

EUROPEANIZATION AND SOCIAL LEARNING: THE CASE OF COHESION POLICY IN SWEDEN AND SLOVAKIA

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Abstract

The Cohesion policy of the European Union aims at diminishing of disparities between the regions of member countries. In the recent years, it has also become an instrument for increasing economic growth, employment and competitiveness. How successful the Cohesion policy has been at diminishing the regional disparities has been long discussed since in individual countries it has delivered different results. This thesis analyzes how effective this policy has been in diminishing the disparities among regions in the selected member states and what explains the variability in the policy outcomes and successes across the member states. The thesis looks at the policy outcomes, as well as at the learning process and qualitative changes that happened in the member states as a result of Europeanization and social learning.

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INTRODUCTION

I. Research Question

Since the beginning of the European integration, with every enlargement the joining countries have brought more diversity and heterogeneity, and the bloc of member countries was never as unified as at the time of its establishment by the six founding countries. Except from the Northern enlargement in 1995, in all of the other cases, the enlargement meant accession by overall economically less developed countries and the average GDP of the European Union has decreased. The disparities among the member countries have increased and the regional and national convergence of economic levels has become one of the primary goals of the Union in order to ensure long-term sustainable economic growth, competitiveness, employment and sustainable development. For this reason, the EU created the Structural funds that were initially aimed at four countries (Greece, Spain, Portugal and Ireland) and later incorporated into the Cohesion policy. Under the current arrangements, it represents one of the main expenditure areas of the EU, accounting for more than a third of the budget, 35.7% of the total EU budget for the period 2007-13.¹

Currently, there is a debate on the EU Cohesion policy that deals with the reform possibilities during the next financial period 2014-2020. Since the creation of the policy, the goals and objectives have slightly changed, from a territorial approach and passive cohesion based on redistribution of resources, towards a more competitive approach and dynamic cohesion that creates resources, through investment in regions and people.² At the moment, it has become one

¹ EC (2012) *Regional Policy: EU cohesion funding – key statistics*. Last modified on: 08-11-2012. Available at: <http://ec.europa.eu/regional_policy/sources/docoffic/official/reports/cohesion5/index_en.cfm>

² Barnier, M. (2003). *The Future of European Regional Policy*. In FORUM: *EU Cohesion Policy: Challenges and Responses, Intereconomics*, November/December 2003. Available at: < www.intereconomics.eu/.../getfile.php?i>

of the tools for achieving the goals of “Europe 2020” and one of the responses to the current economic crisis and high unemployment in member states.

However, how successful the Cohesion policy has been at diminishing the regional disparities has been long discussed since in individual countries it has delivered different results. The general opinion on the Cohesion policy is not conclusive. The mixed outcomes of the policy in different member states calls into question a number of issues about the redistributive capacity, the composition of the policy and the factors that influence that variability of impacts on individual countries. The main research questions that I am going to try to answer is: How effective is the EU Cohesion Policy in diminishing the disparities among regions in the selected member states and what explains the variability in the policy successes across the member states? Further, I will look at what is the influence of the national actors on the impacts of the Cohesion policy and to what extent the differences are attributable to the policy framework, the multi-level governance and the process of social learning in the European Commission as well as in the member states.

II. Methodology

The thesis will take an inductive approach that will involve making generalizations after observations and analyses of the case studies. It will be a small-n, qualitative study, a comparative analysis, that will be based on empirical data, assessments and evaluations and on interpreting the achieved progress. The cohesion policy is very complex and while a lot of the studies and evaluations use a quantitative approach assessing macroeconomic development, there is a need for a more interpretative, qualitative approach in order to take into account the country

specific characteristics and immeasurable positive externalities, such as capacity building, human capital formation, changes in the governance, which are not be quantifiable.³

The theoretical background will be based on a systematic descriptive analysis of the current framework of the EU Cohesion policy and its two practical implementations in two case studies. It will focus mainly on the phase of implementation, on the institutional and administrative capacities on the national level, their objectives, means and the impact of the funds and the subsequent outcomes. The thesis will further study the national regional policies and their complementarity with the goals formulated at the EU level and whether they are or are not in consistency.

The thesis employs the approach of Mill's method of agreement – the most dissimilar cases design. The two selected cases are based on the examples of two sufficiently dissimilar EU member countries – Sweden and Slovakia.

Sweden belongs to the older member states that joined the EU in 1995 and to the four most successful innovative economies in the EU. It is a large unitary state and has a tradition of a participatory civil society and sub-national actors. All of Sweden's regions are entitled to benefit from the category of fund distribution "Competitiveness and Employment Regions"⁴, while due to having achieved a certain economic level and the statistical effect, all of them are qualified as "phasing-out" and they are not going to receive future funding.

Slovakia, as many new member states that joined the EU in 2004, had had only little experience and not had very developed administrative absorption capacities for receiving the available resources. In order to make sure it is able to receive the funds, it had to build and reinforce its

³ Julian Hörner, Paul Stephenson (2012). 'Theoretical Perspectives on Approaches to Policy Evaluation in the EU: The Case of Cohesion Policy'. In *Public Administration*. Volume 90, Issue 3, pages 699–715, September 2012 Available at: <<http://onlinelibrary.wiley.com/doi/10.1111/j.1467-9299.2011.02013.x/abstract>>

⁴ Swedish Position Regarding Cohesion Policy Reform. University of Washington. Available at: <http://jsis.washington.edu/euc//file/Model%20EU%202013/Position%20Papers/Cohesion%20Policy/Sweden_Cohesion_PositionPaper.pdf>

capacities. As for the economic conditions, after the accession the Slovak economy enjoyed years of favorable economic development between the years 2003-2008, in 2007 it reached 10.4% which was the highest GDP growth in the EU27. In spite of a relatively small country size, a persistent feature of the economy is sharp regional differences.

The objective of the research is to evaluate the effectiveness of the policy in the two selected member states and to identify characteristics that might explain the variability in the outcomes of the cohesion policy based on the example of the selected countries. The main dependent variable will be the effectiveness of the policy to bring a regional change and convergence that will be measured against established criteria.

One of the often claimed characteristics of the Cohesion policy has been the inability to clearly show whether the objectives have or have not been achieved. One of the reasons has been that the objectives of the programs are not measurable; on the other hand, there haven't been established common EU indicators for the evaluation. The first attempt to do so was a pilot test "Result indicators 2014+" in 2011-12 in order to link the objectives in the form of result and output indicators to the expenditures.⁵ This approach allows measuring the progress in the country specific targets so in order to evaluate the effectiveness of the policy in the countries. In the first part, the independent variables will be the program-specific output results compared to the targets, such as number of jobs created, infrastructure construction, SME projects, and the subsequent changes in the macroeconomic and social indicators such GDP/P, industrial structure, unemployment, structure of qualification of the population. However, the evaluation will also seek to capture the qualitative effects of the policy, spillovers to the domestic policy management, changes in the implementation and learning added value, attractiveness for FDI.

⁵ EC – DG REGIO (2012). *Results Indicators 2014+: Report on Pilot Test in 12 Regions across the EU*. Published: April 3rd, 2012. Policy Development Evaluation Report. Brussels, 2012.

After the assessment of the outcomes on the selected countries, the study will focus on the implementation phase and the main variables will be the management of program design, the resource allocation system, the actors involved in the selection process.

In order to collect the information and relevant data, I am going to use the official publications of the European Union, the policy and country reports and secondary sources, such as already existing academic literature, journal articles and studies that cover this topic.

In the case of the studies, besides the official documents and academic sources, I will engage with the sources of the agencies and bodies that are responsible for the coordination, implementation and evaluation of the policy in both countries. In the case of Sweden, it will be mainly the Swedish Agency for Economic and Regional Growth – Tillväxtverket and the Ministry of Enterprise, Energy and Communications. In the case of Slovakia; it will be the Slovak Innovation and Energy Agency – SEIA, the Central Coordination Body of the Ministry of Transport, Construction and Regional Development and the Slovak Academy of Science. Both agencies are responsible for priority setting and monitoring of the implementation, the Academy provides studies and evaluations. As mentioned before, the thesis will also use empirical data and statistics. The main source of the data will be the aforementioned agencies, EUROSTAT and the national statistical offices and European databases.

There are several possible limitations. As a limitation to the methodological approach, analysts have usually taken the position that this research design is a weaker tool for causal inference than the most similar method⁶. Another limitation is the scope of the research, since the thesis will engage in studying the case of an old and a new member state that joined the EU in 2004, the time span will spread over the past two funding periods – 2000-2006 and 2007-2013.

⁶ Gerring, John, and Rose McDermott. 2007. *An experimental template for case-study research*. [online]. American Journal of Political Science 51(3): 688-701. Available at: <<http://sws.bu.edu/jgerring/documents/Experimental.pdf>>

Another challenge is isolating the effects of the EU funding, not only because of the presence of a range of factors, but also in the context of the world economic crisis that the EU was not prepared for and which has been an additional factor that influenced both countries in a different manner. Another limitation might be posed by the data, their availability and complexity.

CHAPTER 1: EU COHESION POLICY

One of the basic public policy functions is the redistribution that presents

*“all transfers of resources from one social group to another, as well as the provision of “merit goods”, that is, goods such as elementary education or public financed medical care, that the government compels individuals to consume.”*⁷

In the European Union (EU) the Cohesion policy is the only redistributive policy. *Cohesion* as a term did not have its explicit definition at the time of its introduction as an EU policy. Now it generally refers to *“the degree to which disparities in social and economic welfare between the different regions or groups within the EU are politically and socially tolerable.”*⁸ Through development funds and investments it aims at *“strengthening the economic and social cohesion through reducing the between various regions and the backwardness of the least favored regions.”*⁹ The main purpose of the policy is to *“to create a level playing field for economic activity and social progress throughout the EU”*¹⁰ while it also increases the awareness of benefits of the membership in the poorer regions and might increase the public support.

The policy fulfills three main purposes: It serves better allocation of funds into areas and sectors where they are needed the most, it improves cooperation between states, and it allows the member states to get back a part of their contributions to the EU budget. It has evolved on the basis of intergovernmental bargaining.¹¹

⁷ Majone, G. (1996). *Regulating Europe*. London and New York: Routledge, 1996. ISBN-13: 978-0415142960 p. 267

⁸ Molle, W. (2007) *European Cohesion Policy*. London: Routledge, 2007. ISBN 0-415-43812-8, p.5

⁹ *Single European Act. Article 130a.* 1987. [online]. Available at: <http://ec.europa.eu/economy_finance/emu_history/documents/treaties/singleeuropeanact.pdf>

¹⁰ McCormick, J. (2008). *Understanding the European Union. Improving the Quality of Life: Cohesion policy*. Hampshire: Palgrave Macmillan, 2008. ISBN 978-0-2302-0102-4 p.175

¹¹ Ibid.

I. Development of the Cohesion policy

Since at the beginning of European integration the founding member states were at the similar level of economic development, no commitment to establish a regional or cohesion policy was explicitly mentioned in the founding treaties. However, the Treaty of Rome called attention to:

“[t]he need to strengthen the unity of their economies and to ensure their harmonious development by reducing the differences existing among the various regions and the backwardness of the less favored regions.”¹²

The first structural fund was created in 1952 – the European Social Fund (ESF) and while its tasks have changed since its creation, it is aimed at investing into human resources, employment and social and economic inclusion.¹³

The first attempts to create a regional policy were by the Commission in the late 1960s by creation of the Directorate-General for Regional Policy in 1968, but because of lack of political interest and other priority issues, no progress was made until the enlargement in 1973. On the one hand, the new member states argued that without addressing the regional development they wouldn't be able to take steps towards the European Monetary Union (EMU). On the other, in May 1973 the Commission published the ‘Thomson report’ that argued that the regional disparities posed a threat to a balanced economic expansion, the creation of the EMU and to the completion of the common market.¹⁴ As a result, at the Paris summit in 1974, the member states agreed on the creation of the European Regional Development Fund (ERDF). It is the largest structural fund and it provides financial support for projects aimed at increasing economic growth, innovation and competitiveness of regions lagging behind the average EU performance.

¹² McCormick, J. (2011). *European Union Politics*. Hampshire: Palgrave Macmillan, 2011. ISBN 978-0-230-557707-7 p.

¹³ Molle, W. (2007). *European Cohesion Policy*. London: Routledge, 2007. ISBN 0-415-43812-8 p.142

¹⁴ Allen, D. (2010). ‘*The Structural Funds and Cohesion Policy: Extending the Bargain to Meet New Challenges*’, in Wallace, H. et al. (2010), *Policy-Making in the European Union*. Oxford, OUP, 2010. ISBN 978-0-19-954482-0 p.232

However, based on a strong intergovernmental approach, the Commission's role remained small and the fund was allocated between the member states according to national quota for projects concerned with the job creation. Subsequently, it was criticized for its rather dispersed than concentrated character that was "*marred by national control over all the major aspects of the policy.*"¹⁵

Major reform of the cohesion policy came in 1989 with the Single European Act (SEA) and further enlargement by Portugal and Spain in 1988. The enlargement resulted in an increase in the regional disparities in the Union and doubling off the number of population living in regions eligible for funding. The amount of funding had to be increased, and moreover, as the SEA set the goal of the completion of the single market, the poorer member states feared that the benefits would flow only to the richer member states. Therefore, addressing these concerns, the SEA in the Article 130a and 130b expressed the need to:

*"[D]evelop and pursue its actions leading to the strengthening of its economic and social cohesion ... through the structural Funds (European Agricultural Guidance and Guarantee Fund, Guidance Section, European Social Fund, European Regional Development Fund), the European Investment Bank and the other existing financial instruments."*¹⁶

Member states agreed to double the amount of funds in the period 1987-1993 which meant that the allocations increased to 25% of the EU budget compared to 4.8% in 1975 and 9.1% in 1987.¹⁷

Furthermore, the reform introduced four basic principles according to which the spending was guided:

- Partnership - requires the involvement and cooperation with relevant authorities on the regional and local level designated by the member states.

¹⁵ 'Regional and Structural Policies', in Bach, I., George, S., (2006). *Politics in the European Union*. Oxford and New York, Oxford University Press, 2006. ISBN 978-0-027658-7 p.464

¹⁶ McCormick, J. (2008). *Understanding the European Union. Improving the Quality of Life: Cohesion policy*. Hampshire: Palgrave Macmillan, 2008. ISBN 978-0-2302-0102-4 p.175

¹⁷ 'Regional and Structural Policies', in Bach, I., George, S., (2006). *Politics in the European Union*. Oxford and New York, Oxford University Press, 2006. ISBN 978-0-027658-7 p.465

- Programming - changed the financing system to a multi-annual framework consistent with the EU budget.
- Concentration – in order to ensure higher effectiveness and returns from the investment, the projects must be concentrated on few selected target areas.
- Additionality – since the funding from the Cohesion policy was not supposed to replace national regional development investment, the principle requires that projects will be only co-financed by the EU.

The policy also set five main objectives for the programming period 1988-1999: under the Objective 1 regions with per capita GDP of 75% and less were eligible for funding. The Objective 2 covered regions that were affected by industrial decline and high unemployment. The Objective 3 was aimed at long-term unemployment and the Objective 4 at adaptation to the changing condition. The Objectives 5a and 5b provided funding for agricultural, forestry and rural areas, while after the enlargement in 1995 by the Nordic countries the Objective 6 was established to provide support for sparsely populated regions.¹⁸

By 1993 the political and economic conditions changed which led to further changes in the policy design. The early 1990s were influenced by another round of enlargement by Austria, Finland and Sweden in 1995, rising unemployment, signing the Treaty of Maastricht (Treaty of European Union, TEU) and plans to create the economic and monetary union.

Since the reform, the policy has had a stronger regional focus and it created a system of territorial units below the national level – Nomenclature of Territorial Units for Statistics – NUTS from NUTS1 that represents country groups to NUTS5 that account for cities and villages. For the purpose of the regional policy, NUTS2 – “basic regions” are the basic units that follow the

¹⁸ Allen, D. (2010). *The Structural Funds and Cohesion Policy: Extending the Bargain to Meet New Challenges*, in Wallace, H. et al. (2010), *Policy-Making in the European Union*. Oxford, OUP, 2010. ISBN 978-0-19-954482-0 p.236

regions defined by the member states for national regional policies and own purposes in most of them.¹⁹

Another change was the creation of the Cohesion Fund in 1993 that was aimed for “*member states with a per capita GDP of 90% and less of the EU average and provided funding for environmental and infrastructural projects.*”²⁰

1.1.1 Financial period 2000-2006

In the late 1990s the policy was influenced by the prospects of further enlargement by Central and Eastern European (CEE) countries whose average GDP accounted for around the third of the EU average²¹ and whose almost all regions qualified for the funding under the Objective 1.²² The Commission made its main proposals in the Agenda 2000 published in 1997.

The main messages in the Cohesion policy context were the need to reform the policy in order to achieve higher effectiveness and focus on the CEE countries. The enlargement posed two challenges: on the one hand, it was expected that the funds will be to some extent redirected towards the accessing member states and the old member state would receive less funds. On the other hand, it was inevitable to ensure that the accessing member states would be able to manage well the spending.

Before the accession, countries were already provided technical assistance and funding through three financial instruments: the Instrument for Pre-Accession (ISPA), PHARE and SAPARD.

PHARE was created in 1989, initially aimed at Poland and Hungary, in 1994 extended to all CEE

¹⁹ Bache, I. (2008). *Europeanization and Multilevel Governance*. Plymouth, Rowman & Littlefield Publishers, 2008. ISBN 978-0-7425-4133 p.44

²⁰ ‘Regional and Structural Policies’, in Bach, I., George, S., (2006). *Politics in the European Union*. Oxford and New York, Oxford University Press, 2006. ISBN 978-0-027658-7 p.471

²¹ Bache, I. (2008). *Europeanization and Multilevel Governance*. Plymouth, Rowman & Littlefield Publishers, 2008. ISBN 978-0-7425-4133 p.44

²² Baun, M., Marek, D. (2008). *EU Cohesion Policy after Enlargement*. London, Palgrave MacMillan, 2008. ISBN 978-0-230-52472-9

countries with the aim to support institution and capacity building and investments into transport, infrastructure, environment, etc. In the period of 2000-2006, the budget of PHARE accounted for 10.92 billion EUR.²³ ISPA, a financial instrument to support the goals of the Cohesion policy - economic and social cohesion before the accession, was established in 1999 within the Agenda 2000. Aimed at the CEE countries, it provided assistance and co-financed expenditure for environmental projects, environmental standards, transport and infrastructure.²⁴ SAPARD provided assistance to the candidate states to pursue the goals of the Common Agricultural Policy, support sustainable agriculture and rural development and to help to implement the *acquis communautaire*. These three programs provided altogether 3 billion EUR each year in 2000-2006. The PHARE program was available also after the accession in 2004-2006 and provided 1.6 billion EUR.²⁵

On the other hand, there were certain requirements from the candidate states as well. At first, in order to be eligible for the funding as of 2004, by 2003 they had to implement the *acquis communautaire* for the regional policy as well as ensure sufficient capacities for the implementation and monitoring stages of the policy.²⁶

²³ EU (2005). *Structural policy reform*. [online]. Last updated: 19.07.2005 Available at: <http://europa.eu/legislation_summaries/regional_policy/provisions_and_instruments/l60013_en.htm>

²⁴ EU. *Instrument for structural policy for pre-accession*. [online]. Last updated: 05.02.2007. Available at: <http://europa.eu/legislation_summaries/enlargement/2004_and_2007_enlargement/l60022_en.htm>

²⁵ Bache, I., George, S. (2006). *Politics in the European Union*. New York : Oxford University Press, c2006. ISBN 0199276587 p.

²⁶ EU.(2008) . *Preparing the future Member States to implement the regional policy in the period 2004-2006*. [online]. Last updated: 27.08.2003 Available at: <http://europa.eu/legislation_summaries/regional_policy/provisions_and_instruments/g24701_en.htm>

Objectives of the policy

Seven objectives were reduced into three:

Objective 1: *“to promote the development and structural adjustment of regions whose development is lagging behind was aimed at the NUTS II regions whose per capita GDP was lower than 75% of the EU average ... in total 60 regions in 13 member states.”*²⁷

Besides these regions, it also includes the remote regions and sparsely populated regions, mainly Nordic regions in Sweden and Finland previously eligible for the funding under Objective 6 during 1994-1999. In addition, the Objective also covered regions that weren't eligible for the funding anymore, but were granted transitional support in the period 2000-2006.²⁸

Objective 2: *“to support the economic and social conversion of areas experiencing structural difficulties”*²⁹

merged previously two separate objectives - the Objective 2 *“Conversion of declining industrial regions”* affected by industrial decline and high unemployment and the Objective 5b *“Development of rural areas.”* The Objective covered 18% of the population, while for the new accessing countries a ceiling was set that covered *“31% of the population of all the NUTS II regions covered by Objective 2 in each of those countries.”*³⁰

Objective 3: *“to support the adaptation and modernization of education, training and employment policies and systems in regions not eligible under Objective 1.”*³¹

This objective was aimed at the development of human resources and merged together the former Objective 3 focusing on long-term unemployment and Objective 4 facilitating the adaptation to changing industrial conditions.

²⁷ EU (2005). *Provisions and instruments of regional policy : Objective 3*. [online]. Last updated: 01.08.2005. Available at : <http://europa.eu/legislation_summaries/regional_policy/provisions_and_instruments/g24207_en.htm>

²⁸ Ibid.

²⁹ EU (2005). *Provisions and instruments of regional policy : Objective 2*. [online]. Last updated: 01.08.2005. Available at : <http://europa.eu/legislation_summaries/regional_policy/provisions_and_instruments/g24207_en.htm>

³⁰ Regional policy: *Provisions and instruments of regional policy: Objective 2*. [online]. Available at: <http://europa.eu/legislation_summaries/regional_policy/provisions_and_instruments/g24206_en.htm>

³¹ EU (2005). *Provisions and instruments of regional policy : Objective 3*. [online]. Last updated: 01.08.2005. Available at : <http://europa.eu/legislation_summaries/regional_policy/provisions_and_instruments/g24207_en.htm>

In addition to the reduction in the number of objectives, the number of instrument was also reduced from thirteen to four during 2000 – 2006:³²

- *Interreg III* in support of regional, cross-border and transnational cooperation and development
- *Leader+* contributing to capacity building for rural development
- *Equal* supporting equal access to the labor market
- *Urban II* aimed at urban redevelopment and regeneration

1.1.2 Financial period 2007-2013

In 2007 Bulgaria and Romania joined the EU, countries whose GDP accounted only for 40% of the EU average.³³ Another important sign of the financial period 2007-2013 is that compared to the times when the policy framework for 2007-2013 was designed, the economic conditions in the EU have radically changed. On the one hand, the effects of the economic crisis would have been much larger without these expenditures; on the other hand, the economic crisis had also its impact on the outcomes and the returns of the Cohesion policy investment.

In the second half of the decade the general debate about the Cohesion policy was also concentrated on the question of its efficiency and the results it delivers in individual countries. The two main stances differed in their opinion on the optimal allocations: one opinion, mainly supported by the poorer member states, emphasized the equity and equality and the need to support the catching up process of the lagging regions, seeking to improve the infrastructure, environment and employment. Others advocated for a new approach that “Lisbonized” the policy and introduced objectives of competitiveness and innovation. The Cohesion policy between 2007 and 2013 was to create more jobs and increase the economic growth in all member states and cities in the EU. The policy was set in accordance with the Lisbon agenda focusing on knowledge

³² EU (2005). *Structural policy reform*. [online]. Last updated: 19.07.2005 Available at: <http://europa.eu/legislation_summaries/regional_policy/provisions_and_instruments/l60013_en.htm>

³³ Eurostat. GDP per capita in PPS

economy and the Gothenburg agenda that integrated a sustainable development into the EU policies.³⁴ As a consequence at least 75% of the funding must be spent on projects related to the Lisbon strategy, in the most backward regions at least 60%.³⁵ The further changes compared to the 2000-2006 include a larger focus on growth and job creation, involvement of the regional and local level, a more strategic approach that involves reduction in the number of instruments and an overall simplification of the functioning of the policy.

The main three objectives of the policy are:

Objective 1: “Convergence” is very close to the Objective 1 during the previous financial period, creation of conditions for economic growth. Due to the enlargement, the average GDP of the EU decreased and therefore the eligibility criteria in this period changed. Regions were eligible for funding under this objective if their regional GDP accounted for 75% or less of the EU average. In total 84 regions in 17 member states were eligible, while there were another 16 regions that were not eligible anymore due to the statistical effect, but they were qualified as “phasing-out” regions for transitional financing.³⁶

Objective 2: “Regional Competitiveness and Employment” provides funding for all the regions that do not qualify for the funding under the Objective 1 and regions that are “phasing-in” after not being eligible for funding from the Convergence objective, in total for 168 regions out of which 13 regions were phasing in. The main goals of the objective are two-fold: on the one hand, it’s the support for economic growth, innovations, knowledge society, environment, etc, on the

³⁴ Molle, W. (2007.) *European Cohesion Policy*. London: Routledge, 2007. ISBN 0-415-43812-8, p.142

³⁵ Becker, P. (2009). *The Modernization of the Cohesion Policy*. SWP Research Paper No. 5/2009. Berlin, May 2009. ISSN 1611-6372 Available at: <>

³⁶ EU Regional policy. Inforegio factsheet. 2006. [online]. Published in: July 2006 Available at: <http://ec.europa.eu/regional_policy/sources/docoffic/official/regulation/pdf/2007/publications/memo_en.pdf>

other hand, it also focuses on the development of the human resources and adapting the workforce to the changing conditions as the result of integration and globalization.³⁷

Objective 3: “European Territorial Co-operation” is based on the former Community initiative and it supports territorial development through transnational, cross-border and inter-regional cooperation while all NUTS III regions along internal borders are eligible for the funding.

³⁷ Ibid.

CHAPTER 2: SWEDEN

I. Socio-economic conditions

With the globalization and increase in the mobility of the population, the need for a harmonious and balanced development has become a priority in Sweden. When it became a member of the EU, its per capita GDP was higher than the EU average and not only it is one of the most competitive economies in the Union but it already meets some of the objectives of the Lisbon strategy, such as the share of employment of women which at 76.8% is the highest in the EU.³⁸ This is also reflected by the structure of the economy, in which only 30% of the GDP is created by the public sector. It is characteristic for many micro enterprises, however, the number of larger small enterprises is the third lowest in the EU and as the NSRF lies out, there are not optimal conditions for their growth.

Since 1993 until 2010, the country's economy was growing by 2.5%, however, the income was increasing much faster in the southern part of the country. Since it is a large unitary state, it faces variations in the socio-economic conditions between its regions and development trends have shown growing disparities between them.³⁹ It consists of 8 NUTS2 regions and the main cleavage between them is their urban – rural character. The southern regions are more industrial with clusters around three big cities - Stockholm, Gothenburg and Malmö, and while the regional per capita GDP of the Stockholm region accounts for €41,100, the per capita GDPs of rural regions level off at around €25,000.⁴⁰ The population is also dispersed very unequally. “80% of the

³⁸ Eurostat. *Employment rate, by sex*.

³⁹ The Ministry of Enterprise, Energy and Communications (2007). *National Strategy for Regional Competitiveness, Entrepreneurship and Employment 2007-2013*. [online]. Publication date: 26 February 2007. Available at: <<http://www.government.se/content/1/c6/07/74/17/1fdb10a6.pdf>> P.3

⁴⁰ Eurostat. *Regional gross domestic product (PPS per inhabitant) by NUTS 2 regions*

population lives in the 30% of the country's area."⁴¹ In contrast, the northern regions are sparsely populated with 49.8% of the population living in thinly populated areas⁴² and the average density is the lowest in the EU.⁴³ Even though the physical infrastructure is provided, these remote regions are less easily accessible, have higher transportation costs; they lag behind the other regions in terms of low level of attained education of the population, lack of investments and job opportunities which lead to high unemployment.

II. National regional policy

The roots of the regional policy in Sweden are laid in the welfare system and equity. The need to tackle regional differences became apparent in the 1960s when the country experienced outward migration from the north to the southern regions due to the industrial decline and structural changes. Consequently, this led to uneven distribution of labor force on the labor market. The regional policy was based on the idea of modernization and industrialization of regions. In the 1970s, the country was hit by an economic recession and measures to address the labor market problems changed and started to focus on the development the human capital.

In the beginning of the 1990s Sweden experienced another recession due to a banking crisis that led to a labor market crisis with high unemployment in both rural and metropolitan areas. Even though the situation improved, the mismatch on the labor market remained in terms of the surplus of labor in certain regions and long-term and structural unemployment in others.⁴⁴

⁴¹ The Ministry of Enterprise, Energy and Communications (2007). *National Strategy for Regional Competitiveness, Entrepreneurship and Employment 2007-2013*. [online]. Publication date: 26 February 2007. Available at: <<http://www.government.se/content/1/c6/07/74/17/1fdb10a6.pdf>>. p.63

⁴² EC (2012). *Country Fact Sheet. Sverige*. July 2012

⁴³ Inforegio. *The Structural Funds in Sweden, 1995-1999*. April 1997

⁴⁴ Foss, O. et al. (2000). *Regional policy in Norway and Sweden*. [online]. NIBR Paper presented at the E-RSA Conference Barcelona, 15th March 2000. Available at: <<http://www-sre.wu.ac.at/ersa/ersaconfs/ersa02/cd-rom/papers/274.pdf>>

For this reason the main goal of the regional policy is cohesion and balanced development in all regions of the country and “*effective, sustainable local labor-market regions which offer high levels of services throughout the country.*”⁴⁵

III. Challenges and priorities

The challenges Sweden has to address have been industrial decline, demographic changes, unemployment and emigration. The most important goals of the regional policy are therefore to reduce the regional disparities, “*to secure equal welfare and economically equal conditions in the whole country*”⁴⁶ based on the unique circumstances in order to enable people to live and work in the cities as well as in the countryside.⁴⁷

In general the regional development policy focuses on rural development through focusing on the labor market and creating a competitive business environment and human capital and thus creating own sources of growth in each region.

2.3.1 Programming period 1995-1999

Following the accession, Sweden became eligible for structural and cohesion funding in the total amount of 553.015 ECUs, 160 million ECUs under Objective 2, 141.015 million ECUs under Objective 5b and 252 million ECUs under Objective 6.⁴⁸

The objective 2 covered sparsely populated regions mainly in the North and the East and it was aimed at job creation, modernization and diversification of the economy and improvement of the

⁴⁵ The Ministry of Enterprise, Energy and Communications (2007). *National Strategy for Regional Competitiveness, Entrepreneurship and Employment 2007-2013*. [online]. Publication date: 26 February 2007. Available at: <<http://www.government.se/content/1/c6/07/74/17/1fdb10a6.pdf>>.. P.6

⁴⁶ Andersson, R. (2004). *The efficiency of Swedish regional policy*. [online]. Springer Verlag 2005. Published online: 19 November 2005.

⁴⁷ Ibid.

⁴⁸ EU (1997). *The Structural Funds in Sweden, 1995-1999*. [online]. InfoRegio April 1997 EN. ISBN: 92-827-9375-5. Available at: < <http://bookshop.europa.eu/en/the-structural-funds-in-sweden-1995-1999-pbCX0296965/> >

entrepreneurial climate. The objective 5b was created especially for the needs of Sweden and Finland after their accession. It was aimed at developing rural areas and the development of other sectors than agriculture, strengthening research and education, diversification of the economy and increasing the attractiveness of these regions.⁴⁹

2.3.2 Programming period 2000-2006

For the programming period 2000-2006, Sweden was provided with structural funds in the total amount of €2.19 billion. Out of the 8 NUTS2 regions, two of them – Norra Norrland and Sodra Skogslanen - were eligible for funding under the Objective 1: Convergence for the total amount of €665 million, four regions were eligible for funding under the Regional Competitiveness and Employment objective for €448 million, and all the eight regions were eligible for funding under the Objective 3 for the total amount €795 million.⁵⁰

As for the allocation of funds by individual policy areas, about 55% of the funding was spent on Enterprise environment; somewhat less than 20% was spent on Transport and telecommunications as well as on Environment and energy, and the remaining funding on technical assistance.⁵¹

The most important weaknesses of the regions were identified as lower per capita GDP, lower employment rates and lower education of the population as a consequence of regional distances, for this reason, the main objective was determined as “*the need to improve the transport*

⁴⁹ EU (1997). *The Structural Funds in Sweden, 1995-1999*. [online]. InfoRegio April 1997 EN. ISBN: 92-827-9375-5. Available at: <<http://bookshop.europa.eu/en/the-structural-funds-in-sweden-1995-1999-pbCX0296965/>>

⁵⁰ Inforegio factsheet (2006). *Cohesion Policy 2007-2013 – Sweden*. [online]. Available at: <http://ec.europa.eu/regional_policy/sources/docgener/informat/compar/comp_sv.pdf>

⁵¹ *Ex Post Evaluation of the ERDF 2000-2006 – Synthesis Report*. [online]. Published: April 2010 Available at: <http://ec.europa.eu/regional_policy/sources/docgener/evaluation/pdf/synthesis_eval2000_2006.pdf> P.29-32

infrastructure and the access to the labor market."⁵² The total amount of investment into infrastructure accounted for 9% of the ERDF, about €75 million.⁵³ The most important investments include the construction of the Oresund Bridge between 1999-2000, opening of the Arlanda airport near Stockholm, tunnels in Malmo and Goteborg, reconstruction, modernization and extension of the railway network, etc. These infrastructural projects have led to increase in trade, transportation and the regional GDP, as well as to increase in the concentration of new firms and jobs. The most significant achievement was registered in the field of highway constructions – in 10 years, the highway network expanded from 1,141 km in 1995 to 1,484 in 2000 and finally almost in the end of the programming period it increased to 1,684km.⁵⁴

Environmental sustainability in Sweden is not viewed as a final objective, but as a starting point for more competitiveness and economic growth in the future. Consequently, the participation of the business sector on investments in environmental infrastructure is especially high – accounted for 0.13% of GDP - €279 million.⁵⁵ The investments flew into four main areas: Environmental infrastructure, Urban and industrial waste, Drinking water, Sewerage and purification.⁵⁶

Under the Objective 1, most of the support was aimed at rural and sparsely populated areas. The main objective was to diversify and develop local industries in these areas, strengthen their competitiveness and add some higher value. In northern regions such as Mellersta Norrland or Övre Norrland characteristic for traditional forestry industry, support was aimed at increasing the cooperation between the actors and improving the organization of the local industry. According

⁵² *Ex Post Evaluation of the ERDF in Objectives 1 & 2 (2000-2006) - Member State Reports and their Synthesis.* [online]. Available at: http://ec.europa.eu/regional_policy/sources/docgener/evaluation/pdf/expost2006/wp5a_ms_report.pdf p.194

⁵³ *Ibid.* p.194

⁵⁴ *Ibid.* p.188

⁵⁵ *Ex post evaluation of cohesion policy programmes 2000-2006 co-financed by the European Fund for Regional Development (Objectives 1 and 2) – Work package 5b: Environment and Climate Change.* [online]. Available at: <http://ec.europa.eu/regional_policy/sources/docgener/evaluation/pdf/expost2006/wp5b_final_report_2.pdf> P.

⁵⁶ *Ibid.*

to ex post evaluations, the EU structural funds were said to be essential for the realization of the initiatives.⁵⁷

As for the Objective 2 regions, support was also aimed mostly on strengthening the SMEs and environmental projects. As the evaluations showed, employment rates and the regional per capita GDP in the regions receiving support was increasing more than in not supported regions,⁵⁸ while the main contribution of the structural funds in this period was said to be the development of networks and clusters, cooperation between the actors and knowledge exchange.⁵⁹

The policy has contributed to a shift in the character of the regional development. Traditionally, it had been of a redistributive character while now it has been increasingly emphasizing the need to build up own sources of economic growth at the regional level.⁶⁰ Regional dispersion of per capita GDP in PPS has slightly narrowed down in the end of the programming period – from 1.7 in 2000 to 1.6 in 2006⁶¹ and the regional per capita GDP in Objective 1 regions grew more than the national average.⁶² Regional productivity has increased relatively to the average EU25 level by 3.7% in regions covered by the Objective 1, while in those covered by the Objective 2 remained on the same level or decreased.⁶³

⁵⁷ *Ex Post Evaluation of Cohesion Policy Programmes 2000-2006*. [online]. Available at:<
http://ec.europa.eu/regional_policy/sources/docgener/evaluation/pdf/expost2006/wp1_regional_analysis.pdf> p.133-134

⁵⁸ Ibid. p.55

⁵⁹ Ibid. p.151

⁶⁰ Lidstrom, A. (2010). 'The Swedish Regions and the European Union' in ed. by Roger Scully and Richard Wyn Jones. (2010). *Europe, Regions and European Regionalism*. Palgrave Macmillan, December 2010. ISBN: 978-0-230-23178-8

⁶¹ *Ex Post Evaluation of Cohesion Policy Programmes 2000-2006*. [online]. Available at:<
http://ec.europa.eu/regional_policy/sources/docgener/evaluation/pdf/expost2006/wp1_regional_analysis.pdf> p.5

⁶² *Ex Post Evaluation of the ERDF in Objectives 1 & 2 (2000-2006) - Member State Reports and their Synthesis*. [online]. Available at:
http://ec.europa.eu/regional_policy/sources/docgener/evaluation/pdf/expost2006/wp5a_ms_report.pdf p.188

⁶³ *Ex Post Evaluation of Cohesion Policy Programmes 2000-2006*. [online]. Available at:<
http://ec.europa.eu/regional_policy/sources/docgener/evaluation/pdf/expost2006/wp1_regional_analysis.pdf> p.23

2.3.3 Programming period 2007-2013

In the programming period 2007-2013, Sweden was no longer eligible for funding under the Objective 1, the regions phased in to the Objective 2, and it was still eligible for the Territorial development, the objective 3. It was allocated €1.9 billion which corresponds to SEK 8.4 billion and together with the national funding of SEK 9.8 billion and estimated SEK 4.3 billion from the private sector, the total available amount accounts for SEK 22.6 billion, approximately €2.63 billion.⁶⁴

The overall goal of the policy on the national level is to achieve “*higher growth through an increased labor supply and good skills supply*,”⁶⁵ for this reason the highest attention is paid to the labor market and four priority areas: *Innovative environments and entrepreneurship, Skills supply and increased labor supply, Accessibility, and Strategic cross-border cooperation*.⁶⁶

Overall, about 60% of resources are allocated for the support of RTDI, about 20% for transportation, 7% for territorial development and 2% for energy and environment.⁶⁷ The following table illustrates the allocation of funds in main spending areas and their weight individual regions:

⁶⁴ National Reform Program - Sweden 2012. [online]. Available at: <http://ec.europa.eu/europe2020/pdf/nd/nrp2012_sweden_en.pdf> P.75

⁶⁵ Ibid. P.76

⁶⁶ National Strategic Reference Framework for the period 2007-2013. [online]. Available at: <<http://www.nsrr.sk/en/narodny-strategicky-referencny-ramec-2007-2013/>> p. 74

⁶⁷ Nilsson, J. N. (2011). *Country Report on Achievements of Cohesion Policy, Sweden*. Center for the Study of Democracy (CSD), Sofia, Bulgaria. Published: 2011. Available at: <<http://www.isn.ethz.ch/isn/Digital-Library/Publications/Detail/?lng=en&id=142031>> . P.3

	R&D & entrepreneurship	IT	Transport	Energy	Tourism & attractions	Other (excl. ITA)
North Sweden	65.9%	3.7%	17.9%	1.7%	8.5%	2.3%
Mid North-Sweden	52.1%	8.6%	12.6%	7.1%	17.4%	2.0%
North Mid-Sweden	58.8%	11.7%	17.5%	1.8%	9.0%	1.2%
East Mid-Sweden	82.0%	7.4%	10.0%	0.6%	0.0%	0.0%
Stockholm	58.9%	0.0%	20.9%	0.0%	3.5%	16.7%
West Sweden	79.0%	0.0%	0.0%	3.7%	0.0%	17.3%
Småland and the islands	54.2%	0.2%	36.4%	1.4%	7.0%	0.8%
Skåne-Blekinge	64.2%	10.3%	4.5%	1.2%	2.6%	17.2%
Total	62.9%	6.6%	15.3%	2.6%	8.2%	4.4%

Source: The Swedish Agency for Economic and Regional Growth

The rate of spending is quite high compared to the other member states. By 31st December 2011 approximately 50% of the funds were spent while the rate of spending in individual regions ranged from 40% in North Mid Sweden to 58% in Småland and the islands.⁶⁸ By the end of 2012, 68% of the total available funding was paid out⁶⁹ and the level of commitment in some regions exceeds 100% of the available funds.⁷⁰

Impacts and outcomes

The goals of the cohesion policy have to be in line with the Lisbon strategy and the Europe 2020 objectives and compared to the previous programming period, it increased the funding for Lisbon agenda related goals from 73% to 75%.⁷¹ Sweden outperforms in most of the indicators; for this reason, the *National Strategy for Regional Competitiveness, Entrepreneurship and Employment 2007-2013* sets national goals to achieve by 2020 that go beyond the EU targets in *education*,

⁶⁸ *Nationell strategisk rapport för Sverige 2012 – om Sveriges nationella strategiska referensram: "En nationell strategi för regional konkurrenskraft, entreprenörskap och sysselsättning 2007–2013"* p.60

⁶⁹ Tillväxtverket (2013). *Measurable results*. [online]. Available at: <<http://www.tillvaxtverket.se/ovrigt/englishpages/structuralfunds/results/measurableresults.4.5a5c099513972cd7fea2c905.html>>

⁷⁰ Nilsson, J. N. (2011). *Country Report on Achievements of Cohesion Policy, Sweden*. Center for the Study of Democracy (CSD), Sofia, Bulgaria. Published: 2011. Available at: <<http://www.isn.ethz.ch/isn/Digital-Library/Publications/Detail/?lng=en&id=142031>>. P.8

⁷¹ *Nationell strategisk rapport för Sverige 2012 – om Sveriges nationella strategiska referensram: "En nationell strategi för regional konkurrenskraft, entreprenörskap och sysselsättning 2007–2013"* [online]. Available at: <<http://www.regionorebro.se/download/18.2a9f7fac13dd0dc500af84/1366977967373/Strategisk+rapport+f%C3%B6r+Sverige+2012.pdf>>p.63

*employment, social inclusion, research and development and climate and energy.*⁷² The targets are set to be completed by 2020, but due to the attention paid to ongoing evaluations of policy-making, extensive assessments and data are available for interim achievements.

As for *Smart Growth*, the government set following targets:

- *“Increase the expenditure on research and development to 4% of GDP*
- *Increase the employment rate to 80%*
- *Decrease the share of early leavers from education and training below 10%*
- *Increase the share of the population with higher education to 40-45%”*⁷³

Expenditure on innovation and research has been one of the main tools of regional development policy and the Strategic implementation report even speaks about the ‘*preponderance of investments into innovation in the early stages of innovation processes.*’⁷⁴ Swedish economy ranks second in the competitiveness index and the level of expenditure is the second highest in the EU after Finland. In order to create innovative environments, it uses several forms of financial instruments, such as loans, grants, tax schemes and supports knowledge exchange, cluster initiatives, business incubators, and it stresses the need for cooperation among enterprises, between companies and universities, and the need for building up comparative advantages in every region. As for the expenditure on R&D, the level in 2005 in Sweden accounted for 3.56% of GDP compared to the EU target set at 3%. The national target for 2013 was set at 4% of GDP, however, as the result of the economic crisis, spending after 2008 started to decline and in 2011 it accounted for 3.37%, still well above the EU target.⁷⁵

⁷² The Ministry of Enterprise, Energy and Communications (2007). *National Strategy for Regional Competitiveness, Entrepreneurship and Employment 2007-2013*. [online]. Publication date: 26 February 2007. Available at: <<http://www.government.se/content/1/c6/07/74/17/1fdb10a6.pdf>>

⁷³ *National Reform Program - Sweden 2012*. [online]. Available at: <http://ec.europa.eu/europe2020/pdf/nd/nrp2012_sweden_en.pdf> P.60-65

⁷⁴ *Nationell strategisk rapport för Sverige 2012 – om Sveriges nationella strategiska referensram: ”En nationell strategi för regional konkurrenskraft, entreprenörskap och sysselsättning 2007–2013”* [online]. Available at: <<http://www.regionorebro.se/download/18.2a9f7fac13dd0dc500af84/1366977967373/Strategisk+rapport+f%C3%B6r+Sverige+2012.pdf>>p.31

⁷⁵ Eurostat. *Europe 2020 Headline indicators: Sweden* [online]. Available at: <http://epp.eurostat.ec.europa.eu/portal/page/portal/europe_2020_indicators/headline_indicators>

In the number of research projects, the indicator shows positive results, the increase in the number of research and development projects to 66.⁷⁶ The overall number of funded projects increased, by 12%, from 1309 to 1380 projects.⁷⁷ In order to support business development and further job creation €4.8 million were spent on support for SMEs and their better access to capital.⁷⁸ The national target for the creation of new businesses was set to 18,200. By 30th June 2012, 12,720 businesses were started while only half of the projects were completed and so the target is expected to be met.⁷⁹ The overall strong focus on research and innovations is reflected also in the fact that 95% of the all new firms and 99% of the all new jobs were created as part of the RTDI priority with a focus on higher added value.⁸⁰

In the area of employment, the target at the EU level was set to achieve 75% rate of employment. In Sweden, this rate is one of the highest among the member countries, in 2005 it was 78.1% and the target was set to increase it to 80% by 2020.

According to the Strategic Report, by 30th June 2012, half of the projects was completed which led to the creation 94% of the expected created jobs, and in the field of research, 681 jobs were created compared to the national target of 253 jobs.⁸¹ While it is too early to evaluate the

⁷⁶ *Nationell strategisk rapport för Sverige 2012 – om Sveriges nationella strategiska referensram: "En nationell strategi för regional konkurrenskraft, entreprenörskap och sysselsättning 2007–2013"* [online]. Available at: <<http://www.regionorebro.se/download/18.2a9f7fac13dd0dc500af84/1366977967373/Strategisk+rapport+f%C3%B6r+Sverige+2012.pdf>>p.78

⁷⁷ Ibid. p

⁷⁸ Tillväxtverket. Access to capital. [online]. Last update: 23rd November 2012. Available at: <<http://www.tillvaxtverket.se/ovrigt/englishpages/structuralfunds/results/accesstocapital.4.5a5c099513972cd7fea2c894.html>>

⁷⁹ *Nationell strategisk rapport för Sverige 2012 – om Sveriges nationella strategiska referensram: "En nationell strategi för regional konkurrenskraft, entreprenörskap och sysselsättning 2007–2013"* [online]. Available at: <<http://www.regionorebro.se/download/18.2a9f7fac13dd0dc500af84/1366977967373/Strategisk+rapport+f%C3%B6r+Sverige+2012.pdf>>p.78

⁸⁰ Nilsson, J. N. (2011). *Country Report on Achievements of Cohesion Policy, Sweden*. Center for the Study of Democracy (CSD), Sofia, Bulgaria. Published: 2011. Available at: <<http://www.isn.ethz.ch/isn/Digital-Library/Publications/Detail/?lng=en&id=142031>>. P.8

⁸¹ *Nationell strategisk rapport för Sverige 2012 – om Sveriges nationella strategiska referensram: "En nationell strategi för regional konkurrenskraft, entreprenörskap och sysselsättning 2007–2013"* [online]. Available at: <<http://www.regionorebro.se/download/18.2a9f7fac13dd0dc500af84/1366977967373/Strategisk+rapport+f%C3%B6r+Sverige+2012.pdf>>p.61

outcome, the development in recent years showed improving rate of employment until 2008 when it leveled off at 79.4%, and subsequently, under the circumstances of the economic crisis, it started to slightly decline, however, it is still above the initial level and above the average EU level.⁸²

As the table 2 shows, on the regional level, the employment was increasing, but faster in the southern regions and these trends lead to persistence of established disparities. As the evaluation of the achievements of programming period notes, “*there are significant differences in achievements between regions.*”⁸³

Table 2: Employment rate in NUTS 2 regions in %

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Stockholm	83.1	82.7	81.9	81.4	80.6	81.4	82.3	83.2	82.3	81.7	82.4	82.4
East Middle Sweden	77.8	77.6	77.3	76.2	76.2	76.8	77.7	78.1	76.3	76.4	77.4	77.3
Småland and the islands	80.7	80.5	80.7	80.5	80.7	81.5	82.5	82.9	79.6	79.5	80.3	80.8
South Sweden	76.1	76.3	75.8	74.4	75.5	76.4	78.4	78.9	76.8	78.1	76.9	76.8
West Sweden	79.8	80.6	80.8	80.1	79.3	80.1	81.1	81.2	78.2	79.1	79.8	80.0
North Middle Sweden	76.1	75.7	74.7	74.5	75.2	76.7	78.8	78.1	75.9	77.4	78.5	78.5
Middle Norrland	74.8	74.6	74.6	73.6	76.5	77.5	79.7	78.4	76.4	76.1	78.1	78.5
Upper Norrland	75.2	74.1	73.2	73.6	75.2	76.7	78.3	77.5	76.0	76.8	78.1	77.9

Source: Eurostat

In the area of education, both targets were already met, the share of the early leavers from education and training has decreased to 7.5% compared to the national target of 9.9%, and in

⁸² Eurostat.

⁸³ Nilsson, J. N. (2011). *Country Report on Achievements of Cohesion Policy, Sweden*. Center for the Study of Democracy (CSD), Sofia, Bulgaria. Published: 2011. Available at: <<http://www.isn.ethz.ch/isn/Digital-Library/Publications/Detail/?lng=en&id=142031>>. P.10

seven years the percentage of the population with tertiary education has increased by more than 10% to 47.9% compared to the target of 40%.⁸⁴

As for *Sustainable Growth*, the national targets are following:

- “Decrease the emissions of greenhouse gases by 17% compared to the level in 2005
- Increase the share of renewable energy sources to 49%
- Decrease the overall energy consumption by 20%”⁸⁵

About 2% of the funds are allocated into environmental and energy related projects and the National Energy Agency and Environmental Protection Agency facilitate the transition towards a more sustainable and greener society.⁸⁶ As for the objectives, the share of renewable energy sources in the consumption has been increasing towards the goal of 49%, in 2011 it accounted for 46.8% compared to 39.9% in 2005.⁸⁷ In case of the other two objectives, the available data show positive developments until 2008 that were interrupted slightly worsened by 2010.⁸⁸

As for *Inclusive Growth*, the targets were set to:

- “Decrease the share of the population who are at risk of social exclusion by 14%”⁸⁹

Due to the welfarist character of the social policy, the percentage in Sweden is considerably lower than in other member countries. The main target groups are the most vulnerable groups, the long-term unemployed, and people with income lower than 60% of the average income or for

⁸⁴ Eurostat, Europe 2020 Headline indicators : Sweden. [online]. Available at: <http://epp.eurostat.ec.europa.eu/portal/page/portal/europe_2020_indicators/headline_indicators>

⁸⁵ National Reform Program - Sweden 2012. [online]. Available at: <http://ec.europa.eu/europe2020/pdf/nd/nrp2012_sweden_en.pdf> P.65-66

⁸⁶ Nationell strategisk rapport för Sverige 2012 – om Sveriges nationella strategiska referensram: ”En nationell strategi för regional konkurrenskraft, entreprenörskap och sysselsättning 2007–2013” [online]. Available at: <<http://www.regionorebro.se/download/18.2a9f7fac13dd0dc500af84/1366977967373/Strategisk+rapport+f%C3%B6r+Sverige+2012.pdf>>p.54

⁸⁷ Eurostat, Europe 2020 Headline indicators: Sweden [online]. Available at: <http://epp.eurostat.ec.europa.eu/portal/page/portal/europe_2020_indicators/headline_indicators>

⁸⁸ Ibid.

⁸⁹ National Reform Program - Sweden 2012. [online]. Available at: <http://ec.europa.eu/europe2020/pdf/nd/nrp2012_sweden_en.pdf> P.64

other reason are not able or not looking for employment⁹⁰ and the foreign-born population that accounts for about 15% of the population.⁹¹ Even though Sweden offers generous integration packages and social benefits, the foreign-born population has difficulties to integrate into the labor market, which is reflected by high unemployment, e.g. in a Muslim district of Malmö the unemployment of men accounts for 80%.⁹² Since the social system is already burdened by the ageing population, the majority of the policies and measures aims at bringing these target groups back to labor market goals.

The differences in unemployment are also connected to the large area and the distances between the regions. On the one hand, the northern regions with traditional industries such as mining and forestry need to be integrated into the knowledge-driven world economy and accessible to other markets.⁹³ On the other hand, the inter-regional cooperation might be hampered by obstacles arising from different regulations and practices despite geographical closeness to other countries along the national borders.

Funded by the European Territorial Cooperation, in Sweden, 17 out of 21 counties are cooperating in one of the cross-border programs with Denmark, Finland or Norway and within the Baltic Sea Region Program in total with 10 other countries.⁹⁴ The main objective of these programs is to strengthen the regional competitiveness and innovation capacities, strengthen

⁹⁰ *National Reform Program - Sweden 2012.* [online]. Available at: <http://ec.europa.eu/europe2020/pdf/nd/nrp2012_sweden_en.pdf>. P.62

⁹¹ HNonline. *Švédsko ukázalo "škaredú časť" severského modelu.* [online]. Published on: 26th May. 2013. Available at: <<http://hnonline.sk/c1-59943870-svedsko-ukazalo-skaredu-cast-severskeho-modelu>>

⁹² Ibid.

⁹³ *Nationell strategisk rapport för Sverige 2012 – om Sveriges nationella strategiska referensram: "En nationell strategi för regional konkurrenskraft, entreprenörskap och sysselsättning 2007–2013"* [online]. Available at: <<http://www.regionorebro.se/download/18.2a9f7fac13dd0dc500af84/1366977967373/Strategisk+rapport+f%C3%B6r+Sverige+2012.pdf>>.p.48

⁹⁴ Tillväxtverket. (2010). *Develop Sweden.* [online]. Sweden, August 2010. Available at: <<http://publikationer.tillvaxtverket.se/ProductView.aspx?ID=1499>> . p.26

cooperation and create joint labor markets, develop enterprises and support creation of research platforms, and sustainable development and use of resources.⁹⁵

Focus is on improving accessibility and attractiveness of the regions in physical terms, developing physical infrastructure, public transportation, while at the same time reducing its environmental impact, increasing energy efficiency and using sustainable, high technology infrastructure. The number of projects has surpassed the target, by the 30th June 2012, 332 projects were completed, while the national target was set to 84 projects. In the area of tourism, 84 projects were set up that created 414 new jobs. Overall, according to the National Strategic Report, 1,520,000 people benefited from improvements in infrastructure.⁹⁶

Furthermore, in addition to building up the physical infrastructure, it also tries to improve the accessibility through promotion of networks and territorial cooperation.

IV. Regional policy governance

Sweden, characterized as a “*compound polity*”⁹⁷, and it is known for its citizen-oriented approach and corporatist tradition of cooperation of the public sector with the external actors. Sweden never belonged to major recipients of the structural funds; however, there was a significant development and convergence of the policy governance with the EU norms.⁹⁸ This form of multi-

⁹⁵ Ibid.

⁹⁶ *Nationell strategisk rapport för Sverige 2012 – om Sveriges nationella strategiska referensram: ”En nationell strategi för regional konkurrenskraft, entreprenörskap och sysselsättning 2007–2013”* [online]. Available at: <<http://www.regionorebro.se/download/18.2a9f7fac13dd0dc500af84/1366977967373/Strategisk+rapport+f%C3%B6r+Sverige+2012.pdf>>

⁹⁷ Bache, I. (2008). *Europeanization and Multilevel Governance*. Plymouth, Rowman & Littlefield Publishers, 2008. ISBN 978-0-7425-4133 p.69

⁹⁸ McCallion, M. S. (2004). *Europeanization of the Swedish Regional Government*. ECPR, Uppsala, Sweden. Available at: <<http://www.tepav.org.tr/tur/admin/dosyabul/upload/McCallion.pdf>>

level governance has been called “*the EU’s new regionalism*”⁹⁹ as opposed to regionalism in the sense of EU integration.

Figure 1 Level of Swedish public administration

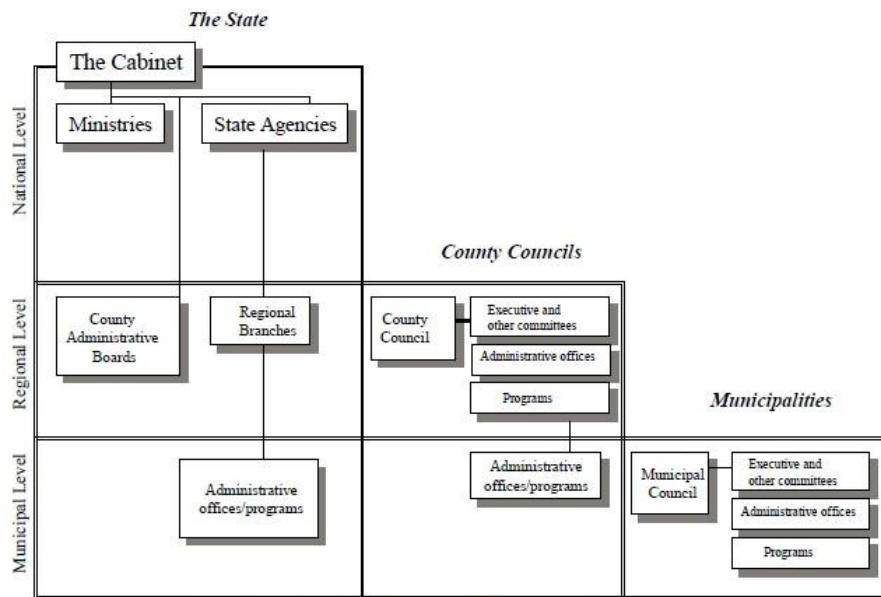


Figure 2 The levels of Swedish public administration.
Source: Häggroth et al. (1993), p. 20.

As the Figure 1 shows, the system of governance in Sweden consists of several managing authorities and program documents stress the need for the ongoing learning process and exchange of information between these actors at all levels and the need to coordinate and prioritize projects in order to achieve synergies and compliance with the strategic objectives. At the ministerial level, the main authority has been the Ministry of Enterprise, Energy and Communications which is responsible for the planning of the development strategy. Traditionally, the main implementing body used to be the County Administrative Board (CAB),¹⁰⁰ an extended branch of the central government. However, the economic recession and labor market crisis proved the centrally

⁹⁹ Ibid p.10

¹⁰⁰ Ferry, M. (2003) *Regional Governance in the EU: A Comparative Assessment*. [online]. EoRPA Paper 03/5. EPRC. Available at: <[http://www.eprc.strath.ac.uk/eorpa/Documents/EoRPA_03_Papers/EoRPA_03-5\(inc_G%26lt_ES\).pdf](http://www.eprc.strath.ac.uk/eorpa/Documents/EoRPA_03_Papers/EoRPA_03-5(inc_G%26lt_ES).pdf)> p.31

planned development strategies insufficiently efficient and, possibly influenced by the approaching EU membership and its principles of subsidiarity and partnership, the attention shifted “*independent, local source based development solutions.*”¹⁰¹ It led to the introduction of *regional pilot project agreements* in 1997.¹⁰² As a consequence, the regions were granted responsibilities for regional development, infrastructure, transport, tourism, and the allocation of the EU structural funds.¹⁰³

In the same year, the government passed the bill *Regional Growth – for Employment and Welfare* that further empowered the regions. Based on the idea that “*the economic growth in Sweden can increase through the regionalization of the regional policy,*”¹⁰⁴ the main goal was to encourage local participation in the creation of regional development strategies and to improve the allocation of resources on the regional level.¹⁰⁵ For this reason, the CABs started to cooperate with the regional and local authorities in order to adjust the regional development plans to the needs of individual regions and municipalities.¹⁰⁶

As the Figure 1 shows, the main authorities on the regional level include *local branches of the national administration* (country administrative boards and regional branches of the state agencies) and the *county councils* that are independent from the state authorities and have offices at the municipal level. On the local, municipal level, the main governing bodies are the municipality councils. Sub-national actors are administratively and fiscally independent from the

¹⁰¹ Balogh, Z. (2008). *The adaptability of the Swedish models of new regionalism in Hungary*. Ph.D. dissertation Corvinus University of Budapest, Budapest, 2008. Available at: <http://phd.lib.uni-corvinus.hu/430/4/balogh_zoltan_en.pdf>

¹⁰² As off 2004: Regional Partnership Programs. In McCallion, M. S. (2004). *Europeanization of the Swedish Regional Government*. ECPR, Uppsala, Sweden. p.5

¹⁰³ Ibid. p.12

¹⁰⁴ Regeringen, . (1998). P.98

¹⁰⁵ McCallion, M. S. (2004). *Europeanization of the Swedish Regional Government*. ECPR, Uppsala, Sweden. p.16

¹⁰⁶ Ferry, M. (2003) *Regional Governance in the EU: A Comparative Assessment*. [online]. EoRPA Paper 03/5. EPRC. Available at: <[http://www.eprc.strath.ac.uk/eorpa/Documents/EoRPA_03_Papers/EoRPA_03-5\(inc_G%26It_ES\).pdf](http://www.eprc.strath.ac.uk/eorpa/Documents/EoRPA_03_Papers/EoRPA_03-5(inc_G%26It_ES).pdf)> p.31

central government which gives them sufficient space and resources to realize development projects and to provide a whole range of public services.¹⁰⁷

The planning of the development partnership programs (initially, named agreements) is a two stage process: in the first phase, the local authorities together with a range of societal actors prepare a document called “*Growth Agreement for sustainable economic development*”, which is in the next phase discussed between the national level and sub-national level authorities.¹⁰⁸

Since the networks between them already existed before Sweden became a member state of the EU, the general expectation was that the accession wouldn’t have significant impact on the municipalities and counties.¹⁰⁹ On the other hand, some authors argue that the corporatist model was not compatible with the EU partnership principle since it was not based on cooperation of “*a broad range of societal actors but implied a limited number of dominant actors.*”¹¹⁰ The agreements also encourage cooperation between actors from different sectors in order to achieve synergies through an integrated approach.

As for the later stages of the policy cycle, the main managing authorities at the national level are:

- *Tillväxtverket* (Swedish Agency for Economic and Regional Growth) that is in charge of managing the implementation of funds, and
- *Swedish ESF Council* responsible for implementation funding through the ESF.

¹⁰⁷ Niklasson, L. (2011) *The Swedish welfare state reinventing itself: is devolution out and centralism in (again)?* [online]. Presentation at Boston University, February 16, 2011 by Lars Niklasson, Linköping University. Available at: < <http://www.iei.liu.se/stat/lars-niklasson?l=sv> >

¹⁰⁸ Balogh, Z. (2008). *The adaptability of the Swedish models of new regionalism in Hungary*. Ph.D. dissertation Corvinus University of Budapest, Budapest, 2008. Available at: <http://phd.lib.uni-corvinus.hu/430/4/balogh_zoltan_en.pdf >

¹⁰⁹ Lidstrom, A. (2010). ‘*The Swedish Regions and the European Union*’ in ed. by Roger Scully and Richard Wyn Jones. (2010). *Europe, Regions and European Regionalism*. Palgrave Macmillan, December 2010. ISBN: 978-0-230-23178-8

¹¹⁰ Bache, I., Olsson (2001). *Legitimacy through Partnership? EU Policy Diffusion in Britain and Sweden*. [online]. Scandinavian Political Studies Volume 24, Issue 3, pages 215–237, September 2001. Available at: <<http://onlinelibrary.wiley.com/doi/10.1111/1467-9477.00054/pdf>> P.228

These authorities are taking decisions on the allocation of the funding; they control the implementation and carry out monitoring and evaluation, the sub-national actors carry out the projects.

On the other hand, changes in the regional policy have not only happened on the regional level within Sweden. These actors took a proactive approach and in order to better present their local needs and achieve better conditions in relation not only to national authorities but also to the EU. They formed representation offices in Brussels in order to get information directly from Brussels, lobby the institutions for more favorable conditions and voice their own local needs and challenges.¹¹¹

Special attention is paid to ongoing monitoring and improvements in the partnership and cooperation with the business sector and simplifying it. For this reason, a Regulation council was established in order to monitor how regulations affect businesses and with the goal of decreasing the administrative costs for the by 25% by 2012 compared to the level in 2006.¹¹²

¹¹¹ Markus, J. (2011). *The Impact of the Cohesion Policy in Sweden*. Master's Thesis. Lund University, Department of Political Science. Lund, Sweden, 2011. Available at: <<http://www.lunduniversity.lu.se/o.o.i.s?id=24965&postid=1968829>>. p.34

¹¹² *Nationell strategisk rapport för Sverige 2012 – om Sveriges nationella strategiska referensram: "En nationell strategi för regional konkurrenskraft, entreprenörskap och sysselsättning 2007–2013"* p.29

CHAPTER 3: SLOVAKIA

I. Socio-economic context

Slovakia is a small, highly open economy that is especially vulnerable to the conditions in the EU and the global economy. In the beginning of the 1990s, the country separated from the Czechoslovakia and apart from creation of its own administrative and state capacities, it underwent the process of democratization, price liberalization and massive privatization. While it applied for the EU membership already in 1995, in the first years of its existence, it was lagging behind its neighboring countries due to “*its own way of transition*”¹¹³ and shortcomings in the rule of law. In order to be able to join the EU, a new liberal, center right government of 1998 took several reform measures, among others in the banking sector, healthcare, tax and pension system. It became a member of the OECD in 2000 and of the EU in 2004. At the time of the accession, the country’s GDP accounted for 49% of the EU average.¹¹⁴ This development has accelerated the inflow of foreign direct investment, mostly into the car industry, and as a consequence, in 2004, Slovak GDP was growing by 5.2%.¹¹⁵

In general, the positive economic development of the past years and the inward FDI have not been dispersed within the country equally and the spatially selective activities of private investors led to significant disparities between the regions in terms of socio-economic and macro-economic conditions, in spite of the country’s small size. Due to its mountainous character as well as the

¹¹³ Frank, K. (2013). *Aktualne vysledky implementacie politiky sudrznosti v Slovenskej republike*. [online]. WP 46. Available at: http://ekonom.sav.sk/uploads/journals/221_wp46_frank_karol_politika_sudrznosti.pdf >.p.158

¹¹⁴ Šikula, M. (2003). *Slovakia’s Accession into the European Union: Outsets and Opportunities*. [online]. BIATEC, Volume XI, 4/2003. Available at: <http://www.nbs.sk/_img/Documents/BIATEC/BIA04_03/10_14.pdf>

¹¹⁵ SAV. *Hospodárskz vývoj Slovenska v roku 2007*. [online]. Agentura pre podporu vyskumu a vyvoja. Available at: <http://www.ekonom.sav.sk/uploads/projects/Okali03.pdf> p.9

asymmetric division of population, low tendency to migration, the main cleavage is between the West and the East, and to a smaller extent as well between the North and the South.

For the purposes of EU Cohesion policy, it is divided into 4 NUTS 2 regions – Eastern Slovakia, Middle Slovakia, Western Slovakia and Bratislava. The most developed is the region of Bratislava whose regional GDP accounts for 129% of the EU average compared to the national level at 49% and the unemployment rate at 9.1%,¹¹⁶ the effect of the economic crisis was negligible and the unemployment remained low, at 5.7%¹¹⁷. In contrast, the least developed region is the Eastern Slovak region (Kosice and Presov self-governing NUTS III regions) whose GDP accounted for only 42% of the EU average in 2004 and the unemployment was at 25%.¹¹⁸

Due to the openness of the economy, the economic crisis affected the development of the main macro-economic indicators, such as the unemployment, which increased especially in 2009 and after slight recovery again in 2012 to 14.5%¹¹⁹ with the long-term unemployment is at 9.4% which is the third highest in the EU.¹²⁰ This chapter is going to analyze the impact of the Cohesion policy in Slovakia looking at the main objectives, how they are implemented and what are the main outcomes.

II. National regional policy

Before the change of the economic system, the regional development was addressed through long-term economic plans. In former Czechoslovakia, decreasing the disparities between the two parts of the country was one of the main priorities in the 1950-60s. This happened mostly through

¹¹⁶ Kluvankova-Oravska, T. (2004) *Structural Funds – the Challenge for Sustainable Development and Regional Disparity in the Slovak Republic*. Institute for Forecasting, SAV, Available at: <<http://www.tandfonline.com/doi/abs/10.1080/1351161042000190745?journalCode=ciej20#.UaaU1DCQYnE>> p.3

¹¹⁷ Eurostat.

¹¹⁸ Ibid.

¹¹⁹ In March 2013, see OECD. *OECD unemployment rate drops slightly to 8.0% in March 2013*. [online]. OECD, Paris. Published on: 15 May 2013. Available at: <http://www.oecd.org/std/labour-stats/HUR_05e13.pdf>

¹²⁰ Excluding Croatia.

industrialization and urbanization of Slovakia. After the beginning of the transformation, the regional development was not priority since the general opinion was that the market system would not only solve the optimal allocation of resources, but it would also lead to a spatially balanced development.¹²¹ However, the structural changes in the economy and the decline of the heavy industry led to increased unemployment. In later years, the country attracted a significant number of foreign investors, however, due to geographical, economic and social differences in the country the development led to polarization between the capital and its surrounding and the rest of the country. The main challenge was to create administrative governance and capacities to govern scarce economic resources. In order to comply with the EU norms, the government initiated the process of decentralization of the regional development governance; however, it lacked fiscal decentralization and experience in administrative bodies.

III. Challenges and priorities

The most important challenges remain weak interconnectedness between the regions, especially in the East and South, as well as weak connections between strategic objectives and programs, weak capacities of the public administration, unfavorable conditions for mobility between the regions that remains at a low level, as well as weak human capital in the less developed regions. The most important spending areas of the structural funds are the territorial development and infrastructure, research and development, business development, environment and healthcare.¹²² While these are the main functional areas, even more important challenge has been the implementation of the funds, the governance and the application of the partnership principle.

¹²¹ Mercier, G. (2005). *Which territorial cohesion policy for the new EU members? The example of Slovakia*. TPR, 76 (1), 2005 Available at: <<http://www.jstor.org/stable/40112630>>

¹²² Expert evaluation network delivering policy analysis on the performance of Cohesion policy 2007-2013. Task 2: Country Report on Achievements of Cohesion policy: Slovakia. [online]. Available at: <http://ec.europa.eu/regional_policy/sources/docgener/evaluation/pdf/eval2007/country_reports/slovakia.pdf>

3.3.1 Pre-accession period 2000-2004

Slovakia became a beneficiary of EU structural funds in 2000 when it became eligible for pre-accession funding through PHARE, ISPA and SAPARD. The PHARE support aimed at strengthening the transparency and soft infrastructure, as well as physical infrastructural projects, such as highways, bridges, and projects in research, education and culture.¹²³ Support through the ISPA instrument started with a delay of 2 years, only in 2002, and even after that, the government encountered difficulties in exploiting the capacities. It supported environmental projects mostly in the water sector and environmental projects aimed at compliance with the EU norms, as well as transport infrastructure. The support through SAPARD also started in 2002 and the main challenges to overcome were difficult conditions for the industry and unfortunate natural and climatic conditions.¹²⁴

The pre-accession aid showed that the main shortcomings were the poor quality of proposals, inadequate information, and lack of transparency as well as the requirement of co-financing, especially between the SMEs.¹²⁵ In overall, this pre-accession support “paved the path” and increased the administrative and absorption capacity for future structural funding, even though ex-post evaluations of the real economic impacts were not carried out.¹²⁶

3.3.2 Programming period 2004-2006

After the accession in May 2004, Slovakia was eligible for structural funding in two years and it was provided the total amount of € 1 123.15million.¹²⁷ Out of this amount, €1041 million was

¹²³ Frank, K. (2013). *Aktualne vysledky implementacie politiky sudrznosti v Slovenskej republike*. [online]. WP 46. Available at: http://ekonom.sav.sk/uploads/journals/221_wp46_frank_karol_politika_sudrznosti.pdf >.p.160

¹²⁴ Ibid. P.161

¹²⁵ Kluvankova-Oravska, T .(2004) *Structural Funds – the Challenge for Sustainable Development and Regional Disparity in the Slovak Republic*. Institute for Forecasting, SAV, Available at: <<http://www.tandfonline.com/doi/abs/10.1080/1351161042000190745?journalCode=ciej20#.UaaU1DCQYnE>> .17

¹²⁶ Ibid. p.162

¹²⁷ politiky.php>

provided under the Objective 1 aimed at lagging regions and €82.11 million under the Objectives 2 and 3 for economic and social development, the development of human resources and employment.¹²⁸

Initially, the government proposed 15 priorities, however, after the Commission proposed their reduction to three priorities in order to concentrate the resources into areas of the greatest need the government has set four main priority objectives: “*Increasing competitiveness, Promoting employment creation, Fostering balanced regional development, and Regional and rural development.*”¹²⁹ These priorities were implemented through 4 operational programs.

Infrastructure was acknowledged to be one of the main preconditions for balanced development across the regions. Since the main source of economic development of the Slovak economy has been the inflow of FDI, the availability and quality of the physical and soft infrastructure greatly influences the decisions and the spatial distribution of FDI. However, its variability between the regions led to the centralization of FDI in the Western Slovakia. The main targets were to improve the quality of the transport infrastructure, the rail network and existing roads as well as building new highways, especially the connection of Bratislava with the other parts of the country, furthermore, the environmental infrastructure and the soft infrastructure. The total amount of expenditure was €274.3 million which accounted for 31% of the total amount of funds being the second largest area of spending.¹³⁰ The overall outcome in the railway sector was 100km of reconstructed railways and 30 km of new and 24 km of reconstructed highways,¹³¹

Dubravská, M. (2011). *Analysis of the EU Financial Support Use for the Agriculture in the Period 2004-2006*. Available at: <www.pulib.sk/web/kniznica/elpub/dokument/Kotulic18/.../dubravska.pdf>. P.1

¹²⁸ Babitz, M., Havran, R. *Strukturalne fondy EU na Slovensku a možnosti ich transparentneho využívania*. P.11

¹²⁹ Frank, K. (2013). *Aktualne výsledky implementácie politiky súdržnosti v Slovenskej republike*. [online]. WP 46. Available at: http://ekonom.sav.sk/uploads/journals/221_wp46_frank_karol_politika_sudrznosti.pdf >.p.174

¹³⁰ Ex-post evaluation of SF 2000-2006: Slovakia p. 13

¹³¹ EC DG Regio. European Cohesion Policy in Slovakia

however, while the targets in the railway sector were met, as for the road network, it accounted for only 55% of the set target.¹³²

In the area of environmental infrastructure, the main goals were to connect households to public sewerage and water systems, increase waste recycling and reduce the pollution, since in 2001, only 55.2% of the population was connected to public sewerage system and 83.4% connected to public water treatment.¹³³ As the Ex-post Evaluation notes, the availability of the EU funding played a crucial role for realization of the projects, while a large share of the investments came from the private sector and these investments contributed to 0.5% of GDP in 2000-2006.¹³⁴

However, the evaluation also points out that

“[Environmental] measures were ... implemented without an integrated view between sectors nor an integrated regional approach ... and not designed in a perspective of regional economic development or supporting the private sector.”¹³⁵

The operational program ‘*Human resources*’ addresses the problem of traditionally high unemployment, especially in the group of long-term unemployed, among young people, low-skilled and older people which reflects the structural changes in the economy and slower adaptation on the labor market. The focus was on active labor market policies, social inclusion and equality of opportunities, requalification and matching the skills to the labor market needs. According to the ex-post evaluation, the targets were met; however, they had been set very low.¹³⁶

¹³² Ex-post evaluation of SF 2000-2006: Slovakia p. 11

¹³³ *Ex post evaluation of cohesion policy programmes 2000-2006 co-financed by the European Fund for Regional Development (Objectives 1 and 2) – Work package 5b: Environment and Climate Change.* [online]. Available at: <http://ec.europa.eu/regional_policy/sources/docgener/evaluation/pdf/expost2006/wp5b_final_report_2.pdf> P.3

¹³⁴ Ibid. p.3

¹³⁵ Ibid. p.25

¹³⁶ Ibid.

Unemployment at NUTS 2 level in 2000-2004

	2001	2002	2003	2004
Bratislava	7.7	8.7	6.9	9.1
Western Slovakia	18.6	17.5	15.6	14.2
Central Slovakia	21.1	21.6	20.4	22.5
Eastern Slovakia	24.4	22.3	20.8	25.0

Source: Eurostat

The operational program (SOP) '*Industry and Services*' addressed the need for ongoing innovation and competitiveness, support for SMEs in access to finance and the need for investment in research and development that in Slovakia account for only 0.51% compared to the target set at 3% by the EU.¹³⁷ The funding was spent foremost on financial support for SMEs, research projects and investments into increase in the labor productivity under the priority axis '*Increase in the competitiveness of the enterprises*' and on tourism development projects under the same titled priority axis. The outcomes with regard to the targets varied, the best result was achieved in the tourism development, the number of development projects accounted for 106.7% of target value, and in support of research projects that were fulfilled at 100%, while the support for SMEs only at 6.4%.¹³⁸

Under the priority axis *Agriculture and rural development*, the main objectives were to make agriculture more competitive, to increase the standards to EU norms, and to integrate marginalized and rural population into society. According to the Ex Post Evaluation, this several indicators achieved the best results out of all operational programs – total revenues of agricultural enterprises increased by 24.5% compared to the target of 3.0% and the amount of supported enterprises achieved 57.0% compared to 30.0%.¹³⁹

¹³⁷ Eurostat.

¹³⁸ *Ex post evaluation of cohesion policy programmes 2000-2006 co-financed by the European Fund for Regional Development (Objectives 1 and 2) – Slovakia* p.10

¹³⁹ Ibid. p.10

The main areas of spending were: Direct support to firms – 26%, Infrastructure – 31%, Human capital – 5.8% and Local environment – 36.7%.¹⁴⁰ The first programming period posed several challenges for the administrative capacities at the state level as well as for the sub-national actors that had not had any previous experience with project management due to the centralized character of the state. Moreover, since Slovakia joined the EU and became eligible for funding in the last two years of the programming period, the administration had to simultaneously manage the implementation of the ongoing spending as well as prepare for the implementation of the programs of the period 2007-2013.¹⁴¹

3.3.3 Programming period 2007-2013

The programming period 2007-2013 was the first whole period in which it was entitled for funding. Slovakia was provided €11.58 billion. Three regions were eligible for funding under the Convergence objective for the total of €10.9billion, while the Bratislava region was eligible for funding under the Regional Competitiveness and Employment objective in total for €0.2 billion, and for the European Territorial Cooperation €0.2billion.¹⁴²

In compliance with the Lisbon strategy goals, the main objective as set in the National Strategic Reference Framework is to *“significantly increase the competitiveness and performance of regions, the Slovak economy and employment by 2013, while respecting the principles of*

¹⁴⁰ Ibid. p.13

¹⁴¹ Frank, K., Hvozdková, V. & Kvetan, V. (2005) “Slovakia and Cohesion Policy” in Eriksson, J., Karlsson, B. O., & Tarschys, D. eds. (2005) *From Policy Takers to Policy Makers: Adapting EU Cohesion Policy to the Needs of the New Member States*, Swedish Institute for European Policy Studies, Stockholm, September.

¹⁴² *Cohesion Policy 2007-13: National Strategic Reference Frameworks: Slovakia*. [online]. European Communities, 2007. Available at: <http://ec.europa.eu/regional_policy/atlas2007/fiche/nsrf.pdf> P.69

sustainable development.”¹⁴³ The expected outcome of the policy is that the economic would increase to 60% of the EU 15 and the employment rate would increase to 63.4%.¹⁴⁴

The government set three strategic objectives: “*Infrastructure and regional accessibility, Innovation, information society and knowledge economy, and Human resources and education.*”¹⁴⁵ In addition, the government has defined four horizontal priorities: *Marginalized Roma Communities, Equality of chances, Sustainable development, and Sustainable development.* These objectives and priorities are implemented through 11 operational programs: one regional operational program for the Bratislava region, sectoral programs: OP Competitiveness and economic growth, OP Employment, OP Environment, OP Transport, OP Healthcare, OP Research and development, OP Education, OP Information society, OP Technical assistance and one Regional Operational Program.

At the national level, in order to measure the outcomes of policy measures, the government set quantifiable indicators for three priority areas of the Lisbon strategy:¹⁴⁶

- Smart growth:
 - Increase the expenditure on R&D to 1% of the GDP
 - Decrease the number of early leavers from education and training to 6%
 - Increase the share of the population with a tertiary education to at least 40%

While the economic growth of the past years has been based on inflow of FDI in sectors with low value added and the comparative advantages of low price level and government incentives, in order to further develop, the government acknowledges the need to create endogenous sources of growth and the need to invest in innovations, competitiveness, research, development and

¹⁴³ *Results of the negotiations of Cohesion Policy strategies and programmes 2007–13* [online]. Available at: <http://ec.europa.eu/regional_policy/sources/docoffic/official/communic/negotiation/country_sk_en.pdf>P.1

¹⁴⁴ Inforegio factsheet (2006). Cohesion Policy 2007-2013 – Slovakia. [online]. Available at: <http://ec.europa.eu/regional_policy/sources/docgener/informat/compar/comp_sv.pdf>

¹⁴⁵ *Results of the negotiations of Cohesion Policy strategies and programmes 2007–13* [online]. Available at: <http://ec.europa.eu/regional_policy/sources/docoffic/official/communic/negotiation/country_sk_en.pdf> P.1

¹⁴⁶ *National Strategic Report - Slovak republic 2012*.p.59

education. The government officially claims that one of the main objectives is support for research and development, however, the goal for national expenditure on R&D was set to 1% of the GDP which is too low compared to the desired level formulated at the EU level set at 3%.

Out of these three goals, only the second objective was met, the expenditure on R&D accounted for 0.68% of GDP and 23.7% of the population had tertiary education in 2011.¹⁴⁷ As the Strategic Report for 2012 notes, the contribution of the structural funds to the ‘Smart Growth’ objective was limited, by 31st December 2011, the rate of spending of the available funds accounted for only 30.17% of the total available amount and moreover, only the half of the utilized funds was spent on areas with higher added value.¹⁴⁸

- Inclusive growth:

- Increase the rate of employment of population in the age 20-64 to at least 72%
- Decrease the number of people at risk of poverty or social exclusion at least by 170 000=17.2%

Unemployment has been a pressing issue since the beginning of the structural changes in the economy. The unemployment rate was decreasing until 2008 when as a consequence of the economic crisis it started to increase again.

Unemployment rate in %

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
18.9	19.5	18.8	17.7	18.4	16.4	13.5	11.2	9.6	12.1	14.5	13.6	14.0

Source: Eurostat

Most of the support was aimed at active labor market policies and the measures covered 68 953 persons and led to the creation of 44 222 new jobs, on the other hand, the European Commission has stressed the need for reforms in the labor market services and instruments for successful

¹⁴⁷ Eurostat. *Europe 2020 Headline indicators: Slovakia*. [online]. Available at: <http://epp.eurostat.ec.europa.eu/portal/page/portal/europe_2020_indicators/headline_indicators>

¹⁴⁸ *National Strategic Report - Slovak republic 2012*. P.60

tackling unemployment.¹⁴⁹ Again, as in the case of Smart Growth objective, the overall rate of spending of the available funding was very low. Even though the number of applications has increased in 2008-2009; by 30th June 2012, only 52.98% of the available funding was spent.¹⁵⁰ As for the national strategic priorities, the goals have not been met yet, the rate of employment reached 65.1% and the number of people at risk of poverty or social exclusion decreased to 20.6%.¹⁵¹

- Sustainable growth:

- Keep the increase in CO₂ emissions below 13% compared to the level in 2005
- Increase the share of renewable energy on the final consumption to 14%
- Increase energy efficiency through decreasing the consumption by 11% compared with the average consumption in 2001-2005

The main aim is “*to contribute to the competitiveness and economic growth of the economy with respect to ecological standards*” through three operational programs: OP Transport, OP Energy and OP Environment. The overall amount allocated for this objective accounts for €5.5 billion - almost the half of total funding. However, as the Strategic Report notes that the extremely low rate of spending, which accounted for only 21.45% of the available funding in the end of 2011, is the main reason for the limited contribution of the Cohesion policy.¹⁵²

Within the operational program Transport, the main long-term objective has been to connect Bratislava with the Eastern cities Kosice and Presov that would significantly improve the accessibility of the regions and their attractiveness for foreign investors. However, in spite of the available amount of funding, the construction has advanced very slowly, between 2007-2011

¹⁴⁹ Ibid. P.62

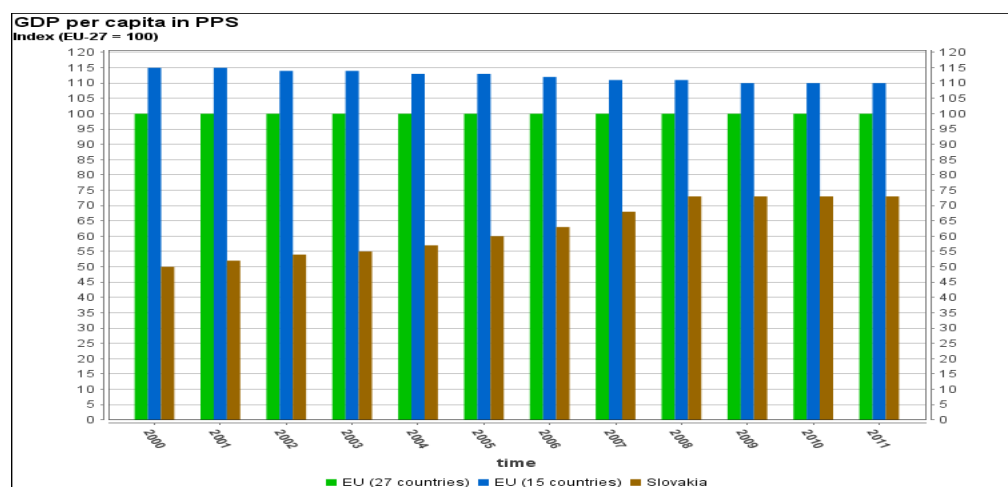
¹⁵⁰ Ibid. P.62

¹⁵¹ Eurostat. *Europe 2020 Headline indicators: Slovakia*. [online]. Available at: <http://epp.eurostat.ec.europa.eu/portal/page/portal/europe_2020_indicators/headline_indicators>

¹⁵² *National Strategic Report - Slovak republic 2012*. [online]. Available at: <http://ec.europa.eu/regional_policy/how/policy/strategic_report_en.cfm>P.61

only 20.43km of highways and 18.05km of expressways were built.¹⁵³ One of the main reasons is the influence of the political cycle on the overall national development strategy and objectives, as well as on already contracted projects in the implementation that are consequently re-evaluated and often withdrawn. Subsequently, the soliciting and legislative changes slow down the overall progress. [Goals – data available for 2010 – none of them met at that time.]

At the national level, the per capita GDP has been increasing and converging to the average EU level. Since the accession the per capita GDP increased from 57% to 73% of the average EU level and the employment rate decreased from 63.7% in 2004 to 65.1% in 2012.¹⁵⁴



Source: Eurostat

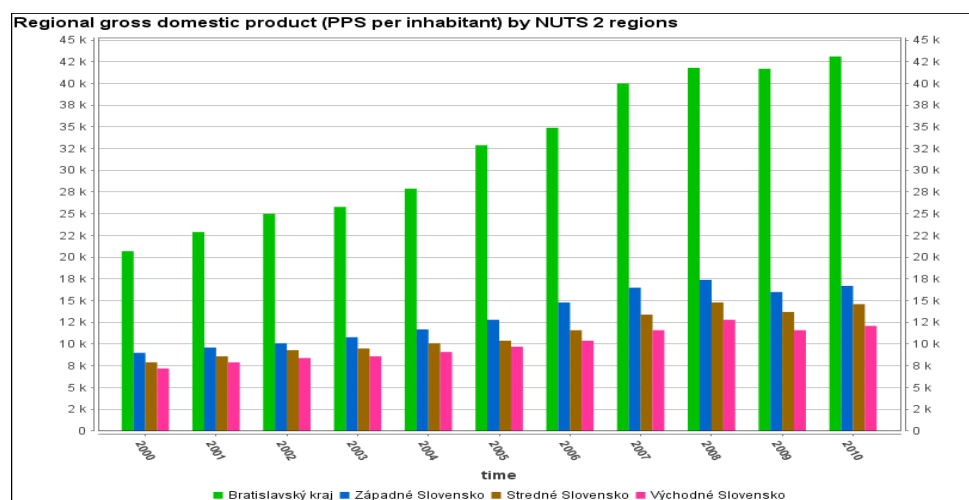
In order to tackle the regional differences within the country, compared to the previous programming period, a greater attention has been paid to the lagging regions that received preferential support through the project selection criteria and establishment of eight region-specific programs.¹⁵⁵ However, in spite of more focus paid to decreasing the regional disparities,

¹⁵³ Frank, K. (2013). *Aktualne vysledky implementacie politiky sudrznosti v Slovenskej republike*. [online]. WP 46. Available at: http://ekonom.sav.sk/uploads/journals/221_wp46_frank_karol_politika_sudrznosti.pdf >. P.8

¹⁵⁴ Eurostat. GDP per capita in PPS.

¹⁵⁵ Bachtler, J. McMaster, I. (2007). *EU Cohesion policy and the role of the regions: investigating the influence of Structural Funds in the new member states*. EPRC. Published: 2 October 2007. P.22

the economic growth in western regions was much faster and the disparities increased with Eastern Slovakia lagging behind.



Source: Eurostat

After breaking down the investment between individual regions into different spending areas, it is apparent that regardless of the level of development, the investment is aimed at tackling traditional problems, such as unemployment, agricultural development and building up physical and local infrastructure. In all NUTS 2 regions, except from Bratislava, the highest amounts of the funding was spent on basic infrastructure and agriculture and rural development,¹⁵⁶ while the rate of spending is traditionally very low on all of the regions.

IV. Regional policy governance

Slovakia had been traditionally a centralized country and regional structures were either very weak or non-existent and several authors claim that without the EU influence, decentralization

¹⁵⁶ Tej, J. (2006) *Exploitation of the European Union Structural Funds in Slovak republic*. [online]. VEGA č. 1/3829/06. Available at: <www.pulib.sk/web/kniznica/elpub/dokument/.../tej.pdf>

wouldn't have progressed.¹⁵⁷ Because of the tradition of centralization and lack of will to reform, qualification and training of the authorities at the regional and local level were not a priority and the sub-national actors lacked experience and skills in project planning and management and even though they were eligible for the funding, they did not meet the EU requirements.¹⁵⁸

In the time before the accession to the EU was marked by ongoing reforms of the administrative division which created new 8 upper-territorial units on NUTS 3 level which were in need of building up capacities for management of resources. For the purpose of coordination of pre-accession aid and regional development, the government established a Council for regional policy and monitoring of structural operations in 1999 whose main tasks was monitoring and coordination of the authorities on different levels in their access of structural funds.¹⁵⁹ This decentralization did not happen until 2001, while the competencies for planning were not transferred until 2002. This was believed not to be sufficient time before the accession for sub-national actors to create administrative and absorptive capacities in order to implement the partnership principle.¹⁶⁰

Further shortcomings were found at the level of state authorities with regard to administrative and legislative delays in preparation of guidelines and methodologies for the sub-national actors that further delayed their preparation for exploitation of the available funds. As a consequence, the regional and local actors were not informed sufficiently and their applications did not meet

¹⁵⁷ Buakek, J, (2002). *Regionalization in the Slovak Republic – From Administrative to Political regions*. In *Regionalization for Development and Accession to the European Union: A comparative Perspective*, ed. G. Marcou, 143-177, Budapest, Open Society Institute.

Brusis, M. (2002) *Between EU Requirements, Competitive Politics, and National Traditions: Re-Creating Regions in the Accession Countries of Central and Eastern Europe*. *Governance* 15 (4): 531-549 p.548;

¹⁵⁸ Kluvankova-Oravska, T .(2004) *Structural Funds – the Challenge for Sustainable Development and Regional Disparity in the Slovak Republic*. Institute for Forecasting, SAV, Available at: <<http://www.tandfonline.com/doi/abs/10.1080/1351161042000190745?journalCode=ciej20#.UaaU1DCQYnE>>p.18-19

¹⁵⁹ Euractiv (2007). *Regionalna politika na Slovensku*. [online]. Published: 29th March 2007 Available at: <http://www.euractiv.sk/regionalny-rozvoj/zoznam_liniek/regionalna-politika-v-sr>

¹⁶⁰ Vojtekova, 2004

adequate formal requirements and many of the projects in the initial years lacked understanding of the broader objectives and principles of the structural funding, such as programming, profitability, long-term economic impact in line with the strategic policy goals.¹⁶¹

At this time, the structure of governance of the structural funds consists of the ministerial level, which includes ministries for individual sectors: Ministry of Construction and Regional Development which is the main managing authority and manages the regional development and structural funds as whole while the individual operational programs are in the competence of the respective ministries: the Ministry of Agriculture and Rural Development, Ministry of the Environment, Ministry of Economy, as well as the Unit for Structural Funds in Ministry of Health. The main implementation authority at the state level is the Slovak Innovation and Energy Agency. This agency of the Ministry of Economy has overtaken also the implementation of projects previously dispersed between the Slovak Trade and Investment Agency and National Agency for Small and Medium Enterprises.¹⁶²

At the regional level, the most important authorities are the regional councils at the 8 higher territorial units that prepare the strategy and coordinate the implementation of development strategies.¹⁶³ According to some studies, while the regional self-governments do have responsibilities for the implementation of operational programs, their inadequate resources constrain their possibilities.¹⁶⁴ In the programming period 2004-2006, the analysis of the administrative capacities revealed shortcomings in the administrative capacities at the regional

¹⁶¹ Frank, K., Hvozickova, V., Kvetan, V. (). *Slovakia and Cohesion policy*. P.168

¹⁶² SEIA. *Pomoc zo štrukturálnych fondov EÚ pre podnikateľov a verejný sektor*. < <http://www.siea.sk/strukturalne-fondy/>>

¹⁶³ National Regional Development Strategy of the Slovak Republic

¹⁶⁴ Bachtler, J. McMaster, I. (2007). *EU Cohesion policy and the role of the regions: investigating the influence of Structural Funds in the new member states*. EPRC. Published: 2 October 2007. P.20

level in terms of high fluctuation, lack of human resources and a need for a conceptual approach in the personnel policy, higher qualification and ongoing trainings.¹⁶⁵ Besides the regional councils, the regional development agencies form an informal network of public, private, non-profit actors, chambers of commerce and act as advisory bodies, and they provide assistance and technical support for improving the economic and social development in regions and consultations on development, preparation and implementation of structural funds.¹⁶⁶

Similarly as other new member states in the region, in order to ensure better representation of their interests, the self-governing bodies have established representations in Brussels – the House of Slovak Regions. The main goal of the joint representation for all regions is to improve the information flow directly to the sub-national actors in the range of EU policies, such as regional and rural development, tourism, research, healthcare, transportation, energy, environment, etc. and the main outcome is a monthly newsletter ‘Inflow’.¹⁶⁷

Even though many responsibilities are now carried out on the regional level in partnership or on the contractual basis,¹⁶⁸ analyses after regional elections in 2005 and 2009 showed that the staff in the regional self-governing bodies was more an outcome of political decisions and negotiations than based on professional qualities.¹⁶⁹ Moreover, when looking at the role of the regional actors in the programming stage, the programming period 2004-2006 revealed only a partially

¹⁶⁵ *National Strategic Reference Framework for the period 2007-2013*. [online]. Available at: <http://www.nsrr.sk/en/narodny-strategicky-referencny-ramec-2007-2013/> p.116

¹⁶⁶ Euractiv (2007). *Regionalna politika na Slovensku*. Published: 29th March 2007 Available at: <http://www.euractiv.sk/regionalny-rozvoj/zoznam_liniek/regionalna-politika-v-sr>

¹⁶⁷ Dom Slovenských regionov. Sledovanie politiky. Available at: < <http://www.skregions.eu/19/sledovane-politiky.php>>

¹⁶⁸ Bucek, J. (2011). *Building of Regional Self-government in Slovakia: The first decade*. Geographical Journal 63 (2011) 1, 3-27. Available at: <<http://www.sav.sk/journals/uploads/02201358GC-11-1-Bucek.pdf>>p.14

¹⁶⁹ Krivy, V. (2006). *Výsledky regionálnych volieb 2005*. In Mesežnikov, G., ed. *Regionálne voľby 2005 – súvislosti a výsledky*. Bratislava (IVO), pp. 107-182.; Krivy, V. (2010). *Voľby v roku 2009*. In Kolllár, M., Mesežnikov, G., Bútora, M., eds. *Slovensko 2009 – súhrnná správa o stave spoločnosti a trendoch na rok 2010*. Bratislava (IVO), pp. 473-489

increasing role: “*regional authorities were eliminated from the preparation of the programming documents for the period 2004-2006 (...) they also had only a marginal role in implementation of particular projects.*”¹⁷⁰ The key role in these stages was played by the Ministry of Construction and Development and as Valentovic noted “*the transition to the full responsibility of regional self-government was not adopted by the central government but mentioned as a future intention.*”¹⁷¹ In the beginning of the programming period 2007-2013, the role of the regional actors was partially acknowledged and the actors on the NUTS 3 level gained intermediate managing powers in the implementation of policies in fields such as tourism and road networks development, however, they do not have full responsibility for implementation of regional operational programs.¹⁷² Overall, the regionalization and decentralization is already an ongoing process and progress has been achieved, some of the regions have initiated cluster activities, such as Liptov tourism cluster, however, a longer period and more progress in the power sharing and shift is needed.

¹⁷⁰ Bucek, J. (2011). *Building of Regional Self-government in Slovakia: The first decade*. Geographical Journal 63 (2011) 1, 3-27. Available at: <<http://www.sav.sk/journals/uploads/02201358GC-11-1-Bucek.pdf>>p.20

¹⁷¹ Valentovic, M. (2006). *Regionálna politika SR*. In Kollár, M., Mesežnikov, G., Bútor, M., eds. Slovensko – Súhrnná správa o stave spoločnosti. Bratislava (IVO), pp. 473-489.

¹⁷² Bucek, J. (2011). *Building of Regional Self-government in Slovakia: The first decade*. Geographical Journal 63 (2011) 1, 3-27. Available at: <<http://www.sav.sk/journals/uploads/02201358GC-11-1-Bucek.pdf>>p.21

CHAPTER 4: ANALYSIS

At the first sight, Sweden and Slovakia are very dissimilar countries in terms of geographical, cultural and economic characteristics; however, when looking closer at the regional development policy, the two countries have faced surprisingly similar challenges.

While Sweden became an EU member state almost 10 years earlier than Slovakia with a considerably higher level of economic development, it considerably varies between individual regions and the accession to the EU had a major influence on the development of regional policy.

In terms of regional disparities, in both countries there is a strong centralization of economic growth in the region around the capital and surrounding cities, in Sweden it is Stockholm-Malmö-Göteborg, in Slovakia it is Bratislava-Trnava-Nitra as well as the geographical closeness of Bratislava to Vienna and Budapest. The main cleavage in Sweden exists between these fast developing, urban regions in the South and the rural regions in the northern parts of the country, while in Slovakia the major drift is between the Bratislava and Western Slovakia region and the more eastern parts of the country.

I. Policy goals

When looking at objectives set at the national level, there are significant differences in the development strategies. Sweden is traditionally a welfare state and the notion of equity and equality is present in majority of its policies. Based on its experience from the 1990s when the regional disparities were reflected in the north-south migration and the imbalances on the labor market, Sweden took a strong stance on balanced territorial cohesion throughout the country in favor of the development of local sources of economic growth in the sense that if the individual

regions are developing, it benefits the country as a whole. In contrast, in Slovakia, the main focus has been paid to the economic cohesion and the convergence of the economy to the EU average. The main goal of the policy implementation has been, firstly, to contribute to the overall competitiveness and growth of the economy, while reflecting the regional disparities and rural development seem to be a secondary aim. In the debate of policy-makers about the main approach to the allocations of the investments, Sweden leans towards more equity and a citizen-focused approach believing that growing regions will contribute the growth of the whole economy, while Slovakia leans more towards efficiency of investments looking more at the national economic convergence and economic growth that will eventually benefit the population.

II. Spending areas

During their first programming period after their accession to the EU, both countries were eligible for the funding under all three objectives. Socio-economic characteristics determine the main spending areas – enterprises, transportation, energy and environment while in Sweden the unifying mean of all programs is the attention paid to the labor market through which the government wants to achieve not only full employment but economic growth and competitiveness. In contrast in Slovakia, the main focus is on the macroeconomic level and economic growth itself, while the labor market together with unemployment is viewed as a potential drawback for growth and as a traditional spending area. Taking into account the extent of the problem in the Slovak conditions, the effectiveness of measures for a long-term effect is questionable.

Additional, traditional spending areas include the transportation and environment, while in Slovakia the main goal is building up physical and environmental infrastructure. Sweden has managed to improve the situation in these areas during its first programming periods in which it

focused on physical infrastructural projects, while in the current period the focus is oriented on the soft infrastructure and creation of networks and clusters and, in overall, policy areas with high added value and research and innovation oriented solutions. There was a shift from redistributive character policies towards policies creating spatially distributed regional growth clusters, which is also reflected in the character of the outcomes of the measures, such as new firms and jobs prevalently in the research, technology and innovation areas. In contrast, in Slovakia, the main focus is on the industry sector and the majority of new jobs are situated in industrial parks and projects have lower added value. While it is rhetorically certainly present; the attention to research and development remains rather low, which is reflected by the long-term, little ambitious goal of raising the expenditures to 1% of GDP. Taking into consideration that the past economic growth has been based on the lower price levels as a comparative advantage that might be exhausted in future; there is a lack of long-term planning and focus on creating new sources for competitiveness.

III. Implementation

There are certainly big differences in the system of implementation. Sweden is traditionally a corporatist society, even though in the case of regional policy, the EU has had a major impact on the adoption of the partnership principle and of the ‘new regionalism’ in 1997 which empowered the regional authorities to manage their economic growth. In overall, the approach is characteristic for strong focus on cooperation and decentralized interventions from the state level onto the sub-national actors. In contrast, Slovakia was a traditionally centralized state during the socialist period during which the country was governed from the federal capital Prague and so the administrative bodies lacked any experience whatsoever. On the other hand, the EU accession seemed to have induced the same process of regionalization and decentralization. However, lack

of experience and political will have hampered the process and the slow progress in shifting of powers to the sub-national actors and delays in the legal and administrative guidance negatively resulted in overall low preparedness of the actors, the absorption rate and the ability to access the available funding.

One of the major shortcomings in the case of Slovakia has been the slow rate of spending which is connected to the slow learning and training process and slow information flow. While the comparison to the Swedish practices reveals much more experience and management skills, one of the factors is considerably less guidance from the national authorities to the regional and local authorities and the social partners in Slovakia. The Swedish system of regional governance is characteristic for several levels that stress the need for cooperation, knowledge exchange and building of networks and clusters for achieving better results. Moreover, there is an immense amount of attention paid to the learning *as* doing, e.g. in the form of ongoing evaluation of ongoing projects, as well as assistance provided to the private sector in order to induce even higher participation, lesser costs, better access to information and so to finance, e.g. the establishment of the Regulation Council.

Another shortcoming that can be identified in the Slovak case is the influence of the political cycle on the implementation of the policy. In case of Sweden, regional policy making is not a matter of national high politics, its market-based character, and independence of regional authorities and cooperation with a range of societal actors led to higher efficiency and transparency that is not affected or interrupted by political struggles. In Slovakia, the continental type of centralized welfare state with redistributive policies prevailed. After the accession the management of implementation of EU structural funds became the responsibility of the ministry for regional development and the regional actors were more or less excluded from the first policy

cycles. It got directly influenced by high politics and changes of governments which are especially visible in the transportation sector.

IV. Policy outcomes

In overall, these different approaches influence the impact of the policy in countries that have similar problems. Sweden has focus on territorial cohesion and works towards creation of growth centers and sources of employment based on partnerships with regions. The general focus on increasing macroeconomic growth does not lead to diminishing the disparities between the regions. While in Slovakia there has been more attention paid at concentration of resources into areas of the greatest need during the current programming period; without adequate technical assistance and trainings from the state level for the sub-national actors and more decentralization, which compared to Sweden are not sufficient, it is not likely to lead to equalizing the levels of economic development.

Overall, the analysis of the countries objectives and the policy implementation reveal common trends as well as different approaches and outcomes. Looking at the actual outcomes, they seem to be in line with the national, in case of Sweden regional, strategic objectives. Sweden that already outperforms in most of the indicators for the Lisbon strategy and Europe 2020 goals has been focusing more on the qualitative aspects of possible policy impacts, regional partnerships and innovation- and research-oriented goals. The Swedish implementation acknowledges as its main success the increase in cooperation, the demonstrated achieved national targets, the creation of new networks that lead to new business opportunities and competitiveness. In case of Slovakia, there is a very similar trend, while the country focuses more on the macroeconomic aspects, the main economic indicators showed improving performance after the accession, which

was subsequently affected by the economic crisis. This, however, does not lead to a spatially balanced growth but creates a dependency of the less developed regions on redistributive measures. Moreover, the system of governance also demonstrates shortcomings in certain parts of the policy cycle which after all hampers the progress and contribution that the measures aim to achieve.

The system of governance plays a crucial role influencing what initiatives, priorities and requirements get translated into the strategic development documents.

Looking at the extent of Europeanization and social learning, the case of Sweden demonstrates internalization of the EU norms and principles of the cohesion policy. The case of Slovakia shows that these norms and principles are viewed as fulfillment of formal requirements and Europeanization and social learning have not been fully translated into the national policy-making environment.

CONCLUSION

The effectiveness of the Cohesion policy and the outcomes it delivers has been a subject of an extensive debate which is just in place taken into account how different the impact in individual member states is. The thesis attempted to answer the question how effective is the EU Cohesion Policy in diminishing the disparities among regions in the selected member states and what explains the variability in the policy successes across the member states.

It is based on two case studies and the analysis of three time periods in which these two countries were eligible for structural funding from the EU. Sweden and Slovakia seem to be very distinct for a comparative analysis, however, a closer look at the socio-economic conditions reveals a number of common challenges, trends and circumstances. A closer look at the impact of the policy in the domestic conditions reveals to what extent the final outcomes are shaped by the implementation phase.

Sweden is one of the most competitive economies in the EU, which is above the average GDP, however, in terms of regional disparities; it has to face challenges determined by its geographical and natural conditions – polarization of economic growth, large distances and their impact on the labor market. Influenced by the EU membership, the regional policy has taken a citizen-focused approach whose main objective has been territorial cohesion and balanced economic growth throughout the country. It emphasizes decentralization for better outcomes, the ongoing learning process and need for cooperation and knowledge exchange. As a result, not only it outperforms in the indicators set for national targets, but also it has managed to build up networks that contribute to the goals on the regional and local level.

The case of Slovakia reveals many differences in terms of implementation of the policy through the policy cycle. Even though after the accession, a process of decentralization of governance has

started, traditionally centralized governance gives little space for the sub-national actors and the regional policy is still in the influence of high politics which eventually hampers the final outcomes. The overall focus of the national strategy is shifted to the macroeconomic level and economic convergence with the rest of the EU countries, and the main attention is paid to economic growth and competitiveness. On the other hand, little has been done to improve the cohesion within the country and to find new sources of comparative advantage and competitiveness and innovations, the main spending still goes to traditional areas.

In conclusion, these two countries took different stances on what their primary objective is and how they are going to achieve it. The analysis shows how objectives set at the national level, still in line with the Lisbon strategy, can influence the final outcomes and the system of governance that shapes who can influence both the objectives and outcomes. The absorption capacities were crucial in these cases and shaped the overall character and functioning of the policy. The processes of Europeanization and social learning have advanced much more in the Swedish conditions which reveals internalization of the norms and principles of the policy, while Slovakia shows formal commitment to the norms, however, they have not been fully translated into the national policy-making environment yet.

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