

## Assessment and recommendations

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*Growth performance has been unspectacular in a Swedish context but solid by OECD standards*

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All four Småland-Blekinge counties recorded growth rates above the OECD average for TL3 regions from the mid-1990s until the crisis year of 2008. Moreover, GDP per capita in the four counties was already above the OECD average in 1995, meaning that the four counties are both relatively wealthy and dynamic by OECD standards. The area is known to be one of the most business-friendly parts of Sweden, with several well-known industrial clusters. The world's largest furniture retailer, IKEA, originated in Småland, and one of the most active industrial districts in Scandinavia, the Gnosjö district, is located over four small municipalities in Jönköping County. Employment rates in the region have been fairly high by both Swedish and OECD standards. This, along with high wages and a comprehensive welfare state, has provided the foundation for high levels of welfare and quality of life in the region.

The region's performance in a Swedish context, however, suggests that there is scope for improvement. Småland-Blekinge is characterised by levels of income and GDP per capita below the national average and has not been closing that gap in recent years. Indeed, Kalmar County, with the second lowest GDP per capita of the four counties at the start of the period, recorded the lowest growth rate, reflecting the impact of an industrial restructuring process that saw a number of significant manufacturers close down their operations in the region. GDP per capita in Kalmar fell from 89% to 84% of the national average, though it must again be emphasised that this was a period of strong growth for Sweden; Kalmar's growth was still slightly above average for all OECD TL3 regions.

The region has experienced considerably higher volatility of growth than the rest of Sweden. The four counties are all among the top six in Sweden in terms of the volatility of growth, with Blekinge, Kalmar and Kronoberg taking the top three slots on this indicator. This owes much to the region's specialisation in intermediate manufactures, which tend to be

sensitive to the economic cycle, which has magnified the impact of the recent financial crisis.

All four counties have lower levels of productivity than the national average (albeit above the average for OECD regions), and the productivity gap with respect to the national average showed no signs of diminishing during 1995-2008. That said, the period in question is one in which Sweden's aggregate productivity performance was fairly strong. Moreover, when compared to other high-productivity OECD rural regions, the picture looks better: the Småland-Blekinge counties exceeded the average rate of productivity growth by almost one full percentage point over 1995-2007.

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*The region's strong specialisation in medium-low and low technology industries represents a challenge for the future*

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The prosperity of the four Småland-Blekinge counties has mostly been sustained by low to medium technology small- and medium-sized enterprises (SMEs). These industrial SMEs are mostly involved in low value-added manufacturing, often sub-contracted by major Swedish corporations. The four counties have the highest shares of employment in manufacturing in Sweden. They are especially active in areas such as the manufacture of rubber and plastic products, machinery and equipment, and pulp, as well as automotive components. Technology-intensive industries and knowledge-based enterprises are under-represented in the four counties. During the last ten years, there has been some expansion into more service- and technology-driven companies in biotechnology, design, environmental engineering and wind power. However, these initiatives have not been sufficient to raise Småland and Blekinge out of the least specialised counties in terms of high-tech and knowledge-intensive industries. A recent analysis of Småland-Blekinge's innovation system identified the relatively low share of private R&D investment, the low share of knowledge-intensive firms, and the relatively low educational level of the area's population as three of the weaknesses that limit the development of the area.

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*Developing knowledge-intensive businesses is a promising route for the region's prosperity*

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To sustain competitiveness in the face of mounting competition from developing countries in low and medium-low-tech manufacturing, the region needs to shift towards higher-tech, more knowledge-intensive production. There is an increasing risk that first-level sub-contracting will be internationalised, with potentially serious consequences for local firms in

Småland-Blekinge. Breaking away from the sub-contracting business model means that local companies have to innovate, with new products aimed at new markets. This will give them greater independence, control and flexibility, important attributes in the current and future economic framework. The promotion of knowledge-intensive service firms could provoke a flow of new ideas and knowledge throughout the existing business community.

The strong SME structure of Småland-Blekinge is well suited to the establishment of a modern knowledge-based economy, owing not least to the concentration of managerial expertise there. Future competitive strength will likely come from smaller and more flexible production units. In this regard, the four counties appear to have a promising firm structure but an urgent need to acquire the new skills to make the most of that structure. This should be feasible: while their human capital endowments are below average for Sweden, they are quite high by OECD standards. While a sparsely settled region like Småland-Blekinge is unlikely to develop as an “international innovation hub”, competing with the major metropolitan regions, it has considerable potential to generate innovation in sectors where it already has a strong presence, such as forestry and the use of biomass for renewable energy production and some segments of manufacturing.

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*The adjustment of the four counties’ industrial fabric will require a highly qualified and dynamic labour supply*

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There are important labour-market mismatches that must be overcome for the transition towards a knowledge-driven economy to succeed. The four counties display higher proportions of low-skilled workers in their workforces and lower proportions of high-skilled workers than the national average. Highly qualified youth (especially women) tend to migrate, particularly to metropolitan areas. There is also a mismatch between the human capital profile of most immigrants and the local economy’s needs. This means that manufacturing firms that seek to evolve towards a knowledge-based business model may have difficulty finding the skilled recruits they require within the local labour market.

The promotion of knowledge-intensive entrepreneurial activity must be conducted in parallel to the attraction and retention of talents. Because of the current lack of adequately skilled labour in many parts of Småland-Blekinge, encouraging the overly rapid increase in new knowledge-based industrial start-ups, with its consequent requirements in terms of qualified labour, may simply lead these ventures to move out of the region. The capacity of adjustment of the four counties’ industrial fabric

relies greatly on its ability to attract, retain and better integrate skilled people, particularly youth, migrants and women.

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*Young people should be encouraged to engage in the local economy and to remain in the region...*

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Attracting and retaining young talent in the region is not only a means of maintaining a demographic balance and avoiding population ageing, it is also the way to maintain a healthy and dynamic labour supply. Young people bring new ideas and skills, and they help maintain the critical mass that rural communities need to retain certain key proximity services, such as schools and recreational/sports facilities. They also represent a local market for leisure activities that might otherwise be unavailable. Cinemas, bars, restaurants and other proximity services can enhance the quality of life of the entire local population, making a given place more attractive for residents of all ages. In essence, the evidence suggests that young people can serve as an “indicator” of the future prospects of a community, both demographically and functionally.

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*... strengthening the links between the regional education system and regional businesses...*

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The quantity and quality of higher education opportunities available within the Småland-Blekinge area has increased significantly over the last decade, making it less necessary for young people to leave the region for higher education. Yet education in universities in the region may just delay the out-migration of young people if they cannot find local job opportunities requiring the skills obtained. To avoid this, universities in the region could move towards more needs-driven education and research as well as support innovation in knowledge-intensive SMEs. This would help to ensure that graduates are employable and would respond to local employers’ needs for new skills. Changes in this direction are already under way. Universities are increasingly strengthening their links with the business community, for example, through mentorship programmes. These programmes could be further developed in the universities in the region. Moreover, linking local youth with local businesses could start even before university.

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*...enhancing support for entrepreneurship among youth...*

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Social and institutional rewards and support for youthful entrepreneurs should increase. Most start-ups in Småland-Blekinge are launched by people over 31 years of age, especially in Kronoberg, Kalmar and Blekinge. Government policy could use reference models to promote a local entrepreneurial culture. Young entrepreneurs must feel socially supported and appreciated. In this sense, local and regional administrations need to educate their communities about the importance of young entrepreneurs and to stimulate local social support for their initiatives. They must also transmit tolerance of entrepreneurial failure to avoid social barriers to business creation and increase fear of failure among young potential entrepreneurs. The focus should be on the entrepreneur and not on the nature of the business, opening up to new businesses that are created as micro-businesses in areas such as commerce and consumer services.

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*...and involving young people in regional development efforts*

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Involving youth in regional development initiatives helps nurture a sense of ownership and vested interest in the community's future. Yet young people are rarely included when defining these strategies. There has been increasing social awareness and prioritisation of youth-related issues in recent years, especially in the public administration. Through engagement in their community, young people will be more likely to want to study, establish careers, form families and reside in their region. And if they leave the region, they will be more likely to return. However, relying on local youth will not be enough to attend the increasing need of skilled workers in the region. It will also be necessary to attract qualified labour, including foreign students and migrants from outside the region.

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*Efforts should also be directed at encouraging skilled and locally trained foreign students to remain in the region*

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Skilled and locally trained foreign students should be encouraged to fill local industry's demand for skilled labour. The universities in the region have very active exchange programmes, hosting a large number of international students each year as exchange students or independently. These programmes are very important for the region, as they help showcase the region to skilled outsiders. However, students who are not native to the

region generally tend to leave once they finish their studies, taking with them the human capital they have acquired. The authorities in Småland-Blekinge can help local industry open up to foreign students as potential recruits. At the same time, universities can work to publicise local career opportunities to foreign students, including them within their internship and mentoring programmes. There is currently a great opportunity for Småland-Blekinge to benefit from the weak labour markets that many skilled young European students face in their home countries by offering them career opportunities in the region and making them an active part of the Småland-Blekinge community.

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*Immigrants could play an essential role in the local labour market*

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Immigrants can facilitate a smooth transition of the local economy to a more knowledge-based competitive structure. Regional manufacturing firms that wish to evolve towards a more knowledge-intensive industry often find it difficult to recruit skilled workers locally. Immigrants can help balance local supply and demand for labour. For this, attempts must be made to better match the human capital profile of immigrants with the local economy's current and future needs. Until now, immigration to the area has been crucial to counterbalance demographic decline. However, foreign immigrants, in general, were not attracted to the area for labour market reasons. Capturing a greater proportion of highly skilled newcomers, especially students, would alleviate integration issues to a certain extent while contributing to local economic development.

At the same time, policies to promote social integration, training and up-skilling of immigrants should be seen as an investment in the future prosperity of the region. Sweden has been very active in promoting extensive state-sponsored integration programmes. However, given the limited capacities of smaller municipalities and the different actors that intervene in areas related to immigrant integration (the labour market, training, social assistance and housing, among others), more effective collaboration and co-ordination by national, regional and municipal actors will be crucial. Public-private co-ordination will also be essential.

Regional and local authorities in Småland-Blekinge should strengthen the opportunities and incentives for immigrant entrepreneurship. Evidence suggests that foreigners tend to be much more entrepreneurial than the domestic population. Yet only after a time as part of the labour force do they typically decide to set up new businesses. Potential foreign entrepreneurs are influenced by the factors that characterise the entrepreneurial climate in the host society, such as social status and integration or the geographic

concentration of foreign individuals. Sweden has been a pioneer in offering support to immigrant entrepreneurs. However, foreign entrepreneurship has recently been relatively weak. Promoting the creation of social networks that could reduce the sense of isolation of potential immigrant entrepreneurs in areas with lower migrant concentration would help. The authorities could also promote the social acceptance and integration of immigrant entrepreneurs by the local population. This would help encourage more immigrants to engage in an entrepreneurial career.

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*Efforts should be also directed at improving the participation of women in the private sector*

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Better integration of women in the private sector should also be favoured. There is a high degree of gender segregation in the Småland-Blekinge labour market. Men account for around two-thirds of private-sector employment, and more than 75% of public-sector employees are women. Although new businesses managed by women have increased, they lack private-sector job opportunities in many parts of the region. The private sector in many parts of Småland-Blekinge is composed of traditionally male-dominated industries, and the geographic distribution of male- and female-dominated work opportunities is unbalanced. Work in the public sector tends to be concentrated in larger towns, while smaller municipalities have tended to have a greater relative share of private-sector jobs. This can affect the integration of foreign immigrant women, who may have difficulty finding work opportunities in the same localities as their husbands/partners and often find it harder to qualify for public-sector jobs. This situation also affects internal migration, complicating the in-migration of young couples and families that need to find work in the region for both partners.

The human capital needs of industries as they move towards more modern competitive structures are changing. The new knowledge-based job profiles required for a competitive 21<sup>st</sup> century industry call more for IT and technological skills rather than the “sweat and strength” of the past. In this regard, local businesses must take advantage of the stock of available local human capital and work to curb the exodus of qualified women from the region. Better promotion and marketing of local industry and business jobs for women will be important.

Women’s entrepreneurial activity should be promoted. Women in Småland-Blekinge, as in most other OECD member country economies, are less likely to adopt an entrepreneurial career. Entrepreneurship tends to be seen as a predominantly male activity. The shared social perception in many parts of Småland-Blekinge is based on the area’s traditional entrepreneurial

male-dominated manufacturing base. This is changing, and women entrepreneurs in Småland-Blekinge have been increasing rapidly in recent years. Nevertheless, there is more to be done. Communities must give greater social recognition to women entrepreneurs and to the types of business ventures they create. In this connection, the authorities in the four counties could do more to facilitate networking opportunities for potential women entrepreneurs.

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*The area's strong endowments and quality of life is a clear regional asset that should be better promoted*

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Ensuring a highly qualified and dynamic labour supply will depend in no small measure on perceptions of the region's attractiveness, in terms both of quality of life and of job development opportunities. Natural amenities are a clear regional asset which, promoted strategically, could be the basis for attracting people to the region and for further developing economic activities. Most of Småland-Blekinge is blessed with strong natural and cultural endowments that can be the basis for regional development in the area. Its wilderness, lakes, forests, coastline, fauna and flora, clean air and fresh water make it one of Europe's healthiest living environments. The environmental assets, the quality of life of its medium-sized regional cities, and the presence of large university centres are amenities attractive enough to influence people's choice of where to live.

The authorities need to focus on projecting and communicating these amenities to a target that value these characteristics. Families and former residents of the area (as recent graduates that moved away for work or study), along with citizens of nearby countries looking for natural amenities (e.g. Dutch, German and Danish), are among the groups that might feel more attracted to live in the region. Beyond attracting people to live in, or to visit, the area, making it more attractive for local residents and making amenities more accessible is also a good way to improve local living conditions. This can help deepen the population's roots in the community and thus help stabilise local demographics.

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*Tourism could be further developed*

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Natural and cultural amenities, if sustainably managed, can form a basis for further developing regional tourism. Tourism has not yet been at the forefront of economic development efforts. Of the four counties, only Kalmar ranks above the Swedish average as a main destination for business and leisure trips. Moreover, the number of overnight stays in the tourism



facilities of Småland-Blekinge has barely increased over the last ten years. Ecological tourism, adventure tourism and prestige events, both for businesses and individual tourists, are interesting niches that could be further developed. In addition to generating new business opportunities in rural areas, tourism is often a first step towards broader development opportunities: people visit a place, form an impression and may then consider relocating or investing.

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*Local businesses need to modernise and diversify*

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In addition to its natural assets and attractiveness, a second key asset of the region is its entrepreneurial spirit. As mentioned, the area is well known for its strong SME culture and entrepreneurial tradition. However, local businesses need to modernise and diversify. Many parts of the region need a greater diversity of consumer services to increase their attractiveness. New service industry business ventures should be promoted, both because they serve the valuable function of providing much needed private proximity services and amenities, and because they help to integrate and optimise the economic contribution of segments of the population that do not find their place in Småland-Blekinge's current economic structure.

Further promotion of knowledge-intensive service activity firms (KISA) would offer benefits for Småland-Blekinge. Such firms are attracted to amenity-rich rural areas that are easily accessible, while they further add to these amenities through the local supply of their services. This type of entrepreneurship is thus especially appropriate for Småland-Blekinge. Although KISA firms are not intensive creators of employment, they generate economic benefits for the (often low-density) communities in which they are located. Apart from fiscal benefits due to the revenues generated, they help retain wealth locally, as local firms and individuals use their services. Moreover, not only are KISA firms attracted to amenity-rich areas, they add to these amenities through the local supply of their services. The promotion of this type of enterprise could provoke a flow of new ideas and knowledge to the business community.

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*Efforts should also be directed at designing and implementing explicit strategies for business retention*

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Efforts to attract new firms or encourage start-ups should not lead to a neglect of the needs of incumbent firms. Authorities must seek to identify and assist firms that wish to expand their operations and take action to ensure that they can do so locally rather than move their operations outside

the region. Attention to factors that can impede local expansion is critical. This can be achieved by developing a database of local businesses, updated on a close-to-real-time basis, to track local trends and find solutions but also to identify businesses that may be contemplating expansion or may be vulnerable or likely to leave. Another effective tool for relationship-building is “business walks” that bring together local economic development officials and local politicians to conduct informal visits to local businesses. Through these meetings, local politicians and development officials get a better sense of local businesspeople, their frustrations, their future expectations and the challenges they face. With this intelligence, the local authorities can more easily identify firms that are contemplating a move to another region or that are not optimising their local growth potential.

Retaining and expanding businesses requires strengthening the linkages between the private and public sectors. Hitherto, attempts at public-private strategic planning in parts of the region have generated little interest. However, because the focus of business retention and expansion policies directly affects the welfare of local businesses, private entrepreneurs are much more likely to see the benefits of involvement. Local facilitators can help to establish a true sense of partnership among public and private agents.

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*It will also be important to facilitate smooth business succession among SMEs*

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Many family businesses in Småland-Blekinge are run by people approaching retirement, while the younger generation tends to migrate to bigger cities and often has little interest in continuing the family business. Many businesses stand to close, not because of financial problems but because there is no one to take over once the owner retires. Local business facilitators should support business owners in preparing and valuing their businesses well in advance. Moreover, they can help connect buyers and sellers, providing information about businesses that are for sale to potential young entrepreneurs looking to start their business careers, as well as to inbound investors and migrants who may be looking for an opportunity to establish a career and reside in the area. An inventory of potential business succession opportunities (possibly web-based) could be used to bring to the community people who might be attracted by the lifestyle and amenities but had not yet found suitable professional opportunities. It could also be a way to offer opportunities for women entrepreneurs or alternative business strategies for local self-employed entrepreneurs. Business facilitators should also help ensure that leverage loans from local financial institutions and local mentorship from previous owners are offered to buyers, to facilitate the transition.

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*Improving the accessibility of the region will be critical to developing the regional potentialities*

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Good connectivity plays an essential role as an engine for regional development in Småland-Blekinge and is directly related to developing the regional potentialities examined above. However, despite its strategic value, connectivity and transport infrastructure is in serious need of improvement. Currently there are significant bottlenecks in internal road and rail connectivity. Transport times both by road and by train between the larger towns/nodes with the surrounding smaller municipalities, but, especially, between capital cities in Småland-Blekinge, and between them and metropolitan areas like Malmö/Copenhagen or Göteborg, are very lengthy. At the same time, the increase in rail demand has not been accompanied by a parallel development of the network. A large part of the railroad network has capacity problems, is out of date or lacks direct or non-stop links with the main metropolitan areas.

There is a clear need to strengthen internal connectivity through infrastructure improvements and more strategic connections. It will be essential to remove the main bottlenecks by improving road and railway connections from the four capital cities to Malmö and Göteborg. This will require reconstruction, renovation and infrastructure improvements. However, the solution should also include developing more strategic schedules/connections.

Given the geographical sparseness of the population of Småland-Blekinge it will be also important to improve the connectivity between larger towns/nodes and the surrounding rural areas. Enlarging commuting areas and integrating municipalities into well-functioning common local labour market areas is especially important for the future development of the counties' more peripheral areas.

Adequate air transport from each of the four county capitals to Scandinavia's main international air hubs is also a connectivity issue. International connectivity could be improved by rethinking flight schedules to the main international air hubs to allow same-day travel to and from some of Europe's main cities. More regular links to Copenhagen and/or other European hubs would facilitate the air connectivity with the rest of the world and improve the region's attractiveness to professionals and firms.

There is a need to adapt the transport infrastructure to the expanding new markets to the east. New trade opportunities with Baltic States, the Russian Federation and China are opening up for Swedish industry, and firms in Småland-Blekinge may be particularly well situated geographically to take advantage and expand on these incipient opportunities. The growing

importance of the Baltic area as a new dynamic trade region for Småland-Blekinge falls in line with its industry's need for a new client base that is diversified from the historical reliance on sub-contracting to national and multinational firms. With appropriate infrastructural developments, Småland-Blekinge could stand to become a much more significant player as one of Sweden's primary points of connection with the growing eastern economies, stretching all the way to China. There are several large established and planned ports and terminals with the ambition to become logistics centres. There are also plans to strengthen the connection eastward to the Baltic, the Russian Federation and China. However, the country's freight transport infrastructure will require improvements to take advantage of the increasing new trade routes to the east.

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*Better co-ordination will be needed for effective business development*

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Further interaction, collaboration and agreement on regional priorities on infrastructure will be crucial to have a greater voice with the national government, to promote regional transport priorities and to raise the necessary resources. This will require intense co-operation between the counties and also with private actors. Beyond infrastructure, the effectiveness of regional development policies and public service delivery will be directly related to strengthened interaction and co-ordination arrangements among the different actors and administrative units involved.

The need for better co-operation on regional development is amplified by several factors including: the large number of actors at different government levels that play a role in local economic development and business promotion; the increasing mobility of people and businesses across administrative borders; the search for economies of scale and efficiency in public administration in a context of population ageing; and reduced fiscal resources. More coherence among strategies would lead to synergies and more efficient and effective investments. More cross-border interaction and co-operation would avoid the territorial fragmentation that can complicate the design, co-ordination and implementation of major regional development strategies in areas such as innovation or transport infrastructure, which require a broader geographic focus than the county.

At the county or regional level, there is currently no single institution capable of co-ordinating the different actors and policies dealing with regional development. The governor, as head of the county administrative board (CAB: the national government agency representing the central authorities in each county), was traditionally both the main representative of the central government in the county and the main representative of the

county. As part of the regionalisation process, the competence of regional planning and part of the regional development grants were devolved to regional development councils (RDCs: co-operative, indirectly elected bodies). This helped to increase the participation of local actors (municipalities, private and social actors) in the design of bottom-up regional programmes, but the transition generated a sort of institutional vacuum since RDCs still do not have the institutional strength or the official mandate to co-ordinate the various agencies and actors implementing regional development policies in each of the counties. Their budgets are limited, and they are directed, at least partially, by local rather than regional interests. As a consequence, publicly funded business and entrepreneurship promotion programmes implemented in the area are currently characterised by excessive diversity and overlap.

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*There is a need to define clear goals and objectives for the current regionalisation reform...*

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Within this framework, a regionalisation reform is under discussion in Sweden, with potentially significant implications for Småland-Blekinge. The main focus of the debate is the geographic boundaries of the counties. Yet, an overall process for understanding, clarifying and agreeing on the concrete objectives, scope and characteristics of the reform is largely missing. This is a challenge and an opportunity. It involves intense discussions at both national and sub-national level to agree positions and address information gaps. Understanding and clarifying the main objectives is a challenge as it involves intense discussions at both national and sub-national level help to clarify and agree positions. However, it is also an opportunity as it allows addressing information gaps and taking informed decisions.

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*...and a cost-benefit analysis of its potential consequences*

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Once the objectives of the reform are clear and agreed it will be recommendable to conduct a cost-benefit analysis of the potential advantages and disadvantages of reform. With an in-depth cost-benefit analysis of specific reform proposals, local actors in Småland-Blekinge might gain a deeper understanding of how to design institutional arrangements that increase the likelihood of achieving a good mix of locally valued outcomes. This will inevitably involve trade-offs. In this regard, the cost-benefit analysis should be a search of the “best possible” reform design under specific constraints, informed by the particular context and objectives

of the group of counties involved. One question that remains to be addressed – and might still be tackled – is assessing the potential for reconfigured regions to develop capacities that individual counties are too small to sustain on their own.

The discussion and analysis of administrative reform should in any case be conducted within the broader framework of the problems of multi-level governance. Whatever the structure of public authorities, public policy efficiency will require the involvement and co-operation of different kinds of actors at different levels of government. Better horizontal and vertical co-ordination is crucial to improve the performance of regional development policies and of public service provision in Småland-Blekinge. The key issue is to develop a governance structure that fosters collaborative, context-sensitive interventions that respond to local particularities in terms of strengths, opportunities and challenges. This will require institutionalised channels of communication among the different actors.

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*It will be necessary to clarify the roles of the different actors dealing with regional development...*

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An initial step for establishing good interaction mechanisms among different institutions and actors is to define more clearly their roles and competences, as well as the way in which they interact. Efficient regionalisation requires a clear understanding of the rights and responsibilities of the different actors and levels of government. In the Småland-Blekinge area, the roles of the various institutions involved in the implementation of regional development policies are often ambiguous and overlapping. In addition, the RDCs do not yet have the capacities or mandate to promote synergies between the different policies, instruments and actors involved in economic development.

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*...and to strengthen regional leadership*

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The counties in Småland-Blekinge could benefit from the presence of a main actor capable of speaking on behalf of the county/region and co-ordinating the work of the different institutions and actors dealing with regional development. A single, democratically elected institution dealing with both health care and regional development would facilitate regional leadership. Greater political legitimacy, autonomous resources and a directly elected body with a larger constituency would probably reinforce its leadership in regional development matters. It would also reduce the number of public actors and possibilities of overlapping competences in the region.

The pilot experiences in Skåne and Västra Götaland suggest that when there is a clear, active and undisputed actor overseeing and co-ordinating regional development policy, it becomes an active and empowered promoter of regional growth. In the context of the regionalisation reform now under discussion, one option could be to wait until the configuration of the different counties stabilises before engaging in a transition from an indirectly to a directly elected regional council. In the meantime, within the present structure RDCs could be strengthened. This would facilitate decision making and help regional development to become more than the sum of municipal intentions.

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*A better definition of the role and organisation of central government agencies will be crucial*

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It is widely reckoned that the boundaries of the regional agencies in Sweden should be simplified. The administrative borders of the national public agencies vary considerably. Many have a single national office and interact either through the CABs, or through county-based institutions – such as RDCs – when dealing with territorial issues. Yet some of the most important agencies also have territorial branches, with borders that often do not correspond to county limits. Given this diversity, many agencies are concerned with closely related services and policies, while each agency delineates its own region, very few of which follow county boundaries. This hampers co-ordination among agencies, and between agencies and county-level institutions. It also complicates the generation of policy complementarities that might be realised with better co-ordination of different sectoral policies. Further consolidation of agencies, together with a more systematic use of common territorial boundaries, would make co-ordination easier.

The role of county administrative boards as the main bridge between the county/region and the central government should be strengthened. The Committee on Public Sector Responsibilities insisted on the need to strengthen CABs as the agency focused on central government co-ordination, supervision and permits, as well as follow-up, evaluation and cross-sectoral knowledge creation. In this context, any movement to consolidate CABs (one CAB as a representative of the central government in more than one county) should be carefully considered, as it could weaken and complicate its bridging role.

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*There is a need to give further support and enforcement to the regional development programmes...*

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Regional development programmes (RDPs) are a useful but under-performing framework for regional co-ordination. The RDP process provides a useful arena for regional and local actors to co-ordinate their efforts. Yet RDPs remain broad in scope, dependent on small budgets from the RDCs, not well connected to EU Structural Fund programmes, and unenforceable, as actors operating in the territory are not obliged to follow their guidelines. This creates a disincentive for regional planning and makes it more difficult to involve the private sector in the RDP process. Recommendations for giving further relevance to regional development programmes as a guiding framework of regional policies include: developing more concrete and institutionally reinforced programmes with more tangible strategies, including concrete targets and measurable outcomes; establishing an enforcement framework for linking investment priorities with the objectives of the regional programmes. Finally, it would be useful to integrate rural and general development programmes in a single comprehensive regional development strategy. (Rural development is still a responsibility of CABs.) This is especially relevant given the rural profile of the Småland-Blekinge area, as it would enable the design of more comprehensive policies that integrate the diverse productive aspects and processes that affect the development of rural communities.

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*...and to promote and strengthen inter-county regional planning*

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Beyond strengthening the regional development programmes, there is a need to strengthen inter-county regional planning. Some common strategies have already been developed. Yet they are broad, are not translated into concrete project activities, and are not generally supported by joint financial resources. Strengthening cross-border regional planning, on issues of common interest, would help to better exploit functional linkages. To be effective, these strategies should include concrete initiatives and funding and implementation modalities. The state-region contracts developed in some OECD member countries could be a way to reinforce regional planning and to define the characteristics and funding modalities of big initiatives in areas such as innovation or infrastructure, which often require the participation and funding of the central government and more than one county.



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*Public-private interactions should be further developed*

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Enforcing the regional planning process also requires the strong involvement of private actors and civil society. The private sector plays a limited role in the regional planning process in Småland-Blekinge. One reason is the dominance of SMEs in the region. This means that consensus must be reached among a large number of actors. However, the business structure and average firm size in Småland-Blekinge's economy is similar to that of many other rural areas in Europe. Recommendations for mobilising further private participation in the planning of regional development in Småland-Blekinge include: the development of more concrete regional development strategies viewed by private sector actors as concrete, relevant and capable of generating tangible effects; building institutional frameworks for public-private co-operation like public-private development agencies or industry advisory groups; and enabling the legal framework for public-private partnerships. Pilot regions' experience indicates that elected regional actors have an important role in stimulating public-private co-operation.

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*Finally, there is an increasing need for further promoting inter-municipal co-operation*

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Municipalities, especially the smaller ones, face different challenges for implementing their extensive devolved competences. Population ageing and the increasing specialisation of public services are likely to put more pressure on municipal services provision in the future. Structural changes will place greater demands on municipalities to find new cost-effective solutions. At the same time, increasing cross-municipal commuting and larger labour market areas call for more cross-sectoral co-operation based on functional areas on issues such as spatial planning and public transport infrastructure, or private sector interests to increase the efficiency and efficacy of public service delivery. Collaboration also becomes very important for the smaller municipalities when it comes to recruiting or sharing the services of highly skilled or specialised staff.

However, municipal co-operation does not occur automatically and public intervention and support is often required. Municipalities have traditionally formed joint committees and local federations in the region. However, establishing associations takes time and involves administrative processes, while reaching consensus among different administrative units and political leaders can become complex. Top-down incentive policies could be used to encourage municipalities to co-operate to achieve

economies of scale in service provision and save expenses by rationalising administrative functions. Regional development councils are also in a good position to encourage and facilitate municipal co-operation. These efforts should include inter-county co-operation in the case of bordering municipalities in different counties, and should be especially focused on small municipalities with limited capacities and resources and on border municipalities with large commuting flows.

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*An in-depth assessment could help to decide if some municipal competences could be recentralised to regional or national institutions*

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An in-depth assessment could help to decide if some competences could be recentralised to regional or national institutions in cases where the human, financial or institutional capacities of municipalities are clearly inadequate for carrying out their delegated competences efficiently. It could indicate which competences could be carried out more efficiently by higher tiers of government. This is clearly the case, for example, of the function of municipal inspection. Resources and capacities aside, making municipalities responsible for compliance with national regulations may sometimes represent a conflict of interest, in that failing inspections may have negative financial consequences for the municipal administration (lost jobs, stalled construction projects, and decreased tax revenues). It may therefore make sense for the CABs, as the main representative of the national government in the county, to take over this responsibility. In any case, any process of recentralisation of competence should be made based on a comprehensive dialogue in which representatives of the main parties involved agree on the rationality of moving up a devolved competence. If necessary, this process could be asymmetric: bigger municipalities could have certain competences that smaller municipalities would not have.



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