

JOURNAL OF NORDREGIO

No. 1 March • Volume 1 – 2004

THE ADDED VALUE OF THE STRUCTURAL FUNDS:

A NORDIC PERSPECTIVE

p.21

REFORM OF DENMARK'S LOCAL AUTHORITY STRUCTURE

*How many counties and
municipalities should Denmark have
in the future?*

p.7



NORDREGIO

Nordic Centre for
Spatial Development

CONTENTS

No. 1 March • Volume 1 – 2004

3 EDITORIAL

NEWS

4 IN SHORT

RIGHT NOW

6 NEED FOR LOCAL GOVERNMENT REFORM
IN DENMARK

FEATURE

7 REFORM OF DENMARK'S LOCAL AUTHORITY
STRUCTURE

13 370 YEARS OF GOVERNANCE
COMING TO AN END?

15 REGIONAL GOVERNANCE –
TRENDS, MODELS AND THE
LATEST DEVELOPMENTS IN NORWAY

18 TRANSNATIONAL CO-OPERATION –
AN INSTRUMENT FOR ORGANISATIONAL LEARNING
AND SOCIAL CAPITAL BUILDING

21 THE ADDED VALUE OF THE STRUCTURAL FUNDS:
A NORDIC PERSPECTIVE



JOURNAL OF NORDREGIO

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ISSN 1650-5891

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CH-CH-CH- CHANGES...

David Bowie was certainly not commenting upon the present developments in Nordic administrative thinking when he wrote his famous song on the fluctuating aspects of life in general, but the odd title is nevertheless the most striking common denominator to describe this winter's Nordic discussions on future regional administrative practice.

The most salient case is of course that of Denmark; where the Structure Commission (Strukturkommissionen) has stirred a debate that certainly will last until the elections in 2005 if not for longer. Proposing six models to alter the traditional county and municipal structure of the country, the commission has stuck to its professional guidelines and left the politics to the politicians. It will soon become obvious, as was demonstrated when a similar commission proposed alternative administrative models in Norway in 2000, that it is much easier to hatch a set of models than to implement them. Though the political climate for important changes, it should be admitted, seems much riper in Denmark in 2004 than it was in Norway 2000.

In Sweden a commission on administrative division of labour (Ansvarsutredningen) at the end of 2003 presented a first report on possible responsibility patterns in the regional administrative system. One of the basic discussions undertaken by the commission is whether the main responsibility for regional policy initiatives and coordination should reside with the state or the municipalities. The obvious third case, to identify a more politically potent regional level of activity, is curiously enough not even mentioned.

This is remarkable as it contrasts the current discussions in Denmark, Finland, where such a regional test case is going to be set in place in Kainuu next year, and in Norway where the debate on the regional administrative systems lingers on nurtured by a recent governmental report on the regional effects stemming from broad sectoral policies (Effektutvalget). The Norwegian report is primarily technical in nature though it does nevertheless point to the need for a strengthening of regional

fragmented municipal structure unable to conceive and integrate policy schemes on a broader regional scale.

This warning should be heeded in the other Nordic capitals as well where national policies are not too precise, to put it gently, concerning the tasks of regional planning.

In the end, changes can occur in many ways. To think, describe and even dream them may seem easy, but to set them into practice will often prove hard

Proposing six models to alter the traditional county and municipal structure of the country, the commission has stuck to its professional guidelines and left the politics to the politicians.

coordination in the administrative system in order to enhance its overall performance. More interestingly perhaps from a policy point of view is the fact that the report's conclusions are going to be processed by a national commission on regional policy (Distriktskommisjonen) which is going to present its conclusions in September.

One can thus ask whether or not these initiatives reflect more general tendencies in respect of a need to maintain and monitor administrative systems regardless of national context. Whereas recent efforts in many countries in Europe have been put in place to meet the need for enhanced economic growth and regional innovation policies, the obvious need to overhaul the administrative system has either been neglected or left in the conceptual limbo of governance and partnership arrangements.

A recent Finnish experience exemplifies this dilemma. When the OECD territorial report on the greater Helsinki region published its analysis last year, the Finns as ever expected praise for their advanced policy initiatives on innovation and technological renewal. Instead they were told that the Helsinki metropolitan region suffered from bad management. Geographically manifest social cleavages were growing, while housing and other infrastructure policies were not adequate et cetera. The main problem was identified as a

as old habits, vested interests and systemic obstructions all work in favour of the proven solutions and inherited administrative patterns. Decades after the last important municipal reforms in the four large Nordic countries, there are inhabitants and voters longing for the old entities to be restored. In Norway as in Sweden some municipal divorces have been recorded recently to substantiate the case.

Administrative reforms may be about meeting rationality with a fresh mind, but the affective side of it should nevertheless not be underestimated. There may, as Paul Simons claims, be fifty ways to leave your lover. But, as we all now, most of them are for theoretical considerations or songwriters only.

In this landscape of prophesised and debated administrative changes, it should be mentioned that the Icelandic processes of municipal mergers proceeded according to a timetable not set by reports and commission, but a working practice of negotiations and referenda. Is this, at last, something to be inspired by?

IN SHORT...



West Coast Growth Ambitions

Following the nationally conceived regional development scheme that was launched by the Government last year, the four coastal municipalities of Holmsland, Ulfborg-Vemb, Thyborøn-Harboøre and Hanstholm have joined with regional and national authorities to present a development scheme to make these fishery-dependent communities more diversified and thus able to meet future occupational needs. This is necessary, the mayors of the municipalities argue, to spark growth in otherwise peripheral areas.

Think-Tank on Future Growth

The Minister of Economic and Business Affairs has commissioned a think-tank with a view to offering proposals and scenarios for coping with future economic growth and business development in Denmark. Representatives in the think-tank come predominantly from the Danish business community and are tasked with considering the impact of globalisation on the country's economic life.

Cottages in the Coastal Periphery

The Government has recently decided to open up some peripheral coast areas for new summer cottages. The number of cottages to be established is limited to 8 000 in the country as a whole with the argument that this will make a contribution to regions that otherwise have a meagre economic basis. The decision is none the less contested as, according to its critics, it violates important obligations to environment protection.



Cooperation in the Greater Helsinki Region Needs a Legal Basis

Jussi-Pekka Alanen, commissioned by the Government to propose new forms of governance in the Helsinki metropolitan region, presented his report on 2 March. The report proposes that a new

cooperative political board be established that is capable of dealing with questions concerning physical planning, housing, transport, regional development and relations between the metropolitan region and the state. The report recommends that a legal basis should be prepared as an underpinning for the board's operation. The practical cooperation is going to take place, it has already been proposed, in existing municipal and regional bureaucracies and on a project basis, thus giving the chief municipal officers a key role in the daily operations.

National Goals for Regional Policy Adopted

On 15th January the Government adopted a set of revised goals for the regional development policy field. Following already well-known paths of project-organisation, two features should be marked here as being of particular interest. Firstly the lessons from the Centres of Expertise and Urban Centres Programmes are combined in an effort to enhance the performance of important second cities, such as Tampere, Turku, Oulu, Jyväskylä, Kuopio, Lahti, Lappeenranta/Imatra and Vasa. Secondly special measures were announced to strengthen the weak regions of the east and north, notably Kainuu and Lappi.

Mixed Evaluation of the Urban Centres Programme

Having met with a lot of interest as a pilot project in regional policy design, the Finnish Urban Centres Programme has recently undergone a mid-term evaluation from Net Effect Oy. The evaluators point to increased specialisation and dynamism in the regions included in the programme. They also highlight the need for a number of improvements in the programme in the years ahead. These suggestions imply the clearer involvement in the programme of various state ministries and the provision of a better-coordinated regional structure of initiative and implementation. The Ministry of the Interior has already announced that the report is of

value in supporting the development of the present regional centres programmes into a more elaborated regional centres policy.

Cooperation Even in the Future

Having presented a preliminary report on the future of the Finnish regional administrative system on the 26th of February, the rector of the University of Lapland, Esko Riepula, prescribes the future administration of the regional policy measures to be kept on a cooperative and project basis as was previously the case. There is no need for building new regional administrative structures, Riepula concludes. On the national level, though, he advocates a more concerted national administration of the regional development budgets supported by a regionally recruited national board charged with channelling the various regional ambitions and policy inputs into the national process of policy formation.



Commission to Analyse Alternatives to Social Security Contributions

Following the recent compromise between the European Surveillance Authority (ESA) and the Norwegian Government on important amendments to the regionally differentiated social security contributions, the Norwegian government has charged a commission to analyse the potential alternative arrangements to be used for regional business support in certain peripheral areas. The commission is to conclude before the summer.

ESA Accepts New Transport Support Arrangement

The European Surveillance Agency (ESA) has accepted a new transport support arrangement comprising most of Northern Norway, and peripheral regions in the central and western part of the country. This regime will be implemented as of 1st January 2004.

The measures have been adopted as a consequence of the changes made to the regionally differentiated social security contributions cited above.

Processes on municipality and county mergers

Responding to a governmental initiative, the Association of Local and Regional Authorities has decided to join in a nationwide project to analyse the conditions for future changes in municipal and county structures.



Worry over the Future of Local Government

The future of local government should be safe-guarded by strengthened legal measures, the Swedish Association of Local Authorities and the Swedish Federation of County Councils note in a demarche to the Public Committee charged with reviewing the competences within the Swedish administrative system (Ansvarskommittén). The two organisations fear that the boundaries of competence could be so moved as to significantly diminish traditional local political autonomy, as the legal basis of such local powers has traditionally been more de facto than de jure. As such, they have asked the Government to look into this question when it considers its future ambitions for constitutional amendments.



INVITATION TO SEMINAR

Finance, planning and economic development: what next for urban regeneration in Birmingham?

Presentation by Dr Jane Pollard, senior lecturer at the Centre for Urban and Regional Development Studies, University of Newcastle upon Tyne, UK

Tuesday 27 April 2004, 13:15 -15:00

This seminar considers the strategy of city centre regeneration in Birmingham, UK and how such extensive projects have impacts on the city's diverse economic communities. It presents a study of Birmingham's historic Jewellery Quarter, a once proud Marshallian industrial district in the nineteenth century, and how the regeneration project has comprised attempts to rejuvenate this area. The conclusions stress that it is important to understand the "bottom up", daily lived experiences of "the economic" as understood and practised by the city's entrepreneurs and residents.

The seminar is organised by the Department of Human Geography at Stockholm University in cooperation with the Nordregio Academy. It is free of charge and open to students, researchers and practitioners. The seminar takes place at the Department of Human Geography at the Stockholm University Frescati Campus in the Geo-Science Building (Geovetenskapens hus), room X30. For directions see: <http://www.humangeo.su.se/eng/department/location/way.htm>

Enquiries: Brita Hermelin (brita.hermelin@humangeo.su.se)

NEED FOR LOCAL GOVERNMENT REFORM IN DENMARK



By **Anker Boye**,
Mayor of Odense (Social Democrat) and
Vice-chairman of Local Government
Denmark (Kommunernes Landsforening)

A reform of the responsibilities and structure of local government is underway in Denmark. The public sector has been subject to a major examination, and now the political debate is in high gear. The Danish parliament «Folketinget» is expected to nail down the framework for a reform in the course of the coming year. This article presents a personal view of what such a reform should include.

For several years now the public sector has been the focus of serious debate in Denmark. Which should not come as a surprise, since in recent years we have been experiencing major changes in the premises for public sector activities. One could mention, for instance, increased demands from citizens, a dramatic change in the population structure, with more elderly people and fewer of working age, and tight public finances.

The current organisation of the public sector dates back to 1970, when the last local government reforms were imple-

mented in Denmark. This was an effective reform, which has demonstrated its value for decades, but the time has come for a new perspective. In my opinion, the time has come for a reform which will result in strengthening and ensuring the future of local government.

Placing the citizen at the centre

It is crucial that the upcoming reform place citizens at the centre. We must ensure that all citizens become part of strong organisations, which can also look after society's disadvantaged groups.

A reform of responsibilities and structure is a singular opportunity to provide citizens with simpler and better service than is currently the case. This is why local authorities in Denmark are also concerned with making local government the citizens' main entranceway to the public sector. There is broad consensus among Denmark's local government politicians that, to ensure continuity in service provided to citizens, three areas of responsibility should be transferred to the municipalities from the national and regional level. These are social welfare, comprehensive special education and labour market policy.

The objective, seen from the citizens' perspective, is to give these services more continuity and transparency. Responsibility for connected tasks should, to the greatest extent possible, be placed with the same authority. The citizens should be able to see clearly who they can hold responsible.

In the field of health care, which comprises a fourth important area under debate in Denmark, it is proposed that from now on the municipalities pay for health services. This will give them an incentive to work towards speeding admissions and discharges from hospitals, to work on health prevention, etc. As things are today, there are far too many examples of citizens being left out in the cold, because the regional and local governments cannot agree who is to pay, e.g. for rehabilitation. This is disgraceful.

As far as social welfare is concerned, local governments should assume the entire responsibility for children, youth

and handicapped adults. The same applies for comprehensive special education for school children. In both instances the aim is to distinguish more clearly between areas of responsibility, resulting in better co-ordination of tasks to the advantage of the individual citizen.

As far as the labour market is concerned, municipalities should take over the localised labour market tasks of the central government which are today provided by the Danish Manpower offices (Arbejdsformidlinger). In the future's public sector, it should make no difference whether the unemployed have unemployment insurance or not, or whether they are potential labour market participants or not.

Need for structural changes

It is evident that a changed division of responsibility must and shall mean changes to the local government structure. In my opinion, larger regional hospital districts should be created, to replace the current regions. Coupled with assurance of high quality in the future hospital system, larger regions could focus on regional development. Major initiatives are needed with regard to economic development, overall planning and traffic.

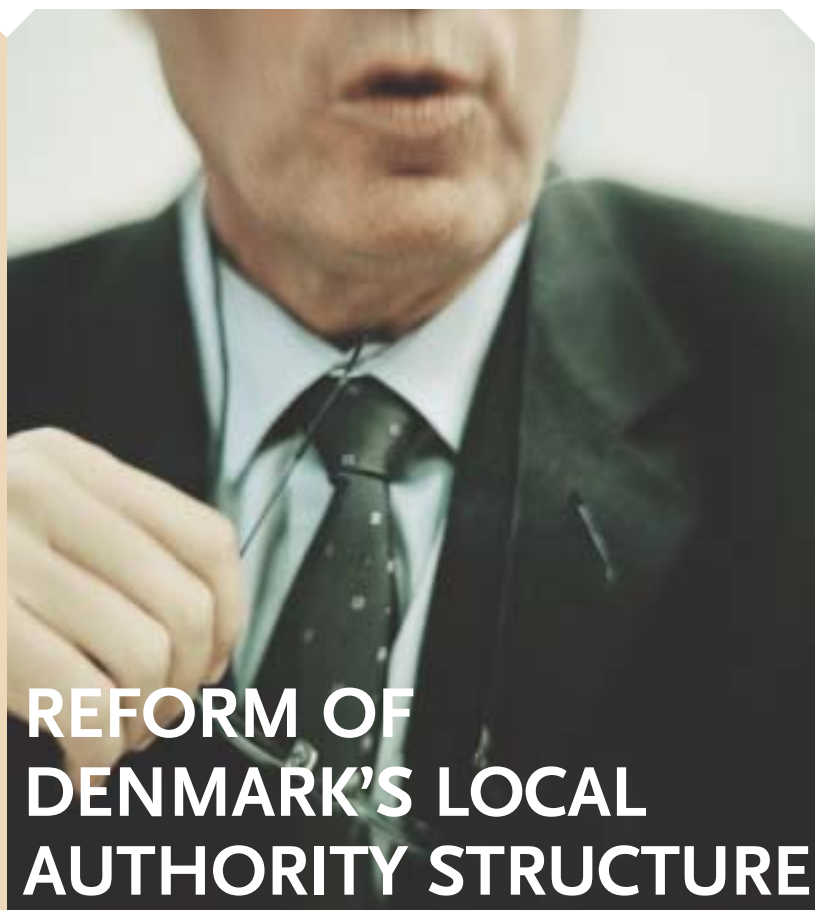
One consequence of the increased tasks is the necessity of having larger municipalities. Today over 100 of Denmark's 271 municipalities have less than 10,000 residents. The minimum population size for a municipality needs to be substantially increased. A minimum municipal size of 30,000 residents would be a reasonable figure here. The point of departure should be that municipalities of the future should to the greatest extent possible have a town centre.

For local governments, a reform of their tasks and structures is a great chance to inject new life and new visions into the development of the welfare state we, too, wish to enjoy in the future. The politicians should recognise the hour has come. It would be a fatal mistake to let this historical opportunity pass by unheeded.

Translated from Danish by Keneva Kunz

REGIONAL NORDEN IN THE MAKING

This winter has seen important developments occur in Denmark, Norway and Sweden respectively with regard to the reform of their regional administrative systems. In Denmark and Norway in particular, the temperature of the public debate on the future of municipalities and regions has risen steeply. Though each of these debates is of course nationally focussed they do nevertheless harbour important similarities. The Journal of Nordregio has therefore invited John Jørgensen, Noralv Veggeland and Göran Hallin to evaluate them and to draw up some markers for further debate.



REFORM OF DENMARK'S LOCAL AUTHORITY STRUCTURE



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Introduction

Within a couple of days in January 2004 the Danish government issued two white papers, each containing suggestions for a wide and sweeping reform of the local authority structure in Denmark. The white paper from the so-called Strukturkommission discusses a new geographical structure for the public sector in Denmark (Betænkning 1434, 2004). The most radical proposals in the white paper would see Denmark's three-tier system supplanted by a two-tier system. The basic questions addressed by the white paper and argued out in the public debate that has taken place in the wake of its publication are rather simple but nonetheless they give rise to very complex considerations: How many counties and municipalities should Denmark have in the future? What division of labour should be established between the state, the counties and the municipalities?

If the counties are to exist at all, are they then to be headed by directly elected politicians, and should they uphold their right to levy their own taxes? The other white paper, issued by Finansieringsudvalget, deals with the principles on which a reform of the local government equalisation system could be based (Betænkning 1437, 2004). The equalisation scheme, which equalises expenditure needs and the tax base between municipalities, ensures a more uniform relationship between taxes and services as differences between rich and poor municipalities are levelled out. Although the Ministry of the Interior and Health issued both white papers they have not been directly co-ordinated in the preparation phase. However, in the political debate that has taken place since they were published efforts have been made to link the discussions about local government reform to considerations of the equalisation issue.

Interestingly, Sweden is also in the process of evaluating its administrative structure and it is quite instructive to compare the mandates for the Danish strukturkommission and the Swedish Ansvarskommittén (SOU: 123, 2003). In each country both issues, i.e. the division of labour between the administrative tiers, and the size of the local authorities have been brought up for discussion, and in both countries this has been done without discussing the special problems of co-ordination that face the areas around the larger cities. If, however, the processes and the contents of the work done by the commissions in the two countries are compared some interesting differences are revealed. Unlike Sweden, where the work of the commission has been divided into phases, the Danish commission has chosen to issue its analyses and proposals at once – accordingly the Swedish white paper is just under 200 pages in length, while the Danish white paper runs to more than 1,500 pages. If only for that reason alone the debates and the outcome of the debates will be interesting to follow in the years to come. One particular thought-provoking difference between the reports stems from the fact that the Swedish white paper discusses how internationalisation and further integration within the EU pose sub-national authorities with new perspectives and challenges, while this is not discussed in the Danish white paper at all. Indeed, such words as ‘Europe’ and ‘European’ cannot be found in the main report at all, while the EU is only referred to seven times in the 773 pages of the Danish white paper. The absence of an analysis of the surrounding world seems to be rather short-sighted, if not parochial, in what is a rapidly changing world. Instead the Danish white primarily functions as a discussion on the appropriate size of sub-national authorities.

In a way the Danish white paper can be read as a textbook case of the clash between consolidationists, who argue that local governments should amalgamate into larger units to obtain the most efficient scale of structure, while producing more services for the lowest cost, and the defenders of fragmentation. Indeed, two of the four dimensions that Keating (1995) uses while analy-

sing this clash play a prominent part in the white paper: efficiency and democracy. The latter being the issue of what structures can best secure accountability and citizens’ control. The two other dimensions that Keating identifies, i.e. distribution and development, do not play any significant role here. As we already saw, the issue of distribution, i.e. how the most equitable distribution of services and tax burdens is achieved, is dealt with in a separate white paper. The issue of development, i.e. which structures are best equipped to promote economic growth is not really on the agenda in the Danish white paper. Again this forms an interesting difference with the Swedish white paper, where the ‘developmental’ discourse is very prominent. Hence, despite the length of the Danish white paper it can be seen as a rather abridged version of the clash between arguments defending fragmentation and arguments for the consolidation and amalgamation of sub-national authorities.

If the intentions of the Danish government are fulfilled, the white papers will inform the discussions that will eventually take place in Parliament later this year, where the parliamentarians will discuss a proposal for the reform of local government. The reform is then set to take effect in 2006, when the next local elections will be held. Paradoxically, if the reform is carried through on the premises laid out by the two white papers, then the most radical changes in the geography of public administration in Denmark for more than thirty years will hardly have been accompanied by any geographical analysis. Neither with respect to an analysis of the surrounding world nor when it comes to analyses of the impact of the reform in various parts of the country and in various types of municipalities. The implications of the latter should be clearer in the following, but firstly some background information and a description of the content of the white paper from the strukturkommissionen will be provided.

Background

The local government structure in Denmark was modernised at the beginning of the 1970s. During the 1950s

and 1960s it had become apparent that the traditional rural districts (sognekommuner) were inadequately placed to solve the tasks related to the emerging welfare state. Furthermore, the municipal privileges that the larger cities had upheld since medieval times were considered outdated. The result of the local government reform in 1970 was that 1,366 rural districts and 86 municipalities (købstadskommuner) were amalgamated into 277 municipalities. At the same occasion the number of counties was reduced to 14 and the counties were strengthened financially and made responsible for hospitals, regional planning and the co-ordination of regional transportation - and later on for the upper secondary schools. The local government act prepared the groundwork for a decentralised welfare state. The counties and the municipalities were thought to be large enough to take care of welfare provision and indeed in the following years, more and more tasks were transferred from the state to the regional and the local levels. As counties and municipalities levy their own taxes, and receive grants from the state, the sub-national level actually distributes one-third of Danish GNP, which by far places Denmark as the most decentralised welfare state in the world (the second being Sweden, where one-fourth of GNP is distributed by the local authorities). The largest areas of expenditure, accounting for more than 90% of all expenditures in the municipalities are: child care, primary schools, care of senior citizens, and matters concerning roads and administration.

The local government act resulted in a municipal structure with a considerable variation in size (measured by numbers of inhabitants). The largest municipality is the City of Copenhagen with more than half a million inhabitants, whereas the smallest municipalities have about 3,000 inhabitants, most notably in some of the islands. Apart from the islands the smallest municipalities are mostly to be found in the southern part of the country (southern part of Jutland, and on Funen, Lolland, Falster and Western Zealand – and until the voluntary amalgamations in the later years also on the islands of Bornholm and Langeland). This variation in size has given rise to considerable problems

concurrently with more and more (also more complicated) tasks have been transferred to the municipalities. Hence, many minor municipalities have had to set up inter-municipal co-operations in order to fulfil their obligations, and to reap some benefits from economies of scale. In times of budgetary constraints within the public sector this has fuelled a debate on the appropriate size of municipalities in terms of economic sustainability.

Consequently, in the years before the commission was appointed examinations of the connection between the size and expenditure level of local authorities drew significant attention in the public debate. As investigations of municipal expenses, measured as net operational expenditures and the costs of providing various kinds of services, showed that economies of scale were to be obtained if the municipalities were amalgamated, it was almost inevitable that the reform discussions would focus on this aspect. In one study it was shown that the lowest-cost authorities have between 25,000 and 35,000 inhabitants (Ministry of the Interior and Health, 2000), and in another study the range was estimated to be between 30,000 and 50,000 inhabitants (Houlberg, 2000). Although it was shown in the same two studies, that the benefits of merging the smaller municipalities would amount to less than 2% of the overall local authority expenditure, the idea that merging authorities was the way forward had attracted an inevitable momentum. So, when the commission was appointed in 2002 it was widely accepted that larger units were to be created. For an example, Local Government Denmark, an association of Danish municipalities, accepted the mandate of the commission. It is interesting, though that the two studies referred to here actually pointed to the fact that disadvantages of scale also could be detected. The fact that expenditures have a U-formed relation to size did not influence the mandate for the commission; hence it was not the concern of the commission to debate whether the larger municipalities should be subdivided. To sum up, the discourse on the appropriate size of local authorities was limited to the discussion about the 'critical mass' of municipalities,

whereas the commission should not scrutinize the 'upper limits'.

At the regional level the decentralization of responsibilities and the growing complexity of tasks, especially in the hospital sector, naturally invoked considerations as to whether the tasks were handled in an efficient way. This eventually led to the appointment of a consultative committee for the hospital sector. In 2003 it concluded its work by arguing that hospitals should be maintained at the regional level (Ministry of the Interior and Health, 2003). The complexity of the tasks, however, would require that the counties should have a population base of 400,000 to 700,000 inhabitants, equivalent to 7-10 counties or hospital-regions. Again, this has fuelled the debate on the appropriate size of sub-national governments.

Parallel to the developments, described above, undergone with regard to local welfare and service provision, qualitative changes that may eventually redefine the conditions for local democracy have also occurred. A few of these can be sketched out. One example is that tax-financed welfare and service provision under political control is giving way to arrangements where the users of welfare measures now pay for such services – in full or in part. Does this mean that the relationship between politicians and the electorate is going to give way to institutions, which are furnished with boards where users (rather than citizens) are represented? Another example is that private enterprises are competing with each other – and with public service providers – to obtain contracts for specified services. This raises the question of how the quality of welfare services is controlled.

The recommendations of the Strukturkommissionen

With this background in mind it is no wonder that the commission was asked to assess the advantages and disadvantages of different ways of organizing the public sector. The commission was specifically asked to weigh the following criteria against each other: Efficiency and sustainability (economically), democratic control, citizens' participation and the dialogue between citizens and politicians, quality in service

provision, subsidiarity, citizens' legal rights and the choice between different service providers, transparency and coherence between competence and economic responsibilities (Bet. 1434:1, p. 12). To this list of criteria the members of the commission added simplicity and 'dirigibility' – the power to direct - (Bet. 1434:1, p. 22). The mandate provides that the commission appraises various geographical criteria that could be used in the decision-making process, but it is specifically stated that the commission should avoid providing any conclusive statements on the geographical structure as such (Bet. 1434:1, pp. 12-13).

The commission has chosen to present its considerations in the form of 6 'models', or guiding principles, for the reorganisation of the governmental structure:

- Three-tier models, all levels headed by elected politicians:

Unchanged division of labour (between the tiers), but with larger counties and municipalities

"Broad county-model", where the counties, and to a certain extent the municipalities, are strengthened by decentralising more tasks from the state level

"Broad municipality-model", where the tasks of the counties are reduced, while the municipalities have more tasks transferred from the state and the counties

- Three-tier models, politicians are elected directly at the state and municipal levels, but indirectly elected at the regional level:

"Municipal-regional-model" (kommuneregionsmodel), where the municipalities have more tasks to fulfil, while the counties have reduced responsibilities, and are led by regional councils where the councillors are selected by (and presumably from) the politicians in the municipal counties

"Party-regional-model" (partiregionsmodel), where the municipalities have more tasks to fulfil, while the counties have reduced responsibilities, and are led by regional councils

where the councillors are selected by the parties represented in the municipal counties

- Two-tier model, both headed by elected politicians:

"**State model**", where all tasks are carried out either by the state or the municipalities.

To a large extent the main report is a rather inconclusive display of the 'pros' and 'cons' with respect to the six models (this discussion is more than 100 pages long). It is now left to the politicians to decide which model (or combination of models) shall be adopted. The main impression is that the first three models mentioned would further the process of decentralization, while the latter three would strengthen the state's role when it comes to co-ordination, distribution and the question of priorities. This is interesting, because the question of 'centralisation vs. decentralisation' was never previously defined as being central to the considerations of the commission, as regards the presentation of the mandate.

With regard to the recommendations concerning size, the commission assesses that a minimum size of some 20,000 inhabitants would ensure an appropriate and professional handling of present-day tasks, while having some additional tasks added. A minimum-size of 30,000 inhabitants would enable municipalities to carry out more substantial and complicated tasks than can be dealt with currently – and scale economies might be reaped up until the size of 34,000 inhabitants. It is thus a very fundamental reform of the governmental structure, and if the minimum-size of 30,000 inhabitants is applied then only 40 of the 268 currently existing municipalities will survive as administrative entities – and more than half the population will find themselves in newly formed municipalities.

The three independent members of the commission have produced a separate statement in which they advocate that direct elections are important in relation to accountability and transparency. They argue that rather than have indirectly elected regional tiers, operations should either be handled by regional companies led by boards with

an overrepresentation of local actors, or that regional functions should be governed by the state (for example with regard to hospitals, regional planning and public transportation).

Furthermore, they argue that the welfare provision schemes and the need for local economic policies would require larger units of no less than 30,000 inhabitants.

The public debate

In the weeks prior to the publication of the white paper – and in the period immediately after the day of issue – politicians and decision-makers had a busy time ventilating their views, which is understandable given the 'technical' and ambiguous messages of the white paper. The most dominant feature in the debate at the national level is that the top-politicians in the two largest political parties, the centre-liberal party, Venstre, and the social democrats, are in favour of rather drastic steps when it comes to merging local authorities, while the local politicians from the very same parties, that dominate local and regional councils are more reluctant to do so. Despite the tensions within the centre-liberal party, which forms the current coalition government with the conservatives, Prime Minister Anders Fogh Rasmussen is pushing forward for a new local government act. The reform will have to be based on an agreement between the centre-right coalition government and the social democrats; otherwise the reform would not be feasible. As the social democrats have been rather heavy proponents of preserving the counties, the right-wing party, Dansk Folkeparti, which in this Parliament has usually supported the government, executed a volte-face shortly before the publication of the white paper. Rather than risk being unable to exert any influence on the reform it chose to give up arguing that the counties should be abolished. Instead they are now opting for indirectly elected regional councils without independent rights to levy taxes. In what form the counties will survive has yet to be seen. It can be noted, however, that the argument about regional companies, amongst others put forward by the independent members of the com-

mission, has had quite a lot of support in the public debate. When it comes to the question of the counties however the reform may very well turn out to be a mixture of some of the models, for example either the broad county-model or the broad municipal-model combined with special-purpose companies within certain areas – the latter would be in tune with the government's ideas that more public areas should be subject to 'marketization' and privatization.

As was the case with the main report, the focus in the debate that followed its publication, has to a large degree dealt with the issue of size. It is striking however, that the debate evolves around the problems of the present-day, whereas the very obvious argument that what is considered to be an ideal size today might be seen as inadequate in only a few years time, seems to have been somewhat ignored. There is still considerable uncertainty as to whether the reform is going to allow for some variance in size (Schmidt, 2003). Even if the political process condenses around a certain minimum-size, counter-arguments from those in the islands and the sparsely populated areas in Northwestern Jutland might lead to a renunciation of a very rigid minimum-size. In the former case, the islands would have a better opportunity to raise their voices. In the latter case the formation of municipalities covering large areas (according to Danish standards) could be prevented. On the other hand this would involve the formation of municipalities dominated by rural areas, which would go against the grain, because the commission has not discussed the problems of peripheral rural areas at any length.

At the regional level a more flexible approach would allow for a solution to the problems of co-ordinating hospitals, public transportation and planning issues in a wider Copenhagen metropolitan area that might cover most of, if not all, of Zealand without creating equivalent mega-regions in Jutland, which is what most commentators, especially those from Jutland, have warned against.

Despite the tensions between the top and the bottom of the leading parties and the uncertainties concerning mini-

mum-size and the variance of size, many local politicians are acting as if the reform will actually happen. Some mayors and politicians in neighbouring municipalities are already negotiating the prospective terms of amalgamation. In one case, in the municipality of Vamdrup in Jutland, an indicative referendum has been held. The referendum should indicate to which of the two neighbouring municipalities the citizens want to amalgamate with. Allegations of overspending in some municipalities can also be seen as a sign of pre-calculation. If one is expecting to become absorbed by a larger unit, one might as well use one's savings and set oneself a hallmark, seems to be the logic here. In a way the white paper is almost like a self-fulfilling prophecy: amalgamations will occur whether or not they are decided on in Parliament – despite the fact that the costs of merger has not been calculated, but instead solely stipulated on hypothetical savings on a long-term basis.

The complexity of the issue has led some politicians and researchers to conclude that the reform should be implemented step by step, for example by deciding on the need for the regional level first, then giving the municipalities the opportunity to amalgamate voluntarily over the next 4-6 years. Hereafter, decisions will be taken at the national level in cases where local solutions could not be found. The risk associated with implementing this approach is that some municipalities will have difficulty in finding collaborators, and consequently they will be left behind and thus severely disadvantaged in the race to achieve an appropriate size.

Issues related to urban and regional policy and planning

In the introduction it was noted that considerations pertaining to the European integration process were not included in the main report, although the analysis of environmental policies and local economic policies does contain some elements thereof. The prospect of, the municipalities acting in a European universe characterized by 'multi-level governance' is not discus-

sed. The same goes for transnational and cross-border co-operation, implying that the Øresundregion as well as the co-operation between Slesvig and Schleswig are not subject to any analysis. All in all, 'territorial' considerations are almost non-existent. Although the analysis of demographic developments points to the existence of 'classic' peripheral problems in some regions (Bet. 1434:2, chapter 25), and the analysis of mobility and travel-to-work areas reveals functional relationships across several existing borders of counties (Bet. 1434:2, chapter 27), these findings are basically neglected in the concluding chapters and in the discussion of the six models. Moreover, the appraisal of the various geographical criteria that could be used in the decision-making process (Bet. 1434:1, chapter 21) is not utilised in the concluding chapters either. All in all, the conclusions of the commission are unaffected by considerations of territorial specificities and variance.

Imposing a model biased by considerations on size, without focusing on municipalities with common features, such as rural districts, islands and problems related to the larger cities, may however lead to unintended consequences. Tanwig (2004) argues that the current polarization between the larger cities and areas dominated by rural districts might be accentuated if proper measures are not taken to prevent it. According to Tanwig it is necessary to incorporate discussions on the developments in rural districts and city-regions before reform is decided on.

In other words, it seems hasty, to insist on one particular model based on the idea of a minimum-size, irrespective of whether it is Læsø or the city of Copenhagen, and irrespective of whether it is a rich municipality or a poorer municipality at the other end of the equalization scheme. By enforcing one model, one may therefore end up with 50-100 municipalities, which will fare well economically, and 60-80 municipalities, which are less well off – without discussing the principles of equalization thoroughly at the same time – this reform thus may not last as long as its predecessor.

In the volume containing the sector analysis (Bet. 1434:3) it is evident that the sectors are analysed separately, which itself implies that there was no overarching discussion of the possibilities of overcoming sectoral thinking in the counties and municipalities. As such, it is the rationale within each of the sectors with respect to the local authorities' size and organization that is in focus. In the main report, though there is a discussion (from a political scientist's point of view) of how sub-national authorities can ensure the co-ordination of sectoral activities (Bet. 1434:1, chapter 7). The interesting conclusion from that chapter, namely, that smaller municipalities have been more successful in co-ordinating sectoral activities, while the larger municipalities have been more inclined to follow the 'logics' of the various sectors, is not directly linked to the substantial analyses of the scale economies in each of those sectors. This implies that the clash between principles favoured by consolidationalists and fragmentationists is not in fact scrutinized in any depth at all. Hence, the underlying assumption, that scale economies can be obtained, is not challenged, and it is not at all clear from the analysis whether sub-national authorities will have better opportunities to solve cross-sectoral problems, for example with regard to environmental questions, in the future.

When the local government act passed through Parliament at the beginning of the 1970s it was prepared in close connection with a reform of the planning system (1969-1974). As society today is not in a state of expansion it is probably not to be expected that a reform of the governmental structure should be accompanied by an equivalent reform of the planning system, but as regional planning has been a prominent feature in the three-tier system some considerations of importance to planning might be of relevance when choosing between the different models. Unfortunately, the only time spatial planning is mentioned in the main report is when it is observed that the municipal plan will have to be strengthened unless 'the broad county-model' is chosen (Bet. 1434:1, p.50). On the other hand, no direct critique is raised when the organization of the Danish planning system is discussed. Planning related issues are not included in the

considerations of the concluding chapters, which is probably related to the fact that the analysis of the planning system ends with the following sentence:

'... it is difficult to give any in-depth evaluations of the strengths and weaknesses of the present organization within the planning field, as studies that document the strengths and weaknesses of the Danish planning system are not available' (Bet. 1434:3, p.294).

The absence of an overview of the ability of local authorities' to solve cross-sectoral problems in an age of European, multi-level governance, the insensitive analysis when it comes to the ramifications of a governmental reform in different types of municipalities in various parts of the country, and the neglect of planning related issues in the commission's main report leads the current author to conclude with a paradox: The public sector in Denmark is going to have a new geographical structure, yet the analytic, preparatory work has only partly evaluated the geographical preconditions for and impacts of local government reform.

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«All that is solid melts into air» Karl Marx wrote in his legendary *Das Kapital* some one hundred and twenty five years ago.

Solid enough, but yet exposed to an immense current of change, is the administrative structure of the Swedish

one counties (län) still 'governed' by the governors (landshövdingar), thus proving to be a very solid system. From Oxenstierna onwards a sedimentary development can be seen to have taken place that added new layers of structures on top of this: i.e. the municipality system developed in the late 19th century was given its present day structure of 292 municipal local authorities (kommuner) in principle in the 1970s.

The administrative structure designed by Oxenstierna and developed since then is now being challenged. A public committee is now half way through reviewing the general public administrative structure. This process parallels work that has been underway for some time now in Denmark and in Norway. In what follows the findings of the interim report of the committee will be discussed. (SOU 2003:123).

reform of the Swedish government system. For example, ubiquitous ICT services have made public administration increasingly accessible to citizens, dramatically reducing the need for face-to-face or even telephone contacts; while at the same time potentially reducing public interest in political issues, which have thus become more fragmented and action-oriented rather than coherent and dialogue-based; as well as throwing up a much more complex set of demands with regard to the provision of public services, giving life to entirely new areas of policy overlapping the traditional sectoral policy fields.

The committee report does not however suggest major reform at this stage. Instead it outlines some of the basic principles for the committee's future work. The first of these principles is increased potential for development. Instead of a narrow concept of productivity, the committee wishes to stress that any changes in the governmental structure need to be designed in such a way that the public services can better meet these new demands - for example to improve the ability to cope with increasing demand or with the scarcity of resources. Hence the structures suggested must be more flexible than those of today. Secondly, the committee stresses the importance of inclusion and the dangers of exclusion with regard to citizens and the public services.

Individuals and civic structures must therefore be invited by government to take part in the production and consumption of services to a larger extent than that which pertains today. Thirdly, cross-sectoral collaboration is seen as an increasingly important strategy giving service providers the ability to cope with change and to maintain flexibility. The report is however not particularly clear on how it wants to see such collaboration come about. A few hints may however be traced, as the report concludes that:

'Evidence tells us that it is difficult to break with state sectorisation, especially at the national level./.../ The ability to increase central cross-sectoral change must remain in a concerted strategy for increased potential for development./.../ There are reasons to investigate which windows of opportunities can be created by cross-sectoral state operations at the local or regional levels...' (p.162)

370 YEARS OF GOVERNANCE COMING TO AN END? Sweden Reviews its Political Administration

state. In many ways the foundation of modern Sweden was carved out in the 1600s. In a recent biography Gunnar Wetterberg (2002) portrays the architect behind Sweden's modern administrative system - the chancellor Axel Oxenstierna (1583-1654). Parts of the building blocks of what is today's administrative system in Sweden were in fact Oxenstierna's work, e.g. the division of roles between the government ministries and the national agencies, and main layout of the regional map of the state.

Wetterberg (p.624) writes on the structure of the regional reform in 1634: 'The country was divided into twenty three 'provinces', each under a governor. The governor had the role of being the commander of the king.' (author's own translation) This layout has in fact remained more or less intact until the present day - when Sweden has twenty

While Sweden was designed to be governed by governments - local, regional and national - the 21st century raises a number of new challenges to these governments. Different attempts have been made to pinpoint what exactly it is that raises these challenges (see e.g. Pierre & Peters 2000). In the committee report the demographic trend is identified as a key issue in relation to the government. In future, demographic developments will cause both demand and a supply side stress on public services - as society grows older, the demand for public services will increase, while the supply of labour to provide these services or the taxes to pay for them will diminish. Financial pressure will thus perhaps be the most important source of government reform in the next few years.

The report identifies a further 20 observations of relevance for a structural

One interpretation may be that the further work of the committee will involve suggestions for the regionalization of national authorities, cutting across current policy-sectors, e.g. similar to developments in Finland during the 1990s. As we will have to await the further work of the committee to see the details of its proposals for a new government structure we may conclude by ascertaining what issues really are at stake here.

Firstly, the issue of the division of roles between the government ministries and government agencies - which has been called the Swedish model for public administration - the creation of Axel Oxenstierna. The model has come under increased pressure lately. This is understood partly in relation to the fact that the government has experienced an increasing lack of control and /or lack of expert resources in relation to negotiations and decision making within the European Union. When for example Sweden, in preparatory meetings, is represented by agency officials rather than by ministry officials, this may cause a lack of clarity in the final stages of negotiations within the Council. The committee's comment on this issue is that the Swedish model in general has served us well so far.

Secondly, the issue of cross-sectoral challenges is present on multiple levels. New demands and the ever increasing needs of coping with change will eventually demand cross-sectoral change at different levels within the public sector. At the central level this is in fact connected to first issue, since the relative autonomy of national agencies may simply serve to reinforce sectoral divides within the central state. This is often the case where you have largescale sectoral agencies and smaller scale ministerial offices - e.g. within the labour market policy field. Fiscal crosssectoral coordination may be carried out mainly from within the ministry of finance, while there is no corresponding domain for other cross sectoral coordination. Different options that may be considered by the committee include the strengthening of the ministry of finance, the strengthening of the prime ministers' office, or the introduction of new coordinating agencies with powers to control other agencies.

Thirdly, the role of national, regional and local governments is a huge issue at stake. Different readings of the committee report are probably possible, but one reading suggests that the government may be strengthened at the regional level - perhaps through the regionalization of government agencies or through a revitalization of the County Administrative Boards. In both instances such a development is likely to involve a measure of cross-sectoral cooperation. One very important aspect of this development is the future role of the county councils, whose main responsibilities today are in health service provision and in public transport. Vociferous calls have already been made to bring health service provision into the hands of national government, with public transport being handed to the municipal authorities. In March 2003 two analysts from the Swedish Labour Union (LO) echoed demands previously heard mainly from conservative politicians to place health care issues under central government (DN, debatt, 13 Mach, 2003). At the local level, the overarching problem is to make ends meet needs. Hence many municipalities are engaged in increasingly encompassing cooperation with other municipalities on service production. Thus far, Sweden has not seen mergers between local authorities the like of which has occurred on Danish Bornholm. In many regions however talks on this matter are being carried out between local officials and politicians.

Finally we have a whole set of geographical issues not even dealt with by the committee thus far. At the local level, administrative geography may be taken care of either by increased cooperation between municipalities or through mergers. At the regional level these may develop as separate issues. A need for a new regional geography has been evident for a number of years now. However whether it should be a regional division for the central state (CABs), county councils, both, and/or different regional divisions for different national agencies remains as yet unclear, and thus needs to be addressed immediately.

Looking at what has thus far been said by the committee, it is extremely unclear as to where we will stand regarding the administrative structure of

Sweden in a few years from now. The number of issues for the committee to resolve, and the relatively short time at its disposal in combination with the tremendous political sensitivity involved as regards many of the issues may give rise to the following speculation: May it be that Marx was wrong - as such, the solidity of the Swedish administrative system makes it appear unlikely to melt just yet.

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REGIONAL GOVERNANCE –

TRENDS, MODELS AND THE LATEST DEVELOPMENTS IN NORWAY



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Introduction

The focus on the weakened position of the nation-state and elected parliaments at all government levels has increased in the wake of distributed public governance arrangements, and generated the political issue of democratic deficit – in Norway as elsewhere in Europe (OECD 2002, Veggeland 2004). We know that this trend of democratic deficit developments is complex, that it is caused by globalisation processes, by the deregulation of markets, and the distribution of public governance both across state borders to international co-operation bodies, and internally to arm's-length independent state agencies and other government organs in the regions. The latter's executives have become principals and gained strategic power superior to both central and local government authorities, while all the time suffering from a fundamental lack of transparency.

Norway has also experienced the impact of international commitments, such as those to the WTO and those in relation to the EU/EEA agreement. While the many independent and uncoordinated Public Law Agencies (PLAs) and Private Law Bodies (PLBs) (see definition in OECD Report 2002:22), often also organisationally regionalised, are challenging the traditional approaches in the field of Norwegian regional policies (Veggeland 2003).

Critics

The Norwegian political system basically consists of three administrative tiers or levels, the state, the counties and the municipalities, all of which play important roles in regional development policies. In the traditional approach, each of the 19 Norwegian counties consists of two authorities: the governor (French “prefecture”) representing the central state performing legal control, and from 1976 the “fylkeskommunen”/county municipality. The latter, the democratic county municipality unit, is governed by an elected regional assembly and is the responsible authority for certain public services and for regional planning and industrial developments (Veggeland 2000, Selstad 2003).

Since the 1990s, the county municipal authorities in particular have been criticised on two principal grounds,

mostly by Norwegian right wing politicians and political parties. The first relates to the performance of public services, when it is declared that the actual regional service production functions, anchored at the county municipality level, are redundant. The alternative prospect is that state agencies (PLAs) and state companies (PLBs), in addition to their municipality engagements, may very well take over the service provision functions and their attendant public governance responsibilities in the actual service sectors (Veggeland 2003). – For instance, in 2002 the county owned hospitals of the regions were organised as regionalised PLAs, with ownership being transferred to the central state authorities.

The second and more politically neutral criticism relates to the inefficiency of the county municipality's role and function as the principal responsible political authority for regional planning and development initiatives. At the time of their establishment in the 1970s, this role of the region-municipality was already being performed surreptitiously and indeed successfully. When the period of industrial expansion stalled in the 1980s these new administrative arrangements were thus put into question. Since then the emphasis has steadily moved away from that of being an active regional development initiator with control over their own policy measures, to that of becoming a weak regi-

onal planning authority without financial instruments (Veggeland 2000). Moreover, in general, studies indicate that the narrow regional measures of the state targeting development in the peripheral areas also had only a small effect compared to the impact of ordinary sector policies (NOU 2004:2).

Hence, progressively in the wake of globalisation, market liberalism, competition policies, competing region concepts, and the outsourcing of public governance and service functions to state agencies ("Innovation Norway", "SIVA", "Statens vegvesen", "Aetat" etc.), overarching regional master plans became discredited. Rational public planning was considered to be an obstacle to effective market competition, development actions and tasks (Veggeland 2004). Regional development programming and planning became almost disconnected from the many new fragmented strategic policies performed by the numerous regional PLAs and PLBs. Accordingly, the legitimacy and accountability of the county municipality authority declined. During the 1990s and 2000s the failure of legitimacy appeared in the election of the counties' representative assembly as steadily decreasing numbers of citizens casting their votes. - Now essential regional reforms are under way, but which set of reforms will be implemented (Gjertsen 2002, Veggeland 2003)?

Norwegian new regionalism

In Norway the advantages of the European new regionalism, strategic promotion of structural changes and competitive regions, are politically recognised; with the region viewed as an arena for the building of innovation systems and economic growth, for cross-border co-operation, for national competitiveness, and for bottom up democracy and accountability (Hansen and Selstad 1999). Moreover, the fact that the EU demands that member states have, in accordance with the principle of subsidiarity, a compulsory regional tier in order that they may attain support from the Structural Funds and the Interreg-programmes, influences the regional thinking of an EEA country such as Norway (Veggeland 2000). However, the term subsidiarity is

somewhat equivocal. With consequences, the term may for instance imply downward devolution of competence to elected regional assemblies, or just to organisational regionalised state PLAs and PLBs (Veggeland 2004).

Given the equivocal nature of this concept, regional policies in EU member states designed to enhance or adapt to the principle of the new regionalism, and the demand for independently acting regional authorities, appear in many shapes and forms (Loughlin and Mazey 1995, Webb and Collis 2000). This is also the case in Norway, where the central state authorities are modelling a new role for the regional level governance institutions, while targeting building regions to become important arenas for developing competitiveness, local identity, and for the production of certain infrastructure services.

Basically, the new role of the regional level as being responsible for development tasks and planning actions seems to be politically imagined and performed in the framework of either one or other of these three different (ideological) models:

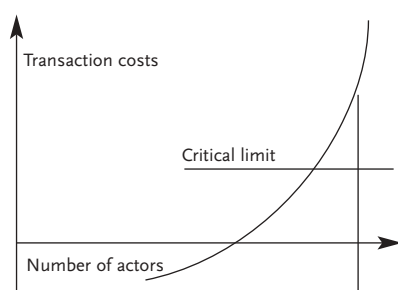
The Regional Agency RA-Model: Based on the prospect of the future dismantling of the county municipality, and continued outsourcing of state functions and governance. The many already existing regionalised PLAs and PLBs, as strong competing development actors and service producers and eventually as partnership institutions, should take over governance functions and as such represent the regional level authorities. Reforms target a considerable reduction in the number of local municipality units that should be tasked with performing stronger governance authorities at this level, voluntarily or by force, using economic instruments. - This model weighs central control and technocratic governance as presuppositions for regional competitiveness and development (Veggeland 2000). The model has in principle been practised in England since the 1980s, but is criticised here because of the democratic deficit it inherits causing a lack of local mobilisation, and the many development actors it creates causing fragmentation of achievements and significant transaction costs (Beetham, Byrne,

Ngan, Weir 2002). Even so, the RA-model is seen to be the preferred model of the Norwegian right wing parties, and is expected to be implemented after 2005. But who knows?

The Regional Democracy RD-Model: Based on the prospect of the survival of the county municipalities and their authorities at the regional level, though their number would be considerably reduced from 19 to 5 - 8 territorial units, as this would be essential to making them effective by including more extensive human and infrastructure resources. This prospect is pointed out in reports from at least two Official Commissions (NOU 2000: 22, NOU 2004:2). Each of these new greater regional authorities should be made politically stronger and should continue to be responsible for regional planning and development in order to perform effective governance. Consequently, they should be established as the superior regional authorities, with the regionalised state PLAs and PLBs as their strategic instruments (NOU 2004:2). Eventual fusion of local municipalities may be looked upon as a matter for voluntary endeavours. - This model weighs decentralisation and democratic governance as presuppositions for regional legitimacy, identity and regional competitiveness.

The Regional Partnership RP-Model: Based on the prospect of the survival of all 19 existing county municipalities, and the establishment of county - county and county - local municipality partnership, in order to strengthen regional development capacities and efficiency. Both functions and public governance abilities should be transferred to negotiated and agreed partnership institutions, besides the regionalised state PLAs and PLBs. In principle this model is recommended by White paper no. 19 (2001-2002) (St. meld. nr. 19) on regional policy from the Norwegian Government, and in different designs is already implemented in a number of counties. (For instance: Oppland county in a large number of development partnerships with local municipalities and other regional agencies and bodies, in Telemark, in Buskerud, and in Vestfold in a county to county territorial partnership). The regional democratic authorities get into

and organise a wide range of partnership institutions. - The model weighs the partnership arrangements' intended ability to avoid the consequences of the now fragmented regional configuration of actors which may cause great co-ordination problems and transaction costs, i.e. inefficiency (Östhol and Svensson(eds) (2002). The critical limit of transaction costs has, as Fritz Scharpf found them, to be an exponential function of the actors involved (Scharpf's Law; Scharpf 1997):



Here it may be remarked that too many territorial and functional partnerships will in themselves, according to the figure, make the number of development actors grow, and increase the transaction costs in a critical manner (Veggeland 2003).

Conclusions on regional governance in Norway

The political choice of the model for, and the approach to, new regional governance structures and development strategies in Norway has yet to be unveiled. Though the points raised in this paper may be seen as those that will most probably structure the ultimate decisions to be taken in the Norwegian Parliament. What we have pointed out is the following:

- Regional democracy institutions are threatened by a democratic deficit; confer the establishment of the regionalised PLAs and PLBs. When first established, they start functioning at arm's length from governments at all levels and without adequate openness and transparency, and thus they fail in accountability terms with significant negative public and private mobilisation effects in the region.

- Too much power and authority is regained at the central state level; the

central authorities profoundly underestimate the level of cultural and economic differences with regard to development potentials among Norwegian regions when they demand that regional objectives be primarily in line with national development objectives.

- The Norwegian oil-economy contributes to the heavy pressure on the redistribution aspects of regional policies, and consequently to a climate of detailed central state control. Policy measures, which might create regional and social differences, are not really accepted. (Yet, such an acceptance is proclaimed to be introduced as a basic national supposition for regional development in a report to be published later this year from an official Commission, Distriktskommisjonen.

- There is a lack of structural options with regard to developing coherence between the region's own holistic and its democratically decided objectives and regional planning strategies, and the objectives and strategies of the fragmented state PLAs and PLBs and the growing number of territorial and functional partnerships. Taken together, the latter bodies generate significant co-ordination problems and transaction costs, which are growing exponentially. Thus far, the county municipal authority has not been in a political position and thus has not had steering capacity to handle this threat adequately.

- Moreover, it is likely that the principles of the regional democratic RD-model analysed in this paper may in future be the chosen model for the regional governance structure. In the first instance because European experiences are promising, and steadily more experts and official commissions recommend it. As such, democratic regional learning from Continental Europe seems at last to have acquired acceptance (Loughlin and Mazey (eds) 1995). OECD report 2002, Veggeland 2000, 2003, 2004).

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REGIONAL EUROPE

The European models of regional development continue to interest politicians and researchers. In this volume of the Journal of Nordregio John Bachtler and Sandra Taylor investigate the features of regional funding in Denmark, Finland and Sweden, while Kai Böhme and François Josserand look into the results of recent Scottish-Nordic cooperation.



TRANSNATIONAL CO-OPERATION – AN INSTRUMENT FOR ORGANISATIONAL LEARNING AND SOCIAL CAPITAL BUILDING



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Trans-national co-operation is increasingly becoming a topic of interest in regional planning and development, not least since the launch of the INTERREG IIC Community Initiative in 1996 and its continuation in the current INTERREG IIIB programmes. Furthermore, the Third Cohesion Report and the debate on EU Regional Policies post 2006 signal that European territorial co-operation is now considered to be an important instrument for promoting the harmonious and balanced development of the EU territory.

With this growing interest in trans-national co-operation in an increasingly integrated EU it would now seem to be an opportune time to reflect on the experiences of recent co-operation programmes.

Evaluations of trans-national co-operation traditionally emphasise the establishment of contact webs and mutual learning as important effects of projects. In a recent study undertaken on behalf of the Nordic Senior Officials' Committee for Regional Policy (NÄRP) and the Scottish Executive, Nordregio and the European Policies Research Centre (EPRC) explored the issue of what learning means in trans-national co-operation.

By looking at Nordic-Scottish project co-operations carried out under the Article 10 programme Northern

Periphery and the Interreg IIC North Sea Programme, deeper insights have been gained into the lessons learned by regional and local partners in trans-national and inter-regional co-operation projects in the field of spatial planning and regional development.

This article highlights some of the findings of the study. After stressing the importance of communalities, we discuss how learning occurs in projects and what it changes, before concluding with a few reflections on social capital building in trans-national co-operation.

How much communality is needed to secure understanding?

By definition, trans-national co-operation projects involve partners from different countries and different professional backgrounds. As a result, the learning environment for project partners is characterised by interdisciplinary and trans-national diversity.

Despite the constraints this involves in terms of linguistic, cultural, administrative and legal diversity, projects are brought together by some sort of commonality between project partners. In our case, the strong commonalities in the spatial conditions in the Nordic countries and in Scotland constitute the starting point for the projects assessed, where partners are confronted with similar challenges. Nevertheless, the

production of joint results is perceived as challenging and the exchange of experience and good practice usually dominates over the elaboration of joint solutions and the generation of shared knowledge.

Differences in the administrative and legal systems, as well as in culture, hampered the transfer of experience between countries. At least once during almost every project, participants considered that it might be impossible to transfer knowledge. The challenge here then was the establishment of a common understanding of concepts across various professional backgrounds and national contexts. For instance everybody agrees that regional planning needs to be reinforced, but what really is regional planning and is it the same in Northern Sweden as it is in Scotland?

Generally, as regards the capability of mutual understanding and transferring experiences between countries, different types of projects can be distinguished, both as regards the composition of the team and as regards the task of the project. Teams involving partners with a rather homogenous professional background as well as projects focusing on concrete, practical tasks and hands-on approaches or joint tasks, faced fewer difficulties. Whereas teams with rather heterogeneous professional backgrounds or projects focusing on more strategic and policy oriented projects, often needed to put aside a considerable part of their project time to establish a common understanding. Thus new knowledge creation or the transfer of knowledge came a poor second.

In any case, most partners stated by the end of the project that they have learned something and that this has been of value if not for themselves then at least for third parties.

How can partners learn in trans-national co-operation?

When it comes to the application of learning in co-operation projects one needs to distinguish between individual learning and collective/organisational learning. This is illustrated by three 'moments' that can be identified in the learning process.

First, there is learning about co-operation and about the project content in the

trans-national project group. Secondly, learning occurs within national, regional or local sub-groups in which project partners are also involved. Third, the major question is: how is this learning transported from the individual participant in the project to his/her home organisation i.e. in terms of the sharing of this new knowledge with colleagues. This last step is important as regards the use and implementation of knowledge gained in trans-national co-operation that may lead to the changing of routines. Individual project partners are the crucial link between the three levels of trans-national, regional and organisational learning. Their role is essential to the transfer of knowledge and experience from one forum to another.

The changing of routines is considered to be a major indication of the use and implementation of results. The knowledge gained by project members can stay with the individuals and potentially lead to changing personal routines, but it can also be transferred to their home organisation thus contributing to institutional learning, i.e. to the change in routines for the organisation as a whole. It is obviously a challenge to transfer experience and knowledge gained in co-operation projects to colleagues who did not take part. As this knowledge to a significant degree remained with the project participants, individual learning dominates over organisational learning and this impacts significantly on the possibility of translating learning into changes in routines.

At least two factors contribute to hindering the process to organisational learning. First, the majority of project

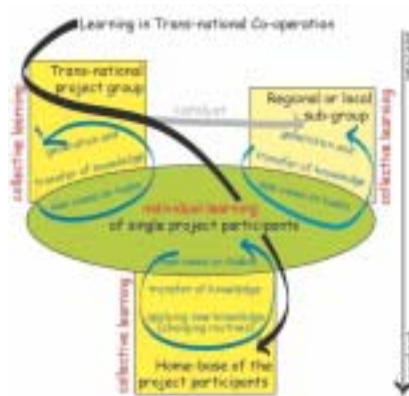
issues require a 'hands-on' approach. A number of projects suggest that intensive reporting and dissemination certainly plays its role, but it cannot replace the hands-on experience provided by trans-national co-operation projects. Second, the efforts and time invested in projects are rarely considered to be part of the individual participants' normal workload but are seen as additional, if not secondary tasks. As a result, there is often insufficient integration of the project activity or results into the work of the participating organisation. This is often affected by the position of project participants within their home organisations.

In conclusion, knowledge gained within the projects seems to be more individual than institutional, although it filters down in small doses to other colleagues through discussion. Other projects support the thesis that the development of personal skills is an important by-product of such trans-national projects; as such projects are often considered to provide an opportunity for some partners to develop their personal skills and competences.

Does trans-national learning change life?

The picture painted thus far suggests that trans-national co-operation is a costly approach to individual learning. However, a number of projects show that insights gained through trans-national exchanges can be applied by partners and can thus lead to changes of routines. Those projects provide us with a picture of trans-national co-operation as a risk-investment, which can bring significant benefits.

As already mentioned above it seems that projects with rather concrete, practical tasks and hands-on approaches faced less difficulties as compared to those that were more policy-oriented in nature. Thus, one project on the Re-Use of Peat Production Areas found that involving partners from other countries proved very valuable in bringing together new ideas and experiences as to what possibilities were available for the re-use of peat areas. Indeed, one of the Scottish partners involved in the project went on to work as a consultant for a Finnish municipality to further develop work on peat areas.



Another such practical example can be found in a project on technical exchange co-operation across the Northern Periphery road district, where partners among others learned from each other how a steel net could be used under the road surface to reinforce the work's structure. This project also allowed at least one of the partners to question domestic routes and consider changing established practices, as more effective standards existed in other countries.

However, the question is how can a project be designed such that it is more likely that its results will be used and not just documented in a report and then forgotten. In this context four key aspects can be pointed out:

- practical, concrete, hands-on project task,
- relevance of the project task for the daily, ordinary work of each project member,
- the right composition of the project team as regards communalities and expertise, and
- the right persons from each partner organisation that has the means to promote the project in its home organisation.

If these criteria are fulfilled the project will have a good chance of obtaining value for money and of contributing to organisational learning and social capital building.

HOW IMPORTANT IS SOCIAL CAPITAL?

The study shows that focusing on social capital when assessing trans-national co-operation may present a useful way of getting hold of the more interesting results of the projects than for instance merely holding a number of meetings and documenting the number of reports published etc. Following the conclusions of this discussion, projects should from the very beginning put an emphasis on securing organisational learning and thus social capital building in a broader sense.

This way of thinking is also supported by ideas presented in the Third Cohesion Report, acknowledging that there is a growing consensus on the

importance of social capital as a source of regional competitiveness. Indeed, project partners that managed to apply knowledge gained in their trans-national co-operation confirm this.

In general, three aspects of social capital can be distinguished:

Firstly, the form of social capital based on **trust, reciprocity, shared norms and institutions**, facilitates cooperation within and among groups leading to mutual benefits, has for example been of importance in projects where totally new teams came together and a lot of time was needed in order to establish trust and common understanding as well as things like a shared identity. Considering that these were Nordic-Scottish co-operation projects, it is somewhat surprising that establishing trust was considered to be such an important project outcome or benefit. However, this point neatly illustrates just how important the establishment of the trust-element of social capital is in co-operation areas that have even less of a history of common and fruitful co-operation than does Scotland and the Nordic Countries.

Secondly, social capital **cements networks**, stimulating successful regional clusters as well as regional innovation strategies and policies. Almost one third of the classified benefits of the co-operation projects relate to increased co-operation networks and the establishment of constant co-operation. With regard to project impacts, stress should be put on constant co-operation patterns, although increased co-operation networks are mentioned far more often as benefits; the amount of e-mail addresses and phone numbers in our address books is only of value if we make use of them. Thus, the existence of a network per se is as exciting as yesterday's newspaper if it under-used. As such only consistent use give it value.

Thirdly, social capital can improve the collective processes of learning and is thus a key element in knowledge creation, diffusion and transfer – all of which are critical for innovation and regional competitiveness. Indeed, almost half of the benefits of the reviewed co-operation networks were seen in this field. However, there were considerable quali-

tative differences. The vast majority being in the field concerned with information exchange and knowhow transfer. This however poses the question that, such knowledge may be nice to know, but so what? What has the information exchanged actually been used for? Approximately one fifth was indeed in the field of new ideas and approaches to problem solving. In cases where these are used and implemented we have the powerful effects of trans-national learning described above.

Considering organisational learning and social capital building rather than standard ERDF evaluation criteria, it can be shown that trans-national co-operation projects have effects that extend beyond the fulfilment of formal programme or project aims, with a wide range of achievements.

The study also illustrates that trans-national co-operation is a form of risk-taking for the partners getting involved in the projects. The framework provided and the combination of trans-national and interdisciplinary partnerships thus offers a broad range of good opportunities to produce potentially valuable results, though there is no guarantee without the motivation and commitment of individuals.

The full report is entitled, 'Transnational Nordic-Scottish Co-operation: Lessons for policy and practice', and is available as Nordregio Working Paper 2003:3 (<http://www.nordregio.se/Files/wp0303.pdf>).

For further information on Nordic-Scottish co-operation, please visit <http://www.eprc.strath.ac.uk/nordic>.



THE ADDED VALUE OF THE STRUCTURAL FUNDS: A NORDIC PERSPECTIVE



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The concept of added value

In the recently published Third Cohesion Report, the European Commission emphasises the importance of the ‘Community added value’ of the Structural Funds. In addition to the quantitative impact of the Funds, it identifies “the contribution made to regional development by factors such as strategic planning, integrated regional development policies, partnership, evaluation and the exchange of experience, know-how and good practice between regions”². The issue of added value is also at the heart of the debate on the future of EU regional policy. The European Commission and Member States agree that a post-2006 EU regional policy must seek to maximise the added value of EU interventions, in particular under any policy support provided outside the less-developed regions.

The concept of added value, is however, not well-defined and entails considerable subjectivity. Different actors, working within or outside EU regional policy at different levels, may perceive and interpret the added value of the Structural Funds in very different ways. The following article examines the

added value of the Structural Funds in a Nordic context³. Beginning with a brief summary of the EU funding provided to Denmark, Finland and Sweden, the article examines the quantitative impact and qualitative influences of the Structural Funds in the three countries, concluding with some observations on improving the added value of the Funds after 2006.

Structural Funds in the Nordic countries

As in other prosperous countries of the EU, Structural Funds in Denmark, Sweden and Finland represent a very small proportion of national GDP (0.1-0.2 percent in the 2000-06 period). Nevertheless, the Objective 1, 2 and 3 programmes represent a sizeable

head in the Objective 2 areas and ff10-14 per head in other areas.

The relatively broad allocation of expenditure among priorities and measures has also provided opportunities for regional and local organisations to engage with Structural Funds (see Figure 1). Both Finland and Sweden have allocated around two-thirds of Objective 1 spending to productive investment (much more so than in most other Objective 1 areas of the EU), with a strong focus on assistance to SMEs, RTD and agriculture and rural development. Finland places more emphasis on aid to large firms, labour market policy measures and forestry under Objective 1, while Sweden has larger allocations to tourism and infrastructure spending under the heading of telecommunications and the information society.

The breakdown of non-Objective 1 spending allocations in Finland and Sweden is broadly similar to the EU15 average. The ranking of priorities is the same as under Objective 1, the main differences being less support to agriculture and a greater emphasis given to promoting human resources, entrepreneurship and spending on the environment. In Denmark, the breakdown of expenditure is very much dominated by

Table 1: Structural Funds in the Nordic countries, 2000-2006

| | Denmark | Finland | Sweden |
|---|---------|---------|--------|
| Allocation (ff mill) | 822 | 2120 | 2223 |
| Allocation (% of GDP) | 0.1 | 0.2 | 0.1 |
| Population coverage (%) | 10.2 | 51.9 | 23.6 |
| Allocation per year per inhabitant (ff) | | | |
| Objective 1 | - | 121.1 | 104.1 |
| Objective 2 | 41.4 | 41.4 | 41.4 |
| Objective 3 | 9.9 | 14.2 | 12.3 |

Source: Third Cohesion Report, 2004.

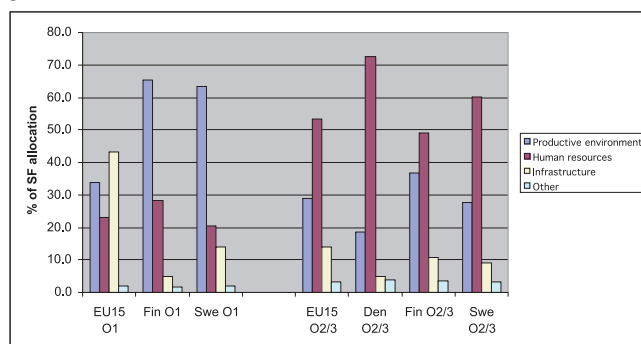
amount of funding, collectively involving a total of ff5 bn in the three countries in the 2000-06 period (see Table 1) and providing potential scope for achieving at least some added value. The Objective 1 and 2 areas cover a significant proportion of the national population, especially in Finland where more than half of the population are in designated areas. Per capita allocations vary greatly, from the ff100-120 per head per year in the Objective 1 areas of Finland and Sweden to the ff41 per

human resources, reflecting the fact that the Objective 3 programme comprises 60 percent of EU funding, the smaller Objective 2 programme focusing primarily on SME support, RTD and environmental measures.

Quantitative added value – impacts on cohesion

The starting point for assessing the added value of the Structural Funds is the impact on cohesion. This is, how-

Figure 1: Indicative breakdown of Structural Fund allocations, 2000-06



Source: Third Cohesion Report, 2004. Objective2/3 figures include Community Initiatives.

ver, very difficult to identify because of deficiencies in the availability of reliable monitoring data and the methodological problems of disaggregating Structural Fund support from other public sector funding and accurately quantifying impacts. The recent evaluations of programme performance conducted for the EC, for example, make frequent references to the limitations of their analyses of 'effectiveness'.

Notwithstanding the data and methodological problems, some insight into the scale of job creation is available from the periodic EC ex post evaluati-

gests that some 27,600 jobs were associated with the Objective 2 programmes in Finland and 39,400 in Sweden over the 1995-99 period. Under Objective 6, it was estimated that some 12,200 jobs were created/maintained in Finland and 3,800 in Sweden. An indication of the scope for error in these figures is that the Objective 6 estimates (based on sample investigations) are only about 15 percent of the jobs recorded in the programme monitoring data.

Whatever the macro-economic impacts of EU cohesion policy, there is evidence at regional and local levels that

a catalyst for regeneration. An important point is that Structural Fund programmes have influenced the availability of national resources for economic development, in particular at local levels. In all three countries, policy-makers agree that EU funding has reinforced the position of regional policy on the 'political agenda' and ensured that co-funding for EU regional development programmes is ring-fenced, safeguarding resources from budgetary cutbacks or diversion to other policy priorities. Indeed, in Denmark, since the abolition of regional policy aid schemes at the start of the 1990s, the Structural Funds have comprised the only programme involving policy measures in designated areas⁴.

Qualitative added value

Looking beyond the quantitative impacts, the question is what has been the broader 'added value' of the Funds. In this context, added value can be defined as "something which has been enabled or which could not have been done without Community assistance", and can be observed in several areas.

First, the EU approach has contributed to the fundamental change in the 'paradigm' of regional policy that has taken place in the three countries over the past decade. This is evident in particular in the regionalisation of regional policy (Finland, Sweden) and the greater vertical coordination between levels of government (Denmark). Structural Funds have brought about a new form of relations between the state and the regions, enabling regional actors to have a much stronger role in influencing both policy formulation and implementation. In Finland and Sweden, the Funds have also encouraged the shift away from an exclusive focus on the peripheral and sparsely populated areas to address the problems of other types of region⁵.

Related, the EU has promoted a strategic dimension in regional development policymaking in the three countries. Regional development has become more integrated and coherent through the multi-sectoral and geographically focused approach of programmes. Multi-annual programming periods have provided a more stable policy envi-

Table 2: Estimated employment effects of Structural Fund regional programmes

| | Denmark | Finland | Sweden |
|-----------------------|---------|---------|--------|
| 1989-93: Obj.2 | | | |
| ERDF jobs created | 2,616 | -- | -- |
| ESF jobs created | 1,501 | -- | -- |
| Total jobs created | 4,117 | -- | -- |
| 1994-99: Obj.2 | | | |
| ERDF jobs created | 6,900 | 9,700 | 21,000 |
| ESF jobs created | 4,200 | 17,900 | 18,400 |
| Total jobs created | 11,100 | 27,600 | 39,400 |
| 1995-99: Obj.6 | | | |
| Jobs created | -- | 3,200 | 2,000 |
| Jobs maintained | -- | 9,000 | 1,800 |

Sources: Ex post evaluation of 1989-93 Objective 2 programmes, Ernst & Young, 1996. Ex post evaluation of 1994-1999 Objective 2 Programmes, CSES, 2003. Ex post evaluation of Objective 6 programmes in Finland and Sweden 1995-99, Levón Institute, University of Vaasa, 2002.

ons, for the 1989-94 and 1994-99 periods (see Table 2). For Denmark, the results suggest that some 15,300 jobs were attributable to the Structural Fund programmes between 1989 and 1999. In Finland and Sweden, Structural Funds only became available in 1995, but the recent ex post evaluation sug-

the Funds have enabled additional economic activity to take place. The Funds have been associated with substantial numbers of new firms created, SMEs assisted, R&D activity facilitated and other outputs. Further, it is argued that programmes have improved the quality of economic development and acted as

ronment, allowing longer term planning. There is evidence that the lessons of EU programming are being transferred into domestic policies. In Sweden, for example, the multi-annual Regional Growth Agreements established in 1998 (now being renewed as Regional Growth Programmes), were inspired by the EU Structural Fund programmes; other aspects of Swedish economic development funding are also being delivered through more strategically defined and targeted programmes than was previously the case.

The most frequently cited area of added value associated with the Structural Funds is partnership. This fundamental principle of Structural Fund programming is considered to have brought enhanced transparency, co-operation and co-ordination to the design and delivery of regional development policy, and - it is claimed - better quality regional development interventions as a result. The commonly cited benefits of partnership are improved vertical coherence, stronger involvement of local actors, a greater awareness of the 'bigger picture', collaborative working and co-operation on economic development initiatives, and improved decision-making in the management of economic development interventions. While the Structural Funds have clearly encouraged greater levels of cooperation between economic development actors - among regions/counties, between regions/counties and municipalities, and among municipalities - in the preparation of programmes and projects - the process has been uneven across regions and over time. Again, there is evidence that the partnership principle is being adopted within national policy. Apart from the Swedish regional growth agreements/programmes, the organisational principles underlying the Structural Funds are at the heart of the recent Danish White Paper which proposes 'regional growth coalitions' as a new organisational framework for the most peripheral Danish localities. The new regional development legislation enacted in Finland in 2003 also requires cooperation between regional and local authorities.

There is a further dimension of added value related to the 'learning effects' of the Structural Funds. EU cohesion poli-

cy has provided an exceptionally stable yet adaptable policy framework, which has promoted a dynamic of evaluation, learning and innovation. In some, but by no means all regions, the Funds have helped to institutionalise a 'learning reflex' as part of the routine delivery of regional economic development policy.

Lastly, an important effect of the Structural Funds is to make the EU more 'visible' to citizens, communities, businesses and public authorities. The programmes have different levels of visibility in the three countries, partly because of varying levels of publicity (at least prior to 2000), and also because public awareness and media exposure are sometimes mediated by the contested nature of Member State/EU relations. Nevertheless, there are tangible outcomes in terms of the encouragement given to regional and local organisations to become involved in European political and policy debates and to 'internationalise' their operations by participating in international networking and exchange of experience as well as developing commercial links.

Improving the added value of Structural Funds after 2006

The Third Cohesion Report proposes a much greater decentralisation, and some simplification, of Structural Fund management after 2006. Member States would have a greater responsibility for thematic and geographic concentration and for the design and delivery of programmes. The themes proposed by the EC reflect the growth and competitiveness focus of national regional policies in Denmark, Sweden and Finland.

The EC envisages that the key features of programming should be retained, notably coherence (integrated, multi-sectoral development), stability (multi-annual programmes), collaborative working (partnership) and accountability (monitoring and evaluation). However, with the rules on additionality being relaxed, and national governments having more scope to determine the implementation of the Funds, it cannot be assumed that the current approaches to managing and delivering the Funds in Denmark, Finland and Sweden will automatically continue beyond 2006.

Also, the regional development environment within which Funds will operate in the next period will be different from the situation in 1989 (in the case of Denmark) and 1995 (in Finland and Sweden). Regional policy now operates in new ways, and, as noted above, many important aspects of Community added value have become embedded within national policies.

Improving the added value of the Funds will, therefore, require new thinking on the part of national governments as well as regional and local authorities. If the EC proposals were to be agreed, Member States would have greater flexibility for implementing EU cohesion policy. They would also need to be imaginative in thinking about the targets for expenditure (eg. to promote innovation, risk-taking and the network economy) as well as future delivery mechanisms if the Funds are truly to make a difference and provide genuine added value after 2006.

Acknowledgements

The research on which this article is based also draws on work by Ruth Downes and Douglas Yuill (EPRC) and Henrik Halkier (Aalborg University) whose contributions are gratefully acknowledged.

² A new partnership for cohesion: convergence, competitiveness, cooperation: Third Report on economic and social cohesion, Commission of the European Communities, Brussels, p.138.

³ The article draws on EU-wide research undertaken under the IQ-Net network of programming authorities, which includes partners from Denmark, Finland and Sweden, and is reported more fully in: Bachtler J and Taylor S (2003) *The Added Value of the Structural Funds: A Regional Perspective*, IQ-Net Special Paper (www.eprc.strath.ac.uk/iqnet/iq-net/index.html). It should be noted that the views expressed in this article are those of the authors alone.

⁴ Halkier H (2001) *Regional Policy in Transition - A Multi-Level Perspective on the Case of Denmark*, *European Planning Studies* 9(3): 323-38.

⁵ Lindström B (2000) *Nordic Regional Policy - Ten Years Later*, North, 5/6, December. Halkier H and Flockhart J E (2002) *The Danish Cases - Bottom-up Initiatives between Regional and National Environments*, in Anders Östhol and Bo Svensson (Eds.) *Partnership responses - Regional Governance in the Nordic States*, Stockholm, Nordregio, 41-84.

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