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**Public Investment across Levels of
Government: The Case of Region Skåne,
Sweden**

**Author*:
Cathérine Gamper,
OECD Secretariat**

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Key messages

- *Envisioning strong, integrated regional development, Region Skåne has shown how to bring regional actors, from municipalities to private sector representatives, together to endorse a common regional development strategy.*
- *Region Skåne has demonstrated that even in the absence of formal revenue raising and spending autonomy for regional public investment, a region can still be a key facilitator to leverage public investment resources through effective horizontal and vertical co-ordination between local and central government actors.*
- *Even with a small proportion of EU structural and cohesion funding, Region Skåne has shown that this can have a significant and leveraging impact. Region Skåne has made significant use of the complementary resources provided by the EU (such as the inter-regional platforms of INTERREG and the European Transport Network TEN-T) to successfully mobilise actors to invest in the region.*

1. Regional overview

1.1. Political context

Skåne embodies Sweden's ongoing regionalisation process. Named after the historical province of Scania, Region Skåne emerged in 1997 as a "pilot region", bringing together the former counties of Malmöhus and Kristianstad. Skåne is technically considered to be one of the 21 Swedish counties¹ but is officially referred to as a region due to its additional responsibilities. The status of Skåne as a region, which was initially provisional, was confirmed in 2004 and finally institutionalised in 2010. Another pilot region, Västra Götaland, was created in 1999, equally institutionalised in 2010. The specificity of the Swedish regionalisation process is that it was very much a bottom-up driven approach, where the demand to create regional administrations came from local and regional actors. The process has been relying on experimentation, and has therefore been asymmetric throughout Sweden.

The regionalisation effort has been driven by the objective of maximising Sweden's growth potential. Significant territorial heterogeneity has long been seen as a barrier to unlocking Sweden's growth potential. The formation of regions should put territorial actors in the driver's seat. The regions should develop regional development strategies, in collaboration with public and private stakeholders, and thereby become active agents responsible for mobilising their own resources for growth (Hudson, 2006).

Skåne's specific regional feature is its proximity and long-established links to cross-border regions, especially across the Öresund Strait. Skåne occupies a strategic location as a hub between Scandinavia and continental Europe. The area covered by the two border regions (Skåne and Zealand, which contains the Danish capital region) is named after the strait separating Sweden and Denmark, the Öresund. The cross-border Öresund region²³ is Scandinavia's most densely populated area. The close geographic and economic links across the strait have been strengthened by the creation of strong transport links, such as the road and rail tunnel and bridge established in 2000.

1.2. Institutional background

The Swedish system of public governance comprises the central government, the county/region and the municipality. A distinct feature of the Swedish system is its "hourglass" configuration: the central government and the municipalities hold the majority of powers and functions, while the county/region has long been relatively weak. The national government has a strong say in terms of strategic planning and allocation of public investment: it is responsible for allocating close to half of public investment, well above the OECD average of around one-third. Sweden has one of the highest sub-national shares in total government expenditure in the OECD, but most of it is devoted to welfare services provided at the municipal level rather than to public investment (OECD, 2012).

Significant heterogeneity exists in terms of responsibilities across Swedish counties/regions. Traditionally, the county level has had two main political institutions: the county council and the county administrative board. The county council is an elected authority, chiefly responsible for the administration of health care (which typically accounts for over 95% of county expenditures), while the county administrative board is the county level arm of the national government and is headed by a central government appointee. An increasing focus on regional development since the late 1990s has led to changes in this architecture in recent years. In most counties, there are regional development councils (RDCs), which are distinct from the county councils and are indirectly elected; they mainly aggregate the interests of local municipalities. However, in some pilot regions, traditional county councils have been merged with the RDCs, and directly elected regional councils were put in place that are thus responsible for both the traditional county council functions and regional development (in Västra Götaland, Skåne, Halland and Gotland). In Skåne, therefore, the merger of two counties into a pilot region implied the

consolidation of the competences of both county councils and RDCs into the directly elected Regional Council.

Nevertheless, Region Skåne’s actual powers remain somewhat limited. The list of regional responsibilities (see Table 1 below) may seem long and significant, but the counties’/regions’ *de facto* powers are fairly limited. Although the regions are responsible for the majority of total health spending, they have very limited financial resources to address their other tasks, and their revenue-raising autonomy is limited. To a great extent, their ability to undertake independent initiatives depends on the availability of EU funds. Core “hard” (*e.g.* transport) and “soft” (*e.g.* higher education) infrastructure investments remain in the central government’s hands. The regions have a voice in the decision-making process, but the financing and implementation remain a central mandate.

Table 1. Responsibilities across levels of government

National level	Regional level	Municipal level
<ul style="list-style-type: none"> ● Security, police ● Justice ● Civil status register ● Statistical office ● Electoral register ● Higher education ● National cultural institutions ● Non-urban roads ● Rail transport ● Ports and airports <p><i>Tasks carried out by the county administrative board</i></p> <ul style="list-style-type: none"> ● Regional planning ● Nature and environmental protection ● Monitoring and supervision 	<ul style="list-style-type: none"> ● Health services (including dental) ● Hospitals ● Upper secondary education (some) ● Regional culture ● Public transport ● Regional tourism ● Regional development (pilot regions and regional development councils) ● Regional transport and infrastructure (pilot regions and regional development councils) 	<ul style="list-style-type: none"> ● Rescue services ● Education ● Child care ● Family welfare services ● Housing ● Town planning ● Water and sewage ● Refuse collection and disposal ● Environmental protection ● Consumer protection ● Cultural establishments ● Urban roads ● Gas, heating, water supply ● Electricity ● Local tourism

Source: SALAR (<http://english.skl.se>, accessed April 2012).

1.3. Socio-economic background

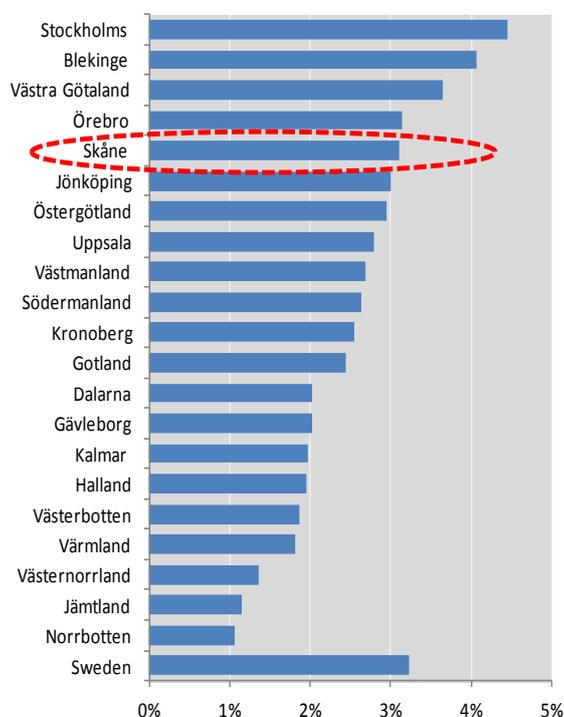
Skåne has a relatively large and dense population that has been growing faster than that of the rest of Sweden. The Öresund region is the most densely populated area in Scandinavia, with its concentration expected to grow due to high inward migration (domestic and international) as well as above-average fertility rates. Skåne is home to 13% of Sweden’s total population and produces 15% of Sweden’s graduates.

Skåne’s economy contributed significantly to Sweden’s economic growth, although this dynamic was slowed down by the financial crisis. Until 2007, Skåne’s growth was close to the national average (Figure 1) and it generated roughly 12% of aggregate Swedish growth over the period. Skåne’s economy was hit particularly hard by the onset of the financial crisis, but the recession bottomed out relatively quickly, and Skåne’s performance in 2009 (the last year for which data are available) appeared relatively healthy compared to the Swedish average. Unemployment rates show a recent recovery, even though they remain relatively high due to above-average population growth and inward migration in the region.

Skåne’s relatively quick recovery from the downturn in 2008 reflects in part a shift in its economic structure. The region has gradually moved away from its traditional dependence on manufacturing, towards greater reliance on human capital-intensive services such as financial intermediation, real estate and business services. This shift has increased productivity in those sectors and induced employment

specialisation in high-skilled services. This contrasts with the situation in Västra Götaland, whose manufacturing sector suffered greatly from the reduction in global demand.

Figure 1. Compound annual GDP growth in Swedish regions (2000-2007)



Source: OECD (2012), *OECD Territorial Reviews: Skåne, Sweden 2012*, OECD Publishing, Paris, doi: 10.1787/9789264177741-en.

1.4. Main strengths and challenges

Given the region’s limited formal powers, the informal links and networks created across levels of government have become crucial to leveraging place-based regional development. Since its formal establishment a decade ago, Skåne has used its regional government resources (especially human) to maximise its influence on investment decisions, even if the formal powers have been with other levels of government. To do so, it has established close links through consultation with municipalities as well as key regional actors (such as the private sector and education institutions). It has thereby been engaging its regional capital to lobby for its own agenda at central government level, as well as on the international level (*vis-à-vis* the EU and its Öresund neighbours).

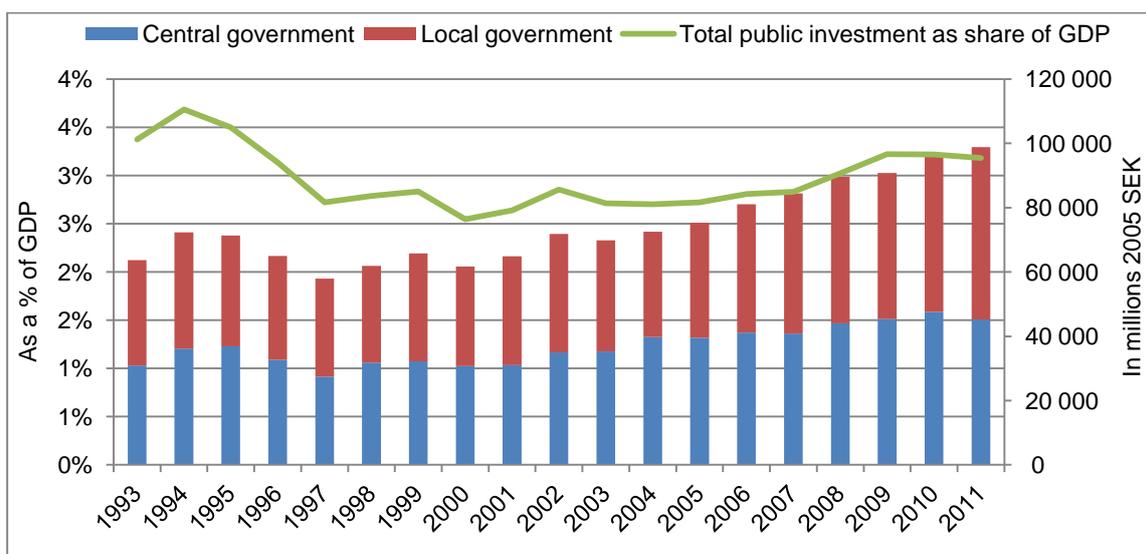
The region is currently consolidating the structures established since its creation; the expansion to a larger region would probably not entail any formal increase in regional powers. The creation of a larger “South Sweden” region encompassing Skåne and its eastern neighbours has been debated and a more formal regional working group has been established in Skåne to develop a strategy for such a region. However, while prospects for such a region are highly uncertain at present, it seems unlikely that a merger would prompt the central government to devolve important new powers on an enlarged region.

2. Public investment in the region

2.1. Key priorities for public investment in the region

Public investment grew in Sweden overall until 2009, with a comparably smaller participation of the sub-national level. From 2000 to 2009, there was a steady increase in the level of Sweden's total public investment (as a share of GDP). This trend has been somewhat reversed since 2009 (see Figure 2). Compared to the OECD average of 62%, Sweden's average of 54% of public investment spent on the sub-national level is very low.

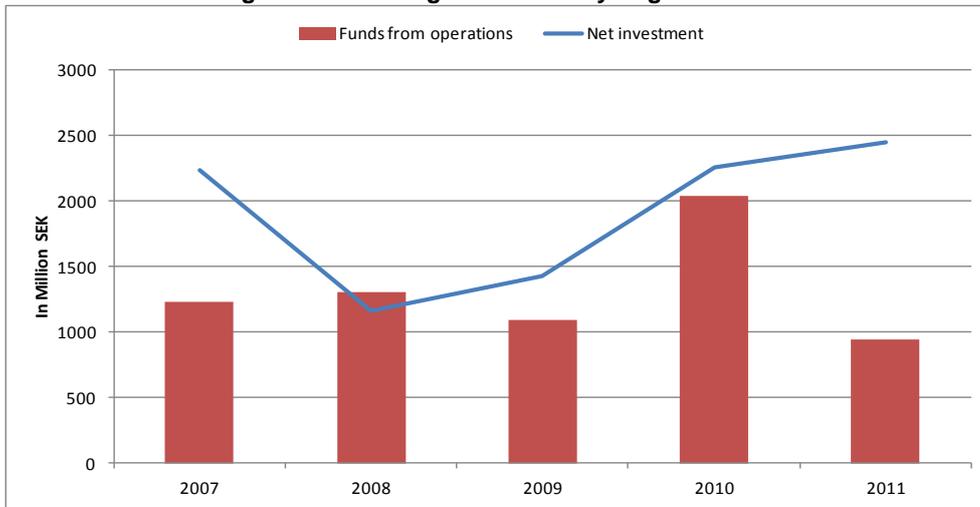
Figure 2. Development of Sweden's public investment since 1993



Source: Data provided by Region Skåne.

The level of public investment compared to overall expenditures in Skåne does not reflect the region's actual role or importance for regional public investment. Public investment only made up 7% of Skåne's expenditure (in 2011), as the region mainly elaborates investment plans that are then financed and implemented by the central government. The majority of the regional investment (76%) is financed by operating revenues (see Figure 3).

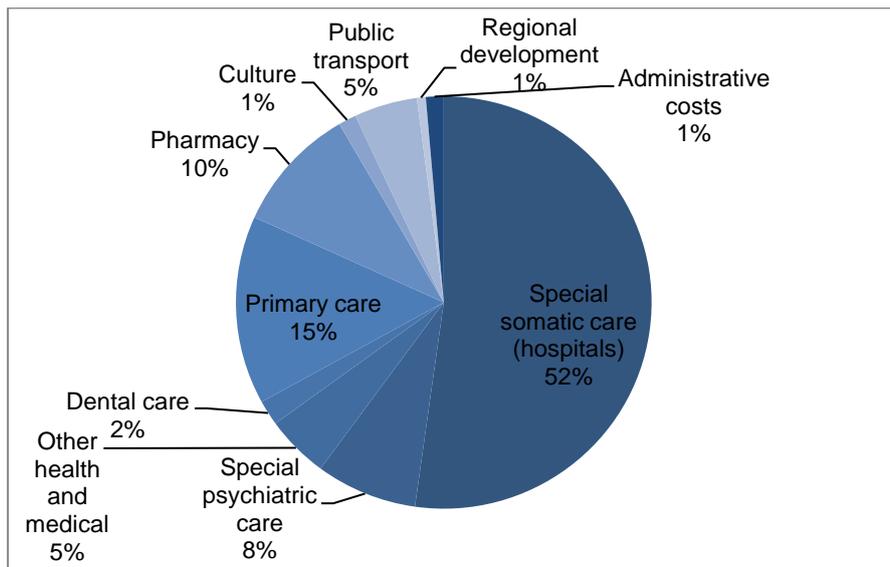
Figure 3. Financing investment by Region Skåne



Source: Data provided by Region Skåne.

Overall public expenditure in Skåne is very much confined to the health sector. Ninety-three percent of Region Skåne’s public expenditure is devoted to this sector. Regional development expenditures (including culture and public transport) amount to 7% (see Figure 4 below). Public investment for regional development overall in Sweden amounts to 3% of the region’s spending and to about 0.2% of the overall national budget⁴. Expenditure at the municipal level is quite different; the main expenditure posts are education (42%) and costs for elderly care (21%). Given that health sector spending is a mandatory spending item, this expenditure composition gives the region comparably little room for manoeuvre. In addition, increasing costs of health services have to be met by gains in efficiency or revenue side measures such as tax increases that in turn may be difficult to achieve politically.

Figure 4. Composition of Skåne’s expenditure (2011)



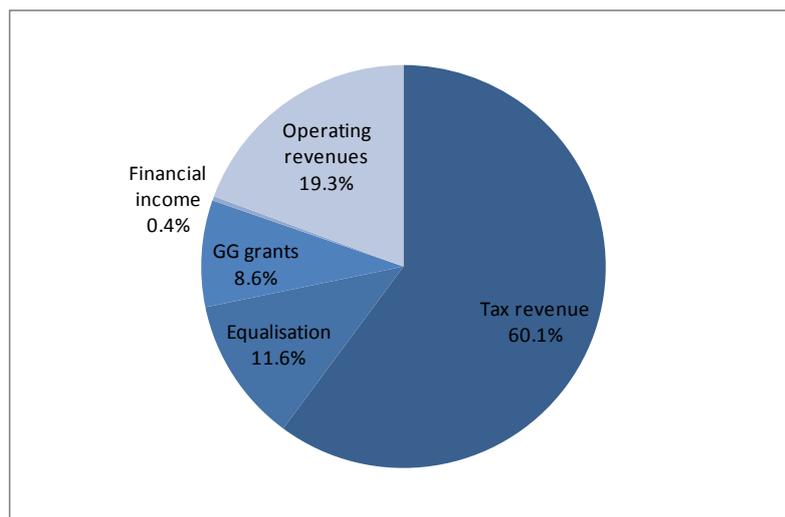
Source: Data provided by Region Skåne.

2.2. Financing public investment

Skåne's revenue is based mostly on own revenues, and to some extent on central government transfers. Skåne's own revenue amounts on average to 76% of the resources available for regional public spending. It is composed of tax (mostly income tax) and operating revenues. The Regional Council can decide the tax rate, whereby the national Parliament decides the tax base. The region's tax revenue growth slowed down during the crisis due to higher unemployment rates. The central government revenues are received in the form of grants (8.6%) and equalisation transfers (11.6%) (see Figure 5). Grants received from the central government are mostly used for the purchase of pharmaceutical articles.

Sweden has a far-reaching income equalisation system. The purpose of this system is "to put all municipalities and county councils in Sweden on an equal financial footing to deliver equal levels of services to their residents, irrespective of the income of local authority residents and other structural factors. The intention is for differences in local taxes to largely reflect differences in efficiency and in levels of services and charges, and not to be due to differences in structural conditions" (Ministry of Finance and the Swedish Association of Local Authorities and Regions, 2008). The equalisation system is based on income; costs; and as structural, transitional and adjustment grants.

Figure 5. Revenue composition of Skåne (2011)

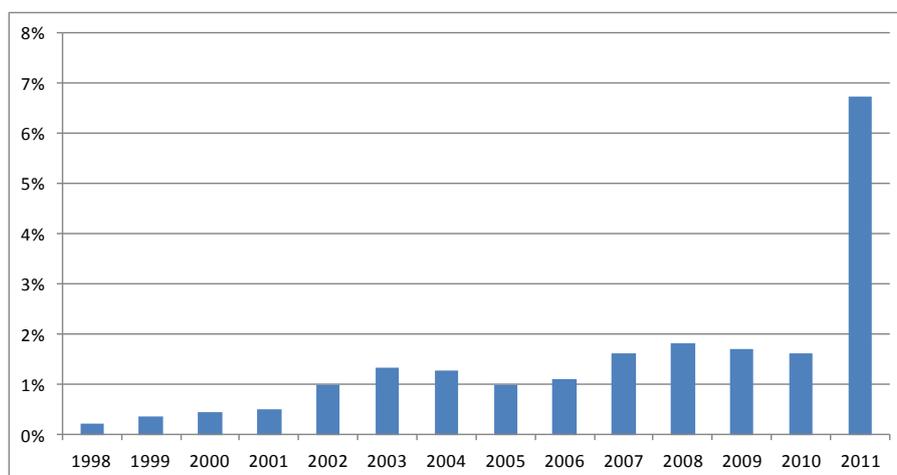


Source: Data provided by Region Skåne.

Another source of financing, namely borrowing, has only been slightly affected by the crisis. In 2011, Region Skåne's level of debt was SEK 5 378 million, which represented 15% of the region's total revenues. Debt consists mainly of bank loans, in particular with the European Investment Bank. Region Skåne does not use the mutualised municipal borrowing facility (Kommuninvest of Sweden). In addition to this debt, the region has some short-term liabilities with providers, bills to be paid, etc., with an average payment length of 30 days. Overall, Region Skåne does not face any difficulties being approved for credit. And although interest rates had increased as a consequence of the financial crisis, they have decreased again in recent months to previous-crisis levels.

Financial expenses as a share of tax revenues have increased since 1998. On average, they were around 1% during the period 1998 to 2010 but increased quite radically to 6.7% in 2011 (Figure 6).

Figure 6. Financial expenses as a share of tax revenues



Source: Data provided by Region Skåne.

2.3. The administration of EU funds in Sweden

Sweden has eight regional structural fund programmes, of which Skåne-Blekinge is one, with an overall volume of SEK 8 billion (EUR 880 million). Each region has a structural fund partnership between municipalities and county councils and county administrative boards as well as other stakeholders and associations. Through them the prioritisation of project applications for EU funds is planned to maximise the global impact for the region. There is an overall programme stipulating the goals, investment projects, and rules as well as implicated areas and actors. The programmes are monitored by a committee consisting of representatives of the authorities, NGOs and other stakeholders. Evaluations are carried out to improve and ensure the overall quality of programmes and projects.⁵

One of Region Skåne's main projects funded by EU structural funds aims at supporting the region's clean growth objectives. The EU support of approximately SEK 28 million (EUR 3.1 million) aims at stimulating the establishment of new clean tech companies and helping small and medium-sized enterprises to strengthen their competitiveness. An evaluation carried out prior to the project concluded that Skåne has a comparative strength in clean tech companies, with a number of firms engaged in wastewater treatment and waste disposal technology, recycling, or energy efficiency. However, the evaluation found that the sector's innovation systems and competitiveness in clean tech could be strengthened. Therefore, one of the key aims of the project is to develop collaboration between academia, companies and the public sector to develop new technologies and new products to be sold on international markets.

3. Co-ordination for public investment across levels of government

3.1. Vertical co-ordination between the region and the national government and other supra-national authorities

There are two bodies in charge of co-ordinating across levels of government for public investment in Sweden. They are the Swedish Agency for Economic and Regional Growth and the National Forum for Regional Competitiveness, Entrepreneurship and Employment.

The region has both sectoral (e.g. transport, innovation) and cross-sectoral regional policy guidance documents. The sectoral strategies are elaborated together with budget and implementation plans, committing resources either from the central government's sectoral budgets or from municipal budgets. The cross-sectoral regional development strategy is the outcome of an important effort to define a holistic, place-based regional development policy. This strategy has unfortunately only had a limited impact, as it has not been backed up by budgetary commitments from the local or central budgets, nor has the region been able to finance it autonomously. As long as the regional strategy is not linked to a concrete implementation plan supported by financial commitments, it is unlikely to become more influential.

Given the weak regional autonomy in strategic planning, strong vertical co-ordination is crucial to leverage key regional investments. For transport infrastructure investment, for example, the region has limited autonomy of only 20% of overall regional transport allocations. Even though Skåne has its own regional transport infrastructure investment plan (the most recent one covers the period 2010-2021), it is crucial to get involved in the national transport policy-making process and align the regional plan to the national priorities, since 80% of the infrastructure investment decisions in the region follow the national transport policy plan. The central transport authority decides on and finances actual transport infrastructure investment based on the national infrastructure plan, which is developed by incorporating priorities specified in the regional plans. Vertical co-ordination becomes important for the actual implementation of projects, as it can be influenced in negotiation with the centre. Co-financing between the region and the centre takes place on a case-by-case basis (such as for the Malmö-Stockholm railway extension).

To develop the regional sectoral plans, vertical co-ordination with municipalities is equally crucial. The regional transport plan, for example, is elaborated in close consultation between the regional administration and Skåne's 33 municipalities. The municipalities receive 5% of overall transport investment funding in the form of specific purpose grants that require municipalities to co-finance 50%. They are usually spent on measures such as local public infrastructure, traffic safety measures or environmental measures. Municipalities, in turn, maximise their leverage of local investments by co-ordinating horizontally with geographically close municipalities (usually organised in the four respective geographic "corners" of Skåne).

Simultaneous vertical co-ordination with the central and local levels on specific transport investments has turned out to be a key success factor in making implementation happen. As described above, the region engages with the central transport administration to leverage transport investment projects. While the centre has the final decision-making power and provides the financing and implementation, municipalities have the power to block big investment projects. For example, some of Skåne's municipalities blocked the expansion of the railway link between Malmö and Stockholm because of negative externalities they would suffer in terms of land-use planning and environmental impacts (chiefly noise). In this case, the region was able to mobilise its own regional transport resources to co-finance measures to address these problems. Another example is the rail project connecting Malmö and Simrishamn, which was initially not a priority for the national authority, but thanks to the joint effort between the region and the involved municipalities the project is now being prepared jointly with the national authority through co-financed spatial and technical *ex ante* assessments. Even if the relative amount of investment provided by the region is marginal compared to that of the centre, such co-ordination is crucial to ensure that regional investment priorities are successfully implemented.

The Sustainable Mobility Skåne platform (HMSkåne)⁶ is an example of an institutionalised integrated vertical co-ordination mechanism. HMSkåne aims at providing a platform for all stakeholders to meet and exchange experiences and ideas to create a sustainable transport plan for the region. In addition, concrete projects are fostered and financing mechanisms – for example through the EU – are organised to implement projects. For example, the EU-financed Tillhåll project aims at creating conditions for sustainable traffic in the region. Vertical co-ordination plays a key role in this project to discuss the

implementation of new tramways to co-ordinate opportunities for intermodal travel to facilitate commutes. Under the co-ordination of HMSkåne, the Swedish Road Administration, the County Administrative Board, the municipalities of Lund, Malmö, Helsingborg, Kristianstad and Östra Göinge as well as the University of Lund and other stakeholders are involved.

Contracting is used as a form of vertical co-ordination between the region and the municipalities. Municipalities are contracted by the regions for service operations or for engaging in joint transport projects or project investigations (such as the above-mentioned railway link between Malmö and Simrishamn).

Vertical co-ordination with the supra-national level is important for regional cross-country transport development. Given its strategic location in Europe, Skåne has an incentive to engage in supra-national co-ordination forums to foster cross-country transport investment and cohesion. One of the platforms in which the region has participated in the past is the European Transport Network, TEN-T.⁷ The goal of TEN-T is to promote the priority development of certain transport projects that are deemed to be of pan-European importance. Skåne's initiative led to the co-financing of the bridge and tunnel connecting the Danish and Swedish sides of the Öresund. Another supra-national platform to advance Skåne's transport infrastructure development has been the EU's INTERREG initiative. Although no financial support is provided, the engagement has helped the region to consult and co-ordinate international transport priorities with Denmark and Germany and to increase visibility on the European level. Similar initiatives are promoted on these international platforms for other sectors, such as for labour market policy co-ordination between Region Zealand in Denmark and Skåne.

In terms of financial co-ordination mechanisms, conditionalities are used both between the regional and the national levels as well as between the national and the supra-national (EU) levels. They include matching and additionality mechanisms as well as earmarking specific grants. Some form of private sector participation or *ex ante* institutional conditions may also be used as a requirement to obtain access to certain funds.

Even though conditionalities are not perceived to be very effective in improving the quality of public investment, the implementation of a framework and regulations for using the funds has proven effective to increase efficiency and results⁸.

Challenges with vertical co-ordination mechanisms

The national level and Region Skåne's are in agreement about the challenges of vertical co-ordination. They agree that regulatory and administrative obstacles exist that hamper co-ordination. They also acknowledge that the involvement of the private sector is somehow a challenge in leveraging regional public investment. They diverge, however, when it comes to informing each other in terms of investment priorities. The national administration believes that regional actors may not be entirely informed about central level priorities. The regional administration, on the other hand, does not perceive that the central level lacks information on their investment priorities.

Table 2. Challenges with vertical co-ordination mechanisms

		<i>Is a major challenge</i>	<i>Is somewhat of a challenge</i>	<i>Is not a challenge</i>	<i>Not applicable</i>
<i>Challenges (seen from a national perspective)</i>	Lack of private sector involvement (actors/firms)	X			
	Regulatory and administrative obstacles to co-ordinate between central and regional levels		X		
	Lack of information of regional actors on central government investment priorities		X		
<i>Challenges (seen from Region Skåne's perspective)</i>	Lack of information at the central level regarding existing sub-national projects/needs			X	
	Lack of private sector involvement (actors/firms)		X		
	Regulatory and administrative obstacles to co-ordinate between central and sub-national levels		X		

Source: Answers to the national and regional (Skåne) OECD questionnaires, 2012.

3.2. Co-ordination between regions or across levels of sub-national government

Inter-municipal and inter-council collaboration has a long tradition in Sweden. Local federations consisting of several municipalities or counties have been used as an instrument to achieve cost efficiency for service delivery. Local federations are legal entities whose decision makers are elected by assemblies of the federation's members. Another tool to foster horizontal collaboration has been the common committees, which have a similar purpose, even though they do not have a legally separated status. Rather, their organisation is integrated into one of the collaborating jurisdictions. Such horizontal collaboration mechanisms are frequently applied to rescue services, education or environment/building sectors.

Sweden's income-based tax system has contributed to horizontal collaboration dynamics. Traditionally, the income-based tax system affects inter-jurisdictional collaboration in terms of balancing "competition" and co-operation. Following a drop in tax income, municipalities were "forced" to turn to network organisations (OECD, 2010). In smaller municipalities, collaboration has mainly occurred in services linked to education, social services or emergency services, while proximity-based services such as elderly care are more rarely a subject for collaboration.

Horizontal collaboration has been an incentive for Skåne to increase its stakes in negotiations with the central government. Skåne has had an incentive to co-ordinate horizontally with other counties across the larger South Sweden Region, as priorities are often shared and the joint weight they are able to give crucially shapes the negotiations at the national level. One such sector where this plays a role is transport infrastructure and specifically projects that increase the connectivity between South Sweden and the capital. The extension of the railway lines to Stockholm (as mentioned above) is one recent example.

Horizontal co-ordination across the Öresund region is a key lever for regional transport development. Due to Skåne's limited financial resources, collaboration with the Danish side of the Öresund region has been a strategic process to lobby the central transport authority in Sweden to prioritise cross-border transport projects. The "Öresund Committee"⁹ has been the official platform to foster regional co-operation and lobby for the Öresund region's interests at the national government levels in both countries.

But co-ordination across the Öresund poses difficulties. Different policy-making processes, different policy planning horizons and different planning cultures make collaboration between Swedish and Danish regions challenging. INTERREG platforms have helped to analyse joint transport needs, but they have failed to resolve fundamental planning differences. The fact that in the end national transport authorities have final decision-making power does not make things easier.

Sectoral interests still persist and hamper the exploitation of horizontal collaboration. From a national perspective, it is still perceived that the strong sectoral interests prevent a territorial-focused regional investment effort¹⁰.

4. Selecting and Monitoring Public Investment Projects

4.1. Designing and selecting investment

Sweden's regionalisation process established an integrated policy approach to public investment for regional development. The regional development programmes (RUP) and the regional growth programmes (RTP) have been the main instruments used to foster an integrated approach to regional policy since 2001 (see OECD, 2010). The RUP is an umbrella programme which covers various sectors and acts as a basis for other strategies in regional development such as the RTP, EU structural funds, transport and environment plans, etc.

Skåne has proven to be developing the regional programme in an exemplary manner; however, the lack of enforcement capacity has undermined its impact. Skåne has developed the regional programme in collaboration with all affected stakeholders, sectoral representatives, municipalities and the private sector, among many others. It included stakeholders in the initial discussion and widely circulated the draft programme and incorporated concrete comments. The aim of the regional programme has been to bring together investment priorities in a harmonised approach so as to maximise the outcome for the region as a whole. However, the programmes have remained relatively weak in terms of impact. Similar to other regions/counties in Sweden, the regional programmes are accompanied by few dedicated resources and therefore enforcement capacities are weak across the different sectors. As a consequence, a certain "fatigue" or "reluctance" has been noticeable among the actors to fully participate and endorse this process.

Strategic *ex ante* project assessment tools are time-consuming as they are centrally organised. Economic evaluation (in the form of cost-benefit analysis) is required for every investment project exceeding EUR 4 million. The analysis is carried out at the national level using national transport forecast projections. This centrally controlled process has proven to be a fairly time-consuming step over which the region has little influence in terms of ensuring the overall timelines for project implementation. Although strategic environmental assessments are required for the regional infrastructure plan, they are carried out at the national level for each project.

4.2. The role of the private sector in designing and implementing public investment projects

As seen from the questionnaire answers, the involvement of the private sector in regional public investment has been a challenge. Involving the private sector in the form of public-private partnerships (PPPs) has generally been unpopular. PPPs have been seen, for the most part, as another source of financing, instead of as a means for improving the entire project process. Viewed in this light, PPPs simply appear as an alternative, more expensive way to finance public investments – after all, private providers will always have higher costs of capital than public authorities. Skåne has emphasised the potential benefits of involving the private sector in a larger road construction project (the E22) in the form of a PPP, but the central transport authority has not considered this an option. The successful inclusion of the private

sector, for example in the rebuilding of the Stockholm Karolinska hospital, is seen as a role model by the region (see Box 1).

Box 1. Karolinska Hospital: The use of PPPs in public investment

Inspired by similar projects in the United Kingdom, it was decided that the Karolinska Hospital¹ will be rebuilt using a PPP approach, in which not only the construction of the building, but also facility management, maintenance and services will be provided through private enterprises. The major motivation for using a PPP approach was to transfer risks stemming from potential delays in the construction process. Another advantage was seen in the ability for private contractors to implement better solutions, new technologies and improvements during the building process. The public procurement process has been handled by the Stockholm County Council.

1. See the Nordic Innovation's project website on "Public procurement and innovation within the health sector", www.nordicinnovation.org/no/prosjekter/lighthouse-projects/public-procurement-and-innovation-within-the-health-sector-.

The involvement of the private sector in infrastructure financing could hold untapped potential to overcome public sector inefficiencies. Resources for infrastructure investment rest with the Ministry of Finance. They tend to be distributed periodically and across different needs, as distributing small portions of the cake to a large number of stakeholders can be politically more attractive than concentrating resources on priority projects in sequence. As a result, road construction projects are normally numerous but rather small, resulting in higher costs than would be incurred if fewer but larger projects were undertaken.

4.3. Public procurement, transparency and integrity

Public procurement is administered at the regional/county levels. Although many Swedish counties have limited capacity to administer public procurement (the neighbouring counties of Småland have around 5 staff each), Region Skåne has specialised public procurement services (over 70 staff). Given the significant importance of the health sector in the region, staff working on health procurement are highly specialised and the region is keen to pursue innovation in public procurement. On the downside, the region is competing with the private sector for expertise and once employees have attained working knowledge of health procurement, they are often recruited by the private sector. This causes high staff turnover in the regional administration and challenges the region's procurement administration.

Connecting users and providers to increase effectiveness in public procurement. Current regulation does not allow the regional administration, including the health sector, to engage directly with suppliers to negotiate prices. Disputes with suppliers have to be taken to court to be resolved, which adds to the administrative burden. In an effort to streamline the procurement process, the region aims at engaging doctors directly with suppliers to ensure that they (as users) get the products they need. The auditing process is perceived as valuable input to improving the procurement process.

Skåne aims at fostering innovation through the public procurement process. Similar to the Nordic Council Initiative¹¹ that seeks to find ways for public procurement to promote innovation in the health sector, Skåne has been pursuing related goals. Skåne has created its own innovation team for procurement in an attempt to create a holistic approach to procurement. One of its innovations so far was driven by procuring "holistically", where items should be bought in complementary batches. This concept has been named "Happy Meals", in an analogy of procuring whole meals instead of single ingredients.

Scale effects versus regulatory impediments in public procurement. For the purchase of products such as pharmaceuticals, the region aims at maximising economies of scale. It even tries to engage with Denmark's main hospital in Copenhagen, *Rigshospitalet*, to increase procurement quantities, but the

legislative process in Denmark seems to differ too much to increase the additional burden. The regulatory system in Sweden impedes such scale objectives. If tenders are too large, providers run the risk of being crowded out of the market. To prevent this, providers make use of the appeals process, which in turn renders the administrative burden too high. Court appeals have increased by around 40% in the last few years, largely because of the attempt to focus on greater quantities.

4.4. Public sector employment

The 32 000 staff employed by the region generally benefit from a number of incentives. Region Skåne promotes mobility within the regional administration. The Swedish national administration allows sub-national governments to set part of the public employment wages themselves (e.g. the increase based on economic development; certain employment benefits such as additional pensions, health care support, sick leave, additional training/education support, bonuses from divisions' surplus budgets). Region Skåne has used this flexibility to make part of its employees' wages performance-based. The rewards-based payment means that annual salary increases are not automatic for all public employees, and an employee can go without a salary increase in any given year.

Challenges for Skåne do not lie in the ability to attract talent, but rather in keeping it. Region Skåne has benefited from an engaged workforce and has invested in it to make them experts, for example in public procurement for health services. The challenge has been to retain staff after they have reached a certain expert level, at which point they become increasingly interesting for the private sector. As a consequence, there is significant staff turnover in the regional administration. In 2011, the procurement department saw 30% of its employees leaving, and about 37% new staff joining the department.

4.5. Monitoring and evaluating public investment projects

Monitoring and evaluating public investment projects remains a fairly centralised task. Given the policy setting and financing role of the central level authorities for transport, they remain responsible for monitoring and evaluation. The implementation of the regional development strategy is monitored and evaluations of the regions' efforts are conducted at the regional level. For example, a sizeable citizen survey has been carried out on regional development issues. However, given the low level of impact of the regional development plan, the evaluation process remains fairly ineffective in informing future policy processes. On the regional level and for transport monitoring, user feedback mechanisms are well established.

The innovation sector has conducted an evaluation of its cluster policy, which at the time of writing was not yet finalised. The new innovation projects have built-in monitoring mechanisms that will only prove their usefulness in informing policy or programmes some time in the future.

4.6. Horizontal co-ordination for land-use planning

Horizontal co-ordination for land-use planning has also been institutionalised in Sweden. If planning concerns several municipalities, the legislation in Sweden appropriates a regional plan. The municipalities concerned can make a joint demand to the government to appoint a regional planning body. Such a body currently exists in Stockholm and Göteborg.

However, Sweden's municipal planning processes could be significant barriers to infrastructure investment planning. Changes in land dedication for a different use imply a complex and potentially long administrative process. In some cases appeals to existing plans in order to re-dedicate land may take up to three or five years (see OECD, 2010).

5. Lessons learnt and good practices

Skåne has successfully fostered integrated regional public investment through a regional development approach mobilising all regional stakeholders. The formal instruments that guide integrated regional development in Sweden, namely the regional development programmes (RUP) and the regional growth programmes (RTP), have been well developed in Skåne, bringing sectoral representatives, municipalities, the private sector, not-for-profit organisations and many others together to formulate and agree on one policy agenda. Despite the fact that the regional policy agenda has not come with concrete resources to implement and monitor outcomes, it has created an important basis on which to mobilise resources available through other, central or municipal, channels.

The absence of autonomy over revenue and spending for public investment has created a strong multi-level governance mechanism nurtured by Region Skåne. As highlighted in this report, Sweden's hourglass governance configuration leaves Region Skåne with few own resources to decide on and manage public investments. This absence has, however, not prevented the region from shaping regional investment through a strong and direct engagement with the municipalities and the central government. The region aligns regional sectoral strategies closely to the central sectoral plans, so as to incentivise the central government to invest in the region. While this may imply that priorities for regional public investment are still largely determined by the national government, such a strategy gives the region greater influence over investment processes than would be possible otherwise. To further accelerate the implementation of the region's priorities, the region has found innovative financing mechanisms that allow for the central government to move some of Skåne's investment projects up its priority list. Municipalities are not only involved in policy development, but their concerns are also taken closely into account so as to avoid a specific project being blocked by a municipality that could potentially be quite detrimental.

The importance of EU mechanisms to foster public investment is not reflected in the actual share of EU structural and cohesion funds in the total regional public investment spending. Naturally, given its economic background Skåne has received a relatively small share of EU structural and cohesion funding. However, other accompanying measures from the EU have been used extensively. In particular, the cross-regional and cross-country collaboration and co-ordination platforms such as INTERREG or the European Transport Network (TEN-T) have been used effectively to exchange and collaborate between different regions and countries. They have also been used to collaborate with other regions on EU-funded priorities.

NOTES

- 1 In Sweden's local government legislation "region" is not formally defined. (For reference: "Sweden's Local Government Act", Ministry of Local Government and Housing, Stockholm, 2004).
2. The Öresund region is composed of Skåne, Zealand and the islands of Mön, Lolland, Falster and Bornholm.
- 4 Swedish Response to the OECD Questionnaire on Multi-level Governance of Public Investment, 2012

5. See Swedish Agency for Economic and Regional Growth (2010).
6. See www.hmSkåne.se.
7. See http://ec.europa.eu/transport/infrastructure/index_en.htm.
8. Swedish response to the OECD Questionnaire on Multi-level Governance of Public Investment, 2012
9. For details on the committee, see: www.oresundskomiteen.org/en/politics.
10. Swedish Response to the OECD Questionnaire on Multi-level Governance of Public Investment, 2012
11. See Nordic Innovation (n.d.).

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