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Damborg, Charlotte; Halkier, Henrik

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Regional Development Agencies in Denmark
Towards a New Type of Bottom-up Regional Policy?

Charlotte Damborg and Henrik Halkier

European Research Unit  ●  Aalborg University
Regional Development Agencies in Denmark
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European Research Unit  
Aalborg University  
Fibigerstraede 2  
DK-9220 Aalborg O  
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Phone: +45 98 15 85 22, ext. 3203  
Fax: +45 98 15 11 26
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1. Introduction'

The last decade has witnessed a considerable degree of change in regional policy in Denmark. Towards the end of the 1980s large regional development programmes supported by the European Structural Funds were introduced in eligible regions. At the same time the Danish government came to see policies of preferential treatment for peripheral regions as outdated, and in 1991 all central government regional incentive schemes were terminated. Generally, regional authorities became increasingly committed to regional development, and this led to a mushrooming of regional bottom-up development initiatives from the end of the 1980s onwards.

Today, regional development policy in Denmark is therefore to a large extent in the hands of local and regional actors. All regional authorities have set aside funds for economic development activities and most authorities have established a separate department of regional development. In addition to these departments of regional government - and mostly somehow related to them - there is a large number of public and semi-public development organizations also operating at a regional level.

The purpose of the present paper is to provide an insight into the characteristics of Danish bottom-up regional development initiatives and consider how these development initiatives are positioned in the broader context of different approaches to regional policy in Europe. This is done on the basis of a survey of bottom-up regional development initiatives with regard to:

- organization and objectives
- resources
- policy programmes and instruments

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Thanks are due to the Association of County Councils, the Danish Agency for the Development of Trade and Industry, and the counties and the regional development organizations participating in the survey for supplying the information upon which the present paper is based. However, full responsibility for the text in its present form of course remains with the authors. We also gratefully acknowledge the financial and other assistance of the Department of Languages and International Culture Studies and the Faculty of the Humanities.
The analysis pays particular attention to the interplay between the departments of regional government and other regional development organizations. First, the horizontal relations within the regions are investigated, especially as regards the coordination between counties as political authorities and the various development organizations as implementing bodies. Second, the vertical relations into which regionally based development policies are inscribed are discussed; this includes the ways in which central, local and European policies may impinge on bottom-up initiatives.

The paper thus proceeds in the following steps. The next section introduces the methodology of the survey and presents basic information on the selected organizations. Then the main section of the paper analyses the key characteristics of the organizations with regard to organization, objectives and policy programmes, and the findings are discussed in relation to the general expectations of regional development organizations. On the basis of this a model of the 'Danish approach' to bottom-up regional policy is put forward, and its position in relation to other actors on the regional policy scene is considered.

2. Methods

Research Design

Although Denmark is a relatively small country by European standards, the task of conducting a survey of regional bottom-up development initiatives is complicated by several factors.

First, there is, as ever, the ambiguity of the term 'region'. Denmark has a two-tier system of local government with 14 counties and 275 municipalities. The 14 counties would seem to be the obvious object of interest in a study focusing on the regional level, but in areas such as tourism, cooperation across county borders may make more sense than adhering strictly to existing administrative borders, and thus regional development organizations do not necessarily follow county borders. In fact, the Danish Department of Trade and Industry emphasized in its 1995 white paper on regional policy that the term region should not be seen as congruent with the traditional administrative areas of municipalities or counties and instead strongly encouraged cooperation across the borders of counties and municipalities (Erhvervsministeriet 1995). Moreover, cooperation between municipalities with regard to economic development is a common feature and has led to the establishment of development organizations covering several municipalities which could also be referred to as 'regional'. To avoid the bewildering complexity of having to deal with all kinds of sub-national, regional or sub-regional levels, it was
decided for the purposes of this survey to define a region as no smaller than the county. This means that cooperation between municipalities are not included in the survey unless they cover an entire county, whereas organizations covering an area larger than the county are included.¹

Moreover, the development organizations had to be 'true' bottom-up organizations established on the initiative of the regional actors in order to be included in the survey, the primary aim of which is to investigate the regional capacity for action. This distinction is important because it means that deconcentrated central government bodies such as the Technological Institutes and the Technology Information Centres - both operating at a regional level - have not been examined.

Finally, identifying the relevant regional development organizations turned out to be a challenge in its own right. Bottom-up regional development is in the making as a research area in Denmark and there was no previous survey or listing of regionally based development organizations upon which the present survey could be based or which could provide a preliminary impression of the organization of bottom-up initiatives in Denmark.²

Initial contacts with the regional authorities did, however, give the impression of a system of regional development where the county plays a central, coordinating role, but also clearly demonstrated that the organization of regional development varies significantly from county to county and that there is a variety of semi-public development organizations. The survey therefore includes both the county departments of regional government as well as other regional development organizations.³

A postal inquiry was undertaken in spring 1996, seeking copies of the latest annual report and other relevant materials from the departments of regional development in the 14 Danish counties. 13 departments responded positively to the request and on the basis of their materials, a total of 29 other regional development organizations were identified.

An intensive search on location would probably have unearthed some additional bodies,

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¹ This set-up occurs in tourist development organizations and development organizations in the Copenhagen metropolitan area where counties and municipalities have made a joint effort.

² A basic survey of the organization of regional development in the Danish counties was conducted by the Association of County Councils in Denmark in 1993. However, this primarily described the development policies of the departments of regional government and could not be relied on to provide information about other regionally based development organizations. Moreover, the survey of the Association represents a snapshot in time (as, indeed, does the present survey) and much has happened during the last 3 years as regards bottom-up initiatives.

³ In the following the term 'county' refers to the regional authorities, i.e. the county as a political unit. The word regional is used to describe the geographical area of the county. Hence the word 'county' refers to the department of regional development in the Danish county councils, whereas 'regional development organization' refers to a broad spectrum of other regionally based development organizations which may be more or less independent of the county.
but as the aim of the survey was to identify broad patterns rather than achieve complete comprehensiveness, such an exercise was not undertaken.

Subsequently, questionnaires were forwarded to both county council departments and the other regional development organizations in order to obtain information on organization, resources, objectives and policies. Of the 42 questionnaires sent out, 32 were returned, which must be said to be a very satisfactory rate of response. The information from two of the county departments was judged insufficient to provide a basis for comparison between the counties and one development organization turned out to be an entirely private initiative. Accordingly, the survey includes the 11 county departments and 20 regional development organizations listed in Table 1 below. Admittedly, the survey cannot claim to be complete, but the organizations represent a very broad and varied section of the development organizations active in the Danish regions and should therefore, hopefully, be able to identify both typical and particularly interesting patterns.

In addition to the postal survey, six counties were selected for closer scrutiny and a total number of 14 interviews were carried out in April/June 1996. The interviews were designed to provide a more qualitative understanding of the interplay between the departments of regional government and the other actors in regional development, and the counties were selected in order to ensure a reasonable geographical spread and to cover different models of regional development. Interviews were carried out in both county council departments and selected regional development organizations, as well as in the Association of County Councils and the Danish Agency for the Development of Trade and Industry, the central government body responsible for regional development policy on the national level.

Although the present paper is thus based on a substantial amount of data, the exploratory nature of the survey must still be stressed. The organization of regional development policies in the Danish counties is very complex indeed - perhaps its most characteristic feature - and in many ways defies being described in manner which would make systematic comparison possible. This problem is all the more pressing in an empirical survey which is the first of its kind, and an important subsidiary aim of this paper - besides providing an insight into Danish bottom-up regional policy - is therefore to improve the general understanding of bottom-up initiatives and their institutional setting in order to help develop an analytical framework that can be used in comparisons between regions.

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1 Interviews were carried out in the counties of Nordjylland, Viborg, Århus, Sonderjylland, Vestsjælland and Storstrøm (list of interviewees included at the end of the paper).
<table>
<thead>
<tr>
<th>COUNTY</th>
<th>COUNTY COUNCIL DEPARTMENT RESPONSIBLE FOR REGIONAL DEVELOPMENT</th>
<th>REGIONAL DEVELOPMENT ORGANIZATION</th>
</tr>
</thead>
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<tr>
<td>Nordjylland amt</td>
<td>Erhvervsssekretariatet</td>
<td>Nordjyllands Udviklingsfond</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Nordjyllands Erhvervsservice</td>
</tr>
<tr>
<td>Viborg amt</td>
<td>Erhvervs- og arbejdsmarkedsafdelingen</td>
<td></td>
</tr>
<tr>
<td>Arhus amt</td>
<td>Erhvervsafdelingen</td>
<td>Danish Business Service</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Center for Virksomhedsudvikling</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Procon</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Chef-Leasing A/S</td>
</tr>
<tr>
<td>Ringkøbing amt</td>
<td>Budget- og erhvervsafdelingen</td>
<td>EURA A/S</td>
</tr>
<tr>
<td>Vejle amt</td>
<td></td>
<td>Servicekontoret for Turisterhvervet</td>
</tr>
<tr>
<td>Ribe amt</td>
<td></td>
<td>Turistgruppen Vestjylland</td>
</tr>
<tr>
<td>Sønderjylland amt</td>
<td>Udviklingsafdelingen</td>
<td>Sønderjyllands Erhvervsråd</td>
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<tr>
<td></td>
<td></td>
<td>Sønderjyllands Investeringsskab A/S</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sønderjyllands Udviklingsselskab A/S</td>
</tr>
<tr>
<td>Fyns amt</td>
<td>Kontor for regional udvikling</td>
<td>Fyns Erhvervsråd</td>
</tr>
<tr>
<td>Vestsjællands amt</td>
<td>Vestsjællands Erhvervscenter</td>
<td>Zealand Care A/S</td>
</tr>
<tr>
<td>Frederiksborg amt</td>
<td>Erhvervsudviklingsafdelingen</td>
<td>Wonderful Copenhagen</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Copenhagen Capacity</td>
</tr>
<tr>
<td>Københavns amt</td>
<td>Erhvervskontoret</td>
<td></td>
</tr>
<tr>
<td>Roskilde amt</td>
<td>Kontoret for erhvervsfremme og internationale anliggender</td>
<td></td>
</tr>
<tr>
<td>Storstrøms amt</td>
<td>Erhvervssektionen</td>
<td>Storstrøms Erhvervscenter</td>
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<tr>
<td></td>
<td></td>
<td>Storstrøms Turistråd</td>
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<td>Bornholms amt</td>
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<td>Bornholms Erhvervsråd</td>
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<td></td>
<td></td>
<td>Bornholms Erhvervsfond</td>
</tr>
</tbody>
</table>

Table 1. Organizations included in the survey (ordered by county).

*Regional Development and ‘Model Agencies’*
*Also on a European level, the diversity of bottom-up regional policies with regard to institutional set-up and development activities is considerable, and in order to structure*
the analysis, this text takes its point of departure in the concept of regional development agencies (RDAs). Halkier & Danson proposes the following definition of an RDA:

a regionally based, publicly financed institution outside the mainstream of central and local government administration designed to promote economic development (1995a p 3).

The advantages of this starting point are twofold. On the one hand it neatly captures key features of the predominant thinking concerning bottom-up regional policy in that proponents of the RDA approach to regional policy make three key claims. First, a regional institution is better placed to develop strategies tailored to the specific problems of the individual region. Second, a semi-autonomous position limits the interference of party-political interests and allows the organization to adopt a long-term perspective on regional development. And finally, a position outside mainstream government generates a more business-like air and makes it possible for RDAs to pursue public policies without evoking the ghosts of interventionism. On the other hand, the RDA concept covers key features of bottom-up regional policy, namely its organization, objectives and mode of implementation.

In order to qualify as a ‘model RDA’, a regional development institution has to comply with the following requirements:

1) be in a semi-autonomous position as a publicly funded development organization outside the mainstream apparatus of government and have a high degree of operational freedom vis-à-vis its sponsoring political authority

2) have an integrated approach to regional development, i.e. be able to draw upon a wide range of policy instruments

3) stimulate the growth of indigenous enterprise rather than rely primarily on attraction of firms outside the region.

Clearly not each and every body involved in development activities on the regional level will fulfill these criteria, but by positioning individual organizations against the ‘model RDA’, their degree of (non-)compliance in the three fields will produce a multidimensional picture of the current state of affairs. This should provide us with an indication of whether such a thing as a ‘Danish approach’ exists and, in turn, place Denmark on the map of bottom-up regional policy in Europe.
3. Organization

As can be seen from the above, the key elements of the 'model RDA' profile are closely connected with the organizational features and the policy instruments of the development organization. This section examines the organizational characteristics of regionally based development bodies in Denmark and establishes a typology of their interaction on the regional level. When no specific source is indicated, the exposition is based on analysis of a database constructed on the basis of the information supplied by the questionnaires as well as the personal interviews.

Origins and Objectives
During the 1980s and the 1990s the Danish counties have gradually increased their commitment to promotion of regional development. This field of activity has been added to their statutory activities which include significant parts of welfare services such as health, education, regional planning, environment and major roads, and today promotion of economic development is a field of activity in which all counties are involved, mostly through a separate department of regional development.

As regional development is not a statutory activity, the counties have themselves put regional development on the agenda and set aside funds for development activities. However, with the demise of the centrally operated regional incentive policies in 1991 and the relaxation of restrictions on local and regional authorities' participation in regional development activities in 1992, greater emphasis is being placed on regional and local initiatives, and in this sense the political responsibility for regional development has also been placed with the local and regional authorities (Erhvervsministeriet 1995).

Even though all counties have regional development as a field of activity, there are significant differences between the counties in terms of commitment to regional development activities and motives for entering this new field of activity. The prerequisites and needs for regional development activities in the Danish counties are not the same, and accordingly, some counties have embraced the field of regional development at an early stage while other counties have become involved in regional development at a later stage and, in some cases, perhaps more reluctantly.

For many counties - especially those which started regional development activities at an early stage - it is difficult determine exactly when their involvement began as the commitment to regional development developed gradually, taking its point of departure
in regional planning \(^5\) and/or training programmes for the unemployed, and from there gradually developed into policy initiatives directed at private firms in the region.

Generally, the first counties to become involved in regional development were those in the peripheral areas suffering the highest rates of unemployment. Areas in these counties had traditionally been covered by central government incentive schemes and towards the mid-1980s assistance from the European Structural Funds was made available.\(^6\) In the counties of Nordjylland, Viborg, Sønderjylland, Storstrøm and Bornholm large EU-funded development programmes were initiated, and the administration of these programmes - and the fact that the unemployment rates were higher in these areas - inspired the counties to increase their commitment to regional development and draw up their own regional development programmes. Moreover, it was felt that regional development resources should be provided for all the areas in the county and not just the areas covered by EU-programmes (Christensen, Kragh, personal interviews).

At the beginning of the 1990s, regional development was also put on the agenda in counties that had not previously had specific activities in this field. The topicality of regional bottom-up initiatives can be traced back to several sources: the Danish central government had terminated its regional incentive schemes and relaxed restrictions on local government activities in the area; some counties in Denmark had already embraced the sphere of regional development and thereby inspired - or prompted - other counties to do the same; and finally, there was a general European orientation towards bottom-up initiatives.

So, even though all counties are involved in regional development today, the counties covered by EU-programmes generally have more experience in the sphere than the other counties. An exception to this general rule is Århus County which from an early point has pursued a very active role in regional development despite its status as one of the more prosperous counties in Denmark:

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\(^5\) As explained above, regional planning is a statutory activity for the Danish counties the main purpose of which is to handle the physical planning in the region and protect nature and the environment. Activities in this area include the zoning of land for towns, afforestation etc., the siting of roads, major public institutions and the siting of enterprises that may affect the environment significantly. Obviously, these activities influence the conditions of private enterprises considerably and thus formed a natural point of departure for more direct attempts to promote economic development. It should be noted, however, that this paper is concerned with the counties' regional development activities beyond their statutory activities within regional planning, i.e. the more direct industrial development activities.

\(^6\) Until 1984 assistance from the European Structural Funds was primarily directed at areas in Greenland. When Greenland left the EC in 1984, the government decided that the Danish assisted areas under the Regional Development Act were to be eligible under the Structural Funds as from 1985.
[In Århus] we focus on the positions of strength in the county and this is our point of departure. The overall objective of the present programme is to create growth and maintain the county of Århus as a growth area. In some of the other counties the point of departure of regional development policies is EU-funds which have been allocated because the regions were lagging behind. In Århus County the County Council decided to lead an active industrial policy and provide the funding for it itself - which can be said to be a quite proactive strategy. (Hyldegaard, personal interview)

But even though the point of departure may vary among the counties, the overall objectives of regional bottom-up initiatives are widely accepted and therefore also very similar among the different regional departments and organizations. On a general level, the primary objectives of the regional development policies of the counties are to promote growth and development in enterprises in order to create and preserve jobs in the region, particularly through improvement of the general conditions of business (Amtsrådsforeningen 1995), e.g.:

The overall objective of the efforts of Vestsjællands Erhvervscenter is to create growth and employment in Vestsjælland (Vestsjællands Erhvervscenter 1996b).

The overall objective is to contribute to increase employment, earning power and competitiveness in the enterprises (Viborg County, questionnaire).

Although the stated overall objectives of regional policy in the counties are fairly consistent, their vagueness would also seem to allow them to be pursued in a multitude of ways, and therefore a comparison between the counties must of course also include a examination of the nature of the policies through which these goals will be pursued.

As regards the development organizations operating outside the mainstream administrative apparatus of the counties, the vast majority of those included in the survey have been established during the last decade. Only two, in practice related, types of organizations date back before 1980, namely regional development committees and regional investment funds. In both the counties of Sønderjylland and Bornholm a regional development committee was established, in respectively 1947 (Sønderjyllands Erhvervsråd) and 1963 (Bomholms Erhvervsråd). These committees are coalitions of local business interests and came into being to promote a more coherent regional development
policy and to help attract national regional incentives to the region. On the initiative of these organizations, **regional investment funds** were subsequently established in the two counties: Sønderjylland’s Investeringsfond in 1959 and Bornholms Erhvervsfond in 1973. These counties are geographically some of the most peripheral in Denmark, and this probably explains why regional development organizations were established at a comparatively early stage.

With the exception of Århus County where two development organizations were established before 1985 (Center for Virksomhedsudvikling in 1980 and Procon in 1984), the rest of the regional development organizations have been set up after 1986, and most of them during the last five years.

The regional development organizations included in this survey are very diverse, but one of the things most of these have in common is that they have been established either on the sole initiative of the county or on the initiative of the county in cooperation with other regional actors (typically municipalities, development organizations and/or the business community). The counties have thus played a prominent role in initiating and setting up the vast majority of the regional development organizations - in fact, the only organizations that have been established unassisted by the county are the two regional development committees and the two investment funds mentioned before and a more recent development company, Sønderjylland’s Udviklingselskab A/S, initiated by the regional development committee in Sønderjylland.

As regards the overall objectives of the regional development organizations, they tend to be more diverse than those of the counties. Even though the objectives of growth and creation and preservation of jobs are implicit in the development strategies of most regional development organizations, they usually have a more specialized stated objective, linked to their basic function within regional development; it may concern the targeting of specific sectors and/or it may focus on the type of service provided. For example five of the organizations included in the survey have tourism development as their primary objective, three organizations have provision of equity or loans as a primary objective, while others have training of entrepreneurs or marketing of the region/attraction of foreign investment as objectives. Finally, some of the development organizations included in the survey have a more mixed set of objectives.

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The regional development committees have only been included in the survey when they implement regional development policies, i.e. committees operating purely as interest organizations have not been included.
**Resources**

The questionnaires supplied the following information on the resources of the development bodies.

As regards the financial resources set aside for regional development activities by the counties, yearly expenditure varies from £1m to £2.6m in the 11 counties included in the survey. The majority of the counties spend between £1m and £1.5m on regional development activities, and only two counties spend over £2m.

The number of staff varies from 2 to 18 with an average of 8. As some counties have chosen to spend part of their budget as grants to external regional development organizations, there is no straightforward relationship between the number of staff and the size of the budget.

Both financially and in terms of personnel the resources committed to regional development by the counties are modest - especially when seen in an international perspective. A survey by Halkier & Danson of selected regional development agencies in Europe showed that most agencies had a budget of over £2.5m and that the largest agencies had average staffs and budgets of 229 persons and £133m respectively (1995a pp 8ff). It should of course be kept in mind that regional development is a voluntary sphere of activity for the counties in Denmark, not one of their statutory activities, and that the Danish regions are small compared to the regions in many other countries in Europe and consequently do not justify the same size of expenditure. Besides, regional development projects have other sources of funding than the county, so the budgets of the counties do not reveal the total expenditure on regional development in the regions. For example, the county of Nordjylland has a yearly regional development budget of £2.4m, but EU-funding in the region amounts to a yearly £20m and releases an additional £7m from central government in matching funding, and so especially in counties where large European programmes operate the total level of expenditure will be significantly higher than in counties where the presence of the Structural Funds are less conspicuous.

With regard to the resources of the Danish regional development organizations, budgets range from a yearly £0.3m to £5.9m with an average of £1m and the number of staff ranges from 1 to 50 with an average of 10. As can be seen from Table 2, most organizations are relatively small and the resources at their disposal limited.

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* In Arhus County the number of staff is substantially larger than these figures, which only includes employees at county headquarters. The industrial development department in Arhus employs around 12 people at the central county hall, but decentralized county service centres account for another 34 employees. The number of staff at the service centres are included under regional development organizations.
Table 2. Regional development organizations by size.

Source: Survey.

All in all it can thus be concluded that in terms of resources, bottom-up regional policy in Denmark is dominated by relatively small organizations, both inside and outside the system of regional government, and that availability of external funding from especially the EU Structural Funds is therefore likely to make a major difference between the regions in terms of their capacity to influence economic developments within their area.

Bureaucratic Autonomy

The question of bureaucratic autonomy has been examined in order to establish the degree of operational freedom that the various organizations enjoy vis-à-vis their elected political sponsors and thereby determine the extent to which they comply with the general organizational qualities expected to be found in a 'model RDA'. This question may seem beside the point as far as the departments of regional development are concerned, as these departments are positioned inside the core administrative apparatus of politically elected government and accordingly do not qualify as 'model RDAs'. Nevertheless, variations in the organizational features among the departments exist, and therefore the regional development departments of the counties have also been included.

The departments and organizations were categorized according to the definitions in Table 3. As the development organizations operate at a regional level and have in most cases been set up on the initiative of the counties, it is their position vis-à-vis the regional level of government, i.e. the counties, that is examined here. In some cases both counties and municipalities have sponsored regional development organizations, but because counties and municipalities represent different spatial interests and cannot be seen as a unified political influence, such organizations must be classified under either the 'dominant' or 'plural' version of an arm's-length relationship.
I

**LEGAL POSITION vis-à-vis POSITION SPONSOR**

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>LEGAL POSITION</th>
<th>POLITICAL SPONSOR</th>
<th>POSITION VIS-À-VIS POLITICAL SPONSOR</th>
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<td>regional government</td>
<td>direct political control</td>
</tr>
<tr>
<td>Semi-departmental</td>
<td>part of regional government</td>
<td>regional government</td>
<td>direct political control mediated by separate advisory council</td>
</tr>
<tr>
<td>Arm's-length/single</td>
<td>independent body</td>
<td>government</td>
<td>political supervision, board appointed by government</td>
</tr>
<tr>
<td>Arm's-length/dominant</td>
<td>independent body</td>
<td>regional government and others</td>
<td>political supervision, board appointed mainly by government but influenced by other public/private organizations</td>
</tr>
<tr>
<td>Arm's-length/plural</td>
<td>independent body</td>
<td>regional government and others</td>
<td>political supervision, board appointed by government(s) and other public/private organizations</td>
</tr>
</tbody>
</table>

Table 3. Bureaucratic autonomy - definitions. *Source: Based on Halkier & Danson 1995.*

<table>
<thead>
<tr>
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<tr>
<td>Arm’s-length/plural</td>
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<td>17</td>
</tr>
</tbody>
</table>

Table 4. Departments and organizations by degree of bureaucratic autonomy. *Source: Survey.*

On the basis of the formal position of the policy-making organization vis-à-vis its political sponsor(s) the survey produced the results presented in Table 4 above. Four of the regional development departments in the survey are in a departmental position and refer exclusively to the finance committee of their respective counties. The seven departments in the category ‘semi-departmental’ also refer to the finance committee, but in addition to this have a separate advisory council consisting of representatives from e.g. the county council, municipalities, local and regional development committees, trade organizations.
and the business community. The fact that most counties have put together an advisory council does of course indicate an intention to hear the views of a broad spectrum of regional actors with an interest in development decisions - a point of view which was also emphasized in the various personal interviews. However, the significance of the advisory councils in terms of actual influence may vary and cannot be fully evaluated on the basis of the data in this survey, although indications were given in some of the counties where interviews were carried out pointing to a substantial influence of the advisory councils and a more formal role of the finance committee. This may for example be the case when the county mayor chairs the advisory council and/or members of the finance committee are also members of the advisory council.9

The vast majority of the regional development organizations in the survey are in an arm’s-length position vis-à-vis the county and are organized under a variety of organizational forms - funds, self-governing institutions and limited companies. The only two organizations that are in a departmental or semi-departmental position are Procon and Center for Virksomhedsudvikling, both decentralized service institutions set up by Århus County Council.

The regional development organizations rely on a wide range of sources of finance. Most development organizations receive yearly grants from the counties, and other external sources of finance are e.g. EU-funding, municipal and central government grants. Moreover, internally generated income (fees) is an important source of income in many organizations - an interesting feature because it forces the organizations to be market-oriented, i.e. they cannot just rely on public funds, but have to supply services that are in demand.

<table>
<thead>
<tr>
<th>County role sponsor</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>County sole sponsor (100%)</td>
<td>1</td>
</tr>
<tr>
<td>County dominant sponsor (50-99%)</td>
<td>5</td>
</tr>
<tr>
<td>County minor sponsor (0-49%)</td>
<td>9</td>
</tr>
</tbody>
</table>

Table 5. County’s contribution to budgets of regional development organizations.
Source: Survey.

---

9 In Nordjylland County where a separate organization financed by the county has been set up to initiate regional development activities, the decisions of the board have to be approved by the finance committee of the county - but this is only a formal approval as the county mayor chairs the board. In Viborg the finance committee has been integrated in a council which also brings in other social actors and decisions taken here need no further approval.
The extent of the county's contribution to the yearly budget of the regional development organizations will appear from Table 5. As can be seen, the counties contribute to the budgets in most development organizations, and even when the county is not the sole or dominant sponsor, but one of several external sponsors - as is the case in 9 organizations - many organizations in practice depend on the county's grant and would probably not be able to operate without it.\(^\text{10}\)

In short, even though many of the organizations have been initiated and sponsored - at least partly - by the county and even though the county may continue to allocate a substantial yearly grant to the organization, most regional development organizations - with the two in Århus county as a notable exception - are in an arm's-length position vis-à-vis the county - at least in terms of their legal and political position. They exist as separate entities and, presumably, have a certain degree of operational freedom to go about their tasks as they see fit - although this may of course be influenced by other factors, such as the range of policy instruments at the disposal of the organization.

Regional Implementation Structures

One of the most conspicuous features of bottom-up regional policy in Denmark is the striking differences between the counties when it comes to the implementation of policies. There are two general criteria by which the approach of the counties to regional development can be characterized. First, the extent to which a county has its own detailed plan of action or, alternatively, relies on external actors to fill in broad regional policy guidelines in terms of actual projects. Second, the extent to which the county implements regional development programmes itself or buys external partners to implement the programmes. Admittedly, this classification is rather crude and there are of course border cases, but it does point to significant differences with regard to the degree to which a county attempts to control the nature and implementation of development activities.

On the basis of these distinctions, three different approaches to regional development can be identified in the Danish counties. First, there are counties combining a low degree of planning with implementation by external bodies. Here the counties draw up some general priorities within the field of regional development and set aside a regional development pool from which other regional actors can apply for resources for their projects, i.e. the county does not carry out its own projects, but relies on other regional actors to formulate and carry through regional development projects. Resources from the

\(^{10}\) In many of these organizations, the county's contribution amounts to around a third of the total budget and these organizations would hardly be able to survive on market terms.
pool are therefore only triggered in so far as external actors come up with suitable projects.

Second, some counties develop their own plans of action with very specific priorities where money is earmarked for particular purposes, but leave the actual implementation of the programmes to external partners. The freedom of initiative of the external partner is therefore likely to be restricted.

Third, there are the counties which draw up detailed policy programmes and plans of action, but - unlike the second type of counties - undertake the actual implementation of regional development programmes themselves, either through their core administrative apparatus or via decentralized centres with little or no operational freedom.

When the two criteria concerning implementation and degree of planning are used on the different counties, the pattern shown in Table 6 arises.

<table>
<thead>
<tr>
<th>DEGREE OF PLANNING</th>
<th>IMPLEMENTATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>County</td>
<td>External</td>
</tr>
<tr>
<td>High</td>
<td>2</td>
</tr>
<tr>
<td>Low</td>
<td>0</td>
</tr>
</tbody>
</table>

Table 6. Number of counties categorized by implementation form and degree of planning.
Source: Survey.

The only two counties which have a high degree of planning and also act as implementing bodies are the counties of Århus and Frederiksborg. The six counties which have a relatively high degree of planning, but mainly implement via external partners, are the counties of Nordjylland, Viborg, Ringkøbing, Fyn, Vestsjælland and København. The remaining 3 counties, Sønderjylland, Storstrøm and Roskilde, have a relatively low degree of planning and leave implementation to external bodies.

In addition to the above criteria, it should be noted that most counties spend part of their regional development budget as grants to regional development institutions to support their activities. Traditionally, these grants were allocated as block grants to the institutions with no conditions attached, but increasingly, the counties have shown a determination to ensure value-for-money and to make sure that their resources are spent in accordance with their own regional development objectives. In this way the regional development organizations may be required to provide certain types of services or undertake certain types of projects. The counties most eager to ensure value-for-money are, hardly surprising, the counties which have their own detailed policy programmes and plans of actions, whereas counties which encourage local bottom-up initiatives and wish
to support these are less inclined to make their grants to regional development organizations depend on the provision of certain types of services. It would have been interesting to be able to combine political (degree of planning), organizational (implementation) and economic criteria into one integrated model of implementation structures in regional development, but this has not been possible on the basis of the research methods employed.

Despite the above differences between the counties some general trends of development can be detected. Increasingly, the counties demonstrate a determination to pursue a more active role in regional development and there seems to be a move towards a higher degree of planning and control both as regards formulation of policies and control with implementing bodies. At the same time most counties favour the role of policy unit which formulates strategies, programmes, development policies, but leave the actual implementation to external bodies often initiated and established by the counties themselves.

In the context of the various approaches to policy implementation presented above, it will be interesting to see if the different implementation structures are related to different types of regional development policies such as the notion of the 'model RDA' would have it. The next section will therefore examine the policies of the counties and the regional development organizations.

4. Policies

As will be remembered, the thinking behind the RDA approach to regional development links organizational characteristics with particular policy instruments and modes of operation. This section therefore examines the policies of the Danish regional development organizations in order to establish the extent to which they have the capacity to adopt an integrated approach to regional development as well as the extent to which they give priority to stimulating growth of indigenous enterprise. The exposition is based on the information in the questionnaires and the annual reports of the organizations and counties.

In the previous section the organizational characteristics of the regional development bodies were described. The counties' regional development units turned out, not surprisingly, to be in a departmental or semi-departmental position and would obviously not qualify as 'model RDAs' no matter what was their policy profile. However, as this paper comprises both the county council development units as well as other regional development organization, the policies of the counties' regional development department
will of course also be described, albeit in a slightly different manner.

In the questionnaires the counties were requested to state their three most important policy programmes as well as the modes of operation for each programme. This approach has proved somewhat problematic - especially in the light of the above differences between the implementation structures in the counties with many initiatives being implemented by external development organizations. Moreover, the counties have a very diverse range of activities within regional development and accordingly, it may be difficult to single out three main policy programmes

In most counties, part of their total regional development budgets is spent as grants to regional development organizations and this allocation of resources of course indicates which activities are considered important by the counties. Another part of the budgets may be used to finance policy programmes stating specific priorities and modes of implementation or - at the other end of the spectrum - the counties may pool resources, draw up some general guidelines and allow other regional actors a good deal of latitude as regards the actual content of the projects (co)financed by the county. The last approach makes it difficult to determine in advance in what areas resources will be spent. Moreover, the budgets may finance other activities of the counties involving international cooperation, and/or a variety of small development projects that do not form part of an overall programme and cannot be prioritized. This makes it difficult to assess the policy priorities of the counties in precise quantitative terms, and instead, some typical features of the counties' regional development policies will be pointed out in the following.

Danish counties are not allowed to grant direct subsidies to individual firms, and it is therefore hardly surprising that the survey demonstrated that their regional development policies first and foremost support the provision of advice and infrastructure in the regions. As explained earlier many counties have contributed to the establishment of regional development organizations which provide different kinds of services and often the county is represented in the boards of these organizations. The grants given to these organizations may in many counties constitute a substantial part of the counties' total regional development budget and should obviously be seen as part of the counties' total commitment. The activities of these organizations will be examined in the two sections below.

As regards the policies implemented directly by the regional development

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11 E.g. EC advisory units at county hall, development projects with other counties in Europe and the setting up of offices in Brussels to keep the county council informed about European directives and legislation, help regional enterprises and promote the region in general.

12 In half the counties included in the survey over 50 per cent of their regional development expenditure is spent as grants to external development organizations.
departments themselves they are very diverse. Most counties are engaged in international activities and some counties have their own representation in Brussels or have established offices in e.g. Poland to support exporting enterprises. The counties may also develop regional development programmes or projects internally in the county or in cooperation with other regional actors (it should be noted, however, that not all counties have the financial resources to develop their own projects). These projects/programmes may be aimed directly at the regional enterprises by providing advice, training etc. or they may be designed to improve the general conditions of business more indirectly. The latter type of project will typically be linked to the counties’ statutory activities within e.g. the health sector or protection of the environment or it may be aimed at improving the counties’ administrative procedures vis-à-vis the trades and industries. Activities within the field of public-private cooperation have been a particular focus of interest ever since the new acts gave the counties and municipalities some limited rights to form partnerships with private companies. Some counties are also examining how they can plan their purchase policies to benefit the regional trades and industries.

The activities of the counties thus vary along a wide spectrum. In terms of total expenditure, the 11 counties included in the survey have an aggregate regional development budget of around £17m and over half of this amount is spent as grants to external regional development organizations. In the following the policies of these development organizations will therefore be examined both with a view to get an overall impression of the regional development priorities in the Danish counties, but also - as explained above - to find out the extent to which individual organizations qualify as 'model RDAs'.

**Policy Profile**

The activities in which the regional development organizations engage have been classified according to the three basic policy instruments applied vis-à-vis individual firms - supply of advice, finance or infrastructure - and subdivided on the basis of the specific type of support provided. Furthermore, the policy areas have been distributed into the two groups presented in Table 6. On the one hand are the 'traditional measures' associated with the redistributive policies of central government and/or the 'import' of growth from outside the region. On the other hand are the new measures, primarily aimed at stimulating the growth and competitiveness of indigenous firms.
### Table 6. Policy areas and growth strategies.

*Source: Based on Halkier & Danson 1995.*

<table>
<thead>
<tr>
<th>TRADITIONAL</th>
<th>NEW</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advice</td>
<td>Advice</td>
</tr>
<tr>
<td>Investment attraction</td>
<td>General management</td>
</tr>
<tr>
<td>Access to grants</td>
<td>Markets</td>
</tr>
<tr>
<td></td>
<td>Production/technology</td>
</tr>
<tr>
<td></td>
<td>EU</td>
</tr>
<tr>
<td>Finance</td>
<td>Finance</td>
</tr>
<tr>
<td>Grants, other</td>
<td>Equity, loans etc.</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>Infrastructure</td>
</tr>
<tr>
<td>General factories</td>
<td>Science parks etc.</td>
</tr>
<tr>
<td>Other</td>
<td>Training</td>
</tr>
<tr>
<td></td>
<td>Tourism</td>
</tr>
</tbody>
</table>

The presence or absence of each of the 12 types of regional support within the policies of each of the 20 regional development organizations were recorded and the findings are summarized in Figure 1.

As can be seen, the provision of advice is by far the most prominent type of service offered by the regional development organizations. As regards the financial instruments, direct investment in the form of equity or loans are offered by four organizations. Moreover, the absence of traditional policy instruments such as grants and factory building is notable and thus the overall predominance of new activities is very pronounced.

In order to establish a policy profile for each of the 20 development organizations, the 'new/traditional' nature of its most important activity as well as the distribution of other policies according to the same bipolar scheme was recorded. This enabled us to undertake a classification of the organizations surveyed according to the nature of their

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**Figure 1. Type of regional support by organization.** *Source: Survey.*
main activity and their degree of specialization.  

<table>
<thead>
<tr>
<th>PRIORITY ACTIVITY</th>
<th>Traditional</th>
<th>New</th>
</tr>
</thead>
<tbody>
<tr>
<td>Specialized</td>
<td>1</td>
<td>19</td>
</tr>
<tr>
<td>Mixed</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Table 7. Policy profiles and degrees of specialization in new and traditional activities. 
*Source: Survey.*

In the light of the absence of many traditional policy areas in Danish regional development organizations, it is hardly surprising that Table 7 shows that most organizations turn out to have a 'specialized new' profile. Only one organization have a 'specialized traditional' profile, namely Copenhagen Capacity which specializes in the attraction of foreign investment.

*Capacity for Integration*

Even though Figure 1 and Table 7 above clearly demonstrate the predominance of advisory services and the specialization in new policy areas of the various organizations, they do not reveal how the different kinds of activities are distributed in the various organizations; whether several different activities co-exist within the same organization or whether the organizations specialize in a few activities. In order to measure the degree of specialization of the various organizations, the number of different activities undertaken by the organizations were calculated, producing the results in Figure 2.

The main impression is one of rather specialized units - with a striking number of 9 organizations engaging in one activity only. A closer look at the individual organizations reveals that the organizations specialized in only one activity are primarily tourism development organizations or investment

![Figure 2. Degree of specialization. Source: Survey.](image)

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13 The individual organizations were classified according to the following criteria: an organization with a new activity as priority activity will be regarded as specialized if it engages in no more than one traditional activity, and an organization with a traditional activity as priority activity will be regarded as specialized if engaged in no more than two new policy areas.
funds and a single organization is specialized in the attraction of foreign investment (Copenhagen Capacity which was the odd one out in the above classification according to new/traditional profile). The remaining development organizations that undertake two or more activities are involved in a range of advisory services with one organization also involved in the training of entrepreneurs. The only organization with more than one activity that does not have the provision of advice as main field of activity is a development company, Sønderjyllands Udviklingsselskab A/S, which offers both equity and advice to the regional enterprises.

With these characteristics of Danish bottom-up initiatives in mind we will turn to the question as to how they are positioned vis-à-vis the concept of 'model-RDAs'.

5. From Model RDAs to the Danish Model

As will be remembered, a 'model RDA' is positioned at arm’s-length from its political sponsor, because - presumably - this will allow it to focus on the long-term competitiveness of the economy of the region, and, accordingly, to take initiatives that stimulate indigenous enterprise in an integrated manner. In order to qualify as a 'model RDA' in the following the regional development organization therefore has to fulfil all of these criteria.

As regards the first criteria, most Danish regional development organizations were found to be in an arm’s-length position in terms of their formal legal and political position. The only exceptions were the two development centres in Århus, Procon and Center for Virksomhedsudvikling, which were found to be in a departmental and semi-departmental position.

The second criteria concerning the organizations’ capacity for an integrated approach to regional development turns out to be most difficult criteria for the development organizations to fulfil. In order to have an integrated approach to regional development the organization has to be able to draw upon a wide range of resources, and the fact that most Danish development organizations are involved in a narrow range of policy areas of course limits their capacity for operating in an integrated manner concentrating on selected problems in the region. The Danish development organizations are simply too specialized in particular areas of advice, finance or tourism to have the

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To qualify as model RDA in terms of policy integration an organization must be involved in at least four different policy areas (as defined in Table 6 above) and at least one based on hard resources, i.e. finance or property (Halberg & Danson 1993b).
capacity for developing an integrated approach.

The third criteria according to which the development organizations have to stimulate the growth of indigenous enterprises to qualify as 'model RDAs' proves much easier to fulfil. Only organizations which have a 'specialized traditional' policy profile cannot be said to comply with this criteria - and only one of the Danish organizations was found to be in this category, namely Copenhagen Capacity.

As can be seen, neither of the development organizations comply with all three criteria and the conclusion must therefore be that there are no 'model-RDAs' in Denmark. Instead, there is a variety of rather small, specialized development organizations which in most cases are in an arm's-length position vis-à-vis their political sponsor.

However, as regards their room for manoeuvre, a few additional comments can be made to the findings presented above. Even though the arm's-length position that most organizations are in would seem to allow them a certain degree of operational freedom, it should also be noted that most organizations receive a substantial yearly grant from the counties and that the allocation and size of this grant - on which the organizations depend - may be used to ensure that the activities undertaken by the development organizations are in line with the political priorities of the counties. This should not necessarily be seen as any sort of strict political control - nor is it exercised by all counties - but the grant may be used to give indications of the direction in which a county prefer a development organization to develop. Moreover, the comparatively small budgets of most organizations and the fact that they have a somewhat specialized policy profile of course also limits their room for manoeuvre in practice.

In the section on the organizational characteristics of the development bodies, the different organizational patterns of the counties were presented. The question arose as to whether the different implementation structures are limited to different regional development policies, but the results in the 'Policies' section do not warrant such a conclusion. Neither differences in degrees of planning nor implementation structure appear to be related to the policy profiles of the respective regions.

Despite diversity, some features would seem to stand out and mark what could be called the Danish model of bottom-up regional policy. First, an organizational set-up with regional government (the counties) being the political and economic centre around which many specialized regional development units are positioned. Second, a general policy profile where new policy instruments are in focus and different types of advisory services the most prominent feature.

The most important difference between the Danish model and the notion of 'model RDAs' is the existence at the regional level of a number of separate, specialized implementing organizations. A potential problem in the Danish model would therefore be
to ensure that policies delivered by separate organizations are adequately coordinated and thus provide policy integration on a network level rather than within the individual development body.

6. The Politics of Bottom-up Regional Policy

The previous sections have described characteristics of the new bottom-up initiatives which have succeeded national level regional incentive schemes, and this section aims at shedding more light on the results of the survey by placing them into the broader context of EU, national and local regional policy.

The demise in 1991 of the regional incentive schemes operated by central government can be traced back to several sources. Unemployment in Copenhagen reached the national average, general budgetary problems created a strain on public expenditure, and the then centre-right coalition government generally favoured 'market-based' solutions. All in all the political case for preferential treatment for peripheral regions through highly visible forms of financial support had been undermined, and regional policy became subsumed under the larger heading of business support measures (Halkier 1996a). The objective of equal development in the Danish regions was abandoned and instead a growth philosophy was promoted, urging all regions to focus on the growth opportunities specific to their region. Variety, not equality, was to be the guiding principle in regional policy, and the role of the state was no longer to implement redistributive policies, but to help the regions help themselves.

This reorientation as regards the objectives of regional policy has also been accompanied by a change with regard to policy instruments. Traditionally, direct subsidies to individual firms have been the main policy instrument in regional development, but 'framework measures' are now seen as preferable to financial subsidies. Framework measures are forms of support that are not directed exclusively towards one particular firm, i.e. advisory services, technological support facilities, training etc. (Halkier 1996c).

At the same time as central government has decreased its responsibility for regional development policies, the local and regional authorities have increased their commitment in the field. Traditionally, the formal possibilities of counties and municipalities to pursue economic development policies and engage in private sector activities have been strictly regulated, but during recent years the local authorities have been allowed more scope for manoeuvre (Halkier 1996b). Collective arrangements in support of local/regional business development was made possible by national legislation in 1992 and the political responsibility for regional development policies is now very much placed with the local
and regional authorities, as explained earlier. In one area, however, the activities of the local and regional actors are still restricted: they are not allowed to grant direct subsidies to individual firms. But apart from this, they enjoy a considerable degree of latitude in the field of regional development policies and this undoubtedly facilitated the mushrooming of regional development initiatives during the last decade.

While central government has been seen to encourage this development, a 1995 white paper on regional policy has also stressed the need for coordination between the various actors (Erhvervsministeriet 1995). The present situation was seen as entailing a risk of duplication on the regional level, and, partly inspired by British attempts to set up Business Links as a one-door approach to assistance for local firms, the concept of Business Nodes was put forward. These Nodes are to provide a forum for discussion between development organizations active in a particular geographical area, but do not involve creation of a separate organization or infringe the control of participating organizations over their own activities (Halkier 1996a).

Especially regional authorities have responded somewhat guardedly to this scheme, perhaps suspecting that the Nodes were the thin end of a wedge leading to further attempts by central government to influence local and regional development activities (Halkier 1996c). This suspicion was reputedly fuelled by the prominence early versions of the white paper gave to the deconcentrated Technological Information Centres sponsored by central government. In some counties - especially in those where both local and regional authorities have strong ambitions within the field of regional development - the Nodes were also seen as an attempt to promote the role of the local authorities at the expense of the counties.

In any case the scheme, although voluntary, has been seen as another example of a central government initiative that has been drawn up without proper consultation with the regional actors. Today there is no formal forum where central government and county representatives meet on a regular basis, and the counties therefore generally call for more dialogue with the Department of Trade and Industry both to ensure coordination between state and regional policies and to ensure that the counties and municipalities are consulted before new central government initiatives such as the one described above are drawn up.

Despite the criticism of the Business Nodes scheme, there is little doubt that it has highlighted a central problem in Danish bottom-up initiatives. On the one hand, there is the risk of duplication at the regional level. This problem has been recognized by many counties and has led them to move in the direction of a formal division of labour between the various actors in regional development or - as is the case in Sønderjylland - consider possibilities of merging two or more regional development organizations. On the other hand, there is the perhaps more complex problem of ensuring policy integration. When
regional development organizations exist as independent and highly specialized bodies, the problems of the individual private firms are likely to be treated in a piecemeal manner, unless the different implementing organizations are networking in an efficient manner. This specific problem, however, seems to be less prominent in the Danish debates on policy coordination than that of the risks of duplication, something that might indicate that a public sector perspective (avoid waste of resources) continues to dominate the thinking of key actors.

Although the debate on the Business Node scheme would seem to reveal fears of central top-down initiatives, some counties express frustrations as regards central government's liberal stance on regional policy. Many counties have become very committed to regional policy, and while they appreciate that they are granted a significant latitude in the area, they would prefer the state generally to show a stronger commitment to regional industrial development initiatives and to back up regional efforts, also financially. But again the differences between the counties should be stressed: in some counties the question of EC funds and their administration is of crucial importance, while in others the question of cooperation (or rather non-cooperation) with the local actors in regional development is much more prominent.

All in all the picture of the current situation with regard to bottom-up regional policy in Denmark would very much seem to take the shape of a mosaic. The basic pattern - regional government taking the general political responsibility while policy implementation is left to an array of external bodies - is sufficiently clear to warrant talk about a 'Danish model', although a complex series of variations on this pattern is also very much in evidence. At the same time it is also obvious that although the regional level has gained significantly in importance over the last decade, its new position in regional policy is still being challenged by local initiatives, partly depending on economic resources from Europe, and being regulated by central government especially with regard to policy instruments. The Danish regions are in other words still 'sandwiched in' between the inter/national levels of government above and local spatial interests below, and thus with regard to regional policy the Danes have clearly not opted for a totally open sandwich.
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Interviews

All interviews undertaken in the period 24 May - 21 June, 1996 by Charlotte Damborg. Taped but summarized, not 1:1 audiotyped.

Henning Christensen, Head of the Industrial Policy Division, Nordjylland County.

Ejner Frederiksen, Manager of Procon, Århus.

Ebbe Jensen, Head of the Development Division, Sønderjylland County.

Anne Hyldegaard, Economic development officer, Århus County Industrial Policy Division.

Tyge Korsgaard, Manager of Sønderjylland Regional Development Committee, and Managing Director of Sønderjylland Development Company Ltd., Aabenraa.

Tonni Kragh, Head of the Industrial Policy Division, Storstrøm County.

Henrik Lodberg, Senior civil servant, the Danish Agency for the Development of Trade and Industry, Silkeborg.

Bent Mikkelelsen, Head of the Industrial Policy and Labour Division, Viborg County.

Anette Møller, Managing Director of Nordjylland Tourism Development Group Ltd., Aabybro.

Kristian Primdal, Manager of Storstrøm Business Development Centre, Vordingborg.

Michael Schmedler, Deputy Chief of Vestsjælland County Business Development Centre.

Thorsten Tyndeskov, Controller, Vestsjælland County Business Centre, and temporary Managing Director of Zealand Care Ltd., Sorø.

Lone Vingtoft, Head Clerk, Office for Economy and Industrial Policy, the Association of County Councils, Copenhagen.

Susanne Willumsen, Advisory officer, Nordjylland Business Service, Aalborg.
European Studies
European Research Unit, Aalborg University

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