Miia Perenius

Growth and prosperity to all regions?
- a comparative study of the Nordic regional policies

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Foreword

This report is one of the outputs of a project entitled “In Search of Process Based Regional Development Policy”, which was funded by the Nordic Council of Ministers and coordinated by Nordregio. The project was carried out in co-operation between two Finnish research teams and the Nordic Collaboration Network. The Finnish team was composed of University of Tampere (UTA), Research Unit for Urban and Regional Development Studies (Sente) and Helsinki University of Technology (HUT), Laboratory of Environmental Protection (LEP). Miia Perenius worked as a trainee in Sente and her task was to provide the team with background information on regional policies in the Nordic Countries. I warmly thank Miia for job well done.

Markku Sotarauta
Professor
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1

Introduction

This comparative report works with regional policy issues in the context of the Nordic countries. The report is part of a project entitled “In Search of Process Based Regional Development Policy”, which has been carried out as a co-operative effort between two Finnish research teams in Espoo and Tampere and the Nordic Collaboration Network with financing from the Nordic Council of Ministers. This report is composed in the Research Unit for Urban and Regional Development Studies, Sente, at the University of Tampere during the spring and summer of 2001. This report is based only on literature and Internet-references. The purpose of this report is to assemble information concerning the regional policy in the Nordic countries (Greenland and Faeroe Islands excluded) and, in this way, provide a background for the actual project.

This report uses the term regional policy. The term regional policy may have many different meanings, because the context and aspects in which the term is used may vary between the countries. The definitions have also changed throughout the decades. Mønnesland (1997, 9) describes regional policy as physical and economic measures taken into action at the regional level, at the nation level or at the EU-level aiming at influencing the relations between regions. According to Mäkinen (1999, 34) regional policy can be defined as an action, which creates, seeks out and utilises resources. The topic of this presentation is based on the Mønnesland’s definition of regional policy, which is practised at the national and at the EU-levels.

There are two kinds of regional policies in use, “broad” regional policy and “narrow” regional policy. Holistic regional policy is a broader conception of regional policy and includes all state activities, which have a regional dimension and effect. Narrow regional
policy is regional policy measures practised by regional policy authorities and includes both national regional policy and EU regional policy. (Regional development and regional policy in Finland 2000, 138-139.) This report focuses on narrow regional policy.

This report begins with a background chapter, which presents the most current facts about the population and the population distribution, business structure and the labour market in the Nordic countries. Chapter three introduces the post-war development of regional policies first generally and then in each Nordic country separately. Chapter four briefly describes the impact of EU regional policy on Nordic regional policies. The institutional infrastructure of the regional policy actors at local, regional, state and supranational levels in the Nordic countries is presented on chapter five. Chapter six compares the targets, instruments and national support areas of the national regional policies in each Nordic country today. The last chapter is brought up and considered both weaknesses and strengths of the Nordic regional policies practised. Chapters three, five, six and seven include a summary section. The summary sections function partly as summarising sections and partly as sections, where most of the comparisons between the countries are made.
2
Statistics on the demographic and economic structure

The Nordic countries are usually seen as an entity when it comes to culture, history, geography, market or policies. But behind this rather uniform picture, there are great variations and a multitude of regions with their own special characteristics. The purpose of the next part is to present a background to the report by offering some relevant statistics about the Nordic countries. The time perspective of the chapter concentrates mainly on the years from the 1990s to today.

2.1 Population and population distribution

The demographic structure of the Nordic countries has many similarities as well as differences. Due to geographical factors, Denmark’s demographic structure in certain aspects deviates quite significantly from the other Nordic countries, which seem to form a more unified unity.

In all of the Nordic countries the number of people in the oldest age groups has increased during the last decades due to similar shifts in fertility and mortality. The birth rate in all Nordic countries is still slightly higher than the death rate. During the first half of the 1990s, the total population amount in the Nordic countries has increased by 0.5% per year. Due to migration and great differences in birth rates between the regions, regional variations in age structure and population numbers are nonetheless quite remarkable between the regions inside the countries. (Nordic regions in profile 1997, 16.)
Another outstanding trend throughout the Nordic countries is the population concentration: the amount of the urban people varies between 67.3% - 92.5% (The world in numbers 2001.) A long-term trend over the last four decades has been migration from north to south, from periphery to centres, with the exception of Denmark. A reverse trend occurred during the 1970s in the Nordic countries, but neither the effect nor the trend lasted very long. Today the majority of the Nordic population lives in urban agglomerations. (Nordic regions in profile 1997, 14.)

Four of five of Nordic countries have relatively vast land areas (Nordic countries’ total area: 3.4 million km²) compared to the amount of population (in 1996 the population in the Nordic countries passed the 24 million barrier), which means relatively low population densities compared to other European countries. The Nordic average is only around 30 inhabitants per square kilometre. On the other hand, there is a clear trend towards mosaic-like structure, where centre-periphery dimension makes a separation not only between big regions, but also between smaller areas and groups of municipalities. (Nordic regions in profile 1997, 14.)

All of the Nordic countries have received immigrants and refugees, with Sweden in the clear lead in numbers. The biggest groups of people come usually from the Nordic neighbours, but significant amounts of immigrants or refugees have also come from Europe and Asia. Because the birth rates are as a rule very low, many of the countries have avoided a severe decline in population through immigration. (Statistics Finland 2001, Statistics Norway 2001, Statistics Denmark 2001, Statistics Sweden 2001 and Statistics Iceland 2001.)

Denmark has a land area of 43,000 km² (self-governing administrative divisions Faroes and Greenland excluded). This one of the smallest states in Europe has a population of 5.3 million (2000) (The world in numbers 2001), which has been slowly rising during recent years (0.4% between 1990-1998, The world in numbers 2001). In Denmark, there are about 250,000 foreign nationals (1998). (Statistics Denmark 2001.)

The population density is 123.6 inhabitants (1999) per square kilometre, which is the highest of the Nordic countries. The amount of urban people is also high, 85% (2000) of the total population. The capital region gathers about 1.4 million residents (2000), which is almost one-third of all the Danes (the Copenhagen municipality only has approximately around 487,000 residents). (The world in numbers 2001.) The Copenhagen region is the highest population concentration in the Nordic countries’ area. In 1998, other cities that reached over 100,000 people were Århus (around 215,000), Odense (around 145,000) and Aalborg (119,000). In Denmark there has not been as strong migration trends as in its Nordic neighbours. In general, however, the eastern parts (especially the capital region) of
the country tempt most of the migrants. Despite the small size and the relatively high population density, Denmark still has some areas which can be classified as remote. This arises from the large amount of islands, about 400, of which 80 are inhabited. (Statistics Denmark 2001.)

**Finland**

Finland occupies an area of about 338,000 km², which makes it the fifth largest country in Europe. The total population amount has for a long been around 5,1 million (5 171 300, 1.1. 2000), of which about 25 000 live in the autonomous demilitarised island-province of Åland. The population density is 15,3 inhabitants per km² (1999) (Statistics Finland 2001.) The natural birth increase in Finland is low, but still the average of annual population growth rate has raised slightly, providing a 0,5% growth rate between 1990-1998. (The world in numbers 2001.) This rise derives however from positive net immigration, not from the natural birth increase. The Russians were the biggest group (18 500 in 1999) of foreigners, the next were Estonians, Swedes and Somalians. (Statistics Finland 2001.)

As in the other Nordic countries, the proportion of urban people is steadily rising. While in 1998 the number was 64%, two years later it had reached 67,3% of the total population (The world in numbers 2001). In Finland there are five cities that top a population of 100 000 (1999). These are Helsinki (551 000,) Espoo (209 000), Tampere (193 000), Vantaa (176 000), Turku (172 000) and Oulu (127 000). (Statistics Finland 2001.) Despite the relatively big amount of large cities (in Nordic countries’ scale), the population concentration level in Finland is the lowest in the Nordic countries.

**Iceland**

The westernmost country of Europe, Iceland, has a land area of 103 000 km² and a population of 282 000 (Dec 2000) people (Statistics Iceland 2001). In 2000 the amount of the population was increasing (1,5%, Statistics Iceland 2001) at the most rapid rate of the Nordic countries, which is partly due to a yearly net migration of 1600 persons (Statistics Iceland 2001). In 1998 the amount of foreign persons was 2,4% of the whole population. (The world in numbers 2001.)

The Icelandic population is far from evenly distributed: the amount of urban people is among the highest in the world, it was 92,5% in 2000 (The world in numbers 2001). The majority of the population is thus concentrated strictly in Reykjavik and the surrounding regions. In the capital region there are approximately 160 000 people, which makes over half of the total population. The Reykjavik municipality is naturally the only city reaching over 100 000 people in Iceland. The capital region has grown at double the national rate (20% increase) over the past decade (1990s), while some rural areas have experienced even 20% decline in population over the same period. (Aalbu et. al. 1999, 35.) The strong concentration means vast areas of extremely low population density, the average is only
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2,7 inhabitants (1999) per square kilometre which is the lowest among the Nordic countries and in the whole of Europe. (The world in numbers 2001)

At the beginning of the 20th century the population was still fairly evenly spread out throughout the country, but as the fishing industry began to grow and intensify and the administrative institutions were all transferred to Reykjavik, the concentration trend truly started. As a result four-fifths of the country is virtually uninhabited and the population is living on a narrow coastal belt. The situation is worst in Vestfjords, which has lost a quarter of its population during the last decade (1990-2000) and northwestern and southeastern regions have faced an almost equally disastrous situation. These regions have some common features, such as an emphasis on fishing and agriculture plus a low level of income. (Jóhannesson 2000)

**Norway**

Norway occupies an area of about 323 000 km² (Jan Mayen and Svalbard excluded) and is home to 4 507 900 (Apr. 2001) people. Most of the citizens live in cities, of which three of the four biggest are located in the southern part of the country. Oslo has over 500 000 citizens, Bergen about 200 000 and Stavanger around 100 000 (Jan. 1999). The slightly more in the North lying and the third largest municipality Trondheim has over 140 000 citizens (1999). In 1999, there were four cities Norway that had a population of over 100 000. (Statistics Norway 2001.) The population density is 13,8 inhabitants km² (1999) and the amount of urban population is as high as 73% (1999). (The world in numbers 2001.)

According to Statistics Norway (2001) there were nearly 260 000 immigrants in the country in 1998. The biggest group was Swedes with over 20 000 immigrants, the Pakistanis were in second place and the Danes in third. In 1998 the largest group of asylum seekers came from Europe (approx. 4700) with Asia (approx. 2100) slightly behind. In the course of the last 10 years the immigrant population has increased by 114 100 or 46 per cent of the overall population increase in Norway. In 1999 immigration to Norway was at a record high: a total of over 41 000 people moved to Norway, 5000 more compared to the year 1998. (Statistics Norway 2001.) The average annual population growth rate has been during 1990-1998 0,6% (The world in numbers 2001).

**Sweden**

With an area of approximately 450,000 km², Sweden is the fourth-largest country in Europe (Statistics Sweden 2001). Still the population density is well below average compared to the rest of Western Europe, only 19,7 inhabitants (1999) per km² (The world in numbers 2001). Sweden is thus characterised, along with the other Nordic countries, with the exception of Denmark, as a country with vast area of low population densities.

This tendency has been continually increasing because of migration from regions with an unfavourable geographical situation to more favourably located ones. As a result, over
85% of the whole population of 8,8 million (8 891 640 May 2001) is living in the southern half of the country. Moreover about 83% (2000) of the citizens live in or near the biggest cities including Stockholm (around 750 000), Gothenburg (around 466 000), Malmö (around 259 000) and Uppsala (around 189 000). In all there are 11 towns reaching over 100 000 population (2000). Including the already mentioned cities, they are Linköping, Västerås, Örebro, Norrköping, Helsingborg, Jönköping and Umeå. This reflects a difference in comparison to the Finnish, Danish, Norwegian and Icelandic regional structure, which contain significantly less towns over the 100 000 population mark than Sweden. The most sparsely populates areas are located in the inland of northern Sweden. (Statistics Sweden 2001.)

Statistics Sweden and TCO (The Swedish Confederation of Professional Employees) have framed a report (2001) which suggests several scenarios concerning the future development of the Swedish municipalities. The so-called trend scenario is rather optimistic: it will come true if the birth rate rises from 1,5 up to 1,8 children per woman and the yearly net migration won’t decline. Still about 20 municipalities located in northern and western Sweden would have to face almost total population loss. The so-called catastrophe scenario will come true if neither the birth rate nor the net migration rises. This would mean even further loss: the populations of more than 50 municipalities would be halved during the next 40 years. This would, by 2040, clear out even 75% of the population still living in northern and the middle parts of Sweden. (TCO 2001.)

The birth rate rose during 1980s and during 1990s (1990-1998 0,5%) but has been in decline for some time now and today the natural population growth is in some areas even reaching zero. Despite this, the amount of the Swedish population is nonetheless slowly rising because the yearly net immigration of 15 000 people. Because of immigrants, the population age structure is also not ageing so fast. Immigration has accelerated during the past decades and the amount of non-Swedish citizens (6%) and citizens born outside Sweden (about 10%) has risen. In 2000, the Swedish population increased by 21 000 people. (Statistics Sweden 2001.)

The largest group of foreign citizens are the Finns, of whom there are some 100 000. The next largest group is from Bosnia-Herzegovina followed by Norwegians. At the moment (2000-2001) it is estimated that the amount of immigrants reaches one million and furthermore there are roughly 800 000 people born in Sweden having a foreign origin. (Statistics Sweden 2001.)

2.2 Business structure

Economically, the Nordic countries have followed quite different paths during the 1990s. Sweden and Finland were the hardest hit by the recession, while Denmark experienced economic difficulties already in 1987. Norway also faced a bank crisis between 1987-88 and the recession in the early years of 1990s, but not as harshly as Finland and Sweden largely because of the oil revenues. During the years 1993-1994 the economies of Finland
and Sweden started to slowly accelerate again. Iceland experienced also the recession in the early 1990s, but it recovered by 1994. In Norway and Denmark the economic development has been good throughout the 1990s. (Aalbu et. al. 1999, 20; Nordic regions in profile 1997, 20.)

One feature common among the Nordic countries is the ongoing move towards a post-industrial information society, which has a notable effect on the business structure too. Non-material capital such as knowledge has become the most important factor of production, which emphasises the service sector at the expense of primary production and processing. The ICT-sector grows stronger than the total economy in all the Nordic countries. The greatest impact of the ICT-sector, in comparison with the rest of the economy is found in Sweden and Finland. Iceland has the most insignificant ICT-sector of the Nordic countries when it comes to employment. (Statistics Norway, 2000.)

The overall economic development in Finland in the 1990s was marked by a severe economic recession at the beginning of the decade. Towards the end of the decade, the production was more clearly than before concentrated to the capital region. Between the years 1992 and 1997 the total output rose about 40% in the Helsinki sub-region, while the national average was about 30%. After the international stagnation in the early years of 1990s the capital region has been strongly leading the economic development. This strong concentration of the production has naturally had an effect on employment trends. This is discussed in the section 2.2. (Regional development and regional policy in Finland 2000, 115.)

The importance of the ICT-sector has continued to increase during the last decade. The total share of the ICT-sector of the private sector in 1999 was in Finland 8,4% of the employees. (Statistics Norway 2000.) The forestry sector (pulp and wood, etc.) is a major source of national income. Textile, fertiliser and chemistry industries are also important branches of industry in Finland. (Nordic regions in profile 1997, 36-66.)

The main manufacturing industries in Sweden are wood processing, IT-technology, machinery, motor vehicles, paper products, pulp and wood, iron and steel products, chemicals and electronics (Nordic regions in profile 1997, 36-66). The ICT-sector employed 9,6% of the employees within the private sector in 1999 (Statistics Norway 2000). Nowadays also medical equipment (Gambro), medicine (Pharmacia, Astra), chemical industry (Nobel, AGA) and food-processing equipment have increased their importance. (Nordic regions in profile 1997, 36-66.)

Sweden together with Finland was of the Nordic countries the most badly hit by the early 1990s economic downturn. The deficit in the Swedish State budget reached a peak in 1993, 16,7% of the GDP. Sweden however managed to get out of a jam a little earlier than Finland, by 1995, when the production level was again at the level where it had existed prior to recession. In 1997 the deficit in the budget had already declined down to 1,5% of GDP in 1997. (Nordic regions in profile 1997, 20-21.)

In Denmark the largest share of the population in employment is working in the services sector (30% 1999), manufacturing industry employs second largest share (20,5% 1999) of
the employees. Because Denmark is somewhat short of essential raw materials, refining industry is in dominant position. The fishing industry is noteworthy as well as furniture industry and shipbuilding. Denmark is the dominant shipbuilding nation in the Nordic countries and ninth largest in the world. Denmark also exports oil. The public and personal services sector is the largest employment sector. (Nordic regions in profile 1997, 36-66; Statistics Denmark 2001.)

Like Norway, Denmark has experienced a stable growth, especially after 1993. Both the private consumption and exports increased and helped considerably the GDP to rise 13% between 1990-1996. (Nordic regions in profile 1997, 20.)

The Icelandic economic life has its basis in the food industry; marine products cover most of the income the state receives, even though nowadays it employs only 10% of the labour force. Instead, bulk of the population is working in the service sector. The importance of tourism especially has increased and it has become the second important business. Furthermore Iceland has heavy industry, the most important export of which is aluminium. A greater part of the industry is located in or near Reykjavik. The Icelandic economy experienced a downturn at the beginning of the 1990s, but growth began again during the years 1994-1995 (Nordic regions in profile 1997, 20.)

The main Norwegian manufacturing has been traditionally raw material based. The most important ones are oil and gas refining, mining industry, chemical industry, shipbuilding, food industry, fishing, forest economy and wood processing industry. The agricultural sector is small and it survives largely through subsidies. Oil and gas refining has instead become the foremost industry with the discovery of offshore fields. (The Ministry of Foreign Affairs 2001.) Norway is the largest fishing nation of the Nordic countries (Nordic regions in profile 1997, 43).

The growth in the Norwegian economy, which has prevailed since 1993, reached a hiatus by the end of 1998 and the spring of 1999, mostly due to depressed petroleum prices. As petroleum prices rose, the economic growth picked up at a relatively high rate. The growth rate of the entire 1999 was still considerably below that of the previous years. The total GDP, which includes the petroleum production, grew by 0,9 per cent. The growth rate in 2000 is projected to be 2,25 per cent. The Norwegian economy is highly dependent on trends in international trade and finance, especially in oil markets and in that sense it is fairly vulnerable. (The Ministry of Foreign Affairs 2001.)

2.3 Labour market

The trends in unemployment have taken different paths in the various Nordic countries. The business sector manufacturing changes caused by the recession in the 1990s are naturally clearly reflected in unemployment. Sweden and Finland have struggled with very high unemployment rates during the recession of the last decade, but afterwards both have improved the situation. Norway and Denmark were hit by a crisis between 1987-1988, but
after the early years of 1990s the economic growth has been good in these countries. The unemployment rates have swerved somewhat, but they are currently relatively low in both countries. Iceland has never had as serious problems when it comes to labour market situation as its Nordic neighbours. Today it has the lowest unemployment rate of the Nordic countries. Largely due to the difficulties Finland and Sweden experienced, there was a loss of over one million jobs in the Nordic countries during the early years of the 1990s. After the economic crisis there has been created over 550 000 new jobs during 1995-1998 in the Nordic countries. (Aalbu et. al. 1999, 20.)

After the economic crisis in the late 1980s the overall economic development has been good in Denmark. Between the years 1994-1999 the amount of the unemployed has decreased by 191 000 persons down to 158 000, the percent from 12,3% down to 5,7%. In 2001 (June) the unemployment rate was 4,7% (Statistics Denmark 2001).

During the stagnation years of early 1990s the unemployment rate in Finland rose in every region irrespective of occupation structure or size. For a period the rate stayed close to 20%. After the middle part of the decade, the upswing improved the employment in growth centres, but the effect was not felt in more outlying areas even though there was a heavy out migration from such regions. (Regional development and regional policy in Finland 2000, 55, 74.)

The differences between the sub-regions in their employment began to grow greater during the recovery (there were some differences in respect to when the recession can be said to have ended). Today there are great differences between the sub-regions in their employment rates; the highest rates can be found near the southern coast and the lowest from Northern and Eastern Finland. Also the smallest university towns, located in the northern and eastern parts of the country, do badly in this comparison. This can be partly explained because they have a relatively higher percentage of students among their working age population. (Regional development and regional policy in Finland 2000, 55-60.)

Despite the positive effect of the upswing, also the growth centres are continuously facing labour market problems: there is simultaneously quite high unemployment compared to the national average (e.g. in Helsinki 8,3% in March 2001 City of Helsinki Urban Facts 2001) and a shortage of skilled labour force. As a result of the recession and structural change, a growing group of long-term unemployed has formed and whose skills no longer match the needs of the labour market today. These people are unable to compete for the vacant jobs with the young and highly educated people moving to the growth centres. (Regional development and regional policy in Finland 2000, 55-59.) According to Statistics Finland, the average unemployment rate is presently 9,6% (March 2001).

Traditionally, unemployment has not been a very serious problem in Iceland. Iceland was, however, affected by the international recession: at the beginning of the 1990s the rate rose and was the highest in 1994 (5,9%), but since then it has steadily decreased. (Nordic regions in profile 1997, 28.) According to an Icelandic labour force survey, conducted in 2001, the current (April 2001) unemployment rate is only 2,1%, which is the lowest of the Nordic countries (Statistics Iceland 2001).
**Norway** has not had very serious problems with the labour market. The amount of unemployed has never risen very high compared to the other Nordic countries. Only between years 1987 to 1993 did the unemployment rate rise slightly because of an economic downturn. After the peak in 1993 (6,1%) the rate has been decreasing and today it is as low as 3,6% (2001). Still, unemployment in general is expected to rise during the next years ahead. (Statistics Norway 2001.)

The development of the employment in **Sweden** has had many similar features with Finland during the 1990’s. The unemployment rate rose in all regions until 1994 and after that the employment started to increase in core regions, while in remote areas the unemployment rate continued to increase. The growth of unemployment has been strongest in outlying and sparsely populated areas like the inland in the northern part of the country. The highest unemployment rates are thus in the inland of northern Sweden. (Regional development and regional policy in Finland 2000, 155.) Today (May 2001) the unemployment rate is 3,5 % which has decreased significantly from the top years of early 1990s. (Statistics Sweden 2001.)

Table 1. Key country facts (The world in numbers 2001. Most recent employment rates and population amounts each country’s Central Statistics Office).

<table>
<thead>
<tr>
<th></th>
<th>Finland</th>
<th>Denmark</th>
<th>Iceland</th>
<th>Norway</th>
<th>Sweden</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Population (million)</strong> 2000</td>
<td>5,17 (Jan)</td>
<td>5,33* (Jan)</td>
<td>0,28 (Dec)</td>
<td>4,48*² (1. quarter)</td>
<td>8,85 (Jan)</td>
</tr>
<tr>
<td><strong>Total area km²</strong></td>
<td>338 000</td>
<td>43 000*</td>
<td>103 000</td>
<td>323 000*²</td>
<td>450 000</td>
</tr>
<tr>
<td><strong>Population density km²</strong> 1999</td>
<td>15,3</td>
<td>123,6</td>
<td>2,7</td>
<td>13,8</td>
<td>19,7</td>
</tr>
<tr>
<td><strong>Unemployment rate 2001 (actual figures)</strong></td>
<td>9,6% (March)</td>
<td>4,7% (June)</td>
<td>2,1% (April)</td>
<td>3,6 % (2. quarter)</td>
<td>3,5% (May)</td>
</tr>
<tr>
<td><strong>Most important branches of industries</strong></td>
<td>ICT, wood processing</td>
<td>food industry</td>
<td>fishing &amp; heavy industry, tourism</td>
<td>oil &amp; gas refining</td>
<td>ICT, wood processing</td>
</tr>
</tbody>
</table>

*) Greenland and Faroe Islands excluded
*²) Svalbard and Jan Mayen excluded
3

A review of the development of regional policies in the Nordic countries

3.1 The general post-war history of regional policy in the Nordic countries

Despite the similarities of the problems and the histories of regional policies, regional policy means somewhat different things in each Nordic country. Norway and Iceland are not members of the European Union, which has certainly a notable influence, but particularly Denmark differs from the other Nordic countries regarding topological and territorial aspects. That is why the next presentation of the Nordic regional policies’ history will for the most part exclude Denmark and because it is a very general presentation, it will not always be valid for each country separately either.

In Finland, Sweden, Norway and Iceland regional development was accepted as a special policy field in the 1950s, but even before that there were some regional policies in use in order to improve welfare and economic matters. The target groups were however selected by social and economic criteria rather than by geography, so it can be said the actual regional policy was launched in the 1950s in these countries. The regional policy of 1950’ highlighted the importance of social democracy, rebuilding and most of all national economic growth. The main goal was to develop towns to become centres for services and heavy manufacturing industries. This strategy was however disposed to expand regional imbalances and gradually the regional policy developed into a national policy to forward the regional imbalances. At this point a kind of juxtaposition had already taken shape: in Finland, Sweden and Norway there was a distinct north-south dichotomy and in Iceland east-west dichotomy. (Mønnesland 1997, 16-17.)

During the 1950s and 1960s the periphery incentives were developed and used chiefly to encourage manufacturing industry production. The concept of regional balance was
nonetheless understood slightly differently in each Nordic country. While in Finland and in Sweden the goal was to bind the nation together by ensuring all regions had a foundation which assured a reasonable supply of services, Norway and Iceland emphasised the importance of stabilising the settlement pattern. (Mønnesland 1997, 21.)

During the first years of 1970s there was a gradual extension of periphery-oriented regional policy, which was intensified with the expansion of public sector and its increased employment capacity especially in the periphery. The stagnation in the middle of the decade hit actually only the central areas while remote areas continued to grow. Due to this, the migration shifted direction causing a decrease in net in-migration to central areas. As an outcome, the pressure to maintain current regional policy weakened in some countries, because it appeared the regional policy instruments had completed their task. (Mønnesland 1997, 24.)

While the 1970s Nordic regional policy can be described as a periphery supporting policy, the 1980s regional policy profile changed more or less to favour the centres1. In addition, the stagnation reached the periphery during the 1980s and thus a heavy centralising migration pattern was the result. Thus the concern of metropolitan growth began again as a problem of a regional distribution as well as a functional difficulty for the centres. (Mønnesland 1997, 25.)

The 1990s regional policy has onwards been marked by the centre favouring policy and a reduction of national aid policy much because of the completely changed general political and economic factors: increased internationalisation, EU-memberships, the emphasis on competition, market forces and the importance of networking. (Mønnesland 1997, 27.)

The continuing population concentrating trend has strengthened the fact that less and less of the population is living in the regional policy target areas and therefore the support for a traditional policy favouring peripheral regions has further weakened. At the same time, the problems remote areas have been facing are getting even more serious. After the stagnation during the early years of 1990s the spatial differences have been rising rapidly. Strengthened out migration has been strongest in remote areas and the migrants have been young and well trained. At the same time, the growing centres have been struggling with overpopulated services and infrastructure and raising expenses. (Mønnesland 1997, 27.)

3.2 Denmark

Regional development first became a specific policy focus in Denmark after 1945. Back then it had became clear that some regions had started to experience declining employment in agriculture, fisheries and related fields. The rise of a spatially concentrated unemployment was caused by a rapid mechanisation of the agricultural sector. These regions in decline

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1 In Finland regional policy emphasis on centres not until 1990s
formed a sharp contrast between the more successful regions, especially towns and cities. Thus a high employment and a low level of industrialisation were the issues which led to birth of the first policy on regional development: The Regional Development Act was approved by parliament in 1958. It provided a legal basis for the new policy and also contained areas to be given the subsidies in accordance with the Act. The purpose of the Act was the industrialisation of the periphery: to create jobs within the industrial sector through technical and financial assistance. Six years later, in 1962, the Act’s area of operation was widened to cover the support to service enterprises and loans to municipalities in order to help them to buy building ground for industry or to build industrial buildings. (Hvidtfeldt 1993, 1.)

In the early 1970’s the Regional Development Act was linked to the planning system and thus in 1973 The National and Regional Planning Act was enacted. It stated that promoting uniform development in the country was an important aim of the Act and that the base of the regional policy was to reduce the differences in living standards between the regions. The explanatory notes to this Act emphasised that differences in living standards between the regions would be self-reinforcing and lead to even larger disparities. (Hvidtfeldt 1993, 1.)

During the course of 1980s the traditional financial support for regional development provided by the state was gradually put to an end. This was because the regional disparities had become almost marginal nearly 40 years after the introduction of the regional incentives. Another important factor has also been the spatially equalising effect of the Scandinavian welfare model and the expansion of the public sector services. In January 1991 all central government regional support schemes were terminated. Since then the regional policy in Denmark has been carried out through industrial development policy, which tries at first hand to improve the conditions of the Danish trades and industries. Developing the competitiveness of Danish firms both on weaker and stronger regions has become the primary objective of the government policy. However, there is still a budget line for regional policy funding for measures targeted at the weakest regions in the country. (Hvidtfeldt 1993, 2; Aalbu et. al. 1999, 25-26.)

Simultaneously with the elimination of the national subsidies, the regional development policy provided by the EU was expanded considerably in the country. Today the national regional policy is closely connected to EU regional policy. Despite the termination of the state subsidies, the national regional policy has nonetheless been maintained in one area: support to the small communities living on the remote islands. In 1983 an Act was passed to improve the conditions of these small island-communities, with a main purpose to maintain the regular ferry service to these islands. (Hvidtfeldt 1993, 2.)

Hvidtfeldt (1993, 8) has divided the development of the Danish regional policy into two separate stages according to implicit strategy. The first stage has had its base on a conventional strategy, as Hvidtfeldt puts it. The conventional strategy emphasises the public sector as the main promoter of the activity. The strategy stands for a strong national economy
Statistics on the demographic and economic structure

with a large public sector, which takes social responsibility. The second stage has its base on market-oriented strategy, which aims at private sector as a producer of the social welfare and thus as a key to development. Hvidtfeldt states, that the current regional policy has also a bit of an alternative strategy mixed in. The alternative strategy stresses the informal sector as the most important actor in restructuring.

The Danish regional policy was created from the beginning as a national policy controlled from Copenhagen. During the 1980s the counties obtained more responsibility through decentralisation and the counties got their own planning departments. During 1990s the central controlled regional policy was abolished and the development of the regions was totally laid at the regional level. (Mariussen, Gjertsen et. al. 2000, 17-18.)

3.3 Finland

The evolution of the Finnish regional policy can be presented in several different ways and depending on the standpoint it can be divided into different phases on basis of shifts in model, actor or the development of legislation. This presentation is based on Perttu Vartiainen’s (1998, 2-3) grouping, where the Finnish regional policy is divided into three separate but partly overlapping development phases. Each of the phases contains several turning points and in the background of every phase can be seen a different model of regional policy.

The first phase is based on 1950’s post-war industrial reconstruction, which seemed to cause regional imbalances in population as well as in economic growth. Thus the importance to industrialise and exploit the natural resources also in the remote areas was stressed. This was to be carried through incentives such as the tax credit and interest subsidy. The invention of tax credit law meant to stimulate the industry in Northern Finland is considered to be the starting point of regional policy in Finland. The new law also established the concept of development area, which was formed from two belts: the first one included the major part of Northern and Eastern Finland and the second, industrialised Finland. The intention was to bring labour force to industrialised Finland, and at same time, deliver investments to development areas. The Finnish regional policy was thus already from the beginning marked by the effort to maintain both evenness and effectiveness. (Op. cit., 3-5.)

Towards the end of 1960s the business structure however started to change quickly. This was followed with a strong migration to centres and so the pressure to intensify regional policy grew. Gradually, the fields of regional policy were diversified to cover the tourist industry and labour force in addition to industry. A holistic regional policy was born. In order to enforce this turning point the first development area law (1966-69) was updated into second one. It did not however change the fundamentals of regional policy, even though some new actors were created like KERA (Development Fund), which was designed to promote enterprise activities, and thus industrialisation remained a central part of
financing instruments. *The industrialising policy phase* ended when the third generation development law was introduced in 1975. (Op. cit., 5.)

The basis for the second phase of regional policy was created already in 1973, when series of changes were made in organisations operating regional policy. As a result, a two-level planning system was achieved, which contained state level and regional level and thus a particular profession practising regional policy was developed. The birth of two-level planning system was a real opening for a new, more extensive regional policy, which had seen its birth already at the beginning of 1970s, but now it really speeded up. It was started to talk about regional policy instead of development area policy. (Op. cit., 6.)

Characteristic to this period was intensified development of enterprises, regional developing plans, balancing of living conditions and most of all, a change in the way of thinking: economy was replaced with geography of well being. The period was also labelled by even regional development, which had several grounds. First, the public sector had strongly supported the development of higher education through out the country, secondly, the economic recession hit in the middle of 1970s and the migration was weakening, which balanced the population settling. And thirdly, the recession touched the small industry based towns creating a new regional problem, when the traditional antithesis between development areas and industrialised Finland was weakened. (Op. cit., 7.)

During the *planning phase* the regional political divisions were refined. Instead of the traditional two belts, the country was now divided into several separate support regions, which were sometimes very small. The expanded differentiation in regional problems has left its marks on regional policy. From the middle of 1980s there were an invention of whole new concepts, like innovation, network economy and spontaneous development. There can be also seen the first marks on programming based developing. These new concepts were however taken more into action during the next decade and phase. During the course of 1980s the belief in holistic planning system started to weaken and as a consequence, the common planning department was closed and the responsibility was transferred to Department of Regional Development, which falls within the authority of the Ministry of the Interior. (Op. cit., 8.)

In preparing for membership in EU the government created the position of counsellor in 1991 and thus set into motion the renewal of the regional policy. The regional policy legislation of that time was to run until the end of 1993, but the early start was considered necessary, because there were signs of changes in the operation environment. The ongoing integration development had started to cause pressures to change the regional policy. The ways of action and location factors of the enterprises were seen to be in change and causing challenges to the development of the infrastructure. The competition between the regions in Europe was sharpening all along. It was considered that Finland should pursue at least as powerful regional policy as the other countries. The central government was however considered have a too strong position, and the integration required a creation of a strong local and regional level development units. (Paasivirta 1991, 15-34.)
The programming based developing phase got its true shape in 1994 along with new regional policy legislation, which had its base on Paasivirta’s proposal made in 1991. At the same time regional policy’s organisation was changed considerably, when the responsibility over regional development was conveyed to Regional Councils and when the national regional policy was integrated with the EU regional policy. The third phase, the current, is based on diverse development programmes and programming, which has come with the membership in EU. Today the Finnish regional policy practically takes its shape around the EU’s development fund programmes. EU emphasises voluntary development on the region level and the role of the regions developed has turned into subject from object. (Op. cit., 10.)

3.4 Iceland

The beginning of the regional policy in Iceland must be considered as a general involvement in the economy. During the 1950s the concept of regionally balanced development was invented, but not until in 1962 was the first investment fund with special regional objectives established. It turned out to be a success and in 1972 was established an Institute of Economic Development, which had a wider field of action and expanded Regional Fund. The Institute was however abolished in 1985 due to a political controversy: it was considered to be too powerful. During the same year was founded the Institute of Regional Development, which is even today responsible for carrying out the regional policy in Iceland. (Gudmundsson 1989, 172-175.) The first official regional policy was approved by the parliament as late as in 1994. It contained very general aims. (Jóhannesson, 2001.)

3.5 Norway

Regional development policy in Norway was born step by step through separate regional schemes. In 1951 was established a North Norway Plan, which was supposed to accelerate the process of restructuring in Northern Norway. A regional policy in Norway has been in operation since the 1960s when the Regional Development Fund (DU) was established in 1961. The Fund was established to co-ordinate all regional development investments. (Aalbu et. al. 1999, 39.)

Organisational changes in 1993 brought about the Industrial and Regional Development Fund (SND), through which a large share of regional policy measures are channelled today. It is the central institution for public funding of industrial and regional development in Norway. SND is responsible to the Ministry of Trade and Industrial Affairs and the Ministry of Local Government and Regional Development, who are the main supporters providing the general financing of SND’s instruments. SND has a range of instruments at its disposal for the strengthening and development of trade and industry in the regions as well as on national level. SND is the main instrument for regional development and is organised with
regional offices in every county municipality in Norway. SND also has responsibilities in fisheries and agriculture. (Mønnesland 1997, 63-68.)

In 1995 the Ministry of Local Government and Regional Development initiated development of regional development programmes (regionale utviklingsprogramme - RUP) in Norway. The RUPs are one-year programmes improving the linkage between planning activities, policy incentives and tools, and co-ordination of resources within employment and regional policy. The RUPs have been evolved partly as a result of Norwegian preparatory work for a possible membership in EU and Structural Funds. (Fixdal, 47-48.)

3.6 Sweden

It is a matter of definition when the Swedish regional policy is considered to have begun. The Swedish government and parliament decided in 1952 that Sweden needed an active localisation policy, but back then there was no talk about regional policy. The motives behind contained economic, social and defensive aspects. The expansion of the Stockholm region and the massive migration from the remote areas were considered as a problem, because the state wanted to support the expansion of industry in the places where the total costs of the production were lowest. The possibility to retard the rapid growth of the cities with localisation policy was taken up at several occasions at the end of 1950s and at beginning of the 1960s. The measures taken into action would comprise advising the private companies and any state subsidies were not meant to exist. The “regional policy” measures used in the 1950s were noticed not be effective enough. The modern regional policy can be stated to have begun in 1964, when the proposition of the “Commission on Business Localisation” about the active localisation policy was released (Prop. 1964:2 Guidelines for active localisation policy). During the year 1965 the state subsidies and loans to industrial companies were introduced and the importance of social planning was emphasised. The support areas were formally introduced in the 1960s and there has been a regional policy programme in action since approximately 1965. The targets the localisation policy was stated to have in 1965 were to support such a localisation of the industry, which makes the best possible use of the capital and labour and to spread the well being in an equal way in the country. (Aldskogius 1992, 20.)

During the last years of 1960s there can be noticed a shift in the regional policy phase from the localisation policy into planning policy. Simultaneously the term localisation policy was left to the history and a new term, regional policy, was taken into use. The planning was a main instrument of the Swedish regional policy in the1970s and during this decade there was an introduction of also the population framework for the county planning, which had already begun in 1967. During the 1970s, the transportation and employment subsidies were introduced and the localisation policy was started to call with the term regional policy. The regional policy targets were specified to reach for equality between the people in economic, cultural and social matters. (Aldskogius 1992, 20.)
According to Gorpe et. al. (2000, 135) the Swedish regional policy experienced a kind of visitation during the late 1980s. There was a general opinion about that there was not a clear idea of what problem the regional policy was supposed to solve. During the 1980s a notable emphasis and a new feature of the regional policy was the expanding overall interest in technology, research and education and first of all in connecting them more closely together with economic life. The idea was to create new products and shift the industry to more knowledge based level. During the 1980s there was established a number of call centres and technology centres. During the latter part of the 1990s the Swedish regional policy was faced with an increasing internationalisation and access to Structural Funds through the membership in EU in 1995. The effects EU regional policy has laid on the Swedish regional policy are presented briefly in the next chapter.

It can be concluded that the Swedish regional policy has developed from a localisation policy through planning based policy to a general regional well being policy, which promotes the equality and social security. The fundamental targets have remained the same with a strong stability and vast consensus. Swedish regional policy has traditionally aimed at sustaining a balance between regions in terms of population and employment.

3.7 Summary

Section 3.1 has already introduced a very general overview of the development of the regional policies in the Nordic countries. This summary section compares the beginning of the Nordic regional policies on basis of sections 3.2-3.6.

Unlike Iceland and Norway, Denmark, Finland and Sweden seem to show many similar features in the development of the regional policies. In Denmark the launching effects were the uneven distribution of the jobs and the low industrialisation in the remotely located areas. In Finland, the importance of exploiting natural resources also in the periphery was emphasised and thus it was important to spread industrial functions there. In Sweden the beginning of the regional policy was connected with the concern over the expansion of the capital region due to migration flows from remote areas. From the end of the 1960s until the middle of the 1970s, with some dissimilarity in separate countries when it comes to beginning, duration and ending, there was a strong belief with holistic planning to achieve the regional policy targets in Finland, Sweden and Denmark.
There can be noticed clear disparities between the regions within the European Union’s area when it comes to the level of regional development, for instance. The main aim of the Union’s regional policy is, to in association with the Member States’ regional policies, to decrease these disparities between different regions through supporting the less advantaged regions. This aim arises from the effort of solidarity — all the regions and their citizens should be able to take full advantage of the single market and the economic and monetary union. (DG Regio 2001.) The relationship between the national and supranational regional policies is shaped like that while supranational policy’s role is to equalise the differences between the countries the national one tries to do the same within the national borders. Thereby national and supranational regional policies form a unity. The division between national and supranational regional policy is not very meaningful because both have the same goal and means to reach it. The differences are thus lying only in the scale.

The five Nordic countries are linked to the European Union in two ways. All of them are members of EEA (European Economic Area), while Denmark since 1973, and Sweden and Finland since 1995 have been the full members of the Union. Thus some of the EU regulations and limits concern all of the Nordic countries. (Aalbu et. al. 1999, 7.)

The European Union’s main instruments for promoting regional development are the four Structural Funds, of which the most important Fund financing regional policy is the European Regional Development Fund (ERDF). It was started in 1975 to provide financial support to regional development programmes targeted at the most disadvantaged regions. The aim has remained by and large the same even today: “to promote economic and social
cohesion in the European Union by working to reduce inequalities between regions or social groups”. The resources are during the period 2000-2006 allocated to certain disadvantaged regions according to the Structural Fund’s objectives 1 and 2. (What is the ERDF for? 2001.)

Even though the Structural Funds have a common regulatory framework, there is apparent variation when it comes to implementing the Fund financing. The Member States have deviant structures concerning for example national administrative structures and practices and size and scale of the programmes. For example, in Finland and Denmark the programme management is almost wholly run by the Regional Councils or their equivalent, while in Sweden it is taken care of by the local arms of state organisations. This variation exists among the Nordic Member States, but there are as well also common features. For example in Denmark, Sweden and Finland has occurred a great deal of decentralisation when it comes to implementation of the programmes. (Aalbu et. al. 1999, 53-54.)

4.1 EU regional policy support schemes in the Nordic countries

During the period 2000-2006 EU applies three different objectives (1, 2, phasing-out) to Finland and Sweden and for Denmark two (2 and phasing-out) objectives. The main goal of the Objective 1 programme is to promote the development and structural adjustment of regions where development is lagging behind. The title of the objective is also the same as it was during the previous Structural Fund period 1995-1999, but now the spatial coverage integrates the former Objective 1, Objective 6 and the outermost regions. Objective 2 programmes in turn concentrate upon actions, which support the economic and social conversion of areas facing restructuring difficulties. Objective 2 combines the previous Objectives 2 and 5b. The areas suitable for phasing-out support are areas, which during the earlier Structural Fund period belonged to object 2 or 5b areas and which during the current period are not eligible to object 2 areas. These goals, and the concrete measures through which these wider policy objectives are pursued, are outlined in Single Programming Documents (SPDs), which define key strategies and priorities, specific objectives and an evaluation of expected impacts. (The Structural Funds’ objectives... 2000.)

In Finland, the objective 1 covers Northern and Eastern Finland. Objective 2 covers regions from central Finland inland and the entire coastal area of Ostrobothnia. There are also certain areas that are phasing out areas, which are mainly located in the southern Finland. (The Ministry of the Interior 2001.) Compared to its Nordic neighbours, in Finland the amount of citizens living in both national and EU- support areas is fairly large. For example, in EU-support areas there are during the period 2000-2006 living over three million people or 60,2 % of the whole population. This is around double amount compared to Sweden, which reflects the differences in regional development and regional policy between the countries. (Regional development and regional policy in Finland 2000, 145).

In Sweden, the EU applies during the Structural Fund period 2000-2006 two objectives, 1 and 2. In addition there is a special programme to assist coastal areas of Sweden. Moreover
there are phasing-out areas, which are as a rule situated south from Stockholm. The support area 1 contains the counties of Norrbotten and Västerbotten. Support area 2 contains central Sweden inland areas and all the islands along the eastern and western coasts. (NUTEK, *EU Structural...* 2001.)

Denmark has some areas suitable for EU support primarily in the northern parts of the country and in some peripheral island regions. The EU regional policy applied in Denmark was expanded significantly after the elimination of the national regional policy. Still, Denmark gets the least regional policy means allocated compared to Sweden and Finland. Objective 2 contains the isle of Lolland and the most Northern regions of Jylland from Denmark. Almost the whole rest of the country belongs to phasing-out areas during the Structural Fund period 2000-2006. (Nordregio 2000.)
The institutional infrastructure within regional policies in the Nordic countries

This chapter introduces regional policy institutional actors, which are defined to be official actors or have otherwise very established status in the regional policy field. Institutional actors within regional policy can be identified at local, regional and state level and also at the supranational level. Supranational and state level actors usually finance, lead and monitor the action, while regional and local level actors are more responsible to carry out the measures in practice. It should be stressed that in the Nordic countries the state local administration is very important and municipalities have a central role in regional development policy. The strong position is for the most part due to their right to taxation and the government funding. (Nordic regions in profile 1997, 13.)

5.1 Supranational level

5.1.1 European Union

The most powerful actor within supranational regional policy is naturally the European Union. The entry of the European Union as an actor within regional policy in Denmark, Sweden and Finland altered the basis of the regional policy in these countries. EU has become a central actor in regional policies within these countries and the starting point of the action has shifted to a programme based regional development. The Structural Funds have entered as new instruments, of which the most important is the European Regional
Development Fund. Also the national regional policies in the Member States have been changed to programme-based and are controlled by EU regulations. (See, for example: The Ministry of the Interior 2001.)

5.1.2 Other supranational actors

In every Nordic country there are supranational institutional actors even though only three of them are members in the European Union. Naturally the EU is the most powerful actor when it comes to available funds, for example, and any comparisons between EU and other supranational level actors of the regional policy are not easily made. According to Mariussen et. al. (2000, 5) other supranational level actors within regional policy are the Nordic Council and the Nordic Council of Ministers, the Barents Euro-Arctic Council, The Council of the Baltic Sea States and the Arctic Council. Of these only the Nordic Council and the Nordic Council of Ministers have been in action a longer period of time, while others have been established during the last decade. Of the new actors the Council of Baltic Sea States and the Arctic Council focus mainly on environmental issues.

The Nordic Council was established in 1952 in order to promote the intergovernmental co-operation between Norway, Sweden, Denmark and Iceland. Finland joined in 1955. The Council consists of 87 members, which are elected among the members of the European Parliament. The Council makes initiatives, consults and monitors the co-operation. The Nordic Council of Ministers, established in 1971, functions as an intergovernmental organ for co-operation. (Mariussen et. al. 2000, 16-17.) The Nordic Council’s and the Council of Minister’s policy area is wide covering for example education and research, culture, social security and regional policy. The regional policy focuses on gathering information and developing the border region co-operation between the Nordic countries. (The Nordic Council & Nordic Council of Ministers 2001.)

At the beginning of the 1990s there was a changing of the circumstances when the partnership and co-operation became new slogans in intergovernmental relations. The Council of the Baltic Sea States (CBSS) was established in 1992 in order to promote by co-operating democratic and economic development in the Baltic Sea region. (Mariussen et. al. 2000, 20-21.)

The Barents Euro-Arctic Council (BEAC) was established in 1993 in order to find a new instrument to consult and co-operate with Russia after the aftermath of the cold war. The founding members have declared their ambition to promote the stability and security, economic co-operation across borders and the management of environmental problems. (Mariussen et. al. 2000, 22.)

In 1989 Finland took the initiative to start co-operation in environmental issues with the Arctic countries. Two years later the initiative was formalised and finally in 1996 the Arctic Council was established. The Arctic Council is a forum between the governments, involving the indigenous peoples and other Arctic inhabitants’ common issues. A particular
interest is directed to environmental issues and to promotion of sustainable development, through development of economic and cultural circumstances. (Mariussen et al. 2000, 24.)

5.2 National level

5.2.1 State level

The Finnish regional policy is determined by the Ministry of the Interior and by the Department for Regional Policy in the Ministry of the Interior. The Ministry of the Interior prepares the law on regional development (Regional Development Act 1135/1993) and thus defines the responsible ones for regional development act. The Department for Regional Policy is divided into six separate profit centres, which are the strategy unit, the structural policy unit, the analysis unit for regional development, the regional co-operation unit, the finance unit and the personnel and economy unit. The role of the Department for Regional Policy is mainly the administration of the regional development programs, both national and EU-programs. The Ministry of the Interior co-operates with nine other ministries in implementation of EU-programs. For example, the Ministry of Trade and Industry administers the business development subsidies and the Ministry of Labour takes care of the employment subsidies. (The Ministry of the Interior 2001.)

Sweden has three main institutional actors within regional policy. The Ministry of Industry, Employment and Communications, the County Administrative Boards (CABs) and the National Board for Industrial and Technical Development (NUTEK) since 1991. Of these the CABs function at the regional level and are presented in the section 5.2.2. The Ministry of Industry, Employment and Communications carries the overall responsibility over regional policy in the country. As a whole the Ministry monitors the regional policy issues, support given to enterprises and regional policy co-ordination of different sectors in society. The work in the Ministry is divided between two departments: The Division for Growth and Regional Development takes care of the strategic issues, whilst the Division for Enterprise Development oversees the implementation of business and schemes. (The Ministry of Industry, Employment and Communications 2001.) The Swedish Business Development Agency (NUTEK) is the central administrative authority responsible for handling questions related to business growth both on national and EU regional policy matters. NUTEK carries the Swedish regional policy in these areas out in co-operation with counties, County Administrative Boards and municipalities. (Aalbu et al. 1999, 43.)

In Norway it is the Ministry of Local Government and Regional Development that is in overall national charge of the regional policy. (There are however also several other ministries’ policies with strong regional elements). The Ministry is divided into six departments, of which the Regional Development Department concentrates on regional policy issues. The department is responsible for the administration of measures at regional
and district level directed towards county and local authorities. It is also responsible for the co-ordination of regional policy with other areas of government policy, which have a value on the economic conditions and quality of life in outlying districts. The day-to-day administration of the regional policy action is however mainly delegated to actors working at different levels in society. The state level actors are the State Industrial and Regional Development Fund (SND) and the Industrial Estate Corporation (SIVA). Both are organised as state corporations. SND has a range of resources at its disposal in order to strengthen and develop trade and industry in outlying districts. It implements large-scale regional development programmes. SIVA’s role is to contribute the development of industrial estates and business parks in areas where the private sector property market does not fulfil this function. (The Ministry of Local Government and Regional Development 2001.)

In Denmark the overall responsibility for regional policy rests with national authorities. Ministry of Trade and Industry is the supervising institution. The Agency for the Development of Trade and Industry handles regional aspects of economic policy on behalf of the Ministry. After the elimination of the national regional subsidies, the regional work of the Agency has concerned chiefly EU-programmes and initiatives from regional and local economic development actors (Aalbu et. al. 1999, 26.)

5.2.2 Regional and local level

The regional level actors within regional policy in Finland have been the Regional Councils from the beginning of the 1994 and the Employment and Economic Development Centres from the beginning of the 1997. The Regional Councils are the central regional policy authorities. The Regional Councils (19+Aaland Islands in 2001) are municipalities’ unions owned by municipalities. The Councils are responsible over composing the regional development programs, which are financed through state or Structural Funds. The Employment and Economic Development Centres were launched in 1997, when the Ministry of Trade and Industry’s, the Ministry of Labour’s and the Ministry of Agriculture and Forestry’s regional units were united into 15 Centres (2001) across the country. The Employment and Economic Centres are thus actors within the state regional administration. The fifteen Centres provide a comprehensive range of advisory, development and financing services for businesses, entrepreneurs and private individuals. The Centres have thus today a very noticeable role in the regional development action in Finland. Another important role has been played by Finnvera (merged from Kera and Finnish Guarantee Board), which is a specialised financing company offering services to promote the Finnish businesses. Finnvera is owned by the state. At the regional level also the Regional Environment Centres participate in implementation and financing of the regional development. Finland is divided into 448 municipalities (2001). They participate in regional policy through formulating the regional developing programs in co-operation with Regional Councils. (Ministry of the Interior 2001.)
In Sweden the national level has traditionally been strong when it comes to regional incentive schemes designation and operation. Some decentralisation has however taken place and today the regional and local level authorities are administrators of national directives. Sweden is at regional level divided into 23 counties (länsstyrelserna) each with a County Administrative Board, which act as a state regional administration (The Nordic regions in profile 1997, 13). The County Administrative Boards (CABs) are among other things, responsible for regional social planning. The CABs carry the main responsibility for administration, management, implementation and co-ordinating the state regional development measures. The CABs also draw up the long-term regional development strategies. The CABs look after that the decisions made by the government are enforced, to link the interests in the county and to adduce inhabitants needs for the good developing for example labour, services and environment. The CAB staff is state civil servants, who report in regional development issues to the authorities in the Ministry of Industry, Employment and Communications. At the local level Sweden is divided into 289 (Statistics Sweden 2001) municipalities (kommuner) with considerable decision-making authority. The municipalities carry the regional policy measures out in co-operation with NUTEK, CABs and County Councils, which all operate on the regional level. Even though the regional level actors have increased their regional policy duties, it can still be said that the local and national level authorities have the greatest influence in regional policy matters in Sweden. (Aalbu et. al. 1999, 43-44.)

Denmark is divided administratively into 14 County Councils (amtskommuner), which are the municipal authorities and into 275 municipalities (Royal Danish Ministry of Foreign Affairs 2001). The local and regional levels have increased their emphasis through termination of the centrally operated regional policies. Local authorities have now the possibility to establish regional development companies, with 20% of the risk capital provided by the public sector and the rest from private sources. Both regional and local authorities practise a variety of objectives containing e.g. increasing employment and promoting the international competitiveness. There is a diversity of organisations working in this field, such like departments of local and regional government, private organisations administering public funds and regional Technology Information Centres (TIC). The TICs with their 17 units are nation wide, non-profit, impartial and independent organisations. The TICs work with small and medium sized companies counselling and offering them tools for company development for free. The financial support comes from the state, counties and municipalities with supplementary funding from EU. (Aalbu et. al. 1999, 26-29; TIC 2001.)

Norway is divided at the regional level into 19 County Municipalities (2000) (fylkeskommuner), which are the elected administrative organisations in the counties. The County Municipalities play a central role in matters of regional policy. They produce regional development programs (regionale utviklingsprogrammer - RUP’s) in co-operation with the Norwegian Industrial and Regional Development Fund’s (SND) county offices, the
regional authorities and regional business actors. The RUP’s set out how the available support funds are to be used in each county. The programs made are submitted to the Ministry of Local Government and Regional Development for approval. The responsibility for implementation and follow up of the plans lies within the County Municipalities. The County Municipalities are also responsible for the administration of certain regional development funding, which is not included in the regional development programmes. Norway is divided into 435 (2000) municipalities (kommuner). Along with the many tasks of the municipalities, they are also responsible for helping to determine the use of central government funds for the promotion of business and industry in remote areas of the country. The municipalities’ role within regional development has increased in recent years. (The Ministry of Local Government and Regional Development 2000.)

5.3 The institutional set up in Iceland

The regional administrative division in Iceland parts so significantly from the other Nordic countries that any direct comparisons are difficult to make. Differences derive partly from the small sizes both of the nation and the population. Municipalities (167 in 1997) are small and therefore the state performs many of the functions carried out by municipalities in other Nordic countries. Iceland lacks a regional administration, but at the regional level the country is however divided into two regions, which are the Reykjavik region and the region excluding capital area. (Aalbu et. al. 1999, 37; Nordic regions in profile 1997, 13.)

The Ministry of Industry and Commerce leads the regional policy actions in Iceland and the Institute of Regional Development is the most important executing authority. The scope of this policy intervention is however quite small. The Institute is a non-profit organisation funded by the government. The role of the Institute of Regional Development is to co-ordinate the activities of all actors working with regional development. The Institute supports eight industrial regional development agencies in Iceland, one in each constituency. These include municipalities, federations of municipalities, trade unions, business concerns, and various other parties who are concerned about and wish to participate in the general development and innovation of the economy. Its major responsibilities are financing and working out the plans and researching: the Institute composes a national plan for regional development every second year, provides loans and grants to individual firms outside the capital area and assist with international and domestic co-operation projects. The institute operates everywhere but in the capital region. (The Institute of Regional Development, About... 2000.)

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<td>• SND (State Industrial and Regional Development Fund)</td>
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<td>• SIVA (Industrial Estate Corporation)</td>
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<td>• NUTEK (National Board for Industrial and Technical Development)</td>
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5.4 Summary

The institutional infrastructure of the regional policies in the Nordic countries can be divided roughly into two categories. Denmark and Sweden fall into same category with their dominant institutions at the regional level, while Finland and Norway have a regional division of power. The institutional structure of the regional policy in Iceland differs so much from the other Nordic countries that it cannot be categorised in this matter at all. (Aalbu et. al. 1999, 170.)

The Swedish and Danish regional policies seem to have very similar regional policy institutions. They both have at the central level Ministry of Industry carrying the total responsibility for regional policy activity and at the regional level one dominant institution taking care of the policy implementing. The Swedish regional level institution is however part of state regional level administration and the County Councils in Denmark are regionally elected. (Aalbu et. al. 1999, 72, 170.)

In Norway and Finland the regional policy authority is divided among several actors at the different levels. In Finland there are two central actors at the regional level and so has Norway. In these countries the implementation and planning are separated from one other. (Aalbu et. al. 1999, 170.)

Compared to the other EU countries, the Nordic municipalities play a central role in offering the welfare services and participating in regional policy implementation. In Denmark and Norway, the directly elected bodies, County Councils level, handle the spatial planning and regional policies at the regional level. In Sweden the Councils are mere service producers without planning responsibility, because the central government CABs take care of it. In Finland the Regional Councils are municipalities’ unions elected by municipalities. Iceland for its own part totally lacks regional administration. (Aalbu et. al. 1999, 49.)
The Nordic countries have lots of similarities such as great areas, long distances and sparse populations- with the exception of Denmark. Finland, Sweden, Norway and Iceland also to some extent have run a special regional policy called “periphery policy”, which is designed to solve problems of remote areas through special incentives and transfers. The official aims of the regional policies in the Nordic countries seem quite similar: the prime target seems to be a more balanced demographic and economic structure between the regions in the country. One can however observe certain differences in emphasises between the targets and instruments of the regional policies in the Nordic countries. The regional policies of Denmark and Iceland are presented separately due to significant differences in policy practises.

6.1 Targets

The aim of the Finnish national regional policy is a good regional balance in the country and the promotion of the independent development of the regions. With the help of national and EU regional policies the regions, whose development is lagging behind, are supported and developed from their own starting points. The basic idea is to try to find for every type of community structure suitable means of developing. (The Ministry of the Interior 2001.)
The general aim of the *Swedish* regional policy is to promote sustainable economic growth, employment and prosperity in all parts of the country. Justice, the freedom of choice and even living conditions throughout the country are emphasised. (The Ministry of Industry, Employment and Communications 2001.)

The *Norwegian* regional policy’s principal aim is to maintain the current settlement and demographic distribution patterns and to ensure robust and sustainable development in all parts of the country. This is sought through developing municipalities to become desirable locations for both people and business. The regional development work is based on the fact that different regions have different needs where regional development is concerned. (The Ministry of Local Government and Regional Development 2001.)

### 6.2 National support areas

The narrow national regional policy exercised in *Finland* consists for the most part of regional EU-programs today. The national regional policy and EU regional policy have thus intertwined together and making a difference between them is unnecessary when we look at it from the regional developing point of view. For a pure national regional policy can be included e.g. regional development resource and business subsidies for that part they are not connected to Structural Fund programmes. The business subsidies are mainly focused on research and product development, while other business subsidies have been clearly reduced. (Regional development and regional policy in Finland 2000, 150.) The Finnish national regional policy is intertwined with EU regional policy, as already mentioned. It is exercised on three separate support areas during the years 2000-2006 and is organised through programmes and consultative committees. The support region 1 covers the eastern Finland and the support area 2 covers northern Finland and the Maanselkä region. The third support area is designed to all the other areas, which fulfil the criterion (GNP below 75% of the average in EU). (The Ministry of the Interior 2001.)

The *Swedish* national regional policy includes support areas A and B, reduction on social expenses 1 and 2 and also the transportation support area. The support granted on support area A aims to increase the growth and balanced regional development. Support area A includes municipalities from counties Värmland, Dalarna, Västernorrland, Jämtland, Västerbotten and Norrbotten. The support area B has the same goals as the area A, but contains partly different counties and municipalities. The reduction on social expenses 1&2 aim to increase activity and employment in order to diminish the economic inequalities existing between the northern counties and other counties. The transportation support area covers all municipalities in the northernmost county Norrland and it aims at compensating the long and expensive transportations derived from the long distances in the country. (The Ministry of Industry, Employment and Communications 2001; NUTEK.) In *Norway* the areas eligible for national regional policy incentives have traditionally been the peripheral areas and northern parts of the country because of the nature of the conditions. The aid
eligible areas are primary defined through population density: 12.5 people or less entitles the municipality to the regional policy assistance. Area classification includes in addition four factors, which rank the eligible areas: spatial, demographic, labour market and income. The eligible areas include 26% (1998) of the population. (Aalbu et. al. 1999, 40.)

6.3 Instruments

Regional development instruments in Finland contain programmes related to rural areas, archipelago areas, border areas and structural change areas. In addition there are The Centre of Expertise Programme and the newly presented (2000) Regional Centre Programme functioning as the urban policy programmes. All of these programmes are defined in the national Objective programme, which defines the government lines of the regional policy during the next years ahead and also with a longer period of time. The latest Objective programme was presented in November 2000. (The Ministry of the Interior 2001.)

The Centre of Expertise Programme was launched in 1994 as a part of a new programme based regional development policy (along with the new regional policy legislation, Regional Development Act 1135/1993). During the first national programme period there was 11 centres of expertise taking part in the program and for the new period (1999-2006) already 14. The idea behind the programme is to promote internationally competitive entrepreneurial activity, which demands highly trained employees. The programme supports regional specialisation and a division of labour between the centres of expertise. The newly presented (in the latest national Objective programme in 2000) Regional Centre programme was launched in order to develop and expand the network of cities and to prepare to better meet the challenges the expansion of the EU and the reform of the Structural Fund brings along. With the help of the programme the regions are being supported to increase their ability to compete through finding and developing their own know-how areas. The aim is to create a network of regional centres, which secures the conditions of work, economy and living in the whole country. (The Ministry of the Interior 2001.)

The basic regional incentives in Finland consist of Regional Investments Aid and of Regional Tax Relief. The Regional Investments Aid is handled by the Ministry of Trade and Industry and is granted to companies acting in the defined Development areas or structural change areas. The purpose of the Aid is mainly to promote manufacturing, tourism and business services. The Regional Tax Relief administered by the Ministry of Finance functions as an increased depreciation allowance, which concerns the companies only during the first year of investment and the two following years and the industries eligible for state aid. (Aalbu et. al. 1999, 34.)

There are also other supplementary national regional aids applied on problem regions, such as loans offered for company investment and venture capital, the Small Business Aid scheme giving start up grants and Financing for Rural Industries, which is a small business aid scheme comprising investment, start-up and development grants. (Aalbu et. al. 1999,
During the last years drawn up Eastern and Northern Finland developing programmes are also a part of national regional policy. A transportation subsidy for sparsely populated areas (less than 12.5 inhabitants/km²) has long been a part of the Finnish regional policy. During the last years the transportation subsidy allocation has been however reduced significantly. (Regional development and regional policy in Finland 2000, 153-154.)

At the moment there are five separate enterprise support schemes in Sweden: regional investment subsidy, employing subsidy, rural area subsidy, small business subsidy and transportation subsidy. Of these the regional investment subsidy, employing subsidy and transportation subsidy are restricted only to national support areas A and B, while rural area and small enterprise subsidies are nation-wide. There are also special regional policy measures targeted at towns and regions, in which the private sector is having difficulties expanding. Measures for this kind of areas are company support in the form of development subsidies and rural subsidies or reduced payroll taxes, grants to projects aimed at economic growth and employment, and grants within the framework of the EU structural funding. (The Ministry of Industry, Employment and Communications 2001.)

The Norwegian regional policy involves a mix of measures directed at business development, infrastructure investment, as well as more welfare orientated development initiatives and transportation subsidy, which is in use in the most northern provinces. After 1995, Norway has tried to increase the cross border co-operation in order to smoothen the new situation where regions other side the border are a part of EU regional policy measures and the Norwegian regions are not. Norway, for example, participates in INTERREG-co-operation with Sweden and Finland. (Aalbu et. al. 1999, 38-42.)

Of the Nordic countries Norway is the only country to implement measures directed at the residents living on sparsely populated areas. In 1990 the Norwegian Action Zone was established, which covers the areas of Nord-Troms and Finnmark and 2% (1997) of the total population in Norway. These regions had been suffering from severe decline in population as a result from several decades continuing heavy migration from the region. Regions are also characterised by high unemployment and, on the other hand, from the shortage of highly qualified workers. The main purposes of the Action Zone are to improve the labour market situation and the economic situation for enterprises and to stop the population loss. The Action Zone includes several measures targeted either to industry or individuals living on the area, for example by a reduction in personal income tax, a waiver of repayment of study loans, an increase in child benefit and wage subsidies for teachers. Even if the Action Zone was established in 1990, the individual measures have however a longer history. As early as 1979 the teachers in primary schools in northern Norway were given economic incentives. (Eikeland 1999, 5-6, 9.)

There is also another instrument of regional policy - the regional differentiation of social security contributions. The preferential taxation is divided into five zones and 28% (1999) of the Norwegian population live in these five zones. (Aalbu et. al. 1999, 40.)
6.4 Denmark

Regional differences in Denmark are much less obvious than in the other Nordic countries. Even though there are some areas lagging behind in development, there are no large, sparsely populated areas like in the other Nordic countries and the scale is in any case much smaller compared to the other Nordic countries. The Danes don’t even themselves consider the slight uneven regional development as especially serious problem, and the existing regional problem is regarded to be better handled through market forces than through traditional support policy. That is why the Danish regional policy was abolished in 1991 and was replaced by an industrial policy, which could be defined as general business support policy through which it is essentially supported framework conditions for businesses, infrastructure and clusters of industries instead of individual firms. (Aalbu et. al. 1999, 25-26.)

The Danish industrial policy has five core areas, of which each contain several elements. The core areas are regulation by authorities, access to knowledge and access to capital, interaction between authorities and the private sector and conditions of international competition. The regulation by the authorities contains such a legislation and regulations, which foster the businesses’ possibilities to develop by setting for example high standards in respect of quality. The access to knowledge is very important in maintaining the innovative ability and the authorities supply of knowledge should therefore meet the businesses needs. The access to capital is vital to all businesses and this core area is thus of great importance to authorities setting the rules for the raising of finance. The core area of interaction between authorities and the private sector includes the promotion of the co-ordination with other ministries and public authorities. The fifth and last core area conditions of international competition has raised its importance all the way as the international competition has become heavier. The authorities have a role in this through international negations with EU and WTO, for example. (The Danish Ministry of Business and Industry.)

The instruments available for promoting the regional development vary from simple means such as direct grants or loans to individual enterprises or to more complex programmes, which promote development in entire regions. The financial support to establish new enterprises or expand the existing ones is considered to be the most effective one and comprises most of the traditional regional policy in Denmark. Another important aspect of the regional development policy in Denmark is the support given to expanding and maintaining of the infrastructure, which benefits both citizens and enterprises through improved general conditions. (Hvidtfeldt 1993, 3.)

The Danish government’s new industrial strategy (2000) will, in order to meet the challenges of the changing business environment, stress more than before the better capacity of competitiveness of the businesses. It is emphasised that the welfare society and the ability to compete are related to one another. (Regeringens erhvervsstrategi dk.21 2000.)
6.5 Iceland

The regional problems Iceland is facing are very much alike those of other Nordic countries - migration to urban areas and the general difficulties to maintain the current settlement in the isolated areas. An additional factor is however the even more extreme geographical remoteness and the small domestic markets, which are difficult to develop due to a small size of the population. The Icelanders share the opinion about the existence of a regional problem, but the means and strategies how to cure it differ. (Aalbu et. al. 1999, 35.)

The central aims of the Icelandic regional policy are to ensure settlement, which utilises the natural resources of the country, to strengthen settlement in areas, which have potential for varied and profitable economy and can offer modern services and to slow the migration stream from the outlying areas to the capital region. (Aalbu et. al. 1999, 35.) A Parliamentary resolution (a four-year development plan) concerning government regional policy states the regional policy objectives to diversify the industrial economy in provincial areas and to provide special support to certain rural areas, especially where economic and living conditions are poor (The Institute of regional development 2000, A Parliamentary...).

The regional policy instruments in Iceland include communications investments with the aim to enlarge commuting, restructuring of public services and the decentralisation of power and financial structure to assist economic structure. The Icelandic system does not contain investment grants. Financial investments in use contain assistance to local development companies and development projects. Assisted areas cover 98% of the country’s area and 40% of the population. This means that only the capital region does not belong to the eligible areas. (Aalbu et. al. 1999, 37.)

According to Jóhannesson (2000) the out migration from the remote areas to capital region is becoming a serious problem in Iceland. There can be seen several reasons to the massive migration stream to the capital region in Iceland. A special problem of the Icelandic regional policy and the block of broadening the development is the poor shape of the road network. Most of the roads are unpaved (paved 27%, 1998, Statistics Iceland) and under winter times only frequently run ones are ploughed. Another reason to explain the massive migration to capital region is the lack of education possibilities. Most parents don’t want their sometimes very young children to be forced to live in dormitories far away from home and find the solution to move to urban areas to be a better one. (Gudmundsson 2001.)

The situation has been tried to improve with the so-called Regional Bridge, which is used in order to offer equal opportunities to education for people living in remote areas (Jóhannesson 2000). Telecommunications is furthermore seen as an important device to spread the economic development to rural areas: the government has an obligation to provide every household an ISDN-line by the end of 2002. (Gudmundsson 2001.)

One problem is also the general structural change in the industry. Today the firms produce more services and high-tech goods, which require high skilled labour force. The high skilled labour usually favours high residential quality and so it tends to be of crucial
The Nordic national regional policies of today...

importance to location of the firms. The improved quality of settlement is therefore an important factor of regional policy in Iceland. The employment in the fishing industry has also decreased by the invention of trawlers, which can sail over longer period of time with the fish and there is no longer such a great need to have factories near the catching areas. This has complicated further the small fishing towns’ existence and accelerated the out migration from the rural areas into bigger settlements. (The Institute of Regional Development 2000, Article...)

Gudmundsson (1988, 174) however presents some hope giving elements. The development of the communications and an expansion of the car ownership have together stretched the capital region’s service area. Furthermore many rural regions have not fully exploited the possibilities the geothermal energy offers.

6.6 Summary

There can be noticed several differences as well as similarities between the targets, instruments and practises of the regional policies in the Nordic countries. The large distances and low population densities can cause huge disparities in living standards. The differences in geographical matters are the main reason why Norway, Sweden and Finland implement much more extensive regional policy than Denmark.

To a large extent, the regional policies of Nordic countries are concerned over reaching a better balance between the regions. Sweden and Norway have expressed most clearly the aim to spread the development “to all parts of the country” (The Ministry of Industry, Employment and Communications 2001; The Ministry of Local Government and Regional Policy 2001). The Finnish Regional Development Act includes the sentence “good regional balance in the country.” (Regional Development Act 1135/1993.) In Iceland the regional policy target adopts quite much of the Norwegian, Swedish and Finnish aim statements, adding the motivation to balanced settlement in the country: the full exploiting of the natural resources and strengthening the settlement in remote areas. In Denmark the aim is to promote the competitiveness of businesses. (The Institute of Regional Development, A Parliamentary... 2000; Aalbu et. al. 1999, 26.)

The general emphasises of the regional policies vary from country to country. Denmark has abandoned the actual national regional policy and now only focuses on general business policy, which tries to increase business competitiveness by enhancing the framework conditions. Iceland has centralised the regional policy implementation under one department located straight under the Prime Minister’s office. Finland and Sweden stress the networks of cities and regional centres and seem to accept a certain amount of population migration from periphery to the centres as natural development. The regional policies of Finland and Sweden are otherwise too quite similar despite of the fact that in Sweden the concentration trend has been going on for a longer period of time than in Finland. Norway shows a significant difference at this point from the other Nordic countries’ regional policies. It
aims at preserving the existing settlement structure in the whole country and also has special instrument in order to reach this target. From this viewpoint it could be claimed that Norway exercises the most ambitious and powerful regional policy of the Nordic countries.

The regional policy in Iceland differs maybe the most from the other Nordic countries. In Iceland the objectives of regional policy have never been clearly specified and all of the regions, both urban and rural, excluding the capital region have always been supported no matter if the region is considered capable of living or not (Gudmundsson 1989, 174).
The weaknesses and strengths of the Nordic regional policies

The Nordic countries have had a regional policy in action for about half a century now. It is not easy to say how influential the regional policies have been or what would have happened, if there had not been any regional policy measures in use at all. There is some dissatisfaction towards the practised regional policy, as the economic growth has not spread out to remote areas as maybe have been expected. Still it could be stated that regional policy in the Nordic countries has been one important factor in spreading the well being more evenly through the regions.

Both in Finland and Sweden the regional policy has been accused for ineffectiveness and there has been presented demands on a new, more effective regional policy. Regional Development Act in Finland is now under renewal in order to intensifying it already during the current Structural Fund period. (Tienari 2001, 20-21.) It looks like Sweden is going to handle this issue a bit differently. The latest Swedish Parliamentary Commission (1998) on regional policy issues seems indifferent to the prediction that Sweden is going to divide into two different parts - the winners and the losers. (Persson 2000, 6-7.) This would mean that the 50 years long history of the principle of increased growth and wellbeing to all regions is going to be abandoned. This is not, however, at least for the present the official statement of the Swedish government.

On the other hand it can be discussed whether it is a weakness to officially allow a certain amount of population and employment migration from the countryside to centres. The one and only right answer cannot however be given, because it is a question of values:
how equally the resources should be allocated? In Iceland the (rather meager) resources are distributed between everybody and every region and Norway has had too a very strong consensus of maintaining the settlement in the remote areas. Finland and Sweden have both during the last years invested especially to urban policy.

7.1 Norway

A special feature of the Norwegian regional policy measures, the personal incentives, can be seen both as strength and weakness. The employment situation in the Action Zone has been improved, which is however mainly caused by an expansion of the public sector. Still the personal incentives have mainly supported private services and the well-educated part of the population more than was originally assumed. This is why the incentives have had their greatest effect on the most densely populated settlements. For example, the coastal Finnmark haven’t seen neither the public nor the private sector growth during the Action Zone has been in operation. (Eikeland 1999, 15.) Another problem is the misuse. The zone attracts especially young people because of the waiver of the loans from the State Educational Loan Fund. After exploiting the system, they move back to where they grew together with their children who were born at the zone (increased child benefit).

Demographically, the situation in the Action Zone has varied during the period incentives applied. During the period 1989-1994 there was an increase in population, but the migration rates for 1995, 1996 and 1998 are anything but satisfactory if the demographic balance is striven for. Another problem is that once started this kind of personal incentive zone is very difficult to stop. Furthermore, the system is considered to be very expensive compared to the concrete achievements. It seems that the personal incentives worked well during the economic recession when the unemployment rate was high everywhere else in the country too. (Eikeland 1999, 15-17.)

7.2 Sweden

Norberg (1999) has evaluated the Swedish long-term regional policy outcomes. The central conclusion is that the practised regional policy has had a notable positive effect on the small living standard differences between the population in the different regions. The most important target has been thus reached. However, the regional policy has not been able to prevent the concentration of the economic growth in the core areas. Furthermore Norberg criticises the Swedish regional policy for the system of subsidies. The subsidies are let to be developed permanent without any careful examination of the reasons behind the problems. (Regional development and regional policy in Finland 2000, 166.)
7.3 Finland

Paasivirta (1991, 3-13) has weighed the Finnish regional policy success when it comes to fulfilment of the targets and the functionality of the instruments. Paasivirta sees that the set targets have been achieved well in an international comparison. When it comes to functionality of the instruments, Paasivirta states that the range of the instruments is comprehensive and complements have been made from time to time and the current selection of measures offers a fine ground for the intensifying of the regional policy. Due to problems and unevenness in regional development in the country the national regional policy is being intensified, renewed and diversified.

The Finnish regional policy has invented during the last seven years two urban policy programmes: Centres of Expertise and Centres of Regions. With the help of these programmes is reached for more internationally competitive entrepreneurial activity and expanded the network of cities. It could be however considered, what impact do this kind of programmes have on municipalities or regions, which do not belong to either of these programmes. Municipalities which participate in these programs can get an improved imago, while the municipalities left outside can be even worse off than before.

7.4 Denmark

The Danish regional policy focuses on promoting the general framework conditions of the economic life. This is aimed to promote the competitiveness of the Danish businesses. At the same it benefits also the individual citizens through maintaining and expanding the infrastructure.

7.5 Iceland

It seems that there is not enough resource allocation in the Icelandic regional policy. The support is given to all regions no matter if the region is considered viable or not. This is due to a small size both of the country and population; if the funds were granted to only certain areas, the person who made the initiative to this would be known by everybody, as Gudmundsson (1989, 174) states it. The total equity of the fund distribution can mean a small amount of resources to every region, which is not enough to achieve real development or successful projects.

The role of the Institute of Regional Development is merely planning, advisory and loan sharing. Its financial instruments are few. The regional policy instrument package in Iceland is restricted and it does not have as wide range of grants as in other Nordic countries. Therefore the Icelandic regional policy can be claimed to be weak in the Nordic comparison. On the other hand the Icelandic system is very equal, if the equality is measured through resource allocation.
7.6 Summary

The Norwegian regional policy might have the most ambitious targets of the Nordic countries and it may have also the most powerful instruments in trying to reach those targets. The personal incentives in use in the Action Zone have had many positive effects. The employment situation has improved during the Action Zone period and it has also been able to positively affect the migration rates for a moment. However, compared to the other measures in the Action Zone, the personal incentives are quite expensive. The economic impacts for the state in the form of increased expenses and lost revenues are quite remarkable compared to the concrete results at least so far.

The regional policy in Iceland has never had clearly specified objectives. All regions, urban and rural, large and small have had support. The weakness of the Icelandic regional policy could be too minor allocation and the small amount of the financial instruments available. Compared to the other Nordic countries, the Icelandic the institutional infrastructure of the regional policy is quite centralised as well as the population. This can have some effect on regional policy practising, too. The Icelandic government also plans to provide fast Internet-connection to every household by 2002. This is a very expensive plan and there are no guarantees what so ever whether the people actually start using them. The regional policy in Denmark has been for the last ten years mainly promoting the frameworks of the businesses. This is considered to be a sufficient regional policy intervention, because Denmark does not share the problems due to geographical facts with the other Nordic countries.

Both Sweden and Finland have during the last years moved the regional policy emphasis towards urban policy. It could be considered, whether this could be a sign of change in values: it is not anymore as important as before to adhere with the principle of even growth and population in everywhere. On the other hand it could be weighed that this is just a new strategy in order to use the available resources as reasonable as possible and trust in the positive effects for example the regional centres have in their surroundings. Sweden, like Iceland, has planned to give all the households and companies a possibility to connect to a broadband network. The Finnish regional policy authorities have taken up a negative attitude towards these kinds of plans and criticised them to be too expensive to be practicable in Finland.

All of the Nordic countries have stated more or less ambitious regional policy targets. However, it seems that the concrete results have not always been in accordance with the targets. Therefore, it could be considered whether the targets and measures are compatible. The answer could be to adjust the targets to better meet the instruments and available resources or to create more powerful instruments, which can reach the targets.
Conclusions

The Nordic countries share a lot of common features when it comes to e.g. demographic structure and the idea of the welfare society. Thus it is not very surprising that there are many similar features in the developments and aims of the Nordic regional policies between the countries. Traditionally the regional policies in the Nordic countries have been a force reducing regional development inequalities. The main aim has concentrated on preserving the settlement, employment and services across the vast, sparsely populated areas and ensuring the geographical cohesion. The Nordic regional policies have always paid a special attention to the periphery in order to get the remote areas more in line with the rest of the country. The development of the Nordic regional policies is thus closely linked to the Scandinavian welfare model: the ambitious target to ensure the benefits and well being to everybody in spite of e.g. the place of residence, can be seen behind the development of the regional policy in the Nordic countries.

The strong trend towards polarisation between the national core areas and periphery is considered at least for the time being as a problem, which is handled through regional policy. In Norway, Sweden and Finland the polarisation trend has been going on between the northern and southern regions, but also at some level between east and west. In Iceland the polarisation has taken place between the capital region and other regions in the country and in Denmark chiefly between the capital region and the remote islands. It seems however that the attitudes towards uneven regional structure of employment, production or living conditions are starting to slightly diverge. Denmark has long ago abandoned the traditional regional policy partly due to the relatively small size of the problems. In Finland and
Sweden has been during the last years a clear trend towards urban policy as a regional policy of the future. This could mean a whole new target setting in the regional policy in these countries.

It is naturally difficult to estimate how influential the practised regional policies has been and what would the consequences have been like if there had not been regional policy measures in use at all. It can however be said that regional policy has during its about half a century long history played a central role in creating more solid communities with higher standard of living, services and infrastructure than it would have been possible without any regional policy at all.

There is still however a great deal of work to be done, if the peripheral areas are wanted to get more closely linked to the core areas. Today the infrastructure and population is despite of the efforts still located quite unbalanced in Finland, Sweden, Norway and Iceland. If there is a wish to persist the principle of uniform and even development in the country, the telecommunications, ferries, railways and roads should be improved even further. Also the so-called soft infrastructure should be improved: education, producer services, research and cultural activities, which make up the base to the economic growth also in the remote areas.

The Nordic regional policies have faced outstanding changes during the 1990’s. The integration process has demanded the countries to adapt the national regional policies into accordance with the EU regulation. Along with the new instruments, programmes and projects the membership in EU has changed the fundamentals in the national regional policies of these countries. The regional administration system has been changed into more network-like system and the changes in environment and the internationalisation have altered the conditions of the regions. The local and regional administration levels have increased their authority, the regions are now much more exposed to competition than before and there is also a growing need for the co-operation. All of these factors are offering possibilities as well as challenges.

The Nordic regional policies have always been a periphery oriented regional policies and now it seems, that this kind of regional policy would be needed more than ever, if there only was a possibility to practise as vast regional policy as before. Many areas are losing their population and the local communities are struggling with increasing financial problems. The continuing migration from the periphery to the core areas has weakened the possibilities to maintain basic services and infrastructure in the periphery. The migration flows have been directed to the national capital regions or regional centres and from north to south causing a growing imbalance between the regions. However, it seems that with the help of regional policy it is barely not possible to stop or let alone convert this trend. Even the strongest measures, for example the Norwegian personal incentives, have not been able to permanently improve the temptation of these areas. It can be asked how influential the regional policy can be in working towards the development. Even if there was a possibility to practise very powerful regional policy, maybe it is not possible at all to
resist the natural development of for example demographic distribution. This leads us to conclude that maybe with regional policy measures it is only possible to soften the development processes and its consequences and it is not worth to faith against the indisputable social trends such as changes in the demographic structure.

It looks like the Nordic countries have now drifted into same kind of situations - with slightly different intensities - as the regional structure with population and functions concentrate to certain core areas, while remote areas face the population loss. From the regional policy’s point of view there is a new situation in that sense, that the competitiveness has become more important along the globalisation. The able to compete demands specially well functioning and strong urban regions. Therefore the Nordic regional policies should be able better than before to meet the simultaneous challenges of evenness and effectiveness.
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