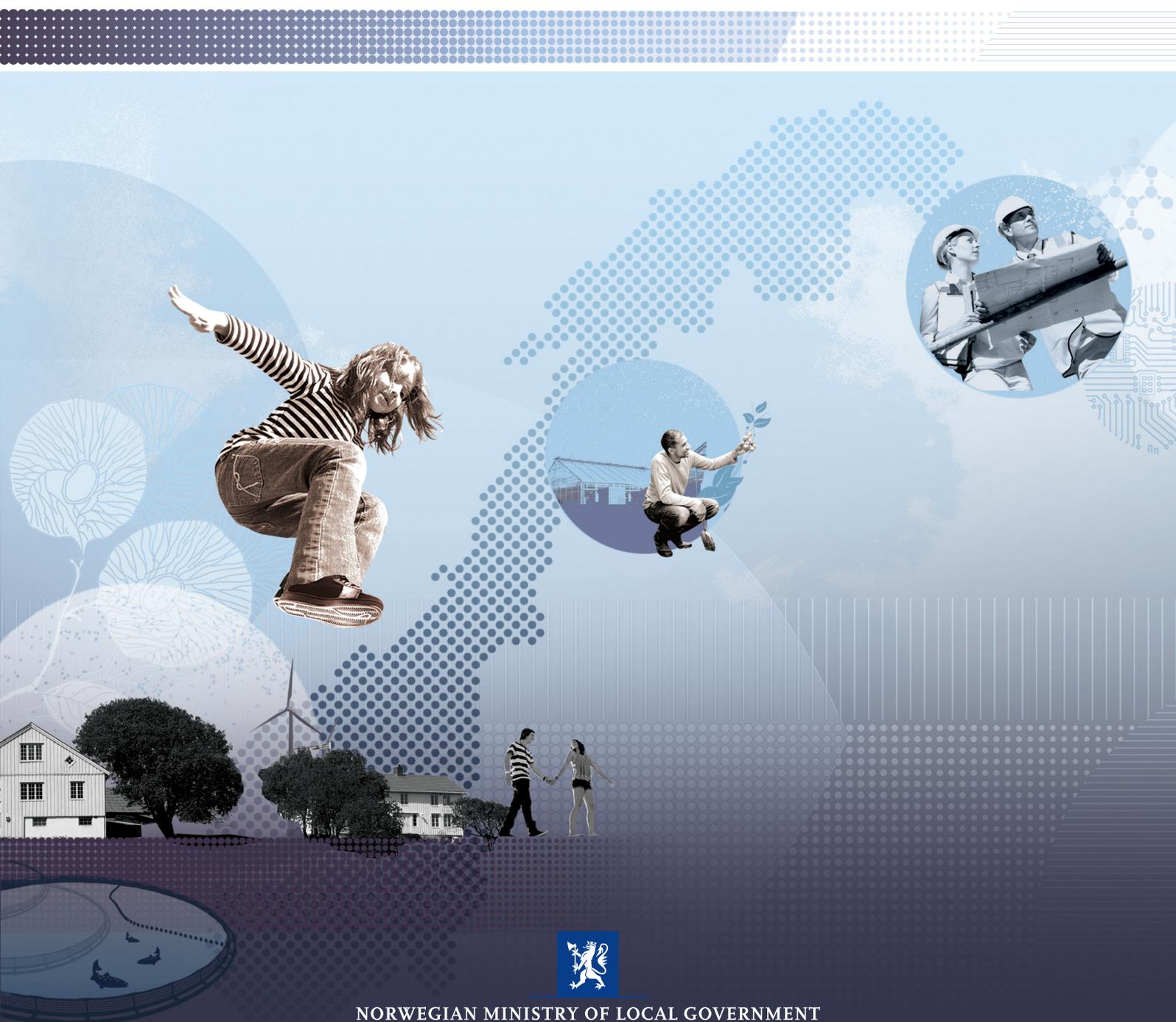


# ON RURAL AND REGIONAL POLICY

REPORT NO. 13 TO THE STORTING (2012–2013)

Summary



NORWEGIAN MINISTRY OF LOCAL GOVERNMENT  
AND REGIONAL DEVELOPMENT



## ON RURAL AND REGIONAL POLICY

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English summary of the Norwegian Government's white paper to the Parliament on rural and regional policy: Meld. St. 13 (2012–2013) Ta heile Noreg i bruk. Kommunal- og regionaldepartementet, Oslo, 1 March 2013.

## BALANCED AND COMPETITIVE REGIONS

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It is the Government's aim for all of Norway to be in use. It will continue to build the country for future generations. A proactive rural and regional policy has created a Norway to be proud of. The Government will continue to develop commerce and industry, as well as the welfare system, and adapt our rural and regional policy to meet future challenges. The challenges may change, but one important vision remains the same: the good life throughout the country.

### Rural and regional policy goals

*The Government aims to preserve the distinctive features of our settlement pattern. Our goal is to utilise human and natural resources throughout the country, in order to create the greatest possible national prosperity, ensure equal living conditions and offer everyone the freedom to settle wherever they choose.*

The preservation of the distinctive features of our settlement pattern has been an explicit goal for Norwegian regional policy since the 1970s. The scattered settlement pattern is a central feature of Norway's special character, and forms part of a broader history and a cultural heritage.

It is clear that we should give those who want to live outside the major cities the freedom to settle where they choose. This is a decisive factor in preserving the settlement pattern and securing balanced regional development.

Utilising human and natural resources throughout the country is a precondition for creating the greatest possible national prosperity. This requires bolstering local and regional assets, securing growth opportunities in both large and small labour markets and thereby fostering balanced regional development.

Equal living conditions throughout the country is a necessary precondition in order to achieve the Government's rural and regional policy goals. These goals are therefore closely interconnected and mutually dependent. Equal living conditions are achieved for example by providing jobs for all and an adequate range of public welfare services throughout the country.

## Rural and regional policy influences the driving forces behind societal development

Our rural and regional policy aims to influence development trends and the motive forces in society. Demographic structures, resettlement trends, commercial structure and industrial development all have an effect on societal development. The same applies to greater societal demand for education and expertise. Additionally, people's social and geographic preferences when shaping their lives, have significant impact on the structures of our society.

Today, we are witnessing deep-seated changes in commerce, industry, working life and demographics. These changes will characterise developments throughout the country and will have an impact on how life in Norwegian society will be in the future. In this light, the rural and regional policy goals are ambitious and bold. We must act now to prevent irreversible regional imbalances over the longer term, which will have a negative impact on those living in both urban and rural areas.

Norway's rural and regional policy has been successful throughout its 50 year history. By comparing trends in Norway with those in other countries, we see that Norway enjoys good living conditions throughout the country and relatively minor regional differences. Commerce and industry take part in the global division of labour, and large parts of the country are experiencing prosperity. In recent years, the declining population in many rural municipalities has turned to growth. The Skilled Jobs Committee (Kompetansesarbeidsplassutvalget) established that balanced regional development is a precondition for creating the greatest possible national wealth. National income lays the foundation for the future welfare state. The rural and regional policy thus benefits the entire country.

This Government white paper focuses on knowledge-based value creation and robust regional labour markets. We must make provision for balanced regional development with a policy and corresponding instruments tailored to local resources and challenges.

## Strong population growth throughout the country

Norway is currently experiencing a relatively regionally balanced population development. Until a few years ago, the development was a zero-sum game, where population growth in urban areas led to a decline in rural areas. This is not the case today. Overall, the current population development in rural Norway is the best it has been in 30 years. The main reason for this is immigration, which contributes to population growth in all counties. 118 more municipalities experienced population growth in 2011 than in 2006.

However, there are significant differences between municipalities, and many rural municipalities experience a decline in population and are struggling to maintain public and private services. Of the 117 municipalities with declining populations in 2011, 115 fall within the rural policy area. The long-term trend of young people moving away has resulted in fewer births and an ageing population.

Much of the centralisation is associated with the choice of education venue. Nearly 60 per cent of students stay and find their first job where they attended university college or university. This migration pattern shows that there is a need to continue a decentralised education structure and develop attractive regional education opportunities.

Strong population growth in major cities puts pressure on housing developments, transport and public services. Growth in these areas is primarily explained by high birth rates and significant net immigration. Increased birth rates in the major urban areas are primarily a result of the centralisation we have seen over the last few decades. There is still a domestic centralising trend, although smaller than a few years ago.

Never before has Norway experienced the level of population growth witnessed over recent years. This is an important reason why there is now a housing shortage throughout the country, both in urban and rural areas. We therefore need stronger growth in housing developments. We can offset the pressures on major urban housing markets by strengthening large and small labour markets across the country.

### **Skilled jobs**

Skilled jobs are unevenly distributed across the country. The Skilled Jobs Committee concluded that further centralisation of skilled jobs could result in major socio-economic costs as other available resources are not fully utilised. Human capital is the most important source of prosperity and economic growth. A high level of employment throughout the country is therefore crucial in order to secure future prosperity and welfare. Norway's labour participation rate is high compared with other countries, but the inability to convert the labour force causes an unnecessarily high number of people in some areas to fall out of the labour market following business closures or reductions in the workforce. A lack of expertise and low economic activity in an area can push people out of the labour force, resulting in passivity. Norway is a high-cost country, and it is, by and large, businesses that generate high value creation per employee that will remain profitable if located in the wealthier countries of the world. Thus, the private and public sectors must become more knowledge-based throughout the country.

### **Emerging bifurcation of the economy**

Throughout history, local natural resources have formed the basis for employment, value creation and decentralised settlement in Norway, although regions will always have different resource bases.

We are now seeing an emerging bifurcation of the Norwegian economy. We have, on the one hand, the part that competes on the global market, and which is linked, directly or indirectly, to the strong petroleum, seafood and maritime transport sectors. The areas with the greatest export of goods and services per capita are found along the west coast. Financing, engineering and R&D are examples of services linked to these sectors, which are most often located in university towns and cities.

On the other hand, we have regions with more traditional industries, not taking an equal part in the strong national growth. There are many such smaller labour markets in the inland part of Southern Norway, in the fjord areas in Western Norway, as well as many parts of Trøndelag and Northern Norway.

### **Small labour market regions have structural challenges**

A decentralised settlement pattern is an important part of the Norwegian character, but smaller labour markets have different growth and development opportunities compared with larger ones. The Government therefore wants to continue the strong efforts aimed at smaller labour markets. Supporting the development of attractive local communities, broadband coverage, transport and communications development, differentiated levers for industry development, flexible education and working conditions, are all focus areas that are particularly important for smaller labour markets. In order to assess the need for additional initiatives, the Ministry will also map county efforts to mobilise, guide and facilitate further education and training opportunities for people and businesses. This should be considered in connection with the interministerial and OECD cooperation on developing a knowledge strategy for Norway.

Local communities, municipalities and regional labour markets must be attractive in order to reach our goals of settlement and prosperity throughout the country. Over the last few years, an increasing number of municipalities have experienced population growth due to new arrivals, especially from abroad. In an attractive local community, both new arrivals and the established population feel settled and want to stay. It is the human resources that are most important in developing local communities and retaining employees, businesses and people. Attractive local communities are created by people.

The municipal sector is the primary channel for securing equal welfare services throughout the country. There is broad political agreement that municipalities should provide equal services. The combination of the generalist municipality system, a large municipal sector, a complex municipal structure and an equalising income system, means that the municipal sector plays a decisive role in maintaining Norway's settlement pattern. The Government will continue to prioritise municipal finances and will maintain the regional policy subsidies in the income system.

Many municipalities in smaller labour markets are located in areas with large conservation areas. The Government will collaborate with the municipalities to continue the work on preventing conflict and securing sustainable resource management in these municipalities.

### **Develop and expand smaller urban areas**

Large parts of the country's most globalised and export-oriented businesses are found in relatively small urban regions. These cities and towns are often located just outside the rural policy area, and are important for the development of their respective regions. One way to improve recruitment of labour to these businesses, while also spreading growth over a wider area, is to connect the cities and their surrounding areas.

Investments in transport and communications make it possible to link smaller labour markets, thus providing people living in villages and rural communities with greater freedom of choice as regards

work. This makes the labour market more attractive. There is significant potential in providing larger parts of the country with access to more jobs, which is critical for long-term regional development. The Government will follow up on the possible linking of labour markets in future processes involving the National Transport Plan.

Many small and medium-sized cities have institutions of higher learning, hospitals and various types of State agencies. These are important, both for access to services as well as varied labour markets in urban areas. In its organisation of State agencies, the Government endeavours to ensure that people throughout the country have good access to services, a more even distribution of state jobs and the establishment and development of professional environments outside the major growth areas.

The Ministry aims to facilitate positive development in small and medium-size cities. But no cities or urban regions are identical, and each region must be analysed individually. In some areas, it will be possible to realise potential through better transport communication, in other areas, networking and cooperating between businesses and industry will be more important. One goal must be to better connect business and industry in urban areas and their surroundings, thus allowing larger parts of the region to participate in the dynamics of business and industry.

The Ministry has therefore in 2013 started a development programme to strengthen small and medium-sized cities as regional development forces. The programme aims to identify the potential for commercial activities in the individual city and its surroundings, and on this basis, select strategies and measures tailored to each region.

### **Strong growth in major urban areas**

The strong growth in the capital region and other major urban areas comes with specific challenges. The pressure issues must be resolved in two ways. On one hand, public plans must account for the strong growth expected over the coming years. The growth has an impact on e.g. infrastructure, housing markets, living conditions, government services and integration. Several of these challenges require solutions cutting across municipal and county boundaries and in cooperation with State authorities. These questions have been raised in existing and forthcoming reports to the Norwegian Parliament concerning integration policy, housing policy and the National Transport Plan. The Government has also asked the counties of Oslo and Akershus to collaborate on the development of an integrated land use and transport plan for the capital region. Cooperation based on regional and local political initiatives is an important part of social planning in all major urban regions.

On the other hand, the Government will implement policies that ensure more balanced development in Norway. This is addressed in this white paper. We also need to ensure that young people will find it attractive to settle and work in areas where important businesses and industries are located, including those outside major urban areas. This will require a pro-active rural and regional policy that can distribute the growth to smaller and larger labour markets across the country. In central parts of Eastern Norway, the development of medium-sized cities could lead to better utilisation of infrastructure, as well as easing the pressure on the Oslo region.

## Pro-active rural and regional policy

Rural and regional policy is about prosperity and value creation where people live. The Government will exercise a pro-active and regionally differentiated policy in order to reach its rural and regional policy goals. In many parts of rural Norway, a large share of employment is within export industries. Predictable and positive international conditions for competition are especially important for value creation and employment in these industries.

Norway is, as an EEA partner, subject to the same competition rules as EU Member States. One part of this is the possibility to compensate businesses for the extreme low population density in some regions. The EU is scheduled to adopt new guidelines for regional support in 2013, valid from 2014.

One important aspect of rural and regional policy is the ability to provide investment support to rural companies. In the upcoming ESA negotiations, the Government aims to achieve the best possible result as regards the new map for investment aid starting in 2014.

The reintroduction of the regionally differentiated employer tax from 2007 is a key part of the Government's pro-active rural policy. The Government will work toward continuing the differentiated employer tax scheme, and will also continue the current scheme for compensating municipalities where the employer tax was increased in 2007 as compared to 2003.

Public efforts must be adapted to the challenges and potential of the individual regions, which is why county councils have been given a rural and regional policy assignment. County councils administer nearly 80 per cent of the funds for rural and regional policy on the Ministry's budget. The Government will continue to allocate the funds in order to support regions and areas with particular challenges.

## Attractive local communities

The Government regards attractive local communities and local development forces as important preconditions for achieving rural and regional policy goals. Involved citizens can make a big difference, and the cooperation between the voluntary sector, business and industry, as well as the municipality, are all important parts of local development work. Local development work is largely about stimulating and supporting the local development culture. The municipalities act as a front line service for this work.

Both the political and administrative leadership of a municipality must take responsibility for the development work. National policy for local development will ensure that the municipalities have the capacity and expertise to lead the development, as well as stimulating passion and creativity by providing economic resources for the work. The Government will strengthen the capacity and expertise of local development work with broad efforts through the county councils, the Centre of Competence on Rural Development and a new effort to increase the development capacity in small rural municipalities.

Immigration and population growth in many municipalities makes access to housing and the inclusion of new arrivals increasingly important parts of local development work. The Government has therefore strengthened its efforts on housing development in rural Norway through a three-year programme

under the auspices of the Norwegian State Housing Bank.

### **Public access in a digital world**

Well-developed broadband, as well as telecommunications and other digital infrastructure, are important in order to ensure equal living conditions and full community participation throughout the country. The Government will continue its efforts to secure access to broadband with sufficient capacity to meet the future needs of schools, the health sector, business and industry, as well as private households, throughout the country. The Government will present a report on ICT policy, facilitate the development of mobile broadband and consider the use of subsidies in the future to stimulate the spread of high-capacity broadband in small markets. Norway is above the European average as regards the availability and use of broadband, and it should be ensured that Norway has secure, robust broadband networks of good quality. Market-based development will still be at the core of the broadband policy. Public authorities will facilitate competition, and play an important role in facilitating cost-efficient broadband development throughout the country.

### **Differentiated business policy**

The Government will continue a regionally tailored policy to stimulate innovation throughout the country. The county councils will lay the ground for this regionally tailored policy.

Today, too few are aware of the existence of schemes such as differentiated labour tax and other public schemes for financing business. It is therefore important for the county councils, Innovation Norway and the Industrial Development Corporation of Norway (SIVA) to clearly communicate their rural policy assignments.

Business and industry have increasing challenges regarding recruitment of the right expertise. There is a close correlation between the location of institutes of higher learning and where students find their first job. A new scheme is initiated in 2013 for business-oriented expertise development. The scheme will ensure that institutions of higher learning are better able to supply the skilled labour required by regional business and industry.

Entrepreneurs must receive better information about what it means to be involved in starting a company. An online portal gathering all relevant information for entrepreneurs is established in 2013.

The Government will secure good framework conditions for the resource-based industries, in order for the natural resources to be used to create the greatest possible national income. This must be balanced against the preservation of important natural and environmental assets.

### **Action zone in Finnmark and northern Troms County**

Traditionally, the very northernmost part of Norway has a level of regional development challenges not found elsewhere in the country. In 1990, an "action zone" was established, where a mix of measures for increased employment and recruitment of labour was introduced. The lack of skilled labour is still a challenge in the action zone. The positive development and optimism in the resource-based industries indicates that this trend of labour shortages will continue.

The challenges linked to significant geographical distances and low population makes this region unique. The efforts must therefore differ from those in areas with larger housing and labour markets, large companies and stronger industry and expertise environments.

The Government is of the opinion that the action zone for Finnmark and northern Troms County is still needed, and will continue the overall efforts in their current form. A review of the action zone has indicated that measures such as depreciating student loans have positive impacts on recruitment. The Government is of the opinion that an improvement of the program for depreciating student loans may be a contribution toward meeting future needs for expertise. The Government will consider further changes to these policy levers in the annual budgets.

### **The mountain regions**

The mountainous areas of Southern Norway are an important part of the rural policy area and are thus covered by the special rural policy programmes. Their natural properties also give rise to the mountainous areas' special challenges and potential as regards development.

The Ministry of Local Government and Regional Development will implement special measures aimed at developing expertise and networks, entrepreneurship and innovation in business and industry in the mountainous areas, starting in 2013. The measures are scheduled to last for five years.

### **State localisation policy**

State agencies employ large numbers of people throughout the country, but they are not evenly distributed geographically. Spreading state agencies will contribute to more balanced regional job growth and will have a positive impact on labour markets and economic activities where the agencies are localised. Many of the jobs are also highly skilled, and may provide a basis for other skilled jobs. The localisation of State agencies may also be crucial for access to key services for citizens and the community at large. An even distribution of growth in skilled jobs is especially important for balanced regional development in the future.