

NATIONAL PRIORITIES OF REGIONAL  
DEVELOPMENT 2016–2019:

# Competitive regions and smooth everyday life

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## Regional competitiveness and smooth everyday life



### VISION FOR 2025

Growth through renewal

**Regions will have created growth based on high-quality competence and sustainable development.** Smart specialisation based on regional strengths, active renewal of business structures and a better basis for entrepreneurship and business operations have created economic prosperity and strengthened international competitiveness. Employment and integration of immigrants has been promoted through local pilot projects and measures tailored to regional characteristics.

Vitality through well-networked regions

**Finland, relying on a network of regions, makes effective and sustainable use of its resources.** The regional structure is an interactive, polycentric and networked system based on well-functioning transport and telecommunication links. Balanced regional development provides a basis for ensuring that Finland will have a large number of strong and vibrant urban and rural regions in different parts of the country. Regions have found their own roles in national and international networks.

Well-being through partnerships

**The public, private and the third sector successfully promote the development of regions and services as a joint effort.** People have the possibility of living a smooth everyday life irrespective of their place of residence. Finland is a caring and safe country, which has managed to narrow social gaps. People are able to participate in the development of their own living environments. Digitalisation and new service production models provide a basis for universal access to high-quality public services.

# 1. The regional development decision – purpose and basis

The national priorities of regional development (regional development decision) 2016–2019 contain the outlines of regional policy and establish the priorities of regional development measures within the Government's remit for Prime Minister Juha Sipilä's term of office.

The decisions and actions of each branch of administration have impacts on regional development. Cooperation between the ministries and coordination of objectives are crucial in terms of resource allocation and making an impact. The national priorities of regional development set out the central government objectives that the ministries are committed to and that are taken into account in the steering of each administrative branch. The Ministry of Employment and the Economy is responsible for overall coordination of regional development at national level.

The Regional Councils are the regional authorities responsible for the strategic development of their regions as a whole. A central document for the region's development efforts is the Regional Strategic Programme, which is prepared under the leadership of the Regional Council, together with its implementation plan. The Regional Councils have the duty to take this regional development decision into account and to promote its implementation.

The legal basis of the contents of the regional development decision is laid down in the regional development act (laki alueiden kehittämisestä, 7/2014) and the government decree on regional development (valtionneuvoston asetus alueiden kehittämisestä, 356/2014). The legislation lists the following objectives of regional development:

- 1) To promote the balanced development and national and international competitiveness of the regions;
- 2) To sustainably support and diversify the business structure of the regions and to promote economic balance;
- 3) To promote sustainable employment as well as the competence, equal opportunities and social inclusion of the population;
- 4) To narrow development gaps between and within regions and to encourage the full use of the available resources in a sustainable manner;
- 5) To enhance regional strengths and specialisation as well as to promote regional culture;
- 6) To enhance the quality of the living environment and a sustainable regional and urban structure.

The government aims to raise Finland's economy to a sustainable level by utilising the resources of the whole country. Key elements in building up Finland's competitiveness include not only balancing the economy but also safeguarding the wellbeing of the people. The aim is to provide equal services and prerequisites for life in the whole country, also in future. This regional development decision sums up the priorities as three policy outlines:

- Growth through renewal
- Vitality through well-networked regions
- Well-being through partnerships.

The aims and measures of regional policy based on regional strengths and balanced regional development are linked to the five priority areas of the government programme, or 1) employment and competitiveness, 2) knowledge and education, 3) wellbeing and health, 4) bioeconomy and clean solutions, and 5) digitalisation,

experimentation and deregulation. These areas are examined from the viewpoint of regional development. The selected measures support the implementation of spearhead projects.

As stated in the Government Programme, the central government's regional administration will be coordinated with provincial administration with the aim of simplifying the arrangement of public regional government. This reform will have major impacts on regional development, vitality of the regions as well as the tasks and mandates of different organisations. As part of drafting the social welfare and health care system reform, the government formulated a policy on the principles and checkmarks of division into regions and the establishment of 18 autonomous regions in November 2015. In early 2016, the government will make a separate and more detailed decision on the preparation of the provincial government reform and the tasks to be assigned to the new provincial government. The regional development decision does not contain any decisions related to the social welfare and healthcare reform or regional government reform.

The priorities of regional development, or **Growth through renewal, Vitality through well-networked regions, and Well-being through partnerships**, are central objectives in the renewal of the regions and the promotion of their vitality. The decisions to be made in the future may speed up the achievement of these goals. The planning and development system that influences regional development will be evaluated as part of the provincial government reform.

In the area of EU cohesion policy, the Government Programme outlines three questions of special importance for Finland. They are related to Finland's remote location, the sparse population density in Eastern and Northern Finland, and developing Arctic and Baltic Sea cooperation. The EU cooperation programmes on internal and external borders are important funding instruments for promoting the achievement of these goals. The European Commission will outline the reform of the EU's cohesion policy in its cohesion report to be published in 2017. Finland will participate in the reform of EU cohesion policy in 2016 - 2019 with the aim of ensuring that the special position of the sparse population in Eastern and Northern Finland will be taken into consideration. The goals also include separating regulation and control as indicated by the amount of available EU funding. The government will set out the priorities of EU advocacy as part of Finland's EU strategy later in 2016. Finland is planning to bring into force the reformed legislation relevant to EU cohesion policy 2020+ following Finland's Presidency of the Council and before the end of 2020.

The government ensures the implementation of the regional development decision and its measures by linking it closely to the implementation and monitoring of the Government Programme spearhead projects. The Advisory Council on Regional Renewal designated by the government will regularly monitor the implementation of the decision. The Ministry of Employment and the Economy is responsible for its overall monitoring.

Where necessary, the regional development decision will be reviewed and modified based on a decision of the Advisory Council on Regional Renewal.

The programme will be implemented within the framework of central government spending limits and the General Government Fiscal Plan. The decision does not ensue specific funding needs.

## 2. Operating environment and outlook for development

### Global drivers of change speed up regional renewal

Such global trends as climate change, stagnant global economic growth, digitalisation, the economic revolution and transformation of production as well as immigration into the European Union are having a strong impact on Finland. Finnish economic structures have undergone a dramatic change over the last few years. While this structural change has been particularly drastic in the ICT sector and in the forest industry, the production structures of other branches of industry have also changed, and there has been a steep decline in jobs. This has increased structural unemployment and wellbeing gaps within and between regions.

The production structure is increasingly predominated by services, and this trend will continue. Despite technological advancement, social welfare and health care services will continue to be an important provider of employment also in the future. Digitalisation will change both industrial production and services at a rapid pace. In years to come, digitalisation will mean that production activities may return to traditional industrial countries if we are capable of making full use of new technologies.

Grasping the possibilities of cleantech and bioeconomy are crucial from the perspective of our national economy. In Finland, the warming of the climate will take place faster than average, and the national economy faces significant costs unless the technologies required to curb industrial emissions make headway. The impacts of climate change and the measures to address them will affect all sectors of our society. Significant measures will be needed at all levels and in all sectors of society and, in particular, in the production and consumption of energy, transport, construction, housing and land use as well as agriculture.

A global transformation of industrial sectors is unavoidable and will also have positive impacts. New growth sectors may play a significant role in reforming the economy and creating new jobs. A greater number of growth-seeking enterprises would have a positive impact on the regions' responsiveness to change.

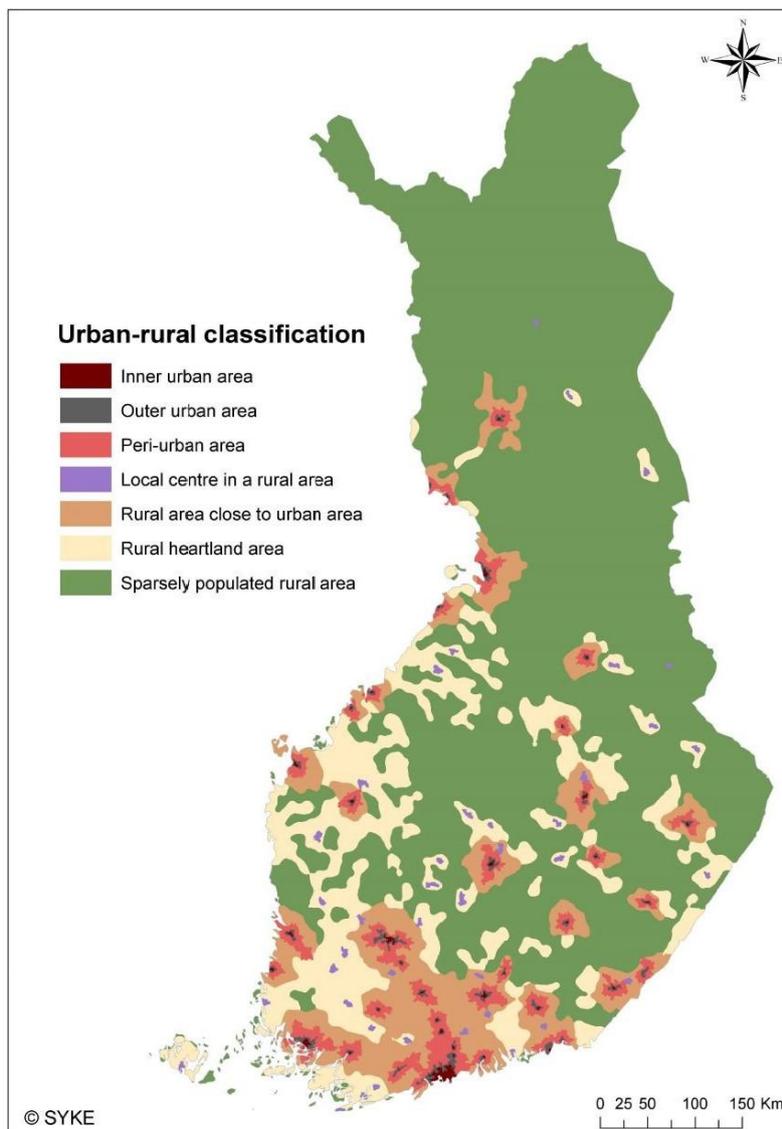
Over the next few years, measures aiming to diversify the industrial and business structure and to promote growth entrepreneurship will be needed in Finland. A boost is needed in our export sector, in particular. The competitiveness and wellbeing of the regions will be increasingly dependent on how successful companies are in the international and global market. Finland has strong expertise in many sectors, which creates prerequisites for developing knowledge-intensive export products and services that generate high added value, digital competence, and the creative economy. We must seek for growth and competitiveness with an open mind from across the borders and through global networking.

The Finnish regions have a number of strengths that we can draw on for our future success. The population's high level of education and skills, the stability of our society and administrative operating environment, and our internationally acclaimed innovation system are strengths that will help to promote employment and competitiveness.

The strength of many Finnish regions lies in the forests, which are not only important coal sinks but also a resource for the bioeconomy. The bioeconomy is also generating new business opportunities in sparsely populated rural areas. Reducing emissions, adapting to climate change and creating sustainable economic growth are crucial questions for regional development. Opportunities related to a low-carbon economy and resource efficiency will be stressed further as a result of the Paris climate conference.

## Demographic trends create a need for work-based immigration

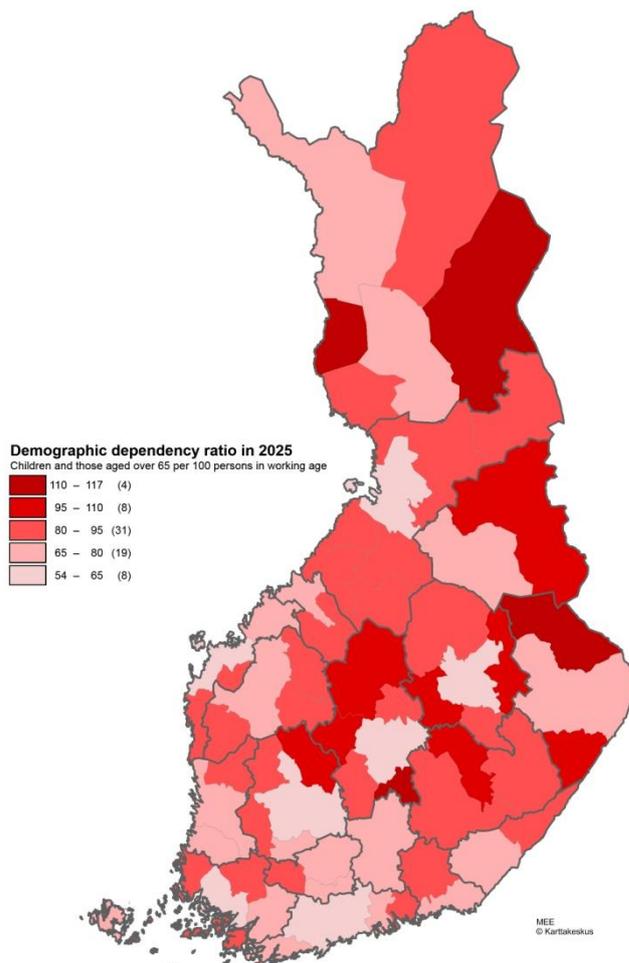
While the Finnish population has in recent years concentrated to the largest urban regions, urbanisation has been slower in Finland by international comparison than in Western Europe. The population has concentrated to the largest cities, and medium-sized urban centres have held their own. Many minor centres have become areas of declining population. The clear emphasis of the population is in Southern Finland, where urban areas are interlaced with rural areas close to urban areas. As a result of the trend towards centralisation, the availability of both public and private sector services is deteriorating in the more sparsely populated regions. On the other hand, digitalisation and new modes of service provision are opening up new possibilities in areas of different types. The preconditions for enterprising are also changing as both demand and skilled labour force are declining.



*Regional classification based on geographical information*

The strong trend towards population ageing will reduce the labour resources of the regions, thus contributing to sluggish economic growth. According to the population projection of Statistics Finland, the working age population will have reduced in almost all sub-regional areas by 2025, in some areas by up to one fifth compared to 2015. The demographic dependency ratio (number of children and persons aged over 65 per 100 persons in working age) will clearly deteriorate in many regions, and in some sub-regional areas, the number of children and those in retirement age will already have clearly exceeded the number of working-age people. There is considerable variation in the regions' ability to deal with the challenges presented by weak economic growth and intensifying structural change. Regions with a one-sided business structure and limited population and labour force resources find themselves in the weakest position.

A precondition for regional vitality is a population with a good functional capacity and working ability. In addition to regional differences, there are major variations between groups with different educational levels in all regions in the working ability and coping at work until retirement age. Those with a lower level of education are more likely to feel that their working ability has deteriorated than those with a high level of education. Socio-economic position also has strong links with the experienced quality of life.



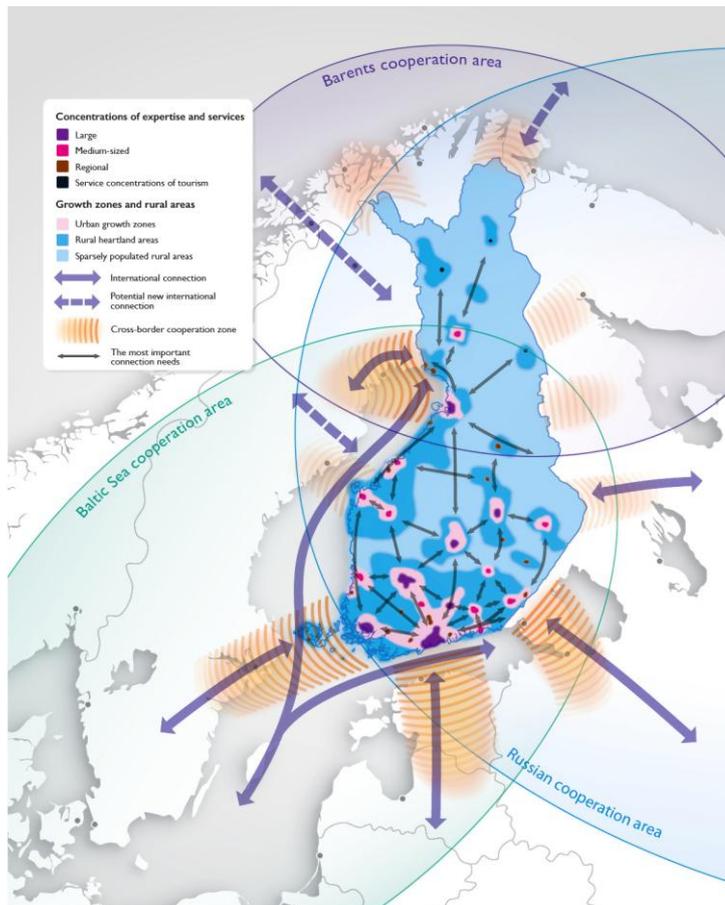
*Demographic dependency ration by sub-regional area in 2025. Source: Statistics Finland*

Net immigration will balance out depopulation and the ageing of the population in many regions. Immigration and the integration and vocational education and training of migrants will play a crucial role in the regions in terms of population and the size of labour force. In addition to the integration and employment of asylum seekers, we must also encourage work-based immigration. Decisive factors in the immigrants' decisions to settle in different regions are the availability of integration services, social contacts and possibilities of finding jobs.

### Polycentrism boosts vitality

The regional classification indicates that the majority of the Finnish surface area consists of sparsely populated rural areas. As the population tends to concentrate, the significance of polycentrism and networking for maintaining the vitality of the regions is highlighted. In an urban structure based on interaction, different population centres from villages to cities together with rural areas of various types form a network-like entity where the resources and strengths of different types of areas complement one another. Polycentrism supports balanced development of regions and the utilisation of the strengths and resources found in different parts of the country. An urban structure that promotes networking and division of labour between urban centres and rural areas creates possibilities for extensive and diverse markets and cooperation areas.

Different growth zones that form links between various types of areas can be identified in the regional structure. These zones provide an extensive and versatile labour market area and facilitate more extensive mobility of the labour force. Efforts to strengthen these growth zones are relevant to all parts of Finland. In addition to zones situated between the large cities in Southern Finland, growth-supporting zones can also be found in different parts of the country, and they are highly significant in terms of regional policy.



Development overview of the regional structure and traffic system 2050 Source: a renewable and enabling Finland. Development overview of the regional structure and traffic system 2050

In order for a polycentric regional structure to work, well-functioning road and rail connections are needed. In recent years, the repair backlog of transport routes has increased considerably. This backlog particularly affects the network with less traffic, pushing the costs of daily maintenance up. Necessary maintenance work is postponed, making the requisite measures more expensive in the future. Additional investments will be allocated to curbing and reducing the backlog of repairs in the next three years, and special consideration in this will be given to the needs of business life and labour market regions as well as to dismantling obstructions to growth. The funding to address the repair backlog will be distributed around the country.

### **Finland in the international context**

In order to be successful, Finnish regions should be networking as part of global value chains and ecosystems. Finland is a permanent part of the European internal market, and success in this market requires networking with other European actors. Cooperation is very important, and it is needed in the fields of enterprising, research, education and culture alike.

Finland implements its Baltic Sea policy in cooperation with the states in this region. The EU Strategy for the Baltic Sea encourages cooperation between the Baltic rim states and improves its coordination. Finland strives to promote the entire Baltic region as a European and global economic area. Finland possesses diversified Arctic expertise, and it is very much in our interests to be involved in the development of the Arctic area. The mainstay of Finland's Arctic policy is turning Finland into a pioneer of sustainable development in the Arctic area. In addition to the Arctic Council, Finland is actively involved in cooperation in its neighbouring areas, the Baltic Sea region and the Barents region.

## **3. Priority 1: Growth through renewal**

### ***Vision for 2025:***

***Regions will have created growth based on high-quality competence and sustainable development. Smart specialisation based on regional strengths, active renewal of business structures and a better basis for entrepreneurship and business operations have created economic prosperity. Employment and integration of immigrants have been promoted through local pilot projects and measures tailored to regional characteristics.***

### **Versatile and sustainable industrial structure that generates jobs**

The structural change of the Finnish economy has resulted in a mismatch of demand and supply of jobs. New jobs are being created, but not in the sectors where old ones have been lost. This exacerbates the risk of unemployment and contributes to slowing down the increase in employment that ensues from economic growth. There are great regional differences in the rates of employment and unemployment. In an ageing Finland, more and more regions have problems recruiting skilled labour. Activating jobseekers to mobility within and between the regions as well as promoting work-based immigration are preconditions for ensuring the availability of skilled labour. In order for the labour market to work, continuous company-driven foresight

activities and cooperation with companies will be needed, as well as measures aiming to improve and maintain the competence of both the current staff of companies and employees yet to be recruited.

The region's resilience, or its ability to flexibly encounter and recover from changes, determines how well a region can cope with structural changes. Regions and organisations that take a flexible approach to change efficiently direct their energy to promoting and controlling the change. Anticipating structural change and active industrial policy help to maintain a region's vitality and cushion it against the negative impacts of change. The current transformation of the industrial structure is changing the business sector. As a result of changes in sectors and working life, old companies, products and professions will give way to new, more productive ones that generate sustainable growth. Small countries such as Finland should invest in human competence and thus strive to be part of significant international cooperation networks.

Climate change and the transition to a green economy will be a challenge to regional development and competitiveness. Conventional industries that consume energy and raw materials must renew in order to adapt to future requirements. The winners in global competition will be companies that can reinvent their products, services and business models as well as fully utilise the opportunities offered by the green economy, digitalisation and high level of expertise.

Digitalisation will have an equally strong impact on the services sector as on industry, increasing productivity and changing the playing field. Even if digitalisation and growth in productivity ensuing from it reduce the need for labour in many of the current sectors, they will also open up new business opportunities that may create more jobs. Key role is played by measures taken by the companies themselves to improve their competitiveness, to increase the added value of their products and to grasp the possibilities offered by digitalisation. Attention should also be paid to the negative impacts of digitalisation, which will be reflected in various ways in different regions, especially in changing professions and professional structures.

The majority of new jobs will be created in the existing SMEs. In order to boost employment, particular attention must be attached to competence-driven renewal of companies as well as their potential for growth and internationalisation. Networking among companies that are dissimilar and operate in different stages of the processing chain will strengthen the resources of Finnish companies in such areas as marketing, both domestically and internationally. In addition to existing companies, we need new businesses that have the ability and willingness to target international markets. Entrepreneurship must be an attractive career choice, and internal entrepreneurship should also be promoted.

A well-functioning and reliable business environment provides a good setting for the operation of SMEs and large companies alike. In order to improve the preconditions for enterprising, we need to secure the quality standard and availability of infrastructures and services essential for the functioning of society throughout the country. Fast and reliable telecommunication and energy supply networks are a basic prerequisite for enterprising and housing in modern society. Internal security is also a significant competitive factor for foreign enterprises when they look for potential locations for their regional branches.

As part of the business services reform, it will be important to organise public and private sector cooperation so that regional actors, including development companies, Chambers of Commerce, entrepreneurs' associations, educational institutions and private actors recognise new SMEs and increasingly and more efficiently activate them to use the services.

**Actions:**

- The regions will deploy the operating method of anticipated structural change. A strategic resilience tool will be developed for the regions in order to evaluate their flexibility in face of change. Led by the management of the Regional Councils, regional plans to prepare for the impacts of structural change will be drawn up as part of Regional Strategic Programme implementation plans. (Ministry of Employment and the Economy)
- An overall review of public business services will be carried out. Business services will be reorganised into customer-oriented, logical wholes with a higher impact. (Ministry of Employment and the Economy, Ministry of Education and Culture)
- To support the funding, equity capital and risk-taking capacity of companies, measures that meet the needs of start-ups, fast growth enterprises and companies in the process of ownership change will be implemented. (Ministry of Employment and the Economy, Ministry of Agriculture and Forestry)
- More entrepreneurial education will be provided at all levels of education, reinforcing an entrepreneurial operating method and capabilities for working as an entrepreneur. Stronger links will be wrought between entrepreneurial education and business life. (Ministry of Education and Culture)
- A concrete package of reforms will be launched to accelerate digitalisation both in companies and in public organisations. As part of these measures, digital ecosystems will be developed, an effort will be made to open large test markets in Finland, and pioneer companies will be utilised in the digitalisation of public services. (Ministry of Employment and the Economy)
- The preconditions for digital business will be improved by the government, for example by enabling the utilisation of open data for the development of new innovations and services and by supporting the creation of services and business that use the new modes of digitality to create immaterial value. (Ministry of Transport and Communications, Ministry of Employment and the Economy, Ministry of Education and Culture, Ministry of Agriculture and Forestry, Ministry of the Interior)

**Linked to the following spearhead projects:**

- *Strengthening competitiveness by improving conditions for business and entrepreneurship*
- *Building up cooperation between higher education institutions and business life to bring innovations to the market*
- *Reform of upper secondary vocational education and training*
- *Digitalisation of public services*
- *Creating a growth environment for digital business operations*
- *Introducing a culture of experimentation*

**Intelligent specialisation based on regional strengths**

Regions that specialise based on their local strengths, utilise research and other knowledge, and network can adapt to changes and also win international success. In addition to previously identified global or national flagship sectors, the regions must also find new fields of sustainable growth. Continuous reassessment of strengths and clear profiling are needed as resources must be allocated to fields with potential for global

competitiveness. Preconditions for this are anticipating structural change and integration in global value networks. At the same time, it should be ascertained that regional actions are kept in line with national aims.

Broad-based competence and networking promote the regions' ability to react to a changing operating environment and structural change. Regional specialisation is sustainable when it is based on anticipating changes in business structures, society and climate. The regions should identify their specific potential for sustainable growth and let go of old structures if necessary. Developing educational policy and also promoting other than traditional growth sectors will pave the way for renewal. Open-minded integration of different competences is a built-in operating method in intelligent specialisation.

Centres of competence formed by higher education and vocational institutions, business life and other actors based on intelligent specialisation of regions should be strengthened in order to boost the effectiveness and impact of RDI as well as to increase the international attraction and competitiveness of the Finnish regions. Profiling of higher education institutions will support the formation of regional centres of competence. Regional specialisation can also be promoted by improving the division of duties between higher education institutions as well as developing the education provider network and service capacity of vocational education and training.

In order to develop centres of competence, municipal investments may be used to develop innovative solutions. In cooperation between different actors, international innovation ecosystems may be built which rely on strong regional and sectoral centres of competence and in which research-based knowledge produced by higher education institutions and research institutes is utilised and processed further as a source of new enterprising. To guarantee the versatile utilisation of competence and to boost impact, knowledge transfer mechanisms should be developed.

Research and its utilisation have a key role in the global economy as a source of competence and innovations, and consequently, as an engine of economic success, social development and well-being. For this reason, reinforcing the regional, national and international impact of new knowledge and expertise or, in other words, the societal interaction of higher education institutions, is important.

The resources of science and research can be used in a more efficient and effective manner for the renewal of business life and to speed up knowledge-based growth in all parts of Finland. Private sector actors can also support the accumulation of knowledge in both education and science. To encourage closer cooperation and interaction between higher education institutions, vocational institution and business life, new operating models and environments are needed where cooperation can be launched more flexibly than before. In case of SMEs, in particular, the threshold for working together with universities, polytechnics and research institutes should be lower. Vocational education and training can also offer competence that could be used especially to improve SME competitiveness. In order to form interesting centres of competence that have international attraction as well as inviting service, environment and operative infrastructures, it is vital that the various parties to the innovation system engage in closer strategic cooperation.

#### **Actions:**

- The various parties to the innovation system work in closer strategic cooperation and increase their inputs in forming and building up centres of competence that attract international interest and attractive service, environment, and operating infrastructures. (Ministry of Education and Culture, Ministry of Employment and the Economy)

- Intelligent specialisation of the regions and the anticipated structural change method will be promoted through launching regional innovations and experimentation. A nation-wide analysis of regional strengths will be drawn up. (Ministry of Employment and the Economy, Ministry of Education and Culture, Ministry of the Environment, Ministry of Transport and Communications, Ministry of Finance, Ministry of Social Affairs and Health, Ministry of Agriculture and Forestry, Ministry of the Interior)
- By means of guidance and public funding, incentives are provided for higher education institutions for working together with companies as well as increasing the impact and promoting the commercialisation of research results so that they support the strategic choices of the higher education institutions and the regions. (Ministry of Education and Culture, Ministry of Employment and the Economy)
- Cooperation between higher education institutions, research institutes, business life, the third sector and municipalities will be increased in order to develop and commercialise new products and services. New operating models for closer cooperation will be tested and piloted. (Ministry of Employment and the Economy, Ministry of Education and Culture, Ministry of Agriculture and Forestry)
- Key strategic development packages will be created in an agreement procedure between the central government and urban regions. These agreements may be geared to supporting regional centres of competence based on cooperation between the business life, higher education institutions and towns. (Ministry of Employment and the Economy, Ministry of Education and Culture)

#### **Linked to the following spearhead projects:**

- *Building up cooperation between higher education institutions and business life to bring innovations to the market*
- *Strengthening competitiveness by improving conditions for business and entrepreneurship*
- *New learning environments and digital materials for comprehensive schools*
- *Reform of upper secondary vocational education and training*

#### **Utilising the possibilities of circular economy and bioeconomy**

Finland's goal in 2025 is to be a pioneer of circular economy and bioeconomy as well as cleantech. Circular and bioeconomy and cleantech link local resources and solutions to a growing global market. Their development and deployment will allow us to sustainably boost the economy and employment at the regional and the national level, support Finland's exports and current account, and improve resource efficiency, status of the environment, and the wellbeing of Finnish people. When implemented cost-effectively, domestic renewable energy solutions will promote the achievement of the government's targets concerning renewable energy and the reduction of greenhouse gas emissions.

Finland is excellently placed to become a pioneering country, thanks to our rich renewable natural resources, clean environment, high standard of technological and other expertise as well as a culture of doing things together. The bioeconomy opens up new possibilities, especially in rural areas. A precondition for achieving the targets is goal-oriented development of entrepreneurship as well as existing and new business. In order to promote the circular economy and bioeconomy, the resources of the entire country, scientific expertise and education must all be brought into play. The regions have their local strengths that should be exploited better, not only within but also between the regions, to strengthen regional and local economies as well as to create competitive products and solutions for global markets. Circular economy and bioeconomy will require changes

in all sectors of society, close cooperation of all actors and regions, and commitment. The task of the central government and other actors is to create possibilities for promoting circular and bioeconomy and to facilitate versatile development in the use and management of renewable natural resources.

Responsible and innovative use of natural resources, circular economy and bioeconomy will boost regional and local economies, create new business opportunities as well as generate sustainable growth and jobs. Key areas of circular and bioeconomy include versatile use of wood for construction, products and energy, recycling of materials and nutrients, production and processing of food and natural products, blue bioeconomy as well as recreational uses of forests, water systems and nature in general. Logistics and transport solutions, and the utilisation of new operating methods and technologies in them, are closely associated with circular and bioeconomy.

In the development of business activities, pilot projects and innovative public procurements that support them play a particularly important role. These pilot projects will provide Finnish actors with references from the domestic market that will make it considerably easier for them to take their products and solutions to the global market.

The preconditions for creating competitive business and making investments in bioeconomy include a well-functioning transport system and a high standard of infrastructures throughout Finland. It is vital that the transport infrastructure remains in a condition that allows heavy transportation used by industries, for example, smoothly without weight restrictions and speed limits due to bad road condition.

#### **Actions:**

- Energy supports will be used to promote new technologies related to the production of biofuels (Ministry of Employment and the Economy, Ministry of Finance, Ministry of Agriculture and Forestry, Ministry of Transport and Communications, Ministry of the Environment)
- Factors related to the production and use of alternative transport fuels will be developed together with actors of the field (Ministry of Employment and the Economy, Ministry of Finance, Ministry of Agriculture and Forestry, Ministry of Transport and Communications, Ministry of the Environment)
- Circular economy and meeting the actors halfway will be promoted, taking the possibilities and strengths of the region into account (Ministry of the Environment, Ministry of Agriculture and Forestry, Ministry of Employment and the Economy)
- Circular economy and bioeconomy investments and wood construction will be promoted (Ministry of Employment and the Economy, Ministry of the Environment, Ministry of Agriculture and Forestry)
- New products, services and business models will be developed for circular economy, bioeconomy and cleantech (Ministry of Employment and the Economy)
- Circular economy and bioeconomy will be promoted by growth agreements between the central government and towns (Ministry of Employment and the Economy, Ministry of the Environment)
- The deployment of new circular economy, bioeconomy and cleantech innovations will be speeded up by means of experimental projects and innovative public procurements (Ministry of Employment and the Economy, Ministry of Agriculture and Forestry, Ministry of the Environment)

- As part of an extensive food policy, the use of local foods and the development of regional and local food systems that contribute to supporting the vitality of the regions will be promoted. (Ministry of Agriculture and Forestry, Ministry of Employment and the Economy)
- The Regional Councils will take the sustainable use of renewable natural resources into account in their regional planning activities. (Ministry of Employment and the Economy, Ministry of Agriculture and Forestry, Ministry of the Environment)
- The ministries and Regional Councils will support the concentration of expertise to centres of competence formed by research institutes, higher education institutions and working and business life actors (Ministry of Education and Culture, Ministry of Employment and the Economy, Ministry of the Environment, Ministry of Agriculture and Forestry)

**Linked to the following spearhead projects:**

- *Strengthening competitiveness by improving conditions for business and entrepreneurship*
- *Towards coal-free, clean and renewable energy in a cost-efficient way*
- *Breakthrough of the circular economy, cleaning up water systems*
- *Making Finnish food production profitable, supporting the trade balance and encouraging blue bioeconomy*
- *Knowledge and education*

**Immigrants as a resource**

Immigration has an increasing impact on demographic structure as well as the local and regional supply of labour. The only growth in the working age population in Finland is taking place due to immigration. Immigration may also bring new residents and skilled workers to regions affected by depopulation. The majority of immigration is directed to urban regions, however, and educated immigrants in particular settle in the largest population centres.

The number of refugees arriving in Europe has increased, and in autumn 2015, a considerably higher number of asylum seekers also arrived in Finland. The regions must be prepared to receive refugees, and immigration issues must have a key role in regional development plans. Competence related to the integration of immigrants possessed by actors in different parts of Finland may also be utilised and shared.

As many regions are experiencing considerable losses of working age population, promoting work-based immigration will be increasingly important in the future. In order to safeguard the growth and competitiveness of Finnish business life, we need to attract top experts, entrepreneurs and other workers with a foreign background. Particular attention should be paid to accelerating and streamlining the residence and work permit processes.

Immigration may improve the wellbeing of both migrants and Finnish people. A precondition for this is that the immigrants can find jobs and that their inclusion in the Finnish society can be ensured. Utilising the competence potential of immigrants will promote the achievement of business and innovation policy goals in the regions. The means of culture, sports, youth work and education and training will be used to promote the integration of immigrants and to encourage interaction and inclusion. More cooperation between different sectors and levels will be needed in immigration and integration actions.

## **Actions:**

- Reception and integration of refugees over a longer time span as well as the utilisation of the competence potential of immigrants and promotion of their inclusion will be taken into account in the growth agreements concluded with towns. (Ministry of Employment and the Economy, Ministry of Education and Culture, Ministry of Finance, Ministry of the Environment, Ministry of Social Affairs and Health, Ministry of the Interior)
- Immigrants' skills will be identified and they will be directed to working life with less delays. Using the impact investment model, an experiment of fast employment will be implemented, where a short integration training period will be combined with further training in the workplace. More effective language instruction will be provided, and language proficiency requirements will be re-examined. The recognition and accreditation of qualifications and other prior learning will be streamlined. (Ministry of Employment and the Economy, Ministry of the Interior, Ministry of Education and Culture)
- Permit practices will be streamlined to attract international experts and to facilitate their integration in Finland by accelerating the decision-making process (Ministry of the Interior, Ministry of Employment and the Economy)

## **4. Priority 2: Vitality through well-networked regions**

### ***Vision for 2025:***

***Finland, relying on a network of regions, will be able to make effective and sustainable use of its resources. The regional structure is an interactive, polycentric and networked system based on well-functioning transport and telecommunications links. Balanced regional development provides a basis for ensuring that Finland will have a large number of strong and vibrant urban and rural regions in different parts of the country. Regions have found their own roles in national and international networks.***

### **Networking and vibrant regions**

People's everyday lives are polycentric and involve using services and going to work in different geographical areas. Work, study and free time are less tightly tied to a specific location. People have better possibilities of choosing where to live. The accessibility of regions has a major role in their vitality and ability to make it in international competition. Accessibility will be improved by developing the existing transport network and telecommunications. We need to exert influence at the EU level in issues related to the appropriate structure, service level and cost-efficiency of transport and logistics networks, ensuring that we preserve some of our national room for manoeuvre. Advanced telecommunication networks are a key precondition for all business activities and success of the regions. In sparsely populated regions, the need for fast telecommunication networks is even more urgent.

Balanced regional development based on functional entities and regional strengths is necessary in order to ensure that people's everyday lives run smoothly and that resources are used efficiently. It is essential to support land use, housing and transport solutions in appropriate units that support the mobility of people. To

achieve this, interaction between towns and rural areas as well as the transport and telecommunication infrastructures and services that support it should be developed.

To facilitate networking between the regions, incentives must be created for building and using connections, both nationally and internationally. It is important to develop the internal functioning of the future regional government areas, but at the same time, we must not lose sight of possibilities for cooperation across administrative boundaries. In the regional government reform, the regions are encouraged to work together across provincial boundaries. Cooperation is particularly necessary when a functional area is located within the territories of several regions.

By developing growth zones located in different parts of the country, an effort is made to form strong market and cooperation areas relying on the existing transport infrastructure and urban structure. The aim is to strengthen the operating preconditions and attraction of the regions and to provide for more efficient use of telecommunications and transport systems. The zones that link the urban centres and the rural areas surrounding them offer versatile labour market areas and housing options. They also improve the possibilities for developing and offering increasingly specialised services and new, mutually complementary products in different sectors.

The funding allocated to addressing the repair backlog of the transport network will be used to improve roads, railways and waterways. When repairing a transport route, its significance to the customers is taken into consideration. Meeting the needs of business life and the labour market areas as well as dismantling obstacles to growth will be prioritised. Other aims include controlling the life span repair costs of the routes as well as promoting digitalisation and the creation of new services.

The Helsinki Metropolitan area and other large urban regions play a key role in Finland's welfare and competitiveness. The various urban regions located in different parts of the country and their areas of influence are important in terms of polycentricity. These centres will be developed as clusters of competence and economic activity and as hubs of the regional structure.

In addition to regional structure based on polycentricity, the strengths of areas outside the centres will be identified. The development of rural and archipelago regions and business activities drawing on their specific strengths will be supported as appropriate.

In order to boost Finland's competitiveness, metropolitan policies will be outlined to solve specific questions related to the Helsinki Metropolitan area. The urban, rural and archipelago policy will draw on the strengths of different regions and contribute to supporting the achievement of Finland's growth and innovation policy objectives. The reconciliation and overall review of policy sectors will be continued, and cooperation will be increased further. The special issues of sparsely populated regions will be evaluated when preparing policy measures.

#### **Actions:**

- Measures that are part of the spearhead project on competitiveness referred to in the Government Programme will be implemented through agreements between the central government and large urban regions (growth agreements and letters of intent on land use, transport and housing). Networking among towns and cities will be promoted by means of growth zone and thematic network agreements. (Ministry of

Employment and the Economy, Ministry of Transport and Communications, Ministry of the Environment, Ministry of Education and Culture, Ministry of Social Affairs and Health, Ministry of the Interior)

- To support functional areas and growth zones, a report will be prepared in 2016 in which the development of functional areas and growth zones will be described and analysed using geographical information and other data. (Ministry of Employment and the Economy, Ministry of the Environment, Ministry of Agriculture and Forestry)
- Influence will be exerted on the EU's long-term transport strategy with the aim of ensuring that it will take into consideration connections with non-EU markets and avoid EU regulation on global modes of transport regulated at the international level, including aviation and shipping. (Ministry of Employment and the Economy, Ministry of Transport and Communications)
- Local logistics solutions that support the efficient provision of public services will be sought through experiments that take into account the needs of different sub-regional areas and the actors. (Ministry of Transport and Communications)
- Aspects related to competitiveness and employment in the regions and the needs for extensive innovation policy will be taken into consideration in the development of the EU Arctic Policy and the preparations for Finland's Chairmanship of the Arctic Council (2017–2019). (Ministry for Foreign Affairs, Ministry of Employment and the Economy)

#### **Linked to the following spearhead projects and reforms:**

- *Strengthening competitiveness by improving conditions for business and entrepreneurship*
- *Regional government reform*
- *Making Finnish food production profitable, improving the trade balance and encouraging blue bioeconomy*
- *Environmental policy-making trustfully and by fair means*

## **5. Priority 3: Well-being through partnerships**

### ***Vision for 2025:***

**The public, private and the third sector will successfully promote the development of regions and services as a joint effort. People have the right to live a smooth everyday life irrespective of their place of residence. Finland is a caring and safe country, which has managed to narrow social gaps. People are able to participate in the development of their own living environments. Digitalisation and new service production models provide a basis for universal access to high-quality public services.**

### **Smooth everyday life and wellbeing**

A skilled population with a good standard of wellbeing produces vitality for the regions. Vital regions attract people by offering high-quality services, jobs, welcoming living environments and well-functioning connections. A good and safe everyday environment, accessible social and welfare services as well as cultural, art, youth and sports services improve people's possibilities of promoting their health, wellbeing and inclusion.

Equal services and preconditions of life must also be offered throughout the country in the future. The social welfare and health care reform and the regional government reform will update the municipalities' duties and highlight their role as promoters of vitality in both local and regional networks. A smoothly running everyday life is a key part of wellbeing, promotion of health and prevention of exclusion. When services needed in everyday living and the crises of life are available close by, life runs smoothly and problems can be prevented. More cooperation of a more flexible kind between the public sector, the third sector and companies is needed to safeguard well-being and services.

A well-functioning urban structure and adequate transport and telecommunication connections are prerequisites for the population's wellbeing, labour market participation, and access to services. The concentration of the population to the largest cities and their peri-urban areas sets challenges to the wellbeing of the population and the functioning of communities. In addition to urbanisation, the ageing of the population and immigration are phenomena that have a special impact on the development of education and social welfare and health care services but also on the development of the urban structure, land use, housing and transport services and the availability of labour. In regions with a growing population, urban structure needs to be developed in order to control the growth. Central elements in this are a sufficient supply of housing, good public transport connections as well as the comfort, accessibility and safety of the living environment. Similarly, in regions that are losing population, it must be possible to ensure the provision and accessibility of services. The public authorities have a duty to implement the citizens' fundamental rights equally.

We must strive to narrow the wellbeing gaps between regions. Inequality and social differentiation in the regions undermine wellbeing and reduce internal security. Safety and security are a major element in the operation of the entire society. They include the safety of people, wellbeing, and the safety and cleanliness of the environment. Different safety aspects are highlighted in different regions. Measures related to reducing inequality require extensive planning and a multiprofessional work approach. More cross-administrative cooperation and dialogue between sectors will be needed in developing regions and the organisation of services. The citizens' participation in developing their living environment and the region should be increased.

Urbanisation and the concentration of the population to the largest centres creates more pressures for new housing construction to ensure that a high cost of living or a lack of housing would not slow down the development of urban regions. The aim is at housing construction that meets the demand better than today. The means of reaching this aim will include both more streamlined planning processes and preconditions for construction as well as diversification of government-supported housing production. The special features of sparsely populated areas are taken into account in construction as more flexible permit and planning processes.

The digitalisation of public services will increase regional equality and the accessibility of services. Personal services will be directed to situations where a specific service need exists. Those customers who cannot use electronic services must also be served in the future.

The changes and, above all, possibilities brought about by digitalisation, including the creation of immaterial value, should be fully exploited in production, services and the education system alike. The generation and growth of service business that produces immaterial values must be promoted, and the operating conditions of those engaged in creative work should be improved. In addition, we should stress measures that create new growth and promote the cross-cutting utilisation of creative competence in different sectors.

The possibilities of open data should be utilised, ensuring that it supports regional and urban planning, service development, new business, education and research.

## **Actions:**

- Public, private and third sector actors will step up their cooperation and dialogue at the regional and local level on the roles of different actors and sectors in building up wellbeing, services and vitality. Partnerships will also be used in national networks. (Ministry of Agriculture and Forestry, Ministry of Finance, Ministry of Education and Culture)
- NGO-driven operating methods based on partnerships and independent initiative will be promoted, including the Leader approach, also in urban regions. (Ministry of Agriculture and Forestry, Ministry of Employment and the Economy, Ministry of the Interior)
- Municipalities and other public actors will be encouraged to deploy innovative procurement methods that give companies and the third sector the opportunity of offering products and service models of a completely new type, increase the participation of product and service users in the design and production of products and services, and create new ways of producing wellbeing and inclusion in a customer-oriented manner. (Ministry of Employment and the Economy, Ministry of Social Affairs and Health, Ministry of Finance, Ministry of the Interior, Ministry of Education and Culture)
- Promoting housing construction in growing urban regions and the reconciliation of housing, land use and transport by encouraging partnership-based cooperation between central and local government. (Ministry of the Environment, Ministry of Transport and Communications, Ministry of Employment and the Economy, Ministry of Finance, Ministry of Education and Culture)
- Through digital services, the smooth running of residents' and companies' everyday lives will be promoted, and new opportunities will be created for enterprising, service development and participation. (Ministry of Agriculture and Forestry, Ministry of Transport and Communications, Ministry of the Interior, Ministry of Education and Culture)

## **Linked to the following spearhead projects and reforms:**

- *Regional government reform*
- *Social welfare and health care system reform*
- *Digitalisation of public services*
- *Streamlining regulation*
- *Introducing a culture of experimentation*
- *Customer-driven services*
- *Promoting health and wellbeing, reducing inequality*
- *Speeding up the transition to working life*
- *Building up cooperation between higher education institutions and business life to bring innovations to the market*
- *Improving the accessibility of arts and culture*
- *Exercising one hour a day*

## **6. Monitoring the implementation of the regional development decision**

The regional development decision has close ties with the implementation and monitoring of Government Programme spearhead projects. An action plan will be prepared for the implementation of the decision, in which

the branches of administration will describe the stages of their actions, the available resources and the monitoring indicators.

The Ministry of Employment and the Economy, in cooperation with the other administrative branches, is responsible for the overall monitoring of how the decision is implemented. The Advisory Council on Regional Renewal designated by the Government monitors the implementation of the targets and measures in the different administrative branches on a regular basis. If necessary, the regional development decision can be reviewed by a decision of the Advisory Council on Regional Renewal.

The Ministry of Employment and the Economy anticipates and monitors development in the regions and its trends. The Ministry of Employment and the Economy drafts modifications in regional development legislation required by changes in the operating environment of regional development and the regional government reform.

The policies of the regional development decision must be taken into account in the Regional Strategic Programmes. Any revisions of the Regional Strategic Programmes can be made as their implementation plans are being prepared. The achievement of the regional development decision's targets and the implementation of its measures in the activities of regional government authorities are ensured by means of performance guidance and the relevant monitoring indicators.

Experiments conducted in different branches of administration will be collected on the website [www.kokeilevasuomi.fi](http://www.kokeilevasuomi.fi) set up by the Prime Minister's Office. The website contains short descriptions of experiment implementation and shares experiences of the experiments. Should they wish, the various branches of administration may use this website to monitor the results and impact of the experiments funded by them.

## 7. Regional development decision impact assessment

Green = very positive (++) Pale green = quite positive (+) Purple = positive and negative (+/-) Grey = no impact (0)

<b>Priority: Growth through renewal</b>	Smart specialisation	Business life cooperation with higher education institutions and research institutes	Bioeconomy and circular economy	Employment	Immigration	
<i>Economy, industries and regional structure</i>	++	++	++	++	+/-	
<i>Citizens and communities</i>	0	0	+	++	+/-	
<i>Environment and natural resources</i>	+	0	++	+/-	+/-	
<b>Priority: Vitality through networks</b>	Utilisation of Finland's resources	Networking	Accessibility			
<i>Economy, industries and regional structure</i>	++	++	++			
<i>Citizens and communities</i>	+	++	+			
<i>Environment and natural resources</i>	+/-	+	+/-			
<b>Priority: Wellbeing through partnerships</b>	Digitalisation of public services	Partnership in service provision	Participation of citizens	Reducing inequality	Cooperation between actors	Housing
<i>Economy, industries and regional structure</i>	++	++	+	+/-	+	+

<i>Citizens and communities</i>	++	+	++	++	+	+
<i>Environment and natural resources</i>	++	0	0	0	+/-	+/-

