



**EXPERT EVALUATION NETWORK  
DELIVERING POLICY ANALYSIS ON THE  
PERFORMANCE OF COHESION POLICY 2007–2013**

**TASK 2: COUNTRY REPORT ON  
ACHIEVEMENTS OF COHESION POLICY**

**SWEDEN**

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Directorate-General Regional Policy**

## Contents

EXECUTIVE SUMMARY .....	3
SECTION 1 – SOCIO-ECONOMIC CONTEXT .....	5
SECTION 2 – THE REGIONAL DEVELOPMENT POLICY PURSUED, THE EU CONTRIBUTION TO THIS AND THE POLICY ACHIEVEMENTS OVER THE PERIOD .....	8
SECTION 3 – EFFECTS OF INTERVENTION .....	16
SECTION 4 – EVALUATIONS AND GOOD PRACTICE IN EVALUATION .....	17
SECTION 5 – CONCLUDING REMARKS – FUTURE CHALLENGES .....	19
REFERENCES.....	20
INTERVIEWS .....	24
TABLES .....	24

## EXECUTIVE SUMMARY

The Swedish National Strategy for Competitiveness, Entrepreneurship and Employment 2007–2013, which forms the framework for the national growth programmes as well as for the operational programmes of the Structural Funds, lays the foundation for a strong integration of national regional policy and EU Cohesion Policy. The priorities identified in the growth programmes and in operational programmes overlap and EU funding helps provide support for regional development policy in Sweden. The only factor disturbing this coordination is the fact that the NUTS 2 regions do not correspond with the counties which are the focus for regional policy.

Sweden has 8 ERDF programmes in the period 2007–2013 under the Competitiveness and Employment Objective and has been allocated EUR 1,626 million under this Objective, of which the ERDF accounts for EUR 935 million. In addition, Sweden takes part in 9 Cross-border Cooperation Programmes. The allocation of resources between the 8 NUTS 2 regions reflects the variation in regional problems across Sweden. Regions, primarily in the north of the country that for a long time have been eligible for national regional policy initiatives receive significantly more resources than other regions. The 8 programmes are similar when it comes to priorities with Innovation and renewal being the major priorities receiving 71% of the financial resources from ERDF.

Commitments at end September 2009 amounted to 49% of the total allocation of funding for the whole period. The rate varies between the regions from 39% in East Mid-Sweden to 55% in North Mid Sweden. 78% of resources committed are to projects under the innovation and renewal priority, 46 % in respect of the entrepreneurship priority and 32% in respect of the innovation priority.

In September 2009, 22% of commitments (or 11% of ERDF allocation) had been turned into expenditure. Stockholm and West Sweden, with disbursement rates of 37% and 29%, have been most efficient in transforming commitments into expenditure, while Scania & Blekinge and Småland–Island have the lowest disbursement rates (of 6% and 14%, respectively). In the following months, the disbursement rate increased substantially in Scania–Blekinge, however, reaching 19% in April 2010.

The targets for new jobs vary from 8,000 in Upper Norrland to 1,300 in Stockholm. The number of new jobs created by September 2009 amounted to 2,500 overall which represents 7.5% of the target. In order to achieve the target, the rate of job creation has to accelerate markedly over the remainder of the programming period. Nevertheless, the managers of the programmes seem to be optimistic about this and expect to exceed the target by around 9% in the end.

The targets for the creation of new firms vary between 7,000 in Mid Norrland to 300 in Stockholm. In total, 1,396 new firms had been created up until September 2009, which corresponds to 7.6% of the target.

The aim of Cohesion Policy under the Competitiveness and Employment Objective is to strengthen the long-term ability of regions to compete in the global economy. However, it is yet far too early to assess how far the programmes have helped to strengthen the capacity of the regions concerned to sustain economic development or to improve the quality of life.

In practice, the short-term results of programmes give only a limited indication of their long-term impact. Evaluation of the results of programme after a short period tends to be based on the assumption that development is a linear process and that it is possible to draw conclusion about the long-term impact from these results.

## SECTION 1 – SOCIO-ECONOMIC CONTEXT

Sweden consists of 8 NUTS 2 regions that differ markedly in population size, territorial characteristics, economic structure and development.

*Upper Norrland* is the largest NUTS 2 region in the EU with an area comparable to Austria, Denmark and the Netherlands combined. It covers an area corresponding to 40 % of Sweden and, with a population of only 509,000, it is extremely sparsely populated with only 3 inhabitants per square kilometre. The four largest towns in the region, which have a population of 41,000 to 114,000 are all located at the mouth of rivers along the coast. The inner parts of the regions consist of 17 municipalities of which only three has a population of more than 8,000. This part of the region has experienced declining population in the last 60 years and has been eligible for national regional policy support since the policy was initiated in 1965. The two largest towns are the mining towns of Kiruna, with 23,000 people, and Gällivare, with 18,000. Industry in the region is primarily resource-based. Mining, steel, paper and pulp and wood industries have a traditionally important role. In recent years, the international boom in mining has attracted companies to open new ore mines in the region.

Elements of a growing knowledge intensive industry can be seen in Umeå and Luleå. These are the two biggest towns in Upper Norrland, with population of 114,000 and 74,000, respectively. As part of national regional policy, a university was founded in Umeå in 1965 and a technical university in Luleå in 1972. These have had a strong impact on the development of the local economy. The financial and business service sector in the region is smaller than in the rest of Sweden, while the share of employment in the public sector is significantly larger (almost 50% larger than in the rest of Sweden).

*Mid Norrland* is another large NUTS 2 region with an area comparable to the combined area of Belgium and the Netherlands, with a population of 371,000 and a population density of 5 people per square kilometre. The region consists of three medium sized towns with a population of between 55,000 and 95,000. The other 12 municipalities have a population of 5,600 to 25,000. Forestry resources have always been of great importance for the economic development of the region. In the 1850s, Sundsvall located on the coast and the largest town, was the most dynamic spot in Sweden and was important in the early industrialisation of the country. The inner part of the region has similar problems to the inner part of Upper Norrland and it has experienced declining population since the 1950s. Since the end of the 1970s, population in the coastal regions has fallen as well, due to a decline in manufacturing. The share of employment in the latter has fallen over the past few decades and is today smaller than in the rest of Sweden, while the public sector is significantly larger. Mid Norrland had the lowest growth rate in the country over the period 1996–2003.

*North Mid Sweden* has 796,000 inhabitants and a population density of 13 inhabitants per square kilometre. The three largest towns have a population of between 49,000 and 94,000. This region is therefore also dominated by small settlements. The region is traditionally a centre of the iron and steel industry and was hit hard by its restructuring in the 1970s. As a result, population started to decline and in 2009 was 5% lower than in 1975. But the share of employment in manufacturing in the region is still larger than in the rest of Sweden and the region still specialises in iron and steel and the wood industry. Capital-intensive industries are overrepresented in the region while knowledge intensive industries are under-represented.

The three NUTS 2 regions described above represent what traditionally in Sweden have been called the forest counties. These are counties that for a long time were characterised by forestry, mining, and resource-based industries, located close to the sources of the raw materials concerned in small villages and towns that grew up around the industry. The area became dominated by one-company towns surrounded by smaller villages that were functioned as centres for forestry. Rationalisation in the forestry industry was accompanied by a reduction in jobs and a corresponding decline in population. This process was accelerated by the structural problems in resource-based industries that began in the 1970s. Since 1965, these forestry regions have been the focus of national regional policy.

The *Stockholm* NUTS 2 region has a unique position in the Swedish economy. With a population of 1.9 million (21% of the total population), it produces 29% of Swedish GDP and so plays an important role in the economy. Over the past decade the growth rate in Stockholm has been 50% higher than in the rest of Sweden. The economy is dominated by the private service sector and has undergone a transformation over recent decades from having a strong manufacturing industry to being dominated by knowledge-intensive services. According to the national innovation index, Stockholm is by far the most innovative region in Sweden and is also ranked first in the EU Regional Innovation Scoreboard<sup>1</sup>. Stockholm is also the region in Sweden with the largest number of new firms. One third of all new firms in Sweden are started in Stockholm and with its strong clusters and attractiveness for foreign direct investment, the region can be considered as the engine for growth in the Swedish economy.

*East Central Sweden* consists of five counties, with a population of about 1.5 million, located around the Stockholm region. It is a rather heterogeneous region consisting of 52 municipalities and 12 functional local labour markets of different size. On one hand, it consists of small local labour markets dominated by few large manufacturing companies, like Hällefors, and, on the other, relatively large local labour markets by national standard with medium-sized cities and universities, like Östergötland, a local labour market with 412,000 people. The

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<sup>1</sup> European Innovation Scoreboard 2006. Comparative Analysis of Innovative Performance.

economic structure of these markets varies significantly. In the small local labour markets, traditional manufacturing industry still plays an important role. In those with a university, an economic transformation is underway with growing knowledge based industry. A part of the region, which accounts for around 25% of the population, is integrated into the Stockholm functional labour market. This part has the highest growth of population. According to the national innovation index, East Central Sweden is less innovative than Stockholm and West Sweden, but has a higher score than Mid Norrland, Upper Norrland and North Mid Sweden.

*West Sweden* with 1.8 million people is a region with growing population, especially along the coast. The region consists of 11 functional labour markets, of which the Gothenburg local labour market is the biggest with 930,000 people. The region has a number of integrated production systems, the automotive industry being the biggest. It is also relatively specialised in textiles, food and chemicals. The region was ranked second, after Stockholm in terms of regional innovation performance in 2006.<sup>2</sup> The region was hit hard by the financial crisis, the unemployment rate rising markedly between 2008 and 2009.

*Smaland–Islands* consist of four counties and has a population 800,000 of which almost 40% live in rural areas. Population in two of the regional centres is growing fast, primarily due to immigration from other countries, while elsewhere it is increasing relatively slowly. The region has, in a Swedish context, a unique tradition of enterprise tradition with many small and medium sized family-owned manufacturing firms. The region is specialised in labour intensive manufacturing making it vulnerable to competition from low cost countries in Eastern Europe and Asia. The share of people with tertiary education is 20% lower than the national average.

*Scania–Blekinge* consists of two counties and has a population of 1.4 million, 70% of whom live in the urbanised western parts of the region. Population here has increased by 20% since 1980. The northern part of the region is covered by woodlands and the eastern part by agriculture. The Öresund-bridge has initiated a transnational integration process between the Danish Copenhagen region and the western parts of Scania. This process will make the Öresund region the largest metropolitan area in the Nordic countries. The Scania–Blekinge region has undergone a structural transformation similar to that in the country as a whole, except that growth in business services has been significantly lower than in the rest of the country and growth in R&D and education significantly higher. In industry, 44% of employment is still in labour-intensive sectors, a figure significantly higher than the national average. The concentration of ICT firms in Blekinge makes knowledge-intensive industry dominant in this part of the region. The development of an ICT cluster in the eastern part of Blekinge was made

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<sup>2</sup> Hollanders, European Trend Chart on Innovation – European innovation scoreboard. (RIS 2006)

possible by the decision in 1989 to establish a technical university, specialising in ICT, in Karlskrona.

The economic crisis led to a decline of 5.1% in GDP in 2009 and a rise in unemployment from 6.2% to 8.4% (see Tables 1 and 2)<sup>3</sup>. However, the picture has changed again. In Autumn 2010, the Swedish Government forecast GDP growth of 4.8% year, followed by 3.7% in 2011 and 3.4% in 2012. Because of the crisis, the public sector balance turned from surplus to a small deficit of 0.9% of GDP in 2009 but it is expected to go back into surplus again in 2012. The strength of the public finances made it unnecessary to make reductions in public expenditure. The economic crisis, therefore, did not have any impact on the resources allocated to regional policy.

## **SECTION 2 – THE REGIONAL DEVELOPMENT POLICY PURSUED, THE EU CONTRIBUTION TO THIS AND THE POLICY ACHIEVEMENTS OVER THE PERIOD**

Regional policy started in the 1960s as a national location policy with the aim of supporting balanced regional development in terms of population growth. The situation in the 1960s was that regions in the north with a large primary sector were losing population to the metropolitan regions in central and south of Sweden. The key means of breaking this pattern, according to policy-makers, was to increase employment in industry. The aim of location policy was to use investment grants and loans to encourage growing manufacturing industries in central and southern Sweden to relocate production to regions eligible for support in the north. Over time, new measures – such as transport subsidies, employment grants and investment grants to services – were added to the original support measures but the focus was still on creating employment. The policy was highly centralised, the Government decided the measures, the regions eligible for support and the rules attached to this. The role of the regions was limited to managing the funds according to the rules. A first step to enlarge the role of the regions was taken in 1982 when each county administration received ear-marked resources for regional development initiatives. Within a wide framework, each could decide how to best use these resources. In this way, the state invited the regions to become responsible for policy in respect of a minor share of resources.

The present national regional policy still has some resemblance to the old policy, with regional investment grants being given for investment in plant and machinery to firms operating in the areas supported, primarily in the north of Sweden. The single European market and the EU rules

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<sup>3</sup> See the Excel sheet for Tables 1 and 2.

for state support, however, place clear restrictions on the use of such measures. The predominant part of national regional policy in terms of resources has, therefore, adapted to the EU approach and has taken the form of a programme-based policy. One major element in this is the change from a distribution policy to a growth enhancing one. Moreover, whereas it was formerly a policy targeted on lagging regions, it now encompasses all regions in Sweden. Since the end of the 1990s, there has been a process of strengthening the role of the regions. One element in this process has been efforts to reorganise regional public administration. In 16 of the 21 counties in Sweden, a regional political body has taken over responsibility for regional policy from the county administration, which is a state agency. All counties have to formulate a regional development programme and, in addition, 16 have formulated a separate growth programme. The role of regional development plans is to add a territorial dimension to sectoral policies. In addition, they are also seen as a means of strengthening the ecological and social perspective in regional development, which for a long time was dominated by an economic perspective. The separate growth programmes, as is evident from the name, focus on regional economic growth and most of the regions that do not have a separate comprehensive growth programme explicitly integrate growth into their regional development programmes.

### **THE REGIONAL DEVELOPMENT POLICY PURSUED**

The National Strategy for Competitiveness, Entrepreneurship and Employment 2007–2013, which is the framework for the national growth programmes as well as for the operational programmes of the Structural Funds, creates a basis for close, strong integration of the national regional policy and EU Cohesion Policy. The priorities of the growth programmes and the operational programmes overlap and in this way EU funding is used to support national regional development policy in Sweden and vice versa. The only factor disturbing the coordination between the two is the fact that the NUTS 2 regions do not correspond with the counties that are the focus of national regional policy. All Swedish NUTS 2 regions – except the Stockholm region – are strictly statistical constructs consisting of 2 to 5 counties. The growth and development programmes are formulated for counties that only represent part of a NUTS 2 region. The operational programmes of NUTS 2 regions are a result of a process of negotiation. Each county attempts to promote the measures in their own growth programme. The operational programme is, therefore, a kind of compromise between the interests of the different counties.

These negotiations were made easier by the priorities set out in The National Strategy for Competitiveness, Entrepreneurship and Employment 2007–2013; (a) Innovation and renewal, (b) Skills and improved labour supply, (c) Accessibility, (d) Strategic cross-border cooperation, and (e) Sparsely populated regions in Northern Sweden and city conditions. These priorities corresponded well to some of the priorities in the national framework of the counties' regional

development programmes: (a) Innovation and entrepreneurship, (b) Knowledge and competence, (c) Culture and creativity, (d) Cross-border cooperation, and (e) Development of rural areas.

For the period 2007–2013, Sweden has been allocated EUR 1,626 million under the Competitiveness and Employment Objective, of which the ERDF accounts for EUR 935 million. About 70% of the resources are allocated to support of enterprises. In addition, Sweden takes part in 9 Cross-border Cooperation Programmes.

Sweden has 8 ERDF operational programmes under the Competitiveness and Employment Objective for each of the NUTS 2 regions, each of which consists of several counties which means that there are several regional councils coordinating the programmes. The approach used in the programmes is a planning school strategy one<sup>4</sup> in which a SWOT analysis is the basis for determining the priorities.

**Table A – Allocation of funding between priority areas 2007–2013 (EUR million)**

	Upper Norr- land	Mid Norr- land	North Mid Sweden	East Mid Sweden	Stock- holm	West Sweden	Smaland - islands	Scania - Blekinge
Innovation and renewal	177.1	130.5	132.1	62.1	27	51	43.1	32.5
Accessibility	55.8	39	55	15.7	9		21.6	17.7
Others						10		17.7
Technical assistance	9.7	7.1	7.8	3.2	1.5	2.5	2.7	2.8
<b>Total</b>	<b>242.6</b>	<b>176.6</b>	<b>194.9</b>	<b>81</b>	<b>37.6</b>	<b>63.6</b>	<b>67.4</b>	<b>70.7</b>

The regional programmes are similar in terms of priorities (Table A). Innovation and renewal is the major priority in all the 8 programmes, reflecting the fact that 71% of the financial resources from the ERDF is allocated to this policy area. Accessibility is a priority in 7 of the 8 regions, Western Sweden being an exception. Here there is a priority area labelled “Sustainable cities” to which 16% of the resources are allocated. The aim is to reduce socio-economic disparities between different residential areas and sections of the population. Scania- Blekinge has, in addition to innovation and renewal and accessibility, a priority called “Special urban initiatives” aimed at strengthening sustainable development in the metropolitan area in order to

<sup>4</sup> H. Mintzberg, B. Ahlstrand & J. Lampel Strategy Safari. A Guided Tour Through the Wilds of Strategic Management. New York 12998

support growth over the regions as a whole.<sup>5</sup> Around 25% of resources are allocated to this priority. The differences between the programmes are found within each priority. Under the heading innovation, Mid Norrland focuses on energy and the environment as an engine of innovation while the programme for Stockholm is focused on entrepreneurship and efforts to strengthen the competitiveness of SMEs. The accessibility priority in many programmes, such as in Skåne–Blekinge, has two areas of focus: a well connected regional transport system and a developed information society. However, because of the insufficient capacity of existing infrastructure in Stockholm, the region is focusing its whole attention under the accessibility priority on the local transport system.

In six of the programmes, the links between the cross-border programmes and the regional programmes are emphasised. The cross-border activities under the Territorial Cooperation Objective need to be built on the regional programmes in order to strengthen them. The fact that innovation is also an important priority in some of the cross-border programmes – such as the North Sea Programme<sup>6</sup> for instance – underlines this. The Baltic Sea Region Programme 2007–2013<sup>7</sup> and the South Baltic Cross-border Co-operation Programme<sup>8</sup> have both potentially close links with the regional programmes. However, the projects financed by the regional programmes (as described in the national database) give few indications of these potential links being made effective.

The allocation of resources between the 8 NUTS 2 regions reflects the variation in regional problems. Regions, primarily in the north that for a long time have been eligible for national regional policy initiatives receive significantly more resources than others. National regional policy was by tradition focused on sparsely populated areas and small and medium sized towns in the regions eligible for support. The strong focus on innovation in the present Cohesion Policy has shifted attention towards the bigger towns in the regions. Given existing information, it is difficult to identify the spatial distribution inside each of the activities generated by projects financed by the ERDF. The only data available are on the location of project 'owners', but projects owned by an organisation located in the regional centre may include activities spread over a large part of the region. These show programmes being concentrated in the larger centres of regions. A regional policy focused on competitiveness, and with innovation as

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<sup>5</sup> CCI 2007SE162PO001 Regional strukturfondsprogram för regional konkurrenskraft och sysselsättning i Skåne–Blekinge. (Regional Structural Fond programme for regional competitiveness and employment in Scania–Blekinge 2007–2013)

<sup>6</sup> Interreg IVB North Sea Region Programme 2007–2013. Operational Programme. 2007

<sup>7</sup> The Baltic Sea Region Programme 2007–2013. Programme under European Territorial Co-operation Objective and European neighbourhood and Partnership Instrument. 2007.

<sup>8</sup> South Baltic Cross-border Co-operation Programme. 2007

a central element, is normally characterised as a growth policy, in contrast to the traditional policy of distribution between regions. When it comes to innovation measures, the notion these should be directed towards regions with the greatest problems can be questioned.<sup>9</sup> A more rational approach, assuming that the objective of the policy is to stimulate regional growth, is to allocate resources to those parts of the regions where the potential impact is greatest. Based on such an approach a concentration of the resources in urban centres seems to be the most appropriate.

## **POLICY IMPLEMENTATION**

As described above, the regional operational programmes in Sweden have two major priorities: innovation and renewal and accessibility. Both of these priorities are divided into two priority areas. The first is divided into innovation and entrepreneurship, the second is into enlargement and the information society. Enlargement here stands for initiatives aimed at enlarging the geographical reach of existing local labour markets in order to create larger and more diversified ones.

Commitments amounted to 49% of the total allocation for the period at end– September 2009. The rate varies between regions, from 55% in North Mid Sweden to 39% in East Mid Sweden.

78% of the resources committed are to projects under the innovation and renewal priority, and 20% to projects under the accessibility priority. According to the original budget, 70% of the resources were to be allocated to innovation and renewal and 23% to accessibility. In the first half of the programme period, a bigger share of resources than planned has been allocated to innovation and renewal. This probably reflects the fact that the demand for resources in this area is much larger than for accessibility. The programme is meeting a repressed need for resources that was quickly transformed into applications for funding.

As can be seen from Table B most resources are committed to the entrepreneurship priority in all regions, the share varying from 56% in Stockholm and East Mid Sweden to 42% in North Mid Sweden. This priority area has received an increasing share of resources, from 25% at the beginning of the programming period to 57% in the first half of 2009. This may reflect the higher priority given to entrepreneurship when unemployment started to increase in 2008. In all but one region, Smaland–islands, the innovation environment is the second main priority, the share of resources committed varying from 41% in West Sweden to 28% in East Mid Sweden.

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<sup>9</sup> J. Bachteler & D. Yuill *Policies and Strategies for Regional Development: A Shift in Paradigm?* Regional and Industrial Research Paper No. 46, European Policy Research Centre, University of Strathclyde, Glasgow 2001 and S. Davies, C. Méndez & N. C. Quiogue *Cohesion Policy Funding for Innovation and the Knowledge Economy*. IQ–Net Thematic Paper 15 (2), European Policies Research Centre, University of Strathclyde, Glasgow 2004.

Because of the increased resources allocated to entrepreneurship, the share allocated to this area has been reduced.

**Table B – Commitments of funding by policy area and programme (EUR\* million and as % of allocation) –as at end– September 2009**

	Upper Norr- land	Mid Norr- land	North Mid Sweden	East Mid Sweden	Stock- holm	West Sweden	Smaland - islands	Scania - Blekinge
<b>Innovation and renewal</b>	<b>95 (53.5%)</b>	<b>70 (53.9%)</b>	<b>75 (56.7%)</b>	<b>27 (43.8%)</b>	<b>15 (56.1%)</b>	<b>25 (48.1%)</b>	<b>20 (46.2%)</b>	<b>31 (94.7%)</b>
Innovative milieus	41	30	31	9	5	11	2	13
Entrepreneur- ship	53	40	44	18	10	14	16	17
<b>Cross-border Cooperation</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Accessibility</b>	<b>19 (34.5%)</b>	<b>19 (48.3%)</b>	<b>29 (52.7%)</b>	<b>1 (7.5%)</b>	<b>2 (27.1%)</b>	<b>0</b>	<b>11 (49.3%)</b>	<b>7 (38.1%)</b>
Enlargement	12	1	22	1	2	0	11	3
Information society	7	0	7	0	0	0	0	3
<b>No information</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>3</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>116 (47.6%)</b>	<b>92 (51.9%)</b>	<b>106 (54.6%)</b>	<b>32 (39.3%)</b>	<b>18 (46.3%)</b>	<b>27 (41.5%)</b>	<b>31 (45.4%)</b>	<b>38 (54.0%)</b>

Note: (\*) exchange rate 30/9 2009 1EUR =10.24 SEK

A notable feature of Table B is the high commitment rate in Scania-Blekinge for innovation and renewal. By end-2009 95% of the resources allocated had already been committed. This may reflect close coordination between the ESF and the national regional growth programme. The national funds have been used to initiate a number of projects that have received further funding from the EU. Another figure is that only 7.5% of the resources allocated to the accessibility priority in East Mid Sweden was committed. One reason for the slow start is the fact that the region consists of five counties that attempted to identify projects spanning all the counties. They also initially had difficulties in obtaining the national co-funding. In their third report, the evaluation team responsible for East Mid Sweden recommended a reallocation of the funds within the priority to increase their utilisation. This recommendation seems to have been followed. Commitments have speeded up and 66% of the resources allocated to accessibility have now been allocated.

By September 2009, around 22% of commitments had been matched by expenditure. Stockholm, which receives less from the ERDF than other regions, had the highest disbursement rate (37%) in September 2009, while Scania-Blekinge and Smaland-Islands had the lowest rates

(6% and 14%, respectively). The disbursement rate, however, increased in Scania–Blekinge in the following months and reached 19% in April 2010.

The economic crisis has affected Structural Fund programmes in several ways. The most obvious impact is through reduced demand, lower prices and increased difficulties to obtain credit, resulting in a weakening of the financial situation of companies, which tends to reduce the resources available for development projects. On the other hand, the crisis made resources from the ERDF more attractive for firms and many decided to initiate development projects despite the economic situation. The fact that large Swedish companies responded quickly to the financial crisis and recovered fast indicates that the negative impact on the demand for ERDF financing was small at least among these. not clear enough

### **ACHIEVEMENTS OF THE PROGRAMME SO FAR**

Three kinds of indicator are used to monitor progress in Swedish programmes – activity, impact and context. Activity indicators show the extent to which the implementation of programmes diverges from the plan. Impact indicators indicate the direct impact of the activities concerned, while context indicators show factors that are influenced by these activities together with other ongoing economic and social changes in the region. The context indicators, therefore, are less closely linked to the activities of programmes than activity and impact indicators.

The impact evaluations of ERDF programmes are guided by programme–level core indicators that all have pre–defined quantitative targets. Six core indicators are presented in the strategic Swedish report<sup>10</sup>, and there are in addition other indicators related to specific measures in each programme. The six national core indicators are:

- The number of new jobs and the number of these going to men and women;
- The number of new enterprises and the number founded by men and women;
- The number of enterprises participating in the programmes;
- The number of new networks;
- The number of people obtaining access to broadband;
- The number of new transport and communications solutions.

One of these indicators – the number of new networks – is in fact more an activity indicator than an impact indicator. The creation of new networks as such is not relevant so far as impact is

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<sup>10</sup> Dnr N2009/9779/RT *Strategisk rapportering av Sveriges nationella strategiska referensram. Den nationella strategin för regional konkurrenskraft, entreprenörskap och sysselsättning 2007–2013*. Regeringskansliet, Stockholm 2009.

concerned. Networks are seen as a means of increasing innovation in regions. The relevant aspect is, therefore, the future impact of these new networks on innovation.

**Table C – Core indicators for Swedish ERDF programmes as at end-September, 2009**

	Number of New Jobs		Number of New Firms	
	Objective	Results achieved	Objective	Results achieved
Upper Norrland	8,000	847	3,000	572
Mid Norrland	5,000	271	7,000	117
North Mid Sweden	6,000	483	3,000	32
Stockholm	1,300	82	300	176
East Mid Sweden	4,000	235	2,000	280
West Sweden	3,400	503	1,300	136
Smaland-Islands	4,200	50	1,200	68
Scania- Blekinge	1,900	57	500	15
Total	33,800	2,528	18,300	1,396

As is evident from Table C the targets for new jobs vary from 8,000 in Upper Norrland to 1,300 in Stockholm. Some 2,500 new jobs had been created by the programmes up to September 2009, which represents 7.5% of the target. To achieve the latter, the rate of job creation process has to accelerate considerably. The managers of the programmes are optimistic and expect that in the end the number of jobs created will be 9% higher than the target, which means 37,000 new jobs. The regions performing best in this respect are West Sweden and Upper Norrland where new jobs created amounted to 14.8% and 10.5% of the target, respectively, which means that over half % of all job creation so far has been in these two regions. The lowest figures are in Smaland-Islands (1.2% of target) and Scania-Blekinge (3.5%) which, for the former, partly reflects the extent to which the region was hit by the economic downturn in 2008. Accordingly, project managers in Smaland-Islands have lowered their expectations about how many new jobs will be created by almost 60%, to 1,748.

Most of the new jobs created (80%) have been created under the enterprise priority, though again Smaland-Islands is the exception, all new jobs here being created through the support to innovation.

The targets for the creation of new firms vary from 7,000 in Mid Norrland to 300 in Stockholm. In total 1,396 new firms had been created up until September 2009, or 7.6% of the target. To achieve the latter, therefore, also requires an acceleration of the rate. However, in contrast to the situation for job creation, programme managers are pessimistic about the possibility of reaching the target and have reduced the expected number by 41%, to 4,700. In Mid Norrland, which had the most ambitious target, it has been reduced by 69% to 2,205 new firms. The best results were in Stockholm, in which new firm creation had reached 59% of the target in September 2009 and had surpassed the target by 8% by April 2010. This reflects, however, the

relatively low target (only 300) and the fact that Stockholm has the highest rate of new firm creation in Sweden. Moreover, all the new firms are the outcome a single project – Entrepreneur Stockholm – that provides entrepreneurs with access to professional support.

Most of new firm creation has been through support to the entrepreneur priority and support to the innovation environment priority has resulted in only a few new firms, half of them in Smaland Islands, a region dominated by labour intensive industries and small R&D centres, which invests five times as much in the entrepreneur priority area as in the innovation priority area. Despite this, 60% more firms have been created under the latter priority than under the former.

Not all regions have given information on the number of participating firms and number of networks, so that the indicators understate the results so far. The number of firms participating up until now is only 10% of the target and the number of new networks 17%. Almost 50% of all the firms participating are in Scania–Blekinge. Up to September 2009, Stockholm and Mid Sweden had not reported any firms participating. The situation in Stockholm changed radically after September 2009 and at the beginning of 2010, the number amounted to 1,320 (according to figures from the Swedish Agency for Economic and Regional Growth).

### SECTION 3 – EFFECTS OF INTERVENTION

The aim of Cohesion Policy is to strengthen the long-term competitiveness of regions in the global economy. The focus of impact evaluations, however, is primarily on the short-term achievements of programmes, as illustrated by the presentation of the achievements of policy in the previous section. The short term effects, however, may say little about the long-term impact of programmes on development.

The Swedish experience from evaluations of the last programming period is that the effects of the programmes vary considerably between different regions.<sup>11</sup> This may reflect the structure of the programmes and their implementation as well as the regional context. Experience of Swedish national regional policy shows that the policy is most effective in regions where it supports an ongoing transformation process, while the impact is weaker in regions where such an autonomous process does not exist. The situation in sparsely populated areas in Norrland illustrates this. 45 years of national regional policy and 15 years of EU programmes have not been able to stop or reduce ongoing depopulation of the area. The role of regional policy in supporting the transformation of West Sweden and West Scania to a knowledge-based service economy during the crisis in manufacturing in the 1970s and 1980s contrasts with this. The

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<sup>11</sup> A. Pelli, G. Lidén & F. Svensson *Metautvärdering av strukturfondsprogrammen – nya ansatser och lärdomar*. itpsA2008:015, Östersund.

main contribution of policy was to speed up this process. However, it is far too early to assess the extent to which programmes are strengthening the capacity of regions to sustain economic development or improving the quality of life. Indeed, the structural impact of programmes is unlikely to be visible until after the programming period has finished.

## **SECTION 4 – EVALUATIONS AND GOOD PRACTICE IN EVALUATION**

In Sweden, the three teams that are performing ongoing evaluations of programmes have each produced three reports out of a planned total of five, for each of the programme. These reports have a common structure. The first report was focused on the implementation of the programmes and the expectations of project managers about the outcomes. It started with an introduction describing the assignment, purpose and aims and approach adopted. The second section described the implementation of the programme to date and was followed by a third section describing results and the potential of the programme to contribute to regional growth. The reports ended with conclusions and recommendations. In general, the evaluators considered it too early to identify any visible effects of the interventions.

In the second ongoing evaluations, the reports from the three teams differed in their focus. One team combined an analysis of the coherence between the overall objectives and priorities of the programme and the commitments made with an analysis of the efforts made in respect of young people, and young women especially. Another team chose to study large projects involving many different participants, while the third team combined a questionnaire to project leaders of all the projects with interviews with project leaders of five selected projects. In the second report, the focus was on the way the programme was being carried out.

In the third evaluations, the team was asked to pay special attention to innovation projects. In their analysis of these, the teams chose to focus on different aspects. One analysed the aim of the projects, the activities undertaken and the participants. Another examined the regional system of innovation in two regions and the different stages of the innovation process – research, planning, prototyping and commercialisation. The third team carried out a detailed analysis, of 20 innovation projects in three regions based on interviews with 83 firms involved in order to investigate how the projects contributed to innovations in the firms. The main conclusion was that so far the main effect of the projects was to create new networks and new relationships.

The common feature of all these evaluations is that their main focus is on the project portfolio and the implementation of the programme. This reflects the fact that the programmes are aimed at having a long-term impact on regional competitiveness, so that short-term effects tend to be less visible. Activity indicators may give a favourable picture of programme performance, while impact indicators are much more complex. In theory, impact indicators

relate to the overall outcome of the activities undertaken. To identify this, it is necessary to have access to counterfactual knowledge of what would have happened had not the activities been undertaken. In practice, such knowledge is not available. The impact indicators are, therefore, used in practice to show the outcome of processes in which the programme has been involved in one way or another. Evaluations do not reveal the role of the programme in these processes and of its importance. In a few cases, nothing would have happened without the programme being undertaken. In others, the outcome would have been almost the same if the programme had not been undertaken. In most cases, something quite different would have happened.

The problem of identifying new firms and new jobs created was not addressed in the evaluations of the 2000–2006 programming period and the evaluations were based on estimates of these given by those carrying out projects. The main interest of evaluators was to find explanations for regional differences in the reported outcomes.

These difficulties in evaluating programmes are reflected in the conclusions of the three Swedish evaluation groups. One of the groups concluded that the programmes will have positive effects by strengthening the competitiveness of existing firms but these effects cannot be measured with existing indicators. However, they also concluded that the firms created with the support of the programme seemed to be “better off” than other new firms. Another evaluation group concluded that projects which were strongly anchored in a region, built on existing structures and undertaking concrete business–related activities were more likely to achieve measurable results. One conclusion from the third evaluation team was that the degree of innovativeness was limited in many projects.

The differences between regions in the 2000–2006 programming period were dramatic. An investment of SEK 1 million in projects resulted on average in between 0.34 and 7.08 new jobs. If regions with less than 1,000 projects are excluded, the range is narrowed to 2.41–7.08. The number of new firms created by an investment of SEK 1 million in projects varied between 0.28 and 5.95, or between 1.91 and 5.95 excluding regions with less than 1,000 projects. The evaluation of the period could not decide how far these differences reflected actual differences as opposed to differences in the information gathering process. The fact that the evaluators were not able to explain the regional differences in terms of independent factors used in the analysis was taken as an indication of the importance of differences in the methods used by projects to identify their outcome.<sup>12</sup>

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<sup>12</sup> A, Pelli, G. Lid'n & F. Svensson *Metautvärdering av strukturfondsprogrammen - nya ansatser och lärdomar*. Östersund 2008.

The programme authorities were recommended to analyse the causes of the poor results as regards the creation of new jobs and new firms and to intensify their efforts to monitor projects.

## **SECTION 5 – CONCLUDING REMARKS – FUTURE CHALLENGES**

A critical challenge for a programme-based policy combining a top-down and bottom-up approach is to ensure coherence between the intentions expressed in the EU strategic guidelines and the content of the projects co-financed by the programmes. The basic idea of the Cohesion policy approach is that projects should be based on the directives expressed in programmes which are in turn formulated within the framework set out in the EU policy documents and should be aimed at transforming the ideas expressed in the programmes into concrete action. Among the projects financed in the Swedish programmes there are many projects from the previous period. In many cases, these are projects that fit very well within the overall ERDF framework. However, in some cases, they are projects that have been reformulated so as to be consistent with the new framework. They represent updated versions of old ongoing projects with possibly only the way they are described changed.

This indicates perhaps that the capacity to formulate new ideas and to develop them into new projects represents a severe bottleneck for a programme-based policy of this kind. If this is the case, the ERDF guidelines are likely to influence the words used in the project description presented in the applications more than the actual content. Under such circumstances, a gap between the rhetoric in the policy documents and the projects that are financed will tend to develop. An examination of the projects financed indicates such a gap even if it is not possible to estimate its size. A major challenge for a programme-based policy is to reduce this gap.

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Anders Risberg, Programme office East Mid Sweden.

## **TABLES**

See Excel file for Tables 1 and 2.

Table 1: Regional disparities and trends

Table 2: Macro-economic developments