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The 2007-2013 EU-budget

Cohesion through competitiveness

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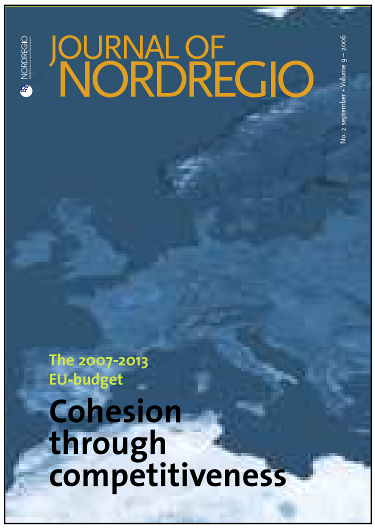

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NORDREGIO
Nordic Centre for Spatial Development

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Nordregio is a centre for research, education and documentation on spatial development, established by the Nordic Council of Ministers.

The future of the EU budget

In 2004, the EU expanded from 15 to 25 member countries. In 2007, Romania and Bulgaria will also join. In terms of allocations per capita there will be an overall reduction from 302 to 247 euros per annum – comparing these two years.

More important however, is the fact that allocations to the relatively rich (older) member states will be reduced substantially. Thus far, a comprehensive post-2007 picture has not been made available, although some key figures have been published, giving clear indications of likely future patterns and developments.

So less money to everybody and relatively more money to the poorer members, that then is one clear tendency. Another is the increasing level, in relative terms, of allocations for regional development, while at the same time, the money set aside for agriculture and rural development is being reduced.

At the EU-level, perhaps the most important aspect is the increasing focus on competitiveness and in particular on the Lisbon-priorities, which entail, more growth, more and better jobs and better governance, according to the accompanying EU-terminology.

Sweden and Finland have lost their Objective 1 status areas for the coming programming period. Admittedly, an additional provision of 35 Euros per capita and per annum has been granted to the so-called outermost regions of these countries. This reflects a continuing acknowledgement of their specific challenges at the European level.

These issues however tend to be increasingly marginalised in the EU financial perspective, as these areas have moved from a specific Objective in the 1994-1999 programming period (Objective 6), via an inclusion in the top-level support category in 2000-2006 (Objective 1) to a mere 'additional provision' for 2007-2013.

The effort to concentrate funding on areas where it is most needed has led to an exclusive focus on underperforming regions and countries, epitomised by the '75% of GDP' threshold. This entails that structural challenges, such as those encountered by Northern peripheral regions, are downgraded to second rank issue status.

Seen from a Nordic perspective, the question remains whether reductions in EU-funding will result in regional and local pressure for new national efforts in regional policy. ■

Odd Iglebaek

Less per capita

In 2003 the EU had a budget of 99.7 billion euros and approximately 330 million inhabitants. As such, the budget equates to some 302 euros per capita.

The year after the Union enlarged from 15 to 25 countries and thus to a total population of some 457 million. The budget was somewhat lower, i.e. 95 billion euros, equivalent to 207 euros per capita. The budget for 2006 is 121 billion euros or 265 euros per capita.

In 2007, Romania and Bulgaria will join the Union, and the EU's population will increase to 488 millions. The budget, on the other hand, will not increase. In fact, it is set to be 120.7 billion euros. Per capita that will be 247 euro.

In other words, the growth of new `EU-citizens´ has not been reflected in the volume of money allocated to be spent through the EU-Commission and the EU-Parliament in the years to come. Rather, the tendency is for movement in the opposite direction.

In 2010, Croatia (4.5 million inhabitants in 2006) will probably become a member of the European Union. For Turkey (70.5 million inhabitants in 2006) membership has been suggested for sometime after 2015.

Serbia (9.4 million inhabitants in 2002), Montenegro (631,000 inhabitants in 2004), Macedonia (2 million inhabitants in 2006), Bosnia (4.5 million inhabitants in 2006), and Albania (3.6 million inhabitants in 2006) have all been given an 'entry perspective' by the EU and are thus likely to join the EU sometime in the future.

Thus far, such an expansion is not really reflected in the volume of the budget. For 2013, the EU-budget will be of 127.1 billion euros. Measured per capita, that will take care of Croatia, but not much more. ■

Odd Iglebaek

EU continues growth in regional spending

The share of the EU-budget put aside for regional development has grown from less than five percent some thirty years ago to almost 40 percent for the coming budgetary period. On the other hand, money earmarked for agriculture and rural development has fallen, from around 70 percent to just above 43 percent, in the same time-span.

In the 2000-2006 EU-budget regional and structural policies had an allocation of 195 billion euros. This can be compared to 307.6 billion euros earmarked for Cohesion for growth and employment in the 2007-2013 EU-budget.

The 2007-2013 EU-budget operates with different headings incorporating different activities. This is explained below.

The Common Agricultural Policy (CAP) and Rural development and environment, now under the common heading Preservation and management of natural resources (includes also fisheries) still constitutes the largest sum. For the 2007-2013 the sum is 371.2 billion euros.

So far, only allocations for Cohesion for growth and employment (see table on page 14) and for Rural Development, with a total of 77.7 billion euros 2007-2013, have been made available on a country-by-country basis. The division for rural development is shown on page 19.

Here are the headings as defined by the EU-Commission:
"**1.** Heading 1 (Sustainable growth) is divided into two separate, but interlinked components:
1a. Competitiveness for growth and employment, encompassing expenditure on research and innovation, education and training, EU networks, social policy, the internal market and accompanying policies.
1b. Cohesion for growth and employment, designed to enhance convergence of the least developed Member States and regions, to complement the EU strategy for sustainable development outside the less prosperous regions and to support inter regional cooperation.
2. Heading 2 (Preservation and management of natural resources) includes the common agricultural and fisheries policies, rural development and environmental measures, in particular Natura 2000. The amount earmarked for the common agricultural policy reflects the agreement reached at the Brussels European Council in October 2002.

The EU-25

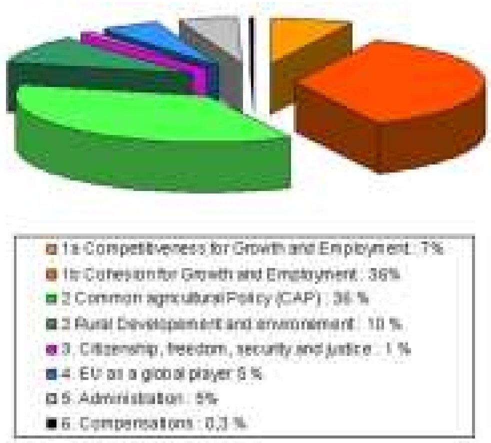
Country	Population (millions)	Surface (1000 km2)
Belgium	10.4	30.5
Bulgaria	7.5	111.0
Czech Republic	10.2	78.9
Denmark	5.4	43.1
Germany	82.5	357.0
Estonia	1.4	45.2
Republic of Ireland	4.0	70.3
Greece	11.0	131.6
Spain	42.3	504.8
France	59.9	544.0
Italy	57.9	301.3
Cyprus	0.7	9.3
Latvia	2.3	64.6
Lithuania	3.4	65.3
Luxembourg	0.5	2.6
Hungary	10.1	93.0
Malta	0.4	0.3
Nederlands	16.3	33.9
Austria	8.1	83.9
Poland	38.2	312.7
Portugal	10.5	91.9
Romania	22.3	230.3
Slovenia	2.0	20.3
Slovakia	5.4	49.0
Finland	5.2	304.5
Sweden	9.0	410.9
United Kingdom	59.7	243.8

Source: The EU-commission

The EU-budget deal breakdown

Commitment Appropriations by Heading	EUR billion*	%
1a. Competitiveness for growth and employment	72.1	8.4
1b. Cohesion for growth and employment	307.6	35.7
2. Preservation and management of natural resources	371.2	43.1
3. Citizenship, freedom, security and justice	10.3	1.2
4. The EU as a global partner	50.0	5.8
5. Total administrative expenditure	50.3	5.3
6. Compensations (Bulgaria and Romania)	0.8	0.1
Total Commitments	862.4	

* in 2004 prices
Source: European Commission



3. The new heading 3 (Citizenship, freedom, security and justice) reflects the growing importance attached to certain fields where the Union has been assigned new tasks – justice and home affairs, border protection, immigration and asylum policy, public health and consumer protection, culture, youth, information and dialogue with citizens. It is split in two components:

3a. Freedom, Security and Justice

3b. Citizenship

4. Heading 4 (The European Union as a global player) covers all external action, including pre-accession instruments. Whereas the Commission had proposed to i ntegrate the European Development Fund (EDF) into the financial framework, the European Council and the European Parliament agreed to leave it outside.

5. Heading 5 (Administration) covers administrative expenditure for all institutions, pensions and the European Schools.

6. Heading 6 (Compensation) is temporary and includes some compensation amounts related to the latest enlargement of the Union.

Whereas Agenda 2000 contained 8 headings (11 counting subheadings), the framework for 2007-2013 as adopted counts 6 headings (8 including sub-headings or subceilings) and is therefore simpler and less rigid.

Distributing resources among a large number of headings makes the system rigid and thwarts more effective use of resources to achieve the Union's policy goals. Having a smaller number of headings not only reflects the broad policy goals, but also creates vital breathing-space to allow for developments that cannot always be precisely predicted ten years in advance." ■

The fight for budget-size

The process of determining the size of the 2007-2013 EU-budget saw the 'Gang of Six', namely; Sweden, Germany, Austria, the Netherlands, France, and the UK prevail. This group of 'net contributor' countries constitute an informal alliance within the Community, the purpose of which is to ensure that the EU budget does not rise above 1.0 percent of the Unions' Gross National Income (GNI).

In constitutional terms, the Commission is tasked with constructing the initial proposal for the EU-budget. Their initial proposal, for the 2007-13, period was for 1025 billion euros, equivalent to 1.26 percent of GNI. The figure that was finally accepted was 863 billions euros, or 1.048 percent of GNI. In other words, approximately 20% less than the Commission wanted.

The European Parliament has the final say on the size of the budget. While the proposal they received from the Council of Ministers was equivalent to 1.045 percent of GNI, the Parliament finally decided upon a figure equivalent to 1.048 of GNI. In other words, the figure that the Parliament agreed upon was only slightly different from that of the Council, but far removed from the Commission's original proposal.

– We are satisfied, sums up the view of officials at the Ministry of Finance in Stockholm.

They explain the significant difference between the initial proposal from the Commission and the figure finally accepted by the Parliament, in terms of a lack of coordination within the Commission.

– They had simply added together what each Commissioner wanted, and that is somewhat irritating. We had at least hoped for some kind of priority setting, they added.

The Mediterranean countries, being net budget recipients, were of course quite happy with the Commission's original proposals, and thus less so with the final agreement.

Moreover, it should also be noted that while the symbolic 1% GNI barrier was breached, the 'Gang of Six' were professed to be 'quite happy' with the result. ■

By Odd Iglebaek

Significant reductions to the Nordic countries

Final agreement of the 2007-2013 EU-budget saw a significant reduction in the level of funding allocated to the Nordic countries, as a whole, and in particular to their northernmost regions. Although the reduction (in euros *per capita* and *per annum*) is larger for Finland than for Sweden and Denmark, Finland remains the leading Nordic recipient of EU Structural Funds.

For the next budget-period, Finland will receive, *per annum*, 42 euros *per capita*. This figure is rather high given that the main parameter for the allocation of Objective 1 (convergence) funds in the 2007-2013 period will be based, predominantly, on the level of regional GDP *per capita*. That is to say, on a principle that primarily benefits the 10 new EU Member States.

It is also worth noting that the regions of East Finland (Itä-Suomi) remained eligible for temporary relief as a 'phasing in' region, implying a progressive decrement in funding until 2013, although Eastern Finalnd will actually receive the more advantageous 'phasing out' benefits.

Sweden, Finland, and Denmark are, as EU Member-States, eligible for structural aid in the framework of the EU Regional Policy. When entering the EU in 1995, Sweden and Finland had the specificity of their northernmost regions legally recognised. Therefore, these countries initiated the creation of a specific structural fund objective, Objective 6, aiming at the 'promotion of development in regions with exceptionally low population density'. This objective was to prove particularly beneficial to Finland.

In the current programming period (2000-2006) the aid received by Sweden and Finland increased substantially compared to the previous period, while Denmark aid levels remained stable.

Structural Funds in the Nordic countries

Structural Funds in the Nordic countries

Structural aid in euros *per capita* and *per annum*

	1994(5)-1999*	2000-2006**	2007-2013***
Sweden	25	40	27
Finland	54	66	42
Denmark	23	25	14

* At 1994 prices; total for objectives (1-6) and community initiatives; Source : Aalbu *et al.*, 2004 (Nordregio R1999:3)

** At 2004 prices; Source: European Commission

*** At 2004 prices; Source: European Commission [SEC(2006) 726]

Indicative Cohesion policy allocations 2007-2013 in Million Euros, at 2004 prices

	Sweden	Finland	Denmark
Ground financing			
Convergence (Objective 1)	N/A	N/A	N/A
Regional Competitiveness and Employment (Objective 2)	1 239	1425*	453
European Territorial cooperation (Former INTERREG)	236	107	92
Sub-total	**1 475**	**1 532**	**545**
Special financing			
Additional RCE funding	150**	N/A	N/A
Special fund for outermost regions	216	319	N/A
Total	**1 841**	**1 851**	**545**

* Including 491 Million Euros attributed to East Finland as Objective 2 phasing-in allocation
** Compensation for the loss of Objective 1 funding

Source: EU Commission

The reason for this increase was that the northernmost Nordic regions became eligible for the more lucrative Objective 1 assistance. The argument here was that such regions needed specific help in meeting the challenges imposed by their harsh climatic constraints and their remoteness from national and European markets, as well as in addressing the constraints imposed by their specific settlement patterns.

The funding allocated to Sweden and Finland for the period (2000-2006) was 829 million euros and 1049 million euros respectively accounting for one third of Sweden's, and one -half of Finland's received aid.

The agreement reached on the EU budget, in December 2005, for the period 2007-2013 enabled the allowance of lump sums, in respect of Cohesion Policy Funds, to be allotted to each EU Member State. On the other hand, no Nordic region is now eligible for Objective 1 funding. All Nordic regions, with the exception of East Finland eligible for Objective 2 'phasing-in' assistance, are however eligible for Objective 2 (Regional Competitiveness and Employment) allocations.

The new EU budget agreement also stipulates that Sweden is eligible for additional Objective 2 funding, as a compensation for the loss of its Objective 1 funding status.

Indicative regional allocations of funding in million Euros, at 2004 prices

	Ground financing (excluding ETC)			Special funding	Total	Total
	European Regional Development Fund (ERDF)	European Social Fund (ESF)	Total	Outermost regions (35 per inhabitant)	Million Euros	Euros per capita and per year
Finland*	**554**	**554**	**1 103**	**319**	**1 422**	**39**
East Finland	163	163	325	165	489	105
North Finland	138	138	275	154	429	97
West Finland	127	127	253	N/A	253	27
South Finland	123	123	245	N/A	245	13
Åland	3	3	5	N/A	5	27
Sweden**	**799**	**590**	**1 389**	**216**	**1 605**	**25**
Upper Norrland	208		-	123	-	-
Middle Norrland	151		-	93	-	-
North Middle Sweden	167		-	N/A	-	-
Stockholm	32	Regional distribution not known	-	N/A	-	-
East Middle Sweden	69		-	N/A	-	-
West Sweden	54		-	N/A	-	-
Småland and Islands	58		-	N/A	-	-
South Sweden	60		-	N/A	-	-
Denmark***	**-**	**-**	**453**	**N / A**	**453**	**12**
North Jylland	-	-	102	N / A	102	21
Middle Jylland	-	-	66	N / A	66	8
South Denmark	-	-	93	N / A	93	12
Sjaelland	-	-	66	N / A	66	12
Copenhagen Region (excl. Bornholm)	-	-	64	N / A	64	6
Bornholm	-	-	14	N / A	14	46

* Source: Finnish Ministry of the Interior; Regional division: NUTS2

** Source: Swedish government (Exchange rate applied 1SEK = 0,108 Euros); Regional division: NUTS2

*** Source: Danish government (Exchange rate applied 1DKK = 0,13 Euros). Part of the total convergence funds received is not directly allocated to specific regions. Regions are referring to new Danish regional division, put into force on the 1st January 2007.

NB: due to the number of official sources used and consequent figure approximations, the sums in the table may not be accurate.

The author has not corrected these marginal differences consciously.

Finally, the northernmost regions of Sweden and Finland, defined in the Accession Treaty, are still been granted a 35-euros *per capita* and *per annum* fund given their territorial specificity.

In the new EU budget (2007-13), Brussels, with the further approval of the Member States, has settled on the lump sums that each Member State will receive over the seven - year programming period. The division of this financial envelope is, however, the responsibility of the national governments. Previously, such decisions were rather more heavily influenced from Brussels.

The Finnish government has already made public the indicative division of these funding arrangements, at the level of NUTS2 regions. In Sweden, only the indicative division of the 800 million euros allocated from the European Regional Development Fund (ERDF) has been published by the government. See: *En nationell strategi för regional konkurrenskraft och sysselsättning 2007-2013* (National Strategy for Competitiveness and Employment). The further division of the nearly 600 million Euros allocated by the European Social Fund (ESF) will be decided upon later this year. ■

By Alexandre Dubois
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For more information:
Finnish Ministry of the Interior
http://www.intermin.fi
Swedish Ministry of Trade and Industry
http://www.regeringen.se
Danish government
http://www.oem.dk
EU Regional Policy Directorate General
http://ec.europa.eu/regional_policy

Viewpoint:

- Regions are the key to European Identity

– If we want to build a European identity, we have to start from below, and therefore we have to start with the regions, says Ingmar Karlsson

Ingmar Karlsson is a Swedish career-diplomat, currently Sweden's Consul General in Istanbul. He is also a long-time writer on European and Middle-east politics (see www.absif.com). In his latest book Regionernas Europa, (Europe of the Regions), regions are, he argues, one of the key issues of European identity.

– My argument is that, for almost fifty years, we have tried to establish a level of popular cohesion in Europe, and we have not succeeded. In fact, we have almost failed, particularly remembering how both the Dutch and the French only a year ago rejected the proposal for a European Constitution, Karlsson continues.

– The trouble is that the proposal for the Constitution came from above. It was a complicated document constructed by elite-bureaucrats in Brussels. It was not something which grew out of a political debate among laymen. Therefore the majority said 'no'. They would not say yes to a political change that they had not asked for, and often did not understand, Karlsson underlines.

In the 14th century, Europe had a population of 80 million people, living in more than 500 different territorial units, be they independent principalities, free cities or cantons, or other feudal states. Power was predominantly expressed through the control of the tax revenue power of cities, which were, subsequently, to form the basis of regions.


Ingmar Karlsson

In other words, most of the current 25 European Union members, with the exception of the Nordic countries, have long traditions of dealing with powerful regions.

Many of these regions also have their own representations in Brussels. For example, the 16 federal states of Germany and the 17 autonomous regions of Spain all have such offices.

On the other hand, only three member states, namely Belgium, Germany and Austria are, constitutionally speaking, federal states.

Karlsson is not against the attempt to create a European identity, rather he is in favour of it: – But we have to start with the regions, and go from them to the nations, and only thereafter move further on towards the Union.

We must understand that for a Catalan it is his or her regional belonging, that is more important than their Spanish nationality, while for a Bavarian, being 'Bavarian' remains more important than being German, or that without regions Belgium would quickly collapse, argues Karlsson.

– What are the chances of building a European United States?

– In truth, I'm not sure, but at least I think this is much easier for the new immigrants. A Somali or a Vietnamese will have a lot to gain in such state-formation. They would not, like us Nordics, see this as something where they might loose more than they gain, Ingmar Karlsson concludes. ■

The 'forgotten peoples' of Europe

An increasingly number of 'forgotten' or once thought to have been assimilated ethnic and cultural groupings across Europe are now speaking out, demanding that their languages and cultures be respected. Respect for diversity in linguistic and culture terms is also one of the principles of the EU, mentioned specifically in article 22 of the Treaty.

In 1982, the European Bureau for Lesser-Used Languages (EBLUL) was set up by the European Parliament. Today the EBLUL represents some 46 million people, or some 10 percent of the Union's population.

The EBLUL offers legal and political support for minority-languages. They also have a news-service and a documentation centre in Bruxelles. The head-office is in Dublin. The organization is 80 percent financed by the EU-commission. The governments of Ireland and Luxembourg also offer support.

Due in the main to the work of the EBLUL, a renaissance has been seen in the usage of many minor languages. One example of this is the language of the Friesland-region in the Netherlands. The region is now officially bi-lingual.

In Sweden, SWEBLUL the organization for Lappish, Meänkieli, Finnish, Romany and Yiddish, is the link to EBLUL. ■

Regions and NUTS

Regions are the key policy focus in respect of EU Structural Funds spending. Generally speaking, the regions of the EU's focus are based on the NUTS system (Nomenclature Units for Territorial Statistics), in other words, on statistical units. NUTS cannot therefore, by definition, be characterized by common historical, cultural or religious roots or as traditional administrative units.

It is up to the individual member-state to define the border of the various NUTS units. One important criterion here is that it should be possible to evaluate each NUTS unit in relation to its development level, and thus in relation to the need for EU-assistance.

The administrative structure in the EU-member states generally comprises two main regional levels, for example Länder and Kreise in Germany, régions and departments in France, Comunidades autonomas and provincias in Spain, and regioni and provincie in Italy.

Sweden traditionally has 21 län but is now 'piloting' the use of larger regions in Skåne, Västergötland, Gotland, and to some extent also in the Stockholm-region. In Finland, the 20 maakunta, introduced some years ago, now have a key role. The country also utilises the traditional and rather larger lääni, six in total. Denmark is reducing the role of her traditional amt (14 in total) and 271 kommuner will, from 2007, be administrated on the basis of five regioner and 98 kommuner.

NUTS are, by regulation, divided into three different levels according to the size of the population:

Level	**Minimum**	**Maximum**
NUTS 1	3 million	7 million
NUTS 2	800 000	3 million
NUTS 3	150 000	800 000

The län (county) in Sweden is an example of NUTS 3. Ile-de-France with 10.5 million inhabitants is the largest NUTS (1). The smallest NUTS (3) unit is Aosta, a French-speaking valley, in Italy. Aosta has 100 000 inhabitants. ■

Sources:
http://ec.europa.eu/comm/eurostat/ramon/nuts
Ingmar Karlsson: Regionernas Europa, SNS Förlag, Stockholm 2006

The challenge of the macro-regions

Macro-regions are becoming increasingly important in Europe. In particular what is called termed functional-region. Common labour-market, tourism, trade, communication and joint efforts against noise and pollution often characterize such regions.

In terms of production it is usual to talk about the front-runners, the descending and the old-fashion or agrarian regions. In modern Europe, the first category foremost include the so-called Blue Banana, from Manchester in England via the Rhine- and the Rhone-valley into Lombardy with Milan at the other end, and in the middle Frankfurt-am-Maine, the financial capital of Germany.

The Sun-Belt from Toscana to Milan and Lyon to Barcelona and Valencia is another example and often compared to California. The plans are that new technologies, industry independent of raw-materials and new services are going to change this half-peripheral part of Southern Europe into a growth-area number one.

The north-western part of Europe is dominated by a high concentration of people and of big cities and capitals. The systems of transport are highly developed and they all have constant high flow of people and goods.

The peripheries of Europe; from Scotland cross to Ireland via Wales, Cornwall and Bretagne to Andalusia, Sardinia and Sicily have much less people and are close to oceans. The Alpine-Europe is in terms of people dominated by Vienna and Lyon but has several cities with one to two million inhabitants.

The so-called Atlantic Arch runs from southern Ireland to Wales and Cornwall to the Atlantic coast of France, Basque and Galicia in Spain to Portugal. These areas all have traditions as seafarers and a likely heritage Celtic music and culture. Today is, however, cooperation against oil-pollution from tankers in distress or damaged, much more important.

In Germany, regional researchers talk about the two-river region with one arm from Bruxelles, Köln, the Ruhr, Hannover and to Berlin and Warsaw, while the other stretches from Dortmund and Kassel towards Leipzig and into the Sleschien part of Poland and from there to Czechia. In the Baltic Sea the previous leader of the Social-democratic Party of Germany, Björn Engholm, has started to talk about a new Hansa-cooperation. ■

By Odd Iglebaek

Viewpoint:
- Structural Success

Cohesion policy is one of the oldest Community policies. Last year we celebrated the 30th anniversary of the European Regional Development Fund - the first and main financial instrument of our policy.

In its first few years, the ERDF represented approximately 4% of the EU's budget and was managed entirely by the Commission, on the basis of individual projects and annual planning; as of 2007 the Structural Funds will represent close to 40% of the EU's budget, managed jointly by the Commission and the Member States on a multi-annual basis.

The available funds have increased steadily over time to reach 308 billion euros for the 2007-2013 period.

The main aim of cohesion policy is to advance, in a sustainable manner, the growth and long term competitiveness of less-favoured regions thus enabling them to catch up with better developed EU areas.

In this sense, it performs a key allocative function because it contributes towards high levels of investment in physical and human capital in order to improve competitiveness and the long-run growth potential.

The investment done through the cohesion policy had significant macroeconomic effects in the largest assisted countries and regions.

Between 1988 and 2001 Ireland has seen its GDP per head double, from 64 percent in 1988 (the same level as Calabria) to 117 percent in 2001.

Since 1994, GDP growth has been 1 percentage point above the Community average in Spain, Greece and Portugal (until 2001), and four times higher in Ireland.

In terms of regional convergence recent research shows that between 1998 and 2001 Objective 1 regions have converged much faster than the rest of Europe - GDP per inhabitant has grown from 63 to 70% of the average of the EU-15. The greatest catching up took place between 1994 and 2001.

Productivity for all Objective 1 regions experienced an average growth of 1.5% between 1994 and 2001 compared with 1% for the entire EU (1).

Ms Danuta Hübner,
Regional commissioner

Macro-economic studies based on economic models show significant impacts too (2). Between 1989 and 1999, the increase in the level of GDP due to Structural Funds was near 10% in Greece and 8.5% in Portugal above the baseline corresponding to the scenario without cohesion policy intervention.

The impact is less pronounced in Ireland and Spain (3.7 and 3.1%, respectively) due to lower allocations as a percentage of GDP. For 2000-2006, further gains are expected, with a projected increase in the level of GDP of about 6.0% for Greece and Portugal and 2.4% for Spain.

In the German Länder, simulations suggest an increase in the level of GDP (compared with a non-intervention scenario) of 4.0% in 2006. In all cases, long-term improvements are expected, due to supply-side effects that would last after the end of the funding period.

As regards the key factors that determine competitiveness, substantial progress has been made in the area of basic infrastructure (transport, environment, etc.) as well as in other sectors where territorial imbalances are particularly pronounced, such as research and development, access to the information society, and continuing education and training opportunities.

For example, in cohesion countries the density of the motorway network increased from 81% of the EU average in 1991 to 110% in 2001, with gains in journey times of 20-30%. In the same period the population connected to water supply systems in Portugal increased from 50 to 90%.

Apart from the investment in Objective 1 regions, the Structural Funds supported economic development in the wealthier regions facing structural problems of competitiveness.

Evaluations show that Community interventions have helped alleviate the economic decline of industrial and rural regions. It is estimated that nearly 500 000 net jobs were created or safeguarded in the assisted areas (current Objective 2) between 1995 and 2001. As a result, unemployment in these regions decreased in this period by 1% more than for the rest of the Union.

Cohesion policy also contributes to closer economic integration by stimulating trade flows and influencing the location of economic activity through major infrastructure networks in the least developed areas.

Between 1995 and 2005 trade between the cohesion countries and the rest of the EU more than doubled. Estimates suggest that around one-quarter of the expenditure undertaken via the cohesion policy returns to other Member States in the form of increased exports (especially machinery and equipment).

Given that a substantial share of The Structural and Cohesion Funds is invested in transport and environment infrastructure, R&D activities, information society promotion or education and training, cohesion policy increases the attractiveness of regions, affects the location of industry and boosts economic activity, by increasing earnings and real incomes. For example, the combined effect of two motorway projects added an estimated 9 percent to incomes in east Macedonia (3). ■

1European Commission, 2001, Community Value Addend: Definition and Evaluation Criteria, DG REGIO.

2 European Commission, Second Report on Economic and Social Cohesion, 2001.

3 London School of Economics, 1999, 'The Economic Impact of the Cohesion Fund'

The viewpoint in this issue of Journal of Nordregio has been provided EU Commissioner Ms. Danuta Hübner, head of The Regional Policy Directorate-General, responsible for the EU's regional development. Originally, the views expressed were a part of a longer speech. The full text can be found at:

http://ec.europa.eu/commission_barroso/hubner/speeches/pdf/080606leuven_rev.pdf

More Interreg competitiveness

According to the EU Commissioner responsible for regional policy, Danuta Hübner, who spoke on the future of border regions in Europe in Saarbrüucken, July 5 2006, the 2007-2013 programming period will see cross-border cooperation focus on strengthening the competitiveness of border regions, contributing to their economic and social integration. Actions in this area will include labour market integration initiatives, the promotion of knowledge transfer, and the development of cross-border commercial activities.

In 2007, major changes will be introduced to the support mechanisms for cross-border, transnational, and interregional cooperation in Europe. This mechanism has traditionally been referred to as the Interreg programme. It will now become a strategic objective in its own right – Objective 3 – and termed, 'European Territorial Cooperation'.

In the 2007-2013 period, the EU will spend a total of 308 billion to support regional growth agendas and to stimulate job creation. The European Territorial Cooperation objective will have 2.5 percent of these funds (7.75 billion) made available to it. The EU budget for the current Interreg programme (2000 – 2006) is 5.85 billion (including the new member states).

The new Objective 3 is an affirmation of the integration of cross-border initiatives into an overarching approach that is set to take into account the Lisbon and Gothenburg objectives of the balanced, harmonious, and sustainable development of the European territory.

This calls for a strategic rethinking of the relationship between cross-border projects and general development policies in the territories in question, and in neighbouring territories.

Future transnational cooperation programmes should seek to increase social and economic integration in macro-regions. This covers issues such as the creation of European transport corridors, natural hazard prevention, water management issues, and integrated maritime cooperation.

From 2007, the Commission plans to implement a new European neighbourhood and partnership instrument (ENPI) to support cross-border cooperation. In addition, with the regulations of July 2006, the Commission have instituted a separate cooperation instrument for the creation of cooperative groupings invested with legal personalities. These groupings, 'European groupings of territorial cooperation' (EGTC), will be able to facilitate, implement or carry out actions of territorial cooperation (programmes or projects).

The reason behind the EGTC feature is the difficulties experienced in running trans-national programmes, due to differences in national laws and regulations. National, regional, or local authorities involved in a programme may themselves in the future decide if an EGCT would be a suitable framework for running a cross-border or trans-national programme. ■

By Jon Moxnes Steineke
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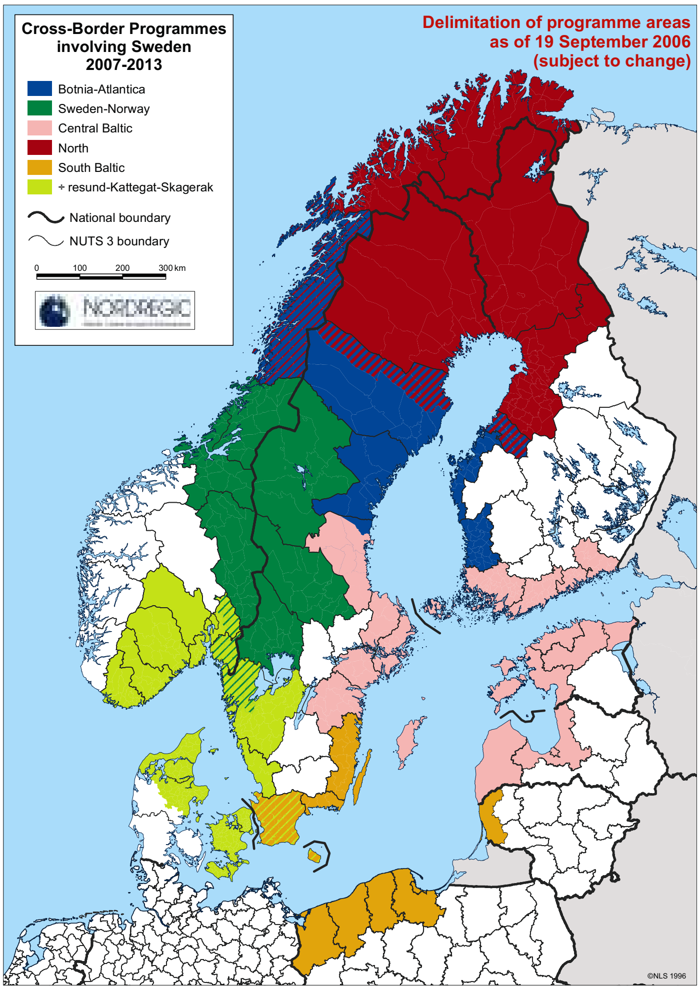


An example of interreg cooperation seen from a Swedish perspective.

Interreg cooperatiton

Cooperation between regions is a core dimension of both the European and the Nordic 'added value' concept. The European Community initiative for cooperation, Interreg, was launched in 1990 with the object of strengthening economic and social cohesion by encouraging cross-border, transnational and interregional cooperation.

The Interreg initiative consists of three strands, strand A (cross-border cooperation), strand B (transnational cooperation), and strand C (interregional cooperation). Somewhere between 50 % and 80% of national allocations to the Interreg initiative are set aside for strand A.

Special emphasis has been placed on integrating remote regions and those that share external borders with new or prospective EU candidate countries. Thus, non-EU member countries may also participate in territorial cooperation at the European level.

Until they joined the EU in 2004, the new member states of eastern and central Europe benefited from a separate cross-border cooperation programme, PHARE (Pologne, Hongrie Assistance à la Reconstruction Economique), which was subsequently expanded to encompass the whole of Central and Eastern Europe. ■

435 Nordic euro-millions

The indicative financial allocation for European territorial cooperation to the Nordic EU countries for the 2007-2013 period adds up to some 435 million euros. This should be compared with the 327 million allocated to the three countries during the 2000-2006 period in respect of the Interreg III Community initiative:

Table: EU allocations for territorial cooperation objective 2007-2013, and Interreg III 2000-2006 (million of Euros at 1999, 2004 prices)

	2000-2006	2007-2013
Denmark	34	92
Finland	129	107
Sweden	164	236

In the Nordic countries, local and regional authorities have, thus far, dominated the field of cross-border cooperation. Nordic regions have, for instance, a long history of cross-border co-operation. Compared with other such cooperation initiatives in Europe, Nordic initiatives are strongly embedded both historically and politically. In many of these border regions, the current Interreg programmes have been constructed as an additional formalisation of more informal trans-national coordination endeavours. In many regions, the Interreg programme overlaps or even operates in tandem with trans-national cooperation institutions of a longer standing. This should be of advantage in future cross-border cooperation endeavours.

EU cohesion policy 2007-20013

The EU-Commission defines cohesion policy as the merge of three different objectives: Convergence, regional competitiveness and employment as well territorial cooperation.

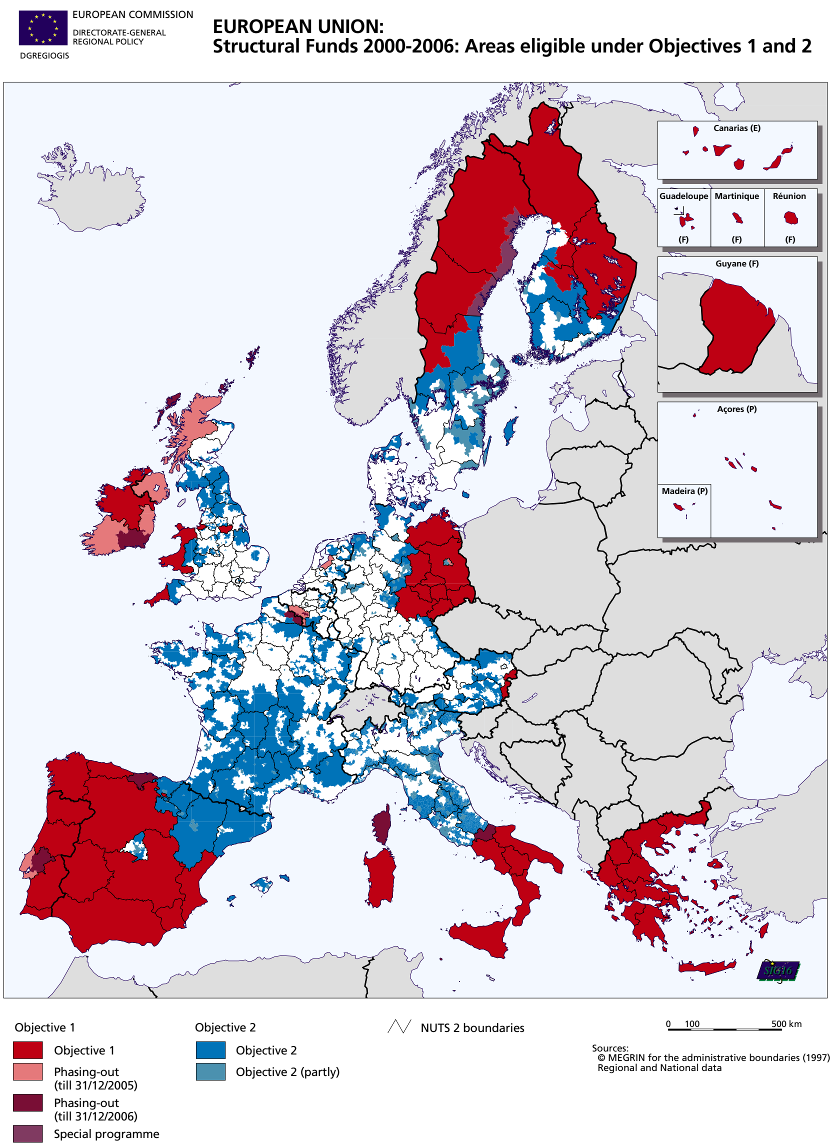
The total allocations earmarked for these three objectives are 307.6 billion euros or 35.7 percent of the total budget for 2007-2013.

As seen from the slide (provided by the European Commission) below, convergence receives the largest share with a total of 251.33 billion.

Quite a large part of this is ERDF (European Regional Development Fund) or what also has been included under the term Structural Funds. The two next pages (14+15) present which areas or regions are eligible for what, both in the new and the previous budget period.

Finally, on page 14, we also provide an overview of cohesion-allocation in the 2007-2013-budget per country and capita. ■

Programmes and Instruments	Eligibility	Priorities	Allocations
Convergence objective			81.7% (EUR 251.33 bn)
Regional and national programmes ERDF ESF	Regions with a GDP/head <75% of average EU25	•innovation; •environment/ risk prevention; •accessibility; •infrastructure; •human resources; •administrative capacity	*57.6% EUR 177.29 bn*
	Statistical effect: Regions with a GDP/head <75% of EU15 and >75% in EU25		*4.1% EUR 12.52 bn*
Cohesion Fund including phasing-out	Member States GNI/head <90% EU25 average	•transport (TENs); •sustainable transport; •environment; •renewable energy	*20.0% EUR 61.42 bn*
Regional competitiveness and employment objective			15.8% (EUR 48.79 bn.)
Regional programmes (ERDF) and national programmes (ESF)	Member States suggest a list of regions (NUTS I or II)	•Innovation •environment/risk prevention •accessibility •European Employment Strategy	*15.5% EUR 38.4 bn*
	"Phasing-in" Regions covered by objective 1 beween 2000-06 and not covered by the convergence objective		*3.4% EUR 10.38 bn*
European territorial co-operation objective			2.44% (EUR 7.5 bn.)
Cross-border and transnational programmes and networking (ERDF)	Border regions and greater regions of transnational co-operation	•innovation; •environment/ risk prevention; •accessibility •culture, education	*of which: 77.6% cross-border 18.5% transnational 3.9% interregional + ENPI*



Objective 1: To promote the development and structural adjustment of regions whose development is lagging behind (i.e. with low population density and/or capita GDP less than 75 % of EU-15 average). In total, some fifty regions or 22 % of EU-population.

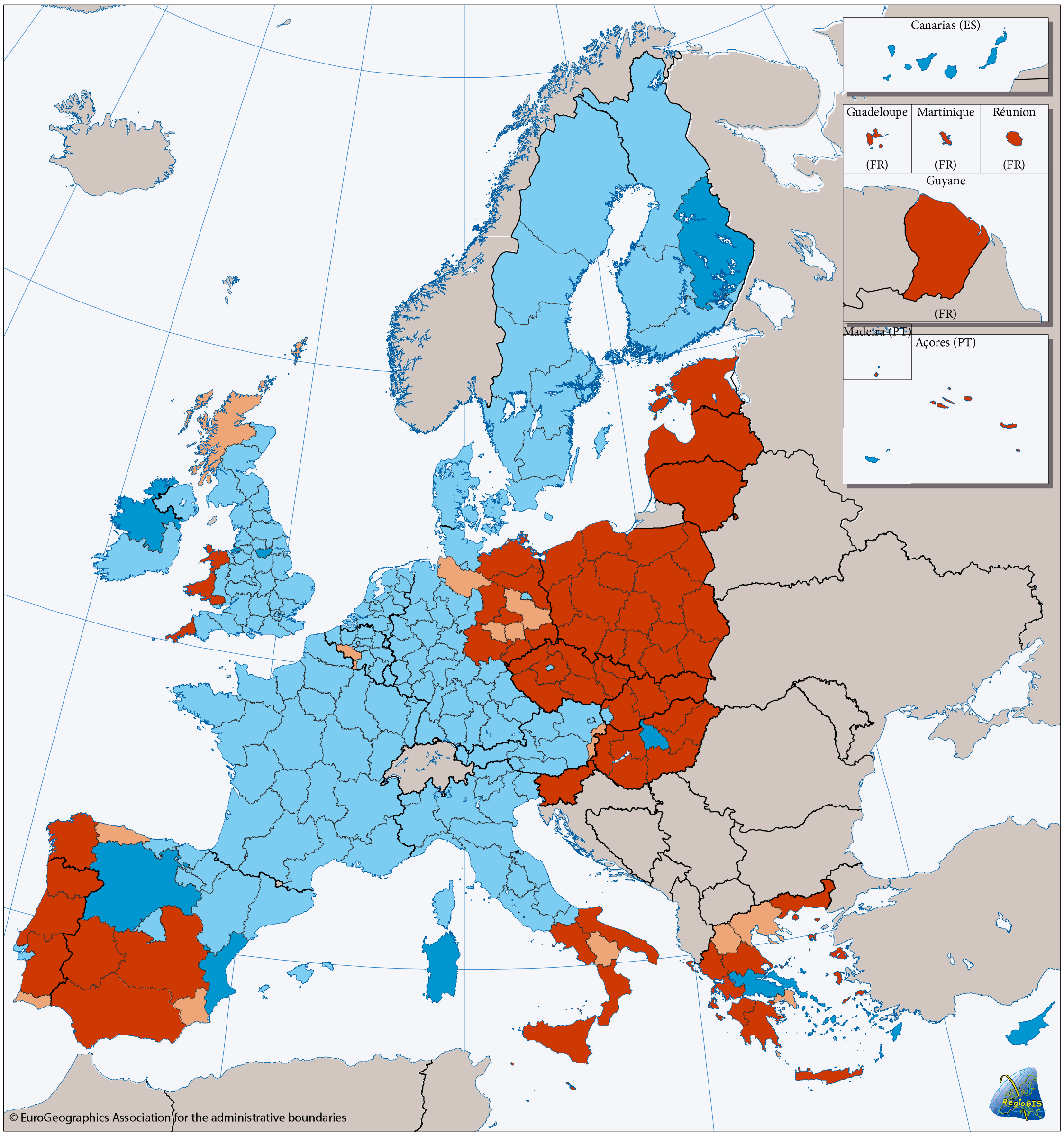
Objective 2: To revitalise, i.e. to promote economic and social conversion and modernisation of regions facing structural difficulties (industrial, rural and urban areas and areas dependent on fisheries). Includes about sixty areas notably in the UK, Spain, France and Germany.

EU Cohesion policy 2007-2013: Indicative financial allocations

(billion EUR)
(Source: European Commission)

Country	Total sum (billion EUR)	Per capita (EUR)
1 Poland	59.70	1.563
2 Spain	31.54	746
3 Italy	25.65	443
4 Czech Republic	23.70	2.326
5 Germany	23.45	284
6 Hungary	22.45	2.223
7 Portugal	19.15	1.857
8 Greece	18.22	1.656
9 Romania	17.32	777
10 France	12.74	213
11 Slovakia	10.26	1.900
12 United Kingdom	9.49	159
13 Lithuania	6.10	1.794
14 Bulgaria	6.05	807
15 Latvia	4.09	1.778
16 Slovenia	3.74	1.870
17 Estonia	3.06	2.186
18 Belgium	2.02	194
19 Nederlands	1.70	104
20 Sweden	1.68	187
21 Finland	1.53	294
22 Austraia	1.30	160
23 Ireland	0.82	205
24 Malta	0.76	190
25 Cypros	0.58	823
26 Denmark	0.55	101
27 Luxembourg	0.06	120
Not allocated	0.40	
TOTAL	308.04	

Structural Funds 2007- 2013:
Convergence and Regional Competitiveness Objectives



Objective

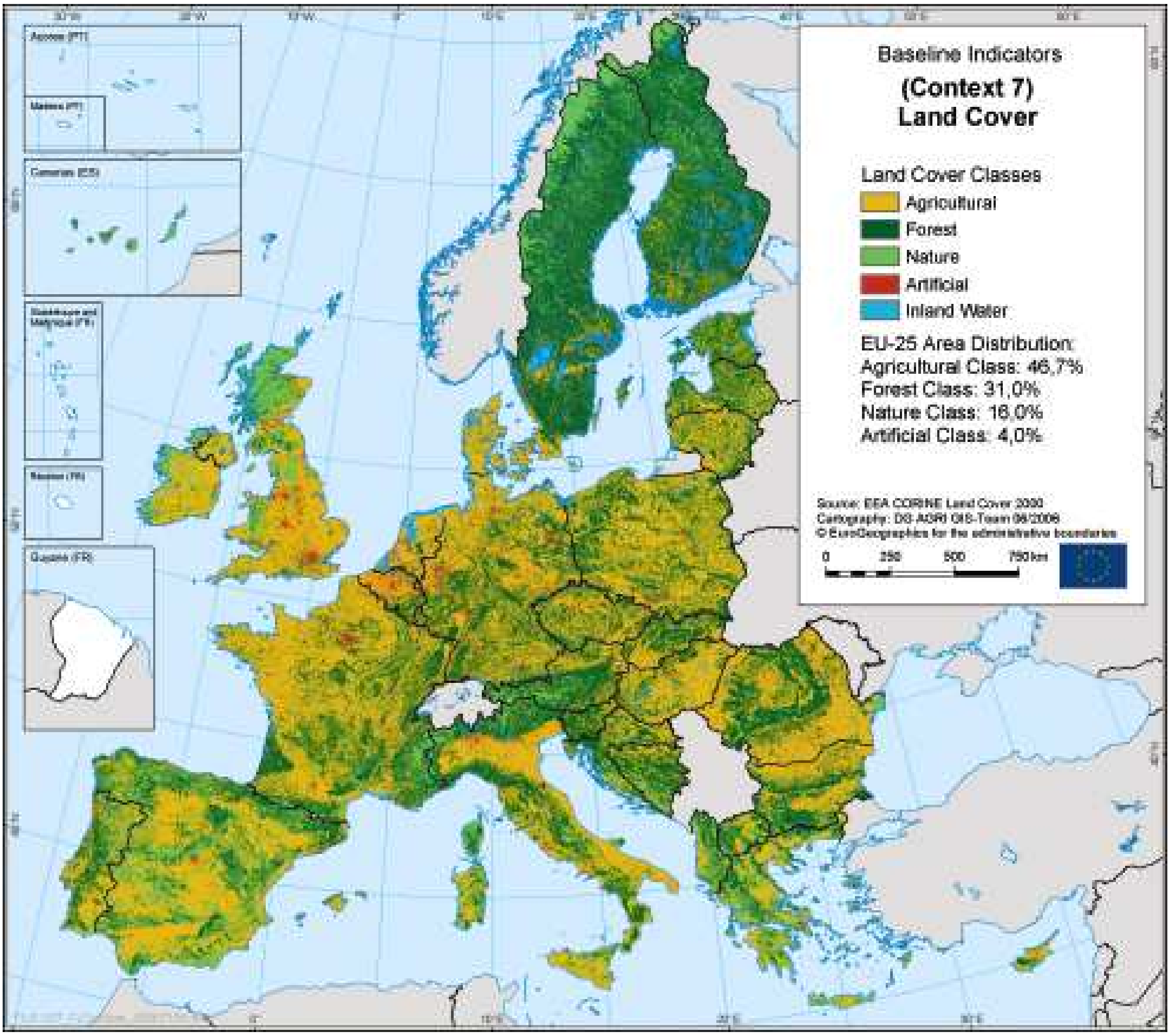
- Convergence Regions
- Phasing-out Regions
- Phasing-in Regions
- Competitiveness and Employment Regions

Based on Eurostat GDP/head data available in April 2005, and on Financial Perspective agreement December 2005

0 1,000 Km

Convergence Regions: Allocated 177.8 billion euros.
86 regions, capita GDP less than 75 % of the EU-25 average.
124 million inhabitants or 27.3 % of EU population
Phasing-out (of the Convergence objective) Regions: Allocated 12.5 billion euros.
16 regions, capita GDP has increased to exceed 75 % of EU-25 average.
16.4 million inhabitants or 3.6 % of EU population.
Phasing-in(to the Regional Competitiveness and Employment objective) Regions: Allocated 10.4 billion euros.
13 regions, capita GDP of more 75 % than EU-15 average (82.2 % of EU-25 average).
19 million inhabitants, 4.2 % of EU population.
Competitiveness and Employment Regions: Allocated 38.4 billion euros.
156 regions or the rest of the EU, capita GDP above 75 % of the EU-25 average.
296 million inhabitants, 65.1 % of EU population

The EU´s new agricultural policy



Land use in the European Union. Note the limited areas for agriculture in Finland and Sweden.

How will the overall agricultural policy of the EU change in the budget-period 2007-2013?

An answer to this is provided below, in the form of a presentation provided by Directorate-General Agriculture and Rural Development:

"Since the reform of the Common Agricultural Policy, Rural Development is playing an increasingly important role in helping rural areas to meet the economic, social and environmental challenges of the 21st century.

Rural areas make up 90 percent of the territory of the enlarged EU and the new legal framework points more clearly to the direction of boosting growth and creating jobs in rural areas – in line with the Lisbon Strategy – and improving sustainability - in line with the Göteborg sustainability goals.

The future Rural Development policy 2007-2013 will focus on three areas in line with the three thematic axes laid down in the new rural development regulation: improving competitiveness for farming and forestry; environment and countryside; improving quality of life and diversification of the rural economy.

A fourth axis called "Leader axis" based on experience with the Leader Community Initiatives introduces possibilities for locally based bottom-up approaches to rural development."

Out of the total allocation in 2007-2013 budget, 36 percent is earmarked Common agricultural Policy and 10 percent Rural Development and environment. The Rural Development part in itself is 77.7 billion Euros. ■

Viewpoint:

- More openness about CAP

The EU commissioner for agriculture and rural development, Ms Mariann Fischer Boel, wants more openness about how the EU member states are spending common agricultural subsidies. She also argues for a revision of the so-called Single Payment Scheme (1):

"Most of the citizens of the EU do know that the CAP exists – but many don't know what it's about, because we have not always got the message through to them about how it has changed over the years. So their view of the CAP is essentially the myth that it is an expensive engine of over-production which also lays waste to the countryside.

Ms Mariann Fischer Boel, The EU commissioner for agriculture and rural development

To explode this myth, we have to attack it in two ways. We have to explain what the money is spent on and we also have to be open about how much money is spent.

At present, 13 EU Member States give access to information about beneficiaries of the CAP – though in different formats. Why do I say 13 Member States? Because, I have just received information that Latvia can be added to the list mentioned on the Farmsubsidy website.

The Commission would now like to go further. We think Member States should be obliged to publish annually – for example, on a website - the list of all those who receive funds under policies managed jointly by the Commission and Member States. That would include all spending under the CAP: on direct payments, market measures and rural development.

In the past, most payments made to farmers under the CAP were linked to production. But as we implement the reforms agreed in 2003 and more recently, we are cutting that link. We are giving farmers "decoupled" payments when they observe strict standards of environmental care, animal welfare and public health.

This is called the Single Payment Scheme, and by 2011 it will account for nearly 90% of direct payments to farmers.

So the public money which goes to farmers does not disappear into a black hole, as some people think. It pays our farmers for the public goods that we expect from them: clean air and water, an attractive countryside, a high level of food safety.

We should also remember that, from 2007 to 2013, nearly 70 billion of CAP funding from the central EU budget will be spent on wider rural development, including but not limited to the farm sector.

Further, it is well known that some farm businesses receive very large CAP payments. It's also significant that the Single Payment Scheme has generated many thousands of very small subsidy entitlements – for amounts which are worth less than the cost of administering them.

With regard to both of these payment categories – the very large and the very small – I would like to look carefully at how well they fit into the evolving principles of the CAP. Are they an effective and efficient means of rewarding farmers for providing public goods? Does the Single Payment Scheme work as well at the margins as it does overall?

And if the answer to these questions is "no", then should we impose top and bottom limits to what farmers can receive under the Single Payment Scheme?

I would like to come to a decision on this issue when the Commission conducts its "health check" of the CAP in 2008. ■

The text above is an abstract from the speech Time for Transparency on CAP Payments". For further details see: http://ec.europa.eu/agriculture

EU refreshes rural policy:

Implications of the 2007-2013 Budget

International policies, such as the Common Agricultural Policy tend not to be very flexible. Opportunities to change course occur only infrequently, usually at the beginning of a new "multi-annual programme". We are on the threshold of such an opportunity, as the 2000-06 "Pillar 2" Rural Development Programmes will shortly be replaced by new ones covering the period 2007-2013.

Those with a concern for the development (or at least survival) of remoter, sparsely populated rural areas would hope to see a broadening of support beyond the farming sector, to address the wider economic and social 'fragility' of such areas.

This would be especially welcome at a time when EU Structural Fund assistance to such areas in NW Europe is likely to be reduced as funds are diverted to address the real needs of the New Member States.

At the current time of writing each member state is in the final stages of preparing a proposal for new national/regional programmes, by selecting measures from the menu set out in the new Directive (1698/2005), and elucidated in the Commission Guidelines for implementation.

These preparations are being carried out in varying degrees of secrecy, but it is already apparent that sectoral "retrenchment" is more likely than a significant shift towards a territorial approach.

There are a number of reasons for this disappointing prospect, including:

- The reduction of the budget available for "Pillar 2" as a consequence of the "Financial Perspectives" agreement of December 2005. Prior agreement over the size of Pillar 1 (market and direct income support) inevitably meant that the full reduction fell on Rural Development.

- The "capture" of rural development policy by the Agriculture Directorate, and its increasing separation from the Structural Fund and the Regional Policy Directorate (see below).

- Pressures on the Pillar 2 budget from the 10 New Member States, where agriculture is still an important element of many regional economies, and where there is still a strong demand for farm restructuring.

- The continued influence of powerful conservative interest groups, who, as in past CAP reforms, according to Sotti (2003), have succeeded in weakening the more territorial elements of the legislation during the final negotiation process, and (in a number of member states) seem likely to steer implementation towards a substantial degree of continuity and a predominantly sectoral approach.

A more appropriate balance between sectoral and territorial approaches is important for a

Sectoral and territorial

Put simply, Sectoral rural development policy has its roots in agricultural policy, stressing the centrality of farming to the rural economy, therefore targeting assistance on farm households.

Common measures in this context aim to enhance rural competitiveness and sustainability through support for farm investments and restructuring, early retirement, farm diversification, investments in the processing and marketing of farm produce, and agri-environment schemes.

Prior to 1995, the focus on farming was justified in terms of the direct and indirect economic impact of farming in rural areas, and on the need to reduce rural out-migration.

More recently, recognition of the declining relative importance of farm households in the economy and workforce of many European regions has necessitated that a new emphasis be placed on the fact that farmers are custodians of the majority of rural land, and are thus responsible for the associated "public goods" or "collective services".

As such then, "Territorial" rural development policy is more akin to regional policy than to agricultural policy. It acknowledges the minority role of farming in the rural economy of 21st century Western Europe, and seeks to address the needs of all businesses and inhabitants in the countryside.

While competitiveness and sustainability are still valid objectives, equity, cohesion, poverty alleviation, and quality of life are also considered important. Territorial approaches often focus on the constraints on rural entrepreneurship, the diversification of the rural economy, community development, heritage, and culture, and so on. ■

number of reasons. Not least among these is the need to improve the effectiveness, and value for money of rural development policy itself.

This is a particularly important issue in the northern Nordic regions where in recent years Pillar 2 has been a more important source of assistance than Pillar 1 (market support).

An idea of the relative balance between the two approaches may be gained from the pattern of allocation between different groups of measures during the 2000-2006 programming period.

More than half (52%) of the planned Pillar 2 expenditure (averaged across the EU15) was allocated to agri-environment measures, 38% was allocated to measures for restructuring and improving the competitiveness of agriculture, and a mere 10% to measures addressing the needs of the third 'rural' economy/ community.

According to the most recent actual expenditure data released by the Commission (2001), the percentages were 63%, 31%, and 6% respectively. Thus, the group of measures considered most 'territorial' in approach received (at most) only a tenth of Pillar 2 expenditure during the 2000-06 period.

Furthermore, much of the proposed territorial expenditure was accounted for by Germany, which accounted for 25% and the Netherlands (10%) of the total. In none of the Nordic EU member states did this figure reach 5%.

It seems likely that an awareness of this lack of balance motivated the Commission to propose (in its draft regulation for the 2007-13 period), that within each member state Axis 3 should receive 15% and Axis 4 (Leader+) 7% of expenditure. It is telling however that in the final version of the directive these percentages had been reduced to 10% and 5% respectively.

Although it remains too early to assess the 2007-13 programmes with any degree of confidence, available (mainly anecdotal) evidence from NW Europe suggests that progress towards a more appropriate balance between sectoral and territorial approaches will be modest. Given the reduction in resources and the need to continue with commitments to farmers during the previous programming period, it would not be very surprising if the shares received by Axes 1-3 turn out to be quite similar to those for the 2000-06 period. ■

By Andrew Copus, Senior Research Fellow at Nordregio.
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'EU Dictionary'

CAP - Common Agricultural Policy of the European Union, at one time accounting for over 70% of the EU budget – now down to about 40%, and due to be overtaken by Structural Fund Policy in the next five years.

Pillar 1 – This is the part of the CAP which supports the income of EU farmers. Since the reform of 2003 (the so called Mid Term Review) this is mainly through direct payments to farmers which are not dependent upon how much they produce. It accounts for 80% of total CAP expenditure (2007-13).

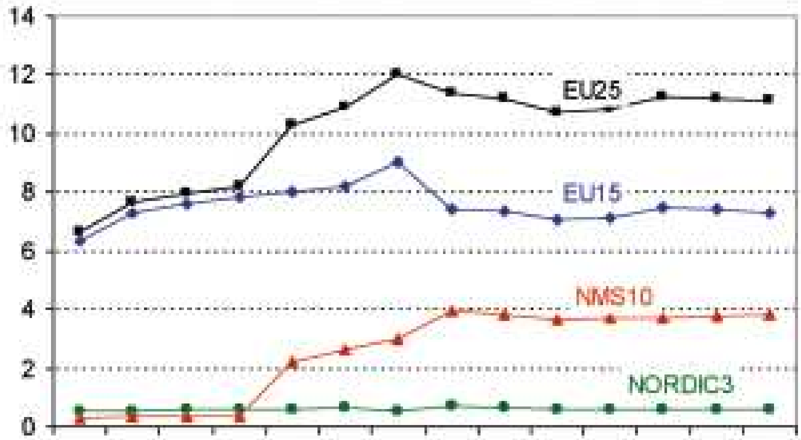
Pillar 2 – This is the much smaller and younger part of the CAP which deals with "rural development". It has gradually broadened out over the past thirty years. In the 1970s it focussed on assisting farmers to invest and "restructure" to become more competitive, and on compensating farmers in marginal areas for the physical disadvantages they face. During the 1980s and 1990s a wide range of other "themes" were added, including support for processing and marketing, payments to farmers to protect or improve the environment, and payments to help them diversify. Most recently various measures have been introduced which aim to tackle rural development issues outside agriculture – this is known as "territorial rural policy".

Measures – these are programmes which are specified in detail in the EU rural development regulation (the one covering 2007-13 is number 1698/2005). This regulation contains a "menu" of 39 such measures, from which member states are required to select those that they wish to implement.

The Four "Axes" of the 2007-13 Pillar 2 Programme – These are simply groups of "measures" which are similar in theme. Broadly speaking, the first two axes address the needs of farmers only. Axis 3 has both "sectoral" and "territorial" measures, while Axis 4 relates to implementation – implying a more "bottom up" rather than top-down style. Member states are obliged to spend Pillar 2 funds on all four "axes", and minimum proportions for each are specified by the regulation. ■

Disappointing

EU Financial Allocations for Rural Development 2000-13



The figure above shows the impact of the December 2005 agreement on the overall budget of the EU on the financing of Rural Development 2007-13. In general terms outlook is rather disappointing.

The European Commission had previously planned a steady increase in rural development (Pillar 2) expenditure over the new programming period. This proved impossible due to the combined effects of the reduction in the overall CAP-budget, and a previous agreement to "ring-fence" the allocation to the Single Farm Payments (Pillar 1) until 2013.

In terms of "who gets what":

- The overall EU25 allocation remains around 11 billion Euros throughout the period.
- The allocation for the pre-2004 member states (EU15) falls from its 2006 peak of about 9 billion Euros to a little over 7 billion, and shows a flat trend over the 7 years
- The New Member States (NMS10) receive a significant increased in their allocation in 2007, but thereafter continue at the same level (almost 4 billion) until 2013
- The allocation to the Nordic EU member states increases slightly from an average of 580m per year in 2000-06 to 620m in the 2007-13 period. ■

By Andrew Copus

Sources:
2000-06 - Rural Development in the European Union - Statistical and Economic Information - Report 2006 (http://ec.europa.eu/agriculture/agrista/rur-dev2006/)
2007-13 – Press Resease IP/06/1177 Rural Development: Commission finalises annual funding for Member States for 2007-2013, (http://europa.eu/)

Poland wins

The 12 of September the European Commission decided on the Rural Development budget 2007-2013. The budget has a total frame of 77.7 billion euros. As seen below, Poland is clearly in a class of her own.

Poland	17
Hungary	5
Portugal	5
Greece	5
Austria	5
Spain	4
Czech Republic	4
France	4
Republic of Ireland	3
Finland	3
Germany	3
Slovakia	3
United Kingdom	2
Lithuania	2
Sweden	2
Italy	2
Denmark	1
Latvia	1
Slovenia	1
Estonia	1
Belgium	1
The Netherlands	1
Malta	0
Cyprus	0
Luxembourg	0

Share in percentage of rural development allocation EU-budget 2007-2013
Source: The EU-Commission

Continuity or Transformation?

Perspectives on Rural Development in the Nordic Countries. A 2 day Workshop hosted by Nordregio

October 10th and 11th 2006

- Do all the various national and EU-funded policies for rural areas fit together to form a coherent whole?
- What are the similarities and differences in style and approach to rural development, between the Nordic countries?
- What will be the impact of the new Rural Development regulation during the 2007-13 period, in the Nordic EU member states?
- What are the likely implications of local and regional government reforms on rural policy in the Nordic countries?

These are some of the questions which will be addressed both by leading academics and by key policy makers from each of the Nordic countries.

Attendance at the workshop is free. Full programme and registration details may be found on the Nordregio web site (http://www.nordregio.se).

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Regional policy in the Swedish election

Given the recent Swedish parliamentary the Journal of Nordregio decided to take a closer look at the election manifestos of the various political parties, focussing on the attention given to regional issues. Here is what we found:

The Social Democrats point out that there is a need for more companies and more entrepreneurial activity across the country, though they admit that it is the major cities that will have to develop new methods to encourage growth.

Roads and railways are to be improved, while all parts of the country will receive broadband Internet access. Tax deductions on travel will be increased, as travel to and from work is very expensive, particularly in rural areas. Cooperatively owned companies, such as the postal service and the Swedish railroad, will maintain a functional level of service across the country.

The Greens' approach supports the subsidizing of public transport in rural areas. They also propose that during the next parliamentary period two billion SEK will be distributed to regional cultural funds. The funds should be administered by the regional authorities.

The Left Party (Vänsterpartiet) wants the creation of local and regional funds supplying risk capital for increased growth across the country. A sum of 0.02 SEK for each kWh of electricity made with hydroelectric power is to be returned to the regions involved. They also want municipal and regional authorities as well as smaller companies to employ more people.

The Christian Democrats maintain that a healthy infrastructure is essential for Sweden. They want to lower taxes on fuel to make it easier to live in rural areas. The Conservatives (Moderaterna) have no basic election document of their own, instead, they refer to the joint manifesto created by the centre-right party coalition, the Alliance for Sweden.

The Liberals point out that the efficiency of the transportation network has not developed according to expectations. Infrastructure that is beneficial to the economy will be prioritized. Areas or regions can become more attractive if they are able to provide cultural attractions.

The Centre Party emphasizes that it is necessary for all parts of the country to participate in order to ensure that Sweden is ready for the future. They propose efforts to improve broadband, railroads, aviation, and mobile telephony.

Regional development work is considered a good school for democracy. Municipal autonomy is essential for local and regional development. A more substantial portion of the tax revenue should be given to the municipal authorities.

The joint manifesto of the liberal-conservative Alliance for Sweden speaks of a strengthening of municipal and regional competitiveness and of a need to improve opportunities for investment.

Decisions affecting business activity should increasingly be made on a regional level.

In addition, they argue that the decision process concerning the EU Structural Funds must become less bureaucratic, while the government must be responsible for maintaining a functional communications system across the country. Finally, there should also be a functional system for tax equalization, in order to provide welfare on the local and regional levels. ■ By Ann Patmalnieks

Successful cities: Strategies for management

November 8 – 10, 2006
Oslo, Norway

Registration is still open for the Nordregio Academy seminar, Successful Cities – Strategies for management. Please register by October 5 to make sure you have a place, although we will accept registrations so long as there is space. The seminar fee is SEK 4000, including lunches. You will find registration forms and more information at our website: www.nordregio.se.

The seminar treats, among other things:
- The interrelationships between the nature of the city and its attractiveness for the "creative class", the utilisation of territorial capital and the long term goals of sustainability.
- The quality of urban space and the functionality of urban amenities as key elements in making a city attractive for residents and businesses.
- The preservation and use of historic and environmental amenities as keys to development and attractiveness.
- Public investment and private initiatives: the relative roles of both the public and private sectors in achieving attractive cities, and the pitfalls in their mutual relationships.

Practitioners will present examples that illustrate the themes:
- Hämeenlinna (Tavastehus), Finland as an example of a medium-sized city where utilisation of historic and natural amenities, reuse of historic buildings and the integration of technology and culture all are combined to create a successful city.
- The Akerselva district of Oslo (including an on-site visit to the area) where the old industrial river course and defunct ironworks have been transformed into an attractive area for business (IT, design and a school of business) where public-private relationships have been both challenging and successful. At the core is a river park for natural and historic amenities. ■

How many regions in Norway?

The red-green government took office after the 2005 parliamentary elections in Norway with a promise to replace the county administrations (fylkeskommuner) with a new regional administrative level. The new regions should be infused with new tasks and added responsibilities, with the bulk of the new assignments being decentralised from the central administrative level.

The reform will be rolled out in two stages. Currently, the government is looking at the distribution of functions between the state and the county authorities. The conclusions of this review will be presented in a White Paper this coming autumn. Once decisions have been taken about the functions and responsibilities of the regional level, the government has signalled that it will assess whether the number of county authorities should be reduced.

The call for regional reforms originated at the local level. At the municipal and the county level, there is a strong support for only a handful, that is, five to seven, new regions. There are, however, strong proponents within the government for a total of 10-12 regions.

The Minister of Local Government and Regional Development, Ms. Åslaug Haga (Centre Party), recently announced that she does not want to force current counties to merge into new counties/regional administrative entities. Nevertheless, the more tasks are transferred from the central to the new regional administrative level, the more powerful the new regions will become.

Additionally, we have the situation where local and regional political interests calling for fewer regions want to decouple the processes of regionalisation from the decentralisation of admini strative tasks.

There is then something of a jostling for position taking place between central authorities and national level bureaucrats, who see few advantages in decentralising authority to the new regional level, and local and regional politicians, who want to infuse the new regions with renewed political authority from the outset.

The bottom-up approach taken in Norway resembles the Swedish approach much more than big-bang approach recently implemented in Denmark. As such, we are in for an interesting autumn as Norway edges towards a new regional and administrative policy-making system. ■

By Jon Moxnes Steineke

Fight for autonomy in Denmark

As of January 2007 Denmark will have a completely new system of regional and local administration. The previous 14 amter (counties) and 271 kommuner (municipalities) will become 5 regioner and 98 kommuner. In general, the reform is popular. At the same time however increasing frustration can be witnessed at the municipal level. In particular, this relates to central government requests for a more detailed reporting of local activities.

Indeed, irritation with the government has gone so far that the chairman of Kommunernes Landsforbund (Local Government Denmark) Mr. Erik Fabrin has publicly stated that there is only a forty percent chance that the new municipalities will maintain their traditional rights to self-governance. This is particularly interesting, since Mr. Fabrin, as well as being the major in the rich municipality Søllerød, also is a prominent member of Venstre (The Liberal Party), the same party which constitutes a third of the present Danish government.

It is also worth noting that Politiken, one of Denmark's key newspapers has come out in support of the municipal protest. Danish local autonomy is primarily based on the fact that the local authorities control almost two-thirds of the total public spending. This is a world record and absolutely worth fighting for, argues the paper.

The new Danish model implies that out of the 271 exiting municipalities, 32 will keep their present demarcation. The rest will have to merge, many with two or three, but some with six.

– This is a rather complicated process not at least for budgeting and taxations, explains Tom Ekeroth at Local Government Denmark. – In addition, there is also a unification of the two labour security systems in Denmark, one which has been operated by the trade unions and one under the auspices of local authorities.

Local government organization of health and social welfare if also going through substantial reforms. In principle, the new kommuner will be in charge. Ownership to hospitals will however move from the 14 old counties to the five new regions. ■

By Odd Iglebaek

From the withdrawal of Soviet Troops from Germany in 1994.

Leaving the camps:

The challenge of military conversion

Demilitarization is something that is welcomed by most people. Nevertheless, the closure of military sites and their conversion into civilian usage is rarely an unproblematic process. The potential size of the challenge has often to be personally experienced to be understood. Visiting an abandoned military village nearby Potsdam, where once more than 50 000 Soviet officers and soldiers, often with families, had been stationed brings this point home rather well.

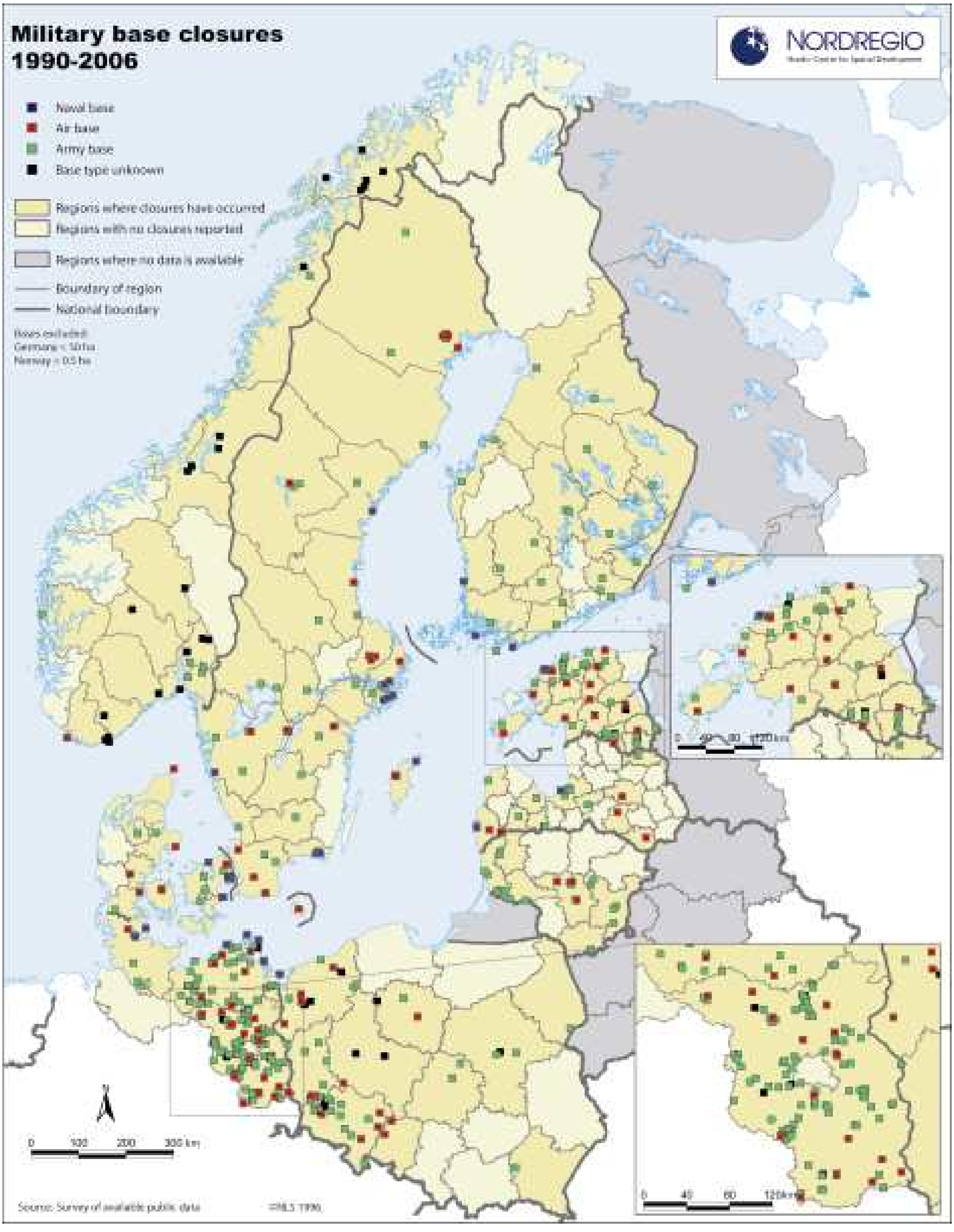
In addition to the military activities undertaken and the infrastructure provided, it used to be a complete town, with the usual civilian infrastructure such as shops and laundries. After ten years, only a few faded Russian language signs remain to remind us of the former presence of Soviet troops. It had in effect become a ghost town. Indeed, the state of neglect was such that nature was about to reclaim it for wilderness. Rabbits and deer provided the only inhabitants now, while foliage grew wildly with much of the built environment already covered in a layer of moss and grasses.

The German authorities had not yet found a solution for the potential reuse of this particular site. The soil was heavily polluted by fuel oil and it is probable that a significant amount of live ammunition, mines, and other dangerous substances remain strewn across the site, either hidden underground, or simply lying in the undergrowth.

True, the area had been used in an innovative civilian way. Movie companies have hired it for action movies, where this kind of environment was needed. Indeed, it proved to be rather popular as the movie companies were often given *carte blanche* to blow up buildings and build new installations.

Conversion continues

This example is no isolated phenomenon. In fact, more than 3000 former military sites of different sizes and purposes are currently subject to civil conversion in the Baltic Sea Region. This equates to an area the size of the Swedish island of Gotland and the Estonian island Saarenmaa together or approximately 6000 km2. Imagine these beautiful islands totally



The collapse of the Soviet Union, military withdrawals and restructuring of military forces have left hundreds of military sites and towns empty in the Nordic-Baltic countries, as shown on the map above. Since 2003, Nordregio *has participated in a development project entitled CONVERNET dealing with problems related to the closure of military sites. The project was led by the Brandenburg State Ministry for Economic Affairs, Germany, and included partners from most of the Baltic Sea Region countries. The results include a comprehensive Handbook (2005) and Guidelines (2006) for both practitioners and others interested in conversion questions. The project has been part-financed by the European Union (European Regional Development Fund) BSR Interreg IIIB programme. For more information, see http://www.conver.net* covered by abandoned barracks, empty garages, dilapidated infrastructure, and rusty and abandoned military equipment.

Conversion is not however only a challenge for those countries, regions and municipalities, where former Soviet troops were situated. The same process is taking place in all of the Baltic Sea countries, though in different forms and for different reasons.

There is moreover, no sign that this process is drawing to a close. Instead, the restructuring and modernisation of the defence forces continues apace, with more and more military sites being put up for closure.

A shared responsibility?

Several emergent challenges result from base closures. Often they are of a negative character from the perspective of the local communities upon which they impact. In the former "Western" countries in particular, military conversion has often led to a reduction in jobs and purchasing power coupled with a reduced tax base, causing huge problems for the municipalities concerned. In many cases moreover such bases are already located in structurally weak areas

One of the lessons of this process has been that the state has to take responsibility for helping the municipalities, particularly where the labour market is fundamentally dependent on the defence forces. Any approach that sees the Ministry of Defence in question simply withdraw its activities, leaving the particular municipality alone to tackle the new situation, is patently bound to fail. In Sweden, for instance, this problem has been partly solved by the commitment of the state to relocating some public agencies or parts thereof from Stockholm to the affected areas.

Former military horse stables in Potsdam, Germany, have been converted into an office building.

Environmental problems

Particularly in respect of former Soviet military sites, serious environmental problems often emerge in relation to such base closures. Such problems are often both difficult and expensive to deal with. In Estonia for instance, the most serious environmental challenges have been harbours with sunken ships, airbases with heavy fuel contamination and shooting ranges with unexploded mines. Another feature of these sites is that the buildings and other infrastructure are usually in such a bad condition that they cannot be easily renovated for reuse without major investment.

As such then it is the new EU Member States in particular that need support in disposing of the consequential damage resulting from military use and in developing former military facilities and sites for civilian use.

New uses for empty barracks

Even if the infrastructure is in good shape physically, as is mostly the case with the "Western" conversion sites, it is not always easy to reuse the infrastructure that has been "inherited" and originally planned for an altogether different kind of activity.

Two waves of post-Cold War conversion

A rough divide between the waves of recent conversion in the Baltic Sea Region and in Europe as a whole can be made. The first 'wave' was directly related to the end of the Cold War. This period lasted from 1990 to 1996, during which time the Soviet troops left their bases in the Baltic States and the former Warsaw Pact countries. During the same period, most of the allied forces were withdrawn from former West Germany and many other European NATO countries, leaving large areas to be abandoned without function.

Since 1996, this initial withdrawal period has been followed by an adaptation of the various national armies to the new post-Cold War conditions, both in terms of new threat assessments and alliances, and technological and organizational modernisation. In many Western European countries a major strategic shift from territorial defence to international crisis management, such as peacekeeping or peace enforcement has taken place. This has resulted in the downgrading of national defence forces and their related infrastructure to better match their new 'political' tasks. In addition, NATO enlargement has also contributed to this development, since a tendency has emerged for US forces in particular to be relocated from the old NATO countries to the new ones. ■

Vasallen Garison in Linköping, Sweden, has been tranformed into houses and offices.

The initial idea in Finland, for instance, was that the Ministry of Defence would simply transfer the properties to the local municipality. However, in many cases the local authorities were unwilling to take on the responsibility for such sites, or it proved impossible to agree on the price. One solution here was that the state apparatus tried to use the former military properties for its own purposes, such as offices, universities, and educational centres etc.

This did not however prove to be practical as the general trend in state policies in many countries includes an ideological desire not to further expand the public sector. It is often difficult then to find rational solutions. Moreover, in many cases, a number of open legal questions have emerged in respect of the issues of ownership and availability, which further hinder the process of conversion.

The need for national conversion programmes

It has also become clear that conversion entails costly planning and management procedures. One good solution or 'best practise' in this respect is to establish a development company to take care of the actual conversion process. For instance in Sweden, a state-owned property agency *Vasallen AB* was founded in 1997 to convert former military sites and to construct a new identity for them, after which such areas will be sold to private investors or used by public authorities. This has proved to be a practical solution at least for Sweden.

Other strategies are also possible. In some countries, such as Poland, re-use has been encouraged by promising flexible terms of payments and tax concessions for limited periods in order to attract potential private buyers.

In any case, the overall lesson is that a well-developed national conversion programme is needed in order to successfully manage the conversion process. This should encompass the whole range of related issues and ensure the commitment of all levels of administration, while also including non-state actors and the private business sector. Thus far however, only a minority of the Baltic Sea countries have such programmes in place.

The promise of conversion…

Conversion should not predominantly be seen negatively in the context of the potential challenges it poses but rather more positively in light of the potentials it creates. It offers, if it is properly planned and managed, interesting opportunities for municipalities and other public authorities to innovatively solve existing land use and housing problems, while it may also bring totally new businesses or other activities into the region concerned, such as a new educational facility or a new tourist attraction. Furthermore, one should bear in mind the fact that the conversion of military sites into civilian use is not at all a new phenomenon. Such activities have taken place in all eras.

Indeed the very premises in which *Nordregio* is based, and the whole beautiful island where it is situated, Skeppsholmen, in the very centre of Stockholm, used to be a naval base. Today the island is one of the main tourist attractions of the city and hosts several museums, art schools, institutes, annual festivals, youth hostels, and restaurants. Similar examples can be found in every major city in the Baltic Sea Region, and, for instance, old military fortresses are often the most celebrated objects of cultural heritage in many places. ■

By Dr. Christer Pursiainen, Senior Research Fellow at Nordregio, christer.pursiainen@nordregio.se

Book Review: Experiences are hot!

Experiencescapes: Tourism, Culture and Economy, 2005, Tom O'Dell & Peter Billing (eds.), Copenhagen: Copenhagen Business University Press, 197 p. *By Susanna Heldt Cassel, Assistant Professor in Human Geography, PhD, Department of Economy and Social Sciences, Dalarna University.*

"Experiences have become the hottest commodity the market has to offer." (p.12). This is the starting point of the book on 'experiencescapes' edited by Tom O'Dell and Peter Billing. The book is an anthology with contributions from eight researchers in the academic fields of Service Management, which includes the disciplines of ethnology/anthropology, human geography, and business administration.

The purpose of the book is to analyze the significance the market of experiences has for cultural and socioeconomic change in modern society. This is done by analyzing experiences and the experience-economy in terms of how it produces particular spatial settings, stylized landscapes, or 'experiencescapes'.

The way in which experiences are organized spatially by the manipulation of material culture is of central importance in the book. The particular locations where experiences are planned, developed, sold, and consumed are organised and staged strategically. Tourism is an obvious and important part of this development but it is noted that the significance of experiences also transcends the borders of tourism and leisure.

It is stated that experiences have gone from being a 'value added' to concrete goods and services, and thus valued as commodities in themselves. This process is part of a larger transformation from a production-led to a consumption-led society, sometimes called an 'experience-economy'. The seven cases presented in the book provide interesting examples of how the importance of experiences is visible in different contexts ranging from regional competition to the management of specific tourist sites.

Examples illustrate how experiences are staged for consumers with the right cultural as well as economic features, such as, for example, spectacular buildings like the Turning Torso in Malmö and the construction of luxury hotels. The importance of the right taste and cultural capital is discussed by Silvia Gymóthy, who undertakes an interesting examination of the consumption of nostalgia in countryside inns. She concludes that 'nostalgiascapes', designed deliberately or otherwise, are metaphorical meeting grounds where experiences of authenticity and genuineness c oincide. These experiences are, in other words, a sort of escape from the designed and stylized, while the physical surrounding and the interior decoration remains of great importance for the essence of the experience.

It is however also noted that experiences are not only limited to the collective, the spectacular or to leisure-time. The staging of experiences is a multi-faceted practice where the extraordinary exists alongside the more mundane and the trivia of everyday-life. Experiences are, according to the wider definition suggested by Tom O'Dell, about transcending the borders between the collective and the individual, between work and play. An example of this is the growing market for conferences and business events or leisure-activities at work.

The staging of tourist-related experiences is both a matter of arranging the physical settings and landscapes and of creating and mediating ideas and feelings. The ways in which tourist experiences are framed and interpreted by both tourists and tourist mediators are discussed in a chapter by Can-Seng Ooi. According to Ooi, the content of tourist experiences – how they are received – depends upon the level of tourists' own knowledge and expectations, which, in turn, are mediated through tourist information, guidebooks, media and place marketing etc. This perspective on the production and consumption of experiences as mediated through texts, pictures and stories raises new and interesting questions for those researching tourism and place marketing.

The chapters deal with 'experiencescapes' in quite different ways and the overall picture presented is not at all homogenous or easily grasped. The weakness of the book is primarily its disparate content and the lack of a more concrete discussion on how to cope with the new experience-economy in practice.

The target audience for the book is focussed on researchers, as an academic perspective is adopted throughout. The knowledge presented should also be of interest for those within the fields of policy and planning. This is particularly evident in respect of the discussion of how unequal power relations in society can be even more accentuated through certain projects of urban renewal such as spectacular and exclusive experience centres. As such, it is pointed out that 'experiencescapes' are not only spaces of leisure, but [...] "their physical contours also delineate spaces in which ideologies are materialized, and through which they can be contested" (p. 24). ■

Correction: Unfortunately an editing mistake was made in the book review by Catharina Gabrielsson in Journal of Nordregio, No.1, 2006. The last sentence of the review ended by stating that: "this popular and accessible publication is something of a success". The correct text should, however, be that: "this popular and accessible publication is an end in itself".

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