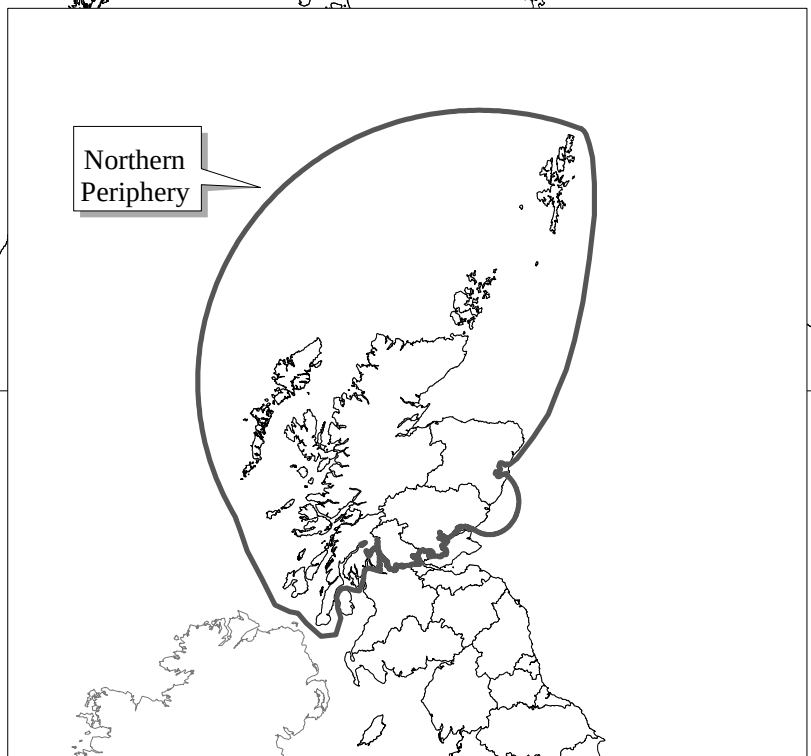
The overall result of the Nordic-Scottish co-operation and NPP has been a series of pilot actions and exchanges of experience. This relatively limited result was also expected, because it was recognised that the geographical area of co-operation is vast and lacked traditional, long-standing networks.



**Selected INTERREG II A
Areas within the
Northern Periphery**

0 100 200 300 km

NORDREGIO
Nordic Centre for
Spatial Development



3.3 Nordic co-operation

The Nordic countries themselves have a long tradition of cross-border co-operation, the oldest measures dating back more than thirty years. The initial year for formal Nordic cross-border co-operation was 1972. After that, in 1979 an agreement on co-operation between local communities across the Nordic national frontiers came into the force. This has been an important basis for regional cross-border actions. Traditional fields of co-operation have included agriculture, environmental care, medical care, transport and tourism. Co-operation has been partly financed by the Nordic Council of Ministers and partly through contributions from local and regional actors. After Finland and Sweden joined the European Union, many of these cross-border regions were designated as INTERREG programme areas. At the same time there has been some restructuring of the regional co-operation divisions . Through INTERREG programmes the regions involved have been able to increase their budgets for co-operation by as much as 200-500%.

Generally speaking, co-operation programmes between the regions in Nordic countries have been easier to implement than actions that have Scottish or Russian partners. They have been more mature because of long traditional and cultural links. However, if the existing INTERREG programmes are examined, similar problems, although on a smaller scale, can be found in Nordic co-operation as are present in programmes that have Scottish or Russian partners. For instance, although one might be tempted to think that there are similarities in the administrative structures of the Nordic countries, this is only partly true, because the management and financing of the cross-border co-operation has been organised differently in each country and this has caused practical problems. Long distances and language barriers also serve as obstacles for actions. A special problem is that funding for programmes with non-EU partners (Norway, Faroe Islands and Iceland) is unbalanced because these countries cannot have EU assistance.

Depending on the regions special characteristics, there are significant differences in aims and content of the various Nordic programmes. For instance, the MittSkandia INTERREG has an emphasis on infrastructure and NORA on management of fishing industries. Several INTERREG programmes have, however, had a tendency to copy national mainstream programmes, a tendency which can be criticised because it does not usually lead to innovative projects. It would be more useful to improve long-term conditions for future integration and consider the unique characteristics of the region, including significant political-administrative variation, to alleviate differences in business culture. That programmes follow national mainstream programmes may be partly due to a flaw pointed out by many evaluation reports : programmes often lack a proper analysis of the area and its special needs.

3.4 Co-operation with Northwest Russia

Co-operation with Northwest Russia within INTERREG IIA Barents also has roots in a former initiative, the Barents Euro-Arctic Co-operation, BEAR. The geographical area of BEAR, and the content of co-operation, differs from that of the INTERREG programme. In the Northern Potential project area there is also another INTERREG programme targeting to Russia, INTERREG IIA Karelia. This latter area did not have any former co-operation programme as

such, but informal co-operation started across the border very soon after the borders were opened in the beginning of 1990s.

Co-operation with Northwest Russia has its special problems. One main obstacle to practical co-operation is the difficulty of obtaining matching funding, but there are also a great number of other problems caused by different political and administrative cultures, language and socio-economic circumstances. There also seems to be less interest in short-term, economically non-profitable projects. However, in certain regions close to the Russian border, for instance in Eastern Finland, co-operation with Russia is the priority action in cross-border co-operation. Co-operation with Russia is prompted not only by economic aims but also by more general aims such as to open the borders and to develop better links to Russia, and by humanitarian and peace-keeping concerns.

The INTERREG programmes have brought totally new possibilities for co-operating with Russia. They have restructured co-operation in terms of resources and in territorial focus. For the Barents programme, INTERREG created a new structure which, as Svensson (1998) writes, has been partly overlapping, partly complementing and even partly competing with BEAR. For the Karelia region it simply opened a totally new possibility for co-operation. INTERREG has also enabled regional actors to more actively participate in cross-border co-operation with Russia, something that was considered earlier to be a foreign policy matter and thus directed by the national governments. This was also been reflected in BEAR co-operation, as it was relatively centrally co-ordinated.

It has to be noted, however, that in INTERREG programmes the focus is on the western side as the EU financing can be used only in the member country. In BEAR co-operation, for instance, the emphasis was, in fact, the opposite. Thus there is a serious co-financing problem which has not been solved by the TACIS CBC programme because the co-ordination of these programmes does not work well enough. In general, INTERREG programmes are difficult along the EU external borders, and this is especially true on borders like the Russian one.

3.5 Large trans-national initiatives

There are also a number of large trans-national initiatives in the Northern Potential project area. These initiatives are based on intergovernmental agreements. BEAR has already been mentioned, and co-operation in the Baltic Sea region has developed gradually since the 1970s, with its main focus on environmental issues in the Baltic Sea area. Co-operation intensified rapidly in the early 1990s. The ministerial forum for co-operation, the Council of Baltic Sea States (CBSS) was established and subsequently a part of the region was designed as an INTERREG IIC Baltic programme area. The Council has enlarged the area of co-operation to cover several fields of common interest, while the INTERREG programme focuses on spatial planning.

The Arctic Council, on the other hand, focuses clearly on the sustainable development of the region. It is geographically very large, with eight arctic states as members. The CBSS and the Arctic Council are the initiatives which differ most from the other co-operation initiatives described here, as they are mainly intergovernmental policy fora aimed at defining common strategies and actions in fields of common interest.

The Northern Forum also operates in a wide area including northern Europe, Asia and America. In contrast to CBSS or the Arctic Council, it is an inter-regional organisation. Here the main fields of activity are related to projects on resource management.

3.6 The Northern Dimension

The accession of Finland and Sweden to the European Union in 1995 changed the geography of the Union significantly by extending its area far to the north. The objective of the Northern Dimension initiative is to further co-operation between the European Union and the regions of Northern Europe. The European Union, Russia and the Baltic states are economically and logistically interdependent on one another. This was the basis for the Finnish initiative concerning a Northern Dimension programme that has now been integrated into EU policy. There have been special policy programmes for southernmost Europe and one aim of the initiative was to show that Northern Europe needs its own programme.

The most important goals for the programme are to promote the stability of the north and ease Russia's integration into Europe. Important sectors for promoting integration include e.g. infrastructure, traffic, energy and utilisation of local resources.

Geographically, the Northern Dimension ranges from Iceland to Northwest Russia and from the Arctic Ocean to the southern shores of the Baltic Sea. The area comprises both the Baltic Rim and the Barents region. Finland has emphasised that Russia wants to be involved as an equal partner in the programme, not as a target country.

It has been emphasised that the Northern Dimension will not lead to a new funding scheme. Financing can be provided through public- and private-sector joint ventures, both national and international, and programmes such as TACIS, PHARE and INTERREG. There is not yet a concrete programme for Northern Dimension but the European Commission has decided to begin work on an action plan as soon as possible

The concept has been criticised as very vague and also geographically too large, stretching from the arctic to central Europe. Without a concrete plan it is not clear what the concept should mean in practise. We can also ask whether it really is northern, and if so, why Scotland and its islands have been left out. Furthermore, the main idea of the Northern Dimension is to integrate Russia and the Baltic states more closely to the EU but lack of specific funding for this programme makes the implementation very difficult. However, the Northern Dimension initiative is an ongoing EU process still to be developed during the next programme period, and should be taken into consideration when programmes in Northern Europe are established.

3.7 Management and partnership in programmes

Management structure varies between regions and countries and between different programmes. Some programmes have had a decentralised structure, such as the INTERREG IIA North Calotte

programme, with five regional secretariats (one of these for Sami issues). This has been considered a well-functioning structure in that sense that the regional secretariats have been able to help local project applicants. However, there appears to be no definitive answer to the question of whether centralised or decentralised management structure is more desirable for a co-operation programme. In the INTERREG IIA Barents programme, for instance, the structure is relatively centralised with one secretariat. This has meant that, despite its regional contact persons, it has provide local consultation for project applicants. Since the centralised model seems to work well in Barents region, its problems may have been caused less by the management structure and more by its wide geographical area. Long distances naturally make management often more expensive and more complicated.

It seems very clear that through INTERREG and Article 10 programmes the co-operation initiatives have been further developed. EU programmes are often larger, and they are better planned and better monitored, than were previous cross-border initiatives. They provide financial tools for co-operation while enabling local and regional actors to actively take part in the work. One of the main results has been increased numbers of partnerships. New actors are participating in the co-operation and the scope of the activities is broader. However, INTERREG programmes still involve much bilateral co-operation between two partner countries and more partners could be involved.

3.8 Project experiences

At the project level all programmes seem to share at least some similar characteristics: on the one hand, difficulties in finding partners and, on the other, the need to get more applications from the private sector. These problems are partly due to the fact that there are not so many relevant actors in the sparsely populated regions, but also that existing networks are lacking (especially for Nordic-Scottish co-operation) or there may be financial problems (especially with Russia, but also with other non-EU members). Co-operation projects with Russia also face other obstacles, as mentioned above. Some cultural difficulties can be discerned even in Scottish-Nordic co-operation mainly connected with language barriers. Project applicants are discouraged by complicated programme management structure and applications which take a lot of time and work, as is the case in many EU programmes.

However, co-operation programmes have had a learning element and in most cases there has been progress in both project applications and project implementation. Introducing pro-active measures has proved to be of help in finding partners and improving the quality of projects. One such measure is the Northern Periphery programme's micro-project grant, that was used for feasibility studies and travel and accommodation for companies to carry out preparatory work with potential partners prior to submitting a full-scale project.

In the Nordic programmes, both INTERREG and other ones, and in the Barents programme, projects have tended to be relatively concrete and generally aim at solving common challenges. In the Northern Periphery programme, on the contrary, projects have consisted mainly of exchange of experience and future-oriented pilot projects. Trans-national initiatives, such as the Arctic Council and Baltic Sea Council, are geographically very wide programmes and their aim is mainly to share knowledge and experience in fields of common interest and formulate common

policy lines. One of the most important topics of co-operation has been sustainable development, which is an issue often arising where countries share environmentally sensitive regions.

The future challenges for Northernmost Europe are, at the moment, highly dependent on EU regulations for Community initiatives. But is also a lot to be learned from the previous co-operation on, for instance, management structures and application procedures. One general conclusion of the different evaluation reports and interviews is that programme management should be more applicant-friendly to encourage good project applications to appear. In many cases this challenge can be solved by establishing a decentralised management structure with local or national secretariats that can be in close contact with project applicants. Another challenge is presented by the number of programmes, their themes and their geographical spread needed in the Northernmost area. These topics are discussed in the following chapters.

Table 2. INTERREG and Article 10 programmes in the project area 1994-99

Programme region	Programme time	States involved	Location of secretariat	Priorities of action	EU total	Programme total, mill Euro*
Northern Periphery Article 10	1997-1999	Scotland, Finland, Sweden, Norway	Oulu, Finland	Find new solutions to provision of services and business development	5.0	13.3
Barents INTERREG IIA	1995-1999	Finland, Sweden, Norway, Russia	Rovaniemi, Finland	Improve co-operation in the area by enhancing social and economic development and internal integration	10.5	36.0
North Calotte INTERREG IIA	1995-1999	Finland, Sweden, Norway	Rovaniemi, Finland	Development of local economy, logistics, infrastructure, competitiveness and improvement of economic and cultural conditions of Sami people	12.2	41.5
North Sea Region INTERREG IIC	1997-1999	Denmark, Sweden, Norway, UK, Germany, Netherlands	Viborg, Denmark	Urban and regional systems, transport and communications, natural resources and cultural heritage	14.5	34.5
Karelia INTERREG IIA	1995-1999	Finland, Russia	Rotating between regional councils in Finland	Development of business, knowledge and competence, regional co-operation, connections and border activities, and improvement of environment	13.9	31.8
Kvarken-MittSkandia INTERREG IIA	1995-1999	Finland, Sweden, Norway	Vasa, Finland	Development of communications (esp. retaining ferry connection), tourism, cultural activities, improvement of competitiveness, employment, economic co-operations, environment and rural areas	6.6	16.9
Nordic Green Belt INTERREG IIA	1995-1999	Sweden, Norway	Östersund, Sweden	development of employment opportunities, knowledge and competence; enhancing cultural and economic co-operation in Sami regions	5.5	26.1
Baltic Sea Region INTERREG IIC	1997-1999	Denmark, Finland, Sweden, Germany, Norway, Estonia, Latvia, Lithuania, Belarus, Poland, Russia	Rostock, Germany	Continuing and intensifying VASAB co-operation; economic and social cohesion, sustainable development and a balanced spatial structure	25.0	49.6
Total costs					93.2	249.7

* Total Programme Costs are costs for EU Member States and Norway. Main source: Aalbu 1999

Table 3. Nordic cross-border co-operation

Programme	States involved	Location of secretariat	Priorities of action	Nordic cross-border funding, 1999, euro	Other budgeted incomes 1999, euro	Total 1999 budget, euro
North Calotte	Finland, Norway, Sweden	Luleå, Sweden	Enhancing regional development; and promoting co-operation in the fields of employment and social development	494 000	*255 500	*749 500
North Atlantic Co-operation (NORA)	Faeroe Islands, Greenland, Island, Norway	Tórshavn, the Faroes	Management of fishery resources, inputs to research and development and economic co-operation e.g. in agriculture, tourism, industrial development and transport	611 000	**1 313 000	**1 924 000
Kvarken	Finland, Sweden	Vaasa, Finland	Development of traffic connections across the gulf, improvement of infrastructure and culture and alleviating language problems	338 000	1 414 270	1 752 270
Mittnorden/ Nordic Green Belt	Finland, Sweden, Norway	Härnösand, Sweden	Sustainable development, co-operation in energy issues, culture, tourism and communications	130 000	130 000	260 000

Source of the budget figures: Budgets submitted to the Nordic Council of Ministers

Exchange rate: 100 DKK = 13 Euro

* The programme is integrated with INTERREG IIA North Calotte. Figures are exclusive of INTERREG funding.

** Calculated from budget 1999 without transfers from previous years

Table 4. Trans-national programmes

Programme	States involved	Location of secretariat	Priorities of action
The Arctic Council	Canada, Denmark, Finland, Iceland, Norway, The Russian Federation, Sweden, USA	Washington, USA	Protection of the Arctic environment and sustainable development as a means of improving economic, cultural and social well-being
Northern Forum	23 regional governments from 10 northern countries	Anchorage, Alaska	Sharing knowledge and experience in addressing common challenges; supporting sustainable development and implementation of co-operative socio-economic initiatives
Barents Euro-Arctic Region (BEAR)	Finland, Norway, Sweden and F.R. of Russia, EU	Rotating with the Chair, regional secretariats in all countries	Normalisation of relations with Russia; economic, military and environmental stabilisation; regionalisation
The Council of Baltic Sea States	Denmark, Finland, Sweden, Norway, Germany, Poland, Estonia, Latvia, Lithuania, Russia and Belarus	Rotating with the chair	Issues relating to increasing political stability, security and encouraging conditions for democracy

4. STRATEGIC ISSUES RELATED TO A FUTURE PROGRAMME

4.1. Introduction

The previous two chapters have illustrated a number of important issues for future programming in a region of this size and location. The remaining chapters discuss the potential offered by a new, common programme covering a wider geographic area. We have endeavoured to apply experiences of existing programmes, and discuss some strategic questions raised by potential changes in geography.

In discussing these issues, there are some important initial strategic questions for partners to address:

- Does such a programme choose its geography, or does the geography of a programme determine its themes and content?
- What can we learn from existing experience?
- How do we manage the institutional complexities?
- Who wants to participate in a new programme, and why?
- Are different levels of participation possible in the same programme?

THE ROLE OF GEOGRAPHY

In a situation where the focus is on a specific challenge to be solved, we can initiate a co-operation programme or an action plan where all the involved parties participate - i.e. a partnership formed in response to the challenge. Within spatial development and regional policies, there are a number of such examples of co-operation between municipalities. Internationally, there are also numerous common actions e.g. within the communications or resource management sectors.

When it comes to trans-national programmes between regions, it is arguable that geography comes first. This was the case for the present Nordic INTERREG IIA programmes, most of which are based on previous Nordic co-operation, and build to a large extent on secretariats and implementation bodies already in place. The same is true for the Northern Periphery programme. Here, the initiative came from established co-operation between senior officials in the Nordic countries and in Scotland, initiated for strategic reasons. In this situation, the Article 10 programme became a natural follow-up and a useful tool for continued co-operation within an already defined geographical area.

The Northern Potential area is a vast expanse with low population density, located at the northern rim of Europe. Part of the area produces primarily raw materials for processing closer to markets; the implications of this are less dense networks, higher travel costs and little cross-border trade between these national peripheries. In turn, this sets specific preconditions for trans-national co-operation and also affects its content as compared to other European co-operation programmes. Possible themes, actors and activities are presented in Chapter 5.

LESSONS FROM EXISTING PROGRAMMES

There are more than 30 years of experience with cross-border co-operation in parts of the Northern Potential region, implemented via a rather complex web of Nordic and European programmes, with a significant overlap in geography as well as participation. In some cases, the same programme management covers several programmes. We have not made any detailed assessment of these programmes, but there are several obvious conclusions to be drawn from previous experience:

- there is a considerable number of cross-border projects, many of them successful, but with limited impact on the challenges faced by peripheral and border regions;
- there are doubts about the large number of programmes in relation to the project population : are there enough projects, and is it necessary to have all these programmes and decision bodies working in parallel?
- the rationale, especially the distinctive role, of each programme is not always clear;
- the “lead in” time for establishing and managing programmes is high, and the project development stage (especially pre-application) is time- and resource-intensive. This is not always appreciated and results are sometimes expected too soon;
- there is sometimes insufficient investment in appropriate management/secretariat resources to facilitate the networking required by the programme’s objectives and to ensure effective project generation and support for applicants;
- there is scope for improving the monitoring and evaluation of programmes and promoting exchange of experience on “good practice” projects.

It is important that we clearly define the distinctive rationale of any new programme and its relationship with existing initiatives.

INSTITUTIONAL CHALLENGES

One fundamental question is how to manage a programme with an ever-more-complex institutional structure? The institutional structure varies among the different regions involved in the present Northern Periphery programme. This variation will increase considerably if the programme area is extended to include the Nordic-Atlantic area and possibly Northwest Russia. Small island economies, such as those in the Nordic-Atlantic area, will have fewer potential participants in institutional co-operation. To include Russia will also bring into the programme the challenges of a much larger country in transition, economically as well as institutionally. Experience of other programmes, for example the INTERREG IIC Baltic Sea Programme, illustrates the formidable practical and financial obstacles in the way of Russian participation at the programme level, let alone the generation of projects and involvement of partners from Russia. These questions will be further elaborated in Chapter 6.

INTEREST IN PARTICIPATION

This also raises another important question: who *wants* to participate and why? We have not, as part of this work, made any assessment of different regions’ interest in a new programme with an

extended geography. We have, however, noted that the possibility for a new Northern Periphery programme is mentioned in the draft regulations for INTERREG IIIB, and with Iceland and Russia as possible participants in addition to the present members. We have also noted the initiative from the Faroese government for extended North Atlantic co-operation, covering the Nordic countries (including the Faroe Islands, Greenland and Åland), Northeast provinces of Canada, Nunavut and Scotland.

DIFFERENT LEVELS OF PARTICIPATION

A further question: is it, or should it be, possible to participate in a new programme *in more than one way*? Full membership will include participation both in programme management and in projects, and partners will have to commit themselves financially at the start of the programming period. Some regions may want the opportunity to participate at project level, without being full members in management and funding terms, i.e. a solution with “full-member countries” and “co-operating countries” or “associate countries”.

In the present Northern Periphery Programme, it is stated that *participation of other North Atlantic countries may be possible on a project to project basis*, and Iceland, Faroe Islands, Greenland and Northwest Russia are explicitly mentioned. As far as we know, Iceland is the only country which has used this option to participate in specific projects.

There are of course advantages to having an intermediary position between the “all or nothing” choice of full membership or no membership, in particular to facilitate the involvement of countries/regions that have: a partial or limited interest in the programme; partial opportunities to become involved by virtue of their sectoral structure or resource base; limited options for providing project partners; limited institutional resources; or financial or logistical constraints.

As discussed later in this chapter, the issue is also linked to questions concerning financial structure and expected financial contributions from the participating regions.

4.2 Framework and principles

Insofar as EU support is being sought, it is in practice the EU members who decide who should be invited to participate, and their participation must comply with INTERREG III regulations. A new and geographically enlarged programme in the Northern Periphery area must be based on the general guidelines of the Structural Funds and of Community policies, meaning a focus on job creation, improvement of the competitiveness of regions, and activities that promote sustainable development and equal opportunities.

Furthermore, a programme must converge with the general objectives and principles of the INTERREG initiative taken by the Commission, and also with national policies in the adjoining non-member countries. Within this overall effort to strengthen economic and social cohesion, it is clearly stated that priority must be given to the external borders of the Union, both in view of future enlargement, and for the increased integration of the insular and ultra-peripheral regions.

A successor programme needs to prolong the focus on the specific features of the Northern Periphery, as described in detail in the previous chapters. The programme should also include the views and perspectives underlined in the concept of the Northern Dimension, emphasising the strategic importance and economic potential of both the members and the non-members in the Northern Periphery, as well as the challenges represented by the climatic and environmental conditions of the north.

4.3. Rationale for co-operation

PROXIMITY, SIMILARITIES AND SHARED INTEREST

What is the rationale behind cross-border, inter-regional and trans-national programmes? Three obvious factors are relevant.

- *Proximity*, i.e. the need for good relations between neighbours. Since border regions often are at the national economic periphery, new possibilities may arise if these regions can change their relative localisation through a closer contact with neighbouring regions in other countries.
- *Similarities*. Especially in the Nordic context, the *similarities* between countries and regions are often pointed out as a reason for trans-national and cross-border co-operation. Here cultural barriers are often less striking than in many other regions, which makes it easier to establish personal relations as well as business co-operation. Similarities also give opportunities to exchange experiences. Since the challenges are of similar kind, one can learn from each other. In this case, proximity is not so important, as the NPP illustrates.
- *Shared interests*, i.e. common opportunities/challenges of a practical kind on the one hand, or more strategic, on the other.

For a programme in the northern periphery, proximity is a relevant issue only in some parts or the region. Similarities and shared interests vary between sectors, themes and regions; they vary in importance and impact; and they operate differently at different points in time or over different time scales. The rationale for co-operation can be classified in three categories:

- a) practical challenges and opportunities *of a similar kind*, where it is possible to learn from each other;
- b) *common* challenges of opportunities, where solutions can be found together; and
- c) similar perspectives and common *strategic interests* for future development.

These three rationales also have a certain time perspective, as illustrated in Table 5 below. In the next three sections, we expand further on these three rationales.

Table 5. Rationale for co-operation

Time Rationale for co-operation	Past	Present	Future
Similar challenges and opportunities	Stable conditions that may gradually be overcome or handled through development of knowledge and solutions		
Common challenges and opportunities		Realised common problems that may expand if not dealt with or opportunities that can be missed	
Similar perspectives and common strategic interests			Long-term building of confidence, ensuring future alliances

CO-OPERATION ON THE BASIS OF SIMILAR PROBLEMS, CHALLENGES OR OPPORTUNITIES

Trans-national projects on this basis will often have as their starting point the specific geographical or climatic features of the northern periphery (boreal or arctic climate, low population density, scattered settlement pattern, long distances, etc. - see Chapter 2). Relevant projects may focus on:

- a) Exchange of best practice - learning from each other in handling quite similar challenges. Comparative studies can give participants a broader view of their own work and solutions, and may also give inspiration for adjustments to policy or practice.
- b) Exchange of related competence between education or research institutes, focusing on issues of specific relevance for the northern periphery. International co-operation has expanded considerably between academics in recent years, but can still be improved when stimulated from a northern periphery perspective, for the benefit of businesses and authorities.

So far, it is the Northern Periphery programme that focuses most explicitly on learning.

CO-OPERATION IN ORDER TO SOLVE COMMON CHALLENGES OR TO UTILISE COMMON OPPORTUNITIES

Countries, institutions and businesses in different regions may have common opportunities or challenges, where joint efforts are necessary to tackle a problem experienced by two or more parties.

Examples of common opportunities can be found in cases where businesses working together, with combined resources, can expand in new markets. Technological knowledge in one region can be combined with natural resources in another; for example, or goods and services adapted to the specific conditions of one region can find a market in a similar region further away. Examples

of such can be found in most existing Nordic and INTERREG cross-border programmes. The North Atlantic Programme is probably the one with the strongest focus here. This issue is most relevant in business-oriented programmes, and the role of the programmes is to provide meeting places and to give incentives for contacts at an early stage.

Examples of common challenges can be found in cases where an issue crosses borders, as is the case in fish resource management, trans-border pollution, etc. Issues like this are less common in the present programmes. They often encompass conflicting interests between neighbouring countries, making them difficult to address through co-operation at a regional level. Fish resource management in the North Atlantic and Barents Sea is neither an issue for NORA nor for the ongoing Barents co-operation, since it is negotiated at national level. Likewise, the development of petroleum resources on the shelf under the Barents Sea is not an issue for the Barents programmes, as this is a sensitive high-level issue.

CO-OPERATION BASED ON SIMILAR FUTURE PERSPECTIVES

Trans-national project initiatives may also be undertaken on the basis of similar future perspectives in rather complex matters, sometimes even without a strict description of the tasks or activities being necessary. This project category also includes the development of strategic alliances and networking in order to prepare for joint actions in the future.

This may be regarded to a certain extent as lower-level diplomacy, i.e. aimed at stimulating contacts in general as a way of establishing links between countries. The Barents Euro-Arctic Region (BEAR) is such an initiative:

Co-operation in the Barents region forms parts of a new European architecture ... It involves a process of development, not an end product. It is intended to provide a meeting-place, not a closely defined programme of co-operation. (Holst 1993).

In the initial phase, the Nordic-Scottish co-operation clearly had a strategic element as well, based on common interests in the early days of the Agenda 2000 process. In both these examples, the programmes combine a national interest with a regional interest. National interests are basically of a strategic nature, while regional participants are responsible for the practical content of the programmes.

Of the present programmes, BEAR is the one based to the greatest extent on strategic and long-term interests and with a European international perspective – but even here a significant share of the practical projects are initiated and managed regionally.

4.4. Financial aspects of participation

Based on the assumption that a new programme will be a part of INTERREG IIIB, the question of equal participation becomes important. This issue is also linked to the question of financial structure.

INTERREG programmes are based on a 50/50 split between programme expenditure and national public co-funding. In addition, it is necessary to provide private sector co-funding of projects, the extent of this increasing as projects come closer to commercial potential. Normally, private sector contribution to programmes is about 20%.

In the NPP, the four countries participate on equal terms when it comes to funding. The programme funding is divided between EU and Norway, where Norway pays one-fourth. National public co-funding depends on project participation, but for budgeting purposes it is divided equally between the four countries. The structure of public funding is illustrated in Table 6.

Table 6. Public funding of the Northern Periphery programme

	Programme funding	National public co-funding
EU Article 10 Pilot Action	37.5%	-
Finland	-	12.5%
Scotland	-	12.5%
Sweden	-	12.5%
Norway	12.5%	12.5%
Total	50.0%	50.0%

If a new programme is to be based on the same principles as the present NPP, the financial structure will look like that shown in Table 7. In this table, Russia is not anticipated to be a full member as far as funding is concerned, as this would be highly unrealistic at the moment. Formally, the three EU Member States are to decide on the programme funding, with the four others as observers (in reality this is of course, a consensus). The implication of this is either an assumption that project volume will be the same in all countries, or that the smaller countries, where project participation probably will have a smaller volume than in larger countries, accept that the benefits of co-operation extend further than the financial streams indicate.

Table 7. Public funding of a new programme - alternative 1

	Programme funding	National public co-funding
EU INTERREG IIIB	21.42%	-
Finland	-	7.14%
Scotland	-	7.14%
Sweden	-	7.14%
Norway	7.14%	7.14%
Iceland	7.14%	7.14%
Faroe Islands	7.14%	7.14%
Greenland	7.14%	7.14%
Total	50.0%	50.0%

An alternative to this could be a funding arrangement based on the population of participating regions. In that case, the new members will contribute significantly less (Table 8). This solution implies a the risk that programme funding may be *lower* than the increased costs of managing the programme, as an increase from four to seven (or eight) participants will imply substantially increased complexity and higher travelling costs.

So far, TACIS has proved difficult to use as a source for co-funding of INTERREG programmes, but this will hopefully be solved during the next programming period. However, as noted earlier, it is unlikely that Russian regions will be able to join a programme on the same terms as other regions. With Russia as a full member and adjusting contributions to correspond to population, Russia would have to contribute the major share of funding, which is not realistic.

Table 8. Public funding of a new programme - alternative 2

	Programme funding	National public co-funding
EU INTERREG IIIB	36.43%	-
Finland	-	18.55%
Scotland	-	5.22%
Sweden	-	12.66%
Norway*	8.28%	8.28%
Iceland	3.87%	3.87%
Faroe Islands	0.63%	0.63%
Greenland	0.79%	0.79%
Total	50%	50.00%

* Based on present NPP population coverage

A third possible alternative is a continuation of the Icelandic approach in the present NPP, where Iceland participates in some of the projects without taking part in the overall programme management. This is a solution where the full member countries are responsible for programme funding and management, while other countries can participate on a project-to-project basis, covering their own costs.

5. THEMES, ACTORS AND ACTIVITIES

5.1. *Relevant themes for co-operation*

Following the framework provided by the regulations mentioned above, and building on the rationale for co-operation as well as experiences drawn from the different ongoing co-operative initiatives, we can identify some of the most relevant themes for a new Northern Periphery programme. Some examples are outlined briefly in the following three sections.

We have organised the themes under three headlines, all of them reflecting the specific situation in this part of Europe.

- Challenges for the private and public sectors associated with the specific features of the Northern Periphery, i.e. where similarities give rise to comparable challenges.
- Ways in which the potential of remote areas could be exploited by better communications, i.e. means for improved accessibility to larger markets from these regions.
- Sustainable management and exploitation of natural resources, i.e. challenges for regions with vulnerable environment and resource dependency.

CHALLENGES FOR THE PRIVATE AND PUBLIC SECTORS ARISING FROM THE SPECIFIC FEATURES OF THE NORTHERN PERIPHERY.

a) Planning and administrative practices implemented to secure public services in very sparsely populated areas

Providing public services in peripherally located and sparsely populated regions raises specific challenges. Solutions within health care and education must be found on the basis of small-scale institutions and complicated long-distance logistics systems - for the service personnel or the clients, or both.

Urban-rural planning co-operation, intended to obtain a higher degree of regional integration and strengthen the role of towns in the development of surrounding rural areas, is highly relevant in this perspective. Exchange of experience on these matters may be carried out as co-operation between actors within the Northern Periphery, or between actors within and outside the possible programme area.

b) Arctic technology: housing requirements in an arctic climate

Building traditions vary regionally according to available building material, and according to the requirements set by climate and weather conditions. Both the previous and present inhabitants of the northern periphery have found certain region-specific solutions to problems of heating, insulation, window and roof construction, etc. The specific demands related to housing also represent business opportunities, not the least for enterprises working under the same climatic conditions.

c) Arctic technology: Challenges confronted in road, air and sea transport

The sparse settlement pattern, combined with the general geographical conditions of the Northern Periphery area, demands transport solutions rather different from those of central parts of Europe. Location-specific chemical, mechanical and electrical (engines, fuel and additives, lubricants, meters, brakes, tyres, etc.) alternatives are required for vessels and vehicles, solutions suitable for boreal and arctic climates possibly characterised by extremely cold temperatures, heavy snowfalls and icing.

Related problems arise when it comes to road and airport management, for instance in the form of ice clearing and surface maintenance.

d) Arctic technology: Challenges to be solved within the resource-based industries

Current co-operation within the Northern Periphery programme has shown that gains can be made through exchange of experience within resource-based industries. Technology has been shared between partners both within forestry and fishing, leading for instance to exchanges of certain vegetable species well suited for arctic climates.

EXPLORATION OF THE POTENTIAL FOR REMOTE AREAS REPRESENTED BY BETTER COMMUNICATIONS

High expectations have arisen concerning possible vitalising impacts of the utilisation of ICT in peripheral areas. Some of these expectations have been fulfilled, but there is much left with which to explore and experiment. The following themes have been put on the agenda:

a) ICT as means to give actors in remote areas access to distant educational and health services, cultural events, etc.

Remoteness has created difficulties with respect to training, not least for middle-aged persons with limited educational qualifications. A number of educational initiatives have been implemented to provide secondary and higher education through the utilisation of ICT.

b) ICT as means of locating jobs and establishing virtual work organisations

The first general impact of increased physical independence between the place of formal employment and actual workplace came in the form of telecommuting for highly educated personnel in and around larger cities. New organisational innovations are gradually appearing, and show, by the weight of examples, that this potential has not been exploited fully. The recent rapid growth in the number of remotely located call centres delivering switchboard services is one of several illustrations.

c) ICT as a tool for accessing relevant information more generally: market information, legal or other formal regulations, documents pertaining to political processes etc.

Three new communication channels have become available at reasonable prices during the last decade: Internet, mobile telephone networks and satellite communication.

d) New transport routes at sea

In addition to the potential for improved access to information, a *northern sea route* north of Russia has been discussed to reduce transport time from Europe to Asia. This transport route will, if realised, have a significant impact on the relative location of the northern periphery.

SUSTAINABLE MANAGEMENT AND EXPLOITATION OF NATURAL RESOURCES

a) Joint strategies for risk management in environmentally very vulnerable areas

All regions have to strike a balance between economic development and environmental protection. One common challenge is to develop good planning practices that make it possible to integrate certain forms of tourism in these areas without causing irreversible damage to vulnerable ecological systems. Operationally, the hallmark of advanced approaches to sustainable development is that they become integral to all aspects of economic development intervention, from planning through programme management, project delivery and monitoring.

b) Joint management of natural resources

Especially important here are marine resources, where the issue is to find a balance between national and regional economic interests, on the one hand, and to avoid over-exploitation of the resources, on the other.

c) Co-operation to solve the problems concerning trans-boundary pollution

Pollution in these regions comes from both marine and non-marine sources. Current relevant issues include, for example, co-operation concerning nuclear safety and the need for multilateral commitment to a harmonised legal framework for environmental protection.

5.2. Actors and activities

Previous experience with inter-regional co-operation programmes indicates an imbalance in the preparedness and ability of different actors to participate in projects. In general, public sector organisations, especially those familiar with international co-operation such as universities and institutes, are easier to involve in co-operation initiatives. By contrast, enterprise co-operation – particularly involving SMEs – is very difficult to mobilise, partly reflecting the limited pool of potential business partners in the NPP area but also the difficulty in identifying short-term commercial returns from participation in co-operation projects. Potential project actors within a successor programme to the Northern Periphery will include the following groups of actors.

a) Private companies

Based on similar experiences and common opportunities private companies should be able to find new business opportunities in co-operation with partners within the Northern Periphery. Relevant partners include other private companies within the same industry, research/educational institutes or private service suppliers. However, a high degree of investment in preparation and also in “intermediation” of co-operation is often required.

b) Regional and local authorities

Confronted with similar problems concerning planning in general as well as service production in sparsely populated areas, regional and local authorities should welcome the chance to find partners for exchange of experience. Similar trans-national challenges may lead to joint development projects between regional authorities in different participating countries. A main difficulty in achieving inter-authority co-operation is demonstrating clear and tangible benefits, apart from “general learning”, arising from the co-operation; a key issue is to have specific outputs and examples of best practice.

c) Research and educational institutions

Specific departments within academic institutions are perhaps the most likely to find relevant partners, or partners with common interests, within the Northern Periphery area. Examples of such fields or disciplines are found within arctic natural science and meteorology, rural development research, planning for areas of very low population density, R&D directly connected to resource-based industries, etc. Co-operation may take the form of exchange of knowledge and teaching capabilities and joint research efforts on a project basis.

d) Central government

The central governments in the co-operation countries will have primarily strategic interests. Regional programmes may be assessed as a more general diplomatic activity, with the aim of developing further information channels and promoting stability in border areas. Central government may also, through involvement in and following the progress of co-operation between regional bodies, find new solutions for both general and regional-specific questions.

5.3. Project examples

A wide variety of projects may be started on the basis of the major themes outlined above. It is clear that the countries in question may have different projects in mind as most relevant for themselves:

- Areas such as IT, tourism and SME development have obvious universal appeal.

- Service provision in sparsely populated communities -including issues such as shops, postal services, banking, transport, etc. - is highly relevant for most regions.
- Business co-operation, technology exchange and RTD is of general relevance for all parties involved.
- Interviews with programme partners in Norway and Scotland repeatedly demonstrated a particularly strong interest in ICT, although the degree to which projects such as tele-medicine and tele-education can be undertaken depends on institutional infrastructure and other pre-conditions, such as the case of the new University of the Highlands & Islands.
- Regions within, or close to, the Arctic Circle will clearly have more interest in projects related to cold-weather technology issues in the housing and transport fields.
- Oil exploration is at present of special concern to Norway and Scotland, but may become of future importance for Northwest Russia, the Faroe Islands and Greenland as well.
- Fishing-related natural resource management issues also link the North Atlantic countries - Greenland, Iceland and the Faroe Islands, Atlantic Canada, Norway and Scotland.
- Forestry is a priority for deepening co-operation in the Baltic region - particularly through concern at competition from lower-cost Russian production and developing English markets.
- Exchange of experiences concerning spatial development is relevant for most municipalities and regions.

Table 9 gives some examples of relevant projects to be initiated within a new programme context, but arranged according to a more universal logic. The table combines *the rationale for co-operation* as discussed in section 4.3 with the three *themes* discussed in section 5.1, for the different kind of *actors* mentioned in section 5.2.

The table gives some examples only. It will be an important task for a future planning process to sort out the most promising co-operation areas and match these against the priorities of the partners.

Table 9. Examples of relevant projects

Themes Rationale for co- operation	<i>Features of the Northern Periphery</i>	<i>Information and communication in peripheral regions</i>	<i>Management and exploitation of natural resources</i>
<i>Similar problems or opportunities</i>	- Regional authorities exchange experience concerning planning practices and service provision in the periphery - R&D exchange competence through joint scientific projects and personnel exchange - National authorities exchange experience gained from policies addressing the most remote and peripheral areas	- Businesses exchange experience concerning market communication - Private companies explore possibilities for relocating jobs - Regional authorities exchange experience on periphery-relevant ICT-solutions	- Private companies exchange experience concerning technologies within the resource-based industries - Regional authorities exchange experience concerning coastal zone planning and utilisation of GIS
<i>Common problems or opportunities</i>	- Private companies seek business opportunities connected to arctic technologies or ICT - Regional authorities co-operate to provide co-ordinated transport systems and service supply in general	- Businesses co-operate in providing communication solutions for the periphery - R&D exchange experience concerning the use of ICT to overcome the disadvantages of small scale and peripheral location - R&D/Private companies develop satellite-based navigation systems for fishing vessels	- Regional and national authorities co-operate to ensure effective joint management of natural resources - R&D carry out joint projects on common pollution problems caused by air- or water-borne pollutants
<i>Similar future perspectives</i>	- Regional authorities establish networks between cities - National authorities promote the European Northern Perspective	- Regional/national authorities promote the Northern Sea Route - Co-operation between governments concerning standards for service provision	Regional/national authorities establish strategic alliances to cope with regionally limited resource based economies in the information society

6. THE IMPACT OF GEOGRAPHY ON A NEW NORTHERN PERIPHERY PROGRAMME

6.1. General experiences related to geography from the NPP

The Northern Periphery programme has now existed for two years, and the experience gained from dealing with the internal distances must be taken into consideration when planning for the next programme period. The physical distances mean lengthy lines of communication between programme partners and additional resource costs in the logistics of programme management. Sparse population limits the institutional density, as well as limiting the number of potential co-operation partners. This, in turn, has implications for both programme operation and the implementation of projects.

Both direct travel costs, as well as the time consumed in connection with programme meetings and project work, are clearly affected by distance. This is especially true for the secretariat (or secretariats) if they are expected to have an active presence in the region.

Large internal distances in the programme area make it difficult for one secretariat to serve the entire area. The larger the area is, the more dependent upon sub-secretariats it becomes. This can also be assumed to increase the resources required by the sub-secretariats, since their functions in connection with information, advising and seeking partners, etc. become more autonomous vis-à-vis the main secretariat. The managerial time and effort needed to overcome institutional and cultural differences should not be underestimated. Administrative capacity thus becomes a function, not only of the size of the programme being run, but also of the dimensions of the geographical distances involved in the programme area.

These factors must be taken into consideration when the economic basis is laid for a new programme. It should be reflected both in the programme's allocation under the heading of "technical assistance" as well as in the guidelines for individual projects.

The following experiences from the present programme should be noted.

- a) *Project links.* In the first phase, project applications were characterised by poorly developed relationships between potential partners. At the interim stage, therefore, *micro projects* were introduced to reduce the distance costs of project development, to give support to pilot projects that make it easier for participants to meet, and to contribute to better-quality applications for the main projects. The programme has also arranged three "parteneriats" to make it easier for actors to meet relevant co-operation partners. Such activities appear to be necessary in an area with such distances and a limited contact network between project partners. The *micro projects* appear likely to produce positive results. Arranging large meetings where partners can meet one another seems to produce more favourable effects when they are focused on specific types of actors, themes or industry sectors.
- b) *Management capacity.* In the initial period, the administrative structure of the programme was a bit too meagre. The administrative apparatus was thus strengthened by setting up a

“management group” halfway through the programming period. In a future programme, ways should be sought of increasing administrative capacity at the level of day-to-day operations, both centrally and in the participating regions. This has important consequences for the implementation of the programme, for instance, for how it can be publicised and what actor groups can be reached. It is a trans-national task in itself to get secretariat functions spread over several countries to function as a unit and a common programme resource.

- c) *Geographical coverage.* One of the innovative aspects of the Northern Periphery programme is actually its geographical extent. Combining the northern areas of Finland, Norway, Scotland and Sweden has produced a new co-operative geography. This, in turn, resulted in a programme geography that has caused deviations from the accepted orientations, interaction patterns, networks, etc. Both the regional authorities and project actors had to reorient themselves to new geographical dividing lines. This takes time and demands considerable effort. The three partneriat-like arrangements have contributed to the “new” orientation. Especially in view of the expansion of the geography for a new programme, a need to demarcate the geography of the co-operative area will arise.
- d) *SME participation.* The unusual geography, involving long distances and high costs, may have inhibited participants from small private firms. There may, however, also be other aspects of this type of programme, which make them of less interest to private actors. Among these, the extensive preparatory work necessary prior to an application should be mentioned, as well as the processing time, the limited size of support grants, etc. It may be more realistic to involve the private sector through the intermediation of industrial associations, interest organisations and the like, rather than through individual companies.

6.2. Option 1: a new programme for the present NPP area

A new INTERREG IIIB programme could be carried out within the same geographical area as the present Northern Periphery programme. The four participating countries share a number of common traits. Actors from these countries have worked together under the existing programme; the institutional capacity for programme management is in place; and there is basic level of awareness and familiarity with the programme among actual and potential project partners. The co-operation area has been established, the institutions needed for developing a new programme do already exist, and there is a flow of good projects. The experiences made within the NPP can be used directly in developing and implementing a new programme. The secretariat, the decision-making structure and the working methods are already established. It could also be argued that Nordic-Scottish co-operation is still young and that, while good foundations have been laid, more time and effort should be devoted to developing the existing co-operation, overcoming some of the challenges faced in areas such as SME involvement.

There is some geographical overlap between the NPP and other geographical programmes in the Finnish, Swedish and Norwegian northern periphery, namely the INTERREG IIA programmes for the North Calotte, Kvarken-MittSkandia and Nordic Green Belt, and the Nordic cross-border programmes North Calotte, Kvarken and Mittnorden. Although each of the co-operation initiatives was established in a distinctive context, those involved may see an opportunity to link

their programmes (or even develop synergies by integration) with a new NPP. The two North Calotte programmes, in particular, are trans-national more than cross-border, since their main activities are not concerned with problems at the borders between the three countries.

Despite variations between the countries, taken in a larger context they can be characterised as relatively homogenous. The countries are similar with respect to economic development, culture, governance, administrative structures, welfare levels and economic complexity. NPP has demonstrated that these countries have actors and institutions that can co-operate on equal terms within a wide spectrum of sectors and themes. Major differences between the countries with regard to their possibilities of obtaining national co-financing for projects have not appeared.

In view of the experience gained, we assume that there is a motivation for continued co-operation and that a number of themes have been established. From a thematic point of view, two issues should be noted.

First, NPP only covers a relatively small part of the area included in the concept of the Northern Dimension. Arguably the concept “Northern Dimension” is not intended to describe a specific programme geography. Nevertheless, it may be a problem that the geography of the NPP cannot naturally encompass themes highly suitable for cross-border co-operation, such as transport, communications, pollution and utilisation of shared or adjacent natural resources.

Second, important sectors for specific regions are – to varying degrees – under-represented or excluded. Marine activities, such as fisheries, aqua-culture, shipping and offshore petroleum operations, retreat into the background, despite the fact that these sectors are of major importance for the northern periphery in Scotland and Norway. Similarly, the most important natural resources found in the Finnish and Swedish northern peripheries, i.e. forests, are of limited importance for the two other co-operating countries. On the other hand, it is also true that a programme focusing on common aspects for all participating regions can be seen an advantage, rather than trying to encompass a larger number of more unrelated themes.

6.3. Option 2: a new programme including NPP and the Nordic-Atlantic area

An alternative geographical area for a future programme could be the area today covered by NPP and NORA. This would add Iceland, Greenland, the Faroes and west Norway to the northern peripheries of Finland, Norway, Scotland and Sweden. The two programmes include the same region of northern Norway. There are, in addition, geographical overlaps with INTERREG IIA programmes for the North Calotte, Kvarken-MittSkandia and Nordic Green Belt, and the Nordic programmes for the North Calotte, Kvarken and Mittnorden.

Such a co-operation area would increase the internal distances within the programme markedly. The importance of putting to good use the experiences from operating both NPP and NORA thus becomes even greater. Expanding the operating area of the programme to the west would probably result in substantially higher costs related to administration, the decision-making apparatus, partner-seeking and the implementation of projects. The distances involved here would also affect the time required for all stages of the programme and for all the countries. The increased programme costs are not likely to be covered by the contributions made by the new

participants. When the number of participants increases, *everyone* will notice a change in time input, travel costs, etc. The distances within such a co-operative area should stimulate the programme organisation itself to look for new working methods and tools in order to reduce distance costs. Work would be, to an even greater extent than is presently the case, dependent upon finding working methods and decision-making forms where ICT is actively employed.

Such an expansion would increase the number of participating countries from four to seven. The EU Member States would become a minority. For Iceland, Greenland and the Faroes it would be their first institutional experience with INTERREG. Iceland participates in three NPP projects, but none of the newcomers have any institutional experience with INTERREG regulations. EU programmes make greater requirements concerning application, documentation and reporting than Nordic programmes do. In addition, EU and non-EU funding must be kept administratively separate, something which becomes more demanding the more non-EU-members that participate. Since non-members cannot decide upon EU funding, either the EU members must be given the authority to dispose of the non-members' funding, or additional decision-making bodies must be established. Practical solutions can no doubt be found, but that this will result in increased complexity is also certain.

New challenges with regard to the co-operation culture between the various parties can also arise when the number of participants increases. All the same, we do not believe that this will make a decisive difference for the programme. This is based on the fact that both NPP and NORA appear to be functioning well; there is also scope for using the experience of the NORA secretariat, and its proximity to project partners, in the administrative apparatus of a new programme.

Just as NPP represented a new geography for co-operation three years ago, a new and expanded programme will cause deviations from the established orientation, networks, etc. Including the Nordic-Atlantic area in a future INTERREG programme will move the centre of gravity considerably further west than is the case with NPP. As far as the content of the programme is concerned, this would probably mean an increased interest in marine questions connected to fisheries, fish farming, ocean transport, exploitation of marine natural resources, ocean pollution, etc. (although some of these issues are dealt with at national level and would not preclude a continuing focus on local and regional development issues). In doing so, there will be increased possibilities of establishing projects in sectors of major importance for the northern periphery of Norway and Scotland, but this new geography is probably of less interest for Finland and Sweden.

Within NORA the focus has been set more explicitly on business oriented commercial projects than has been the case in NPP. This could imply that the parties have a somewhat different view of the desirable contents and priorities of a future programme. This will to a certain extent be taken up by the guidelines for INTERREG trans-national programmes. A focus on exchange of experience connected to spatial planning is of less direct relevance to private industries.

For the new countries, financing of an he expanded participation could come in three ways: from national public financing of the programme itself, from an equally large national public co-funding of projects, together with private co-funding of projects. The size of the financial commitment depends on the programme geography as well as the key for distributing the costs. Especially if the present financial support from the Nordic Council of Ministers to NORA can be

used for programme funding, we assume that the remaining financial challenges can be resolved if the interests involved are strong enough.

6.4. Option 3: a new programme, including NPP, the Nordic-Atlantic area and Northwest Russia

A third alternative programme area would cover the present NPP, the Nordic-Atlantic area and Northwest Russia. In addition to the previous areas, this would include possibly the *oblasts* of Murmansk and Archangelsk and the Karelian Republic. In such a case, the new programme would cover the whole or parts of current NPP; INTERREG IIA programmes North Calotte, Kvarken-MittSkandia, Nordic Green Belt, Barents and Karelia; the Nordic cross-border programmes NORA, North Calotte, Kvarken and Mittnorden; and the Barents Euro-Arctic Region programme (BEAR). Of these programmes, the BEAR is different from the others, having both a national and a regional strand. The national strand of BEAR includes the European Commission as a member, together with the foreign ministries of the participating countries.

There is a clear strategic interest in such an extension to the programme. It fits in well with the Northern Dimension objective of building a strategic relationship between Russia, the Baltic area and the EU countries of northern Europe, as well as creating a framework for developing joint initiatives such as the Northern Sea Route, the Barents Euro-Arctic Corridor and plans for resource exploitation in northern Russia.

On the other hand, the practical implications are formidable. Assessment of this third alternative implies principally that the distance and administrative challenges arising from the expansion would become even greater. Notwithstanding the fact that today there are no special problems concerning communications or journeys to Russia, this would mean substantial additional distances, regions being at present in a very different development situation, a new language and a new culture. It would also mean two additional factors of importance for the programme organisation: the first is that the financing situation would take on a completely different character with the inclusion of Russia, the second that the projects may become larger and acquire an aid component.

What was said in the previous section on consequences of distance naturally also applies to this programme area, but to a significantly greater extent. In relation to NPP, it would mean stretching the programme both eastwards and westwards. Setting up a programme administration and getting it to function properly within such a geographical area will turn out to be extremely demanding, both in terms of attention, time and resource consumption. This does not need to be an argument against such a geographical expansion. It could, on the contrary, be a point of departure for developing a trans-national organisation that could provide many important lessons. One should not, however, underestimate the financial costs linked to this, or the practical problems that will have to be solved.

It must be taken into consideration that parts of the NPP area and Russia are both already involved in common programmes, and organisations in Finland and Norway in particular have considerable experience and interest in co-operation with Russia. This means that Russia has institutional experience of inter-regional co-operation (notably under INTERREG), and there are

structures and contacts that can be expanded upon. Northwest Russia has a relatively large population when compared to the other countries and greater economic disparities than are found in the Nordic-Atlantic area. For programme content, this indicates that Russia has possibilities to participate in a wide spectrum of projects.

On the other hand, the Russian economy and social structure is in such a shape that its priorities will no doubt differ greatly from those of the other countries. In addition, there are the financial challenges. During the present programming period no satisfactory means has been found for co-funding Russian participation in INTERREG programmes. Based on this experience, it needs to be recognised that in some of these networks (INTERREG IIC for the Baltic Sea area is an example), Russian participation has not been great. At a practical level, it has been difficult to identify and appropriate administrative level of government that has the political and financial resources to commit itself to the programme while also having the practical understanding of the content of the co-operation. Even finding the travel costs to attend programme meetings has been a problem, let alone contributing funds to a secretariat or sponsoring project participation. (The well-known incompatibility of TACIS and Structural Funds, referred to above, is clearly a factor here.) We know that there are ambitions to make it easier to use TACIS funding in such a context, but until this problem is solved it is difficult to envisage equal Russian participation in a new programme. The complexities of Russian participation as a programme partner should, therefore, not be underestimated, but this should in no way preclude the development of a programme flexible enough to include Russian partners on a project-by-project basis.

We have also seen, in connection with the BEAR programme, that it is to a large extent a question of bilateral projects, which have been financed by one of the countries together with Russia. So far, the Nordic governments want to manage contacts and projects mainly at a central level. Contribution of financial resources to the common decision-making bodies has only been of very limited extent.

It would probably be more difficult to base the work on the INTERREG model in Russia than in the other countries, both because the needs in Russia are different and the financing possibilities are asymmetrical. The BEAR programme consists primarily of projects carried out on the Russian side of the border by partners from other participating countries. Such projects can, to some extent, have the characteristics of aid programmes, often concerning major infrastructural development or substantial environmental investments, i.e. projects of a type and scope unfamiliar to the present NPP programme. It is not at all obvious that such projects will fit well into an INTERREG programme consisting of projects carried out between equal partners.

Including Russia would mean shifting the centre of gravity eastwards again. This may represent a form of east-west balance, and provide a programme geography that links much better up with the concept of the Northern Dimension. Since the programmes for co-operation with Russia are so much larger than the others, a new programme based on a merger of existing programmes would also have a financial weight on the eastern edge. It could not be said that the balance between the addition of the Nordic-Atlantic and Northwest Russian areas would be at all symmetrical.

7. CONCLUSIONS

7.1. A new programme geography: value added and cost added

The discussion in this report has hitherto outlined various strategic issues to be taken into consideration when and if a new programme is launched. But what are the realistic alternatives, and what financial implications do they have?

We have been asked to explore the possibilities of an enlarged programme area compared to today's Northern Periphery Programme. It is the EU Member States Finland, Scotland and Sweden which can invite third countries to participate in the programming process. Since co-funding from the Nordic Council of Ministers is involved as well, it will also be necessary to involve the NCM in the strategic decisions leading up to the new programme. It is also assumed that a future programme should be embedded within the 'Northern Dimension'.

The first important questions for discussion are concerned with the possibilities for simplification:

- *Is there a desire to reduce the number of programmes working more or less in parallel in this region?*
- *And can Nordic trans-national/cross-border programmes be included in an INTERREG IIIB programme to reduce complexity?*

The next question has to do with national interests:

- *Which countries and regions are to be invited to take part in the programming process, and which ones are likely to accept the invitation?*

These are strategic and political decisions. What we can do here is to identify the alternatives and point out the advantages and disadvantages for each of them. The starting point is to outline the alternatives (Table 10).

Scenario 1: The first scenario – the so-called zero-option - is to convert the present NPP Article 10 programme into an INTERREG IIIB programme with the same participants as today (Box 1). Within this scenario, it is already possible for third countries on the North Atlantic, not wishing to be full programme members the way Norway is today, to participate on a project by project basis (as Iceland currently does).

Scenario 2: The present programme can be enlarged by involving the Nordic-Atlantic countries as full members of the programme. It is, of course, possible for these countries to participate in a new NPP programme while at the same time continuing the present NORA programme. It is just as possible to consider a merger of NPP and NORA, although this is generally viewed as undesirable, especially by non-EU countries. A more realistic alternative would be to have closer co-ordination of the management structures of the two programmes, as this will cause less economic pressure on the relatively small countries in question (Box 5). This option can also

facilitate co-operation further to the west, by inviting regions in Canada to participate on the same terms as regions in Russia.

Scenario 3: A third option is to include the two programmes for the North Calotte, one INTERREG IIA and one Nordic, in a new enlarged programme (Box 8). Geographically, the overlap with the Nordic part of the NPP is almost complete. These are cross-border programmes, but as stated in the NCM co-operation programme for 2001-2005 on regional policy, the North Calotte co-operation is also of a trans-national nature. This will make a better east-west balance. Russian and Canadian regions can be invited to participate on a project-by-project basis.

Scenario 4: The fourth alternative is the most radical one, and includes a merger also with the Nordic-Russian cross-border programmes (Box 12 in Table 7.1). This is probably necessary if the aim is to include Russian regions as full partners.

Table 10. Alternative geography and participation in a new programme

	Programme geography		
	NPP	NPP + NORA	NPP + NORA + NW Russia
Full membership as in NPP and possible project participation from other North Atlantic countries	1 <i>The zero-option, i.e. the same as NPP today</i>	2	3 Same opportunities as today for Nordic-Atlantic area and Russia.
Full membership as in NPP and NORA, merger between NPP and NORA, possible project participation from NW Russia and other North Atlantic countries	4	5 <i>First alternative for an extended geography</i>	6 Russian opportunities as today. Canadian regions can be included
Full membership as in NPP and NORA, merger between NPP, NORA and the two North Calotte programmes, possible project participation from NW Russia and other North Atlantic countries	7	8 <i>Second alternative for an extended geography</i>	9 Russian opportunities as today. Canadian regions can be included
All countries are full members, merger with IR IIA cross-border programmes with Russia and Nordic trans-national programmes	10	11	12 <i>Best opportunities for co-ordination with Russia</i>

There is also a possibility for taking even more radical action, by looking at all INTERREG programmes and Nordic programmes with overlapping geography. Such an approach may be

attractive from the viewpoint of bureaucratic tidiness, but would probably not be institutionally more efficient or more effective in promoting better co-operation. For example, one general observation on such a “super programme” is that complexity would grow again as programmes with different scopes are included, with a corresponding need for sub-programmes. The benefits gained from simplicity at the European level would probably be lost in a more complex structure within the programme. Another general observation is that national as well as regional priorities become more divergent as distances increase, and that all present programmes will probably defend their own existence. These factors makes it less likely that radical merger ambitions would succeed.

What, then, are the benefits and costs of an extended programme geography?

We can divide the factors into two groups. The first group of factors relate to the *value added* of the extended programme area, with:

- a programme area that is more consistent with the area covered by The Northern Dimension;
- an area big enough and with greater relevance for planning of transport and communication;
- a possibility of “balancing out” infrastructure development in the North Sea and the Baltic Sea regions;
- increased integration of a formerly divided part of Europe;
- the possibility of strengthening the European focus among non-members of the EU;
- an increase in the number of people and institutions covered by a programme;
- new (other) perspectives and approaches at programme level;
- more and new potential partners; and
- a greater diversity of experience and practice (to be learned from).

These are factors concerned with strategic issues as well as content. However, there is also a second group of factors relating to the significant *costs added*:

- different interests among countries may make it difficult to agree on priorities;
- difficulty of maintaining a strategic perspective;
- cultural and linguistic differences will increase;
- higher costs for implementation, due to greater distances;
- more expensive and complex management structure; and
- differences among countries as to their possibility for participating on equal terms.

As is often the case, value added is of a more strategic and uncertain nature, while costs added have more to do with implementation and can be calculated. What we see here is, therefore, the classic political choice between certain costs and uncertain benefits.

A simplified summary of the discussion on the consequences of alternative programme geographies is presented in Table 11. The main difference is concerned with the possible inclusion of Russian regions. This will enlarge the area considerably in terms of population and also introduce substantially different issues to the co-operation. Also, management costs and complexity will increase significantly.

The inclusion of the present NORA region will also bring in new themes, but is not as challenging in terms of management. Implementation costs will increase, however, and mechanisms for covering these costs may be an issue for discussion. If the political willingness for co-operation is strong enough on both sides, the funding issues can be solved. If not, this may be a reason *not* to go further, for all parties involved.

Table 11. Consequences of the alternatives for programme geography

	<i>Continuation of the present Article 10 programme</i>	<i>Enlarged programme 1: NPP + NORA</i>	<i>Enlarged programme 2: NPP + NORA + northwest Russia</i>
<i>Programme area</i>	604,000 km ²	2,884,000 km ² *	3,788,000 km ² *
<i>Population</i>	3,184,000 million	3,561,000 million*	6,833,000 million*
<i>Countries</i>	4	7	8
<i>Regions</i>	4	8 (two in Norway) ¹	11 (two in Norway, three in Russia)
<i>Cultural differences</i>	Small	Small	Significant
<i>Administrative complexity</i>	Common secretariat. PMC and NRAGs. One non-member.	Complexity and costs will increase. Four non-EU members.	Complexity and costs will increase significantly. Five non-EU members.
<i>Implementation</i>	Build on experiences	Smaller countries with different economic and institutional structures will be included.	Smaller countries with different economic and institutional structures, <i>plus</i> a large country with different development challenges will be included.
<i>Implementation and administrative costs</i>	Should be higher than in NPP.	Will increase for all involved parties.	Will increase even more.
<i>Programme content</i>	Spatial development more important. Continued focus on learning is possible.	Marine issues more important. More business-oriented.	Marine issues <i>and</i> Russian economic transition important. Larger infrastructure and environmental projects.
<i>Participation on equal terms?</i>	Yes	Yes, if the new participants will cover the cost	Probably not

* Figures include the present NPP area in Norway

¹ If merging option is used. Closer co-operation between NPP and NORA does not affect the number of regions.

7.2 Consequences for programme management and delivery

Apart from the status quo option outlined under Scenario 1, all the proposed scenarios would increase the number of programme participants and coverage. It has been a consistent theme of the previous chapters that such an extension, whether westwards to incorporate the Nordic-Atlantic area, or (more significantly) eastwards to encompass Northwest Russia, would have considerable implications for the management and organisation of the programme. Previous experience with co-operation suggests that there is trade-off between numbers of participants and the management efficiency of a programme. As the number of partners increases:

- it becomes increasingly difficult to establish and maintain strategic coherence of the programme, and “strategic objectives” become generalised or superficial;
- the programme requires more flexible modes of delivery to meet the divergent interests, expectations and co-operation potential of the partners;
- the resources devoted to programme management increase exponentially, partly to overcome the difficulties posed by distance (even taking account of the potential of electronic communication media), but also to circumvent institutional and cultural barriers to co-operation;
- new organisational forms of management are required, with relatively autonomous sub-offices of a management secretariat required to administer the increased coverage, which in turn adds the further management challenge of co-ordination of sub-offices and consistent administration; and
- monitoring and evaluation of the programme progress becomes more resource-intensive and complex.

Returning to the point made earlier, it would probably be illusory to consider expanding the NPP area without giving serious thought to the new administrative arrangements necessary to manage the programme. It has already been noted that not all participants may be involved on the same financial basis, which is a reflection of the anticipated level of involvement. The standard “one-size-fits-all” administrative arrangements would need to be adapted, perhaps by explicitly building in scope for multi-level participation – enabling a core group (perhaps the existing members plus certain others) to engage in intensive strategic co-operation while enabling a wider group of “co-operating members” or “associate members” to participate on a project-by-project basis.

Alternatively, a series of sub-programmes or sub-strategies could be considered to link up the various bilateral and multilateral co-operation interests across the programme area. Such an approach would also require a form of “multi-level” governance of the programme, as is becoming increasingly common in Structural Fund programmes across the EU, delegating management and monitoring obligations to partners and utilising a hierarchy of fora for partner involvement in the management of the programme.

7.3. Consequences for programme funding

An important factor in the discussions, in addition to the strategic ones, will probably be the financial consequences of the different alternatives.

As discussed in Chapter 2, there are currently a number of different cross-border and trans-national programmes operating in the region in question. Table 12 gives an overview of these partly overlapping programmes in terms of their annual budgets. A first, general observation is the overlap between Nordic and EU programmes, and a second is the difference in size between them. From this table, it is possible to calculate the likely size of new and merged programmes, under the assumption that a new programme will have the same budget as its predecessor (Table 13). This is, of course, not self-evident and will be subject of discussions and negotiations, but can serve as a yardstick for discussion.

Table 12. Present overlapping programmes

Programme		Covers regions in the following countries	Annual programme budget (euro)
Article 10 (1997-99)	Northern Periphery (NPP)	Finland, Norway, Scotland, Sweden	4 377 000
INTERREG IIA (1995-99)	Barents	Finland, Norway, Russia, Sweden	7 200 000
	North Calotte	Finland, Norway, Sweden	8 300 000
	Karelia	Finland, Russia	6 360 000
	Kvarken-MittSkandia	Finland, Norway, Sweden	3 380 000
	Nordic Green Belt	Norway, Sweden	5 220 000
Nordic (1999)	North Atlantic (NORA)	The Faroes, Greenland, Iceland, Norway	1 924 000
	North Calotte	Finland, Norway, Sweden	749 500
	Kvarken	Finland, Sweden	1 752 270
	Mittnorden	Norway, Sweden	260 000
Barents	Barents Euro-Arctic Region (BEAR)	Finland, Norway, Russia, Sweden	*

Costs for Russian participation is not included.

* National funding to projects and secretariats.

Table 13. Budget consequences of programme merger

	<i>Continuation of the present Article 10 programme geography</i>	<i>Enlarged geography: NPP + NORA</i>	<i>Enlarged geography: NPP + NORA + northwest Russia</i>
<i>Possible programme mergers</i>	- Article 10 NPP, - INTERREG IIA North Calotte, Kvarken-MittSkandia, Nordic Green Belt - Nordic North Calotte, Kvarken, Mittnorden	- Article 10 NPP, - INTERREG IIA North Calotte, Kvarken-MittSkandia, Nordic Green Belt - Nordic North Atlantic, North Calotte, Kvarken, Mittnorden	- Article 10 NPP, - INTERREG IIA Barents, Karelia, North Calotte, Kvarken-MittSkandia, Nordic Green Belt. - Nordic North Atlantic, North Calotte, Kvarken, Mittnorden - Barents Euro-Arctic Region
<i>Budget for a 7-year programme, based on present annual budgets, limited merger</i>	31 mill euro (NPP)	44 mill euro (NPP and NORA) 107 mill euro (NPP, Nordic NORA and North Calotte, INTERREG IIA North Calotte)	202 mill euro (NPP, Nordic NORA and North Calotte, INTERREG IIA North Calotte, Barents and Karelia)
<i>Budget for a 7-year programme, based on present annual budgets, full merger of overlapping programmes</i>	168 mill euro	182 mill euro	277 mill euro, ex BEAR

A full merger, with all overlapping programmes involved in a new seven-year programme, could involve a budget of nearly 300 million euro if based on current budgets. The alternatives outlined in Table 7.1 above, would involve the following budgets:

- Scenario 1 (Box 1), continuation of NPP: 31 million euro
- Scenario 2 (Box 5), a merger between NPP and NORA: 44 million euro
- Scenario 3 (Box 8), a merger between NPP, NORA and North Calotte: 107 million. euro
- Scenario 4 (Box 12), a merger between NPP, NORA, North Calotte, Barents and Karelia: 202 million euro.

An important question will probably be the consequences of each alternative for the different countries involved. There are three groups of countries in this context.:

- For the EU Member States as well as Norway, only minor economic consequences can be foreseen. These countries provide the necessary programme co-funding today. The main economic factor for them is probably the increased management cost involved with a larger programme geography.
- Countries which participate on a project-by-project basis can decide on involvement from a cost-benefit calculation for each project.
- Non-Member States entering the new programme as full members must, as Norway does at present, commit themselves to participation throughout the programme period. They would also have to cover some of the general management costs, and active project participation is necessary to derive the full benefits of co-operation on equal terms.

While the present NPP countries probably will face limited additional cost resulting from an enlargement of the programme towards the west, it is the newcomers who will have to take financial decisions at an early stage. The size of their contributions will most likely be the subject of negotiations. However, based on the same preconditions as above, it is possible to estimate the size of their commitment.

In section 4.4 (Tables 6 and 7) we calculated the share of programme funding to be covered by the Faroe Islands, Greenland and Iceland as 21.4% with participation based on cost-sharing by country, and 5.3% if based on cost-sharing calculated on the basis of population. National co-funding will be at the same level and comes on top of the programme funding.

The present contribution to the NORA programme from the Nordic Council of Ministers is approximately equal to 5 million euro over a period of seven years. If this can be used as national funding for the Nordic-Atlantic countries, this will cover substantial parts of their costs for programme funding as full partner countries. If calculated on the basis of population, the NCM contribution covers more than twice their share of programme funding under scenario 2 and 90% under scenario 3. If calculated on the basis of membership as nations under equal terms, the NMC contribution will cover 50% and 20%, respectively.

7.4. Recommendations

This report has highlighted a number of issues which will have to be dealt within the next few months. The next step is to initiate the programming process that can conclude with an INTERREG IIIB programme for the years 2000-2006.

The preceding discussion has concluded that a successor programme to the present Article 10 programme could gain from including Greenland, the Faroe Islands, Iceland and the Northwest

part of Russia, but such an enlargement would also present new management challenges and new demands on its partners. It is not obvious that all potential partners would be welcomed to the programming process, nor is it obvious that all of them will want to join as full programme members. The optimal solution would be one sufficiently flexible to accommodate the interests and capacities of different countries while ensuring a rational and fair programme management and funding structure.

The first strategic decisions will have to be taken at ministerial level in the countries concerned. It is at this level that programme funding will be negotiated, and governments will also play an important role as national co-funders in many regions. The relevant ministries are also members of all programme monitoring committees and should be fully aware of regional views in these matters.

In the Nordic countries the relevant ministries co-operate through the Nordic Senior Officials Committee for Regional Policy (NERP). Here, all five countries and three self-governing areas are represented. The NERP members are also active participants in several cross-border and trans-national co-operation programmes, Nordic as well as European. This body may be the best forum and meeting place to discuss further strategy. In the early days of Scottish-Nordic co-operation, which eventually led to the Northern Periphery programme, it was NERP which acted as the Nordic partner. In the development of the present NPP, NERP even funded much of the work on the programme document.

One way to proceed could be to initiate a discussion in NERP including the Scottish side. Two Scottish-Nordic high-level conferences have been arranged, the first one in Ackergill, Scotland in 1994 and the second in Kittilä, Finland in 1996. It may now be time for a third high-level meeting, initiated by NERP in co-operation with the Scottish Executive, with the aim of deciding whether or not to initiate a joint development process for an INTERREG IIIB programme.

One of the first issues needing to be addressed is whether to invite the Russian side into the programming. Thereafter, the programming process should be as open-ended as possible, both concerning participation and content. In this way, it may be possible for a partner to withdraw from programme planning at a later stage.

In recent years, a number of new actors have become active in this field. Members of monitoring committees, management committees and secretariats have experiences and interests, and will want to participate in the programming process. The new process will involve more people and probably also demand more work now than it did for the NPP. In this programming process, input from the regions in question will be crucial.

In summary, the next step is clearly to decide *if* to continue, and then *how*. An initiative for a high-level meeting should be taken as soon as possible, bearing in mind the deadlines for a new INTERREG IIIB programme.

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APPENDIX I: STATISTICS

Figure 1.

ROAD DISTANCES FROM REGIONAL CENTRE TO NATIONAL CAPITAL			
REGION	Regional centre	Capital	Distance / km
Nord-Trøndelag	Steinkjer	Oslo	615
Nordland	Bodø	Oslo	1 213
Troms	Tromsø	Oslo	1 645
Finnmark	Vadsø	Oslo	2 070
Västernorrland	Sundsvall	Stockholm	394
Jämtland	Östersund	Stockholm	552
Västerbotten	Umeå	Stockholm	663
Norrbottn	Luleå	Stockholm	925
Pohjois-Savo	Kuopio	Helsinki	394
Etelä-Savo	Mikkeli	Helsinki	232
Pohjois-Karjala	Joensuu	Helsinki	440
Keski-Pohjanmaa	Karleby	Helsinki	500
Pohjois-Pohjanmaa	Uleåborg	Helsinki	612
Kainuu	Kajana	Helsinki	567
Lappi	Rovaniemi	Helsinki	835
Iceland excl. capital	Akureyri	Reykjavík	424
Greenland	*	*	*
Faroes	*	*	*
Murmansk region	Murmansk	Moskva	2 247
Republic of Karelia	Petrozavodsk	Moskva	1 107
Arkhangelsk region	Arkhangelsk	Moskva	1 236
Highlands and Islands	Inverness	Edinburgh	253

Figure 2.

ANNUAL AVERAGE NET MIGRATION RATE 1991-1997		
	Annual net migration (‰)	Total change 1991 - 1997 (persons)
Highlands and Islands	-	-
Reykjavík region	8.4	7 536
Västerbotten	2.1	3 169
Republic of Karelia	1.6	7 800
Pohjois-Pohjanmaa	-0.5	-969
Jämtland	-1.4	-1 160
Pohjois-Savo	-1.7	-2 642
Etelä-Savo	-1.9	-1 973
Pohjois-Karjala	-2.3	-2 489
Västernorrland	-2.4	-3 810
Norrbotten	-2.7	-4 231
Troms	-2.7	-2 373
Nordland	-3.6	-5 187
Nord-Trøndelag	-3.8	-2 892
Keski-Pohjanmaa	-4.4	-1 918
Archangelsk oblast	-4.6	-43 600
Lappi	-5.6	-6 757
Finnmark	-8.0	-3 615
Kainuu	-8.6	-5 007
Kalaallit Nunaat - Grønland	-12.6	-4 188
Iceland except capital region	-14.6	-9 677
Murmansk oblast	-16.6	-116 300
Faroes	-19.3	-5 475

Figure 3.

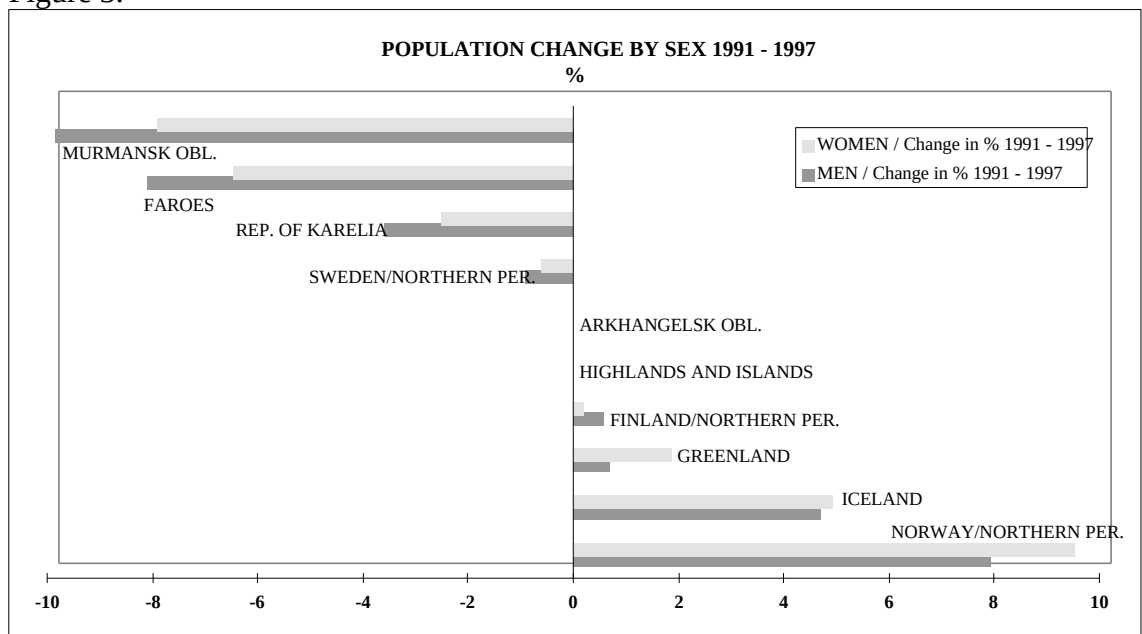


Figure 4.

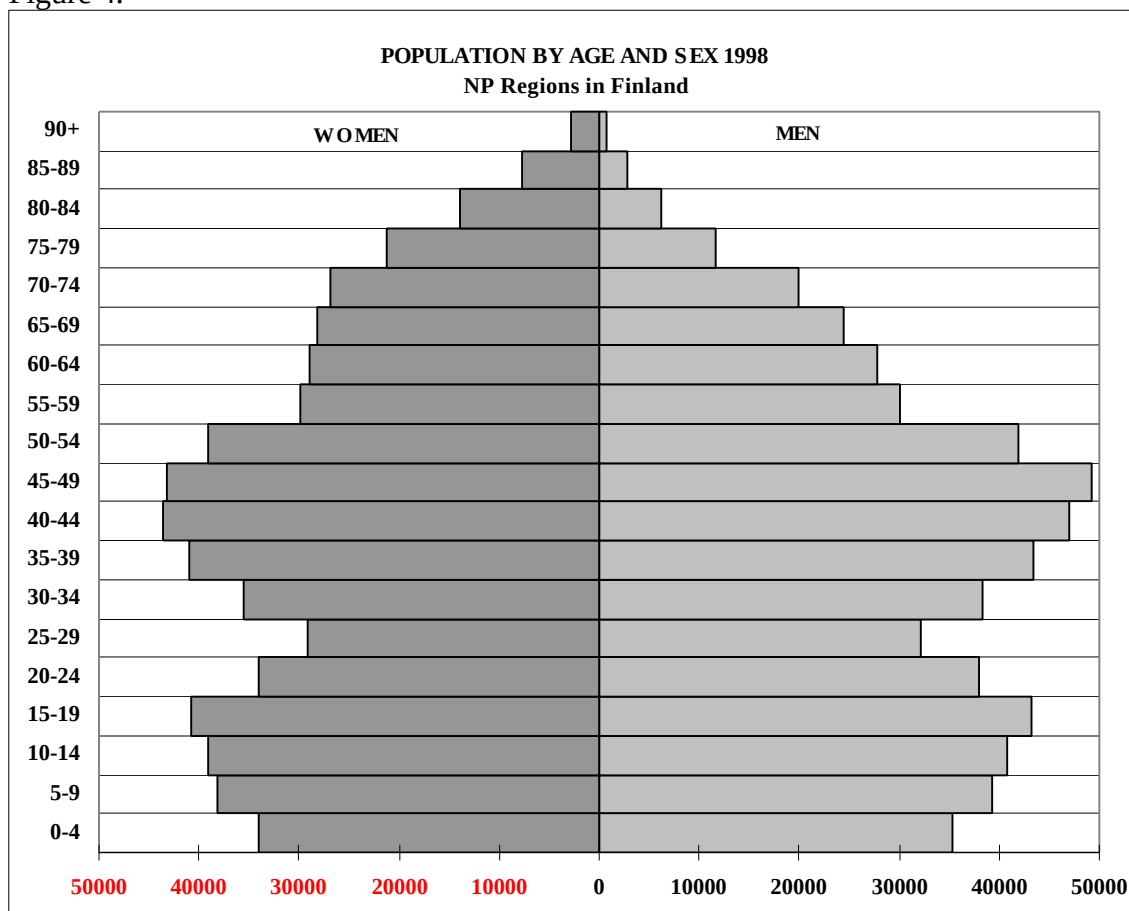


Figure 5.

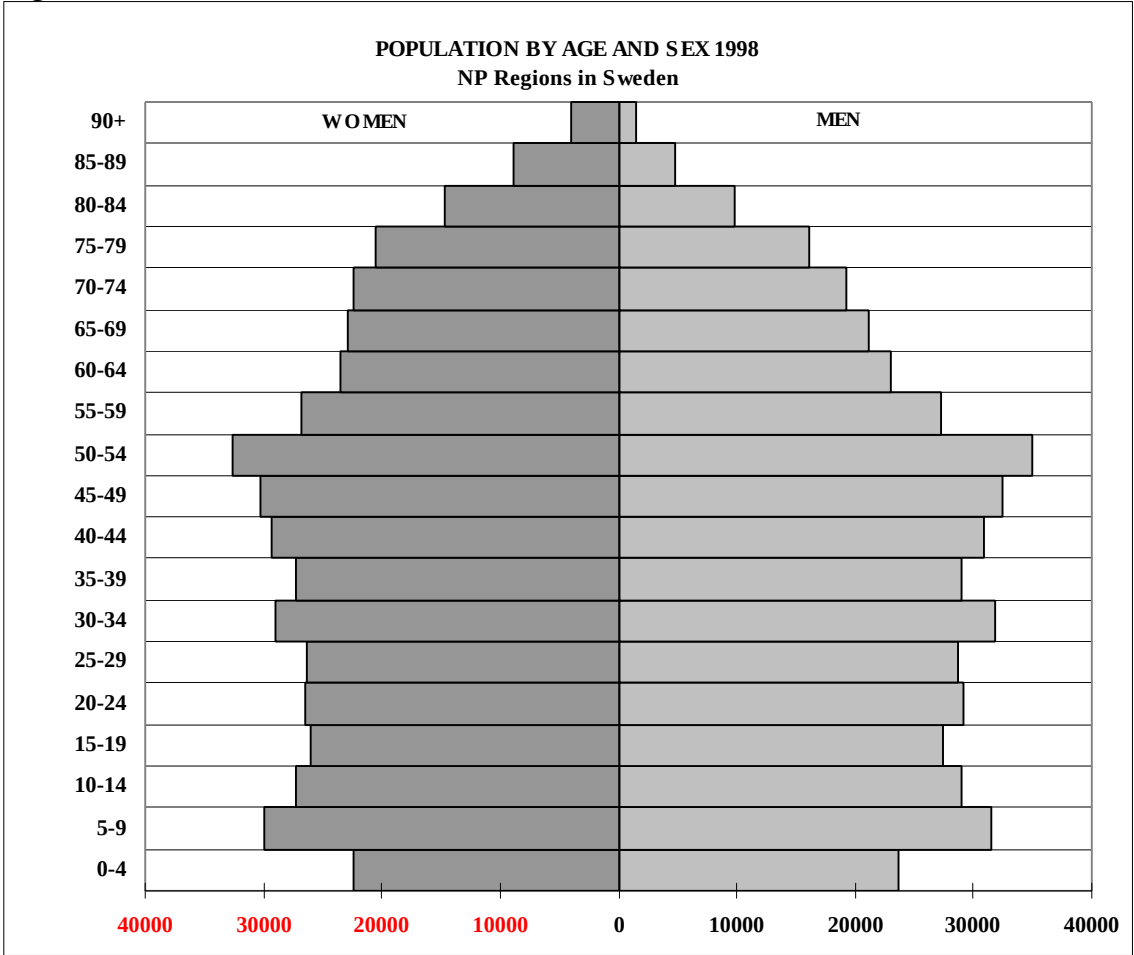


Figure 6.

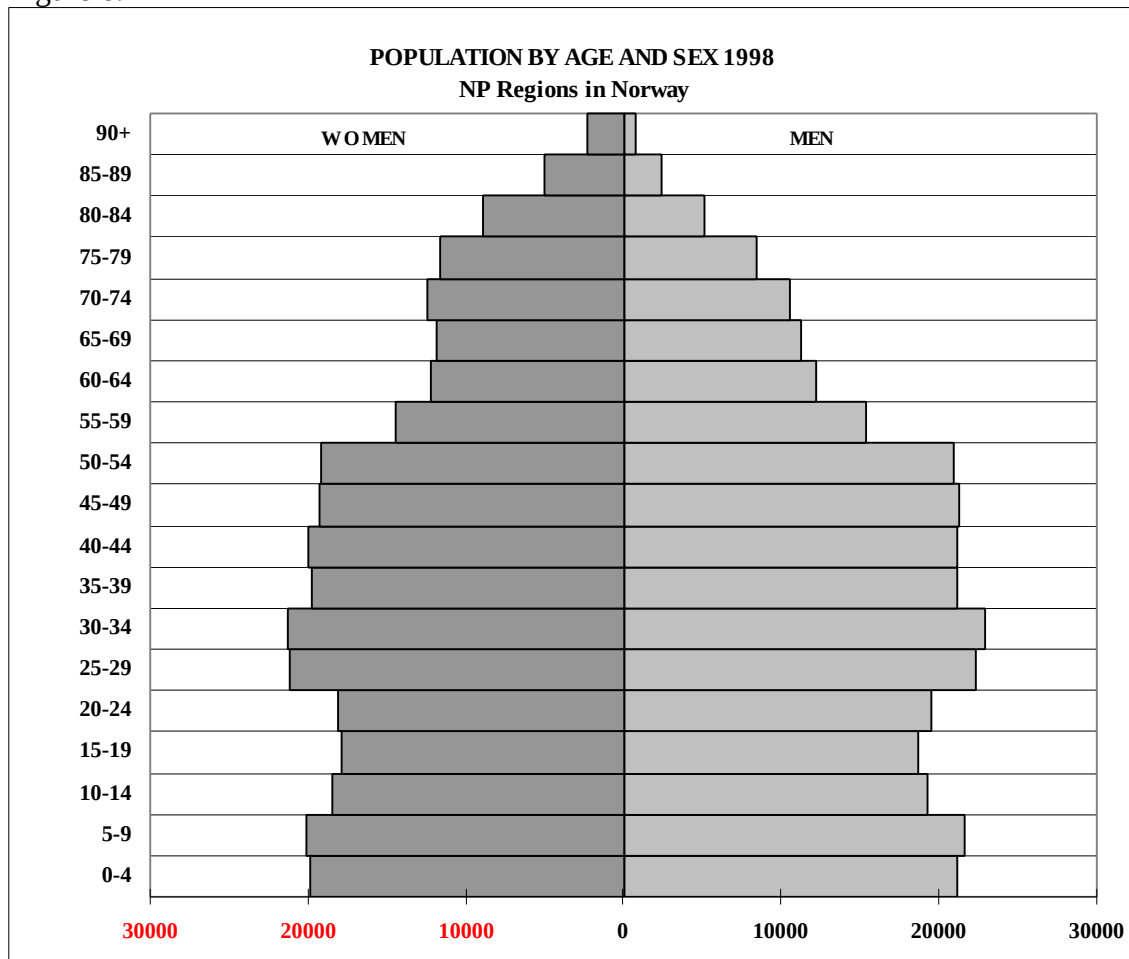


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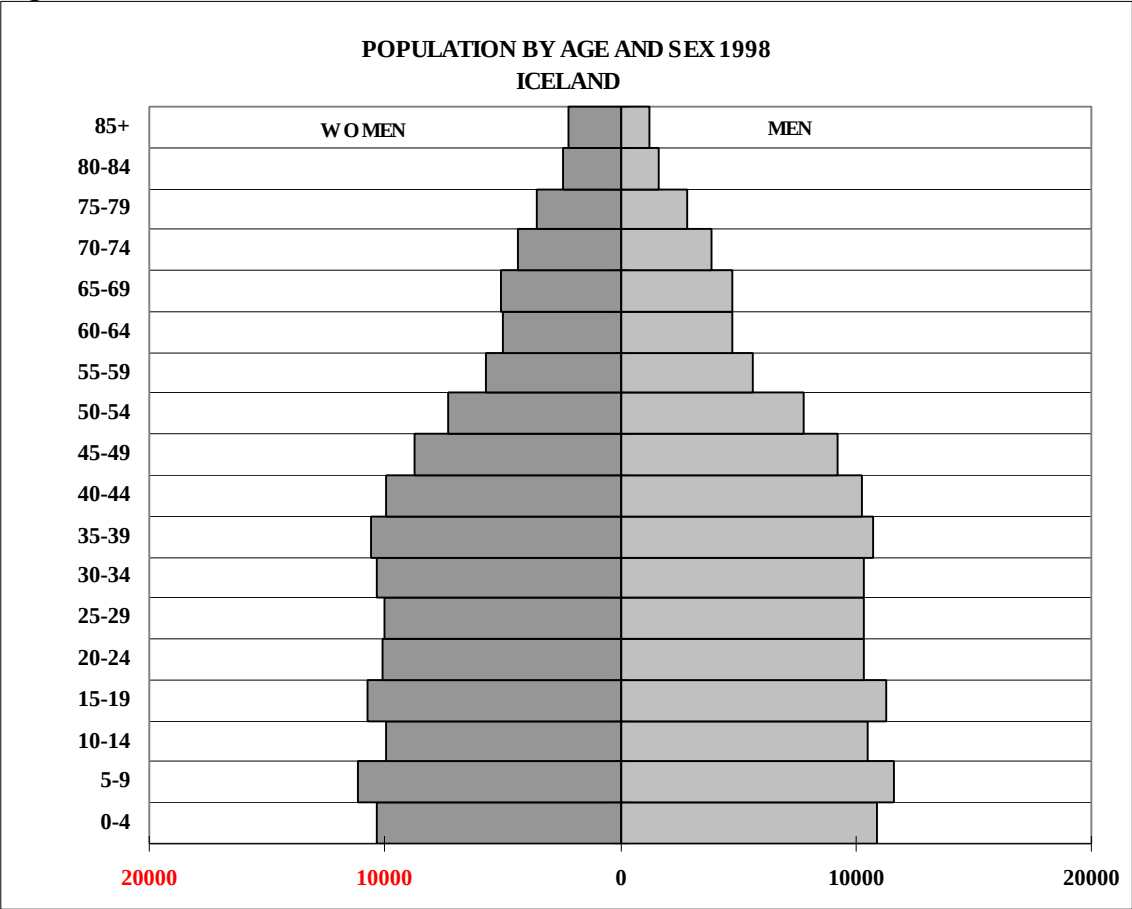


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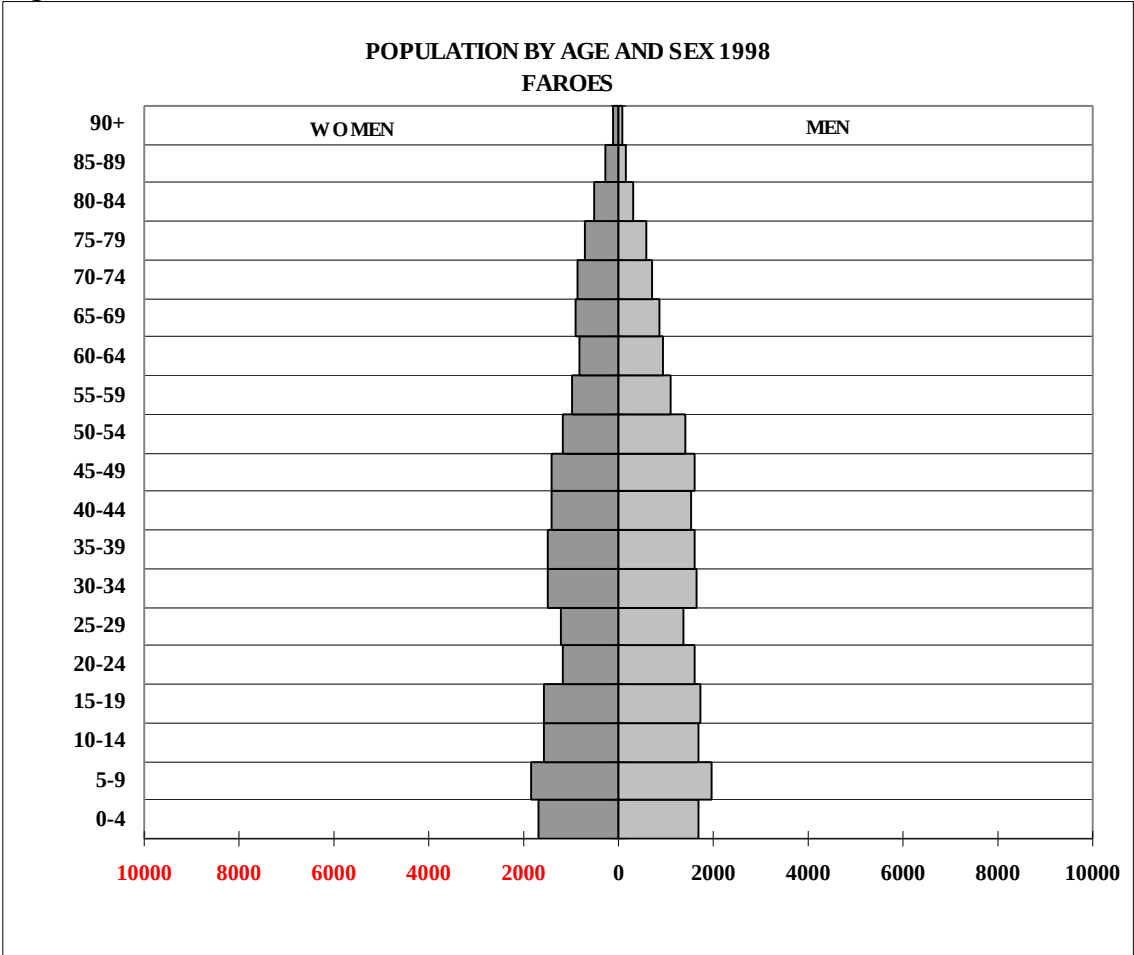


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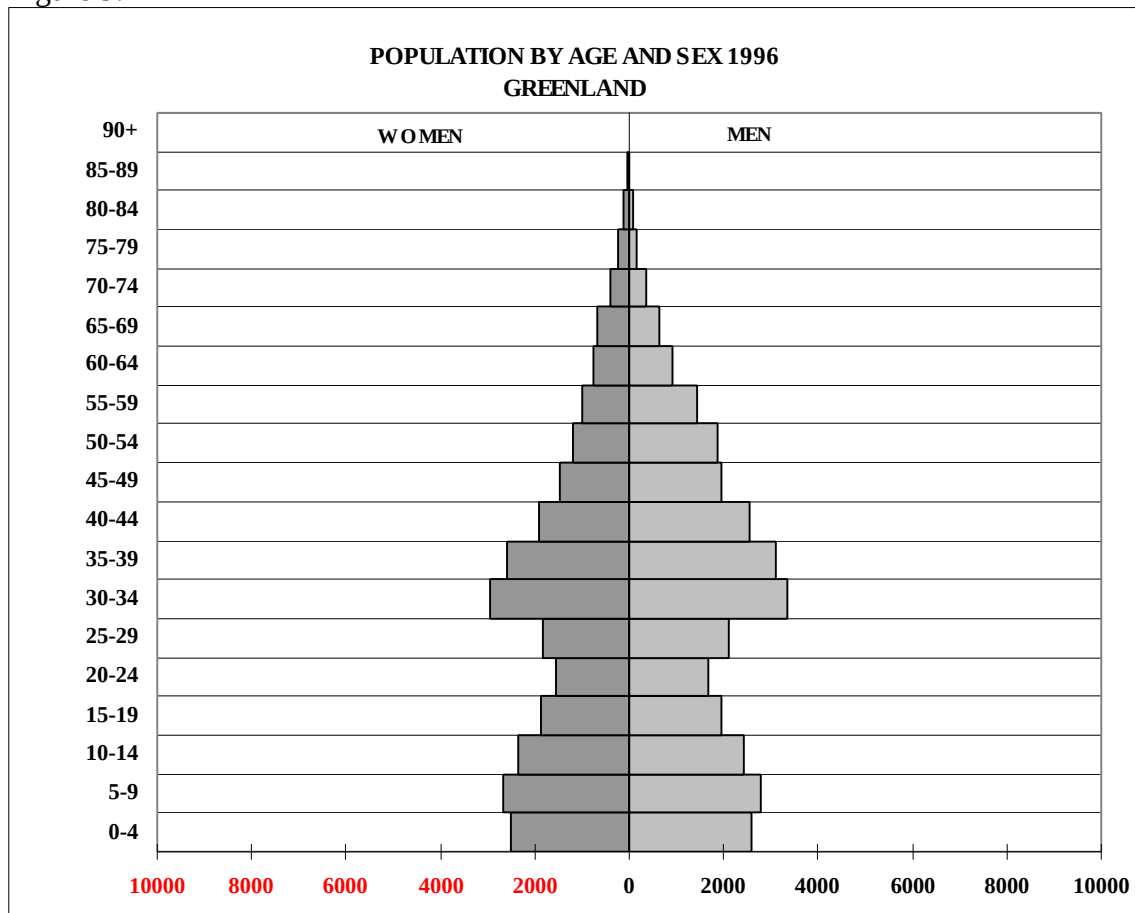


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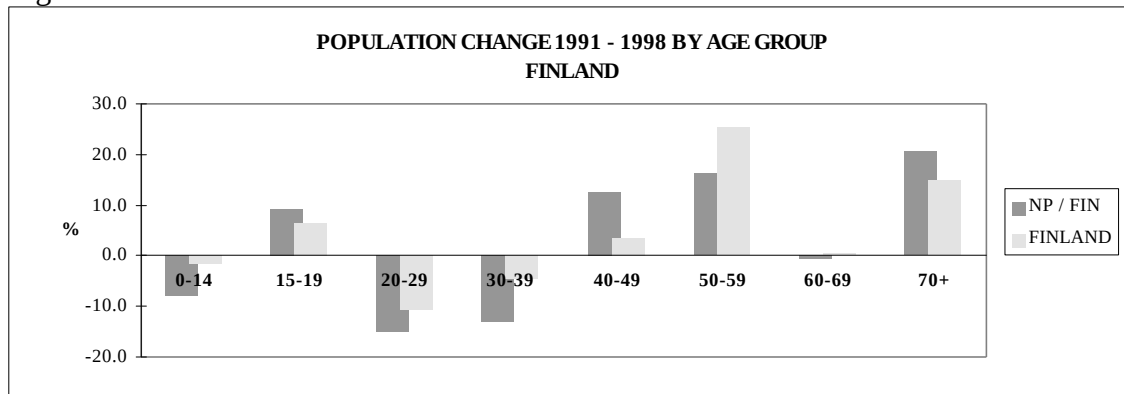


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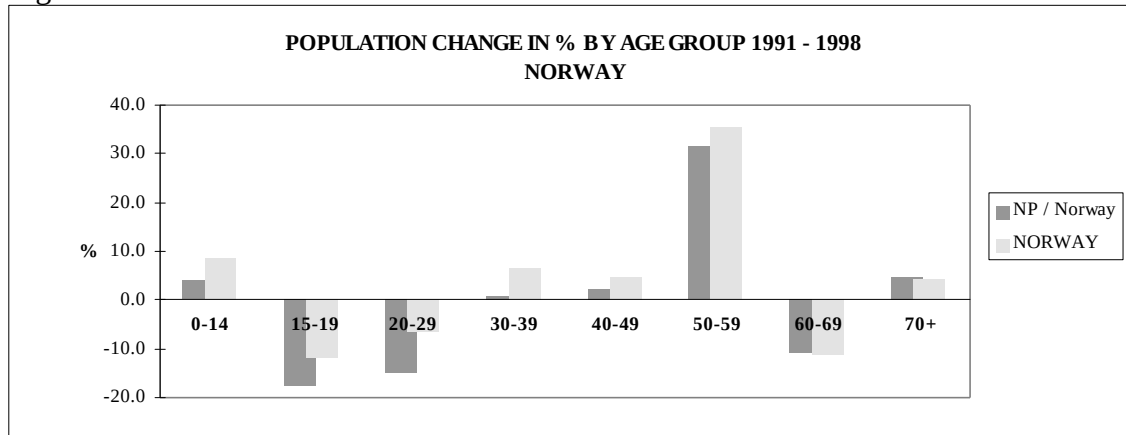


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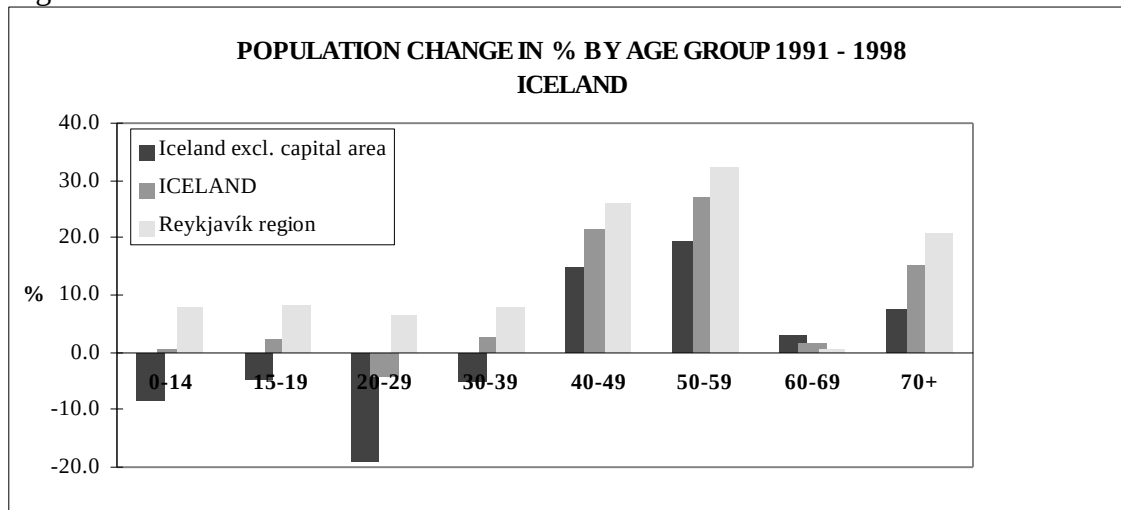


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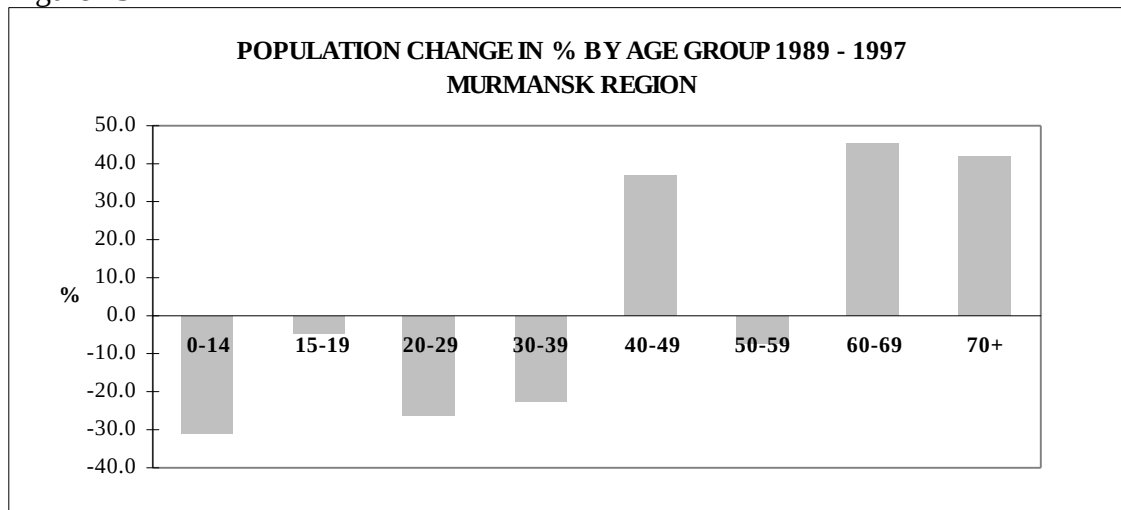


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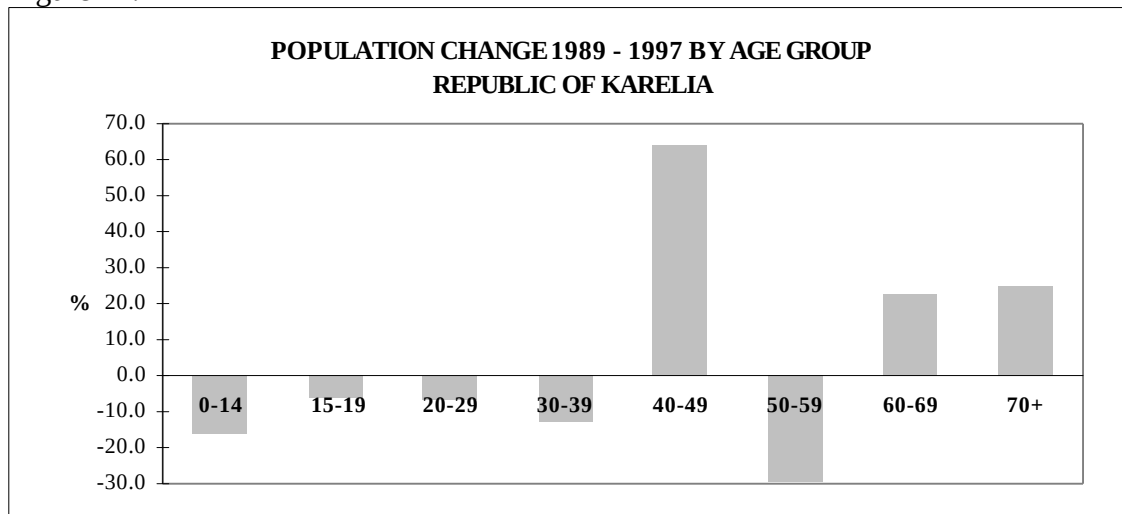


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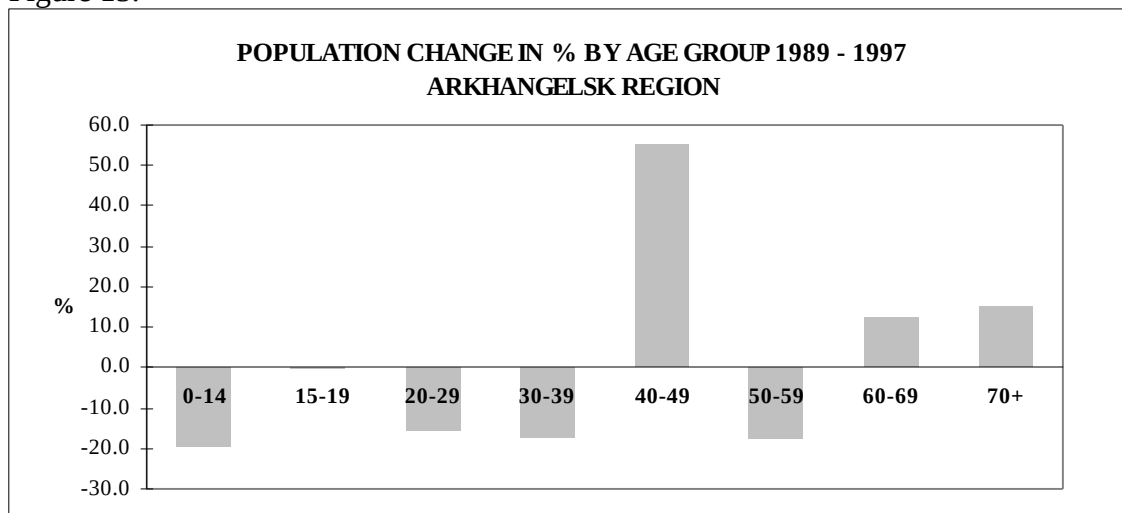


Figure 16.

		Population change 2000 - 2010 in %
FINLAND	Keski-Pohjanmaa	-1.1
	Pohjois-Savo	-0.9
	Etelä-Savo	-2.0
	Pohjois-Karjala	-1.8
	Pohjois-Pohjanmaa	2.3
	Kainuu	-4.7
	Lappi	-1.6
SWEDEN	Västernorrland	data not available
	Jämtland	
	Västerbotten	
	Norrbottn	
NORWAY	Nord-Trøndelag	0.6
	Nordland	1.9
	Troms	4.2
	Finnmark	3.3
ICELAND	ICELAND	6.3
GREENLAND	Greenland*	-1.2
FAROES	Faroes**	5.5
MURMANSK OBL.	Murmansk oblast	-12.2
REP. OF KARELIA	Republic of Karelia	-3.4
ARKHANGELSK OBL.	Arkhangelsk oblast	-6.6
HIGHLANDS AND ISLANDS		0.9
*2010 = year 2009		
** prognoses 31 Dec. 1996 for 2001, 2006 and 2011		

Figure 17.

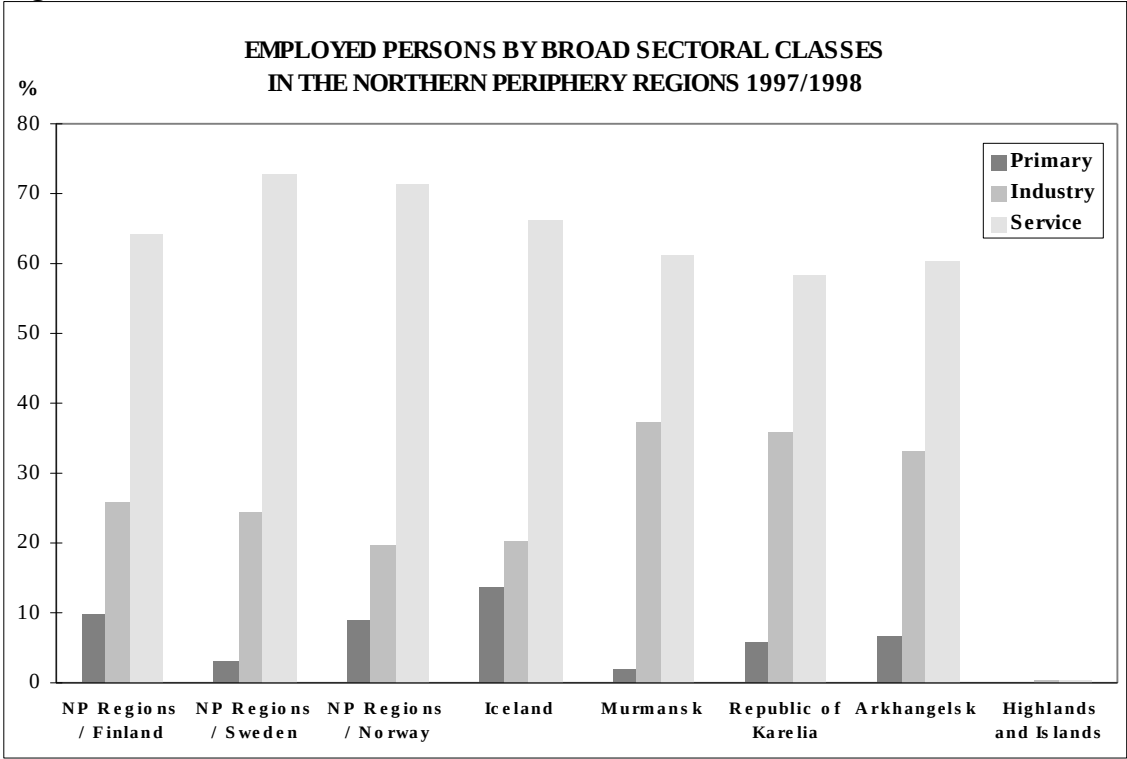


Figure 18.

UNEMPLOYMENT RATE 1997/1998	
(labour force survey statistics)	
	Unemployment rate (%)
Iceland except capital region	2.3
Reykjavík region	3.7
Troms	4.0
Nordland	4.5
Nord-Trøndelag	4.6
Finnmark	7.6
Kalaallit Nunaat - Greenland	7.9
Västerbotten	8.5
Føroyar - Faroes	8.7
Jämtland	10.6
Västernorrland	12.0
Republic of Karelia	12.1
Norrbotten	13.1
Keski-Pohjanmaa	13.7
Archangelsk oblast	13.7
Pohjois-Pohjanmaa	14.8
Pohjois-Savo	15.4
Etelä-Savo	15.7
Pohjois-Karjala	18.7
Kainuu	19.0
Murmansk oblast	19.5
Lappi	19.9

Figure 19.

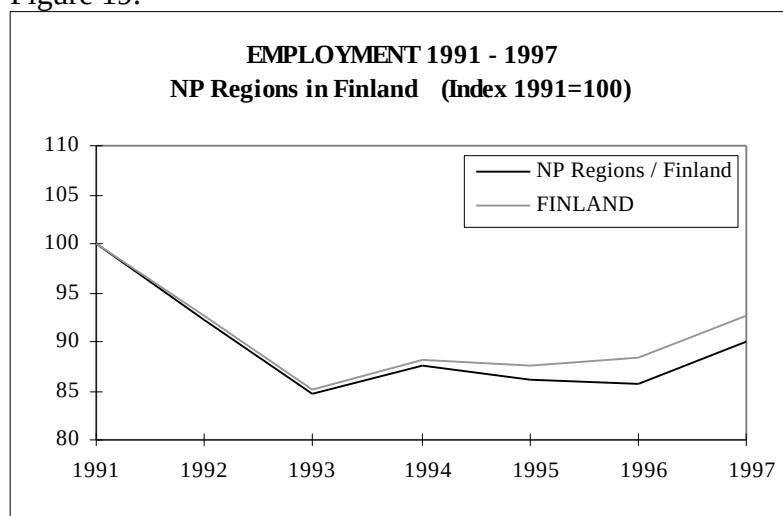


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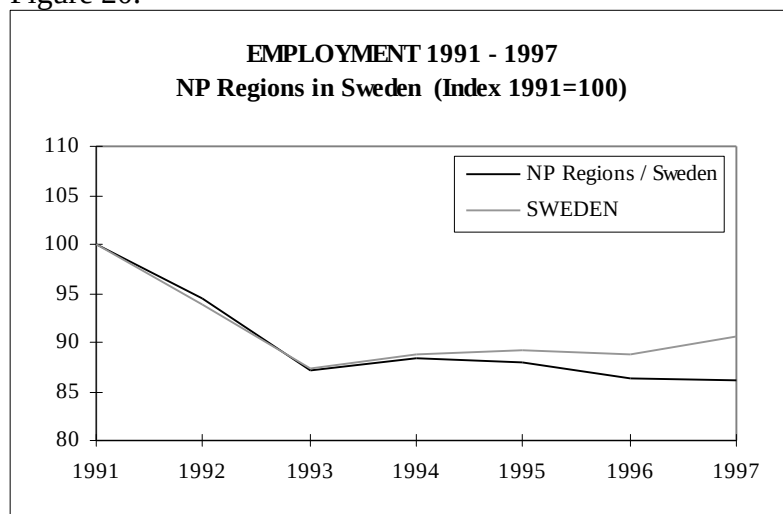


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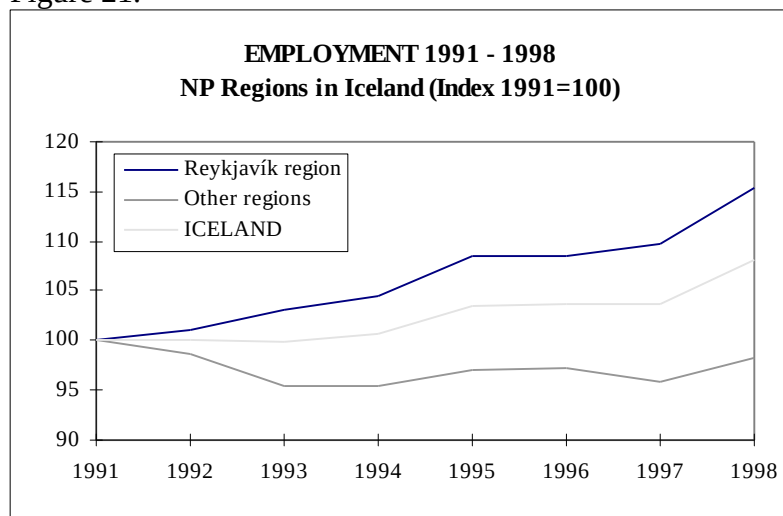


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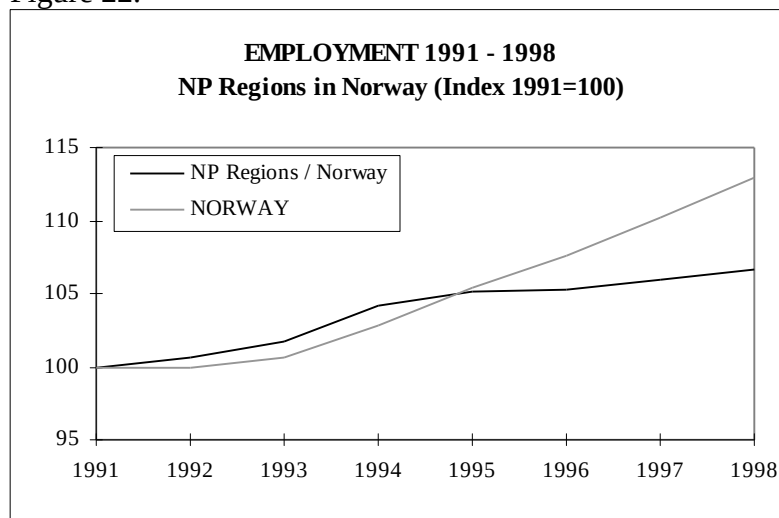


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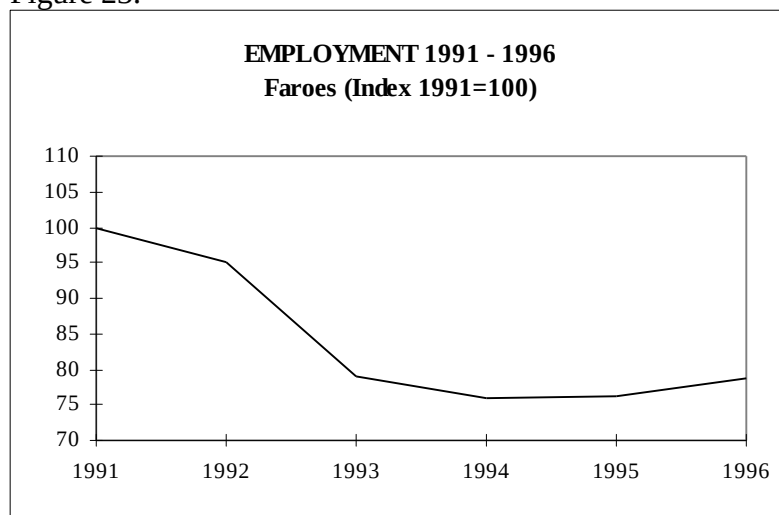


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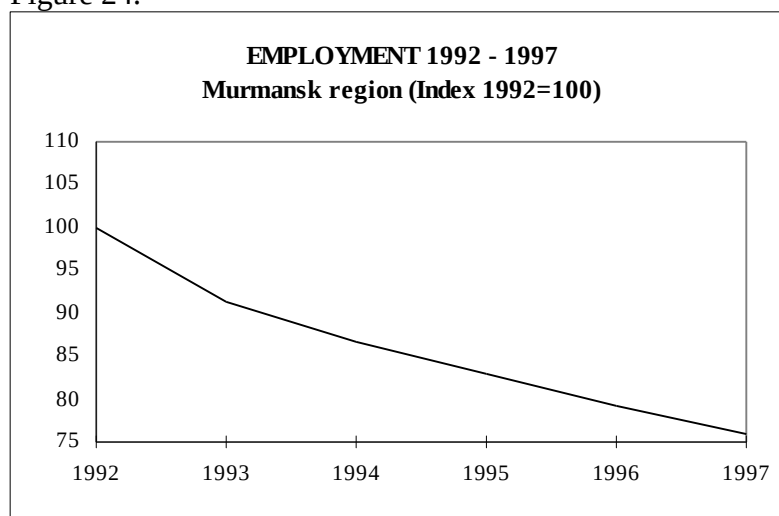


Figure 25.

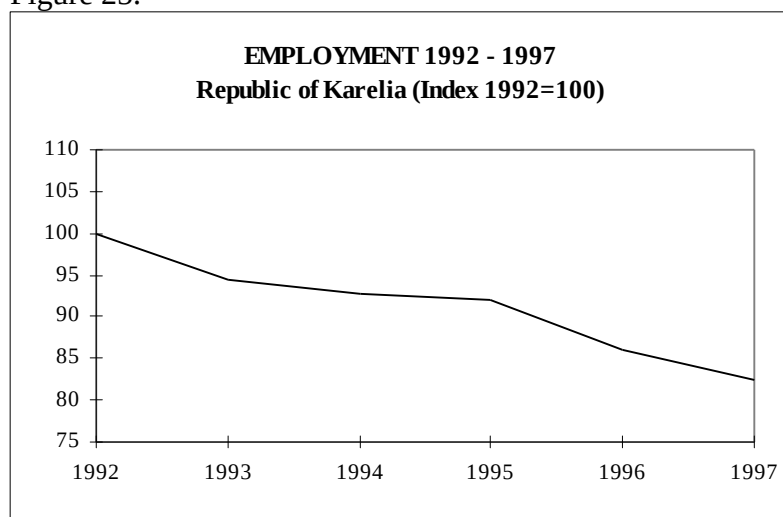
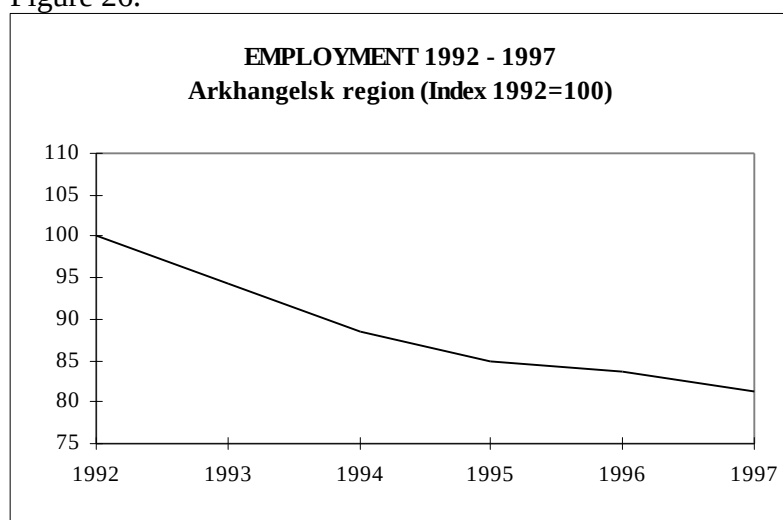


Figure 26.



APPENDIX 2: EXISTING CO-OPERATION INITIATIVES IN THE NORTHERN POTENTIAL PROJECT AREA

1. Nordic-Scottish co-operation

Formal co-operation at governmental level was established in 1994 when the first contacts were made between the Scotland and the Nordic countries. In the early 1990s there had been some spontaneous activity from the, at that time EU-applicant, countries Finland, Sweden and Norway, to explore Scotland's experiences of Structural Funds.

The initiative for closer co-operation came from Scotland. The first preparatory meeting was hosted in May 1994 by the Highlands and Islands Enterprise (HIE) and the meeting to launch co-operation was held in Ackergill, Scotland in October, attended by senior government officials from each country. At this meeting initial areas of future actions were identified and recommended. The four main areas decided upon were:

- information technology;
- forestry;
- university networking; and
- SME development.

Geographically the co-operation has covered Scotland, Finland, Sweden and Norway. Denmark has been marginally involved in the co-operation.

Co-ordinators of co-operation have been the Scottish Office and HIE on the Scottish side, and Nordic Council of Ministers (through the Nordic Committee of Senior Officials for Regional Policy, NÄRP) on the Nordic side. NÄRP agreed to make available financing for a three-year period, divided equally between the four project areas and amounting to a total of DKK 3,251 million. The total expenditure for the period 1995-1997 was DKK 5,677 million, from that the Scottish expenditure was 2,426 million DKK. Projects started in the spring 1995. Since 1997 co-operation and has been integrated into the Article 10 programme under which projects have been financed.

NORTHERN PERIPHERY PROGRAMME

The European Commission accepted the Northern Periphery Programme (NPP) under Article 10 in the summer of 1997. An Article 10 programme is a pilot action in the field of trans-national regional planning. The NPP secretariat began work in September 1997 in Oulu.

The geographical area of the Northern Periphery covers:

- *in the UK*: Scotland, with particular emphasis on Highlands and Islands Objective 1 area and adjacent Objective 5b areas of North and West Grampian and Rural Stirling and Upland Tayside;
- *in Finland*: the Objective 6 area and adjacent areas in the regions of Pohjois-Pohjanmaa, Keski-Pohjanmaa and Pohjois-Savo, with particular focus on former;
- *in Sweden*: the Objective 6 area and adjacent coastal areas, with particular focus on former; and

- *in Norway*: the counties of Nord-Trøndelag, Nordland, Troms and Finnmark

Norway cannot benefit directly from EU funding.

The overall objective of the programme is to “contribute to the improvement of services and value creation in the Northern Periphery in ways compatible with the principles of sustainable development, through transnational exchange of experiences.”

The types of activities included for support are threefold. The three thematic sub-actions are closely connected and interdependent:

- experiments to develop effective solutions for local service provision, experiments that aim at finding successful ways to exploit the regional business opportunities, and experiments to develop new models for land use and local spatial development planning - especially those highlighting issues concerning areas of declining population;
- documentation of the support projects through process-evaluation, and documentation of already existing examples of successful practice and adaptations in the same fields; and
- exchange of experiences through networking, conferences and research projects.

The management of the programme is undertaken by a joint management structure of limited size and complexity. The joint management structure includes: a Programme Monitoring Committee (PMC); regional advisory groups at the national level (NRAGs) one in each of the four participating countries; sub-committees established by the PMC as required; and a joint programme secretariat. For project co-ordination a project management group has been established.

The total expenditure for the programme is c. 13.33 MECU with Community assistance of 5 MECU. It is expected that approximately 90% of total expenditure will be incurred within the Objective 1 and Objective 6 areas. The partners appointed the Regional Council of Northern Ostrobothnia in Finland are responsible for managing the EU funds accorded to the programme.

2. Nordic co-operation

THE NORTH CALOTTE COMMITTEE

The North Calotte Committee was established in 1967, originally as a forum for co-operation between regional authorities implementing labour market policies.

The area covers Norrbotten County in Sweden, Lappland Regional Council in Finland and Nordland, Troms and Finnmark Counties in Norway.

The purpose of the North Calotte Committee has been to promote co-operation and projects of importance to employment and social development of the area. Important areas of action have also been improvement of transport connections, trade and tourism. In 1975 the Committee became part of the Nordic regional policy programme, with the objective of enhancing regional development.

A permanent secretariat, established in 1980, is located in Rovaniemi, Finland. The Swedish office is located in Luleå and in Norway tasks are divided between the three county councils.

The North Calotte Committee works in close contact with Barents Euro Arctic Region (BEAR) and Barents INTERREG Programme.

Total expenditure for the North Calotte co-operation, excluding INTERREG co-operation, was in 1999 749 500 Euro, with assistance of the Nordic Council of Ministers 494 000 Euro.

INTERREG IIA NORTH CALOTTE

The INTERREG programme covers the same area as the North Calotte Committee: Norrbotten County in Sweden, Lappland Regional Council in Finland and Nordland, Troms and Finnmark counties in Norway.

The programme period is 1995-1999 and it focuses on developing:

- the local economy;
- logistics and infrastructure;
- competitiveness; and
- local cross-border co-operation.

It also includes a special measure for Sami people (INTERREG Sápmi) that aims at improving economic conditions and cultural activities.

INTERREG programme has five regional secretariats, one of them in the North Calotte Committee. There is also a separate secretariat and a decision-making group for projects in Sami areas.

Total expenditure of the programme, including Norway, is 45.1 MECU and EU assistance 12.2 MECU.

KVARKEN

The Kvarken region across the Gulf of Bothnia has a long tradition of co-operation. One of the connecting factors is the Swedish language which is also spoken in the Finnish coastal region. The Kvarken region is comprised of Southern Ostrobothnia, Ostrobothnia, and Central Ostrobothnia in Finland and the county of Västerbotten and the municipality of Örnsköldsvik in Sweden. The Kvarken is the narrowest part of the gulf of Bothnia.

Co-operation in the Kvarken region has been co-ordinated by the Kvarken Council established in 1972. The Council is made up of 15 Finnish and 15 Swedish members, drawn from local and regional authorities. The Council has a Board and Secretariat located in Vaasa, Finland.

The main goal of co-operation is to facilitate relations and actions between Finnish and Swedish regions. The most important themes of co-operation are ferry traffic connections across the gulf, development of infrastructure and co-operation on cultural and language issues.

Kvarken is one of the Nordic cross-border regions assisted by the Nordic Council of Ministers. The total budget for 1999 was 1.7 million Euro, where the Nordic assistance 338 000 Euro.

INTERREG IIA KVARKEN-MITTSKANDIA

Kvarken and the so-called MittSkandia region in the Norwegian-Swedish border were designated as an INTERREG IIA region for the years 1995-1999. The region includes the Regional Councils of Central and Southern Ostrobothnia and the Vaasa coastal region in Finland, Västerbotten County and Örnkölsdsvik municipality in Sweden and Helgeland municipality in Norway.

The programme measures include:

- co-ordination of communications,
- development of tourism and cultural activities,
- improving competitiveness,
- supporting employment of women and young people,
- co-operation in economic development; and
- improving quality of environment and living in rural areas.

The Kvarken Council secretariat operates as the secretariat of the INTERREG programme.

Total expenditure of the programme for years 1995-1999 is 16.9 million Euro with EU assistance 6.6 Million Euro.

MITTNORDEN / NORDIC GREEN BELT

Mittnorden, the Central Nordic Region, is one of the Nordic cross-border regions. It consists of the counties of Nord Trøndelag and Sør Trøndelag in Norway, the counties of Jämtland and Västernorrland in Sweden and the Regional Councils of Ostrobothnia, Central Ostrobothnia, Southern Ostrobothnia, Central Finland and Southern Savo in Finland.

The focus of the co-operation is sustainable development, with the main aim being to create an ecologically and economically sustainable region that is good to live and work in. Except co-operation in environmental and energy issues, the region has common projects in the fields of culture, tourism and communications.

Co-operation is co-ordinated by the MittNorden Committee, located in Härnösand, Sweden.

Total expenditure of the region in 1999 was 260 000 Euro, half of which came from the Nordic Council of Ministers.

INTERREG II A NORDIC GREEN BELT (NORDENS GRÖNA BÄLTE)

The INTERREG IIA programme has been designed for the years 1995-1999. The area covers Jämtland county in Sweden and counties of Northern and Southern Trøndelag and a Southern Sami region in Norway

The area was previously part of the above described Mittnorden area, which also covers regions from Finland. There have been, however, closer contacts between the existing INTERREG partners in Swedish and Norwegian areas and therefore it was decided to make the INTERREG programme region geographically more restricted

The programme focuses on:

- development of employment opportunities, knowledge and competence; and
- enhancing cultural and economic co-operation in Sami areas.

An important aim has also been to develop east-west train connections in the area.

Management of the programme is in the hands of steering groups, an interregional one and a separate one for Sami measures. The interregional and Sami secretariats are located in the county council of Jämtland, in Öresund, Sweden. The secretariat tasks in Norwegian side are divided between the three regions.

Norway finances half of the programme, Sweden and EU the other half. Total expenditure of the programme is 26.1 MECU with EU assistance 5.5 MECU.

NORTH ATLANTIC CO-OPERATION (NORA)

NORA was established in 1995. Co-operation in the area, however, began earlier. The so-called Nordic-Atlantic Region was established in the Faroes and Iceland in 1980 and extended to Greenland in 1983. It was co-ordinated by the Nordic-Atlantic Council. Nordic-Atlantic co-operation has been one of the Nordic cross-border programmes. To enhance development activities, the Nordic Council of Ministers established a special fund, Vestnordenfondet, in 1987 to support projects in the area. One of the main areas of co-operation was then, as it is today, management of the maritime resources.

Today the NORA members are the Faroe Islands, Greenland, Iceland and coastal areas of Norway. Main areas of co-operation are:

- development of fish resources by giving inputs to research and development, and
- economic co-operation, for instance, in the fields of agriculture, tourism and industry

NORA's secretariat is located in Tórshavn, Faeroe Islands. NORA is supported by the Nordic Council of Ministers.

Total expenditure of the programme is 34.5 MECU, with Community assistance 14.5 MECU.

3. Co-operation with Russia

THE BARENTS EURO-ARCTIC REGION (BEAR)

The initiative for co-operation in the Barents area came from the Norwegian Foreign Minister in April 1992 and the region was established at a conference of foreign ministers in Kirkenes, Norway, January 1993.

Its geographical area covers the counties of Nordland, Troms and Finnmark in Norway; the counties of Norrbotten and Västerbotten in Sweden; Lappland, Kainuu and North Ostrobothnia regional councils in Finland; Murmansk oblast, the Karelian Republic and Archangelsk oblast in Russia.

BEAR has three main goals:

1. normalisation of relations between Russia and Nordic countries;
2. stabilisation: reducing military tensions, reducing and eliminating environmental threats and narrowing the gap in standards of living; and
3. regionalisation: to create interregional links both in trans-national and European context.

In the Barents programme 1997-1999 the target areas of action are:

- development of livelihoods: agriculture, reindeer herding and rural development, industry, tourism and energy;
- habitat development: environment, health and culture;
- development of know-how: education and research;
- communication and information technology; and
- special groups: indigenous people, women and youth

BEAR has a two-tier administration: the Barents Council includes foreign ministers from Norway, Sweden and Finland, a member from the EU, plus observatory members from Russia; and the Regional Councils' highest political or administrative leaders from BEAR regions of Norway, Sweden, Finland and Russia, plus observers from few other Finnish and Swedish regions. In addition, there is an Administrative Regional Committee that undertakes preparatory work.

BEAR region do not have a common budget. Part of the co-operation can be financed by the INTERREG Barents programme.

INTERREG IIA BARENTS

The INTERREG IIA Barents programme started in 1995. The geographical area is comprised of seven administrative regions from four countries: the Lappland regional council in Finland, the county of Norrbotten in Sweden, the counties of Nordland, Troms and Finnmark in Norway, Murmansk oblast and Archangelsk oblast in Russia. The main partner in Russia is Murmansk oblast. The geographical area of this INTERREG programme is thus somewhat smaller than that of BEAR co-operation.

The programme focuses on:

- co-operation in local economic development: e.g. business co-operation and education of entrepreneurs;
- human resources: R & D development and improving of know-how and understanding; and
- improving communication, infrastructure and well-being (mainly cultural projects).

Management of the INTERREG programme is organised using the regional administration responsible for regional development in general. Therefore there are usually close connections with BEAR organisation although they are not identical. A common secretariat of INTERREG is located in Rovaniemi Finland.

The total expenditure for the programme is 36.0 MECU with Community assistance of 10.5 MECU. Norway provides its own financing and projects in Russia can be financed via EU TACIS, Russian or bilateral financing from Nordic States.

4. Large trans-national co-operation areas

ARCTIC COUNCIL

The Arctic Council was established on 19 September 1996, in Ottawa. The Arctic Council is a ministerial-level intergovernmental forum that aims to provide a mechanism to address the common concerns and challenges faced by the Arctic governments and the people of Arctic.

The full members of the Council are Canada, Denmark, Finland, Iceland, Norway, the Russian Federation, Sweden and USA. Other permanent participants are the Association of Indigenous Minorities of the North, Siberia and the far east of Russian Federations, the Inuit Circumpolar Conference, the Sami Council and the Aleutian International Association. United Kingdom is one of the observer countries.

Main activities consist of protection of environment and sustainable development as a means of improving the economic, social and cultural well-being of the North. The Council meets at the ministerial level biennially. The chair and secretariat of the Council rotate every two years among the eight states.

THE NORTHERN FORUM

The Northern Forum was established in 1991. The initiative for a permanent organisation came from Hokkaido, Japan and it was supported by other ten Northern countries in a Northern Regions Conference that was held the previous year.

The Northern Forum is a non-profit, membership-supported organisation composed of twenty-three regional governments from ten countries. The current members are:

- Province of Lapland from Finland;
- Västerbotten County and Norrbotten from Sweden;
- Regional Authority of Northern Norway from Norway;
- The following regions from Russia: St. Petersburg, Evenk Autonomous Okrug, Kamchatka Oblast, Khanty Mansiysk Autonomous Okrug, Komi Republic, Magadan Oblast, Nenets Autonomous Okrug Sakha Republic, Sakhalin Oblast and Yamalo Nenets Autonomous District;
- State of Alaska from USA;
- Province of Alberta, Yukon Territory and Northwest Territories from Canada;
- Heilongjiang Province from China;
- Hokkaido Prefecture from Japan;

- Dornog Aimag from Mongolia; and
- Republic of Korea.

The Northern Forum seeks to strengthen connections among all regional level Northern decision-makers. Membership is available not only to regional governments but also businesses, non-profit and non-governmental organisations and, in special cases, national governments. The organisation is actively seeking new members.

The area of actions of Northern Forum is extensive. It co-ordinates projects initiated and executed by member regions. Each so-called priority project involves a minimum of three members and addresses a topic of common interest in the North. In addition, there are several bilateral projects. The fields of the current priority projects include:

- environmental monitoring;
- boreal forest management;
- wildlife management;
- reindeer management;
- the Northern Forum Academy;
- Association of Universities and Colleagues of the Northern Forum;
- east-west circumpolar air routes; and
- management of marine resources.

In addition, the Northern Forum has supported projects of capital availability in the North, Arctic Reconstruction and Development Bank and health issues affecting indigenous peoples. The Forum has also arranged common actions like festivals and assisted regions struck by natural disasters.

The Forum is funded principally by membership dues and special grants from members. To support its operations and specific projects the Forum also seeks grants from national governments and international sources.

The main secretariat is located in Anchorage, Canada and two associate secretariats are in Yakutsk, Russia and in Bodø, Norway. One of the Secretariat's primary functions is to organise Northern Forum meetings. Regional co-ordinators from each member region, who are designated by their respective Chief Executives, meet annually to plan the upcoming General Assembly or Board of Directors meetings. In addition, the Regional co-ordinators work co-operatively to identify and address day-to-day issues among member regions.

BALTIC SEA REGION

Co-operation in the Baltic Sea Region (BSR) has developed gradually from the mid-70s. The first collaborative organs that were established by the governments around Baltic Sea were International Baltic Sea Fishery Commission (IBSFC 1973) and Baltic Marine Environment Protection Commission - Helsinki Commission (HELCOM 1974). Several visions for further co-operation in the area were presented after that but the boom did not start until early 1990s, when the new political geography of the BSR was in place.

Countries involved in co-operation are Denmark, Finland, Germany, Sweden, Norway, Belarus, Estonia, Latvia, Lithuania, Poland and Russia.

At the political level, there are two co-operation processes in which all governments of BSR participate: the summit meetings between the Head of States and the Council of Baltic Sea States.

The summits represents the highest political level of co-operation and, in addition to the BSR countries, Norway, Iceland and the President of the European Commission have also participated. The main aim of the summits has been to decide on the political priorities for co-operation in the region.

The Council of Baltic Sea States (CBSS) was established in 1992 and is a forum for foreign ministers of the BSR states. It aims to assist development of democratic institutions, technical and economic co-operation, humanitarian work, co-operation in the fields of environment and energy, culture, tourism, media and infrastructure. CBSS meets usually once a year and the chair and secretariat are circulated between the countries for a one year period. Most sectors of national administration have established their own networks in BSR.

INTERREG IIC BALTIC PROGRAMME

The INTERREG IIC Baltic Programme was adopted by the EU Commission in December 1997.

The geographical area is comprised of:

- the whole of Finland;
- the whole of Sweden, except Objective 6 areas;
- thirteen counties from eastern Denmark; and
- six northern *Länder* from Germany (with some minor exeptions)

The target area in non-EU countries is:

- south-eastern parts of Norway;
- Estonia, Latvia and Lithuania as whole countries;
- Northern areas in Poland and Belarussia; and
- Western parts of Russia.

The Programme is based on established traditions of co-operation in spatial planning in the area. By adopting “Visions and strategies in the Baltic Sea 2010” (VASAB 2010, published 1994) the countries approved the first common spatial development concept for a European co-operation area.

Main aims of the programme include:

- strengthening the development potential of the region;
- increasing economic and social cohesion;
- ensuring sustainable development; and
- promoting territorial balance by supporting weak points and building on strong points.

The priority actions include:

- promotion of sustainable spatial development measures in the Baltic Sea Region, including e.g. urban system and energy solutions;
- promotion of spatial development approach in the BSR: to develop further the existing co-operation on the field with a particular concern to the management of planning relations to natural and cultural heritage and tourism development.

The INTERREG programme has a common secretariat located in Rostock, Germany with a branch office in Karlskrona, Sweden, and joint monitoring and steering committees.

Total expenditure of the programme is 49.6 MECU with Community assistance 25.0 MECU.

INTERREG IIC NORTH SEA REGION

The North Sea region was designated as an INTERREG programme for the years 1997-1999. Geographically the region consist of a large number of coastal areas in Denmark, Western Sweden, Netherlands, Germany, UK (including Highland, Shetland and Orkney Islands) and Southern and Western Norway.

Central aims of the programme are:

- economic and social cohesion;
- sustainable development for the region as a whole;
- promotion spatial structure which looks to the future; and
- trans-national co-operation on spatial planning.

Main priorities for development measures are:

- urban and regional systems;
- transport and communication; and
- natural resources and cultural heritage.

The programme has a common secretariat located in Viborg, Denmark, and joint monitoring and steering committees.

Total expenditure of the programme for the period 1997-1999 was 34.5 million Euro, and the EU assistance is 144.5 million Euro.