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Cross border Co-operation in low population density Areas

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Cross border Co-operation in low population density areas

RSA EUROPEAN CONFERENCE

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by Jan Mønnesland and Hans Westlund*

Abstract

The paper is based on the experience from the intermediate evaluations of the three Interreg II A programmes between Sweden and Norway.

Two of the three programmes cover extended geographic areas with a low population size. The areas are sparsely populated compared to the Non-Nordic Interreg programmes. The immediate border areas may be more or less uninhabited in some of the programme regions. The population centres are in many cases located quite far from the border, which means that there are great distances between them.

The paper focus on the challenges for the Interreg programmes due to these special circumstances.

The programmes must adapt methods of implementing the general aims to these conditions. Here, the distinction between «real» cross-border co-operation and regional development programmes on each side of the border is not so easy to withhold, as it is in continental Europe. One could argue that the low population density in these peripheral areas makes regional development programmes a prerequisite for cross-border co-operation.

Even if the Swedish and Norwegian regions are adjacent to each other, the distances between the regional centres implies that they cannot solely trust upon a traditional cross-border strategy for the co-operation. On the other hand, the fact that the regions are neighbours, implies that they should not use the same kind of long-distance network strategies as e.g. the Interreg II C programmes.

A key issue in the paper is whether the actors in the Interreg II A programmes seems to be able to develop such a strategy or if they a) land up in development programmes on each side of the border; or b) establishes traditional cross-border projects along the very sparsely populated immediate border area; or c) land up with network initiatives including both the border region as well as the population centres.

Another issue of the paper is to discuss how the formal Interreg regulations, and subsequent advisory statements from the DG XVI, are adapted to the challenges faced in areas with low population base along the border areas.

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1. Introduction

During the 1990s development of border regions and cross-border cooperation have received increased attention from the European Union, national governments and local governments in most European areas. The new attention on border regions and cross-border cooperation has resulted in a rapid expansion of research on the topics (e.g. Paasi 1996, Östhol 1996, Westlund and Johansson 1997, Westernen 1998, Svensson 1998, Eskelinen et.al 1999).

The theoretical concept underlying the EU Interreg initiative, as well as many other cross-border programmes, is that the border constitutes a barrier. According to free market theories, barriers generate non-optimal utilisation of resources. Reducing barriers would then vitalise the economy as new opportunities will emerge. Cross-border activities tend to reduce the barrier effect of the border, and thereby improve the climate for economic development. In this way regional (and even national) development may be interpreted as an ultimate aim, and the barrier reduction through cross-border programmes as a tool to achieve this aim.

However, there are other motives for promoting cross-border cooperation too. It may be seen as a means for bridging cultural and other non-economic gaps within a state/union or towards other states/unions, with the aim to reduce the risk for conflicts. From this view, cultural cross-border cooperation is paving the way for economic development on each side of the border, either by being broadened to economic cooperation, or just by facilitating internal endogenous growth through reducing the risk for conflicts.

This paper aims to illuminate a) how the dichotomy between general measures for regional development and measures for cross-border cooperation is reflected in three Interreg IIA Swedish-Norwegian cross-border cooperation areas, with similar institutional conditions but with great differences concerning two factors: population density and physical distances, and b) how the administrative and rule system of Interreg is adopted to the aim of using cross-border cooperation as a tool for regional development.

Section 2 gives some theoretical remarks about the potentials of cross border interactions under varying circumstances. Section 3 discusses the differences between border areas in different parts of Europe, primarily with respect to population density and physical distances. A conclusion is that the relationship between general development measures and measures for cross-border cooperation differs significantly due to the differences in the above mentioned two factors. Section 4 contains empirical examples from the three Swedish-Norwegian Interreg-programmes. Important differences are found between the three areas, not only concerning density and distances but also on the emphasis explicitly laid on regional development issues in the programmes. However, the big obstacle for using the Interreg-programmes as means of regional development in the sense of promoting development of SMEs, seems to be the administrative rules. Section 5 contains some concluding remarks.

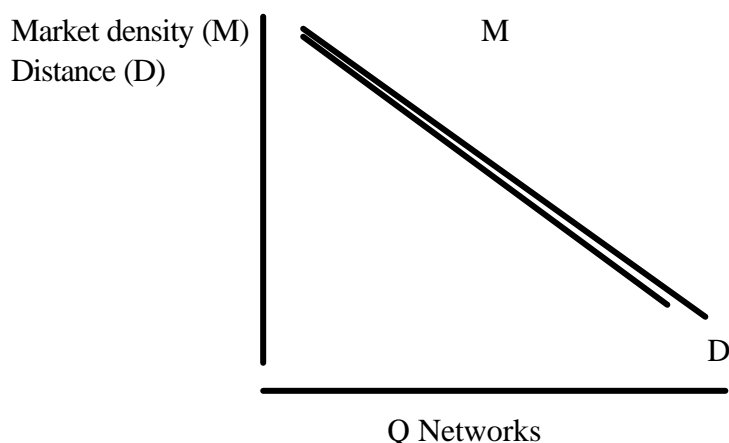
2. Prerequisites for interregional cooperation

The Interreg programmes have contributed to the creation of new networks for business, culture, R&D, etc. Some of these networks exist only during the project period. However, some networks become established and permanent. According to Westlund (1999) every network requires a specific combination of homogenous and heterogeneous characteristics in its nodes for it to arise and survive. If the nodes are too similar, they will not have enough complementary “products“ to exchange. If the nodes are too different, they will have too few common denominators to make exchange possible. There should exist an optimal combination of homogeneity and heterogeneity of the network’s nodes, which in a given situation constitutes the highest possible exchange in the network. Westlund uses the term “affinity“ (from Johansson and Westin 1994) to denote the degree of optimal combination.

For every possible network there exists a certain affinity, which may be affected by actors inside or outside the network. For an interregional cooperation programme, with innumerable potential interregional networks, there should exist a certain optimal aggregated affinity, which constitutes the most comprehensive interregional cooperation. The strategy chosen by the programme determines the degree of which the programme can carry out the optimal cooperation.

The conditions for interregional cooperation vary strongly between different parts of Europe. Two general factors, which influence the potential for interaction in space, are market density and distance. The relation between these two factors and the quantity of potential networks is graphically depicted in Figure 1.

Figure 1. *The relationship between Market density (M) and Distance (D) and the Quantity of networks (Q).*



Market density and the general level of economic development are important factors for the diversity of the economy and thus the number of economic networks (cf. e.g. Burenstam-Linder 1961, Porter 1990, Krugman 1990, 1991, Westlund 1999). Concentration of economic activities is a reflection of how advantages of scale affect location behaviour. Regions with low market density tend to have fewer networks compared with denser regions.

The negative correlation between distance and number of links is basic knowledge in economic geography. However, market size and density counteract the negative impact of distance. Dense, metropolitan nodes have more links over long distances than smaller nodes. Thus, each pair of nodes find a certain point of equilibrium.

Figure 2. Factors which generate interaction costs in and between networks, grouped by potential for change.

Very Rapid				Very slow
Technical-Logistical Factors	Political-Administrative Factors	Economic-Structural Factors	Cultural-Historical Factors	Geographical and Biological Factors
----- ---	----- ---	----- ---	----- ---	----- ---
Costs of production and transport of goods	National/regional rules and regulations	Economic development level / demand patterns for goods and services	Language	Physical distance
Costs of transport of persons	Customs duties, etc	Economic structure	Religion	Geographical obstacles (e.g. rivers)
Costs of capital and capital transfer	Tariff zones	Educational level	Mentality	Time zones
Costs of information and information transfer		Compatibility and standard of infrastructure	Ethnicity	Human biology
			Population density	
			Power structure and property rights	

Figure 2 (from Westlund 1999) shows a number of factors influencing the possibilities for interaction in and between networks, of which interregional cooperation is one case. In general, it can be stated that the level of cooperation corresponds negatively with the costs for overcoming the barriers between the regions.

This paper concentrates on two of the factors in the figure, population density and physical distance. While other groups of factors may be changed rapidly, e.g. by political or economic measures, this is not the case for market density and physical distance. Even in a medium-term perspective, these conditions for interregional interaction are given.

A low potential for cooperation, measured by population density and distances, may be counteracted by high potentials on other fields - and vice versa. Physical distance and low population density may be counteracted by lowered transport and transfer costs. Other factors, e.g. political-administrative or historical-cultural factors, may facilitate or obstruct cooperation (cf. Westlund 1999).

The multitude of aspects and conditions involved in cross border interactions may reflect a similar multitude of possible aims and objectives for cross border programmes. The potential market development effect of reduced barriers may be used as an argument for implementing cross border initiatives in order to promote regional development. But also other genuine arguments may have a role of their own, making cross border programmes to differ from regional development programmes in their orientation.

Both these ways of thinking are expressed in the guidelines for the EU Interreg initiative (EU 1994). However, as expressed by head of unit of the EU DG XVI (Shotton 1998), the EU policy for the Interreg initiatives has developed during the 1990s: *“Although cross border co-operation [in the early 90s] was to be encouraged especially on internal borders, it was made clear that Interreg credits could also be used for the development of the border area itself. (...) In recent years, while the formal position on the aims of the initiative remains unchanged, the policy emphasis has clearly shifted strongly to promoting true cross border co-operation. Action envisaging just the development of border areas is not enough.”* Shotton also raised the question: *“should transnational and inter-regional networking be seen in future not just as a complementary action but rather as a mainstream action at the very heart of a modern regional development strategy?”*

Thus, the EU policy for border regions has developed from measures for regional development in general, to a policy for achieving regional development through cross-border cooperation. In documents from the Commission concerning the Interreg III programme period 2000-2006 (EU 1999), the objective of Interreg IIIA is summarised as *“promoting integrated regional development between border regions, including external and maritime borders”*

The upgrading of cross-border cooperation as a means for regional development in border regions does not mean that this would be the only measure for regional development in these areas. The changed emphasis from *“regional development of border areas”* to *“regional development through cross-border cooperation”* is more of a reflection of a differentiation of the means for regional development, i.e. more specialised tools in the regional policy tool-box. However, the very different

characters of border regions in Europe makes a deeper penetration of the relationship between general development measures and cross-border measures necessary.

3. Varying population densities on the European level

Figure 3 shows the population density by region in central and western Europe. The differences between border regions of Germany, France, Belgium and the Netherlands on the one hand and the Nordic countries (except Denmark) on the other are striking. However, border regions in the southern part of Scandinavia belong to the most densely populated areas of Scandinavia, while the northern border regions are among the most sparsely populated in Europe.

Figure 3. *Population per square km by region*

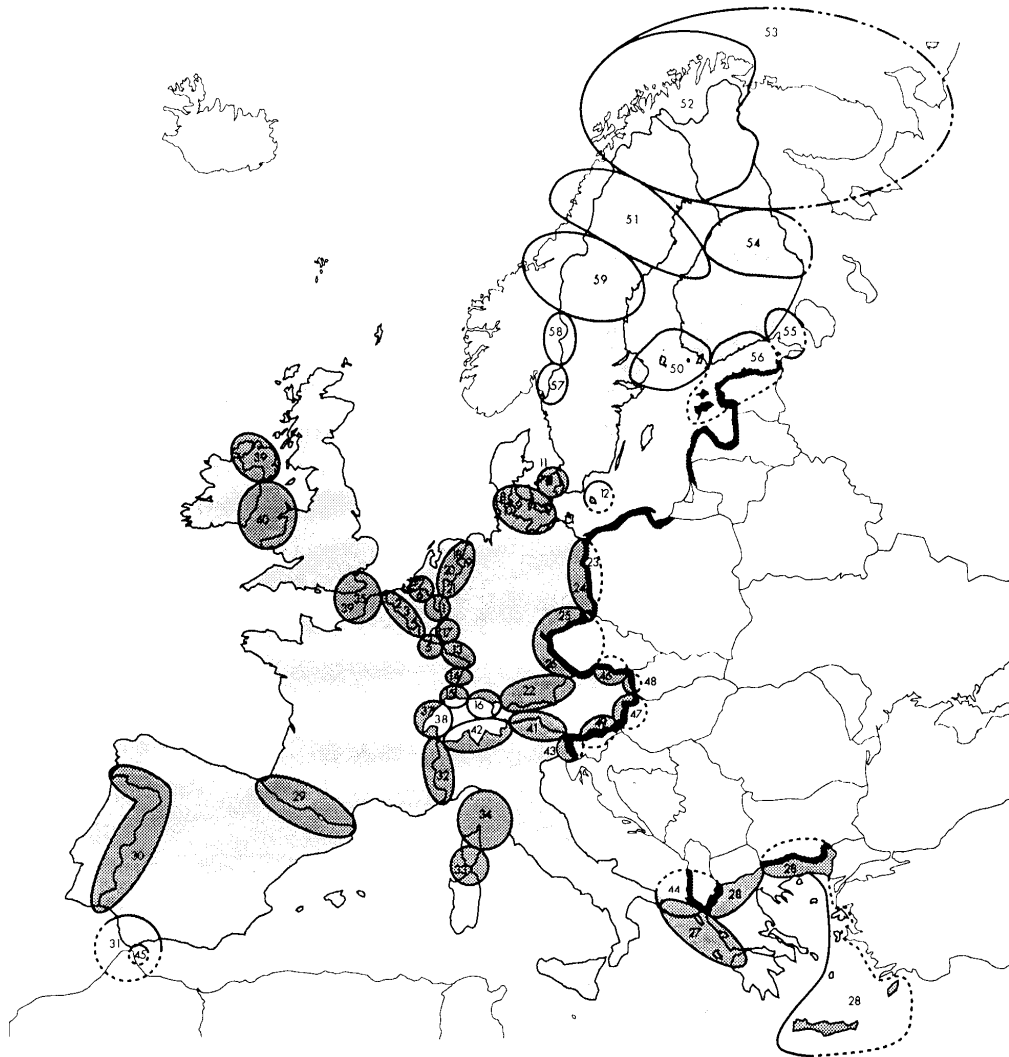
source: NOGRAN, Nordic Council of ministers



Figure 4 gives a rough view of the areas of the Interreg IIA programmes and thereby the physical distances that must be overcome in the implementations of the programmes. The pattern have strong resemblances with the population density. The further up north, the bigger are the areas and the longer the distances.

Figure 4. *Provisional map of the Interreg IIA programmes*

source: AEBR/EU 1997. Observe that the location of the Nordic programmes is rather inaccurate on this map, the correct locations are shown in figure 5.



The cross-border programme areas in Western Europe consist of regions which may have a relative peripheral location within the nation state, and may have more or less easy access to the population centre on the other side of the border. The aim of the cross-border programme is to develop this contact and to remove political-administrative and cultural barriers for a better utilising of common resources.

When the borderline pass through areas with a high population density, it will often be possible to find relevant project partners at the other side of the border. In such cases, the border itself creates an under-utilisation of the economic potentials on both sides.

The situation is different when the borderline follows natural dividing lines, as mountain ranges, sea corridors etc. Here, it is more difficult to interact cross-border than domestically, regardless of the political/administrative borderline. It is the barriers that have created the border more than the other way around. Though, if these barriers are overcome (e.g. by bridges, tunnels or just through greater

willingness to take the interaction cost), there will normally be actors available on the other side that may be beneficial to include in a cross-border project.

The latter is not the fact in regions and countries with low population densities of the north Nordic type. Here, crossing the mountains, fjords, forests etc. will only bring you to communities with (compared to continental Europe) relatively few people and few potential actors which will fit your need for generating a useful cross border project.

In the peripheral low-density areas of the northern Nordic area, the settlement in the more narrowly defined border region is often extremely weak. To find actors on the other side of the border for project cooperation may be a heavy task. The important links go to the greater regional centre on each side of the border.

In order to get a well functioning cross border programme, it is necessary to include the regional centres, even as they may lie in a long distance from the border. Then, the population in the programme region will to a large extent consist of urbanised people living in centres far away from the border, who do not identify themselves as inhabitants of a border region.

Reduction of the barrier effects of the border will potentially lead to a stimulus of the regional development on both sides of the border. This stimulation effect may vary from case to case. In regions where the border passes through high density areas with high activity levels along both sides of the border, the potential effects may be at the highest level. The lower the activity level on both sides of the border, i.e. the lower the population density, the more difficult it will be to generate cross-border activities. The more remote from the border the urban centres are situated, the more difficult it will be to utilise the benefits of better neighbour contacts. When the administrative border coincides with topographical hindrances (i.e. "natural borders"), the effect of reducing the barrier of the political border will be limited.

The need for regional development will normally be most acute in the remote regions. However, the development effect of cross border programmes may be weakest in just those regions. The development effect may have a higher potential in more central areas with a high density at both side of the border.

However, this does not mean that there are no reasons to carry on these programmes in the low densities areas.

In the central areas with high population densities, the barrier reducing effects have often been recognised for a long time. A lot of actions are already taken to reduce this barrier effect. Many of the Interreg programmes today deals with borders where the barrier effect is relatively low. There are more to do, but the expected effect of further reductions of barriers by cross-border initiatives may be limited. The impact of cross-border programmes on regional development is not only dependent on population density along the border, but also on the actual character of the borderline, and to what degree formal and informal barriers still exists along the border (cf. Westlund 1999).

The marginal economic and demographic life in many of the peripheral border regions in the Nordic area makes even a small effect from development programmes vital for the local society. Even when

the effect from cross-border programmes may be small relatively to more central areas, it may be significant in relation to the activity level in the regions concerned.

4. The Norwegian/Swedish programmes

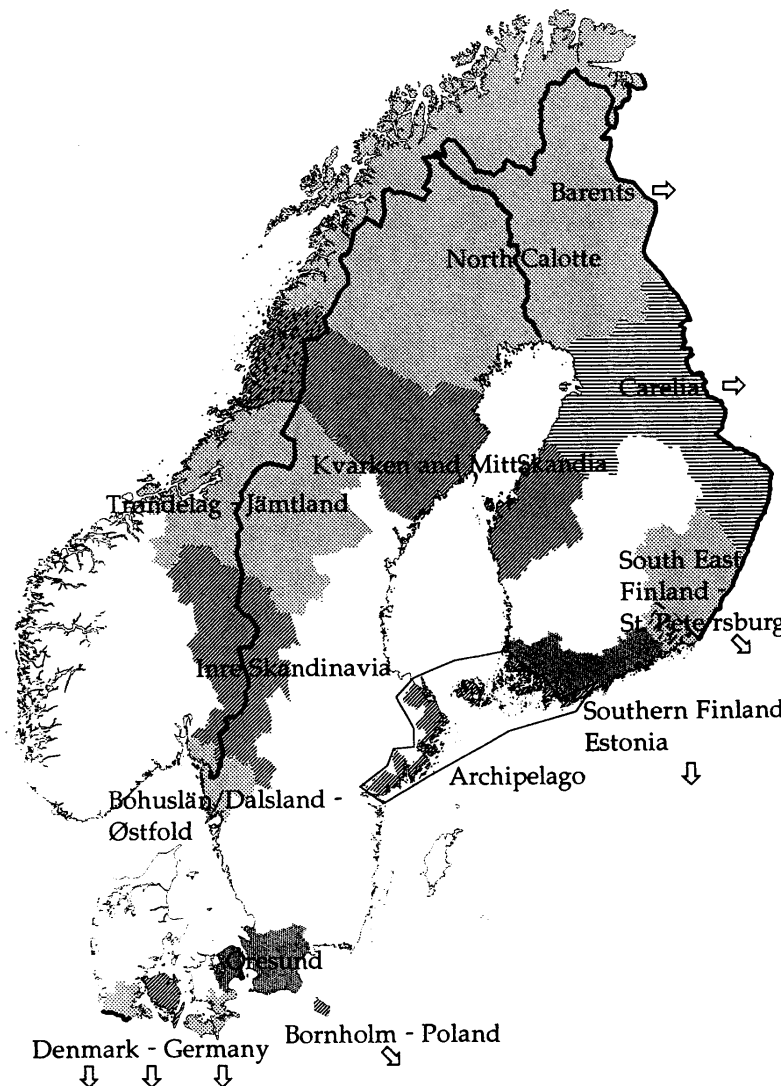
4.1. The Nordic context

The Interreg IIA programmes defined for the Nordic area are shown in figure 5. The size of the programme areas varies considerably. The programmes involving Denmark, as well as the southernmost programme at the Norwegian-Swedish border, cover relative small areas, while the northern programmes cover great areas. As a general rule, the more north, the lower will be both the population density and the size of the programme area.

Figure 5. *Interreg IIA areas in the Nordic countries.*

Scattered colour indicates areas involved in overlapping programmes

Source: NOGRAN, Nordic council of ministers



The three programmes along the southern/mid part of the Norwegian-Swedish border, i.e. those who will be dealt with in more detail below, are not at the extremes regarding the area span. However, also among those three programmes, substantial structural differences are represented, from a small and compact programme at the southern end (Bohus/Dalsland/ Southern Østfold) to a relative wide area coverage in Trøndelag/Jämtland at the northern end, with Inner Scandinavia lying in between.

In an EU perspective, the southernmost of the Norwegian-Swedish programmes is the most comparable with the non-Nordic programmes, where the programme is confined to the area close to the borderline. Inclusion of functional regions will in the north Nordic cases imply inclusion of areas in a wide distance from the border, making the programme regions rather extensive compared to the rest of the EU area, as seen in figure 4. The reason for the inclusion of such wide areas is that the area close to the border often does not include settlements of a higher level than tiny villages of some 100 inhabitants. In order to include the relevant regional centres, the area must be made sufficiently wide. In Trøndelag/Jämtland, the travel distance from the border settlements to the nearest town may be a couple of hours even on good roads. From the border to the county centre of Jämtland the road distance is 165 km, while the road distance from the border to the county centre of Østfold in the southernmost programme region is about 20 km.

Table 1. *Area, population and population density in the three Norwegian-Swedish Interreg IIA Programmes*

	Norway	Sweden	Total
Trøndelag/Jämtland			
Area (1000km ²)	41	49	90
Population (1000)	384	135	519
Inh./km ²	9.3	2.8	5.8
Inner Scandinavia			
Area (1000km ²)	30	22	51
Population (1000)	246	113	359
Inh./km ²	8.3	5.2	7.0
Bohus/Dalsland/S.Østfold			
Area (1000km ²)	2	6	8
Population (1000)	196	157	353
Inh./km ²	87.9	25.2	41.7

The total coverage of area and population in the three programmes, as well as the population density, are shown in table 1. Bohus/Dalsland/S.Østfold deviates from the two other programmes regarding total area as well as population density. Alternatively, it is the two other programmes that deviate from the typical European structure with compact programmes in high populated areas.

Some significant differences between the Interreg programmes are illustrated in table 2. The southernmost programme with high population density do not contain regional development targets, while the northernmost programme with low population density does. The programme lying in between, which also has a low population density, has made a programme profile similar to the southernmost programme.

Table 2. *Level of population density and the inclusion of regional development targets and private firm involvement in the Norwegian-Swedish Interreg programmes*

	Population density	Inclusion of Regional Development targets	Private firm participation
Trøndelag/Jämtland	Low	Strong	Strong
Inner Scandinavia	Low	Weak	Strong
Bohus/Dalsland/S.Østfold	High	Weak	Weak

Source: Mønnesland et al (1997)

In the EU set-up, the involvement of the partnership, both public as well as private, is regarded as a positive thing which all programmes should strive for. The inclusion on regional development as a target in the programme will normally lead to an attempt to recruit private firms to participate in the activities and strengthen such a partnership. But it is not that easy to implement such a strategy. In most low density programme areas, strong clusters of private firms are not situated in the areas close to the borders, and the existing clusters on both side of the borders do seldom possess the affinity needed to establish new links between them.

Inner Scandinavia may be seen as an exception. They do not formally include regional development targets, but still they have a great share of the projects and the resources allocated to private actors. The region has a lot of recreation facilities like hotels, ski lifts etc. catering for winter tourists. This cluster of tourist oriented firms have organised a common unit, Skanland, to promote the region on both sides of the border, and to develop a common concept aiming to improve the tourism quality for the region as a total. This initiative has got a rather significant share of the Interreg resources.

The general conclusion is that the lower the population density, the greater will be the need to involve regional development targets in the cross border programmes, but the more difficult is the realisation of these ambitions. The existence of a suitable cluster of both sides of the border in a low density area, is something seldom found outside the Inner Scandinavia sub-region.

Both in Sweden and Norway (and in Finland as well), the national regional policy has been firm oriented. The areas designated as target areas for the regional policy schemes, has been non-central areas with low population densities, to a large degree located in the northern parts of the countries. In the designated areas, the schemes has been managed either by the regional governments or the regional branch of the central government. These units have developed routines for cooperation with the private firm sector, both in the administration of the firm incentive schemes as well as in the general strive for regional economic development. The regional units outside these designated areas (i.e. the more southern regions) have traditionally been outside the scope of the national regional policy. They are not a part of this tradition, and the firms in the region are not used to cope with the public sector in the same way as in the northern regions.

These different traditions of regional policy may explain why it is seen as the most natural thing in the northern regions to stress regional development and to design the programme so that private firms should be the most dominant receivers of the funding. In the southern regions, generating partnerships with private firms will be more of a pioneering task. Here, the public sector is used to serve the

private sector with public services as infrastructure assets in a broad meaning, without interfering too tight with individual firms.

4.2. The effects and operation of the programmes

At the time of the delivery of the mid-term evaluations (Mønnesland et al 1998) in October 1998, Trøndelag/Jämtland had launched 68 projects, Inner Scandinavia 34 projects and Bohus/Dalsland/S.Østfold 52 projects. Trøndelag/Jämtland had 49% of the projects on a budget below 1 million SEK, while the figure was 35% for Inner Scandinavia and 44% for Bohus/Dalsland/S.Østfold. The share of projects being above a budget of 5 mill. SEK was 7% in Trøndelag/Jämtland, 21% in Inner Scandinavia and 19% in Bohus/Dalsland/Østfold. The inclusion of regional development targets in Trøndelag/Jämtland has led to a greater share of small projects with a similar higher amount of project owners than in the other programmes (the economic total level of the programmes are nearly similar). Together with the resource absorbing effects of longer internal distances, this profile of many smaller projects owners has been draining relatively more from the programme operative resources (technical support) in the Trøndelag/Jämtland programme.

Table 3. *Projects by institutional type. Actual figures and per cent.*

	Public sector	Half public	Non-profit organisations	Private firms	Sum
No. of projects					
Trøndelag/Jämtland	21	18	12	17	68
Inner Scandinavia	11	10	7	6	34
Bohus/Dalsland/S.Østfold	25	17	7	3	52
Per cent					
Trøndelag/Jämtland	30,9	26,5	17,6	25,0	100
Inner Scandinavia	32,4	29,4	20,6	17,6	100
Bohus/Dalsland/S.Østfold	48,1	32,7	13,5	5,8	100

Source: Mønnesland et. al. (1998)

The difference in profile is seen in table 3. While private firms counts for one quarter of the projects in Trøndelag/Jämtland and in Inner Scandinavia, only 6%, or 3 projects, were allocated to private firms in Bohus/Dalsland/Østfold. Here, nearly half of the projects went to public units, and 81% to public and half public units. The way this programme is carried out has led to a marginalising of the private partnership, the resources has mainly been utilised within the public sphere.

In the operating of the programmes, there are some clear advantages in making the programme to a public activity arena instead of recruiting private firms. Especially in the remote areas, the private firms will often be small scale. Enrolling such firms in the programme, one will need quite many small scale projects, which are more complicated both to recruit as well as to administer.

If a public unit wants to start a project, its own funding will be registered as national co-financing. The resources will be doubled as this co-financing is being added with the EU funding and the similar Norwegian state allocations. Such a possibility to get the budgets doubled is undoubtedly a stimulus to kick off projects together with a similar public unit on the other side of the border.

When a private firm wants to start a cross border project, its own funding is not regarded as national co-financing. To get EU funding and similar funding from the Norwegian state a similar amount of money must be granted from other public units, on both sides of the border. This asymmetric structure makes the challenges much greater for the private firms than for the public units. In Trøndelag/Jämtland, several projects initiatives involving private firms has had to be scrapped or scaled down because failure to find public co-financing.

4.3. The payment system

The EU funds allocated for the Norwegian/Swedish Interreg programmes are handled by the Swedish county administrations. Both for the EU funds administered by these units, as well as for the co-financing provided by the county boards within their ordinary budgets, funds are only paid to the projects ex post on the Swedish side of the border. All receipts, invoices and other documentation on the actual spending are controlled and confirmed according to the rules set up for these grants before payments are carried on.

Only those project owners who are able to use their own funding for meeting the daily expenditures and are able to wait for the refund to be made afterwards and after all control routines are effectuated, may operate an Interreg-project successfully. The control routines established for the EU payments also require such a level of documentation that you need to have a rather staffed administration and accounting office in order to cope with the requirements. Public units and greater firms will normally be more able to cope with these systems than non-profit private organisations and SMEs.

If a private firm should engage in an Interreg activity, in order to broaden the inference across the border to the benefit both for the firm and for the regional development, several obstacles must be overcome:

1. First, the firm must get knowledge about the programme. Here, the Interreg secretariats often do a lot of work to channel information down to the private firm sector. Though, the ability to deal with such information from the public sector will vary, and generally the public sector itself will tend to be best informed.
2. A partner on the other side of the border must be found. This will often be dependent of previous co-operation. This should not always be regarded as an unwanted barrier, sound projects often need to be based on already established contacts.
3. If a project idea seems to fit the programme, the needed co-financing must be arranged. For public owned project, this step is already past when own resources are allocated, while the firms must obtain public co-financing independent of their own resource allocations. A lot of project ideas are stopped at this level, either by the challenge itself or by negative replies.
4. The application to the Interreg must be set up. Here, the secretariats often do a good job in advising, both on beforehand and when revisions are needed.
5. If accepted, during the period of effectuating the programme, the project owners will have to carry all day-to-day costs for several months or even longer. For small firms, this may imply to work for several months without receiving allowances for the daily working staff.
6. To get some money refunded, a highly specialised and professional administrative and accounting function must be available to handle the documentation claims. Here, many of the smaller firms

tends to give up. For this reason, training courses for project owners are set up in order to teach them how to survive in coping with the money requiring routines.

It should be no surprise that the operation of programmes with mainly public project owners seems to operate better than programmes with clear target of involvement of private firms.

Table 4. *Operation indicators per October 1998*

	Allocated share of the EU fund budgets (%)	Share of the EU fund budgets forwarded to the projects (%)	Share of project owners feeling the participation was worth the efforts (%)
Trøndelag/Jämtland	57,3	10,7	76
Inner Scandinavia	67,6	10,0	94
Bohus/Dalsland/S.Østfold	77,7	17,4	95

Source: Mønnesland et. al. (1998).

The programme having regional development among the targets and with a strive to recruit small and medium firms to the programme, Trøndelag/Jämtland, had a slower profile in allocating money to the projects than the other two programmes. Most of these problems, however, was in the objective of competence development, where the lack of relevant educational institutions was the main obstacle. The high speed of Bohus/Dalsland/S.Østfold may however be a clear effect of the profile concentrating on public actors. These actors also have better resources in their accounting units making it easier to get through in the documentation needed for receiving programme money.

Inner Scandinavia had many of their private actors involved in a common tourism promoting project. This project has a separate project development office and a common unit for operating the projects. Even as the share of private participation in the programme is not so different from Trøndelag/Jämtland, the latter has a much higher share of individual, small private units as project owners.

5. Concluding remarks

Regional development is one of the superior aims of the Interreg initiative as well as other European cross-border initiatives. From a theoretical point of view there are strong arguments for cross-border programmes being more efficient as means for regional development in high-density areas with short distances. However, in the implementation of the programmes in the Nordic countries it is the remote, sparsely populated regions with great distances that prioritise economic development issues and try to include private firms in the partnerships.

The reason that cross-border cooperation is most directed towards development issues where the prerequisites for development are poorest is probably a matter of tradition. The remote, sparsely populated regions have been the core area of Nordic regional policy since the 1960s and this has established a sort of partnership between public and private actors for regional economic development. The more central, densely populated regions lack this traditions. Thus, the traditional support areas have poorer prerequisites for economic development but more experiences in

implementing regional development policy. The more central, densely populated areas may have better prerequisites but have no experiences of carrying out regional policy programmes.

However, the administrative system of Interreg is in itself an obstacle for using the programmes as tools for regional development with public-private partnerships. The Interreg initiative is more easily adapted by public sector bodies and big enterprises. With the current regulations SMEs should avoid involvement in the programmes. If the system is not changed, the desired regional development will remain just a desire.

It should be regarded as a paradox that those programmes which most directly follow the claimed intention to involve the private partnership in the programmes, for that reason tend to get problems in the operation of the programme activity, while the programmes ignoring this aspect and concentrate on public activities tends to get better effects.

There are different solutions to this paradox.

One solution is to skip the intention of involving the private partnership, and then accept that Interreg will have a majority of public project owners. Promoting communication, network, exchange of knowledge and cultural contacts are targets which ought to play an important role in cross border programmes, and for this reason public units and public owned institutions will normally play a more dominating role in this type of programmes than in other Structural Funds activities.

Another solution is to open up for a broader participation from the private industrial sector. This will require a deep reformation of the administrative routines of the programmes, in order to make them attractive for the private firms and in order to provide the needed operative resources for administering such an active partnership within the programmes.

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