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Policy Developments in Denmark: Regional Policy, Economic Crisis and Demographic Change

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3. POLICY DEVELOPMENTS IN DENMARK

Regional Policy, Economic Crisis and Demographic Change

Henrik Halkier, University of Aalborg

3.1 Introduction

Since 2002, Danish regional policy has witnessed a period of intense change. This contrasts sharply with the relatively constant picture presented during the 1990s when, after the termination of central government regional aid schemes in 1991, policies consisted of Structural Funds programmes and bottom-up initiatives, tempered by attempts by central government to introduce a greater degree of coordination. The pace of change picked up in earnest in 2003 and has revolved around four closely-related central government initiatives which, taken together, have profoundly transformed the organisational set-up for regional policy and have established a national governance framework for regional development strategies:

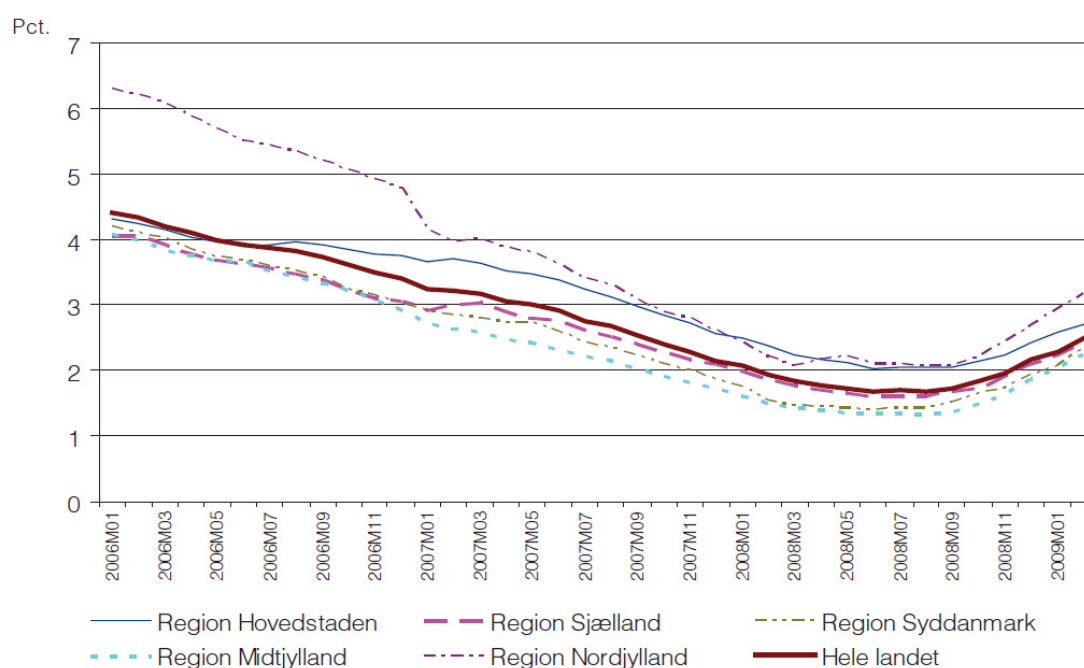
- A major reform of local government came into force on 1 January 2007, reducing the number of local authorities from 275 to 98 and the number of intermediate-level units from 14 *Amter* to five large regions.
- The 2005 Business Development Act (*Lov om erhvervsfremme*, L47 of 16 June 2005) gave the new regions statutory responsibility for economic development through statutory partnership bodies, *regional growth fora*. It positively defined six areas on which activities must focus rather than, as had hitherto been the case, negatively barring subnational actors from using financial subsidies to individual firms to promote economic development in their area.
- The new institutional set-up integrated local, regional, national and European economic development activities within a single, programme-based, policy structure. This is very different from practices in the 1990s when the policies of the different levels of government tended to operate in a much more segregated manner and often through separate organisational channels.
- The Globalisation Strategy of the Danish government introduced so-called partnerships agreements with individual regional growth fora. This attempt to increase coordination between current national policy concerns and economic development initiatives at the regional level.

As the approval of the Danish Structural Funds programmes in spring 2007¹ delayed a substantial part of the funding for regional development activities, the current review therefore reports on the first period in which the new regional policy regime in Denmark has been fully operational. It is therefore hardly surprising that no major legislative initiatives have been introduced; the previous 18 months have focused on getting the new institutional setup to function efficiently in terms of programming and implementation.

3.2 The changing nature and perception of the regional problem

Differences in wealth between the capital city area and the rest of Denmark are relatively limited by international standards. No NUTS III region deviated by more than 13 percent from the national average in terms of productivity per employee in 2006.² Similarly, as illustrated by **Figure 3.1**, unemployment levels do not vary significantly and, indeed, have become more uniform in recent years.

Figure 3.1: Unemployment in percent of workforce



Source: Økonomi- og Erhvervsministeriet. (2009). *Regionalpolitisk vækstredøgørelse 2009*. København: Økonomi- og Erhvervsministeriet, p 9.

¹ Halkier, H. (2007). *Closing Down and Opening Up - Danish Structural Funds Programming Spring 2007: Country report for Denmark for the meeting of IQ-Net, Sachsen-Anhalt 2007*. Vaarst, KatPlan.

² Økonomi- og Erhvervsministeriet. (2008). *Baggrundsrapport til regionalpolitisk vækstredøgørelse*. København: Økonomi- og Erhvervsministeriet, p 14.

The perception of the regional problem has not changed since the publication of the last regional policy White Paper in 2003.³ This can be seen in the most recent government report on regional development⁴ which highlights two broad concerns. On the one hand, it is seen to be important that each region maximises its contribution to national growth while, on the other, less well-off peripheral parts of the country are acknowledged to warrant special attention based on considerations of equity, and sub-regional difference are now, unlike in previous years, hinted at directly. This differs from the approach which dominated regional policy in Denmark in the period from the early 1990s up until the publication of the 2003 White Paper; during that phase, the dominant concern was to ensure equal growth opportunities in every region.

The dual perception of the regional problem was institutionalised in the 2005 Business Development Act. This defines the purpose of regional policy in terms of six priority areas: innovation, ICT, entrepreneurship, human resources, tourism, and the development of peripheral areas. The first four have been derived from the 'growth drivers' identified by OECD and form the basis of the synthetic regional competitiveness model used in the annual government report on regional issues.⁵ The addition of the last two priority areas reflects political concerns about the persistent underperformance of peripheral areas, characterised by population decline and limited economic development, cf. Section 3.7.4 below, which happen to comprise most of the main areas of coastal tourism in Denmark.

The possible reasons for the increased emphasis on peripheral areas in a strategy otherwise oriented towards maximising national growth are several. Electoral politics may have played a role for the Prime Minister's Liberal Party and the government's supporters in the right-wing populist Progress Party. However, the most important inspiration may well have been a long-term attempt to create greater policy flexibility by replacing the traditional Structural-Funds-style micro-zoning with a less rigid national regime while still being seen to favour the worst-off areas in funding terms (see Section 3.3.2).

3.3 The changing policy response

The last eighteen months have not seen any major changes in the general strategic orientation of policy but have, instead, been the first period of effective policy implementation under the new approach. In order to put this into a longer time perspective, it is worth briefly contrasting recent developments with the previous paradigm in order to appreciate the novelty of the new approach.

³ Regeringen (2003) *Den regionale vækststrategi*, København: Økonomi- og erhvervsministeriet; English version www.oem.dk/publication/growth/strategy.pdf.

⁴ Økonomi- og Erhvervsministeriet. (2009). *Regionalpolitisk vækstredøgørelse 2009*. København: Økonomi- og Erhvervsministeriet.

⁵ See Indenrigs- og Sundhedsministeriet (2007). *Regionalpolitisk Redegørelse 2007*. København, Indenrigs- og Sundhedsministeriet.

3.3.1 Changing policy objectives

The 2003 White Paper marked an important strategic turning point in that it defined the aim of central government with regard to regional development as maintaining Denmark's "leading position within Europe as one of the countries with the smallest differences between regions" through "specific initiatives ... that target peripheral areas so that they are not cut off from the growth occurring in other parts of the country".⁶ Compared to the strategies of the 1990s, which emphasised regional policy as a means to increase regional - and hence national - efficiency,⁷ the importance of interregional equality as a goal in its own right was clearly highlighted by the White Paper. However, in the context of the 2005 Business Development Act, this stress on equity coexists with a growth-oriented agenda which focuses on the role of the new regions in promoting economic development.

In the development strategies of the six regional growth fora references can frequently be found to emerging issues on the EU political agenda. However, if these are indeed responses to developments at the European level, they seem to be rather indirect, framed by national policy initiatives such as the so-called Globalisation Strategy of the Danish government, or recent green-growth rhetoric in the run-up to the COP 15 climate conference and local/regional government elections in the autumn of 2009 - in fact, the most recent government statement on regional policy announced a new statement focusing on regional development with a focus 'green growth' would be published later this year.⁸

3.3.2 Changes in the spatial focus of policy

The spatial orientation of Danish regional policy changed in two ways with the introduction of the new approach which came into operation at the start of 2007, becoming both geographically comprehensive and selective at the same time.

Regional policy has become spatially comprehensive in that each of the five new regions is statutorily obligated to establish one (or more) regional growth fora, each having the task of monitoring and furthering economic development in its region. This contrasts sharply with the voluntary character of regional-level initiatives under the 'old regime' where regions could decide whether they would engage in such activities or not, resulting in a geographically uneven pattern across the country.

At the same time the government report on regional growth in May 2006 formalised the role of spatial selectivity in Danish regional policy. Although regional aid areas have continued

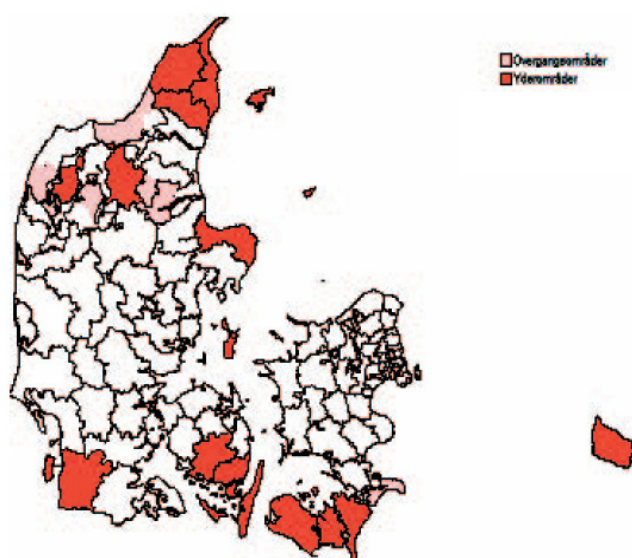
⁶ Regeringen. (2003). *Den regionale vækststrategi*. København: Regeringen.

⁷ Halkier, Henrik (2001) Regional Policy in Transition - A Multi-level Governance Perspective on the Case of Denmark, *European Planning Studies* 9(3): 323-38.

⁸ Økonomi- og Erhvervsministeriet. (2009). *Regionalpolitisk vækstredøgørelse 2009*. København: Økonomi- og Erhvervsministeriet, p 38.

to be designated since the termination of regional aid schemes in 1991,⁹ the only significant spatially-selective policies have been the various Structural Funds programmes; it was only from 2003 onwards that very minor initiatives targeting the most disadvantaged areas were put in place.¹⁰ The May 2006 report announced the designation of *yderområder*, peripheral (or literally ‘outer’) areas that would benefit from targeted support from various programmes, national as well as regional and European. The designation was the result of an extensive inter-departmental exercise which resulted in a map based on localities meeting just two criteria: namely that work- and business-related income is less than 90 percent of the national average; and that population growth is less than 50 percent of the national average. The final result is the map shown in **Figure 3.2**.¹¹

Figure 3.2: Peripheral and transitional areas as of 2006.



Source: Indenrigs- og Sundhedsministeriet (2007), Regionalpolitisk redegørelse 2007 - Analyser og baggrund. København, Indenrigs- og Sundhedsministeriet.

Although the current Danish Structural Funds programme covers the entire country, some degree of spatial selectivity is being maintained by making the new programme an integrated part of national regional policy. This is because it has been decided that at least 35 percent of expenditure on regional development projects should be to the benefit of the designated peripheral areas in which only around 10 percent of the Danish population lives.

⁹ Halkier, Henrik (2001) Regional Policy in Transition - A Multi-level Governance Perspective on the Case of Denmark, *European Planning Studies* 9 (3): 323-38.

¹⁰ Halkier, H. (2007). *Denmark: An Overview of Recent Policy Change*. Vaarst: KatPlan.

¹¹ The territorial unit for designation is the new (greatly enlarged) local district. However, in order to take into account the integration into wealthy districts of relatively weak areas, a number of ‘old districts’ have been designated as ‘transitional areas’. In addition to this, all small inhabited islands have been designated.

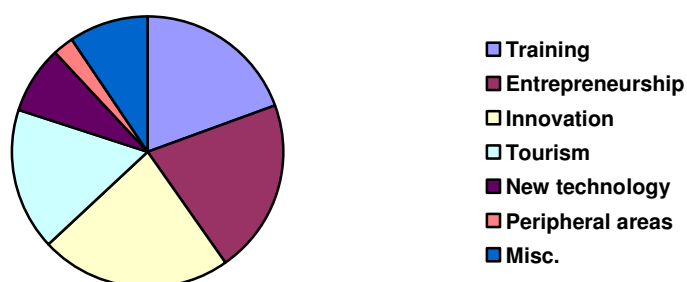
While this new comprehensive-and-selective spatial approach can be said to have been enabled by the new Structural Funds regulations, it has not been influenced by the new European regional aid maps; this is reflected in the fact that the new Danish Structural Funds programme has not been notified for regional aid purposes.¹² Moreover, in terms of policy instruments, the only areas in which direct investment subsidies to individual firms may be used are small islands with no bridge to the mainland. In effect, this institutes a second tier of micro-zoning as a sub-group of the designated peripheral areas.

3.3.3 Changing policy instruments

Neither the organisational changes which have been made nor the new form of spatial selectivity seem likely to alter the existing emphasis with regard to policy instruments and development strategies. The powers specifically granted to the new fora by the 2005 Business Development Act concern the six priority areas mentioned above - innovation, ICT, entrepreneurship, human resources, tourism, and peripheral areas. No powers to provide direct financial aid to individual firms have been instituted. This means that, in broad terms, the policy instruments available to the new fora are very similar to the former regional development measures initiated 'from below'.

Now that all six new regional growth fora are fully functioning, two trends are in evidence: one concerns the wide variety of initiatives introduced; the other relates to the variable prominence of such measures between regions.

Figure 3.3: Distribution by theme of projects supported by regional growth fora.



Source: Danske Regioner (2009), Regional erhvervsudvikling. De regionale vækstforas investeringer 2008. København, Danske Regioner, p 8.

¹² Halkier, H. (2008). *Building Up Speed*. IQ-Net Silesia 2008 Review Paper, County Report for Denmark. Vaarst: KatPlan.

As illustrated by **Figure 3.3**, a wide range of issues have been supported by the regional growth fora. However, the extent to which this represents a shift in focus is difficult to determine, as similar data are not available for the years before local government reform, but what is clear is that the profile of the projects supported varies greatly between regions. This pattern supports the rationale for *regional* delivery of economic development policies - namely that initiatives should mirror region-specific challenges and priorities. It is, however, also important to stress that **Figure 3.3** underestimates the extent to which activities in peripheral areas have been supported because each project has only been assigned to one of the six areas of intervention by the regional growth fora; a more detailed breakdown shows that around 32 per cent of Structural Funds expenditure in Denmark has been spent for the benefit of the designated peripheral areas.¹³

In terms of policy instruments, the vast majority of projects supported by the regional growth fora take the form of 'framework measures' in support of the business environment. Direct financial subsidies to individual firms can only be used in what must be viewed as the Danish ultra-periphery - small no-bridge islands - while an additional tax rebate for long-distance commuters from peripheral areas remains a marginal measure. Instead, and fully in line with practice since the abolition of regional grants in 1991, the backbone of regional development activities in Denmark are various types of business advisory service of a more or less specialised nature. Following local government reform and the 2005 Business Development Act, basic support activities have become the responsibility of local government. In theory, this allows the regional tier to concentrate on more specialised development activities, though the new and larger local authorities may also venture into this more demanding area of business support. In practice, however, the existing multi-tier sponsored *Regional Business Centres* have largely transmuted into *Regional Growth Houses*, albeit with a stronger emphasis on small and new firms "with ambitions to grow".¹⁴ As a result, at least for the time being, the division of labour between the regional and local tiers with regard to implementation of economic development activities seems not to have been significantly altered in the wake of local government reform.

The focus on using policy instruments of a non-financial nature does not imply that the question of state aid has become irrelevant. On the contrary, it has, if anything, become more complicated, relating to the provision of, for instance, advisory services or network arrangements. Because the Danish Structural Funds programmes have not been notified,¹⁵ the same state aid rules apply throughout the country for all regional development projects no matter how they are financed. The body responsible for implementing regional policy, the NAEC (National Agency for Enterprise and Construction), has the task of ensuring that projects with European funding fall within the state aid rules; this responsibility lies with the Danish Competition Agency for projects in receipt of national funding only.

¹³ Økonomi- og Erhvervsministeriet. (2009). *Regionalpolitisk vækstredogørelse 2009*. København: Økonomi- og Erhvervsministeriet, p 28.

¹⁴ See <http://www.ebst.dk/eservice>.

¹⁵ Halkier, H. (2008). *Building Up Speed*. IQ-Net Silesia 2008 Review Paper, County Report for Denmark. Vaarst: KatPlan.

3.3.4 Changing policy budgets and expenditure

A premise in the political process leading up to local government reform was that the aggregate level of expenditure on regional economic development should remain broadly the same. Also in 2008 this target has been reached, as the sum of central government, regional, local, private and European funding involved in projects supported by the regional growth fora amounted to €288 million.¹⁶

3.4 Changes in the delivery of policy

3.4.1 Centralisation or decentralisation of policy

No major changes have occurred in the institutional set-up surrounding regional policy in Denmark over the last eighteen months; however, since the organisational changes that have taken place in recent years have been very wide-ranging, they are worth recapitulating briefly below.

The 2005 Business Development Act stipulates that each of the five new regions must establish one (or more) regional growth fora. These are partnership bodies in the traditional Structural Funds mould, which provide input to the elected regional councils with regard to development measures. Interestingly, the new Business Development Act instituted a dual-key control situation where the elected council and the partnership fora can veto each other's initiatives, and although this rarely happens in practice, this clearly enhances the status of the partnership body. The six regional growth fora¹⁷ have been in operation since April 2006 and their roles are defined by the 2005 Business Development Act. At the political level, the fora consist of persons proposed by local and regional government - i.e. the new districts and regions - as well as private sector organisations and knowledge institutions. The administrative support for the growth fora is, however, integrated into the new regional administrations, despite reporting to the regional growth fora partnership bodies rather than the democratically-elected regional councils. The main roles of the fora are defined as follows:¹⁸

- To keep track of developments in their area; this is done through a data collection system and a regional development model developed jointly between central government and the growth fora.

¹⁶ Danske Regioner (2009), Regional erhvervsudvikling. De regionale vækstforas investeringer 2008. København, Danske Regioner, p 10. [Note that this figure is about twice as much as the one given in the 2008 EoRPA report about Denmark which appears not to have taken the Structural Funds parts of regional economic development activity into account.]

¹⁷ One for each region but two for the capital city region - one dealing with the metropolitan area and the other with the peripheral island of Bornholm.

¹⁸ L47 of 16 June 2005.

- To initiate new activities through funding from both local and central government; however, it is important to note that the new fora are statutorily prohibited from implementing programmes directly.
- Subsequently, new primary and secondary legislation¹⁹ has given the new fora a key role in the administration of the Structural Funds in Denmark, thereby increasing the resources at their disposal and the scope for coordination between regional development activities sponsored by different tiers of government.

In many ways the latter role can be seen as the key to the influence of the Regional Growth Fora in Danish regional policy, because the new partnership bodies rather than the elected regional councils hold the key to unlocking sizeable additional funding for regional development activities - while on the other hand the Regional Council cannot initiate development measures without the consent of the partnership body.

Compared to the situation prior to the 2005 Business Development Act came into force, the new institutional setup primarily involves a decentralisation in the sense that all regions are now obliged to engage themselves in regional economic development activities and the role of national authorities (and NAEC in particular) is simply to ensure that these activities do not contravene national or European regulations. There is, however, also an element of centralisation in the sense that while the regions used to be able to do 'anything' that was not explicitly forbidden (like giving financial grants to individual firms), their development tasks are now positively defined by the 2005 Business Development Act and thus for instance transport infrastructure now is an area that falls outwith the remit of the regions in terms of expenditure, although they can still pronounce of roads etc. in their non-binding guidance for local physical planning in their regional development plan.

3.4.2 Coordination changes - Agreements, contacts, committees

The new set-up has increased coordination along three lines.

First, horizontal coordination has been enhanced both at the national and sub-national levels. Structural Funds programming has become integrated in national activities because the same statutory bodies, the regional growth fora, are in charge of recommending or deciding project support and thus effectively use European funding as one source of finance among others. Moreover, the advisory tripartite Danish Growth Council has tasks ranging across the entire remit of the 2005 Business Development Act and thus helps to integrate regional policy into the broader framework of economic development policy.

Second, vertical coordination between the regional and local levels has increased through the role of local authorities as prominent supporters of regional development measures (as

¹⁹ L1599 of 20 December 2006; Økonomi- og Erhvervsministeriet (2007). *Bekendtgørelse om henlæggelse af beføjelser til Erhvervs- og Byggestyrelsen efter lov om administration af tilskud fra Den Europæiske Regionalfond og Den Europæiske Socialfond*, 17.1.07. København, Økonomi- og Erhvervsministeriet.

funders and also, to some extent, as implementers). Although systematic evaluation of the new setup is only in the process of being undertaken,²⁰ indications would seem to be that the regional-local coordination functions reasonably well in the three westerly regions but has been more difficult on Zealand and Copenhagen.

Third, vertical coordination between the national and regional levels has increased, not just through legislative regulation but also via the subsequent institution of so-called partnership agreements between central government and each of the six regional growth fora.²¹ These documents, the first versions of which were signed in early summer 2007 and which cover the period 2007-09, entail both a general political commitment to shared goals and specific undertakings that the two sides will attempt to progress. The official purpose of the political commitments is to secure compatibility between the globalisation strategy of central government and regional strategies for economic development. However, an important though much more low-key and mundane implication of the vertical partnership agreements is that they create a degree of commitment to regional development activities by departments of central government other than the Ministry of Economic and Business Affairs. The partnership agreements are revised on an annual basis, and the current round of negotiations has, probably in the light of the financial crisis, involved additional partners both at the national level (the Ministry of Employment) and the regional level (the Regional Employment Councils, tripartite labour market partnerships), something that could potentially widen the focus of the agreements and that has increased coordination between policy networks.

3.4.3 Ensuring efficiency

Standardised collection of data on regional economic performance orchestrated by NAEC should allow the regional growth fora to base their policies on up-to-date analyses of regional development trends, while facilitating evaluation within and across regions with regard to both policy programmes and individual projects. Moreover, within the new set-up, Danish regional policy is tied to national targets with regard to training, entrepreneurship, innovation, and R&D. For each of these areas, the performance of every region is measured, and NAEC is working with Statistics Denmark to devise additional indicators with

²⁰ A research project on partnership processes in and around the new Regional Growth Fora has been sponsored by NAEC and is undertaken at Aalborg University as part of the doctoral research by Peter Wilgaard Larsen.

²¹ Regeringen / Bornholms Vækstforum (2007). *Regional partnerskabsaftale om vækst og erhvervsudvikling*. København, Regeringen / Bornholms Vækstforum; Regeringen / Vækstforum for Region Hovedstaden (2007). *Regional partnerskabsaftale om vækst og erhvervsudvikling*. København, Regeringen / Vækstforum for Region Hovedstaden; Regeringen / Vækstforum for Region Midtjylland (2007). *Regional partnerskabsaftale om vækst og erhvervsudvikling*. København, Regeringen / Vækstforum for Region Midtjylland; Regeringen / Vækstforum for Region Nordjylland (2007). *Regional partnerskabsaftale om vækst og erhvervsudvikling*. København, Regeringen / Vækstforum for Region Nordjylland; Regeringen / Vækstforum for Region Syddanmark (2007). *Regional partnerskabsaftale om vækst og erhvervsudvikling*. København, Regeringen / Vækstforum for Region Syddanmark; Regeringen / Vækstforum Sjælland (2007). *Regional partnerskabsaftale om vækst og erhvervsudvikling*. København, Regeringen / Vækstforum Sjælland.

regard to framework measures and the performance of firms/individuals. However, as no targets have been defined for individual regions, the consequences of persistent underperformance are still unclear.

As yet, no official evaluation of the new approach to regional policy has been scheduled, although the NAEC has sponsored a three-year PhD scholarship at the University of Aalborg which will focus on organisational aspects of the operation of the new institutional set-up. However, on a more detailed level, NAEC has commissioned a consultancy firm to undertake a study of the relationship between the priorities in the Structural Funds programme and the economic development strategies of the six regional growth fora, something that may also shed light on why e.g. an area like new technology has had a limited take-up compared to original expectations.

Funding is allocated to the six regional growth fora on the basis of a synthetic index. Criteria oriented towards 'special needs' account for 60 percent in the index, while the remaining 40 percent spreads funds evenly across the country on a per capita basis. There is, in addition, an element of inter-regional competition in that, before funds are distributed between the regions, 10 percent is set aside for competitive allocation in order to encourage innovative and inter-regional projects which are allocated according to thematic calls for projects from the Danish Growth Council. In this way the funding system attempts to establish a balance between lagging peripheral areas, general equity, and encouragement of policy entrepreneurship.

3.4.4 Anchoring accountability

The new institutional set-up would appear to involve a clear separation between, on the one hand, policy design (undertaken by the regional growth fora) and, on the other hand, policy delivery (undertaken by arm's-length bodies often established by groups of local authorities). In practice, however, the division of labour has proved to be less clear-cut, with regional preferences influencing implementation structures and implementing bodies participating in strategy development.

The new fora include a sizeable number of elected politicians who have been elected to either the regional council or local authority and then appointed to the regional growth fora. As a result, the democratic accountability of the regional growth fora is of an indirect nature.

At the national level, the NAEC office in Silkeborg has responsibility for policy-making, while responsibility for assessing the Structural Funds applications of the three eastern regional growth fora and for generally overseeing their work has been delegated to NAEC's Copenhagen office.

3.5 Conclusions

The new phase of Danish regional policy has picked up pace during the last eighteen months, and although some initial difficulties are still being encountered in some regions, preliminary indications would seem to suggest that, over the medium-term:

- there will be relative stability in strategic terms since no major changes are in the pipeline in terms of development strategies, although extent to which the expected emphasis on 'green growth' from autumn 2009 will be translated into new types of economic development projects remains to be seen; and that
- greater differences are likely to emerge between regions through the new programme-based approach.

In terms of policy substance, such developments are clearly in line with the official rationale for the new set-up. Consequently, the main issues in the coming years are likely to be of an organisational and institutional nature, i.e.

- consolidating effective working relationships between the very different partners that make up the regional growth fora;
- ensuring coordination between local and regional actors in implementation; and
- increasing coordination between central government departments with regard to activities of relevance for regional economic development

Notwithstanding this, Danish regional policy has undergone a remarkable transformation, possibly comparable to the radical decision in the early 1990s to terminate rather than just reduce traditional financial subsidies to individual firms. Multi-level partnerships, with particular consideration given to areas of special need, are now the *modus operandi* of regional policy throughout the country. This approach is fundamentally different from both the spatially-selective traditional national and European programmes and, indeed, from the uncoordinated mushrooming of bottom-up initiatives. How different it will be in practice - and especially from the perspective of the firms and organisations targeted by this new-model regional policy - can only be gauged after going through several cycles of planning and implementation.

3.6 The regional dimension of the economic crisis

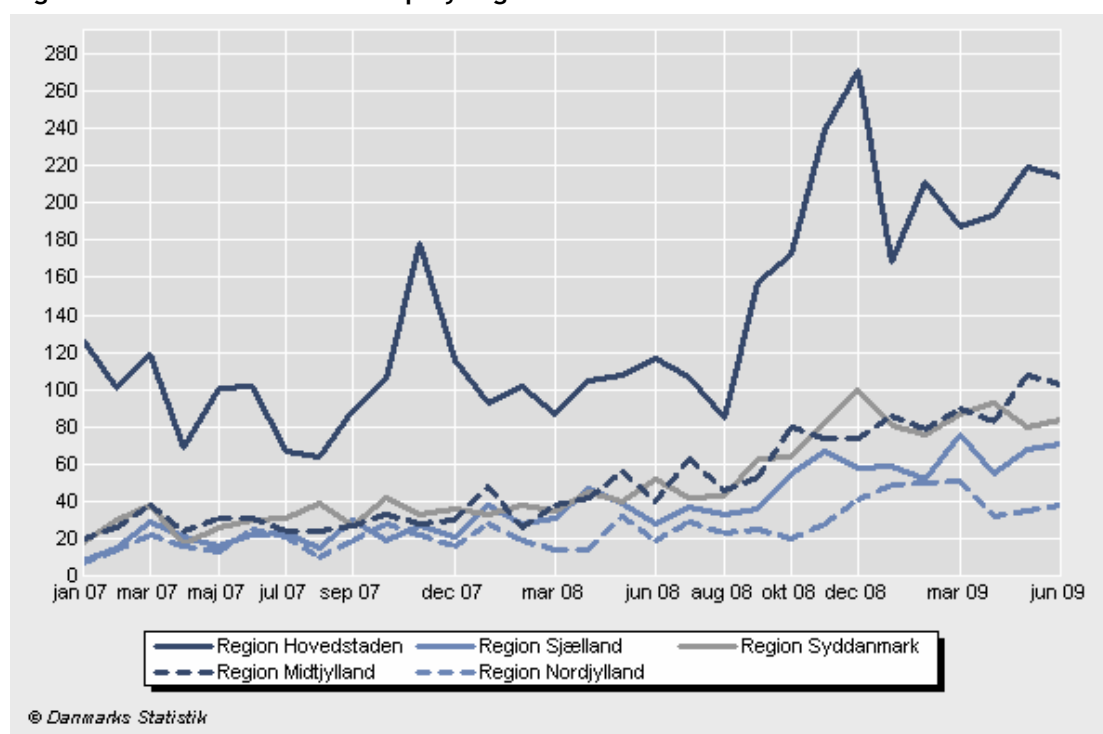
3.6.1 The regional impact of the economic crisis

The international economic crisis has affected Denmark less than most other European countries, although manufacturing exports have decreased by around 20 per cent and employment levels have risen, albeit only to levels that politically would have been counted as ‘full employment’ until a few years ago. As can be seen from **Figure 3.1**, the economic crisis has not greatly affected the relative performance of the Danish regions, except that the rise in unemployment in the Copenhagen region has been relatively slow and thus the capital has moved closer to the national average.

3.6.2 The regional impact of government responses to the crisis

Like in other European countries, the government response to the financial crisis has primarily consisted in extending guarantees and other credit facilities to banks in order to ensure supply of credit to firms and private individuals. Anecdotal evidence of the continued difficulties of obtaining credit are still abundant, but no particular regional bias seems to be in evidence: the relatively few and indeed minor banks that have collapsed have been spread across the country, and, as illustrated by **Figure 3.4**, the geographical pattern of firms going into receivership would also seem to be broadly unaltered with Copenhagen being at a significantly higher level than the other regions and the lowest figures found in North Jutland.

Figure 3.4: Firms in receivership by region.



Source: Produced on the basis of data from the website of *Statistics Denmark*.

3.6.3 The impact of the crisis on regional policy

The advent of the financial crisis has not resulted in additional funding being allocated to regional development activities, but the current situation is undoubtedly the reason for the including more actors in the review of the partnership agreements between central government and the regional growth fora (as reported in Section 3.4.2). This would seem to suggest that more emphasis is likely to be given to employment and training issues.

3.6.4 Impact on the thematic or geographical focus of regional policy

As a major feature of the crisis is the difficulty to obtain credit, it is hardly surprising that many regional growth fora have wanted to establish or extend existing provisions of various forms of venture or loan capital. Doing this without contravening national and indeed European regulations is a complex technical exercise, and NAEC has received many inquiries from regional administrators in recent months. Likewise, the propensity of the regional growth fora to make use of the option to give financial grants to SMEs on small no-bridge islands (cf. Section 3.3.3) is likely to increase.

No changes in the geography of regional policy have taken place: the definition of peripheral areas remains unchanged, and the geography of the crisis in Denmark is not particularly skewed anyway. However, the well-publicised down-scaling of some major manufacturing employers located in peripheral areas have undoubtedly helped to bring the issue of intra-regional differences higher up on the political agenda.

3.6.5 Impact on organisation of regional policy

The only organisational adjustment that can be noted is the involvement of additional (labour-market) partners in the reviewing of the partnership agreements between central government and the regional growth fora, cf. Section 3.4.2).

3.6.6 Impact on the politics of regional policy

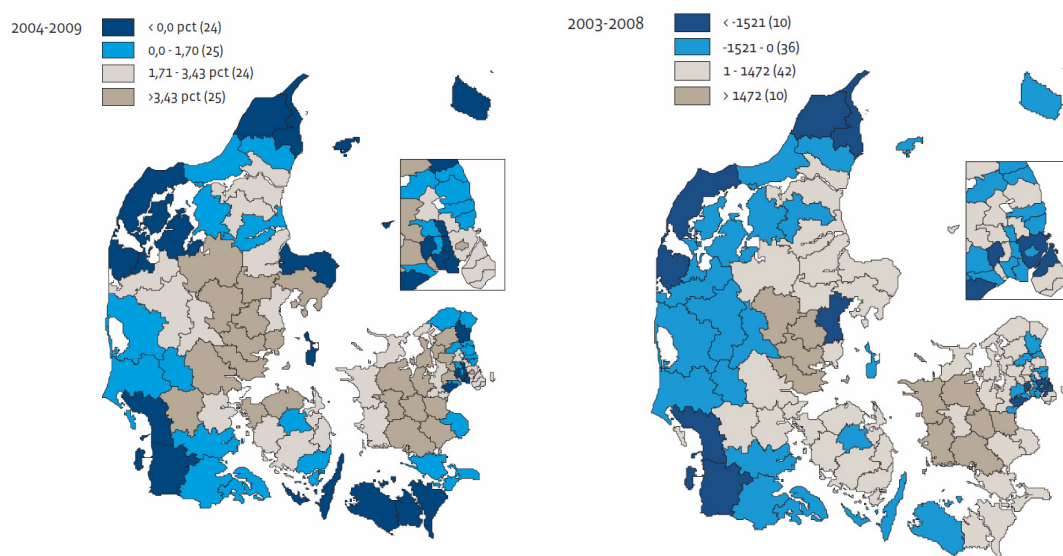
The politics of regional policy in Denmark would not seem to have been greatly affected by the economic crisis, undoubtedly because the downturn has not changed the regional economic geography or enhanced inter-regional difference. However, the new institutional setup has created a dense network of interaction between actors, both within the regions and in relation to central government, so that issues can be dealt with without calling the new system into question, and the near-complete absence of regional issues in the political discourse around the economic crises could therefore also be seen as an indication of the widespread acceptance the new ways of doing things have already achieved.

3.7 Regional policy and demographic change

3.7.1 Main characteristics of demographic change

In recent decades the main demographic trend in Denmark has been a concentration of population in or around the main urban areas, i.e. the medium-sized cities in eastern Jutland and in metropolitan Copenhagen. As illustrated by Figure 5, internal migration has been an important factor, but while availability of jobs has clearly been a major factor behind these changes, the outcomes have been rather different in various parts of Denmark. In Jutland population growth has been taking place in or around the medium-sized cities which have experienced fast economic growth in recent years, but on Zealand very high property prices have forced many people to settle down outside the capital itself and commute often long distances to Copenhagen. What is common, however, is the emergence of what in political parlance has become known as ‘the rotten banana’ [in Jutland the prosperous east coast is occasionally known as ‘the fat sausage’ but I think this should probably not go into the final report], areas that lose, and have consistently lost, population for decades.

Figure 5. Population growth (2004-2009) and migration (2003-2008) by local authority area.



Source: Indenrigs- og Socialministeriet (2009), Regionalpolitisk redegørelse 2009 - Analyser og baggrund. København, Indenrigs- og Socialministeriet, p 16-17.

3.7.2 Demographic change and regional development

Depending on the locality, these demographic changes are either assisting economic

development or potentially hampering it, especially because migrants tend to be working-age, well-educated etc. However, some localities like Thy/Thisted [the dark-blue north-

western shoulder of Jutland on both maps] actually see both out-migration and fast economic growth, so the situation is to some extent more complex than a simplistic growth/loss dichotomy would seem to suggest.

3.7.3 Specific demographic changes

Apart from what is reported above, two additional features of demographic development is worth noting. On the one hand the increasingly multicultural character of Danish society which has an uneven geography, with international migrants and their descendants being mainly concentrated in urban communities. On the other hand the overall aging of the population that in some areas is exacerbated by out-migration by younger citizens.

3.7.4 The politics of demographic change

The politics of demographic change in Denmark has primarily revolved around two issues. On the one hand the internationally well-publicised controversies around the presence of non-European migrants that has pitted defenders of traditional national identities and the national welfare state against liberal open-mindedness and the need to recruit additional labour. On the other hand the issue of the long-term financial viability of the Danish welfare state with a rapidly aging population: something which, at least for the time being, appears to have been tackled by government through minor adjustments in the of an in-depth expert review whose recommendations were largely disregarded for reasons of short-term political expediency. Although both issues have distinct geographies, this has most of the time been overshadowed by more general arguments about ethnicity and government finance.

The most important exception from this 'lack of space' in Danish political discourse is the concern about depopulation of peripheral areas that has gradually become an institutionalised part of Danish regional policy since the election of the current centre-right government in 2001, and here the focus is clearly on demographic change as a challenge. At the same time, however, NAEC and the Ministry of Economic and Business has been giving limited attention to growth-related issues relating to urbanisation and congestion, as these have been seen as the responsibility of the Ministry of the Environment and local government as planning authorities.

3.7.5 Regional policy responses to demographic change

In the 1990s Danish regional policy was a weak and 'geography free' form of regional industrial policy that relied on the Structural Funds to give preference to particular geographical areas, and while this comprised geographically challenged areas like Lolland and Bornholm, substantial resources were devoted to e.g. the North Jutland region to (ultimately successfully) address legacies of industrial decline. The current approach has

institutionalised negative demographic change as a key parameter for designation of peripheral areas, something which will have made little difference in geographically peripheral areas like Thy, Mors, Lolland and Bornholm (that effectively have their own Structural Funds since the late 1980s) but may have especially benefited peripheral regions close to growing urban centres (mainly the outlying parts of North Jutland). It is, however, also important to stress that the additional expenditure should be for the *benefit* of the peripheral regions rather than taking place there, and as such the effects of this pro-peripheral spending bias can occasionally be the subject of local political debate.

3.7.6 Coordination between demographic and regional policy

In the Danish context it is difficult to identify anything akin to ‘a demographic policy’; instead several policies have demographic dimensions. As mentioned in Section 3.7.4 planning issues are handled through a separate policy network, but land use and business development issues are brought together, albeit often at a fairly general level, through the elaboration of an indicative regional development plan. More importantly, a key dimension of rural policy in Denmark, including EU sponsored programmes, is the ambition to create attractive living environment outside urban areas, and also here the regional level has an involvement that should not only ensure some degree of coordination of concrete initiatives but also help to maintain issues relating to weak or negative population growth on the agenda also of regional policy.

Sources

In addition to the documents quoted above, the elaboration of this text has also benefited from an interview with Pernille Lillienkjold, Head of Department in NAEC's Centre for Regional Development in Silkeborg.