



NORWEGIAN MINISTRY OF LOCAL GOVERNMENT
AND REGIONAL DEVELOPMENT

A new regional policy – for different regions

Globalization changes the conditions for regional growth





Foreword by the Minister

In Spring 2005 the Government presented a new White Paper on regional policy to Parliament (Storting) in which the Government presents its regional policy objectives, assessments of the challenges in different parts of the country, and policy measures to achieve the goals related to population settlement trends and business development.

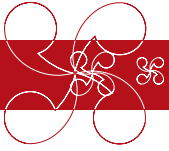
All parts of the country are affected by the fact that we are part of a global economy. Globalisation entails new and significant challenges for regional and local communities that can only be met by a significant increase in innovation and restructuring capabilities in the business sector and labour market. The business sector must simultaneously have stable, predictable, and good economic framework conditions which promote business competitiveness. This is particularly important in areas dependent on industries facing strong competitive pressure. Innovation is increasingly dependent on how well we exploit the existing resources and skills throughout the country. This applies to the business sector, research environments and public sector authorities.

The Government will make it possible for any individual to have the freedom to settle wherever he or she chooses. Since there is a link between settlement structure and wealth creation, we have to provide the conditions for exploiting the growth potential in all parts of the country. We must also assume that growth is a bottom-up process. This demands a policy that is sufficiently decentralised and differentiated so to take into account the various conditions for growth around Norway. Settlement trends show that increasingly more people live in big and small urban areas, and that areas with small centres and sparse populations are experiencing population decline as a result of migration and demographic structure. In order to sufficiently exploit all the resources in the entire country, we need to have a policy that both distributes urban growth within and between different regions and that strengthens the foundations for population settlement and wealth creation in vulnerable areas.

The new White Paper builds on the core arguments in a statement which I made to Parliament in the Spring of 2002. The White Paper also takes into account reports prepared by the Effects Committee (*Effektutvalget*) and the District Commission (*Distriktkommisjonen*). The District Commission discussed amongst others the future of the county authorities and the mid-tier of Norwegian government. This issue will be dealt with in the next Parliament and is not included in this White Paper. The Government has presented its initial plan to deal with the issue of the county authorities in the Municipality Bill for 2006.

Erna Solberg





Regional policy objectives

The Government's regional policy objectives are to maintain the main features of the settlement pattern and to release the growth potential in all parts of the country. For the next 20 years, the Government is aiming towards a geographically balanced settlement pattern, in which all parts of the country experience population growth. The Government also emphasises that policy initiatives to achieve regional policy goals should also strengthen Norway's international competitiveness.

Regional policy encompasses all of Norway, both large cities and rural areas, and initiatives from many policy areas are important to achieve the prescribed objectives.

Regions with particular challenges

A central part of the Government's regional policy aims to strengthening the foundation for population settlement and economic growth in the so-called 'district policy assisted area'. The policy target area encompasses municipalities and regions facing specific challenges with regards to low population, weak or vulnerable business climates and long distances to larger centres and markets, both for the inhabitants and businesses. Policy initiatives will assist in promoting employment and development of profitable activities, and provide the basis for good service provision and attractive cities for businesses and inhabitants. This Government will continue stimulating business clusters in targeted areas, to maintain and develop the specialized skills and business knowledge that exist in such clusters. The government also wishes to protect and build on Norway's variety of cultures and lifestyles that has been evolved over generations.

The 'district policy assisted area' encompasses cities and rural districts in Northern Norway and Trøndelag as well as a number of small towns and rural districts in large parts of Southern Norway. Core policy instruments include the differentiated social security tax scheme and compensation measures for the phasing out of this scheme; loans and grants to firms, business development, and urban development within the budget of the Ministry of Local Government and Regional Development; grants to small municipalities and to North Norway within the funding mechanism for municipalities; and other specific schemes in the Action Zone in North Troms and Finnmark.

The direction and magnitude of some of the policy initiatives will be assessed within different contexts in the future in connection with the ongoing work of the



Income System Committee and the changes in the EU/EEA Regional Aid Guidelines from 2007.

Rural policy and agricultural aid policy, which amongst other objectives is founded upon the population settlement objective, is also of importance to many rural regions and have bearing on regional policy objectives.

Securing population settlement and increasing wealth creation in the entire country

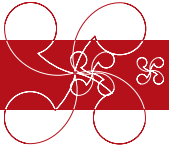
Population settlement and wealth creation go hand in hand. Tourism in Norway is for example worth NOK 23 billion per year, and tourism and travel have become important sources of employment and wealth creation both in rural areas and cities. Globalization is an important driving force for development in the whole country and provides significant possibilities but also significant challenges. Challenges vary from region to region but the need for restructuring and innovation applies both to firms and society overall.

The Government will focus on the potentials for economic growth that exist in the whole country, and the individuals that want to develop these potentials. People with the desire to move and create should be able to reside and be active wherever they want to, whether it is in a rural area or a small or large city. The availability of public services and maintenance of the vitality of local communities is therefore important. It is an objective to further develop large and small cities and local societies that are unique and attractive for businesses, inhabitants, and tourists; and not to erase the differences between cities and rural areas, or between Northern Norway and Southern Norway. The country's diversity and variations must be regarded as an important asset, not as a problem.

Wealth creation is achieved through a chain of mutual dependent activities and skills related to people and business sectors in different areas. The decrease in employment in the primary sector and industrial sectors, accompanied by increasing production, is due to the fact that efficiency is improving. Employment and wealth creation are also increasingly being created in later stages in the value chain and in the cities; in the form of sales and marketing, and research and development.

Regional policy is not a sector policy, and regional policy objectives can only be achieved by a broad approach and through inter-play between different policy areas and satisfactory co-operation between actors. To maintain the main features of Norway's settlement pattern and exploit the wealth creating potential in all parts of





the country, the Government's strategies are:

- An economic policy that ensures sound and stable framework conditions for businesses and society overall
- Regional differentiation and decentralisation in several policy areas
- A policy to promote innovation and business start-ups which is adapted to regional variations and is directed towards strengthening regional business and knowledge environments which have growth potential
- A broad effort to meet restructuring challenges in areas with mono-industrial structures and small labour markets
- A more systematic attempt to develop attractive small and medium-sized urban areas accompanied with balanced growth between large cities

International competition and economic framework conditions

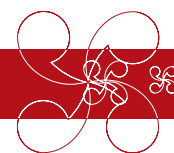
Technological developments and the reduction in trade barriers have allowed more and more companies and sectors to take part in global competition. The conditions for competition faced by Norwegian companies are therefore determined by international and national framework conditions. Industrial enterprises and other businesses facing international competition require favourable and stable working conditions, related to interest and exchange rates. This will secure jobs and provide foundations for employment creation. This is particularly relevant in shipbuilding, fish-farming, metal processing and other competition-sensitive industries located outside of large population centres.

Decentralisation and policy differentiation

Believing in one's own capabilities and initiative from the individual person are decisive in unlocking growth and creativity in local communities and regions. Growth is a bottom-up process, from the individual firm and entrepreneur, and cannot be centrally determined. Challenges vary between residence and labour market regions of different sizes and with different functions within a broader regional and national context. This implies that regional policy must be broadly differentiated so to adapt to the challenges in different types of regions, from peripheral areas to big cities. The Government will therefore continue to decentralise responsibility and authority to the local and regional levels.

Innovation

The state is not to build the country but is an active participant in releasing extra growth potential. The Government has removed bottlenecks with regards to innovation and business start-ups in the entire country through for example tax and tariff reductions. The establishment of Innovation Norway as a new, holistic, and



user-oriented policy delivery system is also related to the initiative in promoting innovation and internationalisation in individual firms and regional business environments. The Government also emphasises that good education and research systems and good infrastructure are decisive in promoting innovation and business development in the entire country.

Restructuring

The Government pays special attention to social challenges in areas where the industrial base is vulnerable or is already failing, and wishes to assist in developing initiatives so to give society new growth opportunities. A majority of these areas are extra vulnerable to changes in international and national framework conditions due to their labour markets being intrinsically dependent on one single sector or a few vulnerable undertakings. Such areas do often have resources and sectors that are crucial to Norwegian wealth creation in the maritime sector, the marine sector, the energy sector, food and agriculture, tourism etc.

The Government places emphasis on that independent where ever one may reside, each person shall be assured that he or she has access to basic public services like for example education, health, and caring services.

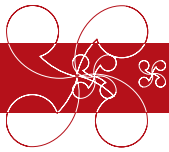
Population settlement objective

Growth or decrease in population and employment are attributed to demography, choice of residence, immigration, and changes in the economic structure. Though the population is spread across all parts of the country, almost 90% of the population in residence and labour market regions live near centres with 5000 or more inhabitants. The trend also indicates that some areas with small centres and sparse population will continue to experience population decline. The goal of maintaining the overall settlement pattern cannot be linked to the development of individual municipalities. Both objectives and initiatives must be considered in light of the development in large residence and labour market regions and between different parts of the country.

Attractive centres and cities

Long-term trends suggest that the goal of a more balanced development in population settlement in which all regions experience growth, can only be achieved through a distribution of the growth in the cities, both between large urban centres and between the medium size and smaller regions. Service provision, labour market, knowledge milieus etc. make medium sized and smaller cities act as a 'glue' for regional settlement patterns. These cities ought to be important engines for regional development for their surrounding areas, just as large cities in the same way ought to be engines for development in larger regions.



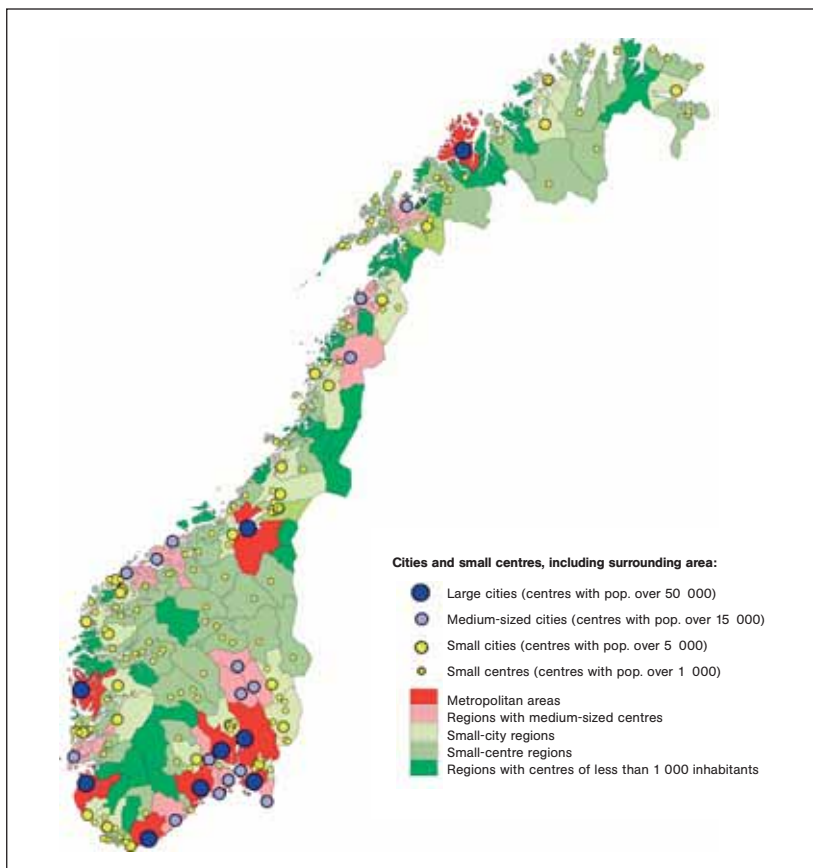


Initiatives to achieve regional policy objectives

Different policy initiatives contribute in many different ways to achieve regional policy objectives. The Government emphasises that different types of initiatives must be seen in context and support each other, so to achieve the best possible effects.

Differentiated policy, decentralization and co-operation

- **Regionally adapted policies:** The Government stresses that the policy implemented is adapted to challenges and needs of different types of regions and various parts of the country.
- **Decentralization:** The Government will continue the decentralisation of responsibility and authority to the regional and local levels. It will further encourage co-operation between municipalities, county authorities, national authorities, the business sector/private sector, research and development organisations, and higher education institutions.



- **Regional and local co-operation:** The Government emphasises regional and local co-operation on the policy instruments that are decentralised or delegated to the regional and local levels. The county authorities, acting as a regional development stakeholder, have an important leadership role in initiating regional co-operation within binding partnerships to prioritise and coordinate actions in accordance to national and regional objectives and strategies for innovation, restructuring and urban development.
- **Co-operation with the major cities:** The Government will follow up the collaboration with major cities which was established in connection with the White Paper on metropolitan areas. Collaborative projects include the co-ordination of national policies and systems to monitor urban developments.
- **International co-operation:** The Government will make arrangements for Norway to continue participating in cross-border regional development activities such as the Barents Cooperation, Interreg and Nordic co-operative ventures.



- **Increased scope of influence for county authorities:** A minor part of the Ministry of Local Government and Regional Development's regional policy initiatives is applied to regions outside the 'district policy assisted area'. The Government proposes a change in the geographical delimitation for the use of resources for regional development so to widen the county authorities' scope of influence. Geographic limitations that apply to direct business aid will remain in force.

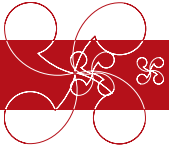
Strengthening the foundations for regional growth

- **Infrastructure development:** The Government will exploit the potential for expansion of labour markets through the development of infrastructure, especially in medium sized and small cities. The Government also emphasizes the importance of removing bottle necks in infrastructure in all types of regions, both for transport and ICT.
- **Localization of national authorities:** Localisation policy shall promote taking advantage of and strengthening regional skills and make labour markets more varied and attractive in regional centres and in medium sized and small cities. It is also relevant to place authorities that do not significantly require specialised skills to areas with small centres. New national authorities shall, generally, be located outside of Oslo.
- **Higher education and R&D:** The Government will ensure a positive development in the education and R&D sectors in medium-sized and small cities. This is important for access to qualified labour, to increase the number of skilled jobs, and exploit the potential for business development through co-operation between academic and research institutions and business/private sector and society overall.

Innovation, restructuring, employment and profitability

- **Innovation:** The Government regards innovation, internationalization and regional development in context with each other. Innovation policy is a necessary and important part of regional policy, both with regards to the development of national policy, regional development strategies and local initiatives. A regionally oriented innovation policy takes account amongst others the specific opportunities and barriers for innovation and also makes use of local and regional competitive advantages. It is also about promoting good co-operation processes between the business sector, academic institutions and public authorities, and to disseminate information regarding technology, products and markets in Norway and abroad. Regional policy instruments shall amongst others assist in releasing the extra growth potential in large and small business sectors in the entire country. The Government therefore intends to continue its support for business parks, business 'greenhouses' and incubators, and a specific initiative directed at higher education institutions for the commercialisation of business ideas. In





addition, as a new initiative, the Government in 2006 will initiate a programme designated at specialized and internationally oriented clusters of businesses and skills (Norwegian Centres of Expertise). Pilot projects have already been established in Ålesund, Raufoss and Horten.

- **Restructuring:** Areas with weak industrial bases and small labour markets face particular challenges in the labour market and industrial sector in tandem with restructuring and streamlining of traditional industries such as agriculture, fishing and manufacturing. The primary responsibility for encouraging innovation and restructuring lies with the industrial sector itself. Local and regional authorities contribute to these efforts, like for example through business-oriented regional policy measures and through other sector policy measures. The Government will in extraordinary circumstances also consider exceptional measures.
- **Employment:** The Government intends to continue implementing the differentiated social security tax scheme to strengthen the foundation for employment in areas with weaker growth potential in the business sector and population settlement, thin business climates with various small activities and large distances to larger centres and markets. The Government is working actively towards EU to increase Norway's scope of influence regarding regional policy instruments, including the use of the differentiated social security tax scheme.
- **Business development through loans and grants:** Many of the financial resources allocated to regional development are used for development grants and venture capital within the district policy assisted areas. The Government's opinion is that access to venture capital through a competent policy delivery system which is also user-oriented and adapted to local situations can play an important role for business development in the district policy assisted areas as a supplement to the private sector.

Foundation for good service provision and attractive communities

- **Access to high-quality services:** The funding mechanism for municipalities shall ensure all municipalities and county authorities with an equal foundation upon which to provide their inhabitants with high-quality services. In addition to this are the regional development grant and the Northern Norway grant which are founded upon the regional policy goals. Health-care establishments shall provide access to specialized health services for all.
- **Attractive communities:** Cities and rural areas must be attractive for investment, entrepreneurs and settlement. Communities that are attracting migration and settlement also provide a better foundation for localisation of activities and for a good service provision through access to labour. It is important to develop strategies for developing centres and regions that build on strong aspects and that strengthen local identity in which gender and phases of life are taken into account.

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