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**Regional Policy, Partnership  
and Institutional Change –  
exploring the interactions  
between policy  
developments at the  
European, national and  
regional levels with  
particular focus on the  
organizational principle of  
partnership**

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## **Regional Policy, Partnership and Institutional Change**

– exploring the interactions between policy developments at the European, national and regional levels with particular focus on the organisational principle of partnership

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PhD dissertation

By Helle Hjortnæs Kristensen

March 2012

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# 1. Introduction

This dissertation is concerned with exploring the historical development of Danish regional policy-making focusing particularly on the how change has been generated as a result of the interpretation and implementation of the EU partnership principle into the Danish context. Within Danish regional policy research, the development of the regional policy-making institution as result of the implementation of the partnership principle has been characterised by path-dependency and critical junctures, such as the 1988 reform of the Structural Funds constituting the deviation from that path (Halkier, 2001). This research proposes an extended framework to confront these results. On a more general level, most studies, including the Danish research, of the implementation of the partnership principle have been carried out within the multi-level governance framework with multiple levels of government influencing the process. Their focus need to be sharpened based on a re-interpretation of the partnership principle definition with different theoretical and empirical implications than those proposed by the multi-level governance framework.

During the past decades, the institutional developments of the EU<sup>1</sup> have taken a turn towards new modes of governing. Policy-making in the EU has become characterised by delegation of authority to supranational, sub-national and private actors from the nation state, and the appearance of networked forms of governing that spread across territorial levels or policy areas (Conzelmann, 2008, 12). These new ways of governance and thus the way policy is made, alter the institutional framework in a broader sense. From one perspective, policy-making has become an interconnected task of different levels of government. Multi-level governance as an approach is concerned with the shifts in horizontal relations between state and society and the changes in the vertical relations between actors at different levels that have occurred in the European Union over the past decades (Hooghe 1996a, Hooghe and Marks, 2001). A similar perspective on how EU policy-making has influenced policy-making and altered the institutional framework in the member states, Europeanization, offers a theoretical approach for understanding important changes occurring in politics and

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<sup>1</sup> The EEC, the EC and the EU all refer to the 'same creature'. The EEC is the 'name' of the initial cooperation among the six founding members of European cooperation after World War 2 also known as the European Community (EC). The Maastricht Treaty established the European Union (EU) and its new three-pillar structure where the EU gained more responsibility in some policy areas such as Economic and Monetary Union (EMU). The change in 'name' of European cooperation reflected the changed structure of the cooperation (Dinan, 1999). When referring to specific events taking place within the EU/EC context before 1993 the term EC will be utilised, whereas the term EU will be utilised when referring to specific events occurring after 1993.

society. “Europeanization is understood as “the reorientation or reshaping of politics in the domestic arena in ways that reflect policies, practices or preferences advanced through the EU system of governance”” (Bache, 2008a, 9). Inherent in this approach is that EU policy-making generates change in the member states either constituting policy change, institutional change or change of politics, and that the degree of change depends on the compatibility between member state and EU policy, regulation or practices.

One policy area has received much attention concerning the consequent complex governance and impact on the member states’ institutional structures and relations between actors within the corresponding member state policy-making: EU regional policy. Many studies have been carried out on the governance of EU regional policy since it was first prioritised to be an EU concern in the mid-1980s. The establishment of the EU’s regional policy, and the structures that were to guide the management of the policy within the member states, has been widely agreed to be highly innovative when thinking about ‘governance’ as compared to government (Hooghe, 1996a, 2). For the first time a common EC regional policy with EC wide conditional demands was introduced forcing the member states to adjust to these demands. Previously, regional policy-making was a national level responsibility in which the EC generally did not interfere; regional policy support was based on a quota-based approach where the member states received a quota of the EC budget for regional development, but remained overall responsible for the implementation and employment of the funds according to the national level regional development objectives and organisation (Bache, 1998, Michie and Fitzgerald, 1997, 16-20). With the 1988 reform of the Structural Funds, this structure changed completely.

The most noteworthy innovation in this regard is the ‘partnership principle’ which requires member states to involve partners at various governmental and non-governmental, public and private levels in the implementation of EU regional policy in national contexts. This principle has allegedly had the most impact on the member states in their interaction with the EU on regional policy implementation by reshaping governance structures. As such, the emphasis on partnership was couched in the language of policy effectiveness, but the changes that this would entail, could potentially have considerable political and organisational implications (Thielemann, 2002, 48). In the words of Scott (1998, 181) “the promise of partnership lies in the nature of the polity which it seeks to construct.” It rests upon a shared responsibility across different levels of government, and that the Commission conceives the member states as more than single entities and imposes a role for sub-national actors

which may not be compatible with traditional patterns of governance within the member states.

Since then, a large volume of research has been carried out on how this changed organisational framework for implementation and employment of EC/EU regional policy has been applied in practice and how it has established new modes of governance in the member states (Bache, 2010, Bachtler and Taylor, 2003, Polverari and Michie, 2009, Brunazzo, 2007, Kelleher et.al., 1999, Roberts, 2003, Jones, 2001 to mention a few). The general conclusion from these studies is that implementing the partnership requirements has been a gradual process of adaptation and inclusion of vertical and horizontal actors, although member state experiences vary (Brunazzo, 2007, ECAS, 2009). These studies have also concluded that the specific institutional tradition in the member states shapes the implementation of the partnership requirements, a point that deserves closer attention because it has consequences for the practical implementation of the requirements and may, thus, lead to a different conclusion than initially reached. It is not adequate to make such a conclusion without investigating matters more closely.

In order to understand how the interpretation of the partnership principle based on the member state's institutional traditions shapes implementation, it is necessary first to return to the actual formulation of the partnership principle. In the 1988 reform of the Structural Funds, the partnership principle defined partnership as follows:

*“through close consultations between the Commission, the Member State concerned and the competent authorities designated by the latter at national, regional, local or other level, with each party acting as a partner in pursuit of a common goal. These consultations are hereinafter referred to as the ‘partnership’” (Council Regulation (EEC) No. 2052/88, Article 4, §1)*

This definition is clearly open to interpretation, but it may be argued that the partnership principle involves specified actors to implement the EC regional policy in the member states, which may be regarded as an ‘inclusion’ requirement. Partnerships are to be composed of Commission, member state actors as well as ‘competent authorities’ at national, regional, local and other level in the member state. Hereby, an expected multi-level inclusion of actors should be at the heart of partnership. Next, the partnership involves ‘close consultations’ between the partnership actors, pointing to some kind of relations between the partners regarded as a ‘process’ requirement. Thus, partnership is both concerned with the inclusion of actors and the consequent relations that these engage in, in order to implement the

policy in the member states. However, it should also be noted that the implementation of the partnership inclusion and process requirements does not necessarily imply that a 'partnership' is the actual outcome. According to Åkerstrøm Andersen (2006), partnership is not just any process where a number of actors operate; it is concerned with 'partnering' – a dynamic process of making promises to make promises about future cooperation as a reaction to the changing context in which the partnership operates. In a sense, it is about mutual relations between partners who agree to adjust the partnership along the way according to changes in its immediate environment influencing its operation. Accordingly, the Åkerstrøm Andersen definition is more than just a formal requirement to include actors and limited representation of interests, as the partnership principle allegedly suggests in its most narrow interpretation.

Next it is necessary to investigate the member states' institutional compatibility with the partnership requirements, as it has been argued that the actual implementation of these partnership frameworks depends on the interpretation of the member states, and how well the partnership structure fits with existing national practices and institutional structures (Kelleher et. al., 1999). It may then be expected that specific national models of partnership have been developed based on the general partnership definition. Exactly because of the expected variations in partnership approaches, it is important to notice that an in-depth analysis of each of the individual member state institutional structures is required in order to establish these differences. This research will initiate such an investigation by looking at one member state: Denmark. Denmark is a small member state where it is possible to observe a peculiar balance between decentralisation and centralisation in the political system. Another criteria for choosing Denmark, is that it is an understudied member state compared to member states like Germany, Britain and France which have been widely studied. Evidently, the Danish interpretation of this definition and attached inclusion and process requirements may influence the practical employment of the principle into the existing institutional organisation for regional policy-making.

## **1.1 Research Questions**

The purpose of this study is to explore how Danish regional policy-making has changed during the course of time with particular emphasis on the interpretation and implementation of the EU partnership principle inclusion and process requirements. The research area is explored through investigation of the following questions:

**What types of change, if any, have been generated in Danish regional policy-making as a result of the Danish interpretation of the organisational requirements of the EU partnership principle until 2006? That is,**

- **which consequence has the interaction between Danish regional policy-making and the EU partnership inclusion requirements had for the inclusion of and relations between partners in Structural Funds implementation and why?**
- **to which extent has the coordination between Danish regional policy-making and the EU partnership process requirements resulted in a partnership process?**

Such an investigation will encompass a historical analysis of the development of the Danish regional policy-making institution. Focus is thus on how the Danish regional policy-making institution has developed independently from the requirements of the partnership principle, as well as to identify the changes that expectedly happened in the consequent implementation of these requirements after 1988. As the partnership principle has been extended in succeeding reforms in 1993 and 1999, it may be expected that the changed partnership requirements influence the practical partnerships in Danish regional policy-making. Similarly, developments in the Danish regional policy-making institution may be expected to influence the practical employment of the partnerships. The Danish regional policy-making institution has been shaped around increased decentralisation of competences to the regional level through different government Acts and public sector reforms, which culminated in a wide-ranging reform of the local and regional government responsibilities in 2005 coming into effect by 2007. The changed set-up also influenced the regional policy-making organisation in that regional policy-making became a statutory responsibility of the regions, whereas before it was based on voluntariness. Similarly, at the regional level a new partnership organisation was set up to implement regional policy based on the statutory responsibility of the regions (Halkier, 2008b, Illeris, 2010, Gjerding, 2005a and Halkier, 2007). The post-2007 regional policy institution may be regarded a completely different set-up for regional policy-making as partnerships became statutory and based on a different organisation than before 2007. Moreover, in 2006 agreement was reached to implement a fourth reform of the Structural Funds for the 2007-2013 programming period. Accordingly, 2006 appears to be a reasonable year to make a dividing line framing the historical analysis of the development of the Danish regional policy-making institution.



It has been argued in existing research of the implementation of partnership requirements that gradually the member states' institutional organisation adjusts according to these requirements depending on the member states' own institutional organisation. Thus, it may be regarded as a meeting or interaction between two regional policy-making institutions that generates change in one. Understanding the historical development of the Danish regional policy-making institution is key to understand the interpretation of the partnership requirements, as the partnerships are expected to be implemented into the existing Danish regional policy-making institution. Implementing partnerships is unavoidable, but the nature of those partnerships may vary according to prior experience with cooperation across levels of government. Historical institutionalism offers a theoretical perspective for analysing the interaction between the two regional policy-making institutions arguing the institutional structure is historically rooted, and has gradually developed based on both internal (actors) and external (other institutions) conditions and events. Focus is on how decisions made in the past shape present decisions, and how institutions may change in the meeting with other institutions based on the reactions of actors within the institution (Mahoney and Thelen (eds.), 2010, Hall and Thelen, 2009, Pollack, 2004). Thus, historical institutionalism offers two interrelated tools to utilise in this analysis: first it is able to analyse the context and the background to the institutional context into which the partnership requirements are implemented. Second, it offers tools to analyse the evolving interaction between the two institutions, i.e. the partnership principle and the national regional policy institutional structure. As the overall aim of this research is to explore and determine the types of change generated in the interaction between Danish and EU regional policy-making, historical institutionalism constitutes the back bone of the analysis.

Within the historical institutionalist framework, network governance presents an appropriate conceptual tool for analysis of the specific organisation of the regional policy-making organisation, expectedly based on a partnership approach. Based on the existing institutional organisation of Danish regional policy-making, the partnership principle is interpreted and implemented into the Danish organisation, expectedly leading to the establishment of partnerships. Arguably, partnerships resemble networks in terms of inclusion and relations between actors involved. Network governance analyses the inclusion (and perhaps exclusion) of actors in the implementation process based on the argumentation of resource dependencies; actors are involved in networks because they bring certain resources to the network that the network members are dependent on and do not bring themselves (Sørensen and Torfing (eds.), 2007, Sørensen and Torfing, 2005 and Klijn and Koppenjan, 2000). To some extent the network approach is also able to analyse the process aspect of

partnerships through network interaction tools: how the roles played by the actors and the consequent exchange of resources shape the network process. But in order to fully understand how the process requirement of the partnership principle is interpreted, a specific variant of network governance concerned with the difference between networks and partnerships aids to this analysis. Network relations do not necessarily imply partnerships in a way that the partnership principle implies. As Åkerstrøm Andersen (2006) argues, partnerships resemble networks but are not networks in that partnerships are based on 'partnering' as explained above.

## **1.2 Structure of the Research**

The following outlines the chapters constituting the research. The research is structured according to the theoretical and empirical ambitions of this research.

The first chapter following the introduction (*chapter 1*) and methodology (*chapter 2*) can be considered an extended introductory chapter that sets the stage for the theoretical and empirical parts of this research. Thus, *chapter 3* seeks to describe in more detail the backgrounds and ambitions of the research, and may thus be regarded as a kind of case description preparing the ground for the theoretical considerations in the following chapter.

*Chapter 4* is the review of the theoretical perspectives used for the analysis of the empirical data. In this chapter, the theoretical foundation necessary for exploring the Danish interpretation and implementation of the partnership requirements and how this has generated change in the Danish regional policy-making institution is established. Arguably, historical institutionalism and network governance serve as the theoretical entry points into this investigation. Historical institutionalism serves as the overall theoretical framework for understanding institutional change and stability. Change to the Danish regional policy-making institution may be expected as a result of the interpretation and implementation of the EU partnership requirements over the course of time, both in terms of inclusion of actors as well as in terms of the relational processes that are expectedly created from the inclusion of actors. In the historical development of institutions, networks are established. In Danish regional policy-making they are the expected result of the implementation of the inclusion and process requirements of partnership. The network governance perspective explains the establishment, functioning and governance of networks. A more specific approach to networks is presented by Åkerstrøm Andersen (2006) who offers a definition of partnerships to be understood within the network framework. Partnerships resemble

networks but distinguish themselves from networks in that they are based on what Åkerstrøm Andersen labels 'partnering'.

*Chapter 5* presents a comprehensive review of the existing literature on the experience with implementing the partnership principle in the member states since its first introduction in 1988. Variation in the member states' implementation of the partnership principle has been found across the research, but agreement is reached that generally partnerships have been established in the member states reflecting the gradual adaptation to the requirements based on the member states' institutional organisation. This review identifies that existing research has been particularly focused on the vertical forms of partnerships, and that horizontal forms of partnerships have not been analysed to the same extent. This may be so for several reasons. However, this points to one research void, among others, in existing research that needs to be filled. Hereby, the aim of the literature review is also to be able to firmly situate my research in the existing research by pointing out the contribution of this research to the existing volume.

*Chapter 6* is the first of three analytical parts that are interrelated through the theoretical foundation, where historical institutionalism frames the entire analysis of the development of the Danish regional policy-making institution. Thus, historical institutionalism will guide the first sub-analysis towards analysing and explaining the specific characteristics of Danish regional policy governance that was established and has developed since the 1950s, since these characteristics may influence the interpretation of the partnership principle requirements. Historical institutionalism should be able to identify specific developments of Danish regional policy governance, characteristic of 'the Danish way of conduct'. Hereafter, it will be possible to analyse how these particular characteristics have changed due to coordination with the requirements of the partnership principle into Danish regional policy-making, and how they may also have shaped the coordination between Danish regional policy-making and EU partnership organisations. Therefore, the independent development of the Danish regional policy-making institution is analysed in the first of three analytical chapters. The historical development of the Danish regional policy-making institution was initiated prior to the introduction of the parallel EC regional policy in 1988. The analysis of the Danish regional policy-making institution is extended to after 1988, as well, as internal changes to the institution also took place independently of the parallel EC/EU developments. This analysis is necessary in order to be able to evaluate whether the changes to the Danish regional policy-making institution happened as a reaction of the establishment of a competing EC level institution, or whether internal developments have similarly influenced that development. Moreover, understanding

the historical development of the Danish regional policy-making institution is necessary as the partnership principle itself highlights the relevance of existing institutional, legal and other member state characteristics for its interpretation as will be seen in chapter 3.

Based on historical institutionalist tools, *chapter 7* is concerned with the historical developments that took place in the interaction between the Danish and EU regional policy-making institutions building on the findings of chapter 6. It is found that the Danish regional policy-making institution was gradually adjusted to the requirements of the EU counterpart leading to increased multi-level governance, a functional division of responsibilities and elevation of the regional level. One specific type of change is analysed in more detail: the establishment of regional level competences to implement regional policy – both national and EU. This is perhaps the most obvious evidence of change in Danish regional policy-making after the introduction of the partnership requirements in the 1988 reform of the Structural Funds. The establishment of the regional level capacity has further consequences for regional policy-making in Denmark in terms of inclusion and process. North Jutland serves as a case study<sup>2</sup> of the establishment and development of regional level capacity. Thus, the main focus is on the regional level organisational structure in Danish regional policy-making that had been established since the mid-1980s and its further development and institutionalisation. With the changed definition of the partnership principle in the succeeding reforms of the Structural Funds, the regional level institutional structure can be expected to change accordingly.

*Chapter 8*, the final part of the tripartite analysis, is concerned with the development of the practical employment of partnerships in Denmark by applying a combined theoretical approach of historical institutionalism, network governance and Åkerstrøm Andersen's definition of partnerships. Historical institutionalism is used as a tool to explore the historical development of partnerships, whereas network governance and Åkerstrøm Andersen serve as a lens through which the interpretation and implementation of the partnership principle into networks or partnerships are analysed; how are the partnerships composed and why? What are the relations among the partners? The partnership principle requires partnerships at various levels of government, which has led to the functional division of responsibilities in Danish regional policy-making. Accordingly, seen from the Danish perspective, partnerships existed on four levels: EU, national, regional and local. Based on this division,

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<sup>2</sup> The choice of case study is argued for in the following methodological chapter.

individual partnerships are explored in terms of development of inclusion and process, although emphasis is on the regional and local levels, which according to the functional division of responsibilities, are responsible for the actual implementation of EU regional policy. It may be expected that the most comprehensive partnerships are found at the regional and local levels. Thus, the core focus of this analysis is on the development of partnership experiences at the regional and local levels. North Jutland serves as a case study of this development.

*Chapter 9* contains a conclusion to the research. In this chapter, an answer to the research questions presented in the above is presented. Moreover, a few reflections concerning the contribution of this research upon completion of this dissertation are offered.

## 2. Methodology

The following is a discussion of the methodological choices on which the research area and the formulation of the research question are based. Furthermore, in recognition of the fact that methodology shapes the way empirical data is collected, this aspect of methodology is also accounted for and discussed in the following.

### 2.1 Hermeneutics

The aim of this research is to explore the *historical process* of change of Danish regional policy-making until 2006 based on the *interpretation* and implementation of the inclusion and process aspects of the EU partnership principle. Thus, the present research is historical in that it explores “the meaning and relationship of events [through] primary historical data... in order to establish facts and draw conclusions” (Walliman, 2001, 88). In other words, historical research is concerned with discovering events of the past and learning how these events have shaped contemporary problems, issues or events. An important tool when carrying out such research is interpretation and understanding of the events and their meaning.

Social sciences are concerned with understanding meaningful human action. Within the social sciences, hermeneutics, as the ‘art of interpretation’, is the most obvious point of departure for such an analysis with its specific focus on processes of understanding. Moreover, hermeneutics is about understanding parts of the whole to understand the whole and vice-versa referring to the hermeneutic circle (Abulad, 2007, 11 and 16-7). Understanding involves movement back and forth from the parts to the whole. The advantage of applying this approach is that the analyst is able to go back to the object of analysis throughout the process again and again as the body of knowledge is extended, and revise and reinterpret the body of analysis based on the newly-obtained knowledge, thereby extending the understanding of the object. This implies that hermeneutic approaches are neither inductive nor deductive in the sense that inductive reasoning goes from the specific to the general (conclusions drawn potentially lead to the development of new theories) and deductive reasoning goes from the general to the specific (with the purpose of testing existing theories) (Gadamer, 2004, xvii and Benton and Craib, 2001). In the hermeneutic process of working, induction alone is difficult because the researcher often has pre-understanding that influence the interpretation of the study. Deduction on its own is similarly difficult as the hermeneutic movement between parts and the whole (i.e. theory and empirical data) does not lead to theory testing as such. Accordingly, the hermeneutic process is the interplay between induction and deduction, which is also

the basis of this research as will be explicated later. Originally, hermeneutics was concerned with the interpretation and understanding of texts, but it has been extended to include also verbal and non-verbal forms of communication. Thus, meaning is related to people and their actions (Kvale and Brinkmann, 2007).

Gadamer, a prominent hermeneutic philosopher, offers the most viable framework for carrying out this analysis through the process of understanding the historical events and circumstances that generate change in the future: “what one understands of such a text is thus a product of long years of collective readership and its meaning is therefore the work of history” (Abulad, 2007). According to Gadamer, knowledge is the product of achieving and understanding the development of history where history is the development of a common aim. In order to understand such history, we are compelled to make ourselves part of the history out of which it emerged (Gadamer, 2004, xvi). This implies that understanding is historical and that the nature of human beings is historical and open to historical change (Benton and Craib, 2001, 104) leading back to the hermeneutic circle process. According to Gadamer’s perception of the hermeneutic circle, the new understanding of an object or event makes up a new frame for understanding future events or objects that can be revised repeatedly. In the hermeneutic process, interpretation and understanding are linked, meaning that interpreting a text or an event leads to the understanding of it (Gadamer, 2004, xviii). It is inherent in this perspective that human beings are social units or social constructions of history.

## **2.2 Social Constructivism**

Social constructivism fits neatly into the hermeneutic interpretation and understanding of historical developments, as it is concerned with how human beings create and manoeuvre in the world (i.e. social reality) through social construction and reconstruction. In this sense, social constructivism “underlines the importance of double hermeneutics.” (Marcussen, 2000, 8) In other words, what the social scientists set out to interpret or understand has already been interpreted in the social world. The general framework presented by Berger and Luckmann (1966) constitutes the outset of this methodological foundation helping me to frame the choice of my theories by offering meta-theoretical propositions.

According to Berger and Luckmann (1966), social constructivism has three core assumptions. First, the individual or the actor is considered to be a social creature ‘born with a predisposition towards sociality’. The actor thus internalises and develops existing knowledge about reality through interaction with other actors, thereby

creating and institutionalising new knowledge about reality. Based on these social processes, the actor discovers a personal identity. The ability of the actor to understand the complexity and variety of the reality (the social world) is not unlimited, however. The actor holds limited cognitive capacity which in turn forces the actor to simplify, categorise and systematise parts of the perceived world, because he/she needs cognitive stability. Therefore, the actor tends to habitualise activity, thus embedding the meaning of the activity in routines. Therefore, the actor can utilise a series of available instruments to stabilise reality through habits or institutions. The same process can be seen with groups of actors who through the same process of interaction institutionalise knowledge. This way knowledge becomes taken for granted or an assumption by the group. This institution is vulnerable to change (Berger and Luckmann, 1966, 69-76 and 149).

The second assumption of Berger and Luckmann is concerned with 'what we know', reality. What is perceived as reality is continuously reconstructed in a process of interaction between actors. Knowledge is context-dependent and relative concept. This implies that reality and knowledge develop over time based on the constant internalisation of new knowledge in a process of socialisation. In this sense, the actor adjusts his/her perception of reality to the constant acquiring of new knowledge (Berger and Luckmann, 1966, 175-7).

The final assumption is concerned with how the researcher makes 'claims about social action'. Here, it is necessary to have knowledge about the relationship between structure and agency and realise that they are mutually constitutive. This implies that reality is constructed in the social relationship between actors but within the framework of social structures. These social structures may be changed by the construction of reality, however. Thus, when making claims about social action, it may be necessary to 'freeze' social structures in order to study the interaction, like it may be necessary to 'freeze' social interaction in order to study social structures (Berger and Luckmann, 1966, 183-95). According to Berger and Luckmann, the best way to understand the relationship between structure and agency in social science is to supplement historical studies with contemporary comparative studies – "possibly through longitudinal empirical studies of how institutions come about in the first place and thicken in social processes." (Marcussen, 2000, 7) This is exactly the foundation of the present study; to analyse the historical institutional development of the interpretation and implementation of the inclusion and process aspects of the partnership principle into a Danish regional policy-making institution.



To sum up, social constructivism provides me with a methodological framework to choose theories suitable for application in the empirical analysis: the interpretation and implementation of the partnership principle is a social construct made by actors or groups of actors who institutionalise their perception of reality. This reality or institution may be changed during the course of time as actors acquire new knowledge, or as they respond to the changing reality surrounding them. In this connection, it is also important to take the relationship between structure and agency into consideration when choosing theories. Based on these considerations, historical institutionalism and network governance are arguably reasonable choices, as both are concerned with how the interaction of actors or groups of actors influences the institution or the network. The institution and the network constitute the norms and social constructs in which the actors interact. In order to understand the process of construction and reconstruction of social reality, one has to study the relationship between the actor and the social structures (norms and institutions) in a hermeneutic process, or as in my research, the role played by actors (i.e. representing an organisation or geographical area or other) in the network and its relation to the network and other network members.

## **2.3 A Qualitative Approach**

Whereas the above was concerned with the ontological and epistemological considerations framing this study, the following section is more concerned with the practical employment of the research strategy to be carried out through the employment of hermeneutic processes moving from parts to the whole and vice-versa, in order to be able to consider how actors in regional policy-making create and interact in that world leading to institutionalisation and potential change of the institution.

Based on the above considerations, the preferred strategy for this study is a qualitative approach. The quantitative approach, in contrast, is not a viable strategy to carry out a hermeneutic, social constructivist study, in that quantitative approaches are generally concerned with quantity and the question of 'how many?' (Miller, 1995, 154 and Gerring, 2009, 33) The difference between a quantitative and a qualitative study of networks is whether the network is treated as the unit of analysis (quantitative), or whether the network is seen to compose of units of analysis such as actors or organisations within the network (qualitative) (Wassermann and Faust, 2007). Had I engaged in a quantitative study of the partnership principle implementation for instance, I would have been able to establish how one network or partnership is organised compared to other networks in other regions, but I would not

be able to identify the relational ties inside the partnerships between the individual actors and understand how their relations have contributed to the governance of the partnership or network. Thus, a quantitative approach is concerned with mapping the relations within the network according to dyadic or triadic relationships “to formulate mathematical models for behaviour of triples of actors” (Wassermann and Faust, 2007, 15). In this sense, applying a quantitative approach would for instance lead to measuring of network attributes and sorting them into categories, or mapping the relationship between the partners in the network/partnership, which is not the intention of this study. Moreover, in order to measure quantity, the sample under investigation must necessarily be larger than two cases. Rather the aim here is to identify and explore the historical development of the interpretation and implementation of the partnership principle inclusion and process requirements into the existing Danish regional policy-making institution and how this has generated change in the Danish regional policy-making institution. This study of historical processes requires a qualitative approach that involves the interpretation of processes and social interaction that cannot be measured or quantified. Qualitative research is most often applied where “the aim of research is to explore people’s subjective experiences and the meanings they attach to those experiences... [or] in the study of processes” (Devine, 1995, 138). Moreover “the distinctive need for case studies arises out if the desire to understand complex social phenomena” (Yin, 2003, 2). Moreover, qualitative research is the preferred strategy, when the aim is to analyse a case into depth rather than large-N cases in a quantitative sense (Gerring, 2009, 48-50): “the fewer cases there are, and the more intensively they are studied, the more a work merits the appellation “case study”” (Gerring, 2009, 20).

### **2.3.1 An Explorative Case Study Approach**

In the first place, the choice of case study approach depends on the type of research question posed: research questions focusing on ‘what’ are generally explorative in nature; they aim at exploring the patterns in the case in order to make propositions for further inquiry (Yin, 2003, 5-6). My research question is based on ‘what’ and an interest in discovering new information about the chosen subject.

Moreover, to my knowledge, no similar case study of the development of Danish regional policy-making has been carried out until now. Therefore, my study may be regarded as an exploratory case study, in the sense that the aim is to investigate a historical process that has not been examined before with the objective of acquiring new knowledge of the area of study. Until now, only fractions of that historical development have been identified, and often a different theoretical frame of analysis

has been employed to investigate aspects of my case. However, a comprehensive picture of this development has not been gathered. The explorative analysis of the Danish interpretation and implementation of the inclusion and process requirements of the partnership principle and how it expectedly has generated change in the Danish regional policy-making institution, is an analysis concerned with two parts of a whole: first, as argued in the introduction, the interpretation of the partnership requirements depends on the existing national regional policy-making institution and its development throughout history. Thus, partly, the analysis is concerned with the historical development of the Danish regional policy-making institution independently from the EC/EU regional policy-making institution developing alongside that arguably interfered with the national counterpart when it is implemented into the national regional policy-making institution. Second, the analysis is concerned with the actual interpretation and implementation of partnership requirements in the interaction between the Danish and EC/EU regional policy-making institution and how this development is translated into a Danish approach to partnership.

The aim of this study is not to be able to make generalisations about Danish regional policy-making based on one case study, but to explore how the interpretation and implementation of the partnership principle in Denmark generated change in the Danish regional policy-making institution by employing a new theoretical framework that has not been employed in regional policy research before. Thereby, through this analysis, I am able to expand on existing theory. Although, voluminous research has been carried out regarding the implementation of the partnership principle covering many member states, to my knowledge none of these analyses have employed the theoretical framework proposed in this research. Despite this, a number of researchers have agreed that the member state's regional policy-making institutional organisation is key to understand the implementation of the partnership principle; those studies have traditionally employed the multi-level governance approach to identify the types of governance generated from the interaction between the member states' and the EC/EU regional policy-making organisations. They have not applied the historical institutional approach to understand how the member state's institutional organisation shapes the implementation as their aim differed from my ambition. Therefore, based on the exploration of my case this research proposes a theoretical framework that may be employed in future research with the same objective. Thus, analytical generalisation is to a theory or theoretical framework of the phenomenon studied; a theory or a theoretical framework that may have wider applicability than the particular case studied (Yin, 2003, 37). In other words, the results of such study may contribute to the development of a theory or a theoretical framework to be employed in similar case-studies within other member states with similar or different

regional policy-making institutional organisations. This implies that the explorative case study may be considered both inductive and deductive in approach moving from, on the one hand, testing of existing theories through the employment of an empirical case study, to, on the other hand, the development or emphasis of the suggested theoretical framework based on the conclusions drawn from the case study.

This analysis is an in-depth single-case study of one region in Denmark with 'embedded multiple units of analysis' (Yin, 2003, 42-3) in order to explore how the interpretation and implementation of the partnership principle has developed over the course of time in terms of inclusion and process. The region chosen may thus be considered the case study, but within that region a number of actors and organisations are involved to various degrees in regional policy-making, and thereby in the North Jutland partnership for implementing EC/EU regional policy. All these sub-units should be taken into consideration when exploring the inclusion and process of the partnership as they all individually influence the partnership. These embedded units may be regarded as parts of the whole which hermeneutics refers to; understanding the whole implies that the parts should be analysed together by making connections back to the whole.

In order to accomplish this explorative case study, I make use of different types of triangulation of data by combining knowledge obtained from qualitative interviews, analysis of primary documents and secondary analyses carried out by other researchers to construct a complete picture of the development, as well as 'internal triangulation' within the interview data to ensure that the 'storytelling' of the interviewees is in accordance with the actual partnership process. Qualitative interviews are employed in order to go into depth with specific processes and events: the interviewees, having been part of the historical development, hold information about the process aspect of the partnership principle in particular that is not obtainable in either document analyses or secondary analyses. The process aspect of the partnership principle is concerned with the relations among the partners included in the partnership, which can only be understood and interpreted by the researcher through the recollection of those partners involved and not through document analysis as relational processes depend on the perception of the involved partners. It should also be recognised that the various partners involved may not have the same recollection of the same event, for which reason it is crucial to regard several perspectives. Thus, the knowledge, understanding and perspectives of the interviewees may be used to go into depth with the development of the inclusion and process aspects of the partnership in Danish regional policy-making. As this research is concerned with the Danish 'interpretation' of the partnership principle, the

interpretation as it has been perceived by those actors involved in the partnership is crucial to its implementation and thus to the answer to my research question. Thus, it is possible to 'internally' triangulate the findings of the qualitative interviews as the interviewees may have different perceptions of the same issue or process. When triangulating these different statements, I can ensure that the findings are the facts (to ensure validity).

Moreover, the interviews are used to support the information found in both primary and secondary sources and vice-versa concerning the inclusion of actors as well as the historical development of the Danish regional policy-making institution. Primary documents inform the researcher about the decisions reached concerning the policy (such as rules and regulations) whereas other types of primary documents provide the researcher with information about the process (such as annual reports). The primary documents are used to situate specific developments according date; to illustrate the legal development of the Danish regional policy-making institution; as well as to illustrate the outcome of the decision-making process pointing towards a development. Secondary sources are employed when it has not been possible to obtain first-hand information about developments taking place. One of the problems with carrying out historical analyses and relying on first-hand knowledge is that the actors involved may have difficulty remembering specific events taking place for instance 20 years ago. In such cases, the findings can be supported by similar secondary research carried out around that time when the actors were actually involved in the process. However, sometimes such analyses have not been carried out which leaves the researcher with an information void.

### **2.3.2 Selecting the Case**

Above, it was mentioned that a single-case study with embedded units has been preferred, as it is possible to go into depth with the case rather than settle with a more 'superficial' comparative or cross-case study. The choice of a single-case study appears to be straightforward as the definition of the partnership principle itself calls for a complex organisation of relations through its process requirement leading to an expectedly proportionate complex organisation of the analysis. In such a complex analysis framework, a single-case study is preferred in order to explore every corner of this relationship. In a comparative case study for instance, it is not possible to explore all relations within the different partnerships and then compare them to each other within the timeframe available to this study. In the single-case study, one region in Denmark has been selected to explore the historical development of the interpretation of the partnership principle inclusion and process requirements,

namely North Jutland. First of all, the reason for choosing one region in Denmark, rather than for instance three in a comparative case study design, is that a comparative case study of three regions in Denmark with different 'development-relevant resource configurations' has been carried out of the 1994-1999 programming period. Despite the most-different regional approaches, it was concluded that "all in all the situation with regard to inclusiveness and accountability appears to be characterised by similarities and consensus: the "rules of the game" are the same in each of the three regions, something that suggests that they reflect national preferences... a "Danish model" of partnerships with regional economic development policy would seem to be in evidence" (Halkier and Flockhart, 2002, 81). So, the researchers conclude that despite choosing the most-different case study design, the evidence found in each region is similar leading to the conclusion that it is possible to detect a 'Danish approach' to partnership, and that either case may be equally illustrative. Thus, this argument lends support to my choice of employing a single-case study. It is adequate to explore one region's experience with interpreting and implementing partnership as an illustration of the historical development of Danish regional policy-making. Next, a region that has a historical experience with working in partnership and that has received EC/EU Structural Funding since its introduction should be preferred. In Denmark, only one region has had this experience: North Jutland. In fact, North Jutland is a pioneering region in Denmark and had the first-ever experience with EC programming and partnership and has since then been engaged in EU regional policy implementation. Moreover, North Jutland is an illustrative case in that the region is characterised by a versatile business structure with the potential of involving a wide variety of actors into the partnership, especially horizontal actors, enabling me to acquire a deeper understanding of horizontal relations than has previously been the case in most studies of the implementation of regional policy, and in particular in the Danish context.

### **2.3.3 Planning Data Collection**

When carrying out qualitative research, six types of data sources can be investigated, according to Yin (2003): documents, archival records, interviews, direct observation, participant-observation and physical artefacts. As mentioned above, this study uses three types of sources, namely qualitative interviews, document analysis and secondary research to support the whole picture, when it is not possible to collect primary data. The following section is concerned with the planning and execution of the qualitative elite interviews used to explore the partnerships in North Jutland, as well as elite interviews that illuminate the historical development of Danish regional policy-making, both independent of the EC/EU counterpart and the interaction

between the two. Elite interviews are the preferred approach as they reveal the perception of the involved actors of the inclusion and process aspects of the partnership in North Jutland, which the analysis of primary and secondary data may not be able to reveal. In an elite interview, the interviewees are selected because they hold a specific, professional position in relation to the object of study, like they hold special information of the object of study due to their central involvement in the network or other organisation (Aberbach and Rockman, 2002). Interviews present the interviewees with the possibility to describe and illuminate specific events, relations or processes that may provide a rich set of data of special interest to the research seen from an insider's perspective. The interviews may reveal information that the researcher may not have anticipated or have knowledge of as an outsider.

Accordingly, two types of interviews have been planned and carried out. Both interviews are semi-structured, which according to Kvale and Brinkmann (2007) "seek to obtain descriptions of the life world of the interviewees with the aim to interpret the meaning of the described phenomena" (translated from Kvale and Brinkmann, 2007, 45) through the formulation of an interview guide<sup>3</sup> which focuses on specific topics of interest and can contain suggestions to questions. A semi-structured interview is a combination of an everyday-conversation and a closed questionnaire. In structuring the interviews in this manner, the interviewees are to some extent in a position to influence the contents of the interview, while the interviewer is able to take the 'conversation' in different directions if the interview gets side-tracked. Moreover, the interviewer can follow up on statements of specific interest or new information that need elaboration. Thus, the interviewer may get information that he/she have not expected through the 'storytelling' of the interviewees. In this sense, semi-structured interviews enrich the empirical foundation of the researcher. Another benefit of this type of interview, is that during the course of the interviews I, as a researcher, am able to develop the questions to be asked in the next interview, so that interviewee X may respond to or elaborate on what interviewee Y told me in the previous interview. Thereby, I am able to develop my understanding of the partnership organisation, so that every detail is unveiled. It can be compared to creating a layer cake: you can continue to put layers on top of layers until the cake is done. In the same way, the interviews can be considered layers of information that are laid on top of each other until the level of information is saturated. One of the pitfalls, however, of semi-structured interviews is that the interviewer is 'participating' in the interview and risk to influence the 'conversation'. Thus, the

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<sup>3</sup> See appendix 1 for the interview guides.

interviewer has to be careful when responding to the interviewees and remain 'neutral'.

The first type of interview was partly conducted with an interviewee who played a central role in Danish central level regional policy-making in order to obtain information about the historical development of the independent Danish approach. In the analysis of the historical development of Danish regional policy-making, this information was combined with secondary and primary documents ensuring validity of the information provided by the interviewee as well as to supplement the information found in the primary and secondary data. Partly, the first type of interview was also carried out at the regional level experiencing a historical development of regional level capacity to implement EC regional policy. Here, an actor who was directly involved in the planning and establishment of the first-ever regional institution was interviewed. The first type of interview was concerned with the institutional developments of the national and regional level institutions for regional policy-making. The second type of interview was concerned with the historical development of the interpretation and implementation of the partnership requirements both at national and regional levels with increased focus on networks and partnerships. Different levels of government representatives as well as regional, sub-regional and private actors were interviewed as partnership is expected to be both vertical and horizontal. The criteria for the selection of interviewees are elaborated below. The intention with the second type of interviews was to acquire access to information about the actual operation of the partnerships seen from the insiders' perspective. Neither primary nor secondary data entirely hold this information. Interviewing a wide representation of actors involved in the partnership provides me with various perspectives on the same partnership operation, enabling me to interpret and understand the complex organisation of such a partnership.

During September and October 2011, I carried out 19 interviews<sup>4</sup> with actors from national, regional and sub-regional levels as well as private actors directly and indirectly involved in the partnerships in Denmark until 2006. 19 interviews appear to be an acceptable number as I discovered during the final interviews that the interviewees could not provide me with additional information; the level of information was saturated. The first steps to select this representation were taken during prior experience with interviewing centrally placed actors in Danish regional policy-making regarding the preparation of IQ-Net reports in 2004 and 2006

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<sup>4</sup> See appendix 2 for a complete list of the interviewees.



(Hjortnæs, 2004a, 2004b and 2006). In this connection, I acquired knowledge of three centrally placed actors that were involved in the implementation of EC/EU regional policy for many years. These interviewees have become 'the usual suspects' to be interviewed to this research. Two of them were situated at the nationally responsible agency for coordinating EC/EU regional policy into the Danish regional policy context, namely the National Agency for Enterprise and Housing (NAEH). The third actor, who wishes to be anonymous in this research, is situated at the Regional Development Department at North Jutland County and has been administrating the Objective 2 Programmes for decades now. These three actors constituted an obvious point of departure.

The next consideration was the representation of actors at different levels and between the public-private divide. Arguably, partnership was widest at the regional level for which reason the representation of actors should be strongest at this level of partnership. The two actors from the NAEH had sufficient knowledge about the national level administration of the Structural Funds both in terms of the design of the Programmes and the monitoring of them in relation to the Commission. The most interesting partnership was found at the regional level implementing the Programmes. As the ambition with this research, among other things is to contribute to the existing research on the implementation of the partnership principle in the member states with a framework for analysing the horizontal partnerships which previous research has not convincingly been able to do, representation of horizontal actors should be emphasised. The selection of these actors was thus based on the gradual obtainment of knowledge about the organisation of the partnership in North Jutland through review of existing literature, but when it came to the actual selection of actors, minutes of meetings within the partnership organisation and annual reports of the partnership were consulted in order to identify the actors being involved. Representatives were selected from the list of partners included in the partnerships based on the following criteria: geography, private/public, social partners, County level, municipal level and politicians/civil servants had to be represented reflecting the composition of the partnership. Since I did not know any of these actors, I also relied on snowballing, where I during the first interviews asked the interviewees if they could suggest other actors that could be relevant to interview. Not all of these suggested actors were interviewed if their type of representation had already been included. As it turned out, there were a number of actors that were 'unavoidable' in that they had either been central to certain parts of the process or they had been involved in regional policy-making in North Jutland for decades. During the course of the interviews, it became clear that some of the selected actors played dual roles in the partnership, which emphasised the representation of actors and organisations in

the partnership. In other words, the same number of actors represented a wider representation than expected in the first place. Generally, everybody has been accommodating and only in two cases the actors did not wish to participate in the interviews. One actor was too busy due to the 2011 parliamentary election and one actor did not considering himself relevant. These arguments were of course respected and corresponding representation was found instead.

The 19 interviews were recorded enabling me to transcribe them subsequently, which has resulted in approximately 118 pages of interview summary. Instead of directly transcribing the interviews, transcribing them in summary was preferred since direct transcription is time-consuming. If necessary, it was possible to go back to the recordings to find support of an argument or to find phrases for quoting. Recording the interviews and subsequently transcribing them ensures that the empirical data found is more reliable in that other researchers can access them and potentially apply them to their study.

During the interviews, the interviewees were asked to draw a sketch of the 'partnership' as they had perceived it. Initially, it was the intention that the interviewees was to draw the sketch of the partnership to help me understand the complex organisation of it, the inclusion of actors and organisations and their position in the partnership, but as it turned out these drawings soon came to provide me with much more information than that. Obviously, the interviewees drew a sketch of the partnership as was required by the partnership principle in terms of inclusion, which I label the 'formal partnership organisation', but gradually a picture surfaced in which an 'informal partnership' was similarly situated around the formal partnership organisation with a strong influence on the operation of the formal partnership organisation. This sketch further helped me ask elaborating questions about the organisations and the relations within as well as between each of them, pointing towards a complex web of relations that was both formal and informal. Thus, a rather simple question soon turned out to be the most enlightening question of them all. Nearly, all interviews became focused on this drawing. Perhaps an unintended consequence of posing this question was that it helped spark the memory of the interviewees. Drawing the sketch somehow made the recollection of the interviewees clearer. It was obvious, how they enthusiastically became involved in the drawing and the 'storytelling'; it was like a trip down memory lane, especially for those who are no longer involved in regional policy-making in North Jutland after the new structure was introduced in 2005.

## 2.4 Reliability, Generalizability and Validity

Interpreting data in a hermeneutic sense may be criticised for its inability to generate viable and generalizable answers to the research, in that the same case may be interpreted differently by different researchers, thereby rendering it impossible to present an illustrative answer applicable to similar cases. Often this critique comes from the natural sciences applying quantitative research strategies based on a positivist epistemological position. The counterargument of hermeneutics is that because interpretation “is an art, we are hereby not constructing a set of fixed and rigid guidelines for a valid interpretation of a text” (Abulad, 2007, 22), implying that all answers may be equally valid as they represent the interpretation of the researcher. According to the critics of positivism, i.e. the relativists such as the social constructivists, “there is no external reality and only a socially constructed reality in which conscious people attach subjective meaning to their actions and interpret their own situation and the situation of others.” (Devine, 1995, 140) This implies that there is no rational objective science that can establish universal truths and that each actor interpretation of a case is equally ‘true’. However, the truth may be relative! In order to accommodate this criticism, I argue that the historical processes that have occurred in Danish regional policy-making can be analysed both through the interpretation of the recollection of actors involved in the process, as well as analysis of primary documents that either support or contradict these interpretations. Thus, as argued above, different types of triangulation of data depending on the nature of the problem may help assist in avoiding the pitfalls of the social constructivist, interpretive approach. When more types of data point to the same answer, the answer may be regarded reliable, valid and generalizable.

Reliability “revolves around the question of designing and generating a sample of respondents” (Devine, 1995, 142) enabling a later researcher to arrive at the same results and conclusions through the employment of the same case study design. The best way to ensure reliability is to document the procedures followed in the case study (Yin, 2003, 37-9). The documentation of the interview guides and the recording of the interviews provide such documentation to this study. However, it should be noted that in case the same questions were posed to the same sample of interviewees, there is a risk that the result of the interviews may turn out differently, as the interviewees may give different answers to the new interviewer, either because of trouble of recollection which is always a problem when talking about events that took place retrospectively, or because the interviewee has reflected on the previous interview and is inspired to see things from a different perspective. Thus, arriving at the same results and conclusions may not be possible in the repetition of the

interviews pointing towards weak reliability. However, to compensate for this, the methodological considerations framing the research may make up for this weakness in that the data collection approach has been documented through considerations concerning criteria for selecting the interviewees.

In the explorative case study, external validity is the core concern in order to test the generalizability of the research (Yin, 2003, 37). As mentioned above, the aim with this study has been to explore how the interpretation and implementation of the partnership inclusion and process requirements into the member states has generated change in the Danish regional policy-making institution. In order to do this, an alternative theoretical framework has been proposed differing from that of multi-level governance, which had the ambition to investigate types of governance generated in the interaction between EC/EU and member states' regional policies. Based on the explorative nature of this research, an underlying aim has been to propose a new theoretical framework for such an analysis. Based on the hermeneutic process moving from the parts to the whole, the findings of the analysis and the theoretical framework should support and develop the focus of each part towards a conclusion of the study creating both internal and external validity and consequently generalizability. In such an outcome, the theoretical framework may be applied to similar case studies of other regions and member states confirming the generalizability of this research. In cases where the case study does not support the theoretical framework and vice-versa, the theoretical framework has to be adjusted along the way to ensure external validity. Alternatively, there is a problem with the selected case and its interpretation: to find this out replication of the theoretical framework to similar cases must be carried out (Yin, 2003, 37). Hence, the hermeneutic circle is extended.



### 3. EU Regional Policy and Its Institutional Impact

Following the introduction, research delimitation and research questions, the present chapter is an extended introduction in which the rationale behind the arguments made in the previous chapter is elaborated. The present chapter takes its point of departure in the establishment and development of EU regional policy. The policy, and in particular the defining principles for its implementation, has consequences for the practical employment in the member states. Here, in particular, I attempt to discuss how the interpretation of the partnership principle has organisational consequences in the member states. As such research has already discussed and analysed this, but I suggest that it is necessary to reinterpret this research leading to a distinctive framework of analysis that existing research has not had.

For more than four decades EU regional policy has received attention from both the scholarly world and from practitioners. EU regional policy has received this attention partly because it accounts for more than one third of the total EU budget and affects many policy areas and many potential regional development project applicants. Since its introduction, EU regional policy has been concerned with combating regional divergences in order to strengthen the EU as a whole as well as individual regions *vis-à-vis* international competition. This is partly because during the 1980s, the first ever EC regional policy introduced new policy implementation instruments leading to new ways of contemplating the interaction between the EC and the member states in policy implementation. The common EU regional policy coordinates national and EU regional policies by formulating guidelines and establishing certain principles towards that end resulting in coordination and interaction between the two regional policy approaches in the member states.

The objective of the first chapter following the introduction and methodology is to place the present research within its originating research context; i.e. regional policy analysis. It will not provide a state of the art, but offer a discussion of the implications of the definition of the partnership principle to this investigation within the regional policy-making context, and how it is relevant to reinvestigate the partnership principle in order to understand the empirical and theoretical implications this has to the analysis of its interpretation and implementation. Before this, the establishment and development of a common EU regional policy is briefly sketched out in order to avoid taking the partnership principle out of its context. It is important to understand that the partnership principle is part of a bigger conditional package in order for the member states and their regions to receive financial support for their regional development. Likewise, it is important to understand that the common EU regional

policy has developed over the course of time following other Community developments (such as enlargements and changing socio-economic conditions) which in turn may impact the implementation of the policy in the member states along the way.

### **3.1 The EU Regional Policy Context**

This section serves as an introductory background sketch of how the common EC/EU regional policy was established and how it developed into an influential policy that interferes with the member states' regional policies by setting conditions for financial support. Especially, institutional and organisational consequences have been identified.

#### **3.1.1 The Establishment and Development of EU Regional Policy**

From its birth, the European Economic Community (EEC) had an awareness of regional economic disparities and the problems these may cause for the Community: in the Rome Treaty establishing the European Economic Community, although not directly referring to a regional policy of the Community, the aim was a '... a harmonious development of economic activities, a continuous and balanced expansion' (Article 2). References were also made to 'reducing the differences between the various regions and the backwardness of the less favoured regions' (Bache, 1998, 31). In addressing these economic challenges a number of financial instruments with a regional dimension were set up: the European Social Fund (ESF), the European Coal and Steel Community (ECSC), the European Investment Bank (EIB), and the European Agricultural Guidance and Guarantee Fund (EAGGF) (Piattoni, 2008, Evans, 1999, Bache, 1998).

At the beginning of the 1970s discussion regarding an EC regional policy was intensified in the EC due to increasing economic and social inequalities in a deepened and widened Community. Moreover, it was argued that the absence of a policy to address the increasing economic and social inequalities would become a threat towards the ambitions of the EC to expand the Single Market into an economic and monetary union. It was argued that an additional financial instrument was needed to address these problems and demands (Bache, 1998, 36 and Wishlade, 1996, 32). Consequently, the European Regional Development Fund (ERDF) with a size of 1.3 billion EUA was established aiming to increase regional convergence across the Community and to address economic problems of entire regions and territories and not just one industrial sector within the member states (Piattoni, 2008, 74). In other words, the ERDF addressed regional inequalities "through the participation in the

development and structural adjustment of regions whose development is lagging behind and in the conversion of declining industrial regions” (Evans, 1999, 68-9).

Under this scheme, EC regional policy support was based on a quota basis where member states could apply for Funds for specific projects. Every member state had the right to a certain quota of the ERDF budget and as such the Commission could refund the individual member states’ expenses to regional development. Thus, member states received a quota of Funds and were responsible of administering the support. This implied that the EC regional policy Funds became incorporated into the national regional policy approach often replacing national funds for nationally prioritised projects. There were no conditions for receiving the money leading the member states to be in full control (Illeris, 2010, 199).

Over the years, efforts were made to change the quota system of regional economic reimbursement towards a more comprehensive partly EC controlled scheme. These attempts, however, met resistance from the member states which argued that regional policy was a domestic policy area (Bache, 1998, 54-66). During the 1980s, however, talks were initiated about the establishment of the Single Market, all the while the Community was enlarged by three new poor member states. This brought about a concern that the poor member states (i.e. Italy, Spain, Portugal and Greece) would be left worse off with the introduction of the Single Market and its requirements concerning free market forces. Therefore, there was a demand for financial compensation leading to the establishment of an EC regional policy to address the problems that the poor member states would potentially come to face as consequence of the introduction of the Single Market (Bache, 2008a, 40-1). Consequently, uneven regional development being a core obstacle to the establishment of the Single Market (and the Single European Act (SEA) establishing the Single Market), the SEA included a title on economic and social cohesion legally obliging the EC to reduce the disparities between the member states and their regions and committing the Council to reform the Structural Funds that had hitherto been supporting the *ad hoc* quota based regional development schemes (Dinan, 1999, 430-33). This became the basis of the first ever EC common regional policy.

### **3.1.2 The 1988 Reform of the Structural Funds**

Thus, it implied that the new regional policy instruments were to redirect EC Funds from the wealthier member states to those in more need by focusing support on the poor member states in the Southern part of the Community. The reform of the Structural Funds was presented in 1988 introducing completely new principles and ideas about a common EC approach to regional policy-making to achieve that



objective. The objective was to have a more focused and effective regional policy through the employment of the Structural Funds by doubling the Funds over a period of five years. To ensure the effective and measurable outcome of the policy (i.e. decreased regional divergences) a number of conditions were attached to its implementation. Perhaps as a demand of the richer member states contributing more to the overall EU budget than they received in return in regional development support, regional development Funds were associated with conditions for their distribution. Also the Commission was interested in value for money (Michie and Fitzgerald, 1997, 19 and Wishlade, 1996, 33).

The Commission designed four principles conditioning and framing the objective of EC regional policy and incorporated them into the reform: concentration, additionality, programming and partnership. These conditions demanded that in the first place, not all regions could be eligible for support. Rather a number of eligibility criteria had to be met; the support received from the EC should be supplemented by support from national or regional schemes; projects applying for support should be based on a multi-annual programme approach that was thematically focused instead of the previous *ad hoc* approach to project applications (Martin, 1999, 80-2, Wishlade, 1996, 37 and Sutcliffe, 2000, 293-4). Finally, the partnership principle demanded that the implementation of the policy should be carried out

*“through close consultations between the Commission, the Member State concerned and the competent authorities designated by the latter at national, regional, local or other level, with each party acting as a partner in pursuit of a common goal. These consultations are hereinafter referred to as the ‘partnership’” (Council Regulation (EEC) No. 2052/88, Article 4, §1)*

because the EC approach should be complement to the existing national regional policy approaches. This required coordination between the two approaches and their institutional contexts. Partnerships should be present in all stages of the implementation process; i.e. preparation, financing, monitoring and evaluation. The 1988 definition of the partnership principle thus established a vertical organisation of cooperation that had not been seen previously in many member states.

### **3.1.3 The 1993 and 1999 Reforms of the Structural Funds**

Nearing the end of a programming period, the ‘rules’ for the consequent programming period were up for redesign. The 1993 reform took place in the context of the negotiations of the Maastricht Treaty establishing Economic and Monetary Union (EMU) and the deepening of EU cooperation. At the same time, unemployment

and economic difficulties across the EU were increasing, for which reason there was a need to increase the funds of the EU regional policy to address these problems: the resources were increased to 27.4 billion ECU by 1999 (Wishlade, 1996, 48). Generally, the changes to the 1993 reform were minor compared to the contents of the 1988 reform and the main principles were retained. However, there was agreement to make regional policy-making more effective. This implied some simplification of the concentration and programming principles (Sutcliffe, 2000, 298).

When preparing the 1999 reform of the Structural Funds, focus was on the forthcoming enlargement by new and relatively poor member states. The instruments and principles had to be changed according to the new regional challenges that the EU would face. The 1999 reform of the Structural Funds can be considered part of a wider restructuring of EU finances to meet the challenges and costs of enlarging the EU. An agreement was reached that transferred Structural Funds from existing member states to the accession states. A number of adjustments to the previous reforms were made based on three aims of reform, namely: 1) that the effectiveness of the financial instruments were to be improved by strengthening concentration and reducing the number of Objectives as well as improving the management of the Structural Funds especially by making the responsibilities of the partners more clear; 2) that the budget for economic and social development should be maintained; and 3) that economic and social development should be extended to the new member states (EUROPA, 2001, 1-2 and Bache, 2008a, 44).

In these reforms, the partnership principle was reformulated and widened to include more actors in the process giving it a horizontal character, although simultaneously the power of the national level in implementing the partnership requirements was gradually strengthened. The 1993 reform of the Structural Funds widened the partnership requirements to involve the “competent authorities and bodies - including, within the framework of each Member State national rules and current practices, the economic and social partner, designated by the Member State” (Council Regulation (EEC) No 2081/93). Clearly, the clause ‘designated by the Member State’ can impair the wide and inclusive partnership that the Commission expected and that the regional levels hoped for. Likewise, the 1999 reform of the Structural Funds included more partners into the partnership definition to include “any other relevant competent bodies” (Council Regulation No. 1260/1999, Article 8 § 1). Seemingly, this formulation appears to be another widening and deepening of the partnership requirements. However, in practise this inclusion may be hindered by the member states as an extended clause regarding the national conditions for such implementation was added: “The partnership shall be conducted in full compliance

with the respective institutional, legal and financial powers of each of the partners” (Council Regulation No. 1260/1999, Article 8 § 1). This attachment opened the door to increased national level influence on the partnerships as compared to the first definition where coordination and cooperation between the two regional policy approaches lacked clarification.

Thus, the creation and development of EU regional policy appeared to develop from a member state dominated policy consisting of just one financial instrument, to a common EU regional policy that has a strong regional focus aiming at combating social and economic inequalities across the EU through geographically targeting resources that invest in long-term development projects in the member states. The programmes are administered under the principle of partnership that has developed from encompassing only the EU, member state and sub-national level actors (vertical dimension) to, by 2006, involving horizontal and vertical interaction between, on the one hand, regional and local partners and social partners (i.e. trade unions, business, voluntary and environmental groups) and, on the other hand, partners in national government and the Commission. The contents and structures provided by the succeeding reforms of the Structural Funds created a policy implementation process that operates in all member states according to existing national practices. Every three to six years member states and the Commission are to negotiate the Funds available to the member state’s eligible regions. Upon completion, member state authorities at different levels prepare regional development plans for each eligible region according to the concentration criteria which are then negotiated with the Commission. The programmes, then, specify detailed strategies and resource allocation for the programmes allocated from the ERDF, the ESF, the FIFG and the EAGGF and national and regional funds. Once these programmes and resource allocations are approved, they are implemented in the regions. To ensure that implementation takes place as planned; Monitoring Committees oversee the process and formulate mid-term and ex-post evaluations of the programmes for the Commission. This structure implies that the implementation of EU regional policy invades national regional making practices, which is the point of discussion in the following paragraphs.

### **3.1.4 Partnership – A New Form of Policy-Making**

The 1988 reform of the Structural Funds had at least two related implications: first, it is important to acknowledge that all of a sudden huge amounts of money became available to the regions for their development; money that had not necessarily been available to the regions before. This implied that the regions were potentially

empowered by the 1988 reform just by the availability of the new Funds but of course on condition. On the face of it, it may be expected that the regions and the member states would do anything to get the access to the Funds, thereby adopting the requirements conditioned by the reform. Of course, receiving the additional Funds for regional development would seem attractive to the member states and the regions, in particular. But in practise, the requirements for receiving the Funds may be too strict deterring member states to live up to the demands. Moreover, it may in fact constitute a challenge to some member states to live up to these demands due to lack of capacity.

Second, new forms of cooperation had to be set up in the member states and the regions to receive the Funds, especially since the partnership principle stresses involvement of new actors besides the member state level authorities. The partnership principle has received the most attention, as it allegedly had the most impact on the member states in their interaction with the EU on regional policy implementation.

As such the emphasis on partnership was couched in the language of policy effectiveness, but the changes that this would entail, would potentially have considerable political and organisational implications (Thielemann, 2002, 48). In the words of Scott (1998, 181) "the promise of partnership lies in the nature of the polity which it seeks to construct." It rests upon sharing of responsibility across different levels of government with the Commission conceiving the member states as more than single entities and imposing a role for sub-national actors which may not be compatible with traditional patterns of governance within the member states. In the words of Getimis, Demetropoulou and Paraskevopoulos "In particular, its impact on regional and local policy-making is supposed to be twofold: a direct one, by providing increased resources through redistribution and a new set of rules and procedures for the formulation and implementation of development policies; and an indirect one, by shaping intra-regional interactions and thus promoting local institutional capacity through the creation of intra-, inter- and trans-regional networks that support local development initiatives." (2008, 95) The partnership principle and its interpretation and implementation is also core to this investigation, for which reason a reinvention of the discussion of the implications which the partnership definition may have for its implementation is relevant. This discussion is initially based on existing research and subsequently brought a step further to accommodate the ambitions of this dissertation.

Extensive volumes of research have been carried out regarding the implementation of the partnership principle after its initial introduction into the member states, and subsequent elaborations and theoretical approaches have been developed on this basis. The partnership requirement has been central to the development of the multi-level governance approach by Marks, Hooghe and collaborators (1996). The definition of the partnership principle was taken to imply and lead to emerging forms of multi-level governance. Here, the political implications the implementation of the partnership principle on the member states were analysed. The conclusion was that the implementation of the partnership principle had varying consequences based on the existing institutional structures leading to differing impacts on territorial restructuring. These studies demonstrated that within centralised member states, central government sought to limit the impact of the partnership principle, while in decentralised member states, sub-national actors were better able to take advantage of the partnership opportunities (Marks, 1996, 413). Arguably, it was uncritically accepted and argued that the partnership definition represented a new method of working together leading to the involvement of actors below and above the national level (i.e. multi-level governance) but with varying experiences. Thus, the core argument of the multi-level governance approach was that regional political responsibility that had previously been a national prerogative was redistributed to actors at other levels, thereby creating new forms of relationships between the actors. These conclusions were reached on an empirical basis, but lacking a framework of theoretical considerations. This is the context in which most studies of the implementation of the partnership principle are carried out. They come to similar conclusions: that the partnership principle has brought with it restructuring of the national regional policy-making structures with varying experience across the EU, either towards empowerment of the regional level or a strengthening of the gate-keeping powers of the state level. Let us have a look at these arguments before turning to my attempt to reinvent the discussion of the implications of the partnership principle based on a framework including both theoretical and empirical arguments.

Based on the organisational relations which the partnership principle has gradually constructed, two views on the outcome of its implementation have transpired: on the one hand, the partnership principle has empowered the regional level, but on the other hand, it is argued that the changed formulation of the partnership principle has increasingly brought the member state level back in power over the process. These contrasting viewpoints are formed on the basis of the definition of and the underlying objectives of the partnership principle which leads to varying interpretations. Arguably, the partnership principle was the invention of the Commission with its monopoly of initiative on institutional structures. Critics have been arguing that the

Commission sought to introduce the new (regional/local) level into decision-making and implementation by empowering these new actors in an attempt to bypass state power thereby creating room for itself (Bache, 2008, 46 and 49 and Hooghe, 1996b, 100). Thus, it has been argued that the Commission had an agenda of its own, so that it would be involved in the implementation of EC/EU regional policy within the member states itself. It has been argued that the increased role of the Commission in national regional policy-making has created tension with some member state governments as the objectives of the Commission have not always been consistent with those of the member state (Bachtler, 1997, 84). It has been argued by Scott (1998, 182) that "if, as some have claimed partnership 'has never worked to expectations' this is because these expectations have been constructed in isolation from national constitutional context(s)".

Two different reasons of why the Commission has sought to define the partnership principle in this manner have been suggested. First, the Commission has sought to empower the sub-national level so that it could get other information on policy needs and processes than the ones that the national level traditionally has provided. Second, the Commission is very dependent on other actors for implementation. Therefore, the sub-national level in cooperation with the national level and other actors are responsible of implementation while also being accountable to the Commission. In this sense, the Commission has elevated and empowered the regional level as a means of achieving more effective implementation (Goldsmith, 2003, 121). According to the huge bulk of research that has been carried out concerning its interpretation and implementation, the regional level was included in regional development policy for the first time like the European level became increasingly involved in national regional policy-making.

Discussion has focused on regional empowerment (and the evolution of multi-level governance), to which extent it has taken and takes place and how this influences policy implementation. As a consequence of the new-established governance definitions of EU regional policy during the 1988 reform of the Structural Funds and the subsequent extensions, today there are emerging forms of interactions that are less orderly than the traditional relationship between regions, governments and the EU that existed prior to the introduction of new governance structures. This implies that actors at all levels interact with and influence each other across and between levels as well as across policies without any clear cut or extensive patterns or rules. As a consequence of the new-established governance mechanisms, most member states have regionalised their economic development authorities taking the implementation of EU regional policy in a direction of multi-level governance (Goldsmith, 2003, 114-5).

Since then, regionalisation has spurred a bottom-up growth of regional and local authorities to be involved in regional policy implementation. As a part of this regionalisation, it is argued that actors across level of government are working more closely together both vertically and horizontally. According to Bachtler, the empowerment of the regional level has brought with it an on-going mobilisation of resources that might not have been involved otherwise, prompting cooperation in which various horizontal and vertical networks have influence (Bachtler, 1997, 86-7). The question is whether this in fact constitutes empowerment of the regional level or if it is merely a question of entitling the regional actors to be involved in partnerships. This all depends on the national interpretation of the partnership principle.

Bailey and De Propriis (2002, 408) argue that a general interpretation is that regional and local authorities have not formally been given power in the implementation process either because of lack of *capacity* or because the national level has decided to remain in power over regional policy implementation. This is in accordance with the argument put forward by Smyrl (1997, 288-90) who claims that the main variables that explain empowerment of sub-national actors are found at the regional level; i.e. that roles played by regional actors in national regional policy in the years prior to the introduction of EU regional policy. In order for the regions to play the role intended for them by the Commission, the regional actors required capacity for action. In the regions where similar networks already existed, adoption of the EU requirements would be easier. Consequently, some regions were better candidates for empowerment than others. Moreover, it is argued that only the means of empowerment were determined by national conditions and interpretations. EU regional policy provided technical and political resources to the regions, whereas the financial resources were directly transferred to the national level.

However, because of the added member state clause it may be argued that “in practice, Member States have considerable scope for favouring or hindering partnership by providing a wider/narrower definition, by setting certain rules for running/monitoring committees and by providing mechanisms in support of partners’ involvement.” (Nappini, 2005, 4) Bachtler and Mendez argue that “the evolution of cohesion policy over successive programme periods is one of continued policy renationalization.” (Bachtler and Mendez, 2007, 536) This means that in contrast to the arguments presented before, the member states have also been increasingly empowered. As Roberts (2003, 2) argues:

*“Although designed as a single unified package of policies and rules applicable across the entire EC, the principles and regulations which*

*govern the operation of the Structural Funds allow individual member states and regions considerable latitude both in terms of the design and detailed planning of proposed regional development programmes, and in the implementation and management of approved programmes.”*

However, Sutcliffe warns that the influence of the member state governments should not be exaggerated and that the Commission and regional actors continue to play significant roles in EU regional policy-making (Sutcliffe, 2000, 291).

Ever since the first reform of the Structural Funds in 1988, it has been a concern that EU regional policy would be characterised by a democratic deficit and remain primarily an EU level responsibility. Therefore, greater emphasis was put on involving an increased number of actors in the partnerships such as social partners including non-governmental organisations, pressure groups and civil society organisations in the succeeding reforms. The idea was that shared (both horizontal and vertical) decisions were better decisions (Piattoni, 2008, 86). Adding these partners to the partnerships implied for the first time both vertical and horizontal governance opportunities. As has been seen, partnerships had been largely vertical involving the Commission, member state and the regional levels. At the same time the Commission withdrew from some areas of regional policy-making (monitoring programmes and controlling finance) leaving more responsibility to national governments in these areas. However, in other areas such as deciding the rules of the game and priorities the Commission maintained its prime responsibility (Goldsmith, 2003, 126). As such, this was considered a step back in terms of multi-level governance and a strengthening of the role of national governments in EU regional policy instead. These changes were made based on what is considered an improvement of the effectiveness in the management of the Structural Funds: “As regards effectiveness and impact, the Commission will encourage a better targeted and more operational partnership using the instruments selected for that purpose during programming.” (DG Regio, 2001, 8) Arguably, a better targeted and more operational partnership is based more and more on the existing structures of the member state level, and should be adjusted to these accordingly.

There seems to be a dichotomy or a field of tension between those who on the one hand argue in favour of the partnership principle as a window of opportunity for sub-national actors to be mobilised in EU regional policy implementation and those on the other hand who claim that the exact formulation of the partnership principle affords the member states with increased powers to control the implementation of EU regional policy. Hence, the question is which scenario plays out in practice? A similar



question is asked by Bache and Olsson (2001, 217) forming the basis of their study of EU policy diffusion in Britain and Sweden: “is the EU’s structural fund policy characterised by national policy styles or do we see a tendency towards European isomorphy?” They conclude that it is not an easy question to answer since the diffusion process possibly ranges from resistance, on the one hand, to imitation, on the other. Based on this, they argue that EU Structural Funds policy within Britain and Sweden is perhaps a matter of adaptation rather than full adoption of the policy.

According to Bache (2010), history tells the story of adaptation to the partnership requirements. During the first programming period (1989-1993) a number of member states were hostile to this innovation, since it invaded national regional policy-making territory. This implied that the effects of the introduction of the partnership principle were limited during the first programming period. Only few multi-level partnerships were established, which led the actors to be involved in a dialogue about partnership – a dialogue that was not seen before in some member states. Bachtler argues that many member states had difficulty adapting to these new rules, concepts and terminology (1998, 647). This pattern of partnership arrangements was varied across the EU, both during the first programming period as well as the successive one (1994-1999). However, during the second period, national partnership practices were slowly established across member states (Bache, 2010, 61-2). Still, variation occurred depending on the institutional structure of the member state. Within centralised member states, central government sought to limit the impact of the partnership principle, while in decentralised member states, sub-national actors were better able to take advantage of the partnership opportunities (Marks, 1996, 413). A similar, more extensive study carried out by Kelleher et.al. (1999) demonstrates that member states continue to influence the functioning of partnerships. The study also found that in member states with little or no experience with partnerships, the introduction of the partnership principle initiated partnerships whereas member states more experienced with partnerships, simply implemented and modernised them. These initial steps have since then led to learning effects across the member states ensuring that regional and sub-regional partners were actually empowered leading to some form of decentralisation (Kelleher et.al., 1999, vi-viii and 71). These studies are backed by the findings of Bache:

*“Thus, while research suggests that partnership has promoted a general shift towards multi-level governance (regional structures established throughout the EU, partnerships set up, etc.), the nature and significance of these shifts vary greatly according to differences between (and sometimes within) domestic arenas.” (Bache, 2010, 67)*

It is further claimed that longer experience with the partnership principle leads to the more likelihood of deep learning. In other words, the maturity of the partnership matters to its magnitude. This is evident during the second programming period where member states had had the opportunity to get familiar with the functioning and requirements of partnerships for some years, leading some of them to change their goals and preferences through the involvement in partnerships and networks (Bache, 2010, 67). Along the same lines, Benz and Fürst (2002, 21-2) argue that regional development does not take place without policy learning, which implies that path-dependent processes are gradually changed by the introduction of alternative approaches or interventions. Similarly, the more specific composition of the partnership is dependent of learning experiences, but it has also been shaped by the extension of the partnership principle that has occurred in parallel with the member states getting familiar with partnerships. It is further pointed out that the ability of a region or a member state to learn depends on the context: “on patterns of interaction, on social and cultural values and ideas, on organizations designed to support the generation of knowledge and innovation and, in particular, on the way new knowledge is used.” (Benz and Fürst, 2002, 23)

The above discussion about the partnership principle is, like much other research, based on an understanding of the partnership principle as a practical method of working together or as “a European institution that the European Commission has sought to give normative content” (Thielemann, 2000, 1) involving actors at different levels. These interpretations are based on the formulation of the partnership principle, which, although it has become more and more precise as a result of the succeeding reforms, remains relatively wide and far-reaching enabling member states to interpret its implementation as they please. Hooghe (1996c, 2) argues that the reform of the Structural Funds in 1988 with the introduction of the partnership principle requirements was “a very ambitious goal, given that these uniform procedures were expected to work equally well in twelve different political systems” for which reason the formulation of the partnership principle turned out the way it did. Perhaps, it is best defined in a wide manner allowing each member state to fit the requirements into their own context, thus avoiding “to straight jacket the partnership exchange into a formal procedure, and especially to jeopardize the liveliness of proactive contribution of all participants” (ECAS, 2009, 17). In this sense, the partnership principle aims to develop a pluralistic way of governing which should be open and adoptable to institutional systems of the individual member states. This implies that today emerging forms of interactions occur that are less orderly than the traditional relationship between regions, governments and the EU that existed prior to the introduction of new governance structures. In turn, this implies that actors at

all levels interact with and influence each other across and between levels as well as across policies without any clear cut or extensive patterns or rules. Thus, research has illustrated that implementing the partnership principle into national institutional contexts results in a hybrid of inter-organisational arrangements that are rooted in both systems. Arguably, the new governance structures that EC regional policy established during the late 1980s and gradually developed in the subsequent reforms may have paved the way for change in domestic regional policy governance systems so that these may be restructured and adapt to the multi-level governance of the EU regional policy. As such, this may prove to be a challenge to the administrative structures of some member states, which the Commission had also expected. It was not expected that the new governance structures working in partnership would be implemented in the first attempt since not all member states were prepared with the relevant capacities, rather it would be a gradual process (Bailey and De Propriis, 2002).

These studies call our attention to the idea that the partnership principle is a mechanism that creates new opportunities for interaction between levels of government and expectedly also the gradual inclusion of non-public actors with the wider definition of the partnership principle, which in turn influences ways of regional policy-making of member states. This is the point of departure for the following discussion of the exact theoretical and empirical implications, which reinitiating an investigation of the interpretation and implementation of the partnership principle into the member states, has.

### **3.2 Revisiting the Partnership Principle**

It is necessary to return to the formulation of the partnership principle and the expected governance structures that it requires in order to be able to understand its implementation and interpretation by the member states. First, it is necessary to split the partnership principle in two parts; one which defines the partnership and one which sets the stage for its implementation: the member states' existing institutional structures. I begin with the latter. The partnership principle defines that partnership employment should take place in the member states according to their institutional and legal backgrounds. This implies, like most multi-level governance research of the implementation of the partnership principle has revealed, that member states' institutional contexts matter to its implementation. This cannot be ignored the way the multi-level governance approach has done in its theoretical development, although its initial ambition was different. The analysis of the implementation of the partnership principle is an institutionalist analysis of the interaction and coordination between the EU partnership institution seeking to structure cooperation between

actors in Structural Funds regional policy implementation, on the one hand, and the member state regional policy-making institution, on the other hand. Compared to member states' regional policy-making institutions, the partnership principle is a newly constructed institution that functions as a requirement for financial support. This challenges the member states' regional policy-making institution compelling the member states to restructure the existing regional policy-making institution according to these demands – at least gradually as experience lead to learning. Expectedly, this may lead to changes in the existing regional policy-making structures – at least this is the case when looking at the 1988 partnership principle definition in isolation. However, when bringing the 1993 and the 1999 definitions into the picture, a different outcome may emerge. Here, member states have been afforded with greater latitude to decide the partnerships to match their existing ways of regional policy-making. Subsequently, the way in which partnerships unfold themselves in the interaction and coordination between the member states' and EU regional policy-making structures depends on the member states' interpretation of the partnership principle according to institutional traditions. Accordingly, it becomes more and more pertinent to analyse the implementation of the partnership principle within an institutionalist framework. Evidently, both the existing member states' regional policy-making institutional organisation and the more precise formulation of the partnership principle appear to be parameters explaining the partnership principle's implementation.

This is in accordance with many studies that have concluded that the specific institutional history of the member states is one of the key factors determining actual partnership forms (Kelleher et.al., 1999, 35). These studies show the importance of nation state level variables (pre-existing vertical and horizontal governance arrangements and decentralised vs. centralised state structures) in the implementation of the partnership principle into existing practices. In a centralised member state the central state has greater opportunity to control the implementation of the policy in the national context, whereas in the decentralised member state regional actors have greater influence on policy-making compared to the centralised states. Institutional arrangements of structures and procedures is one thing, the various “different conventions and traditions which exist in the member states regarding the roles and functions performed by the public, private and voluntary sectors” (Roberts, 2003, 3) is another. This point of view has subsequently been supported by a voluminous regional policy literature (Bache, Bachtler, Kelleher et al.). Partnerships depend on the availability of resources and competences to be brought together and these vary from one institutional context to the other. For instance, it may be argued that the partnership principle is potentially implemented more easily

into contexts that are already similarly experienced with working in partnership, than in contexts which do not have traditions of involving actors below the state level or private and social organisations. In the context where partnerships have been practiced to some extent or where at least actors at the levels below the state have had influence, resources have already been mobilised to be transferred to the new EU partnerships.

The above-cited partnership definitions involve two aspects of the so-called partnership. The partnership principle is *inclusion regulating* in that it prescribes which actors should be involved in the implementation of EU regional policy in the member states. In the first definition 'the Commission, the member state concerned and the competent authorities designated by the member state at national, regional, local or other levels' are required to be involved in order for a partnership to be present. With the subsequent reforms and redefinitions of the partnership principle, more and more partners have been included. This inclusion is also regulated by the fact that the clause regarding the member states' interpretation of this inclusion according to national institutional, legal and financial powers has been added although the member states are the practitioners of regulation - once again highlighting the institutional analysis.

Similarly, the definition of the partnership principle establishes requirements about the *process* of involvement of these actors which is evident in the formulation "through close consultations" between the involved actors as well as the extended definition in the 1999 reform that "in designating the most representative partnership at national, regional, local or other level, the Member State shall *create a wide and effective association* of the relevant bodies, according to national rules and practice" (Council Regulation No. 1260/1999, Article 8 § 1, my emphasis). An immediate interpretation of these formulations suggests that they refer to the interaction, coordination and cooperation between the actors at different levels and that no level can act independently. A more nuanced reading proposes that 'close consultations and wide and effective association' refer to that the actors involved in the partnerships should establish cooperation affording influence of the process to all actors through contribution and exchange of their individual resources and competences representing the potential for deeper transformation of actor behaviour and preferences.

The EU partnership principle and the partnerships which it requires has firmly put its fingerprints on the multi-level governance discourse of EU regional policy research since its introduction. It is time to go beyond the multi-level governance framework

which was created based on the first partnership definition and revisit the implementation of the partnership principle into existing member states' institutional structures. This is necessary as the multi-level governance approach does not directly consider the combination of the member states' regional policy-making institutional structures and the inclusion and process aspects of the definition in relation to its implementation but is more concerned with how the balance of power between the member state level and the supra-national and regional levels has shifted as a consequence of new forms of governance in European integration. Accordingly, the multi-level governance approach has not taken into account how the interaction between the two aspects and the actual interaction within the member states between the EU and the national regional policy approaches present a potential for deeper transformation of actor behaviour and preferences. This is my ambition. I propose a supplementary theoretical and empirical framework for understanding its implementation based on the empirical and theoretical analysis of the partnership principle highlighted above. To some extent these interpretations of the empirical and theoretical implications of the interpretation of the partnership principle are implicit in the multi-level analyses that have already been carried out, but they have not been articulated and pursued in such detail as I suggest here with the combination of three theoretical perspectives to embrace these empirical implications. The theoretical framework is based on the fact that, on the one hand, it is crucial to analyse the existing national institutional structure that nearly every scholar has agreed is conditional in explaining variations in its implementation. On the other hand, the EU partnership definition resembles the definition of a network as a mechanism for coordinating governance between different actors. But it also involves a process which the governance network does not entirely take into consideration. A particular variant of this network governance is concerned with partnership as a dynamic process always in development and adjusting to the changes in the context in which it operates based on longer term objectives. The practical employment of the partnerships into the member states depends on these explanatory factors. The following chapter will pick up on these arguments in the development of a theoretical framework that embraces both the institutional and the inclusion and process aspects of the partnership principle disregarded by the multi-level governance approach.



## 4. Theoretical Perspectives

When attempting to analyse the way in which the interpretation and implementation of the partnership principle has generated change in national regional policy-making, the multi-level governance approach appears to be the obvious choice as a conceptual tool of analysis. However, as mentioned previously, the multi-level governance perspective falls short *vis-à-vis* the scope of the ambitions of this research. The following will specify the shortcomings of the multi-level governance approach for this purpose after a short account of the central arguments of the multi-level governance perspective.

### *Multi-Level Governance*

The multi-level governance approach was developed in the 1980s as a reaction to the changes that the EU had undergone with the introduction of the Single European Act in 1986 and the consequent establishment of an EC regional policy introducing new forms of cooperation with the partnership principle requirements. These occurrences challenged the dominant debate between intergovernmentalism and supranationalism. In the middle of this debate the multi-level governance perspective surfaced (Bache, 2008b, 22-3).

Generally, the multi-level governance perspective is concerned with the shifts in horizontal relations between state and society and the changes in the vertical relations between actors at different levels occurring in the EU. In early versions of multi-level governance, 'multi-level' referred to the increased vertical interactions and the consequent interdependence between actors at different levels of government. Governance referred to the increasing horizontal interactions and consequent interdependence between actors at different levels of government. Thus, multi-level governance referred to "continuous negotiation among nested governments at several territorial tiers" (Bache, 2008a, 24). Or in other words, multi-level governance is concerned with the dispersion of government authority both vertically to actors at other levels and horizontally to non-state actors.

Thus, early versions of multi-level governance centred around the notion that authority is spun away from the nation state to the supranational and the sub-national levels, and that multi-level governance is by and large a by-product or the outcome of political pressures that, principally, do not have multi-level governance as their goal (Hooghe and Marks, 2001, 3-4). However, more recent developed versions of the approach are also concerned with the distribution of authority into a less hierarchical and more network-like nature of EU policy-making. This has led to a



distinction between two possible types of multi-level governance based on the extent to which they operate as network-like structures.

Type I has somewhat federalist characteristics and considers the dispersion of authority to take place at a “limited number of non-overlapping jurisdictional boundaries at a limited number of levels” (Bache and Flinders, 2004b, 5). Thus, authority is relatively stable and focus is on individual governments rather than on policies. Moreover, it is argued that these jurisdictions have a general purpose; that they gather many functions in one institution such as policy responsibilities, a court system and representative institutions (Marks and Hooghe, 2004, 16). Type II describes a more complex pattern of governance with “a complex, fluid, patchwork of innumerable, overlapping jurisdictions” (Bache and Flinders, 2004b, 5). In this view, jurisdictions are flexible and specialised since they need to adjust to the changing environment in which they operate. They provide a specific local service which requires knowledge and resources that are task specific.

#### **4.1 Choosing the Theoretical Perspectives**

I am inspired to depart from the preferred explanation of the implementation of the partnership principle into national institutional contexts, i.e. multi-level governance, in order to present an alternative perspective on the implications that the implementation of the partnership principle has on national governance. Despite its de-selection, the multi-level governance approach may still be considered a frame of reference in which the following theoretical framework is established and developed, in that it is acknowledged that the implementation of the partnership principle into national contexts has generated change in the member states involving actors above and below the member state level, and that interaction between these levels of government has been complicated as a consequence of the increased involvement of various actors besides the member states. Here, the focus is on the types of change generated in the interaction and coordination between the EU partnership requirements and the existing member states’ regional policy-making, which the multi-level governance perspective never intended to analyse. I argue that it is necessary to develop the multi-level governance argument that the organisational requirements of the partnership principle has redistributed power away from the member state level up to the European level and down to the regional level. There is more to it than that: it has expectedly generated institutional change and restructuring and in turn established a foundation for new forms of relations between actors within that regional policy-making institution.

Because the ambition of the multi-level governance approach to evaluate how the changed forms of governance in the EU had influenced the balance of power in policy-making between the member states, the EU and the regional levels, it did not take the theoretical and empirical implications into account that inevitably emerge, when asserting that variance in the implementation of the partnership principle depends on national institutional systems. This argument constitutes the first new aspect put forward by this thesis: to analyse the national institutional context into which the partnership principle is implemented. As historical institutionalism argues the institutional structure is historically rooted and has gradually developed based on both internal (actors) and external (other institutions) conditions and events. Thus, historical institutionalism offers two interrelated tools for this analysis: first it is able to analyse the context and the background to the institutional context into which the partnership requirements are implemented. Second, it offers tools to analyse the evolving interaction between the two institutions, i.e. the partnership principle and the national regional policy-making institution. How does one generate change in the other (if any)? The aim here is only to analyse how the partnership principle has generated change in the national institutional context (downloading) and the nature of this change. Thus, historical institutionalism presents two aspects to be studied: the historical institutional context of national regional policy-making structures and the type of change generated by the interaction and coordination between the national and the EU regional policy institutional structures. It should also be remembered how the partnership principle has been extended in the subsequent reforms thereby pointing towards a consequent gradual development of the national regional policy-making institution through involvement of an increasing range of actors, requiring a historical institutionalist analysis. This implies that historical institutionalism constitutes the back bone of this analysis.

The multi-level governance perspective concluded that multi-level governance between different levels of government has transpired as a consequence of the implementation of the partnership principle. This conclusion is of course unquestionable, but from my perspective, the suggested interpretation of the rhetoric, interpretation and implications of the formulation of the partnership principle (as an institution) is central to the theoretical and empirical considerations. The multi-level governance approach did not consider that the partnership definition holds both the inclusion regulative aspect and the process aspect. Thus, it is crucial to employ a theoretical approach that can embrace these aspects. Network governance offers tools to analyse the inclusion regulative aspect of the partnership principle: network governance analyses the inclusion (and perhaps exclusion) of actors in the implementation process based on the argumentation of resource dependencies. To

some extent, the network approach is also able to analyse the process aspect of partnerships by network interaction tools (how the roles played by the actors and the consequent exchange of resources shape the network process). Arguably, the inclusion regulative and process aspects of the partnerships proposed by the partnership principle resemble network relations.

However, in order to be fully able to understand the implications of the operation of the combined EU and national regional policy-making conditioned by the EU regional policy in order to receive the Structural Funds, it is necessary to study the entire process of 'partnering' as Åkerstrøm Andersen (2006) suggests. It may be argued that partnerships cannot be determined by actors not directly involved in the process or be expected to spontaneously transpire simply because the partnership principle dictates so or because a network of relations is set up; they transpire from independent voluntary agreements to cooperate; that is, partners in the partnerships choose one another through the organisation and establishment of resources and competences as a reaction to the context in which they operate. This cooperation is very much based on trust between the partners. This explains why the definition of the partnership principle is relatively wide – and needs to be so. It also explains why the clause about member state interpretation has been added to the definition. The partnership principle offers a frame in which different partners can organise their resources, competences and interests in cooperation in order to implement the policy based on the established structures that exist in the national setting. Therefore, partnership may take different shapes and compositions. These frames may or may not be implemented by the member states resulting in varying degrees of influence of the partnership principle definition on the established governance patterns in the member states. What the partners make of it depends on the context in which it is to operate and what the actors make of it. Here, the exact definition of the Åkerstrøm Andersen partnership becomes useful. Partnership, or the dynamic process of making promises to make new promises in the future about cooperation, sets the frame for understanding how the potential network established by the partnership principle is a dynamic process dependent on the actors within that network as well as the changing external context. Thus, Åkerstrøm Andersen's partnership definition has both theoretical and empirical implications for the interpretation and implementation of the partnership principle which the multi-level governance approach does not take into consideration.

The following will present a critical literature review of the three applied theories reflecting the core arguments of the theories relevant to the analysis of the influence of the partnership principle on Danish regional policy-making until 2006. Next, the

three theoretical perspectives will be discussed in relation to their applicability and compatibility leading to an operationalization of them.

## **4.2 Historical Institutionalism**

So far it has been argued that the institutional context is important to the analysis of the development of Danish regional policy-making until 2006. The argument is that due to the attached clause of the partnership principle stating that the partnership structure should be implemented in the member states according to the member states' existing structures. Accordingly, the institutional structures of member states into which the partnerships should be incorporated come to be essential. From a theoretical point of view the institutional context is important in that institutions are key when tracing the driving forces behind policies and their implementation. The study of institutions is an analysis of how organisations acquire value and stability over time. In this connection, institutions are more than 'rules of the game'. They distribute power, influence and the definition of interests to actors that in turn shape policy-making. In this sense, actors can make positive use of the institution and also contribute to its development and change (Jørgensen, 2002, 18-9). These overall theoretical considerations constitute the outset of the following theoretical framework representing historical institutionalism: that institutions influence the behaviour of the actors within them and that the actors are able, via their behaviour, to change the institutions. These processes are traced over time. The following will rationalise these observations in more detail based on a historical approach to institutionalism. The approach itself has undergone refinement over the years as a response to criticisms. This development is evident in the review.

Historical institutionalism is one of the 'new institutionalisms' that seek to explain how institutions are structural elements of social systems or frameworks that create order and stability to social interaction, and also that institutions emerge from and are embedded in concrete temporal processes. It is argued that the new institutionalisms are reactions to the prevailing behaviouralism of the 1960s and 1970s focusing on observable behaviour. It is counter argued that individual behaviour cannot explain all the political parts; rather behaviour is institutionally framed. Amalgamation of interests is not a simple process; i.e. interests are redefined and integrated according to institutions which help frame the behaviour of actors and encourage certain choices of action (Jørgensen, 2002, 19). It explains how "institutions, once established, can influence or constrain the behaviour of the actors who established them." (Pollack, 2004, 139) Stressing the historical institutionalist criticism of behaviouralism, emphasis is put on power and interests of the actors as well as collective historical

choices and their consequences. Historical choices have generated the formation and reformation of institutions' collective decisions (i.e. constitutions, decision structures or network formation); decisions then help structure the political process (Jørgensen, 2002, 21).

Historical institutionalism defines institutions as "ensemble of formal and informal rules, norms and procedures that regulate the political action of collective actors." (Sørensen and Torfing, 2007b, 31) In general, historical institutionalism perceives institutions as organisations and the rule that these promulgate. To be more specific, four features are characteristic of historical institutionalism: firstly, the approach conceptualises the relationship between institutions and the behaviour of individuals. Secondly, the approach focuses on the asymmetries of power in connection with the operation and development of institutions. Thirdly, the approach emphasises path-dependence and unintended consequences. Finally, the approach integrates other kinds of factors that can influence political outcomes (Hall and Taylor, 1996, 7). As follows, central to institutionalist analysis is how institutions affect the behaviour of individuals. In this connection, institutions can be considered to be collective processes or relations.

Institutions are social phenomena that create an uneven "playing field" (Halkier, 2006, 85) by either limiting the scope for action to some actors or by privileging others with a wider scope due to their possession of certain resources. This means that institutions affect the strategies and resources of actors in their relations. Actors then act according to their own perceived resources and interests within the frames or options provided by the institution. "From this perspective actors have the capacity to produce effects upon other social actors, operating through strategic employment of resources within the rules of a particular social institution." (Halkier, 2006, 85) Interactions between the actors depend on the strategies preferred by the actors in accordance to the resources available to them and their perceived understanding of the institutional frame in which they operate. In line with this view actors may attempt to alter their position within the institutional frame (in relation to the other actors) reflecting their power balance. Thus, institutions reflect and reinforce asymmetrical power relations among the actors resulting in struggles among the actors to influence this power balance as well as the institution (Hall and Taylor, 1996, 9).

Two perspectives within historical institutionalism have sought to provide an answer to this inquiry: the rational and the sociological perspectives (Hall and Taylor, 1996, 7). Apparently these two perspectives have the same aim, but they are based on

different means to achieve that aim. The rational perspective will only be mentioned briefly here since it will not be applied to my analysis due to its market-based approach that seeks to apply economic theory to policy analysis. The rational perspective refers to individual behaviour as behaviour for its own benefit – individuals are rational utility maximising. With this point of departure, rational institutionalism is unable to explain what happens in policy-making. Rational historical institutionalism is generally presented by Pierson (1996, 2000) who emphasises at length how institutions produce path-dependency. This path-dependent development means that institutional decisions made in the past may persist and have unintended consequences as they may 'lock-in' or shape future actions of actors within the institution. In continuation of this argument, institutions are maintained to be more or less resistant to change because of the uncertainty related to institutional design and because the transaction cost of change is high (Pollack, 2004, 139-40 and 150 and Pierson, 2000, 251).

The sociological perspective, conversely, has a broader time perspective that is able to account for the processes that occur in institutionalisation and policy-making and is thus able to account for consequences of the historical decisions for future policy processes.

The rational perspective argues that the behaviour of actors is rational, since they adhere to the institutional framework in which they navigate, and thus influence and limit their own room to manoeuvre. The sociological perspective maintains a differing view of 'bounded rationality'. This perspective is based on the research of Simon (1972) called 'a behavioural model of rational choice' and then developed by historical institutionalists. Bounded rationality perceives of decision-makers as intendedly rational. In other words, decision-makers are argued to be essentially goal-oriented and adaptive, but sometimes failing to make important decisions because of their cognitive and emotional nature. This means that emotions also influence the otherwise rational behaviour of humans. Instead of asking a question such as 'how do I maximise my interests in this situation?'; the question sometimes appear to be 'what is the appropriate response to this situation given my position and responsibilities?', the bounded rationality line of thought argues. People may want to make rational decisions but sometimes they are not able to. This shows when there is a mismatch between the decision-making environment and the choices of the decision-maker (Jones, 1999, 297-9). In other words, although human behaviour is rational, it is also influenced by a human tendency to turn to familiar patterns of behaviour when attempting to achieve objectives. In this sense, a decision may be based on and *ad hoc* situation, which might lead to unfortunate decisions.

Two types of limitations describe the behaviour of human beings. First, the limitation of human capabilities in respect to information (i.e. misperceptions, misevaluations, limited processing of information and limited interest span). The human capacity to formulate and solve complex problems is small compared to the scope of some problems whose solution is required for rational behaviour. In other words, "with a limited information capability an individual only 'intends' to be rational, and 'the intended rationality of an actor requires him to construct a simplified model of the real situation in order to deal with it.'" (Kato, 1996, 576) Secondly, the environment in which the behaviour takes place influences the simplified model of the real situation. This means that the perception of an individual's rational behaviour and choices are framed by an environment of premises that are accepted by the individual as bases for his/her choice. Often an institution plays the role of the 'environment' (Kato, 1996, 576). The concept of bounded rationality is useful in understanding the perceptual limitation and bias of individuals and relating them to the goal-oriented behaviour of these individuals.

The role of institutions is to provide moral and cognitive guidelines for individuals' interpretation and action. Institutions or organisations exist as possible environments in which the intended rational behaviour of actors is encouraged. This means that institutions may influence the identities, self-images and preferences of the actors within the institution. As such, this means that because the institution may have such great influence on the individual actors and their choices concerning the institution, it is resistant to re-design (Hall and Taylor, 1996, 8). This also means that the leaders of the organisation or institution seek to minimise decision-making costs rather than maximise the achievement of the goals when dealing with policy-making as opposed to the rational perspective. Though, despite a different motive the end result may be the same as in the rational perspective, i.e. that of the preservation of status quo (Peters, Pierre and King, 2005, 1285).

Compared to the rational perspective, the sociological perspective has a softer view on the extent to which institutions influence the behaviour of actors within them. This perspective also emphasises external factors that influence the behaviour of actors. Although actors do not always act rationally according to the framework set by the institution as argued by the rational perspective, their behaviour often reflects and influences the underlying principles of the institution. This also leads to some kind of path-dependence that is difficult to break free from, although based on a more positive view on the role of actors. To sum up, in historical institutionalism institutions play a crucial role since they shape the actions of the individuals within them and likewise institutions are influenced by the choices of the individuals within them.

The approach has often been criticised for its fundamental position; especially its focus on path-dependence and consequently its inability to explain change. It has been criticised from several viewpoints that although the approach has done much to try to change the static perception of path dependence that it had from the beginning, it is by no means yet ready or able to *explain* why change occurs. It has come as far as to *describe* which type of change occurs but has not been able to take it further (Schmidt, 2008, 2). A similar criticism is offered by Peters, Pierre and King (2005, 1277): they argue that the problem is in the definition in that it conceptualises change in terms of major events rather than gradual development. This means that smaller changes along the way are defined away, even if they cumulatively in the end produce significant change. Schmidt (2008) further suggests that historical institutionalism lacks tools to explain how, why and when actors within these institutions (re)shape their institutions, interests and cultural norms - all of which are interrelated. This has led to internal revision of the approach based on the acknowledgement of its explanatory limitations.

#### **4.2.1 A New Way of Viewing Historical Institutionalism**

The following will address some of these criticisms that Thelen (1999) has acknowledged in order to present what she argues is a more constructive historical institutionalism. She takes her point of departure in the discussion of the equilibrium order in relation to path-dependence.

Thelen acknowledges the criticism that when using the terms of path-dependence, unintended consequences, increasing returns, 'lock-in' and freezing future actions renders the approach static which is in opposition to the initial aim of the approach; i.e. policy-making processes are considered to be dynamic since they occur **over time** within institutions. So how does this relate to the apparent static nature of keeping status quo in institutions? Is historical institutionalism even able to explain change? According to Thelen this can be done by viewing institutions as the legacy of concrete historical processes; i.e. that institutions emerge as a result of historical conflict and constellations, which bring about change. Put differently, change occurs as an unintended consequence of interactions among different institutional orders and actors. Thus, change in the institution is both internal and external. This further adds a kind of feedback mechanism that has otherwise been missing from the historical institutionalist approach (Thelen, 1999, 381-4).

With respect to the terms 'lock-in', increasing returns and others, they represent a somewhat negative connotation that Thelen does not think that the historical institutionalist approach should have. She contests that path-dependency necessarily



leads to these situations where status quo or the equilibrium is the result. She suggests two new ways of perceiving path-dependency. First, she argues that politics is characterised by disagreement over goals and the, at times, asymmetric distribution of power as well as institutions themselves reinforce these asymmetries. This means that those disadvantaged by the circumstances may either accept this until conditions change or they may work within the existing framework pursuing goals different from that of the institution. This is exactly why increasing returns not necessarily lead to locked-in equilibrium. Second, she argues that institutions are socially constructed (and not just an institutional construct) that include shared cultural understandings (shared cognitions and interpretive frames) of the way the world functions, such as the sociological perspective reasons. Therefore, when policy makers intend to redesign institutions, they are restricted by the embedded cultural constrains in their perceptions. This insight arguably helps understand the persistence of particular patterns of politics over time. The notion of institutions as shared norms and cultures sometimes masks the conflicts among groups exactly because of these shared norms and cultures. However, conflicts do occur and will prevail to do so. Therefore, it is important for the historical institutionalist approach to acknowledge these conflicts in relation to the explanation of change in institutions and political process that otherwise seems lacking in the approach (Thelen, 1999, 384-7).

Consequently, it is necessary to return to and review the 'critical junctures' that have not been fully explained. In order to do so, Thelen uses supplementary literature to develop this insufficient explanation. She argues that issues of sequencing and timing should be incorporated into the analysis with particular emphasis on the interaction between on-going political processes and the effects of these interactions on for instance institutional outcomes. To support this she also refers to literature about feedback mechanisms, which have otherwise been weak points of the historical institutionalist literature. These additional viewpoints fit well into the historical institutionalist approach where political processes are viewed in relation to how the temporal ordering of, and interactions among, processes influence institutional outcome. However, the problem with the historical institutionalist approach is that it tends to assume that the outcomes of the critical junctures are translated into lasting inheritances. This happens particularly when the language of 'freezing', 'lock-in', etc. is used. This may be interpreted as a standstill, or a static outcome that cannot be changed. According to Thelen, this is a misunderstanding. The political process is dynamic (Thelen, 1999, 387-92).

In relation to this the process of 'feedback' to the political process should be considered, a process that is also used in for instance the implementation approach.

Thelen identifies two types of feedback: functional feedback where once an institution is in place, actors within it adapt their strategies to the logic of the system so that they reflect and reinforce these. As such, this is a path-dependent development that stems from feedback from the behaviour of the actors. The second type of feedback is the distributional effects of institutions where institutions magnify and reproduce certain patterns of power dispersal. Here, it is emphasised that policy feedback positively facilitate the institution and the empowerment of certain groups within it over time. Once again the language of 'lock-in' and 'freezing' may dilute the intentional dynamic nature of path-dependency, or that of change, that Thelen believes historical institutionalism should encompass. Furthermore, it is important to understand the dynamic mechanisms that historical institutionalism incorporates in this 'new edition' of Thelen since these reproduction mechanisms (feedbacks) sustain different institutions in different ways in different contexts (Thelen, 1999, 393-9).

#### **4.2.2 Continuity and Change**

So far it has been observed that the early version of historical institutionalism has utilised inappropriate terms to explain path-dependence instigating unintentionally a perception of the approach to be static unlike its ambition to demonstrate a dynamic process. Thelen has then sought to address this deficiency by using a different vocabulary and by adding feedback mechanisms. However, it may be argued that this attempt has not fully solved the problem of its main alleged insufficiency, namely that it is unable to explain change. The approach is able to identify that change may occur, but not how and why despite Thelen's attempt as presented above. Since then she and Peter Hall have made another attempt to explain this because as they argue:

*"In short, the history of change in the European political economies should not be written as if it were entirely as series of responses to external shocks. The challenge facing analysts is to see it as a process partly endogenous to the character of the institutions developed in each nation driven by the unintended consequences that flow from those institutions." (Hall and Thelen, 2009, 16)*

The following will take up this discussion in an attempt to make clear the role of the dichotomy of continuity and change.

According to Hall and Thelen, when attempting to understand change it is first necessary to understand institutional continuity or stability. This approach sees "institutions as sets of regularised practices with a rule-like quality in the sense that the actors expect the practices to be observed; and which, in some but not all, cases are supported by formal sanctions." (Hall and Thelen, 2009, 9) Furthermore, actors

are seen to be rational in the sense that they seek to enhance their interests as they interpret them according to the rules of the institution. This means that any strategy for change may depend on the rules of the institution. On this note, the approach does warn that the following is taken too seriously: that institutions determine the actions of the actors within it. There is room for critical conduct towards the institution and what is considered to be appropriate.

The sustainability of an institution thus depends on how well it serves the interests of the relevant actors. Arguably, when an institution fails to serve the interests of the actors it becomes fragile and sensitive to defection from its rules. These interests and calculations about whether the interests of actors are properly served are very complex depending on a number of considerations, such as whether it is worth changing the existing institution. First of all, it takes considerable effort to change the institution, and in relation to this there is also uncertainty whether a new institution will be able to deliver benefits to the actors and their interests, which is a crucial factor sustaining institutional stability. These two considerations need to be balanced against one another. Another thing to be considered is that the behaviour of others on whom the new institution may depend is also uncertain. At the same time, however, actors are not always frightened by uncertainty. They are generally occupied with continuous reassessment of their own room for manoeuvre and the interests of those with whom they are interacting. Thus, they need to be reassured that the institution continues to serve their interests and that other alternatives are not available (Hall and Thelen, 2009, 11-13).

Based on this, Hall and Thelen argue that “this approach has always rejected the notion that institutions are automatically stable, even when they are Pareto-improving, and it associates the maintenance of equilibrium outcomes with important political dynamics.” (Hall and Thelen, 2009, 14-15) Also they assume that it is dangerous to believe that the institutions were originally created with the aim of serving the interests of their actors in the future, which is nearly impossible since the interests of the actors change over time. Accordingly, institutions need to adjust to the changed interests. This argument brings Hall and Thelen to discuss institutional change more thoroughly than has hitherto been done by historical institutionalists.

Precisely because actors are interested in improving their positions in institutions, the latter will inevitably come under pressure. Before continuing the discussion of inevitable change, it is necessary to understand what precipitates change, which actors are central to it, how it occurs and how the results of change should be interpreted.

Hall and Thelen refer to the history of change in the European political economy. It is argued that events in the international political economy are important stimuli for institutional change since these bring about opportunity structures. At the same time, much change in the European political economy has been inspired by unanticipated effects emanating from existing institutions. But all change cannot be ascribed to external shocks as described by early versions of historical institutionalism. The challenge that lies ahead is to understand the external as well as internal processes that lead to change impelled by the unintended consequences flowing from those institutions (Hall and Thelen, 2009, 16).

Two strategies or types of action are identified leading to possible change; i.e. that of defection and re-interpretation. Defection is borrowed from game theory where it refers to when an actor that has hitherto followed the practices prescribed by an institution stops doing so. When an actor re-interprets the rules of the institution he or she gradually changes his or her interpretation of the rules without defecting from or dismantling the formal institution itself. For instance, this happens when new practices that are not otherwise seen as harmonising with the formal institution are gradually accepted. Thus, change may happen without much rewriting of the formal rules. A more obvious way to institutional change is reform processes. This is when change is explicitly mandated by governments. Because this reform is based on political compromises the institution will not necessarily end up serving the interests of those who are a part of it. It is argued that actors' evaluation of the costs and benefits of this new institution in terms of strategies and interests will depend on the presence of supportive institutions elsewhere in the political environment (Hall and Thelen, 2009, 18-21).

Somehow this is where Hall and Thelen's discussion of the dichotomy of stability and change ends. As such, it has come to the conclusion that change does occur and that it is dependent on both external and internal factors and processes and not just exogenous shocks. It also identifies that actors are relevant in bringing about this change either by defection or re-interpretation of the rules of the institution similar to how reform definitely will bring about change. However, although it adds some new insights into the otherwise persistent historical institutionalist path-dependent perspective, it has not been fully able to clarify what this specific change is and when it occurs.

#### **4.2.3 Institutional Change**

Despite its traditional view that institutional change partly occurs at critical junctures or during moments of abrupt, wholesale transformation, and that otherwise path-

dependency seems to encourage development along the same paths which are difficult to depart from, the historical institutionalist literature has recognised that gradual change also occurs. Analyses of stability and change are intimately linked: institutional stability is a function of on-going political mobilisation and therefore institutions are also vulnerable to change on an on-going basis. The institutional context, both external and internal, is the key to understanding the process of change. Mahoney and Thelen (2010, xi) argue that change occurs when problems of rule interpretation and enforcement give the actors within the institution an opportunity to implement these rules in new ways. The following is based on the refinement of the above arguments concerning the influence on change and stability of internal and external factors. Here, change is mainly seen from within. This new explanation redefines institutions in terms of their roles and influence in relation to the actors within them and how their interaction may bring about change.

In order to be able to assume that institutions change as a response to internal shifts, it is necessary to define their basic properties providing some dynamic element that permits change. Accordingly, institutions may be regarded as distributional instruments that are laden with power implications. This implies that institutions are power distributional instruments allocating power unequally (some actors are distributed resources while others are not). This asymmetric distribution of resources necessarily causes tensions internally. Sometimes the creation of an institution reflects the motivation of actors with particular resources, but also the conflicts among actors with different resources and interests and the institution ends up as a reflection of the institutional preferences of those actors. This implies that the creation of institutions is a dynamic process where institutions represent compromises among the respective actors, which creates an environment in which not all actors are satisfied with the end result, which in turn leaves the institution vulnerable to shifts. Accordingly, change and stability are closely linked. Those who benefit from the existing set up may be interested in continuity, whereas those with diverging interests favour change. The effort to maintain the institution is an on-going mobilisation of support for the institution (Mahoney and Thelen, 2010, 7-9).

It is argued that any given institution that shapes action has unequal implications for resource allocation because some actors are distributed resources that others are not (Mahoney and Thelen, 2010, 8). In fact, in some cases the power of one group of actors may be so great that the dominant actors may be able to design institutions closely reflecting their institutional preferences. Within this institution a continued mobilisation of resources take place in an effort to alter the balance of power between actors. The asymmetrical power distribution between actors implies that

some actors will be institutional winners while other will be losers. The winners and losers have different interests when it comes to interpreting the rules of the institution or devoting resources to their enforcement. Therefore, some actors seek to maintain the power balance while others seek to alter the balance in their own favour. This is often done in coalition with others, Mahoney and Thelen argue (2010, 29).

Given this condition of preserving stability, change may occur as a shift in the balance of power. A number of examples of this is provided: changes in the environmental conditions; that actors may be embedded in a multiplicity of institutions and interactions among them may allow for unforeseen changes in the distribution of resources; that sometimes the operation of an institution itself generates pressure for change so that groups of actors mobilise common resources and interests increasing their power to breach existing institutional arrangements (Mahoney and Thelen, 2010, 9).

Change may also be associated with issues of compliance. Compliance becomes a variable that is important to the analysis of stability and change. The preservation of an institution depends on the compliance of the actors within it to its contested nature of institutional rules. Inherent in the definition of the power distributional institution is that actors struggle over meaning, application and enforcement of institutional rules which then result in compliance or non-compliance with the rules. Institutional rules are ambiguous. Due to this ambiguity actors with divergent interests will contest the opportunities this ambiguity provides, because different interpretations and implementation may have profound consequences for resource allocations and outcomes. Treating compliance as a variable has several implications. First, compliance is complicated in that rules can never be so precise that they cover all complexities of the possible real-world situations. Then, when new developments confuse rules existing institutions change to comply with the new reality. Second, compliance is also linked to the cognitive limits of actors. Even when rules have taken relatively complex situations into consideration, actors may have information processing limitations. Actors cannot be expected to be able to foresee all possible future situations that transpire. Third, institutions are rooted in assumptions that are often implicit. Therefore, when these implicit assumptions about the institution change, the whole institution changes. Fourth, rules are designed to be applied also by actors other than the designers, which opens up for change to occur in the implementation of the rule. Thus, the 'gap' between the rule and its interpretation or the rule and its enforcement is generally where change may be expected to occur

within the power distributional institutional set up (Mahoney and Thelen (eds.), 2010, 10-14).

Having looked at the internal conditions for change vs. stability, it should be explicated that change is also influenced by the external political contexts and in turn these lead to different modes of institutional change. Mahoney and Thelen (2010, 15-6) identify four modal types of institutional change: displacement (the removal of existing rules and the introduction of new ones), layering (the introduction of new rules on top of or alongside existing ones), drift (the changed impact of existing rules due to shifts in the environment) and conversion (the changed enactment of existing rules due to their strategic redeployment). The following will explain why one type rather than another typically occurs.

*Displacement* is often referred to as an abrupt change entailing a radical shift (as associated with the critical junctures in the earlier versions of historical institutionalism) but it may also be a slow evolving process. This is the case when new institutions are presented that compete with existing ones rather than replace them. The new institutions are often introduced by actors that are 'losers' in the existing one. Gradual replacement may take place if the supporters of the existing system may not be able to prevent defection to the new rules.

*Layering* occurs when new rules are attached to the existing ones not replacing the institution. It involves amendments, revisions, or additions to existing ones. In cases where the logic of the institution is altered as a result of the attachment substantial change may occur. Layering often happens when defenders of the status quo (such as the member states) may prevent a complete turnover of the institution but not the introduction of amendments and modifications.

*Drift* occurs when rules remain formally the same all the while the impact of them changes as a result of shifts in the external context. If actors choose not to respond to changes in the external context the impact of the institution on that context changes.

*Conversion* occurs when rules remain the same but are interpreted and enacted in new ways. As such this happens when actors intentionally exploit the inherent ambiguities of the institution. In this way they can convert the institution into new goals and functions. Thus, new elites may come to power and organise the shift from within in the direction of their preferred interests (Mahoney and Thelen, 2010, 16-8).

In resisting change, be it displacement, layering, drift or conversion different mechanisms are at play. In order to avoid conversion or drift, administrative capacities are important since weaknesses in these may create strategic openings for the opponents of the rules. In contrast, displacement or layering do not take place as a consequence of 'poor' administration, but as an intentional strategy on behalf of opposing actors attempting to bring about transformation through the backdoor by taking advantage of the disjuncture between rules and enforcement (Mahoney and Thelen, 2010, 21-2).

When analysing change and stability it is crucial also to understand the identity and motivation of the actors that bring about change. To begin with, it is actors that are disadvantaged by the institutional design that others have shaped, subsequently seeking change that they will benefit from. However, this consideration may be too simple because the ambiguities inherent in the institution and the uncertainties that these generate complicate assessment of who are the beneficiaries and who are the disadvantaged actors. On top of that, actors are often involved in several institutions leaving them advantaged in some institutions and disadvantaged in others. It is then necessary to look beyond this divide. It is further necessary to make a distinction between the actors' short-term and long-term strategies. We should be observant concerning the difference between short-term rule-conforming behaviour and the overall goal of institutional maintenance. Therefore, change may be an unintended consequence of distributional struggles among actors. Four types of actors of change are identified: insurrectionaries, symbionts (either parasitic or mutualistic), subservives and opportunists. Each type of actor of change is associated with a particular mode of institutional change.

*Insurrectionaries* deliberately seek to eliminate existing institutions or rules by actively and visibly mobilising against them. They emerge when a group of individuals are disadvantaged by multiple institutions that emphasise each other. Insurrectionaries are often at play when abrupt patterns of change occur; i.e. critical junctures where the institutional status quo is rapidly overturned. Therefore, insurrectionaries may be linked to patterns of *displacement*.

*Symbionts* (in both parasitic and mutualistic versions) rely on institutions that are not of their own making. In the parasitic version, the actors exploit the institution for private gains even when they depend on the existence of that institution to achieve that gain. Arguably, while parasites rely on the maintenance of the institution, their action contradicts the purpose of the institution, thereby undermining the institution over the long run. Parasites are associated with *drift*. Mutualists also benefit from the



rules they did not design using these to advance their own interests. In contrast to parasites, mutualists do not compromise the efficiency of the rules or the survival of the institution. Rather mutualists violate the letter of the rule to support and sustain its purpose. Mutualists are not associated with drift like parasites are, as they rather contribute to the robustness of institutions seeking to expand the support coalition on which the institution is built.

*Subversives* seek to displace the institution without breaking the rules of the institution. They disguise what they are really doing by adhering to institutional expectations and working within the system. From the outside it may even appear that they support the institution. But what they are actually doing is waiting for the right moment to actively move towards opposition. In the meantime, they may even encourage institutional changes by promoting new rules to the existing ones. Accordingly, subversives may be associated with *layering* or in some instances *conversion*.

*Opportunists* have ambiguous preferences about institutional stability. On the one hand, they oppose the institutional status quo, but, on the other hand, they do not endeavour to change the rules. Instead, they attempt to exploit the possibilities that exist within the institution to achieve their goals. Understanding opportunists facilitates comprehension of why it is more difficult to change an institutional status quo than to defend it. Opportunists are often associated with *conversion*, as the ambiguities in the interpretation and implementation of the rules enables them to reorganise these rules in ways that are unanticipated by the designers of the institution (Mahoney and Thelen, 2010, 22-7).

As well as the types of actors can be associated with a mode of change, they can also be associated with a context in which they operate best. *Insurrectionaries* emerge and thrive in any setting, but they thrive the best in a setting with low discretion and weak veto possibilities. *Symbionts* thrive in an environment of strong veto possibilities and high enforcement discretion. *Subversives* emerge and thrive in contexts in which strong veto possibilities and few rule interpretation and enactment opportunities are found. Opportunists thrive in settings with high level of discretion and few veto players to prevent actual institutional change (Mahoney and Thelen, 2010, 28-9).

Upon explaining the properties and motives of actors that bring about institutional change, it should be recognised that these processes are not straightforward and operating on behalf of just one actor. Most often a coalition of actors 'work together' in order to strengthen their position in relation to the institution and those actors in

favour of status quo, but also the other way around (defending the institution). Given their position as presented above, the actors may either seek coalitions with institutional supporters or opponents: insurrectionaries with opponents, symbionts with supporters, subversives with either, and opportunists potentially with both or neither or a combination of the two (Mahoney and Thelen, 2010, 30).

The above review has taken me through a historical narrative of historical institutionalist theory. It has developed from solely explaining path-dependence and mistakenly attributed a static view of institutional development, to a more refined set of thoughts that take into account the dichotomy and relationship between continuity and change as well as the importance of both internal and external processes. Internally, the institution as a power distributional instrument generates change by way of the struggles among the actors that the asymmetries of power among the actors produce. These struggles are also based on considerations on part of the actors in relation to the perseverance of the institution. According to the path-dependent explanation, the rules and norms of the institution shaped the interaction of the actors into a path-dependent development supporting the institution. Change only occurred as a consequence of external shocks. In this scenario it was not accounted for that the behaviour of actors is in fact able to undermine the institution thus generating gradual change which the new approach to institutional change has highlighted. Generally the historical institutionalist theory presents an explanation of how the relationship between the institution and actors influence gradual change of the institution. In this light, “institutions are *instruments* the actors use to negotiate the complexity of the world.” (Hall, 2010, 217) Thus, the historical institutionalist theory presents an explanation of how the relationship between the institution and actors influence gradual change of the institution. Or in other words, institutions are guiding and motivating human behaviour. But the opposite is also the case; i.e. that human behaviour shape institutions. Therefore, institutions have a dual face.

On this note, it is time to have a look at a comparable policy management scheme that also influences the behaviour of actors within it; i.e. governance networks.

### **4.3 Network Governance**

In recent times, the term ‘governance’ has become a widely used and very popular term in many types of research such as policy analysis, European integration and so on. Governance concepts are used in both domestic and international contexts and have been given many connotations and definitions. However, for the purpose of this dissertation it is necessary to narrow this list of meanings down to just two, i.e.

network governance and multi-level governance. Therefore, the following will examine the different types of governance understandings and explain why these two are more relevant to this dissertation than the rest before clarifying the details of the two approaches. However, first an initial definition of governance is offered: "... the continuous political process of setting explicit goals for society and intervening in it in order to achieve these goals." (Jachtenfuchs and Kohler-Koch, 2004, 99) Apparently, this definition is very broad, but it will be explained, elaborated and delimited in the following sections.

It is clear that political decision-making is no longer confined to the formal structures of government. It has been argued that there has been a transformation from government to governance. Over the past 10 to 20 years the role of government and the environment in which it operates has changed. Public policy-making has become increasingly complex due to conflicting values of society as well as struggles over values represented in decision-making and policy outcomes. Social and private actors have been included in the process as they each contribute resources to address the problems society faces. These new actors in policy-making have great resources of which the power to obstruct policy interventions is perhaps the most problematic for politicians. This has resulted in new forms of horizontal steering of relations across networks such as public-private partnerships (Klijn, 2008, 506). This implies that "[p]ublic policy is formulated and implemented through a plethora of formal and informal institutions, mechanisms and processes that are commonly referred to as governance." (Sørensen and Torfing, 2005, 199-200) The term governance has many meanings in different contexts. In general, in the governance literature, governance is "concerned with creating the conditions for ordered rule and collective action" (Stoker, 1998, 17). Often the term network is mentioned in connection with governance, thus, referring to governance network or network governance. Network governance or network governing is present when neither public nor private actors have the capacity to address public policy problems alone but are engaged in inter-organisational arrangements that are characterised by resource dependencies. These terms will be investigated below.

Klijn has reviewed the governance literature over the past 15 years. He reaches the conclusion that four different definitions of governance may be traced. Klijn begins his literature review with the often-cited interpretations of Rhodes. Rhodes presents six understandings of the term governance; i.e. corporate governance, new public management, good governance as a socio-cybernetic system, governance as a self-organising network, etc. Since then other meanings of the term have been added by other researchers such as multi-level governance and market governance. Klijn has

assembled these meanings to construct four central definitions of governance. These four definitions will briefly be outlined below, and later two relevant definitions to this dissertation will be explained in more detail.

1. Governance as *good governance or as corporate governance*. This definition focuses on the proper functioning of public administration ensuring that citizens are fairly treated. The emphasis is on the operation of government based on the basic principles of the rule of law and not on the manner in which it is organised.
2. Governance as *new public management or as market governance*. Here government should only set goals and not be involved in implementation. Implementation should be left to other organisations or actors who can be held accountable of their performance.
3. Governance as *multi-level governance or inter organisational relations*. In this literature which is represented by two strands; multi-layered government or inter-governmental governance, agreement is on the fact that it is difficult to achieve results in a multi-actor setting. In more or less explicit ways they argue that networks are needed to address these problems. Actors at all levels (government, regional, public, private, etc.) must be involved in addressing the problems since these actors are all affected by policy decisions.
4. Governance as *network governance (self-steering and non-self-steering)*. In this literature, little distinguishes governance from governance networks. "Governance takes place within networks of public and non-public actors, and the interaction between these groups makes processes complex and difficult to manage" (Klijn, 2008, 508). Therefore, different strategies to steer and manage these networks are required. Focus is on the relations among the network actors; their interaction within the network and negotiation of the 'rules of the game', so to speak (Klijn, 2008, 507-8).

Despite the different focal points of the four definitions, they all emphasise the process of governing (governance) rather than the structure of government as well as they emphasise the limits of governmental power. Due to the fact that the first definition is *de facto* unrelated to governance in the sense of a new way of governing, as it is merely a normative suggestion regarding the proper manner in which governance should be performed, this definition is not useful for my further analysis of the implementation of EU regional policy in Denmark. Neither is the second definition useful since new public management theories mainly focus on how to

improve the existing bureaucracy by way of leaving government out of implementation. In the implementation of EU regional policy governments **are** involved in implementation. The last two definitions, however, are highly useful to my analysis since their focus is specifically on the complexity of the involvement of actors at various levels in the implementation of policy, as well as on their relations among each other (both individuals and networks as whole entities). As has been argued previously, multi-level governance serves as the framework for understanding and placing the theories applied in this dissertation, and not as a guiding theory due to its theoretical insufficiencies in taking the national institutional context and the process and inclusion aspects of the partnership principle into consideration in its development of theory to begin with. Here, multi-level governance serves as a frame for understanding that actors at different levels of government are involved in the implementation of EU regional policy in Denmark as a requirement of the partnership principle; it is not sufficient in analysing change in national regional policy-making as a result of the requirement to introduce new organisational structures. The conclusion to be drawn from Klijn's review of the governance literature is that essentially governance is "the process that takes place within governance networks. We then use the term 'governance network' or 'network governance' to describe public policy-making and implementation through a web of relationships between government, business and civil society actors." (Klijn, 2008, 511) Therefore, only one of the four governance definitions can be applied here.

Network governance has its outset in the discovery of non-hierarchical forms of governance based on negotiated interaction between a number of public, semi-public and private actors. The traditional image of policy-making as a parliamentary chain of government, where politicians direct the bureaucracy when regulating society, was questioned based on developments in society. The argument reached from this finding is that policy-making is more and more characterised by a process of negotiations and interactions among a number of public, semi-public and private actors that result in a relatively stable pattern of policy-making. It is this type of policy-making that is referred to as governance networks. During the 1990s, this became a new way of viewing policy-making; a view that is presently widely referred to and applied. It is reasoned that the inclusion of the most affected actors in the policy process will lead to more efficient formation and implementation of policies (Sørensen and Torfing, 2007a, 3-5). The following will take a closer look at the term network governance and what this term involves.

A governance network is defined as:

*“1. a relatively stable horizontal articulation of interdependent, but operationally autonomous actors; 2. who interact through negotiations; 3. which take place within a regulative, normative, cognitive and imaginary framework; 4. that is self-regulating within the limits set by external agencies; and 5. which contributes to the production of public purpose.” (Sørensen and Torfing, 2007a, 9)*

This rather precise definition consists of five elements. First, governance networks consist of public, semi-public and private actors (such as actors from national, regional and local government, political and societal groups, pressure, action and interest groups, societal institutions, private and business organisations, etc.) who are dependent on each other's resources and competences. They are also operationally autonomous in the sense that they are not directed by others to think or act in a certain way. To be a member of the governance network actors must have an interest in the policy issues and be able to demonstrate that they can contribute with resources and competences that are valuable to the other actors of the network. This means that the actors of the governance network are interdependent and independent from superior decision-makers for instance which in turn means that relations within a governance network are horizontal. This, however, does not imply that the actors are equal. Some actors might possess resources and competences that other actors do not. Despite this asymmetrical allocation of resources and competences and because actors are mutually dependent on each other to make a success of the network, nobody abuses their power to exert control over the others (Sørensen and Torfing, 2007a, 9-10). Interdependency theory claims that “[g]overnance networks are results of the strategic actions of independent actors who interact because of their mutual resource dependencies and thereby counteract the institutional fragmentation caused by NPM.” (Sørensen and Torfing, 2007a, 18) Interests and decisions are reached by network actors through internal power struggles but the network is held together by the mutual dependency of the actors.

Second, interaction among network members transpires through negotiations that, on the one hand, are bargains and on the other hand are deliberate. Actors may bargain over the distribution of resources, but this bargaining must be rooted in deliberation in order to facilitate learning, common understanding and coordination for the benefit of the network as a whole or the policy issue. It should be noted that these negotiations seldom lead to unanimous decisions because of power struggles among the actors. Often joint action is based on uneven acceptance of a proposal reached despite general disagreement on the issue (Sørensen and Torfing, 2007a, 10).

Third, negotiations between the network actors take place within a sort of institutional framework: it is a combination of contingently pronounced ideas, conceptions and rules but it does not consist of a homogeneous and integrated whole. "As such it has a regulative aspect since it provides rules, roles and procedures; a normative aspect since it conveys norms, values and standards; a cognitive element since it generates codes, concepts and specialized knowledge; and an imaginary aspect since it produces identities, ideologies and common hopes." (Sørensen and Torfing, 2007a, 10) Thus, a governance network possesses many traits of institutions, but is not an institution in itself. This distinction between a network and an institution will be elaborated later.

Fourth, governance networks are relatively self-regulating due to their horizontal character. They are neither commanded from the top nor are they regulated by the laws of the market. The purpose of governance networks is to regulate a policy field based on the institutionalised framework of the network; i.e. the ideas, resources and dynamics of the regulative, normative, cognitive and imaginary framework. However, this self-regulation does not take place within a vacuum, but rather within a political and institutional context that must be considered since it influences the capacity of self-regulation (Sørensen and Torfing, 2007a, 10).

Finally, governance networks, as part of policy-making, contribute to the production of public purpose within that particular policy field; that is visions, values, plans, policies and regulation aimed at the general public (Sørensen and Torfing, 2007a, 10).

These definitions are general and governance networks may take different shapes depending on the political, institutional and discursive context in which they operate. They may be loose (informal contacts within the network) or tight (formal contacts). They may be intra-organisational or inter-organisational; self-grown or initiated from above; open or closed; transitory or permanent; and have sector-specific or society-wide perspective. Some networks may be engaged in policy formulation while others may be engaged in implementation of policy. As is clear, governance may take many different shapes, and networks do not necessarily possess all the traits just mentioned. It appears that these governance networks have penetrated society in many ways. It is argued that "governance networks, at least in some countries have become a generally accepted and increasingly used mechanism of governance in our complex, fragmented and multi-layered societies." (Sørensen and Torfing, 2005, 205)

Governance networks may be seen as a pluricentric governance system because of the (asymmetrical) interdependent relationship among the actors of the network.

Thus, governance networks may be seen as distinctive from and an alternative to the (unicentric) state and the (multicentric) market. Power is located in one place in the state, and market regulation is based on an infinite number of self-interested actors. Governance networks include a number of interdependent autonomous actors who interact in order to produce a public purpose. Within governance networks decision-making is based on a spontaneous rationality that involves interaction among the actors who rely on their interdependencies in order to produce joint decisions/action despite their divergent interests. Hence, common decisions are reached through production of general trust and political obligation, which in turn become part of the self-established norms and rules of the network and not through legal sanctions of the state or out of fear of economic loss on the market (Sørensen and Torfing, 2007a, 11-12).

Governance networks are an important part in regulating and governing society for which reason it is imperative to choose the 'right' type of governance mechanisms to the policy at hand. Generally, governance networks are seen to be effective in tackling different political problems, however, only if they are well-functioning. It is mentioned by Sørensen and Torfing (2007a) that efficiency gains originate in the distinct features of the governance networks. First, governance networks are potentially proactive in that they can identify possible policy problems and opportunities at an early stage and thus take action to help solve the problem. Second, governance networks often hold information and knowledge relevant for policy-making and public governance that other actors further away from the problem do not. Third, governance networks are claimed to help establish consensus based on the decision-making milieu of governance networks. Finally, it is claimed that if the affected and relevant actors are involved in the decision-making process they will develop a feeling of ownership and responsibility for the problem, which will lead them to support implementation of the policy instead of opposing it (Sørensen and Torfing, 2007a, 12-13). To sum up, the interaction among the actors of the network influences the outcome and outputs of governance networks. The form and character of the policy output depends on the horizontal relations between the network actors. In essence, network governance is a complex process involving varying interests, identities and beliefs.

Because of their unique appearance governance networks are neither organisations nor institutions. Governance networks are not organisations because of the institutionalised framework: i.e. the regulative, normative, cognitive and imaginary framework that is constructed through negotiation. Governance networks are not organisations because they lack the defining traits of organisations such as a single objective, political leadership that imposes sanctions on the actors and a chain of



command (hierarchy). Governance networks are not institutions since they do not have any clearly defined rules, norms and procedures. Nor do they have any legally binding constitution that determines how decisions are made (for instance qualified majority voting and the like). Governance networks are not stable like institutions due to the nature of decision-making and the fact that members of the network are free to leave at any time. However, governance networks are based on an institutionalised framework of regulative, normative, cognitive and imaginary characteristics that make way for the relatively instable, complex interaction among the members (Sørensen and Torfing, 2007b, 25-27). Because of this institutionalised framework in which governance networks operate, it is fruitful to apply institutional theory in order to understand the dynamics of governance networks. In fact, it may even be argued that network governance theory may be situated within the framework of institutionalism, taking into account that network governance is a more detail-oriented part of institutionalism that analyses the interaction within institutions/networks and between the actors within them in the policy-making process. Institutionalism views actors as collectivities that shape the institution and interact within the frames of that institution, whereas network governance is also focused on the behaviour and interaction of individuals with each other and the network. This discussion will be picked up and elaborated in the operationalization, but for now it is sufficient to mention that institutional theory explains the interplay between political agency and the structure of their interaction such as presented above, and network governance explains the relationship between the actors in this construction.

#### **4.3.1 The Formation of Governance Networks**

Having established what governance networks are, it is now time to turn to the question of how and why governance networks are established. A general answer to this enquiry is that “governance networks are products of interactions among more or less rational actors that invest in institutional arrangements to improve their capacity to implement various policy ideas.” (Hertting, 2007, 45) which is in accordance with the historical institutionalist argument about bounded rationality. In other words, governance networks are formed as a reaction to the context in which they are to operate. A similar view is that they are formed as endogenously ‘bottom-up’ responses to their perceived reality (their subjective interests, cultural and normative orientations). That is, actors establish governance networks because they believe that the network will help them accomplish a common goal (for instance the implementation of EU regional policy). In continuation of this argument, it is claimed that network formation strategies are based on the before-mentioned institutional and normative frameworks of the governance network (Hertting, 2007, 45-46).

In terms of network governance formation, different types of mechanisms can be identified of which the most obvious is the one of interdependency. Previously it has been illustrated how interdependencies are crucial in network governance, but this relationship needs to be further clarified in terms of the nature of the influence it has on governance network formation. Interdependencies should be perceived as incentive structures for governance network formation. To understand this relationship it is worth making a distinction between resource dependencies and other dependencies that generate strategic externalities. Resource<sup>5</sup> dependencies are present in all networks. Network actors as well as networks themselves are dependent on other actors' resources in order to achieve their goals. This implies an exchange of resources among network actors. As such network actors have a common interest in achieving the goal of the network and for that reason they seek to secure critical resources of the network. To illustrate, actor A is dependent on actor B if A needs the resources actor B possesses to create some kind of action. If B at the same time needs the resources which A possesses, they are interdependent. Strategic interdependencies, by contrast, are not exchanges of resources. In this scenario, the actors have the necessary resources themselves to bring about the preferred change, but they are dependent on the action of other actors. If actor A's action is resulting in outcomes in the interaction with actions taken by actors B, C and D, then A's ability to implement his preferred action is dependent on the strategic choices of B, C and D. The conclusion drawn from this is that interdependent actors cannot implement their goals without the assistance of other actors. Moreover, because interactions between the actors are frequently repeated, institutionalisation processes occur; i.e. shared perceptions, participation patterns and interaction rules develop and become formalised (Hertting, 2007, 47-48 and Kickert, Klijn and Koppenjan, 1997, 6). Obviously, resource dependencies and dependencies that generate strategic externalities are related, but it is necessary to make the distinction in order to understand how the strategic 'game' in network governance influences the formation of networks. In order to realise a policy goal, it is necessary to form networks of actors who possess relevant and interdependent resources as individual actors are seldom in a position to achieve that goal on their own. Naturally, it is easier to form a network when actors have shared interests, expectations and goals.

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<sup>5</sup> A resource is understood as something which is 1) controlled by a policy actor, 2) is desired by another policy actor, and 3) can be transferred or exchanged in some relevant sense (Compston, 2009, 19)

### 4.3.2 Relations among Actors

Relations among actors may either be between individual actors or between actors that represent an organisation. “Within networks, series of interactions occur around policy and other issues. These series of interactions can be called games.” (Klijn & Koppenjan, 2000, 139) The position of the players of the game is determined by their position in the network and the strategic action in the game. The relationship among the actors is largely framed by the rules of the network and resource interdependencies<sup>6</sup> among the actors. Each actor desires something from another actor and is prepared to exchange resources in return. The actors, thus, act strategically based on their perceptions of the nature of the problem and the desired solutions, enabling them to achieve their own objectives within the given dependencies of the network. “As actors interact, patterns of resource exchange emerge and rules develop which regulate interactions and to extent insulate the network from the outside world.” (Compston, 2009, 9) Thus, these games ensure cooperation among the actors involved in the network, and the outcome of the games is the result of the interactions of actors in the network. A government that interacts with private (non-government) actors, who enjoy access to information, legitimacy and implementation resources that the government does not, is an example of such interaction based on resource interdependencies. Here, an exchange of resources takes place to ensure the implementation of a government decided policy. It may be argued that it is in the interests of the individual actors to continue cooperation in order to keep the network stable and achieve the policy goals. Network governance necessitates that cooperation become a working mechanism of coordination. This is not always easy (Hertting, 2007, 52).

A more complex scenario is when actors represent organisations in a network which constitutes a structural dilemma where horizontal coordination between the organisations is based on negotiation between the representatives of the organisations. These representatives cannot act individually; they are monitored by the members of their organisation. This means that they must act in the interest of the organisation as a whole, thus, possibly put restrictions on their own future manoeuvring within the network. The combination of inter-organisational and intra-organisational decision-making processes makes coordination difficult. In other words it may be difficult to ensure horizontal self-coordination (Börzel, 1997, 7). Despite this

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<sup>6</sup> In a governance network consisting of public and private actors, the relevant literature identifies a number of resources to be present: constitutional-legal, organisational, financial, political, informational, economic position, knowledge or information, legitimate authority among others (Compston, 2009, 22-3).

apparent difficulty in achieving a common goal, networks are able to deliberately produce collective outcomes through voluntary bargaining.

The impact of a network on a policy outcome is a function of the relative power of its members and their resources. Obviously, power is a central concept in the resource interdependency discussion, which is connected to the possession of resources and the asymmetry of power relations that this generates (Klijn, 1997, 21). Achievement of the policy outcome thus depends on the cooperation of actors in the network. This interaction among the actors, in turn, generates resources distribution among the actors that influence the performance of the network. Actors are conscious that their resources are necessary to achieve the policy outcome. This puts them in a position to veto interaction processes. The greater the veto power of an actor the more important the actor is to the policy game. Changes in the distribution of resources are also reflected in the policy games of the network. It is inherent in the network process that it is an interactive process where actors' relations change according to the context and time in which it takes place thus altering the power balance repeatedly depending on the situation. Therefore, an actor cannot be said to be more powerful relative to another actor in a network during the entire process. It is also argued that the exact exchange of resources and purposes provide the actors with a capacity (power) to act; a reinforcement of the network process. Then, by interacting, actors, organisations and institutions gain greater power in the network, implying the importance of the actors to be active partners in the network.

At the centre of the power discussion in network governance is resources, the interdependence and the non-hierarchical forms of governance that are inherent in the network approach. As such, no actor is more powerful than another and the network is not commanded from the top. The approach is based upon the notion that each actor involved in the network contributes with resources upon which the other actors are dependent in order to obtain a preferred goal. What brings the actors together is the interest in achieving a goal and that the goal becomes more easily achievable when working together. Accordingly, it must be assumed that actors will not involve themselves in power struggles as is the case within the institutional discussion; rather they partake in negotiations over a decision on behalf of the entire network. "Actors may bargain over the distribution of resources but this bargain must be rooted in deliberation in order to facilitate learning, common understanding and coordination for the benefit of the network as a whole or the policy issue." (see p. 75, network governance definition) Despite this assumption, some resources may be considered more valuable than others to the achievement of the network rendering some actors more influential than others (i.e. some actors have more power relative

to others). In this connection, the context in which the network operates, influences the process and must be taken into consideration. Relations are shaped by the way actors perceive of their objectives and roles in the network, their policy preferences and past experiences with policy-making. In such a way their relative power is shaped by these factors as well as their institutional/organisational connection. Therefore, some actors may have more power than other actors *vis-à-vis* their resources and ability to make others dependent on their resources.

The structure of the network is related to the influence of the resource interdependencies among actors within a network on the outcome of a policy, i.e. the pattern of relations between actors. The pattern of relations between the actors is influenced by network size (number of actors), boundaries (open/closed), type of membership (voluntary/compulsory), pattern of linkages (chaotic/ordered), density or multiplexity (extent to which actors are linked by multiple relations), clustering or differentiation in sub-networks, linking pattern or type of coordination (hierarchy, horizontal consultation and bargaining, overlapping memberships, centralization), degree of delegation of decision-making to central units by members, and the nature of relations (conflictual/competitive/cooperative). Besides structure, it is also implicit that the power relations based on resources, needs and organisational characteristics (i.e. size, degree of centralization, etc.) among the actors influence the outcome (Compston, 2009, 10-1).

Cooperation does not always happen on its own: “[d]ifferences and disagreements in perceptions between actors may cause conflict and block the interaction. Only when actors are able to bring their perceptions together and formulate common goals and interests will policy games lead to satisfactory outcomes.” (Klijn & Koppenjan, 2000, 143) Therefore, networks need steering and managing. Steering strategies focus on the improvement of cooperation among the actors of the network. Sometimes it is even assumed that a successful outcome is not possible without network management. The following will take a closer look at the type of strategies to be considered when managing networks.

### **4.3.3 Forms of Network Governance**

Networks may vary in terms of their structural patterns of relations which are influenced by the management and governance of the networks. Provan and Kenis (2007) argue that three forms of network governance exist. These may either be decentralised or centralised in form or somewhere in-between. A second distinction running across the aforementioned three forms of network governance may also be made between participant governed or externally governed.

The first form of network governance is called participant-governed networks. This form is governed by the network members themselves either through meetings involving designated representatives of the organisation or through on-going uncoordinated efforts by the members of the network. Participant-governed networks may be either highly decentralised with all or most members co-operating on a fairly equal basis, or highly centralised when the organisation is governed by and through a lead organisation which is a member of the network. Shared participant-governed networks depend on the participation and commitment of all members, or a division of the organisations that are included in the network. Network participants are responsible for managing both internal and external network relations, which also implies that they collectively make all decisions and manage network activities. It is important to have all network members participate on an equal basis for them to be committed to the goals of the network. The network acts collectively and is never represented by a single entity in the network as a whole (Provan and Kenis, 2007, 233-35).

A second form of network governance is through what is referred to as a lead organisation. Opposed to shared participant-governed networks, governance through a lead organisation occurs when a single member of the network makes key decisions and manages network-level activities. As such, the lead organisation provides network administration and/or assists the activities of the members of the network in their efforts to achieve the network goals. The lead organisation may receive resources from its members or seek external funding through grants or government funding to finance the cost of network administration. The lead organisation may either be designated by the network members or mandated by those who fund the network externally (Provan and Kenis, 2007, 235).

A third form of network governance is the network administrative organisation (NAO) model. With this form a separate unit is set up to govern the network and its activities. This model is thus highly centralised even though network members interact with each other. The NAO works as a network broker in terms of coordinating and sustaining the network. Being a separate unit, the NAO is not a member organisation that provides its services; rather it is externally governed and established either through mandate or by the members themselves. The NAO may be a government entity or a non-profit organisation. The NAO may consist of one single individual or a formal organisation consisting of an executive director, staff and board. The formal organisation often deals with highly complex network-level problems. In this form, the board typically addresses strategic-level network concerns whereas the NAO executive director deals with operational decisions. Government-run NAOs are

intended to stimulate the growth of the network through targeted funding and/or network facilitation and to assure the achievement of network goals. An example of such a NAO is the administrative unit within the region or at national level that administers regional economic development (Provan and Kenis, 2007, 236).

Having established the different forms of network governance, it is worth investigating why one form is preferred over another. A decision is made based on what the network members consider effective governance, imitation of others, personal preferences and past experiences. Having listed these, it must, however, also be remembered that some networks are mandated in a way that *de facto* alleviates the option of choice among the network members. This choice is made beforehand by government policy decision-makers based on the form considered to be the most effective in order to achieve the policy goal. However, four structural and relational factors may influence the choice of network governance form: trust, size (number of participants), goal consensus, and the nature of the task. Trust is important in the sense that it influences the interaction between the members rendering a goal more easily achieved if the members generally trust each other and everyone involved shares the same goal. The more members in a network the more difficult it is to trust that everybody is working towards the same end. Therefore, shared governance is more likely to be effective when participants have a shared sense of trust. It is important that trust ties are dense to ensure that members share the perception of trust. In brokered governance forms, such as lead organisation or NAOs, trust density is often low because they are themselves built around a collection of dyadic ties (Provan and Kenis, 2007, 238).

As mentioned above, the more organisations in a network the more complex interactions become since potential relationships increase exponentially. Shared self-governance is often desirable for network participants since they maintain full control over the management of the network, although it is best suited for small networks. Shared governance becomes increasingly inefficient as the number of participants in the network grow. When this happens it is more suitable to change the governance form to centralised network governance; i.e. either a lead organisation or an NAO. Network participants are not directly involved in network decisions with a lead organisation or an NAO managing the network relations; therefore they do not interact directly with one another but with the lead organisation or the NAO. It is difficult to estimate the 'correct' number of participants for each form of network governance, but generally the fewer participants the more suitable is shared governance and the more participants the more suitable is the NAO form of governance (Provan and Kenis, 2007, 238-9).

In the network governance literature, there is a general agreement that goal consensus is significant to the ability of networks to perform efficiently (in terms of the member involvement and commitment to the network and willingness to cooperate). This argument has implications for understanding the behaviour of network participants, since network participants must be open to the goals of their network and their employing organisation. Such goals may include developing new clients, attract funding to the network, address community needs, improve client service or it may be process oriented (relations among the participants of the network). Despite goal consensus influencing the cooperation within the network, the governance of network relationships is perhaps more significant when the effectiveness of the network is the objective. Obviously, self-governed networks are more likely to be effective if all members agree on the network level goals; otherwise there is no point in having a network. Lead organisations and NAOs do not necessarily need high goal consensus. In fact, when the level of goal consensus is intermediate to moderately low, lead organisation forms are more suitable, whereas NAOs are more effective when goal consensus is moderately high. The lead organisation form does not require individual organisations to take part in strategic and operational decisions for which reason it does not matter whether the organisations agree. Thus, the lead organisation is able to maintain the focus of the network when individual members are not. By contrast, the NAO form requires high involvement and commitment of the members especially since they are often mandated by external partners who also fund their activities. It is crucial that they agree in order for the network to be a success (Provan and Kenis, 2007, 239-40).

Obviously, organisations join or form networks for different reasons such as ability to perform more efficiently as a unit, etc., but definitely also if joining may lead to achievement of goals that are otherwise out of reach. Upon joining a network members somewhat share responsibility of the success of the network as a whole, but also of the task that it aims at accomplishing. This means that each member is required to have task-specific competencies and network-level skills. This in turn, increases interdependence among network members. In terms of the three different forms of network organisation, shared governance is more likely to be effective when interdependence is high, requiring great interaction among the members. Members may be demanded to possess skill that they do not have. Therefore, the alternative lead organisation or NAO models may be preferred. In these cases, the lead organisation or NAO could be regarded as the 'specialists'. These choices are made based on both internal and external demands of task competencies and network-level skills. It is the job of the lead organisation and the NAO to develop these required skills if they do not already possess them (Provan and Kenis, 2007, 240-1).



#### **4.3.4 Meta-Governance of Governance Networks**

Generally, in the network literature, on the one hand, it is agreed that a central characteristic of governance networks is their ability to self-regulate. But on the other, it is also acknowledged that governance networks must be managed and controlled if they are to contribute to efficient government of society. This said, it must be noted that the traditional hierarchical steering that sovereign states usually perform is not an option in the management of governance networks: it is necessary to maintain the self-regulating aspect of networks while managing them. This effort has led to a new form of governance referred to as 'network management' or 'meta-governance' in the network governance literature (Sørensen and Torfing, 2007a, 169).

The above presentation of governance, networks and network governance is based on the assumption that networks are self-organising systems that do not need steering by government. This view is also present in the network literature. It must be noted, however, that the need of government steering depends on the context in which the network is set up and operates. For instance, the limits to self-organisation may be particularly evident in the EU supranational context. Therefore, network management may require certain leadership tasks to ensure the goal of the policy: designing the network, diagnosing disagreement, identifying policy alternatives and ensuring that negotiation continues (Schout and Jordan, 2005, 210). Network management or meta-governance attempts to consciously guide governance processes in the networks: it aims to initiate, guide and facilitate relation between actors, to generate and alter network arrangement so that coordination is improved (Klijn and Edelenbos, 2008, 200). In this regard, network management must be seen as a complement to self-organisation rather than an alternative. Network management serves the overall interest of the network.

Network theories have been criticised for considering government organisations to be the same as any other organisation and in this respect ignore their role as guardian of public interests in public policy-making. But as such, according to network theory, government organisations may avoid this pitfall and protect the public interests by exercising meta-governance of the networks based on their resources. Governments take up a special position due to their access to resources such as sizable budgets and personnel, special powers, access to media, and democratic legitimisation (Klijn & Koppenjan, 2000, 151). Access to these resources gives them considerable power to influence networks. It is assumed that governments are primarily the ones who exercise meta-governance. In the network literature, it is discussed, however, whether other actors such as private actors, etc. can exercise meta-governance.

The governance network literature represents different views on how to meta-govern. Some are descriptive while others are prescriptive; some present a hands-on, interventionist approach while others present a hands-off, 'shadow of hierarchy' approach to meta-governing; and some forms of meta-governance have low efficiency while others have high efficiency. But a general picture can be drawn. There are three ways in which governments can and do exercise meta-governance of governance networks: by designing networks, network participation, or by framing networks. By exercising meta-governance through designing networks governments are able to regulate networks by encouraging the establishment of them and to influence their memberships. In this way, governments are in a position to influence the composition of the networks. By participating in networks governments are able to get first-hand information about what is going on in the networks. They are able to influence the agenda of the network and thus ensure that the objective of the policy is achieved. By framing networks governments are in a position to formulate the overall political goals of the network through allocation of fiscal or other resources to the network. Also governments can influence networks by way of determining the norms and values that condition the governance process, as well as deciding what is relevant and important to the network and government respectively (Sørensen and Torfing, 2005, 229-230). Thus, governments may have great influence on shaping networks even when these networks are self-organising.

These types of meta-governance can also be understood in terms of two types of strategies: process design and management on the one hand and institutional design on the other. The process design and management strategy assist interaction between the actors of the network in the policy process by coordinating interaction and uniting the individual perceptions of the actors and so on. The manager's role is to encourage cooperation and coordination based on the given characteristics of the network (position, rules, norms, historical tradition, etc.) in order to achieve acceptable outcomes of the policy process (Klijn and Edelenbos, 2008, 200). A number of principles are identified to support process design: 1) openness. It is important to include all relevant actors in the process as soon as possible in order to avoid blockage. This also enhances the quality of the process in that information is delivered to the network members. 2) safety. Perhaps the biggest concern of network members is the protection of their own interests and values. They will only participate if cooperation does not undermine their interests and values. The assurance of the protection of interests and values is thus mirrored in the process design by an obligation to let actors know about changes, exit rules, veto rights, etc. 3) progress. Progress may be ensured by agreeing on timetables, important decisions, activities, conflict resolution, etc. These means will keep the actors committed to the process. 4)

content. The idea behind the network is essential since a good idea may encourage the actors to participate and deploy their resources into the process more easily. The idea will evolve through the process. The network manager must balance all these principles in creating the 'right' process design for the network. The tension between these principles may leave him/her with a dilemma. The process design may thus be adjusted during the interaction process to address possible dilemmas (Klijn and Edelenbos, 2008, 201-2).

Also a number of process management strategies may be considered by the manager: 1) activation of actors and resources, 2) creation of organisational arrangements, 3) guidance of interaction, 4) goal achieving strategies, 5) joint knowledge production, and 6) trust creation. These strategies must be considered simultaneously in the attempt to find the 'right mix' allowing the network process to become efficient and facilitate continued interaction. If interaction stagnates, these strategies must be adjusted to re-establish the interaction of the actors. The manager must identify actors and resource needs before even initiating the process. Once the process is initiated, it is important to clarify the goals and interests of the actors warranting that solutions for common strategies leading to cooperation can be found. If actors end up with different perceptions of the network process and its solutions, a process of exchanging and uniting perceptions will be initiated. Next, it is important to develop common knowledge for the benefit of the network. It has proven very difficult for all actors in a network to agree on the same knowledge; they often tend to question and challenge co-participants' research and knowledge. Therefore, it is vital to have well-negotiated and shared knowledge in the network. In this way, common assumptions are developed. Having established common knowledge, trust among actors must be ensured. Trust entails a more or less stable mutual understanding of intentions among actors (Klijn and Edelenbos, 2008, 203-6).

Network strategies based on institutional design are used when the institutional characteristics of the network need to be changed for some reason; i.e. the actors' position *vis-à-vis* each other, introducing new rules or other forms of intervention that would change the structure of the network. Thus, the focus is on finding suitable institutional design and strategies for the realisation of it. The assumption is that the institutional characteristics of the network influence the possibilities of strategies and cooperation of the actors. By changing one or more of these institutional rules, interrelations between actors of the network may change: the rules are interpreted by the actors and thus applied in their interaction with each other. Sometimes this creates confusion since institutional rules are often ambiguous allowing some actors interpret them differently. These institutional rules develop over time and are created

in complex institutional contexts. This means that they are time-consuming and difficult to implement and thus not appropriate for achieving changes in the policy process that is already in progress. Institutional design strategies may be aimed at network composition, network outcomes, and network interactions. *Network composition* may be changed permitting interactions among the actors to change. This can either be done through changing the position of the actors of the network or by modifying the entire system (access rules, self-regulation, etc.). *Network outcomes* strategies seek to influence the cost-benefit analysis carried out by actors of the 'game' – the choices that they make in cooperation and negotiation; especially in relation to their strategic choice that subsequently shapes the outcome. Strategies aimed at *network interactions* seek to influence the rules that control the process in networks. In this way, interaction between actors may be facilitated and a framework surrounding network interaction may be created (Klijn and Edelenbos, 2008, 207-9). In a sense, special attention may be paid to the interrelationships between existing and new rules in this strategy.

Meta-governance or governance management is not an easy task. Many things need to be considered when trying to aid progress of cooperation within networks ensuring a path to an acceptable outcome according to the goals and institutional design of the network. It is also important that the network manager remains a facilitator and does not become a network actor.

Summing up network governance, the theory is preoccupied with explaining the relations between actors within networks based on the interdependencies of resources held by actors. The theory identifies a number of actors that are usually present in a network: public, semi-public and private actors who are dependent on each other's resources. Interaction among these actors is based on the exchange of resources in achieving a common goal of the network as perceived by the members; a goal that is unachievable individually. This perceived sense of 'commonness' guides relations so that despite disagreements, a common outcome is always reached. Because of potential disagreements that are based on the perceived objective of the network on behalf of the members, network management and steering is often necessary on behalf of the network as a whole. The *raison d'être* of the network is based on a self-regulating method, but sometimes networks need further meta-governance from the outside (often from government) in order to be efficient.

It has been argued that the partnership principle resembles a network in some ways but not all, as it involves a partnership process. In order to be able to evaluate whether the partnership process requirements are implemented leading to the

expected process, it is crucial to have a better understanding of the nature of partnerships. The following offers a definition of partnership as a dynamic process. Theoretically, this definition can be placed under the network governance umbrella as a means to understand what partnership is all about, but it is not an independent theory. Partnership may then be seen as an extended form of governance network that embraces the process aspect which governance networks do not.

#### **4.4 Partnership as a Process**

Partnership is no longer restricted to be a requirement of EU regional policy implementation. It has been extended to influence various policy sectors and has even become a complex phenomenon subject to theorisation and articulation in many contexts. In an OECD report on partnerships, it is concluded that partnerships have become very popular, but the mechanisms through which partnerships contribute to economic development are not fully clear. In the report, partnerships are compared to a 'back box', where inputs and outputs are visible, but the mechanisms that transform inputs to outputs are not. Inputs include local actors who agree to participate in the exercise, the programmes that frame the partnerships and the funding available to the partnerships for economic development. Outputs, or the 'value added' of partnerships, consists of for instance the number of jobs created, business start-ups or people going back to school for further education (OECD, 2001, 18). So what happens between input and output?

The following section seeks to provide an answer to this inquiry by presenting and discussing one definition of partnership as a general concept that can be applied to the partnership principle as well as other types of partnerships. This definition is selected as it encompasses a general view of partnership that is applicable to most contexts as well as it seems to address the centrality of partnership as a process. Other authors have sought to propose ideas and characterisations of the concept: "the promotion of joint working between a combination of organisations from different backgrounds; the pursuit of a set of commonly held and agreed goals; and the assumption that the achievements of the whole exercise will be greater than that which can be achieved by the partners acting separately." (Roberts, 2003, 21) Walsh (2004) refers to the partnership approach as "a mobilisation of a coalition of interests drawn from one sector in order to prepare and oversee an agreed strategy for a defined area or objective" (Walsh, 2004, 9). Also Nappini (2005, 4-7) has sought to define and break down types of partnership. She distinguishes between two types of partnership; i.e. strategic partnership (closely reflecting the inclusion aspect of the partnership principle with its partners at various levels of government) and

operational partnership (partnership at a lower level set up specifically to implement projects). These different approaches have one thing in common: they all characterise partnership in relation to the management of other types of organisations. Clearly, these characterisations fit into the general perception of partnership as a different form of organisation, but they do not fully embrace the consequences of working in a partnership for its inter-relations and its objective. At least the approach of Nappini becomes more applicable when placed within the general theoretical approach presented here. Having been placed within a more precise definition of partnership, Nappini's approach is able to explain variances according to types of partnership, which is not the aim here. Apparently, these approaches present partnership as a static approach that ignores the dynamics that partnership encompasses. The aim is to study the process of partnership and not to put partnership into categories. In contrast, the proposed approach presented by Åkerstrøm Andersen clearly defines partnership as a dynamic process that shapes interaction and the future objectives of the partnership.

According to Åkerstrøm Andersen, the danger of partnership is that it has become a concept that everybody has a perceived understanding of. It has been stretched to become a non-binding, casual metaphor that implies everything that one wishes and often we misunderstand each other's perceptions of partnership. Therefore, Åkerstrøm Andersen proposes a general characterisation of partnership that may be applied to policy-making and everyday interaction (Åkerstrøm Andersen, 2006, 11-2). As opposed to the suggested innovation of partnership in the 1988 reform of the Structural Funds, the partnership concept is not that new. During the 1960s and 1970s, partnership was seen as a relationship of goodwill between private companies in the Japanese business world. This understanding of the concept of partnership grew to involve articulation of new inter-organisational relationships during the mid-1980s. It was observed that networks between different actors and lines of business create synergies and innovative cultures between the involved parties. Thus, networks and partnerships were considered profitable environments. It further developed through articulation so that during the 1990s it involved cross-sectoral cooperation. Thus, today the understanding of partnership covers cooperation across companies, lines of business, public and private sectors as well as policy areas. Partnerships also influence across communication systems such as politics, finances, education, health and many other (Åkerstrøm Andersen, 2006, 12-13).

Partnerships are seen as equal to community, long-term cooperation, dialogue, synergy and utilisation of the mutual differences of the partners. This is in opposition to contracts that are considered to be based on more short-term calculation and

bargaining. This implies that partnerships are characterised by complex organisation. On the basis of this, Åkerstrøm Andersen argues that partnerships can be characterised as 'contracts of second order', implying that partnerships are some kind of contractual arrangement, since the partners involved must have some kind of agreement of the objective and operation of the partnership. As opposed to contracts, the contractual partnership is designed to handle the fact that the circumstances surrounding the partnership are constantly changing. It is important to ensure that the contractual relationship never becomes fixated and static; rather it remains dynamic. Thus, partnership is considered to be some form of second order contracts: contracts to ensure contract evolution. Moreover, partnerships pave the way for new relations between politics, finances, health and other communication systems (Åkerstrøm Andersen, 2006, 15).

In other words, partnerships can be considered to be a dislocation of the logic of contracts. Partnerships are promises about making promises. This implies that partners must choose one another before stating promises or drawing up agreements. Thus, partnerships are all about aspirations to make contracts with each other in the future, about how to make these contracts in the future and how to respond to the first order contracts that are made. The key word here appears to be development: partnerships are constantly developing as a response to the changing context in which they operate. Related to the partnership processes are defining goals, responsibility, interpretation rules, dialogue, values and missions of the partnership. Partnerships are characterised as referring back to themselves (or in the words of network theories 'self-regulating' or 'self-organising'), the (instable) conditions that they make themselves and creating their own order (Åkerstrøm Andersen, 2006, 128-31). Åkerstrøm Andersen (2006, 188) further argues that partnerships can be considered as some form of steering but at the same time it is also a renunciation of steering since it is necessary for the partnership to have room to manoeuvre to establish its own agenda allowing it to function in the best possible manner.

As such, partnerships can be considered to be systems of opportunities that are to some extent influenced by insecurity regarding its existence. This means that partnerships produce opportunities for future cooperation, visions and ideas. However, the transitory position that partnerships are in also create uncertainty and instability in terms of their existence, since partnerships are all about the process of creating partnerships or what Åkerstrøm Andersen calls 'partnerskabelse'. If partners do not acknowledge the opportunities of the partnership, the partnership ceases to exist, or at least it changes its outlook and functions (Åkerstrøm Andersen, 2006, 184-

5). The system of opportunities that a partnership creates can be argued to attribute a kind of empowerment of partners in a partnership which in essence is all about administering and utilising the powers that a partnership affords to the partners (Åkerstrøm Andersen, 2006, 190). Then it is important to utilise the powers so the existence of the partnership continues.

As Åkerstrøm Andersen's concept of partnership illustrates, it has many traits in common with governance networks, in particular the overall frame of partnership and networks. However, Åkerstrøm Andersen's model differs as his concepts are based on what he calls 'partnerskabelse' or translated to English 'partnering', i.e. how to create partnerships, how they endure based on the partners mutual understanding of making promises about future promises, and how they are constantly developing. In Åkerstrøm Andersen's words, the definition of partnership is a fragile system of opportunities of second order contracts based on long-term promises to make new promises. It must be recognised that reading Åkerstrøm Andersen's book and other partnership literature stresses that partnership as a concept is difficult to define and restrict, since it embraces so many aspects and understandings. This is so because the partnership concept needs to be all-encompassing implying that it is a general notion that may be interpreted or translated in many different ways. Also the dynamic characteristics of the partnership concept need to be recognised in the definition. Therefore, the definition of Åkerstrøm Andersen also reflects the generality of the concept and it encapsulates the general view of partnership. Hence, it appears to be a reasonable frame for understanding the term partnership; it is a frame for understanding that partnerships are what the partners make of it in their relations with each other. Partnership is a dynamic organisation that is self-regulating and adjusts to the context in which it exists. Having found a useful understanding to the term partnership, i.e. that partnerships are dynamic processes that revolve around the interaction in the process and the agreement between partners to make promises to make future promises about cooperation, the next step is to operationalize the partnership concept along with the other central concepts of the forthcoming analysis. Prior to this, a discussion of the compatibility and relations between the three perspectives is presented leading to the operationalization.

## **4.5 Integrating the Three Perspectives**

The above has presented the relevant arguments of the two theories, historical institutionalism and network governance as well as the specific variant of network governance (e.g. the definition of partnership as partnering), that can illuminate my forthcoming analysis. These two theories share a common ground: that governance



has been complicated by the inclusion of actors at different levels (including private) in the process, and that the outcome of the process (both policy outcome and institutional change) is not predictable because of the web of relations between all these actors. This is also the case in practise where new forms of governance are required to be set up in the interaction between national and EU regional policies as a condition for receiving EU Structural Funds potentially leading to change in existing practises. They see this process from different yet related angles, but the process of change is of common concern. The following will pick up on this focus on the process of change both in terms of how the two theories are related, and how they can assist each other in analysing the process of change.

Now let me begin with the proposition that it is important to understand this analysis as a holistic process. As a point of departure I see my analysis as a whole which historical institutionalism and network governance (and partnership as a process) can elucidate in combination, but for the sake of simplicity and clarity, I divide the analysis into three sub-analyses. I have previously argued that historical institutionalism can be expected to be used as a lens through which the overall process of institutional change and the interaction and coordination between the Danish and the EU regional policy-making approaches can be analysed. In support, network governance (and Åkerstrøm Andersen's partnership approach) will inform the analysis of the execution of the inclusion and process aspects of the partnership which in turn have implications for the types of institutional change that expectedly are generated. Having reviewed the two theories (i.e. historical institutionalism and network governance), a clear connection, overlap and interrelatedness between the theories appeared.

Both theories are based on a notion of bounded rationality where actors are not perceived as completely rational, rather actors also make decisions based on their cognitive and emotional evaluation of the situation and sometimes they even fail to make decisions. This implies that human rational behaviour is limited by the emotional and cognitive nature of human beings. In turn, this influences how actors behave within the frames set by the institution and the network. According to Mahoney and Thelen's latest contribution to the historical institutionalist approach, change is brought about (whether intended or unintended) by the actions and decisions made by actors within an institutional context that favours certain strategies, actors and preferences over others. Similarly, network governance argues that networks have an institution-like nature and that actors within them cooperate in the overall interest of the network because cooperation aimed at a mutual goal is more beneficial than working alone. However, cooperation is also based on resource dependencies among the actors, which may result in some preferences being elevated

over others. Generally, historical institutionalism and network governance are based on the same premises; that the institution and the network structure interaction among the actors within them. In this sense, the two theories share a base, where one is more concerned with the overall picture and the historical process of change shaped by the behaviour of the actors, and the other is concerned with that behaviour in more detail in terms of relations and negotiations between them. In other words, historical institutionalism is concerned with how the behaviour of actors influences institutions and how institutions influence the actors within them. Network governance is more focused on how the process of cooperation itself leads to a policy outcome rather than the institutional structure in which policy is implemented; this is a given. Thus, historical institutionalism provides the overall framework for understanding network governance.

With this knowledge in mind the two theories in unison may be applied to the analysis in that they are both concerned with the relation between structure and agency from their respective positions; that the institution and network structure the context in which relations between actors take place. In this sense, institutions and networks shape and influence the behaviour and preferences of actors. The partnership principle resembles what can be characterised as institutional structures for cooperation requiring partnership to be both including certain actors and a process (the 'partnering'). The partnership principle is thus the structure, whereas the partnering and inclusion process may be regarded as the agency. These two interact in a dynamic process that generates change over time in the existing national regional policy-making institution in accordance with the requirements of the partnership principle (and the assumptions of both theories). As the partnership principle is extended to include more actors, the process of change in the national institution and the employment of the partnership principle in the member states can be expected to change accordingly.

To elaborate on the interconnectedness and similarities between the two perspectives, the historical institutionalist perspective may serve as a frame in which to understand network governance: when explaining the formation of governance networks, institutions play a dual role: on the one hand, governance networks are established to defeat the problems of institutional and organisational disintegration caused by the implementation of the policy (Sørensen and Torfing, 2007, 31). In other words, governance networks are the outcome of local actors' struggle with the consequences of institutional reform. On the other hand, when these actors have established governance networks in overcoming institutional reform, the horizontal relations among the actors may lead to the establishment of institutionalised rules

and norms for the network that promote interdependency. Hereby, networks are institutionalised as part of the overall institution, thereby bringing about change.

Likewise, when explaining the functioning of governance networks, historical institutionalism claims that institutions help stabilise the interaction within the network by offering rules, and norms about decision-making, general trust and ways in which to resolve conflicts. However, it must be noted that historical institutionalism also claims that previous decision-making may prevent new and innovative decisions in the future, since the regulative and normative framework of the network may reflect old compromises and fails to take into consideration the new context. It is also claimed that the institutionalised division of power among the network actors (central and peripheral) may even foster the asymmetrical division of resources between the network actors. This could lead to marginalisation of some actors that consequently perhaps wish to leave the network or it may lead to power struggles within the network.

Moreover, besides these similarities between the theories, they also have different focal areas that support each other well. Despite the fact that the historical institutionalist approach argues that the behaviour of actors influences and shapes the institutions in which they are engaged, the theory is not able to explain more specifically the relations and roles played by these actors in the process. This is where network governance proves to be a good match, exactly because the aim is to analyse the types of change generated by the execution of the partnership principle over time in terms of institutional structures and inclusion and process in the attempt to implement the EU regional policy in Denmark. The partnership principle affords actors with a new institutional structure in which they can organise cooperation with the objective of ensuring the implementation of EU regional policy in the member states effectively in accordance with the member state institutional traditions. In this case, historical institutionalism is not able to explain the relations generated by the interpretation and implementation of the partnership principle. Rather the analytical strength of historical institutionalism is in explaining the institutional development surrounding the partnering and the bases upon which the partnership process is based; i.e. the establishment of institutional capacity to comply with the partnership requirements (vertical and horizontal). But, in turn, the interpretation and implementation of the partnerships generates change in the existing national regional policy-making institution.

## 4.6 Operationalization

The above theoretical considerations give rise to an operationalization of the research questions and a presentation of the concepts that have inspired the tri-partite analysis of how the implementation of the inclusion and process requirements of the partnership principle expectedly generate change in the Danish regional policy-making institution. In the following, the key concepts are highlighted in italics for the sake of overview. These concepts are central to the analysis through guidance of my data selection and collection as well as data analysis.

Based on the empirical and theoretical choices made and the compatibility of the three theories, historical institutionalism will frame the analysis of how the Danish interpretation of the partnership requirements generates change in the Danish regional policy-making organisation, in particular how the inclusion and process aspects affect this process. Thus, historical institutionalism constitutes the overall theoretical framework in which the analysis is undertaken, but in order to analyse specific aspects of this process historical institutionalism is supported by the governance network approach and the partnership definition offered by Åkerstrøm Andersen. This is imperative based on the above discussion of the relationship between the three approaches and their explanatory forces in relation to each other.

Historical institutionalism offers a number of concepts that may shape the analysis. First is the concept of the *institution* itself. The institution is central to the analysis of the institutional organisation that frames the context in which networks and the required partnerships are formed: i.e. institutions shape the behaviour of actors in the pursuit of a policy outcome. Likewise, it is necessary to be able to understand the term institution in relation to the partnership principle itself, as it has been argued that it is 'a European institution that the European Commission has sought to give normative content'. The concept of the institution is associated with an organisational structure that determines 'the rules of the game'. Thus, this is the analysis of the encounter between two perhaps different institutions; one that has to be changed according to the requirements of the other as a condition for receiving financial support – this has implications. This suggests that historical institutionalism frames the entire analysis shaping the interpretation and implementation of the partnership principle.

Institutional change is a historical process that can be traced back for decades. This implies that *institutional development*, whether characterised by continuity or gradual change defines institutional history. History matters. Thus, change is a dynamic

process that occurs over the course of time. According to, and central to, historical institutionalism, the process of adaptation or change to EU policies in domestic contexts constitutes a process of social learning over time where networks and informal institutions (political and organisational cultures and social norms) affect actor behaviour and preferences through the logic of appropriateness, which then leads them to re-conceptualise their interests and identities hence bringing about learning processes (Getimis, Demetropoulou and Paraskevopoulos, 2008, 96). What is more, the timing and sequence of these processes is central to the outcome; i.e. it matters when and in which order exogenous events influence the behaviour of actors within the domestic networks and institutions in order to determine how the behaviour of these actors has been changed. From this it may be argued that in order to be able to adopt EU regional policy requirements, participation in the policy-making process by actors at levels below national level and also even below sub-national level, as well as a change of behaviour of these actors is necessary facilitating social learning. This implies support of an actor centred theory, which is able to analyse the relations within those networks and informal institutions established within the national regional policy-making institutions.

When tracing the process of change, historical institutionalism offers a number of concepts to explain that process: the process may either be characterised by path-dependence or continuity where no considerable change is seen or the process of change is gradual. Likewise, the process of change may either be caused by internal change of behaviour in the institution due to its power asymmetries or internal change brought about by processes external to the institution.

First of all, the development of the organisation is likely to be characterised by *path-dependency* where decisions made in the past shape future decision-making. To identify path-dependency, it is crucial to detect a longer running persistent pattern of behaviour of the organisation in terms of relations between actors within the organisational structure. Alternatively, institutional stability is mentioned in more recent developments of the theory to refer to the on-going political mobilisation of the institution.

Second, the organisation may have undergone transformation along the way in a gradual process. In Hall and Thelen's attempt to explain continuity and change, they propose three types of change that are possible outcomes of internal manoeuvring: *defection, re-interpretation or reform*. This implies that actors either decide to stop adhering to the institution or they re-interpret the rules of the institution. In this case

change occurs gradually without rewriting the formal rules. This, however, is not the case in the third type of change. Reform is mandated by governments.

Third, and related to the first two concepts, development, whether path-dependent or gradual, is determined by either *internal or external* events, but in the end change in the institution is always internal. Internally the behaviour of actors shapes the organisation causing it to change gradually or continue a path-dependent development. Here it is relevant to look for potential struggles among actors in their attempt to change the organisational structure, or alternatively, accept status quo. Also external events outside the institution may result in change inside the institution; often these external events cause a more sudden change in the established structure of the institution. Such change could constitute socio-economic changes in the context leading to alternative organisation as a response to them. Or it may be changes in the institution's relations with other institutions such as the EU necessitating restructuring of the existing institution.

Fourth, *relations among the actors* within the institution shape the latter. Because institutions are laden with power the relations among the actors within them reflect the asymmetric power distribution created by the institution. This implies that some actors have more power/resources at their disposal when manoeuvring in the policy-making game. In the case of disagreement with the overall objectives of the institution, actors may try to change the objectives of the institution in their own direction, thereby increasing their own role in the institutional organisation. It is assumed that actors are always looking for an opportunity to improve their own position: they need to ensure that the institution serves their interests; otherwise they are ready to take steps to adjust the institution. Thus, change in the institution is brought about by power struggles among the actors as a result of asymmetries of power. It is argued that this institution-led asymmetrical distribution of resources determines the roles of the actors in their relations which in turn generates the establishment of networks in policy-making for instance through bottom-up developments, through power struggles among the actors within the institution or by definition of the institution itself.

Internal change may either be characterised as *displacement, layering, drift or conversion*. Displacement is the abrupt change that often involves radical shifts, but it may also be gradual. This is the case when new institutions are presented competing with existing ones and not replacing them. Layering is when new rules are attached to the existing ones but not replacing the institution itself such as revisions of the existing framework. Drift occurs when rules remain formally the same but the impact

of them changes as a result of shifts in the external context. Conversion occurs when rules remain the same, but are interpreted and enacted in new ways. Here, exploitation of the ambiguities of the institutions takes place.

The analysis of the process of change, in terms of evaluating how the inclusion and process requirements of the partnership principle have materialised, on their own accord is done utilising tools of the network governance perspective and the partnership definition by Åkerstrøm Andersen in combination within the historical institutionalist framework. Here, similarly a number of concepts are applicable to the analysis. First, network governance identifies a specific range of *actors* that are present in the network: public, semi-public and private actors. These should be expected to be present in the partnership as also the partnership principle stipulates so. It is important to make a distinction between these types of actors in the process in that they individually represent different levels of government and private actors, and consequently they bring different resources and objectives to the table. The essence of network governance is exactly that policy-making has become complicated in today's world because the implementation of a policy has come to depend on a number of actors besides politicians as they individually have insights and information that is relevant in implementing the most effective and targeted policy.

Second, the network actors hold certain *resources* that are of interest to the network as a whole, which explains why some actors are included in the network while others are not. In order to be able to analyse the relations among the actors based on their resource interdependencies, the resources of the individual actors must necessarily be identified. These resources may be constitutional-legal, organisational, financial, political, informational, economic position, knowledge or information, legitimate authority among others. In this connection, some resources may be more valuable to a network than others. The partnership logic implies that all actors with an interest in regional development should contribute with their own resources, which in turn implies that the distribution of the EU Structural Funds is influenced from below, and that the distribution of resources influences the relations among actors in their exchange of resources in obtaining a common goal (the obtainment of the Structural Funds and consequent projects supported by these) – the policy outcome that is assumed to be of mutual interest. Resources are associated with the roles played by the actors in the network, which in turn influence the relations between actors.

Third, despite the assumed obtaining of a common goal, *relations* within the network may not always reflect agreement. One explanation is that the network size is so comprehensive that it is difficult to reach an agreement by ordinary negotiation.

Another is that despite the overall common goal of the network, the actors within it may have diverging interests after all. In such scenarios, a network needs governance to reach an agreement, which can be done by the participants themselves, by a single member representing the network as a whole, or by a separate unit set up to carry out the task. The first form of *network governance* is participant-governed networks where the network is governed from within (the members themselves) either through meetings of designated representatives of the organisation or through on-going uncoordinated efforts by the members of the network. Alternatively, a different type of governance is referred to as a lead organisation where a single member of the network makes key decisions and manages network-level activities. A third form of network governance is the network administrative organisation model (NAO) where a separate unit is set up to govern the network and its activities. Thus, the NAO is not a member of the network; rather it is externally governed and established either through mandate or by the members themselves. These forms of network governance seek to coordinate relations among the actors in obtaining the assumed common goal.

Fourth, sometimes networks are so complex that they need steering or *meta-governance* from outside to succeed; this is especially the case in the EU supranational context. Meta-governance may be exercised on three levels: by designing networks, network participation, or by framing networks. By exercising meta-governance through designing networks governments are able to regulate networks through encouragement of the establishment of them and to influence their memberships. In this way, governments are in a position to influence the composition of the networks. By participating in networks governments are able to get first-hand information about what is going on in the networks. They are able to influence the agenda of the network and thus ensure that the objective of the policy is achieved. By framing networks governments are in a position to formulate the overall political goals of the network through allocation of fiscal or other resources to the network. Also, governments can influence networks by way of determining the norms and values that condition the governance process, as well as deciding what is relevant and important to the network and government respectively. Either way, intervention from outside (most often from governments) structures and influences relations between actors within the network.

It is worth noting the difference between the actors' short-term rule-conforming behaviour and the long-term overall goal of institutional maintenance, which especially becomes relevant when analysing the behaviour of actors inside the institutional organisation of the network or the partnership. This is exactly what



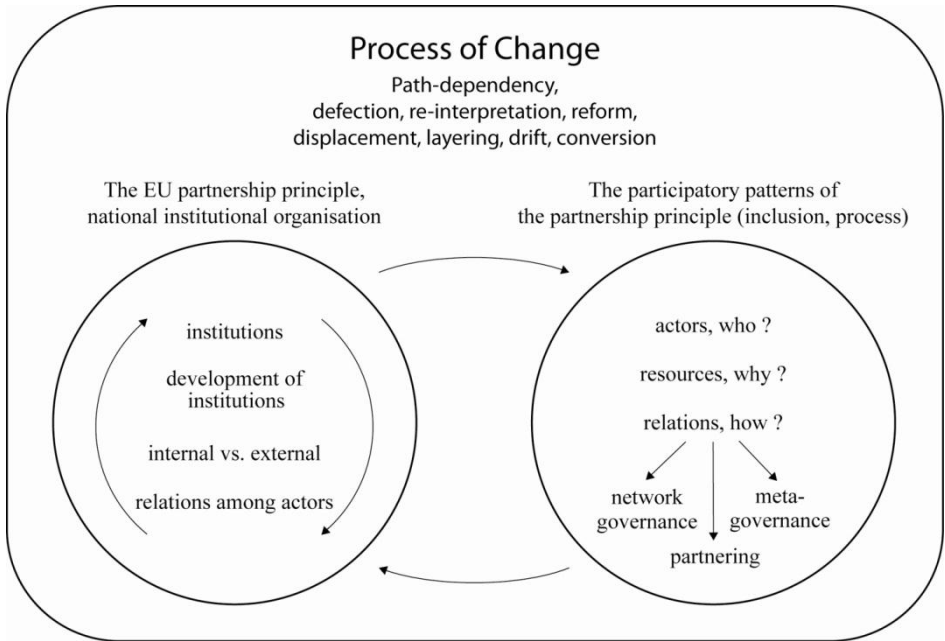
distinguishes a partnership from a network. Networks are based on shorter term relations and calculations whereas partnerships are based on long-term promises to make new promises about future cooperation (partnering).

Dealing with the process requirement of the partnership principle, Åkerstrøm Andersen (2006) suggests that the process should be perceived as a *partnering* process, where partners choose one another and engage in long-term commitment about making promises to make new promises about cooperation in the future based on second order contracts. Central to the partnership definition is the partnering (the process of creating partnerships) where the partners choose one another and agree about future cooperation. Partnering takes place all the time, because the partnership changes and adapts to the changes in the external environment. This is a specific trait that network governance does not consider. Partnership is what the partners make of it.

Together all these concepts interact throughout the process, consequently shaping and influencing each other and thereby generating individual processes that in turn expectedly generate overall change to the Danish regional policy-making institution. Change is expected to be gradual as the definition of the partnership principle has been redefined three times to potentially include more and more actors in the partnerships, a condition which the member states also gradually had to adjust to.

The discussion of the compatibility and applicability of the two theories and the translation of the central concepts, which the two theories and the partnership definition provide me with concerning how to apply them in the analysis, is illustrated in the following model:

## Model 4.1: Conceptual Tools of Analysis





## 5. Revisiting Partnerships in Practice - State of the Art

As is well-known, the partnership approach was introduced in EU regional policy-making as a part of the 1988 reform of the Structural Funds and put into practise for the first time during the 1989-1993 programming period. At this point partnership mainly comprised of a vertical dimension involving besides the member state level, the Commission and sub-national level actors. Some argue that the horizontal dimension was also present to some extent here, but in a fuller sense it was not until 1994 that the horizontal dimension became part of the partnership definition involving a wider range of institutions to participate alongside the public bodies such as social and economic partners. The 1999 reform further strengthened the horizontal dimension of partnerships by including economic and social partners as well as other competent bodies such as civil society organisations and those responsible of the environment and gender equality promotion (European Commission, 2005, 3 and Polverari and Michie, 2009, v). During the first programming period, generally, member states became familiarised with the partnership operation with varying results. Some member states had experiences with working in partnership or networks even before the introduction of the approach in 1988, while others had no experience at all. However, it has also been emphasised in some studies that a number of member states were hostile to the partnership principle and the intrusion that this brought with it into existing practices. Thus, the point of departure for the implementation of the partnership approach differed immensely. Consequently, partnerships set up during the first programming period were often implemented in the strictest sense of the definition to accommodate the requirements for receiving funding. Nonetheless, national, regional and supranational state actors were brought together and some degree of multi-level interaction occurred. In the second programming period, familiarity with working in partnership (their relationships and modes of working) grew, but the pattern of partnerships remained to be uneven across the member states. Even in the run-up to the third reform in 1999, according to Bache (2010, 62) the Commission noted that there were still difficulties with partnership arrangements. Especially the involvement of non-state actors was not satisfactory. In order to accommodate this problem, the Commission sought to introduce a new structure of responsibility sharing so that the Monitoring Committees (the formal expression of partnership) would have new responsibilities thereby including more partners into them (Bachtler and Taylor, 2003, 31-2 and Bache, 2010, 61-2). "In summary, the partnership instrument in EU regional policy has, throughout its 20-year history, consistently sought to promote economic and social cohesion through broadening and deepening participation in the policy process." (Bache, 2010, 62)

The birth of an EC regional policy stirred a particular interest of the scholarly world, as it was anticipated that an emergent new governance system would ensue. Both in academia and in the practical world, a change from government to governance was seen as was noted in the theoretical chapter. Over the course of time, a number of actors were drawn into the policy-making scene which had previously been dominated by public policy-makers; now a plethora of other non-public actors also came to influence the process. The multi-level governance approach grew out of the study of the establishment of an EU regional policy and more precisely the formulation of the partnership principle. As discussed in a previous chapter (*EU Regional Policy and Its Institutional Impact*), the formulation of the partnership principle has brought with it much discussion and research concerning its implementation. The multi-level governance approach was the first approach attempting to theorise against the background of both the formulation and implementation of the partnership principle. The theory holds that the partnership principle has introduced sub-national actors and interest groups to the formal regional policy process and made them direct participants, which has resulted in re-allocation of power resources within the member states (Hooghe and Marks, 2001, 85). Since these initial studies of the implementation of the partnership principle, a voluminous body of studies of the process has been undertaken. The partnership principle has received such attention because of the changed governance patterns that it has brought with it.

It appears that partnership implementation in the EU-15 has received much attention during the first two programming periods, however, with the initiation of the 2000-2006 programming period focus shifted towards enlargement. During this programming period, the EU was enlarged by 10 poor Central Eastern European (CEE) member states that should also be included into the EU regional policy framework. The preparation of the 2000-2006 programming period also reflected these concerns: “the 2000-2006 programming period for the structural funds was particularly significant for a large-scale shift in structural funding to the new CEE member states.” (Bache, 2010, 64) Hence, there was a shift in focus from the wealthier ‘old’ member states towards the success of including the new member states into the club, thus ensuring the latter’s economic development. This shift of focus is also evident in the literature in that the volume of research on the implementation of the partnership principle in the EU-15 has been reduced in size compared to the research carried out in the previous programming periods, and compared to the increasing amount of research on governance in the new CEE member states both in terms of the

preparation for their membership as well as the actual management of the programmes once formal members<sup>7</sup>. The research area has been viewed from many different theoretical traditions besides the multi-level governance and other related governance theories. However, the aim here is not to review the theoretical foundations upon which the studies have been built, but merely to evaluate the results of the studies carried out so that I am able to review the regional policy studies. Thereby, I am able to position my research in the pre-existing body of knowledge of the subject.

“The number and variety of partnership experiences is so rich that a comprehensive presentation of the empirical cases is very complicated, if not impossible.” (Brunazzo, 2007, 8) For that reason, this literature review is not able to cover it all. It will focus on Commission documents on the evaluation of partnership experiences on the one hand and academic evaluations on the other hand. These two parallel types of research both have a general comparative perspective taking the specific national characteristics into consideration and a more member state specific perspective where individual member states are investigated more in-depth than is possible in the general evaluations of a number of member states. Unsurprisingly perhaps, Commission evaluations tend to reach rather positive conclusions concerning the functioning and implementation of the partnership principle, whereas academic research on more in-depth member state specific cases reaches varying conclusions regarding its implementation and functioning. Another interesting observation is that a considerable amount of academic research is carried out by researchers who are also authors of Commission documents and reports. For instance, the Commission most often makes use of the European Policies Research Centre (EPRC) for carrying

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<sup>7</sup> In a Web of Science database article search for articles concerned with the ‘EU Structural Funds’ a clear division of focal points presented itself. I divided the topic of the titles (and when in doubt, the abstract of the article) into five categories: articles concerned with 1) the implementation of the EU Structural Funds before 2000, 2) the implementation of the EU Structural Funds in the EU 15 during 2000-2006, 3) the implementation of the EU Structural Funds in the EU accession countries during 2000-2006, 4) comparative perspective between the EU 15 and accession countries during 2000-2006, and 5) a more general perspective of the Structural Funds implementation. A total of 289 articles came up where 29 articles were concerned with the implementation of the Structural Funds in the EU 15 compared to 55 that were concerned with the implementation of the Structural Funds in the accession countries and a less significant number of articles were comparative in perspective. The remaining articles were either concerned with the programming periods before 2000 or with related topics to the actual implementation of the Structural Funds such as the influence of the Structural Funds on the environment, etc. This result shows that nearly twice as many articles were concerned with the accession countries’ experience with the Structural Funds compared to the EU 15 member states. This, however, is only a general picture and a small specimen of the vast amount of literature concerned with the implementation of the Structural Funds. A similar picture can be expected to emerge when using a different search title. Therefore, this exercise can be considered as illustrative of my point.

out its investigations - a policy research centre which employs esteemed scholars in the EU regional policy research area who simultaneously also carry out independent research. This means that these researchers play two different roles in their work: one where their research is directed by the Commission where they are not permitted to be too sceptical and critical about the results, and another where they work independently and allow themselves to be more critical towards the results. In the end, however, both types of research are based on the same data and the conclusions are not in complete disagreement. Researchers who tend to be more critical and in disagreement are not involved in Commission work altogether; they play a freer role. The following review will explicate these assessments in more detail. It will be divided into a review of the literature that deals with the implementation and functioning of the partnership principle seen from a comparative point of view, as well as there will be reviews that are concerned with the more member state specific experiences including those of Denmark in a more illustrative account of the principle's implementation into practice.

## **5.1 Comparative Partnership Implementation until 2006**

The most comprehensive and systematic study and evaluation of the partnership principle that has been carried out is "The Thematic Evaluation of the Partnership Principle" by the Tavistock Institute (1999) (with Kelleher, Batterbury and Stern as the authors) on behalf of the Commission. The Thematic Evaluation identifies that the development of partnership has been a gradual (dynamic) process that was initiated in 1988, and in 1999 the status of the partnerships is evaluated. The study identifies the impacts of partnership at the different stages of regional policy-making in the, then, 15 member states taking their individual contexts into consideration. The general conclusion to the study is a confirmation of the positive effects of the partnership principle on national practices and that partnerships have become embedded in all stages of Structural Funds programming. Partnership has developed from a statutory relationship between the Commission and the member state (vertical relationship) to a wider inclusion of partners below regional level (horizontal relationship). The relationships take different forms characterised by a nexus of strategic and operational interaction in the development of programmes, the management of programmes and the tasks of programmes themselves. Although a generally positive experience, there are significant differences in the participation of partners at different stages of the programming. While the study shows positive experiences with the partnership principle from its invention in 1988 until the end of the third programming period in 1999, the backgrounds to this outcome are also considered. A learning period from its initiation has influenced the evolution of

partnership in the member states as well as existing constitutional arrangements varying from unitary over de-concentrated to decentralised member states. Based on the evolution of partnership experiences across the member states, it is found that partnerships generate effective implementation, enhance development capacity and improve programme actions (Kelleher et.al., 1999, ii-iv).

On a more specific level, the findings show that “the degree of decentralisation and the type of de-concentration occurring in the different Member States inevitably shapes the relations between key actors within partnerships and determines the competencies and composition of partnerships.” (Kelleher et.al., 1999, viii) Also it is found that member states, by and large, continue to dominate and delimit partnership functioning through their key roles in both negotiating programme content; in determining the extent of the horizontal partnership which is owed to the formulation of the partnership principle as well as to ‘compatibility’ between existing institutional structures and the institutional manifestations of the partnership principle; and in their role of providing secretariats and acting as managing authorities. Accordingly, this is the case in different stages of the process both in decision-making producing the national operational programmes as well as in the day-to-day management and implementation of these.

Likewise, it shows that implementing the partnership principle requires a learning process so that the inclusiveness of the partnership can develop from being strictly vertical to being also horizontal. In fact, in some cases the partnership principle has inspired the establishment and development of a regional tier that was otherwise absent. It is concluded that vertical partnership is definitely present in the member states, but regarding horizontal partnerships results are varying; especially the inclusion of the social partners is limited for reasons of relevance and capacity although sometimes they make valuable input to the programme development and management. Similarly, Non-Governmental Organizations (NGOs) are largely absent from the partnerships. In contrast, Monitoring Committees play a crucial role as they are a formal manifestation of partnerships in all stages of the process. Although their formal role is to oversee that implementation takes place in accordance with the overall programme approach and in partnership ensuring effective implementation of EU regional development policy, they sometimes also engage in day-to-day management in situations where appropriate secretariats are absent (Kelleher et.al., 1999, 6-7). Therefore, it is argued that “[i]n most countries there is scope for substantial improvements in inclusiveness of partnership; transparency of partnership functioning; Monitoring Committee functioning; ... partnership at the time of



programme development; and partnership at the time of evaluation.” (Kelleher et.al., 1999, 56)

A similar evaluation of the implementation of the partnership principle as it was extended to involve a higher degree of horizontal cooperation (in theory) during the 2000-2006 programming period is offered by the European Commission (2005) and the EPRC (2008). Here, it is stated that the partnership approach has added value to the member states and that despite this fact, some member states still not yet fully acknowledged this and implemented the approach. Especially the social partners have expressed concern about the practice of horizontal cooperation and their own involvement herein. The general picture that is brought forward by the Commission evaluation and supported by the EPRC report, though, is that partnerships are thriving during all stages of the process from the development of the national Community Support Frameworks to the evaluation of the programmes involving partners at all levels in both vertical and horizontal partnerships albeit with varying results and set ups. The findings establish that other partners besides those required in the vertical relationship are involved on a consultative basis. So whether this means that they are actually influencing decision-making or whether they are merely participating is unclear. The partners involved in the partnerships are selected by the Managing Authority (often at the member state level) or in certain cases by regional or local authorities through the Managing Authority. The selection of partners is based on balanced calculation as to which partners can provide the partnership with relevant competences. The fact that the social and economic partners are missing in the partnerships is evident in the implementation phase where only a few are offered a consultative role. The Monitoring Committees on the other hand provide a good example of how partnerships function well without the actual influence of the social and economic partners. The composition of the Monitoring Committees varies but typically includes the Managing Authority, Paying Authority, regional and sectoral policy ministries, regional authorities and development bodies and sometimes also trade unions, employer organisations, chambers of commerce, NGOs, educational organisations and the voluntary sector. Besides, the Commission is represented in the Monitoring Committees although it has no voting right. In some cases, their role is to serve as a channel of information to the public. Once again, it is shown that the vertical partnerships through the Monitoring Committees are working much better than the horizontal throughout the process (European Commission, 2005, 4-11 and EPRC, 2008, 1-3).

Compared to the previous programming period, partnerships were more widely represented at the different stages of the process albeit the process was still

dominated by the 'usual vertical suspects'; i.e. central and regional government authorities. At the implementation stage public sector actors were dominant in member states like Germany and Spain whereas in the UK a wider range of partners were included in the process of project appraisal and selection. Management of the programmes reflected the national institutional regional policy arrangements ranging from a regional government managed approach (i.e. Belgium, Germany and Italy), over a region-led approach (i.e. Denmark, France, Sweden, and the UK) to a national government led approach (Greece), all with consultation with local agencies, social and economic partners and others. Overall, partnership-working improved during the 2000-2006 programming period with evidence in Spain and France of an emergent system of co-responsibility between regional and central governments allowing regions to be responsible of more significant tasks in strategy design, monitoring and managing. Similarly, in the UK and Sweden partnership experiences were being adopted into aspects of domestic regional policy implementation (EPRC, 2008, 4-6). In conclusion, the width and depth of partnerships during the 2000-2006 programming period varied among the member states based on their respective national institutional and administrative contexts: these structures "shaped the relative balance between national and regional levels of government, the involvement of central State, sub-regional and non-governmental actors and the interpretation of the partnership principle in all management and implementation processes from programme design to evaluation." (EPRC, 2008, 19)

A similar picture is presented in academic research. On the one hand, it has been found that the Structural Funds partnerships have had a two-sided influence on national practices. First, it has contributed to a change in the structures of territorial administration. This has implied a devolvement of management responsibilities to lower levels of government or to deconcentrated government offices. Second, Structural Funds partnerships have led to changes in the territorial relations between organisations and across levels of government. Evidence is found in the manner in which sub-national actors have become involved in the planning and implementation of the Structural Funds programmes through different types of consultation and cooperation. This picture is, however, varied among the member states. Accordingly, it has been concluded that the Structural Funds partnerships have had a central role in mobilising and supporting regional development institutions and networks resulting in bottom-up developments across the member states. These trends are part of a broader trend in regional development, i.e. 'new regionalism' where the succeeding reforms of the Structural Funds have generated a move "away from centrally administered aid schemes, targeted in designated areas, towards regional-level programmes and strategies developed and implemented by regional bodies (either

regional offices of the state or devolved institutions) as part of wide-ranging changes to the territorial governance of economic development.” (Bachtler and McMaster, 2007, 3) Therefore, the partnership principle appears to have had great influence on the member states’ respective operations of the Structural Funds programmes although with varying approaches and varying extent of inclusiveness (Brunazzo, 2003, Roberts, 2003, Jones, 2001 and Bachtler and McMaster, 2007).

However, a more sceptical account of this result is also found in the literature. For instance, Bauer (2002) asks himself ‘what happens to partnerships in cases where the method of working is not preferred in the member states?’, or ‘what happens if the sub-national authorities and the Commission are not natural allies?’. In other words, will introduction of the partnership principle necessarily be positively welcomed in the member states and what happens if it is not? It should not be taken for granted that the partnership method is easily adopted. The exact definition and the attached clause regarding implementation according to member state institutional structures allow for such an interpretation. The only way to find such answers is to pursue a closer investigation of how the partnerships function in practice. Similarly, the extent to which the EU has had a powerful influence on regional institutional developments and relations has been contested by others. The actual influence of the EU relative to member states has been challenged. For instance, Brunazzo (2007, 9) finds that national governments continue to dominate partnerships in all member states, since they are central to the negotiations with the Commission on the national programmes as well as they, by definition of the partnership principle, define the involvement of the actors in the horizontal partnership. This is further explained by the fact that the EU does not regulate the structure and position of regional institutions in member states and that the central government, accordingly, has considerable responsibility for the way in which Structural Funds implementation is managed. This implies that some member states have allowed greater regional involvement than others suggesting inconsistency between the vertical and horizontal partnerships.

If the data provided by this review was put through the machinery of my research questions, the conclusion to the study would be that the interpretation and implementation of the EU partnership principle has influenced the operationalization of member states of the Structural Funds implementation towards a generally strongly present vertical partnership. This has developed over the years as the member states have gotten familiar with the partnership requirements. It is envisaged that the institutional traditions of member states and the compatibility between the partnership requirements and the existing governance structure in national regional policy implementation determine the roles played by the partners in these

partnerships and their relations as well as the competencies and compositions of the partnerships. As learning processes have taken place over the years and as the partnership principle has been extended to become more and more inclusive along horizontal dimensions, the actual operation of the partnerships in the member state reflects these developments by including more and more partners in the process. These relationships take different forms characterised by strategic and operational interaction. Evidence is found in the manner in which sub-national actors have become involved in the planning and implementation of the Structural Funds programmes through different types of consultation and cooperation. This picture is, however, varied among the member states. Despite varying experiences with extending the vertical partnerships, a general picture emerges in which the social partners still play an insignificant role as they are considered irrelevant and not possessing the capacity to be included. This is the result of continued member state dominance of the entire process, as argued by more sceptical accounts.

Having discovered that existing comparative studies have come to the conclusion that vertical and horizontal partnerships vary in the member states at different stages of the process, it is now time to turn to the closer investigation of these dimensions.

### **5.1.1 Vertical, Horizontal and Process Dimensions**

In the EU regional policy partnership literature (see for instance Brunazzo, 2007, ECAS, 2009, Bachtler and Taylor, 2003, Bache, 2008a) a distinction is made between vertical<sup>8</sup> and horizontal<sup>9</sup> partnerships where differences are found among and between the member states according to the different constitutional systems (vertical dimension) and the choice of partners made by the national level (horizontal). The predominant quantity of research (e.g. Bauer, 2002, Hooghe and Marks, 2001, Piattoni, 2006, Roberts, 2003) carried out on the implementation of the partnership principle focuses on the vertical dimension, because EU regional policy is the home ground for analysing multi-level governance, because there is more evidence found of the vertical relationship (perhaps because this is the one more easily detectable), and because learning experiences have taken place with the vertical relationship whereas

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<sup>8</sup> The vertical relationship is most often referred to as the formal relationship that is evident in the Monitoring Committees between EU, national and regional level actors as discussed earlier (Polverari and Michie, 2009, 5).

<sup>9</sup> Often horizontal partnerships also involve actors across governments as for instance ministries and agencies other than those involved in the management of the programmes as well as government authorities involved in the programmes as implementing bodies or beneficiaries. Partnerships are only considered horizontal as long as the relationship between the partners does not reflect a clear hierarchy between these and the Managing Authority (Polverari and Michie, 2009, 2)

the horizontal relationship was introduced much later. Others set out to analyse the gradual evolvement of horizontal partnerships but end up with the conclusion that vertical partnerships predominate (Bachtler and Michie, 1998, ECAS, 2009, Brunazzo, 2007). Regarding the horizontal partnership, it was not received enthusiastically in most of the member states for which reason it has been long under way both in terms of including it in the partnership principle definition, and in its actual implementation in the member states.

Partnerships are by definition complex, which is reflected in the fact that there might be several 'partnerships' within one overall programme partnership: one the one hand, every programme can be considered to have a programme-wide partnership that is overseen by a formal partnership, i.e. the Monitoring Committee. Even within the Monitoring Committees variation is found in the actual composition depending on the national interpretation of the partnership principle. "The result has been the creation of very diverse Monitoring Committees, ranging from 'quasi-corporatist committees', where the social partners are authentically involved at every step of the decision-making process, to more 'window-dressing committees', in which the social partners are involved only perfunctorily." (Piattoni, 2006, 64) On the other hand, a number of related sub-partnerships in the day-to-day implementation of and the steering and management of the programme have been set up partly as a reaction to the introduction of horizontal requirements, and as some researchers claim due to the inability of the Monitoring Committee to represent their interests. "There are arguably two primary motivations for most public sector organisations getting involved in sub-partnerships: first, the wish to directly secure additional resources on behalf of those they represent, and second, the desire to influence economic development priorities and thus indirectly gain greater access to resources. It is these benefits which ultimately give sub-partnerships their momentum." (Taylor and Downes, 1998, 37) In some member states, an additional decision-making committee is required for project selection comprising respected and experienced partners (i.e. in Denmark, France, Sweden and the UK). For instance, in the UK, this particular partnership structure is called co-operation through meso-level partnerships, implying that authority is delegated to these sub-partnerships in the day-to-day implementation of so-called 'Action Plans' (Bachtler and Taylor, 2003, 32-3). These complex partnership arrangements that are found across the EU member states thus comprise both vertical and horizontal dimensions.

In the vertical relationship the role of the Commission is outspoken in the decision-making stage where programmes are designed and approved. Regional governments play varying roles according to their position in the national institutional structure, like

local governments do. It is also argued that the national level has been involved in the vertical partnership playing new roles compared to previously, since the partnership principle has provided the national level with a formalised role in EU regional policy-making. For instance in the Netherlands and Denmark, vertical co-ordination was very limited prior to the introduction of the EU partnership principle and also during its early years of existence. Another example is the French case where vertical partnership almost appears to be artificially structured and forced in an attempt by the French state to please the EU Commission by establishing partnerships and thus increasing decentralisation in order to receive the Structural Funds. Here, decentralisation trends have upgraded sub-national authorities to fully-fledged levels of government with whom the national government draw up the 'planning contracts' (Contrats de Plan Etat-Région), a device for regional planning and development. At the same time, however, at the interface between the European and regional levels, the state acts as a mediator, gate-keeper and boundary controller (Piattoni, 2006, 71 and Benz and Eberlein, 1999, 338).

A new invention in the 2000-2006 programming period compared to the previous two rounds was the establishment of a Managing Authority which was to be responsible of the supervision of the implementation, on-going management and effectiveness of the programme. The hope of the Commission was that the introduction of this new Authority constituting a link between day-to-day management and the Commission would change the relations between the national and regional authorities, thereby influencing the vertical partnership dimension. In practice, however, this new Authority became absorbed into existing administrative arrangements such as in Denmark where the secretariat for the Monitoring Committee, the National Agency for Enterprise and Housing (NAEH) took on this responsibility. In Sweden a different approach was seen in line with the expectations of the Commission: the Managing Authority role has been allocated to the County Administrative Boards thereby moving towards a regionalisation of the programme responsibilities. As a consequence of this new division of responsibilities, the Monitoring Committees also underwent some changes in terms of composition and relations. The Commission had no formal voting rights any longer and would only observe. For instance in Germany, the Monitoring Committees underwent regionalisation enabling the regions to set up their own Monitoring Committees including regional partners. A further advantage of the new structure was that the new Monitoring Committees would be able to become more thematic in character and thereby ensure more effective programme implementation as specific Monitoring Committees can be able to address certain aspects of the regional development programmes leading to a widening of the

partners involved (strengthening the horizontal partnership dimension) (Bachtler et.al., 2000, 62-4 and 71-2).

Like the vertical partnerships have intensified over the years of EU regional policy programming, so has the horizontal inclusion of local, private and social actors, although they had a rough start with actual exclusion of key groups and limited participation of public bodies. Since then there has been an increasing commitment to the value of partnership thereby starting a process of institutionalising and formalising partnership. It is concluded that in most contexts, the number of actors involved in regional development, beyond a narrow core of *principal participants* has increased as well as the balance of power among them has changed. Concerning horizontal relationships, however, it is concluded that social partners and NGOs generally do not play a significant role because they lack the capacity to be involved except for in Member States such as Denmark, Finland and the Netherlands. This conclusion is similar to the Thematic Evaluation findings (Brunazzo, 2007, 9-10 and Bachtler and Taylor, 2003, 34 and Bachtler and Michie, 1998, 4 and 23-5). A country where this is the opposite case is Sweden where social partners are formally included in the Monitoring Committees both in the programming and implementation of programmes. The problem here, however, is that the social partners lack competencies to make a significant contribution to regional development in that they have sector-wide and function-wide competencies resulting in the lack of formal governance (Piattoni, 2006, 69).

In her research on the role of civil society in formal and informal partnerships in a number of countries, Piattoni finds that within the vertical partnership, informal partnerships also transpire and get intertwined with the formal partnership: “while informal relations grow everywhere in the interstices of formal procedures, they grow differently to fill different fissures.” (Piattoni, 2006, 66) In this sense, the informal relations also constituting partnerships transpire from bottom-up as a reaction to these partners not being invited into the formal partnership and because they see a relevance to the process for themselves. It appears that informal relations are thus triggered by the official fulfilment of the formal governance procedures as a consequence of lack of satisfactory procedures. This leaves Piattoni with the conclusion that “the social partners are left wondering whether their involvement in the formal governance procedures makes any sense, has any grounding and brings them and their constituencies any real advantages.” (Piattoni, 2006, 72) Thereby, she questions the relevance and actual involvement of the social partners in the formal partnerships. On the one hand they must be represented as required by the partnership principle, but on the other hand either they are not because they are not

included, or when they are included they often lack the capacity to make any significant contribution to the process.

Perhaps the most comprehensive comparative research on the horizontal dimension of partnership, i.e. “the active involvement of organised socioeconomic groups in the various phases of programming and delivery of interventions” (Polverari and Michie, 2009, 2), is carried out by Polverari and Michie (2009). The study showed that horizontal partnerships had increased during the 2000-2006 programming period although with varying experiences. Partnership representation has been wide throughout the process but especially pronounced during the programme design stage compared to the subsequent stages although the vertical partnership remained dominant. According to the study, the Managing Authorities considered the horizontal partnerships to be working well or at least as well as can be expected in terms of compliance with the regulations in their evaluation of the partnership operation. In the same breath, it was also acknowledged that involvement of the social and economic partners could have been improved. Generally, horizontal partnership working during the 2000-2006 programming period constituted a continuation of existing practices, e.g. in Denmark, Germany and Sweden, but in some member states the partnerships actually widened and deepened, e.g. in Finland. The study concludes that “although progress has been made, the partnership principle is not yet widely applied, [and] that the limited experience of NGOs and socio-economic partners has constrained their ability to participate” (Polverari and Michie, 2009, 8). This means that according to the programme authorities interviewed for the study, the rather limited involvement of the social and economic partners is based on them simply not being considered relevant by the Managing Authority in delegating them power to be involved in the process because the programme authorities evaluate that they lack the competences to be involved on a similar level as the other partners are; i.e. partners who have been involved in regional policy-making for a much longer period affording them with longer experience with being involved in regional policy-making partnerships) (Polverari and Michie, 2009, 6-8).

A number of obstacles to the involvement of the social and economic partners and thus improved horizontal partnerships have been identified: the most apparent obstacle to the wide horizontal partnership is that the formulation of the partnership principle does not define how partnerships should function apart from that they should be implemented according to established national practices, and that partnerships are not binding allowing for varying interpretations and types (i.e. participation vs. actual decision-making influence). Second, and related, it is also an obstacle that it is up to the Managing Authority to evaluate whether partners are



relevant to the partnerships or not and whether partnership in itself is a valuable mechanism to regional policy-making. Third, it is mentioned that the vertical formal partnership operation may be an obstacle to the horizontal partnerships: the size of the Monitoring Committees – involving many partners in the key decisions - may make it difficult for the social and economic partners to be heard even if they are formal partners of the Monitoring Committees and more so if they are not. The acknowledgement of these constraints to the involvement of the social and economic partners in horizontal cooperation has led some member states to review their practices regarding the limitations of the Monitoring Committees as the main forum of interaction between programme management and the partners. In order to address this problem, in some regions (for instance in the North-East England region) sub-groups of the Monitoring Committees have been set up across the member states as a discussion forum for the exchange of information between programme management and the partners which meet more frequently than the Monitoring Committee (Polverari and Michie, 2009, 11-3 and 19).

Turning now to the process dimension, the multi-level governance approach presented by Hooghe and Marks, claims that multi-level governance is strongest in the implementation stage of structural programming (Hooghe and Marks, 2001, 85). Academic research support this claim: just like the vertical/horizontal division of the partnerships, the partnerships also vary according to the sequence of the regional policy process; i.e. some partners' influence is not the same in the decision-making as it is in the day-to-day management and implementation of projects. There are several stages in which partnerships may operate (Taylor and Downes, 1998, Olson, 2003, Benz and Eberlein, 1999, Bachtler and McMaster, 2007). And "any analysis of European policy-making which does not carefully distinguish between the different stages of the European policy process is prone to produce misleading generalisations." (Thielemann, 2000, 6)

During the preparation of the programmes for the 2000-2006 period, these are 'more than ever' managed at the regional level either by regional offices of the state or by regional government authorities. Sub-national actors responsible for the implementation of the programmes are generally leading the process of defining the strategy and of the overall draft of the programmes. In carrying out this task, the regional authorities consult socio-economic, labour market, environmental and gender-related actors for information that they hold. For instance, in North-East England, the SPD Steering Group has set up sub-groups to examine particular aspects of the new programme, feeding the SPD Steering Group with relevant information. In some member states this process is influenced or even controlled by the central

government (i.e. the UK and France) whereas in other member states this is not the case (i.e. Germany and Belgium) depending on the national institutional tradition (Bachtler et.al., 2000, 22-4, 29).

The previous comparative studies of the implementation of the partnership principle were exposed to the framework of my research, and so is this section. If these studies were my data set, my conclusion would be similar to the previous one in that this merely constitutes an elaboration of the studies presented previously. The volume of vertical studies compared to that of horizontal ones reflects the results generated before. Comparatively, more research is carried out regarding the vertical dimension because it has proven easier to gather evidence of vertical partnerships. Vertical partnerships have been more or less present from the outset, whereas the horizontal objective has been more difficult for the member states to come to terms with. The varying experiences with horizontal partnerships reflect the central government's ability to shape partnerships based on their like or dislike of a wider partnership. Similarly, it is proposed that the vertical partnership itself may be a hindrance to the horizontal partnerships. This implies that the broad picture illustrates that horizontal partnerships are still immature but growing in terms of inclusion and process. The extent to which the horizontal partners influence the process depends on which stage of the implementation process it takes place: programme design, day-to-day implementation or monitoring.

## **5.2 National Perspectives**

Having reviewed the comparative studies of the implementation of the partnership principle, it is time to turn to the member state specific analyses in order to see the comparative, general analyses in a more detailed light. This section will be a review of two member states besides Denmark; i.e. Germany and the UK. These two member states have been chosen because they represent opposite ends of the centralised/decentralised continuum. Germany represents a decentralised member state with its federal institutional arrangements whereas the UK is referred to as a unitary, centralised member state. Denmark, on the other hand, is placed somewhere in between the two. Therefore, it is interesting to evaluate the developments in partnerships' implementation within the two member states before reviewing the Danish case. Does the implementation of the partnership principle reflect the institutional tradition in these member states as could be expected?

In much research it is stressed how national institutional systems and traditions influence the implementation of the partnership principle (see for instance Polverari

and Michie, 2009, Hooghe, 1996b, Hooghe and Marks, 2001, Blom-Hansen, 2003). Here, a distinction is made between those member states with centralised and decentralised traditions. Because of the attached clause of the partnership principle that partnerships should operate according to member state practices there is scope for a strong role of the central government when this was the preferred outcome. Generally, member states with federal traditions (i.e. Germany and Austria) have a long-standing experience with cooperation between the different levels of government and sometimes also with social and economic partners. Likewise, member states like Denmark, the Netherlands and Ireland have a history of great involvement of the social partners in consensus-based policy-making. In these member states, it is anticipated that partnership arrangements are adopted relatively smoothly. However, in more centralised member states such as the UK, France and Italy the partnership approach is expectedly more gradually phased in. Thus, variation may be identified according to the different traditions within the member states according to the findings of Polverari and Michie (2009, 6). Other researchers have supported and laid the foundations to this finding: Brunazzo (2007, 11) claims that “the partnership principle does not necessarily clash with a unitary state system and is not necessarily linked to federalism.” Thus, it does not need to be a hindrance to the implementation of the partnership principle that a member state is centralised. Here, Brunazzo makes the point that it is important to look at both the institutional tradition as well as the practical implementation of the partnerships: for instance, inclusive vertical and horizontal partnerships may be found in otherwise centralised member states where such relations may not have been expected. Likewise, restricted inclusion of the partnerships may be found in federal states with strong cooperative traditions. The principle is simply interpreted and implemented according to national institutional and corporatist traditions, because there is “little by way of specific guidance as to how these partnerships should operate.” (Roberts, 2003, 23) – there is no recipe for partnership. This necessarily implies that partnerships may take different guises according to the national interpretation. Similarly, Bachtler and Taylor (2003, 32) find that the practical interpretation of the partnership principle varies between and within member states and that there is now evidence of vertical partnerships, and “horizontal partnerships at subnational level have become an established part of the landscape of the EU-15 states, whether the domestic traditions have been statist or corporatist.” (Bache, 2010, 66) The interpretation is shaped by the responses of individual member states and regions based on their institutional arrangements and administrative practices among other things. This implies, like Brunazzo suggests, that there is no clear link or pattern in the link between the national institutional system and the organisation of partnerships, for which reason the member states have to be

investigated individually regarding the institutional characteristics that influence partnerships (Thielemann, 2000, 2).

### **5.2.1 Partnership Implementation in Germany**

Germany is a federation of autonomous states and allocated significant competencies (legislative, executive and budgetary) implying that in Germany, regional policy, like many other policy areas under the Constitution, is the prime responsibility of the Länder (regional level). In practise, however, regional policy-making is a shared task (referred to the Joint Task framework) between the Federal and the Land governments because regional development at the Länder level should be implemented within the framework of the national objectives. The purpose of the Joint Task framework is to provide a consensus-based framework for common and co-ordinated approach to regional development policy. Both levels work together in a Planning Committee, collectively establishing the framework regulations and assisted areas and funding criteria, under which regional assistance can be provided to the companies and local authorities within the regions. Thus, in regional development the Länder and the Federal level work closely together in a common yet differentiated approach. This close relationship is further strengthened by a complicated system of redistribution of financial resources between the Federal and Länder governments and between rich and poor Länder (Schrumpf, 1997, 247 and Ferry, 2003, 16). As a consequence of reunification in 1990, the Joint Task of regional policy-making was challenged, firstly because different incentives in economic development operated in the old and the new Länder, and secondly because the area designation system between the two also differed. The challenge was then to create a uniform system (Ferry, 2003, 15).

Ensuring that policies are a member state prerogative has always been a priority of German regional policy. This is also reflected in the long-established national regional policy institutions, which Germans maintain are the best suited to solve regional problems. The promotion of economic development is a defined statutory responsibility of the Land governments whereas the Federal republic and the EU play supportive roles. There are strong bureaucratic linkages between the Federal and the Land levels implying a strong sectionalisation of the policy process which impedes bottom-up and intersectionally co-ordinated regional policies like that of the EU. Exactly for this reason, some researchers conclude that the partnership practices which the EU partnership principle requires constitute an impediment to the already existing practices in Germany, which in turn may constitute limitations to the operation of partnership (Bauer, 2002, Bauer, 2001, Benz and Eberlein, 1999) as has

also been discussed above. Within Germany, considerable differences between the Länder in terms of their depth and extent of their relationship with the EU exist; especially between the old and the new Länder after reunification (Roberts, 2003).

Therefore, due to German tradition of responsibility sharing, it was the German approach that the intrusion of EU institutions into national policy regimes should be minimized. For them the reform of the Structural Funds in 1988 marked a degradation of their formal powers, for which reason the implementation of it became a challenge to most Länder. The Länder had difficulty finding their place and role in the EU partnership structure; they thought that there was a mismatch between the EU partnership requirements and the already established German regional policy governance structures. Both the Länder and the Federal levels felt side-lined. There was a fear that the existing joint task sharing between the Land and the Federal levels would break down and despite the strong pressure of EU partnership requirements, a substantial reform of the joint decision-making structures was not initiated until 1996. Then, a reform of the 'Basic Law' (the German Constitution) introduced significant changes regarding the participation of the Länder in European decision-making allowing them to become directly involved in the negotiations with EU bodies. However, because these powers did not extend to financial matters, the impact of these new provisions had limited effects on the operation of the Structural Funds in Germany, though (Benz and Eberlein, 1999, 336 and Schrupf, 1997, 248 and Bauer, 2000, 9).

In Germany unification generated polarisation in that the new Länder, where there was a greater central control of the partnerships, constituted a regional development challenge and the old Länder, where a more hands-off approach was seen, were affected by continuous fiscal demands as a consequence of unification. During the early years after unification, the ability of the new Länder to take advantage of partnerships was questioned because the local level lacked administrative experience and expertise and relied on information and support from Federal government: would they be able to participate equally in a partnership? At the same time because of their backward position, they were eager to attract Objective 1 funding which they lobbied for (Thielemann, 2000, 10-1). In this undertaking, the Eastern Länder sought to establish a governance and financial structure that more closely resembled the EU requirements rather than following the footsteps of the existing regime in Western Germany to meet the demands of partnership to receive the EU funding, which created internal tension in the unified Germany (Thielemann, 2002, 52-5). Likewise, institutional experiences varied between the two: in the new Länder the pre-1989 regime was societally detached from institutions of governance, while in the old

Länder governance was based on the federal approach with substantial powers resting with the Federal government. This implies that partnership in the new Länder constituted a challenge to the established practices. In EU matters, 'co-operative federalism' was employed in which informal co-operation between the Federal state and the Länder prevailed and where responsibility of the promotion of regional development was a shared task between the two. In the new Länder, however, the Federal government played an elevated role compared to the old Länder due to the lower level of institutional capacity and performance in these. The Länder played an important role in drafting and implementing programmes while Monitoring Committees in co-operation with sub-committees set up in each Land primarily oversaw the management of the Structural Funds programmes (Kelleher et.al., 1999, 103-6).

A region that is often referred to as a positive illustrative case of unfolding partnership practices is the North Rhine-Westphalia, the largest Länder in Germany that is characterised by being an old industrial region facing a number of restructuring challenges. Due to its decentralised character, the Land, like the rest in West Germany, was arguably in a favourable position in adopting the partnership principle some researchers conclude (Roberts, 2003, Thielemann, 2002). During the first two programming periods, the Land witnessed further decentralisation and thus had inclusive vertical and horizontal partnerships throughout the entire programming process. In the programme design phase, the broad objectives, principles and measure were first approved by the regional ministry before being made subject of evaluation of a number of regional and local conferences, also including social partners established to inform the design process over final programmes. Subsequently, they underwent extensive consultation in the region concerning the actual implementation of the approved programme involving the participation of local interests. In the implementation of the programme, the Land remained responsible alongside Monitoring Committees sat up at the federal level to oversee implementation (Roberts, 2003, 35-6 and 54 and Bachtler, Downes, Michie, Rooney and Taylor, 32).

A somewhat different story is revealed in the Eastern Länder's meeting with partnerships; their point of departure was different. Thielemann (2002, 55 and 2000, 1) argues that the new German Länder have been drawn more strongly into European regional policy networks, and that the partnership principle helped to legitimise direct contacts between the new Länder and the Commission, because at the day of reunification they were initially included in Structural Funding under different rules than the West. Thus, the partnership principle helped to legitimise sub-national actors

in relation to the member state and EU levels. However, it has undermined the Federal government's role as 'gatekeeper' between supranational and sub-national actors for which reason these developments met resistance. Evidence shows that the partnership principle has had significant impact on the Eastern Länder at the planning and implementation stages of the EU regional policy process. At the same time, it is also discovered how deep-rooted domestic institutions can hinder its implementation (Thielemann, 2000, 2 and 21). In the decision-making stage deciding the extent of the Structural Funds programmes in Germany, the role of sub-national actors in the partnerships was restricted to one of lobbying the national government and to some extent also the Commission. In the planning stage, the vertical partnership was widened to include more direct participation of the sub-national partners. In practice, the Land-level was responsible of the planning of the SPDs which were sent to the Commission for approval via the Federal level. In the early years after reunification, these relationships only existed on paper. However, after some years of learning and training Eastern patterns of regional policy governance soon became similar to those of the Western Länder thereby involving sub-national partners and the Länder more. At the implementation stage, the Monitoring Committee was the primary mechanism for ensuring formal partnership and a clear division of labour existed between the Monitoring Committee at the federal level and sub-Committees set up in the Länder. Monitoring sub-Committees at the Land level were allowed to decide for themselves how to implement the partnership. Generally, this led to an exclusion of the economic and social partners from the process. Because of Commission intervention in this relationship, the economic and social partners were reluctantly included in the sub-Committees on part of the Länder resulting in a tense relationship between the Länder and the economic and social partners (Benz and Eberlein, 1999, 337 and Thielemann, 2000, 8).

These two cases show that partnerships have been adopted in both Eastern and Western Länder; albeit along different paths. Over the years the two approaches have converged to become similar. Therefore, similar patterns can now be traced in the vertical and horizontal partnership dimensions. This pattern of development supports the propositions made by Brunazzo previously where it was argued that there need not be a clear link between the national institutional set up and the practical implementation of partnerships. Here, a federal member state had two different experiences with partnerships depending on the institutional and financial context at the local levels.

In the implementation of the formal manifestation of the partnership principle, i.e. the Monitoring Committees, most operational decisions regarding the

implementation of partnership in the Monitoring Committees were the responsibility of the sub-national level (the Land). Below the Monitoring Committee level, sub-Committees were set up in each individual Land including members such as representatives of the Commission, the Federal Ministries of Economics, Employment and Agriculture. The sub-Committees were chaired by the Land Ministry of Economics. It should be noticed that the chair of the sub-Committees were in a position to appoint further members to the sub-Committees, which led to a deliberate exclusion of the social and economic partners from the sub-Committees, because it was argued that involving them would make the monitoring work of the sub-Committees more complicated. This position, however, has been criticised by the Commission so that now the economic and social partners have been granted seats on the Monitoring sub-Committees despite resistance from the German Länder (Thielemann, 2002, 56-7). Thus, a clear division of responsibility was evident based on the Joint Task tradition; however, the horizontal partnership was not as strong but developing.

To elaborate, the inclusion of social partners in the regional horizontal partnership constituted a specific problem: the social partners saw themselves as being national and not Land associated for which reason they had difficulty representing and offering specialised knowledge of regional problems *on par* with other regional actors who were more familiar with regional issues. Therefore, instead of being active participants in the regional horizontal partnerships, social partners sought direct, informal contacts with Structural Fund administrations and specific departments of the regional administration and as such did not pursue any common action with similar actors. In the formal partnership of the Monitoring Committees, the role of the social partners was one of detachment and disenchantment although they were formally included in the late 1990s (Thielemann, 2002, 53 and Piattoni, 2006, 67-8). “Even after their formal inclusion into these Committees there are still complaints by the economic and social partners who feel that for the Fund managers chairing the Sub-Committee meetings, the participation of the economic and social partners fulfil merely an ‘alibi-function’ that is meant to show Fund managers’ commitment to ‘partnership’.” (Thielemann, 2000, 18) Just as Benz and Eberlein have predicted, there was a clear separation between the arena of informal intraregional partnerships and the more formal vertical partnerships which were based on the German institutional structure. “Intraregional partnerships are fostered in regional entities below the *Land* level.” (Benz and Eberlein, 1999, 338) In other words, there was a decoupling of regional public-private partnerships co-ordination between the EU and regional policy-making in Germany. In the language of multi-level governance, the two (horizontal and vertical) dimensions were ‘loosely coupled’ implying that decisions reached in one arena did not necessarily influence all decisions in another arena.



Had Germany been my case, the conclusion to my study would have been that Germany, being a Federal state with clear divisions of power and responsibility sharing with the regional level, was challenged by the introduction of the partnership principle into national regional policy implementation. A number of factors generated this: first, the Joint Task sharing of responsibilities between the Federal and Land levels did not fit well with the partnership structure. The role of the regional level in the new partnership structure would decrease compared to how it was already functioning. Second, economic and governance divergence was elevated with the unification of the Eastern and Western parts of Germany, which further challenged a common approach to regional policy implementation and consequent partnership operation. Thus, a picture emerges in which a dual approach was evident. The 'Western partnership approach' was one in which gradual adaptation to the EU partnership requirements took place establishing vertical and horizontal partnerships including both the regional and social partners. The inclusion of partners varied according to the stage of the process. In the Eastern part of Germany, the partnership approach more closely resembled the one preferred by the EU due to the lack of these competences in the first place at the regional level, and the consequent need to establish such structures to accommodate the partnership requirement in order to receive Objective 1 funding. On a general level, initially the Eastern approach was more inclusive below the Federal level as well as horizontal partners. However, as it turned out over the years with experience (and perhaps by coercion towards a homogeneous German approach?) the Eastern partnership soon became similar to that of the Western Länder. Here it may be argued that the Federal level had been able to protect its own position in German regional policy-making; i.e. re-establishing the Joint Task sharing of responsibilities that was challenged by the Eastern Länder's attempt to bypass Federal control.

### **5.2.2 Partnership Implementation in the United Kingdom**

In a conclusion of the state of regionalisation in the UK, Ferry (2003, 39) states that "the legacy of decades of different approaches to allocating policy responsibilities have left a patchwork of overlapping policy remits and competing levels of governance with little holistic coordination or rationale. Currently there is a plethora of regional agencies and strategies." With this knowledge in mind, a review of the state of partnership implementation in the UK must then also be fragmented, varying and maybe even missing in some areas. This interpretation depends on the basis upon which the statement is based; i.e. the development of the institutional structure in the member state.

The UK was until the mid to late 1990s characterised as a centralised unitary state with no powers distributed to the sub-national level. During this time, the UK was led by the Conservative government leader Margaret Thatcher. John Major took office in 1992 and was Prime Minister until 1997, when the New Labour came into office. The first two rounds of EU regional policy programming were highly influenced by the politics of the Conservative governments and especially the Thatcherite ideology of a 'free economy, and strong state'. In this view there was no place for the regions as they would undermine the sovereignty of the state. Therefore, devolution of powers to the regions was out of the question. At the same time, being part of the EU was also considered undermining the state's sovereignty. Another characteristic of this period was that because of the priority of markets and marketization, trade unions (social partners) were considered in opposition to the Conservative worldview and for this reason they were also 'abandoned' or at least ignored. Towards the end of the Conservative rule, the strong central government loosened its grip slightly on the regions by establishing integrated Government Offices in the regions. This move was an attempt on part of the central government to address the issue of tying the regional level to the central level as a requirement of receiving the Structural Funds (Bache, 2008a, 93-5).

In 1997, the New Labour came into office in strong opposition to the politics of the Conservative government presenting its plans for constitutional reform. It soon introduced devolution in Scotland and Wales (elected for the first time in 1999) and introduced power-sharing assembly for Northern Ireland, a Greater London Assembly (in these regions regional policy became the legal competence of the territorial administrations) and plans for the creation of Regional Development Agencies (RDAs) in the English regions. The role of the RDAs was to 1) promote economic development and social and physical regeneration; 2) support business, investment and competitiveness; 3) enhance skills; 4) promote employment; and 5) sustainable development of the regions, which on paper was modest. It was especially unclear which role they were to play in European policies, although inevitably, the task they were allocated to promote economic development drew them into EU regional policy-making. Thus, it appears that the devolution of powers across the country was asymmetrical affording some regions with more power than others (Bache, 2008a, 96-7 and Burch and Gomez, 2008, 90) and that in fact a dual system of administration can be identified; a devolved system in Scotland and Wales and a deconcentrated system in England. These developments in the governance of politics in the UK led to a move towards vertical cooperation that was not present in the dominant period of the two first rounds of EU regional policy programming (Roberts, 2003, Jones, 2001, Bache, 1999, Bache and Olson, 2001).

The Labour government sent out a Consultation Paper in 2003 that described its vision on domestic and European regional policy: two views especially should be noticed. First, whereas in the past regional policy was defined as a regionally targeted business support, the new regional policy should be for all regions. Second, there should be a clearer division of powers between the state and the regional/nation levels in which the state was responsible for managing the overall macroeconomic framework for regional development, undertaking microeconomic reform and providing regions with the institutional flexibility and resources to engage in regionally-led policies. This implies that regional institutions should be strengthened (Ferry, 2003, 35). These events “marked the start of subtle shift in authority as the new organizations began to exercise and augment their modest range of powers and resources.” (Burch and Gomez, 2008, 90) The following review of the partnership literature in the UK will reflect this division of time: one part illustrates the strong central government dominance over regional policy governance and towards the end of the second programming period a move towards increased inclusion of other sub-national and sub-regional partners will be seen.

At the launch of the EU regional policy in 1988 and the following programming period(s), UK regional policy implementation of the Structural Funds programmes was thus characterised by a considerable control of the central government: “decisions taken at the subnational level were controlled by ‘regional and functional departments’ of government which were ‘expected to maintain regular functional contacts with their local authorities and other public bodies on the actual project selection and as more general contact points for ERDF matters’.” (Bache, 1999, 359) The EU partnership principle was not received well by the British government, because Britain had already a partnership approach of its own to urban policy with differing political values and purpose which the partnership principle conflicted with (Bache, 2010, 68). Nonetheless, the partnership principle offered local partners a window of opportunity to become involved in regional development policy within their own region, and to some extent it generated new partnerships and mobilised actors at the sub-national level leading to changes in local economic policy-making. Local agencies attempted to access the Funds, stimulating bottom-up developments (Roberts, 2003, Jones, 2001, Bache, 1999, Bache and Olson, 2001, Bache, 2008a).

The EU partnership approach conflicting with the existing British approach resulted in the British approach being preferred in EU Structural Funds implementation also. This was the scenario until the change of government in 1997 when the UK approach became more aligned to that of the EU. During the first decade of EU regional policy implementation, the British partnership approach was characterised by horizontal

cooperation (reliance on market forces and private actors) at the local level while concurrently the role of local government in the decision-making process was undermined. Central government appeared to support the establishment of regionally focused interest networks while at the same time being in control of the regional Government Offices and the financial budget. There seems to be a dichotomy between the encouragement of the government to local actors to pursue the partnership objective on the one hand, while on the other hand its own actions restrict the actual powers of these public-private partnerships (Bache and Olson, 2001, 223). The strong role played by central government, however, meant that these developments were merely attempts to maximise their own share and did not come to constitute serious and genuine partnership cooperation in regional development, and the overall picture remained one in which the central government was in a dominant 'extended gate-keeping' position of its powers in all stages of the EU regional policy process during the first programming period and well into the second where a devolution of powers took place (Martin, 1997, 63 and Bache, 1999, 37). Similarly, it is argued that "in practice ... many 'partnerships' operate in a purely instrumental fashion, designed to draw down the maximum possible level of external assistance" (Martin, 1997,63) and that "regional networks remained relatively immature and regional activity [was] limited to a few functional sectors, with economic development predominant" (Bache, 2008a, 113).

According to Bache (1999), experiences with partnership arrangements both prior to and after the devolution of powers varied across the UK. Scotland has had the most positive accounts while in England the situation was not as far advanced. The positive adoption of the partnership arrangements in Scotland can be ascribed to the existence of a long-established territorial ministry and an established pattern of regular contacts between the government level and other partners in Scotland. A feature that also distinguished the Scottish regions from those in England and Wales is that the local authorities established independent secretariats separate from central government offices. In England and Wales all Monitoring Committee secretariats were provided by central government. In Wales, for instance, it has been reported that "not only is the monitoring committee dominated by the Welsh Office but the Welsh Office also controls the technical groups which feed the information into a secretariat run by the Welsh Office. The whole process is very much controlled by the Welsh Office" (Bache, 1999, 36). It is found that the pattern of relations within the Structural Funds partnerships in the UK varied across the regions, but there is a general agreement that central government was in firm control of key decisions within the partnerships. The following will take a closer look at how this worked in practice during the various stages of EU regional policy-making within a few representative regions of the UK.

In the initial stages of developing the first two SPDs (in 1988 and 1993), the extent of participation in the partnerships responsible of producing the SPDs varied among the regions. For instance, in the West-Midlands, a region with established regional structures, the arrangements that provided the core of the partnership were regional authorities, economic and social partners and education institutions alongside central government representatives. The voluntary sector and other agencies provided specialist knowledge. The partnership here was characterised as a local authority led and widely-based partnership approach. A similar approach was found in the Yorkshire and Humberside partnership, a region with emergent regional structures, although it had a more regionalised base. In these two regions the methods used for the preparation of the SPDs reflected the pre-existing distribution of skills, knowledge and experience with regional development and the willingness of the regional (centrally controlled) offices to contribute to the process. In the drafting and negotiation of the SPDs, the central government was responsible and thus in a position to overrule regional and local recommendations. This resulted in the pursuit of a national agenda rather than the regional agenda recommended by the local partners. It was even noticed that the varying regional SPDs across the country were similar in appearance and content. This outcome may be attributed to the lack of an elected regional government that would be able to represent a regional view more strongly. This implies that the lack of a regional government played right into the hands of central government thus being able to control the entire process. In the negotiation stage, the Commission criticised the one-for-all approach of the SPDs but the UK government chose the preferred route.

In the implementation stage, the organisational structure and assignment of management responsibility followed a standardised pattern in most regions. Programme Monitoring Committees (PMCs) oversaw the operation of the programmes. Each programme was assigned with a Secretariat which in England was discharged from the relevant government office. The PMCs should represent the partnership between Commission, the member state and the competent authorities and bodies in the region. The PMCs are thus comprised of the required members and many also included members from the voluntary and private sector, higher education, environmental organisation and other regional and local special interest groups. It should be noted that the PMCs did not invite the social partners to participate because they were not considered relevant in the implementation of the programmes by the UK government (Roberts and Hart, 1997, 200-14). There appears to be general consent that the partnerships should be representative of regional interests, but the relations and power distributions among the partners is an understudied area during the first two rounds of programming according to Roberts and Hart (1997, 214) thus

making it difficult exactly to determine whether these regional, local, private and other competent partners have played a significant role or whether their participation was merely pro forma as Bache (1999, 28) has also suggested: there is a difference between multi-level *governance* and multi-level *participation*. “While many aspects of the partnership arrangements were positive, there was no doubt that central government officials were firmly in control of the key decisions.” (36) Bache concludes elsewhere that the partnerships were ‘embryonic’ although partnerships had grown in importance during the 1990s (Bache, 2008a, 114).

A case study of the implementation of partnership in the Highland and Islands of Scotland has revealed that “the concept of partnership takes a variety of guises” (Scott, 1998, 182) ranging from informal consultation to its institutionalisation in the guise of PMCs. In drafting the SPD, the Scottish Office consulted a wide range of interest groups in the region, but in practice the plan was formulated by a plan writing group consisting of Scottish Office departments, regional and district councils as well as Highlands and Island Enterprise and Scottish Natural Heritage. In a similar study of partnership operation in Scotland it was criticised that the process did not put enough emphasis on genuine consultation with the district council and local enterprise companies. Moreover, it was criticised that the Scottish Office did not consult the other partners in responding to the final version of the SPD before submitting it to the Commission (Bryden, 1997, 147). In the implementation of the SPD, a Monitoring Committee comprising representatives of the Commission, local authorities, and quangos such as Highlands and Islands Enterprise, Scottish Natural Heritage, the Scottish Tourist Board, the local Enterprise Companies and the Scottish Council for Voluntary Organisations was responsible. Below the Monitoring Committee, the PMC was set up, chaired by a representative of the Scottish Office Development Division who was also responsible of selecting the membership of the Committee. The PMC represents members from local authorities, Highlands and Enterprise Network, Scottish Natural Heritage, Scottish Tourist Board, voluntary sector, commercial sector and further education besides representatives of the Commission and the Scottish Office. Besides the PMCs, advisory groups supported project recommendation and selection by offering their specialist knowledge and sometimes these groups invited otherwise non-members to participate, but as such it cannot be considered formal procedure as they were formally included in the process. Although it appears that the partnership was widely represented, reality is that the Scottish Office inhabited and chaired every committee or advisory group and remained the ultimate source of additional funding to the Structural Funds thereby being in a position to influence every decision reached in the partnership (Bryden, 1997, 149). Therefore, Scott (1998) concludes that partnership in the Highlands and Islands offers limited opportunities

for 'intermediate' organisations to become involved and those that were represented on the Monitoring Committee were direct consumers of the Structural Funds (Scott, 1998, 183-8).

A further point that is made in the UK partnership literature and which is evident in the above is that partnerships in the UK were fragmented because of the lack of an elected regional government (Roberts, 2003, 24). Partnership attempts made at the local level did not seem to have a real significance due to the distance between the public-private partnerships at the local level attempting to influence the content of regional development programmes and the central government which in the end made the final decision. There was not an intermediate regional government that could tie these two together and thus ensure that the regional voice was heard. Similarly, the regional government could potentially tie the fragmented partnerships within the regions together into a common position instead of a range of different self-maximising objectives that in the end were not taken seriously by central government. A different account is that "in the absence of an elected tier of regional government, the need to respond to EU structural-fund policy has encouraged British local authorities to work more closely with each other through regional forums, regional associations and inter-authority working groups of 'European Offices' as well as with Government Offices, thus leading to the strengthening of meso-level government" (Bache, 2008a, 115). Despite this development, the partnerships remained rather narrow in composition in most regions due to the failure to include private partners in the partnerships.

With the restructuring of powers in the UK regional policy area, central government relaxed its grip on the partnerships although it did not concede powers completely, but merely allowed partnerships to function more effectively: when it was considered in the interest of the region, partnership relations could be conducted more cooperatively without the firm control of the government office. Hereby, the regional level was strengthened (Bache, 2008a, 113). Due to the change in partnership approach mentioned above, a political environment in which it had become increasingly difficult to ignore the voice of private actors developed thus extending partnerships (Bache, 2010, 69).

Due to their establishment in the late 1990s, the RDAs did not have any significant effects on the function of the partnerships during the second programming period in the UK. The full potential of the RDAs was expected to be seen in the 2000-2006 programming period especially since the Structural Funds strategies had to be coherent with the emerging regional strategies of the RDAs. Accordingly, there was a

potential for increased partnership as a consequence of the extended role of the RDAs and the prospective of involving sub-regional and private actors (Bachtler et.al., 2000, 34). With the establishment of the RDAs, the role of the Government Offices was in fact strengthened so, in turn, their role in EU regional policy between the regions and central government was more formalised. An important point in time for the RDAs was in 2001 when they were handed over the strategic control of the Structural Funds from central government thereby expanding the scope of the RDAs. Thus, on the one hand, the role of Government Offices in the regions was strengthened while, on the other hand, the role of the RDAs in EU regional policy also increased involving the inclusion of more partners in the process (Burch and Gomez, 2008, 91-2).

Apparently, the vertical partnership dimension was strengthened with the devolution of powers and the setting up of RDAs in the English regions. This was especially evident in the 2000-2006 programming period. Similarly, the horizontal dimension which was completely missing during the first two programming periods began to develop as a consequence of the changed governance structure following the change of government in 1997. However, additional factors should also be ascribed to this development: whereas the Conservative government was in opposition to involving trade unions into politics, the stance of the Labour government was in contrast to that. This opened the door for the trade unions and thus widened horizontal partnerships. It should be noted, however, that horizontal partnerships did not pop up overnight; rather it was a gradual process of learning that also had varying experiences across the regions (Bache, 2008a, 133).

Also in the English regions partnership working improved because “people have got used to working together across sectors...” (Bache, 2008a, 135) After the devolution of powers, typically, the regional development strategy was prepared in cooperation between regional and local authorities. This strategy provided the foundation for the preparation of the draft SPD. In general, the initial draft of the programme was prepared by a group of local and regional partners from local and regional authorities, chambers of commerce, trade unions, employers’ organisations, universities and other relevant bodies. An example of this type of partnership was found in the North-East England region where below the SPD Steering Group, sub-groups representing the various interests in the region were set up to influence and provide information to the decision makers.

In Western Scotland with its longer experience with working in partnership and its increased regional powers compared to the English regions, for instance, “there is much more joint partnership project working” (Bache, 2008, 133). Here emphasis was



put on extensive consultation with a wide selection of partners in addressing the challenges of the region (Bachtler et.al., 2000, 29-30). The draft programme was then subject to adjustment and approval of the Government Offices and lastly negotiated by central government with the Commission. Thus, very early in the decision-making stage sub-national (public) partners played a considerable role moving towards an increased role of the central government later in the decision-making process. It should be noted that private, social partners were not present at this stage.

In both examples, although a number of horizontal partners appeared to be present in the outset of the process, there were still concerns regarding the dominance of central government later in the process, which illustrates that the time or process dimension is important to consider. It makes a difference where in the process of implementation the partners participate with regards to their influence on the process. This was particularly the case at the implementation stage where local authority elected members and the social partners were excluded from the Monitoring Committees (Roberts, 2003, 52 and 55). At the implementation stage, however, the partnership was more inclusive along the horizontal dimension compared to the initial stage of programme design: the Monitoring Committee was the central body representing partners from the Commission, national government, regional and local bodies and 'other interests'. Sub-partnerships were set up to evaluate project applications before they were selected solely by the Monitoring Committee. The sub-partnerships may be able to give voice to their priorities regarding selection of projects and assist in the partnership providing specialist knowledge and information about the localities, but in the end this voice remained very subtle (Martin, 1997, and Bentley and Shutt, 1997). The secretariat function was diverse within the UK; in Scotland it functioned at arm's length whereas in Wales and England this role was played by a central government department (Roberts, 2003, 23-5).

According to Taylor and Downes (1998), the member state decided that for the 1997-1999 round of Structural Funds programming, the Monitoring Committees should be encouraged to develop parts of their programmes through 'Action Plans' which were designed to implement specific (thematically targeted) parts of the SPDs as part of making the UK's approach to EU regional policy implementation more regionalised. Sub-partnerships were to be established to be responsible for appraising and approving individual projects within their own thematic Action Plan, for achieving the objectives of the Plan and for using the designated amount of Funds to the projects. In applying this approach, it was anticipated that a number of benefits would be generated, among others improved partnership arrangements at regional and local

levels. As the Action Plan approach was not obligatory for the implementation of Objective 2 programmes in England, the result varied within the member state. Some regions adopted the approach completely while others implemented the Structural Funds programmes partly through Action Plans while others again did not employ this approach.

In the UK, it is argued that the partnership principle has inspired a development of central philosophy from one of de-concentration where power was placed at the nationally controlled Regional Government Offices and national government offices to one of decentralisation and the establishment of RDAs with a greater regional focus. Along the way, the UK government sought to involve a wider range of vertical and horizontal partners such as voluntary sector organisations, environmental bodies, Training and Enterprise Councils (TECs) and chambers of commerce. Social partners were excluded, though. The study of the UK partnerships reveals the importance of informal networks within the partnership: informal links generated greater involvement of local partners in the partnership especially where the central government tried to restrict their participation (Kelleher et.al., 1999, 95-9). It also reveals a difference in approach between the regions where the Scottish region and to some extent also the Welsh region were granted more responsibility compared to the English region. It could be argued that the particularities of the UK case may be the rationale behind the argument put forward by Brunazzo that there is not a clear link between state institutional tradition and the partnership structure.

As with the German example, I will for a moment pretend that this is my case that needs to lead to a conclusion. UK experience with partnerships reflects a highly differentiated approach which was based on a number of factors. First it reflects the longstanding division of the UK into three regions, i.e. Scotland Wales and England, with their individual institutional structures and relations with central government. Second, to some extent it illustrates political ideology, where a tighter central control was seen during Conservative rule, whereas the central gate-keeping loosened when the Labour party came into office in 1997. Third, besides the different approaches of the three regions, even within the regions differences in approach existed. Fourth, the UK has always had a reputation of being sceptical towards the EU and its intrusion into domestic policy, which its regional policy partnership principle certainly constitutes an example of. Based on these circumstances, the partnership operation in the UK regions provide examples of a slowly developing vertical partnership in England with the establishment of the RDAs and a parallel growing importance of the horizontal partners in the different stages of the process, although with central government continuing to exercise considerable control. In Scotland, on the other

hand, a more positive adoption of partnership arrangements was seen which can be ascribed to the existence of the long-established territorial government independent of central government. The general picture is one in which the UK position changed from one of outright opposition to partnerships and a missing regional government level towards one in which the regional level was established and to some extent also been granted authority, whereby it was possible to implement regional policy in wider partnership. Partnership was working better in the Scottish region due to longer experience with linking the central level to the regional and sub-regional partners.

### **5.2.3 Partnership Implementation in Denmark**

Research on the Danish experience with the implementation of the partnership principle is nowhere near as rich as is the comparative studies and the more in-depth member state specific studies reviewed above. Obviously Denmark is a small member state with relatively few regions to investigate in the first place. Furthermore, Denmark is among the richest member states and for that reason it receives considerably smaller amounts of Structural Funds compared to other member states, which also implies that the regional development programmes within the member state are small in size. Lastly, it could be argued that Denmark is not interesting to investigate because of its traditions with collaborative and consensus-based policy-making over the past decades – will the findings be surprising at all or will they be as expected? These points suggest that Denmark may be a less interesting member state to investigate, but this is not so. Denmark has a long tradition with partnerships and has a track record that may be inspirational – not to say that partnerships in Denmark are perfect. However, learning from Danish experiences may inspire other member states not that advanced in the process to widen and deepen partnership as is seen in the Danish case. Research on Danish implementation of the partnership principle is only covered by a few researchers: Henrik Halkier is the prime investigator both in terms of individual research, but also research in cooperation with other scholars such as John Flockhart, Lise Smed Olsen and Charlotte Damborg, as well as part of a wider EU regional policy network, IQ-Net, which investigates the implementation and management of EU regional policy in its network member states. Besides Halkier, whose research is voluminous, Jens Blom-Hansen and Andreas P. Cornett have also contributed to its clarification. Reviewing the Danish regional policy-making in retrospect, Arne Gaardmand and Sven Illeris are at the front. As the following review mainly concerns itself with the period from 1988 to 2006, the research of Halkier and Blom-Hansen (also in cooperation with others) will mainly be referred to.

In Denmark, there was a clear functional division of power, which reflected the Commission's organisation of the Structural Funds. This implies that each Fund (i.e. European Regional Development Fund or European Social Fund) was the responsibility of the Ministry which had jurisdictional responsibility of that area. The responsibility was, however, delegated to a government agency which was responsible for designing national plans and programmes of the Structural Funds activities in Denmark. Moreover, the government agency was responsible for communication with the Commission and of setting up Monitoring Committees as well as evaluation and monitoring of the programmes. Day-to-day implementation of these programmes entailed appraisal of projects eligible of the Structural Funds. The responsibility of this task differed among the Funds where the ESF administration was mainly decentralised: it was administered at the County level (regional level) in committees comprising a wide number of partners. Within ERDF administration a number of regional committees were allocated the responsibility of selecting projects for subsequent central level approval. This structure operated throughout all programming periods from 1988 until 2006, although during the 2000-2006 programming period the structure was modified so that the practices of the ERDF and the ESF administrations were customized (Halkier and Olsen, 2008, 2 and EPRC, 2008b, 2). At the decentralised level, the activities of the ERDF and the ESF were administered by the County Councils providing individual coordinated secretariat functions to the two Funds. Hence, there was a certain overlap between the two Funds. This needed to be so, since both ERDF and ESF support Objective 2 activities and duplication or overlap of projects had to be avoided. These activities took place within networks (composed of partners that reflected relevant regional and local interests) positioned in the vertical structure of public policy-making. Regional Objective 2 Committees (one for ERDF and one for ESF) evaluated projects and nominated them for approval of the national level responsible agency. A distinction needs to be made between the ERDF and the ESF regional committees: the ESF regional committees were in a position to decide individual applications which the ERDF regional committees could not; they merely recommended projects to the national agency responsible (Blom-Hansen, 2003, 49-51, and 88 and Yesilkagit and Blom-Hansen, 2007, 511-2 and 516).

The networks involved in Danish Structural Funds programmes were comprised of public, private and social actors at the regional and local levels. Their involvement varied depending on the phase of the political decision-making process. In developing national programmes, the drafts for the programmes were prepared by cross-ministerial working groups in which external interests (sub-regional and private) were represented, before a wider range of partners were consulted about its contents. The

lead in the this process was found at the regional level where the County Council (regional government) organised consultation with local government and the private sector resulting in new policy initiatives for the draft document. Parallel to the preparation of the national programme, regional actors were involved in a process of drafting the regional Programme Complement with coordination and meetings between national and regional administrators. In negotiating the contents of the programmes with the Commission, central level was once again responsible. Once the contents were approved by the Commission, administration was mainly a decentral prerogative. During the 1994-1999 programming period, the responsibility of project evaluation was firmly situated with the regional level before formal approval of the selected applications in terms of issues of legality by the managing authority at central level (Blom-Hansen, 2003, 50, 88 and 90; Halkier, 2001, 330 and EPRC, 2008b, 5). This was also the case during the 2000-2006 programming period where “the NAEC [national level managing authority] focus was on setting very broad priorities and undertaking legal control, while practical implementation and content-related tasks (including setting programme Priorities and selecting projects for support) were undertaken at the regional level.” (EPRC, 2008b, 2)

At the national level, the Monitoring Committee of the ERDF part of the Objective 2 Programme in Denmark was composed of the Commission, other involved Ministries beside the Ministry of Economic and Business Affairs (which is overall responsible), social partners, regional partners and sometimes particular NGOs (Blom-Hansen, 2003, 90). Due to the absence of a uniform national programme and the presence of individual programmes for regions receiving the Structural Funds, authority was delegated from the national level Monitoring Committee to the regional level regarding impact monitoring where the Regional Executive Committees, representing a wider partnership having a finger on the regional pulse, undertook that task. The national level Monitoring Committee driven by the national level managing authority remained in charge of financial monitoring (EPRC, 2008b, 4 and 7-8).

In the case of Denmark, according to the Thematic Evaluation which has been based on documentary research as well as interviews with central partners along both the vertical and horizontal dimension, evidence shows that previous experiences have been central to partnership in the 1990s, and that partnership was recognisably decentralised so that the state did not interfere in the operation of partnerships at the regional level where the horizontal partners met (Kelleher et.al., 1999, 111-2). The Danish approach to EU regional policy-making and partnership, in particular, could be ascribed to two major events at the national and international scene. First, the 1988 reform of the Structural Funds marked the time when existing national institutional

structures met new requirements. Second, in 1991 the national regional policy institutional structure was adjusted to the new requirements. Prior to 1991, it was Danish approach to regional policy that the state was responsible which meant that decisions on area designation and individual project applications were made by central government (represented by the Regional Development Directorate) with only little input from the regional actors; they were merely executors of the policy. After 1991, regional policy-making came to be a shared responsibility between three tiers of government: the EU level, central government and regional authorities (Illeris, 2010, 52; Halkier, 2001, 323-4 and Halkier and Flockhart, 2002, 42). Even before this termination of national domination of regional policy decision-making, bottom up developments in the national political landscape transpired pushing for gradual involvement of these actors. So the involvement of sub-national and private actors was a gradual process since before the 1988 reform of the Structural Funds and especially after where a large number of relatively small organisations, regional and local government, a host of quangos and wide range of public-private partnerships pushed for the process, but strengthened by the 1991 central level decision to terminate central level dominance and thereby legalising the involvement of sub-national and private actors (Halkier, 2001, 332-3). Halkier concludes that “the internal division of labour between the national and regional levels now places Denmark among the most decentralised countries in the EU with regard to Structural Funds programming ... with central government deciding to rely on sub-national actors for both political authority and financial, informational and organizational resources in key parts of the policy process.” (Halkier, 2001, 331) The current Danish approach to administration of the Structural Funds has been characterised as ‘controlled decentralisation’ within a multi-level governance setting. It is, thus, one of shared management with the regions exercising significant powers for regional development but within a framework determined by the central level taking place in “loosely coupled networks, overseen by central government but dominated by regional/local governments and their associated organisations.” (Halkier and Flockhart, 2002, 47)

During the 2000-2006 programming period, a similar picture appeared: a wide range of actors had the opportunity to influence the contents of the SPDs including the social partners. Each EU Programme Complement region had its own organisational structure. However, all regions had set up mandatory regional Executive Committees to evaluate and recommend projects for support. These Executive Committees comprised mainly of actors at the regional level. To ensure a wider partnership, a sub-committee, i.e. the Regional Steering Committee was set up and assigned the responsibility of regionally-driven initiatives sponsored by the County Council. Thus, a clear division of power between the two individual Committees was present: the

Regional Executive Committee made formal recommendations whereas the Regional Steering Committee laid down general priorities for projects. For instance in North Jutland, like in many other regions, preparing the region's programme complement (being part of the nation-wide Objective 2 programme), a number of thematic working groups were set up to provide contribution. These working groups consisted of relevant organisations such as municipalities, Aalborg University and the business community. The regional level continued to be responsible for project appraisal and selection whereas the national level managing authority was only involved indirectly in carrying out eligibility control. In this set up, the partnership also comprised social partners excluding gender and environmental actors, which the 1999 formulation of the partnership principle suggests thereby constituting some kind of horizontal partnership. The environmental and gender actors were not considered to be relevant in the partnership as focus was on economic sustainability (Olsen and Halkier, 2008b, 8, 13, 23)

Concluding on the Danish approach to partnership, it is clear that it has been characterised by on-going development since the 1960s due to strong corporatist traditions dating back to that time:

*“the greatly increased number of actors involved in regional development activities has undoubtedly led to partnership arrangements becoming much more prominent, both in terms of vertical relations between different spatial tiers of governance, horizontal development networks within particular regions, and of “micro partnerships” around individual development bodies and initiatives” (Halkier and Flockhart, 2002, 50)*

In the same breath, it is noted that this was not a uniform approach; rather partnerships existed in many different guises across Denmark. In later research, the approach has been characterised as a 'specialised stakeholder' approach in which actors expected to make a significant contribution to a particular task were invited to participate, while those with a peripheral contribution were less likely to be invited, unless it was required by EU Regulation (EPRC, 2008b, 4). In evaluating the existing Danish research of partnership experiences, it is found that nearly all documents (see for instance Halkier and Olsen (2008), EPRC (2008b)) and articles have been based on documentary sources as well as interviews with partners along the vertical dimension. It is conspicuous how the representation of perspectives of the horizontal partners is generally missing in the research which leads me to conclude that the findings appear to build on a weak foundation and that consequently a more thorough examination of

the interpretation and implementation of the partnership principle in Denmark is indeed needed.

### **5.3 Placing My Research**

Having reviewed both the comparative studies of the implementation of the partnership principle and the more member state specific analyses, it has become obvious that my research distinguishes itself from the overall partnership literature primarily due to the extended theoretical foundations on which it is built, although it is based on some of the same premises that have been presented above. The above reviewed research mainly focuses on the vertical dimension of partnership either by coincidence or by choice. Little research is fully devoted to the practical implementation of horizontal partnerships compared to huge amount of research on vertical partnerships. It is important to make such a distinction. Vertical partnerships nearly by definition are present in all member states whereas horizontal partnerships are developing as concluded in the above. As such, this conclusion cannot be questioned; however, the actual and critical review of the operation of these partnerships in terms of inclusion and process is missing in the literature. It is merely demonstrated that this and that partner is present in partnership and others are not on either dimension, but it is not analysed what their actual role in the partnership is. For instance, the vertical partnership is present in the form of Monitoring Committees in all member states and they must comprise a certain number of actors representing a certain variety of actors as laid down by the partnership principle. But the relations within these partnerships are not analysed in terms of roles and relations, although it is established that the dominant partners herein are governmental actors at various levels leaving little room for non-governmental actors. How is it possible to come to that conclusion without considering the relations between the actors, which some must have done? For instance it is often concluded that “whether, in the context of MCs, the partnership principle has made any real impact at all in terms of fostering meaningful non-governmental involvement” is questioned (Batory and Cartwright, 2011, 703). I think these are necessary conditions in order to be able to evaluate to which extent the ‘partnership’ in fact constitutes a partnership with everything this entails (inclusion and process). Partnership should not be considered a condition or a situation or a number of actors placed together but a process of cooperation against which it should be analysed. This is where I can contribute with my research design.

Like research has demonstrated that vertical partnerships exist and horizontal partnerships are developing, it is concordantly concluded that the member states’ individual institutional structures influence the implementation of the partnership



principle. This is so because of the formulation of the partnership principle leaves decisions concerning the composition of the (horizontal) partnerships to the member state according to existing institutional structure. This cannot be questioned either. However, what existing research does not take into consideration is that the institutional structure, either the national or the partnership approach itself, has undergone development both prior to the introduction of the partnership principle in the 1988 reform of the Structural Funds as well as along the way of partnership implementation. Here, institutional development may also influence the implementation of the partnership principle as the historical institutionalist account suggests. In my research this is an important influence on the interpretation and implementation of partnerships as partnerships are seen as a dynamic process that is influenced by the context in which it operates. Thus, partnerships are constantly on the move, as Åkerstrøm Andersen's partnership approach suggests, influenced by the internal process and from external developments within its operational and institutional context which the historical institutional and network governance approaches establish. The historical institutionalist account offers tools to investigate the institutional developments of the overall context, i.e. national regional policy-making institutional traditions and the interpretation of the partnership principle in terms of change in the national regional policy-making institutional structure whereas the network governance account informs the analysis of the inclusion and process aspects of the partnerships when implemented into national contexts.

The combination of the three theoretical approaches, i.e. historical institutionalism, network governance and the partnership approach presented by Åkerstrøm Andersen, makes it possible to investigate the vertical and horizontal dimensions and their relations in partnering in Denmark more in depth than has presently been done by others. The aim is to be able to explore the institutional change generated by the interpretation and implementation of the partnership principle. Accordingly, the roles of and relations between the actors in the partnership are thus analysed based on the interaction between the partnership principle and the national regional policy-making institution.

Thus, the theoretical considerations made in my research have shaped the analysis of the interpretation and implementation of the partnership principle leading to a more comprehensive framework of analysis than seen elsewhere, while its choice of case also distinguishes it from other studies. As mentioned in the Danish review, research on the Danish experience with the partnership principle is very modest, for which reason this piece of research intends to make a considerable contribution to the existing volume. This research offers insights into partnership practices in Denmark

since the introduction of the partnership principle in the 1988 reform of the Structural Funds as well as a comprehensive review of institutional experiences within the national regional policy-making institution and its interaction with new requirements from the EU until the end of 2006. 2007 is a landmark in Danish policy-making and likewise in regional policy-making in that a comprehensive reform of the national and regional institutional structures came into force re-mapping the internal governmental levels so that the number of regions and municipalities were reduced in an attempt to make policy-making more efficient as well as redistributing responsibilities among the levels of government. Hereafter, regional policy could be expected to become significantly different. Although present research has concluded that this is not the case; the difference is merely that the new Growth Fora are statutory partnerships rather than voluntary, as has been the case in the previous set up (Illeris, 2010, 56). It would make up another Ph.D. dissertation or a future piece of research for me to engage in this investigation. Therefore, my research ends in 2006 and with the end of the third EU programming period it is an analytically coherent and plausible time to conclude my research.

To sum up, my research offers four contributions to existing research:

- It takes an historical and dynamic and process-oriented point of view on the process by integrating and combining historical institutionalism and network governance
- It provides deeper insight into the process aspect of the partnership principle as suggested by the approach by Åkerstrøm Andersen
- It investigates the horizontal perspective by presenting a wider representation of the partners by including the horizontal perspective *on par* with the vertical perspective that has been carried out so far
- It analyses an understudied member state that institutionally is placed somewhere in the middle of the centralised/decentralised continuum

To conclude, my study of how the partnership principle is interpreted and implemented into existing national practices and how this interpretation is generated into action may bring new insights to the more general debate and perception of partnership operation within the multi-level governance framework. Hopefully this study can bring about a discussion of the relationship between partnership perspectives, theories and applications in relation to the governance debate.



## 6. Danish Regional Policy-Making – Organisation and Objectives

The first sub-analysis that seeks to provide a preliminary answer to the research question is concerned with the Danish regional policy-making institution and its historical developments until 2006. This particular focus is based on the discussion in the first chapter following the introduction and methodology, *'EU Regional Policy and Its Institutional Impact'*, concerning the importance of taking the member states' institutional structures into consideration when empirically analysing the implications of implementing and interpreting the partnership principle in the member states. It was argued that the regional policy-making institutional context in the member states determines the member states' interpretation and employment of the partnership principle, in accordance with the partnership principle which states that 'the partnership shall be conducted in full compliance with the respective institutional, legal and financial powers of each of the partners'. Based on this discussion, it is imperative to analyse the specific member state's regional policy-making institutional characteristics in order to be able to further analyse its coordination with the EC/EU regional policy-making partnership requirements, and the potential changes that coordination generates institutionally in terms of partnership inclusion and process. Thus, the first sub-analysis is an analysis of the historical development of the Danish regional policy-making institution based on historical institutionalist tools of analysis, setting the stage for the following analysis of the interaction between and coordination of the Danish and EU regional policy-making institutions. A specific focus is on how the Danish organisational structure in regional policy-making has developed over time in terms of organisation and objectives.

To achieve the before-mentioned aim, the analysis is divided into three sections. The first section presents the development of the Danish constitutional structure from when the Constitution established the basic rights of Danish society and the political organisational structure through which Denmark is managed until 2006. Before 2006, the organisational structure in public policy-making has been reformed a few times. The constitutional context makes up the institutional frames into which Danish regional policy-making is managed. Thus, the second section is concerned with the historical developments that have influenced the Danish regional policy-making structure since the post-War period until 2006 as a response to internal and external events. Section two is sub-divided into three time periods reflecting specific events that have shaped the respective period; i.e. the period of state dominance, the transition period towards multi-level governance and the final period where the national approach is reformed as part of a wider public policy-making and local

government re-organisation. The Danish regional policy-making analysis traces a gradual development of the institutional context presented by the third section through the lens of historical institutionalism. It concludes that this development is based on continuity and gradual change towards a multi-level governance structure that is rooted in Danish traditions for cooperation. This is achieved by elaborating on the previous two analyses of the Constitutional and regional policy developments as well as other aspects presented later.

All of these sections are based on the historical institutionalist framework of analysis in that the focus is on how the development of institutions has influenced Danish regional policy-making. The individual sections are structured according to the core argument of historical institutionalism that history and institutions matter as well as the core concepts presented in the theoretical operationalization. The data analysed in this analysis is primarily based on secondary literature where other researchers have presented the findings of their research, and in addition I make use of primary sources such as government documents supported by personal interviews with centrally placed actors in Danish regional policy-making. All this information is gathered and compared to each other in balancing actual events and then evaluated from a historical institutionalist point of view before being summarised here.

## **6.1 The Danish Public Sector Governance Structure**

In order to be able to understand how the historical Danish organisational structure influences the interpretation and implementation of EU regional policy partnerships in a Danish context, it is necessary to base this analysis on the theoretical framework provided by historical institutionalism. Thus, the core focus of the subsequent analysis is on institutions, their organisation and the development which they undergo during the course of time as a consequence of the historical choices actors make based on internal and external events. Similarly, Jørgensen (2002, 4) argues that the Danish organisational structure is historically based on “socially embedded norms, traditions for finding common solutions, and institutional consensus building”. These norms and traditions can be traced back a long time. The Constitution is an institution that frames the behaviour of the actors in policy-making and thus the policy-making process. As institutions may influence the identities, self-images and preferences of the actors within the institution, institutions may have such great influence on the individual actors and their choices concerning the institution that it is resistant to re-design. It may be argued that this is the case with the Constitution and the norms and traditions that are associated with it; these norms and traditions are historically rooted and have not been changed significantly over time. Thus, when the general

frame of the Constitution (public policy-making institution) is so embedded in the actors within that institution and the institutional structure which it frames, it is highly influential on the development of those actors and public policy-making. This implies that the Constitution may be expected to have considerable influence on public policy-making and the behaviour of actors within public policy-making.

The Danish organisational structure is rooted in the Constitution which dates back from 1849. The Constitution introduced freedom of speech, assembly and religion as well as parliamentary democracy. Hereafter, powers were separated into a legislature, an executive and judiciary part. In continuation of this separation, an administrative reform was implemented, appointing government, abolishing existing departments and introducing ministerial rule, and rationalising the administrative structure (Jørgensen, 2002, 31). It has been revised three times since then, last in 1953. Generally, the organisational structure is based on three tiers of government: the central level, the regional level and the local level. Powers have been delegated to the regional local levels from the state so that they to some extent can manage their own affairs although the state is responsible for law making and budget planning (Greve, 2006, 162-4). In addition, as regional agents of national law and state executive authority, the regional authorities are not directly subordinated to these state authorities. Rather, regional management, being a political elected council, is accountable to the citizens although the elected councillors are both politicians and administrators.

Prior to the 1970s, the Danish organisational structure was best described as a central state with a strong belief in central planning and administration, however, this picture has been altered with a number of reforms of the organisational structure launched since the 1970s. The first reform established 275 municipalities (the local level) and 14 counties (the regional level) and transferred important tasks to the sub-national levels. This organisational structure was set up as the demographic map changed during the 1950s and 1960s where many people moved from the rural areas to the cities. Denmark used to be an agricultural country where up to 80 per cent of the population lived in the rural districts while only 20 per cent lived in the larger cities and the Capital. However, this picture changed in the 1960s and the main part of the population now lived in the cities. Consequently, some municipalities became much more populated and had to face great administrative challenges. They were simply not equipped to deal with the new tasks that followed their growth. The movement from rural to city areas also posed challenges to the regional level administration in that some regions were composed of larger rural areas compared to other regions. This implied that these regions would be more sparsely populated and the foundation

for the growth of the region disappeared along with the individual region's competitiveness. Debates took place during the 1960s regarding how to reform the existing structure and establish a new more effective structure. The primary conclusion was that the municipalities and counties were too small to take care of the tasks that they were authorised to carry out. A second conclusion was that new counties were to comprise both rural and town areas in order to ensure equal regional development across the country. A third conclusion was that in order for the municipalities and counties to be able to perform effective management, these were to have a certain sustainable size. Thus by 1<sup>st</sup> April 1970 the Local Government Act entered into force based on these conclusions (Strukturkommissionen, 2004, 17-26 and Gjerding, 2005a, 2). Arguably, external (socio-economic and demographic) changes led to the need to revise the organisational division of responsibilities of public policy-making. In this sense, external events put pressure on the existing organisation of public policy-making changing the institution to accommodate these external pressures. This can be considered an example of reform as historical institutionalism describes this type of change: the institutional changes were initiated by government and consequently led to additional organisational reorganisation.

With the new municipal and county landscape in place, the opportunity to increase the transfer of state tasks to the municipalities and counties surfaced. This process of decentralisation was initiated simultaneously with an investigation carried out by the Commission for Local Government Act. A committee formed by the government was charged with the responsibility of investigating the opportunities of transferring increased competences to the municipalities and counties following the establishment of the new municipal and county map. This investigation led to the first local government reform in 1970 (Strukturkommissionen, 2004, 27-28).

The aim of the first Local Government Act in 1970 was to transfer functional responsibilities to local and regional governments as well as to increase their autonomy and discretion and to some extent also to enhance the motivation of local and regional politicians and bureaucrats (or in other words giving them a feeling of ownership) by granting them authority to collect taxes. This reform can be considered a strengthening of the regional level, which in practise "meant both an intended expansion of the scope for local decision-making and increased local autonomy pursuant to the removal of regulations authorizing central government agencies to overrule local decisions" (Christensen, 2000, 392). The municipalities and counties became responsible for all important welfare services such as day care for children, the elderly and primary education (municipalities) and psychiatric and general hospitals and secondary education (counties). Perhaps the most striking change with

the reform was that the regions were granted the responsibility to levy taxes, as mentioned above, to finance their expenditures and thus making them less dependent on central government. Prior to the 1970 system, regional governments had to finance their activities with partially regional income and property taxes and conditional grants from the central government. Accordingly, the regional governments were mainly financed by central government, which implied that the counties were not really autonomous prior to this reform. Despite that the regions were granted the autonomy to levy taxes in the 1970 local government reform, these funds were not adequate to finance the operation of the counties on their own. They still relied on for instance funding from the national level and also later the EU level, for certain policy objectives such as regional development. Despite this, the 1970 local government reform initiated a gradual transformation of the administrative units and structures of the Danish public sector towards increased decentralisation (Greve, 2000, 393).

The 1980s and 1990s also saw reforms of local government although these have not received as much attention as the one in 1970s that laid the foundation of the new local government map. The reforms that took place since the mid-1980s have been called 'the silent local government reforms'. With these reforms, the regions were delegated more responsibility, some of which had been removed from the municipal level and transferred to the counties such as environmental planning and control, health security, general education for the youth, health education and special institutions of education and care for children with special needs (Gjerding, 2005a, 2). Accordingly, based on these public sector reforms, modernisation of the Danish public sector was a continued transformation of public administration and constitutional and organisational structures/forms of government and in particular reorganisation of the local and regional government levels. This implied new roles for the political and administrative actors at these levels. Although these changes to the organisational structure and division of responsibilities is characterised as 'reform', the historical institutionalist interpretation of such developments may rather be ones of layering where new rules are attached to existing ones but not replacing them.

Since the 1980s, the reorganisation of the local and county levels in Denmark can be characterised as one from local 'government' to local 'governance', implying "structural change from one formal authoritative centre of public decision and policy-making at the local level ('government') towards a multitude of more or less autonomous entities, public as well as private institutions, associations and actors, networking within their respective domains of policy-making ('governance')" (Hansen, 2001, 110). A shift from the traditional vertical relationship between local, regional



and central levels towards more horizontal relations and interactions took place since the 1980s. A further involvement of municipal and regional associations in negotiations with the state over national legislation and regulation was also seen since the mid-1980s. Besides decentralisation and delegation of authority to the local and county levels, decentralisation also took place from the local levels to other more or less self-governing entities below the municipal level that worked together with municipal authorities. Along the same lines, Rhodes concludes that the successive public reforms since 1970 have sought to strengthen participation of sub-national actors in an already decentralised system (Rhodes, 1999, 350).

The Constitution has granted the regional and local levels some influence over their own affairs; a responsibility that was gradually extended although the government level remained the most influential actor in public policy-making as it was responsible for the financial envelope. This enabled the government level to exercise power over the regional and local levels resulting in an asymmetrical power relationship. This is in accordance with historical institutionalism which argues that the institution necessarily generates asymmetries of power, and that this uneven relationship brings about power struggles among the actors within the institution regarding its objectives, potentially leading to different types of changes to the institution. The Constitution as an institution gradually changed the asymmetrical relationship between the three levels of government towards increased decentralisation as a result of a number of successive public sector and local government reforms. Although a picture emerges with increasing transfer of competences to the regional level, this level was not completely independent as it continued to interact and negotiate with central government about overall public finances and services, and local decisions about goal and economic frames had to fulfil negotiated agreements with central government. But as Jørgensen argues, the regional level was in a strong position: "Danish local government has, in a way, become a guarantee against strong power concentrations" (Jørgensen, 2002, 35). Arguably, part of the public sector reforms was on the one hand an increase in the level of decentralisation, but on the other also a strengthening of the centralised level in that the scope for ministerial intervention in the day-to-day implementation of policies was concurrently increased in the reforms, because the government level continued to determine the distribution of the additional state funds to finance regional activities besides the taxes that government itself collected.

As a matter of fact, some kinds of power struggles were seen despite the stability of the Constitution (institution) and the gradual transfer of power away from the government, in that bottom-up developments can be traced throughout time. These bottom-up developments may have influenced the decision to extend the

competences and responsibilities of the regional and local levels, as the historical institutionalist approach would argue. Especially during the 1980s, bottom-up movements were strengthened and a shift from the traditional vertical towards more horizontal relations and interactions occurred. Further involvement of municipal associations in negotiations with the state over national legislation took place. This was particularly seen in some policy areas such as regional policy as the following section will show.

Another picture has emerged as a result of the succeeding local government reforms since the 1970s, namely one in which there was a clear distinction between politics and administration. This implied a clear separation of the roles of elected politicians and public administrators where the elected politicians were responsible for politics and political decision-making; i.e. “the making of overall goals and objects for the general development of various public services and tasks of the municipality” (Hansen, 2001, 116). The public administrators, on the other hand, were responsible for administrative decision-making; i.e. “operational management and running of concrete service provision and tasks performance in accordance with the political goals of the elected councillors.” (Hansen, 2001, 116) Much of this separation occurred because the local government reforms brought about increased workloads for the regional councillors whom then encouraged a development of sector specialisation as well as transfer of responsibility to other actors at the regional level. Thus, a horizontal pattern of cooperation within and across regional and national policy-making developed since the early 1980s, from when, as mentioned, the traditional vertical relationship was challenged but not completely eliminated.

This was the picture up till the early 2000s when a new government took office. This government wished to change the existing organisation of the public sector. It was argued that a simplification of existing practices was needed. Therefore, preparations for a reform of the local governance structures were initiated in 2002. Then, in 2007, a structural reform of the local and county level governments entered into force reducing the number of municipalities and counties and redistributing their competences accordingly. In this structure, competences were removed from the regional level to the municipal and state level, thereby restricting the authority of the regions. The core responsibility of the regions became to manage the hospital and psychiatric sectors and to manage and coordinate regional development. The right to impose taxes was removed from the regions and instead the regions were to have their expenses financed by block grants from the state, state activity-related subsidies, local basic contributions and local activity-related contributions (Thomsen and Nielsen, 2008, 88-93 and 97-9. This reform will be presented in more detail in the

following section under the heading '*Reforming National Regional Policy*' (see p. 172) as this reform was also highly intertwined with a reorganisation of the organisational structure of regional policy-making.

To conclude on the development of the Constitutional organisation of public policy-making, since the birth of the Danish Constitution in 1849, the Danish organisational tradition was one characterised by a decentralised unitary state with a strong participation ethic. Gradual constitutional change and transfer of power generating transitions to new modes of governance occurred which was also rooted in a participative tradition where common solutions were preferred - often from below - for decades. The above illustration of the development of local and regional government authority since the Constitution defined the position of the local and regional governments in the national organisational structure in 1849 has shown that in the context of demographic, socio-political and economic developments, the scope of responsibility of local and regional governments was extended considerably. This led to increased independence from central government by the expansion of the competences to include the responsibility to manage their own affairs, to levy taxes to finance their own affair through reform and subsequent layering of new rules to the existing institution. Thus, a gradual development of decentralisation along both vertical and horizontal lines in public policy-making has been identified. It may be argued that continuity has been the preferred solution because the specific structure where the local governments had their place in the organisational structure from its very birth has not been challenged by altered power distribution within the institution; rather it has been gradually extended in the succeeding public sector reforms. Furthermore, this development leaves no case for argument or rule interpretation by the involved actors. It is the confusion about the 'rules of the game' and the altered power balance that generate change in the institution. But there has always been consensus about that relationship. On this note, it is safe to conclude that the institutional development of public policy-making has been one of gradual change towards increased decentralisation in the public sector.

Having drawn up a sketch of the general organisational structure in Denmark, it is time to turn to the more specific regional policy organisational structure that is set within the constitutional structure of public policy-making. In correspondence with the constitutional organisation of public policy-making is characterised by gradual development, it may also be expected that the various forms of public policies have undergone a similar development although each area of public policy has specific characteristics. In order to make such a firm conclusion, each public policy area must be analysed.

## **6.2 Regional Policy - a National Concern**

Expectedly, administration of Danish regional policy was also characterised by gradual change. Therefore, the analysis will be divided into three time periods reflecting different events and developments during these that are central to understand how they generated the gradual development. The first time period was characterised by a national regional policy approach where the government level was the dominant actor. During the course of time, however, bottom-up initiatives gathered speed in response to their lack of direct influence on their own regional fate. 1991 is often referred to as an epoch-making year as the state dominant approach to regional policy-making was terminated completely. Accordingly, events occurring around 1991 are at the core of the second time period analysis in that they framed the organisational context of the 1990s and well into the 2000s. The previous period was characterised by events that lead to change and so was the middle period. The third time period was centred on a decision to reform the public sector including the regional policy-making structure. During this period, the Danish approach to regional policy that was established and advanced over the course of time was reformed, legally assigning the regions responsibility for regional policy-making. Working in partnership became a statutory task of all actors involved in regional policy-making.

### **6.2.1 A Centralised Regional Policy Logic**

The history of Danish regional policy can be traced back a very long time ago, but the historical sketch here begins in the late 1940s and early 1950s. The establishment of the policy reflected the historical, political and economic development and the increased need to address regional development problems that arose due to changes in the economic map. As will be seen, regional convergence or divergence was at the centre of regional policy both in terms of its establishment in the Danish context and in terms of its subsequent policy objectives. Notably, the post-war regional development policy development reflected a perception that systematic regional development should be a state level responsibility (Illeris, 2010, 26). The beginning of this period was influenced by the post-war period where unemployment was high and the distribution of unemployment across the country was uneven; a fact that was also at the centre of the general political debate at the time. Especially in the rural areas, unemployment was high due to the decreasing demand for products such as peat and lignite that were used during the war. Thus, in 1949, a Labour Market Commission was established to investigate conditions in the labour market and make proposals to solve the problems. Where the unemployment problem had hitherto been a national problem, it became a regional problem. Larger areas (such as the municipalities of North Jutland) facing huge unemployment problems over a long period of time were

identified, implying that some areas had greater unemployment problems than others. Regional disparities were an urban-rural issue. To add to the problem, the large export-oriented agricultural sector witnessed a rapid mechanisation during the 1950s which further increased the spatially concentrated unemployment problem. The Labour Market Commission concluded that unemployment was higher in some areas than in others because mobility from these areas was not high enough, leading the Labour Market Commission to argue that those areas with high unemployment rates needed an active local policy (lokaliseringspolitik) to support local businesses with for instance more lax conditions for loan, increase and repayment.

The increasing unemployment problem led to the first Regional Development Act (Egnsudviklingslov) in 1958 (Gaardmand, 1988, 71-5, Aalbu et.al., 1999, 25 and Illeris, 2010, 26). The objective of the Regional Development Act of 1958 was that the state should “support productive employment in those areas of the country that are lagging behind due to industrial development or that are facing special economic difficulties through technical and financial advice when preparing projects and when financing the implementation of the projects.” (translated from Gaardmand, 1988, 74-5) Thus, the objective of the Act was dual: to support and promote mobility (labour market policy) and to promote business development in areas with high unemployment (local industrial policy). There was recognition that regional development was not only concerned with industrial policy but also with the linkage and interrelationship between labour market policy and industrial policy in order to generate regional development. The Regional Development Act may then be considered the first institutionalisation of a Danish regional policy-making approach. The Danish regional policy-making institution thus framed regional development activity towards more even development of the country in setting policy objectives and creating organisational structures.

Responsibility for these initiatives rested exclusively with the state level through the newly established Regional Development Council (Egnsudviklingsrådet) consisting of representatives from the relevant ministries and interest organisations. The Regional Development Council was responsible for providing technical and financial advice as well as submit recommendations for national support of projects that could generate productive employment in those areas of the country that were lagging behind (Halkier, 2008a, 2). Independently and concurrently, a number of regional development councils such as North Jutland Business Council and West Jutland Development Council that brought public and private actors together in the promotion of regional development were established as a reaction to the increased unemployment problems of the 1950s. To begin with, the organisational structure

within the Danish regional policy-making institution was dominated by the government level; the regional level merely played 'unofficial' roles outside the formal institution or an insignificant role inside the institution. According to historical institutionalism this reflected the asymmetrical distribution of powers based on the institutional objectives. This may potentially constitute a platform for future power struggles if actors within that institution do not agree with the objectives.

The 1958 Regional Development Act marked the beginning of a new epoch in Danish regional policy-making and debate; it initiated a new way of thinking about regional development (egnsudvikling) towards a more balanced development outside the capital. The Regional Development Act became influential on regional development in Denmark until 1991 when the organisational structure for regional policy-making was changed. Until then, the main features of the Act remained generally the same although few additions were made over the course of time. The state designated a number of support areas in which private businesses could apply for support for productive investments.

After the enactment of the Act, the economic landscape changed in the early 1960s because the prices of raw materials to be used in the industries were reduced which combined with the cheap and available labour and industrial capacity, rendered expansion of the industry possible. Positive economic developments and regional development debates in the 1960s led to the reinforcement of the 1958 Regional Development Act in 1962, where it was concluded that regional development should encompass more than industrial development: trade and services businesses were guaranteed loans and businesses facing conversion due to changed market conditions and the like were also eligible of support. Another revision took place in 1967 in which it was decided that decision-making competences should be transferred to the Regional Development Council so that its decisions were managed by a Directorate under the then Ministry of Trade and Industry. To carry out this task, the Regional Development Directorate (Egnsudviklingsdirektoratet) was established and placed in Silkeborg in Jutland (Gaardmand, 1988, 75-84 and Illeris, 2010, 28). These two revisions or reinforcements of the 1958 Act can from a historical institutionalist point of view be labelled 'layering' as the subsequent reinforcements merely added rules to the existing institution without turnover of the existing framework.

Following the early Regional Development Act revisions where a gradual transfer of competences to the regionally based Regional Development Council in Silkeborg in Jutland took place, the regional political context during the 1970s and early 1980s was characterised by a number of bottom-up developments outside the formal institution:

several municipalities and counties established business councils as a response to the decreasing economic situation after the oil crisis in 1973-4, similar to the efforts made in the 1950s as a reaction to the increasing levels of unemployment. The business councils were engaged in supporting existing businesses and entrepreneurs in an attempt to counteract the negative development within their own area, outside the scope of national level regional development responsibility, alongside national initiatives to address the regional development problems (Illeris, 2010, 32). These developments were based on earlier experiences with public-private partnerships (Development Committees) that were set up to give advice to companies from outside in order for them to establish themselves in the region during the 1950s (Halkier, 1998, 17). Initially, these Committees were merely advisory and promotion-oriented, but from the mid-1980s local and regional governments became actively involved in economic regional development. Because of the limitations of the counties to grant direct subsidies to individual companies, the regional development policies of the counties principally supported the stipulation of advice and infrastructure in the regions. Thus, counties were involved in regional development programmes rooted in their own internally established programmes or projects in cooperation with other regional actors that aimed at providing advice, training or improving general conditions for business within the region, but not as legally part of the Danish regional policy-making institution although their activities may have influenced its operation (employment of the policy objectives). Other measures were taken so that local authority was made responsible for solving the unemployment problems; local labour market councils were established within the counties transferring authority from the Ministry of Labour with similar responsibilities. Thus, external developments were gathering speed, challenging the existing regional policy-making institution dominated by central government.

In 1985, another Act revised and reinforced the previous ones; an additional example of layering to the existing regional policy institution. Previous guarantee schemes were supplemented with loan and subsidy schemes. The role of the Regional Development Directorate was technically changed from that of an independent Council to office subordinated to the Industrial and Business Agency (Industri- og Handelsstyrelsen) which was a new structure bringing together a number of Agencies directly and indirectly concerned with regional development such as the Regional Development Agency (Egnsudviklingsrådet) and the Agency for Technology (Teknologirådet) (Lodberg, personal interview and Gaardmand, 1988, 88 and 92). This changed structure of bringing together different Councils related to regional development further signalled a national concern that regional policy was about much more than industrial policy, and that these different perspectives needed to be

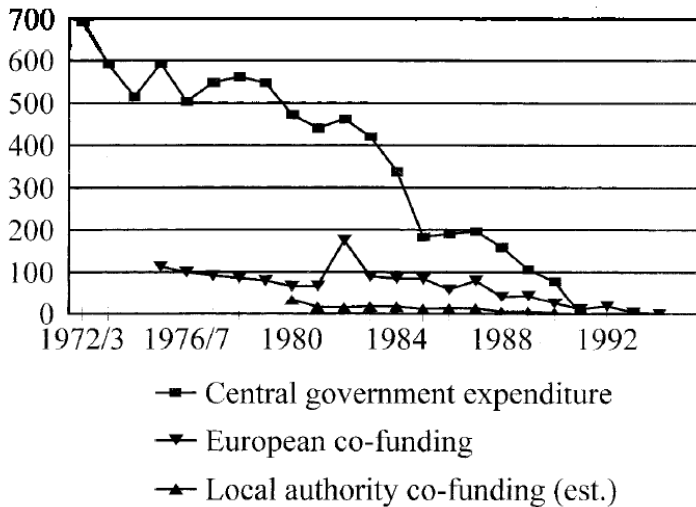
brought together in order to address the problem of uneven regional development in Denmark. The objective of the institution was reinforced.

This development should be seen in the light of the previous decision to establish the Regional Development Directorate in the first place as well as the decision to place it in Silkeborg. This move signalled two things: first, it signalled that a balanced regional development was high on the political agenda by taking the lead in moving one of 'its own offices' out of office so to speak. Second, decentralisation being an objective, the Regional Development Directorate would then be closer to where development was taking place. In other words, this can be seen as both a reorganisation of a state organisation attached to the Ministry of Trade and Industry (decentralisation) as well as an attempt to move regional development institutions closer to or into the regional development areas. So it was a decentralisation of competences, authority and the work force (Gaardmand, 1988, 97). Based on the layering logic, these developments clearly supported the existing regional policy institution and the relations between the actors within it by emphasising the position of central government but it may also be argued that the first steps were taken towards decentralisation in the elevation of regional level. This move signalled a central level recognition of the increased importance to listen to the needs of the regions. To some extent the voice of the regions was being heard by central government.

In 1982, a new Conservative-led government came into office, which was forced to change its focus due to socio-economic developments towards increased public debt and deficit on the balance of payments. In 1986, these developments made the Conservative Prime Minister introduce what is known as the 'potato diet' (kartoffelkuren) where public and private spending cuts were enforced to put the national economy back on track. According to Brask Pedersen (personal interview), it was decided to stop financing specific activities of the regional development initiatives of the Regional Development Act in 1988 to help finance public debt, alongside considerable reduction in funds for regional development. Although the Act was no longer fully financed by the state budget, it was not terminated. According to Brask Pedersen, it was a matter of national policy: it was argued that at that point in time there was equal regional development in Denmark (the most-Western parts of Jutland had benefited greatly from the Regional Development Act funds over the years) so it was no longer necessary, nor could it be justified to finance regional development like this when the national budget was suffering. So at this point in time, an important instrument for regional development in Denmark was gradually entering into a process of change. The regional development logic based on equal development disappeared with the financial instrument for the time being. The recollection is partly



supported by the statistics of national policy programmes expenditure on regional development between 1972 and 1992 as calculated by Halkier (2001, 327):



**Figure 2.** National policy programmes expenditure by source. Mio. DKK, 1995 prices (1981–1988 figures are commitments, 1989–1995 figures expenditure). *Source:* Direktoratet for Egnsudvikling, 1980–1987; Industri- og Handelsstyrelsen, 1988; Finansministeriet, 1989–1995.

Evidently, the national funds for regional development were considerably reduced from 1984 to 1985 and remained on a steady level until 1988 when the funds were additionally reduced confirming Brask Pedersen’s recollection of events, that during the time of the ‘potato diet’ it was time ‘to count the pennies’. In order to have a clearer understanding of these events and how they consequently influenced the gradual process of terminating the Regional Development Act, the backgrounds to these statistics should be consulted. Based on the annual reports of the Regional Development Directorate activities of the years 1982 to 1991, it is clear that regional development funds were split into two objectives: one focusing on direct subsidies for businesses and for moving, whereas the other was in the form of loans to municipalities for industrial development (Industriministeriet, 1987, and Industri- og Handelsstyrelsen 1988). The weighing of funds for one or the other type of activity changed in 1985, until when loans had made up the larger part of the funds. From 1985, considerably more funds were spent on direct subsidies compared to loans. In 1984 for instance, the division was approximately **74** million DKK for direct subsidies and **185** for million DKK for loans compared to in 1985 where direct subsidies were funded by approximately **117** million DKK and **28** million DKK for loans

(Industriministeriet, 1984, 3 and Industriministeriet, 1985, 3). This change of priority implies that the otherwise heavy commitment of loans was diverted into direct subsidies, which was more cost-effective. Loans were more cost-effective compared to direct subsidies, so even with a reduction in the total national level expenditure; the net gross expenditure remained the same when the loan disbursement was reduced considerably. The result was more regional development per net DKK compared to loans. Until 1989, this was the distribution of the funds. In 1989, the division was fifty-fifty (Industri- og Handelsstyrelsen, 1989, 4). These statistics support the claim of Brask Pedersen in that it may be argued that there was a clear indication of change in focus in regional policy-making during the years of the 'potato diet', from one where businesses and municipalities were offered considerable amounts of funds for loan to their development towards a significant cut-down of these loans in 1985 from 185 million DKK to 28 million. Moreover, it supports Brask Pedersen's argument that it was not sustainable to fund regional development with loans when the state budget itself had overspent (lent too much money itself, so to speak).

A further piece of evidence which points towards a gradual phase out of the Regional Development Act before its actual termination in 1991, was that in the Finance Bills, according to priorities on regional development, the direct subsidies supporting the construction and expansion of businesses (direct injections into the veins of businesses) were removed from the budget in 1987 compared to the previous years' implying a change of future focus of the policy altogether (Finansministeriet, 1986 §17 and Finansministeriet, 1987 §17). Arguably, the direct funding for business was removed, as the objective with EC funding in Denmark during this period had the same objective. When Greenland withdrew from the EC, these funds became reallocated to the remaining parts of Denmark. Therefore, when receiving additional EC funds for the same objective, the Danish government arguably prioritised to cut back the direct funding as this area was being covered by the EC funds instead. Accordingly, this can be considered a strategic manoeuvre by the Danish government to reduce its spending without compromising the overall regional development. Moreover, when analysing the 'discourse' in the Finance Bills of 1987 (Finansministeriet, 1987) and 1988 (Finansministeriet, 1988) the overall frame of activities changes from being 'business economics' (erhvervsøkonomiske foranstaltninger) in 1987 to being 'industrial development' (erhvervsfremme) in 1988 which is another indication of a gradual development in a process towards a change in focus. It should be remembered that this year was the first year that EC funds featured on the national budget for regional development, which may have influenced this change of rhetoric.

Simultaneous with these developments, an EU regional policy was in the pipeline. Whether this development was considered in the national decision to close down nationally financed development initiatives is difficult to say. This point will be discussed more detailed in the next chapter on the interaction and coordination between Danish and EU regional policy-making. At least it prompted the regional and local actors to think differently about regional development; that they needed to work more closely together with each other across government levels and the public-private divide in order to ensure regional development with a minimum of national level support. These developments may be characterised as conversion as formally the rules remained the same (i.e. the Regional Development Act was not abolished), but the rules were interpreted in new ways, both by central government when reducing funds for regional development, and by the regional level in their working closer together leading to increased establishment of regional level competences to become increasingly involved in the otherwise state dominated regional policy-making institution.

Ever since its introduction, administering regional policy was a central level responsibility despite bottom-up attempts to gain influence on regional development. Albeit none of the continuous challengers have had enough momentum to seriously challenge and erode the centrally dominated regional policy-making. Bottom-up attempts to have greater influence on their own regional destiny were partly spurred from experiences from the influential local governments as well as a reaction to economic developments. The municipalities within the regional development areas expanded their activities and set up a number of business councils and business offices aiming at attracting regional development funds to the municipalities. Independent business councils and offices were set up outside the regional development areas. Though these developments did not really alter the power relations among the government levels in regional policy-making until 1991, they should not be ignored as they were developments that later became important to the regional political organisational structure. The seeds had been sown for potential encounter between the centrally dominated regional policy structure and parallel 'underground' bottom-up developments. Evidently, the regional policy structure until 1991 was characterised by layering and conversion emphasising the role of the state level compared to the sub-national actors. The overall Danish organisational structure was characterised by gradual change, and so was the regional policy structure until 1991.

## 6.2.2 Terminating the Centralised Regional Policy Logic

Based on the above analysis, phasing out nationally financed business support under the equal regional development logic was the first in a sequence of developments leading to the termination of the Regional Development Act in 1991. This implies that the conversion that took place during the mid-to late 1980s was gradually extended to a reform of the existing institution. As mentioned above, during the time of the 'potato diet', actors at the regional and local levels were forced to think differently than hitherto. This resulted in new approaches to regional development in the forms of programmes that incorporated projects with a longer duration under a common theme or approach compared to the previous individual project applications, which resulted in uncoordinated developments in each of the sectors of initiatives and incoherent development. Thus, the programme approach was based on bottom-up reactions to the limited access to funding for individual projects, other socio-economic events at the time and similar trends across Europe. Especially regions like North Jutland and Lolland were hit hard during this time due to closure of shipyards resulting in increased unemployment rates that had to be brought down.

Then, in 1991, the Regional Development Act was terminated and the focus on national regional policy changed as a result of the gradual developments analysed above: central government incentive schemes were terminated and the right of municipalities and counties to manage the business promoting policy which they had already been engaged in, was legalised (Illeris, 2010, 52). The termination of the Regional Development Act was initiated by central government as a consequence of its previous manoeuvre and prioritising as well as pressure from other actors within the regional policy-making institution. Along with the termination of central government exclusive responsibility of regional decision-making, the objective of regional policy had also gradually changed: the aim became to improve the competitiveness of Danish companies rather than the region as a whole implying that all regions would benefit and not just the ones lagging behind although there was still a small part of regional policy that remained targeted at the weakest regions co-funded by the multi-annual programme approach of the EU Structural Funds. From then on this became a consensual approach to regional development (Halkier, 2008a, 3). Hence, the reform of the regional policy-making institution was both concerned with change of regional policy-making objectives and organisational structures and relations. Interpreted from a historical institutionalist perspective, the 1991 termination of the Regional Development Act was a type of reform that was mandated by government based on political compromises and manoeuvres in difficult economic times analysed above; political influence from the availability of additional

funds from the EC; and the bottom-up movements during the 1980s. Accordingly, the 1991 termination of the Regional Development Act was a process that had gradually been under way since the mid-1980s, and maybe even rooted in the early bottom-up developments during the 1950s.

From 1991, Danish regional policy became more complex than ever before. The position of the regions in the regional policy structure was elevated as a consequence of the 1991 termination of national dominance including them in the policy process in such a way that they were capable of designing programmes, setting up institutions and shaping individual projects. Before they were excluded from the policy process altogether and were utilised as executers of the national policy objectives. Thus, a scenario developed in which a particular Danish model of bottom-up regional policy became present. Especially since the early 1990s, focus has been on public-private partnerships that involve a large number of relatively small organisations, including both regional and local government organisations, a host of quangos and a wide range of public-private partnerships, which arguably was based on the experiences which the counties and municipalities made when working together with private actors during the 1980s (and even back to the 1950) and were forced to think differently about regional development during the 'potato diet' (Halkier, 2001, 332 and Damborg and Halkier, 1998, 91).

Likewise, the role of the state changed following the termination of the Regional Development Act. Before 1991, regional policy-making was a state level responsibility implying that decisions on area designation and individual project applications were taken exclusively by central government (represented by the Regional Development Directorate in Silkeborg) with only little input from the regional actors; they were merely executers of the policy. After 1991, regional policy-making came to be a shared responsibility between three tiers of government: the EU level, central government and regional authorities. The regional office in Silkeborg, subordinated to the Industrial and Business Agency (Industri- og Handelsstyrelsen), changed its name to the Danish Agency for Trade and Industry (DATI) (Erhvervsfremmestyrelsen) symbolising the change of focus from direct support for businesses towards a more integrated approach towards economic industrial development policies (erhvervsfremme), which was concerned with promoting the general framework conditions (education institutions, research, innovation, etc.) for businesses as well as it provided the DATI with increased competences in national regional policy-making (Lodberg, personal interview).

The most important general responsibility of central government was to ensure accessibility to business and technological services: the deconcentrated, but not preferential, distribution of national business and technological services was provided by an existing network of regionally based Technology Information Centres (TICs). Each TIC consisted of appointees from business organisations and to some extent also the trade unions. They were funded by central government and co-funded by regional actors. This measure was available to all businesses across the regions, also businesses in weaker regions. The TICs focused more on softer forms of initiatives such as advice and networking contrary to the direct financial support of the businesses. In addition, the national level became responsible for so-called 'fire-fighting' when the 'Notification Pool' was established in 1996 as an attempt to address potential urgent problems; i.e. temporary advisory assistance to areas threatened by substantial industrial closures. The fund was administered by DATI and the National Labour Market Authority. Local Employment Services and the regional TICs could apply for funding from the Notification Pool (Halkier, 2001, 328 and Halkier and Flockhart, 2002, 47-8).

Thus, by introducing the new approach to regional policy-making, central government generally discarded its role as a redistributor of private business activity between the regions, and instead it adopted a less influential role as an information provider/'supervisor' working in some kind of partnerships with regional, sub-regional, private and social partners. Despite an apparent retraction of the state in regional policy-making and a consequent elevation of sub-national actors along the increased influence of the EU level, the role of the government should not be underestimated. According to Halkier, the role of the state was strengthened by the end of the 1990s because it became "more active regarding the increasingly detailed organisation of regional business development, especially based on the wish to promote the coordination of the multiple activities that have surfaced in part within the individual region and in part across existing administrative boundaries through cross-regional initiatives, [etc.]" (translated from Halkier, 2008a, 5).

Prior to 1991, the overall approach to regional development policy was one characterised by hierarchy with the state level dictating events, whereas after 1991 (or perhaps rather 1988 with the implementation of EC regional policy into the national context) the relationship was one characterised by network interaction. This new sharing of responsibilities will be discussed to greater extent below in relation to the interaction between EU and Danish regional policy-making. But for now it is relevant to sum up the immediate changes in the following table:

**Table 6.1: Danish Regional Policy Developments**

Level	Dimensions		Traditional (till the late 1980s)	New (from the early 1990s)
	European	Strategy		Inter-regional redistribution
Resources			Co-fund national programmes Regulate national subsidies	Spatial discrimination Significant source of finance
National	Strategy		Inter-regional redistribution	Regional competitiveness
	Resources		Spatial discrimination Control key policy resources	Control own programme resources Regulate EU/regional programmes Co-fund European programmes
Regional	Strategy		Active investment to locality	Regional Competitiveness
	Resources		Control own programme resources	Co-fund European programmes Crucial informational and organisational resources

Source: replicated from Danish Technological Institute, 2002, 9

Clearly, a new more complex pattern of regional policy-making transpired after the change in organisational division of responsibilities in regional policy-making. According to Halkier and Flockhart (2002, 42-3), the organisational structure after 1991 was significantly different from the one before 1991 in that the number of actors influencing the process was increased, thereby removing the exclusive right of the central government to manage regional policy. A structure that resembles a multi-level network including public actors at all levels of government as well as private actors was established, which was able to influence the various aspects and stages of the process.

To support this development, the Local Government Development Act (Kommunefremmeloven) was put into force in 1992, where it was legalised which areas of competences the municipalities and counties were to have in the new governance structures. The 1992 Act designated *collective* business services within the region as a field in which sub-national actors could be involved (Lov 383, 20.5.92). As such, the role of the regional level in regional policy has not always been legally clear until after the reform of national regional policy in 1991 and the following

Government Act in 1992. Thus, for the first time, sub-national development initiatives were legalised. Though the Act legalised the competences of the municipalities and counties, these competences were voluntary; an important point in the analysis of the inclusion and process aspects of partnerships, because, opposed to the EU system of regional policy, Danish national regional policy-making was based on voluntary participation of actors (Lodberg, personal interview). Hereafter, it was specified that besides what the regional and local levels were not allowed to do, namely to grant financial assistance to individual companies, their functions were to be: to engage in 'collective business services', that is, measures that target all or a group of companies within an area (Aalbu, Hallin, Mariussen, 1999, 26-7). Thus, having their role in regional development legally defined, the regional level had the opportunity to get increasingly involved in the development of their own 'neighbourhood'. The 1992 Act may be considered as layering on top of the existing institution that was reformed in 1991, where the new Act merely emphasised the institutional organisation that the 1991 reform established; in other words it may be regarded as an additional layer to the existing institution.

As mentioned above, the early 1990s saw an increase in bottom-up initiatives, which were supported by the 1992 Government Act on regional policy activity where regional authorities were increasingly allowed to become participants in regional development (Halkier, 2001, 332). Despite this, not all counties committed equally to regional development and some committed themselves earlier than others. It was seen that some counties started their involvement in regional development policy in regional planning and/or training programmes for the unemployed, which gradually developed into policy initiatives directed at private businesses in the region. It may be argued that the availability of EU funds in the late 1980s further encouraged counties to increase their involvement in regional development; a point that is further discussed in the section on the coordination of the Danish and EU regional policy-making structures.

One of the consequences of the new forms of governance in regional policy-making was that the regions were afforded with increased competences on regional policy implementation and, consequently, some degree of self-management. From a national perspective there was a risk that the regional administration would not live up to its regional policy responsibilities and instead do as it pleased. Thus, until the mid-1990s the DATI sought to ensure its own involvement in regional policy by appointing a DATI representative as a member of the regional Executive Committee that made the decisions regarding support for projects. Through its presence in the Executive Committees, the national level was able to supervise that things were done



correctly. The state did not completely give up its control with the regions as it remained part of day-to-day management and decision-making, despite that it had become a regional level responsibility after 1991, where the division of labour reflected a clearer vertical division of functions between the different levels. Over the years, this structure caused some tensions between the regional actors and the DATI representative, resulting in a re-evaluation of the relationship. The question is whether the practical employment of the institutional reform of the Regional Development Act in terms of organisational reorganisation undermines the conclusion reached above, where it was argued that terminating the Regional Policy Act constituted a reform; obviously, one thing is institutional intentions another is practical employment. As such, this structure can be characterised as a re-interpretation of the institutional structure of the Regional Development Act, but apparently this only took place on a trial basis, since after a few years practise, it was considered unnecessary to continue to carry out this concealed supervision as the regional administrations appeared to be able to live up to their responsibility (Lodberg and Gregersen, personal interviews). Thus, from this time, regional policy-making in Denmark became essentially a regional level responsibility with the national level acting as a coordinator via the Ministry for Trade and Industry and Coordination in the strictly Danish regional policy-making context. Accordingly, it was not until this point in time that Danish regional policy-making was truly characterised by multi-level governance.

Clearly, 1991 was a turning point in the development of the Danish regional policy-making institution. Apparently, overnight the centrally dominated system of regional policy government was reformed into a system characterised by multi-level governance with the three (four) levels of government influencing regional policy-making equally – or at least according to some functional division of responsibilities. It appears that an external shock occurred when the 1988 reform of the Structural Funds suddenly made additional EC Funds available for regional development in Denmark with the conditional requirement of decentralisation and new forms of governance. However, another reading of these events is that a gradual development was spurred by a number of factors that had been smouldering for some time within and external to the system: first of all, the externally generated financial crisis of the 1980s, and the ‘potato diet’ that was implemented as the financial and political solution to the problem initiated a snowballing gradual process of change. Subsequently, a decision to stop financing significant parts of the Regional Development Act (i.e. direct business investments) as well as gradually phasing out of funds for the Regional Development Act was made. This, in turn, lead actors at the regional and local levels to mobilise as a reaction to both the financial crisis and the

increased unemployment that this brought about, and the fact that they were forced to think differently without the funds for their development. Finally, the Local Government Act was terminated as a next step in that process. Thelen and Mahoney explains in their most recent version of historical institutionalism: the creation of institutions is a dynamic process where institutions represent compromises among the respective actors, which creates an environment in which not all actors are satisfied with the end result which in turn leaves the institution vulnerable to shifts. Accordingly, change and stability are closely linked. Those who benefit from the existing set up may be interested in continuity whereas those with diverging interests favour change. The effort to maintain the institution is an on-going mobilisation of support for the institution. Thus, the centrally dominated institution was challenged by gradually developing internal and external movements and events thereby overturning its foundation. The power balance shifted towards a more favourable position of the regional and local levels. The government level went from being predominantly a provider of financial subsidies to primarily acting as a regulator of regional and local initiatives. A new foundation was built both in terms of domains and aims.

In 1993, a new Social Democratic government came into office and further priorities for regional development in Denmark were put on the agenda. One of the first steps was to establish a new Ministry, the Ministry for Trade and Industry and Coordination with Mimi Jakobsen as the overall responsible Minister of coordinating different policy areas that were relevant in regional policy. Thus, the new Minister was following the path already laid down with an increased focus on coordinating all policy areas relevant to and with influence on regional policy. However, the means to achieve that end were new implying conversion of the existing institution. In this Ministry, Jørgen Rosted was then employed as a centrally positioned civil servant in Danish regional policy; the Permanent Secretary of the Ministry of Trade and Industry. According to Lodberg (personal interview), Rosted had a vision of creating an independent Danish regional policy without considering the parallel EU developments in regional policy-making. These initiatives marked the beginning of a new approach to thinking about regional policy in Denmark; it represented a paradigm shift. The termination of the Regional Development Act, its focus on direct support for businesses and the exclusive responsibility of the government level over regional policy initiated this paradigm shift. The Ministry of Trade and Industry and Coordination and Rosted only put words into action and attempted to bring together the different policy areas that had influenced regional policy into a coordinated approach involving actors at sub-national levels *on par* with government level actors. To some extent Danish regional policy-making was based on consensus that it was important to coordinate relevant policy

areas to regional policy, and that an increased range of actors needed to be involved in its implementation reflecting the changed functional division of responsibilities between the different levels of government. The approach to ensure such objectives, notably, was completely new, according to Lodberg (personal interview).

One of the visions that Rosted had was that the government civil servants in the Silkeborg and Copenhagen offices should take a more proactive approach and get more in touch with what was going on at the local and regional levels in order to be better able to provide the best possible framework conditions for regional development. It was argued that it was important to have a precise diagnosis of a given problem before it could be addressed. The diagnosis was best made with a finger on the local pulse, also by those who were not directly situated in the areas. While having a strong regional focus, it was also recognised that it was crucial to coordinate these regional initiatives under a common national umbrella of regional policy-making. The diagnosis was that many uncoordinated developments in each of the sectors could be identified based on previous approaches under the Regional Development Act, and that there was a need to gather actors both vertically and horizontally in a common approach. Suggestions to involve a number of actors were made such as the employers' organisations, trade unions, the relevant business organisations, education institutions as well as regional and local actors. It should be noticed that involving these actors should take place based on voluntary participation and bottom-up initiatives; it was crucial to bring the relevant actors into play. In practise, this implied that if for instance a county mayor chose not to invite all of the above actors, the national level did not interfere and force through participation. This was what local democracy was all about (Lodberg, personal interview). It may be argued that a national approach to partnership or networks was articulated and implemented for the first time based on previous experiences of actor involvement at regional and local levels in regional policy implementation and bottom-up developments throughout time.

In continuation of these developments, the Danish government published the first 'The State of the Danish Regions' (Regionalpolitisk Redegørelse) in 1995, an annual report which aimed to propose strategies to improve regional conditions for businesses and to suggest new initiatives to coordinate regional development policy (i.e. business policy and labour market policy) between the municipalities, the regions, the state and the EU levels. The recommendations of the report reflected the visions of Rosted regarding the coordination of the policies and involving subnational actors.

The report suggested changed roles for the actors in regional development and ensuring a more efficient dialogue between these actors in regional development so that the activities of the respective actors at the different levels were coordinated having a common aim. According to the report, regional policy was a broad policy area that needed coordination and simplification in order to be more efficient in achieving its overall aim: the growth opportunities of the individual regions. The report concluded that it was important to create a common organisational focal point that involved both the municipalities, counties and the state together – a type of organisation that may be referred to as network or partnership (Erhvervsministeriet, 1995, 7-10).

The 1995 report marked the beginning of annual reports that are used for taking stock of past experiences and suggestions for further action in regional development within the country. It may be argued that with this initiative, regional development and regional policy definitely became a central policy area in the national political context with particular attention to its influence on national and regional development. It may also be argued that with the intention to systematically reflect on regional developments, the possibilities for change and adaptation within the policy areas and the administration of them grew reflecting a national objective to adjust and react to changing conditions in society.

Towards the end of the 1990s, more concrete initiatives towards implementing the visions of the 1995 report on 'The State of the Danish Regions' were launched. Three large industrial political partnerships between the Ministries and the regional level shaped national regional policy-making: the first initiative was based on a report on the state of the Capital in terms of regional development. This was materialised into a partnership between all relevant Ministries and counties within the Capital focusing on how Copenhagen should develop in the future. Based on this, a number of industrial political initiatives were launched. Following this initiative, it was suggested to create a similar partnership in Jutland and Funen as well as other regions of the country. This partnership was referred to as the Jutlandic-Funen business cooperation (det jysk-fynske erhvervsamarbejde) between the counties and municipalities of Jutland and Funen and the relevant Ministries. These partnerships were all based on the logic of Rosted stipulating that the national level (Ministries) must be brought to the regional level in order to secure their finger on the pulse. Many of the focus areas were attached to a variety of Ministries, and so the challenge was to bring these together and move them into the regions in preparation for supporting industrial development. It was argued that there would be more accuracy of the national initiatives if those responsible for its implementation were present at the local and

regional levels where implementation took place. This relationship worked both ways in that the regional and local levels were moved closer to the decision-making national level. Thus, there was a close dialogue between the national, regional and local levels in these initiatives.

The organisational structure established for this cooperation was based on a steering committee including representatives of the counties, municipalities, the social partners, education institutions and the Ministries. The work of the steering committee resulted in two products: a report that dealt with a diagnosis of what Jutland-Funen should focus on in the future and an action plan based on the diagnosis with eight focus areas. On an operative level, eight working groups mirroring the contents of the eight focus areas were established to generate concrete proposals as how to operationalize these plans, consisting of representatives of municipalities, counties, education institutions, etc. depending on the focus area. This offers a specific example of a Danish approach to partnership that differed from that of the EU. It differed in that the actors that were present in the Danish partnership did not represent any political or other interests; they were part of the partnership because they wanted to make an effort to establish such a large initiative. Perhaps the most conspicuous difference was that before entering into this cooperation none of the involved actors were guaranteed any funds to support their ideas in the end. But as it turned out, all ideas were implemented and supported by the different Ministries. The entire process can be considered an experiment into a partnering process that was aiming at bringing the state and regional levels closer together. The key actors were the counties and municipalities, but in the operative part of the process all were equal (Lodberg, personal interview).

Like the previous period was characterised by gradual change in the form of layering and conversion, so has the decade of the 1990s been characterised by gradual change leading to the changed role for the state and regional levels in regional policy-making along with the objectives of the Regional Development Act. On the face of it, it might appear that a dramatic change to the institution took place as discussed, but based on the gradual bottom-up developments of the 1980s and the political effects of the 'potato diet', a gradual movement towards increased influence of the regional level took place. Historical institutionalism describes these gradual developments as either reform or layering which were specific types of gradual change. It may on the one hand be characterised as reform as the change to the existing institution has explicitly been mandated by government. Only governments are in a position to terminate acts and replace them with alternatives. On the other hand, a nuanced reading is that the type of change that took place around the 1991 termination of the Regional

Development Act was layering, when new rules were attached to the existing ones not replacing the institution. In cases where the logic of the institution was altered as a result of the attachment substantial change may occur. Layering often happens when defenders of the status quo (such as the member states) may prevent a complete turnover of the institution but not the introduction of amendments and modifications. In the case of the termination of the Regional Development Act, it might appear that substantial change occurred as the governance organisation overnight developed from being dominated by the state level to a multi-level governance organisation. The fact is, however, that the post-1991 institution did have different characteristics, though they were not completely new. The bottom-up developments during the 1980s and the phasing out of the financial support for the Regional Development Act point in the direction of gradual change towards an alternative institutional organisation with changed roles and responsibilities for the involved actors. Thus, layering took place over some years leading to that end result.

### **6.2.3 Reforming National Regional Policy**

In 2001, an election replaced the previous Social Democratic led Government with a Liberal one led by Anders Fogh Rasmussen. This marked a turn in national policy-making organisation but not so much in regional policy-making. With the new government, a number of Ministries changed name and function, such as the previous Ministry of Housing was merged with the Ministry of Business Affairs which led to the DATI changing its name equally to the National Agency for Enterprise and Housing (NAEH) in 2002. The path already trodden in terms of policy objectives continued to be the preferred direction and it became even more focused. The newly appointed Minister of Economic and Business Affairs, Bendt Bendtsen, set up nine regional growth coalitions (*vækstsamarbejder*) that basically reflected the Danish peripheral areas that were already assisted by the EU Structural Funds. From a national point of view, it was considered important to offer the specific peripheral areas additional funding for their development in that the government wished to put additional focus on the peripheral areas of Denmark. This further strengthened the conclusion that regional policy and the national partnership philosophy was based on consensus (Lodberg, personal interview).

This consensus-based approach of partnership or networks was also evident in a regional development policy report published by the Danish government in 2001, which sought to establish the basis upon which future Danish regional development policy should be carried out: first of all it outlined how different levels of government had different responsibilities and resources available, and from this it was concluded

that all these different tiers of government were important pieces of the regional development puzzle in Denmark. Furthermore, it was claimed that “industrial policy success within the individual regions requires not only resources and political means. To a great extent it requires initiative, leadership, organisation and cooperation. When these factors are present, one can speak of partnership” (translated from Regeringen, 2001, 44). The Danish government defined the necessary conditions for a successful regional development policy: partnership. Accordingly, it was evident that partnership and consequent successful regional economic development was placed high on the national agenda. It was further distinguished which actors and conditions should be present in the partnerships:

- Public and private actors
- Districts, counties and ministries
- Attention and commitment among the key decision makers
- Agreement among the partners concerning a long-term and ambitious agenda for regional development
- Regional anchoring and ownership of regional development

These propositions were based on past experiences, where partnerships proved to be a condition for successful regional development (Regeringen, 2001, 44 and 59) and further elaborated in the individual regional programmes, where each region presented and explained its strategies in order to obtain the overall national goals for regional development. Inspired by and based on international experiences with partnership, the Danish government guaranteed that it would look into the possibilities of improving the existing partnership and extend them further in the future (Regeringen, 2001, 57-8). Thus, the organisational structure of Danish regional policy-making was emphasised and continued.

Moreover, the 2000s was a decade that saw a comprehensive reform of the regional and local governments in terms of geography, competences, governance structures and partnership. In 2002, the Liberal government formed the Commission on Administrative Reform (Strukturkommissionen), which was assigned to analyse and suggest an alternative approach to the division of tasks between the state, regional and municipal levels of government. The idea was that “the existing division of labour across the three-tier system of government had become obsolete in terms of cost effectiveness and the degree of professionalism in public administration. Subsequently, larger units of sub national government were needed.” (Gjerding, 2005a, 4 and Illeris, 2010, 54) At the same time, this reform was also about two other

improvements: first it was concerned with how to make the hospital sector function more cost effectively in terms of organisation and division of labour, a responsibility that had rested with the counties. Second, it was concerned with the objectives of the above-mentioned regional development policy report, where it basically was argued that compared to international standards, disparities between the Danish regions were insignificant and that a future regional policy should only focus on the peripheral areas within the regions rather than the regions themselves, which reflected the fact that differences in wealth between especially the Capital city area and other regions in Denmark still existed (Gjerding, 2005a, 4-5 and Halkier, 2007, 1). The objective of the Danish government to target support to regions that were facing difficulties that they could not themselves solve to be competitive in national and international contexts was once more confirmed in the 2003 annual report (Indenrigs- og Sundhedsministeriet, 2003, 2). It seems that this objective was and continued to be the foundation of Danish regional policy-making since 1991 emphasising the development of the institution. It was further argued that regions should increasingly have better conditions for the implementation of this objective so that they were ensured a stronger role in regional policy-making. Concurrently with national regional condition changes and the international environment changes, the focus of national regional policy also changed increasing the development of the whole region, improving the conditions for the businesses in it and not just particular individual companies.

All of these analyses pointed in the direction of a fewer regions/counties and municipalities and a changed division of responsibilities between them. The Commission suggested six potential models to pursue from these analyses, and subsequent political negotiations in the Danish Parliament resulted in a narrow agreement between the government parties. The opposition feared that the set-up would be too centralised and would not support the preferred model of the government (Gjerding, 2005a, 6).

The result of the reform was that the local government map changed from one which presented 275 municipalities and 14 counties to one where 98 municipalities and 5 regions now operate. This reduction in number forced municipalities and counties to unite depending on their population size, which in some instances created tensions and difficulties of finding a shared path. They were forced to find new ways of working together by merging their respective organisational traditions (Halkier, 2008b, 1 and Illeris, 2010, 54). The regions are not just amalgamations of the old counties; they are much more than that as is presented below.



Regarding the regional development aspect of the reform, a Business Development Act (Lov om erhvervsfremme) was passed by government on June 16<sup>th</sup> 2005 replacing the 1992 Local Government Act with the aim to strengthen the development of Danish industry across the country. In a sense, this Act may be interpreted as a reform of the existing system, but a more nuanced reading is that, rather, it is a type of layering to the existing institution in that, generally, the rules remained the same in terms of the objective of the regional policy-making institution: the aim was to ensure development in all regions and not just the backward ones. The regional approach should reflect the regions' individual challenges and possibilities although some (peripheral) regions will be given preferential treatment (Illeris, 2010, 56). The overall aim was to promote five strategies:

1. To adjust and develop the framework conditions for business growth, international cooperation and international trade
2. To promote the adjustment of the industrial structure regarding competition, environmental issues and the general development of society
3. To support regional level industrial growth and employment
4. To strengthen the cooperation between public authorities in industrial policy
5. To develop cooperation between government and private business on industrial adjustments

The above focus areas of the Business Development Act, and accordingly future regional policy-making, mirrored the initiatives and logic that had been inherent in the way of doing regional policy since the early 1990s. Thus, it was an extension of previous practices although cooperation between private and public actors was emphasised stronger here; it offered a stronger role for private actors compared to previously. Like before, it was essential for prosperous regional development that the key actors (individuals and organisations) in regional policy are involved in the process (Gjerding, 2005b, 2).

To support this logic, a Danish partnership approach was established by law and materialised in the statutory Growth Fora (Vækstfora) to develop regional development strategies and action plans focusing particularly on six priority areas: innovation, ICT, entrepreneurship, human resources, tourism and development of peripheral areas that was to function as input to the elected regional councils regarding development measures. The Growth Fora was to recommend projects for support of the Structural Funds to the NAEH. One Growth Forum was to be placed within each of the newly established regions as well as one at the national level. This

became the scenario in all regions except for the Capital area which after the reform includes the remote island of Bornholm, a previously independent county, thus, instead two Growth Fora were to be set up (one for the Capital area and one for Bornholm). The Growth Fora were to represent actors at regional and local levels, the NAEH representing the national level, as well as private actors such as the trade unions, employers' organisations, education institutions and the corporate world among others. This point in the direction of a reform of the regional-policy institution, in that previously regional policy-making at the regional level was a voluntary task, but after the enactment of the 2005 Business Development Act, regional policy-making became a statutory task of all regions. This structure involves closer statutory relations between the three tiers of government. In fact, the Growth Fora and the government signed a 'partnership agreement' regarding their cooperation in regional policy-making, indicating that the regional level is an equal partner with the national level. The responsibility for regional policy continues to reside with the Ministry of Economics and Business Affairs, but the statutory responsibility of regional policy now rests with the regions (a responsibility that was previously a voluntary undertaking), according to the Business Development Act. Thus, the Business Development Act did not alter the organisational set-up for regional policy-making in Denmark considerably, it merely legalised it. The intention was to create a more simple organisational structure for implementing regional policy in order to avoid too complex processes when involving a broad spectrum of actors. Likewise, it was the intention to secure that partnership is present in all regions including those where regional policy had only been an insignificant concern. Temporary Growth Fora were set up and began to operate by 2005 representing a transition period between the old system and the new when the 'real' Growth Fora entered into force by 1<sup>st</sup> January 2007 (Gjerding, 2005b, 3, Halkier, 2008b, 1, Halkier, 2007, 3-5 and Illeris, 2010, 54-6).

The Business Development Act presented the first time ever that Danish politicians legally employed the concept of partnership when describing the preferred way of working together (Lodberg, personal interview). It may be argued that partnership had been present in national regional policy-making for decades, but with the Business Development Act it was legalised. It had been a specific national way of working together that reflected the partnership logic, but seen from a Danish point of view it was instead referred to as consensus regarding how to make regional policy based on voluntariness rather than coercion. Partnership in this new model echoes both the national voluntary way of working together, as well as the partnership model presented by the EU partnership principle based to some extent on coercion. The most conspicuous difference between either two and the new model is that "this model is obligatory in all regions, including the more economic prosperous regions,

and that the municipalities are allowed an important role within both financing and implementation of regional business development” (translated from Halkier, 2008a, 5).

An additional change related to the one of working in partnership is that this new organisational structure integrated local, regional, national and EU economic development activities into a single coordinated and programme-based structure that reflects the EU model of Structural Funds programming. Previously, national and EU programmes, in particular the latter, ran parallel without much coordination such as the Jutlandic-Funen business cooperation and the parallel Objective 2 programme. This may have been the case because not all parts of the regions were eligible of Objective 2 funding despite the need to support those areas additionally from a national or regional point of view. So after 2007, a legal coordination between the two approaches took place.

Generally, the 2000s witnessed a gradual development of the path laid down in previous years especially concerning the objective of the policy, but also regarding the organisation of policy-making that was placed within a new local government organisation. The 2005 Business Development Act can be characterised as layering to the existing regional policy institution, in that the voluntary character of cooperation in regional policy-making was made statutory as an addition to the existing institution. The most conspicuous difference is that regional policy-making became a statutory responsibility of the regions compared to the voluntary character that it had before. Working in networks or partnerships was emphasised pointing towards the conclusion of a gradual development towards new, statutory forms of governance involving both vertical and horizontal actors in regional policy-making.

### **6.3 A Concluding Historical Institutional Interpretation**

The above analysis of the development of the Constitutional and regional policy-making contexts has repeatedly emphasised the gradual developments that took place herein. This conclusion is reached based on a number of historical institutionalist arguments explaining gradual development.

An interpretation of the development of Danish regional policy through the lens of historical institutionalism points in a direction of a policy that has a long tradition of submission to centrally management due to its financial objective (traditionally a national prerogative). Eventually, it was transformed into a system of multi-level governance where actors at all levels of government as well as horizontal actors were

influential in the Danish regional policy-making institution. Despite this apparently dramatic transformation, the general approach in Danish regional policy-making was one characterised by gradual change in many respects. The analysis illustrated how the development of the Danish regional policy-making institution was characterised as a sequence of consecutive, different types of gradual change such as layering, conversion and reform.

This historical institutionalist based analysis illustrated how the Danish regional policy-making institution was framed within the stable Constitution. The Constitutional framework of public policy-making gradually extended competences to the regional level in public policy-making, taking its point of departure in the position that regions have had in the Constitutional structure ever since its introduction. Increased decentralisation was the preferred course. The same decentralisation course appeared to have been pursued within the regional policy-making institution but against different backgrounds. Danish regional policy-making was first institutionalised in 1958 with the first Regional Development Act specifying the objectives and the organisation of the institution. In 1991, the Regional Development Act was reformed amending both the objectives and organisation of the institution. This development took place against a series of gradual developments during the 1980s in particular, although some initial steps towards this change were taken already during the 1950s with the bottom-up developments that occurred outside the formal regional policy institution. Accordingly, the apparent abrupt change to the Danish regional policy-making institution can be considered a gradual development that ended in reform based on gradual layering in the years preceding the reform. Likewise, the 2005 local government reform changed the organisational map of public policy-making including regional policy. Arguably, the changes to the regional policy-making institution that were initiated during the mid-2000s were rooted in the development of the existing regional policy-making institution, which had been based on voluntary involvement and responsibility of regional policy by the regional level. This was extended to emphasise regional policy objectives by making their implementation statutory and obligatory to all regions. Moreover, the organisational structure that was practised over the years was also formalised into statutory partnerships pointing towards layering to the existing institutional organisation.

The overall conclusion to be drawn here is that Danish regional policy-making has had a 50 year history of gradual development illustrated as a rather weak but sustained curve with internal and external events influencing the process. This is the background against which the interaction and coordination between Danish and EU regional policy-making is analysed.

Throughout the analysis of the Danish regional policy-making institution, it has been argued that the parallel development of the EC/EU regional policy may have had influence on these developments, but so far it has not been possible to base these arguments on any empirical foundation. The following chapter takes up this ambition in analysing the interaction and coordination between the Danish and EC/EU regional policy-making approaches based on the Danish interpretation according to the institutional, legal and financial context of Danish regional policy analysed here.

## **7. The Interaction between Danish and EU Regional Policy-Making**

Whereas the previous sub-analysis was concerned with the national approach to regional policy-making and how institutional structures have developed since the 1950s, the second sub-analysis takes its point of departure in the findings above, namely that national regional policy-making has been characterised by gradual change with internal and external events influencing the process. Based on these developments, focus here is on the effort to harmonise Danish regional policy-making with the parallel EC regional policy that has developed since the 1970s but arguably has come to have considerable effect on member states' regional policy-making since the first true EC regional policy was introduced in 1988 with the attached requirements for its implementation. That EC regional development funds were conditioned by a number of principles may have initiated a process of adaptation or change to the member states' regional policy-making institutions as they may not have been based on the same premises. This is what regional policy research illustrates: that some member states had regional policy-making structures that were better able to absorb the EC requirements than others while others did not have the capacity to meet these requirements (Kelleher et.al., 1999, Bache, 2010, and Hooghe and Marks, 2001). Nonetheless, adaptation was required. In the Danish case, adaptation also took place leading to change in the existing regional policy-making institution. It was a gradual adaptation towards increased involvement of actors (multi-level governance) and common policy objectives. Thus, the second sub-analysis is an analysis of the historical development of the interaction between Danish and EC/EU regional policy-making institutions based on historical institutionalist tools of analysis.

This chapter is divided into two sections. The first section offers an analysis of the interaction between Danish and EC/EU regional policies from the mid-1970s until 2006, where focus is on the 1988 reform of the Structural Funds as this may be considered the most comprehensive institutional change in the external context of Danish regional policy-making. A reaction to the challenging institution was also seen in 1991 when state level dominance over Danish regional policy-making was changed. Arguably these events are related. However, as the analysis illustrates, other circumstances also shape the coordination effort. The most noteworthy change that took place was the elevation of the regional level and its establishment and development of capacities to implement regional policy; e.g. national, regional and EC/EU. The second section is concerned with the establishment and development of a regional approach to EU regional policy implementation as a reaction to the

circumstances analysed in the development of Danish regional policy-making during the 1980s and the parallel introduction of EC regional development funds. Somehow by coincidence the regional level became elevated independent from national level regional policy-making objectives and organisation thereby initiating a gradual process of institutionalisation of regional level competences to implement regional policy. Thus, it analyses the establishment of the regional programme approach independent of the national regional policy approach in the conjuncture between regional bottom-up initiatives and rising ideas at the EC level about improved structures for the implementation of EC regional policy based on national quotas; this involved the establishment of a programme approach and an organisational structure for its implementation. Arguably, the gradual institutionalisation of regional level capacity to implement regional policy set the stage for the development of a regionally anchored partnership or network structure that formed the point of departure on the threshold to the 2000-2006 programming period and the analysis of the interpretation and implementation of the partnership principle in Denmark in terms of inclusion and process.

These sections are based on the historical institutionalist framework of analysis in that the focus is on how the development of challenging institutions has influenced the Danish regional policy-making institution in the interaction between the two. The individual sections are structured according to the core argument of historical institutionalism that history and institutions matter as well as the core concepts presented in the theoretical operationalization. The data analysed here is mainly from primary sources such as government documents and regional development programmes as well as backed by personal interviews with centrally positioned actors in Danish regional policy-making at regional and national levels. Secondary literature where other researchers have presented the findings of their research is also utilised. All this information is gathered and compared to each other in balancing actual events and then evaluated from a historical institutionalist point of view and ultimately summarised here.

## **7.1 A Gradual Reorganisation of Danish Regional Policy-Making**

Having drawn a clear picture in which a specific Danish national approach towards regional policy-making in cooperation with voluntary actors across levels of government and private actors, it should not be forgotten that a parallel approach to regional development emerged with Denmark entering the European Communities (EC) in 1973, and with the EC gradually introducing an approach to regional policy-making and further extended it. This section analyses how the introduction and

parallel development of the EC/EU regional policy generated change in Danish regional policy-making in terms of organisation and objectives. A development can be traced already from the mid-1970s when the first regional development instrument was established in the EC. Danish regional policy-making has been characterised by interaction between the two approaches and a gradual development of a system of multi-level governance based on the developments of the Danish regional policy-making institution analysed in the previous chapter and the challenging institutional organisation and objectives presented by the EC regional policy. Focus in the present chapter is mainly on the 1988 reform of the Structural Funds and how it presumably has influenced regional policy-making in Denmark. This reform is arguably the most influential event on national practices as it precedes the 1991 termination of the Regional Development Act and changed the organisational structure for its implementation. It is obvious to make a connection between the two events, but as it turned out other circumstances also affected the outcome. Besides this specific event, other occurrences also characterised a gradual development of the interaction between Danish and EU regional policy-making institutions in terms of their organisation. Accordingly, the following section is structured in line with the categorisation of these events prior to the 1988 reform of the Structural Funds; the period from the reform until the end of the second programming period in 1999; and the period from 2000 to 2006.

### **7.1.1 Denmark – a Member of the European Community**

The period until the end of the 1980s witnessed an attempt to root regional development in national policy where a gradual bringing together of regional planning and regional development support took place. A change of focus towards financial incentive programmes with a redistributive objective so that backward regions were favoured over the more prosperous ones was established. It can be argued that already at this point in time, national regional development programmes had redistributive properties with special attention to the problem areas, much like the adjacently developing EC regional policy. But still considerable differences occurred which seem to have been reduced after the entry of Denmark into the EC: towards the end of the period regional development policy seemed to have gained greater momentum reflecting the influence of EU quota schemes on national regional development initiatives. Thus, in terms of objectives, the two approaches to regional policy-making were already at an early stage similar.

In Denmark, having entered the EC in 1973, the Community's regional policy objectives came to influence national priorities, objectives and practices, in that



Danish regional policy became assigned to EC regulation although EC regional policy was implemented within the Danish institutional structure regulated by national legislation and the Constitution. In the 1970s and early 1980s, however, EC regional policy was mainly based on national schemes and it was not until 1988, EC regional policy became an independent instrument with real influence on national regional implementation. In 1975, the EC established the European Regional Development Fund (ERDF) to accommodate demands from Britain, a member state with huge regional differences, concerning compensation for its large contribution to the EC budget (a demand that was put forward as a condition for membership) which afforded the member states with an opportunity to apply for support to regional development from the EC. The aim was to support regional development in the member states through a system of national quotas that were employed as either a reimbursement of expenditure or as co-funding to improvements to regional and local infrastructure. This implied that the projects eligible for support had to be approved by the European Commission and that the member state level was responsible for its implementation (Illeris, 2010, 29). As it turned out, the EC regional development quotas became an extension of existing national regional policies rather than a separate programme in its establishment or in other words a means to finance national policy objectives. This was also the case in Denmark (Halkier, 1998, 13-4).

Nevertheless, being an EC member affected Danish regional policy-making. For instance, national support for regional development was cut back (but not completely abolished due to the requirement of the EC for the member state to be able to provide additional funding to the EC Funds) thereby making the EC funds the most important form of economic support for the Danish regions (Illeris, 2010, 52). It should be recalled that this took place during the time of the financial crisis in Denmark and implementation of the 'potato diet' where funds to support projects within the frames of the Regional Development Act were gradually phased out. With the prospect of receiving additional funds from the EC for regional development it might seem like a strategic decision made by the politicians at the time. Parallel to these events another thing happened that might have influenced this decision equally. Until 1984, Greenland was the only region within Danish territory that received assistance from the EC but when Greenland withdrew from the EC in 1984 other regions within Denmark came to receive the funds from the EC instead. The Danish government decided that all regional development areas in Denmark should be eligible of EC support in addition to the support the state already provided (Illeris, 2010, 199). The main part of EC support was concentrated in North Jutland and parts of Viborg, South Jutland and Bornholm counties. For the first time Danish regions had access to EC funds for their own development, which inspired them to become

increasingly responsible for and influential on their own development. Arguably, these changes occurred as a response to the Danish membership of the EC.

Though, never articulated out loud by politicians and their civil servants (Lodberg, personal interview), the availability of EC Structural Funds and the fact that the whole country potentially became eligible for EC funding, must, arguably, have been computed as part of the overall national strategy. Thus, this presented the opportunity to reduce the national funds for regional development, while continue to uphold the level of funding. As EC funds were attached with the additionality condition, politicians could not openly claim that they had disregarded this principle. Therefore, officially they argued that they continued to infuse national funds into regional development objectives to be additional to the EC funds. In this manner, from its introduction EC regional policy affected national policy-making both regarding the regional political objectives but also national strategic manoeuvring. At this point it was not a matter of implementing the policy according to the requirements put forward by the EC as there were no requirements as such, but a matter of substituting national funding with EC funds; a decision that has had enormous consequences since then. The Danish regional policy-making institution was in the process of gradually being changed.

The most obvious change that has been generated in the coordination between Danish and EC/EU regional policy-making institutions in terms of organisation is the inclusion and elevation of the regional level in the institutional organisation. The involvement of the regional level has been a gradual process that was initiated already during the 1980s as has been argued in the analysis of the development of Danish regional policy-making based on bottom-up developments and conversion of the Danish regional policy-making institution. This conclusion is supported by the subsequent analysis throughout history of regional policy-making coordination in Denmark. Due to the prospect of receiving funds from the EC for their regional development, Danish counties were encouraged and inspired to create 5 year national development programmes as supplements to already existing projects that did not necessarily have long-term objectives. By this invention, the regional level came to enjoy a central position in Danish regional policy-making already in the mid-1980s. This will be analysed in more detail in the following section which deals with the establishment and development of regional competences to meet the EC regional policy vertical partnership requirements as well as the regional level attempting to take destiny into its own hands. Here it is sufficient to mention that bottom-up developments occurred in the regions as a consequence of the availability of EC funds

among other things when the corresponding national funding was reduced leading to new approaches to implement regional policy than had hitherto been seen.

EC Structural Funds administration formally became incorporated into Danish regional policy-making when the EC implementation structure became formalised in the national structure. In 1985, central government decided that the administration of most ESF applications were to be decided at the regional level, whereas decisions regarding applications for ERDF projects were to be recommended by the regional level. In practical terms this meant that central government remained responsible for national and EC regional policy schemes although the regional level was given the opportunity to suggest applications to these programmes, and although the EC programmes became the overall frame in which regional development projects should take place. As such, it may still be suggested that ERDF and ESF programmes were merely an extension of national policy in the beginning of their operation despite the regions had been offered an opportunity to influence their own destiny - at least until the 1988 reform of the Structural Funds. Not until then did they become a parallel source of funds (Danish Technological Institute, 2002, 6). Accordingly, the main impact of the EC on the national regional policy structure until the 1988 reform was the availability of additional funds and the experimental establishment of regional programmes, both of them generating regional mobilisation within the state level controlled structure. These developments certainly laid the foundation to introduce new forms of organisation in Danish regional policy-making.

The developments in Danish and EC regional policy-making until the 1988 reform of the Structural Funds laid the foundation of the interaction between the two approaches in the following decades of regional policy-making, although Danish regional policy-making does not appear to have been significantly changed by the existence of EC regional financial instruments until then. At this point in time, EC regional 'policy' was not yet a policy, but merely a financial instrument without any organisational or political requirements for which reason coordination was not required to the same extent. Regional policy-making remained a state level prerogative where the member states including Denmark thankfully received the EC funds and employed them according to their own wishes and structures. Despite this fact, the regional level was responding due to internal developments in the Danish regional policy-making institution, such as the phasing out of national funds for regional development as a consequence of the 'potato diet' as well as the sudden availability of EC funds in 1984 when Greenland withdrew from the EC. As such, a type of 'conversion', in historical institutionalist terms, of the Danish regional policy-making institution was under way as the regional level mobilised against the dominant central

level. This was the background against which the interaction between Danish and EC regional policy-making should be analysed after the introduction of partnership requirements as well as the programme approach which arguably have shaped the overall objectives of Danish regional policy-making.

### **7.1.2 Responding to the Introduction of European Community Level Regional Policy**

In 1988, the EC launched its first regional policy to be implemented in the member states. It was a requirement to implement 5-6 years programming periods in contrast to the preceding *ad hoc* applications for individual projects by municipalities and businesses without a common regional development objective (or budget periods) where a quota was allocated for specific programmes with different objectives, measures and priorities. Naturally, the Commission was interested in value for money and, therefore, detailed programmes were to be decided in partnership between the Commission, the member state and sub-national partners and then carried out during the programming period. In order to implement these programmes working together across levels of government and across the public-private divide was a prerequisite for success. Thus, partnerships were to be set up at different stages of the policy-making process. It was required that in each region a committee (an 'Executive Committee') was to be set up consisting of representatives of the Commission, the government, and the regional council in partnership (Illeris, 2010, 203). Denmark was somewhat prepared for this development based on the bottom-up developments of the early 1980s, and because some regions had already tried to adopt a similar multi-year programme approach as an experiment prior to the 1988 reform of the Structural Funds. This development will be further elaborated in the following section analysing the establishment and development of regional level competences to implement EC regional policy.

It may be argued that the 1988 reform of the Structural Funds constituted a window of opportunity for new policy-making organisation approaches to regional policy. It is reasonable to agree with Halkier (2000a, 231) who treats the development of the Structural Funds as "a change in the external environment to which Danish actors responded". It is clear that the availability of new funds for regional development increased the interest in regional development programmes (potential for regional development had thus increased with the prospect of additional funds) and as a requirement to receive these funds regional actors must be involved; it may then be argued that the regional actors that had not been legally included in national regional policy-making before, had a reason to justify their influence on regional development in the EC context. It must be remembered, however, that it was far from all regions

that were eligible for Objective 2 funding, which implies that it was only a requirement to engage in partnerships in those regions receiving the funds. In the remaining regions such initiatives were not required, implying that the state could potentially remain the dominant actor controlling the national approach in a considerable part of regional policy-making. This may have generated a two-track development in the organisation of regional policy-making. In the end, this may have constituted a problem in that it was ineffective to have two different systems dealing with the same policy issue: it would require two different administrative systems dealing with the implementation of state funding for either the purely national approach to regional development or the EC partnership approach regulated by EC rules. Therefore, it may be argued that coordination between the two approaches was needed to avoid duplicate administration. Arguably, the existing institutional structure had been under pressure from below and top-down for some time resulting in the 1991 conclusion of the Regional Development Act.

Thus, after 1991, the preceding, predominantly state dominated regional policy-making institution was changed in that roles and responsibilities among the actors involved in decision-making and implementation were reallocated. With the parallel developments of EC regional policy in mind, this 'dramatic' change might have been brought about by external events other than the ones it has been ascribed to in the analysis of the development of the Danish regional policy-making institution. It is easy to draw the conclusion that an external shock as defined by the 'old' interpretation of historical institutionalism operates with, has caused such a revision: in path-dependent developments such as the development of national regional policy-making until 1991 characterised by a continuous development along the same path, an external shock generated this radical development so that the actors within the organisational set up had changed their interests and preferences as a consequence of the introduction/enforcement of new actors into the existing structure. Simply the power distribution that the institution afforded the actors with changed interests and roles due to the new composition of actors within the organisational structure. Either these three structures (EC, national and bottom-up local) were to be run parallel in order to stay on the traditional path of central dominance or they had to be merged leaving that path. The first solution did not seem feasible in that an amalgamation of EC, local and national regional policy was unavoidable due to the partnership requirement to receive EC Funds. Rather, a more correct reading is that according to the 'new' interpretation of historical institutionalism by Thelen and Mahoney (2010, xi) this change has been gradual rooted in internal and external conditions. It is argued that change occurs when problems of rule interpretation and enforcement give the actors within the institution an opportunity to implement these rules in new ways. As

such, the rules had changed with the introduction of EU requirements into existing Danish regional policy-making as well as the challenging bottom-up reactions also questioned the existing rules. Therefore, their reading of the development is that a gradual change has occurred because some actors have been given the opportunity from outside of the existing institution to have more influence which was in disagreement with existing rules. When some of the actors affected by the institutional structure, did not find it reasonable to adhere to that structure, it was unavoidable to change the institution accordingly resulting in displacement of the existing institution.

It is reasonable to argue that the EC organisational structures did aid to the change of the pre-1991 regional policy structure – but so did the bottom-up developments during the 1980s and other national policy decisions that had gathered speed during the course of the 1980s as analysed in the previous sub-analysis of the development of Danish regional policy-making. They were all interrelated and equally influencing the gradual development of the Danish regional policy-making organisation. Until 1991, Denmark had two independent regional policy approaches; one of primarily state control of decision-making and another emergent multi-level approach in regions receiving the Structural Funds; two approaches that could not continue to be run in parallel. Therefore, they were harmonised gradually becoming one approach of multi-level organisation involving actors at EC, regional and national levels. It may be argued that the government made this strategic decision as a reaction to the fact that the regional level was increasingly taking over some of the responsibilities of the state level while at the same time; the EC level introduced its own instruments for financing regional development in the member states. Thus, the state may have seen two windows of opportunity for the change of the regional policy-making institution in Denmark: one where opportunity gradually presented itself for the state to transfer some of its responsibility to those actors who willingly would do the job while simultaneously being more in touch with the actual state of regional development. The other window of opportunity opened itself when the EC gradually introduced its new ideas for a reformed regional policy since the mid-1980s and promises of the availability of funds for otherwise nationally prioritised regional development. The 1991 termination the Regional Development Act and its institutional organisation may then be seen as a gradual development that had been under way for some time stretching back to the 1980s before the reform and based on the opportunity to respond to internal and external events in the existing regional policy-making institution. The coordination leading to the 1991 displacement of the Danish regional policy-making institution led to legal adoption of this new organisational structure. Historical institutionalism would label this type of change displacement in that new

institutions had presented themselves competing with existing ones and not replacing them. The new institutions are often introduced by those actors who are the 'losers' in the existing one; in this case both the regional and EC level actors. Gradual replacement may take place if the supporters of the existing system are unable to prevent defection to the new rules or alternatively that the supporters of the existing system, i.e. the Danish government, may not actually want to do that. Thus, displacement of the existing institution was based on the logic of substitution; that the state disappeared and allowed itself to be squeezed out.

Similarly, the objectives of regional policy-making have been adjusted accordingly: prior to the 1991 termination of the Regional Development Act, Danish regional policy-making was based on regional development (*egnsudvikling*) as more balanced development outside the capital with focus on the development of regions. This was different compared to the objectives after the termination of the Regional Development Act where the development and competition of businesses within the regions became the overall objective. This development definitely took place after 1991, but initial steps were seen in Danish regional policy-making as a consequence of Danish regions receiving the support that Greenland gave up with its withdrawal from the EC as is argued in the analysis in the previous chapter.

In many respects, the objectives of Danish regional policy after 1991 became similar to those of the EC although Danish civil servants in regional policy-making at the time probably would not agree to this statement. From 1991, Danish regional development policy was based on three types of initiatives rooted in three respective levels of organisations: *EU* Structural Funds programmes, *regional* business development initiatives as a supplement to the EU programmes and *national* initiatives in the form of decentralised advice services to businesses across the country. It may be argued that while Danish regional development policy prior to 1991 had the objective of ensuring more equal employment terms, the objective after 1991 was rather to focus on the competitiveness of businesses within the regions with special attention to the weaker regions. Generally, the objectives pursued include increasing employment, strengthening the small and medium size companies (SMEs) and improving international competitiveness with economic development as the most important goal. Similarly, the instruments to achieve the objectives changed. Emphasis was put on initiatives such as consultancy and network formation while direct grants to individual businesses were reduced (Halkier, 2001, 328-33 and Halkier and Flockhart, 2002, 43-50).

Thus, it is reasonable to claim that EC regional policy, and its objectives and requirements all together gradually changed Danish regional policy-making practices in such a way that a legal structure was set up in Denmark after 1991 that was similar to that of the EC institution in terms of organisation and objectives, and that interaction between the two approaches took place based on internal or external conditions in parallel – a process that was developing since the mid-1980s. How this structure functions more precisely in practise (whether the partnership process reflects inclusion and process) is the concern of the following chapter. It is too soon to offer a definite conclusion as to how the partnership principle has affected Danish regional policy-making – a few more steps of analysis need to be presented, but for now it may be argued that despite that it has often been referred to how the introduction of the partnership principle has advanced the role of sub-national actors in regional policy-making, evidence in the Danish case shows how bottom-up developments occurred to some extent before the introduction of the partnership principle in the 1988 reform of the Structural Funds, and also concurrently with the actual implementation of the reform and similar bottom-up developments throughout Europe (Damborg and Halkier, 1998, 85). So in Denmark, the advancement of the regional level cannot solely be ascribed to the introduction of the partnership principle. Rather, involvement of sub-national actors has been a developing process due to bottom-up developments that were initiated in the 1980s, the 1988 partnership principle establishing a role for regional and EC actors in the implementation of the policy; the preceding national decision to phase out national regional policy activities within the framework of the Regional Development Act similar to those of the EC objectives during the ‘potato diet’; the consequent need to mobilise regional interests and resource to accommodate this decreasing support; as well as later supported by the national level granting the counties responsibility for this area.

It is possible to conclude from the above analysis that the national organisational context into which the partnership principle was implemented presented an institutional organisation characterised by gradual development towards increased decentralisation and increased involvement of regional actors in the policy-making process. Evidently being a member of the EC and a beneficiary of the Structural Funds, Denmark was obliged to adjust to the requirements of the EC regional policy. This led to a gradual development and interaction between two parallel, yet similar approaches into a specific Danish approach to regional policy-making based on a tradition of participation, a gradually developing decentralisation process (bottom-up developments) and a programme approach. In other words, there is no doubt that the post-1991 institutional structure was completely different compared to its



predecessor, but this does not necessarily mean that this remarkable change was brought about by equally dramatic events; it might have been under way for some time.

It is evident that since 1991, three tiers of government were involved in regional policy-making in Denmark: overall national level authorities were responsible for regional policy since it was subject to national legislation. The European Commission and regional and local authorities were also involved. On behalf of the Ministry of Trade and Industry, the Danish Agency for Trade and Industry (DATI) was involved in managing EC programmes in Denmark. This involved a shift from central administration being responsible for implementation of regional policy to a more coordinating role for that level. The sub-national level, however, took the opportunity to become increasingly active in implementation since then. The availability of EC Structural Funds combined with additional national and regional funding in itself created an incentive for cooperation in that the administration of these three types of funding created “a mutual resource dependency between the three tiers of government involved” (Halkier, 2001, 330), a viewpoint that is supported by Yesilkagit and Blom-Hansen (2007, 507) who claim that Danish regional policy-making has become a multi-level activity in which European institutions set the general rules, regional authorities participated in decision-making and together with the state level they were mutually dependent on each other’s resources.

Having terminated its near-monopoly of implementation in regional policy-making in 1991, central government changed its own role. From 1991 onwards its role became to ensure that the EC/EU regional policy programmes were in accordance with on the one hand national regulation and, on the other hand, with the requirements of EC/EU regional policy; i.e. the priorities and measures of the programmes, the partnership principle and the general communication with the Commission. Where the state used to be responsible for spatial designation, this role became regulated in considerable detail by the Commission. Regional and local actors dominated the implementation process based on their organisational and informational resources: they decided and recommended project application within the framework of the regional and national Objective 2 Programmes and communication with sub-regional actors both private and public in the design process. Also, the sub-regional level became gradually involved in regional policy-making: regional business organisations, social partners, local authorities and public research and training institutions became included in the design and implementation of regional policy. Halkier (2001, 331) concludes that “the internal division of labour between the national and regional levels now places Denmark among the most decentralized countries in the EU with regard to Structural

Funds programming compared to those reported in other member states.” In the same breath it must be noted that variation occurred between ESF and ERDF project administration where ESF administration appeared to be more decentralised than ERDF projects (Halkier and Flockhart, 2002, 44).

When the first round of programming ended in 1993, it seemed a good time to evaluate the coordination between Danish and EC/EU regional policy-making so far and for considering what to do next. This was increasingly relevant as an ensuing reform of the Structural Funds in 1993 emphasised and extended the 1988 framework. EC regional policy and its partnership organisation were here to stay! The report made on behalf of the Danish Ministry of Trade and Industry on ‘the State of the Danish Regions’ set out to assess developments so far and to suggest future directions for regional policy in Denmark. It sought to evaluate and suggest strategies to improve regional conditions. One of the central concerns of this report was how Structural Funds administration and EU regional policy should interact with national regional development policy and administration. The EU had played and would continue to play a role in Danish regional development. According to the report, the involvement of regional actors was expected to be crucial to the implementation of the policy in Denmark like it was in national regional policy-making since 1991. In this connection it was emphasised that the administration of regional policy in Denmark preferably had to warrant that the wishes of the counties and municipalities were taken into account while ensuring coordination between EU, national and regional policy objectives. It was concluded that a unified strategy was needed involving coordination between four levels: the EU, the state, the regions (including both county councils and regional level state offices) and the municipalities. The report identified the Structural Funds partnerships together with existing state level institutions to be the inner core of regional development policy in Denmark and that new initiatives were to be adapted to these partnerships. As such national level institutions were to be integrated and adapted to the EU partnership requirements. Thus, increased coordination between the national, regional and EU approaches was the aim.

Regarding the administration of the Structural Funds, the 1995 report referred to two critical audits carried out on behalf of the government, which proclaimed that the administration of the ERDF and the ESF had not been satisfactory so far because of the fact that the two Funds were administered by different responsible Ministries (i.e. the Ministry of Trade and Industry and the Ministry of Employment) that had different approaches to the administration due to different demands from the Funds and different legislation within the different policy areas. It further suggested a functional

division of responsibilities ensuring that the national level was overall responsible for the administration of the Funds and regional implementation was to be an exclusive right of the regional level. It would also be important to ensure that the local level and private actors had access to the process such as the regional business consultancy, labour market representatives, labour market boards, education institutions, among others. At the same time, it was considered crucial that the regional level continued to maintain constant communication with the national level, so that, on the one hand, the regions upheld significant influence on the implementation of the programmes and, on the other hand, the administration interests of the state responsible of the EU programmes were preserved (Erhvervsministeriet, 1995, 149-154).

The statements of the 1995 report clearly highlighted continued need for coordination between the national and EU approaches to regional policy-making indicating that the process of coordinating and adjusting the two approaches to each other (perhaps more likely adjusting the national approach to the EU requirements) was a gradual process initiated by the introduction of the partnership requirements in the 1988 reform of the Structural Funds, and subsequently legalised in the 1991 termination of the Regional Development Act and state influence on regional policy. It is also noteworthy that the regional level increasingly was to become involved and was henceforth assigned authority to implement the policy, like the inclusion of sub-regional actors was also emphasised. This emphasis reflected the extended inclusion definition of the partnership principle towards horizontal cooperation – but according to national interpretation. Thus, involving horizontal actors appeared to be a Danish priority as well, arguably based on the participative tradition in Danish public policy-making as referred to in the analysis of the development of the Danish Constitution.

To emphasise this process, a set of regulations for the ERDF and the ESF programme partnerships were adopted by Parliament where existing practices were merely institutionalised. The different levels came to be responsible for different parts of implementation: the Ministry of Development was the responsible authority for the administration of the Structural Funds as well as for additional state financing and coordination of these, whereas decisions on project funding were based on the evaluation and recommendations of the regional authorities. Arguably, the discussion that formed the basis upon which these regulations, as well as the above 1995 report, were made took place in the context of a system that was already operative. The turning point for this development was the changed role of the state and the regional levels in regional policy-making in Denmark. Since then, a process of coordination between the national and EU approach to managing regional policy programmes took place. These two initiatives (the 1995 report and the 1997 regulations) can be

considered as manifestations of this process; or in the terminology of historical institutionalism, layering took place where additions were made to the existing institution not changing or replacing the institution. So in this sense, EU regional policy had great influence on the organisation of Danish regional policy-making since the 1988 reform of the Structural Funds.

The decade from the 1988 reform of the Structural Funds was one of increased coordination between Danish and EC regional policy-making based on the bottom-up developments during the 1980s. In historical institutionalist terminology, the decade was characterised by a process of gradual institutional coordination between the two. As the analysis of the development of the Danish regional policy-making institution illustrates the institution underwent a gradual development, which to a considerable extent was driven by internal events. When coordinated with the EC regional policy-making institution, external events naturally influenced the internal relationship between the actors within that institution. Accordingly, internal and external circumstances influenced the organisational change in the Danish regional policy institution towards increased regional level involvement at the expense of central level dominance. Whether this development would have taken place independent of the external influence of the EC regional policy-making institution is difficult to evaluate. But according to centrally placed actors in national level regional policy-making in Denmark, this would probably be the scenario after all due to bottom-up reactions within the nationally dominated institution (Lodberg, personal interview). The fact of the matter is that Danish and EC/EU regional policy-making had been coordinated leading to the elevation of the regional level in Danish regional policy-making. Facing the 2000-2006 programming period, the Danish system of management and implementation could best be described as one of 'coordinated decentralisation' pursued by a small network of small single-function development bodies (Danish Technological Institute, 2002, 8) or as Halkier and Flockhart (2002, 47) categorise the specific Danish bottom-up regional policy-making model during the 1990s: "loosely coupled networks, overseen by central government but dominated by regional/local governments and their associated organisations". Thus, networks were seen at the regional level implementing the policy while the national level was responsible for supervising these networks ensuring efficient policy implementation in line with EC requirements.

### **7.1.3 Institutionalising the Partnership Organisation**

The interaction between Danish and EU regional policy-making during the 2000-2006 programming period was based on past experiences and the developments analysed

above. Where the previous two sub-sections were based on analyses of different events and circumstances internal and external to the Danish regional policy-making institution, the present analysis of the 2000-2006 programming period is based on the contents of the Objective 2 Programme for Denmark in terms of organisation and objectives. As the Objective 2 Programme highlights, its framework is based on previous experiences with implementing Objective 2 Programmes, and therefore also on the existing organisational frames analysed in the previous section. It is reasonable to argue that the contents of the Programme reflected the institutions for coordinated regional policy-making between Danish and EU approaches. Arguably, the Danish Objective 2 Programme institutionalised cooperation and partnership thereby influencing its institutional structure and cooperation as well as the overall objectives of the regional policy-making. The Programme took into consideration national and regional development challenges as well as it organised its objectives and organisation within both Danish legislation and EU regulation into a coordinated effort. Based on this argumentation the structure for its implementation and the objectives of cooperation are analysed in terms of how interaction between the two took place leading to the gradual development of a system of multi-level governance with vertical and horizontal characteristics within the objectives of the Programme.

The Programme took its point of departure in previous experiences with implementation of the programmes and the development (and lack thereof) that these have generated, as well as in the analysis and prediction of future challenges for the regional development of the country based on the socio-economic situation in 1999 when the Programme was prepared and negotiated. The process of designing the Programme will not be dealt with here as this will be part of the forthcoming analysis of the partnership (inclusion and process) in the implementation of the Programme. It is recognised that the design of the Objective 2 Programme was based on preceding negotiations and cooperation between different actors relevant to the process based on the EU and national regulation concerning regional policy actor involvement and distribution of responsibilities. And it is also recognised that the contents of the Objective 2 Programme reflected the priorities and interests of the actors involved. It should at this point only be noticed that the Programme is the outcome of a partnership process as described in the EU Regulation 1260/99. This section is only concerned with the contents and organisational structure of the Programme resulting from that preparatory work.

During the 2000-2006 programming period Denmark had one Objective 2 programme targeted at areas with structural problems (therefore not the entire country), which was sub-divided into five Programme Complement areas - four of them compatible

with the County Council areas (Bornholm, Funen, Storstrøm, and North Jutland) and one Programme covering the remaining designated areas (only parts of regions or counties) in Jutland (Ringkøbing, Southern Jutland, Viborg and Århus). In total, the Programmes received 439 million Euros of EU funding and national and regional co-funding. Of the 439 million Euros, 142 million Euros came from the ERDF resulting in a 71/29 divide between ERDF and ESF funding (Halkier and Olsen, 2008, 3). The figure below illustrates which counties and municipalities were eligible for Objective 2 and transitional Objective 2 funding.

**Figure 7.1: Objective 2 Areas for the 2000-2006 Programme**



Source: replicated from Erhvervsfremme Styrelsen, 2000a

The Objective 2 Programme emphasised a close coordination of the overall industrial and labour market policy through “interaction between businesses, central, regional

and local authorities, labour market councils, business councils, research and education institutions, technological institutes among others that on a daily basis work with strengthening the regional industrial and employment development” (translated from Erhvervsfremme Styrelsen, 2000a, 30-1). This interaction should be based on networks between and across the private-public divide (vertical and horizontal). It was important that the regions themselves set up this structure based on their own experiences and existing structures (Erhvervsfremme Styrelsen, 2000a, 31). Thus, the Objective 2 Programme established a partnership along both vertical and horizontal lines as well as a continuous emphasis on the regional level in the partnership.

Similarly, the Programme established partnership cooperation based on a functional division of responsibilities that was also identified in the previous programming periods (especially the 1994-1999 programming period where the 1991 framework was institutionalised and had been employed for some years). Different Ministries were to be responsible for ERDF and ESF administration within the Danish institutional structure reflecting the policy areas which the Funds addressed and related to in Danish public policy-making. In Denmark there was no specific regional policy budget but regional policy-making relied on financial resources from other policies in complementation with the EU Structural Funds. The Structural Funds were normally implemented as part of other national policies such as labour market policy, industrial, agricultural or education policy. This was a specific condition in Danish regional policy-making that is essential to take notice of. As the two financial instruments were concerned with different political priorities these were also reflected in their individual ministerial affiliation. The objective of the ESF was to support labour market conditions in terms of combating un-employment, improving the qualifications of the workforce, education and entrepreneurship (Beskæftigelse & sociale anliggender, 2003, 4) for which reason the Ministry of Employment was overall responsible for the administration of all ESF activities in Denmark. However, administration was decentralised so that all administrative levels were involved. This responsibility sharing was legalised in the ‘Lov om administrationen af tilskud fra Den Europæiske Socialfond’ (Lov 254/2000) which was adopted in 2000. Concerning the objectives of the ERDF, this Fund supported projects that were more concerned with improving the conditions of the businesses in the region compared to other regions and other states (COWI, 1999, 21). The ERDF was administered by Minister of Economic and Business Affairs who delegated authority to other levels of government (see ‘Lov om administration af tilskud fra Den Europæiske Regionalfond’ which was adopted in 1996) (Blom-Hansen, 2003, 88-9). Although both Ministries delegated

authority to other actors, the level of decentralisation varied between the two: the ESF was the most decentralised (to the regional level) and the ERDF to the DATI.

To begin with, the Minister of Employment delegated authority to the National Labour Market Authority (NLMA), although during the 2000-2006 programming period the responsibility was gradually transferred to the DATI, which after 2003 became the National Agency for Enterprise and Construction (NAEC) in an effort to improve coordination of the administration of the Structural Funds. Similarly the Minister of Economic and Business Affairs has delegated authority in his area to the NAEC. This implies that two different Ministries were involved in the implementation of Objective 2 Programmes in Denmark during the 2000-2006 programming period, which tended to complicate matters: involvement of two Ministries with two parallel and perhaps different approaches to this task and perhaps also different traditions of administration in general, very likely complicated the process of achieving the same end. Arguably, this division of responsibilities was based on the argumentation presented in the analysis of the development of Danish regional policy-making where different policy areas were related to regional development and therefore coordinated in a common regional development effort. Moreover, this division of responsibilities reflected the different focal points of the two Funds such as labour market policy and industrial policy.

In the Objective 2 Programme it was noted that past experiences with divided responsibility of ERDF and ESF administration and implementation between two Ministries and consequently two state level authorities (NAEC and NLMA) had proven difficult, for which reason, during the 2000-2006 programming period, the challenges with divided responsibility had to be overcome. This implied that during the 2000-2006 programming period the NAEC gradually (completely in 2003) took over responsibility for ESF administration and implementation (Poulsen, personal interview). Hereby, a better coordination between the two individual administrations, with the Danish regional policy approach being the responsibility of the NAEC, was ensured and better utilisation of the Funds was expected.

Despite that overall responsibility for the Objective 2 Programme rested with a central actor, the implementation of the Objective 2 Programme in Denmark was not a central government privilege. Contrary, responsibility was shared with the regions/counties (sub-national administrations) of North Jutland, Southern Funen, Lolland-Falster, Bornholm and some small islands spread across Denmark. The NAEC became the organiser and facilitator of networking at national, inter-regional and sub-regional levels interacting with the Ministries on the one hand and sub-national actors



on the other hand. The authority was responsible for coordination, programme design, cooperation and negotiations with the Commission, appointing Monitoring Committees, control and steering, reporting to the Commission as well as the administrative contact to the relevant Ministries and region, etc. (Halkier and Olsen, 2008, 2).

The programme also specified which key actors, besides the responsible national level, should be involved. The programme established that regional level administration was responsible for day-to-day implementation. County Councils were responsible for organising regional-level partnerships as well as offering administrative support to the NAEC through their regional programme secretariats. Each region had its particular organisational setup, but generally County Councils had been key actors in the implementation of both the EU Structural Funds and national regional development since the 1991 adjusted institutional framework. Applications for Objective 2 ERDF/ESF funded projects were evaluated by regional Executive Committees within the counties as well as they provided secretarial assistance to the NAEC. There was a difference, however, in the ERDF and ESF administration. In the ESF administration, the counties' Executive Committees decided individual ESF projects applications, whereas in terms of ERDF projects, the Executive Committees only recommended projects to the NAEC which made the final decision. In Objective 2 Programme implementation, the Executive Committees were composed of civil servant representatives of the county, local authorities, employers and employees organisations (and the de-concentrated labour market region in the ESF Committees). Parallel to the regional Executive Committees, regional Steering Committees (all members were politicians) provided the political back-up to decisions and suggestions made by the regional Executive Committees and they made the final decision as to which projects to recommend to the NAEC. In this sense, the regional Executive Committees became a kind of informal 'trial authority' to the evaluation of project applications or in other words an advisory body to the deciding Steering Committee (Erhvervsfremme Styrelsen, 2000b and Yesilkagit and Blom-Hansen, 2007, pp. 511-517). This was a specific Danish regional level institutional organisation that had developed in the Objective 2 regions as will be seen in the following section concerning the establishment and development of regional level capacity to implement EC/EU regional policy.

As a requirement of EU regional policy implementation, Monitoring Committees needed to be established to supervise the process and to report to the Commission. The Objective 2 Programme prescribed that the Monitoring Committee, which was represented from all five Programme Complement regions, should be composed of

representatives from central government (NAEC and NLMA), relevant Ministries (i.e. Ministry of the Environment and Energy, the Ministry of Food, Agriculture and Fisheries and the Ministry of Employment), the regional level, social partners (employers' and employees' associations) and interest organisations as well as the Commission with the NAEC being the Secretariat for the Monitoring Committee (Erhvervsfremme Styrelsen, 2000b).

In Denmark, an administrative structure was established reflecting the organisation principle of the Commission as well as the Danish institutional counterpart. This meant that each Structural Fund was anchored in the Ministry responsible for the relevant project area. Often the decentralised level was included in the administrative structure as the responsible party in the main part of the day-to-day administration. "The Danish setup for Structural Funds administration over the 2000-06 period did not fit easily in a simple centralised/decentralised dichotomy but can perhaps best be described as 'co-ordinated decentralisation' with the NAEC being the overall coordinator but also the County Councils having a coordinating role, which gradually evolved since the introduction of Structural Funds programming in the late 1980s." (Halkier, 2009a, 3) 'Coordinated decentralisation' refers to a multi-level setting that implemented policies which resemble decentralised regional policy but only in designated areas. The complexities of the Danish implementation structure may be illustrated as follows: as the Structural Funds activities, either ESF or ERDF, were supposed to have one common regional development objective, the coordination of the administration of these funds took place at several levels. First, coordination was carried out in terms of the programmes themselves (both internal in the programmes themselves and external in relation to the Commission); i.e. preparation of programmes of in the day-to-day management of the programmes and selected projects. Second, coordination took place in relation to the individual Funds. As the two Funds were the responsibility of two individual Ministries having different practices and traditions, administration here needed to be coordinated to avoid overlap. Finally, coordination between actors at various levels resulted in the specific partnership set up in Danish regional policy-making. Thus, coordination appeared to be central in Danish regional policy-making. The distribution of responsibility areas of the four levels of government in EU regional policy implementation can be summed up in the following table:

**Table 7.1: Structural Funds Administration Responsibilities 2000-2006**

<b>Level of Government</b>	<b>Policy Design</b>	<b>Implementation</b>
<b>European</b>	<ul style="list-style-type: none"> <li>• establish ground rules</li> </ul>	<ul style="list-style-type: none"> <li>• responsible for the Structural Funds</li> </ul>
<b>Central government</b>	<ul style="list-style-type: none"> <li>• provides national regulatory framework</li> <li>• forwards proposals to the Commission</li> <li>• suggests overall policy design</li> </ul>	<ul style="list-style-type: none"> <li>• matching funding for subsidies to firms</li> <li>• legal control of ERDF applications</li> <li>• undertakes ERDF payments</li> </ul>
<b>Regional government</b>	<ul style="list-style-type: none"> <li>• organises consultations with social partners</li> <li>• develops policy initiatives</li> <li>• drafts programmes</li> </ul>	<ul style="list-style-type: none"> <li>• co-funding for framework projects</li> <li>• processing applications</li> <li>• recommends ERDF applications</li> <li>• decides ESF applications</li> </ul>
<b>Sub-regional government</b>	<ul style="list-style-type: none"> <li>• represented in regional committees</li> <li>• comments on draft proposals</li> </ul>	<ul style="list-style-type: none"> <li>• co-funding for framework projects</li> <li>• represented in regional committees</li> </ul>

*Source: replicated from Halkier, 2000b, 234 and Halkier and Flockhart, 2002, 44*

This table clearly illustrates the functional division of responsibilities that were established and developed over the years following the 1991 termination of the Regional Development Act and state level dominance. Due to these divisions of responsibilities, partnerships on several levels may be present. This will be elaborated in the final sub-analysis of the practical interpretation of the partnership principle.

It is easy to conclude that coordination between the Danish and EU regional policy-making approaches took place during the 2000-2006 programming period based on both approaches. The focus was on the increasing inclusion of actors below the national level, both public and private actors (horizontal cooperation), and on a more clear functional division of responsibilities between the different levels of government (vertical division). Coordination reflected the extended requirements of the EU on the one hand, but it has also evolved as a gradual process with the increased transfer of responsibility to the regional level, dating back to the first bottom-up developments during the 1980s caused by internal and external circumstances in Danish regional policy-making, as established above. Layering to the existing coordinated regional policy institution took place as a result of the succeeding reforms of the Structural Funds in 1993 and 1999, pointing in the direction of a gradual development of

regional policy-making in Denmark after the introduction of the parallel EU regional policy-making institution towards increased institutionalisation of EU requirements. It appears that the initiated process during the mid-to-late 1980s with the bottom-up developments, the availability of EC Funds and the gradually developing institutional structure for its implementation was gradually adopted into the Danish regional policy-making institution shining through in the 2000-2006 Objective 2 Programme.

Like the organisation of EU regional policy-making in Denmark evolved as a gradual process, so did the objectives of regional development. Arguably, the objectives with regional development set the organisational framework, as regional policy-making partnerships were based on the inclusion of 'relevant' sub-national and private actors. The focus areas of regional policy implementation thus determined who was 'relevant'. This was reflected in the Objective 2 Programme for Denmark during the 2000-2006 programming period.). According to the national Programme, the objective was to defeat regional imbalances and "strengthen the conditions for a development and conversion which ensures prosperity, employment, and equality, as well as a sustainable environment in regions with structural problems." (translated from Erhvervsfremme Styrelsen, 2000a, 29) Thus, the overall aim with regional development in the Objective 2 regions in Denmark was to promote development focusing on improving employment, equality and sustainable environments. This objective was based on the analysis of the socio-economic conditions in Denmark as mentioned above as well as the overall objectives of the EU and national regional development objectives. Thus, it should be noticed that a special focus was on equality and environmental<sup>10</sup> development as the 1999 reform of the Structural Funds also emphasised. A special national focus was on the coordination of different policy areas relevant to regional development such as industrial policy and labour market policy. These problems were incorporated into the strategy of the Objective 2 Programme dividing them into four focus areas or Priorities that guided regional development efforts and tied the two Funds to specific project types. Underlying this division of projects into themes was also the attempt to coordinate ERDF and ESF activities to avoid overlap (Erhvervsfremme Styrelsen, 2000a, 29).

*Priority 1* concerned the overall development of the region; i.e. the framework conditions of the region. This strategy took its point of departure in the strengths and development opportunities in the existing business structure. The ERDF alone

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<sup>10</sup> Sustainable development was incorporated as a theme into the Amsterdam Treaty, thereby requiring that all EU's financial instruments contribute to a sustainable development of the member states (Erhvervsfremme Styrelsen, 2000a, 30).

supported this priority (Regeringen, 2006b, 37 and Erhvervsfremme Styrelsen, 2000a, 36-7).

*Priority 2* was concerned more specifically with business development emphasising support for existing companies as well as the formation of new ones. Especially the SMEs engaging in activities such as research and development, product development and conversion for their own development and positioning in the region could apply for support. Crisis-torn SMEs could not apply for support. The ERDF alone supported this priority (Regeringen, 2006b, 37 and Erhvervsfremme Styrelsen, 2000a, 38-40).

*Priority 3* was concerned with the development of competences and human resources. This priority was specifically directed at regions that lagged behind in terms of level of education, average income and unemployment rates. The objectives of priority 2 were to be merged with the development of human resources to implement the activities in the existing and new businesses. The ESF alone supported this priority (Regeringen, 2006b, 41 and Erhvervsfremme Styrelsen, 2000a, 41-8).

*Priority 4* was concerned with technical assistance supporting investment in for instance hardware and software that enabled the partners to accommodate the requirements of Structural Funds administration, supervision and evaluation of the programme and expenses to the salaries of additional staff. This priority was financed by both the ERDF and the ESF (Erhvervsfremme Styrelsen, 2000a, 48-9).

Each of the first three Priorities were sub-divided into more specific *Measures* that went into detail with the objectives of the Priority. Measures spelled out projects and target groups eligible to apply for funding under the Priority. In the national Objective 2 Programme, these measures were not elaborated but merely highlighted. The measures were region-specific for which reason they were incorporated into the regional Complement Programmes.

The overall objectives with regional policy-making in Denmark were based on the institutional framework which the EU offered but adjusted to the requirements and challenges which the specific regions in Denmark faced. This implied that regional development was set within the EU regional policy-making institutional framework but interpreted according to national and regional demands for development and parallel regional policy objectives in order to avoid overlap. This was also practise in the previous programming periods. As the EC/EU changed the objectives with its regional policy over the years as a reaction to the changing economic context, these changed objectives were incorporated into the Danish strategy accordingly, indicating

a gradual development of the objectives of regional policy-making in Denmark as well. From a historical institutionalist point of view these developments may be termed layering in that additions have been made to the previous objectives of the policy, which fits well with the interpretation that the organisational structure defined by the Objective 2 Programmes can also be characterised as layering. It has been argued that the objectives of the policy set the frame for inclusion (organisation).

The above analysis shows that the interaction between Danish and EC/EU regional policy-making was a gradual process initiated during the 1980s with the bottom-up developments spurred by the phase out of nationally supported regional development under the Regional Development Act and the availability of EC funds to support regional development that could not otherwise be supported. The most conspicuous outcome of the coordination between the two approaches was the establishment and gradual development of regional level capacity to be responsible for the implementation of regional policy whether Danish or EC/EU. This development has established increased vertical and horizontal cooperation along the way as the requirements of the EC/EU were extended, but also as the Danish experience with new types of organisation increased. Related to this development was the increased functional division of responsibilities between the different levels of government (EU, national and regional). The EU level was responsible for determining the financial envelope and decided the rules of implementation (such as partnership requirements). The national level withdrew from a dominant position in regional policy-making to a more coordinating role between the EU and regional levels. The national level was responsible for coordinating EU rules and requirements in accordance with Danish rules and legislation. The regional level, in contrast, increasingly became responsible for the practical implementation of EU, national and regional level regional policies. From a historical institutionalist perspective, the gradual development of the joint regional policy-making institution in Denmark as a result of the introduction of parallel EC structures for implementation may be regarded as process of displacement that took place in 1991 when the Danish regional policy-making institution changed its outlook considerably. But evidence point to the fact that this process was not as abrupt as has been analysed in literature before, rather this transformation of the Danish regional policy-making institution was rooted in a sequence of gradual changes that took place within it based on internal and external conditions prior to 1991. Also after 1991, gradual change took place based on the 1991 displacement with a series of layering to that institution based on extended requirements of the EU as gradual adaptation to these requirements leading to the elevation of the regional level in Danish Structural Funds implementation.

The following section takes its point of departure in the establishment and gradual development of regional level capacity by offering a case-specific analysis of the first region reacting to the changing circumstances and events during the 1980s leading to the establishment of capacity to implement regional policy.

## **7.2 The Establishment and Development of Regional Level Institutional Capacity**

This section analyses the establishment and development of regional level institutional capacity as a specific illustration of how the coordination between Danish and EU regional policy-making has generated change in the Danish institution. North Jutland serves as the case study here as this was the first ever Danish region to react to the changing circumstances during the 1980s in the context of socio-economic and political change. Similarly, North Jutland is the only region in Denmark that has continuously received support from the EU, thereby rendering it possible to trace a historical development. Moreover, North Jutland has often been regarded a model region to other Danish regions in terms of institutionalising capacity to implement regional policy as well as the establishment of specific network relations within that structure (Brask Pedersen, personal interview). The present section is divided into sub-sections according to the stage in the development process. The first sub-section is an analysis of the establishment of regional level capacity that precedes the 1988 reform of the Structural Funds. The analysis of the second sub-section is centred on the 1988 reform of the Structural Funds and its implementation in North Jutland. The final sub-section analysis is concerned with the evolving emphasis on and interpretation of the established institutional structures after the 1989-1993 programming period. The core of this analysis is on the establishment of regional capacity prior to and surrounding the 1988 reform of the Structural Funds, as this is where the foundation to the organisational structure that has been operating in the subsequent programming periods was laid. Naturally, the organisation has been adjusted along the way according to different circumstances such as internal considerations regarding its composition and relationship, external requirements such as socio-economic changes, changes in the national institutional organisation of regional policy-making in 1991, or partnership requirements from the EC/EU. Therefore, a process of institutionalisation of the regional level capacity to implement and coordinate national, regional and EU regional policies has gradually occurred. This was the most remarkable change to the Danish regional policy-making institution as a result of the interaction between Danish and EC/EU regional policy-making.

The first counties to become deeper involved in regional development were the ones facing the most unemployment during the 1980s – among these were North Jutland (with the highest unemployment rates), Viborg and Bornholm. The fact that unemployment was higher in these counties, that national support was phased out and that they were likely to receive EU funds to address the problem instead inspired the counties to increase their commitment to regional development by initiating their own regional development programmes (Damborg and Halkier, 1998, 84-5). The counties handled these bottom-up initiatives in different ways. Some counties (i.e. Storstrøm and Southern Jutland counties) were only involved in drawing up general priorities of regional development and setting up a pool from which regional actors could apply for funds to support their individual projects and left implementation to external bodies, while other counties (i.e. North Jutland, Viborg and Copenhagen counties) developed their own plans with very specific priorities of action with funds earmarked for specific purposes, but also left implementation to external partners. A third approach has also been identified where counties (i.e. Århus and Frederiksberg counties) drew up detailed development programmes and plans for activities and undertook the implementation themselves, as opposed to the other two approaches either through their own administration or through decentralised centres with little or no freedom of operation. Despite these differences in approach, all counties were determined to play a more active role in regional development from the late 1980s onwards (Damborg and Halkier, 1998, 89-90). North Jutland was the first region to develop a programme in cooperation with the EC.

### **7.2.1 The NordTek Programme – Regional Level Capacity Building by Coincidence**

In North Jutland, the first experience with its own approach to regional development programmes was based on a coincidence; two parallel events led to the establishment of the first regional development programme in North Jutland and in Denmark as a whole. During the period of EC quota based regional policy in the member states, the normal procedure was that individual projects were negotiated with the Commission through the Regional Development Directorate in Silkeborg. However, during the mid-1980s, self-appointed initiative groups with the aim to promote a specific project sought bilateral contact with the Commission in an attempt to influence its decision to grant EC funds to the project. These initiatives were taken because the normal procedure was lengthy; it could take years before a project was launched. Therefore, these initiative groups attempted to bypass the long process by lobbying the Commission directly (Hesselholt, involved in the design and the development of the NordTek programme, personal interview).



At the same time the Commission was also not satisfied with the time consuming work of approving individual projects. Structural Funds administration had to be simplified. Ideas about decentralising administration to the member states were emerging during this period; in fact they had been latent for years. A Danish civil servant within the Commission suggested that it could be possible to engage in longer-term projects or programmes in the member states to avoid the bureaucratic implementation process of the quota set up (Poulsen, Head of the regional policy department at NAEH, personal interview).

As it turned out, the North Jutland project initiative groups and the Danish Commission civil servant met in Brussels and ideas and cooperation developed from here. It was agreed that the Commission civil servant was to be stationed in North Jutland in order to set up a programme with a durability of five years together with North Jutland County Council and that administration of the programme should consequently be decentralised to the regional and national levels. The objective of such cooperation was to experiment with the ideas to set up a programme that could make up the frame for related projects that could run for more than one year as had been the previous practice. It was argued that administration would then be simplified, but how this was to be done exactly was something to be tested in the case of North Jutland. The so-called NordTek programme (short for 'det Nordjyske Teknologiprogram', the 'North Jutland Technology programme') which framed this experiment was based on the initiatives made by the lobbying groups, socio-economic conditions in North Jutland, the changing conditions in national regional policy-making and discussions among the authorities and organisations of the region regarding the initiation of an active and focused business development policy based on regional conditions and needs (Poulsen and Hesselholt, personal interviews and Olsen and Rieper, 1991, 20).

The logic behind the NordTek programme, which was running from 1986 to 1991, was based on the realisation that the destiny of regional development in North Jutland had hitherto been in the hands of the merciful state level regional development support, but now it was time to take control of the situation and become responsible for one's own future development and to change the image of being an unemployment void. This had been the case for nearly 40 years. At the same time, a number of businesses had closed down in North Jutland especially around the largest city Aalborg, resulting in increased unemployment and a sudden need to set up new places of employment. It was time to work together to address these challenges. The business structure of North Jutland was composed of a substantial number of small and medium sized businesses and a few larger ones, but no businesses that were big

enough to act as an engine of growth in the region (or to absorb the unemployed labour force). Rather than being centred on a large independent business as the driving force for business development, trust was put in the relatively new University in Aalborg to inspire innovative ways of thinking about business development. It was realised that in order to face such great challenges and to improve regional business development in North Jutland it was necessary to stick together – this was “common sense” (Hav, County Mayor, personal interview). Quickly a culture developed in which cooperation was the solution to the problems. All actors affected by the business closures united in a common approach (Pedersen, personal interview). This culture of cooperation became the basis upon which the implementation of the NordTek programme as well as all future regional development programmes was built. The NordTek programme was an attempt to actively promote business and employment development in North Jutland through a number of concrete strategies based on introduction of new technology and mobilisation of knowledge, energy, imagination and the business structure of the region. The NordTek programme was a business development programme which ensured coherence between individual projects related to business development (Nordjyllands Amtskommune, 1985, 3-9 and 20).

The plan was to organise cooperation between all parties (private and public, businesses and the University) who in one way or the other were involved in the labour market or production in order to generate a mobilisation of knowledge, energy and imagination within the region to improve the employment situation and North Jutland’s overall position in Denmark as well as internationally. The strategy was focused on developing industrial environments through the increased employment of new technology and education of the labour force. The programme had four objectives: 1) to strengthen the economic and business structure of the region; 2) to strengthen qualifications of the work force; 3) to provide support for product development including products such as health and environmental control; and 4) to promote North Jutland in neighbouring Norway and Sweden in order to attract high-technology companies to the region (Nordjyllands Amtskommune, 1985, 5 and Jensen-Butler, 1992, 898). The means to achieve this strategy was to establish and develop advice centres and networks in the region to strengthen the transfer of technology and knowledge to the businesses in the region. This initiative separates itself from previous concurrent (other regions’) approaches in that it was built on a ‘double modernisation strategy’, where both the business structure and the individual businesses were improved through a policy initiative resembling a kind of decentralised industrial or technology policy. Also, it was based on a multi-annual approach with thematic objectives that had not been custom in Denmark at the time.

As such, the NordTek programme was ahead of its time: no other region had similar approaches.

A bottom-up approach like this had not been seen until then; perhaps it may be argued that it would not have been welcomed by the state level in a state dominant regional policy system, but the availability of EC funds provided a window of opportunity for the increasing involvement of regional level actors. These were the first steps towards building regional policy-making competences at the North Jutland regional level as well as the entire country to address future challenges (Halkier, 2008, 28-9). Interpreted from a historical institutionalist perspective, external and internal conditions influenced the existing national institutional structures so that new regional institutional structures were set up. These conditions were primarily external, but in turn the external conditions influenced the internal relations in the existing institution towards dislocated power relations. The regional level mobilised itself and challenged the dominant national level. In this sense, a competitive organisation within the national level regional policy institution was in the making. These developments may, like the ones discussed in the previous section concerning the interaction and coordination between the Danish and EC/EU regional policy-making institutions, have influenced the 1991 termination of state level dominance of regional policy-making towards a more functional distribution of responsibilities among the levels of government involved and the increased influence of the regional level in Danish regional policy-making since then. Similarly, the North Jutland experience may have inspired other regions to pursue similar strategies that altogether may have challenged the nationally dominated regional policy institution.

The NordTek programme developed during the functioning of the Regional Development Act but also when the latter was in the process of closing down, thereby decreasing national funding for regional development and also putting limitations on the scope of project applications. To stay within the national regional development framework, projects had to be direct financial injections into the veins of businesses. As the authors of the NordTek programme did not have many prospects of applying for this type of support as it was closing down, they had to consider alternative sources of funding. Instead, national funding could potentially be substituted by EC funds. In order to attract these funds the programme had to be structured and formulated to meet the requirements for receiving these funds. Neither type of funding could be taken for granted but it was nevertheless an option to apply for both. Therefore, the approach was that individual projects within the framework of the NordTek programme were to be materialised followed by application for funds. Naturally, it was hoped to attract as many funds as possible. In the end, the

programme received funding from the EC, regional and local government levels as well as private investors amounting to a total of 372 million DKK (Poulsen, personal interview, Nordjyllands Amtskommune, 1985, 52, Halkier, 2008, 28 and Gaardmand, 1988, 96). In this sense, the NordTek programme became a counterpart to national regional policy initiatives – a bottom-up initiative. Hesselholt (personal interview) assesses that had it not turned out this way, and had the Commission civil servant not been stationed in North Jutland at the time, the programme might have ended up as a national programme instead, thus, postponing the introduction of EC programmes in the member states. In this sense, the NordTek programme was as important to the future of the EC plans to gather and redesign the Structural Funds as it was to the future adjustment of national regional policy-making. Had the NordTek programme been a national programme, it would not have had such significant influence on future regional policy-making, because it would have been implemented within nationally dominated structures leaving the regional level without initiative to establish regional level capacity to implement the programme itself. This is a significant observation. Here, the foundation of future coordination between Danish and EC/EU regional policy-making was laid illustrating the bottom-up developments analysed in the above section on the coordination between Danish and EC regional policy-making preceding the 1988 reform of the Structural Funds as well as the previous analysis of the development of Danish regional policy-making. This further illustrates the connection and relation among the regional, national and EC levels within the coordinated regional policy-making institution in Denmark.

The NordTek programme came to constitute the overall framework in which individual projects operated or as the evaluation of the NordTek programme labelled it: “the programme constitutes an administrative/political umbrella covering the operative projects...” (Olsen and Rieper, 1991, 37). Thus, the NordTek programme was an amalgamation of a number of independent yet related projects. Creating and implementing this programme was a process that was initiated when the Commission civil servant was stationed in North Jutland. The contents and the composition of the eligible projects within the frame of the NordTek programme that have created the basis for the programme application to the Commission was prepared by the County level in cooperation with the municipalities in North Jutland, local trade promotion officers, the North Jutland Business Council, Aalborg University, other regional organisations as well as national authorities. Through standardised procedures this programme application was forwarded to the Regional Development Directorate before it was sent to the Commission which then approved the application and granted the programme 95 million DKK. Because the programme was supported by the ERDF, the main objectives of the NordTek programme arguably reflected the

requirements of EC Regulation (Council Regulation 1787/84, articles 10 and 15). Having established the financial envelope, and the objectives and strategies of the programme, implementation was the next step. The implementation process was close cooperation between the applicants for projects and the managers at the regional level in preparing the project, approving it and employing it in the business. Hopefully, the project would bring about positive developments for business and North Jutland as a whole (Olsen and Rieper, 1991, 21 and 37).

In order to administer the programme at regional level, a Steering Committee, an Executive Committee and a secretariat for the NordTek programme were set up. This was a completely new organisational structure at the regional level. The NordTek Executive Committee was composed of representatives (civil servants) from both the regional and national levels as well as private actors, but chaired by the Director of the County civil servants (amtsdirektøren). Similarly the Steering Committee, a political body, was composed of representatives from the EC, national and regional levels as well as private actors, but chaired by the County Mayor (Olsen and Rieper, 1991, 189-90). Besides these two Committees, a secretariat placed at the North Jutland County Council operated as a secretariat for the two Committees. The procedure was that applications for projects were first dealt with in the secretariat and then sent to the Executive Committee. The Executive Committee then evaluated the projects and singled out eligible candidates. Lastly, the Steering Committee made the final decision. Thus, the processing of projects was a hierarchical process starting from below with a clear functional division of responsibilities.

As it has turned out, the specific structure with both an Executive Committee (which was a requirement of the regulative framework shaping the programmes and their implementation) and a Steering Committee has come to be a specific North Jutland organisational solution to partnership. No other region in Denmark has had a similar set up with both Committees. The *raison d'être* of the Steering Committee was that regional development implementation in North Jutland should have political backing (Halkier, 1997, 7). In contrast, Executive Committees in other regions have been composed of a mix of elected politicians and technical-administrative staff (civil servants). In North Jutland, a separation of the two functions was considered relevant. It is tempting to argue that the reason that the structure was developed like this in North Jutland was the fact that it was invented in the NordTek experiment where EC staff had a chance to influence the composition of the partnership in their own favour. But in reality, this may not be an accurate argument as mentioned, socio-economic conditions in North Jutland at the time were in such a poor state that it was a necessity to work together in this way and the role of the Commission civil servant

and the EC level framework might just have been a way to justify the process against central level dominance. As will be seen, the Steering Committee came to have other related functions as its scope of responsibility and its role developed during the course of time, but it remained central to the regional implementation process. Thus, the organisational structure found in the following programming periods was rooted in this experimental structure of the NordTek programme as will be seen.

Evidently, both Committees were composed of a wide range of relevant actors to the promotion of regional development in North Jutland. However, it appears conspicuous that the Steering Committee, legitimising the implementation process, was inhabited by six out of 21 members from the national and EC levels. The composition of the Steering Committee was to some extent a copy of the national structure for managing national regional development policy, but it was also influenced by the EC requests. Conversely, the Executive Committee appeared to be more regionally anchored with only one national representative. It was a partnership dominated by regional actors, but the presence of national and EC level actors in the partnership should not be ignored. This points in a direction of an emerging experience with working in partnership, which may not be very surprising given the developing culture of working closely together in the development of the region as portrayed above. Decentralisation of competences from the EC level to especially the regional level was taking place, but at the early stages not in its fullest sense. Decentralisation only took place to the extent where overall responsibility for the implementation and approval of projects was still the responsibility of the national level. It could be speculated whether the function of the national level actors in the Steering Committee was to monitor that the programme proceeded according to the plan agreed with the Commission or whether the aim was to ensure that implementation took place in accordance with national legislation correspondingly.

An alternative reading is that as this was an experiment concerning programming and decentralisation that challenged the existing Danish way of doing regional policy (i.e. through the Regional Development Act structure), the national level still wanted to maintain some control over regional policy-making despite its regional and EC level anchorage. The NordTek organisation resembled the institutional structure involved in national regional policy-making, although additional regional actors were involved reflecting the need to take action on regional needs. As discussed above, the national level was very influential in the process, thereby not allowing the regional level to completely take regional development into their own hands. In this sense, the institutional framework for national regional policy-making was extended in the regional set up. The EC also influenced the institution in that it required a regional

Executive Committee to be set up. As the new structure had to be implemented into regional non-existing structures, the regional level had to evaluate which structure would serve the region best based on the challenges that the region faced. This decision was based on the need to stick together to solve the problems. Thus, an institutional structure based on both national, EC and regional requirements was set up in the experiment. The first steps were taken towards a new institutionalised organisation of Danish regional policy-making with regional level capacity. The regional level capacity resembled an inclusive partnership along both vertical and horizontal lines of cooperation mainly based on bottom-up initiatives, but backed by the availability of EC funds leading the national level to take a coordinating position.

Thus, by some coincidence North Jutland became a pilot study region for the Commission's decentralisation and programme ideas. It may be argued that as these ideas had been latent in the Commission for some years, the Commission had been waiting for the right occasion to implement its ideas. That North Jutland became a pilot study region might not have been such a coincidence after all. North Jutland was a region known for its cooperative traditions in public policy-making (between the social partners and the government levels) (F. Christensen, personal interview) and the Commission wanted a model region with representative and cooperative experience; a region in which it would be easy to experiment with the emerging partnership objectives of the Commission. It was necessary to find a region in which the experiment would be a success. Another consideration the Commission might have made was that it was necessary to have some model programmes in North Europe that could be exemplary to the export of the programme and partnership ideas to the remaining member states, so the experiment had to be a success. In the end, the experience with the NordTek programme in North Jutland was arguably a great source of inspiration to the contents of the following reforms of the Structural Funds although other similar experiments might also have influenced the Commission perspectives (Poulsen and Hesselholt, personal interviews). Also in Denmark, the NordTek programme and the overall experiment with programming and working in partnership inspired other regions to adopt a similar approach, but this was not until years after the NordTek programme. For instance, Viborg County sought to copy the North Jutland approach in the EVA programme that was established in the run-up to the 1994-1999 programming period (Brask Pedersen, EU consultant in Viborg County 1993-1998, personal interview and Halkier, 2008, 29).

These events also had significant impact on future regional policy-making in North Jutland. First of all, the socio-economic conditions of the mid-1980s have inspired a specific way of cooperating in North Jutland in the overall interest of the region. A

strong tradition of working closely together with all actors affected has developed. Secondly, the NordTek programme has been the launching pad for an independent North Jutland regional policy consisting of measures with particular attention to support specific problems in the region. The new focus of regional policy was on stimulating the development of existing businesses through the supply of new knowledge enabling them to better compete in the Danish and international markets compared to the previous focus on direct subsidies to private businesses. Thus, regional policy came to embrace both labour market policy and industrial policy, which has been a specific characteristic of the North Jutland regional policy throughout time, but at the time it was unusual in a national context. The interplay between these two policies had not been seen in any other region at the time, and it was not until a decade later that a similar national approach towards coordination of all relevant policies to regional development was seen (see p. 168). Thirdly, the NordTek programme has been the initiator of the programme approach in North Jutland as required by the subsequent 1988 reform of the Structural Funds. The NordTek evaluation concludes that “NordTek is not an experimental programme that stops when the funding ends... A considerable part of the NordTek programme should accordingly be expected to be carried on after the termination of the programme period in 1991 with innovation for the region and the entire country” (translated from Olsen and Rieper, 1991, 17). Thus, the NordTek programme was already at this time considered a regional level institutional framework in the making; a programme to be extended into the future. Fourthly, and related to the first, experiences with an administration structure including the County, municipalities, educational institutions, labour market actors and businesses within the region inspired future implementation of EC/EU regional policy in North Jutland.

During the operation of the NordTek programme, the challenge for regional development increased in that one of the largest work places in Aalborg, Aalborg Shipyard, was closed down in 1988. The shipyard closure affected the neighbouring municipalities in that many of the unemployed resided in these areas. One municipality that was specifically affected was the neighbouring Sejflod municipality that lost its main source of revenue from taxes paid by the shipyard workers. It became an objective to find alternative sources of finances to the municipality. It was not considered sufficient to invest in new businesses in the area as they might also close down; alternative ideas had to be brought to the table. Here it was decided to involve the population of Sejflod in the process of generating future growth and dynamic. This initiative resulted in the programme ‘Developing Sejflod’ (Sejflod i udvikling), another example of cooperation among actors in regional development responding to an immediate problem and an example of the notion that cooperation



was the way ahead for improved conditions for the region. The 'Developing Sejflod' initiative has since been considered to be one of the foundations on which the future 'Aalborg Region Network' is built. The municipality of Aalborg has since set up cooperation with its neighbouring municipalities on improving business conditions with the aim of supporting each other in difficult times, rather than steal work places from each other. The argument was that it was more productive to support the thriving businesses in the area than to establish competitive business in another area; in the end both businesses may end up closing down as a result of the competition. Arguably, the neighbouring municipalities will also benefit when businesses in other areas thrive in terms of tax payers, etc. In addition, the thriving businesses may be able to absorb the unemployed workforce thereby ensuring stability within the business sector (Simensen, personal interview). Besides local and regional initiatives to turn the situation around, the area received funds from the ERDF under the heading of the Renaval programme; an EC programme that was designed to support areas affected by negative development in areas depending on ship-building. A number of programmes under the ERDF sought to support specific areas that were dependent on specific lines of industry such as ship-building, mining and steel industries (Inforegio, 2008, 12). The Renaval programme was an independent programme set up to support the area around Aalborg after the shipyard closure in establishing new work places. The implementing actors were similar to the ones involved in the NordTek programme as the NordTek Steering Committee also acted as a Steering Committee for the implementation of all other EC Structural Funds programmes during the 1980s. This points in the direction of a strengthening of regional policy institutional establishment and development in the region, as well as emphasising the need to cooperate and coordinate in order to deal with the potential challenges that North Jutland would face. A regional policy institutional structure and approach was definitely in the process of being engineered at the regional level.

A further indication of institutionalised structures for regional policy implementation is the fact that similar programmes were initiated during the late 1980s such as the Renaval programme employing the same structure. It can be considered an institutionalisation of regional level capacity in that several initiatives were launched during the 1980s, all supported with EC funds to address the negative socio-economic developments in the region. As all of these initiatives were anchored in the same organisational structure and the same assembly of actors, evidence points in the direction of a coordinated effort towards the creation of a regionally anchored institution for regional development. The NordTek programme and the structure for its implementation, like the parallel programmes at the time, may in this sense be

considered an institution that influenced the future composition and decision-making of actors and relations that were formed within it.

From a historical institutionalist perspective, the institutionalisation of regional level competences to implement regional policy supports the above-analysed bottom-up developments that influenced the Danish regional policy-making institution in 1991. Thus, the bottom-up developments and the establishment of regional level capacity were based on internal manoeuvring among the actors involved in Danish regional policy-making. As such this internal behaviour resulted in a change to the existing institution towards a displacement of the existing institution as analysed above. However, from a regional level point of view, it may also be argued that a complete new regional policy-making institution within the frames of the overall Danish regional policy-making institution was in the making responsible for its own development. The experimental character of the NordTek programme initiated such a process.

Since the success of the NordTek programme, the two-pronged regional development strategy laid down in the NordTek programme has been pursued, but the continued success of the strategy should also be seen in the light of other factors such as the presence of the necessary resources (innovative actors among private businesses and Aalborg University). Not only has the strategy been pursued strictly, the organisational set-up has also become a template for other programmes. The internal organisation was characterised by the increased involvement of a wide range of social partners in line with the regional, national and EU partners (Halkier, 2008, 30). This is illustrated in the following analysis of the implementation of the 1988 reform of the Structural Funds in North Jutland.

### **7.2.2 The 1988 Reform of the Structural Funds – Institutionalising Regional Level Capacity**

Having terminated the NordTek programme, a number of experiences had been drawn from the administration of it. As mentioned, its operation and structure arguably inspired the Commission to reform the Structural Funds (the ESF and the ERDF), so that they in combination could support a balanced regional development in the member states. In this connection it should be remembered, however, that other factors also influenced the decision to establish an EC regional policy, such as the inclusion of two poor member states into the Community, the demand from Britain to receive compensation for its contribution to the overall EC budget as well and the Delors I package and the Padoa-Schioppa/Cecchini report suggesting a reformed structure for the Structural Funds (Inforegio, 2008, 8-9). But in this context the experiment carried out in North Jutland and regions in other member states such as

France and Ireland strongly inspired the contents and requirements of the 1988 reform of the Structural Funds (Roberts, 2003, 8). Especially, the principles of programming and partnership were tested in North Jutland. In some form these experiences were included into the reform of the Structural Funds able to fit the 15 member states, at the time, which has already been discussed. As was also discussed, the organisational structure set up in North Jutland to administer the NordTek programme could be characterised as a premature partnership involving relevant actors along both vertical and horizontal lines. The partnership principle in its original form only required vertical organisation, so in this sense the North Jutland way of cooperating was ahead of its time *vis-à-vis* partnership principle requirements. Perhaps it was not a coincidence that North Jutland was chosen as a pilot study region. It could easily be speculated whether the intentions of the Commission was to create a wide inclusive partnership already at this time, but the member states were not ready to accept and adopt such a wide ranging structure. Therefore, the partnership principle was designed in such a way that it was possible to fit the structure into all member states' own structures.

The overall ambition of the 1988 reform of the Structural Funds was to reduce spatial disparities implying that it became necessary to target regional development funds in the neediest regions that were primarily situated in the Southern part of Europe (Dinan, 1999, 430). It should be remembered that the reform of the Structural Funds took place in the context of enlargement of the Community with three poor member states during the 1980s (i.e. Greece, Spain and Portugal). Therefore, the Northern part was not expected to receive comparably the same amount of Structural Funding. Seen from the North Jutland point of view, they did not initially expect to continue to be eligible of funding, but as the experiments with the NordTek programme in North Jutland and other similar projects in northern European regions were supposed to act as models for the rest of the eligible regions, it was considered necessary to keep some of these model regions in the new structure, even though they might not need the Funds. North Jutland was not an obvious beneficiary region in the new structure. As it turned out, however, six municipalities in North Jutland (i.e. Aalborg, Aabybro, Brønderslev, Dronninglund, Hals and Sejflod – the same covered by the Renaval programme) became eligible to receive Objective 2 funding together with Lolland which had experienced similar crises during the mid-1980s (Hesselholt, personal interview). The allocation of funds to North Jutland and other Northern European regions should be seen in a wider perspective of negotiations forming the basis of the financial envelope for regional policy in the member states; it was a matter of high politics. In the first place, EC regional policy was a demand of the poor member states as compensation for the disadvantages of the Single Market to the competitiveness of

the poor member states. Britain and Germany, wealthier member states and net contributors to the EC budget, demanded compensation for agreeing to the Single Market as well, although they sympathised with the poor member states' argument. The end result of the so-called 'Delors I package' was that regions within both Northern and Southern member states received funds, although Southern regions were favoured (Dinan, 1999, 433-4). It is evident when investigating the statistics of the dispersion of the Structural Funds that the core beneficiary member states during the 1989-1993 programming period were Spain, Italy, Portugal and Greece receiving a total of 33 billion ECU of the 69 billion ECU that the Structural Funds made up altogether (Inforegio, 2008, 13 and Bechgaard et.al., 1993, 4).

The 1988 reform of the Structural Funds was launched in the middle of the NordTek programme, which arguably made it easy for the regional administration of North Jutland to employ the Objective 2 Programme in North Jutland, as an organisational structure was already functioning. Experiences from the NordTek programme could be transferred to the Objective 2 administration. Likewise, many other individual programmes like the Renaval programme were appearing during the late 1980s to accommodate the regional problems of unemployment that were increasing, all of them able to employ the same organisational structure. These experiences point in a direction of a relatively smooth adoption of the requirements of the EC regulation framing the implementation of the policy in the member states. It was advantageous that North Jutland acted as a pilot region for the Commission experiment. Also at the national level, i.e. the DATI, the experience with dealing with the establishment and operation of the NordTek programme made the transition towards the new regime smoother. As such, Denmark was prepared for the 1988 reform of the Structural Funds and the requirements to implement EC regional policy, as a more comprehensive organisation had been rehearsed beforehand.

Experience with the NordTek programme was both positive and negative. It was realised that it was necessary to make a more clear-cut distinction between the state approval of the projects and the regional day-to-day implementation. From a regional point of view it was evaluated that it was not desirable to have state level actors present in the regional Steering Committee any longer. Equally the state level had had time to see for themselves that the regional administration was able to run administration professionally, and that the regional administration had learned what the state (and EC) level accepted in terms of projects and the like, enabling regional administration to make its own judgements. This was the basis upon which the organisational structure in the first Objective 2 programming period was formed. The bottom-up developments during the 1980s also inspired a different composition of

the regional partnership than was required in the operation of the NordTek programme. Considerations about the future structure for Objective 2 Programme administration were also based on the desire to adopt the Structural Funds approach rather than the national Regional Development approach. Experience had shown that the funds from the Regional Development Act had externalised business expenditures by supporting the construction of physical buildings. The kick-effect was that many new businesses had moved to North Jutland because they could receive regional development support here. Arguably, these types of businesses were disloyal and ready to move to another place when a better opportunity presented itself. Therefore, these businesses were not naturally anchored in the existing business structure. This was not a desired outcome in the future. Thus, the aim was to create growth engines in the existing business structure so that businesses were strengthened and would stay in North Jutland instead of moving to other regions or even abroad. In this way it was also hoped that the unemployment void would be obliterated. These considerations were important to the organisation of the administration of the Structural Funds programmes in North Jutland at the time. Considerations regarding how to prioritise regional development initiatives in the programme influenced the way the partnership should be composed. It was important to include actors that were directly affected by these programmes (the regional problems which they attempted to address) in their daily work and thus had a finger on the pulse as to which priorities to make. It was crucial that these actors were able to make strategic and selective decisions regarding eligible projects with the potential to generate growth in the region. Actors at the national level were not in a position to make such evaluations. These decisions had to be regionally and locally anchored. It could also be argued that being directly involved in their own development; the regional and local actors would have a sense of ownership of the process (Hesselholt, personal interview).

Thus, the NordTek organisational structure was to some extent developed in the Objective 2 Programme, although it was adjusted according to the above considerations. From a historical institutionalist perspective layering is taking place adding rules to the existing regional level institution that was established with the NordTek programme but with a regionally anchored organisation. It was considered important to establish a political body that was able to act as an umbrella body of the North Jutland County regional development programmes and the Structural Funds programme in order to coordinate the two approaches. The political body was to be placed under the County Council which was responsible for a number of constitutional tasks. It was necessary to establish a structure that could embrace the fact that the tasks that the County was responsible of (i.e. according to the Local Government Acts

and the Constitution) were different from the tasks associated with regional industrial policy and the administration of the Structural Funds; regional policy-making had not hitherto been the responsibility of the regional and local levels. Structural Funds administration was oriented towards promoting growth, dynamic and management of the businesses in the region. The Steering Committee came to act as such a body, implying that decision-making competences were transferred to the Steering Committee from the County Council (Hesselholt, personal interview). As such the County Council became responsible for regional policy implementation, but it assessed that it would not itself be able to implement the policy effectively as the County Council did not have knowledge about the specific needs of individual businesses of the regions or other relevant focus areas. Also, the Executive Committee was extended. Thus, voluntary delegation of competences to the two legitimising Committees (political and civil servant) and a secretariat sat the organisational frame. The fact that these organisations, i.e. the Steering Committee, the Executive Committee and the secretariat aiding the two Committees, were formalised with Orders of Businesses demonstrates that a regional institution was set up.

In order to create such a body, availability of varied specific (human) resources was considered vital. First of all, national level actors were excluded from the set up as discussed above. Second, a standardised partnership model as the one suggested by the partnership principle was not the preferred solution, as it was feared that it would push cooperation in the Committee towards traditional solutions to the regional problem; rather, alternative approaches were preferred. The intention, based on the objectives of the Objective 2 Programme, was to generate growth in the existing business structure naturally rooted in the region. In order to legitimise such a process, it was crucial to invite actors that were knowledgeable of the groups or circles of people that were driving and directly involved in business development in the region, and these people might not be included in the partnership definition. This was clearly a bottom-up attempt to break free from the national approach to regional development through the Regional Development Act. Therefore, the Steering Committee was not composed according to traditional parity structures, but on a weighing of actors with relative knowledge and contact with business development. The relevant actors included in the Steering Committee were: representatives of the County, the municipalities, social partners and personally designated industrialist actors.

The personally designated industrialist actors had special knowledge of the business structure, and compared to the other groups of actors they were in majority (Hesselholt labels them 'industrialists'). The structure was not so much based on the

resources of interested parties but on actors holding certain knowledge and innovative skills. This implied that the social partners were not so strongly represented. It was not the intention to squeeze the social partners in this design; rather it was preferred to set up an organisation that was based on representation not based on the formal rhetoric of the organisations as has been hinted above, while more focused on achieving a common regional development aim. It was also important that the interests of the businesses and other beneficiaries or development drivers were represented in the decision-making process. The argument for choosing this structure was the overall aim of creating a North Jutland approach to regional development that was based on the selective prioritising of development projects that were naturally rooted in the North Jutland business environment. Although Hesselholt somehow excuses the 'underrepresentation' of the social partners, the fact that they were included altogether exceeds the requirements of the partnership principle. According to Hesselholt, it was the intention of the Commission already at this point in time that the social partners should be included in the partnership principle definition, but as it turned out they were not included in the EC Regulation. Thus, it is evident that the North Jutland partnership was well ahead of its time despite the 'underrepresentation' of the social partners. Moreover, it was the intention that the Steering Committee should only consist of a limited number of actors enabling them to know each other well and ensuring an internal gravitation of ideas and sharing their respective philosophies concerning how to administrate the funds (Hesselholt, personal interview, and Bechgaard et.al., 1993, 4). As mentioned above, administration of the EC/EU programmes were all subject to the same organisational structure. This implied that the gallery of characters was repeated in the Objective 2 Steering Committee and the overall politically responsible Steering Committee for regional development in North Jutland. The overall responsible Steering Committee was named the North Jutland Development Fund (Nordjyllands Udviklingsfond, NUF)<sup>11</sup> and established with Orders of Business. Like the function of the Steering Committee was extended into the Objective 2 Programmes, so was the function of the Executive Committee. The relation between the two Committees was also extended. With this particular organisation between the Steering Committee composed of politicians and the Executive Committee composed of civil servants, it was argued that regional political consensus would be strengthened, consequently strengthening the regional

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<sup>11</sup> From now on reference to NUF signifies the Steering Committee that is both responsible for coordinating regional, national and EU regional policy initiatives and the Steering Committee responsible for approving Objective 2 projects.

actors *vis-à-vis* the national level also. In this sense, the national level would be less likely to disregard the North Jutland preferences.

### **7.2.3 The Continued Development of Regional Level Capacity**

It has been difficult to collect data concerning the programming period immediately after the first programming period, as on the one hand, the interviewees had difficulty recollecting details from this time. On the other hand, it proved difficult to access documents from this period as the County's data-base did not contain documents that old. Some documents had become inaccessible as result of the reorganisation of the local governments during the 2005 reform and the consequent reorganisation of digital information. Besides, the County level/region is by now more preoccupied with the present programming period and to some extent also the previous one, for which reason old paper material had been destroyed. Therefore, the analysis of the development of the North Jutland regional institutional structure is based on the 1994-1999 Objective 2 Programme for North Jutland. Here, the 2000-2006 Objective 2 Programme is not analysed as this would be repetition of the same task in the forthcoming analysis of the inclusion and process aspects of partnership during the 2000-2006 programming period. Moreover, the contents of the national Objective 2 Programme analysed in the previous section sets the frame for partnership operation in North Jutland as well. The analysis of the contents of the 1994-1999 Objective 2 Programme is arguably sufficient to support the statement that the regional level institution for coordinating and implementing regional, national and EU regional policies was extended leading to a complex organisation for the implementation of partnership.

The Objective 2 Programme for the 1994-1999 programming period in North Jutland repeated the organisational structure which the first Objective 2 Programme had established. NUF was the politically responsible body. The Executive Committee was engaged in coordinating "a close cooperation between the main interests in the business development in North Jutland county" (translated from COWI, 1999, 38) through the evaluation of project applications. Before such an evaluation was made different specialist advisory groups (in the areas of industry and service, education and tourism) offered specialist knowledge regarding a project's future perspectives for generating growth and regional development. So, an evaluation and approval of a project was a three-staged process in close cooperation among the relevant actors that had been present in the set up since the NordTek programme. This organisation differed slightly from the previous organisation where no specialist advisory groups were attached to the Executive Committee. The Executive Committee and the



specialist advisory groups were composed of civil servants; the Executive Committee had a narrow representation of the County, the Association of Municipalities in North Jutland and the social partners (i.e. both employers and employees organisations). Thus, this organisation was repeated from the previous round of programming. NUF, legitimising the process politically was composed of politicians with a wider representation of North Jutland County (including the County Mayor as chairman), of the municipalities, of North Jutland Business Council, of the social partners and personally appointed representatives of the North Jutland business environment.

It is clear that the representation in the Steering Committee for the 1994-1999 programming period was extended compared to the previous round involving also representation of the business sector although anchored at the municipal level. The widening of the North Jutland regional policy institution can be considered a strengthening and development of the institution as a result of layering that took place before this programming period.

After the 1991 termination of the national approach to regional policy-making and the acceptance of regional and EC approaches, the established regional structure became legalised and institutionalised into the national regional policy-making institution. Regional partnerships were here to stay, and the North Jutland regional organisation was extended with the same composition and role played by the Committees although with some minor changes compared to the previous period. Similarly, the 1994-1999 Objective 2 Programme defined the regional level partnership to have the same construction as in the previous programmes where a functional division of responsibility was preferred between the Executive and the Steering Committees. Continuing the first established network organisation with NUF and the Executive Committee suggested that this structure was developed and rehearsed for two rounds of programming and a culture of cooperation had been firmly established.

### **7.3 A Concluding Historical Institutional Interpretation**

The institutional developments which took place at the regional level must be seen within the national level institutional framework and its coordination with the EC/EU regional policy-making institution. Thus, the developments here were shaped by the overall institution in which they occur. The analysis of the coordination between the Danish and EC/EU regional policies illustrates that coordination gradually led to institutional change through displacement and layering, so that new vertical organisation and functional division of responsibilities among the involved levels were generated. Among other things, these types of change were rooted in the bottom-up

developments during the 1980s in Danish regional policy-making. The analysis of the development of Danish regional policy-making emphasises this conclusion, but at the same time it also accentuates that the establishment and development of regional level competences took place ahead of the 1988 reform of the Structural Funds formally establishing a role for the regional level in Danish regional policy-making.

In North Jutland, the establishment of regional level capacity was based on the NordTek programme as an experiment and EC support, but the development of the North Jutland regional policy-making institution was based more on their own regional experiences, which of course were inspired by external conditions and events (such as national policy-making, the 1988 reform, etc.). The tradition in which everybody cooperated to solve problems in North Jutland was the most influential characteristic of the development of the North Jutland regional policy institution, especially in the coordination of national, regional and EC/EU regional policies into a specific North Jutland regional policy-making approach. It has proved that the cooperative tradition in North Jutland was the driving force for the institutionalisation of regional level capacity. Moreover, the cooperative tradition was the lens through which partnership was interpreted: in North Jutland, it was tradition to cooperate closely with relevant and interested partners to the achievement of a common goal of regional development of the entire region. This gradually developed into a specific variant of partnership or network organisation in North Jutland.

The conclusion to this analysis is that regional level capacity to accommodate the implementation of EC/EU regional policies, partly dependent on national and on EC/EU regional policy-making institutions, was established and continuously developed into a specific North Jutland regional policy institution.

Based on this analysis, within Danish regional policy-making, three interrelated regional policy-making institutions came to exist: 1) the Danish regional policy-making institution independent from the EU framing all regional policy-making activity and institutions; 2) a Danish approach to a coordinated regional policy institution with the EU leading to a functional division of responsibilities; and 3) specific regional level institutions implementing coordinated regional policies (Danish, regional and EU). Apparently, three regional policy-making institutions exist in Denmark, but due to their interrelatedness, they all function within the same overall framework of the Danish regional policy-making institution coordinating regional policy-making in a complex network. Regional policy-making has become a complex organisation of three independent but related initiatives that were primarily financed and regulated by the EU level, coordinated at the national level, and implemented at the regional

level all with their institutional characteristics. The development of these 'sub-institutions' shaped each other: the regional level institution was established as a reaction to internal struggles in the Danish regional policy-making institution. The development of the Danish regional policy institution was also shaped by the parallel developing EC/EU regional policy-making institution, leading to development of a culture of working in partnership, the difference being that partnerships in Danish regional policy-making were voluntary whereas partnerships in EC/EU regional policy were (and are) obligatory as defined in EU Regulation. Finally, the coordinated regional policy approach has roots in both the Danish and the EC/EU regional policy-making structures. Thus, in Denmark, the regional policy-making institution developed into a mishmash of networks operating at different levels of government (and institutional levels) in vertical and horizontal relations with each other within the coordinated regional policy-making approach.

To conclude, an institutionalisation of a specific North Jutland approach to partnership based on voluntary delegation to a formal network that resembled the definition of the partnership principle took place through an approach that was ahead of its time. The partnership set up in the NordTek experiment was wider than that required in the first reform of the Structural Funds involving both vertical and horizontal actors. Despite this, the North Jutland partnership changed over the course of time as experience with this type of cooperation increased and new rounds of programming changed the objectives and instruments of the policy. It was a continuous development of increased involvement and extension of the members of the voluntary Committees, and interdependence between actors has increased with the institutionalisation of governance practices. Thus, facing the 2000-2006 programming period, the partnership may be expected to reflect these experiences which the contents and governance structures presented in the Objective 2 Programme also point towards. This is the basis of the forthcoming analysis of the interpretation and implementation of the partnership inclusion and process requirements.

Arguably, the most relevant institution to analyse in terms of inclusion and process is found at the regional level, which has the most complex organisation. Investigating vertical partnerships, though, it is necessary to analyse all levels in relation to each other, but regarding horizontal organisation, the regional level is the most convincing place to find this type of organisation.

## **8. Partnership – Inclusion and Process**

This chapter presents the analysis of the implementation and interpretation of the partnership principle into the coordinated Danish and EU regional policy-making institution, as analysed in the previous two sub-analyses, and how it was unfolded into partnership inclusion and process. The previous analysis illustrated that the most obvious change that occurred in Danish regional policy-making was the establishment and development of regional level competences to implement and coordinate Danish and EU regional policies. Moreover, the analysis illustrated that the coordination of Danish and EU regional policies gradually generated a functional division of responsibilities for the operation of the Structural Funds in combination with the parallel Danish approach. This took place in order to avoid duplication of two similar systems. Basically, these developments were rooted in the bottom-up developments that took place in the 1980s and supported by events occurring simultaneously, such as the gradual reduction of funds to support regional development under the Regional Development Act, the 1988 reform of the Structural Funds demanding that partnership structures were set up to implement EC regional policy (as a condition for receiving the funds). Hereafter, a vertical structure for Danish regional policy-making was set up and the regional level was acknowledged as an equal partner in regional policy-making. Based on the new vertical structure for regional policy-making in Denmark and the functional division of responsibilities, horizontal cooperation developed leading to the conclusion the most appropriate level to detect and scrutinise partnership was the regional level.

Thus, the present analysis takes its point of departure in the functional division of responsibilities, the vertical structure and the horizontal cooperation at the regional level and focuses on the 2000-2006 programming period although the experience with partnership during the preceding programming periods from the NordTek programme is also briefly analysed in order to be able to grasp the influence on the developments of the 2000-2006 programming period and how it has shaped the partnership during the 2000-2006 programming period. Arguably, the implementation and interpretation of partnership during this programming period have roots in the institutional developments during the 1980s and a gradual development of the regional level institution for its implementation as identified in the previous sub-analysis of the coordination between EU and Danish regional policy-making leading to the expectation that the partnership was changed accordingly.

To complete such a partnership analysis, the following analysis is divided into 5 sections, where the first is the analysis of the partnership developments in North

Jutland from the NordTek programme until the threshold of the 2000-2006 programming period. It is natural to return to North Jutland as this is where it all began, and as North Jutland is the only region that has received Objective 2 funding ever since. For that reason it could be expected that a stable structure for partnerships to operate in has been built, which is supported by the analysis of the institutionalisation of regional level competences. The second section is concerned with the overall frame of the following analysis of the 2000-2006 partnership interpretation: it argues how partnerships existed on many levels and how they were related, leading to vertical and horizontal interaction thereby introducing and explaining the structure of the subsequent sections. The third section is concerned with the analysis of the European level partnership, how it operated and determined the partnerships in the member states. Similarly, the fourth section analyses national level partnership. Here, focus is on the coordinating responsibility of the state level in formulating and designing the regional development programmes for the country, and in monitoring the implementation of the programme. Clear partnership relations are found between the state level and the regional and EU levels. In section five, constituting the core analysis of the Danish partnership, I return to the case of North Jutland in the evaluation of the employment of the inclusion and process parameters of partnership.

Whereas the previous two sub-analyses were based only on historical institutionalist tools, the present analysis is based on historical institutionalism, network governance and Åkerstrøm Andersen's partnership definition where network analysis moves into the foreground. The data used for illustration here comprises interview material, based on a semi-structured interview guide, with representatives of the North Jutland partnership as well as centrally placed representatives of the national partnership. The questions asked mainly reflect the theoretical terminology of the network governance and partnership approaches, although some questions reflect the historical development that has taken place throughout North Jutland's partnership experience. These representatives have been carefully selected so to represent a broad selection of organisations in the partnership; varying roles and positions in the partnership organisation; and varying time perspectives in terms of membership (some have been included since its establishment while others have only been included during the 2000-2006 programming period). This implies that the data for analysis comprises a rich body of transcribed material based on 'storytelling' of the interviewees of their experiences with working in the North Jutland and national partnerships. Moreover, the interviews are supported by primary documents such as annual reports, Regulations, minutes of meetings in the partnership, orders of

business and the like. Hereby, I am able to analyse the expected gradual development of both the inclusion and process perspective across levels of partnership.

Carrying out this analysis can be compared to putting together a jigsaw puzzle with many pieces. The experience of all the interviewees are part of the same picture of partnership, and they each contribute with their own piece that has to be placed correctly in order for the jigsaw puzzle to become complete. Additionally, primary sources also constitute pieces that either fit with or support the pieces of the interviewees. Sometimes the pieces have to be placed in a certain order for it to make sense and for them to fit together with the other pieces. In the end, they all make up the jigsaw puzzle of the partnership. The following is my attempt to put this jigsaw puzzle together.

## **8.1 Partnership Experiences until 2000**

This analysis takes its point of departure in the final argument presented in the previous chapter on the interaction between Danish and EU regional policy-making, and how the regional level had been elevated to establish regional level competences for its implementation that the most appropriate level to detect and analyse the interpretation and implementation of the partnership principle is at the regional level. Thus, based on this argument, the following analysis of partnership experiences until 2000 is focused on the regional level. It relies primarily on secondary research but is supported by the recollection of the interviewees. In this connection, it should be noted that it is always a problem to recall events 10-20 years ago; sometimes only fragmented recollections will present themselves. Accordingly, the interviews must be supplemented with research carried out retrospectively when things were taking place. This implies that the arguments presented in the following analysis are based on the research framework of others, which may not be quite in line with my framework of analysis. In the *'Revisiting Partnership in Practise - State of the Art'* chapter it was argued, based on the review of literature concerning Danish regional policy-making, that existing literature mainly focused on the vertical organisation of partnership. The horizontal aspect was recognised, but not analysed in the same detail. Thus, a thorough analysis of horizontal partnerships was lacking. This implies that my contribution to the Danish regional policy-making research presents a new, more thorough angle on the perspective. Therefore, relying on other scholars' research to investigate the historical development of partnership in Denmark renders this investigation incomplete. In particular, existing research has not focused as much on the process aspect of partnership as I do, which in turn makes it somewhat difficult for me to evaluate the development of the process to the same extent as the inclusion

aspect, which is documented in several Programmes and Regulations. The process, in contrast, remains a recollection of the partners. Based on this line of argument, the following analysis of the development of partnership until 2000 is mainly concerned with the inclusion aspect – at least until the 1994-1999 programming period, where the recollection of the interviewees is better and where related research has been carried out.

### **8.1.1 Partnership Experiences in the NordTek Programme**

The NordTek programme became the launching pad for an independent North Jutland regional policy consisting of measures with particular attention to support specific problems in the region. The new focus of regional policy was on stimulating the development of existing businesses through the supply of new knowledge enabling them to better compete in the Danish and international markets compared to the previous focus on direct subsidies to private businesses. Thus, regional policy came to embrace both labour market policy and industrial policy, which has turned out to be a specific characteristic of the North Jutland regional policy in general, but it was unusual at the time in a national context. The interplay between these two policies had not been seen in any other region at the time, and it was not until a decade later that a similar national approach towards coordination of all relevant policies to regional development was seen (see chapter p. 168). The specific North Jutland regional policy framework determined the partnership in that it defined the actors to be included in the partnership or network.

The previous analysis has illustrated that the experimental NordTek programme was an experiment into both programming and organisation. In order to administer the programme at regional level, a Steering Committee, an Executive Committee and a secretariat for the NordTek programme were set up. This was a completely new organisational structure at the regional level. The NordTek Executive Committee was composed of representatives (civil servants) from:

- North Jutland County
- the Regional Development Directorate in Silkeborg
- North Jutland Business Council
- Aalborg University
- North Jutland Information Technology Council (Nordjysk Informatikråd)
- Technological Information Centre (TIC)

Thus, the Executive Committee was composed of members representing both the regional and national levels as well as private actors, but chaired by the Director of the County civil servants (amtsdirektøren). Similarly, the Steering Committee, a political body, was composed of representatives from:

- Aalborg University
- the Labour Market Board for North Jutland County
- the Ministry of Labour
- DATI
- the Commission
- the Ministry of the Interior
- the Association of Municipalities in North Jutland County (kommuneforeningen i Nordjyllands Amt)
- the Ministry of the Environment
- North Jutland Business Council
- North Jutland Information Technology Council (Nordjysk Informatikråd)
- the national level Information Technology Council
- three members of the Finance Committee (økonomiudvalget) of North Jutland County Council
- the County Council general administration (fællesforvaltning)
- six personally appointed members (appointed by the County Mayor)

The Steering Committee was composed of members representing the EC, national and regional levels as well as private actors, but chaired by the County Mayor (Olsen and Rieper, 1991, 189-90). Evidently, both Committees were composed of a wide range of relevant actors to the promotion of regional development in North Jutland, but it is also conspicuous how the Steering Committee legitimising the implementation process was inhabited by six out of 21 members from the national and EC levels. The composition of the Steering Committee was to some extent a copy of the national structure for managing national regional development policy but also influenced by the EC requests. The Executive Committee, however, appeared to be more regionally anchored with only one national representative. It was a partnership dominated by



regional actors, but the presence of national and EC level actors in the partnership should not be ignored. This points in a direction of an emerging experience with working in partnership, which may not be so surprising given the developing culture of working closely together in the development of the region as portrayed above. This was the first indication of a vertical partnership.

Besides these two Committees, a secretariat placed at the North Jutland County Council acted as secretariat to the two Committees. Procedure was that applications for projects were initially contended with in the secretariat and then sent them to the Executive Committee which pointed out eligible projects before the Steering Committee made the final decision. Thus, the processing of projects was a hierarchical process starting from below with a clear functional division of responsibilities. The specific structure with both an Executive Committee (which was a requirement of the regulative framework shaping the programmes and their implementation) and a Steering Committee has come to be a specific North Jutland organisational solution to partnership. No other region in Denmark had a similar set up with both Committees; rather they only have the Executive Committee. The organisational structure set up in North Jutland to administer the NordTek programme could be characterised as a premature partnership involving relevant actors along both vertical and horizontal lines. The partnership principle in its original form only required vertical organisation, so in this sense the North Jutland way of cooperating was more advanced already at this time than required by the partnership principle. The organisational structure found in the following programming periods was rooted in this experimental structure of the NordTek programme as will be seen in the following.

### **8.1.2 Partnership Experiences during the 1989-1993 Programming Period**

In the previous analysis of the development of regional level competences to implement regional policy in North Jutland, it was argued that the 1988 reform of the Structural Funds was launched in the middle of the NordTek programme. This arguably made it easy for the regional administration of North Jutland to employ the Objective 2 Programme in North Jutland, as a functioning organisational structure was already in place. Experiences from the NordTek programme could be transferred to the Objective 2 administration leading to a great extent to an extension of the partnership organisation of the NordTek partnership, at least in terms of structure. As such, the County Council became responsible of regional policy implementation, but it assessed that effective implementation of the policy had to be carried out by another body, as the County Council did not have the necessary knowledge about the specific needs of individual businesses or other relevant focus areas in the region. Therefore,

decision-making competences were transferred to the Steering Committee (Hesselholt, personal interview). In 1992, the Steering Committee changed its name to the North Jutland Development Fund (Nordjyllands Udviklingsfond, NUF) but extended its role and decision-making competences. Also, the role of the Executive Committee was extended. Thus, voluntary delegation of competences to the two legitimising Committees (political and civil servant) and a secretariat continued to set the organisational frame although representation within this organisation was changed.

In terms of inclusion and exclusion of actors, the EC and national level actors were excluded from the implementation process at the regional level, which made room for an increased number of regionally anchored actors with varying interests and attachments to regional development. Considerations regarding how to prioritise regional development initiatives in the programme influenced the way the partnership was composed. It was important to include actors that were directly affected by these programmes (the regional problems which they attempted to address) in their daily work and thus had a finger on the pulse as to which priorities to make. A standardised partnership model as the one suggested by the partnership principle was not the preferred solution as it was feared that it would affect cooperation in the Committee towards traditional solutions to the regional problem; rather alternative approaches were preferred. The intention, based on the objectives of the Objective 2 Programme, was to generate growth in the existing business structure naturally rooted in the region. In order to legitimise such a process, it was crucial to invite actors that were knowledgeable of the groups or circles of people that were driving and directly involved in business development in the region as these people might not be included in the partnership definition (Hesselholt, personal interview). Similarly, it was considered crucial to include geographical representation of the municipalities as the whole region was to be covered by one representative of the Aalborg area which was considered the driving force of regional development in the NordTek programme as well as a municipality representation of the remaining areas. This implies that at this point in time, the interpretation of the partnership principle and how it was translated into a North Jutland partnership exceeded the partnership requirements, as it was based on other considerations, as illustrated by the previous analysis of the development of regional level competences such as the need to stick together to address the challenges spurred by business closures and unemployment problems. This partnership was based on an evaluation of which resources were needed in the partnership in order to implement a successful regional development policy.

### **8.1.3 Partnership Experiences during the 1994-1999 Programming Period**

The Objective 2 programme for the 1994-1999 programming period in North Jutland repeated the organisational structure which the first Objective 2 Programme had established. NUF was the politically responsible body while the Executive Committee was engaged in coordinating “a close cooperation between the main interests in the business development in North Jutland county” (translated from COWI, 1999, 38) through the evaluation of project applications. To ensure the quality of the evaluation, different specialist advisory groups (in the areas of industry and service, education and tourism) offered specialist knowledge regarding a project’s future perspectives for generating growth and regional development. Therefore, evaluation and approval of a project was a three-staged process in close cooperation among relevant actors that had been present in the set up since the NordTek programme. This organisation differed slightly from the previous organisation where no specialist advisory groups were attached to the Executive Committee. The Executive Committee and the specialist advisory groups (such as North Jutland Business Service, (deconcentrated central government bodies) and the NOVI Science Park in Aalborg) were composed of civil servants. The Executive Committee had a narrow representation of (COWI, 1999 and Halkier, 1996, 6-8 and 11):

- the County (chair of the Committee)
- the Association of Municipalities in North Jutland
- the social partners (i.e. both employers and employees organisations)

Thus, this organisation was repeated from the previous round of programming. NUF, which made the process politically legitimate, was composed of politicians with a wider representation:

- three representatives of North Jutland County (including the County Mayor as chairman)
- three representatives of the municipalities
- two representatives of North Jutland Business Council
- two representatives of the social partners
- five personally appointed representatives of the North Jutland business world

It is clear that the representation in the Steering Committee for the 1994-1999 programming period was extended compared to the previous round, involving

representation of the business sector also although they were anchored at the municipal level. Like the partnership definition was extended and widened inclusion wise, so was the membership of NUF. Arguably, parallel extensions of the two institutions took place, but perhaps not necessarily as related processes. Considerations regarding the widening of NUF may not have taken place because the partnership definition was extended, but rather because of the tradition of working together in North Jutland on regional development and because the relevant and interested parties would be invited to participate. Halkier (1996, 8) concluded that “partnership in North Jutland appears to be a triangular relationship between the county, industry and representatives of local areas”, thereby involving both private and public actors based on the gradual development of the partnership since the NordTek Programme to include wider and deeper representation of regionally and locally anchored actors with special interest in and affected by regional industrial development. Especially the involvement of the industrialists (industrial actors representing the business sector) was considered important in the partnership as they held information concerning the needs of the industry since they had a finger on the pulse (Hesselholt, personal interview). Simultaneously, it should be noticed that the municipalities had three representatives compared to two actors in the 1994 NUF organisation reflecting a transpiring need to address geographical disagreements and differences. It was also a response to the initiative of the geographical areas to set up municipal networks. Defined by geography, three groups of municipal networks were formed to pool resources in the common generation of project applications. Vendsyssel Udviklingsråd (VUR) was situated in the Northern part of the region whereas Himmerland Udviklingsråd covered the Southern part of the region. In between these two peripheral networks, the Aalborg Region Network was situated (Halkier and Flockhart, 2002, 56 and Halkier and Damborg, 2000, 96-7).

Within the formally required partnership consisting of the Executive Committee and NUF, the most influential partner was the County Council as it played several roles in the partnership: primarily, it was the largest financial sponsor of projects; it was responsible of the implementation of the Objective 2 programme; it had voluntarily delegated decision-making authority to NUF and the Executive Committee, implying that it remained overall responsible of the decisions reached within the partnership; and through the Regional Development Department it offered secretariat functions to NUF and the Executive Committee. Moreover, sub-regional actors in economic development were represented primarily as municipality councils with business advisory services in association with local business actors. Similarly, the social partners were represented in both Committees implying their importance to regional development decision-making in North Jutland.

Based on the inclusion of these different actors in the partnership, Halkier and Flockhart (2002, 58), identify three types of partnership: strategic partnerships such as NUF and sub-regional networks that were established during the 1990s (VUR, HUR and the Aalborg Region Network); institutional partnerships implying the connection between the Committees and the private sector actors outside the partnership organisation (the industrialists); and project partnerships that were more short-term. Thus, within the overall partnership approach in North Jutland during the 1994-1999 programming period, Halkier and Flockhart have identified different levels and types of partnerships into a complex organisation of different networks that were related to each other criss-cross. Unfortunately, the study does not go into detail with the nature of such relations, but argues that the partnership was based on the County Council perspective to include 'the relevant actors' and 'all interested parties', which suggests that the partnership in terms of inclusion was very open to the entrance of new interested partners as long as they contributed to the process through their resources (financial, organisational or informational) (Halkier and Flockhart, 2002, 60-1).

A similar study carried out by Halkier and Damborg (2000, 103-9) argues that the relations in North Jutland regional policy-making during this programming period was based on four resource dependencies: authority, finance, information and organisation. For instance, they identify the establishment of sub-regional networks among municipalities (VUR and HUR) as an attempt to pool resources in relation to the County on the one hand but also the Aalborg area on the other. Additionally, they label the exchange of resources between the partnership organisations and surrounding partners, which the partnership (i.e. NUF, the Executive Committee and the secretariat) have created for an implementing purpose, as 'complex' and based on *ad hoc* evaluation of the situation as well as some resource dependencies. These patterns of relations reflected horizontal cooperation between the municipalities within the sub-regional networks as well as among the organisations created by the partnership organisation with the purpose of implementation, as some of them directed themselves to the same clients. Vertical cooperation also took place, especially between the County Council and NUF as well as NUF and sub-regional actors. According to this study, it appears that cooperation in North Jutland regional policy-making towards the implementation of the policy was characterised by several relations among and between actors directly involved in the decision-making organisation (i.e. NUF and the Executive), but definitely also with actors surrounding that organisation without a clear mapping of these relations. Everybody who was 'relevant' and interested in regional development within the framework of the Objective 2 Programme was invited to be involved in the process; or established to

perform specific tasks to the organisation by the organisation; or self-established to counter-weigh the relative power of other partners. Somehow, a picture emerges in which regional development efforts were of two types: either coordinated long-term efforts through the partnership organisation or uncoordinated *ad hoc* efforts concerned with shorter-term efforts. Thus, it was a network of relations among and between organisations formally responsible of regional policy-making in North Jutland (i.e. the Executive Committee and NUF) and those situated outside the formal organisation.

Some indication of the interpretation of the partnership process is found in Halkier's 1997 study: within the triangular partnership, a division of responsibility was present for the processing of project applications generated from the businesses in the region which dates back to the NordTek programme. The Steering Committee (i.e. NUF) and the Executive Committee made up the core decision-making bodies which single out project applications eligible of funding. Through a hierarchical line of work, from the secretariat through the Executive Committee to NUF, the applications were prepared to make them eligible, singled out and in the end recommended to the DATI for Structural Funds support. At the ground level, the secretariat had the immediate contact with the applicant businesses, which together with these actors, prepared the application, sometimes with the advice of the abovementioned advisory committees. This implies that the role of the secretariat was to feed the decision-making system with project applications suitable for evaluation. The applications were sent to the Executive Committee which in most cases formally evaluated the eligibility of the applications and recommended them to the DATI, but sometimes NUF was brought into the decision-making regarding acceptance of the decision made by the Executive Committee in cases of doubt and disagreement (Halkier, 1997, 10-11).

#### **8.1.4 A Combined Historical Institutional and Network Governance Analysis of the Interpretation of Partnership until 2000**

Within the regional policy implementation (institutional) structure, a network of relations transpires although it has not been analysed directly. The network governance approach argues that the relations between actors in a network are influenced by its composition and the resources brought to the network by actors among other things. Here the focus has been on the composition of the two Committees (Steering and Executive) and how the inclusion of actors into this organisation has changed.

The regional level institutional structure can be considered a growing network of relations between regional, local and private actors to become involved in the

development of the region. Therefore, the institutional structure formed the framework in which network relations took place. Evidence points in this direction, as new actors not previously seen in regional policy-making became gradually more involved and purposely invited by the County Council instead of the latter taking responsibility of the policy singlehandedly. The benefits of working together were bigger than the County Council working alone and alternatively, the implementing actors working alone which indicate that the partnership organisation in North Jutland resembled a network. Due to the socio-economic conditions in North Jutland during the 1980s, actors became dependent on each other's resources for partly their own development but also the development of the region as a whole. The delegation of competences to 'relevant' actors by invitation to implement the policy established network relations, as these actors were intended to bring their resources and knowledge to the table, resources and knowledge that the County Council did not necessarily have itself. It must be remembered that the County Council was a politically elected body expected to be responsible for all tasks assigned to it by the Constitution and subsequent public policy and local government reforms. Regional policy had not been a responsibility assigned to the regional level until then. Therefore, a coordinated regional effort had not been employed. Setting up such structures for the coordination of a regional approach to regional policy-making as well as the growing EC regional policy had consequences. Thus, the institutional set up to coordinate this effort initiated a process of change from government to governance in which networks became central at the regional level.

With the decision to change the organisation in terms of composition after the experiment with the NordTek programme, a regional level network definitely saw the light of day. This is particularly clear in the *raison d'être* of the Steering Committee in how it became integrated with NUF and how responsibilities for that Committee were extended. It fits neatly with the definition of a governance network presented in the theoretical chapter, namely that networks consist of public, semi-public and private actors that are interdependent and negotiate within the externally given institution-like frames, but is not an institution since it is self-regulating. Generally, the composition of the partnership in the first Objective 2 Programme following the NordTek programme increased the involvement of regional, local and private actors seen in the NordTek programme, but national level actors were excluded thereby firmly anchoring the network in the region rather than in the national institutional set up. Moreover, certain actors were considered more relevant than others in this structure; it was important that the composition of the Committees reflected the focus areas of the programmes as well as the areas within the region in need of development. Actors involved in these areas were considered 'relevant' as they could

bring resources such as information about the specific needs and political back up to the process. These considerations regarding the composition of the implementation structure, or the partnership, exceeded the requirements of the partnership principle which was first introduced with the 1988 reform of the Structural Funds. It was argued that the partnership principle defined cooperation in a more traditional partite manner, which would affect cooperation and implementation in North Jutland in a negative way in that the right projects with the greatest potential for generating growth might not be preferred. Additionally, the fact that the responsibility for implementation of regional policy was delegated from the County Council to voluntary Committees, and that a functional division of responsibilities between the two was preferred, indicates that a complex partnership organisation was in the making. This structure implied coordination and network relations between the two Committees and the County Council that are not analysed here. It is sufficient to say that the structure established following the first round of Objective 2 programming in 1988, set the context for future complex relations and interaction exceeding the partnership requirements of the EC. From a historical institutionalist point of view, the partnership organisation established in the NordTek programme was re-interpreted leading to conversion of the existing partnership organisation.

A similar result can be found in the analysis of the 1994-1999 Objective 2 Programme continuation of the partnership organisation, despite the addition of advisory actors outside the formally required partnership organisation. Like the inclusion of actors into the two Committees, the involvement of organisations outside the formally required partnership indicates layering to the institution as explained by the historical institutionalist perspective. From a network governance point of view, the partnership organisation developed into a network that invited more and more actors into the network, based on their resources such as information and financial resources relevant to the overall North Jutland regional development strategy, and not so much based on the requirement of the partnership principle as the partnership organisation itself exceeded these requirements ever since its establishment. Other regionally focused arguments have formed the basis of such decisions. As the above analysis has only briefly touched upon the process aspect of the partnership, it is difficult to evaluate whether the process has undergone the same gradual development as the inclusion of actors into the partnership organisation. However, based on the recollection of the interviewees, working closely together has always been central to regional policy-making in North Jutland based on the need to stick together in difficult times (Hav, Pedersen, Lang, personal interviews). Based on the gradual inclusion of more and more partners into the partnership organisation, the web of relations among them must arguably become proportionally complex



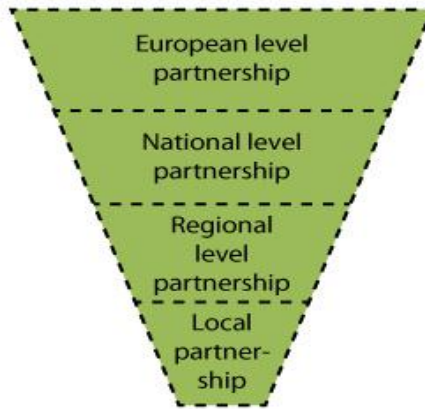
indicating that the process aspect of the partnership must have developed accordingly. But the finer details of how the process has developed are difficult to ascertain in the absence of extensive interview data.

## **8.2 The Funnel-Shaped Partnership Model**

The previously analysed conditions and events have created an environment of multi-level governance in which actors at all levels of government participated, i.e. European, national, regional and local according to their functional responsibilities. In academic literature, the term 'institutional thickness' (meaning a sizeable number of institutions involved and interrelated) has often been argued to be a prerequisite for successful regional economic development. So far it may appear that the Danish case is a typical example of institutional thickness or as the Commissions prefers to term it: partnership. It has been contested, though, whether institutional thickness is necessarily a benefit for regional economic development. The coexistence of all these institutions supposedly "impedes policy coordination, spawns competition between the organisations – and, ultimately, creates confusion among private sector clients." (Halkier and Damborg, 2000, 92) However, I would claim that the success of regional economic development, and to some extent the nature of partnerships, depends on the organisation (inclusion and process) of this institutional thickness. I do not necessarily see the involvement of actors as an impediment. They may, in fact, also bring many resources that may be relevant and necessary for the cooperation to be fruitful. Despite of, or because of, the institutional thickness present in the Danish case, the inclusion and process of partnerships are dependent on a number of factors related to the institutional thickness: resources and, related hereto, the composition of the partnerships (which partners bring which resources?), the organisation of the partnerships, the relations between the networks within the partnerships (formal/informal), the authority given to the partners, etc.

This analysis will take its point of departure in the funnel-shaped partnership model that the National Agency for Enterprise and Construction (NAEC) uses to illustrate how Structural Funds administration has been organised in Denmark (Gregersen, personal interview). It is based on the understanding that Danish Structural Funds administration is a multi-level governance organisation.

### **Model 8.1: The Funnel-Shaped Partnership Model**



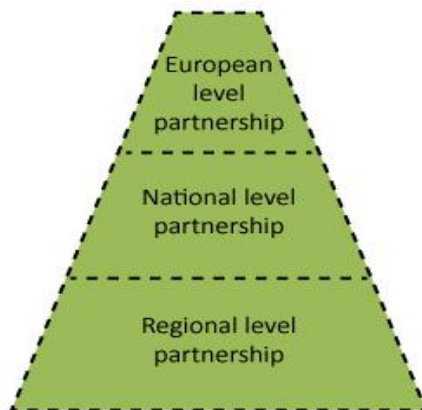
The NAEC model of partnership is divided into four partnership levels reflecting partly the functional division of responsibilities in Structural Funds administration in Denmark, and partly the direction of the line of work in the process: the policy originates from the EU level which is then implemented in the member state, where the national level is responsible of its implementation according to the EU regulation and national practices, and the regional level is responsible of day-to-day implementation of the policy in cooperation with the local level. As such, it is a traditional vertical top-down interpretation of Structural Funds implementation in Denmark. Although this might appear to be a static way of seeing things, the dotted lines illustrate that this is not the case; it is in fact a dynamic, flexible system that works across levels of partnerships. The different levels do interact with each other. The dotted lines also illustrate that the policy seeps through the system from the top to the bottom ending up with regional development as an outcome.

The NAEC partnership model can also be seen to illustrate the importance of the different levels of partnership in relation to each other, the width and depth of partnerships in relation to the different levels and the individual level's influence on the process. With this interpretation the EU level is the most important level in the Structural Funds administration partnership in that this level provides the overall financial, organisational and legal framework in which implementation of the policy takes place. Below that level is the national level partnership centred on the Ministries responsible of the administration of the ESF and the ERDF in Denmark and the NAEC which has been delegated competences from the Ministries. At the regional level, day-to-day implementation takes place involving a wide range of actors. Also the local partnerships influence the process but not equally as much as the regional and

national levels. This interpretation may not be the best illustration of how things really take place. Rather, it is the other way around, in that the partnerships at the bottom are wider and more influential on the outcome than the ones at the top. The levels above are always in a position to veto or undo a decision or recommendation made at lower levels, still emphasising the hierarchical subordination of the levels of government.

Additionally, this model does not illustrate potential horizontal relationships. I am not sure, though, that a single model is able to encompass such a complex organisation. Nonetheless, a model that accommodates the criticisms and preserves the accurate illustrations of the above model can be drawn. Thus, the funnel-shaped model should be turned up-side down to illustrate the importance of the regional and local partnerships in relation to the national and EU level partnerships, but keeping the top-down line of work process. Ideally, the model should also be able to illustrate that horizontal partnership processes are present in the administration structure. This, however, is a work in progress: in order to include these processes the individual partnerships need to be analysed more closely. Before such a task is taken on, the reversed funnel-shaped partnership model is illustrated:

**Model 8.2: The Reversed Funnel-Shaped Partnership Model**



Partnerships are organised at different levels of government reflecting that the policy is to some extent a top-down policy that seeps through a national implementation system based on a functional division of responsibilities with the individual levels of partnerships interacting with each other. Based on this model, the following analysis

attempts to examine the different levels of partnerships individually in terms of inclusion and process during the 2000-2006 programming period with reference to the development of partnership experiences in the preceding programming periods, as analysed above, by applying a network governance approach and the partnership theory presented by Åkerstrøm Andersen. The analysis will then be structured according to the above model where first the EU level is briefly analysed. The EU level will only be dealt with shortly in terms of its role as financially responsible of the policy, and thus, overall responsible of the operation and success of the policy. Second, the national level partnership was responsible of designing and preparing the national programme as well as monitoring its implementation. These tasks were part of the coordinating role which the national level assigned to itself after the termination of state dominance of regional policy-making. The largest amount of work lies in analysing the regional and local level partnership. This is the ambition of the third level of partnership analysis. This analysis uses the case of North Jutland to illustrate how regional and local level partnerships operated during the 2000-2006 programming period based on the developments of partnership during the previous programming periods.

### **8.3 European Level Partnership**

The EU level has always set the EU-wide objectives for regional policy. During the 2000-2006 programming period this objective was based on the Agenda 2000 which was concerned with the financial perspectives of the EU when meeting the challenges of the future enlargements (European Commission, 1999, 3). Similarly, the Lisbon strategy, focusing on the EU becoming “the most competitive and dynamic knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion” (Rodrigues, 2004, 3), influenced the objectives of EU regional policy. Finally, the Third Cohesion Report set “the European Commission’s vision for the future of Europe’s policy to reduce disparities and to promote greater economic, social and territorial cohesion.” (European Commission, 2004, iii) Three consistent themes can be found, i.e. convergence, competitiveness and cooperation; the objective of a more focused and targeted regional policy towards economic growth of the backward regions. In this sense, EU regional policy should be seen in the context of overall EU perspectives and objectives.

The EU Commission is on the one hand a central player in EU regional policy, in that it was (and is) responsible of the effective employment of the Structural Funds in the member states. But on the other hand, it was not directly involved in the process. The Commission was faced with a kind of dilemma, in that it “has no formal say in national

policy execution but it (also) held responsible by other supranational institutions for implementation deficiencies.” (Bauer, 2006, 718) It is difficult to be held accountable of the implementation of a policy which the Commission itself was not directly involved, because it relied on others to carry out on its behalf. Therefore, the Commission was by way of the partnership principle seeking to become involved in national execution, albeit in an indirect role. First, the Commission was the initiator of all regulation regarding the implementation of the Structural Funds, thereby also the legal requirements for receiving the Funds such as the principles of additionality and partnership. Second, the Commission was involved in the process of designing and preparing national programmes and, in the end, the authority to approve the programme. Third, the Commission was represented in the Monitoring Committee, enabling it to oversee that programming took place as it was prescribed in the Programme. Although the Commission only held an observer position during the 2000-2006 programming period, it was in a position to veto any decision made by the Monitoring Committee. Finally, the Commission received and evaluated the evaluations of the programmes which the member states were obliged to submit regularly. Thus, the Commission was in a relative strong position in the partnership regarding the overall framework of the Programme and its effective implementation (value for money). But the Commission was not involved in the day-to-day implementation as this was decentralised to the member states. Bauer concludes in his study on the role of the Commission in the implementation of EU regional policy that “there are indications that during the 2000 to 2006 funding period, the Commission has tried to keep a low profile regarding national implementation allowing for more flexible and decentralized execution.” (Bauer, 2006, 726) Apparently, the Commission withdrew from the implementation stage leaving more and more responsibility to the member states themselves.

It is rather difficult to offer a network governance interpretation of the role of the Commission in the regional policy-making partnership as it only played a minor role in the vertical partnership. This is so because the Commission delegated implementation competences to the decentralised levels in the member states. Despite its retracted role, the Commission attempted to exercise meta-governance through the partnership definition in terms of controlling the inclusion of actors and requiring some kind of relational process to take place throughout the partnership. Whether the meta-governance of the Commission was successful depended on the national interpretation of these requirements according to national regulation and practices. Nonetheless, the Commission being the financial provider to the partnership and attempting to exercise meta-governance, held the weakest position in the partnership compared to the other partnership levels.

## 8.4 National Level Partnership

Based on the functional division of responsibilities, the national level played a clear role in the Danish partnership. The national level was responsible of coordinating policy implementation between the EU and regional levels. It was responsible of providing the national regulatory framework, forwarding programme proposals to the Commission, suggesting overall policy design, matching ESF and ERDF funding, administering the ERDF and the ESF (control and payment of ERDF applications) according to the framework analysed in the previous analysis of *'The Interaction between Danish and EU Regional Policy-Making'* (p. 190) as well as monitoring implementation and reporting to the Commission. Thus, the concern of the subsequent paragraphs is to study how the national level partnership carried out such a partnership role.

### 8.4.1 Preparing and Designing the Programme

According to the Objective 2 Programme, the Programme was designed and prepared in partnership in accordance with Regulation 1260/99 article 8 between the national level and regional and local partners. The national level, i.e. DATI, was overall responsible for coordinating the process and the direct contact to the Commission in the negotiations of the contents of the Programme. The process was initiated in February 1999 when DATI called representatives of the Danish counties, the Association of Danish Counties (amtsrådsforeningen), Local Government Denmark (Kommunernes Landsforening), the Ministry of Foreign Affairs, Ministry of Food, Agriculture and Fisheries, the Ministry of Labour, and the Ministry of the Environment to a meeting to initiate the process of preparing a new Programme. The following process was based upon the work of two working groups (representing the Eastern and the Western parts of Denmark (Erhvervsfremme Styrelsen, 2000b, 3). In these working groups, sub-national representatives were involved in carrying out regional analyses of the future challenges to be addressed. "As a concrete foundation for launching coordinated and targeted business promotion within the region a thorough description of those conditions affecting business development should be available." (translated from Erhvervsfremme Styrelsen, 1994, 8) These analyses of the regional conditions that potentially challenge future regional business development resulted in an overall framework for the 2000-2006 Objective 2 Programme, in which eligible regions could create their own regional complement programme. This implies that the national programme was the sum of all the complement programmes which established the framework describing broadly the focus areas that should be put into practice in the regions (Poulsen, head of the regional policy department at NAEC, personal interview). Thus, the national level was overall responsible of designing and

formulating the national Objective 2 Programme, but regional actors were also involved in the process. It must also be noticed that the room for manoeuvre of the national level and the working groups was not entirely boundless in that the objectives and focus areas of the Programme had to be in line with the guidelines formulated by the Commission as well as the overall EU objective such as the abovementioned Lisbon strategy, etc. (Gjerding, head of the Regional Policy Department in the North Jutland County 2000-2004, personal interview). Accordingly, the task of the involved actors was to apply the overall Commission guidelines to the needs and future challenges of Denmark and the subsequent eligible regions. In this way, the Commission was also indirectly involved in the process; likewise it must be remembered that the Programme had to be approved by the Commission in the end. This nicely reflected the reversed funnel-shaped model where the dotted lines indicate that the different partnerships across levels interact with each other during the regional policy-making process.

Once the overall framework was in place, the next step of the process was for a regional partnership to formulate a specific regional approach to implement the overall strategies for national regional development. According to the Head of the Regional Policy Department in North Jutland from 2000 to 2004, Gjerding (personal interview), it was merely a formal process as the overall strategies had already been decided by the Commission guidelines. Nonetheless, the secretariat at the Regional Development Department at the County was the lead author, as the writing process was mostly about formalities regarding priorities and how to structure the effort that had already been established in the national Programme. The secretariat formulated the essence of the programme (i.e. the challenges that the region faced), the priorities to be pursued and the financial allocation between the ERDF and the ESF (Brask Pedersen, head of the Regional Policy Department in the North Jutland County 1998-2000, personal interview). Although it appears that the secretariat was the only actor at the regional level to be involved in the programme design, other actors also influenced the process. As a technical specialist unit and the one most familiar with Commission regulations, requirements and guidelines, the secretariat was the most qualified body to carry out such task. It was also important to maintain the larger perspective ensuring presentation of a common strategy for the region and not interest-specific perspectives. A steering group consisting of six members (three municipal representatives, two social partners and one from the regional Labour Market Council) was appointed to reflect the knowledgeable interests that were present in the region. These actors were expected to be familiar with possible future challenges facing the region. In this capacity they were able to act as sparring partners to the secretariat. The role played by this working group was to suggest and formulate

the measures to be attached to the priorities defined in the national Programme and, thus, areas potentially eligible for support. Here it was a matter of prioritising areas of support according to future importance based on the SWOT analysis carried out by North Jutland County. Because it was a matter of prioritising, the specific interests of the involved partners might have shone through, thereby creating a breeding ground for discussions among the involved actors (F. Christensen, personal interview). Likewise, actors outside the working group (users of the previous Programmes) sought to influence the decisions concerning areas to be prioritised: for instance the business sector was interested in supporting industrial investments and education of the employed and the University wanted more funds for the expansion of the University (Brask Pedersen, personal interview and Nordjyllands Amt, 2000, 2). Once the North Jutland Complement Programme had been formulated municipalities and other affected local level actors affiliated with the North Jutland business sector were consulted regarding its contents (personal interview with a centrally positioned civil servant at the County Regional Policy Department).

Before the North Jutland Complement Programme was sent to DATI for approval it was formally approved by the regional Steering Committee, NUF (Brask Pedersen, personal interview). This was normal practice, as it must be remembered how regional policy at the regional level was a compound policy area with different policy areas influencing it in the first place. Also, regional development policies in North Jutland were not only financed by EU funds. They were also funded by regional and national funds. These activities had to be coordinated, which was the task of NUF. For that reason, the objectives of the 2000-2006 Objective 2 Programme for North Jutland had to be in accordance with the overall strategy of North Jutland regional development and not overlap alternative initiatives.

It is clear that the national level was overall responsible for designing and formulating the national Objective 2 Programme, and it played primarily a coordinating role in relations between the EU and regional levels in meeting the demands and requests of both levels. The national level was responsible for gathering a national Programme able to meet the demands of the Commission for obtaining funding, while at the same time engaging in dialogue with the regions to find region-specific models to accommodate regional challenges. The role of the national level was also to coordinate the Commission requirements and guidelines for the Programme with existing national policies affected by regional policy ensuring that the frames for a common national approach to Objective 2 programming could be formulated. Once the intermediate process of writing up regional Complement Programmes was



concluded and a final draft was ready, DATI was the lead negotiator with the Commission for its approval.

From a network governance perspective, the programme design process was based on a network of relations between the national level (government and DATI) and the regional levels designing their own working groups for the purpose involving horizontal actors with the national level/DATI as the network administrator (being a lead organisation) ensuring a successful outcome of the process. The network was characterised by resource interdependencies in that, on the one hand, the national level was responsible of the coordination between the EU and the regional levels and ensuring that the Programme was in accordance with national legislation. On the other hand, the national level was not allowed to design the Objective 2 Programme itself as the partnership principle required that a vertical and horizontal partnership carried out this task. Therefore, the national level was dependent on other actors in this process. Moreover, the regional actors held information about the state of regional development at the regional level which the national level did not.

#### **8.4.2 Implementing the Programme**

The national Objective 2 Programme established the division of responsibilities among the partners in its implementation and defined the roles of each partner. This division builds on previous institutional structures, which have many advantages in the implementation process (Erhvervsfremme Styrelsen, 2000a, 56). The most important role played by the national level (represented by DATI which in 2002 changed its name to National Agency for Enterprise and Construction, NAEC) was that of the management authority for the ERDF, and later also the ESF which involved administration and implementation of the Programme including issuing approvals of projects and subsequent disbursement of ERDF funds. After 2003, the NAEC also became responsible of the same tasks regarding the ESF, which until then had been a regional level responsibility. In order to ensure the effective implementation of the Programme, the NAEC was involved in the evaluation and monitoring of the Programme. Like the design of the Programme prompted, the NAEC had a vertical coordinating role between the sub-national and EU levels in the implementation of the Programme. The approval of projects had to be in accordance with EU regulation and parallel national initiatives in order to avoid overlap and breach of national and EU rules and regulations. A considerable role played by the NAEC was to ensure that the Commission got value for its money within the frames of national institutional structures and affected policy areas (Erhvervsfremme Styrelsen, 2000a, 71).

The design of the Objective 2 Programme as well as its implementation was characterised by a network of relations, albeit in favour of the regional level. The national level was not directly involved in the implementation of the Programme based on the functional division of responsibilities in Danish regional policy-making, for which reason the national level had withdrawn from the central network administrator role it played in the design of the Programme. It was, however, financially responsible to the Commission. Arguably, the national level could easily withdraw from the implementation of the Programme and rely on other actors to carry out that task, as the implementing actors have to operate within the framework of the Programme which the national level has approved. Thus, the national level was situated in the background of the implementing network, but in the end still overall responsible of the outcomes produced by the implementing network. Despite the fact that the national level was not directly involved in day-to-day implementation, the DATI/NAEC was able to exercise some network governance in that the implementation of the Programme was regularly formally evaluated and monitored as analysed below. In a sense, the national level operated in the shadow of a regionally anchored implementation partnership.

#### **8.4.3 Monitoring the Programme**

The task of the Monitoring Committee according to Regulation 1059/2000 § 2 and 3 was to ensure that the Programme was implemented effectively and with high quality. Decisions made in the Monitoring Committee must be unanimous. The responsibilities described in the regulation involved approving and launching the Complement Programmes; evaluate the specific progress made in each individual priority of the Programmes to secure a continuous flow of funds and when necessary reprioritisation of funds can be made; and evaluate the yearly reports on the progress of the Programmes to the Commission. The Monitoring Committee may also suggest adjustments or revisions of the Programmes in accordance with EU Regulation.

When planning data collection (i.e. the interviews), all stages of the EU regional policy-making process should ideally be included in order to have a full perspective of the interpretation and implementation of partnership, as research of other member states has argued that variance occurs across the different stages of the policy process. In order to illustrate this in the Danish case, a wide representation of interviewees from the Monitoring Committee was selected representing the various interests included. As it turned out, only a few interviews were needed to illustrate the roles and the relationships within the Monitoring Committee. A picture quickly formed in which the role of the Monitoring Committee in the implementation of the

Objective 2 Programme in Denmark was one of formal supervision of the implementation of the Programme and the distribution of the Funds available (Nielsen, Brask Pedersen, both represented in the Monitoring Committee, Lodberg, Head of Department at DATI concerned with the national approach to regional development 1995-2006, personal interviews). The Monitoring Committee only met twice a year discussing formal issues such as the launch of the Programme, whether the progress of the Programme in terms of spending was according to plan and whether the implementation of the Programme was in accordance with the requirements made in Brussels. As such, the role of the Monitoring Committee was a formal role in overseeing the progress of the Programme because it was required by the Commission. The meetings were concerned with finances and compliance with the EU rules and regulation. Each meeting was structured around an agenda that was followed strictly. Often the items on the agenda had informally been dealt with and discussed in other forums before the meeting, which tends to be a procedure that characterised the implementation system in Denmark, as will be seen later also. Problems tend to have been cleared at lower levels before finding their way to the agenda. This argument will be developed in the forthcoming analysis of the inclusion and process interpretation and implementation at the regional and local levels. For now it is sufficient to say that the Monitoring Committee did not play as crucial a role as could be expected. The fact that decisions made by the Monitoring Committees must be unanimous and that problems were cleared before they were put on the agenda aids the immediate conclusion that the actual influence of the Monitoring Committee was limited compared to the influence of lower levels of the partnership. In fact, the Monitoring Committee has been referred to as a “figurehead” (Lodberg, personal interview) or a “rubber stamp” (Brask Pedersen, personal interview), indicating the inferior role played in actual regional policy implementation. It was present because it was required by EU regulation. In a way the Monitoring Committee was the wing man of the Commission, for which reason it may not be considered an explicit partner in the implementing partnership. In other words, the Monitoring Committee can be characterised as a national level safety valve towards both the regional/local and EU levels.

Since the Monitoring Committee meetings were only concerned with finances and compliance with EU regulation and not particular interests of the regions and specific details of the process of implementation, it might appear strange that the Monitoring Committee was composed of representatives of the Ministry of Trade and Industry (the NAEC), the National Labour Market Authority (NLMA), other involved Ministries such as the Ministry for the Environment and Energy, the Ministry of Food, Agriculture and Fisheries and the Labour Market Ministry, the regional Labour Market Councils,

county and municipal representatives as well as particular interested organisations chaired by the NAEC (Erhvervsfremme Styrelsen, 2000a, 71). This is so because it was required by the partnership to legitimise the process and the coordinating role played by the national level between the regional and EU levels. Thus, the representation of the various interests and organisations clearly reflected the inclusion aspect of the partnership principle: all the required actors were involved.

Another thing to be taken into consideration is that for the 2000-2006 programming period there was only one Objective 2 Programme and consequently also one Monitoring Committee whereas the previous programming period had two Programmes representing each region eligible (i.e. North Jutland and Lolland) and thus also two Monitoring Committees. It was argued that with a unitary national programme it did not make sense to have five individual Monitoring Committees since they all had to operate within the overall national framework anyway. Besides, it would be less complicated to transfer funds from one region to the other, as it would be easier to achieve a synergy in the development and management of the Programme. Using the minutes of a Monitoring Committee meeting on the 17<sup>th</sup> June 2004 to illustrate this point, a decision to transfer ESF funding from the Storstrøm, Århus and Ringkøbing Counties to North Jutland was made because North Jutland was in shortage of funding to support the increased number of unemployed people following a number of staff cuts in the businesses. Instead, North Jutland had excess ERDF funds for infrastructure; funds that could expectedly not be spent due to the changes following the work of the Commission on Administrative Reform (Strukturkommissionen). As a trade-off North Jutland received ESF funds and Storstrøm, Århus and Ringkøbing received ERDF funds for infrastructure in return. This decision was made easier given the Complement Programmes set within the overall national Objective 2 Programme and because all representatives of the affected regions met at the same time in the Monitoring Committee meeting (Nordjyllands Amt, 2004, 1).

During the 1994-1999 programming period, it may be more correct to say that the Monitoring Committees were involved and anchored both in the region but also in the implementation of the programme as the representatives of the Monitoring Committees more closely mirrored the regional partnership. When the Objective 2 Programme for the 2000-2006 programming period was merged into one and a common Monitoring Committee replaced region-specific interests of the previous structure, the present structure somehow lost its regional anchorage and ownership. One interviewee (Brask Pedersen, personal interview) argues that especially the North Jutland region felt that it was assigned a lower priority compared to previously. The

attention that the region had received previously was eliminated with this new structure. Despite this internal view point, it did not have any real influence on the work of the Monitoring Committee that it became more nationally oriented; it was merely cosmetic changes. On the other hand, it may have influenced the role of the Monitoring Committee in the 2000-2006 partnership compared to that of the previous programming period. It aids the argument regarding the inferiority of the Monitoring Committee in the partnership of the implementation process. This analysis is supported by the recollection of a representative of the regional Labour Market Council, Thomas Nielsen, who cannot think of one single time when it mattered whether he was present or not; his personal (representative or regional) arguments were not heard unless they had been accepted before the meeting. For instance, he could have been asked to prepare a recommendation to transfer some funds from one region to the other or from one priority to the other. In this sense, the floor was only his when it had been agreed beforehand and was on the agenda. There was not a culture for impulsive recommendations or ideas or indeed criticism. The meetings were very formal and structured (Nielsen, personal interview).

Similar observations are found in the evaluation of the Objective 2 Programme in Denmark for the 2000-2006 programming period (Teknologisk Institut, 2005). Anonymous questionnaire replies had been gathered regarding the role of the Monitoring Committee. 25 have responded to the questionnaire of which four represent the ministerial level, 11 represent the regional level, five represent the social partners and another five represent other interest organisations. Although the majority (76 %) agree that the Monitoring Committee to some extent contributed to ensure that the Objective 2 Programme was implemented effectively and with high quality, a considerable number of respondents were critical towards its function. It was highlighted that the Monitoring Committee had to be able to deal with too broad a spectrum of issues, thereby making discussions too technical for everyone to participate: “the Monitoring Committee is a pronounced forum for technicians (*specialist knowledge*)” (translated from Teknologisk Institut, 2004, 118, italics my emphasis). It also implied that the members had to read through large amounts of data before the meetings in order to be informed. These two traits together created a forum for discussion that lacked any substance, especially towards the regional administrators that had more knowledge about the specificities of the issues. Thus, the Monitoring Committee was merely a legitimising body without any real influence in relation to the regional/local level.

But the question is what the value of such a partnership was in the implementation of the Programme? If the role of the Monitoring Committee was inferior as the

interviewees suggest, it would not matter who was represented in the Monitoring Committee. It was merely there to meet the requirements of the EU. It may be speculated why this was so. An immediate argument is that a specific implementing culture had been established with the now more than 20 years of experience, where it was unnecessary for the national level or the EU level via the Monitoring Committee to interfere in day-to-day implementation. Problems were dealt with when they arose and for that reason they never became a threat to the process. The system had built-in mechanisms for addressing such problems. Brask Pedersen refers to an implied understanding between the County and the NAEC ensuring that if problems arose they were to be cleared before they reached the Monitoring Committee; this was a tacit agreement (Brask Pedersen, representing Viborg County in the Monitoring Committee, personal interview). Another reading is that the structure of the partnership itself was the filter which absorbed quarrels. This can only be so because the partnership was based on close relations between the involved partners, trust among them and to some extent an implied understanding of the process. Obviously, disagreements may transpire especially between the different levels of partnership (i.e. between the local/regional and national and between the national and EU), because each level had its specific interests and preferences – this was unavoidable. But disagreements never seemed to overshadow the common objective of the overall partnership so agreements could not be reached.

The role of a network to carry out monitoring of the implementation of the Objective 2 Programme in Denmark can be questioned despite that it was an EU requirement, in that several observations confirmed its indifference to the overall implementation process. The composition of the network reflected the resources which the partnership requirements had in mind, thereby characterising the Monitoring Committee as a network involving both private and public actors at different levels of government. Apparently, the relations within the Monitoring Committee were characterised as very formal concerning financial decisions, which were primarily controlled by the NAEC despite being accountable to the Commission in the end. This implies that the NAEC may arguably be considered a network administrator ensuring the successful outcome of the process. In this connection, the criticism of Nielsen that his presence did not matter in the overall decision-making, in that often decisions had been reached before the meetings should not be ignored here. This criticism questions the value of the network (it is safe to say that the Monitoring Committee did not constitute a partnership in the Åkerstrøm Andersen sense, where the partnership is based on mutual agreements to make promises about making promises in the future concerning future cooperation). Network relations appeared to be superficial and a play to the gallery.

## 8.5 Regional/Local Level Partnership

The analysis of the regional/local level partnership is a journey that goes far and wide based on the previous experiences with working in partnership as analysed in the beginning of this chapter, but extending the framework. This journey reflects the complex structure, composition and relations of the 2000-2006 partnership. It is important to make a distinction between formal and informal partnership organisations and their relations with each other. The formal partnership organisation easily reflected the inclusion requirement of the partnership principle and mirrored the gradually extended partnership analysed in the previous programming periods: the required partners were involved in the partnership; otherwise the NAEC and the Commission would not have approved it (personal interview with a centrally positioned civil servant at the County Regional Policy Department who wishes to be anonymous). The informal partnership is situated outside the formal structure; i.e. when the partners in the formal structure met with actors on the regional scene that were not directly involved in the formal partnership decision-making – with the primary network relations and other organisations interested and involved in regional development. Another example is the relations with partners/organisations which the formal partnership organisation itself established. Similarly, project applicants were found here. The informal partnership was in a position to lobby and influence the formal partnership organisation. Thus, the informal partnership's relations with the formal partnership organisation reflected the process aspect of partnership; they supported and legitimised the partnership process as well as they were project applicants thereby proposing the direction of regional development. The following analysis will take a step-by-step approach and initially identify the partners and their internal organisation in the formal structure, followed by identification of the informal partners, their internal roles and organisation in the informal structure. The next step is to analyse their relations with each other; first relations within the formal partnership organisation and next the informal partnership. Soon a complex organisation consisting of many vertical and horizontal, formal and informal relations transpires.

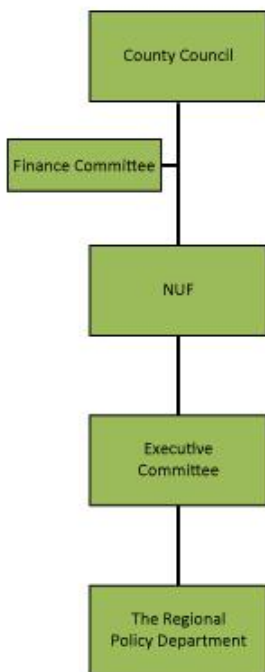
The analysis is inspired by the individual models of the partnership that the interviewees have been asked to draw during the course of the interview. They have offered their interpretation of the organisation with their individual perspectives. They all agree about the formal structure, but variances are found in the involvement of informal partners and their importance. Nonetheless, they all refer to more or less the same organisations and partners. It is only natural that the interviewees perceive the partnership differently from their own respective position in the partnership. They

have not all had the same relations with each other, which is based on the roles they have played and have been assigned. This, however, offers a lively and dynamic picture of the partnership. As such, this is a positive point of departure for the analysis of partnership in North Jutland during the 2000-2006 programming period.

### **8.5.1 The Formal Partnership Organisation**

To begin with the formal organisation of the partnership, a preliminary model is presented. This model develops along with the development of the analysis as more and more layers are added. So this is the core on which the partnership is built:

#### **Model 8.3: The Formal Partnership Organisation**



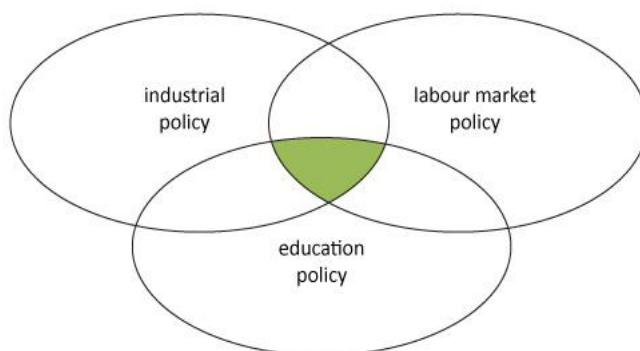
Like the national Objective 2 Programme defined the national partnership, the regional Complement Objective 2 Programmes defined and legalised the formal partnership at the regional level. The Programme set up a Steering Committee and a



secretariat to assist the Committee in its work. "All cases are submitted to the Committee for approval unless it decides to delegate decision-making competences to another regionally anchored body. The Steering Committee can decide to set up a committee or a body with the objective of preparing cases to be submitted to the Committee like it can choose to delegate competences to that body/committee." (Nordjyllands Amt, 2000, 83) The responsibility of the Steering Committee according to the Programme was to manage the implementation of the Programme unless a preparatory or a trial Committee was set up within the same organisation to carry out that task. The Regional Policy Department at the County served as a secretariat to the Steering Committee. Accordingly, the above organisation was defined in the North Jutland Objective 2 Programme. As can be seen from the model other actors were involved in the formal structure. Their roles and responsibilities will be investigated below.

At the regional level, the counties were responsible for employing EU Structural Funds framework measures for programme development and evaluation of individual projects; they controlled the regional development budget of the Structural Funds and the administration of the regional Objective 2 Programme. In North Jutland, the organisation overall responsible for these tasks was the politically elected North Jutland County Council situated in the main city of the region, Aalborg (Halkier and Damborg, 2000, 95-6). EU Structural Funds implementation was organised within the existing national and regional institutional structure. This was also a consequence of the termination of the Regional Development Act in 1991, when a new institutional structure for the implementation of both national and EU regional policy was set up in an effort to coordinate the two approaches to avoid duplicate and parallel initiatives as a reaction to the bottom-up developments during the 1980s, and the subsequent institutionalisation of regional level competences following the experiment with the NordTek programme. Thus, the North Jutland County Council was responsible of balancing the regionally, nationally and EU supported regional policies. These individual policies were sought amalgamated into one regional approach of benefit to the entire region. The County's regional policy objectives were based on the need to unite industrial policy, labour market policy and education policy into one common regional policy approach (Nielsen, personal interview), which is illustrated in the following model:

#### **Model 8.4: The North Jutland Trinitarian Regional Policy Approach**



In 1999, North Jutland County formulated a cohesive description of regional industrial policy for the first time. Until that time, industrial policy was generally characterised by individual contributions from the EU programmes, transport policy, tourism policy, etc. But then a coordination of the individual initiatives was introduced in order to ensure that North Jutland did not get detached from the positive development in the region. In this report, it was emphasised that industrial policy could no longer stand on its own as it was not able to address the regional challenges on its own. Its focus areas needed to be coordinated with other policies influencing regional development such as labour market policy and education policy. Perhaps this was a necessary step in that the focus of the regional industrial policy had been closely in line with the objective of EU regional policy, which at this time changed its focus towards the increased involvement of employment and human resources directed strategies (i.e. the Lisbon strategy). EU regional policy was no longer to be based solely on direct subsidies to businesses' hard infrastructure. Rather, focus was targeted more on soft infrastructure. Likewise, a new round of programming was in preparation where Funds were expectedly cut down for the more wealthy regions in favour of the new poor CEE member regions. Accordingly, the regional development strategy needed revision and a clearer focus ensuring that Funds could be targeted and spent wisely in the areas in most need.

The North Jutland Trinitarian policy approach involved horizontal cooperation among the affected policy areas, and in effect it also ensured the horizontal involvement of

actors associated with the policies. In the coordination of the three individual policies, each of them had a number of actors involved in decision-making and as practical suppliers of services within each policy area. Thus, actors were brought together with knowledge of their specific area. As it turned out some of the actors were repeated in all structures such as counties, municipalities and the social partners (Nordjyllands Amt, 1999, 3 and 10). These actors were considered relevant in the regional political implementation structure since the first NordTek Steering Committee was set up, so in this sense the 'relevant actors' to regional development had always been those involved in the three policy areas that were eventually officially coordinated in 1999. Arguably, this approach had been pursued for years but in 1999, for the first time, it was formally articulated.

The *North Jutland County Council* was thus the main regional sponsor and administrator of regional development policy. Moreover, besides being represented in the key committees and boards, the North Jutland County Council also appointed the represented organisations and actors in these committees and boards.

The *Finance Committee* was a specialist advisory body attached to the County Council represented by elected politicians that dealt with finances and the distribution of its funds. The County Council could decide to send a controversial application to the Finance Committee for advice regarding financial approval. Most often the Finance Committee was not involved in regional policy decision-making; only in cases of doubt (Gjerding, Head of the Regional Policy Department at the North Jutland County, personal interview).

#### *North Jutland Development Fund*

Throughout time, the North Jutland County Council decided to delegate authority to NUF as a coordinator of all regional policy relevant programmes as has been analysed above (see p. 230). The Regulation for NUF defined its purpose as "promoting the general industrial development in North Jutland" (translated from Nordjyllands Amt, 2001c, § 4). In order to promote industrial development in North Jutland, especially two areas were of concern to NUF: to develop and implement regional industrial political programmes in cooperation with North Jutland County, and to initiate the implementation of regionally focused projects especially concerned with the promotion of trade (erhvervsfremme) in cooperation with North Jutland County, the municipalities of North Jutland, businesses and organisations. The coordination function of NUF was particularly important in that not all of the region's municipalities were eligible for Structural Funds support. So, areas not covered by the Structural Funds programme could still be considered in the regionally financed approach in the

pursuit of overall development of the region, and not just the designated areas of the Objective 2 Programme resulting in more even development. Moreover, coordination was important in that North Jutland was made up of 27 different municipalities with their individual business structures and priorities. In order to achieve the goal of common regional development, uncoordinated developments in each of the sectors (that were seen across the region during the 1980s and into the 1990s) had to be avoided in the future (Simensen, personal interview).

This delegation was based on voluntariness: decisions made by the County Council were based on recommendations made by NUF. This division of responsibility and this type of relations was a specific characteristic of the North Jutland approach to partnership that had developed since the NordTek programme; a similar approach had not been seen in any of the other Danish regions although some of them attempted to copy the structure (personal interview with a centrally positioned civil servant in the County Regional Policy Department). It was remarkable how NUF was responsible of dealing with Structural Funds applications, granting funds and at the same time discussing other industrial policy initiatives. The members of NUF were aware of this voluntary delegation of authority and knew that the County Council could decide not to set up the Committee again at any time. They knew that power rested with the County Council in the end. Perhaps because of this special treatment the members of NUF were especially concerned with living up to this trust. This division of responsibilities was also reflected in the fact that industrial political (regional political) issues were rarely on the County Council agenda; these issues had been dealt with by NUF. Although decision-making competences were delegated to NUF, the County Council remained the responsible authority that referred to the national level (Hav, County Mayor, personal interview).

Thus, NUF was a body with similar responsibilities to those of the County Council. The difference was that NUF did not have final decision-making competences but referred to the County Council. The composition of NUF must necessarily be different to the County Council, which was a politically elected body not necessarily reflecting the needs for competences and resources relevant to regional policy-making. Although NUF was also composed of politicians, these were, in contrast to those in the County Council, not democratically elected by an electorate but appointed by their interest organisation with specific regional development knowledge and interests. Thus, NUF was composed of political actors that had specialist knowledge of the regional challenges, as discussed above in the analysis of the foundation of the NordTek Steering Committee and how its membership was extended and elaborated in the membership of NUF in 1992. The aim was to establish a body that had specialist

knowledge of the regional problems ensuring that initiatives, programmes and projects could be targeted at the right issues. The County Council did not necessarily have this knowledge. Thus, the composition of NUF has continuously reflected this demand and consequently changed according to the developments in the regional political context. This was also the case in the 2000-2006 programming period, when NUF was composed of:

- North Jutland County, 3 members
- Representatives of the municipalities in North Jutland, 3 members
- Representatives of regional associations of industrial political cooperation, 3 members
- Social partners, 2 members
- Personally appointed actors representing the business world, 4 members

The composition and representation of members in NUF mirrored the overall Objectives of North Jutland's regional policy approach, the areas of priority in the regional Objective 2 Programme, the network of actors that were outside the formal partnership structure, and past experiences with this organisation of cooperation. Basically, the idea was that the membership of NUF was supposed to legalise the decisions made in NUF regarding selective project selection. In order to legalise such decisions, those affected by the decisions must necessarily have an opportunity to be heard for which reason these interests were represented in NUF (and the Executive Committee). Especially, the personally appointed actors representing the business sector should be noticed in this connection, in that it was considered relevant to involve representation of the businesses directly influenced by the state of flux of the market. They were the primary beneficiaries of the North Jutland regional policy objectives for which reason they should be able to influence the direction of it. Besides, some of the businesses in North Jutland were highly ambitious and innovative and could for that reason be an inspiration to other businesses in the region by taking the lead to overall regional development. Thus, they were considered essential to create legitimacy of the decision-making process (Hesselholt, involved in the design of the NordTek programme, personal interview).

The gallery of characters in NUF was replicated in the Steering Committee mentioned in the North Jutland Objective 2 Programme Complement. This structure was preferred in order to avoid setting up two parallel structures and ensure that NUF was able to coordinate the regional policy effort being informed and up-to date with all regional political initiatives and programmes of the region. The Steering Committee,

which had a more narrow focus than NUF, was established by the rules of procedures determined by the County Council. The rules of procedures defined the Steering Committee's area of responsibility, its composition, its role and terms for meetings. The Steering Committee was "responsible of selecting and recommending projects in relation to the Objective 2 Programme based on the recommendations that the Executive Committee have prepared as well as supervise the implementation of the Programme." (translated from Nordjyllands Amt, 2001a, § 2) So in practice, the tasks and roles of the Steering Committee coincided with those of NUF. From now on these two bodies are considered one, NUF being the Steering Committee. This relationship becomes clearer when considering that the Steering Committee delegated recommendation competences to the Executive Committee.

### *The Executive Committee*

Throughout the previous programming periods, NUF delegated competences to the Executive Committee which was responsible for evaluation of project applications according to the requirements and priorities set up in the Objective 2 Programmes. Implied in the delegation of these responsibilities was that the civil servants of the Executive Committee had to be loyal to the politicians in NUF (Munk Nielsen, a civil servant representing the NES group, personal interview). The Executive Committee was, like the Steering Committee, set up based on rules of procedure for the 2000-2006 programming period. The Committee's composition, competences and terms for meetings were defined hereby. § 2 defined the role of the Executive Committee to involve evaluations of project applications presented by the secretariat to allow the Executive Committee to formulate recommendations to the Steering Committee. Selection of projects had to be based on existing EU rules and national laws (Nordjyllands Amt, 2001b). The Executive Committee was referred to as a specialist, technical body evaluating the projects on their contents and prospects for delivering regional development according to the criteria set up. It distributed the Funds between the projects and either approved or rejected the projects.

NUF was responsible of deciding the composition of the Executive Committee, where the following authorities and organisations appointed their representative(s) (Nordjyllands Amt, 2001b, §1):

- North Jutland County, 1 member (chair)
- The Association of Municipalities in North Jutland, 2 members
- The North Jutland Trade Promotion Officers (the NES group), 1 member
- The Confederation of Danish Employers, 1 member

- The Danish Confederation of Trade Unions, 1 member
- Agricultural Organisations, 1 member
- The Regional Labour Market Councils (RAR), 1 member
- The Vocational Schools' Coalition, 1 member

The Executive Committee had a wider and deeper representation compared to the Steering Committee and NUF. In addition, organisations such as the vocational schools' coalition, agricultural organisations and employment councils were also represented. Some of the organisations were represented in NUF as well, but here they had a different function. The widened and deepened representation of the Executive Committee compared to the Steering Committee was based on the different functions of the two bodies as well as on the previous experiences with the inclusion of actors into the formal partnership, as analysed in the developments of partnership experiences during the previous programming periods, where a gradual widening and deepening of actors was identified. As with the NAEC interpretation of the funnel-shaped partnership model, the regional level partnership was also based on a functional division of responsibilities. This structure was very clear as will be elaborated later.

Compared to previous periods, the Executive Committee was expanded in the 2000-2006 programming period inviting an increased number of municipalities and education institutions as well as organisations that were present in the former structure. In the previous period, only the municipality of Aalborg was represented, but in 2000 representation of the municipalities North and South of the region's capital city were also invited (F. Christensen, Vice Head of the Regional Policy Department at the North Jutland County 2000-2007, personal interview). The gallery of characters of the Executive Committee was established taking into account its function as a specialist body dealing with evaluations of project applications, and that end users with potential to apply for support should be represented. Along the same lines, the priorities made in the Programme (the priorities determined who was eligible of funding) were similar to the arguments presented in the previous programming periods. In order to be able to evaluate the contents and prospects of a given application, these various interests had to be represented in the Committee. Having these actors represented in the Committee further legitimised the decisions made by it as Hesselholt (personal interview) has argued in the *raison d'être* of the establishment of NUF (see p. 218). This was so because all the actors in the formal partnership structure legitimised each other's presence, roles and functions.

### *The North Jutland County Regional Policy Department*

Within the North Jutland County Council, the Regional Policy Department of the North Jutland County Council was the sole provider of financial subsidies to businesses in the region through the partners described above as well as responsible for funding for other development bodies and co-financing regional framework programmes. The Regional Policy Department was the administrative arm of the main political and financial sponsor of as well as secretariat to the Objective 2 Programme in North Jutland and the subsequent partnerships that were set up to implement these programmes. First and foremost, the secretariat supported the decision-making process of the above Committees by administering applications and preparing recommendations for committee meetings, monitoring the implemented projects, contributing to the evaluation of the implementation of the Objective 2 Programme and suggesting new policy initiatives (Gjerding, personal interview), which is also noted in Halkier's 1997 study indicating stability in the roles played by the different Committees and secretariat in the formal partnership throughout time (Halkier, 1997, 11).

In fact, it may be argued that the first task concerning processing of applications and preparing recommendations for Committee meetings was to some extent also part of the portfolio of the Executive Committee: when processing and preparing applications to become 'recommendable' they had to be technically analysed, evaluated and formulated in terms of complying with EU rules (Regulations for granting and applications) and national laws. So in practice, the Regional Policy Department undertook a part of the task assigned to the Executive Committee because it would be difficult for the members of the Executive Committee to know all the rules and Regulations that applied. They had to rely on the Regional Policy Department for this specialist knowledge. Therefore, the Executive Committee merely lent its name to the evaluations and preparations made by the Regional Policy Department (H. Christensen, personal interview). Having these responsibilities the secretariat also had relations with the applicant businesses (or others) for financial support. There was a culture at the Regional Policy Department allowing business leaders and others with a project idea to knock on the Department's door at any time for advice. This dialogue was important for the development of excellent projects in cooperation between for instance the business and the knowledgeable staff at the Regional Policy Department (F. Christensen and Gjerding, personal interviews). Hence, the Regional Policy Department was in an intermediate position between the political organisation (the formal partnership organisation) and the end users.

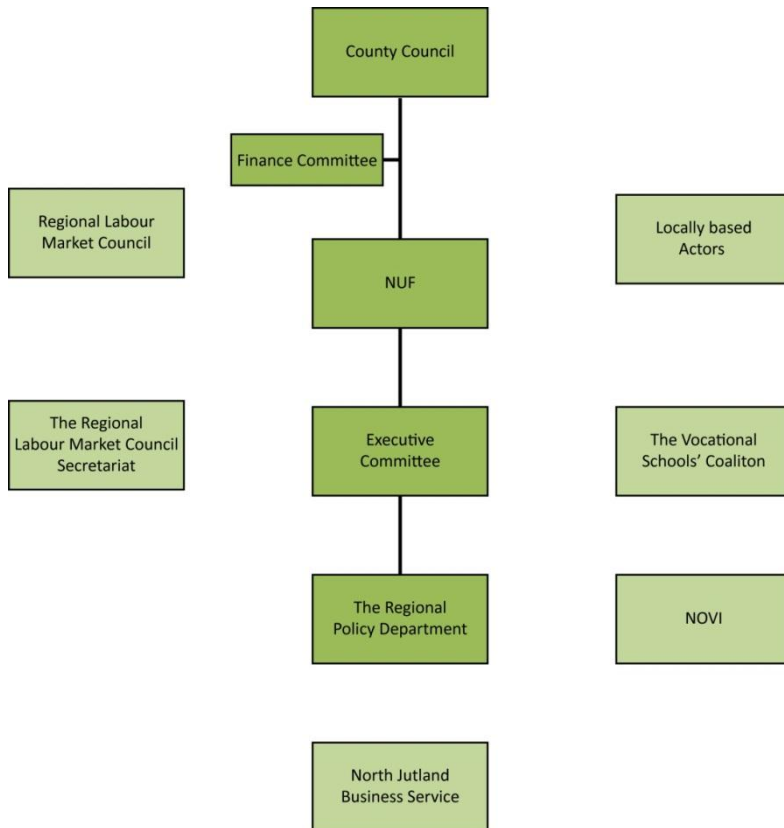


Clearly, the formal partnership organisation during the 2000-2006 programming period was a continuation of the organisation in the previous periods. Thus, the network organisation that was established in the NordTek programme was replicated in the succeeding programming periods establishing a stable decision-making environment, although the inclusion of actors into this organisation was gradually shifting as a response to the changing regional policy objectives generated from the varying challenges faced by the region. The network continued to be based on the need to involve actors and organisations with 'relevant' resources for the implementation of the policy. This type of network organisation required that certain resources were brought into play leading to the interdependent exchange of resources among the partners within the Committees and within the formal partnership, which is the focus of a subsequent section. Having analysed the roles and function of the partners in the formal partnership organisation, focus is already beginning to turn to the relations with the partners outside the formal organisation in that they represent the interests of organisations.

### **8.5.2 The Informal Partnership**

The above analysis of the formal partnership structure mentioned the 'primary network relations' and how they influenced the actors and their relations in the formal partnership structure. It was made clear that the partners included in the formal partnership organisation 'represented' interest organisations in their decision-making. These interest organisations constituted the primary network of the representatives within the formal partnership organisation. The primary network relations are exactly the core concern of this analysis. A number of primary network partners were placed outside the formal partnership structure with both formal and informal relations with the formal partnership. As the primary networks were placed outside the formal partnership, it implied that the interests of the primary networks were represented inside the formal structure and that the primary network relations had a certain degree of influence on the decisions made in the formal partnership structure as information flew back to the primary network from the representatives. Before analysing the informal partnership, a model of the informal partnership should be illustrated:

### Model 8.5: The Informal Partnership



As can be seen from the model, a wide representation of interests was situated outside the formal partnership organisation with relational ties to different levels of the partnership although these have not yet been included in the model. These interests reflected the composition of the partnerships – at least those partners with relations to NUF and the Executive Committee – whereas the partners with relations to the Regional Development Department played more implicit and informal roles as they did not influence the decision-making process itself but rather functioned as advice services to the system. In a sense, all partners outside the formal partnership structure were potential project applicants, some with more activity than others. The following will present the partners in terms of their roles in the informal partnership one by one.

### *Locally Based Actors*

On a local level, local governments were overall responsible for political sponsorship. Nearly all municipalities had a local business development office but their structures, tasks and resources varied considerably. Within North Jutland, 27 municipalities were situated and 25 of these had local business development offices (three municipalities had a joint office). These offices were relatively small and generally managed by a local business council composed of representatives of local business, social partners and local government. The tasks of the local business development offices were to promote the municipality in attracting new businesses to the municipality, to participate in the preparation of development projects in the municipalities, to offer advice to entrepreneurs and SMEs (and also, in line with this, to organise meetings, courses and participation in international activities for these businesses), and to be the link between the regional level and local administration. One municipality, however, stood out, namely Aalborg. Aalborg is the largest municipality and city in North Jutland, and as such it had more resources available. Therefore, the Aalborg Commercial Council was able to offer more specialised advice and carry out larger development projects. Also, it had more resources available for marketing of the municipality (Gjerding, Head of the Regional Policy Department at North Jutland County 2000-2004, personal interview and Halkier and Damborg, 2000, 98).

In addition to the local municipality business development offices, the municipalities had established cooperation across the municipalities. As was seen previously, these cross-municipalities networks were set up during the 1990s to address the problem of limited resources in the relatively small municipality offices and to create economies of scale. In this way, they were able to pool resources from each other and build up a stronger capacity to attract EU funding for the municipality's development projects. It can also be argued that regional development benefitted from cross-municipal organisation and exchange of ideas and resources. Of these networks, the Aalborg Region Network was the biggest consisting of Støvring, Sejflod, Nibe, Hals Hobro and Brovst besides Aalborg, but others such as Vendsyssel Development Council (Vendsyssel Udviklingsråd, VUR) and Himmerland Development Council (Himmerland Udviklingsråd, HUR) were also significant (Hedegaard, Mayor in the municipality of Brønderslev representing VUR, personal interview and Halkier and Flockhart, 2002, pp. 98-9). HUR consisted of four municipalities (Nørager, Aars, Aalestrup and Farsø) in the Southern part of North Jutland and aimed, among other things, "to establish and develop the relations between the companies operating in our area and companies operating in other countries" (<http://www.himur.dk>) as well as to provide specialised advice to the municipalities' businesses. Thus, the most important objective with the cross-municipal networks was to establish relations with each other to enable

companies within the area to exchange ideas and knowledge. VUR gradually developed to consist of eight North-Western municipalities (Hirtshals, Sindal, Hjørring, Løkken-Vrå, Brønderslev, Frederikshavn, Læsø and Sæby) with similar tasks as HUR and they both had their own secretariats as opposed to the Aalborg Region network (Gjerding, personal interview and Halkier and Damborg, 2000, 99).

Though the argument for their establishment was that they did not have sufficient resources individually to attract funds to the municipalities and that regional development benefitted from cross-municipal cooperation, it cannot be avoided to speculate whether especially the establishment of VUR and HUR was influenced by the feeling of competition from the largest city, Aalborg, which was potentially in a more favourable position to attract funds due to its central position both as the home of the County Council and the University where the latter was seen as an engine of growth. According to Hav (County Mayor, personal interview), the problem of the peripheral areas was that they did not have many knowledge institutions to build their development on and only few businesses set up partnerships with the University in the development of new competences, technology and the like for their development. In order to promote such development the municipalities found it relevant to cooperate to be able to compete with the Aalborg Region for the funds. This does not imply that HUR and VUR set up cooperation to outmatch Aalborg; rather cooperation was internal in the two geographical areas to promote their own development. Moreover, the lack of direct ties between the peripheral businesses and the University necessitated to either establish this link and/or to set up cooperation between the local business development offices allowing exchange of experience, knowledge and other resources. It appears from the interviews that the three local networks had always competed and some interviewees have even stated that the other networks were favoured by the County Council (an anonymous representative of VUR, Munk Nielsen (representative of VUR), Gjerding, Stoustrup (representative of the Aalborg Region network), personal interviews).

Of the three local level networks, VUR and the Aalborg Region network were the leading partners in terms of attracting funds. VUR attracted a great deal of funds, according to Gjerding (personal interview) because of its ability to work closely together in generating project proposals. VUR had great ambitions but not the funds to support them. In 2004, VUR drafted a Strategy for Growth in which it was emphasised that the prerequisite for growth was continued close cooperation. It was acknowledged that the area's potential for growth was defined by the frames determined by EU and national regional policy. Therefore, the area had to manoeuvre within these conditions. The focus areas thus reflected the overall objectives of

national and EU regional policies: to attract businesses and people to the areas; to make the area more innovative with a special focus on entrepreneurship and innovative development of existing businesses; to improve the competences of the existing businesses and the work force (upgrading of skills and raise the level of education); to improve infrastructure in the area thereby strengthening cooperation with Norway, Sweden and the Aalborg Region. The Strategy went into detail with each of these focus areas concerning more targeted initiatives based on close cooperation between private and public actors of the area (Vendsyssel Udviklingsråd, Erhvervs- og Byggestyrelsen og Nordjyllands Amt, 2004). Thus, VUR was a central partner in regional development in North Jutland.

The Aalborg Region was not as strong a partner as VUR because it was not as organised, although its position should not be underestimated due to its economic position; the Aalborg business development office was an autonomous actor that took the lead because it was 'big enough' to act alone (Nielsen, personal interview). Besides this office, the municipality also had an independent EU office that was to lobby the EU institutions. These two offices did not coordinate their activities with the neighbouring municipalities for improved conditions for the latter. Perhaps this was rooted in the relationship which Aalborg and the neighbouring municipalities set up following the shipyard closure during the late 1980s, where it was agreed to cooperate constructively and avoid stealing work places from each other, and that development of one municipality was to benefit the others, thereby implying the power relations between them – Aalborg in the lead. Aalborg always had a lead position due to the University being placed here. The University either attracted businesses to the area or spun off businesses that set up close to the University to continue to rely on its knowledge. The fact that the Aalborg area became a transitional Objective 2 area in 2000 implied that the area could not receive as much funds as it had hitherto. This fact toned down the role played by the network in its representation in either NUF or the Executive Committee; its position became more technical than interest driven. It was also argued by the Aalborg representative that Aalborg considered the County's regional policy to be peripherally oriented thereby side-lining and challenging Aalborg (Stoustrup, personal interview).

As Gjerding has stated "HUR spent most of its time being grumpy" (Gjerding, Head of the Regional Policy Department at North Jutland County 2000-2004, personal interview), implying that HUR did cooperate internally to the benefit of the companies in the area, but in the regional policy-making context, HUR was in disagreement with decisions reached – in particular, when they were not to the advantage of the HUR area. It is also seen in the other interviews that HUR was not so influential and

noticeable in the process – the interviewees refer more to the relationship between VUR and Aalborg.

Besides the local business networks, a group of trade promotion officers (Nordjyske Erhvervschefer, the NES group) not including Aalborg Business Development Council was set up. This initiative was based on the fact that the industrial policy of the County was not necessarily in accordance with the ones of the municipalities. In order for the municipalities to be heard, it was argued, they had to speak with one voice. In the beginning the County politicians did not approve of this new group. It was a breach with traditional hierarchical administration relations between the state, the county and the municipality. The NES group disputed this relationship by questioning the dispositions made by these actors. To begin with, the NES group was established as a response to the establishment of NOVI and questioning the central role that technology should play in the region's development; the NES group did not necessarily agree with the County disposition that technology and knowledge exchange, which NOVI stands for, was important to the development of businesses in the (peripheral) areas where traditional production industries were situated. But over the course of time, the NES group became a partner in dialogue (cf. their representation in the Executive Committee) to the County. According to Munk Nielsen (personal interview), who was chairman of the group for 13 years, it was crucial that the overall regional political objectives and strategies were formulated together, taking all perspectives into consideration.

The NES group was not a harmonious group but consisted of trade promotion officers from different municipalities with different backgrounds, focus and emphasis on business development. Some municipalities had strong organisations, while others only set up business departments as an alibi to cover for the intentions to support business environment but in practice they did not set up any initiatives (Munk Nielsen, personal interview). In some municipalities they could be characterised as independent organisations ran by the business environment itself with the support of the municipality. At the other end of the spectrum was a municipality like Hirtshals where business development was of high priority: efforts were coordinated between the business and the planning departments into a united approach towards business development of the area (Simensen, personal interview). Moreover, some of the trade promotion officers were politicians while others were civil servants which also created differences of opinion and objectives. Munk Nielsen (personal interview) argues that the work of the NES group was politicised because the strategies of the individual business departments were assigned to the political objectives of the municipality. This was also to be expected in that the business environment itself did

not have resources to be influential on its own coordinated development – the managing directors were busy running their business. Only a few were directly involved in the decision-making system of regional policy (i.e. the personally designated partners of NUF - the 'industrialists').

### *The Regional Labour Market Council*

As labour market policy was central to the Trinitarian basis on which regional policy in North Jutland was based, it is only natural that the actors involved in this policy area were represented in the regional policy-making partnership. They were thus represented in the formal partnership, but as argued the formal partnership was also reflected in the actors that were situated outside the formal organisation in the informal partnership. Here the Regional Labour Market Councils (RLMAs) were found. Labour market policy was the responsibility of the Ministry of Employment but was implemented by a number of public and private actors. It is important to notice that labour market policy traditionally was shaped and implemented in cooperation with the social partners. Instead of regulating labour market policy based on the law, it was based on regulation through agreement between the employer and employee organisations. This involvement was also reflected in the RLMAs, which were likewise represented by municipalities and the County Council besides the social partners (Jørgensen, 2009, 89).

The Ministry of Employment hierarchically delegated authority to a number of councils and units with different responsibilities such as the National Labour Market Authority (NLMA), which was responsible of policy development of the active labour market policy focusing on the involvement of the unemployed (i.e. the unemployment benefit system). Here, NLMA was the central body for cooperation between the government and the social partners within the active labour market policy offering advice to the Minister of Employment. Then, in each region a RLMA was established to be responsible of monitoring the employment initiatives in the job centres in the region (Jørgensen, 2009, 89-93).

Thus, the RLMAs were responsible of monitoring and analysing the development of the labour market in terms of the level of unemployment within the region, the state of the education and competence level of the workers. Every year, the RLMAs negotiated a contract with the Ministry of Employment that encompassed the objectives and the focus areas to be pursued in the following year. The work of the RLMAs was based on this contract (Hansen, 2002, 29). This implied that the RLMAs were one of the executing partners in national labour market policy.

To return to the North Jutland regional policy-making context, the RLMA was an obvious partner in its implementation since its representation was involved in day-to-day implementation of the labour market policy objectives that were, to some extent, similar to those of the Objective 2 Programme. Because labour market policy was traditionally shaped around the social partners (a wide representation of organisations and specific interests), they had specialist knowledge about the employment situation in the region, which the County Council did not have to the same extent, although, the municipalities and the County Council were represented in the RLMA due to the coordination between national, regional and local initiatives and focus areas. Thus, the role of the RLMA was to offer specialist information about the labour market and employment situation in North Jutland, thereby directing the Objective 2 effort towards the relevant areas. This situation may change from year to year, month to month or even from week to week. The RMLA was informed about this development and was able to react to the changes to redirect the effort accordingly. Here, the primary network relations of the individual partners (especially the social partners) were of value: "The social partners can collect knowledge and information from a broad membership who are affected by the policy which may in turn be disseminated in the political decision-making processes... the parties have a extensively bifurcated network to the concrete implementing actors and institutions." (Hansen, 2002, 14) The trade unions had a wide membership base in the work force and therefore direct information about the employment situation within the specific line of work which they represented. This knowledge could be used constructively in setting the objectives of regional policy-making in North Jutland. Similarly, the employers' organisations also attained knowledge about the employment situation within the region, where focus was on the demand side and types of employees in demand: which types of employees were needed in which lines of business. Hence, together these two organisations could bring information to the table to reduce unemployment and re-educate the unemployed to meet the demands of the businesses.

As labour market policy was regulated by the tripartite network, both employer and employee organisations were involved in the process representing opposing interests. As this was a highly political ideological milieu, it cannot be avoided that disagreements influenced the decision-making process within the organisation. As both parties (i.e. The Confederation of Danish Employers (LO) and the Danish Confederation of Trade Unions (DA)) represented their individual primary network relations, the latter invariably influenced the discussions. According to the interviewees (both parties), these fights did take place but only in times of collective bargaining and strike and mainly on a national political level. At the regional level, the



social partners were in agreement about the strategy pursued: central to cooperation was the overall development of North Jutland in terms of coordinating the three policy areas. Both the regional divisions of the two organisations were engaged in local municipal cooperation, implying that at local level the organisation had business development councils framing local political discussions where national political objectives were put aside. Moreover, cooperation was shaped by the long tradition of working together in North Jutland especially in labour market policy; since the two parties have worked together for so long they have come to know each other and know 'how far they can go' in negotiations (F. Christensen, Lang and Pedersen, representing both perspectives of the social partners, personal interviews).

As the RLMA was supported with funds by the Ministry of Employment, this organisation had its own pool of resources to support specific initiatives. This implied that the RLMA was not a direct applicant of the Objective 2 funds. Rather, its role was to coordinate the Objective 2 initiatives and the national and regional labour market initiatives, thereby influencing the overall objectives of North Jutland regional policy; hence its representation in NUF. As such, the RLMA indirectly influenced decisions concerning the distribution of the Structural Funds in the employment area.

The RLMA was organised with a secretariat that provided services to the council. This secretariat also had relations with the Executive Committee as a civil servant was represented in the Committee and it offered advice to the Regional Policy Department secretariat. This relationship was based on the same knowledge of the labour market policy developments as explained above.

#### *The Vocational Schools' Coalition*

Education policy was also a core concern of regional policy in North Jutland. Education took place at different levels and directed at different lines of business. The University was often referred to as a key provider of knowledge to the businesses for their development. However, other education institutions may also be taken into consideration: the vocational schools directed themselves at the more practical professions such as construction, the food industry, retailing, production and the like. These lines of business were found across the region representing a large quantity of the businesses in the region. Therefore, their work was highly relevant in terms of upgrading employees, educating the unemployed and providing knowledge to the regional policy partnership in terms of necessary improvements and initiatives to be taken to accommodate the demand of the businesses for innovation, and especially in relation to the introduction of new technology. As the level of education in North Jutland was low compared to the rest of the country's average since the mid-1980s,

upper secondary education was also relevant to improve the situation (Nordjyllands Amt, 2003b, 14). These schools entered into cooperation in providing these services to the potential work force that needed either upgrading or a basic education to enter into the labour market. With this knowledge about the education level and the demands of the businesses for education, this organisation was central to the regional development of North Jutland.

Cooperation between the vocational schools was problematic because they all had the same customer base so to speak, which may have fostered competition among the schools instead of cooperation. This internal competition and disagreement influenced the role played by the vocational schools in the Executive Committee; their disagreement resulted in them not always participating in the meetings (Gjerding, personal interview). Officially, the director of AMU Nordjylland (being either an employer or an employee representative) was the representative, but this was not always accepted in the coalition. This implies that the representative of the vocational schools coalition was in a position of dual mandate: he should represent the interests of the entire vocational schools system, but it was potentially unavoidable that he glanced at either side of the employer/employee interests. Notwithstanding, it could be considered an advantage that the partners involved in the respective organisations had knowledge of more areas. The same was seen with the social partners involved in municipal business development policy and municipalities represented in the RLMA. Thus, some of the actors had dual roles thereby ensuring greater coordination of the regional development effort and illustrating the coordinated regional policy approach in North Jutland and the overlap of policy areas. The analysis of the cross-relations will be elaborated later in the analysis of the relations between the formal and informal partnership structures.

Besides that the partners in the informal partnership were indirectly involved in the decision-making and implementation of the Objective 2 Programme in North Jutland through their representation in the formal partnership organisation, a variety of partners were involved either providing advice services to the system, or direct applicants or in their capacity of being created by the system (they were established on the initiative of actors within the formal partnership organisation). They were partners generating development projects through continuous financial support by the system either by the County's own funds, national funds or the Structural Funds. Moreover, they offered advice to users of their services, implying that they can be considered implementers of the programme. Thus, they played several roles: they both provided advice and services to the partnership organisation, they constructed applications on behalf of their clients and they practically implemented the projects

which they had offered advice to. Both of these tasks were financed by regional and Objective 2 funding. This implies that different types of organisations were situated in the informal organisation: those which were directly represented in the formal organisation and those which were created by the organisation<sup>12</sup> due to their required existence to support the organisation.

### *North Jutland Business Service*

To begin with, the advice service system had been around for approximately three decades with the establishment of the nationally founded and supported *Technological Information Centres (TICs)* in 1975. The purpose of these centres was to offer service to businesses focusing more on softer forms of initiatives such as advice and networking contrary to the direct financial support to the businesses. This service was available to all businesses across the region. They dealt mainly with technology-related matters which the other advisory bodies presented below were not specialised in.

In the regions, the TIC advice service system was considered to be difficult to access due to its bombastic criteria for being eligible for advice. It only offered advice to a narrow segment of businesses; i.e. those involved in the development of production and production technology. Based on this inflexible system, it was suggested to establish a North Jutland counterpart – a regionally anchored growth oriented advice service ('væksthus'). In 1994, the *North Jutland Business Service* was set up in order to be able to provide highly professional advisory services to individual businesses within North Jutland with a broader scope than the TICs (Hav, personal interview). Whereas the TICs were national in scope, the North Jutland Business Service aimed at offering free-of-charge-but-limited-in-time advisory services to SMEs within the North Jutland region specifically. Thus, the North Jutland Business Service played a comparable role to the TICs but with a more narrow North Jutland anchorage in terms of funding and regional development goals (Gjerding, personal interview). With the establishment of the North Jutland Business Service, the County promoted coordination of the business support already performed by the municipalities in their business development offices. With this coordinating role, the North Jutland Business Service could influence the overall business development of the regions: "here the general direction of development is decided" (Simensen, city manager in Frederikshavn, personal

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<sup>12</sup> One of these organisations was the tourism network. This sector network financed activities in promoting the tourism line of business in the region partly by Objective 2 funding. Consult Kvistgaard (2006) for more information.

interview) whereas the local business development offices only considered the promotion of the immediate environment.

With the setting up of a regional advice service system the existence of the national TIC system was threatened in that the two parallel systems were competing for the same clients. Eventually, in 2000 this led to the amalgamation of both services into the North Jutland Business Service sponsored by national and regional funds. The North Jutland Business Service had three local offices geographically spread towards the North (Hjørring), the South (Aars) and in the centre (Aalborg), although the office in Aars was closed down in 2002. Each office was responsible of offering advice and dissemination of information to the businesses on an investigative and requested basis. The overall objective of this work was to identify the growth potential of the business, and to initiate development in cooperation with the business which was responsible of implementing the strategy. With this strategy, the intention was to improve the level of competences, the competitiveness and the export share of the businesses to increase the demand for labour (Nordjyllands Amt, 2000b, 6 and Nordjyllands Amt, 2003a, 16). Contacts to the SMEs were often facilitated by the local business development offices or private consultants. Over the years, the North Jutland Business Service offices adapted to the demand of the businesses and focused and specialised their competences to meet the demands. This development reflected the development of society and the development of the businesses in North Jutland (Nordjyllands Amt, 2002, 16).

The *Business and Innovation Centre North (BIC North)* was established in 1997 based on an initiative of NUF, the adjacent Viborg County, the NOVI Science Park and sub-regional actors. It became part of the existing advice service system. The centre covered both North Jutland and Viborg Counties and acted as a strategic partner offering specialised long-term advice to small and medium enterprises (SMEs) in industrial development projects (Halkier and Flockhart, 2002, 96-8). Unlike, the services provided by the North Jutland Business Service, the BIC system was based on a 'no cure no pay' concept where businesses – often redirected from the overall business advice system or the local trade promotion officers to BIC – were offered consultancy support that was valued in a contract. Once the business started making money on the initiative, the business was supposed to pay BIC for its services. In the end, BIC was also amalgamated with the North Jutland Business Service as the 'no cure no pay' concept was not cost-effective (Gjerding, personal interview).

With the North Jutland Business Service offering advice to businesses concerning their potential development, this organisation held knowledge about potential projects to

be pursued. This influenced the organisation's role from advisory to applicant of funds to support the potential projects both for the individual business, but also projects for the organisation itself to be engaged in (i.e. specific areas or lines of businesses that needed advice services). Accordingly, this organisation played a dual role as advisory service to the partnership as well as applicant for the funds.

### *NOVI Science Park*

NOVI Science Park was created by the North Jutland regional policy set up on the initiative of the County Council and Aalborg University. During the 1980s' crises with business and shipyard closures, focus turned towards supporting the development of trade and industry in the region through investment in technology and innovation, which was also the overall focus of the NordTek Programme as portrayed previously. Therefore, in association with Aalborg University, the North Jutland County Council established a science park for the benefit of existing and future businesses in the region with a special focus on a connection between research and production. This implies that NOVI became a science broker to businesses. The intention was that NOVI should assist in creating new work places and be an incubator to new businesses (F. Christensen, personal interview) or in the words of Munk Nielsen (personal interview) "a platform for positive industrial development in North Jutland" leading to the establishment of new workplaces and the development of industry. Since then, NOVI has acted as a science park, and developed competences from being a knowledge centre where it used its own share capital for financing early stage product development, to become an innovation environment supporting new knowledge-based businesses (including the launch of new businesses), evaluating project proposals, undertaking pre-projects as well as a venture capital provider with additional national funds.

NOVI started out with a total budget of DKK 244 million of which 89 million was support from the Structural Funds. Since then, NOVI has applied for and received considerable amounts of funds to support its development and influence on regional development of the region. NOVI was managed as a business owner fund (erhvervsdrivende fond), the NOVI Property and Financing Fund (Ejendoms- og financieringsfond), with a board of directors that included representation of the County Council, the residential municipality, Aalborg University and the social partners (i.e. employers and employees organisation). NOVI Property Fund owns the Science Park buildings which sets the framework of its operation. The NOVI Property and Financing Fund were responsible of providing buildings for the use of people, businesses or organisations working with technology and industrial development (Hav, personal interview and <http://novi.dk/da/om-novi/selskabskonstruktion.html>).

Being created by the system, NOVI was primarily an applicant of the funds to support the task that it was intended to carry out: support and promotion of the level of technology in the businesses in the region in order to improve their competitiveness vis-à-vis competition within the country and internationally. In this sense, NOVI could also be considered an implementer of regional policy in North Jutland. In order to carry out this task, the fund relied on financial support from external investors such as the County and other private investments as well as the expected generation of capital from leasing the property to business owners. This implies that the role played by NOVI in the informal organisation was primarily one of applicant of funds, but at the same time it was significantly involved in the actual implementation of the policy in its role as a provider of specialist knowledge to improve the level of knowledge and technology in the business structure in North Jutland (<http://novi.dk/da/om-novi/selskabskonstruktion.html>).

Without mentioning it directly, the previous two sub-sections have been concerned with the inclusion of partners into the formal and informal partnership organisations based on their roles and responsibilities in the organisations. The following will elaborate on this inclusion.

### **8.5.3 Inclusion in the Partnership**

The inclusion of actors in the partnership in the implementation of Structural Funds policy in North Jutland was arguably dependent on the North Jutland interpretation of partnership as required by the partnership principle, based on the long tradition of participation in regional development in North Jutland. As such, the North Jutland partnership organisation had a long tradition and had seen a gradual development in terms of inclusion of partners since its establishment during the 1980s without much reflection of the partnership definition. To begin with the inclusion of partners in the partnership depended on the County level to voluntarily delegate authority to the core decision-making organisations in the partnership, i.e. NUF and the Executive Committee, which dates back to the establishment of regional level competences to implement regional policy during the 1980s. These two Committees and their attached regional level secretariat made up the core of the partnership due to their decision-making competences; arguably they can be considered specialist think tanks of regional development and decision-making centres, in that they composed of specialised resourceful actors which the County Council itself did not hold. Inside the Committees, members were selected to represent the interests and organisations that were involved in and affected by regional industrial development. These interests and organisations were thus situated in the informal partnership surrounding the

formal partnership organisation. In its capacity as overall responsible of regional policy-making and Structural Funds implementation, the County formally designated the partners in the Committees, but in practise the County designated represented interest organisations and not particular actors, implying that the final say rested with the interested organisations. Thus, these actors were designated by their primary networks. For instance, the NUF member representing the RLMA was selected by the RLMA itself based on internal practise. Here, it was practise that both the employers' and employees' organisations selected a representative balancing the power of the two opposing parties equally. In other words, the composition of the partnership was the overall responsibility of the County, which was essentially based on the institutionalisation of regional level competences that occurred over the course of time, and the institutional position held by the regional level had in the coordinated regional policy institution in Denmark, but influenced by the primary networks which selected their representatives. Composing the partnership did not take place blindfolded but according to deliberate considerations concerning the roles of the actors in the partnership and the relations that these should foster; how to compose a decision-making organisation that was able to generate a successful and innovative regional development according to the institutional framework which EU regulation and the North Jutland regional policy approach together created; how to create an inspiring environment for constructive decision-making (where the actors could suggest and test new ideas and spar with each other); and how to compose a partnership that ensured a legitimate decision-making process. In these considerations, the different actors were involved based on certain resources, which they brought to the partnership over the course of time leading to a gradual inclusion of actors and organisations into the partnership. Naturally, during the preparation of the next Objective 2 Programme, the organisation to implement the Programme was up for revision, but considerations concerning the involvement of 'relevant' actors according to regional need rather than EU requirements were generally preferred.

Partnership in North Jutland was both vertical (decision-making process) and horizontal involving actors across different organisational and policy contexts, based on the resources which the individual partners brought to the process, and based on specific North Jutland emphasis on coordinating industrial, labour market and education policies. Ever since the NordTek programme, the involvement of actors with 'relevant' resources was key to implementation of regional policy in North Jutland. A specific North Jutland partnership approach of involving 'relevant actors' developed based on the rationale of the first establishment of regional level capacity to implement EC regional policy, the need to stick together in tough times during the 1980s, the cooperative culture that developed from here, the experiences with this

particular way of cooperating throughout time and the abovementioned considerations for composing a fruitful partnership. During the 2000-2006 programming period, the inclusion aspect of partnership reflected these developments and experiences and a partnership approach developed that did not necessarily reflect the increased requirements of the partnership principle, unlike the North Jutland approach that was ahead of the EU requirements.

From a network governance perspective, the inclusion of actors in the partnership was based on the consideration of the respective resources which they contributed, besides being 'relevant actors' participating in or influenced by regional industrial development. Four types of resources that appeared to have been considered relevant in this process can be identified: 1) the institutional position of the actors; 2) financial resources; 3) ideas and the ability to take the initiative to instigate new projects; and 4) personal network relations.

Some actors were included in the formal partnership due to their institutional position in the region such as municipal mayors, social partners and representatives or the personally appointed actors (i.e. the 'industrialists'). Their presence in the partnership in itself legitimised the process by representing the primary network relations, which arguably justified the existence of the formal partnership. It was vital that the decisions reached in the partnership for regional development had backing in the areas affected by the decisions. Here, the centrally positioned actors in the municipalities, for instance, were key to coordinate the wishes of the primary network area with the overall strategy of regional development in North Jutland as a whole, just as they were key to bring the wishes of the primary network area to the overall responsible decision-makers of regional development by being part of it themselves. Likewise, having the institutional position in their network, they were able to sell an idea to the primary network fostered in the regional policy-making partnership that may not be acceptable to the primary network in the first place. Besides, the structure of the partnership required political backing across the region in order to legitimise the decision-making process. Therefore, these resources were considered relevant and necessary.

Financial resources appear to be an obvious resource that was demanded in the regional policy-making partnership. It required financial capacity to support regional development and as the Structural Funds could not alone support the development, but relied on additional funding as a condition for receiving it, it was crucial to involve partners that could raise additional funding. From a financial resources point of view, obviously, the County Council was in the strongest position in that it was responsible



of managing the EU funds in combination with its own regional policy budget and, thus, had financial resources available for that purpose. This put the County Council represented by NUF in a central position, although it relied on the financial and other resources of other partners. It was equally important that partners such as the municipality of Aalborg was financially resourceful, and that, for instance, North Jutland Business Service or the RLMA were able to attract private funds adding to the pool of funds.

Creating regional development required the involved partners to be innovative and forward-looking and at times also ready to take an alternative position than expected. It was equally crucial that the actors involved in the partnership had ambitions for the development of North Jutland, and that they were able to bring new ideas to the table, to see things from a different perspective and seize the opportunity to develop innovative projects when they presented themselves. Thus, actors that were able to look beyond traditional ways of business conduct were involved. This type of resource was demanded already at the establishment of the regional policy-making institution in North Jutland. According to Hesselholt, one of the County civil servants being involved in the establishment and development of the NordTek programme, (personal interview), this was one of the requirements of the NordTek institutional organisation and further emphasised in the establishment of NUF during the early 1990s. This argument has been particularly put forward in the reasoning for including the personally appointed actors representing some of the most innovative businesses in the region.

Finally, it is clear from the above analysis that networks of relations existed among the actors situated in the formal and informal partnerships. Partners situated in the formal partnership had network relations with their primary networks in the informal partnership, whereas within the informal partnership several networks represent different interests and organisations. Thus, being engaged in a network of relations outside the formal organisation was a considerable resource in legitimising the process in the first place, but also in ensuring a continuous production of suggestions for regional development projects. Similarly, it may be argued that VUR, HUR and the Aalborg Region network were set up in opposition to the relative power of the County in its role as financial administrator, regional political administrator and coordinator. In the decision-making concerning the distribution of regional development funds, speaking in one or three coordinated voices compared to 27 delicate voices had more impact. It would be easier to overrule the preferences of one municipality compared to a group of municipalities with the same preferences by the County Council which in the end had the final say. Thus, the cross-municipal networks constituted strategic

cooperation in terms of economies of scale (more value for money), more productive generation of project proposals as well as a way of flexing the muscles *vis-à-vis* other actors in the region. This was a two-way process in that project suggestions came from the actors situated in the informal partnership but often inspired by the knowledge and information of the representatives in the formal partnership organisation. Thus, exchange of information took place between the formal and informal partnership organisations. This becomes more evident in the following analysis of the relations between, among and within the formal and informal partnership organisations.

To sum up, from a network governance point of view, the inclusion of partners in the formal partnership organisation was based on the resources which the potential partners could bring to the table in generating a prosperous regional development in North Jutland. These resources contributed to create tight interdependent relations between the partners within the formal partnership organisation and the relations with the informal partnership in the implementation of regional policy in North Jutland. These relations are the concern of the following section.

#### **8.5.4 Relations in the Partnership**

Having analysed the inclusion of actors in the formal and informal partnership organisations and the roles they played herein, it has become clear that relations between and among these actors existed crisscross. The following will attempt to dissect these relations. In order to do this as systematically as it is possible, first the relations within the formal partnership organisation are analysed. Next, the relations between the actors within the formal and informal partnership organisations are analysed. Relations also existed inside the informal partnership influencing the relational ties between the formal and informal organisations. In the end, the partnership model presented above is extended to include the relational ties that the following identifies.

##### *Relations in the Formal Partnership Organisation*

Relations internally in the formal structure and internally in the Committees were primarily concerned with the processing of applications and decision-making about the strategies pursued to promote regional development in North Jutland. This process was structured in a certain way that was built into the functional organisation itself. Things took place in a certain order and each Committee within the formal partnership organisation was expected to act in certain ways as explicated in the respective rules of procedure. This way of cooperating was developed over the years as a consequence of the institutionalisation of regional level capacity to implement

regional policy. A certain culture of cooperation developed with implied understandings, norms and procedures.

To begin with, applicants contacted the Regional Policy Department for advice on an application, or later in the process, when submitting an application. Often, they wrote up the application together taking the project proposal, EU regulation, national and regional objectives and regulation into consideration through use of the advice that the Regional Policy Department offered to the applicant. Sometimes the initiator of a project application was the Department or the County Council itself. When projects were revised and improved to become eligible according to the requirements of EU regulation and the priorities set up in the Objective 2 Programme, they were sent to the Executive Committee for evaluation and prioritising (F. Christensen, Vice Head of the Regional Policy Department 2000-2007, personal interview). At the secretariat level (as well as throughout the system) it was agreed that projects to be forwarded into the decision-making system had to be legal and in accordance with the objectives of the Funds' employment – everything had to be done by the book (Stoustrup representing the Aalborg Region network and Gjerding, Head of the Regional Development Department 2000-2004, personal interviews). Thus, the project application was carefully prepared. It was crucial for the further processing of the application that the preparatory work was precise and thorough. With this, the foundation of a relationship of trust and mutual respect was built shining through the entire system.

The Executive Committee then formally discussed the eligibility of the projects, which was prepared by the Regional Policy Department. The Regional Policy Department would not submit an application to the Executive Committee unless it was in accordance with requirements. In such a case it could be wondered whether the Committee was obsolete if the work had already been carried out by the secretariat. This was not the case. It was difficult for the members of the Committee to have the same specialist knowledge of EU regulation as the secretariat did since it dealt with EU Regulation on a daily basis. Rather, the Committee members had other specialist knowledge that was more relevant in discussing the prioritising that was necessary in terms of pointing out areas and projects in need of support compared to others when administering and distributing the funds available to support the projects. The Regional Policy Department did not directly consider this when processing an application. The Committee members simply trusted the objectivity and professional competency of the secretariat staff in their evaluation of the legality of an application. So despite the theoretically clear functional division of responsibilities, these were somewhat overlapping and blurred in practice.

The Executive Committee pointed out projects to receive funding (in cases where there were more applications than funds) based on the eligibility evaluation and based on priorities that had funds left to support the project. The further along in a programming period the fewer funds were remaining. If a priority was running short of funds, serious prioritising needed to be made implying that other factors had to be considered as well, such as geographical distribution and whether a similar project was already receiving funds. This was a serious discussion that was concerned with creating jobs. F. Christensen (personal interview) emphasises the seriousness of these discussions and decisions: they were responsible of distributing huge amounts of funds and directing them to prosperous projects for the benefit of the region. This implied that some projects could not receive as much money as they applied for, if others also were meant to be able to receive support. In order to be able to make such difficult decisions, sometimes the tone among the members was spiced with humour although recognising the seriousness of the task. This illustrates that the personal relations between the members also influenced the decisions. Thus, meetings were both very formal because they were based on an agenda and concrete issues to relate to and they were, at times, informal because of the personal relations between the members. This proved to be an important condition to the well-functioning of the partnership.

In this discussion, it was also unavoidable that relations with the members' primary network influenced the process, partly because the respective members had more knowledge of their own area, and partly because of lobbying taking place behind the scenes (informal relations with the primary network relations). This was so because when setting up an Executive Committee that 'reflected North Jutland', it was unavoidable to compose it of actors that had interests in specific development potentials; it was impossible to have 'neutral' members because of the limited size of the region. It was a challenge to balance, on the one hand, knowledge that was of benefit to the entire region but, on the other hand, not giving preferential treatment to some compared to other projects and areas based on for instance particular knowledge of a specific business or education institution (Pedersen, personal interview). Sometimes discussion centred on the development and support of members' own immediate environment. "In a way the decision-makers are indirectly the project applicant" (H. Christensen, personal interview). Because the actors in the informal partnership were represented in the formal organisation, while at the same time working behind the scenes to create applications for their own projects, they indirectly became part of the decision-making process via their representative. Thus, a dual role was played by the representative establishing relational ties with the informal partnership either as an applicant or in the capacity of being an advisor.

When the general interest of the representative became a primary network interest, it was a different matter: a built-in mechanism concerning legal capacity (*habilitet*) was part of the rules of procedure implying that if a person was directly involved in an application he/she had to step outside the door when that application was discussed so that he/she could not influence the decision (Nordjyllands Amt, 2001b, §7). Despite the potential conflicts these dilemmas could generate, most interviewees agree that this was not the case. "It was possible to stand firm on one's position (in regards to one's primary network relations) and still be respected and have constructive discussions for then to reach a compromise which was necessary" (Pedersen, personal interview). It was necessary to take the political reality into consideration. Decisions were taken in majority, and generally decisions were characterised by consensus (H. Christensen, F. Christensen, Pedersen, personal interviews). Perhaps this was so because the Objective 2 Programme determined the framework in which these decisions had to be made; these were impossible to deviate from. Likewise, the overall North Jutland strategy decided by the County Council, on which regional policy should be based, also formed the basis against which decisions were made. It should be noticed, though, that reaching a decision did not necessarily imply that discussion did not take place.

Applications could also be turned down here. Then they returned to the drawing board for revision in the hope that they could be improved and submitted later (H. Christensen, personal interview).

The Executive Committee can be considered a preparatory committee that controlled the quality of projects, and where sensitive discussions took place. The Executive Committee consisting of civil servants could more easily objectively review a project as these discussions were not based on political ideals but more pragmatic redistribution of funds. The role of NUF was to politically support decisions made by the Executive Committee, thereby legitimising these decisions in the political organisation, which may also be reflected in the distribution of approved/rejected project recommendations<sup>13</sup>. As the Executive Committee made 'recommendations' to NUF, in theory, all recommendations could be overturned, but in practice this rarely happened. Most often NUF agreed with the decisions made by the Executive Committee. Only in few cases of doubt regarding legalities, a project was discussed in NUF.

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<sup>13</sup> Although it has not been possible to attain such statistics, the interviewees agree that it was very rare that NUF overturned a decision made by the Executive Committee.

As mentioned, the responsibility of NUF was to ensure political backing in the decisions and recommendations made by the Executive Committee, both internally in the decision-making system but also externally in the politicians' primary networks, and to coordinate regional policy activities in labour market policy, industrial policy and education policy. These two tasks influenced the work and the relations within NUF. Especially the overall coordination appears to have challenged the cooperation between the actors, in that although some of them were municipal mayors with municipal political strategies, these had to be set aside to see the bigger North Jutland perspective. This manifested itself in two issues that influenced relations and exchange of views: first, there were geographically diverging viewpoints. The largest city of Aalborg represented one viewpoint whereas the smaller municipalities in the periphery of the region had diverging interests. This was particularly evident in the disagreement about who should receive the funds. The peripheral municipalities argued that the Aalborg area received the most funds and that the peripheral areas were neglected and vice-versa (anonymous representative from VUR, personal interview). According to Gjerding (Head of the Regional Policy Department at North Jutland County 2000-2004, personal interview), if looking at statistics, they would say that the Northern municipalities in Vendsyssel were the areas that received the most funds, despite their own different perception. This illustrates what Gjerding calls 'parochialism'<sup>14</sup> implying that some municipalities were more concerned with how much funds were allotted to themselves compared to the neighbouring municipalities (and in particular the Aalborg area) instead of maintaining a birds eye perspective on things.

These differing viewpoints were related to the second issue of discussion concerning whether development should be based on innovation and new technologies or traditional production. Some of the peripheral areas argued that new technology and innovation was not necessary to create new work places, rather focus should be on more simple projects. In a rough sketch, traditional industries were generally placed in the peripheral areas, whereas industries based on technologies were placed closer to Aalborg where the University was also situated. So, some of the municipalities in the peripheral areas argued that the regional policy objectives for North Jutland were

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<sup>14</sup> Parochialism refers to when Denmark was made up of small municipalities and counties before the public sector reform in 1970s establishing fewer and larger municipalities and counties in the effort to deal with the increasing uneven regional development problems due to socio-economic events (the work force moved from the rural areas to the cities) during the 1960s. In this set up, the small municipalities were often influenced by the parish council and was very locally oriented (looking out for one's own, so to speak) (Gjerding, personal interview).

centralistic and only complying with the needs of the areas around Aalborg and not the development of the entire region. "It appeared that the more technical and academic the projects were, the easier it was to approve them" (anonymous representative of VUR, personal interview), implying that the projects initiated in the area around Aalborg with a clearer technological objective had a better chance of receiving funds, compared to project applications based on low-technology and development of production in the peripheral areas that were often turned down. Despite a different view of some of the peripheral areas, perhaps it was with good reason that the overall objective of the region's development should be based on knowledge and technology innovation; this could also be of benefit to businesses that did not see the potential to begin with. Innovation, new technology and knowledge did not necessarily have to be as grandiloquent and intangible as the peripheral businesses imagined it to be. Rather, the point of departure should be in the needs of the specific business and the development of the existing competences and technology. Perhaps this has been a misunderstood dialogue between the different partners. These ideological struggles mostly took place between Aalborg and VUR, whereas HUR did not have any problems with cooperating with the Aalborg Region network as this was also of benefit to the Himmerland area (Mathiasen, personally designated 'industrialist' situated in Aars in the Southern part of the region, personal interview). Thus, this constituted a political struggle over the objective of the policy: whether focus should be on technology and knowledge exchange or whether the traditional business development should also be supported.

Despite these differences of opinion, cooperation in NUF was based on mutual respect and the need to cooperate towards a common objective for the region. Everybody could put their local patriotism behind them and worked towards a common objective (Mathiasen, personal interview). Finding common ground was the overall objective of NUF. Most of this parochialism took place in the primary networks and not among the members of NUF. Nonetheless, all members had specific knowledge about their own areas which they brought to the discussion shedding light on the issue from different perspectives so that the best possible solution could be reached. Stoustrup, representing the Aalborg Region network (personal interview), highlights the relative importance of being in agreement with the primary network when discussing or supporting items on the agenda in relation to achieving the regional development strategy of the region. Here, the difference between the region's overall regional policy objectives and the individual municipalities' became evident. This implied that everybody was generally in agreement that common objectives and strategies (to promote development in the areas with the preconditions and qualifications for development in the existing business structure)

for the development of North Jutland had to be pursued, but how to pursue them the members could not always agree (anonymous representative from VUR, personal interview). Everybody agreed, though, that the development of a specific area (i.e. Aalborg or Vendsyssel) also benefitted the entire region.

Committee meetings were structured around an agenda allowing NUF to approve or reject the projects recommended by the Executive Committee, as well as discuss the state of overall regional political objectives and specific projects and/or partnerships established in the surrounding network. Furthermore, this points in the direction of a highly institutionalised organisation for regional development. Moreover, it is an indication of the centrality and importance of regional policy-making in North Jutland, both with regards to North Jutland's own development and meeting the requirements of the EU in order to receive the Funds; it is important to show the NAEC and next the Commission that in North Jutland everything was proceeding according to plan and by the book. This special organisation of regional policy-making with divided areas of responsibility between two Committees, based on clear institutionalised procedures on how to carry them out, emphasises that North Jutland wanted to be taken seriously at the national and EU levels. Perhaps this was the outcome of years of experience resulting in an apparently highly structured way of conduct with implied understandings, norms and organisation. A special culture of cooperation developed in North Jutland based on the NordTek experience in the mid-1980s – a culture that might appear rehearsed, organised and staged to the third party.

Nonetheless, the Executive Committee was definitely influential in the decision-making process; this was evident in the fact that the Executive Committee was represented by wider interests more in touch with the details in regional development than NUF, which was intended to have a bird's-eye view on regional development to ensure that all initiatives were coordinated (the Executive Committee was responsible of the details of the initiatives supported by the Structural Funds in the Objective 2 Programme). Thus, the Executive Committee members could make decisions independently regarding the distribution of regional policy-making funds. However, some of the interviewees do not completely agree with this statement. A representative of the Trade Promotion Officers (the NES-group) (Munk Nielsen, personal interview) argues that as long as the Executive Committee referred to NUF it was politically controlled by their guidelines and regional political preferences i.e. that the decision-making capacity was subordinated to the political actors. Similarly, the Mayor of the municipality of Brønderslev, Hedegaard (personal interview) agrees that some of the decisions made in the Executive Committee were political (civil servants making decisions on behalf of politicians), mainly in cases when the members could



not agree. It may be argued that it was not that risky for NUF to let the Executive Committee evaluate and decide the projects for recommendation (political or not) in that the rules of the game have been set in the preparatory work when the Objective 2 Programme was designed. All decisions had to be in accordance with these priorities and objectives leaving very little room to fail.

Therefore, NUF could easily rely on the Executive Committee to do its job. Maybe this was so because, traditionally the relationship between civil servants and politicians is characterised by hierarchy and the traditional division of responsibilities between civil servants and politicians; politicians rely on the civil servants to carry out the tasks decided by the politicians. Civil servants cannot work against the will of politicians; they are obliged to give advice to the politicians when they ask for it (Gjerding, personal interview). This implied that the decisions and recommendations of the Executive Committee could never stand alone without political support. In this sense, the two Committees were dependent on each other's resources; i.e. NUF was dependent on the specialist knowledge and primary network relations of the Executive Committee, whereas the Executive Committee was dependent on the political authority of NUF to legitimise their decisions. So in the formal system, no Committee could function without the other. The same was the case with the secretariat: the system could not function without the secretariat and vice-versa. This system, and relationships within the system, was based on voluntary transfer of competences from the County Council to relevant partners in regional policy-making in North Jutland; therefore the voluntarily established partnership in North Jutland was dependent on the County Council for its existence. Lang (personal interview) provides an example of a case where the County Council instructed NUF to act according to their wishes: an international company was interested in setting up a branch in North Jutland. But in order for this to happen, representatives of this company argued that it was necessary to receive additional regional funds to support its establishment. Thus, NUF was compelled to set aside some millions for the project. This was purely a political decision to attract new companies to the region and create jobs. There was no particular focus on regional development. In this case, the voluntary partnership organisation was directed to act in a certain way that was a political priority of the County Council. So the partners (i.e. the County Council, the secretariat, the Executive Committee and NUF) within the formal partnership organisation were mutually dependent on each other's resources and existence although asymmetries of power existed.

On the face of it, the formal partnership structure appeared to be highly hierarchically organised as a clear division of responsibilities and hierarchy between those who

decided and those who prepared the basis for these decisions was in place. Arguably, this division of responsibilities and relationships appeared to be 'staged' to be shown to the surroundings (i.e. the EU) that cooperation was important and mattered to an effective implementation of regional policy. This was particularly evident in the fact that many links (Committees) had approved of a project before this was submitted to the NAEC for final approval. This line of work implied professionalism and strict employment of the modus operandi of EU regional policy implementation. This line of reasoning was supported by the argument presented above where decisions reached within the Executive Committee often were unanimous, which was probably the case due to the framework provided by the Objective 2 Programme and the regional policy objectives of the County Council (NUF). Arguments point to a highly formal way of structuring decision-making within the formal partnership. Based on this procedure, it could be discussed whether the formal partnership resembles a partnership or a network. It appears that the room for manoeuvre of the actors in the partnership was set by the institutionalisation of the Objective 2 Programme and the overall North Jutland regional policy objectives, leading to the immediate conclusion that partnership in North Jutland was perhaps best characterised as a network. Partnership is expected to be a 'freer' process where the partners engage in cooperation with each other based on promises to make new promises about future cooperation. Apparently, cooperation was set by formal and static rules for its operation. Thus, so far evidence of relations within the formal partnership organisation points towards a network rather than a partnership as Åkerstrøm Andersen suggests, but more evidence is needed to support this conclusion.

#### *Relations between the Formal and Informal Organisations*

As mentioned in the analysis of the actors and organisations situated in the informal partnership, two types of organisations were situated here. On the one hand, some organisations were indirectly involved in the decision-making in the formal partnership organisation through their representation. These organisations constituted the primary network relations of their representatives in the formal organisation, as well as project generators with particular interest in their own geographical or organisational area. On the other hand, other organisations played a different role as they were created by the partnership with the objective to be able to provide services and advice to the partnership and to implement its objectives. In this capacity, these organisations became both project applicants and implementers. Playing these roles influenced their relations with the formal partnership organisation.

In a sense, all parties in the informal organisation had a stake in the decision-making of the formal partnership organisation as the decisions influenced their area or

organisation, implying that they became indirectly part of the formal organisation though they were situated outside it. This influenced the relations between the two organisations, and in turn, also the relations within the formal organisation. Here, the relations between the two organisations are analysed leading to more precise characterisation of the partnership in terms of process. Likewise, the members of the formal partnership organisation were also represented in the board of directors of the organisations outside the formal organisation. Thus, relations were dual. Arguably, this fact legitimised the regional policy-making process: it was not possible to create legitimacy about the decisions made in either Committee if the nominated project was not mirrored or represented in the decision-making of the Committees regarding its eligibility (Gjerding, personal interview). Thus, a preliminary conclusion could be that the informal partnership justified and legalised the formal partnership organisation. In other words, without the informal partnership, the formal partnership organisation could well have been any type of network to implement the objectives of a public policy or a traditional decision-making process where things were put on the agenda and processed as indicated in the analysis of the relations in the formal partnership. The informal partnership and its relations to the formal partnership organisation were key to understand the interpretation of the process aspect of the partnership principle in Denmark, and North Jutland in particular. Therefore, these relations are analysed in the following.

First, it is crucial to consider the relations between the formal partnership organisation and the represented interests and potential applicants outside it, such as the locally based actors, VUR, HUR, the Aalborg Region Network and the trade promotion officers (the NES group), the RLMAs and the vocational schools' coalition. Evidently, these organisations were all represented in the formal organisation and were able to influence, lobby or convince the decision-makers. Having representatives in the core decision-making of the distribution of the funds could be considered an advantage to the primary network relations, in that they, via their representative, had access to information about the priorities and potential needs for project applications, enabling them to apply for those attached funds. In this manner, the primary network relations could take advantage of the knowledge of the representatives concerning future strategies, rules and Regulation which had to be adhered to in order to initiate a project application. As H. Christensen (personal interview) argues: "it was crucial to formulate the application in such words that could open the money box". This implies that when writing an application, it was important to utilise the right vocabulary to achieve the EU funds. The representative held information that was of value to the primary network relations for their development. In this sense, the primary network relations were in a position to take advantage of the knowledge of the representative

when formulating the application as he would be familiar with the requirements for receiving the funds. Moreover, the primary network relations would also be in a position to exploit the representative in different manners: to persuade him to argue in favour of projects that were rooted in the organisation or the area which it was attached to (e. g. the municipality).

It might appear that the relationship between the representative and the primary network relations was only concerned with the primary network exploiting the position of the representative, but this was not the whole picture. Relations were also to the benefit of the representative, as they helped his preparations for meetings. A number of interviewees (Hedegaard, an anonymous representative of VUR, Stoustrup, personal interviews) have explained how the representatives consulted the primary network relations before meetings in order to be prepared. This was perhaps more pronounced with the members of NUF as politicians are traditionally fed with information from their civil servants or colleagues in the local business development offices. It was crucial for the members of the Committees to be prepared for the meetings to ensure that decisions were made on the most informed, unbiased and professional basis. Everybody involved in decision-making acknowledged the seriousness of the decisions as they administered huge amounts of money and influenced the future development of the region and the businesses within it. This implied that decisions were always made based on well-prepared work of the Committee members. Thus, the fact that the representatives were in fact 'representatives' of the particular knowledge of certain organisations and actors in regional development legitimised the decision-making process, but, simultaneously, it forced the representative to be very careful not to let the primary network relations influence decisions to such an extent that it became unprofessional and biased. In order to avoid this, rules concerning legal capacity were set up; in cases when a representative was directly involved in an application he could not participate in the evaluation of it.

Despite the potential for conflict concerning the preferential treatment of one's own interests *vis-à-vis* others, this scenario rarely played out according to many interviewees (H. Christensen, Hav, an anonymous representative of VUR, Stoustrup, Simensen, personal interviews). Rather, discussions were constructive and based on the preparatory work of the Regional Policy Department, first, in formulating the applications together with the applicant; next, the preparatory work of the members of the Committees before the meetings so that they were informed about the issues that they had to discuss and decide upon; the trust and implied understanding among the members about the objectives of cooperation avoiding to spend time discussing

these irrelevant issues; and finally, the Objective 2 Programme and EU regulations against which decisions had to be made. In this connection, the influence of the primary network relations became a matter of legitimising the decisions made by the Committees and not a matter of influencing the outcome towards one's own preferences. Moreover, the partners acknowledged that their task was to create jobs and generate development; a task that they had to carry out together in consensus. Focus was on implementation of the objectives of North Jutland regional development structuring the partnership. The Regulations and the Programme determined what the money can be spent on, the North Jutland partnership decides what the money was actually spent on (Hav, personal interview).

Another perspective on the relations between the representative and the primary network relations was that the representative was not allowed to make decisions that conflicted with the position of his own primary network as he represented their point of view. This was particularly the case with the social partners which had opposing interests; one represented the employer side whereas the other represented the employees. The social partners were characterised by a political agenda that was centrally managed although in North Jutland, high ideological politics had not been on the agenda. Generally, both parties agreed that the overall objective was regional development and that everybody had to work together to achieve that aim. It was implied that in some areas, the two parties could not agree and cooperate, such as issues of collective agreement or work environment; these issues were discussed in other forums. As Pedersen (personal interview) formulates it: "we needed to take the political reality into consideration." Thus, it would not make sense to demonstrate one's political position if work places were lost as a cost of this fight; rather it would be more constructive to find solutions to the unemployment problem together. This would also benefit the businesses in the end. So in this sense, it was not considered legitimate to make decisions in the Executive Committee or NUF that conflicted with the perspectives of the primary networks, and it was accepted by the Committee members that it was necessary to consult the primary networks for their approval before a final decision was made in cases of doubt. In cases where the primary network relations overturned the decision, the respective member had to return to the Committee to re-evaluate the decision. This observation is supported by the County Mayor, Hav's (personal interview) recollection of the partnership operation: he describes NUF as an organisation characterised by consensus based on the shared understanding that in cases of disagreement all actors could use their primary networks for consultancy, and in cases of their disagreement it was possible to renegotiate the issue. He cannot recollect that the Committee was compelled to vote on an issue of disagreement. This is in line with the argument of another interviewee

who claims that the decision-making system (internal in the formal organisation) was characterised by honesty which was based on trust among the members: when the members trusted one another they acted more freely and could be open about what they could agree to and where their limits were (Pedersen, personal interview). Apparently, trust among the members of the formal partnership organisation and their support base was crucial to the decision-making process.

Trust was an issue in information-sharing within and between the formal and informal organisations. It was only natural that some members in the formal partnership had more knowledge about their own areas of interest or network compared to the others and vice-versa. This information was supposed to be used to the benefit of the development of North Jutland, implying that possessing this knowledge should not be used for one's own benefit. It was practise that everybody shared their knowledge and resources ensuring the best possible decisions were made, although it could not be avoided that holding certain information could promote some projects to the detriment of others. Generally, decision-making was characterised by respect and mutual sharing of information. According to practically all interviewees, cooperation in the Committees was characterised by good relations, mutual trust and respect (Hav, Simensen, Hedegaard, Pedersen, an anonymous representative of VUR, H. Christensen, Mathiasen, personal interviews). Gjerding (personal interview) describes the trust relationship as a game in which the actors participated. They all know one another well because they were a relatively limited group of people. Knowing each other so well, it was not accepted to cheat one another; you only did that once and then you learned your lesson. As Lang (personal interview) formulates it: "there is no personal gain – it costs" implying that if a partner tried to influence a case to his own benefit, he would be punished by his co-partners later (maybe they would not listen to his advice). This was a game with clear unwritten norms that had been around for a long time based on the institutionalisation of the partnership dating back to the NordTek programme and the experiences made by the actors throughout time implementing regional policy in North Jutland.

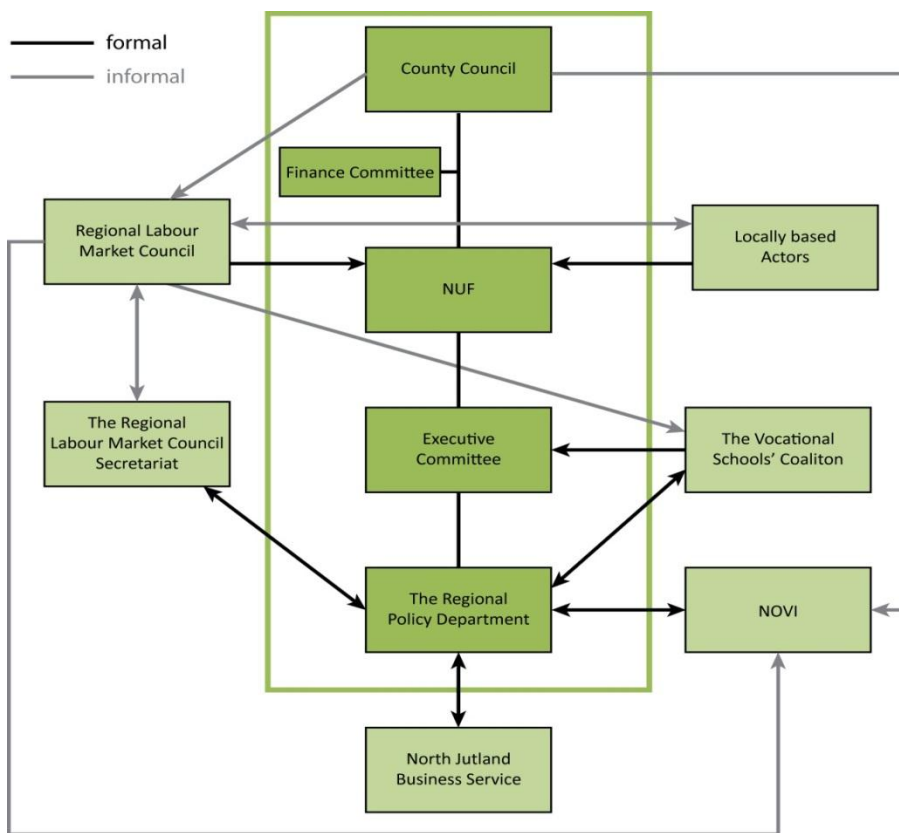
Besides the relations between the formal partnership organisation and the primary networks or the organisations indirectly involved in decision-making through representation, the organisations created by the system also influenced relations among and between the formal and informal organisations and the actors although the relational ties were more close with the secretariat at the Regional Policy Department at the County dealing with project applications. These organisations had been established by the partnership or at least NUF or the County Council with the objective of supporting the development in certain areas such as tourism and business

cooperation and promotion. Accordingly, these organisations were intended to be implementers of the County's regional policy objectives, and as a consequence of this ambition they indirectly became project applicants in cooperation with their clients. For instance, NOVI or North Jutland Business Service provided services to existing businesses or businesses in the making. In order to finance this service, the two organisations depended on financial support of the County's regional policy funds. Therefore, the funds which they received had a dual function: they financed the services which the two provided and indirectly supported the development of the business concerned. The formal partnership organisation benefitted from the work of these service organisations in that they participated in the actual implementation of the overall regional development objectives of the County, and with their specialised knowledge they provided information to the partnership. This was a fact because some of the actors in the formal partnership organisation were repeated in these cooperating organisations. For instance, the County Mayor as chairman of NUF and Lang representing the trade unions were also positioned in NOVI's board of directors (Hav, Nielsen, Gjerding, personal interviews). According to Lang (personal interview), it was an advantage that an actor had several positions within the system in that it ensured greater coordination between the different organisations and actors through the experiences gained from the different positions.

Similarly, the director of AMU Nordjylland (representing the vocational schools' coalition), either an employer or an employee representative, played more than one role in the partnership. This implied that the representative of the vocational schools' coalition was in a position of dual mandate: firstly, he should represent the interests of the entire vocational schools system and secondly, it might not be avoided that he would glance at either side of the employer/employee interests (Gjerding, personal interview). The role of the vocational schools' coalition was in itself dual in that, on the one hand, it was represented in the Executive Committee as potential applicant, and on the other, it provided specialist advice to the secretariat concerning education of unemployed workers in certain lines of industry. But the dual role played by the representative should be noticed. The same dual role was played by other representatives in the partnership as well. Especially, representatives of the social partners were found in more than one context. The primary network of the social partners was their respective interested members, but in the partnership they represented the RLMAs. At the same time, they were also represented in the local business development offices. Correspondingly, it was seen in the presentation of the partners in the informal partnership that the municipalities and the County were represented in the RLMAs influencing their relations. A picture emerges with a relatively limited number of actors, organisations and interests overlapping otherwise

clear jurisdictions, pointing towards a web of relations that was based on the resource interdependencies identified in the analysis of the background to the inclusion of actors in the partnership. These relations are illustrated in the following model:

**Model 8.6: Relations among the Formal and Informal Partnership Organisations**



The above model is based on the analysis of the relations between and among the formal and informal partnership organisations, where it was found that the primary networks (i.e. lighter green boxes at the top of the model) had indirect influence on the decision-making in the formal partnership organisation (i.e. the darker green boxes framed by the boundary box) through representation and generation of project applications, hence the one-way black arrows. The dual black arrows, in contrast, illustrate the direct exchange of resources between the Regional Policy Department and the informal partnership (lighter green boxes in the bottom of the model) that



both provided advice to the formal partnership organisation and acted as project applicants. Concerning the grey arrows, the one-way arrows illustrate that actors situated in the organisation from which the arrow points was represented in the organisation to which the arrow points. The dual grey arrows implied dual representation: actors from the two organisations were represented in the other organisation and vice-versa. These relations were informal and did not directly influence decision-making in the formal partnership organisation like the black arrows did. The green box around the formal partnership organisation illustrates the boundary between the formal and informal partnership organisations and that formal and informal relations crossed this boundary.

Thus, relations between and among the formal and informal partnership organisations were based on the resource interdependencies that the inclusion of these actors had generated. These relations influenced decision-making as a process of discussion and negotiation within the Committees (the formal partnership organisation) and parallel discussions and approvals with the primary network relations. In order to find support for a decision in the primary network relations or come up with an alternative outcome, much lobbying, negotiation and discussion took place behind the scenes – these were the informal relations between the formal and informal partnership organisations. Similarly, the formal decision-making process in the formal partnership organisation constituted negotiations among the members but were based on the informal discussions, lobbying and negotiations. So the formal partnership may not have functioned well without the informal relations with the primary network relations or the informal partnership. The informal links between the formal and informal partnership organisations were evident in that some groups of actors met in other forums before and after the meetings as preparation to the meetings. This was both to consult the primary network relations, but also because some actors played other roles in other organisations or board of directors. Gjerding (personal interview) provides an example of this elaborate work behind the scenes and preparation to ensure a smooth process of decision-making in the organisation: an issue of discussion was always the distribution of funds among VUR, HUR and the Aalborg Region Network. At one point, this discussion surfaced when the County Council had reserved a huge amount of funds for a specific project involving Aalborg University and businesses around Aalborg. The peripheral municipalities strongly rejected this suggestion based on the argument that the County was Aalborg friendly or Aalborg oriented disregarding the peripheral areas by affording Aalborg with its own pool of funds. These discussions took place preceding a NUF meeting, where in preparation of that meeting the secretariat at the Regional Policy Department had prepared several suggestions to the solution of the potential conflict to be presented and discussed at

the meeting. But as it turned out, these arguments were never discussed as in particular two actors, the County Mayor and the Director of the County civil servants, were informally lobbying the conflicting partners before the meeting making different promises and concessions in order to solve the problem. According to Gjerding, the problem was solved before the meeting based on close personal relations and the internal strength of the network.

It appeared that relations between, among and within the formal and informal partnership organisations were very close, informal **and** formal. Relations were informal between the two partnership organisations and among the actors which were situated in the respective organisations in that much negotiation, discussion and lobbying took place behind the scenes, whereas within the formal organisation relations were both formal and informal in that the decisions that had to be made were structured against formal procedures for decision-making as established in the Objective 2 Programme and EU Regulation. The tone and relations among the partners were informal. This was the result of a partnership organisation that was centred around a relatively few number of centrally placed actors that were placed in several organisations or board of directors of these organisations. According to Gjerding (personal interview), this partnership organisation primarily functioned because North Jutland is a small region with relatively few actors involved in regional development. Thus, the partnership was composed of a core group of actors that represented networks that had relations with one another, thereby creating a close web of relations with each other. The tight relations among the networks and the limited membership generated an environment of trust where everybody knew each other well resulting in a smoother decision-making process where conflicts rarely transpired. A Danish phrase describes this: 'Tordenskjolds soldater' (Tordenskjold's soldiers) referring to a relatively small group of people that play many different roles in related contexts; or put briefly 'the usual suspects'. This phrase may have both positive and negative connotations, in that it may have positive effects that a few people work closely together in solving certain problems because they knew each other eased the process. An alternative reading is that only involving the 'limited few' could create an 'inbred' environment. This could lead to an elitist approach, rather than a network or partnership-like approach which are the diametrically opposite to elitism. In North Jutland, the preferred explanation was that bumping into 'the usual suspects' was positive in that the intimacy of the partnership created an environment of close personal relations and a smoother decision-making process because the core actors were in a position to mediate in difficult decisions avoiding breakdown of the partnership (Gjerding, personal interview). In North Jutland this was in fact unavoidable, since the region is very small and only a limited number of actors were

involved in regional development. Similarly, it was essential that a number of these actors had been involved in the partnership for many years thereby strengthening their relations and level of trust.

Despite the positive interpretation, Nielsen (personal interview) raises a critical voice towards this close relationship within the partnership organisation. 'Tordenskjold's soldiers' were not necessarily beneficial to decision-making although he does recognise the legitimacy of a core of actors controlling and coordinating the game; it made sense in relation to the generation of project suggestions and subsequently regional development that those deciding what was in the interest of North Jutland in terms of regional development were also closely linked to the potential projects and thereby able to identify the demands.

On the face of it, he is particularly concerned with the decision-making process that appeared to be ritual and structured according to specific decision-making rules. Arguably, the decision to support specific projects appeared to have been taken already at an early stage in the process. Some would claim that already at the secretariat level some kind of filter was present; here the poorly formulated and non-eligible projects were sorted out. There was no need for the members of the Executive Committee to waste their time on projects that definitely did not have the potential for growth and development generation. Thereby, decision-making in the Executive Committee was primarily concerned with the distribution of funds to the recommended projects from the secretariat. Also, the approval or rejection of projects on the political level in NUF appeared to be a ritual assessment as nearly all recommendations made by the Executive Committee were approved. The legitimisation of this apparently ritual processing could be questioned. The answer is the formal and informal relations with the informal partnership or the primary network relations, which approved or disapproved of the actions of their representatives behind the scenes. The processing in the formal partnership organisation was a necessary prerequisite for the actual decision-making of project eligibility and implementation; a formal body was required to make this process happen although the informal partnership legitimised the process. This was the characteristic of the North Jutland partnership approach.

Although the North Jutland partnership appeared to be composed of a few core partners, asymmetries of power existed within the organisation, which is evident in the above analysis of the rivalry between VUR, HUR and the Aalborg region network. VUR and HUR were not as resourceful in terms of finances as were the Aalborg region, but stronger relational ties appeared to have been present within the two peripheral

networks. For instance, Gjerding (personal interview) argues that particularly VUR was a skilful project applicant with various suggestions for projects to be carried out within the geographical limits of the network. As has been argued, the network correspondingly received a considerable amount of funds to support these projects. Arguably, the network was a strong partner collaborating closely with the representative and the primary network relations as well as internally in the network. Thus, VUR presented itself as a strong partner in that its network was visionary and engineered many project proposals. Despite this powerful resource, VUR was never as strong a partner as the County Council.

The same was the case with other partners such as the NES group which attempted to mobilise coordinated powers in reaction to the power held by the County. In the beginning, this networking was not approved as it challenged the vertical relations between the County and the municipalities as Munk Nielsen, a VUR representative, (personal interview) argues. Despite the mixed response, the NES group pooled resources and was eventually recognised by its surrounding networks and was included as an equal partner in the formal partnership organisation during the 2000-2006 programming period.

Nonetheless, the County Council and its administration appeared to have been the most resourceful partner as it held financial, institutional, network and ideas resources. Arguably, it was central to regional policy-making in North Jutland as it was overall responsible of the implementation and coordination of EU and North Jutland regional policy, but it voluntarily delegated decision-making authority to selected representation of North Jutland regional development actors. This claim is supported by a number of interviewees such as Stoustrup who argues that “it was part of the set-up that the County Council was the most powerful partner” (personal interview). According to her, it was a built-in mechanism that the County Council was the biggest player in the partnership – perhaps because the County Council was overall responsible of the success of the policy and hence regional development in North Jutland, but also because County level representatives were represented both within and outside the formal partnership organisation. This observation may be somewhat contradictory due to the fact that the County Council voluntarily delegated authority to the network. Despite delegation to other actors, the County Council was strongly represented in the network as well as in the informal organisation outside the formal partnership. From a network governance theoretical point of view, this was the result of the County Council exercising meta-governance. The County Council, being overall responsible at regional level of the successful implementation of the policy, was forced to ensure that this goal was achieved since it relied on other actors to carry out

this task. According to network governance theory, network management or meta-governance is often required to ensure the goal of the policy through the employment of a number of strategies: designing the network, diagnosing disagreement, identifying policy alternatives and ensuring that negotiation continues. Meta-governance attempts to consciously guide governance processes in the networks: it aims to initiate, guide and facilitate relation between actors, to generate and alter network arrangement so that coordination is improved. Clearly, all these strategies were employed by the County Council represented by the County Mayor and the Director of the civil servants. Although meta-governance and asymmetries of power existed in the network, it still had to reflect the requirements of partnership as defined by the Commission. Arguably, the meta-governance of the County Council was part of legitimising the partnership process, especially in terms of designing the partnership. The partnership should have a wide representation of 'relevant' partners that were somehow involved in or affected by regional development in North Jutland. Therefore, it was significant which partners were involved; they must bring certain resources to the partnership to contribute to its overall goal of successful regional development. Once the partnership was composed and in operation, legitimising the process was also concerned with ensuring a smooth process where disagreements were avoided or at least toned down so they did not overshadow the objective of cooperation.

Although the County Council was the most resourceful partner in the partnership and that it exercised meta-governance, it did not appear that the partnership was hierarchically controlled by the County Council. Rather, relations between and among the partners in the partnership organisations appeared to be characterised by mutual respect and implied understanding of the overall objective of cooperation. Like the County level representatives had been exercising network management behind the scenes, so had other partners. Much negotiation and discussion took place among the different networks in the informal partnership preparing the ground for sound and professional decision-making in the formal partnership. This could not solely be ascribed to the effort of the County Council representatives; other centrally positioned partners were carrying out the same coordination, cf. their institutional position and network resources. Thus, continued uncoordinated efforts by the members of the network along with a coordinating effort by the NUF and Executive Committee chairmen representing the County level, took place. Arguably, these types of network governing were based on the interdependent relationship between the formal and informal partnership organisations: in the formal decision-making organisation, the partners provided 'inside-information' to the primary networks in the informal partnership whereas the networks in the informal partnership

constituted the basis for the pursuit of the objective of regional development in their project application generation. Without the project applications the formal partnership organisation could not make any decisions.

Based on this interpretation of the relations within the partnership organisation, it may be wondered whether the partnership in North Jutland was actually a partnership as defined by Åkerstrøm Andersen or whether it resembled a network of relations involving vertical and horizontal cooperation as indicated above. This is the concern of the subsequent section.

### **8.5.5 The Partnership Process**

In evaluating whether the relations analysed above constituted a partnership process as defined by Åkerstrøm Andersen or a network of relations, additional observations of the partnership must be included. First, I bring into play the argument presented by Åkerstrøm Andersen that partnership is a dynamic process. According to Åkerstrøm Andersen, partnership constitutes a process of partnering where partners make promises to each other to make new promises in the future. The partnering adjusts to the changing context in which it operates, thereby influencing the partnering. In this way, the partnership responds to the changing context making it a dynamic process that is potentially constantly exposed to change. In order to evaluate whether the North Jutland partnership organisation was dynamic or at least responded to the dynamic context in which it was situated, I will analyse three illustrative examples where the interviewees share their recollection of the functioning of the partnership. The interviewees talk about different projects or decisions that they were involved in and made an impression on them. Next, I return to the relations analysed above between the formal and informal partnership organisations applying Åkerstrøm Andersen's definition of partnerships as second order contracts with long-term objectives for cooperation, dialogue, synergy and utilisation of the mutual differences of the partners. Partnerships are a kind of contractual arrangement to ensure future contract evolution; or in other words promises about making promises about future cooperation. Moreover, during the course of the interviews I have asked the interviewees to offer their definition of partnership, which has generated an interesting illustration of how they perceived their work in the partnership; their perception of the roles of their co-partners; and a general understanding of how partnership in North Jutland was perceived. These characterisations can be compared to the definition of Åkerstrøm Andersen as well as the process dimension of the partnership principle into a final consideration of the partnership process.

### *The Dynamics of the Partnership*

During the course of the interviews, the interviewees spontaneously referred to specific projects that they had been involved in or that had made a significant impression on them. Arguably, this illustrates the liveliness and dynamic nature which the partnership processes possesses, in that all the actors were engaged in the same projects or decisions, albeit more so in some than in others. Sometimes, this engagement reflected their institutional position and interests; other times the impression that a project reflected the partnership process itself and how it was perceived by the respective actor. It is particularly interesting when several actors refer to the same project or decision from their respective points of view thus painting different pictures of the same event. In these cases, for instance, two different actors may regard the project as their idea or see themselves as the initiator of the project. This illustrates the partners' feeling of ownership of the implementation of regional policy in North Jutland and their intense involvement in the partnership process. Nonetheless, the process illustrates how the partnership operated and responded to the changing context.

Especially two processes or projects were emphasised by the interviewees. The first concerns the decision to establish a venture capital fund (Lånefond) in 2004. The venture capital fund was established based on funds from the remaining Objective 2 funds, businesses and banks. Businesses could apply for a loan from the fund for a project focusing on business development. If the project application was accepted, the business could loan money at low interest rates for their project. The idea was that the loans were to be paid back to the fund if the business was successful with the project, thereby making it self-sustaining and revolving funds generating recycling, although it was expected that eventually the fund would run out of money, but not necessarily during the 2000-2006 programming period. Thus, the concept resembled the BIC no-cure-no-pay concept (Gjerding, personal interview). According to the interviewees, the venture capital fund was based on three considerations regarding its objectives based on their perspective of the process: first it was agreed by some of the interviewees that the areas around Aalborg and Hjørring, which in 2000 became transitional Objective 2 areas and for that reason could not receive the same funds for support as the remaining areas in the region eligible of Objective 2 support, should still be supported. An alternative approach to ensure their support was needed (Hedegaard and Munk Nielsen, representing VUR and the NES group respectively, personal interviews). Second, the venture capital fund was created because the Objective 2 Programme for 2000-2006 was nearing the end and funds needed to be spent in order to avoid return flow to the EU (Munk Nielsen, personal interview). Third, the venture capital fund was an attempt to increase the level of knowledge in

the projects, because it was demanded that the University was involved in the projects together with the businesses. The secretariat in cooperation with the County considered the projects that had received support until then concluding that the level of knowledge in the projects was relatively low compared to the ambition in the County Council for the businesses and overall regional development. Moreover, it was hoped that the businesses would increase their cooperation and exchange of knowledge with each other as well. It was meant to become a long lasting concept through to the end of the 2000-2006 programming period that could contribute to long-term regional development (Gjerding, Head of the Regional Policy Department at North Jutland County, personal interview).

This project appeared to be an example of a project that was initiated and supported widely in the partnership, as every partner and their primary network relations could identify with the objectives and potential results of the project, although the latter aided to the Aalborg vs. peripheral and technology vs. traditional craftsmanship discussions within the network. As those businesses that mostly benefitted from this initiative (i.e. those based on technology development) resided in the Aalborg area, the peripheral areas and businesses may have concluded that the Aalborg area was favoured, particularly because NOVI was situated in Aalborg. According to Gjerding (personal interview), this was not the ambition; rather it was the ambition to raise the level of long-term regional development compared to the ambitions of the Objective 2 Programme that had been designed 5 years previously. In 2004, the situation was different in North Jutland than that which the Objective 2 Programme was based on. This may be interpreted as the County and the secretariat deliberately attempting to reinterpret the objectives of the Programme in order to ensure successful implementation of the Programme and regional development. In the context of Åkerstrøm Andersen's definition of partnership, this is in compliance with the argument that partnerships respond and adjust to the dynamic context in which they operate. This is a clear example of the dynamics of the partnership responding to the changed socio-economic context in which it manoeuvres. Although, the initiative came from the County level representatives in the partnership, its indication of new perspectives for the remaining programming period received support from the partners in the partnership thereby emphasising the strength of the partnership and the partnering.

A second project that made an impression on the interviewees and the surroundings, where it received much attention from the media, was the plan to build a centrally placed music house (Musikkens Hus) to host concerts and other musical events as well as house the music education at Aalborg University. In this way, it was possible to



build bridges between the theoretical education at the University and the practical employment of musicians working in the symphony orchestra. The initial idea to build the music house dates back to 1986 when locally interested actors established the association “Supporters of the Music House” to promote the idea to build a music house as a cultural and architectural landmark in North Jutland, or in their own words “to promote the establishment of a house in Aalborg to accommodate the needs of the local music life” (<http://www.musikkenshus.dk/musikkenshus/baggrund/Pages/default.aspx>). Since then, the association fought for political support of the idea, which was granted in the year 2000 and subsequently initiated a process of raising financial support for the project. The project applied for Objective 2 funding which was granted in 2001 together with additional funding from the municipality of Aalborg of a total of 50 million DKK. Later an organisation that supports building construction in Denmark, Realdania, decided to invest 5 million DKK in the project as well. Having a total of 55 million DKK for the establishment of the music house, the building project was sent into tender inviting architects to submit proposals for the architectural design of the house, which an Austrian architect company won.

However, the project ran into trouble when the building was to be constructed. The construction of the building was sent into tender with the result that none of the bids were within the financial frames of the 55 million DKK. As a result, the developers (the Music House Fund and the state level board responsible of the state’s research and education buildings) decided to put the project to a hold. At this time, the project was nearing the deadline for employment of the Objective 2 funding within the 2000-2006 programming period as a result of the N+2 rule<sup>15</sup>, which made the politically responsible body at regional level, NUF, consider whether the funds should still be earmarked for the project, as the funds risked having to be returned to the EU if they would not be spent within the time period required. NUF was not interested in returning funds to the EU. In order for the funds to continue to be earmarked for this project, NAEH needed a guarantee that the music house would in fact be built. Thus, North Jutland County and NUF had to employ an alternative strategy towards the NAEH to ensure the commitment of the funds to the project. To achieve this, representatives of the County in a meeting with NAEH promised that parts of the building would be built before the of the N+2 period in 2008 arguing that the rest of

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<sup>15</sup> According to the Council Regulation 1260/1999 Article 31, 2 within two years after the commitment of a project, the stakeholder is obliged to submit an acceptable documentation of the application of the funds for the project to the Commission otherwise the Commission shall automatically de-commit the project.

the building would consequently be built hereafter. This was the guarantee that the County could offer NAEH and the NAEH accepted the conditions (Gjerding, personal interview). This process was criticised by Gjerding as it appeared to be somewhat creative and bending the rules in favour of the project.

As it turned out, the building of the music house did not proceed as planned, so in the meantime a reallocation of the funds was considered. Apparently, other municipalities were interested in the funds for their own music house, because as Gjerding argues, the reasoning in the peripheral areas was that if Aalborg could have a music house, so could they. This was based on the abovementioned rivalry among the Aalborg area network, VUR and HUR. During the process of establishing and building the music house in Aalborg, other municipalities had lobbied for funds to their counterpart. One of the lobbying municipalities was Aars situated in the Southern part of North Jutland. According to Mathiasen (personal interview), his role in the lobbying was as a representative of Aars' interests. He put pressure on especially Aalborg representatives to renounce the funds in favour of other projects to the benefit of the region. The lobbying resulted in granting of funds for the establishment of a similar but smaller 'music house' in Aars (not comparable to the Aalborg music house, though). Within a short period of time, the 'music house' in Aars was built, according to Mathiasen, based on close relations in the community and the will to make it happen. This was a process and a result that Aars could be proud of, according to Mathiasen. The idea to build the 'music house' in Aars had been an ambition for nearly 10 years; therefore, it was easier to initiate and carry out this project, which probably explains why this exact project received some of the funds earmarked for the Aalborg music house. It was necessary to choose projects with a guaranteed employment of the funds within the short span of time left. A similar project that received some of the reserved funds was the building of the Utzon Centre housing the architectural design education at Aalborg University and exhibitions of the famous architect Jørn Utzon's sketches close to the music house site at Aalborg's waterfront (Stoustrup, personal interview), perhaps as compensation to Aalborg for not receiving the funds for the music house. Observing this process of lobbying and consequent decision-making concerning the reallocation of the earmarked funds and how different interviewees present the story from their perspectives from the outside, a political game of sorts appeared to have taken place. This observation is supported by the knowledge presented earlier, namely that in Aars a local North Jutland Business Service office was placed but closed in 2002 due to economy. It can be speculated that the decision to allocate funds to the establishment of a 'music house' in Aars without the same clout as the one it replaced in Aalborg was based on the *quid pro quo* negotiation that took place in NUF. The same may be true with the Utzon Centre.

Whether these decisions led to content decision-makers in the formal partnership should be left unstated, but the matter of the fact is that this is a fine illustration of the dynamics of the partnership, where it was able to adjust to changing circumstances in the context which determined its existence. Here new promises were made to make new promises about future cooperation by the involved partners in the interest of the existence and objectives of the partnership for regional development in North Jutland.

Similarly, a number of other projects have been used as illustration of partnership dynamics by the interviewees, but the above examples serve as the best illustrations. To support the image of a dynamic partnership, a more political strategic manoeuvre made by the head of the County Regional Policy Department at the time, to structure the regional political work and objectives of the partnership serves as an illustration of how a dynamic partnership could not be structured and controlled from above.

In 2002, after a few years of implementing the Objective 2 Programme in North Jutland and after many years of implementing regional policy in North Jutland, the Head of the Regional Policy Department at North Jutland County at the time set out to compose a more long-term strategy for regional development in North Jutland, as he was frustrated with the fact that the Objective 2 Programme and similar objectives for regional development in North Jutland had not been coordinated into a more binding and long-term strategy. Therefore, he initiated the drafting of the first ever 'State of the Business Development in North Jutland' (Nordjysk Erhvervsredøgørelse) similar to the national State of the Danish Regions which was published in 1995 (see p. 168) but with a specific North Jutland perspective (Gjerding, personal interview).

In the 'State of the Business Development in North Jutland', the evolvement of business development was analysed in an attempt to account for the driving forces behind this development, and the challenges that had characterised it leading to a characterisation of the specific challenges that the region expectedly could expect in the future. It was considered important that the region related and responded to the concrete challenges which the region faced. The high level of unemployment was identified to be the biggest challenge in the future as it was 2 percentage points above the national average for a number of years. This was a concrete issue to be addressed requiring a coordinated effort. Based on this challenge, a number of concrete focus areas to address it became the objective with regional business development in North Jutland in the years to come. The specific initiatives to be implemented in the future were 1) increased value added, productivity and level of knowledge in production, 2) conversion of the business structure to knowledge economy, 3) renewal of the North

Jutland labour market, and 4) internationalisation and export structure (Nordjyllands Amt, 2003b, 4-5).

In 2003, the report was finished and sent into hearing in NUF, the Finance Committee and the County Council which all agreed that it was an interesting analysis identifying the problems and the focus areas to be addressed and that the strategy had to be considered. According to Gjerding this was all that happened. He had a feeling that the strategy was too binding with a long-term objective that would limit the room for manoeuvre of the politicians in regional policy-making. Politicians prefer to have room for manoeuvre to adjust political objectives to the changing context. For instance, a part of the regional political budget may be fixed, whereas the remaining funds should be available to be spent on addressing problems that arise along the way. Thus, Gjerding concluded that his agenda with the 'State of the Business Development in North Jutland' was mistaken: he wanted a business development policy that would influence everything relating to business development, whereas politicians preferred a business development policy that influenced parts of this while also absorbing and addressing externally imposed problems (Gjerding, personal interview).

The account of the mistaken approach to make business development more binding and long-term is a good illustration of how the partnership functioned and why the above examples of projects that had made an impression on the interviewees were interpreted differently by the interviewees. The reason that the involved partners had different approaches to regional policy-making was that a common overall strategy for regional development did not exist. Generally, agreement about the overall objective with regional development existed, but the partners involved were not in agreement concerning the means to that end due to their representation of specific interests and their relations with their primary networks. This implied that policy-making was characterised by day-to-day politics which is in accordance with the partnership definition of Åkerstrøm Andersen. Åkerstrøm Andersen argues that relations among the partners change as a response to the changes in the context, although they do have long-term objectives with the relations. In the same way the partners must make new agreements regularly. This is exactly what took place in the formal partnership both during the Committee meetings but also behind the scenes with the informal partnership between the meetings. The above example of the music house project is a fine illustration of how the partners responded to the changing context and sought to enter into agreement with the other partners about an alternative solution, when it was clear that the project could not be completed within the required time frame.

Gjerding evaluates the 'State of the Business Development in North Jutland' project to be a kind of contractual policy that was not wanted by the politicians. Subsequently, he realises that this form of contractual policy-making would render the political system and process static and kill the dynamism of the partnership and the bottom-up approach that characterised the organisation (Gjerding, personal interview). This is in line with the argument of Åkerstrøm Andersen who claims that partnerships are opposite to contracts that are fixed and binding; rather they are contracts of second order implying that they are dynamic and responding to the context in which they operate.

### *Definitions of Partnership*

During the course of the interview, the interviewees were asked to offer their definition of partnership in order for me to analyse how they perceived the process that they had been involved in. This was to provide me with a clearer indication of to which extent the partnership organisation in North Jutland resembled a network or a partnership as defined by Åkerstrøm Andersen. Arguably, when the interviewees offer their perception of what constitutes a partnership, they base this definition on their own experience with working in partnership. Some differences in the interviewees' perception of partnership have been found. It is possible to group the definitions into three different types of partnership understandings. Examples of how the interviewees perceive partnership are presented below.

The first group is concerned with the inclusion of actors:

***“as a point of departure everybody is equal and everybody has influenced the objectives of the partnership. You should also agree in which direction the partnership should go or at least what the purpose of the partnership should be”*** (F. Christensen, personal interview)

***“partnership is concerned with something which the partners are mutually involved in. It is concerned with consensus and commitment”*** (H. Christensen, personal interview)

Here, partnership is perceived to concern the equality of partners involved and the nature of their involvement. Everybody participates on the same grounds and consensus is central to the cooperation. If the partners do not agree, the partnership cannot be. These quotations reflect an understanding of partnership as a process that involves the commitment and equal participation of the partners, as well as the inclusion of partners that are willing to compromise so that a common objective can be reached. It is possible to draw some parallels to Åkerstrøm Andersen's partnership

definition, which fundamentally perceives the partners in the partnership to be equal and involved in the partnership based on a mutual understanding of a common goal. Thus, these definitions clearly reflect the necessary condition for partnership: the inclusion of partners who are willing and interested to create a partnership.

The following two groups of definitions are contrasting, one focusing on partnerships as non-contractual and based on mutual relations whereas the final group is focused on partnerships similar to contracts.

The second group of definitions presents a variety of concepts covering the same theme, namely the partnership process:

***“partnership is not something static like a marriage; you should not count on it for ever”*** (anonymous centrally positioned civil servant at the County Regional Policy Department, personal interview)

***“partnership is like a marriage in that you make promises until you cannot live up to those promises any longer. If you run into trouble, you talk to the other partner and let him/her know that you cannot live up to those promises any longer”*** (Munk Nielsen, personal interview)

***“a partnership declaration does not embrace what partnership is about. Partnership involves that the involved partners show that they have the will, trust and ability to participate in partnership... fundamentally, it builds on simple, old-fashioned words: a man is a man, a word is a word”*** (Pedersen, personal interview)

***“partnership is something value-laden, that you do something together and that you make agreements that you benefit from”*** (Nielsen, personal interview)

The first two interviewees make use of the word ‘marriage’ referring to a synonym and an antonym of partnership. In the first place, one would be led to the conclusion that they do not have the same perception of partnership, but when interpreting the sentences which describe the ‘marriage’, it is clear that partnership is concerned with making promises that you either live up to or not. In cases when you cannot live up to the promises that you have made you simply discuss the issue and make new promises. Similarly, both refer to the fact that a partnership is not forever unless you adjust along the way and make new promises about the future. This is in accordance

with the process dimension of Åkerstrøm Andersen, which argues that partnership is dynamic process that changes according to the context in which it is situated.

According to these quotations, partnership is about the voluntary involvement of actors that are willing to engage in cooperation and negotiation with partners working towards a common goal. In this process, the partners must rely on the others to achieve the overall goal which involves will and trust of the involved partners. Thus, a partnership is trust-based and centred on negotiation among the actors. That a partnership is value-laden implies that the involved partners bring resources to the table in exchange for access to the resources of the other partners. That the exchange of resources should be fair is the point of departure for cooperation, thus depending on the mutual trust among the partners. Moreover, partnership is not contractual based on a partnership declaration, implying that partnership depends on the active engagement of the partners involved, and not on a theoretical signed agreement which the partnership declaration signifies. Rather, partnership is lively and based on relations. When comparing these perceptions of partnership to Åkerstrøm Andersen, similarities can be found. All perspectives perceive partnership as a dynamic process depending on the active involvement of partners through a process of trust exchange and willingness to adjust cooperation to the circumstances of the context towards the achievement of the commonly agreed goal. This goal may change along the way and in these circumstances the partnership process adjusts itself accordingly. Partnership is voluntary participation. The common denominator in these quotations is that partnership is a dynamic process based on mutual trust, negotiation and agreement about how to pursue a common regional policy objective although described through the utilisation of different phrases and words.

Finally, three quotations point in a different direction; partnership is rather based on some kind of contractual agreement among the partners:

***“close cooperation among people or groups of people that is binding based on a common objective”*** (anonymous representative of VUR, personal interview)

***“partnership is more binding than a network in that partnership is based on agreements among the partners”*** (Hedegaard, personal interview)

***“partnership is that you want more than you can achieve by yourself. You should be willing to give up some of your own objectives and***

***ambitions because together you can achieve more***” (Stoustrup, personal interview)

According to these three interviewees, partnership is a binding process where the partners are committed to the process based on agreements made among the partners. Thus, partnership is not a network, which according to this interviewee, is more loose and institutionalised and not based on mutual agreement regarding the objective. On the face of it, these perceptions of partnership may be considered in contrast to the definition of Åkerstrøm Andersen as they use the word ‘binding’ and indicate a *quid pro quo* exchange of resources which Åkerstrøm associates with contracts opposite partnerships. However, when considering the quotations more closely, the interviewees perceive the partnership process as more contractual and when engaging in partnership you expect something in return for the resources which you bring to it. This does not necessarily imply that the partners are unwilling to adjust to the context. It is interesting to note, that these three interviewees represent different ‘trenches’ in the existing disagreement between the peripheral areas and the Aalborg Region network. Arguably, the *quid pro quo* position of the partners influenced their interaction in the partnership and clearly illustrates the inherent tensions within the partnership that have been analysed above. This also constitutes a tension between the long-term objectives with cooperation which the second group of definitions involve, and the more short-term objectives with the exchange of resources which the third group of definitions involve.

As mentioned above, it may be argued that the interviewees’ perception of partnership is based on their own approach to working in partnership, the expectations they had to the partnership and based on their experiences with working together in the regional policy-making partnership in North Jutland. It is obvious that they are talking about the same cooperation, network or partnership in that most of them use similar characterisations of it, implying that according to them the partnership for implementing regional policy in North Jutland was based on a common objective such as discussed above in the examples of the projects that made an impression on the interviewees and the failure of the ‘State of the Business Development in North Jutland’ project. The objective with North Jutland regional development was clear and based on the same objectives, but the means to achieve that were different which was reflected in the numerous negotiations and deals made during the course of the process and the inherent tension or rivalry between the peripheral and Aalborg areas. Thus, if these conditions and premises were present in the North Jutland regional policy-making partnership, the partnership can definitely be considered a partnership organisation rather than a network.



An elaborated definition of the partnership that was present in North Jutland definitely supports this claim:

***“You cannot write up a contract because things may happen along the way that force you to change direction. We do not have a contract; the partnership depends on the agreements made by the involved partners without officially being made. Contracts make things too static.... A contract makes the partners goal oriented. In a partnership you are both goal and process oriented.”*** (Pedersen, personal interview)

This definition emphasises that partnership in North Jutland was centred around close cooperation among the partners focused on the process of working together towards a commonly agreed goal.

In this connection, it is interesting that when asked about partnership in regional policy-making (as a theme of the interview); many interviewees said that they had never thought about cooperation like this. It was just a natural way of cooperating that developed throughout time. Some of the interviewees were involved in regional policy-making since the 1980s when the NordTek programme was set up confirming this claim (Lang, Pedersen, Hesselholt, personal interviews). Therefore, their personal definition of a partnership can be considered to be based on their honest perception of what they were doing, although they never put into words what that was. They were used to work closely together when it was necessary; a particular culture of cooperation existed in North Jutland based on the project initiatives, as has been argued. But they may never have described it like a partnership before.

According to two interviewees, the special North Jutland regional policy approach joining the three policy areas was particularly conducive to the process, i.e. industrial policy, labour market policy and education policy. The project developing culture had thus been centred on involvement of the relevant actors representing the respective policy areas towards the implementation of the policy which led to the inclusion of actors that in other regions had not been involved in regional policy-making as their regional political approach was not involving all three policy areas (Nielsen and Gjerding, personal interviews). Thus, the gradual increased inclusion of the ‘relevant’ actors appears to be determining for the subsequent partnership process, which will be discussed in the following paragraphs.

## **8.6 A Concluding Historical Institutional and Network Governance Interpretation**

The partnership in North Jutland was a particular interpretation of partnership that was structured around the special North Jutland approach to regional policy-making involving three associated policy areas, i.e. industrial policy, labour market policy and education policy and the Objective 2 Programme including EU regulation placed within the North Jutland regional policy-making framework and the subsequent involvement of 'relevant' actors. The gradual involvement of these actors led to a process of cooperation in implementing the objectives of the common North Jutland regional policy. In a sense, the process was also reversed in that the 'relevant' actors involved also set the objectives with the future regional policy. Thus, the process was self-sustaining which is characteristic of a partnership. Whether the organisational structure in North Jutland for implementing regional policy could be characterised as a network or a partnership can be discussed. The above analysis of the inclusion and process aspects of partnership points in two directions. On the one hand, it has been argued that due to the somewhat formal, rehearsed and structured character of the decision-making process in the formal partnership organisation that developed over the course of time as a consequence of the institutionalisation of the organisation; the 'inbred' character of the network as questioned by Nielsen; and the central position and meta-governance of the County level partners, the partnership organisation in North Jutland should be considered a network. On the other hand, the evidence presented above analysing the process as perceived by the interviewees offers an alternative reading. So which is it?

In order to make such an evaluation, it is necessary to go back to the analysis of when it all began with the coincidental introduction of EC level regional policy-making and trace the historical development of partnership in North Jutland. During these times, regional policy-making was a national level concern and responsibility, but bottom-up developments took place as a reaction to the socio-economically and politically changing contexts. At the regional level, different actors were mobilising in response to prolonged disregard of their capacity and knowledge of the regional state of regional development, the reduction in funds for the implementation of the Regional Development Act and deteriorating employment situation in some regions. Already at this time, a culture of sticking together was rooted. At the same time the increased need for a coordinated EC level regional policy was emerging as a consequence of enlargements of poor member states among other factors. These parallel events led to the establishment of regional level capacity in North Jutland to take regional policy-making into their own hands. The establishment of regional level capacity was based

on voluntary involvement of interested actors at the time to solve the regional unemployment problem, and the requirement of the EC level to act as a 'guinea pig' to test EC level ambitions to organise a coordinated EC level regional policy-making effort. Accordingly, a peculiar composition of a decentralised network of actors representing regional, national and EC levels situated within the regional level institution for implementing regional policy took place. This was the beginning of the institutionalisation of actor inclusion in regional policy-making and the consequent foundation of a culture for working together in North Jutland.

Institutionalisation of regional level capacity and inclusion of actors was emphasised in 1992 when the NordTek programme ran out and the Objective 2 Programme for North Jutland replaced it. Here, the structure was revised and changed according to regional needs and objectives, without considering the partnership requirements of inclusion. Thus, according to a historical institutionalist interpretation, the regional level partnership institution that was founded with the NordTek programme was changed gradually through conversion of the existing rules. This was particularly so because, already at this time, the North Jutland approach to 'partnership' was more inclusive than required by the partnership principle. Partner involvement in North Jutland was both vertical and horizontal in character at this time. During the 1990s, the coordinated regional policy approach in North Jutland was shaped by the involvement of industrial, labour market and education policies under the heading of regional development. Hence, the inclusion of the 'relevant' actors within these policy areas influenced the development of organisational constellations towards a regionally anchored network structure instead. Facing the 2000-2006 programming period, the 'partnership' or network in North Jutland was characterised by extended inclusion of actors compared to the requirements of the partnership principle, based on the gradual institutionalisation of regional level capacity that took place since the 1980s.

Similarly, throughout time a culture of cooperation developed based on the institutionalisation of the inclusion of regional, local, private and other actors. The inclusion of actors was not considered enough to implement the objectives of North Jutland regional policy; therefore, a process of cooperation, negotiation and exchange of resources to achieve that aim had to take place as a natural result. In its early years of existence, cooperation among the included actors was arguably characterised as a network of relations that was engineered by the County Council responsible of regional policy-making in the region. To some extent the inclusion of and cooperation among actors was based on the considerations and decisions of the County in structuring an implementing organisation to carry out the task on its behalf. Thus, the

County voluntarily transferred decision-making competences to two implementing bodies; the Steering Committee (for political back up) and the Executive Committee (for project evaluation) although ensuring its own representation in the Committees. Critics would argue that in this manner, the County positioned itself in a favourable position in order to exercise meta-governance in the network, a position it has maintained since then. This manoeuvre may be considered necessary in that the County remained accountable to the national and EC levels in implementing regional policy according to rules and regulation. The apparently formal, rehearsed and structured decision-making within the 'partnership' seen in the 2000-2006 partnership analysis can be considered a result of the long-term exercise of meta-governance on behalf of the County. It was a way to ensure a successful outcome of the decision-making process which the network was responsible for. But the question is whether this influenced the process in terms of the development of these relations towards becoming a partnership or whether it has remained a network.

My guess is that through gradual inclusion of new partners, the long-term experiences with working together and the widespread acknowledgement of the need to stick together influenced the process towards increased partnership gradually replacing the network relations. Two equally valid arguments need to be taken into consideration in order to make this conclusion: first, the discussion of the relationship between and among the formal and informal partnership organisations needs to be revived. Second, the above analysis of the dynamic nature of the decision-making process in terms of the different perceptions of the interviewees regarding the cooperation aids to this evaluation. When considering the relations within the formal partnership organisation independently from the informal partnership, the process within it arguably resembled a network process like it did in its original form during the 1980s – especially taking the above meta-governance of the County into consideration - in that to some extent the network was self-regulating to the extent that the designated interest organisations themselves selected their representative; that the actors within the Committees represented horizontal interdependent actors; and that negotiations among the actors took place within a regulative, normative, cognitive and imaginary framework.

However, taking the relations between the decision-making network (i.e. formal partnership organisation) and the primary networks and other partners in the informal partnership into consideration, relations became more complicated than those in a network based on partnering, pointing towards the development of partnership relations where promises made in the formal partnership organisation were either supported or rejected by the informal partnership, thereby legitimising

and justifying the decisions of the formal partnership organisation. Likewise, it justified the process that those affected by regional policy-making were represented in the formal decision-making network. Thus, the project applicants were in a position to directly stimulate and inspire the objectives of regional policy as they were typically familiar with where focus was needed. In other words, they affected the decisions and promises made in the formal partnership organisation, so the promises made came to involve both the partners in the formal and informal partnership organisations. The formal and informal partnership organisations became intertwined and interdependent. When this type of change happened exactly, has not been possible to detect. But it has definitely been a gradually evolving process where layering was added to the existing partnership institution.

The lively and dynamic relationship between and among the formal and informal partnership organisations was exemplified by the storytelling of the interviewees in their description of specific cases and their definitions of partnership. This aids to the conclusion that the particular interpretation and implementation of partnership in North Jutland has developed to become a formal vertical partnership organisation that without its relational ties with the surrounding informal partnership constituted a network, but the defining characteristic that points towards a partnership as defined by Åkerstrøm Andersen was the formal partnership organisation's support of and relationship with the informal partnership as it generated a self-sustaining partnership process.

In this connection, it should also be reflected on how the size of the partnership influenced the gradual development of the partnership inclusion and process. It has been questioned whether the fact that the partnership within and across formal and informal partnership organisations constituted a limited number of actors had a negative impact on the partnership process. 'Tordenskjold's soldiers' may have a negative connotation, but apparently, to the partnership in North Jutland it had a positive impact in that, according to the interviewees, the partnership was administered by a well-functioning group that had a long tradition of working closely together. One thing that conditioned this process was that North Jutland is a small region, and it may not have been possible involve more actors; all the relevant and affected actors or organisations were gradually involved through representation. Another thing to be considered is the in-built tension in partnering that marginalised some actors. In fact, it may be wondered whether a wide (in numbers) partnership was necessarily a more well-functioning and effective partnership, especially considering that throughout time the North Jutland partnership was always wider (horizontally) than required by the partnership principle despite its limited size.

Maybe partnerships are functioning better when only a limited number of partners are involved. It is arguably easier to establish trust among a few partners, as well as it is easier to make promises to make new promises about future cooperation when fewer partners are involved.

It may be argued that an institutionalisation of the North Jutland partnership approach took place as a consequence of the development that the regional policy-making institution underwent since its initial establishment in the mid-1980s. The partnership approach in North Jutland developed from being primarily centred on the inclusion of the relevant actors in implementing the policy as required by the EC and the government level as well as desired by the regional level, into a network that gradually became the overall responsibility of the County towards an increasingly mature partnership with relations between two interdependent partnership organisations that sustained the process. The maturity and experiences of the partnership should not be ignored, as partnership is about long-term commitment to partnering in the future. In the case of North Jutland, this was definitely a scenario that played out. Since the end of the 1980s, the network or partnership in North Jutland developed based on the experiences made underway and based on the internal agreements made between the partners over the years. The partnership was long-term in that the organisational structure was maintained through the three succeeding programming periods although new partners were included in the process. The partnership process gradually developed out of the long-term experiences with resource exchanges in the decision-making network and the underlying rationale of 'sticking together' when necessary; this became the catchphrase in North Jutland regional policy-making. It became a natural way of working together that no one questioned; it was the norm. In this way, the partnership process in North Jutland became institutionalised, which was emphasised in the Objective 2 Programmes framing the partnership, towards long-term partnering.

From a historical institutionalist point of view, the interpretation of the partnership principle in terms of inclusion and process has been a gradual process initiated by the first development of a regional level institution to implement regional policy in North Jutland. Once the experimental NordTek programme established a 'partnership' organisation in North Jutland, the development of it was initiated. First, the institution was gradually exposed to conversion where the existing rule with the inclusion of actors at regional and national and EC levels was reinterpreted and changed to constitute only regional actors. Following this and the subsequent Structural Funds reforms in 1993 and 1999, the partnership organisation was increasingly widened, or exposed to layering, although it kept its organisational structure. In this sense, the

partnership organisation in North Jutland has been institutionalised over the course of time to involve implied understandings and norms. This development was also conditional to the gradual development of the partnership process. Although it has not been possible to access adequate information about the process during the first years of existence, it can be speculated that initially the process was characterised by network relations that gradually extended to become more and more similar to partnering as the involved partners became familiarised with the institution of the partnership and developed an environment of trust and consensus about the preferred way to cooperate. The culture of 'sticking together' became integrated into the institution through the process. In this sense, the partnership process was also a gradually developing process of layering to the existing partnership institution.

A final remark should be made regarding methodological considerations of the validity of the storytelling of the interviewees concerning how they have perceived the partnership process. On the one hand, it may be questioned whether the positive storytelling of how the partnership was based on consensus and sticking together has become a reinforcing instrument of the network itself. This storytelling may have been generated by the involved actors and passed on to the new actors in the network, repeating the story again and again until it became the truth. Evidence analysed above does point to disagreements and rivalry among some of the actors (especially the geographically rooted networks, VUR and the Aalborg Region Network) which arguably points to a more nuanced picture. So how can I convince myself and the reader to believe the storytelling when parts of the evidence point to a different reading? As is suggested in the methodology, data triangulation is a solution. However, here it is not possible to triangulate the interview data with other primary or secondary data to support the storytelling, as no such data exists. Instead, I have to triangulate within the interview data, implying that the interviews reveal other things than the storytelling. Two issues should be emphasised: first, it is worth investigating the rivalry between VUR and the Aalborg Region Network more closely. It has been argued above that despite that both sides of the opposing camps have claimed that the other area received more funds for their projects, the matter of the fact is that both areas received their share of the funds, as Gjerding argues (personal interview). Especially, the Aalborg area received a large amount of funds for projects (such as the Music House or the Utzon Centre as well as smaller projects). The storytelling of the Aalborg representative becomes central in that the municipality of Aalborg was in a powerful position to either attract funds to the area or to decide that funds should be allocated to other areas or projects, a role which Stoustrup emphasises (personal interview). Second, it is relevant to triangulate the storytelling with the actual partnering process, which illustrates that the partners do in fact stick together

regardless of the disagreements and quarrels that are unavoidably present in such a partnership organisation. This is evident in the extensive list of projects supported by the partnership (cf. all the interviewees have referred to projects that they remember to be especially interesting and to have made a contribution to the regional development of North Jutland). Moreover, it is evident in the historical development of the institutionalisation of regional level capacity and thus the partnership development itself. The institutionalisation of partnership was based on increased involvement of relevant actors in order to achieve a balanced partnership organisation where all interests were heard. Thus, 'sticking together' may reflect the 'inclusion' and 'process' requirements of the partnership principle.





## 9. Conclusion

When initiating this research, I set out to explore how Danish regional policy-making has changed during the course of time, as a result of the interpretation and implementation of the EU partnership principle inclusion and process requirements. In order to find specific answers to my inquiry, I proposed three inter-related questions:

What types of change, if any, have been generated in Danish regional policy-making as a result of the Danish interpretation of the organisational requirements of the EU partnership principle until 2006? That is,

- which consequence has the interaction between Danish regional policy-making and the EU partnership inclusion requirements had for the inclusion of and relations between partners in Structural Funds implementation and why?
- to which extent has the coordination between Danish regional policy-making and the EU partnership process requirements resulted in a partnership process?

Thus, the research area under scrutiny was the historical development of the Danish regional policy-making institution based on its interpretation of the partnership principle inclusion and process requirements. Based on closer investigation than has hitherto been suggested, it has been argued that the partnership principle is composed of three elements, which in turn have implications for its implementation into the member states' own regional policy-making institution: first and foremost, as the partnership principle has been extended in subsequent reforms, it has been increasingly emphasised that implementation of the partnership requirements has to be in accordance with the member states' own institutional, legal and financial organisation. This certainly argues for closer investigation of the member states' institutional organisation into which the partnership requirements are implemented. Moreover, this argument is supported by existing literature, which has found that implementation of the partnership principle has resulted in mixed experiences and results depending on the member state's institutional organisation. Hence, this was the starting point of the study: regional policy-making institutional development. The second element of the partnership principle is that partnership involves inclusion of actors or organisations at different levels of government, as well as increasing involvement of private actors and organisations. The third element of the partnership principle, which has not been highlighted in existing research, is that in order for the

partnership to be operative, it requires some kind of process or relations with the involved actors and organisations towards the achievement of regional development in the regions. Arguably, the final two elements resemble a network.

When implementing these partnership requirements, i.e. inclusion and process, the member state's regional policy-making institution is expected to adjust to the institutional requirements demanded by the partnership principle as a condition to receive Structural Funds for regional development objectives. But how this adjustment takes place depends on the institutional organisation of the member state's regional policy-making institution and its interpretation of the requirements. For this purpose, the understudied case of Denmark is utilised as an object of analysis. Moreover, Danish policy-making is characterised by a peculiar balance between decentralisation and centralisation of the political system.

This study has been carried out within a theoretical framework of two theories, namely historical institutionalism and network governance, where historical institutionalism comprised the backbone of the analysis, when exploring change to the Danish regional policy-making institution in its interpretation and implementation of the partnership requirements. Network governance, in contrast, was utilised as a tool to analyse how the partnership requirements were employed on a practical level.

According to historical institutionalism, the study of institutions is an analysis of how organisations acquire value and stability over time. In this connection, institutions are more than 'rules of the game'. They distribute power, influence and the definition of interests to actors that in turn shape policy-making. According to Thelen (1999) institutions emerge as a result of historical conflict and constellations, which bring about change. Put differently, change occurs as an unintended consequence of interactions among different institutional orders and actors. Thus, change in the institution is both internal and external. Historical institutionalism identifies seven types of change: *defection* refers to when an actor that has hitherto followed the practices prescribed by an institution stops doing so. *Re-interpretation* is when an actor re-interprets the rules of the institution. The actor gradually changes his or her interpretation of the rules without defecting from or dismantling the formal institution itself. A more obvious way to institutional change is *reform* processes (Hall and Thelen, 1999). *Displacement* is often referred to as an abrupt change entailing a radical shift (as associated with the critical junctures in the earlier versions of historical institutionalism), but it may also be a slow evolving process. *Layering* occurs when new rules are attached to the existing ones, not replacing the institution. *Drift* occurs when rules remain formally the same, but the impact of them changes as a

result of shifts in the external context. *Conversion* occurs when rules remain the same, but are interpreted and enacted in new ways (Mahoney and Thelen, 2010).

Network governance offers a perspective on how the partnership principle inclusion and process requirements are practically employed by viewing partnerships as networks. The argument is that policy-making is more and more characterised by a process of negotiations and interactions among a number of public, semi-public and private actors that result in a relatively stable pattern of policy-making. This type of policy-making is referred to as governance networks (Sørensen and Torfing, 2007a). Actors are included into the network based on the resources they contribute with in an exchange with other actors' resources towards the goal of the network: effective policy implementation. This means that governance network actors are interdependent, but it does not imply that actors are necessarily contributing equally to the network; networks may be characterised by asymmetries of power. Interaction among network members transpires through negotiations on the distribution of resources. Governance networks are relatively self-regulating due to their horizontal character, although they are sometimes exposed to meta-governance in order to achieve the overall goal of the network (Sørensen and Torfing, 2007a).

However, it may not offer the whole 'truth': a specific version of a network approach is concerned with partnership and the partnership process which distinguishes itself from network relations in that the process or the relations among the actors involved is centred on what Åkerstrøm Andersen (2006) labels 'partnering', where the relations among the actors are based on long-term perspectives and cooperation. Partnerships can be characterised as 'contracts of second order' designed to handle the fact that the circumstances surrounding the partnership are constantly changing. Thus, partnership is considered to be some form of second order contracts: contracts to ensure contract evolution and consequently they are dynamic in nature. This means that partnerships produce opportunities for future cooperation, visions and ideas, which is core to the 'partnering', i.e. how they endure based on the partners' mutual understanding of making promises about future promises, and how they are constantly developing.

Based on the hermeneutic approach to the research, I have applied the three perspectives together in the investigation of the development of Danish regional policy-making resulting from the interpretation and implementation of the partnership principle requirements of inclusion and process with historical institutionalism constituting the overall framework of the analysis. The analysis was sub-divided into three chapters, each reflecting interdependent aspects of the

research question, i.e. the historical development of the Danish regional policy-making institution independent from the interaction with the EC regional policy developing at the same time; the interaction between the two institutions and how that generated change; and how the partnership inclusion and process requirements have been interpreted and implemented as a result of the institutional change that the interaction between the two institutions has generated.

The Danish regional policy-making institution was considered to be one overall institution within which the partnership requirements were implemented. Within this institution, as a result of the gradual change of the Danish regional policy-making institution, a gradual decentralisation and a functional division of responsibilities took place as a reaction to the internal (such as bottom-up) and external (such as the 1988 reform of the Structural Funds) developments. This development materialised into a 'division of institutional levels' within the overall institution drawing on the Danish regional policy-making institution, which will be explicated below.

The first sub-analysis was concerned with the exploration of the historical development of the Danish regional policy-making institution independent from its interaction with the simultaneously developing EC/EU regional policy. This analysis was rooted in the argument that the interpretation and implementation of the partnership principle depends on the institutional context into which it is implemented, as partnerships are to be implemented according to the institutional, legal and financial organisation of the member state, which is continuously emphasised in the partnership principle definition. Seen from a historical institutionalist perspective, the development of the Danish regional policy-making institution is based on internal (and external) events and conditions leading to gradual change. The Danish regional policy-making institution can be traced back to the post-war years, where changes in the socio-economic map and a need to address regional development problems, such as unevenly distributed unemployment problems between the rural areas and the cities, led to the first Regional Development Act in 1958 focusing on the promotion of mobility and business development in areas with high unemployment. Regional development was the exclusive responsibility of the state level. The Regional Development Act can be considered the first institutionalisation of Danish regional policy-making and it introduced a new way of perceiving regional development (*egnsudvikling*) as a more balanced development outside the capital. Simultaneously, bottom-up developments took place, where business councils were established at the sub-national level bringing public and private actors together to promote regional development of their specific area.

Regional development during the years following the enactment of the Regional Development Act may be characterised as a gradual development towards increased decentralisation based on a number of internal and external events. During the 1960s, the Regional Development Act was reinforced constituting what historical institutionalism labels 'layering', where the subsequent reinforcements merely added rules to the existing institution without turnover of the existing institution by gradually transferring responsibility to the newly established Regional Development Directorate situated in Silkeborg in Jutland sub-ordinated to the state level. This was an internal development. External developments also took place during the 1970s and early 1980s, where several municipalities and counties established business councils as a response to a deteriorating economic situation following the oil crisis in 1973-4. These initiatives remained external to the Danish regional policy-making institution, in that at that time the sub-national level competences were limited to granting direct subsidies to individual companies. Thus, regional activities at the sub-national levels constituted more specifically providing advice, training or improving general conditions for businesses within the region. Nonetheless, these initiatives are central to understand the gradual development of the Danish regional policy-making institution, especially seen in the light of parallel external developments during the mid-1980s that led to internal manoeuvring in the Danish regional policy-making institution. The public debt had increased to a critical level, which made the Conservative Prime Minister introduce the so-called 'potato diet', which entailed extensive cuts in public and private expenditure. According to an interviewee, during the 'potato diet', regional development support was gradually reduced and removed from the yearly Finance Bills in 1987 and 1988. Arguably, this development constituted the gradual phasing out of the Regional Development Act with the reduction in support for regional development. Two other pieces of evidence support this claim: between 1984 and 1985, prioritisation of the funds for regional development was changed towards increased direct subsidies rather than loans. This probably took place because loans were more cost-effective compared to direct subsidies, so even with a reduction in the total national level expenditure the net gross expenditure remained the same when the loan disbursement was reduced considerably. Moreover, the discourse of the Finance Bills of 1987 and 1988 supports the gradual development argument. The overall frame of activities for regional development changed from 'business economics' (erhvervsøkonomiske foranstaltninger) to 'industrial development' (erhvervsfremme); a change of rhetoric that may be regarded as a symbolic indication of the new era. Thus, the bottom-up developments during the 1980s took place against this background: that funds for their regional development were gradually reduced forcing them to mobilise

themselves and work more closely together across the public-private divide and across levels of government to handle the regional development challenges. This points to a gradual development of the Danish regional policy-making institution. From a historical institutionalist perspective, this development is called 'conversion', where both the state and sub-national actors interpreted the rules in new ways.

Existing research (such as Halkier, 2001 and Illeris, 2010) has characterised 1991 as an epoch-making year in that state-level exclusive responsibility of regional policy-making was terminated 'overnight', and the objective with regional development was changed to improve the competitiveness of Danish companies rather than the region as a whole. However, evidence here points to a more nuanced reading of these events. Previous research was more concerned with explaining change to the institution through the 'critical junctures' terminology, as institutional development was considered to be characterised by path-dependence as earlier versions of historical institutionalism emphasised (Hall and Taylor, 1996). Apparently, it does look like a completely new institution was established with changed organisation and objectives after 1991, but the changes may not be so radical after all when considering the line of reasoning above. Rather, a sequence of events initiated during the 1950s' bottom-up developments till the 1980s, as concluded above, has led to gradual development of the Danish regional policy-making institution through a reform of the existing institution as argued by the historical institutionalist perspective.

The 1991 changes to the Danish regional policy-making institutions resulted in decentralised organisation of responsibilities involving the regional level in the policy process enabling them to design programmes, set up institutions and shape individual projects – a specific Danish bottom-up model to regional development was emerging. The division of responsibilities was based on a functional division where each level of government involved in regional policy-making became responsible for different aspects and processes of policy-making. At this point in time, it should not be forgotten that the 1988 reform of the Structural Funds had been introduced and was expected to generate change in the Danish regional policy-making institution. Thus, the responsibility of the national level became to promote the general framework conditions for businesses as well as it provided the Danish Agency for Trade and Industry (DATI) with increased competences in national regional policy-making. The regional level, in contrast, became the actual implementers of the policy as this level controlled their own programme resources and co-funded EC programmes.

With the changed division of responsibilities towards multi-level governance, the sub-national actors were offered a window of opportunity to become increasingly and legally involved in regional development and in the promotion of their own areas. Similarly, the national level gradually took advantage of the 'new' institution by way of developing its own approach to partnership and closer interaction between the state level and the sub-national actors in implementing the objectives of the Danish regional policy. These developments, which took place during the 1990s and to some extent into the 2000s, may be regarded as gradual developments based on layering to the gradually developing Danish regional policy-making institution.

As mentioned above, the parallel developments of the EC counterpart to regional policy-making are arguably similarly vital in explaining the development of the Danish regional policy-making institution in that in 1988 for the first time ever the EC introduced a regional policy where the member states could receive conditional Structural Funds for their regional development. In order to receive the Funds, the member states were required to establish competences to build partnerships across levels of government which most member states did not have any experience with. Thus, it was expected that the member states' existing regional policy-making institution would have to be adjusted accordingly. This is also what existing research has illustrated: that variance in the implementation of the partnership principle had been identified across the member states. The present research has sought to present a more detailed analysis of this development in Denmark.

The analysis of the interaction between the Danish and EC/EU regional policy-making institution begins in the 1970s when Denmark entered the EC, and the Community's regional policy objectives came to influence national priorities, objectives and practices by being assigned to EC regulation. At this point in time, EC regional policy-making was based on a quota scheme which left the member states – and Denmark – in control of the implementation and employment of the EC quota funds allocated to each member state. These funds were allocated to Greenland, but when Greenland decided to withdraw from the EC in 1984, the funds were instead delegated to the rest of the Danish regions. It should be noted that these developments took place prior to the 'potato diet', which arguably may have influenced the gradual developments surrounding the reduction in national funds prioritised for regional development, although it has not been articulated by the politicians. Thus, the relative importance of the Danish regions suddenly having a prospect of receiving additional funds for regional development should not be ignored in the above conclusion of the gradual development of the Danish regional policy-making institution – it aids to that development. Moreover, it aids to the conclusion reached that bottom-up



developments along the way have correspondingly resulted in gradual transformation of the Danish regional policy-making institution from that of a state responsibility towards a shared responsibility between levels of governments in that the availability of the EC funds for regional development by the regions themselves, may together with the increasing socio-economic deterioration during the 1970s and 1980s, have strengthened the relations between the regional level actors in an attempt to take destiny into their own hands. Thus, these developments support the conclusion reached above that the institutional development of the Danish regional policy-making institution is characterised by gradual development based on a sequence of internal and external events pointing to a conversion of the institution in the terms of historical institutionalism.

These sequential developments certainly prepared the ground for and set the stage for the 1988 reform of the Structural Funds, which may expectedly have generated additional change to the Danish regional policy-making institution in that partnerships across levels of government were required. As it turned out, the 1988 reform of the Structural Funds did not make up the expected earthquake, it merely became situated in the chain of events that aided to the gradual development of Danish regional policy-making. Thus, the 1991 developments were inspired by the introduction of partnership requirements of the 1988 reform on the same premises as the socio-economic, political and bottom-up events that took place in Denmark concurrently. For that reason, the 1991 developments cannot solely be ascribed to the introduction of new organisational requirements, but it has definitely inspired the division of responsibilities which came into effect post-1991, as it has offered a window of opportunity to legally involve the sub-national actors in regional development. Adding this event to the sequence of events leading to the gradual development of Danish regional policy-making, this type of change may be characterised as displacement which was generated as some of the actors affected by the institutional structure did not find it reasonable to adhere to that structure, rendering a change to that institution unavoidable.

As mentioned above, the post-1991 regional policy-making institution in Denmark joining the Danish and the EC approaches resulted in a vertical multi-level governance structure with functional division of responsibilities 'stratifying' the Danish regional policy-making institution as explained above, which in many respects became similar to those of the EC. The EC level was responsible for regulating spatial designation and funding. The national level became a coordinator between EC regulation and regional level implementation in accordance with national legislation, withdrawing from its central position in Danish regional policy-making prior to 1991. The regional level

became responsible for implementation of the regional development programmes. This division of responsibilities has since then been operative.

Two subsequent reforms of the Structural Funds widening and deepening the partnership requirements were decided in 1993 and 1999, expectedly influencing the development of the coordinated Danish and EC/EU regional policy-making institution. As it turned out, no considerable transformation of the existing organisation took place. The institution was merely emphasised and extended through strengthened coordination between the two as well as increased emphasis on partnership by layering.

One of the most conspicuous changes to the existing Danish regional policy-making institution was the elevation of the regional level based on the bottom-up developments during the 1980s, and even back to the 1950s, as well as the opportunity for the regional level to become involved in regional policy implementation by the availability of EC funds justifying their legal position. North Jutland was chosen as a case study for exploring the practical implementation of the partnership principle requirements as well as for investigating the development of regional level capacity for implementing regional policy based on its long tradition of involvement in regional policy-making (a pioneering region in Denmark) and its versatile business structure to mirror the complex organisation of partnership.

The institutionalisation of North Jutland regional policy-making competences was founded during the mid-1980s with the experimental NordTek programme, where, by some coincidence, regional level actors met with EC level civil servants resulting in a proposal for implementing an EC programme in the North Jutland context experimenting with a programme and a partnership approach. As such, this experiment was ahead of its time as it was operative within the frames of the Regional Development Act, where the regional level did not play any role in Danish regional policy-making. However, this experiment initiated a process of institutionalising capacity at the regional level in implementing EC, regional and national level regional development initiatives and inspiring other regions to set up similar structures. Therefore, when the 1988 reform of the Structural Funds was introduced, North Jutland was prepared to implement a form of partnership. The NordTek partnership was composed of EC, national and regional actors operating at the regional level, which, in a subsequent evaluation of its operation, was not considered adequate. Rather, the regional level partnership should represent regional interests and challenges. Thus, an institution was set up reflecting North Jutland, where competences were delegated from the politically elected County Council to

two interdependent Committees composed of politicians and civil servants respectively based on a functional division of responsibilities. This institutional organisation was emphasised and extended reflecting the 1993 and 1999 reforms of the Structural Funds adding layers to the regional level institution by including more and more actors into the organisation. Hence, the NordTek programme should be considered vital in the establishment and development of regional level capacity and partnerships, also in terms of inclusion and process as will be concluded later.

First, however, the final sub-analysis took its point of departure in the vertical functional division of responsibilities in order to explore how partnerships were implemented on each level based on the interpretation of the partnership requirements within this organisation (as coordinated between the Danish and EU regional policy-making institutions). The first level explored was the EU level, which arguably was insignificant in Danish regional policy-making besides its role as the actor setting the rules of the game. As the Commission was not itself directly involved in day-to-day implementation it sought to influence the process by means of the exercise of meta-governance through the partnership principle definition. Whether this meta-governance was successful or not, depended on the member states and their interpretation of the principle.

The next level which was explored in the vertical division of responsibilities was the national level partnerships. The national level played a clearer role in the Danish partnership as the coordinator of policy between the EU and regional levels; as the actor providing the national regulatory framework, forwarding programme proposals to the Commission, suggesting overall policy design, matching ESF and ERDF funding, administering the ERDF and ESF. The analysis of the national level partnership illustrated how the national level, in its coordinating role, was involved in and responsible for preparing and designing programmes and monitoring the programmes. These undertakings were carried out in partnership with actors below the national level, as well as the social partners and other public and private actors trying to influence the process and the consequent contents of the programmes. The national level was not directly involved in the implementation of the programmes, however, but was financially responsible to the Commission, for which reason it was involved in and chairing the Monitoring Committees set up to oversee the progress of the programmes. The role of the Monitoring Committee was disputed in the analysis as especially the interviewees questioned their role therein. The Monitoring Committee was referred to as a 'figurehead' or a 'rubber stamp' reflecting the formal decisions made concerning effective usage of the funds in projects with high quality. In this sense, the Monitoring Committee was merely present in the partnership

because the Commission dictated so. Evidently, this was not the level where the widest and deepest partnerships were found, although it did have vertical relations with the regional level. NAEH had relations with the County level (the Regional Development Department referring to the County Council) both when designing the programmes but also during the implementation of the programmes. The regional level was accountable to NAEH which in the end finally approved the project applications and disbursed the Funds to the projects.

Arguably, the 'real' partnership was found at the regional level as the practical implementer of the policy. To explore the interpretation and implementation of the partnership inclusion and process requirements, the historical development of the partnership organisation in North Jutland was brought back as a case. As concluded above, the NordTek Programme became the launching pad for gradual development of regional level institutional competences to implement EC and regional level regional policy. At the same time, a specific approach to partnership in North Jutland also developed. During the late 1980s, North Jutland witnessed a deterioration of the economic situation when major work places closed down such as Aalborg shipyard, thereby increasing the unemployment level, while national funding for regional development was reduced following the 'potato diet'. The North Jutland approach to partnership was based on these gloomy conditions leading to a coordinated regional development approach bringing different policy areas, such as labour market and industrial policy, together to address the problem more holistically. It was argued that in order to address the unemployment problem, a number of 'relevant' actors had to be brought together to exchange ideas and information. These actors were all affected by, or involved in, regional development. Although, the NordTek partnership was entirely composed according to these recommendations, but also according to the requirements of the national and EC levels, the influence of the NordTek partnership should not be understated in serving as a foundation upon which the North Jutland regional policy-making partnership was built.

Obviously, considerations regarded both the objective of regional development but also the inclusion of actors to implement these objectives – these were considered to be interlinked. Therefore, when following the 1988 reform, a programme for North Jutland regional development was introduced, an extension of this approach came natural. A specific partnership organisation was firmly rooted in North Jutland as concluded above: a structure with two Committees for decision-making concerning implementation of policy objectives in North Jutland and EC regional policy was continued after the NordTek programme in the subsequent rounds of programming in 1993 and 1999. Along with the new programming rounds and refined partnership

requirements, the partnership in North Jutland was also extended and widened but not necessarily based on the requirements of the partnership principle, but rather based on regional and local considerations regarding the state of regional challenge, the regional policy objectives and the subsequent addition of a third policy area to the North Jutland regional policy approach into a Trinitarian regional policy approach (labour market, industrial and education policies), where the regional policy objective constituted the overlapping area of the three. Thus, the partnership was gradually extended to include regional and local (municipal, business councils) actors, social partners as well as 'industrialists' who are business men representing particular innovative and respected businesses in the region. All of these actors were gradually included as they could each contribute with resources to the partnership towards the promotion of regional development in North Jutland. Additionally, more and more actors were included as the experience with cooperation in the North Jutland partnership matured, perhaps highlighting the need to involve new partners, or perhaps because new actors presented themselves on the regional scene. Although the development of the North Jutland partnership has not entirely reflected the development of the partnership principle requirements, it should be noted that even in its undeveloped form in the 1980s, the North Jutland partnership was well ahead of the requirements of the partnership principle definition in the 1988 reform, and even so in the subsequent reforms. In this sense, the North Jutland partnership did reflect the partnership inclusion requirements as they developed – otherwise the partnership would not have been accepted by the national and EC level, as one interviewee highlighted.

Regarding the development of the process requirement, it was more difficult to make a firm conclusion as adequate data does not exist to illuminate the partnership process of the 1980s and 1990s, and the interviewees had difficulty remembering specific events and relations that long ago. It can be concluded, though, that following the inclusion of actors into the partnership, the web of relations among them must have become proportionally complex indicating that the process requirement of the partnership principle must have developed accordingly. Nonetheless, it was concluded that the North Jutland regional policy organisation had gradually developed into a network.

A more detailed investigation of the practical interpretation and implementation of the inclusion and process requirements was carried out of the 2000-2006 programming period where both the inclusion and process of the partnership were based on the experiences with the partnership organisation preceding this programming period, which is clear in the Objective 2 Programme for the period. The

2000-2006 partnership was composed of a formal and an informal partnership organisation. Within the formal partnership organisation the partnership organisation found in the previous programming periods consisted of the County Council (overall responsible for policy-making in North Jutland), NUF (resembling the Steering Committee composed of politicians to support political backing), the Executive Committee (composed of civil servants) and the Regional Policy Department at the County level. This organisation was a particular constellation that was not seen in other Danish regions with its separation of civil servants and politicians into two Committees. Outside the formal partnership organisation, an informal partnership existed resembling and representing the actors involved in the formal partnership Committees. Thus, the interests of the informal partnership actors were represented inside the formal organisation, which had consequences for the relations between the two organisations and the actors within them. Here, municipalities were represented through a number of actors (both politicians and civil servants) such as locally based actors, e.g. VUR, HUR and the Aalborg Region network, whom had a rivalling position in the partnership, the NES group and local business councils. Besides these, agricultural and education organisations and the social partners were represented through the RLMA as well as individually (both the employers' organisations and the trade unions).

These actors directly represented in the formal partnership organisation were situated in the informal partnership in order to legitimise the decision-making process in the formal partnership organisation, in that they would provide a platform for support of the negotiations between the interested partners in the formal partnership. Moreover, it was argued that the actors making the decisions concerning the development of the region should reflect those potentially applying for the regional development funds. Thus, the actors situated in the informal partnership organisation were also potential project applicants. Besides, these actors, a variety of actors or organisations such as NOVI and North Jutland Business Service, were involved providing services to the system or as direct applicants in their capacity of being created by the system (they were established on the initiative of actors within the formal partnership organisation) due to their required existence to support the organisation.

Partnership in North Jutland was found in both the vertical decision-making process and in the surrounding horizontal partnership, involving actors across different organisational and policy contexts based on resources which the individual partners brought to the process, e.g. the institutional position of the actors, financial resources, ideas and the ability to take the initiative to instigate new projects and personal

network relations. These resources contributed to create tight interdependent relations between the partners within the formal partnership organisation, and the relations with the informal partnership in the implementation of regional policy in North Jutland.

Two types of relations existed within the North Jutland partnership organisation. The first type of relation was the internal relations within the formal partnership organisation, which was mainly concerned with decision-making related to the policy objectives, and how to achieve them through recommendation of projects eligible of regional development to the national level National Agency for Enterprise and Housing (NAEH). A specific decision-making process developed over the years of experience with the institutionalisation of partnership, in which things took place in a certain order and each Committee within the formal partnership organisation played specific roles herein. This process involved implied understandings, norms and procedures for cooperation. On the face of it, the decision-making process appeared to be highly hierarchically organised with a clear division of responsibilities and hierarchy between those who decided and those who prepared the basis for those decisions. It was especially noticed how many levels a project application had to go through to be approved (first the Regional Policy Department, then the Executive Committee and finally NUF before sending the recommendation to NAEH), which would appear inefficient and obsolete. Rather, this line of work implied professionalism and strict employment of the *modus operandi* of EU regional policy implementation. In isolation, these relations appear to resemble a network of relations rather than a partnership as defined by Åkerstrøm Andersen.

Investigating the second type of relations, i.e. those between the formal and informal partnership organisations adds to a more nuanced conclusion. These relations were affected by the roles played by the actors and organisations in the informal partnership: they were either indirectly involved in the formal partnership organisation through representation or they were created by the partnership in order to provide services to the system and be project applicants. It was argued, that, in a sense, all parties in the informal partnership had an interest in the decision-making of the formal partnership organisation as the decisions concerned their individual area or organisation. It was also found that members in the formal partnership organisations were represented in the board of directors of the organisations in the informal partnership pointing to dual relations. These crisscross relations legitimised the decision-making process, in that it was not possible to create legitimacy about the decisions made in either Committee if the nominated project could not see itself mirrored or represented in the Committees making the decision regarding its

eligibility. It can therefore be concluded that the informal partnership justified and legalised the formal partnership organisation, or that without the informal partnership, the formal partnership organisation did resemble a network. The informal partnership and its relations to the formal partnership organisation were key to understand the interpretation of the process requirement of the partnership principle in Denmark, and in North Jutland in particular.

Relations between the actors and organisations in the two partnership organisations were very close, shifting between formal and informal and based on mutual trust and respect of each other's position in the negotiations. Much negotiation, discussion and lobbying took place behind the scenes to ensure a smooth decision-making process in the formal partnership organisation to maintain the strict hierarchy of decision-making. According to the interviewees, this was a rather easy process in that the partnership was made up of a relatively small number of central actors whom everybody knew. This was a consequence of North Jutland's relatively small size. With a small partnership, a close web of relations was easily established generating trust among the actors. On the surface, it appeared that relations were generally good despite a rivalry between three (and in particular two) municipal networks: HUR, VUR and the Aalborg Region network. Of course, at times it could be more difficult to reach agreements when particular actors or organisations stood firmly on their position, but in the end a compromise was always reached to the overall benefit of the region, instead of mere local or organisational interests.

To make a conclusion on whether these relations constituted a network of relations or a partnership process as defined by Åkerstrøm Andersen, it was necessary to find evidence that either confirm or reject the dynamic partnering process, where partners make promises to make new promises in the future in these relations. In the first place, three processes highlighted the dynamic nature of the decision-making process, where the partnering adjusts to the changing context in which it is situated. Especially two decisions, which were controversial to the partnership, illustrated how the situation surrounding the project application changed according to different conditions in the region and within the project itself, forcing the decision-making partnership to alter previous decisions to correspond to the changing context. This constituted the dynamic nature of the partnership: it was prepared to adjust its decisions to the changing context. This was confirmed when the then Head of the Regional Policy Department secretariat sought to write up a 'State of the Business Development in North Jutland' with a more long-term strategy to regional development than had hitherto been suggested. As it turned out, this was not a success in that politicians prefer shorter-term political strategies so they can adjust



them along the way. Hereby, the conclusion that the partnership in North Jutland resembled an Åkerstrøm Andersen partnership was strengthened. A final piece of evidence to support this conclusion was the analysis of the interviewees' own understanding of a partnership and consequently also the partnership they had participated in in North Jutland regional policy-making reflecting both the dynamic nature of the partnership as well as the partnering process itself which presented definitions resembling the Åkerstrøm Andersen definition.

It took a journey down a long winding road to answer the above research questions with many details of the historical development of the Danish regional policy-making institution composed of a complex network of institutions. Therefore, nearing the end of this research, I will attempt to further distil the above detailed conclusion. The simple conclusion to the complicated, multi-faceted research question is that the Danish regional policy-making institution has gradually developed from being an overall national level responsibility to being an increasingly decentralised vertical and horizontal partnership that was found at three levels of government (i.e. EC/EU, national and regional levels) based on a functional division of responsibility. The gradual movement towards increased decentralisation, and thus multi-level governance, has elevated the regional level and allowed for regional level capacity building that has materialised into a specific regional level partnership approach. This development was shaped by internal and external events. Internally, national economic, socio-economic, political and bottom-up developments spurred this development. Externally, the introduction of the 1988 reform and subsequent extensions of that reform have contributed to this development by offering the potential regional development actors at the regional level, in particular, a window of opportunity to become legally involved in regional development as well as offering additional funds for this development. Both national and regional level actors reacted to this. However, the development towards increased decentralisation and multi-level governance cannot solely be ascribed to the availability of additional funds and a new structure for organising regional policy; bottom-up developments in Denmark can be traced back to the 1950s well before EC regional policy became influential on member states' regional policy-making. The specific partnership model in Denmark and in North Jutland in particular, may only partly be based on the partnership requirements, as the NordTek programme experiment preceded the 1988 reform of the Structural Funds where partnership was first introduced. Considerations in North Jutland were more oriented towards involving the relevant actors in regional development; i.e. actors or organisations directly affected by the (poor) development of the region. Hence, a Trinitarian regional policy approach involving labour market, industrial and education policies determined the relevant horizontal actors. Moreover, during the

1980s, North Jutland faced difficult times due to a high level of unemployment, which forced the public, business and other private actors, as well as the social partners, to stick together in addressing this problem. Since then this sense of sticking together has shaped regional policy-making in North Jutland creating and developing a partnership in the Åkerstrøm Andersen sense of the word.

Thus, the 'simple' answer to the first bullet question "which consequence has the interaction between Danish regional policy-making and the EU partnership inclusion requirements had for the inclusion of and relations between partners in Structural Funds implementation and why?" is that partnership in Denmark was introduced prior to the 1988 reform partly based on internal changes to the Danish regional policy-making institution, such as bottom-up developments of the 1980s, socio-economic and political changing conditions, and partly based on external events such as the accidental experiment between the regional level actors and the EC level leading to the establishment of regional level competences to implement regional policy. The establishment of a regional level institution into which the partnership requirements and its gradual development was implemented shaped the gradual inclusion of regional, local, public and private actors, social partners and the 'industrialists'. The gradual inclusion of actors into the North Jutland partnership reflected the development of a particular North Jutland approach to regional policy based on the Trinitarian regional policy model involving three policy areas, i.e. labour market policy, industrial policy and education policy, where all these policy areas affected the regional development. Thus, actors affected by or involved in these policy areas were, throughout time, considered relevant to the implementation of regional policy objectives. Thereby, the partnership 'reflected North Jutland'. These considerations were more based on addressing the regional development challenges in North Jutland than meeting the partnership inclusion requirements in the following reforms. Arguably, this was not necessary in that the first partnership preceding the 1988 reform of the Structural Funds was more inclusive than required in the subsequent reform. Therefore, the North Jutland partnership did not have any difficulties meeting those requirements even in the subsequent extensions of the partnership principle requirements. The relations within the North Jutland partnership were consequently based on the gradual inclusion of actors that reflected the state of the regional development challenges. The included actors in the formal partnership organisation represented interests and organisation situated outside the formal partnership organisation. These organisations and networks influenced and legitimised the formal decision-making by providing support to those decisions and by being direct project applicants.

Similarly, the simple answer to the second bullet question “to which extent has the coordination between Danish regional policy-making and the EU partnership process requirements resulted in a partnership process?” is that the formal and informal relations between the formal and informal partnership organisations constituted relations that mirrored the partnership definition of Åkerstrøm Andersen. These exact relations legitimised the partnership and made it a partnership rather than a network. When looking at the relations within the formal decision-making organisation in isolation, these may only be characterised as network relations as they were characterised by hierarchical and very structured relations which was a necessary condition in order for the partnership to be able to produce an acceptable and professional outcome (i.e. regional development) being held accountable, first, to the national level and, next, to the EU level. Thus, when taken together the partnership interpretation and implementation in North Jutland did resemble a partnership that gradually developed as experience with cooperation developed over the course of time.

All in all, the overall answer to the research questions is that the Danish regional policy-making institution has witnessed a gradual development since the 1950s towards increased multi-level governance and a functional division of responsibilities elevating the regional level with its own competences to implement the partnership inclusion and process requirements. Within the regional level regional policy implementation institution drawing on the overall Danish regional policy-making institution a specific North Jutland approach to partnership and partnering has developed based on regional level considerations regarding the objectives with regional development, but inspired by the organisational framework presented by the EU regional policy. These developments may partly be ascribed to a sequence of internal and external conditions and events, such as socio-economic and political developments in Denmark, bottom-up developments stretching back to the 1950s and the 1988 reform of the Structural Funds offering a window of opportunity for the regional level to become legally involved in their own development with the availability of funds and an organisational framework for its implementation.

This research has contributed with an alternative theoretical framework for understanding the interpretation and implementation of the partnership principle into the member states than the one most widely applied, i.e. multi-level governance. With the proposed framework of historical institutionalism and network governance this research has proved to be able to go in depth with the types of change generated by the interaction between national and EU regional policies in the member states. It has been verified that change has been generated in Danish regional policy-making as

a result of the this interaction as multi-level governance research has suggested, but on top of that, this theoretical framework offers additional tools to identify the nature of that change. In addition, this research has contributed with an in-depth analysis of the horizontal relations, which partnerships are expected to generate through the application of the Åkerstrøm Andersen partnership definition of 'partnering', but which existing research has not convincingly been able to clarify. Thus, based on the explorative nature of this research, the aim has partly been to explore the historical development of the Danish regional policy-making institution, and partly to develop an alternative and supplementary theoretical framework to multi-level governance in order to illuminate details of the interpretation and implementation of the partnership principle in the member states through a Danish case study. As such, this study has demonstrated the applicability of the theoretical framework in the Danish case, making it possible to carry out similar studies of other member states' experience with the interpretation and implementation of the partnership principle within the framework. The weak link of this study is the fact that carrying out a historical analysis that goes well back in time may prove difficult in that accessing data, either primary or secondary material, is always problematic, especially when relying on the recollection of interviewees involved in the process. This was the case in the analysis of the historical development of the process requirement of the partnership principle. Despite this weakness, I believe that I have made a contribution to existing research of the interpretation and implementation of the partnership principle by suggesting an alternative approach to understanding the partnership principle definition, and its consequent different theoretical and empirical implications than those of the multi-level governance approach. The combination of the three theoretical perspectives offers a new approach to understanding the development of the Danish regional policy-making institution with a more nuanced perspective on gradual change (continuity vs. change) in a multi-level governance setting.



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## **Interviews (see Appendix 2)**

Anonymous centrally positioned civil servant at the County Regional Policy Department

Anonymous representative from VUR

Christensen, Flemming

Christensen, Henrik

Gjerding, Allan Næs

Gregersen, Preben

Hav, Orla

Hedegaard, Jens Arne

Hesselholt, Anders

Lang, Svend Erik

Lodberg, Henrik

Mathiasen, Finn

Nielsen, Jørn Munk

Nielsen, Thomas

Pedersen, Henrik Brask

Pedersen, Torben

Poulsen, Ebbe

Simensen, Karsten

Stoustrup, Vibeke



## 11. Executive Summary

This research takes its point of departure in the institutional consequences of the partnership requirements for the member states' regional policy-making institution. It analyses the historical development of the Danish regional policy-making institution with particular emphasis on the changes that were generated from the interpretation and implementation of the partnership organisational requirements. Notably, the ambition of this study departs from other studies carried out with this goal, such as the multi-level governance perspective based on a re-interpretation of the partnership principle requirements. I argue that the partnership principle contains three elements with theoretical and empirical implications for such an investigation: first, the partnership principle states that partnership employment should take place in the member states according to their institutional and legal backgrounds. This implies, like most multi-level governance research of the implementation of the partnership principle has revealed, that member states' institutional contexts matter to its implementation. Thus, in order to understand its implementation into the member states, and the consequences for the member states' institutional organisation, their existing regional policy-making institutions must be analysed in retrospect. The second element involved in the partnership principle definition is a requirement to include a specified number of actors in the partnership. The inclusion requirement has been extended in subsequent reforms of the Structural Funds to involve both vertical and horizontal actors and organisations. The third element is that partnership involves some kind of relations among the actors and organisations in the partnership. Thus, the institutional impact of the interpretation of the partnership requirements depends on the member states' interpretation and implementation of them. Regardless of the interpretation, institutional change may be the expected outcome.

So the aim is to explore how the interpretation and implementation of the partnership inclusion and process requirements generated change in a member state's regional policy-making institution. The member state selected for this inquiry is Denmark, as it is an understudied member state in the regional policy-making research, while also a member state characterised by a peculiar relationship between centralised and decentralised public policy-making.

In existing research of the implementation of partnership requirements, it has been argued that the member states' institutional organisation gradually adjusts according to these requirements depending on the member states' own institutional organisation, which is also inherent in the partnership principle itself. Arguably,



understanding the historical development of the Danish regional policy-making institution is key to understand the interpretation of the partnership requirements as the partnerships are expected to be implemented into the existing Danish regional policy-making institution. Historical institutionalism offers a theoretical perspective for analysis of interaction between the EC and Danish regional policy-making institutions, arguing that the institutional structure is historically rooted and has gradually developed based on internal (actors) and external (other institutions) conditions and events. Focus is on how decisions made in the past shape present decisions, and how institutions may change in the meeting with other institutions based on the reactions of the actors within the institution (Mahoney and Thelen (eds.), 2010, Hall and Thelen, 2009, Pollack, 2004). Thus, historical institutionalism offers two interrelated tools for this analysis: first it is able to analyse the context and the background to the institutional context into which the partnership requirements are implemented. Second, it offers tools to analyse the evolving interaction between the two institutions, i.e. the partnership principle and the national regional policy institutional structure.

Within the historical institutionalist framework, network governance presents an appropriate theoretical tool for analysing the specific organisation of the regional policy-making organisation, expectedly based on a partnership approach. Based on the existing institutional organisation of Danish regional policy-making, the partnership principle is interpreted and implemented into the Danish organisation, expectedly leading to the establishment of partnerships. Arguably, partnerships resemble networks in terms of inclusion and relations between the actors involved. Network governance analyses the inclusion (and perhaps exclusion) of actors in the implementation process based on the argumentation of resource dependencies; actors are involved in networks because they bring certain resources to the network that the network members are dependent on and cannot obtain elsewhere (Sørensen and Torfing (eds.), 2007, Sørensen and Torfing, 2005 and Klijn and Koppenjan, 2000). Within the governance network literature a specific approach to partnership as a form of network relations without being a network, is found. This approach by Åkerstrøm Andersen (2006) presents a definition of partnership based on 'partnering', where the partnership process is considered a dynamic process with relations between the partners based on 'second order contracts' (i.e. promises to make new promises about future cooperation) as a reaction to the changing context in which partnership operate. Hereby, it is possible to distinguish between the process requirement as a network of relations and as a partnering process.

Methodologically, the research is founded on a hermeneutic approach, which is concerned with parts and the whole and their relations, and how they in combination explain how the interpretation and implementation of the partnership requirements have generated change in the Danish regional policy-making institution. This study is based on analysis of primary and secondary data, as well as qualitative semi-structured elite interviews with public and private, politicians and civil servant actors at different levels of government, who have been involved in Danish regional policy-making until 2006, which is the dividing year for my study. North Jutland constitutes the case study region. A single case is preferred as the aim with this study is exploring the details of the partnership interpretation and implementation that have not been revealed in previous studies. In comparative studies, the detail level may not be as deep: complex networks are expectedly the result of the Danish interpretation of the partnership principle, and therefore the comparative analysis of two or more networks may only be superficial compared to a single case study. North Jutland is an appropriate case study region, in that North Jutland has a long history of involvement in regional policy-making as well as it has a versatile business structure thereby expectedly influencing the horizontal relations of the partnership.

Through the employment of a hermeneutic approach to the exploration of the development of the Danish regional policy-making institution based on the interpretation and implementation of the partnership requirements, the analysis consists of three interrelated parts. The first part is concerned with analysis of the institutional development of the Danish regional policy-making institution independent from the EC/EU counterpart. This analysis takes its point of departure in the argument that the interpretation and implementation of the partnership principle depends on the institutional context into which it is implemented, as the partnerships are to be implemented according to the institutional, legal and financial organisation of the member state, as is continuously emphasised in the partnership principle definition. Seen from a historical institutionalist perspective, the development of the Danish regional policy-making institution is based on internal (and external) events and conditions leading to gradual change. Internally, the first Regional Development Act in 1958, focusing on the promotion of mobility and business development in areas with high unemployment, initiated an institutionalisation process of a Danish approach to regional policy-making introducing a new way to perceive regional development (egnsudvikling) towards a more balanced development outside the capital. Regional development was the exclusive responsibility of the state level. Regional development during the years following the enactment of the Regional Development Act may be characterised as a gradual development towards increased decentralisation through layering to the institution. In 1991, the regional policy-

making institution framed by the Regional Development Act was changed into an apparently diametrically different organisation where state-level exclusive responsibility of regional policy-making was terminated 'overnight', and where the objective with regional development was changed to improve the competitiveness of Danish companies rather than the region as a whole, which existing literature has found to be epoch-making. However, this research does not support this claim. Rather, it is found that the 1991 change in the Danish regional policy-making institution was the result of a sequence of gradual developments, such as changing socio-economic conditions in Denmark during the course of time, political manoeuvring, bottom-up developments and the availability of EC funds for regional development during the mid-1980s, that altogether led to a reform of the institution. In this line of argument, the 1991 reform was also relevant in the sequence of events and changes that have shaped the gradual development of the Danish regional policy-making institution.

The second part of the analysis of types of changes generated as a result of the Danish interpretation and implementation of the partnership requirements is concerned with the interaction between the Danish and the simultaneously developing EC regional policy-making institution. As such, this analysis is based on the findings of the first analysis, where it was argued that the Danish regional policy-making institution was characterised by gradual change based on internal and external events and conditions. Here, the focus is particularly on the external conditions and events shaping this development: how the availability of EC Structural Funds and the introduction of a legal basis for regional level involvement in regional policy-making into an institution that was otherwise dominated by the national level offered a window of opportunity for sub-national actors to become involved in the development of their region, gradually elevating the regional level in Danish regional policy-making. Thus, these findings aid to the conclusion above that the Danish regional policy-making institution has gradually developed through a sequence of related events, where the introduction of EC regional policy-making constituted a link in that chain of events. An outcome of the 1991 regional policy-making institutional change was the development of a vertical division of responsibilities among the three involved government levels in coordinated regional policy-making in Denmark, arguably involving partnerships at all levels. The most noteworthy result of the development of the Danish regional policy-making institution was the elevation of the regional level and its establishment of competences to implement regional policy. The case of North Jutland illustrated how the institutionalisation of regional level competences was initiated prior to the 1988 reform of the Structural Funds as an experiment between regional and EC level actors in the NordTek programme, and

extended subsequently. By some coincidence, the regional level was elevated and initiated an institutionalisation process of regional level competences. Thus, an institution was set up reflecting North Jutland, where competences were delegated from the politically elected County Council to two interdependent Committees composed of politicians and civil servants respectively based on a functional division of responsibilities. This institutional organisation was emphasised and extended reflecting the 1993 and 1999 reforms of the Structural Funds adding layers to the regional level institution by including more and more actors into the organisation. Hence, the NordTek programme should be considered vital in the establishment and development of regional level capacity and partnerships, also in terms of inclusion and process.

As mentioned above, partnerships are expectedly found at all levels (i.e. EC/EU, national and regional), but the widest and most inclusive partnership is found at the regional level, which according to its functional division of responsibilities, is responsible for implementing the policy. Moreover, partnership relations took place both vertically and horizontally within this functional division of responsibilities. Thus, partnership at the regional level was the core focus of the final part of the analysis. Here, the NordTek programme was the launching pad for a North Jutland approach to partnership rooted in the regional needs, socio-economic developments and political prioritising. These conditions, along with the parallel developments of the partnership requirements, shaped the gradual development of the partnership in North Jutland towards an inclusive partnership along vertical and horizontal lines involved in a partnership process. In North Jutland, a specific partnership developed involving actors 'relevant' to address the regional challenges, who themselves were affected by the regional challenges or otherwise involved in the process of creating projects to promote regional development across the public/private divide, the social partners and additional innovative business leaders. These actors were represented in a formal partnership organisation, where civil servants constituted one decision-making Committee (Executive Committee) and politicians composed a second decision-making Committee (NUF). Based on the voluntary delegation of decision-making authority from the County Council, these two Committees in combination made the decisions regarding the recommendation of projects eligible of regional development support from the EU.

Members of the formal partnership organisation represented organisations and networks situated outside the formal partnership organisation, whereby their interests and priorities influenced and legitimised the decision-making process in the formal partnership organisation in that they would provide a platform for support of

the negotiations between the interested partners in the formal partnership. Besides these actors, a variety of actors or organisations such as NOVI and North Jutland Business Service were involved as providers of services to the system, or as direct applicants in their capacity of being created by the system (they were established on the initiative of actors within the formal partnership organisation) due to their required existence to support the organisation. Thus, partnership in North Jutland was both vertical (decision-making process) and horizontal involving actors across different organisational and policy contexts based on the resources brought to the process by the individual partners, e.g. the institutional position of the actors, financial resources, ideas and the ability to take the initiative to instigate new projects and personal network relations. These resources had contributed to create tight interdependent relations between the partners within the formal partnership organisation, and the relations with the informal partnership in the implementation of regional policy in North Jutland.

These relations were dual pointing towards a partnership in the Åkerstrøm Andersen sense of the concept. First, relations internally in the formal partnership organisation were mainly concerned with decision-making concerning the policy objectives, and how to achieve them through recommendation of projects eligible of regional development to the national level, National Agency for Enterprise and Housing (NAEH). A specific decision-making process had developed over the years of experience with the institutionalisation of partnership, in which things took place in a certain order and each Committee within the formal partnership organisation played specific roles herein. This process involved implied understandings, norms and procedures for cooperation. In isolation, these relations appear to resemble a network of relations rather than a partnership as defined by Åkerstrøm Andersen. But when considering the relations between the formal partnership organisation and the informal partnership, the relations appear more similar to a partnering process. These relations were affected by the roles played by the actors and organisations in the informal partnership: either through indirect involvement in the formal partnership organisation by means of representation or because they were created by the partnership to provide services to the system and be project applicants. It was argued, that in a sense, all parties in the informal partnership had a stake in the decision-making of the formal partnership organisation as the decisions concerned their individual area or organisation. Therefore, the informal partnership justified and legalised the formal partnership organisation, or, in other words, without the informal partnership, the formal partnership organisation did resemble a network. The informal partnership and its relations to the formal partnership organisation were key to understand the interpretation of the process requirement of the partnership

principle in Denmark, and in North Jutland in particular. Relations among actors and organisations in the two partnership organisations were very close, shifting between formal and informal and based on mutual trust and respect of each other's position in the negotiations, because the partnership was relatively small reflecting the size of the region. Much negotiation, discussion and lobbying took place behind the scenes to ensure a smooth decision-making process in the formal partnership organisation to maintain the strict hierarchy of decision-making highlighting the strength of the partnership and the partnering. Accordingly, partnering was at the centre of the North Jutland partnership organisation during the 2000-2006 programming period based on years of experience with interpreting and implementing partnership requirements since the NordTek programme, which laid the foundations to regional level partnership implementation.



## 12. Resumé

Denne afhandling har udgangspunkt i de institutionelle konsekvenser af kravene fra EU's partnerskabsprincip for medlemslandenes regionalpolitiske institutioner. Endvidere analyseres den historiske udvikling af den danske regionalpolitiske institution med særlig vægt på de forandringer, som fortolkningen og implementeringen af de organisatoriske partnerskabskrav har skabt. Imidlertid er ambitionerne med dette studie mere vidtrækkende end andre studier med samme mål såsom multi-level governance, idet det er baseret på en nyfortolkning af kravene fra partnerskabsprincippet. Jeg hævder, at partnerskabsprincippet består af tre elementer, som er af betydning for den teoretiske og empiriske ramme for en sådan undersøgelse: for det første erklærer partnerskabsprincippet at implementeringen af partnerskabet skal ske indenfor medlemslandenes respektive institutionelle og lovmæssige rammer. Dette indebærer, at medlemslandenes institutionelle kontekst har betydning for implementeringen af partnerskabsprincippet, hvilket allerede er fastslået i eksisterende undersøgelser af multi-level governance. For at forstå implementeringen af partnerskabsprincippet i medlemslandene, samt konsekvenserne af dette for medlemslandenes institutionelle organisation, er det nødvendigt at analysere medlemslandenes regionalpolitiske institution. For det andet stipulerer definitionen af partnerskabsprincippet et krav om inddragelse af bestemte aktører i partnerskabet. Inddragelseskravet er blevet udvidet i senere reformer af Strukturfondene, så både vertikale og horisontale aktører og organisationer er inddraget. For det tredje involverer partnerskab en form for samarbejde mellem aktørerne og organisationerne i partnerskabet. Derfor afhænger partnerskabskravenes institutionelle konsekvenser af medlemslandenes fortolkning og implementering af disse krav. Uanset fortolkningen kan det forventes, at slutresultatet er en form for forandring.

Således er målet at undersøge hvordan fortolkning og implementering af partnerskabets krav til inddragelse og proces udmøntes i forandring af medlemslandenes regionalpolitiske institution. Danmarks regionalpolitiske institution er indtil nu ikke studeret i nogen særlig udstrækning sammenlignet med andre medlemslande. Derudover findes der en særegen balance mellem centralisering og decentralisering i offentlig politik i Danmark. Derfor er Danmark case-land i denne undersøgelse.

Eksisterende undersøgelser af implementeringen af kravene til partnerskab hævder, at medlemslandenes institutionelle organisation gradvist tilpasses disse krav i henhold til medlemslandets egen institutionelle organisation. Dette er også indlejret i selve



partnerskabsprincippet. Forståelse af den historiske udvikling af den danske regionalpolitiske institution er væsentligt for at forstå fortolkningen af partnerskabskravene, da partnerskaberne forventes at blive implementeret i den eksisterende danske regionalpolitiske institution. Historisk institutionalisme leverer et teoretisk perspektiv til anvendelse i en analyse af interaktionen mellem EU's og den danske regionalpolitiske institution, idet det postuleres at den institutionelle struktur har historiske rødder og har gennemgået en gradvis udvikling baseret på interne (aktører) og eksterne (andre institutioner) betingelser og begivenheder. Der fokuseres på hvordan fortidens beslutninger former nutidens beslutninger, og hvordan institutioner kan forandres i mødet med andre institutioner baseret på aktørernes opførsel inden i institutionen (Mahoney and Thelen (eds.), 2010, Hall and Thelen, 2009, Pollack, 2004). Således leverer historisk institutionalisme to indbyrdes beslægtede værktøjer til denne analyse: For det første er det muligt at analysere den institutionelle kontekst, hvori partnerskabskravene skal implementeres, og dennes baggrund. For det andet er det muligt at analysere den gradvise udvikling af interaktionen mellem partnerskabsprincippet og den nationale regionalpolitiske institutionelle struktur.

Indenfor rammerne af den historiske institutionalisme ses også den relaterede network governance tilgang. Network governance udgør et fordelagtigt teoretisk værktøj i analysen af den specifikke organisering af regionalpolitik, som forventes at være baseret på partnerskabstilgangen. Partnerskabsprincippet fortolkes og implementeres i den danske institution og forventes at føre til etableringen af partnerskaber baseret på den eksisterende institutionelle struktur af dansk regionalpolitik. Partnerskaber ligner netværk i forhold til inddragelse og relationer mellem involverede aktører. Network governance analyserer inddragelse (og måske udelukkelse) af aktører i implementeringen baseret på argumentet om ressourceafhængighed; aktører involveres i netværk fordi de bidrager med ressourcer, som medlemmerne af netværket er afhængige af og ikke kan levere selv (Sørensen and Torfing (eds.), 2007, Sørensen and Torfing, 2005 and Klijn and Koppenjan, 2000). Der findes en specifik tilgang til partnerskab indenfor netværkslitteraturen, hvor partnerskab ses som en form for netværksrelation uden at være et netværk. Denne tilgang af Åkerstrøm Andersen (2006) definerer partnerskab baseret på 'partnerskabelse'. Her ses partnerskabsprocessen som en dynamisk proces, der er baseret på 'kontrakter af anden orden' (løfter om at lave nye løfter om fremtidigt samarbejde) som en reaktion på de omskiftelige og dynamiske sammenhænge, som partnerskabet opererer i. Dermed er det muligt at skelne mellem proceskravene som svarende til et netværk af relationer eller til en partnerskabelsesproces.

Den hermeneutiske tilgang udgør det metodiske fundament. Denne tilgang ser på enkeltdele og helheder og deres relation, og hvordan de sammen forklarer hvordan fortolkning og implementering af partnerskabskravene har medført forandring i den danske regionalpolitiske institution. Dette studie er baseret på analyse af primær og sekundær data, såvel som kvalitative semi-strukturerede eliteinterviews med offentlige og private aktører samt politikere og embedsmænd på forskellige regeringsniveauer, som har været involveret i dansk regionalpolitik indtil 2006, som er skelsåret i mit studie. Nordjylland er min case. Jeg har foretrukket at arbejde med en enkelt case, fordi målet med dette studie er at undersøge detaljer i partnerskabsfortolkningen og -implementeringen, som ikke er blevet afdækket tidligere. Komparative studier tillader ikke dybdegående inddragelse af detaljer: den danske fortolkning af partnerskabsprincippet forventes at udmønte sig i komplekse netværk, hvorfor komparativ analyse af to eller flere netværk uundgåeligt vil være mere overfladisk sammenlignet med en enkelt case. Nordjylland er en passende case, fordi Nordjylland har lang tids erfaring med regionalpolitik, ligesom det har en alsidig erhvervsstruktur som forventes at påvirke de horisontale relationer i partnerskabet.

Anvendelsen af den hermeneutiske tilgang til undersøgelsen af udviklingen af den danske regionalpolitiske institution baseret på fortolkningen og implementeringen af partnerskabskravene deler analysen i 3 indbyrdes beslægtede dele. Den første del omhandler analysen af den institutionelle udvikling af den danske regionalpolitiske institution uafhængig af EF/EU pendanten. Denne analyse udspringer af argumentet om at fortolkningen og implementeringen af partnerskabsprincippet afhænger af den institutionelle kontekst, som det implementeres i, da partnerskaberne skal implementeres i henhold til medlemsstaternes institutionelle, lovmæssige og finansielle strukturer, hvilket understreges gentagne gange i definitionen af partnerskabsprincippet. Ud fra et historisk institutionalisme perspektiv er udviklingen af dansk regionalpolitik baseret på interne (og eksterne) begivenheder og betingelser, som medfører gradvis forandring. På det interne niveau påbegyndte den første Egnsudviklingslov i 1958 en institutionaliseringsproces af den danske regionalpolitik, hvor nye måder at opfatte egnsudvikling som mere afbalanceret udligning af regionale forskelle i arbejdsløshed og industribeskæftigelse udenfor hovedstaden blev introduceret med øget fokus på mobilitet og erhvervsudvikling i områder med høj arbejdsløshed. Egsudvikling var alene statens ansvar. I årene efter vedtagelsen af Egsudviklingsloven udviklede egnsudviklingen sig gradvist imod stigende decentralisering i form af det historisk institutionalisme beskriver som institutionel 'layering'. I 1991 blev den regionalpolitiske institution, som før var rammesat af Egsudviklingsloven, ændret til en umiddelbart diametralt anderledes organisation, hvor statens eneansvar for regionalpolitik ophørte fra den ene dag til den anden, og

hvor målet med regionaludvikling ændredes til at forbedre danske virksomheders konkurrenceevne i stedet for hele regionens konkurrenceevne, hvilket eksisterende litteratur finder epokegørende. Dog støtter dette studie ikke denne påstand. Dette studies undersøgelser finder at ændringerne i den danske regionalpolitiske institution i 1991 var resultatet af en serie af gradvise udviklinger, da omskiftelige socioøkonomiske betingelser i Danmark gennem tiden, politiske handlinger, bottom-up udviklinger og tilgængeligheden af Strukturfondsmidler til regionaludvikling igennem midt-80erne tilsammen gradvist medførte en reform af institutionen. Ifølge dette arguments logik er reformen i 1991 også en relevant hændelse i den serie af begivenheder og forandringer, som formede den gradvise udvikling af den danske regionalpolitiske institution.

Den anden del af analysen af typen af forandringer, som den danske fortolkning og implementering af partnerskabskravene skabte, omhandler interaktionen mellem den danske regionalpolitiske institution og EF's pendant, som udviklede sig på samme tid. På den måde er denne analyse baseret på resultaterne af den første analyse, hvor det hævdes, at den danske regionalpolitiske institution var karakteriseret ved gradvis forandring baseret på interne og eksterne begivenheder og betingelser. Her fokuseres der i særlig grad på de eksterne betingelser og begivenheder, som formede denne udvikling: hvordan tilgængeligheden af EF's Strukturfonde og introduktionen af lovgivning omkring inddragelse af det regionale niveau i regionalpolitik skabte en mulighed for at sub-nationale aktører gradvist kunne involveres i udviklingen af deres region og dermed løfte det regionale niveau i dansk regionalpolitik. Dermed støtter disse resultater ovenstående konklusion, som siger, at den danske regionalpolitiske institution gradvist har udviklet sig qua en serie af sammenhængende begivenheder, hvor introduktionen af EF's Strukturfondspolitik udgør et led i denne kæde. Forandringen af den regionalpolitiske institution i 1991 medførte en udvikling af en vertikal opsplitning af ansvarsområder mellem de tre involverede regeringsniveauer, som dermed koordinerede regionalpolitik i Danmark, hvor partnerskab på alle niveauer blev involveret. Det mest iøjnefaldende resultat af udviklingen af den danske regionalpolitiske institution var etableringen af kompetencer og kapacitet til at implementere regionalpolitik på det regionale niveau, og dermed et løft af det regionale niveau. Casen om Nordjylland illustrerer hvordan institutionaliseringen af kompetencer og kapacitet på det regionale niveau blev påbegyndt før reformen af Strukturfondene i 1988 som et eksperiment mellem aktører på regionalt og EF niveau i NordTek Programmet. Det var ret tilfældigt, at det regionale niveau blev løftet og påbegyndte en institutionaliseringsproces. Således blev der oprettet en institution, der afspejlede Nordjylland, hvor kompetencer blev delegeret fra det politisk valgte Amsråd til to indbyrdes afhængige komitéer bestående af politikere og embedsmænd

baseret på et princip om funktionel opdeling af ansvarsområder. Denne institutionelle organisation blev understreget og udvidet i henhold til reformerne af Strukturfondene i 1993 og 1999 gennem regionalpolitisk institutionel 'layering' via inddragelse af flere og flere aktører i organisationen. Derfor bør NordTek programmet anerkendes som vital i forhold til etablering og udvikling af kapacitet og partnerskab på det regionale niveau – også i forhold til inddragelse og proces.

Som nævnt ovenfor kan det forventes at partnerskaber findes på alle niveauer (fx EC/EU, nationale og regionale), men det bredeste og mest inddragende partnerskab findes på det regionale niveau, som ifølge den funktionelle opdeling af ansvarsområder er ansvarlig for at implementere politikken. Derudover fandtes der både vertikale og horisontale partnerskabsrelationer i denne funktionelle opdeling af ansvarsområder. Således udgør partnerskab på det regionale niveau kernen i den sidste del af analysen. Her fungerede NordTek programmet som fundamentet for en nordjysk tilgang til partnerskab med rødder i regionale behov, socioøkonomisk udvikling og politiske prioriteringer. Den gradvise udvikling af partnerskab i Nordjylland hen imod et horisontalt og vertikalt inkluderende partnerskab var formet af disse betingelser samt partnerskabskravene. I Nordjylland udvikledes et specifikt partnerskab, som involverede 'relevante' aktører i forhold til regionale udfordringer, som også selv var påvirket af de regionale udfordringer eller på anden måde involveret i processen med at skabe projekter til at fremme udvikling af regionen på tværs af offentlige og private aktører, de sociale partnere og andre innovative erhvervsledere. Disse aktører var repræsenteret i en formel partnerskabsorganisation, hvor embedsmænd udgjorde én beslutningskomite (Indstillingsudvalget) og politikere udgjorde en anden beslutningskomite (NUF). Baseret på frivillig delegering af beslutningstagningskompetencer fra Amdsrådet tog disse to komiteer beslutninger sammen angående anbefalinger af projekter berettiget til støtte fra EU.

Medlemmerne i den formelle partnerskabsorganisation repræsenterede organisationer og netværk, som var placeret udenfor den formelle partnerskabsorganisation, hvormed deres interesser og prioriteter påvirkede og legitimerede beslutningsprocessen i den formelle partnerskabsorganisation, idet de leverede en platform til understøttelse af forhandlingerne mellem interesserede partnere i det formelle partnerskab. Derudover blev andre aktører, fx NOVI og Nordjyllands Erhvervsservice, inkluderet i kraft af deres påkrævede rolle som støtte af organisationen som leverandører af services til systemet eller som direkte ansøgere. Således var partnerskabet i Nordjylland både vertikalt (beslutningsproces) og horisontalt involverende aktører på tværs af organisationskel og politiske kontekster baseret på de ressourcer, som de individuelle partnere bidrog med til processen, fx

aktørernes institutionelle position, finansielle ressourcer, ideer og initiativer til nye projekter og netværksrelationer. Disse ressourcer bidrog til at skabe tæt relationel gensidig afhængighed mellem partnerne i den formelle partnerskabsorganisation, og relationerne med det uformelle partnerskab i implementeringen af regionalpolitik i Nordjylland.

Disse relationer var dobbeltsporede og ledte hen imod et partnerskab i Åkerstrøm Andersens forståelse af begrebet. For det første var de interne relationer i den formelle partnerskabsorganisation mest optaget af beslutningsprocessen angående målene med politikken, og hvordan disse mål kunne opnås via anbefalinger af projekter, der var kvalificeret til regional udviklingsstøtte, til Erhvervs- og Bolig Styrelsen. En særlig beslutningsproces havde udviklet sig gennem års erfaring med institutionaliseringen af partnerskab, hvor tingene skete i en særlig rækkefølge, og hvor hver komité i den formelle partnerskabsorganisation spillede sin særlige rolle. Denne proces involverede underforståede normer og samarbejdsprocedurer. Isoleret set kan disse relationer godt ligne et netværk og ikke et partnerskab i Åkerstrøm Andersens forståelse. Men når man kigger nærmere på relationerne mellem den formelle partnerskabsorganisation og det uformelle partnerskab ligner relationerne mere 'partnerskabelse'. Disse relationer blev påvirket af de roller, som aktørerne og organisationerne spillede i det uformelle partnerskab; enten igennem indirekte involvering i den formelle partnerskabsorganisation via repræsentation, eller fordi de var skabt af partnerskabet til at levere services til systemet og til at være projektansøgere. Argumentet var at alle parter i det uformelle partnerskab på en måde havde en interesse i beslutningstagning i det formelle partnerskab, fordi beslutningerne berørte deres geografiske område eller organisation eller på anden måde. Herved blev den formelle partnerskabsorganisation retfærdiggjort og legitimeret af det uformelle partnerskab. Sagt med andre ord lignede den formelle partnerskabsorganisation et netværk uden det uformelle partnerskab. Det uformelle partnerskab og dets relation til den formelle partnerskabsorganisation var vigtig i forståelsen af fortolkningen af partnerskabsprincippets proceskrav i Danmark og i særdeleshed i Nordjylland. Relationerne var tætte blandt aktører og organisationer i de to partnerskabsorganisationer og skiftede mellem at være formelle og uformelle baseret på gensidig tillid og respekt for hverandres position i forhandlingerne, fordi partnerskabet var relativt småt ligesom regionen. Meget forhandling, diskussion og lobbyisme foregik bag lukkede døre for at sikre en glat beslutningstagningsproces i den formelle partnerskabsorganisation, så en strengt hierarkisk beslutningsproces kunne opretholdes, hvilket fremhæver styrken i partnerskabet og partnerskabelsen. Følgelig var partnerskabelse centralt i den nordjyske partnerskabsorganisation i programperioden 2000-2006 baseret på års erfaring med at fortolke og implementere

partnerskabskravene siden NordTek programmet, som lagde fundamentet for regional partnerskabsimplementering.



# Appendix 1: Interview Guides

## Interview Guide 1 (Henrik Lodberg)

### About you:

- Name and position?
- In what way have you been a part of Danish regional policy?

**Concerning the development of the EU and Danish regional policy-making up till 2006 (this can concern other aspects than partnership, perhaps also general considerations concerning allocation of responsibilities in Danish regional policy-making to the state, regional and local levels):**

- Tell me about Danish regional policy-making during the 1980s
- What happened to Danish regional policy-making when the partnership principle was adopted in EC regional policy in 1988?
- Tell me about Danish regional policy-making during the 1990s
- The reform of the Structural Funds in 1993 changed the composition of the partners in the partnerships. Were there any consequences of this for Danish implementation of regional policy? (governance)
- Did anything happen to Danish regional policy-making during the 1990s dependent on or independent of EU regional policy?
- Another reform was implemented in 1999, which further expanded inclusion of partners in the partnerships. What influence did this reform have on Danish regional policy governance?
- Tell me about Danish regional policy-making from the year 2000 and onwards



### **Concerning the partnership leading up to the year 2000:**

- What did the partnership look like in the earlier programming periods leading up to the 2000-2006 period? Does it reflect the developments of Danish regional policy-making?
  - The partnership structure? Same or other partners? Why?
  - Has the formulation of the partnership principle or the general development of EU regional policy meant anything for the composition of the partnership?

### **Concerning partnership between 2000-2006:**

- Describe the operation and development (structure) of the partnership:
  - How is the partnership constructed? Can you draw a model of the partnership? Can you describe the relations between the different committees, organisations and secretariats?
  - How is the partnership interpreted in relation to the partnership principle? (The regulation says that partners from the EU, national, regional and local levels as well as private actors such as economic and social partners must be included).
  - Which partners are included (vertical and horizontal)?
  - Why are they included and not others?
  - Which other actors could be included? Why are they not?
  - Which resources do these partners contribute with?
  - How are the relations between the different partners (formal/informal, distribution of power, is power used)? Are the relations decided by the partnership structure or other? Examples?
  - Is there a kind of implied partnership 'conduct'? If yes, what is it?
  - Are there different levels of partnerships within the overriding partnership? If yes, how are they related?

**In conclusion:**

- Is there a particular partnership culture in Denmark or North Jutland? Explain
- Have any experiences of insights been utilised in partnerships pointing forward? Have experiences from 1989-1993, 1994-1999 been transferred to the 2000-2006 programming period? How? Why?
- Has involvement of partners changed over time? Are partners involved in 2000-2006 that had not been involved before? Why?
- Have relations between partners changed over time? How and why?

**Debriefing:**

- Agreement concerning treatment of interviews – would you like to review the interview or to be anonymous or other conditions?
- Can I contact you again if I need elaborations of follow-ups?

## Interview Guide 2

### About you:

- Name and position
- Which role (roles) did you play in the partnership? Who did you represent? Which position (positions) did you have in the partnership?
- How long were you a part of the partnership?

### About the partnership between the years 2000-2006:

- Describe the operation and development (structure) of the partnership:
  - How is the partnership constructed? Can you draw a model of the partnership? Can you describe the relations between the different committees, organisations and the secretariat?
  - How is the partnership interpreted in relation to the partnership principle? (The regulation says that partners from the EU, national, regional and local levels as well as private actors such as economic and social partners must be included).
  - Which partners are included (vertical and horizontal)?
  - Why are they included and not others?
  - Which other actors could be included? Why are they not?
  - Which resources do these partners contribute with?
  - How are the relations between the different partners (formal/informal, distribution of power, is power used)? Are the relations decided by the partnership structure or other? Examples?
  - Is there a kind of implied partnership 'conduct'? If yes, what is it?
  - Are there different levels of partnerships within the overriding partnership? If yes, how are they related?

- How did you become part of the partnership?
- How do you contribute to the partnership? Which decisions have you been involved in? Or how have you contributed to decision-making in the partnership?
- Have you had the same role in the partnership the whole time?
- How do you think other partners perceive of your role in the partnership?
- How do you perceive the role of other partners in the partnership?
- How does the partnership work in the different stages of regional policy-making?
  - The programme design phase? Examples
  - The implementation stage/day-to-day management? Examples
  - Monitoring of projects and programmes? Examples

**Concerning the partnership up till the year 2000:**

- How did the partnership look in former programming periods compared to the 2000-2006 period?
  - The partnership structure? Same or other partners? Why?
  - Has the formulation of the partnership principle meant anything for the constitution of the partnership – or the general development of EU regional policy?
  - The role of partners?
  - The relations among partners?
  - If different, why?
- Have any experiences of insights been utilised in partnerships pointing forward? Have experiences from 1989-1993, 1994-1999 been transferred to the 2000-2006 programming period? How? Why?
- Has involvement of partners changed over time? Are partners involved in 2000-2006 that had not been involved before? Why?
- Have relations between partners changed over time? How and why?

**In conclusion:**

- How do you understand and experience partnership? What is partnership to you?
- Is there a particular partnership culture in Denmark or North Jutland? Explain
- How does the 2007-2013 period look like in comparison with previous periods in relation to partnerships?
- Is there anything else you think I should know that I have not mentioned?

**Debriefing:**

- Agreement concerning treatment of interviews – would you like to review the interview or to be anonymous or other conditions?
- Can I contact you again if I need elaborations or follow-ups?

## Appendix 2: Overview of Interviewees

**Anonymous centrally positioned civil servant at the North Jutland Regional Policy Department:** has been involved in the secretariat administration of the Structural Funds programmes and the formulation of project applications since 1991.

**Anonymous representative of VUR:** member of NUF during the 2000-2006 programming period representing business council interests of the Northern part of North Jutland. Has now retired.

**Christensen, Flemming:** has played a dual role. First, he was a member of the Executive Committee representing the trade unions (between 1988 and 2000). Between 2000 and 2006 he was employed as Vice Head of the Regional Policy Department involved in the processing and formulation of project applications as a secretariat function to the County Council, NUF and the Executive Committee.

**Christensen, Henrik:** member of the Executive Committee as a representative of the secretariat for the RLMA as its head of department since the 1990s.

**Gjerding, Allan Næs:** Head of the North Jutland County Regional Policy Department between 2000 and 2004 where he was responsible for the administration of the secretariat to the County Council, NUF and the Executive Committee. Currently employed as an associate professor at Aalborg University.

**Gregersen, Preben:** Head of Regional Department, NAEH, Silkeborg. Has been employed at NAEH since 1994 where he is responsible for administering the Structural Funds (ERDF) in Denmark, although he has taken two leaves of absence since then. Became chairman of the Monitoring Committee in 2004 when he returned to NAEH.

**Hav, Orla:** County Mayor between 1998 and 2006. As a County Mayor he was the chairman of NUF, which is an in-built responsibility. Besides, he was member and chair of several boards of the organisations situated outside the formal partnership organisation such as NOVI and the RLMA through his position as a County Mayor. Currently Member of Parliament representing North Jutland interests.

**Hedegaard, Jens Arne:** Municipal Mayor in Brønderslev, a municipality situated North of Aalborg representing VUR in NUF between 2000 and 2006. Before that also a

representative in the municipality's business council. Today he is a Danish representative in the advisory Committee of the Regions.

**Hesselholt, Anders:** from 1986 until the mid-1990s he was responsible for the industrial political activities in North Jutland and was one of the central actors in the establishment of the NordTek programme involved in the design of the programme and the inclusion of actors into the regional level organisation for its implementation. Moreover, he was involved in the establishment of NUF and the subsequent partnership organisation in North Jutland. Currently employed at the North Jutland Regional Employment Council (Beskæftigelsesregionen)

**Lang, Svend Erik:** chairman of the trade unions in North Jutland County and involved in trade union work since the 1970s. In the capacity of chairman of the trade unions, he represented this side of the social partners in NUF. Besides, he was a member of some of the boards of the organisations situated outside the formal partnership organisation such as NOVI. Has now retired.

**Lodberg, Henrik:** from 1995 until 2006 employed at the NAEH, Silkeborg as a chief consultant responsible for Danish regional development programmes (erhvervsfremme). He was responsible for administering and establishing the independent Danish regional development policy that changed focus in 1991 with the termination of the Regional Development Act. Especially, the focus was on establishing a Danish approach to partnership. Is co-owner of a private consultancy company offering analyses and solutions for regional and business development.

**Mathiasen, Finn:** member of NUF as a personally selected 'industrialist' representing a visionary and innovative business in Himmerland, Lyngsoe. Director of Lyngsoe Systems in Aars, Himmerland.

**Nielsen, Jørn Munk:** member of the Executive Committee representing the NES group of North Jutland trade promotion officers since 1994. Before that also involved in regional development in North Jutland representing the interests of Hirtshals. Currently employed as a business consultant in Hjørring municipality.

**Nielsen, Thomas:** member of the Monitoring Committee for the 2000-2006 programming period representing North Jutland. Is currently employed as an associate professor at Aalborg University as well as engaged in trade union work for the academics in North Jutland.

**Pedersen, Henrik Brask:** has played dual roles. First, as Head of the Regional Policy Department at North Jutland County between 1988 and 2000 carrying out secretariat functions for the County Council, NUF and the Executive Committee. Next, as a member of the Monitoring Committee for the Objective 2 Programme during the 2000-2006 period representing the interests of Viborg County where he was employed as an EU consultant at a corresponding regional policy department. He is currently Head of Department for Regional Development in Region Midtjylland.

**Pedersen, Torben:** member of the Executive Committee in the capacity of representative of the Vocational Schools' Coalition and also a representative of the employers' organisations. Traditionally, the representative of the Vocational Schools' Coalition was represented by the director of AMU Nordjylland (being either an employer or an employee representative). Has been involved in the partnership since the beginning of the 1990s.

**Poulsen, Ebbe:** Head of Department, NAEH, Silkeborg where he is the coordinator of the Danish Objective 2 Programme responsible for formulating and planning the programmes and secretary of the Monitoring Committee. Since the end of the 1980s, he has been involved in the administration of the ERDF.

**Simensen, Karsten:** has played several roles in regional development in North Jutland. First he was city manager in Sejflod (neighbouring Aalborg) during the 1980s when the shipyard closings took place. Next, he was Head of the Regional Policy Department at North Jutland County between 2004 and 2006. Thereafter, he became city manager in Frederikshavn. In the capacity of city manager he was a member of the Association of Municipalities in North Jutland which was represented in the Executive Committee. Currently employed as Regional Director of the North Jutland Regional Employment Council (Beskæftigelsesregionen)

**Stoustrup, Vibeke:** Head of the Business Development Department in Aalborg municipality representing the Aalborg Region Network in the Executive Committee between 2001 and 2006. Currently Head of Business Department in Aalborg municipality.





## APPENDIX 3: Overview of Organisations Involved in Danish Regional Policy-Making

### Ministries involved in regional policy-making:

English translation	Danish name
Ministry of Trade and Industry or Ministry of Business Affairs	Erhvervsministeriet
Ministry of Economic and Business Affairs	Økonomi- og erhvervsministeriet
Ministry for Trade and Industry and Coordination	Industri- og samordningsministeriet
Ministry of Labour	Arbejdsministeriet
Labour Market Ministry	Arbejdsmarkedsministeriet
Ministry of Employment	Beskæftigelsesministeriet
Ministry of Housing	Boligministeriet
Ministry of the Interior	Indenrigsministeriet
Ministry of Development or Ministry of Foreign Affairs	Udenrigsministeriet
Ministry of the Environment	Miljøministeriet
Ministry of Food, Agriculture and Fisheries	Ministeriet for fødevarer, landbrug og fiskeri

### Different names for the same national level authority responsible for regional policy implementation:

English translation	Danish name
Regional Development Agency	Egnsudviklingsrådet
Regional Development Directorate	Egnsudviklingsdirektoratet
Industrial and Business Agency	Industri- og Handelsstyrelsen
Danish Agency for Trade and Industry	Erhvervsfremme Styrelsen
National Agency for Enterprise and Housing	Erhvervs- og Boligstyrelsen

### Organisations involved in regional level regional policy-making:

English translation	Danish name
<b>National level organisations:</b>	
Technological Information Centres	Teknologisk informationscentre
National Labour Market Authority	Nationale arbejdsmarkedsråd
<b>Regional level organisations:</b>	
The Association of Municipalities in North Jutland	Kommuneforeningen i Nordjylland
North Jutland Business Council	Nordjyllands Erhvervsråd
North Jutland Information Technology Council	Nordjysk Informatikråd
County Council Finance Committee	Økonomiudvalget for amtsrådet
Aalborg Region Network	Region Aalborg samarbejdet
Association of Danish Counties	Amtsrådsforeningen
Local Government Denmark	Kommunernes Landsforening
North Jutland Development Fund (NUF)	Nordjyllands Udviklingsfond (NUF)
The North Jutland Trade Promotion Officers (the NES group)	Nordjyske Erhvervschefer (NES gruppen)
The Danish Confederation of Trade Unions	Landsorganisationen i Danmark (LO)
The Confederation of Danish Employers	Dansk Arbejdsgiverforening
The Vocational Schools' Coalition	Erhvervsskolesamarbejdet
The County Regional Policy Department	Erhvervs- og arbejdsmarkedsafdelingen på Nordjyllands Amt
Vendsyssel Development Council (VUR)	Vendsyssels Udviklingsråd (VUR)
Himmerland Development Council (HUR)	Himmerland Udviklingsråd (HUR)
NOVI Science Park	NOVI Science Park
North Jutland Business Service	Nordjyllands Erhvervsservice
Business Innovation Centre North	BIC Nord

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