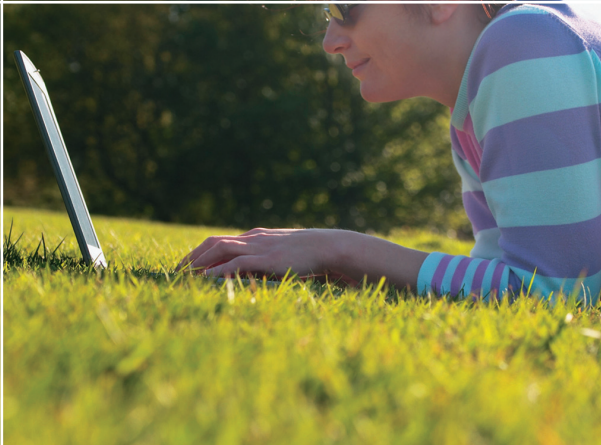


OECD Rural Policy Reviews

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Foreword

With gains in agricultural productivity leading to a dramatic reduction in farm employment, rural regions across the OECD now depend on a wide range of economic engines for growth. Increasing globalisation, improved communications and reduced transportation costs are additional drivers of economic change in rural areas. Traditional policies to subsidise farming have not been able to harness the potential of these economic engines. In 2006 the OECD published a thematic report *The New Rural Paradigm: Policies and Governance*, which seeks to explain the shift in rural development policies to account for these important economic changes and the new approach to governance that these policy approaches require.

Policies to develop rural places are beginning to take into account the diversity of economic engines as well as the diversity of rural region types. On the aggregate, rural regions face problems of decline with out-migration, ageing, a lower skill base and lower average labour productivity that then reduce the critical mass needed for effective public services, infrastructure and business development, thereby creating a vicious circle. However, there are many other rural regions that have seized opportunities and built on their existing assets, such as location, natural and cultural amenities, and social capital. The success of such dynamic rural regions is evident in regional statistics.

Promoting rural development poses numerous policies and governance challenges because it requires co-ordination across sectors, across levels of government, and between public and private actors. OECD countries have therefore been undergoing a paradigm shift in their approaches to accommodate such important challenges. The most defining characteristics of this shift are a focus on places rather than sectors and an emphasis on investments rather than subsidies.

The multi-disciplinary nature of rural development has contributed to the lack of comprehensive analytic frameworks to analyse and evaluate multisectoral, place-based approaches. The OECD will continue to work with other stakeholders worldwide to fill this knowledge gap. The OECD's work on rural development through the Group of the Council on Rural Development, created in 1990, was intensified with the creation in 1999 of the Territorial Development Policy Committee (TDPC) and its Working Party on Territorial Policy in Rural Areas. These bodies provide governments with a forum for discussing regional and rural development. In early 2006, under TDPC's guidance the Directorate of Public Governance and Territorial Development (GOV) launched a series of national rural policy reviews, such as this one, to deepen international knowledge in this field.

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The Review was directed by Mr. Roberto Villarreal, Head of the Regional Competitiveness and Governance Division, co-ordinated and drafted by Mr. José Antonio Ardavín under the supervision of Mr. Nicola Crosta of the OECD Secretariat. Mrs. Ilse Oehler drafted the chapter on public service delivery. External contributors were Mr. Mark Schucksmith (University of Newcastle, UK) and Mr. Hannu Katajamäki (University of Vaasa, Finland).

Valuable information was provided by authorities and civil society in the regions of Uusimaa and Itä-Uusimaa, Kainuu and North Karelia, as well as the municipalities of Kajaani, Ristijärvi, Sotkamo, Nurmes, Joensuu, Liperi and Outokumpu. Specific valuable inputs, data and graphs were provided by Mr. Janne Antikainen (Ministry of the Employment and the Economy), Mr. Tomas Hanell (CURS – Centre for Urban and Regional Studies, Helsinki University of Technology), Mr. Enrique Garcilazo and Ms. Brunella Boselli, from the OECD Secretariat. Ms. Betty-Ann Bryce contributed with the revision of the review, Mrs. Julie Lamandé and Mrs Erin Byrne prepared the Review for publication.

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List of Acronyms

| | |
|-------------------|--|
| CAP | [European] Common Agricultural Policy |
| CoE | Centres of Expertise Programme |
| IN | Intermediate regions (OECD Regional Classification) |
| EU | European Union |
| EAGGF | European Agriculture Guarantee and Guidance Fund |
| EAFRD | European Agriculture Fund for Rural Development |
| EFF | European Fisheries Fund |
| ESF | European Social Fund |
| ERDF | European Regional Development Fund |
| LAGs | Local Action Groups |
| MAF | Ministry of Agriculture and Forestry |
| MTI | Ministry of Trade and Industry |
| NUTS2/3 | [European] Nomenclature Territorial Units of Statistics |
| PR | Predominantly rural regions (OECD Regional Classification) |
| PU | Predominantly urban regions (OECD Regional Classification) |
| RCUAs | Rural municipalities close to urban areas (Finnish Rural Typology) |
| RCP | Regional Centres Programme |
| RHM | Rural Heartland Municipalities (Finnish Rural Typology) |
| RDPMF | Rural Development Programme for the Mainland Finland |
| RPC | Rural Policy Committee |
| SPRMs | Sparsely populated rural municipalities (Finnish Rural Typology) |
| TE-Centres | Employment and Economic Development Centres |
| TL2/3 | OECD Territorial level classifications, 2 and 3 |
| Ums | Urban municipalities (Finnish Rural Typology) |

Assessment and Recommendations

NOTE

Please note that this publication contains a French, Finnish and Swedish version of the assessment and recommendations of the review at the end of the book.

Veillez noter que cette publication contient une version française, finnoise et suédoise de l'évaluation et des recommandations de la revue à la fin du livre.

Julkaisu sisältää arvioinnin ja suositusten ranskan-, suomen- ja ruotsinkieliset versiot kirjan loppuosassa.

En version på franska, finska och svenska av utvärderingen och rekommendationerna finns i slutet av boken.

Finland is one of the most “rural” countries within the OECD...

Finland is a very sparsely populated country: Its average population density is 17.1 inhabitants/km² and in predominantly rural (PR) regions, according to the OECD Regional Classification, population density is only 11.5 inhabitants/km². According to this classification, Finland ranks fifth of OECD countries in terms of the share of territory covered by PR regions (89%) and ranks second both in terms of population that they host (53% out of a total population of around 5.3 millions) and in terms of the GDP produced within these regions (45%). The rurality of Finland is also evident in its culture and in the close relationship of Finns with nature and the countryside, most of them having strong family ties in rural areas, one out of every five Finns being forest owners and a growing number willing to reside permanently in the countryside either for reasons of higher quality of life during their professional life or for retirement purposes.

... with all its predominantly rural regions outperforming...

When compared with PR regions across the OECD, a remarkable finding is that all PR regions in Finland have GDP per capita above the OECD average and higher than average growth from 1998 to 2003. That is, if four quadrants are traced above and below OECD average, all predominantly rural regions in Finland are in the high-level (rich) and high-growth (strong performing) group. High productivity, commuting, population gain and working age rate are the factors contributing the most to GDP growth in the highest growing rural regions. Conversely lower productivity, population decline, lower employment rate and low percentage of working age population are among the most relevant factors explaining lower growth among rural regions in Finland.

... and its lagging predominantly rural regions catching up.

Remarkable is also that there are signs of convergence as the PR regions with lowest levels of GDP per capita and highest proportion of population living in

rural municipalities have been catching up, posting rates of GDP per capita growth higher than the national average (Kainuu 3.2%, South Ostrobothnia 3.6% and South Savo 3.9%, national average 2.8% in 1998-2003). Important to note, however, is that these regions are converging to the national average among other factors as result of out migration, thus influencing the marginal regional productivity in the region. This is evidenced by the fact that in terms of GDP, the real annualized growth in these three regions was lower than the national average (1.4%, 3.2% and 2.9%, respectively compared to 3.5% of Finland).

Nonetheless, there is an important degree of heterogeneity in terms of the challenges and opportunities of rural areas...

Recognising its rural character, Finland has developed, at a lower territorial level, a typology that facilitates the study and comparison of the disparities in the development between different types of rural areas. This typology, which has been agreed by the Government and academia, classifies municipalities into urban municipalities (UMs), rural municipalities close to urban areas (RCUAs), rural heartland municipalities (RHMs) and sparsely populated rural municipalities (SPRMs), which have a clearly differentiated situation:

- *The 89 rural municipalities close to urban areas (RCUAs), situated mainly in southern and western Finland, are becoming the municipalities with the fastest population growth and youngest age structure in the country. Their population grew 9% from 1995 to 2005 compared to 6.4% in urban municipalities (UMs) and to 2.7% in the whole country; they had in 2005 the highest birth rate (11.6/1000), the lowest mortality rate (8/1000), and the highest percentages of families with children (45%) and of population younger than 15 years (22%). The levels of wellbeing in these municipalities are high since they have an average income above the national average (101%) although lower than UMs (which have 108%), but they have less unemployment (8%, 3 percentage points lower than UMs), higher safety (half violent offenses per 1 000 inhabitants than UMs) and enjoy a combination of a natural environment and good infrastructure and service provision. Their economy is dominated by services (public 33% and private 41% of the total employment in 2004) and they have the highest share of employment in industry (24% compared to 17% in UMs) and construction (8% compared to 6% in all other types of municipalities) while only 5% in primary activities. The future seems very promising for RCUAs, although they face important challenges linked to commuting, fulfilling the high expectations in terms of services of a population that used to live in*

urban areas, and balancing development with preserving the attractive landscape and natural environment.

- *The 142 rural heartland municipalities (RHMs)*, mostly located in southern and western Finland, have seen their population decline 4.5% from 1995 to 2005, although at present they appear to be reaching a new equilibrium with smaller population, given that their net migration rates are approaching zero. The RHMs show mixed results in their socioeconomic indicators. In some, they are relatively distant from RCUAs and UMs such as income (86% of the national average) and education (76% of UMs compared to 90% of RCUAs in a Finnish general measure of education level), but in some other indicators of wellbeing, notably in unemployment and safety, they are practically at the same level than RCUAs, that is, better than UMs. They share with *sparsely populated rural municipalities (SPRMs)* a higher specialisation in primary activities (14% of employment in 2004) and with RCUAs a higher specialisation in industry (23%); therefore, they have a slightly lower share of employment in public and private services than the other two (30% and 24%, respectively). The specialisation in forestry and agriculture has made these regions vulnerable to the restructuring that the primary sector has experienced over the last decade (with 18 300 jobs lost in RHMs from 1995 to 2004). However, the balance at the end of the period in terms of job creation has been positive due to the diversification of farms (mainly into services such as tourism, transport, real estate management, and renewable energy production) and the creation of new firms not related to farming. In fact, RHMs have the highest rate of SME creation from 1993 to 2004 containing 54% of the new firms created in rural municipalities. Important challenges in this regard are the consolidation and internationalisation of this new type of firms growing in a rural environment which often lacks of many of the advantages that firms have in urban environments.
- *The 143 sparsely populated rural municipalities (SPRMs)*, mostly situated in eastern and northern Finland, are in the weakest position. They have depopulated over the past decade (12.5% from 1995 to 2005) with a higher proportion of youth and women leaving. This has, on the one hand, exacerbated the already rapid ageing phenomenon that Finland is experiencing (SPRMs have today 24% of population older than 65 years old, almost the 26% expected for the whole Finland in 2030), and on the other hand, has left these areas with an unbalanced gender structure (54% of the working age population is male). Compared to other types of rural municipalities and urban municipalities, SPRMs have the lowest education levels, lowest average income (75% of national average), highest unemployment rate (14%, 3 percentage points higher than UMs) and lowest quality of dwellings. As the other types of rural municipalities, they have

experienced important adjustments in their economic structure (agriculture decline, restructuring of public sector and relocation of manufacturing firms). However, in contrast to the other two types of rural municipalities, SPRMs have not been able to compensate for the job decline with enough new service jobs. Moreover, these trends have affected seriously the finances of their municipal governments further limiting their capacity to provide services – and jobs – to a much dispersed population. Nonetheless, these municipalities have significant potential still to be unleashed linked mainly to the tourism and nature recreation and holiday residential services sectors. These municipalities receive every year thousands of summer residents, which for example in 2004 increased the total population of SPRMs in the summer time by 42%.

... which evidence the pertinence of a place-based rural policy.

The significant changes that rural areas are experiencing in Finland highlight the pertinence of counting with a specific rural policy capable of accompanying this transition with an adequate mix of sectoral policies that takes into account the specific challenges and opportunities of the different region types. The recognition of this need in Finland is revealed by the fact that *rural policy* as a policy field (without a sectoral – agricultural – perspective) emerged in Finland before most OECD countries. By the time the OECD did a first approach to Finnish Rural Policy (OECD, 1995), this concept had already been discussed in Finland for a decade. The degree to which the relatively good performance of Finland’s rural regions is owed to this policy response is difficult to estimate. Notwithstanding, current standing of rural areas is more solid and promising than the 1995 one, when just hit by a severe recession, unemployment reached 18% in RHMs and RCUAs and 23% in SPRMs. Today, the need for rural policy is however not less important.

The “Finnish way” of rural policy...

At present, Finland defines rural policy in a way that balances well the co-ordination between sectoral policies in order 1) to guarantee an adequate attention to rural areas and 2) the importance of orienting specific programmes to promote rural development and competitiveness. Finland has achieved this by defining the scope of rural policy along two dimensions: The “broad rural policy” aimed at the first objective and the “narrow rural policy” aimed at the second. This approach is also a good balance between two extremes often found in OECD countries: The “grand plan” solution aiming to

integrate all policies into a territorial strategy, which has proved unachievable, and the “niche policy” solution which is very limited in its scope and budget.

... oriented and animated by the Rural Policy Committee...

The analysis of the Finnish case evidences the need to look not only at the place that rural policy occupies within the Government but also at the legitimacy that rural policy has “earned” among the different actors involved in rural affairs including politicians, government officials at all levels, academia, as well as among the rural population and its organised civil society. The place that rural policy has earned in Finland is largely due to the Rural Policy Committee (RPC), installed as Rural Development Project since 1988, but not recognised by law until 2000. This 29 member committee representing nine ministries and other 18 organisations has not merely been a device for integration of policy and bringing together diverse actors but it has been a prominent actor itself and a force for change. The place that rural policy occupies within the Government however, is still (as in many countries) a second best solution. Originally rural policy in Finland was framed within regional policy highlighting its cross-sectoral dimension and marking a clear distinction with agricultural policy. The institutional advances of “broad rural policy” have been leveraged by regional policy. However, EU rural policy influenced the decision of placing the Rural Policy Committee and Rural Development Programmes or “narrow rural policy” within the Ministry of Agriculture and Forestry. As in other countries, a tension of competing priorities and constituencies between agricultural and rural policy is generated. This was evidenced for example by the relatively low priority that rural development measures obtained within the preparation of the EU Rural Development Programme for Mainland Finland 2007-2013 as compared to agri-environmental support.

... has been reasonably successful in achieving coherence between sectoral policies in rural areas...

The RPC has among other functions the role of assisting the Government in drawing up and implementing the Rural Policy Programme which has specific decisions for different entities of the Government to undertake within what is called “Broad Rural Policy”. The Rural Policy Programme has been reasonably successful in achieving coherence between the sectoral policies oriented to rural areas. The evolution of four National Rural Policy Programmes (1991, 1996-2000, 2001-2004 and 2005-2008) and the Government Report to the

Parliament on Rural Policy 1993, Government Resolution on Rural Policy in 2001 and the two Special Rural Policy Programmes (2005-2006 and 2007-2010) adopted by the Government have provided a policy framework and a long term vision for rural policy. The distinction of the two types of programmes (National Rural Policy Programme and the Government Report/Resolution/Special Programme), where one contains *proposals* to be undertaken by a wide number of actors and the other contains *decisions* within the scope of the Government, contributes to the allocation of responsibilities, information sharing and link the planning and implementation stages. Key strengths of the process are: 1) the involvement of civil society and academia in the preparation as providers of local and technical knowledge reducing a critical knowledge gap that many central Governments have in targeting the priorities of rural policy, 2) the ownership of the programme by the different government and non-government actors involved, resulting from a long process of multi-arena negotiation and aligning the actions of all key stakeholders and 3) the clarity in the allocation roles and responsibilities within the Government and the annual or biannual monitoring and evaluation process on how the proposals/decisions have been put forward

... and “giving local content” to EU rural development funds.

Finland has wisely taken advantage of EU funding to build its narrow rural policy. The experience has been particularly successful with regards to the adoption of the LEADER approach and the work of Local Action Groups (LAGs). Among the factors that explain the success of this approach are: 1) the pre-existing network of voluntary village action (of 2 800 village associations in some 3 900 villages), which even before the funds were available, had strong traditions of community voluntary work “talkoot”, 2) the “mainstreaming” of LEADER oriented to cover the whole rural territory with this methodology using national funds (since 1997 with the introduction of the POMO programme) and with other EU funds (Regional Rural Development Programme ALMA and “Objective 1” programmes), 3) the participatory, tripartite structure of LAGs board, where local governments, local businesses and associations, and local inhabitants are all represented on an equal basis and 4) the autonomy of the LAGs in determining which projects to fund. Regrettably, rural development measures such as LEADER, which have proven successful, rely on limited funding, and the opportunity to enlarge them was not prioritized during the preparation of the Rural Development Programme for Mainland Finland 2007-2013. Instead, Finland decided to allocate less emphasis on rural development measures (Axis 3 – improving quality of life and diversification objective – and Axis 4 – LEADER) than many other

European countries. Notwithstanding, the total funding for the LEADER programme (which will include in the current programming period 55 LAGs) was carefully distributed throughout the country, favouring in per capita terms the most sparsely populated regions.

These achievements could be consolidated...

As one of the OECD countries with most marked rural character, and with a unique model of rural policy built over the last decades, Finland is in a strong position to reflect on the future of rural policy (which has evidenced its pertinence and its results at the scale of the resources and opportunities at hand). In order to consolidate the achievements accrued so far, recommendations are provided on three lines: 1) providing rural policy with its own place and resources, 2) improving its tools, particularly through institutionalisation of rural proofing and 3) strengthening local actors and bringing regional structures in tune with rural policy.

... by counting with a place and budget of its own...

Evidence across the OECD countries suggests that a body in charge of rural affairs should be able to act as a *super partes* actor, that is above and not inside the sectoral structure of the Government. In this way, it can: 1) contribute to the coordination of sectoral ministries; 2) be in a position to ensure the integration of urban and rural policies; 3) have its own financial capacity; 4) broaden the scope of support for rural communities to a “whole government” perspective; 5) create a climate of support for legitimate rural concerns; 6) and make a clear distinction of rural from agriculture, and help to re-engage the two in a positive, mutually supportive relationship. Therefore it is recommended:

- Strengthening the institutional role of the Rural Policy Committee. The RPC could be strengthened and properly core-funded to act as: 1) *rural supervisory body (ensuring rural proofing and fulfilment of the Rural Policy Programme)*, 2) *expert adviser to Government on rural issues and* 3) *advocate on behalf of rural communities*. In such role, the Rural Policy Committee would be better able to scrutinise and challenge the performance of all Government departments and public bodies.
- Untying (financially and institutionally) rural policy from agricultural policy. Consideration should be given to separating rural development and narrow rural policy from agricultural policy – both in relation to core funding (CAP) at the EU level, and in institutional terms at the national level (Ministry of Agriculture and Forestry). Such institutional separation would highlight the

fact that rural challenges extend beyond those of the agricultural sector. Moreover, counting with a specific budget allowance for rural policy programmes would not only enable rural policy to be less dependent on project funds but also allow the rural policy network to specifically orient resources with clear objectives and time frame.

... improving its tools for monitoring and rural proofing...

The Rural Policy Programme should continue the progressive improvements that it has been experiencing during the past years. While evaluation is carried out with respect to the agreed proposals/decisions, there are a number of knowledge gaps not fully covered: 1) related to the results of the proposals/decisions in the programmes, 2) the amount of public expenditure effectively spent in rural areas and more broadly, 3) the impact of sectoral policies in rural areas (rural proofing). In this regard, the following recommendations should be considered:

- Increasing the measurability of each proposal/decision and clarifying the inputs to be provided by different agencies (human and economic resources), the outputs expected and, above all, the outcomes in terms of “rural development” that are expected to be achieved and how these outcomes are related to the overall competitiveness strategy of the country.
- Considering performing an exercise oriented to improve the knowledge of who does what in rural areas and with what resources. This exercise could be made *ex post*, that is evaluating at the end of a given budget period how much resources of each ministry reached different types of rural areas, or *ex ante*, that is integrating the rural perspective into the discussions on budget allocations.
- Requiring the different Government departments, at all levels, and all public bodies, to demonstrate (through a checklist) that they have taken rural interests into account in framing and implementing policy *and* to include within their regional strategies a breakdown according to the rural typology or at least identify the extent to which their strategies will benefit rural areas.

... and strengthening local actors and bringing regional structures in tune with rural policy.

The actions of the Rural Policy Committee at the national level and those of village action and the LAGs at local and sub-regional level have constructed the current Finnish model of rural policy. The LAGs have demonstrated, with

their unique conformation of the board and principles of work, that they can play a “wider role” in their sub-regions. For that purpose they need to interact more institutionally with municipalities and regional actors. Additionally, at regional level there is no specific forum for the broad rural policy and more could be done to extend “rural thinking” among regional actors (both central Government’s representatives such as Employment and Economic Development (TE) Centres, State Provincial Offices and Environmental Centres among others, and local level representatives such as the Regional Councils). Therefore it is recommended:

- Strengthening and giving a wider role and better recognition to the Local Action Groups. In Finland Local Actions Groups' role is already wider than in many EU countries and they have gained their own place in the Finnish rural policy model. Considering the needs of the Finnish rural areas this kind of wider approach to LEADER should be strengthened. Giving them wider responsibilities and recognising them better would enable convincing and long-term cooperation with the municipalities, sub-regional development organisations, Regional Councils and central Government's representatives at the regional level.
- Creating rural divisions in all Regional Management Committees. These committees sit together regional actors to discuss the development perspectives of each region. The experience of some regions which have created rural divisions has been encouraging, sitting together at the regional level rural organisations, higher education institutions and other interest groups relevant to rural matters. In the context of the new Government structure, whereby regional policy is going to be transferred to a new ministry (Ministry of Employment and the Economy) combining trade, labour, innovation, energy and regional policy (since January 2008), counting with these divisions could improve the relationship of rural policy with these policy issues.

Key priorities discussed in this review for Finland's rural policy are:

Key priorities discussed in this review for the future are: 1) improving equity and efficiency in the delivery of public services in the context of an ageing and dispersed population, 2) enhancing the competitiveness of an increasing number of non-farm related rural firms and 3) improving the business environment in rural areas, taking advantage of its abundant natural amenities. Counting with a specific rural policy has been instrumental for bringing these priorities to the policy agenda and developing innovative solutions to face these challenges.

1) Ensuring equity and efficiency in the delivery of public services...

Finland's welfare system has been able to provide, even in remote rural areas, reasonably high standards of public services. This is noticeable in the areas of education and health, where Finland is among the OECD countries with lowest regional disparities. Nonetheless, Finland faces important challenges in public service delivery, particularly in sparsely populated rural municipalities which, as all municipalities in Finland, have the responsibility of *funding* (through a combination of local taxes and state grants) and *delivering* most public services (2/3 of basic services including education, social and health care, culture, environment and technical infrastructure). Despite the compensatory mechanisms, some rural municipalities have faced increasing difficulties in providing the statutory services. The main causes of these difficulties are the lack of critical mass for provision of services, difficulty in accessing more remote settlements and a shift in the demand for services due to demographic changes, which result in increased cost of services in these areas.

Finland has responded to these challenges through various means: 1) Policies oriented to foster co-operation between local authorities (through Joint Municipal Boards) and restructure the service delivery mechanisms (through the Framework Act which provides incentives for voluntary municipal mergers, or the Kainuu region administrative experiment, which concentrates service delivery obligations at the regional level). 2) Innovative ways of service delivery such as multi-functional and multi-purpose points of delivery (One Stop Shops combine public services from the municipality and state such as pensions, employment office, policy, city administrative court and local tax office, sometimes even with private services such as post), mobile services (for example adult training through mobile computer class and training unit and multiple service bus experiments for health, culture, shopping or gym for the elderly) and telematic and electronic services (for example free internet access points at shops, libraries, cafes or public offices; PC-Video conferencing for health services; peer training or laying experts in local computer classes, internet kiosks, cafes and at home). 3) Involving the private and the third sectors in the delivery of public services. There have been encouraging experiences of civil society contributing to improving local services not only through the network of local action groups and village action but also with larger scale initiatives.

... by devoting attention to sparsely populated rural municipalities...

Overall, Finland's rural policy has been quite assertive in its efforts to guarantee the provision of basic public services in rural areas. The Special Rural Policy Programme (2007-2010) contains a decision to prepare an action programme addressing the specific challenges of sparsely populated rural municipalities (SPRMs). In this context, the following recommendations are pertinent:

- Improve the knowledge about the region specific deficits in infrastructure and advances in completion of the deficit through a systematic strategy. A very concrete alternative could be assessing for the 143 SPRMs or for selected communities within them the deficit in a number of areas of service delivery and then seeking to complete them through the special action plan.
- Improve the adaptability of policies to demographic circumstances. Specific "seniorcentres" could be developed in SPRMs both as a mean to concentrate public and private attention for rural elderly population in rural areas and for generating a new economy with families dedicated to this activity.
- Evaluate with particular attention to the case of SPRMs the current system of local financing and government grants, as well as the effects of merging municipalities with emphasis on the capacity of these municipalities to achieve the established minimum standards of services and on the possible implications of concentrating services with respect to the more distant population.

... and fostering a strong alliance of the relevant actors.

- Enhance synergies between LAGs actions and municipal policies in service delivery. Municipalities and LAGs count with each other for finding solutions to local development projects. The challenge is to foster the chain of development from the villages to the sub-regions. More permanent LAGs can participate by involving citizens in improving their own service provision within the framework of the municipal strategies.
- Increase the participation of private and third sectors as allies in the delivery of services with an emphasis put on the monitoring of their "public responsibilities". However, the involvement of these sectors in the delivery of public goods should not crowd out their participation in productive activities, which is where, at least the private sector, has its principal role to

play. In this context it is important to ensure that the relative wages structure and labour markets do not provide negative incentives to work in productive activities.

- Increase the sharing of good practices and innovation between municipalities, among service providers and abroad. While the Association of Finnish Local and Regional Authorities already has a databank of best practices of municipalities in its website, and the DESERVE network exchanges these best practices with other countries, more could be done in terms of the systematisation and ease of implementation of best practices. In the framework of fiscal transfers, incentives could also be provided for the creation and adoption of cost efficient innovations and best practices. Finally, the inclusion of more countries into the exchange of best practices could benefit them from the Finnish experiences as well as provide new lessons to the Finnish context.

2) Strengthening the operational environment and competitiveness of rural firms by bridging existing business support to rural SMEs...

At the national level, Finland counts with a wide array of instruments oriented to promoting firm competitiveness along three lines, all of which could be strengthened in their “rural dimension”: 1) financial and business support, 2) policies to promote innovation and diffusion of knowledge and 3) policies for building relational assets or cluster policies.

Financial and business support instruments: There are a number of “rural-specific” instruments such as those included within the Axis 3 and 4 of the Rural Development Programme for Mainland Finland 2007-2013 part funded by the EARDF (previously EAGGF), which have proven in previous programming periods successful in promoting entrepreneurship, generating jobs and training rural firms. In addition, there are a number of advisory organisations close to the rural population but largely with a primary sector focus (Rural advisory centres, fisheries centres, forestry centres). At a much larger scale, the Ministry of Trade and Industry counts with various EU funded (ERDF and ESF) instruments available for SMEs, managed at the regional level by the Employment and Economic Development (TE) centres. While important efforts by joined efforts of EAGGF and ERDF have been made to bring financing and business advisory services closer to the rural population, such as the project “Sub-regional Business Services” oriented to establish a network of at least 60 regional business service points, still rural businesses, particularly the new entrepreneurs in non-farm related activities, have faced greater difficulties to receive financial support and advice. While the situation has

improved, this tacit divide of support should in principle not exist. Thus, it is recommended:

- Taking advantage of the multisectoral nature of TE-Centres to bridge further financing and business advisory services closer to the rural population. TE-Centres which already have the responsibility of both managing SME programmes at the regional level and managing EU Rural Development Fund, are in a privileged position to bridge and adapt the available instruments to rural non-farm businesses. They have a crucial advantage in reducing the problem of coordination of sub-national representations of sectoral ministries at the regional and local level which is a major disadvantage in other countries. The network of LAGs could connect rural businesses in start-up phase with TE-Centres services, not necessarily linked only to the Rural Development funds.

... *promoting innovation with emphasis on human capital*...

Policies to promote innovation and diffusion of knowledge: Finland has been a reference for many countries with respect to policies to foster innovation and interaction between businesses, academia and government – the so-called “triple helix” interaction model. However, the national innovation system has an implicit urban bias given its orientation towards R&D and technology firms. Notwithstanding there have been interesting experiences of models to enhance innovation activity of rural SMEs. These models and OECD experiences point to the following recommendations:

- Embracing a broader scope of innovation policy. The efforts of the Ministry of Trade and Industry of adopting a broader definition of innovation should be further incorporated into the national innovation system emphasising the role of learning within the innovation process, and the importance not only of creating innovation but adopting innovations generated elsewhere.
- Promote greater involvement of Higher Education Institutions (HIE) in rural development. The educational institutions in every rural region (universities, polytechnics, research institutes and even vocational schools – which are not HIE but in some areas are the highest educational institution-) could contribute further to rural development by engaging students in rural development projects during the years in which they undertake their studies and by participating the educational institutions themselves in the discussions on rural development within the Local Action Groups for example, possibly even forming part of their board.
- Encourage the development and attraction of human capital in rural areas. The efforts to upgrade the skills and know-how of rural population should

be flexible enough taking advantage, not only of work based learning, but also e-learning and distance learning opportunities, non-formal and informal learning. Efforts should be devoted to attracting human capital, with emphasis on the so-called “creative class” which has proven to have strong interest in rural amenities such as landscape and recreation, and which provides external innovation input to the localities.

... and external networking.

Policies for building relational assets or cluster policies. At present, the Finnish approach to regional competitiveness and regional specialisation (clusters) is made through two main programmes: The *Regional Centre Programme (RCP)* and the *Centres of Expertise Programme (CoE)*. These programmes have privileged centralisation and competition among regions, leaving rural economies beyond commuting range outside their scope. In the programming period 2007-2010 a regional section was incorporated to the Special Rural Policy Programme, which partially improves the situation by covering those areas left out of the RCP. The CoE on its part has increased its focus on “clusters” rather than on locations in its 2007-2013 version, which opens a window of opportunity for rural firms to benefit more from this programme. The way in which rural and urban areas interact has become the crucial factor to develop, with emphasis on networking outside the closest periphery. In this regard, it is recommended:

- Extending rural-urban knowledge networks. Rural-urban linkages should be supported in less simplistic and more flexible ways, taking advantage of commuting, summer houses, the strong “rural roots” of Finland’s urban population and other means of rural-urban interaction in order to compensate with external networking the lack of dense local networks in rural areas and facilitating transfer of knowledge beyond the proximity.
- Exploiting the rural dimension of cluster and regional development programmes. Efforts should be made to generate synergies between the Rural Policy Programme and the CoE and RCP considering the different ways in which rural and urban firms interact.

3) Improving the business environment in rural areas with an emphasis on a number of key “enablers”...

Policies oriented to improve the competitiveness of firms need to be complemented with other measures aimed to improve the “enabling environment” of the specific region that supports business activity. During the

last decade Finland has been able to build a “friendly environment” for Finnish and foreign businesses. However, many of the measures are “space-neutral”, that is, they do not differentiate among regions. Rural policy in its broad sense should pay attention to certain specific issues that might constitute drawbacks for rural areas in providing an adequate environment. In this regard, it is recommended:

- Improving the quality of transport infrastructure. Transport infrastructure varies considerably across regions. The maintenance of the transportation network in the sparsely populated areas of northern and eastern Finland is difficult and costly. Nonetheless, beyond traditional cost-benefit analysis for transport investments, a number of positive externalities have to be considered such as: 1) the impact in providing access to a wider labour market pool, 2) the reduction in transaction costs derived from faster access to suppliers and customers, 3) the expanded market reach (including choice of suppliers, as well as expanded customer base); and 4) reduction of land use constraints.
- Continue efforts to increase the use of broadband infrastructure and integrate different regional IT systems and facilitate teleworking in rural areas. The importance that Finland has given to extending the network of ICTs is undeniable. The accessibility ratio of broadband in Finland is one of the highest in the OECD (reaching already 96.1% of the households). However, the intake of those services has still room for further adoption, particularly in rural areas, since at present slightly more than half (53% in January 2007) of Finnish households have already broadband connection. Additionally there have been concerns regarding the incompatibility of different IT systems in different sectors and regions. Addressing these issues is important for the homogenised provision of national public services and for unleashing the potential of broadband as a mean for effectively levelling the playing field by reducing the physical barriers for rural businesses to participate in the knowledge economy.
- Access to financial services with emphasis on risk and innovation funding. Rural policy should aim at involving more private financial institutions in rural development. Difficulties linked to assessing the financial return of rural projects often discourage financial sector participation. Banks and other financial institutions may play a key role not only as credit providers but also as advisers, seed-founders, trainers, evaluators, etc. In particular they could fill the demand for funding firms aimed at diversifying rural areas at their initial stages.

... and under-used natural, cultural and historical amenities.

Policies to develop under-used natural, cultural and historical amenities are equally important. Finland has explicit policies oriented to promoting economic activity based on the enjoyment of natural resources such as the “Everyman’s Right” established in Finnish legislation. Additionally, local action has been oriented to improve the “quality of place” in many specific locations. Further coordinated actions could be taken in the following areas:

- Improve the valorisation and provision of rural amenities. Efforts oriented to promoting economic activity based on the enjoyment of natural resources should be strengthened by replicating the exercise of estimating the value (demand for) specific local amenities and encouraging the creation of market or market-type mechanisms to transfer benefits to the local population either by stimulating co-ordination between supply and demand or by improving regulatory or financial incentives.
- Promote rural tourism as a specific niche and replicate experiences that link tourism attraction with business development. Rural tourism should be promoted for its double advantage of being a growing niche worldwide and providing income streams to the rural population. Additionally, efforts should be devoted to linking rural communities to the already strong tourist attractions in Finland and as in the cases of Sotkamo and Kuusamo, take advantage of the tourist flows to develop specialisation and business development in other related sectors.

In sum,

Finland is one of the most rural countries within the OECD and it is also one of the early adopters of a multi-sectoral approach to rural policy. Among other things, this has helped policymakers to identify differentiated challenges for different types of rural areas (close to urban areas, rural heartland and sparsely populated). While the adaptation of sectoral policies to the specific needs of these areas still needs further advancement, the *Finnish model of rural policy* has been reasonably successful in achieving coherence between sectoral policies oriented to rural areas (the so-called *broad rural policy*) and in orienting specific programmes to promote rural development (the so called *narrow rural policy*). A crucial actor in these developments has been the Rural Policy Committee which despite having a relatively weak institutional role within the *Government*, plays a very important role in the *governance* of rural policy both as an instrument for bringing together diverse actors and as an advocate for rural communities. The achievements of more than two decades of rural

policy in Finland could be consolidated by giving this policy field a place and budget of its own, strengthening its tools for monitoring and rural proofing and bringing regional actors in tune with rural policy. Key priorities discussed in this review for the future are improving equity and efficiency in the delivery of public services in the context of an ageing and dispersed population, enhancing the competitiveness of an increasing number non-farm related rural firms, and improving the business environment in rural areas taking advantage of its abundant natural amenities.

Chapter 1

Rural Finland: Trends, Challenges and Opportunities

This chapter provides a detailed profile of Finland's rural areas, analyses its main trends and discusses on its challenges and opportunities. Section 1.1 analyses the rural territory: Its geography, assets and special features. Section 1.2 analyses the rural population: The main demographic trends, socioeconomic characteristics and quality of life indicators. Section 1.3 analyses the rural economy: Its performance, structure and sources of comparative advantage. Section 1.4 discusses number of issues that merit special consideration from the rural policy standpoint.

Key points

- **Finland is one of the most “rural” countries within the OECD.** According to the OECD definition of rural areas, Finland ranks fifth in terms of the share of territory covered by *predominantly rural* (PR) regions (89%) and ranks second both in terms of population that they host (53%) and in GDP produced within these regions (45%).
- **The rural territory** in Finland is heterogeneous along two dimensions: Northern and eastern regions have a greater dispersion and a higher proportion of population living in rural municipalities than southern and western regions; and along the peri-urban to remote continuum (as the Finnish Rural Typology identifies) there is a clearly differentiated situation in rural municipalities close to urban areas (RCUAs), rural heartland municipalities (RHMs) and sparsely populated rural municipalities (SPRMs).
- **The rural population** underwent important changes in its settlement patterns since the 1990s. On the one hand, migration towards RCUAs is turning them into the areas with the *fastest* population growth in the country and the youngest age structure. On the other, SPRMs and RHMs are facing *depopulation* although net out-migration rates, are turning less pronounced in both areas and approach zero in RHMs.
- Although Finland’s welfare system has been able to provide high quality education and health services even in remote rural areas, there are marked differences in several socioeconomic indicators between the types of municipalities. SPRMs are in the weakest position (with the lowest education levels, lowest average income, highest unemployment and lowest quality of dwellings among others). In the other extreme, RCUAs display socioeconomic indicators closer to those of urban municipalities – UMs – and even better (in the case of unemployment and safety among others). RHMs for its part show mixed results, in some indicators, is closer to SPRMs (such as income, education, health standards) but in some others is closer to RCUAs and UMs, notably in unemployment and safety.
- **The rural economy** has performed well by international comparison (all PR regions in Finland have GDP per capita above the OECD average and higher than average growth from 1998 to 2003) with a number of regions catching up. High productivity, employment rates and participation rates are the factors contributing the most to growth in the highest growing rural

regions. Although in general the most competitive sub-regions in the country are urban, certain rural areas rank among the top quartile.

- Over the past decade, the rural economy experienced structural adjustments in three of its most predominant sectors (primary sector, public sector and manufacturing). At present, the rural economy is much more diversified with an important growth of private services and entrepreneurship. The comparative advantages of the Finnish rural economy include its strong forest industries cluster, renewable energy, the holiday residential economy as well as tourism and nature recreation.
- **The future of rural areas** points to a number of important policy issues that deserve consideration: 1) the impact of outmigration in the age-, skill- and gender-structure of remote rural areas, 2) availability of public and private services as precondition for sustainability, 3) the integration of rural areas with the knowledge-base urban economy; and 4) the impact of climate change in a country with such extreme climate conditions.

Introduction

Finland is a country with singular characteristics often ranking in the extremes of many international comparisons. It is the most northern country in the EU, characterised by very low temperatures [average annual temperature 1971-2000 was +5.6 °C in the south (Helsinki) and -0.8 °C in the north (Sodankylä, Lapland)]. Its territory (338 000 km²) is covered predominately by forests (86%), making it one of the largest forest lands in Europe (Statistics Finland, 2004). It is also the world's richest country in waters with a total freshwater area of 33 000 km² and one of the most endowed with islands in Europe, with 76 000 islands of more than one hectare (Island Committee, *n.d.*).

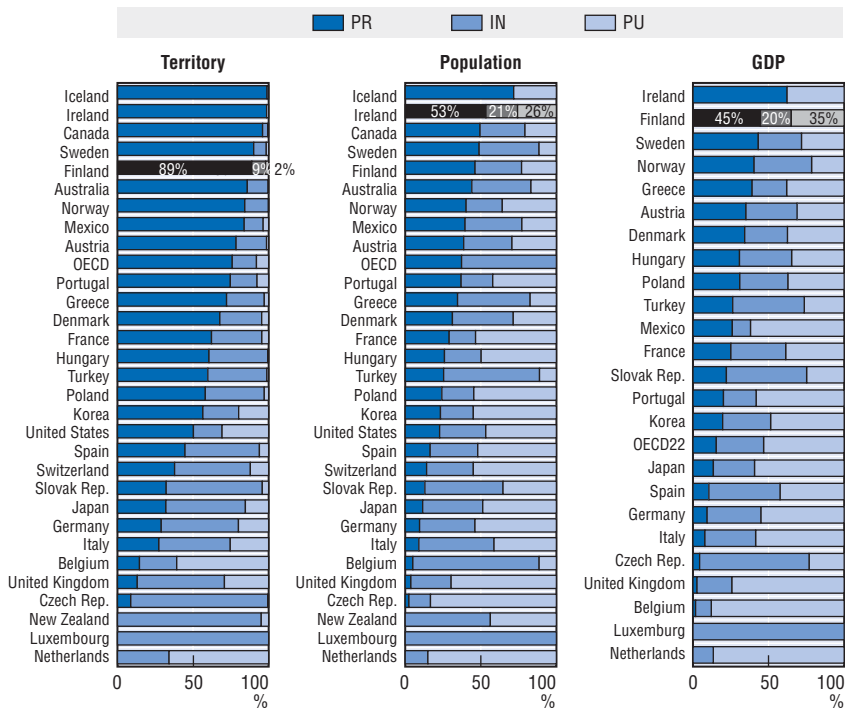
Its "rurality" is also one of Finland's remarkable characteristics. Finland ranks within the top five among OECD countries in terms of rural territory, population and share of GDP. According to the OECD regional classification and database, up to 89% of Finland's territory corresponds to predominantly rural regions, the fifth highest percentage among OECD countries, after Iceland, Ireland, Canada and Sweden. Moreover, among OECD countries, Finland has the second highest rural population (after Ireland) and second highest GDP share of rural regions (again after Ireland). Over 53% of Finland's population lives in predominantly rural regions and approximately 45% of Finland's GDP is produced in predominantly rural regions.

The rurality of Finland is also evident in its culture and the strong rural ties of its population. Besides the precise measurement, which varies according to the methodology used (see below), the rurality of Finland is evident in its valuable cultural heritage and the keen relationship of the Finns to nature and the countryside. For instance, most Finns have strong family ties

to rural areas and an increasing number seek to reside permanently in the countryside for different reasons, from higher quality of life during their professional life to retirement.

This chapter begins with a detailed profile of Finland's rural areas and ends with a discussion on its challenges and opportunities. The bases for analysis are the three indicators depicted in Figure 1.1 territory, population and GDP. Section 1.1 analyses the rural *territory*, describing its geography, assets and special features. Section 1.2 focuses on the rural *population* and analyses the main demographic trends, socioeconomic characteristics and quality of life of the population. Section 1.3 analyses the rural *economy* with emphasis on its performance, structure and sources of comparative advantage. Finally, Section 1.4 analyses a number of issues that merit special consideration from the rural policy standpoint.

Figure 1.1. **Spatial, demographic and economic proportions of Finland's rural regions**
 OECD regional classification, TL3



1.1. The rural territory

Extension and geography

According to the OECD definition of rural areas (see Box 1.1), 400 municipalities out of 432 are considered rural because of having population density below 150 inhabitants/km², as reflected in data available for 2002. These municipalities host 55.9% of the population and cover 98.62% of the Finnish territory. These figures are comparable with the *Finnish Rural Typology* (see Box 1.2) which classifies 374 municipalities as rural (26 less than the OECD¹). According to this typology approximately 41.7% of the population and 94.1% of the territory is considered rural. Both the OECD Regional Classification and the Finnish Rural Typology are used throughout the review

Box 1.1. OECD regional classification

The OECD has classified regions within each member country. To take account of the differences and establish meaningful comparisons between regions belonging to the same type and level, the OECD has established a regional typology according to which regions have been classified as predominantly urban (PU), predominantly rural (PR) and intermediate (IN) using three steps:

1. The first step consists in classifying regions at a lower geographical level (local units) as rural if their population density is below 150 inhabitants per square kilometre (500 inhabitants for Japan and Korea, to account for the fact that its national population density exceeds 300 inhabitants per square kilometre).
2. A second step consists in aggregating this lower level into TL3 regions and classifying the latter according to the percentage of population living in local units classified as rural. A TL3 region is classified as: Predominantly Urban (PU), if the share of population living in local units classified as rural is below 15%; Intermediate (IN), if the share of population living in local units classified as rural is between 15% and 50%; Predominantly Rural (PR), if the share of population living in local units classified as rural is higher than 50%.
3. An additional criterion is based on the size of the urban centres contained in the TL3 regions: A region that would be classified as predominantly rural on the basis of steps 1 and 2, becomes intermediate if it contains an urban centre of more than 200 000 inhabitants (500 000 for Japan and Korea) representing at least 25% of the regional population. A region that would be classified as intermediate on the basis of steps 1 and 2 becomes predominantly urban if it contains an urban centre of more than 500 000 inhabitants (1 000 000 for Japan and Korea) representing at least 25% of the regional population.

Box 1.2. Finnish Rural Typology

In 1993 Finland created a typology of regions with the aim of using it as a tool in rural policy. They also so called “trisection” approach, distinguishes between three types of rural areas at municipal level: Rural municipalities close to urban areas (RCUAs), rural heartland municipalities (RHMs) and sparsely populated rural municipalities (SPRMs). The Finnish Rural Typology has been updated in 2000 and in 2006. The Rural classification in 2006 was effected by applying a stepwise area typological process:

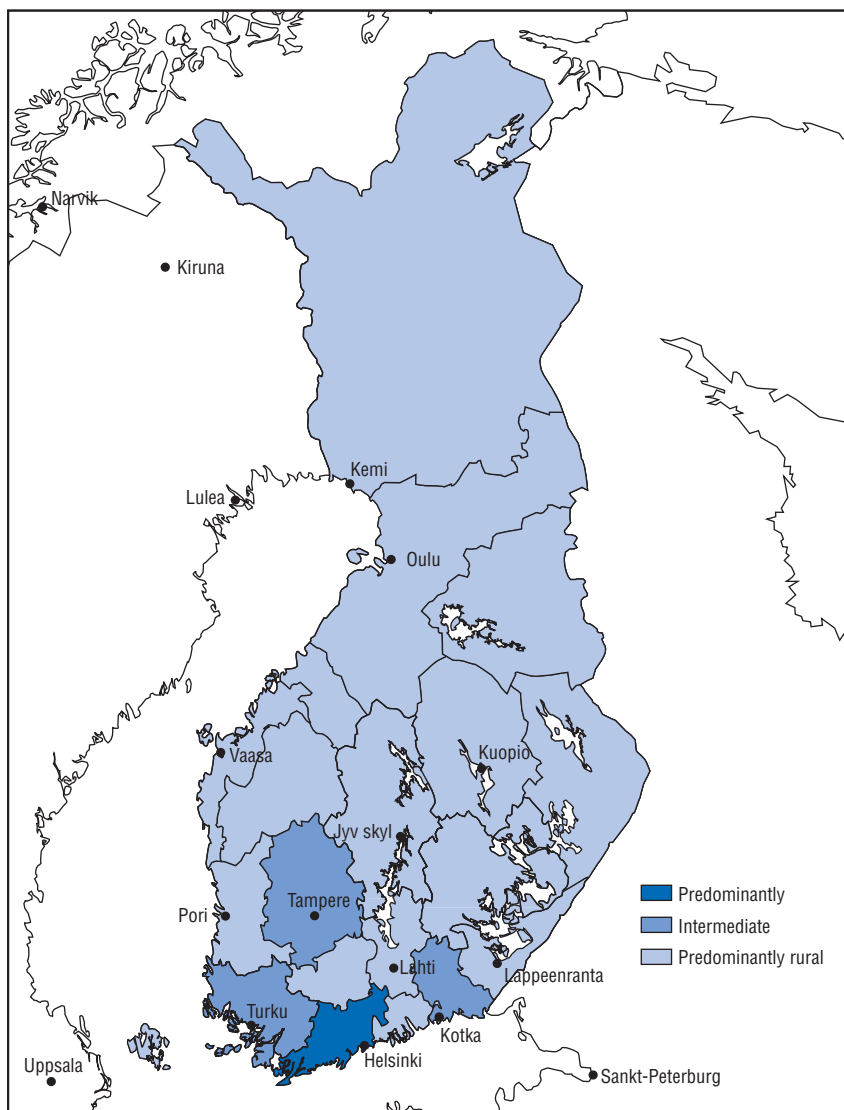
- Urban municipalities were identified in the Study on Urban Networks and Districts (2006) as those municipalities which form centres of the economically most important centres of population. This group of urban municipalities was extended to include town-like municipalities of relatively small land area and population. The basic criterion for this extension was the proportion of the population living in rural locations within the municipality.
- RCUAs were identified according to the volume of commuter traffic between the rural locations within the municipalities and their target centres (large centres of employment, i.e. the centres of urban municipalities and other population centres of over 15 000 people).
- The remaining municipalities were identified as either RHMs or SPRMs with the help of a multivariate analysis (principal component analysis). Municipalities were arranged along the rural heartland municipality – sparsely populated rural municipality using ten variables relating to rural character, degree of isolation and sparseness of population. The borderline between rural heartland municipalities and sparsely populated rural municipalities was brought into closer focus by examining the values for each individual municipality of the selected variables used in the analysis.

Source: Ministry of Agriculture and Forestry (MAF) (2006b), *Types of Rural Areas in Finland*.

since the former allows for international comparisons with regions of similar densities and the latter allows for a deeper understanding of the specific circumstances of rural municipalities.

For the purpose of international comparisons, the OECD classifies *regions* into predominantly rural, intermediate or predominantly urban, according to the percentage of population living in rural municipalities. Thus, at *regional level* (*maakunta* for Finland, TL3 for the OECD or NUTS 3 for EU countries), the OECD classifies the 20 regions of Finland as follows: 16 as predominantly rural (PR), three as intermediate (IN) and one (the Uusimaa Region, where Helsinki is) as predominantly urban (PU). Figure 1.2 shows a map of Finland according to this classification.²

Figure 1.2. **Finland's regions according to the OECD regional classification**
Territorial Level 3 (TL3) 2007



The extreme northern latitude of Finland, its relatively long territory (1 420 km from its northernmost point Nuorgam to its southernmost point Hanko) and its polycentric urban structure, imply significant heterogeneity of rural areas at least along two dimensions:

- According to their geographical location (northern and eastern regions are more “rural” than southern and western regions). The regional differentiation can

be observed in Table 1.1 which presents the 5 greater regions of Finland (TL2 or NUTS2) ordered by the percentage of population living in rural municipalities according to the Finnish Rural Typology. For consistency of the statistics provided throughout this chapter as well as for clarity to local Finnish audiences, whenever regions are ordered according to their percentage of population living in rural municipalities (either TL2 or TL3), “rural municipalities” are those considered as such in the Finnish Rural Typology (see Annex 1.1 for figures at TL3 level according to both the OECD and Finnish Rural Typology)

- *Along the peri-urban to remote continuum:* The Finnish Rural Typology classifies rural municipalities into three groups: Rural municipalities close to urban areas (RCUAs, 89), rural heartland municipalities (RHMs, 142) and sparsely populated rural municipalities (SPRMs, 143) (Figure 1.3). Since this typology is at the municipal level, it allows the identification of significant differences between these three types of municipalities, discussed in the following sections.

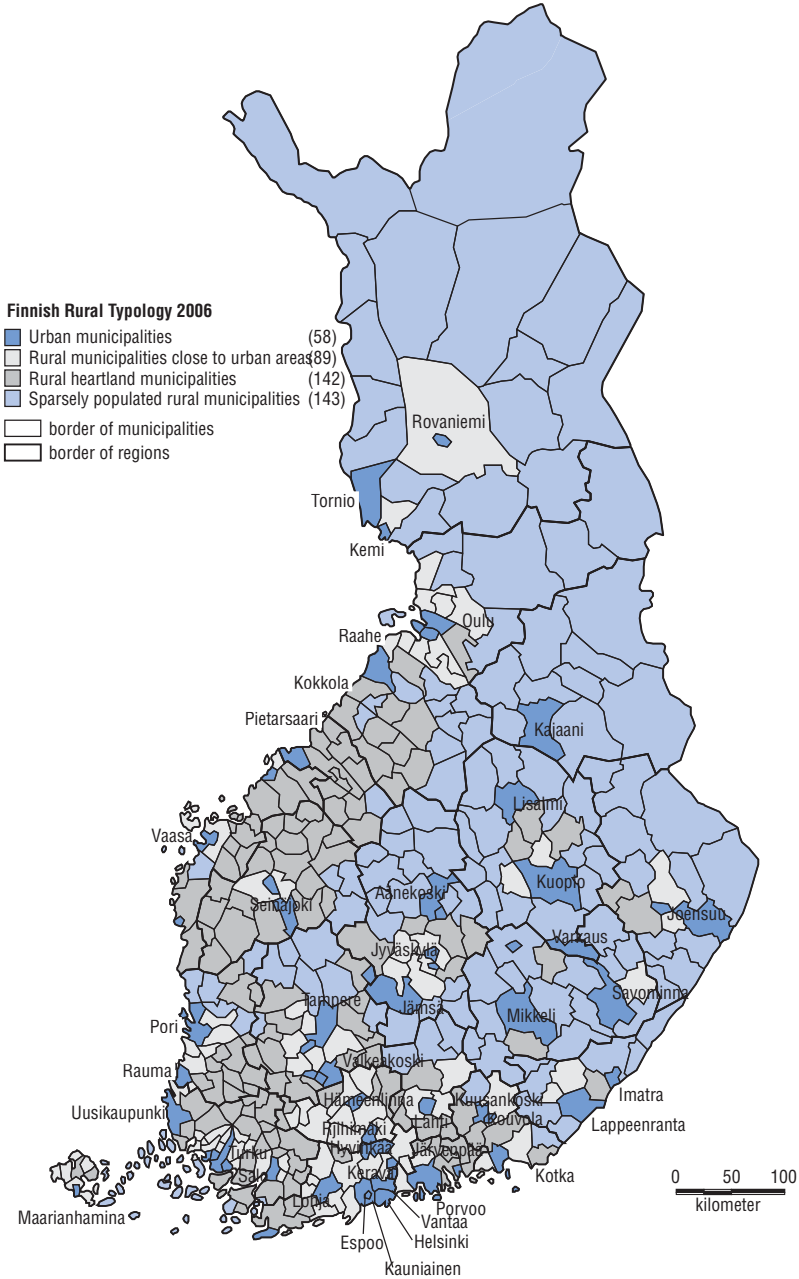
Table 1.1. **Population living in rural localities by greater region in Finland**
OECD regional classification, TL2 regions, 2002

| Greater region | Rural % | Urban % | Total % |
|------------------|------------|------------|------------|
| Åland | 59.51 | 40.49 | 100.00 |
| Northern Finland | 54.58 | 45.42 | 100.00 |
| Eastern Finland | 53.49 | 46.51 | 100.00 |
| Western Finland | 54.97 | 45.03 | 100.00 |
| Southern Finland | 28.51 | 71.49 | 100.00 |

Distinctive assets

Characteristic features of rural Finland are its fragmented landscape, its abundance of surface water, islands and forests. According to the Statistical yearbook 2005, 10% of Finland's total area is water. There are 188 000 lakes, of which 56 000 are larger than one hectare; 647 rivers and 314 000 km of coastline. All Finnish municipalities have water resources in the form of rivers or lakes and almost all have islands. There are 76 000 islands larger than half a hectare (Island Committee, *n.d.*). Rural areas hold, for obvious reasons, close to the totality (90%) of watercourses, 66% of which are in sparsely populated rural areas (see Table 1.2). Of the total land area, 86% exhibits a forestry vocation, 67% is considered highly productive forest, 9% is low productive forest, 10% other land for forestry. Only 9% is predominantly suited for agriculture and the rest is built-up and related land (METLA, 2005, Figure 1.4).

Figure 1.3. **Finland's municipalities according to the Finnish Rural Typology**
2006



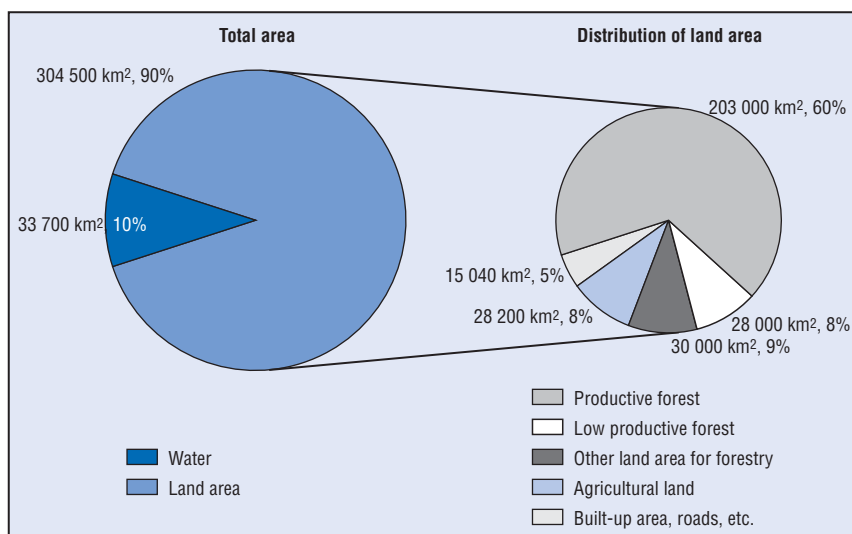
Source: Ministry of Agriculture and Forestry (MAF) (2006b), *Types of Rural Areas in Finland*.

Table 1.2. **Surface of land and water area by type of municipality**
2005, Finnish Rural Typology

| | Surface of land, km ² | % | Watercourse, km ² | % |
|---|-------------------------------------|-------|---------------------------------|-------|
| Urban municipalities | 26 547 | 8.7 | 3 733 | 10.9 |
| Rural municipalities close to urban areas | 28 396 | 9.3 | 3 395 | 9.9 |
| Rural heartland municipalities | 59 604 | 19.6 | 4 481 | 13.1 |
| Sparsely populated rural municipalities | 189 565 | 62.3 | 22 715 | 66.2 |
| Whole country | 304 112 | 100.0 | 34 324 | 100.0 |

Source: Statistics Finland.

Figure 1.4. **Distribution of Finland's land and watercourses**
2005



Source: METLA Finnish Forest Research Institute webpage (www.forest.fi).

1.2. The rural population

Demographic trends

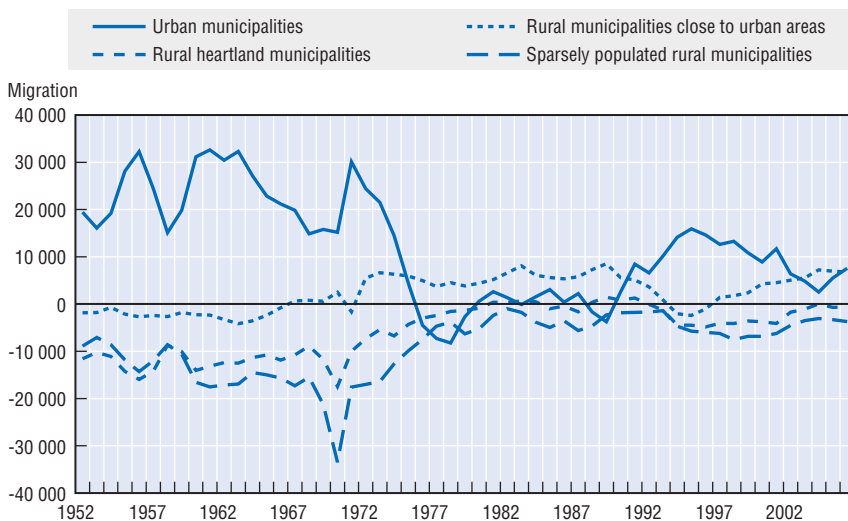
The rural population underwent important changes in its settlement patterns since the 1990s...

Concentration and dispersion have been two determinant forces in the dynamics of population growth and internal migration in Finland. The relative weight of these forces has changed over different periods of Finland's history: In the *industrialisation period* (from the late 19th century to the 1960s), the strong reliance on natural resources and the logistics of the forest sector in

particular, favoured dispersion. The period between the 1960s and early 1970s was characterised by concentration (known as “the great move”) as resource-based development partly declined thus favouring migration from rural to urban areas. The period from the 1970s until the early 1990s was characterised by “balanced development” based predominantly upon the foundation of a strong national welfare state and industrial policy which supported the growth of regional and local centres in the less-favoured regions, along with a process of decentralisation (labelled *regionalisation*). (Ministry of the Interior, 2007)

During the 1990s a marked period of urbanisation started favouring five “winner” cities.³ From 1980 to 2004, Finland was the country with highest population growth rate in predominantly urban areas in the EU and the sixth among OECD countries. This period was also characterised by a continued decline in the agricultural and forestry labour force (see further) and the rise of the new informational economy. The experience of the deep economic recession of the early 1990s, and the quick economic recovery initiated the most recent wave of rural to urban migration. Besides the capital, Helsinki, a relatively small number of cities emerged as *winner* of this new wave: Salo, Oulu, Tampere and to a lesser extent Turku and Jyväskylä (OECD, 2005a).

Figure 1.5. **Net migration into different types of municipalities**
1952-2006, Finnish Rural Typology

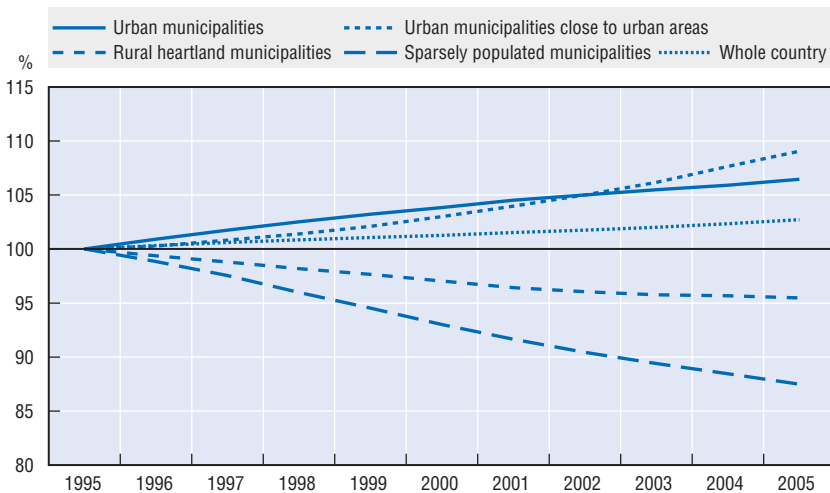


Source: OECD based on Ministry of the Interior (2007a) “Trends in Regional Development” Background Material for the OECD Rural Policy Review of Finland, prepared by Antikainen Janne, Department for Development of Regions and Public Administration, 27 February 2007.

... turning rural municipalities close to urban areas into the zones with highest population growth and younger age structure...

RCUAs are at present the areas with the highest population growth in Finland. The first part of this new concentration wave was characterised by “urban centralisation”, but during the mid-1990s rural municipalities close to urban areas joined the growth trend and soon became the municipalities with the highest population growth in Finland (Figure 1.6). From 1995 to 2005 population in these areas grew by 9% compared to 6.4% in urban areas and 2.7% in the country. Several factors contributed to this development. First, as the IT-boom declined after 2002 due to increased international competition, a new period of territorial decentralisation started, driven by competence-based growth in other sectors. Second, the largest urban areas (especially Helsinki and Tampere) extended their influence (to approximately a 100 km radius) impacting the development of nearby regions. Thirdly, lifestyle choices have evolved as a result of new job patterns and technological advances, increased valuation of natural environments and greater interest for quality of life. (Ministry of the Interior, 2007)

Figure 1.6. Population trends by type of municipality
1995 = 100, Finnish Rural Typology



Source: Statistics Finland ALTIKA (Regional Database) (2006), Indicators according to the Finnish Rural Typology 2006.

As a result, RCUAs are also the regions with a younger age structure. Besides having the highest immigration rates, a large number of young families chose these areas to raise their children. So, these municipalities have the highest birth rate (11.6 live births per 1 000 population vs. 10.9 in UMs,

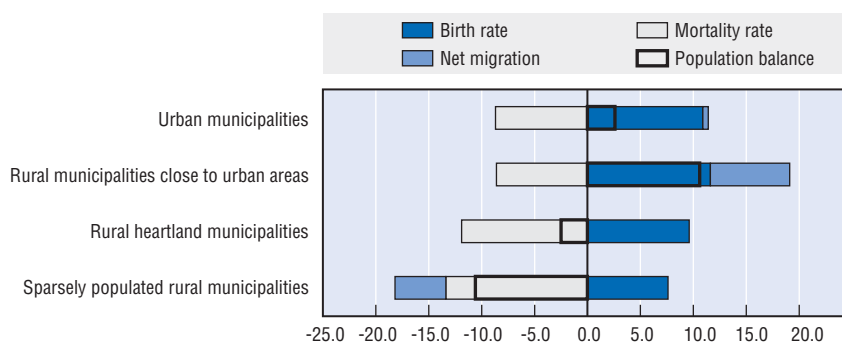
9.6 in RHMs and 7.6 in SPRMs) and the lowest mortality rate in the country (8 per thousand population, vs. 8.7, 11.9 and 13.4, respectively). Consequently, they have an exceptional population balance for Finland as local population is rejuvenating (Figure 1.7). The percentage of families with children as percentage of total families is 45% (comparable to 41, 39, and 36 in the other types of regions, respectively) and 22% of the population are younger than 15 years.

... while depopulation is threatening some communities in sparsely populated and rural heartland municipalities

In contrast, RHMs and SPRMs have had negative population growth and negative net-migration rates during the past decade. From 1995 to 2005 the total population of RHMs decreased by 4.5% and that of SPRMs by 12.5%. As Figure 1.5 shows, however, net out-migration rates are turning less pronounced in both areas and approach zero in RHMs. Nonetheless, because of the demographic age structure biased towards relatively older population, the mortality rate in these municipalities has been higher than the birth rate for a number of years (Figure 1.7). Furthermore, the rural to urban migration is expected to continue; forecasts indicate that a large proportion of the Finnish territory will see its population reduced by between 18% and 54% by 2040, while cities and surrounding municipalities will grow between 15% and 60% (Statistics Finland, 2006, see section 1.4 below).

Out-migration has significant effects in the expulsing areas. As young and more educated and trained people have the highest propensity to leave rural areas, this contributes not only to the ageing of the rural society but reduces the size and average skills of the labour force, impacting the income

Figure 1.7. **Population balance by type of municipality**
2005, Finnish Rural Typology



Source: Stakes (National Research and Development Centre for Welfare and Health) (2007), SOTKAnet web service database, www.stakes.fi/EN/tilastot/index.htm.

generation capacity of these areas. Consequently, there is lower taxation income to finance public services – even though there is lower demand for certain public services (such as schools) there is higher demand for other services (such as healthcare and welfare services). These issues, which have important policy implications, are addressed in detail in Section 1.4.

Socioeconomic profile

Although Finland's welfare system has been able to provide high quality education and health to rural areas...

Finland has a well developed welfare system, especially in education and health, with a history of success in achieving high quality standards.⁴ Overall, rural areas have benefited from these high standards. Although RHMs and SPRMs often show lower levels, it is remarkable that disparities observed in health and education indicators are rather small:

- *Education attainment is significantly high in rural areas despite average lower education levels.* A measure of educational attainment based on the average number of years of study after basic education shows that in 2005, SPRMs and RHMs had on average 2.1 and 2.4 years, respectively, while RCUAs and UMs have 2.8 and 3.1 years respectively (Stakes 2007, see Table 1.3). A study of education by type of municipalities – which does not report results for RHMs⁵ – (Heikkilä et. al., 2002) evidences that, not surprisingly, there is a higher proportion of population with only comprehensive (primary) school level in rural areas (26% in SPRMs, 13% in RCUAs and 12% in UMs) to some extent reflecting access to education for older generations. However, rural areas have a reasonably high level of population with intermediate education (67%, compared with 68% in RCUAs, 62% in UMs) showing the improvement in access to education for newer generations in more recent decades. While the proportion of population with university/polytechnic level is markedly lower in rural areas (19% in RCUA, 7% in SPRM) than in urban areas (26%), at regional level, Finland scores the lowest regional disparities in terms of attainment of tertiary education among OECD countries (OECD, 2007a).
- *Student performance in Finland's rural areas is almost as high as in urban regions and higher than the level of rural and urban areas in most OECD countries.* According to the PISA education evaluation of the OECD (2003 and 2006), rural students in Finland (measured in this occasion as those living in localities of less than 15 000 inhabitants) have almost as high scores as those in urban areas, which is indicative of the quality of the education system even in small localities. This is also acknowledged by the fact that Finland repeated in 2006 as the country with highest average scores, markedly in the science field. While the average performance in OECD

Table 1.3. **Selected wellbeing indicators by type of municipality**
Finnish Rural Typology, 2003-2005

| | | Sparsely populated rural municipalities | Rural heartland municipalities | Rural municipalities close to rural areas | Urban municipalities | Relative to urban municipalities | | |
|---|------|---|--------------------------------|---|----------------------|----------------------------------|------|------|
| | | (a) | (b) | (c) | (d) | a/d | b/d | c/d |
| Income | | | | | | | | |
| Average income per salary earner per year, Euros | 2003 | 15 164 | 17 245 | 20 294 | 21 817 | 0.70 | 0.79 | 0.93 |
| % of average national income | 2003 | 75 | 86 | 101 | 108 | 0.69 | 0.79 | 0.93 |
| Tax rate | 2004 | 19 | 19 | 18 | 18 | 1.03 | 1.02 | 1.00 |
| Debt per inhabitant | 2004 | 1 131 | 1 112 | 987 | 1 252 | 0.90 | 0.89 | 0.79 |
| Education | | | | | | | | |
| Measure of educational level (average years of education after basic education) | 2005 | 2.1 | 2.4 | 2.8 | 3.1 | 0.70 | 0.76 | 0.90 |
| Those aged 17-24 not in education or training per 1 000 persons of same age | 2004 | 110 | 114 | 120 | 112 | 0.98 | 1.01 | 1.07 |
| Average student performance in reading | 2006 | | 540 | | 552 | | 0.98 | |
| Average student performance in mathematics | 2006 | | 547 | | 549 | | 0.99 | |
| Average student performance in science | 2006 | | 561 | | 566 | | 0.99 | |
| Average student performance in problem solving | 2003 | | 546 | | 550 | | 0.99 | |
| Health | | | | | | | | |
| Outpatient physician visits in primary health care per 1 000 inhabitants | 2005 | 2 007 | 2 057 | 1 869 | 1 784 | 1.12 | 1.15 | 1.05 |
| Patients seen by a physician in primary health care per 1 000 inhabitants | 2005 | 737 | 748 | 659 | 652 | 1.13 | 1.15 | 1.01 |
| Inpatient primary health care, patients per 1 000 inhabitants | 2005 | 64 | 40 | 22 | 22 | 2.85 | 1.80 | 0.97 |
| Hospital care, care days per 1 000 inhabitants | 2005 | 3 584 | 2 675 | 1 967 | 2 549 | 1.41 | 1.05 | 0.77 |

Table 1.3. **Selected wellbeing indicators by type of municipality** (cont.)
Finnish Rural Typology, 2003-2005

| | | Sparsely populated rural municipalities | Rural heartland municipalities | Rural municipalities close to rural areas | Urban municipalities | Relative to urban municipalities | | |
|---|------|---|--------------------------------|---|----------------------|----------------------------------|------|------|
| | | (a) | (b) | (c) | (d) | a/d | b/d | c/d |
| Employment | | | | | | | | |
| Long-term unemployed, as % of unemployed population | 2005 | 22 | 23 | 27 | 26 | 0.82 | 0.86 | 1.01 |
| Unemployed people, as % of labour force | 2005 | 14 | 9 | 8 | 11 | 1.23 | 0.81 | 0.74 |
| Unemployed young people, as % of labour force aged 15-24 | 2005 | 14 | 10 | 10 | 14 | 0.96 | 0.70 | 0.70 |
| Security | | | | | | | | |
| Violent offences recorded by the police per 1 000 inhabitants | 2004 | 5 | 4 | 4 | 7 | 0.70 | 0.54 | 0.50 |
| Other measures of Wellbeing | | | | | | | | |
| Morbidity index, age standardised | 2005 | 117 | 104 | 94 | 99 | 1.17 | 1.04 | 0.95 |
| % Household-dwelling units living in overcrowded conditions | 2005 | 12 | 12 | 12 | 9 | 1.32 | 1.29 | 1.32 |
| % Household dwelling-units with one person | 2005 | 38 | 35 | 30 | 40 | 0.95 | 0.87 | 0.74 |

1. Latest available year. Figures above average are highlighted for the first four columns and figures above one for the last three columns.

Source: Stakes (2007), SOTKAnet Indicator Bank (2007), OECD (2003a) and OECD (2006e), PISA Database.

countries in the four categories (reading, math, science and problem solving) is around 500 points in urban areas and close to 480 for rural areas, in Finland the average score is above 540 for both areas (and above 560 in science for both areas). The difference between rural and urban average score is as small as 2 points in mathematics, 5 points in science, 12 points in reading (in 2006) and 4 points in problem solving (in 2003). Figure 1.8 shows how the average student performance in rural Finland is higher than the average urban performance in all OECD countries in science, mathematics and, with the exception of urban Korea, also in reading. This is a remarkable fact.

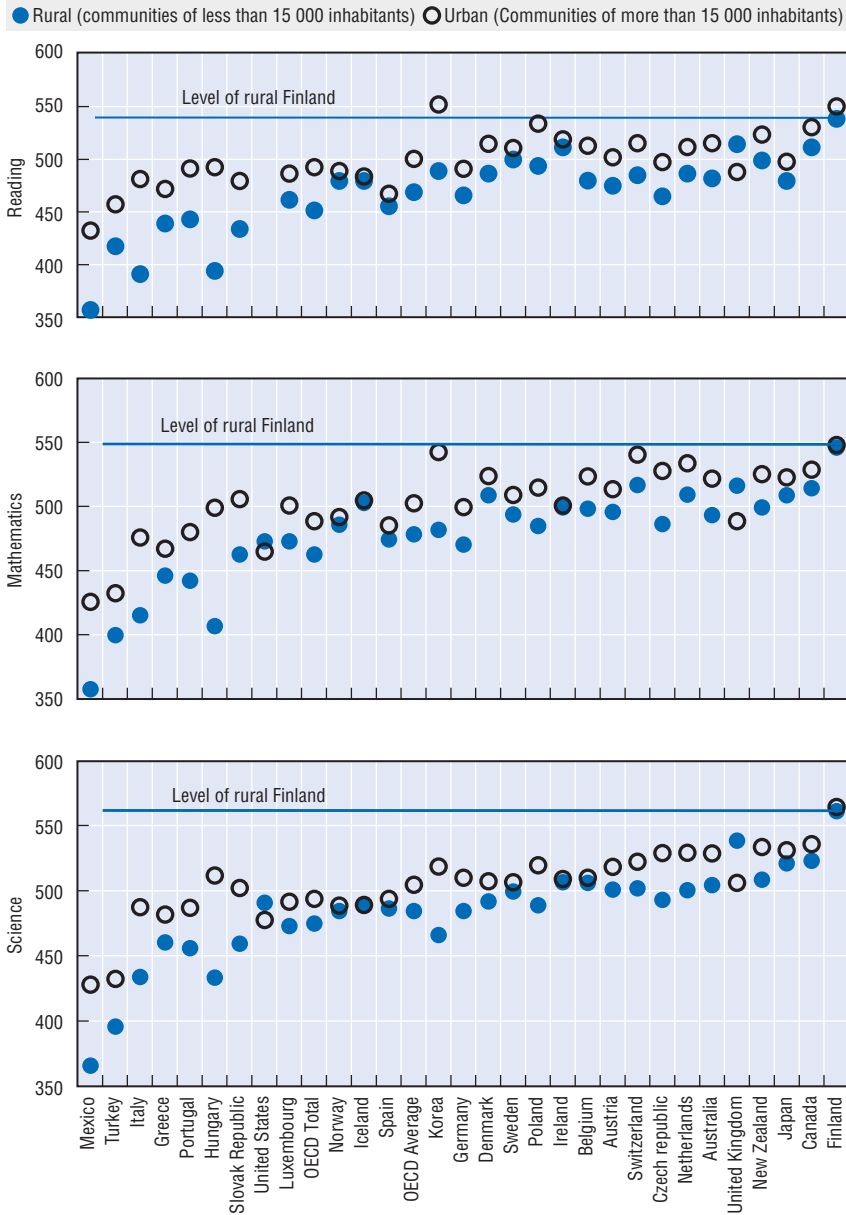
- *Disparities in health standards* are among the lowest in OECD. In terms of health indicators (age adjusted mortality rates), and in availability of health services (nursing staff and hospital beds per 1 000 inhabitants) Finland is among the OECD countries with lowest regional disparities in health standards (OECD, 2007a). Nonetheless RHMs and SPRMs evidence higher medical attention needs (there are about 200 more visits per 1 000 population and almost 1 000 more hospital care days per 1 000 population in SPRMs than in RCUAs and UMs), reflecting the relatively lower health status of the rural population, which is significantly linked to the age structure as previously noted (Stakes 2007, see Table 1.3).

... there are marked differences between the types of rural areas, in terms of income, unemployment and other measures of wellbeing

The differences between RHMs and SPRMs with RCUAs and UMs are more evident when looking at certain indicators such as income, unemployment and other general measures of wellbeing. These differences are summarised as follows:

- *Income disparities have remained considerably stable during the past decade.* Figure 1.9 shows the income level (from income under state taxation) for the different types of municipalities as percentage of national average. The figure evidences a reduction in the relative income level of SPRMs from 78% in 1995 to 75% in 2003 (Statistics Finland ALTIKA 2006). However, the relative decline occurred mostly during the second half of the nineties. After 2000 a convergence trend is perceived, as both urban and the three rural types of municipalities converge to the national average, thus narrowing the disparities.
- *GDP per capita figures using the OECD typology corroborate the disparities.* From 1995 to 2003, the average GDP per capita of predominantly rural regions declined from 88% to 85% of national average. Figure 1.10 shows these figures for all Finnish regions, ordered by the percentage of population living in rural municipalities (according to the Finnish Rural Typology, see

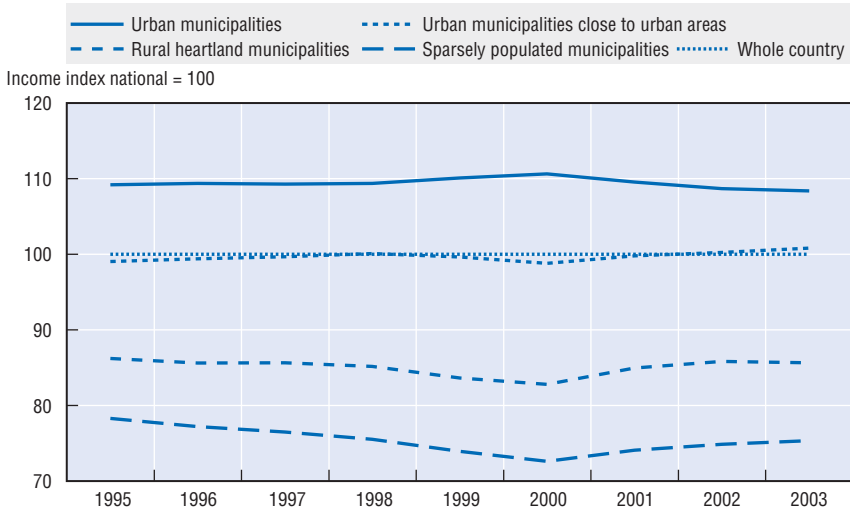
Figure 1.8. **Average student performance in rural and urban communities**
 OECD PISA evaluation 2006



1. Rural communities are communities with less than 15 000 inhabitants, Urban communities are those with more than 15 000 inhabitants.

Figure 1.9. **Income levels by type of municipality**

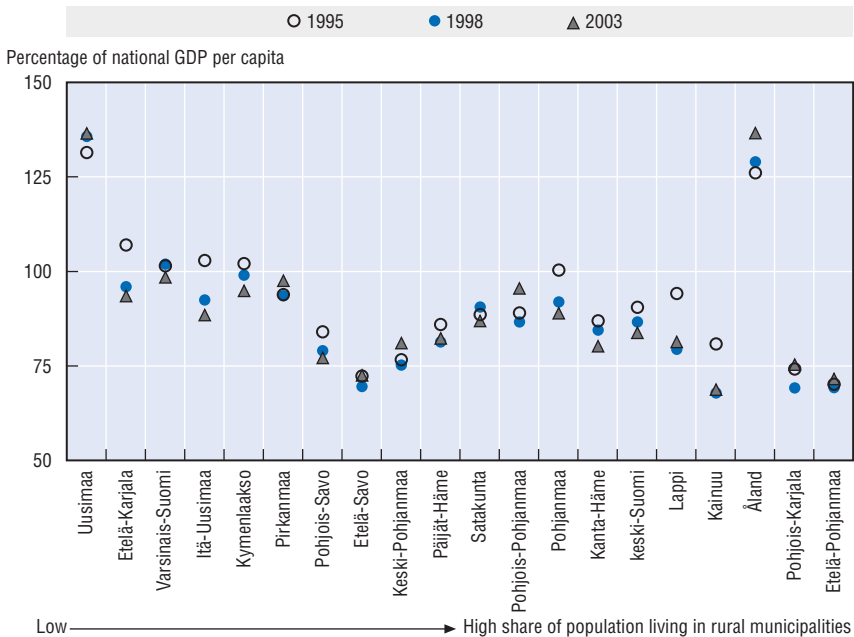
Percentage of national average, 1995-2003, Finnish Rural Typology



Source: Statistics Finland ALTIKA (Regional Database) (2006), Indicators according to the Finnish Rural Typology 2006.

Figure 1.10. **GDP per capita relative to national average by region**

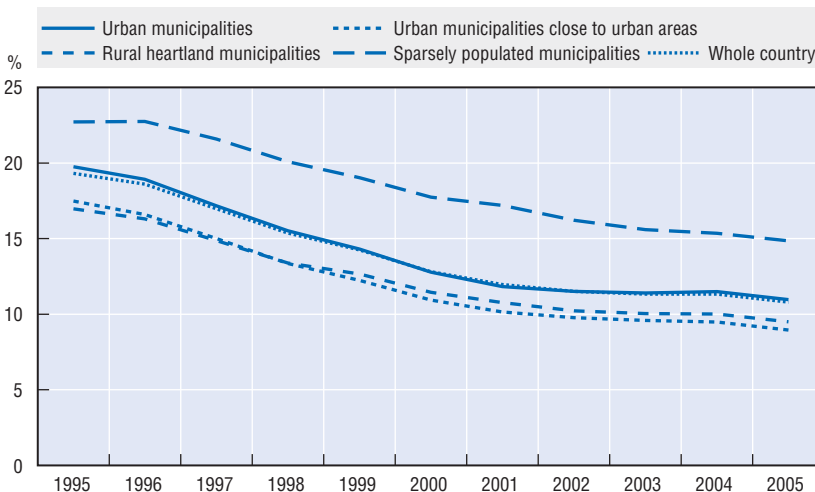
OECD regional classification. Ordered by the percentage of population living in rural municipalities, 1995, 1998, 2003



Annex 1.1). These figures show a strong relationship between this measure of the degree of “rurality” and lower income, since three of the four regions with GDP per capita equal to or lower than 75% of national average in 2003, are among the regions with the highest rural population share (Kainuu, North Karelia and South Ostrobothnia). Moreover, while in 1995 several predominantly rural regions were close or above the national average (South Karelia, Ostrobothnia, Itä-Uusimaa), in 2003, only Åland was above the national average (OECD Regional Database).

- *Unemployment is higher than the national average in SPRMs but lower in RHMs and RCUAs.* Throughout the mid-1990s to early 2000s the unemployment rate declined in all rural areas (Figure 1.11). While the greatest decline occurred in SPRMs, these municipalities still had in 2005 considerably higher unemployment rates (15%), than other rural areas and than the national average (10%) (Statistics Finland ALTIKA, 2006). Moreover it is important to consider that in SPRMs the decline in unemployment occurs in a context of a shrinking labour force, which implies that at least a proportion of the reduction in unemployment is explained by the migration of unemployed people to other regions. In contrast, in RHMs and RCUAs areas unemployment rate has stayed 1-2 percentage points lower than the whole country’s average (Malinen *et al.*, 2006). This is an important result which reflects also the high level of self employment and entrepreneurship in these areas (see next section).

Figure 1.11. **Unemployment rate by type of municipality**
1995-2005, Finnish Rural Typology



Source: Statistics Finland ALTIKA (Regional Database) (2006), Indicators according to the Finnish rural typology 2006.

- *Quality of dwelling equipment is lower and overcrowding is higher.* With respect to the number of people living in badly equipped dwellings, all types of rural municipalities have higher percentages than UMs. The difference was highest for SPRMs (15% versus 5% in UMs) but closely followed by RHMs (13%) and RCUAs (10%) (Heikkilä et al., 2002). There are also relatively high levels of households that live in crowded conditions in rural areas, although the differences have narrowed. In 1998, 18% of households in SPRMs had more than one person per one room compared to 15% for RHM, 16% for RCUA and 14% for UMs. In 2005 the average in the three types of rural municipalities was 12% and in UMs was 9% (Stakes 2007, see Table 1.3).
- *There are marked differences in the ownership of housing across rural areas.* Information available by type of municipality (although RHMs are not considered in this study) for 2001, evidence that while in the SPRMs the most prevalent type of flats are owned (46%), in RCUAs, the most prevalent categories are owned flats paying residential debt (43%) which reveals an active housing market in these type of regions. By contrast, in UMs most of the residences are rental apartments (40%) or owned flats (32%). (Heikkilä et al., 2002)
- *Safety levels are higher in rural areas than in urban areas.* Finland is a very safe country; unsafely is experienced by few people (2% in UMs, 1% in RCUAs, and 3% in SPRMs) (Heikkilä et al., 2002, -the study does not provide information for RHMs). However, incidents of violent crimes as well as the amount of minors taken into custody have increased in all municipalities from 1990 to 2004 and noticeably in SPRMs (from 4 to 5 crimes and from 5 to 8 minors per 1 000 inhabitants), closing its gap with urban areas (7/1 000 crimes and 13/1 000 minor infractions) (Karvonen and Rintala 2004, Stakes 2007).

In sum, the rural population of Finland has benefited as a whole from a comprehensive welfare state which has been able to provide high standards of education and health services even in remote localities. This is reflected in low regional disparities in educational attainment, student performance and health standards at regional level. Notwithstanding, there are marked differences in several socioeconomic indicators between the different types of municipalities, SPRMs being in the weakest position. This type of municipalities has lower skills, lower income, higher unemployment and lower quality of dwellings than other types of rural municipalities and urban municipalities. In the other extreme, RCUAs display socioeconomic indicators closer to those of urban municipalities (for example income, education, health standards, morbidity index), and even better (in the case of unemployment and safety among others). RHMs on its part show mixed results, in some indicators is closer to SPRMs (such as income, education, health standards) but in some others is closer to RCUAs and UMs, notably in unemployment and safety.

1.3. The rural economy

As noted in the introduction, based on the OECD definition, close to half of Finland's GDP (45%) is produced in predominantly rural (PR) regions, which places Finland in the second place, after Ireland, among OECD countries in this respect. This result is due partly to the fact that most of the regions in Finland (16 out of 20) are classified under the OECD typology as predominantly rural regions. In any case, if half of Finland's GDP is produced in 16 PR regions, that evidences also the concentration of economic production in the four other regions, which is higher than the concentration of population. The result, as previously noted is a lower GDP per capita in PR regions. From a comparative (across OECD countries) and dynamic perspective, relevant questions deserve detailed consideration, so as to assess public policies aimed at raising per capita income and productivity in Finland's rural areas: How does GDP per capita in Finland's rural regions compare with other regions across the OECD? How have rural regions performed in terms of economic growth? How do rural areas compare with urban areas in terms of competitiveness indicators? How is the rural economy structured and how has this structure changed? What are the current and potential comparative advantages of the rural economy? This section seeks to answer these questions.

Comparative performance among OECD rural regions

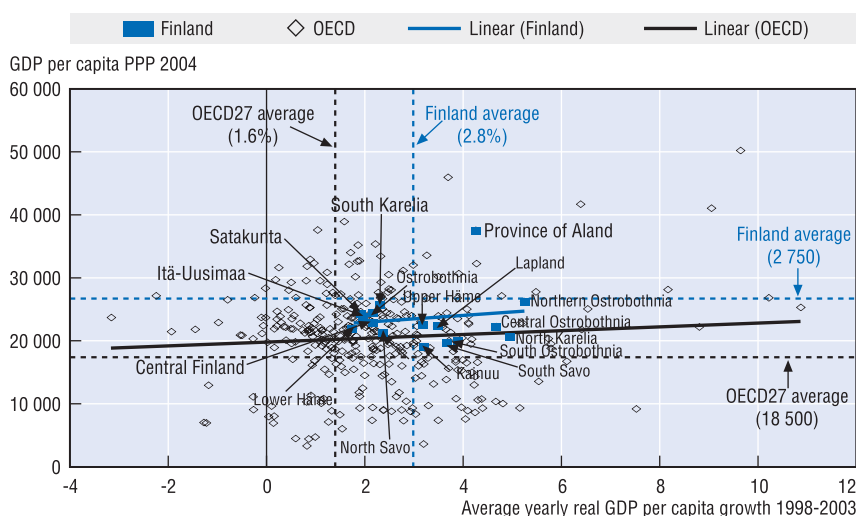
By international comparison, rural regions in Finland have performed relatively well, with some of the poorest regions catching up

GDP per capita levels and growth are above the average of OECD in Finland's rural regions. Figure 1.12 shows the GDP per capita and GDP per capita growth of Finland's rural regions (using the OECD typology) in comparison with rural regions of other 27 OECD countries. An important result from this comparison is that absolutely all predominantly rural (PR) regions in Finland have GDP per capita above the average of PR regions across the OECD (18 500 USD in purchasing power prices for 2003) with 6 out of 16 regions being in the third quartile, 7 being in the second quartile and only 4 being in the first (lowest) quartile. Moreover, all PR regions in Finland had an average annual GDP per capita growth above OECD average (1.6%) from 1998 to 2003 (OECD Regional Database). Thus, if the four quadrants are traced above and below OECD averages in levels and growth of GDP per capita, all Finland regions are in the high-level and high-growth quadrant. This is a remarkable fact.

With respect to Finland's average there is greater variance. As noted earlier, only the Province of Åland has GDP per capita above the national average. However, eight PR regions, including some of the poorest ones, grew

Figure 1.12. **GDP per capita levels and growth in Finland's and OECD's PR Regions**

OECD regional classification, 1998-2003 (TL3)



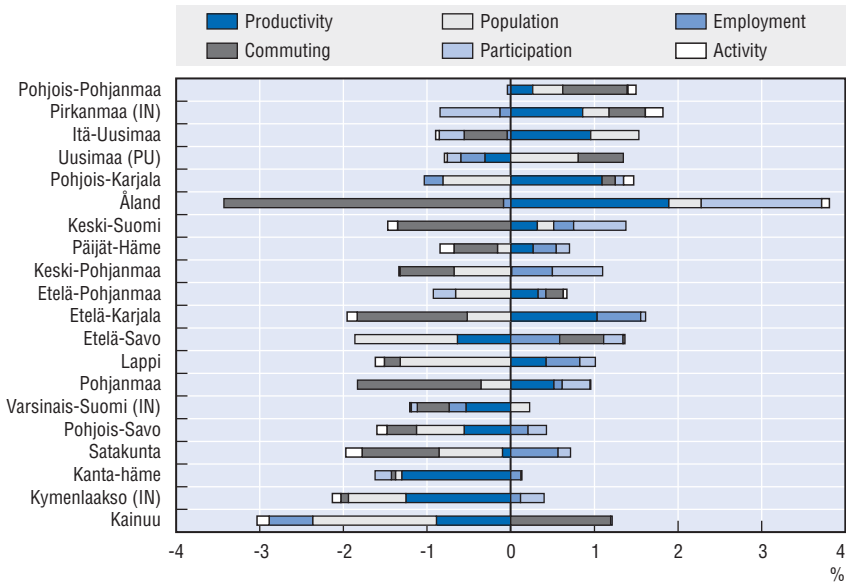
more than Finland as a whole (2.9%) and were in the third quartile in terms of GDP per capita growth among OECD PR regions. These regions were Northern Ostrobothnia (5.2%), North Karelia (4.9%), Central Ostrobothnia (4.6%), the Province of Åland (4.2%), South Savo (3.9%), South Ostrobothnia (3.6%), Lapland (3.4%), Kainuu (3.2%) and Päijät-Häme (3.2%). The three regions with the lowest GDP per capita and highest proportion of rural population (Kainuu, South Savo and South Ostrobothnia) are in this category. In fact, (excluding the province of Åland) there is a low but negative correlation between levels and growth of GDP per capita (-0.17), which is indicative of a general convergence trend.

However, the growth in GDP per capita of the remote and poor regions is also strongly influenced by the population decline. In order to account for this and other factors, Figure 1.13 shows a decomposition of the difference in GDP growth in each of the Finnish regions with respect to the national growth during the period 1998-2003. Differences in GDP growth are decomposed into 6 factors: Differences in productivity growth, differences in population growth, differences in employment rate growth, differences in participation rate growth, differences in the working age rate growth (share of population 25-65 years old) and differences in growth of a factor of commuting (see Annex 1.1 for a detailed explanation of the methodology used).

Growth in productivity, commuting, population and working age rate are the factors contributing the most to GDP growth in the strongest performing

Figure 1.13. **Factors explaining differences in regional GDP growth with respect to national growth in Finland**

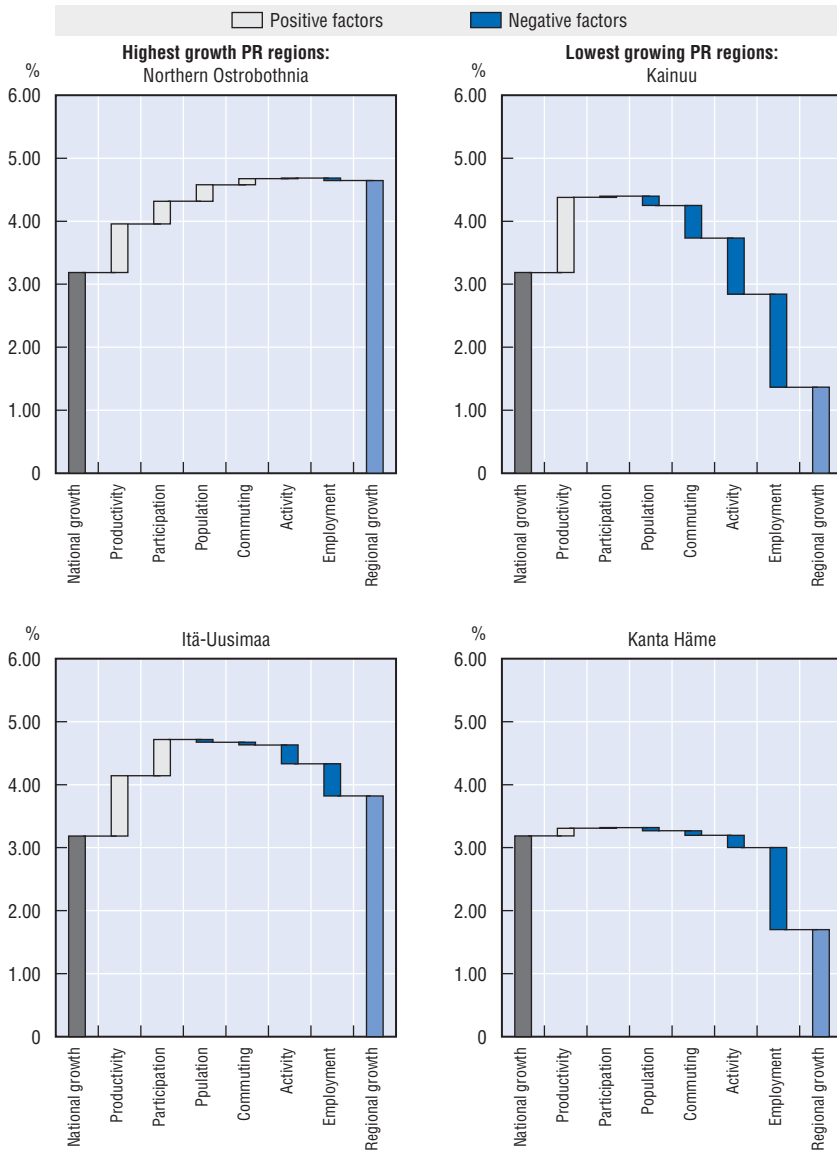
OECD regional classification, 1998-2003 (TL3)



rural regions. Conversely lower productivity, population decline, lower employment rate and lower percentage of working age population are among the most relevant factors explaining lower growth. These factors contribute in different ways for every region as depicted in Figure 1.14, which shows the decomposition of the growth gap for the two PR regions with the highest growth (Northern Ostrobothnia, Itä-Uusimaa) and the two PR regions with the lowest growth (Kainuu and Kanta-Häme). The growth of commuting, population and productivity in Northern Ostrobothnia are relevant factors in explaining the higher growth with respect to the national growth. In Itä-Uusimaa (neighbour region to Helsinki) higher productivity and population gain played the most significant role, and commuting, as in most predominantly rural regions played a negative role. The lower growth in Kainuu is strongly influenced not only by its unfavourable demographic developments but also by lower productivity and labour market performance with lower employment rate and working age rate. In Kainuu commuting contributes positively to the region's growth which implies that in contrast to most predominantly rural areas, which attract people to live but commute elsewhere for work, more people work than reside in Kainuu. The lower performance in Kanta-Häme, is largely due to lower productivity, with other factors playing a minor role.

Figure 1.14. Factors explaining faster and slower growth in selected PR regions

OECD regional classification, 1998-2003 (TL3)



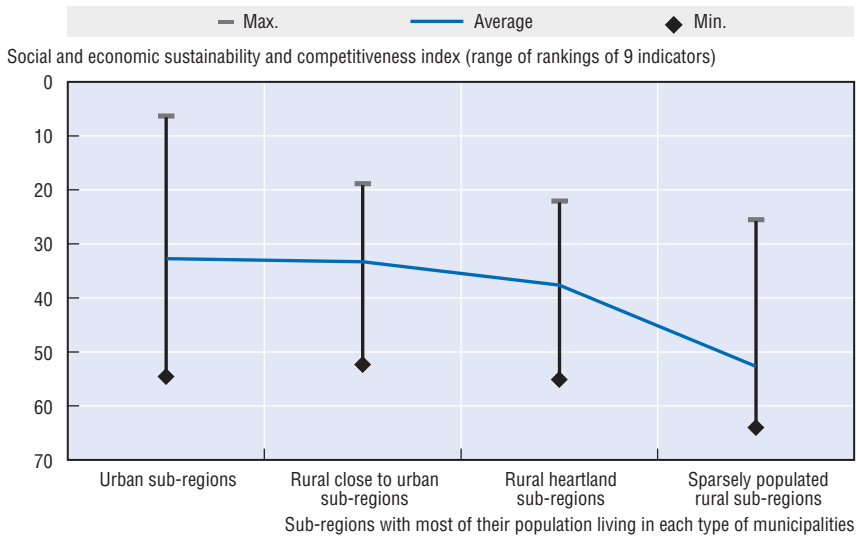
Cross-regional economic and social sustainability and competitiveness assessment

Although in general there is a negative relationship between rurality and competitiveness indicators...

The good performance of regions such as Ostrobothnia, Tampere Region and Northern Ostrobothnia, is confirmed by their high ranking (1, 6 and 9 respectively) on a recently published assessment of the “economic and social sustainability and competitiveness” of regions and sub-regions in Finland (Hanell 2007). The assessment uses as parameters of competitiveness the official short list indicators of the Lisbon Strategy.⁶ At the sub-regional level (NUTS IV, which is more appropriate for assessing the competitiveness of rural regions due to its smaller territorial size) the assessment considers the following 9 indicators: GDP per capita (2005), GDP per worker (2005), employment rate (2005), employment rate of older workers (2005), measure of education level (2005), gross formation of fixed capital relative to GDP (2005), share of people living in low-income households (2005), dispersion of regional employment rates (2005) and long-term unemployment rate (2006). The exercise consisted in ranking the 77 sub-regions of Finland according to each of these indicators (from 1 to 77) and then calculating the average ranking, which results in an “index of economic and social sustainability and competitiveness”, in terms of which a lower value means higher sustainability and competitiveness i.e., values of the index such as 3 or 5 (40 or 60) indicate that the sub-region is among the top (bottom) relative position. Figure 1.15 shows a map of Finland’s sub-regions according to this index broken into four quartiles.

Although neither the OECD typology nor the Finnish Rural Typology help establish a pecking order among sub-regions (from most rural to most urban) two approaches can be followed to classify sub-regions within a rural to urban continuum: A first one, according to the Finnish Rural Typology is provided in Figure 1.16.⁷ The figure shows that while for the urban and close to urban categories the average competitiveness index is about the same, the averages of “rural heartland sub-regions” and the “sparsely populated rural sub-regions” are well below the former two. The maximum is also revealing because it indicates that all the sub-regions at the top are “urban sub-regions” while the maximum average ranking for a rural categories is significantly lower. The figure also shows that there is a wide variation within each category with the largest variations being in the “urban sub-regions”, which implies that there are urban areas very well ranked but others which rank quite low.

Figure 1.16. **Average sustainability and competitiveness ranking by type of sub-region**
2005, Finnish Rural Typology



Source: OECD based on Hanell (2007) and Finnish Rural Typology.

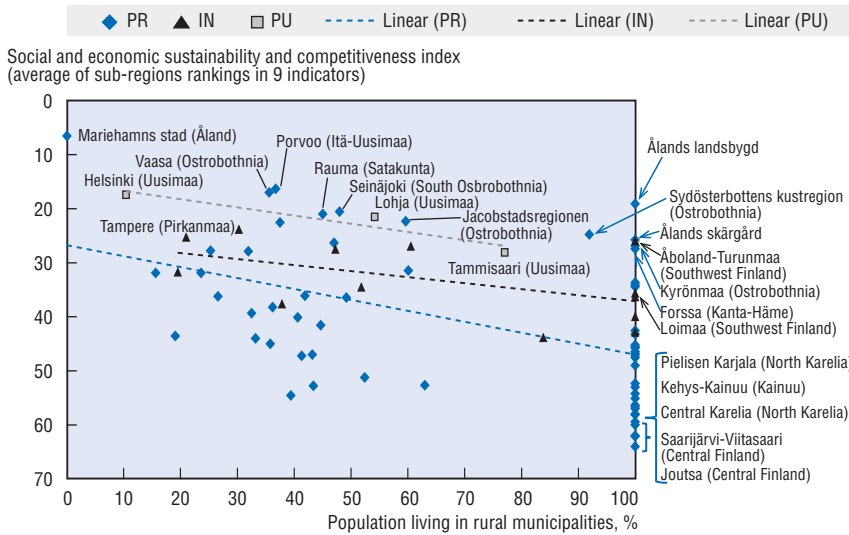
... certain rural areas rank among the most competitive sub-regions

A limitation of the previous approach is that it does not reveal *which* rural sub-regions dominate others in terms of sustainability and competitiveness and which lag behind. For this reason, the second approach called for ordering sub-regions by the percentage of population living in rural municipalities (according to the Finnish Rural Typology, following the same logic that has been used throughout this chapter for regions). Figure 1.17 shows the relationship between the average ranking of the 9 indicators (or “economic and social sustainability and competitiveness index”) at the sub-regional level and the percentage of population living in rural municipalities. It also shows whether the sub-region belongs to a predominantly urban region (PU), intermediate region (IN) or predominantly rural region (PR) according to the OECD Regional Classification.

Not surprisingly, within the top sub-regions in terms of this index are: Helsinki and near-by cities (Porvoo, Lohja, Riihimäki), some of the so-called “diversified university regions” (Vaasa in Ostrobothnia, Tampere in Tampere Region and Turku in Southwest Finland) and some Regional Centres (Marienhamnsstad in Åland – in the first position –, Seinäjoki in South Ostrobothnia, Hämeenlinna in Kanta-Häme, Kouvola in Kymenlaakso) and one “small specialised region”, Rauma in Satakunta.⁸ But worth highlighting,

Figure 1.17. Sustainability and competitiveness ranking and population living in rural municipalities

Based on 9 indicators of the Lisbon Strategy, rural municipalities defined according to the Finnish Rural Typology



Source: OECD based on Hanell (2007) and OECD Regional Database.

some “rural” sub-regions are also within the top of the list, notably in Åland (Ålands landsbygd, Ålands skärgård), in Ostrobothnia (Jakobstadsregionen, Kyrönmaa and Sydösterbottens Kustregion) in South Finland (Åboland-Turunmaa), and in Kanta-Häme (Forssa).

A regression line was estimated separately for each subset (PR, IN, PU). The negative slope of the adjusted lines evidences that in the three types of regions, a larger proportion of rural population tends to be associated with a lower level of economic and social sustainability and competitiveness. This is evidenced by the fact that even within the predominantly urban region of Uusimaa (where Helsinki is located), the sub-region of Lohja (containing the city of Lohja but also 54% of its population living in municipalities classified as rural by the Finnish Rural Typology) and the sub-region of Tammisaari (with 77% of its population living in rural municipalities), rank lower than the Helsinki region. Among sub-regions in IN and PR regions, this relationship also holds but the regression lines are well below the PU line, and the PR line is well below the IN line. This implies that on average (since the figure shows a number of exceptions) sub-regions located in the PU region (Uusimaa) have a higher level of economic and social sustainability that sub-regions located in IN regions, and these have higher levels than those located in and PR regions, for a given percentage of population living in rural municipalities.

The two lowest quartiles of the list largely consist of by sub-regions with high proportion of rural population. Most of them are in northern and eastern Finland. At the very bottom of the ranking are a number of sub-regions of North Karelia (Pielisen Karjala and Keski-Karjala), Kainuu (Kehys-Kainuu) and Central Finland (Saarijävi-Viitasaari and Joutsa) which are characterised by having sparsely populated rural municipalities. Interestingly, for the sub-regions that belong to intermediate (IN) regions, the negative relationship between competitiveness and share of rural population does not hold. Within the two intermediate regions (Southwest Finland and Kymenlaakso) all their sub-regions rank relatively equal, regardless of their “more rural” character. This is an interesting outcome revealing that in these regions, being rural is not backwardness with respect to urban sub-regions.

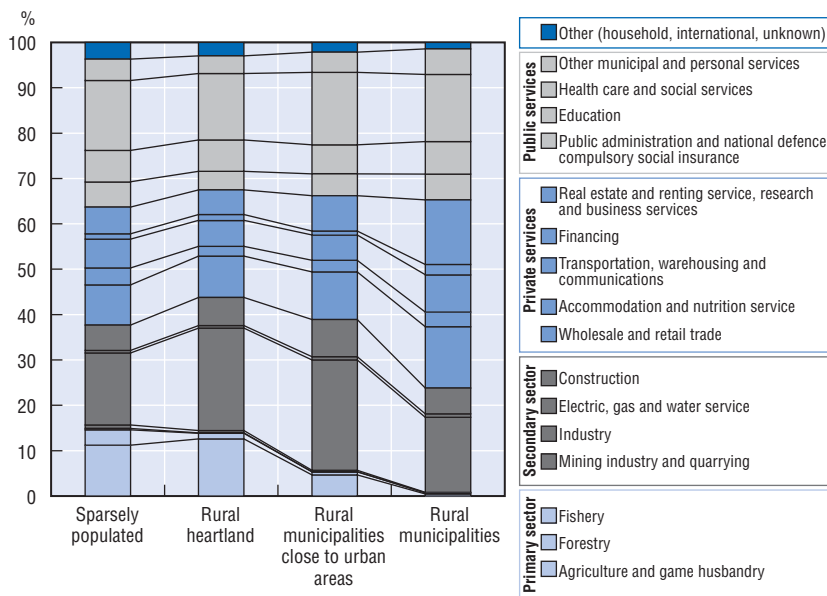
Structure and changes in the sectoral structure

Over the past decade, the rural economy experienced structural adjustments in three of its most predominant sectors

As shown in Figure 1.18, services (both public and private) constitute the majority of jobs in all types of municipalities with almost 80% in urban municipalities and with close to 57% in all types of rural municipalities. Nonetheless, the relative importance of primary production, industry and public service jobs is a distinctive characteristic the rural economy. In 2004, of the nearly 724 000 jobs in rural areas, 11.2% were in primary production, 29.2% in processing and 30% in the public service sector. Primary production accounts for a significant number of jobs in sparsely populated rural municipalities and rural heartland municipalities (15% and 14%, respectively) although even in these areas it only accounts for a third of the jobs compared with the service sector, of which the majority are in public-sector welfare services. The share of the public sector is remarkably similar in all types of rural areas and in urban areas (around 30%). However, in rural areas its predominance is more significant given the less prominent private service sector (around 25% compared to 41% in urban areas). Industry plays a considerable role in rural areas. The strongest sectors are woodworking and furniture industry, chemical industry, food industry and metal and mechanical industry. (RPC 2006a) Industrial jobs are more prominent in rural heartland municipalities and rural municipalities close to urban areas (23% and 24% respectively, compared to 16% and 17% in sparsely populated and in urban municipalities) (Figure 1.18).

During the 1995-2004 period rural areas had to cope with significant structural adjustments linked to the restructuring the three mentioned sectors (primary, industry and public services). The OECD Territorial Review of Finland (OECD, 2005a) already highlighted the sectoral mix as one of the

Figure 1.18. **Employment structure by type of municipality**
2004, Finnish Rural Typology

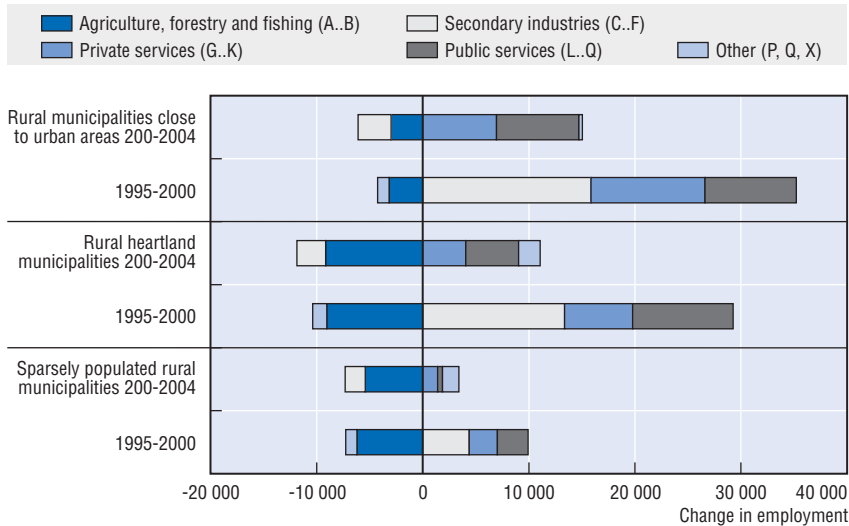


Source: OECD based on Statistics Finland ALTIKA (Regional Database) (2006), Indicators according to the Finnish Rural Typology 2006.

important factors driving disparities in performance among Finnish regions. The analysis highlighted that regions with higher share of agricultural employment reported a greater gap in terms of GDP per capita given the lower GDP per worker in agriculture. However, such analysis was made at one point in time (2003); the relationship between the sectoral structure of the regions and their economic performance is more complicated since it involves changes over time. From a dynamic perspective, structural adjustment occurs when labour and capital relocate within industries to more efficient uses. In Finnish rural areas certain structural adjustments have occurred with a shorter time frame than in many other OECD countries:

- Agriculture decline.** Over the period 1995-2004 an important number of jobs were lost as a result of productivity gains in the agriculture, forestry and fisheries (AFF) sector [41 300 jobs, with 40 408 being in agriculture (-38%), 897 in forestry (-8%) and 587 in fisheries (-38%)]. Figure 1.19 shows that the decline in primary sector employment was almost equally strong in the period 1995-2000 than in the period 2000-2004. However, in the former period, the decline was counterbalanced by employment growth in other sectors, while this happened with a lesser degree in the second period.

Figure 1.19. **Employment change by sector and type municipality**
1995-2000 and 2000-2004, Finnish Rural Typology



1. Letters: A..X refer to the industrial classification used in Finland.

Source: OECD based on Statistics Finland ALTIKA (Regional Database) (2006), Indicators according to the Finnish Rural Typology 2006.

- Restructuring of public sector jobs.** Additionally, while in aggregate the net job balance in public services is positive (with 34 127 jobs created, +7% in SPRMs, +19% in RHMs and +26% in RCUAs), the public sector is going through an internal structural adjustment with decline in certain public sector jobs (state public administration jobs in all types of rural municipalities, state owned companies in all types of municipalities, education and municipal administration in sparsely populated rural municipalities) and growth in other types of jobs where there is higher demand for provision of services such as welfare and healthcare. The substitution between these jobs is not easy to bring about, particularly for sparsely populated rural municipalities which sometimes face shortage of labour with the necessary skills to cover the rise in demand. Additionally some sparsely populated rural municipalities are facing difficulties in their municipal finances driven in part by the higher cost of service provision and the declining tax base (these issues are discussed in more detail in Section 1.4 and Chapter 3).
- Relocation of manufacturing firms.** The manufacturing industry has experienced a similar phenomenon; over the ten year period (1995-2004) industry jobs reported a net increase, however since 2000 the sector reports a net decline in employment of 4% totalling almost 7 000 jobs in rural areas

(-1 906 in SPRMs, -2 710 in RHMs and -3 110 in RCUAs) due to the relocation of a number of industrial plants to other countries.

Every specialisation entails sector-specific risks. Rural areas have been largely affected by these structural adjustments due to their sectoral mix. The most affected areas are the sparsely populated regions where a net decline in jobs is seen after a decade because employment creation in other sectors has failed to restore the jobs lost. However, the increased diversification of the rural economy contributes to reducing the impact of these types of structural adjustments.

At present, the rural economy is much more diversified with an important growth of private services and entrepreneurship

Private services represent an increasing source of jobs. The private services sector (wholesale and retail trade, accommodation and catering, transport, storage, telecommunications, financing, real estate, leasing, research and business services) is already the second most important employer in rural areas, with a share of about a quarter of all jobs in the countryside. This sector followed the public services as the second highest growing sector with increases of 11%, 17% and 35% in SPRMs, RHMs and RCUAs respectively totalling 32 252 new jobs during from 1994-2005. Among private services, the role of wholesale and retail trade is growing. Another growing sector is tourism, whose share increased from 2.8% to 3.8% in sparsely populated rural municipalities, and the trend was similar in the other rural areas as well. However, the most rapid growth has taken place in real estate, leasing, research and business services, where the number of jobs increased by as much as 50% in the ten-year period 1995-2004.

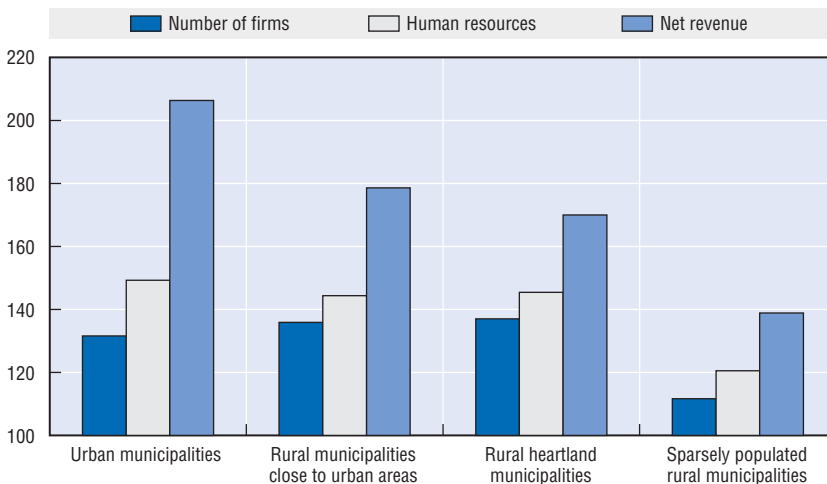
The number of diversified farms and other rural small firms has increased. Despite the fact that, as noted by the *OECD Territorial Review* (2005), the relative amount of firms in comparison to population in Finland (4.9) is lower than other European countries, a relatively high number of firms (40%) reside in rural areas, the majority of them being small.⁹ In 2003 there were over 130 000 small rural enterprises, of which 39% were engaged in basic agriculture (farms), 18% were diversified farms and 43% were other small enterprises. While in total from 1995 to 2003 the number of enterprises diminished, mainly due to the decline of the agricultural sector, the number and relative share of diversified farms and other rural enterprises increased.

Farm diversification is encompassing a wide number of sectors, it is also associated with increasing profits and it is promoting a larger the share of family income from secondary sources. In 2005, there were some 24 300 diversified farms in Finland, 11% more than in 2000. Among diversified farms, 68% were operating the service sector, predominantly in machine contracting

(41% of diversified farms), tourism (7%) and other services such as care, transport and real estate management (19%). A growing number of farms (1 040 farms, an increase of 17% from 2000) are diversifying into renewable energy by providing firewood and wood chips. Entrepreneurial activities on farms are usually quite small in scale. However, in recent years in a growing number of farms, profits derived from diversification have increased while less farms with the low returns are observed. In 2005 in 39% of the farms their returns was less than EUR 10 000 while in about 14% of these farms the returns of other business activity was more than EUR 100 000. In total for 6 600 farms (27% of diversified farms) more than half of the family's net income was generated by secondary business activities (MAF TIKE, 2006).

Rural enterprises not related to farming grew in number, staff and returns in all types of rural areas. The number of start-ups and net change in the number of enterprises are revealing indicators on the dynamism of an economy and its degree of entrepreneurship. Of the almost 15 000 new small enterprises created in Finland from 1993 to 2004, some 13 200 were created in rural areas (28% in rural municipalities close to urban areas, 54% in rural heartland municipalities, 17% in sparsely populated rural municipalities) ascending to 62 659 in 2004. During the period, these firms experienced also a significant increase in occupation (44.4% in RCUAs, 45.4% in RHMs and 20.5% in SPRMs) and in net revenue (78.6%, 70% and 38.9%, respectively). Despite the

Figure 1.20. **Firm indicators by type of municipality**
2006, Index 1993 = 100, Finnish Rural Typology



Source: Statistics Finland ALTIKA (Regional Database) (2006), Indicators according to the Finnish Rural Typology 2006.

positive figures reported by sparsely populated areas, the difference of performance of these areas with respect to the other types of rural areas is indicative of the difficulties they face in creating new means of livelihood (Statistics Finland ALTIKA, 2006).

Comparative advantages

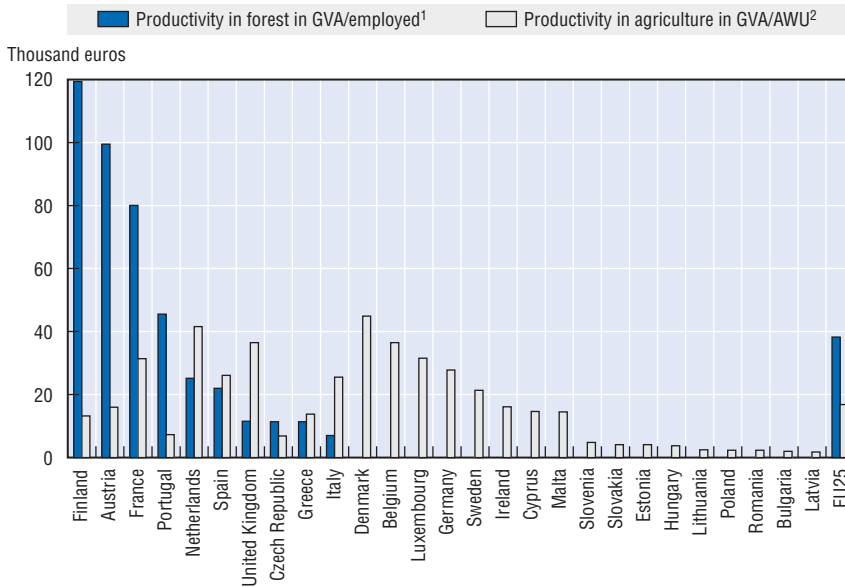
The strengths of the Finnish rural economy include its strong forest industries cluster...

By international comparison, Finland relies more heavily on its forests than any other country in the world, although there are important regional variations in the importance of forestry inside the country. Finland possesses 0.5% of the world's forest resources, and is the most extensively forested country in Europe with 86 % of its land area (including highly productive forest 67%, low productive forest 9%, and other forested land 10%). About 5% of the world's forest industry production takes place in Finland. There are four hectares of forest per inhabitant in Finland, and these are usually owned by individuals since 62% of forest land corresponds to some 440 000 private forest holdings of at least one hectare. In total one out of every five Finns is a forest owner, either involved directly in family forestry or using its property as a mean for recreation or increasingly as a form of investment.

Forest productivity is among the highest in the world and in Europe. Its boreal coniferous forests, which include a significant proportion of broad-leaved species, permit annual fellings in Finland of over 70 million m³ on a sustainable basis (METLA, 2007). As Figure 1.21 shows, productivity in forestry is much higher than other European countries and also higher than agricultural productivity in Finland. According to information of the European Commission, in 2002 the average productivity of labour in forestry in Finland was EUR 199 000 of gross value added (GVA) per employee, that is, 311 in an index where EU = 100). In contrast from 2002-2004, productivity in agriculture was on average EUR 13 200 (GVA) per annual work unit (AWU), that is 78 in an index EU = 100 (European Commission, 2006).

Policies have played and will continue to play an important role in terms of the enlargement and improvement of the quality of forests. The growing stock of forests is greater than at any time since Finnish independence (in 1917). This is due to the creation of new productive forest land by drainage and by afforestation of agricultural land, to increase in forest growth, a decrease in the number of low-yield stands, changes in the age structure of forest, and to the fact that the increment exceeds harvesting drain (for the past 40 years annual increase in growing has been 20-30% greater than cutting). In addition, protected forest areas have increased during the last 30 years almost threefold. Finland has been a pioneer in forest certification, with 95% of

Figure 1.21. **Productivity in forestry and agriculture in selected EU countries**
EU countries, 2002-2004



1. 2002.

2. Average 2002-2004.

Source: European Commission (EC) (2006a) Rural Development in the European Union – Statistical and Economic Information – Report 2006, Directorate-General for Agriculture and Rural Development.

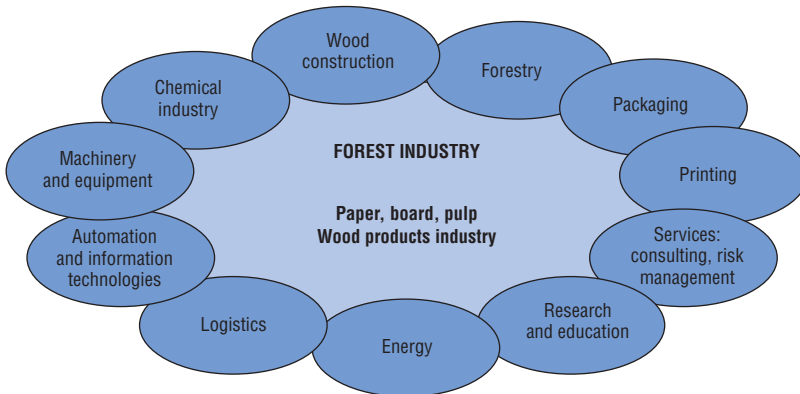
Finnish forests certified under the Finnish Forest Certification System (FFCS), which today has gained international recognition and has been integrated with the Pan European Forest Certification (PEFC) system (MAF 2000, Parviainen 2002).

Since 1980 Finland has diversified its economy and exports away from forest related products, but still plays a major role internationally. In 1980, roundwood and forest-industry products represented 43% of the total value of goods exported from Finland; forestry and primary forest-industry production accounted for 4.6% and 6.7% of GDP and for 2.7% and for 5.2% of the workforce, respectively. In 2006, the Finnish forest industry is still highly export-oriented, with 70% to 90% of production exported in most sectors of the industry; 21% of Finnish exports come from forest industries (EUR 61.5 billion) and Finnish exports represent about 6% of global forest exports and 12% of EU exports. Forestry and primary production now represent 1.7% and 3.7% of GDP (totalling EUR 167.9 billion at market prices) and 0.9% and 2.7% of the workforce, respectively (totalling 2.4 million persons) (METLA, 2007).

The “Forest industries cluster” comprises a wide number of industries, some of which have strong impact and employment in rural areas. The forest

cluster has developed around the basic products of the forest industry: Pulp, paper, paperboard and sawn wood. The production of these goods has given rise to engineering workshops, speciality input producers, chemical firms and service units in Finland. Thus, it includes a wider range of industries such as the packaging industry, chemical industry, printing industry, industrial engineering, consulting and risk management services, research and education, energy, logistics, machinery and equipment, automation and information technology as well as wood construction (Figure 1.22). Important support is given by universities and research organisations including the Finnish Forest Research Institute (METLA). Strong mutual connections in the cluster have fostered its success (Lammi, 1995). Although the degree to which this cluster is “rural” has diminished, there are a wide number of SMEs linked to forestry in rural areas, particularly in regions such as North Karelia. The potential for these firms for generating additional prosperity and wellbeing is high in the context of climate change, the world’s rapidly growing energy needs, interest in products based on renewable natural resources, and the importance of forests for recreation and health.

Figure 1.22. **The Finnish forestry industry cluster**



Source: Finnish Forest Industries Federation (2007), website www.forestindustries.fi.

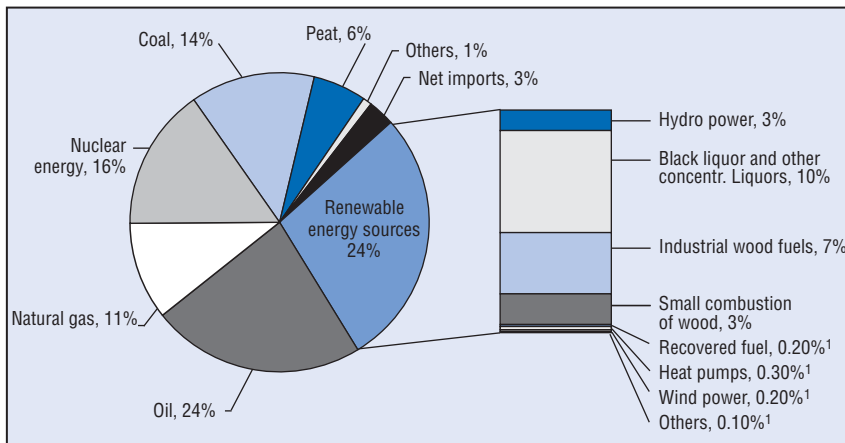
... renewable energy...

Finland is already one of the leading industrialised countries in the use of renewable energy, particularly in the form of bio-energy. In 2006, 24% of the total consumption of primary energy and 30% of electricity in Finland was produced using renewable energy sources. In certain regions such as North Karelia, the share of bio-energy in energy consumption is as high as 63%. Bioenergy is an important by-product of the forest industry. Energy produced

using wood and wood-derived fuels accounts for about 20% of the total energy consumption in Finland. Most of the wood-based energy comes from industrial waste water and wood, but there is a strong commitment for increasing the use of solid wood (such as chips and firewood) as energy source. The National Forest Programme 2010 aims at obtaining five million cubic metres by 2010, on third increase from the level of 1999 (MAF, 2000). Other renewable energy sources play a less relevant role. Hydropower accounts for 3% of energy consumption. Another significant domestic fuel is peat, which in Finland is defined by some experts as slowly renewing biomass fuel. While the EU does not consider peat to be a renewable energy source it has a substantial share, around 6%, of the energy balance in Finland.

The increase in renewable energy production and use is increasing the “local” and “rural” dimension of energy. Energy production is opening opportunities for rural entrepreneurs and contributing to the sustainability of rural communities. In the 2000s the number of heat and power plants using wood increased from about 250 to about 490 (METLA, 2005). This has been significant specially in the rural areas, because the majority of the municipal real estate companies have started to use domestic wood-derived fuel, instead of oil, while providing employment in energy production, for example, as heat entrepreneurs.¹⁰ Heat enterprises have been growing in rural areas (RPC, 2007b).

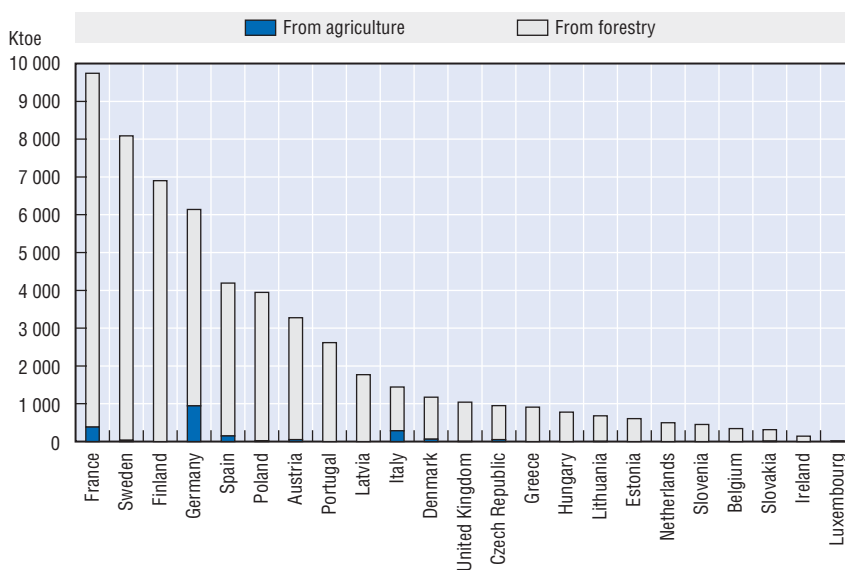
Figure 1.23. **Sources of energy and breakdown of renewable sources**
Finland, 2003



1. Information for 2003.

Source: Statistics Finland (2008), Energy supply, consumption and prices. Table 1. 2007 2nd quarter.

Figure 1.24. **Production of renewable energy from forestry and agriculture**
EU countries, 2003

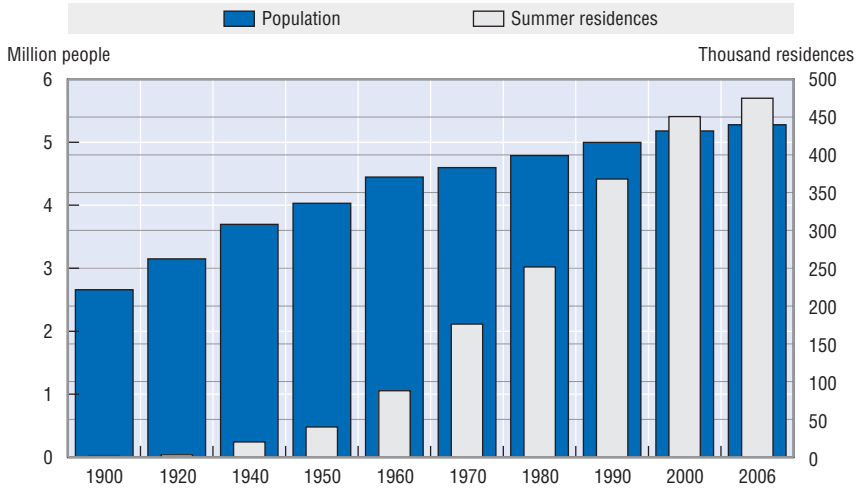


Source: European Commission (EC) (2006a) Rural Development in the European Union – Statistical and Economic Information – Report 2006, Directorate-General for Agriculture and Rural Development.

... the holiday residential economy...

The amount of summer residences (cottages or villas) has grown exponentially in Finland over the 20th century, as they became accessible for the majority of population, extended its territorial coverage and became second residences. The construction of summer residences in Finland dates back to the 19th century, but until the early years of Finnish independence (when there were some 3000 cottages) they were attainable only for a select few. During the decades following independence the number of summer residences in Finland doubled every decade until 1970s (see Figure 1.25). This growth was driven by the “popularisation” of villas after the 1950s when spending time at the summer residences became a national usage (as more people were able to acquire them) and, later, as better equipped summer dwellings were slowly transformed from summer-residences to second residences all over the year. At the end of 2006 there were nearly half a million summer residences in Finland and a number of them were second residences. These summer residences have almost two million regular users, which makes Finland the country with the highest amount of summer residences and residents in Europe. A fifth of the cottages are in coastal municipalities near the sea and the rest are inland often near a lake (Statistics Finland, 2007a, see Figure 1.26).

Figure 1.25. **Summer residences and population in Finland**
1900-2006



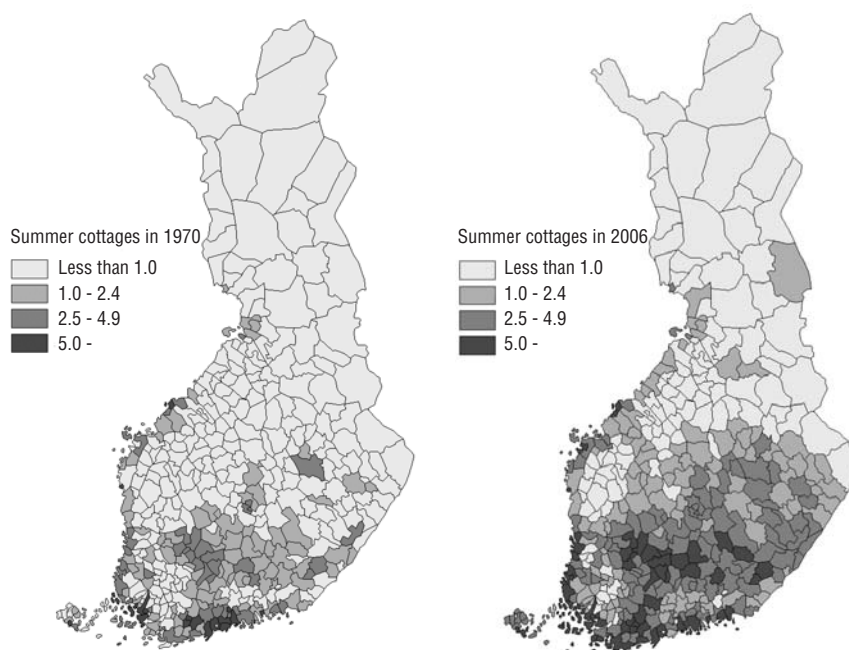
Source: Statistics Finland (2007a), "Finland 1917-2007 The Finnish independence in statistics" available at www.stat.fi/tup/suomi90/index_en.html, sections "From villa ownership to national leisure-time activity".

The meaning of the free time residences is major to the development of the rural areas. The part-time residents double or even triple the population in the most popular cottage areas in summertime. Especially in sparsely populated rural municipalities the increased proportion of cottage population is noticeably, it reached 42% of the total population in 2004. In certain municipalities, such as Liperi, there have been important advances in terms of formalisation of the status of cottagers, for example with democratic rights and participation in the planning of the municipality (see Box 4.5 in Chapter 4). There are economic effects and effects that are associated with services, infrastructure, mental and social capital and with the general atmosphere in the summer residence areas. Moreover the economic effects potentially extend as some part of the free time residents are presumably willing to move permanently to the cottage municipal when they retire. Part-time residents are extremely important for preserving services in rural areas. They are an important customer base for village shops, for example. On the other hand, permanent residents can use services which are offered mainly for the holiday residents in the tourist centres.

... as well as tourism and nature recreation

The abundance and diversity of natural environment in Finland provides a good opportunity for expanding tourism and recreational services. *Everyman's right*, or the right of public access to nature provides a wide range

Figure 1.26. **Summer residences per square kilometre by municipality**
1970 and 2006



Source: Statistics Finland (2007a), "Finland 1917-2007 The Finnish independence in statistics" available at www.stat.fi/tup/suomi90/index_en.html, sections "From villa ownership to national leisure-time activity".

of possibilities of recreation for Finnish people. Everyday recreational use of nature in Finland is not concentrated in any specific recreational areas: More than half of the working-age population picks berries, while 38% pick mushrooms and almost 70% of the population engage in walking and swimming. Additionally, for a growing number of international tourists interested in nature recreation, Finland counts with important comparative advantages including a peaceful and quiet environment, the large forest landscapes, the variation between the four seasons, including the attractiveness of the long dark "kaamos" period and the never ending days in the summer, the inland lake systems and the archipelagos off the coast, as well as the opportunities for winter tourism. Demand for outdoor recreation has increased particularly in rural municipalities close to urban areas due to their ease of access.

Rural tourism is an industry with good development prospects, particularly for sparsely populated rural areas. In the global context, with tourism being one of the fastest growing sectors, the nature, culture and clean

environment are important attractiveness factors in Finland's rural tourism, which are increasingly exploited, and in contrast with other types of assets, are largely endowed in sparsely populated rural areas. According to the rural business register, there are about 3 600 enterprises offering tourism, accommodation and recreation services in the countryside which are not linked to a farm and about 2 100 diversified farms engaged in tourism. Of those enterprises, close to 820, are tourism-specific enterprises (i.e., provide accommodation) employing around 1 400 people and with an annual turnover of EUR 111 million (Statistics Finland, 2002). The rest were mainly restaurants, cafes, catering enterprises and firms providing recreational services, which provide services not only to travellers but also local people, being an important part of the rural service provision. A considerable number of enterprises (an estimated of 2 100)¹¹ are excluded from the official statistics, and the year-round accommodation capacity of these is estimated at 30 000 bed places. The seasonal nature of this activity is among the challenges that the industry faces. The low occupancy rates of accommodation reduce the profitability of enterprises as large amounts of capital are invested in buildings. Enterprise-specific variations are large, since the best rural tourism enterprises have occupancy rates even higher than hotels.

1.4. The future of rural areas: major issues

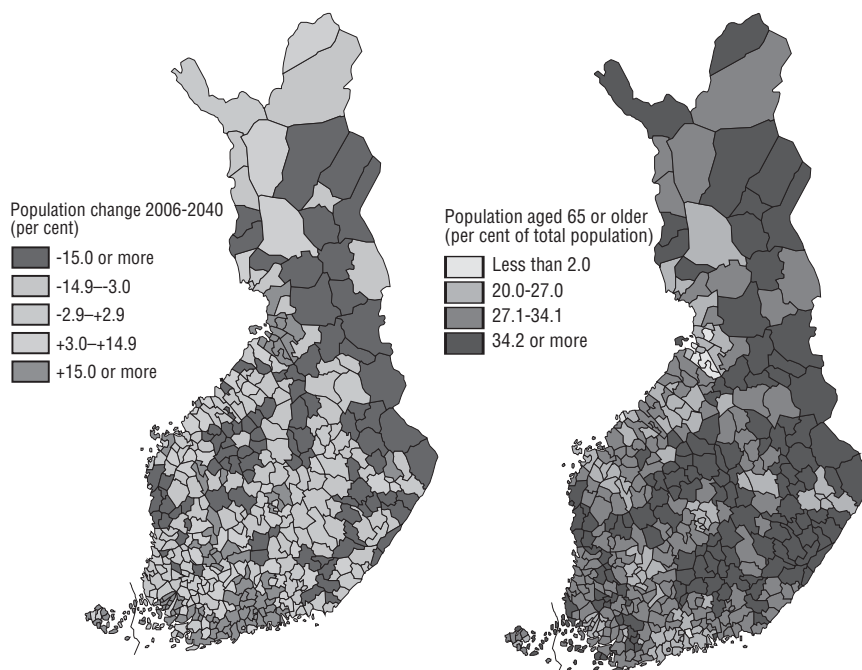
Impact of out-migration in the age-, skill- and gender-structure of remote rural areas

Out-migration is leaving sparsely populated and rural heartland areas with a share of elderly population almost at the levels expected for whole Finland in 2040...

Already acute in Finland, ageing is fastest in remote rural areas. As in most countries, those moving away from rural areas (particularly from sparsely populated rural municipalities – SPRMs – and rural heartland municipalities – RHMs) are generally young people. Therefore, out-migration contributes significantly to increasing the already noticeable ageing phenomenon in Finland, which is one of the fastest among OECD and European countries, and in contrast to many other of these countries, Finland does not have large inflows of foreign migrants to balance the population structure. In 2006, the proportion of people over 65 years old in Finland was 16.5% (Statistics Finland, 2007c). According to the population forecast, the elderly proportion will be 17.4% in 2010 and 26.1% in 2030. SPRMs and RHMs have today already passed the level expected for Finland in 2010 and are approaching the levels expected for 2030 (24% and 20% respectively in 2006). For 2040, most of these regions will have between 36% and half of their population older than 65 years (Figure 1.27).

Figure 1.27. **Population change and ageing forecast 2006-2040**

A. Total population change forecast 2006-2040 B. Population over 64 years old in 2040



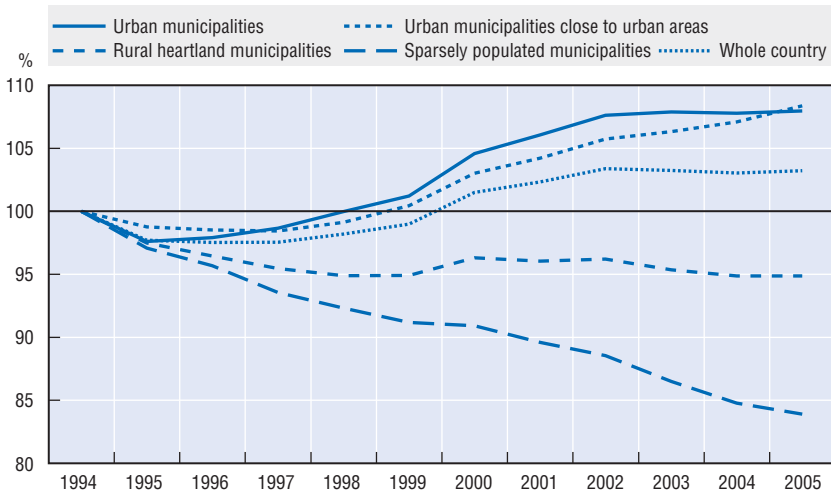
Source: Statistics Finland (2007c), "Population Projection by Municipality 2007-2040", Regional Division 1.1.2007, 416 municipalities.

... with declining and relatively less skilled labour force...

In the past decade, sparsely populated rural municipalities have seen a reduction exceeding 15% in their labour force. Rural heartland municipalities, in contrast, although they followed a similar declining trend during the early 1990s, they have been able to maintain 95% of the labour force they had in 1995 (Figure 1.28). A reduced labour force implies a higher economic dependency ratio. In sparsely populated rural municipalities there is on average one working age persons for every 1.8 in non-working age persons. In rural heartland municipalities the ratio is 1.5 compared to 0.53 in rural municipalities close to urban areas (Statistics Finland, 2004). Moreover, the dispersed characteristic of rural Finland has important policy implications because not only regions have lower capacity to generate sufficient resources to provide for the needs of elderly people, and also less saving, but the dispersion of population does not allow economies of scale in the provision of public services (see next section).

Additionally, the remaining labour force is relatively skewed in terms of skills. As previously noted, Finland's education system provides relatively high quality standard, even in sparsely populated areas. However, many of the out-migrants are precisely those with highest qualifications or willing to pursue further education. This leaves rural regions with a lower human capital stock, which is a key input for the generation and assimilation of innovations (see section below and Chapter 4).

Figure 1.28. **Trends in the labour force by type of municipality**
1994 = 100, Finnish Rural Typology



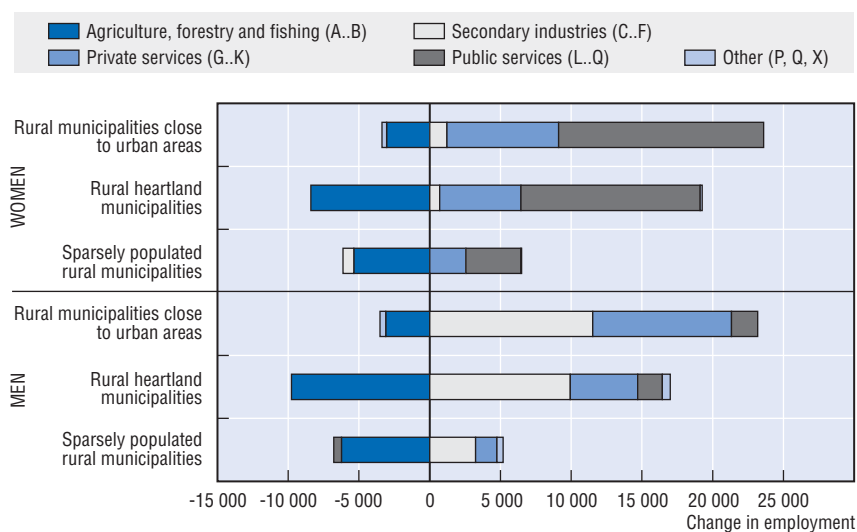
Source: Statistics Finland ALTIKA (Regional Database) (2006), Indicators according to the Finnish Rural Typology 2006.

... and with a skewed gender structure, sensitive to sector specific risks of unemployment

Sparsely populated and rural heartland municipalities have a relatively distorted gender distribution and a strong gender bias for different types of jobs. The proportion of men of working age is higher than the same proportion of women in all rural areas most notably in SPRMs and RHMs (54% and 53%, respectively). Nonetheless, women participation in total employment is significantly high in Finland, not only in urban areas (50% in 2004) but also in rural municipalities (around 47% in all types of rural municipalities). This is true even in the primary sector, where the proportion of women has been quite high by international standards (48% in 1995, 44% in 2004). Therefore, the decline in agricultural and forestry jobs affected both men and women almost in the same proportion (47% of the jobs lost were women's jobs in SPRMs and RHMs, 50% in RCUAs, see Figure 1.29). However, new jobs created are showing

Figure 1.29. **Change in employment by industry, municipality type and gender**

1995-2004, Finnish Rural Typology



1. Letters A.X refer to the industrial classification used in Finland

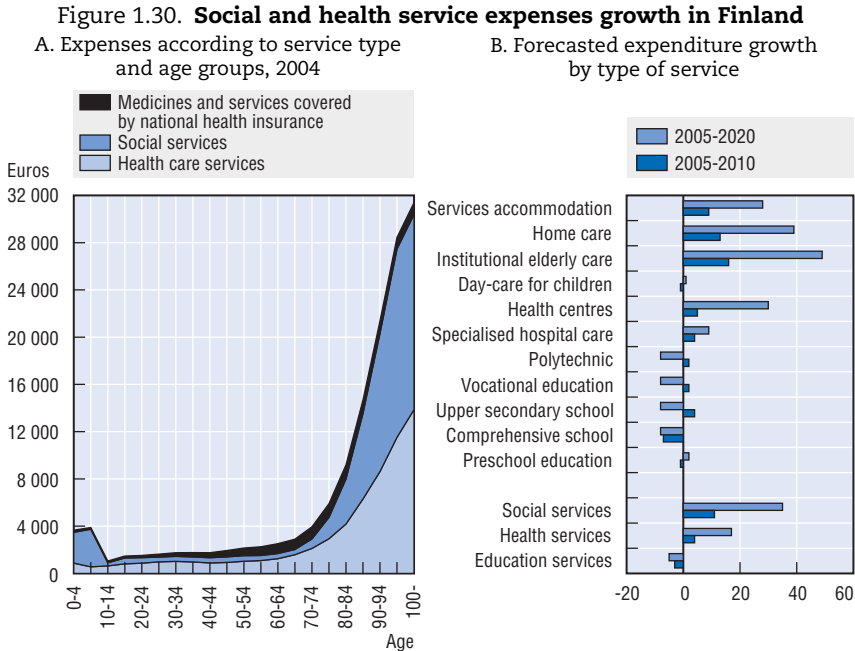
Source: OECD based on data on Statistics Finland ALTIKA (Regional Database) (2006), Indicators according to the Finnish Rural Typology 2006.

a strong gender differentiation: Between 88% and 131% of the jobs created in industry in rural municipalities have been taken by the male population while between 88% and 116% of the jobs created in public services have been filled in by women.¹² These two sectors, as already indicated, are undergoing important structural adjustments, so sector-specific shocks to any of them have important implications in terms of the relative risk of unemployment for men and women. Private services in contrast have a more balanced composition, with 45% to 49% of jobs held by women. In fact, of the jobs created in private services, 63% were occupied by women in SPRMs and 54% in RHMs.

Availability of public and private services as precondition for sustainability

The national higher demand for more expensive public services...

The ageing of population (all over the country) is shifting the demand of public services towards health and social care. Figure 1.30A depicts social and health service expenses by age group, which evidences an almost exponential increase as population passes the age of 60. The projections of education, health and social expenditure to 2010 and 2020 (Figure 1.30B) show



Source: Statistics Finland and Ministry of Social Affairs and Health (OECD calculations for Panel B).

expenditure increases up to 40% on these types of services, of which expenditure in education will tend to decrease but not significantly enough to compensate the increase in the other. The Budget 2007 states that “The biggest challenge in the near future will be the ageing of the population and the simultaneous growth in the requirement for services” (Ministry of Finance, 2007).

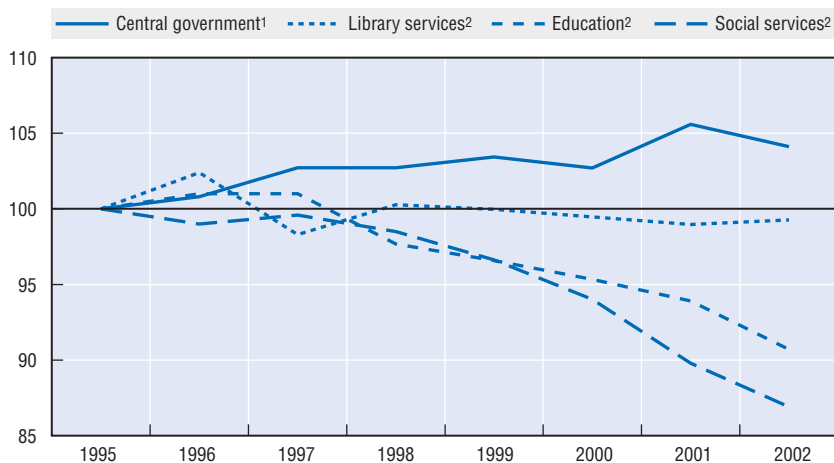
... is already pressing municipal finances in rural municipalities

Such increase will have to be borne by municipalities in a context of declining revenues. In Finland, municipalities produce about 2/3 of the basic services (essential and frequently needed services like education, social and healthcare, security, and transport services). Local governments have the primary responsibility for social welfare, healthcare, education and culture. This is reflected in the fact that over 75% of total public employees work in local government and local government expenditure accounts for over 30% of the total public sector expenditure and 2/3 of public consumption. The reduction of population and labour force implies lower income for municipalities, whose main sources of revenue are personal and property taxes. Although Finland counts with a system of equalisation to compensate municipalities that have income revenues below average, the combination of these trends has put many municipalities into trouble, which has led among other things to

rethinking about alternative ways of providing services, including the ongoing initiative for the restructuring of municipalities, co-operation between municipal authorities and involvement of private sector in service provision (these issues are discussed with more detail in Chapter 3).

The lack of critical mass is causing public services to close down in sparsely populated areas. Decrease and ageing of populations reduce critical mass and the ability of many municipalities to meet their service obligations. As in other areas of rural Europe, coping with the increasing levels of uneven spatial development and demand becomes a major problem for the rural development networks. The increasing cost per unit of service provided in rural areas has reduced substantially the capacity of municipalities to deliver services such as education and social services (Figure 1.31).

Figure 1.31. **Productivity in public administration and services in Finland**
Index 1995 = 100



1. Includes also administrative functions and services such as the police which are localised across the country, but are part of the central Government sector. Measured figures cover about 69.5% of the central Government sector.
2. Provided by municipalities.

Source: OECD (2005c), "Ageing, Welfare and Municipalities in Finland", by Jens Lundsgaard, Economics Department Working Paper No. 428, OECD cote ECO/WKP(2005)15.

To compensate for the lower productivity, in the context of higher demand of social and welfare services, public sector employment has continued to increase. There has been increase in amount of public service jobs in all types of municipalities even if SPRMs the increase has been quite slow (7% compared to 19% in RHMs and 26% in UMs and RCUAs from 1995 to 2004). These figures reflect important increases in health and welfare services (of the order of 18% in SPRMs to 30% in RHMs and 34% and 35% in RCUAs and

UMs respectively) and in other municipal services (which increased between 21% and 38% from 1995, the highest being in RCUAs). Such increases are counterbalanced by reductions in public administration jobs in SPRMs and RHMs markedly from the state sector and state owned enterprises.¹³ Jobs in the education sector have only decreased in SPRMs (-4%, -10% for men jobs, +1% for women), in RHMs and RCUAs jobs in education have grown up to 13% and 18%, respectively, closer to the 28% in urban areas (Statistics Finland ALTIKA, 2006).

Moreover, accessibility is not only a challenge for public services but also for private services

Postal services are provided by the private sector. In order to guarantee access, the central Government established minimum statutory obligation: Each municipality must have at least one postal service point, and requires at least one collection and one delivery on each working day. The users of postal services must have the opportunity to leave mail to be transported and delivered by the post to a collection point located at a reasonable distance from the place of residence. In 2005 there were altogether 1 274 post offices or postal service points in Finland. Based on an evaluation study commissioned by the Ministry of the Interior in 2006, the population of the urban centres and sparsely populated rural municipalities are in an unequal position regarding postal services access. In some municipalities there is only one postal service point. Although the location of postal service points in local shops and other companies has improved the access, the preservation of the services now depends on the possibilities of those businesses to continue their operation.

Transport services are a major concern and there is a tendency towards concentration of services in municipal centres and towns. Rural infrastructure varies considerably between regions. The challenge in this sense is the maintenance of the already available road network, and searching for solutions to make services accessible for all. In areas where the provision of public transport has declined due to lack of continuous demand, the Finnish municipalities have come up with innovative solutions. For example, the reduction in public transport has meant that private car use becomes essential for rural residents, and the importance of a taxi network has increased. Taxis replace services that have been lost. Since schools have been closed because of the lack of demand in certain villages, taxis paid by the municipality take the remaining children to the village centre. Taxi operations have proven a viable solution in municipalities with a sparse population that do not have enough customers for a bus service or if a bus timetables cannot be arranged to serve inhabitants. This has also created incentives for the maintenance of a private taxi service for other purposes that without the partnerships with the municipalities to guarantee access to public services would not be capable to operate.

Bank branches are largely concentrated in municipal centres, but particularly for sparsely populated rural municipalities, the distances then become quite long. The number of bank offices has slightly decreased over the past three years: In some municipalities there is only one office for banking services. The number of cash machines has been reduced in all parts of the country. In some municipalities there is only one cash machine, while in some there are none (State Provincial, Offices 2005). Nevertheless, the use of information technology, internet banking and telephone services, have replaced and supplemented the bank office network. Still, people (markedly the elderly) are excluded from the modern banking services.

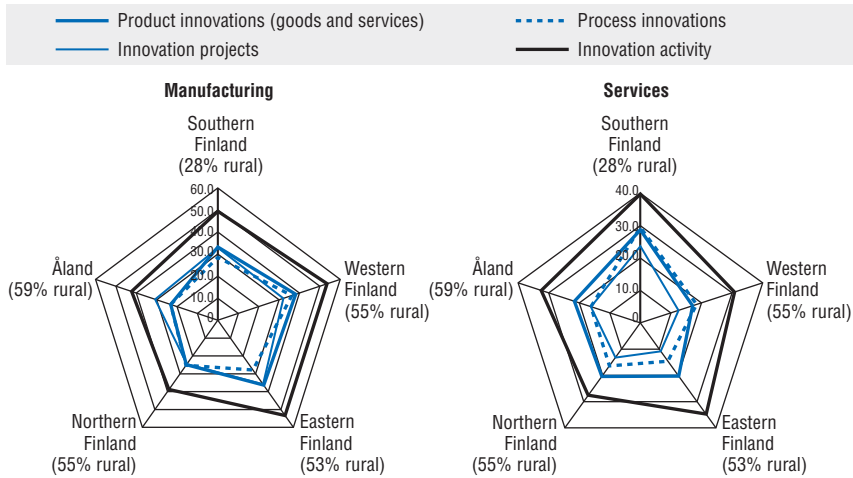
Integration with the knowledge-based urban economy

Finland is constantly ranked among the most competitive countries in the world. Sources of this development are a stable society, a high level of education, IT penetration levels and continuous labour productivity which has increased during the past two decades. The Finnish economy is transiting from an investment-lead growth towards an innovation-based development, where know-how and human capital are the most significant inputs.

However, the knowledge-based economy in Finland is built around regional city networks where only a few rural areas are integrated. As previously mentioned in the demographic section, technological developments and new flexibility of work may contribute to the integration of rural municipalities close to urban areas into the knowledge economy. However, it is clear from the analysis so far, that the extent to which sparsely populated and rural heartland municipalities will integrate into the economy and reap its benefits are limited. A recent assessment on the spatial perspectives of competitiveness noted that “the new logic seems to favour areas which are capable of taking advantage of their network relations and their regional co-operation” but “the urban network does not sufficiently cover the whole country, so that quite obsolete areas will remain between the urban regions. Those rural areas which lie close to cities have the best opportunities of attracting businesses and residents” (Ministry of Environment, 2006).

Finland produces statistics on the share of enterprises with innovative activity, engaged in product or process innovation or other type of innovation process (Statistics Finland Innovation Survey 2004). The results of these measures are only at national and major region levels. While with such level of aggregation it is difficult to judge on the innovation capacity of rural areas, the regions with higher levels of innovation coincide with those with higher competitiveness from the previous analysis (western and southern Finland). Figure 1.32 shows that among manufacturing firms, western Finland (where 55% of the population lives in rural municipalities) and eastern Finland (53% rural) are the two regions with higher share of firms engaged in innovation

Figure 1.32. **Innovation measures by greater region in Finland**
2002-2004, share of enterprises



Source: Statistics Finland (2004), Innovation Survey 2004, available at www.stats.fi.

activity. In contrast, the share of firms innovating in services is higher in southern Finland. In both cases northern Finland (55% rural) is the region with lower share of firms engaged in innovation.

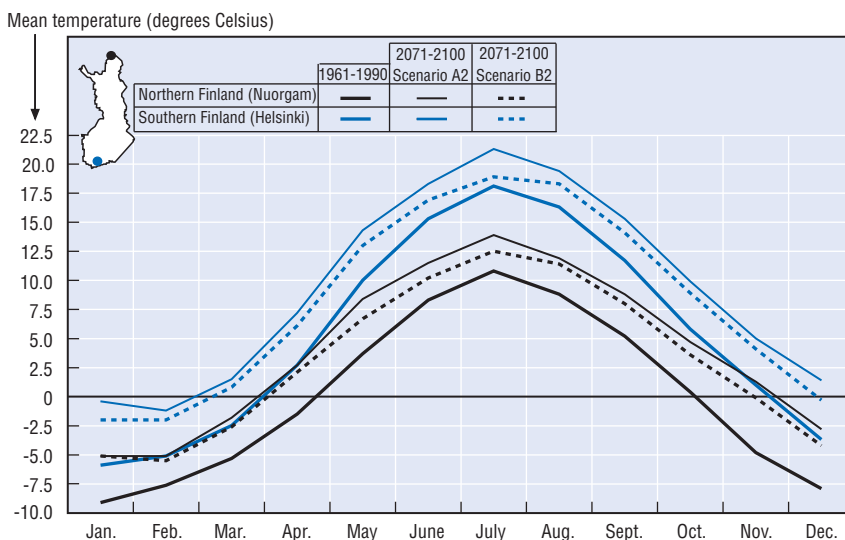
While innovation activity per se is important for competitiveness, recent studies suggest that the capacity of rural areas to assimilate innovation produced elsewhere is a determinant factor of rural development. In this sense, broadband penetration and the dimension of information society in rural areas are a significant advantage. By international comparisons, Finland has a very high broadband coverage network (reaching already 96.1% of the households). With regards to internet use and integration to the information society, rural areas are not far behind the country's average. Almost 70% of people in rural municipalities have their own – ail address – compared with 74% nationally and 86% in Helsinki – and despite the prevalence of an older society, close to 70% of the rural population uses internet on a daily or weekly basis – compared to close to 75% nationally and 90% in Helsinki – (Ministry of Transport and Communications 2007; Statistics Finland 2005). Nonetheless, the “brain drain” that sparsely populated and rural heartland municipalities are experiencing hinders their capacity to innovate and assimilate innovation. These issues will be further developed in Chapter 4.

Impact of climate change in rural areas

Climate change is an unavoidable issue for a country with extreme climate conditions...

Since climate is always a relevant topic in Finland, so is climate change. There are different estimations and scenarios developed around climate change. The forecast for 2100 based on various scenarios points to an increase of 1.4-5.8 degrees Celsius in the global average temperature (IPCC, 2001). While this phenomenon has global implications, the impact is differentiated with highest temperature increases occurring in the Arctic areas. The sea ice extent of the Arctic Ocean is expected to diminish substantially during the century, making a large part of the sea open during the summer (MAF, 2005). For Finland, characterised by and used to very low temperatures, the consequences for spatial structure, land use and economic activity are substantial by all estimates. The thermal growth zones are estimated to move some 500 km north in northern Europe. Average forecasts give Finland a 4-6 degrees higher average temperature both in southern and northern Finland (Figure 1.33) and an increase in precipitation by 15-25%¹⁴ (Ministry of Environment, 2006). However, as the Finnish Strategy for Adaptation to Climate Change states, "changes in the

Figure 1.33. **Estimated change in temperature due to climate change**
1961-1990, 2071-2100



Estimations made with the SWECLIM data and visualization tool from the Swedish Meteorological and Hydrological Institute, SMHI © 2003, based on the driving global model HadCM3/AM3 (a.k.a. HadAM3H) from the Hadley Centre in the United Kingdom. The emission scenarios A2 and B2 - are presented in IPCC's Special Report on Emission Scenarios (SRES 2000). In general terms the SRES A2 scenario describes a world development leading to higher emissions than the SRES B2 scenario.

Source: SMHI 2003, SWECUM data and visualisation tool.

variance of climate variables may also have a great impact on the intensity and/or frequency of extreme situations, sometimes even greater than that of changes in the [temperature and precipitation] averages” (MAF, 2005a).

... *with its associated risks but also relevant opportunities...*

While the impact of climate change is uncertain, it might bring some opportunities to Finland. Climate change is expected to increase precipitation and exceptional weather phenomena such as storms, heavy rains and stronger winds. However, the intensity of these phenomena and its consequences are very uncertain. Northern Finland seems to be a particularly sensitive area, since warming would threaten specific characteristics of the region such as reindeer husbandry.¹⁵ Other potential effects are stronger erosion, extensive floods and stronger winds in coastal areas, land-generated load on surface waters and disappearance of original species (MAF, 2005a). However, increased temperatures could imply for Finland the reinforcement of some of its strengths and the reduction of some of its handicaps. For example, it is estimated that climate change will increase forest growth and move north the timber production frontier, decrease the need for heating and electricity consumption¹⁶ and increase the availability of hydroelectric power. It will also improve Finland's position as producer of foodstuff (with the growing season expected to be from three to five weeks longer), ease navigation and transportation in winter times, and improve its attractiveness as a place to visit and enjoy nature both in summer (less warm than it will become in continental Europe) and in winter (as other winter tourism resorts in central Europe become less attractive). In any case, adaptation to climate change will imply significant efforts and land use restructuring which require policy action.

Table 1.4. **Estimated impact of climate change in different sectors in Finland**

| | |
|--|---|
| Sector Connections Agriculture and food production | <ul style="list-style-type: none"> • Uncertainty concerning continuation of production in present major production areas. • Increased demand for Finnish food products. |
| Forestry | <ul style="list-style-type: none"> • Uncertainty of the food supply of developing countries in changing climatic conditions. • Diminishing of the world's forest reserves and its impacts on Finland's forest sector. • Increase in forest reserves in the boreal belt and its impacts on Finland's forest sector. |
| Water resources | <ul style="list-style-type: none"> • Exhaustion of water resources in different areas of the globe; impacts on the opportunities for water exports from Finland, etc. • Increased risk of conflicts between countries in dry areas that are trying to utilise the same water resources, and the impacts in Finland. |
| Tourism | <ul style="list-style-type: none"> • Regional climate impacts in the Mediterranean and the Alps, for example, may affect tourists' preferences in ways which will be reflected in Finnish tourism. |
| Transport and communications | <ul style="list-style-type: none"> • Potential changes in the ice conditions of the North-East Passage will be reflected in Finland's sea traffic. |
| Energy | <ul style="list-style-type: none"> • Rains in Norway and Sweden; impacts on Nordic electricity markets. • Higher hydropower and possibly wind energy potential, less electricity consumption due to reduced heating needs. |

Source: Based on MAF (2005a), *Finland's National Strategy for Adaptation to Climate Change*, Publication 1a 2005; Ministry of Agriculture and Forestry, Finland.

Conclusion

Finland is one of the most “rural” countries within the OECD, with all its predominantly rural (PR) regions outperforming (in terms of levels and growth of GDP per capita) when compared with other PR regions in the OECD, and with some of its lagging PR regions catching up. Nonetheless, there is an important degree of heterogeneity in terms of the challenges and opportunities of rural areas: Migration towards rural municipalities close to urban areas (RCUAs) is turning them into the areas with the fastest population growth in the country and the younger age structure. They also display socioeconomic indicators closer to those of urban municipalities (UMs) (for example income, education, health standards, morbidity index), and even better (in the case of unemployment and safety among others). In contrast, sparsely populated rural municipalities (SPRMs) and rural heartland municipalities (RHMs) are facing depopulation, although net-out migration rates are turning less pronounced in both areas and approach zero in RHMs. SPRMs have lower skills, lower income, higher unemployment and lower quality of dwellings than other types of municipalities. RHMs on its part show mixed results, in some indicators they are closer to SPRMs (such as income, education, health standards) but in some others they are closer to RCUAs and UMs, notably in unemployment and safety. The rural economy has evolved significantly over the past decade in all these types of regions with services largely outpacing the primary sector. The restructuring – not only in the primary sector but also in industry and public services – has affected most strongly SPRMs which have not been able to generate enough jobs to compensate for those lost. Nonetheless there are important signs of entrepreneurship in all types of rural areas linked to greater exploitation of their comparative advantages in the forestry industry and the wider forestry cluster, renewable energy production, the permanent and summer residences economy and tourism and nature recreation. The future of rural areas point a number of important policy issues that deserve consideration including the impact of out-migration in the age-, skill- and gender structure of remote areas, the availability of public and private services, the integration of rural areas with the knowledge-based urban economy and the impact of climate change.

Notes

1. Which means that 26 municipalities with less than 150 inhabitants per square km are classified under the Finnish Rural Typology as urban.
2. In the 2007 revision of the OECD Regional Classification approved at the 15th session of the Working Party on Territorial Indicators the region of Pirkanmaa was reclassified from PR to IN. The region of Pirkanmaa contains the city of

Tampere. Although the Tampere municipality has a population of about 195 000 inhabitants, the urban area of the city has a population of more than 300 000 inhabitants including the neighbouring municipalities. Tampere is the second most important urban centre in Finland after the Helsinki metropolitan region. The TL3 region of Pirkanmaa is therefore upgraded from PR to IN (OECD 2007h).

3. The label of “winners” has been used by documents of the Ministry of the Interior (2007) and it is also referred in the OECD Territorial Review of Finland (2005).
4. According to the World Competitiveness Report 2006, Finland, Denmark and Iceland have the best institutions in the world (1, 2 and 3, respectively) and, together with Sweden and Norway, are in the top ten in terms of health and primary education. World Economic Forum webpage.
5. There are not results for Rural Heartland Municipalities in this study. The results should therefore taken as indicative.
6. During the meeting of the European Council in Lisbon (March 2000), the Heads of State or Government launched a “Lisbon Strategy” aimed at making the European Union (EU) the most competitive economy in the world and achieving full employment by 2010. This strategy, developed at subsequent meetings of the European Council, rests on three pillars: economic, social and environmental. (www.europa.eu). Although the strategy is in general about competitiveness, some of the indicators of the checklist refer more generally to social and economic sustainability.
7. Since each sub-region can contain different types of municipalities (SPRMs, RHMs, RCUAs and UMs), the approximation of the rural type of each sub-region was made by considering the maximum share of population in each type. So if a given sub-region had most of its population in SPRMs, the sub-region was classified as sparsely populated, and so on. The results of this approximation should be taken as indicative only of the dispersion and the relative ranking.
8. Sub-regions do not match with the Urban-Rural classification. Rather, there is a typology of the Ministry of the Interior which classifies them into 5 categories: A. Helsinki region and near-by regions, B. Diversified university regions, C. Regional centres, D. Small Specialised Regions, and E. Other regions, mainly rural regions.
9. Small enterprise is defined as a company with one place of business with returns of at least € 8 409, which employs less than 20 persons.
10. Heat entrepreneur/enterprise is a single entrepreneur, a co-operative, a limited liability company or an entrepreneur consortium, which sells heat. The heating enterprise typically operates locally and the main fuel is wood. The fuel comes from the entrepreneur’s own forest or from local forest owners or wood processing industry. The heat entrepreneur operates the heating plant and earns income based on the amount of produced heat. (Alakangas, Eija [2003], “Biomass Heat Entrepreneurship in Finland”, www.afbnet.vtt.fi/heatentrep2003.pdf).
11. There were 2 165 such enterprises in the business register compiled by the Working Group on Rural Tourism of the Rural Policy Committee
12. A percentage of more than 100% implies that the number of jobs for the other gender actually declined.
13. State ownership of businesses is high in Finland, ranking 6th among all OECD countries, and is the main reason for the high ranking on the OECD’s overall

indicator of the stringency of state control. State ownership is particularly high in service sectors such as telecommunications, postal services, railways, and gas, as well in some manufacturing industries (OECD, 2006d).

14. For more details about impact of climate change and particular emphasis on Finland please refer to: Ministry of Agriculture (2005), IPCC (2001), Cubasch, *et al.*, 2001. Projections of future climate change. In: Houghton J.T. *et al.* (eds.): *Climate Change 2001: The Scientific Basis. Contribution of Working Group I to the Third Assessment Report of the Intergovernmental Panel on Climate Change.* Cambridge University Press, pp. 525-582. (www.grida.no/climate/ipcc_tar/wg1/338.htm) and Ruosteenoja *et al.*, 2003: Future climate in world regions: an intercomparison of model-based projections for the new IPCC emission scenarios. *The Finnish Environment* 644, Finnish Environment Institute, 83 pp. (http://ipcc-ddc.cru.uea.ac.uk/asres/scatter_plots/scatterplots_home.html).
15. The severe natural conditions of Lapland limit traditional agriculture in the northern areas of Finland, but livelihood has conventionally been sought from reindeer herding.
16. Electricity consumption is estimated to be 1.5% lower in 2025 and 4.6% lower in 2100 due to warming (MAF 2005).

ANNEX 1.A1

*Extended Tables and Methodological Notes*Table 1.A1.1. **Population living in rural municipalities according to the OECD regional classification and Finnish Rural Typology**

| OECD typology | Region (Finish – English name) | Percentage of population living in rural municipalities | |
|-----------------|---|---|----------------------|
| | | OECD ¹ | Finland ² |
| PU | Uusimaa | 15 | 15 |
| PR | Pohjanmaa – Ostrobothnia | 78 | 34 |
| IN | Varsinais-Suomi – Southwest Finland | 42 | 38 |
| PR | Lappi – Lapland | 92 | 42 |
| IN | Kymenlaakso | 43 | 43 |
| PR | Pohjois-Savo – North Savo | 56 | 44 |
| PR | Keski-Suomi – Central Finland | 91 | 46 |
| PR | Kainuu | 92 | 47 |
| PR | Etelä-Pohjanmaa – South Ostrobothnia | 100 | 50 |
| PR | Etelä-Karjala – South Karelia | 51 | 51 |
| PR | Pohjois-Karjala – North Karelia | 100 | 51 |
| PR | Keski-Pohjanmaa – Central Ostrobothnia | 66 | 54 |
| PR | Itä-Uusimaa | 55 | 55 |
| IN ³ | Pirkanmaa | 56 | 56 |
| PR | Pohjois-Pohjanmaa – Northern Ostrobothnia | 69 | 56 |
| PR | Satakunta | 69 | 57 |
| PR | Ahvenanmaa – Province of Åland | 100 | 59 |
| PR | Etelä-Savo – South Savo | 60 | 60 |
| PR | Päijät-Häme | 68 | 68 |
| PR | Häme | 84 | 84 |

1. Rural municipalities defined as those with less than 150 inhabitants per square km.
 2. Rural municipalities defined according to Finnish Rural Typology.
 3. Pirkanmaa region was reclassified from predominantly rural (PR) to intermediate (IN) region the 15th session of the Working Party of Territorial Indicators (Nov 2007) see endnote number 2.
- Source: OECD based on OECD regional database (2007) and Finnish Rural Typology (2006).

Methodology for the decomposition of factors of GDP growth

The GDP share of region *i* in country *j* can be written as:

$$\frac{GDP_i}{GDP_j} = \frac{GDP_i / E_i}{GDP_j / E_j} * \frac{E_i / LF_i}{E_j / LF_j} * \frac{LF_i / WA_i}{LF_j / WA_j} * \frac{WA_i / P_i}{WA_j / P_j} * \frac{P_i}{P_j} \quad [1]$$

where *P*, *E*, *LF* and *WA* stand, respectively, for population, employment, labour force and working age (15-64) population. Therefore, the GDP share of region *i* in country *j* is a function of its GDP per worker (GDP_i/E_i), employment rate (E_i/LF_i), participation rate (LF_i/WA_i), age-activity rate (WA_i/P_i) and population (P_i), relative to, respectively, the GDP per worker (GDP_j/E_j), employment rate (E_j/LF_j), participation rate (LF_j/WA_j), age-activity rate (WA_j/P_j) and population (P_j) of its country.

However, GDP figures for small regions, such as TL3 regions used in the analysis could be over or underestimated due to commuting since a significant share of the population might live in one region but work in other. In order to take this into account a factor of commuting is added by multiplying equation 1 by the coefficient of Employment measured at the place of work (*EW*) and Employment measured at the place of residence (*ER*) (and its inverse, so as to multiply the equation by 1). Rearranging, the resulting equation is:

$$\frac{GDP_i}{GDP_j} = \frac{GDP_i / EW_i}{GDP_j / EW_j} * \frac{ER_i / LF_i}{ER_j / LF_j} * \frac{LF_i / WA_i}{LF_j / WA_j} * \frac{WA_i / P_i}{WA_j / P_j} * \frac{P_i}{P_j} * \frac{EW_i / ER_i}{EW_j / ER_j} \quad [2]$$

Taking the logarithm and differentiating it, one obtains:

$$(g_i - g_j) = (g_{p,i} - g_{p,j}) + (g_{e,i} - g_{e,j}) + (g_{lf,i} - g_{lf,j}) + (g_{wa,i} - g_{wa,j}) + (g_{p,i} - g_{p,j}) + (g_{c,i} - g_{c,j}) \quad [3]$$

or, in ordinary words:

| | | | | | | | | | | | | |
|---|---|--|---|---|---|--|---|---|---|--|---|--|
| Difference in GDP growth between region <i>i</i> and the country <i>j</i> | = | Growth difference in GDP per worker between region <i>i</i> and country <i>j</i> | + | Growth difference in the employment rate between region <i>i</i> and country <i>j</i> | + | Growth difference in the participation rate between region <i>i</i> and country <i>j</i> | + | Growth difference in the activity rate between region <i>i</i> and country <i>j</i> | + | Growth difference in population between region <i>i</i> and country <i>j</i> | + | Growth difference in commuting factor between region <i>i</i> and country <i>j</i> |
|---|---|--|---|---|---|--|---|---|---|--|---|--|

Chapter 2

Rural Policy in Finland: Evolution, Consolidation and Remaining Challenges

This chapter aims to understand where does rural policy stand today in Finland and how it has evolved since 1995 when it had to integrate EU regional and rural development policies into its existing policy framework. The chapter is structured as follows: Section 2.1 provides a brief historic background on the origins and stages of rural policy and includes a box on the main conclusions and recommendations of the OECD Review of 1995. Section 2.2 describes the current institutional framework for rural policy, its institutions, budgets and policies. Section 2.3 contrasts the Finnish rural policy framework with that of other OECD countries (and EU countries in what entails EU regional and rural development funds) and discusses lessons that other countries can obtain from Finland and conversely, that Finland can learn from other countries. A final section concludes and provides a summary of the recommendations.

Key points

- **Rural policy emerged in Finland before than in most OECD countries.** Its origins are linked to regional policies responsive to the “great move” towards cities in the 1960s-70s and to some degree, to significant activism from civil society and academia. It has evolved from a rhetoric stage in the early 1980s, to a programmatic policy, strongly interlinked today with the EU policy instruments.
- **Finland counts at present with an institutionalised rural policy that is oriented and animated by the Rural Policy Committee.** This 29 member committee representing nine ministries and other 18 organisations has among several functions the role of assisting the Government in drawing up and implementing the Rural Policy Programme which has specific decisions for different Government entities to undertake within what is called “Broad Rural Policy”. It also serves as network of the different actors involved in the implementation of specific programmes oriented for rural development or what is called “Narrow Rural Policy”.
- **The scope of rural policy** in Finland, with its broad and narrow dimensions, aims both at promoting equity and competitiveness in rural areas. It is also a good balance between two extremes often found in OECD countries between the “grand plan” solution (aiming to integrate all policies into a comprehensive strategy, which has proved unachievable) and the “niche policy” solution (which is very limited in scope and budget).
- **The place that rural policy has earned as a governance instrument** is largely due to the Rural Policy Committee acting both as a means for integration and a force of change. Notwithstanding, **the place of rural policy occupies within the Government** is still a second best solution. Originally framed within regional policy, highlighting its cross-sectoral dimension, it is currently framed under the Ministry of Agriculture and Forestry influenced by EU rural policy, facing as other countries in that situation, a tension of competing priorities and constituencies between agricultural and rural policy.
- **The Rural Policy Programme has been reasonably successful in achieving coherence between the sectoral policies oriented to rural areas.** The evolution of four National Rural Policy Programmes (1991, 1996-2000, 2001-2004 and 2005-2008) and the adoption by the Government of two Special Programmes (2005-2006 and 2007-2010), a Resolution (2001) and a Report (1993) have

provided a policy framework and a long term vision to rural policy. The distinction of the two programmes contributes to the allocation of responsibilities, decision making, information sharing and linking the planning and implementation stages. Key strengths of the process are the involvement of civil society and academia in the preparation, negotiation and implementation as well as the clarity in allocation of responsibilities within the Government and the biannual monitoring and evaluation process. More could be done in terms of assessing on a systematic basis 1) whether the proposals/decisions obtained the expected results, 2) whether the financial flows match policy priorities and 3) whether policies are impacting positively or negatively in rural areas (rural proofing).

- **Finland has wisely taken advantage of EU funding to build its narrow rural policy.** The experience has been particularly successful with regards to adoption of the LEADER approach, which has been regarded as a model for other countries. Among the factors that explain this success are: 1) the pre-existing network of voluntary village action, 2) the “mainstreaming” of LEADER with national and other EU Funds (ERDF, EAGGF-O and EAGGF-G), 3) the participatory, tripartite structure of the Local Action Groups (LAGs) board and the relative autonomy of the LAGs. Regrettably, these initiatives which have proven successful rely on quite limited funding and the priority given in the allocation of EU Rural Development Funds for the programming period 2007-2013 place less emphasis on rural development measures than many other European countries. Notwithstanding, the funding for the LEADER programme was carefully distributed throughout the country favouring the sparsely populated rural areas.

Introduction

Rural policy as such is a relatively new concept in most OECD countries. Although Finland is not an exception, it can certainly be said that Finland is one of the pioneer countries in naming as *rural*, and building an institutional framework for, and adopting policy tools targeted to rural areas, without a sectoral (agricultural) perspective. By the time the OECD did a first approach to Finnish Rural Policy in 1994, which constituted the first assessment of a national framework for rural policy (OECD, 1995), this concept had already been discussed in Finland for a decade. That review already highlighted the “pioneering role played by Finland among OECD member countries in formulating a comprehensive multi-sectorial rural policy, involving public and private partners at all levels”. However, at that time it was certainly early to evaluate the effectiveness of such policies, and more so to predict the impact that the incorporation to the European Union (EU) would have in Finnish Rural Policy. The character of that review was therefore “exploratory and preliminary and focused on a limited number of specific topics”, i.e. territorial

statistics and rural indicators, promotion of rural employment, infrastructure and services and institutional aspects.

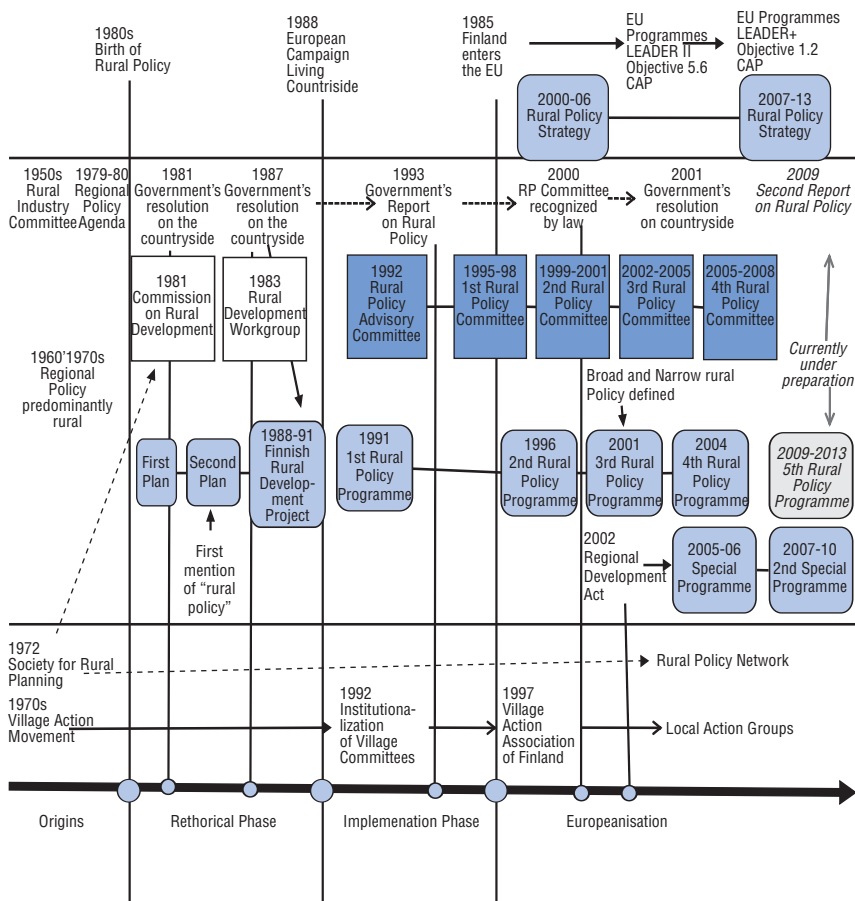
The first relevant question of this chapter is therefore not whether Finland has a rural policy or not, but to understand **where does rural policy stands today in Finland and how it has evolved since 1995 when it had to integrate EU regional and rural development policies into its existing policy framework**. Finland is however not alone in the quest towards “the New Rural Paradigm” (see OECD, 2006a) which involves designing new institutions and policies to deal with the dramatic transformation that rural areas are experiencing. Moreover, as an EU member state, Finland is not the only country seeking to incorporate EU policies into their national framework for rural policy. Therefore, the second important question is **how does the Finnish approach of rural policy compare with other OECD countries and EU countries? What can other countries learn from Finland and what can Finland learn from alternative approaches?** This chapter aims to answer these questions. It is structured as follows: Section 2.1 provides a brief historic background on the origins and stages of rural policy and includes a box on the main conclusions and recommendations of the Review of 1995. Section 2.2 describes the current institutional framework for rural policy, its institutions, budgets and policies. Section 2.3 contrasts the Finnish rural policy framework with that of other OECD countries (and EU countries in what entails EU regional and rural development funds) and discusses lessons that other countries can obtain from Finland and conversely, that Finland can learn from other countries. Section 2.4 presents a number of recommendations for Finland based on such discussion.

Last but not least, an important question is **how successful is rural policy in addressing the specific challenges of rural areas identified in Chapter 1?** A tension between the objectives of equity and efficiency is always present in rural policy discussions. The first one being related to the social objective of allowing citizens at least “minimum equal chances”; the second one capturing the goal of competitiveness (see OECD, 2006a). Chapters 3 and 4 provide a special focus on these to specific dimensions by concentrating on two specific policies, namely public service delivery policies and business environment, innovation and competitiveness policies, which are of particular relevance in the context of Finland, as highlighted in Chapter 1.

2.1. Evolution of rural policy in Finland

Given the early stage at which rural policy is in many OECD and non-OECD countries, the origins and evolution of rural policy in Finland constitutes a matter of interest in itself. Unlike many other countries, there is a wide literature about this matter. This section briefly describes the origins and

Figure 2.1. Evolution of Finnish rural policy



Source: OECD based on Isosuo (2000), Rural Policy Committee (2004) and Csste and Grandberg (2007).

evolution of rural policy until present. A schematic representation of the history line of events and institutions is depicted in Figure 2.1.

Originated from regional policy, civil society and academia...

The birth of actual rural policy in Finland is identified at the early 1980s. Its origins, however, date back to the 1960s and 1970s, when the “great migration” took place as hundreds of thousands of Finns moved from north to south and from Finland to Sweden’s industrial towns (see Section 1.2 in Chapter 1). Certain developments occurring in three different spheres (government, civil society and academia) influenced significantly the initiation of rural policy and the way it is structured today.

In the Governmental sphere, rural policy originated within regional policy. The earliest signs of rural policy can be identified in the regional tearing in agricultural support policy in use since the late 1940s, and in the regional policy structured as response to industrialisation of agriculture and urbanisation trends in the 1950s. The strong wave of urbanisation led the administration to seek special measures targeted at remote areas in other sectors besides agriculture and forestry. At this time, new support measures were created for sparsely populated areas, including the electrification allowance for rural areas, support for retail trade for sparsely populated areas, support for public transportation and minimum student numbers for primary schools. The great service reforms – the comprehensive school and health centre systems – were begun in the remote areas. In 1951 a small appropriation for granting loans to small-scale industries in rural municipalities was included in the state budget on a proposal of the Rural Industry Committee (*Maaseudunlinkeinkeinokomitea*). The regional policy built during the post-war period and until the 1970s had a specific orientation towards rural areas.

In the civil society sphere, a significant transformation occurred during the 1970: The surge of village action against the consequences of out-migration. Organised village action was launched by the “Village Research 76” project in 1970’s. Through village meetings organised to discuss the problems and alternative solutions of the communities and the conformation of a first group of village committees (51 in 1977), the movement grew quickly and became institutionalised in the 1980s. In 1987 there were already more than 2 200 village committees. In 1990s-2000s some village committees had been united in bigger village associations and a national association “Village Action Association of Finland” was formed in 1997. Nowadays there are about 3 900 villages in Finland and about 2 800 of them have a registered village association. About 1 900 village associations have an own village development plan which is implemented by associations, enterprises, the municipality and other organisations (Granberg and Csité 2007 and RPC 2007).

The academic sphere played also a relevant role. Indeed, as Granberg and Csité (2007) argue, the village movement “started in collaboration between academic researchers and village people. This was helpful among others to avoid local political barriers”. In the view of these authors, a network of rural developers and researchers “seems to be a crucial factor behind the breakthrough of rural policy-making in Finland”. In particular, a new association, the Society for Rural Planning (*Maaseudunsuunnitteluseura*), founded in 1972 among a young generation of rural researchers in sociology and geography, became a forum for the exchange of information and for debates on rural development, at a time when mainly the voice of farmers was heard in politics.

... Rural policy has evolved from a rhetorical phase...

According to Isosuo (2000, p. 59), the development of Finnish rural policy can be divided into the following phases:

- The rhetorical phase of rural policy, from the end of the 1970s through the European Campaign for the Countryside in 1988.
- The phase of implementing national rural policy 1988-1994, from the rural development project to new regional policy legislation.
- The phase of Europeanising rural policy, from 1995 onwards.

*The rhetorical phase refers to the period when rural policy was identified as a concept in itself and began being discussed, without necessarily counting with the policy tools to implement it. As the Summary of the Rural Policy Programme 2005-2008 states “in many ways the 1980s was a decade of a quest for rural policy. The objectives were evolving but the means to implement rural policy were scarce”. Rural policy was born within the regional policy agenda. In 1979-1980 the Planning group for the Countryside was established in the Chamber of Government, and a section on rural issues was established within the Parliamentary Consultative Committee of the Regional Policy. These two bodies proposed the establishment of a Commission on Rural Development in 1981, which produced the two first official plans specific to the countryside (1981 and 1983). The concept “rural policy” was mentioned for the first time in the 1983 plan. A Regional Policy Committee memorandum appearing three years later treated rural policy as a part of the entity of regional policy (Uusitalo, 1998, p. 59). In 1987, the **Government reached a resolution on rural development objectives**, which to some extent represents “the decision [of the Finnish Government] to develop the countryside” but the contents of the resolution were still comparatively weak.*

... towards a more programmatic policy

*The start of the second phase is linked to the 1988 European Campaign for the Countryside, named “**Living Countryside**” in Finland. This campaign led to the establishment of the **Rural Development Project** carried out from 1988-1991 (Volk, 1999, p. 10). The rural development project can be considered a breakthrough for rural policy, since a responsible organ for rural policy was created (under the auspices of the Ministry of the Interior, responsible for regional development, and the Ministry of Agriculture and Forestry, responsible for agricultural and forestry policy) and funding was provided for national development projects.¹ The rural development project led to the drafting of the **First Rural Policy Programme** in 1991. In 1992, the Rural Policy Advisory Committee was founded to follow the project from 1992 to May 1995 with a number of theme and working groups. This committee presented in 1993 a first **Report to the Parliament on Rural Policy**, and proposed in 1994 the establishment of the **Rural Policy Committee**, as it is today, for a period of*

three years composed of a broad group of civil servants. At this point in time, the OECD made a first assessment of Finnish rural policy. The main conclusions and recommendations of the OECD Review of Rural Policy Finland (1995) are provided in Box 2.1.

Box 2.1. Main conclusions of the first OECD Review of Rural Policy Finland (1995)

In 1994 the OECD undertook a review of Finland's rural development policy. Two important events framed the context for such review: The depression that Finland experienced from 1992-1995 and EU accession to become reality in 1995. To narrow the scope of this first-of-its-kind review, four policy aspects were analyzed to determine their mutual integration and overall contribution to the rural policy framework: Territorial statistics and rural indicators, promotion of rural employment, infrastructure and services, and institutional aspects. The following is a summary of the OECD's recommendations for each issue:

1. Territorial Statistics and Rural Indicators: The review highlighted Finland's efforts to construct rural-specific indicators as basis for policy decisions. It acknowledged the national tripartition at the municipal level as one important information base and that in general Finland counted with "fairly good if not excellent data" by international comparison, but it lacked quantitative and qualitative data specific to rural infrastructure and services and indicators needed to be more closely associated with objectives. It stressed the importance of counting with good quantitative data addressing all relevant rural development themes (for production, human resources, and households) and providing sufficient territorial details for long periods, in order to count with trend indicators suitable for policymakers. Finally it encouraged to supplement statistical publications with the breakdown into the rural tripartition.

2. Rural employment opportunities. The review recognised an explicit dual aim of the Finnish Government of developing rural areas and increasing employment opportunities nationwide through ministerial efforts to create and diversify jobs as well as to provide training. It highlighted the critical role of the public sector as provider of both services and jobs (to approximately half of all salaried workers in rural areas) and the risks that this entails in the context of depopulation and deregulation linked to EU accession. It emphasised the need of a more inter-sectoral and inter ministerial approach and targeted marketing; simplification of policies and introduction of new mechanisms (local government guarantees or national guarantee schemes) to encourage hesitant banks to form relationships with small enterprises; and, finally, orientation of efforts towards enhancing the new functions of the countryside (residential, amenity based development) rather than only compensating for rural handicaps.

Box 2.1. **Main conclusions of the first OECD Review of Rural Policy Finland (1995)** (cont.)

3. Infrastructure and services. The OECD review highlighted the objective of securing and improving infrastructure as an important task of rural policy in recognition that service provisions in the countryside is often not compatible with strict market economics. In this framework it recommended to ensure that tasks are carried out at the lowest institutional levels, incorporating the principle of subsidiarity, but taking remedial steps from the central Government through cross-subsidisation in order to prevent a policy divide that would only add to existing disparities streaming from geographic factors (periphery) or natural features (climate). It warned about the rigidities of sectoral thinking to allow for flexible public service provision and encouraged strengthening the regional level of responsibility in order to increase accountability and efficiency.

4. Institutional aspects. The review welcomed the (then recent) decision to set up a Rural Policy Committee as an effort to increase co-ordination but it encouraged clarification of the relationship between the committee and regional policy as well as of the responsibilities at different government levels. It highlighted the need for an appointed, acknowledged leader of rural policy and a comprehensive inter-sectoral and territorial approach at the appropriate levels, with emphasis on the regional level. Finally it recommended a forward-looking vision that would frame rural policy as part of the future of the country and its economy and orient policy coherence with relation to European and national policies.

Source: OECD (1995), *OECD Reviews of Rural Policy: Finland*, OECD Publications, Paris, France.

The third stage is marked by the entrance of Finland to the EU in 1995. The entrance of Finland to the EU re-shaped many budgetary and institutional structures within the nascent rural policy. The compliance with EU norms, programmes and structure has had significant impact in the shaping of rural policy as it is today. Starting from its place in the Government administration, since in order to facilitate the channelling of funds, the Rural Policy Committee was transferred from the Ministry of the Interior to the Ministry of Agriculture and Forestry. EU programmes gave also the opportunity of building a structure of Local Action Groups (LAGs) throughout the country, which would play a very relevant role in strengthening the already existing network of village associations at the local level.

In this third stage, three Rural Policy Programmes have been issued. The **Second Rural Policy Programme for 1996-2000 titled “Active Countryside”** was issued in January 1996. For drafting this programme a small expert group distinct from the Rural Policy Committee was appointed, which put forward

96 proposals (of which 84 were implemented) for the Government and relevant Ministries, but also aimed at universities, research institutions, municipalities and organisations, included the RPC. These wide sets of proposals originated what later, in the **Third Rural Policy Programme (2001-2004)** would be introduced as of broad and narrow rural policy (see next section). The third programme, entitled **“Countryside for the People”** included 108 proposals (of which 95 were implemented) and was accompanied by a **Government Resolution on Rural Policy** which laid down the 26 objectives and positions concerning the issues dealt in the programme, of which 24 were implemented. The **Forth Rural Policy Programme (2005-2008)** titled **“Viable Countryside – our joint responsibility”** included 133 proposals. Based on it a **Special Rural Policy Programme** was prepared for its political support for 2005-2006 consisting on 52 government decisions, and at present the Special Rural Policy Programme for 2007-2010 is in place. The Special Rural Policy Programme is already established by the Regional Development Act of 2002 as one of the four Special Programmes of the Government.

2.2. Institutions, policies and budgets influencing rural development

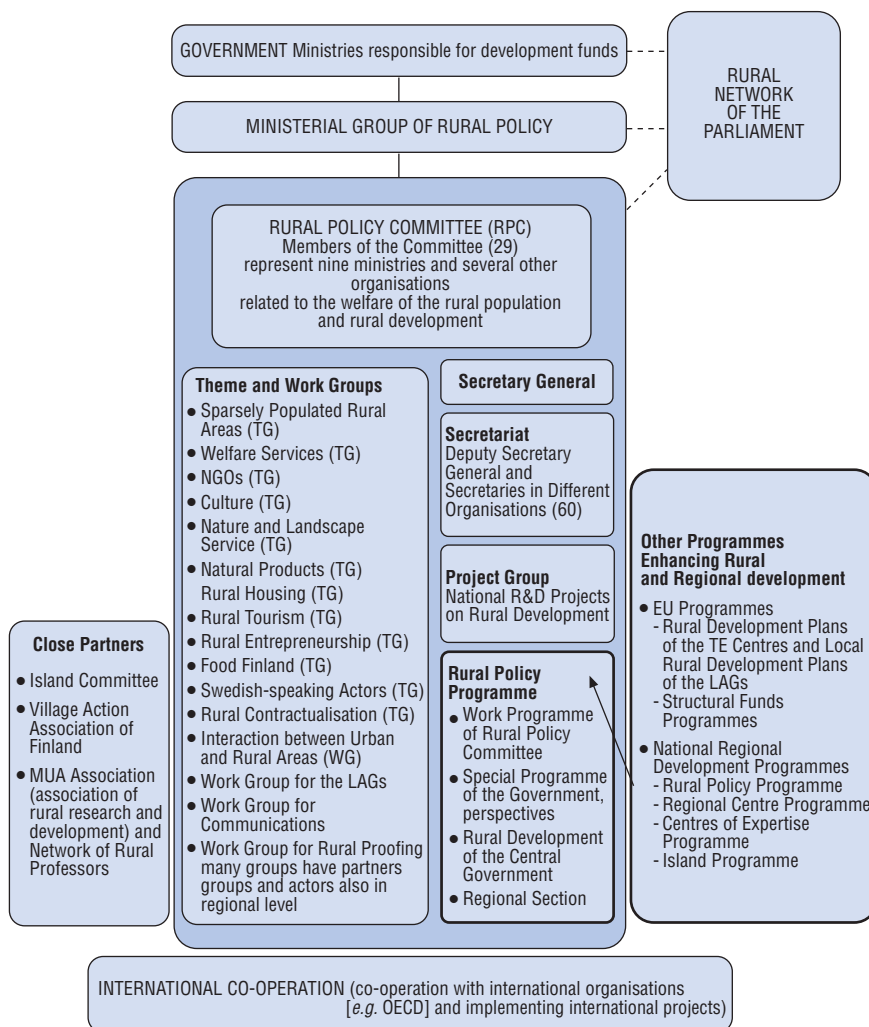
The Rural Policy Committee and the Rural Policy System

Finland counts with an institutional rural policy animated by the Rural Policy Committee

Rural policy has been institutionalised as a policy field. Based in a local general understanding that a new policy area is said to take 30 years to develop, Finland claims that its rural policy has now passed the half-way point of its formation. Throughout the last decades, the policy field has become more institutionalised. Key measures in the institutionalisation process have been the recognition by law of the Rural Policy Committee in 2000 [Government Decree on the Rural Development (609/2000)] and the assignment of a specific agenda with the formalisation of the Rural Policy Programme as one of the four special programmes² within the Regional Development Act (602/2002).

A wide number of actors take part in the Finnish rural policy network (Figure 2.2). As in many countries, policy towards rural areas cannot be the sole responsibility of a specific ministry or agency. However, it is also relevant to have specific institutions with responsibility for rural policy in order for the policy field to exist in itself and do not be watered-down within the multiple priorities of sectoral ministries. The institutional framework for rural policy in Finland recognises very well these aspects by distinguishing between the so-called *broad rural policy* and *narrow rural policy*. The former refers to the assessment of the impact of measures taken in different administrative sectors in rural areas. The latter refers to measures and instruments targeted

Figure 2.2. Rural Policy Committee and the Rural Policy Network



Source: Rural Policy Committee (2007b).

specifically at rural development (RPC, 2007a). A large number of governmental and non-governmental actors are involved in these two policy spheres. The Rural Policy Committee plays a crucial role in giving coherence to the two policy spheres. The role of other actors will be described within their respective participation in the broad or narrow rural policy.

The Rural Policy Committee is the core of the “rural policy system”. The Rural Policy Committee had its origins in 1988, when it was conceived as Rural Project. In 1992 it became the Rural Advisory Committee, and since 1995 it was

named Rural Policy Committee. It is currently hosted within the Ministry of Agriculture and Forestry,³ although it was created and initially hosted by the Ministry of the Interior (in charge of regional policy until the end of 2007).⁴ The Committee is appointed by the Finnish Government and has 29 members and convenes 6 to 7 times per year. It consists of 9 ministries, of other public organisations and of private stakeholders on a partnership basis. The following ministries (9) and organisations (18) are involved in the Rural Policy Committee:

Ministries: Ministry of Agriculture and Forestry, Ministry of the Interior, Ministry of Finance, Ministry of Education and Culture, Ministry of Transport and Communications, Ministry of Trade and Industry, Ministry of Social Affairs and Health, Ministry of Labour, Ministry of Environment.

Organisations: The Finnish National Board of Education (FNBE), the National Research and Development Centre for Welfare and Health, Employment and Economic Development Centres, Regional Councils, the Association of Finnish Local and Regional Authorities, the Central Union of Agricultural Producers and Forest Owners (MTK), the Central Union of Swedish-Speaking Agricultural Producers in Finland (SLC), the Central Organisation of Finnish Trade Unions (SAK), the Finnish Confederation of Salaried Employees (STTK), the Federation of Finnish Enterprises, the Island Committee, Rural Research, Polytechnics, Pro Agria (agricultural expert organisation), the Church Council, the Union for Rural Education, the Swedish Study Centre (SSC), the Forestry Development Centre Tapio.

The daily functioning of the Committee is run by the Secretary General, who is also Secretary of the Rural Network of the Parliament and President of the Village Action Association of Finland on the base of trust of the local people. The Secretary General is assisted by a Deputy Secretary General and a Secretariat conformed by 60 part-time secretaries of different public and private organisations. They participate as specialists in their own fields while working as civil servants, academics or representatives of civil society in their own organisations. Rural Policy Committee has a Project Group which manages the national rural research and development projects on rural policy.

The three main working methods of the Rural Policy Committee are the Rural Policy Programme (addressed in the following section), the national rural research and development projects and the Theme Groups. In the recent years the Rural Policy Committee has used about EUR 3 million per year for about 70 research and development projects which also support the work of Theme Groups. Part of this research is undertaken through a network of nine rural professorships which was created in several universities throughout the country, but there are a wide number of other researchers contributing in the rural research. The Rural Policy Committee has continuously 12-15 Theme and

Work Groups. These groups have life of their own, some being more active and longtime than others. Some groups, such as the one for LAGs, the one on rural tourism and the one on food, are important actors in their own field.

The Finnish Parliament is linked to the system above described through the Rural Network of the Parliament established on the initiative of the Rural Policy Committee in spring 2001. The network convenes 2 to 3 times a year to discuss topical rural policy issues. At present, there are discussions within the new elected parliament (in spring of 2007) for the conformation of a new Rural Network of the Parliament.

“Broad Rural Policy”: the role of different sectoral policies in rural areas

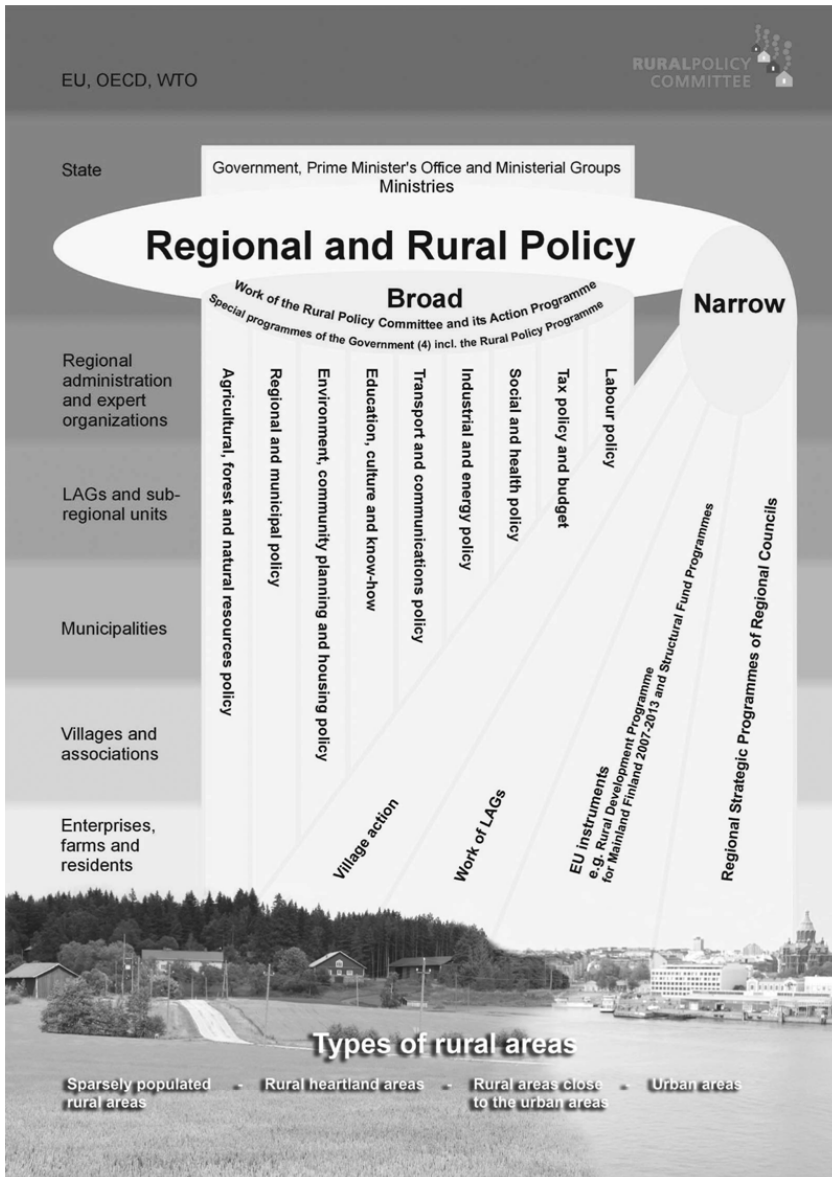
Broad rural policy refers to the efforts to influence all actions with impacts on rural areas within and by the different administrative sectors as part of the development of the rural society (RPC, 2004). Rural policy in Finland is understood as an extensive and comprehensive activity that cuts across all Governmental policies. These policies range from agricultural, forest and natural resources policy to education, culture and know-how policies, transport and communications, tax and budget policies, social, health and labour policies (Figure 2.3). A broad rural policy is needed because the decisions taken in the central administration have significant impacts on the viability of the rural areas. The main instruments of broad rural policy are the two elements of the Rural Policy Programme: The Action Programme of the Rural Policy Committee and the Special Rural Policy Programme or the Report of the Government to the Parliament.

The rural policy programme

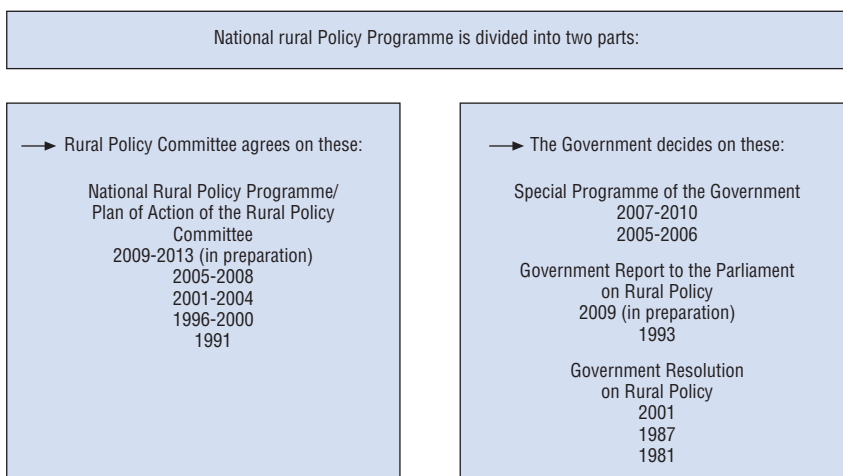
The National Rural Policy Programme (*Maaseutupoliittinenkokonaisuohjelma*) is drawn up by the Rural Policy Committee and is one of the four Special Programmes derived from the Regional Development Act (602/2002) (the other three programmes are the Regional Centre Programme, the Centres of Expertise Programme and the Island Development Programme). These programmes are fixed-term instruments approved by the Government for directional regional development and the creation of new methods and forms of co-operation for specific target areas or issues of regional policy. In this respect, rural areas are one target region among others. The aim of the Rural Policy Programme, as stated by the Regional Development Act is “to revitalise and diversify occupations and safeguard and develop services in rural areas by coordinating measures in various administrative sectors that affect them.”

The National Rural Policy Programme is divided into two parts: One is the Plan of Action of the Rural Policy Committee and other is the Special Programme or the Report of the Government. Both parts of the National Rural Policy Programme concentrate on the issues of the broad rural policy and on developing the rural policy system.

Figure 2.3. Broad and narrow rural policy in Finland



Source: RPC (2007a), A Viable Countryside – Ministries' Responsibilities and Regional Development, Special Rural Policy Programme 2007-2010, September 2007.

Figure 2.4. **The Rural Policy Programme**

Source: Rural Policy Committee (2007b).

The **Plan of Action of the Rural Policy Committee** contains proposals also to other parties than the State Government, and the decisions on these do not fall within the competence of the Government. The current (fourth) National Rural Policy Programme for the period 2005-2008, “*Viable Countryside – our joint responsibility*” contains 133 proposals that concentrate on the issues of the broad rural policy and on developing the rural policy system around four main objectives: 1) Reinforcing the operative structures of the rural areas, 2) Reorganisation of industries and work, 3) Maintenance and construction of basic services and 4) Raising the level of competence. In 2008 the Rural Policy Committee will prepare the fifth Rural Policy Programme for its Plan of Action for 2009-2013.

The separate **Special Rural Policy Programme** is drawn up on the basis of the Plan of Action of the Rural Policy Committee. The Special Programme contains only decisions and proposals within the competence of the Government. The Special Rural Policy Programme outlines the Government policy for rural development for the near future. Together with the launching of the Plan of Action of the Rural Policy Committee 2005-2008, the Government launched the Special Rural Policy Programme for the years 2005-2006, which was the first of its kind. It was prepared and introduced for the Government by the Ministry of Agriculture and Forestry. During 2006 the Rural Policy Committee prepared the second Special Rural Policy Programme, for the years 2007-2010. The responsibility for the preparation was assigned this time to the Ministry of the Interior, as for the other three special programmes as well. This document constitutes an important achievement for rural policy since it

contains Government decisions for which the different ministries and entities are responsible. The Special Rural Policy Programme for 2007-2010 was approved in February 2007 and it contains 66 decisions categorised into four priorities: 1) Reorganisation of industries and work; 2) Raising the level of competence; 3) Improving basic services and living opportunities; and 4) Reinforcing the operational structures in rural areas. Each measure has a number of responsible parties defined and their implementation is followed twice a year in a report drawn up by the Rural Policy Committee.

A new feature of the 2007-2010 Special Rural Policy Programme is that it includes a regional section oriented to reinforce the position of rural areas in regional development work. This section was added in consideration that while the Regional Centre Programme had offered a development tool for the urban areas (and made very little or no reference to rural development or urban rural interaction), a similar regional section had been lacking in the Special Rural Policy Programme. The new regional section of the Special Rural Policy Programme 2007-2010 had an allocation of EUR 1 million for 2007 and will count with EUR 1.25 million for 2008 as seed money for its implementation (RPC 2007a).

At present the Rural Policy Committee prepares the Rural Policy Programme for the period 2009-2013 and also a Report for the Parliament on Rural Policy which will be presented in 2009.

“Narrow Rural Policy”: specific programmes oriented to rural development

Finland has taken advantage of EU funds to foster rural development

Narrow rural policy includes the measures and instruments specifically oriented for rural development. In the Finnish approach, “narrow rural policy involves legislation, economic resources, special expertise and official staff devoted to rural policy, and it calls for special organisation, programmes, acts and decrees, budget items of the State and regional administration and research” (RPP 2005-2008). As Figure 2.3 shows, narrow rural policy involves village action, the work of the Local Action Groups (LAGs), EU instruments and the Regional Strategic Programmes of Regional Councils. However, as the Special Rural Policy Programme 2007-2010 states, the main instrument of narrow rural policy has become the partly EU funded Rural Development Programme for the Mainland Finland. In fact, the concepts of broad and narrow were introduced in the context of the integration of Finnish rural policy with EU policies, and were also intended to highlight that rural policy in Finland is broader than the extent of EU programmes. Finland claims that it gives orientation and content to those funds. “One could simplify and say that the EU programmes contain the funding, but the national narrow rural policy creates the content” (RPC, 2007).

EU programmes became a crucial component of the narrow rural policy in the two first EU (Structural Fund) programming periods. The first EU programming period (1995-1999) proved quite successful for Finland, albeit some initial difficulties and delays. The fragmentation of programmes oriented to the countryside (seven distinct programmes at that time allocated to different ministries) and the learning curve of the administration and regional actors made its application complicated.⁵ During the programming period 2000-2006, the main programmes were the Objective 1 (promoting the development and structural adjustment of regions lagging behind) and Objective 2 (supporting economic and social conversion of areas facing structural difficulties), the Regional Rural Development Programme ALMA, the rural Community Initiative “LEADER+” and the Horizontal Rural Development Programme 2000-2006.

During the first two EU programming periods, Finland wisely adapted, complemented and combined EU programmes with national funding to increase its efficacy and extend their coverage. The mainstreaming of the LEADER method, i.e. its complementation with national funds and integration with Structural Funds in order to cover all rural areas, has been remarked by several academic sources and by the EU itself. Since the launching of LEADER II in 1995, Finland developed a corresponding National Rural Programme Based on Local Initiative (POMO). With this underlying structure it was relatively easy for Finland to develop a strong network of Local Action Groups for managing the programme, which enabled the country to access and spend funds earlier than many other countries less prepared for such programme (OECD, 2006a). The good results led to the extension of the work to the whole country during the programming period 2000-2006. In that programming period, Finland had 58 Local Action Groups (LAGs) covering the whole territory funded either by the LEADER+ programme (25), the Regional Rural Development Programme ALMA (19), the Objective 1 programmes (6), or by the national programme for local initiative POMO+ (7).

For the EU-programming period 2007-2013 Finland implements the following programmes:

- **Rural Development Strategy, Rural Development Programme for Mainland Finland 2007-2013 and Rural Development Programme for Province of Åland** associated with the European Agricultural Fund for Rural Development EAFRD. There is one national rural development strategy and two rural development programmes, one for Mainland Finland and one for the Province of Åland in this programming period. The total programme budget for the Rural Development Programme for Mainland Finland is about EUR 7 408 million. Total public funding for rural development should rise to about EUR 6 625 million and about EUR 782 million should come from private sources. Total funding allocated to Finland from the EAFRD and through so-called modulation (funds cut from direct payments) is estimated at about EUR 2 080 million. The Rural Development Strategy and Programme consist

of four axes: Axis 1) Improving the competitiveness of the agricultural and forestry sectors, Axis 2) Improving the environment and countryside, Axis 3). Improving the quality of life in rural areas and encouraging diversification and Axis 4). Leader approach. Key actions in Axis 1 include payments to young farmers, training of agricultural and forestry producers, agricultural investments, and development of food, wood and bioenergy sectors. Axis 2 comprises natural handicap and environmental payments, payments to NATURA 2000 areas, and animal welfare payments. Axis 3 covers diversification and development of economic activities on farms and in other rural microenterprises and development of rural tourism, services and villages. Activities of the Local Action Groups (LAGs) as set down in the other axes, including regional and international co-operation, take place under Axis 4.

- **Operational Programme for Finnish Fisheries Industry** associated with the European Fisheries Fund EFF. This programme aims to improve the profitability and competitiveness of the fishing industry. The strategy and programme are drawn up by the Ministry of Agriculture and Forestry. The public funding totals approximately EUR 85 million in Mainland Finland in the programming period 2007-2013. The Fishery Programme has four axes and one of them is for fishery groups.
- **Structural Fund Strategy, Structural Fund Programmes 2007-2013** associated with the European Regional Development Fund ERDF and the European Social Fund ESF. The Structural Fund Programmes include the Regional competitiveness and employment objective and the European regional co-operation objective. The operational programmes co-financed from the ERDF have been prepared by greater regions (NUTS II). These are the operational programmes for Southern Finland, Western Finland, Eastern Finland and Northern Finland under the Regional competitiveness and employment objective. ESF operational programme covers the whole of Mainland Finland (NUTS I) and includes a national section and regional sections. The Structural Fund Programmes (both ERDF and ESF) in Finland aim at creating 50 000 new jobs, 13 400 new enterprises and improving the employment and know-how of 450 000 persons. The EU-funding for the programming period 2007-2013 (EUR 1 716 million) is 24% lower than in the programming period 2000-2006. To those funds are added national public funding for EUR 2 010 million and private funding, estimated in EUR 2 382 million, totalling EUR 6 109 million for the whole programming period. From the EU-funding the regional competitiveness and employment objective accounts for EUR 1 596 million, of which EUR 360 million is transitional funding for Eastern Finland. In addition, Eastern and Northern Finland will receive additional funding based on sparse population in the amount of EUR 35 per inhabitant per year, totalling EUR 359 million during

the entire programming period. Of this amount, Eastern Finland will receive EUR 186 million and Northern Finland will receive EUR 173 million. The financing for the European regional co-operation objective is EUR 120 million.

Regional, sub regional and local actors play a primary role in the implementation of the above mentioned programmes. There are a number of regional entities either grouping municipalities or representing the State at the regional level. Two of these institutions are of particularly significant importance for regional and rural policy: The Regional Councils and the Employment and Economic Development Centres (TE Centres). These entities not only have their own policies and resources, but they constitute relevant actors in the implementation of EU programmes which have a regional component such as ERDF and ESF and in the case of the TE Centres, they are the authorities through which EU and national funds from the Rural Development Programme for Mainland Finland 2007-2013 are distributed to the sub-regional or local level where most of the day to day work in rural policy takes place. In particular it is relevant to highlight the work of the Local Action Groups (LAGs) at the sub-regional level and of village associations and municipalities at the local level. These actors are described in more detail in Box 2.2.

Box 2.2. Regional and local actors involved in rural policy

Regional actors in rural policy

- Regional Councils are the leading actors of regional development. The 20 Regional Councils (which coincide with the 20 OECD TL3 and EU NUTS 3 regions, see Chapter 1) are statutory regional bodies financed by the member municipalities. They are responsible for general development in their region, working in co-operation with State authorities and among other responsibilities are responsible for drawing up and approving the regional strategic programme as well as programme proposals for the region regarding EU regional Structural Fund programmes, which are one of the most significant funding sources for rural development programmes (see further).
- Employment and Economic Development Centres (TE Centres) combine three state authorities and manage EU funds at the regional level. The fifteen TE Centres were established in 1997 by combining State authorities (labour, enterprise consultancy, agriculture and fisheries) at the regional level and correspondingly have three departments: Enterprise, farming and fisheries, and labour with three specific purposes: To support and consult enterprises, promote technological development in companies and help them with exports and internationalisation; to promote farming and fisheries and develop the vitality of rural areas and to implement and organise regional

Box 2.2. Regional and local actors involved in rural policy (cont.)

- labour policy. They also include technology units, which intermediate services provided by TEKES (the National Technology Agency of Finland). TE Centres are in charge of managing EU funding within their regions.

Other important regional actors are the 13 Regional Environment Centres, the 6 State Provincial Offices, the 13 Forest Centres and the 3 Regional Units of the Finnish Road Administration (Finnra).

Sub-regional and local actors in rural policy

- Local Action Groups (LAGs) are entities created when Finland joined the EU and the LEADER II Programme and corresponding national Rural Programme Based on Local Initiative (POMO) were launched (most were created in 1996-1997, and the rest by 2003). The LAGs have both a board where citizens, municipalities, local organisations and enterprises participate and paid staff which is mainly in charge for LEADER projects approval and funding management at the local level. At present there are 55 LAGs (there were 58 in the 2000-2006 programming period but some merged since 2007) covering the whole rural territory of Finland, whose area range from 1 000 to 49 000 square kilometres and the number of people in these from 14 000 to 95 000.
- Village associations. At present there are about 3 900 villages in Finland and about 2 800 of them have a registered village association. As previously acknowledged in Section 2.1, Finland has strong traditions in village action. More than 1 900 village associations have own village development plan which is implemented by associations, enterprises, municipality and other organisations. The Village Action Association of Finland is an umbrella organisation for Residents' Associations, village coalitions, LAGs and national central organisations. At the end of 2007 it had 129 member organisations. The Village Action Association of Finland promotes and develops village action and locally initiated rural development on the national level. This association provided the services of the LAG Network Unit until 2007 and gathered and distributed information about the work and development projects of the LAGs.
- Municipalities are the local authorities with responsibility on public service delivery. The 416 municipalities (existing in 2007) enjoy a high level of local autonomy. Depending on their rural character (recall that they are classified into urban, rural close to urban areas, rural heartland and sparsely populated, see Chapter 1) they play a central role in rural policy, particularly in terms of the provision of public services such as education, social and healthcare, security, infrastructure and transport services, which is their primary responsibility.

Source: OECD based on information provided by the Ministry of Agriculture and Forestry and interviews.

2.3. How does Finland's rural policy compare with other OECD countries

The structural changes that rural areas have experienced in Finland are not exclusive to this country. Globalisation, the dramatic reduction in farm employment and the emergence of important non-farm niche markets have generated a common understanding that rural policy falls short if being conceived only as agricultural policy. On the contrary, across OECD countries rural areas are increasingly looked upon as a heterogeneous array of regions where one-size-fits-all policies are no longer suitable to capture the diversity of rural needs and opportunities (OECD, 2006b). In this context, innovative governance structures have been created in many OECD countries to strengthen coordination across sectors and across levels of government and between public and private actors; and innovative policy instruments aimed to identify and exploit the varied development potential of rural areas. The OECD has labelled this policy shift as the “new rural paradigm” whose two main characteristics are: 1) a focus on *places* instead of sectors and 2) a focus on *investments* instead of subsidies (Table 2.1).

Table 2.1. **The new rural paradigm**

| | Old approach | New approach |
|-------------------|---|---|
| Objectives | Equalisation, farm income, farm competitiveness | Competitiveness of rural areas, valorisation of local assets, exploitation of unused resources |
| Key target sector | Agriculture | Various sectors of rural economies (ex. rural tourism, manufacturing, ICT industry, etc.) |
| Main tools | Subsidies | Investments |
| Key actors | National governments, farmers | All levels of government (supra-national, national, regional and local), various local stakeholders (public, private, NGOs) |

Source: OECD (2006a), *The New Rural Paradigm: Policies and Governance*, OECD Publishing, Paris, France.

While Finland's quest towards the “new rural paradigm” has by no means come to an end, the country is certainly one of the few that has worked already its way up the learning curve during close to two decades. As in any other countries this quest is driven by *policy entrepreneurs*⁶ who might face significant opposition from different actors willing the status quo to prevail. Therefore, the Finland case is not only interesting for the policies themselves, but also with regards of the lessons that in terms of the *political economy of reform* can provide to other countries which are just starting. At the same time Finland can learn from different ways of doing things that have been successful in achieving the same objectives in other countries. Different aspects are discussed in this section, first, the scope and place of rural policy; secondly the governance mechanisms through which rural policy interacts with other policies through the so-called “broad rural policy” and thirdly, the

way in which Finland implements specific policies oriented towards rural development or “narrow rural policy”.

The scope and place of rural policy

Two crucial questions that policy makers face in implementing new approaches for rural policy are: 1) What scope these strategies should have? 2) What place they should occupy within public policy? The answer to these questions is not usually defined by decree but rather earned and achieved through a process of gaining legitimacy within and outside government boundaries. OECD experiences in answering these questions are summarised in Box 2.3. Finland seems to have found a relatively good answer to the first question and might be probably still searching for the most adequate option with regards to the second one.

The approach of Finland regarding the scope of rural policy resembles well the suggested compromise between the “grand plan” and the “niche policy” extremes. The explicit distinction between broad and narrow rural policy in Finland provides to this policy a clarity of which it lacks in many other countries. These two complementary branches are oriented precisely to cover the objectives of equity and access to public services and an adequate orientation of sectoral public policies with the broad approach, and the objective of increasing competitiveness and targeting specific needs of different types of rural areas with the narrow approach. Moreover, this broad and narrow differentiation is shared with regional policy (see Figure 2.3). In Finland, rural and regional policy are considered as “parallel fields of policy”⁷ where the common denominator among the two is their cross-sectoral and territorially based approach. In the view of the Rural Policy Committee “rural and regional policy share its operation at all levels. In practice, the difference is that in regional policy the smallest unit is often the municipality, whereas in rural policy the unit is the village.” However, the Committee admits that “it is justified to consider rural policy as part of regional policy”. In fact, the recognition of the Rural Policy Programme as one of the four Special Programmes of the Government derived from the Regional Development Act, recognises regional policy as the framework where rural policy interacts with sectoral policies and urban policies.

The place that rural policy has earned in Finland (in the governance dimension) is largely due to the Rural Policy Committee acting both as a means of integration and as a force for change. The evolution of rural policy in Finland evidences a growth from the bottom, noticeably from civil society and academia (see Section 2.1) and where the governance dimension has been stronger and opening its way into the Government dimension. At the heart of the development and functioning of the rural policy system is the Rural Policy Committee. Uusitalo (2004, 8) has described this Committee as “a horizontal network, a forum for interaction and a learning organisation”. Yet, it is also clear that it has acted as

Box 2.3. What scope and what place for rural policy? OECD experiences

What scope for rural policy?

The question of what scope for rural policy tends to fall into two rather extreme policy solutions. The OECD recent horizontal study “The New Rural Paradigm: Policies and Governance” (2006) identifies that countries tend to adopt two opposite and rather extreme solutions to this question:

On one extreme lies the **“grand plan” solution** attempt which aims at integrating all policies directed to rural areas within a comprehensive strategy. An example of this attempt might be the Special Concerted Programme for Rural Development of Mexico or “Rural Budget”, which despite some important lessons (summarised latter), did not succeed (at least during the past government administration) to create the desired synergies within sectoral policies (OECD, 2007d). The problem with the “grand plan” approach is that by trying to address all areas of the broad policy framework – both the nature of a policy (regional *versus* general) and the nature of the territory (rural *versus* non-rural) – entails numerous risks for failure and often produces inaction. Moreover, it faces significant problems of institutional leadership and coordination as too many government entities and programmes are supposed to be aligned within an integrated framework.

On the other extreme is the **“niche policy” solution**, whereby they have policies only for some rural regions and usually with very limited budgets. A classic example of this approach is EU LEADER programme. The problem with this approach is that niche policies are often disconnected from other regional policies (such as those for urban development) and from sectoral policies, and since they are often poorly funded, they have modest economic and social impact.

None of these two extreme approaches seems to be the best solution. The conclusions of the OECD International Conference on Rural Development (2005) held in Oaxaca (Mexico), pointed in the direction of finding a compromise between these two extremes, framing rural policy within a comprehensive regional policy which would provide an umbrella for co-ordinated urban and rural development policies, by means of a territorially based approach, while adequately considering and addressing relevant urban-rural linkages (provision of public services, commuting of people, flows of goods and services, infrastructure, market access and supply chains, etc.) The overall policy is complemented with mechanisms for assessing or proofing the impact of sectoral policies on rural and non-rural regions.

Box 2.3. What scope and what place for rural policy? OECD experiences (cont.)

Matrix for rural policy analysis

| Territory | Policies | |
|-----------|---|---------|
| | Regional | General |
| Rural | <div style="border: 1px solid black; border-radius: 50%; width: 50px; height: 20px; margin: 5px auto;"></div> | |
| Non-rural | | |

Source: OECD (2006a), *The New Rural Paradigm: Policies and Governance*, OECD Publishing, Paris, France.

What place for rural policy?

The question of the place of rural policy can be framed in two dimensions: One refers to the specific place where rural policy is handled within the Government, the relative administrative importance, budget and tools that it is provided. The analysis of the Finnish case evidences the need however of looking into another dimension, which is the place and legitimacy that rural policy has “earned” among the different actors involved in rural policy including politicians, government officials at all levels, academia, and the rural population and its organised civil society. Both dimensions reinforce each other but there could be a strong rural policy in terms of the Government perspective with very little governance and legitimacy, or *vice versa* (as the Finnish case) a rural policy strong in the governance dimension despite a relatively low role within the Government.

The place that rural policy has “earned” (under the governance dimension) is very country specific; it can be influenced by history, leadership from within and outside the Government, political changes, etc. It can be constructed top-down with a strong leadership from central governments influencing the complex system of actors to concur to place-based rural development, in kind of role that has been referred as “metagovernance” (Jessop, 2000; OECD, 2006a) or it can be built bottom-up, originated from organised rural actors gaining attention in the political agenda.

The place that rural policy should occupy within the “Government” is an open debate in many countries. Often the place of rural policy ends up being a second best solution influenced by inertia of previous administrative

Box 2.3. What scope and what place for rural policy? OECD experiences (cont.)

traditions, and (in the case of European countries for example) by exogenously defined funding rules. In many countries, the fact that the Ministry of Agriculture has been the one which traditionally interacted with rural areas has derived in the creation of a department in charge of rural development within this ministry. This is the case of Canada for example which created a Rural Secretariat within the Ministry of Agriculture and Agri-Food, the US, which has an Undersecretary for Rural Development within the US Department of Agriculture. Some countries even restructure and change the name of the ministry in order to highlight the new rural development component. This is the case for example of Mexico, which named its relevant ministry as Ministry of Agriculture, Livestock, *Rural Development*, Fisheries, and Food (SAGARPA in its Spanish acronym). The previously mentioned solutions, where the Ministry of Agriculture adopts the rural development issue are often a second best because the inter-sectoral aspect of rural development is significantly limited being within one sectoral ministry, and although rural development is recognised as a new field, the ministry in which it is located has strong incentives to behave in the traditional way given that agricultural interests are generally better organised than rural development interests.

Alternatively, several countries have sought to break the inertia by creating a new body with expanded scope and explicit jurisdiction over rural development policies or by assigning this jurisdiction to another ministry. An example of the first case is the United Kingdom where the same central authority, DEFRA, embodies wider responsibilities over a broader set of areas including the environment, food and rural affairs. An example of the second case is Australia, where the Department of Transport and Regional Services (DOTARS) has primary responsibility over regional policy (which in Australia is synonymous of rural policy). External factors play a determining role particularly in the case of EU member countries which have to cope with external funding streams and rules that influence the decision of where to locate rural development policies. The two main streams of EU funds are the Common Agricultural Policy (CAP) and the (Regional) Structural Funds. Since rural development funds have emerged from the CAP (the so-called “second pillar”) and not from regional funds (although many countries, including Finland, have utilised structural funds for rural development), the straightforward place for rural development policies within European countries’ government structures has tended to be the Ministry of Agriculture, in charge of administering CAP funds.

a force for change within government and society, acting simultaneously as governance system, as actor-network, and as social movement. The Rural Policy Committee has struggled against the entrenched power of sectoral ministries: "It is always enormously difficult and time-consuming to bring about change, as the structures of politics and administration are immensely powerful in defending the status quo and weak when it comes to bringing about reform." These efforts have paid off. The recognition by law of the Rural Policy Committee in 2000 was a significant step. Another is the adoption of the Special Rural Policy Programme as an official government decision for the periods 2005-2006 and 2007-2010. In the latter it is stated that "since the 1980s rural policy has made a great deal of progress and the justification for rural policy has become more and more widely accepted. The most important functional achievements include growth in the social capital of local communities, strengthening of villages and village activities, diversification of economic activities, networking of rural enterprises and ending or at least slowing down the rural depopulation which has continued for a long time" (RPP, 2007-2010).

Notwithstanding, the place of rural policy within the Government is rather ambiguous: while tradition, the conception of policies and the Rural Policy Programme would place rural policy within regional policy, EU rural policy influenced the decision of placing the Rural Policy Committee and Rural Development Programmes within the Ministry of Agriculture and Forestry. As noted in Section 2.1, rural policy emerged in its earlier stages from regional policy which during the post-war period and until the 1970s had a specific orientation towards rural areas. In its origins, thus, the Rural Policy Committee was hosted by the Ministry of the Interior, responsible for regional policy. However, after joining the EU in 1995, the Committee was transferred to the Ministry of Agriculture and Forestry. The transfer responded to the referred need of many European countries of mirroring the EU structures to facilitate the interaction with EU counterparts and channelling of funds. So, in its present status, it could be said that narrow rural policy is hosted within the MAF. However, although the Rural Policy Committee plays a role in the narrow rural policy, its most relevant role refers to the broad rural policy, and the most significant advances in the institutionalisation of broad rural policy mechanisms have occurred in the framework of the Regional Development Act which included the Rural Policy Programme as one of its four Special Programmes. Therefore, there appears to be a mismatch between framing the most important broad rural policy tool (the Rural Policy Programme) within regional policy and placing the Rural Policy Committee (the actor in charge of preparing and negotiating the Rural Policy Programme) within the Ministry of Agriculture and Forestry.

As it is the case in other countries, by framing rural development within the Ministry of Agriculture and Forestry, a tension of competing priorities and

constituencies is created between agricultural and rural policy. The fact that at present the Rural Policy Committee is hosted within the Ministry of Agriculture and Forestry puts rural policy in a difficult position because there is a virtual competition between the agricultural focus and the rural development focus. While this ministry actively participates in the Rural Policy Committee, its priorities are oriented to the core sectors which it is intended to support, namely agriculture and forestry. A different outcome would be perhaps if as in other countries the ministry were also defined as for rural development. However, as it has been experienced in other countries, even when giving official jurisdiction over rural development policies, funding allocation is influenced by constituencies. In this context, rural development policies are in a weaker position since its constituency is much more locally based and less organised and powerful than the agricultural and forestry lobby. The lower priority of rural development was evident in the preparation of the Strategy and Rural Development Programme for Mainland Finland for the years 2007-2013, where “most of the funds went to agri-environmental support and natural handicap payments to less-favoured areas (whose impact on the development of the countryside remains quite weak)”, with less attention for the issues of new entrepreneurship in rural areas even though “the value added of the policy instruments represented by Axes 1.3 and 4 is very good, and in international comparison, that of LEADER methodology even excellent” (Vihinen, 2006; see narrow rural policy section below).

In sum, the way in which Finland defines the scope of rural policy is consistent with the need of rural policy to find a balance between the co-ordination among sectoral policies in order to guarantee an adequate attention of rural areas and the importance of orienting specific programmes to promote rural development and competitiveness. It has achieved so by clearly defining and developing two aspects of rural policy, the “broad” aimed at the first objective and the “narrow”, aimed at the second, noticeably taking advantage of EU funds. The place that rural policy has earned in Finland is largely due to the Rural Policy Committee which has not merely been a device for integration of policy and bringing together diverse actors but it has been a prominent actor itself and a force for change. The place that rural policy occupies within the Government however, is rather ambiguous. Originally rural policy was framed within regional policy highlighting its cross-sectoral dimension marking a clear distinction with agricultural policy, and the institutional advances of “broad rural policy” have been leveraged by regional policy. However, EU rural policy influenced the decision of placing the Rural Policy Committee and Rural Development Programmes or “narrow rural policy” within the Ministry of Agriculture and Forestry. As in other countries in that situation, a tension of competing priorities and constituencies between agricultural and rural policy is generated.

Evidence across the OECD countries suggest that a body in charge of rural affairs should be able to act as a *super partes* actor, that is above and not inside the sectoral structure of the Government, thus contributing to the coordination of sectoral ministries; be in a position to ensure the integration of urban and rural policies and to address urban-rural linkages; have its own financial capacity; broaden the scope of support for rural communities to a ‘whole government’ perspective; create a climate of support for legitimate rural concerns; and make a clear distinction of rural from agriculture, and help to re-engage the two in a positive, mutually supportive relationship. A relevant example of such a direct surveillance of rural areas at the highest level is England’s Commission for the Rural Communities (CRC) (see Box 2.4).

Box 2.4. **England’s Commission for Rural Communities (CRC)**

The CRC was established by an Act of Parliament in 2006, which defines the Commission’s general purpose as being to promote:

- a) awareness among relevant persons and the public of rural needs; and
- b) meeting rural needs in ways that contribute to sustainable development; where “rural needs” means the social and economic needs of persons in rural England.

The Act also directs the Commission to pay particular regard to the needs of:

- a) persons suffering from social disadvantage, and
- b) areas suffering from economic under-performance.

The Act specifies three key roles for the Commission, specifically:

- a) Rural Advocate : Representing rural needs to relevant persons.
- b) Expert Adviser: Providing relevant persons with information and advice about issues connected with rural needs or ways of meeting them, and
- c) Independent supervisory body: monitoring, and making reports about the way in which relevant persons’ policies are developed, adopted and implemented (by rural proofing or otherwise) and the extent to which those policies are meeting rural needs.

A central task for CRC in delivering these responsibilities is to provide independent advice to government and others to make sure that policies reflect the real needs of people living and working in rural England (Other parts of the UK are not within CRC’s area of competence).

Source: OECD based in information from the England’s Commission for Rural Communities.

“Broad rural policy”: achieving coherence of sectoral policies towards rural areas

As described in Section 2.2 the National Rural Policy Programme is the main instrument of broad rural policy and as such aims at providing coherence to the different sectoral policies oriented towards rural areas. The programme is revised about every four years, and it contains both a strategic perspective and concrete proposals with explicit references to those responsible for implementing them. The Rural Policy Committee carries forward the proposals of the programme through negotiations, projects, theme group work and by influencing various processes. The preparation of the Rural Policy Programme includes the preparation of the Special Rural Policy Programme, which is the part of the larger Rural Policy Programme that is under the competence of the Government. This section will therefore assess the extent to which the Rural Policy Programme as tool for achieving coherence complies with six dimensions that the OECD has identified as relevant to enhance policy coherence in regional and rural policy (Box 2.5):

The Rural Policy Programmes have been instrumental in providing a policy framework and long term vision to rural policy. At the time the OECD reviewed Finnish Rural Policy for the first time in 1994, the first Rural Policy Programme was already in place. The review highlighted the importance of this document because it characterised a “shift from a project approach to a programme-based, integrated territorial policy” (OECD, 1995, p. 21). The evolution of the subsequent three national rural policy programmes (1996-2000, 2001-2004 and 2005-2008) but most importantly, the *adoption*⁸ by the Government of the Report to the Parliament (1993) Special Programmes (2005-2006 and 2007-2010) and Resolutions (1981, 1987, 2001) as a proof of **political commitment**, are probably one of the greatest achievements of rural policy in Finland. Additionally, these documents have contributed to **defining a common understanding of rural policy**, including the mentioned broad and narrow distinction which was for the first time quoted in the third rural policy programme (RPC, 2004). According to Hyyryläinen (2004) “these documents form a significant, logically progressing body of data on the construction of Finnish rural policy, a series of statements of its strategy and organisation at the level of principles and ideals at each point in time... By analytical reading, we can find the core of the Finnish rural policy strategy from these four national programmes, and are able to recognise Finnish rural policy as a multi-actor space in which strategic intelligence is managed in a distributive way.” From the very first programme they are organised according to a number of **policy goals** for rural policy and identify a number of ways and means⁹ or **parameters of action**. And indeed, it sets the parameters for evaluation since ministries need to report twice a year the actions undertaken in line with the proposals/decisions contained in the Rural Policy Programme/Special

Box 2.5. Six dimensions of policy coherence

Coherence can enhance the efficiency of governance by taking account of the complex environment and necessary interplay of issues, actors, and the forces that affect the socioeconomic development of regions. By contrast, incoherence can threaten efficiency and undermine growth when policies are contradictory or misaligned, resources are duplicated, and opportunities for action are lost.

But what does policy coherence mean? While there is no single definition, the OECD suggests “[policy coherence] involves the systematic promotion of mutually reinforcing policy actions across government departments and agencies creating synergies towards achieving the agreed objectives.” This definition is particularly useful as it is drawn from extensive OECD work in the area of development, a domain which (like rural development policy) is characterised by complex cross-cutting issues that transcend sectoral boundaries and must be addressed by both state and non-state actors. Examining the comprehensive nature of regional and rural development policies in OECD countries and the effectiveness of incentives for promoting innovation at regional level requires the analysis of six dimensions:

- **Policy framework:** A clearly-articulated policy message that 1) identifies key policy goals, 2) promotes a common understanding of regional/rural policy, 3) sets the parameters for actions and evaluation, and 4) is supported by political commitment.
- **Roles, decisions, and information:** Roles and responsibilities among actors that are clearly allocated, decision-making assignments and methods that are clear and transparent, information flows that are shared and unimpeded, and mechanisms for co-operation among actors.
- **Planning and implementation:** Planning processes that are participatory, policy actions that are aligned with regional/rural policy goals, mutually reinforcing, inter-sectoral, and coordinated among levels of government and key stakeholders.
- **Time frame:** Short- and medium-term policy actions that are framed by a strategic long-term vision that extends beyond the diagnosis of immediate problems and towards a future agreed upon by stakeholders.
- **Finances:** Financial flows that match policy priorities, provide sufficient levels of funding to achieve objectives, and promote co-operation and credible commitments.
- **Evaluation:** The infrastructure for and implementation of ongoing monitoring and evaluation in order to assess and adjust policies and programmes.

Programme. In sum, these documents therefore have been central in providing rural policy with a **policy framework**. Additionally, the continuation of these programmes over a **time frame** of more than one decade has contributed to providing a **long term vision** to rural policy.

*The distinction between a programme of the Rural Policy Committee and a Special Programme of the Government contributes to allocation of responsibilities, decision making, information sharing and linking the planning and implementation stages. A particular feature of the Finnish Rural Policy Programme which from an external perspective is to some extent confusing is the existence of the two parts or two programmes with almost the same objective and name: The Rural Policy Programme (and Plan of Action of the Rural Policy Committee) and the Special Rural Policy Programme of the Government. They are however an indication of the already discussed differentiation between government and governance which is very important in the case of Finland. The Rural Policy Committee affirms that “methodologically, it has proven imperative for the Government Special Programme – with significant political weight but whose scope is limited to the Government – to be implemented side by side with the Rural Policy Committee’s Rural Policy Programme, which has a lower status but a broader scope.” The existence of the two programmes is however explicit recognition that rural policy is broader than the Governmental sphere and an **allocation of responsibilities** between government and non-government actors which is not often made in other countries. They create also a stepwise process from the **participatory planning stage** (which includes a number of regional seminars and negotiations with strong involvement of civil society and academia that derive in the proposals of the Rural Policy Programme) to the **implementation stage** (where **decisions** are adopted by the Government with explicit allocation of responsibilities within the Government and **actions** that fall out of the Government scope are taken by non-governmental actors and the Rural Policy Committee).*

*Key strengths of the process of preparation and implementation of the Rural Policy Programme are first, the involvement of civil society and academia as providers of local and technical knowledge. The **planning** of a coherent rural strategy requires of good **information** about the rural dynamics and local needs. Without a clear understanding of the challenges and opportunities of rural areas rural policy programmes face the risk of targeting resources and efforts in an inefficient or incomplete way. While civil society involvement – at the local and national level – is increasingly taken into consideration in the planning and implementation of rural policy in several OECD countries (Local Strategic Partnerships in the UK, Community Futures Programme in Canada, Regionen Aktiv in Germany, Rural Development Councils in Mexico), many OECD countries lack of a strong focus on “rural research”, and therefore have a major **knowledge gap** in this respect. In contrast, the role of research and*

academia in Finland's rural policy (as previously pointed out) has been remarkable since its origins. Perhaps this informed vision of the transformation of rural areas in such an early stage is one of the facts behind Finland adoption of a multi-sectoral rural approach before other OECD countries.

One of the relevant contributions of academia and analysis to the rural policy is the Finnish Rural Typology (which classifies municipalities into rural municipalities close to urban areas – RCUAs –, rural heartland municipalities – RHMs – and sparsely populated rural municipalities – SPRMs). This classification was created in 1993 and updated in 2000 and 2006 and it is an important rural policy innovation, which as highlighted in Chapter 1 serves for the identification of place based challenges and opportunities specific to each of these areas. The current Special Rural Policy Programme 2007-2010 includes for example a decision concerning the preparation of a specific action programme oriented to provide solutions to the challenges of Sparsely Populated Rural Municipalities (SPRMs). Still, efforts have to be devoted to extend the use of this typology by the different ministries for planning and implementation of policies. This would increase the territorial adequacy of multiple policies and ease the process of rural proofing by providing a common language.

A second strength is the ownership of the programme by the different government and non-government actors involved, resulting from a long process of negotiation. The process of negotiation and preparation of the Rural Policy Programme recognises civil society not only as provider of relevant information but together with the Government, as active participants in the implementation of the programme. This turns the preparation process into a long multi-arena **negotiation** oriented to **align** the actions of all **key stakeholders**. As the Rural Policy Programme 2005-2008 states “the same parties will be implementing the 133 proposals of the programme”.

Thirdly, a strength of the Special Rural Policy Programme of the Government is the clarity in the allocation roles and responsibilities within the Government. The current special programme (2007-2010) contains 66 decisions categorised into four priorities: 1) Reorganisation of industries and work; 2) Raising the level of competence; 3) Improving basic services and living opportunities; and 4) Reinforcing the operational structures in rural areas. A crucial element is that each measure in the four priorities is assigned to a number of ministries or agencies of the Government (see Table 2.2).¹⁰ This builds already into the programme a framework for **monitoring and evaluation**. The Rural Policy Committee follows the implementation of these measures twice a year from the different agencies and ministries.

While evaluation is carried out with respect to the agreed proposals/decisions, more could be done in terms of assessing on a systematic basis: 1) whether the proposals/decisions obtained the expected results, 2) whether the financial flows

Table 2.2. **Priorities and measures of the Special Rural Policy Programme 2007-2010**

| | Rural Policy Committee | Ministry of Agriculture and Forestry | Ministry of the Interior | Ministry of Trade and Industry | Ministry of Education | Ministry of Labour | Ministry of Social Affairs and Health | Ministry of the Environment | National Board of Education | Ministry of Transport and Communications | Government | Ministerial Group on Rural Policy | Universities and Polytechnics | Centre for Urban and Regional Studies | Ministry of Finance | Employment and Economic Development Centres | TEKES | Association of Finnish Local and Regional Authorities |
|--|------------------------|--------------------------------------|--------------------------|--------------------------------|-----------------------|--------------------|---------------------------------------|-----------------------------|-----------------------------|--|------------|-----------------------------------|-------------------------------|---------------------------------------|---------------------|---|-------|---|
| Reorganisation of industries and work (24 measures 6 given as example) | | | | | | | | | | | | | | | | | | |
| A working group is set up under the Rural Policy Committee to promote the organisation of local services and development activity | ✓ | ✓ | | | ✓ | ✓ | ✓ | ✓ | | | | | | | ✓ | | | |
| Rural business advice is improved by bringing together the offer with the aim of setting up 60 sub-regional businessservice points | | ✓ | | ✓ | | | | | | | | | | | | | | ✓ |
| Promotion of more efficient utilisation of wood energy by equipment, investments support, information and guidance and set up of heat centers | | ✓ | | ✓ | | ✓ | | | | | | | | | | | | |
| Launching of a programme with product and technology development packages and an image campaign for SMEs in the food sector | | ✓ | | ✓ | | | | | | | | | | | | | | ✓ |
| A working group is set up under the Rural Policy Committee for the development of the natural product sector | ✓ | ✓ | | ✓ | | ✓ | | | | | | | | | | | | |
| Efforts are targeted to the development of welfare tourism and the related theme and activity products as well as their international marketing | ✓ | | | ✓ | ✓ | | | ✓ | | | | | | | | | | |
| Raising the level of competence (13 measures, 4 given as example) | | | | | | | | | | | | | | | | | | |
| Inclusion in curricula of community planners: land use planning, infrastructure, building and energy for different types of areas, including rural | | | | | | ✓ | | | | | | | ✓ | ✓ | | | | |
| 6 M EUR ensured for rural research and development projects from annual appropriation (3 M EUR) of the RPC, ministries and programme funding | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | | | | | | | | |
| Development of the Rural Studies network continued through closer relationship between research and teaching and cooperation | ✓ | | | | ✓ | | | | ✓ | | | | | | | | | |
| Rural policy competence exported and Finland takes advantages of best rural policy practices and develops methodologies with the EU, OECD and NGOs | ✓ | ✓ | ✓ | | | | | | | | | | | | | | | |

Table 2.2. **Priorities and measures of the Special Rural Policy Programme 2007-2010** (cont.)

| | Rural Policy Committee | Ministry of Agriculture and Forestry | Ministry of the Interior | Ministry of Trade and Industry | Ministry of Education | Ministry of Labour | Ministry of Social Affairs and Health | Ministry of the Environment | National Board of Education | Ministry of Transport and Communications | Government | Ministerial Group on Rural Policy | Universities and Polytechnics | Centre for Urban and Regional Studies | Ministry of Finance | Employment and Economic Development Centres | TEKES | Association of Finnish Local and Regional Authorities |
|--|------------------------|--------------------------------------|--------------------------|--------------------------------|-----------------------|--------------------|---------------------------------------|-----------------------------|-----------------------------|--|------------|-----------------------------------|-------------------------------|---------------------------------------|---------------------|---|-------|---|
| Improving basic services and living opportunities (21 measures, 6 given as examples) | | | | | | | | | | | | | | | | | | |
| Changes in the relationship between public, private and the third sector examined to ensure that services are produced in the best possible way | ✓ | ✓ | ✓ | | | ✓ | ✓ | | | | ✓ | | | | | | | |
| Development work to ensure comparable local services in SPRAs to the other areas. Financial support available to promote cooperation | | | ✓ | ✓ | | | ✓ | | | | | | | | | | | |
| Development of small schools and their learning environments in the context of that of the education sector and education and training of teachers | | | | | ✓ | | | | ✓ | | | | | | | | | |
| Examination of impacts of change in the use of free-time residences. Definition of the minimum criteria according for conversion into permanent residences | ✓ | ✓ | | | | | | ✓ | | | | | | | | | | ✓ |
| Long-term funding for basic road improvement ensured and raised to prevent the deterioration of lower-level road network and guarantee traffic safety | | | | | | | | | | ✓ | | | | | | | | |
| Use of public funding for building projects relating to communications infrastructure where joint supply is not generated on a commercial basis | | | ✓ | | | | | | | | | | | | | | | |
| Reinforcing operational structures in rural areas (8 measures, 4 given as example) | | | | | | | | | | | | | | | | | | |
| Continue LAG work covering the whole country 2007-2013. Search of new sources and development of methodology to bring together actors and funds | ✓ | ✓ | | | | | | | | | | | | | | | | |
| Reinforce urban-rural interaction. Urban associations and authorities encouraged to organise into LAG-type organisations for EU programmes | | ✓ | ✓ | ✓ | | ✓ | | | | | | | | | | | | |
| The Ministerial Group on Rural Policy evaluates the effectiveness of the main rural policy instruments | ✓ | ✓ | | | | | | | | | | ✓ | | | | | | |
| The RPC draws up a proposal for an action programme to help to find solutions to the special problems faced by the sparsely populated rural areas | ✓ | | | | | | | | | | ✓ | | | | | | | |

Source: OECD based on rural Policy Committee (2007a).

match policy priorities, and 3) whether policies are impacting positively or negatively in rural areas (rural proofing).

1) Whether the proposals/decisions obtained the expected results

Other than the number of recommendations implemented (for example, 84 out of 96 proposals were implemented in the second Rural Policy Programme “Active Countryside” and 95 of 108 were implemented in the third entitled “Countryside for the People – Rural Policy Based on Will”), the Rural Policy Programme (and Special Programme) lack of specific **measures of performance** that allow to evaluate the degree of success achieved. Although among the proposals of the Rural Policy Programme 2005-2008 (at least in the English summary that was available to the review team), there are some clearly measurable proposals such as “number of associations carrying out village action is increased from the present 2 300 to 2 700 by the end of 2008” (Proposal No. 10 under the section Reinforcing the operational structures in rural areas), a large group of them is stated, without clear measurability; for example, “as many village schools as possible are developed into service centres” (Proposal No. 6 under the section Raising the level of competence). Some of the decisions of the Special Programme 2007-2010 are sometimes even more ambiguous (RPC, 2007) for example “special actions are examined to prevent the social exclusion of young people who have completed their basic education” (Decision No.2 under the heading Raising the level of competence).

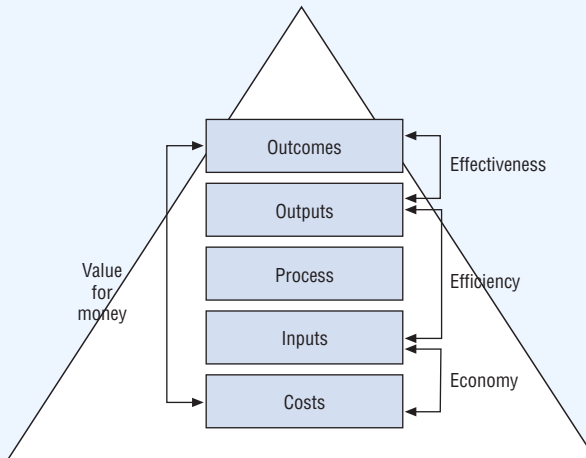
In addition, among the proposals/decisions there is mixture of **inputs in terms of financial or human resources, with outputs and outcomes**. For example Decision No. 5 under the heading of “Improving basic services and living opportunities” is an input: “Long term funding for basic road improvement is ensured and the level of funding is raised to prevent deterioration of the lower-level road network and warranty traffic safety”. An example of an output is Proposal No. 1 under the heading “Raising the level of competence”: “The multidisciplinary master's degree programme in rural studies is started in autumn 2005”. And an example of an outcome is Proposal No. 12 under the heading “Maintenance and construction of basic services”: “Shortage of labour in social and health services is removed by organising welfare services as regional entities”.

The following considerations are therefore pertinent: The more the Rural Policy Programme proposals and Special Programme decisions are measurable, the more clarity there will be in terms of the degree of success with the already built monitoring mechanisms. Moreover, a distinction between inputs, outputs and outcomes would be relevant since performance can be assessed using only one or a combination of these elements (see Box 2.6). That would allow to measure efficiency (for example if more jobs are created by euro spent in tourism or in ICTs) and effectiveness (for example if the development package for the food sector SMEs and the image campaign effectively increased their sales).

Box 2.6. Performance measurement based on inputs, outputs and outcomes

Increasingly among OECD countries, the concepts of performance management have been introduced in government budgets and programmes, in increased efforts to generate economies (savings), increase efficiency and effectiveness. “Performance” means the yield or results of activities carried out in relation to the purposes being pursued. Its objective is to strengthen the degree to which governments achieve their purposes (OECD, 2005d).

Figure 2.5. **Relations of control**



The generic “public sector production process”, includes inputs, outputs and outcomes. The flow goes generally from 1) inputs (resources such as money, employees, and equipment) to 2) work activities, programs or processes, to 3) the immediate outputs of the work that are delivered to customers, and to 4) outcomes or results that are the long-term consequences of delivering outputs. Performance can be measured using only one of these elements or a combination of them. The figure below shows the performance measures that can be obtained from them. A comparison between inputs and costs, which is the traditional accountability mechanism in government, allows for identifying economies or savings. Comparing between outputs and inputs gives a measure of efficiency, and comparing outcomes with outputs gives a measure of effectiveness. A more normative question of the value of money is given by evaluating outcomes with costs. Finding the desired mix is essentially the most relevant issue. Concentration on only one instrument of control can have distorting effects. For example, as input measures are easier to develop, they do not support efficiency and can

Box 2.6. Performance measurement based on inputs, outputs and outcomes (cont.)

be inflexible, while concentrating only on outputs can lead to goal displacement. Outcome based measures are the most appropriate when co-ordination between different agencies is involved, though there are measurement problems, accountability problems, higher costs and information overload as limitations.

Potential and limitation of different management control regimes

| | Potential | Limitations | Suitable contexts |
|---------|--|--|--|
| Input | Easy and affordable; Strengthens compliance | Does not support efficiency can be inflexible | Low confidence and variable competence |
| Output | Facilitates efficiency; Facilitates control of aggregate expenditure; Accountability of results | Can distort focus; Measurement problems Information overload | Confidence, sound accounting and professionalism |
| Outcome | Supports policy formulation and co-ordination; Long term | Measurement problems; accountability problems; costs; information overload | The above plus dedicated politicians and the ability to set clear objectives |

Source: OECD (2001), "Measures to Increase Efficiency and Effectiveness", presentation by Alex Matheson, November 2001; OECD (2007g), OECD Programme on Management in Government "Towards a Better Measurement of Government", Working paper 1; and OECD (2005d), "Government Performance: Lessons and Challenges" by Teresa Curristine, *OECD Journal on Budgeting*, Volume 5-1.

2) Whether the financial flows match policy priorities

As pointed out above, the Rural Policy Programme is built with a strong level of knowledge of the rural development dynamics due to its interaction with rural research. However, OECD countries often face another knowledge gap related to the amount of public expenditure effectively spent in rural areas and Finland is not an exception. This information could offer a quantitative support to the discussion on strategies and investments in rural regions and allow answering the questions of whether financial flows match the policy priorities and whether they are sufficient to achieve the objectives.

In the case of EU programmes (discussed in the next section on narrow rural policy) there is greater clarity with respect to which priorities receive support (it is easier to identify that 87% of the Rural Development Programme for Mainland Finland 2007-2013 comes in the form of agricultural subsidies and only 13% in "rural development" oriented measures) and which regions receive support (sometimes at TL2 level, sometimes at TL3 level, certainly at LAG level), although it would be desirable to break down into the three types of rural areas.

Given that broad rural policy is a concept for the governance of rural issues, having some kind of budget for broad rural policy, in the opinion of some experts, would potentially vitiate or “water down” the basic idea of broad rural policy. It is true that broad rural policy does not need a specific budget because it is implemented within the scope of the State budget and through the reallocation of existing funds. As such, broad rural policy influences the allocation of funds budgeted for several administrative sectors.

In any case, the influence of the Rural Policy Programme would be better informed if there were clarity about who does what in rural areas and with what resources. An example of a mechanism that could be explored is provided by the Mexican Special Concerted Programme for Sustainable Rural Development (PEC for its acronym in Spanish). The PEC is a cross-sectoral programme which is accompanied by an accounting exercise breaking up the budget of the allowances of the different ministries to rural programmes or the “rural share” of government programmes (Box 2.7).

3) *Whether policies are impacting positively or negatively in rural areas (rural proofing).*

Another knowledge gap closely linked to the previous discussion refers to the impact of sectoral policies in rural areas. The purpose of broad rural policy and of the Rural Policy Programme is to “harmonise the impacts of the actions undertaken by different administrative sectors and to reinforce the positive impacts”. Nonetheless, until October 2007 when a Working Group for Rural Proofing was established within the Rural Policy Committee Theme Groups, there was not formal evaluation or “rural proofing”¹¹ of the different ministries policies in rural areas. There have been however some important precedents: One is the work on “regional proofing” that the Ministry of the Interior began undertaking in 2004 by requiring to sectoral policy makers to clarify their regional strategies and the assessment of regional impact. The ministries took up the task with varied interest, on average, providing evasive and inadequate assessments (RPC, 2007). Now that the exercise was done formally for the first time and it is projected to be repeated periodically, both decision-making and sectoral policy in different administrative sectors have increasingly gained a more regional perspective than they have had previously. However, regional proofing seeks different objective and does not necessarily correspond in terms of territories and priorities with those of rural areas.

Another precedent of rural proofing was an exercise performed among the different ministries for the purpose of this review. A request was sent to 16 departments in 9 ministries in November 2006 requiring them to provide a statement “about which are the positive and/or negative impacts of the sector policy implemented by your administration on different kind of rural areas (rural municipalities close to urban areas, rural heartland municipalities and

Box 2.7. Mexico's rural "budget" system

Mexico, as many other countries facing the multifaceted character of rural development, has searched for alternatives to provide consistence to the policies that different ministries pursue in rural areas. The first step in that process consisted in the identification of policies and budgets oriented to rural territories.

In 2001 the new law on Sustainable Rural Development introduced the legal obligation for all ministries to conform to a concerted plan for rural policy. The Special Concerted Programme for Sustainable Rural Development (PEC for its acronym in Spanish), launched in 2002, includes objectives, strategies and programmes of several ministries and was intended to constitute an element for integration and ordering of the actions of 14 federal entities involved in rural development. As a sub-product of this plan, since 2003, an accounting exercise has been done every year incorporating the budgetary allowances of the different ministries to rural programmes or the "rural share" of their programmes. This exercise has constituted since then an official "rural budget" that is incorporated as an annex to the federal budget, portraying and adding together from an integral rural viewpoint the budget allocations that are partially reflected in the sectoral parts of the whole budget.

The introduction of a "rural budget" in Mexico was not without challenges. The most important lessons learnt about this process are the following:

- *Accounting and transparency*: The aggregation process has to be framed in clear and transparent criteria of what programmes are rural and for the programmes that have both rural and urban impact, criteria for determining how the "rural share" should be calculated.
- *Inter-temporal comparability*: Clear criteria for aggregation are also crucial for the rural budget to be comparable over time. The incorporation and extraction of programmes should be clearly stated in order to allow comparisons, particularly from one administration to the other.
- *Sub-national impact*: Since both revenues and expenditure are strongly centralised in Mexico, the "rural budget" is mainly composed by federal budgetary allocations and transfers to states and municipalities. These transfers however are not always earmarked. A decomposition of the "rural budget" by sub-national administrative units is important to take into account the heterogeneity present in rural areas.

Box 2.7. Mexico's rural "budget" system (cont.)

- *Political meaning of the "rural budget"*: The rural budget constitutes an important tool for policy makers; however, it also represents a new political tool for negotiation with rural constituencies. This aspect should be managed carefully, with mechanisms oriented to improve the efficiency of the rural spending rather than the continuous aggregation of resources and programmes to "inflate" for political reasons the "rural budget".
- *Synergies of rural policy*: The most significant goal of having a rural budget is the one of fostering synergies in the intervention of different agencies in rural policy. This implies strengthening the dialog among the entities involved and a critical revision of the budget oriented to merge, transfer or eliminate certain programmes impacting on rural areas.

Source: OECD (2007b), *OECD Rural Policy Reviews: Mexico*, OECD Publications, Paris.

sparsely populated municipalities)." A statement was received from almost every department it had been asked for, totalling 14 statements. In statements, representatives of different ministries demonstrated mostly issues they think are positive to development of rural areas. Negative influences were not demonstrated so clearly. Still there were few exceptions. For example, the Transport Policy Department in the Ministry of Transport and Communication was open and clear about deficiencies and needs for improvement in their sector policy toward rural areas.

The experiences of other OECD countries can enlighten the work of the newly established Working Group on Rural Proofing, notably the experiences of Canada's "Rural Lenses" and England's "Rural White Paper" (Box 2.8). Ideally, these mechanisms should be backed up with legislation requiring the different ministries to account for their impact on rural areas and followed up by a monitoring team that assesses the different policies and is able to influence change in case of policies negatively impacting rural areas.

"Narrow rural policy": Giving "content" to EU programmes

While the narrow rural policy refers not only to EU programmes but also to other activities of the national rural policy, it is clear, as the Special Rural Policy Programme states, that the main instrument of the narrow rural policy is the Rural Development Programme for the Mainland Finland 2007-2013. The way in which Finland introduced this programme deserves to be contrasted with what other EU countries do since at least, is an area where all countries have to follow the same guidelines.

At the time the 1994 Review of Finland's Rural Policy was undertaken by the OECD, the review team observed that there was "little forward planning and

Box 2.8. Rural-proofing in other countries

Canada's "rural lens" approach

In Canada, rural proofing was established at the end of 1990s: Accordingly all new policy development were subject to a form of rural policy impact assessment. As Canada developed its institutions to serve a rural policy, several more components were put in place in 1998. "A Rural Lens" with a checklist of considerations was initiated to determine if a policy or programme addresses priorities for rural Canada. The checklist of considerations is as follows:

- How is this initiative relevant to rural and remote Canada?
- Is the impact specific to a selected rural or remote environment or region?
- Have the most likely positive and negative effects on rural Canadians been identified and, where relevant, addressed?
- Is the initiative designed to respond to the priorities identified by rural Canadians?
- Have rural Canadians been consulted during the development or modification of the initiative?
- How the benefit to rural Canadians is maximised (*e.g.* co-operation with other partners, development of local solutions for local challenges, flexibility for decision making)?

Within Canada's Rural Secretariat, a group of five public servants administer the Canadian Rural Lens with colleagues in other departments in applying the Rural Lens to new policy initiatives. Of course, they only get involved with policies that have a rural angle. When the system works well, the Rural Lens unit is involved early, but involvement may not come until a few weeks prior to Cabinet meetings. The power of this mechanism is that the Rural Lens staff can advise the Minister to support (or not support) the new policy proposal. Although the Minister has only one voice at the Cabinet table, opportunities to involve the several Regional Development Agencies (and their ministers) are sought. This mechanism provides departments with an incentive to take the Rural Lens comments into account. If the Rural Lens staff thinks that the rural perspective has not been properly presented, then they try to influence the policy proposal accordingly. The objective is not to advocate for putting rural considerations first, but to ensure that decisions are fully informed (*i.e.*, of the implications for rural communities).

Box 2.8. Rural-proofing in other countries (cont.)

England's Rural White Paper

In England, the Government's Rural White Paper (2000) obliges departments and public bodies to put a "rural-proofing" mechanism in place through which policy design and implementation were systematically checked for their impact on rural areas, and to take action to mitigate adverse impacts where appropriate. The process has served as mechanism for inter-departmental coordination in a similar way to the "rural lens" approach in Canada. Knowledge and interest in rural proofing has spread from the central Government and it is becoming a tool for analysing and improving rural services among local authorities, by making more public sector bodies aware of rural issues. An annual "rural-proofing report" is published by the Commission for Rural Communities which acts as supervisory body to verify that rural-proofing has been undertaken.

Source: OECD (2006a), *The New Rural Paradigm: Policies and Governance*, OECD Publishing, Paris, France.

little integration of programmes and projects with Europe in general or with EU plans". Yet today, Finland has quite successfully integrated EU programmes at the core of its "narrow rural policy" and it is regarded as a "model" for other EU countries, particularly with regards to its adoption of the LEADER method and its mainstreaming with national funds and other EU funds in order to cover the entire countryside. The first part of this section evaluates how well this integration works, and what elements of this model might be built on elsewhere. The second part discusses the choices that Finland has made with regards to the allocation of EU funds for the programming period 2007-2013 among the different priorities and across regions, which determine the roadmap for the future of narrow rural policy.

The incorporation of EU programmes into Finnish Rural Policy

While for the purpose of organisation, the discussions about broad rural policy and narrow rural policy are separated; in fact, they are two sides of the same coin. Finland has taken the opportunity of EU regional development programmes and community initiatives to introduce a territorial rural policy viewing rural areas as a whole. It is apparent that the Rural Policy Committee has found progress easier to achieve in spheres where civil servants have greater delegated powers and particularly within EU-funded programmes, which are time-limited and ancillary to Ministries core business.

There have been a number of factors influencing the successful adoption of the LEADER approach in Finland, which has been regarded by many as a “model” for other countries. Among these factors four are particularly relevant:

The pre-existing network of unpaid village action. The LEADER method seems to fit in well with the Finnish strong tradition of community voluntary work (“talkoot”). As noted earlier rural areas have numerous small-scale associations and a culture of joining together in voluntary work reflected in the presence of an active civil society and many citizens’ organisations – most notably a lively network of 2 800 village associations. Some observers have pointed out that since local action existed before money was available to support it, once EU funds began to flow, projects emerged like “flowers in the desert”. This was evident in the 67 applications made to form LAGs when LEADER was first introduced in 1996, of which only 22 could be funded through LEADER II programme (objectives 5b and 6). This demand for a wider intervention led directly to the mainstreaming of the programme (see below).

Mainstreaming (i.e. its application and integration with national funds and “mainstream” Structural Funds). The idea to extend the LEADER approach beyond the LEADER programme itself, and to use this to build a new sub-regional structure for rural policy, came from the Rural Policy Committee in 1996. The Secretary-General of this Committee, together with a “small but determined core of officials” played a pivotal role in turning this idea into reality. Mainstreaming of LEADER started by national POMO funding in year 1997. In first programming period, 22 LAGs were funded from LEADER II programmes (5b and 6) and 26 LAGs from nationally funded POMO programme. The second mainstreaming phase was in years 2000-2001, when 25 LAGs were funded under the EU’s LEADER+ programme, 26 LAGs were funded from objective 1 and ALMA programmes through the TE Centres (a key new element), and 7 LAGs were funded from a national programme (POMO+) to cover the entire country. Despite their different sources of funding, all LAGs worked under the same LEADER methodology and same principles of LAG work in Finland. The mainstreaming of LEADER in Finland has received considerable attention internationally, particularly from the European Commission and other EU countries. “Finland offers an example of what can be called extensive mainstreaming of the LEADER method, ..., and is exceptional in being the only country where the Local Action Groups (LAGs)... have been adopted fully in official rural policy” (Pylkkänen and Hyyryläinen, 2004).

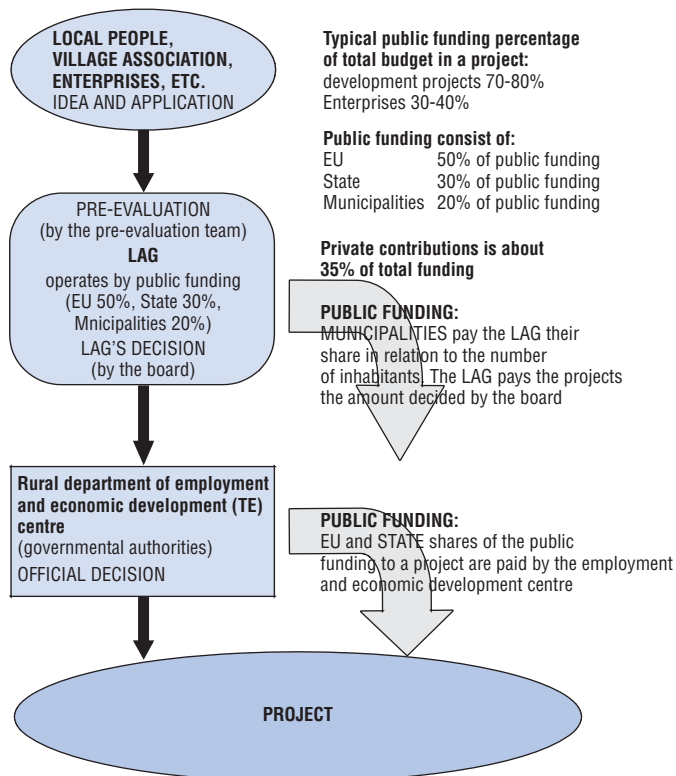
Participatory, tripartite structure of the board of LAGs. A relatively unique characteristic of Finland's LAGs is the tripartition structure of the board: One third composed by municipal officials and holders of positions of trust, one third by representatives of associations and enterprises and one third by individual rural residents. Hyyryläinen (2006) sees this as having created “genuinely new forums for discussion in which the old local elites have not

been able to gain the upper hand” in contrast to those for EU programmes at regional level which remain dominated by local elites (civil servants and politicians) pursuing “the same motives and interests as earlier and their ways of working are highly conservative” (Hyyryläinen, 2004). This structure have made of LAGs genuine instruments of participative democracy and gives them a status in the middle ground between the authorities and citizens’ organisations. The sub-regional structure attracted the support of municipalities, enabling their co-operation not only with one another but also with the private and community/voluntary sectors. Although municipalities are close to communities and their needs, there has been much discussion in Finland for the last 20 years about the merits of co-operation between municipalities at sub-regional level, and the LAGs have offered such a structure while still engaging with communities.

Autonomy of LAGs. Although the LAGs lack of financial autonomy, they enjoy significant independence in Finland with regards to the decision on what projects to be carried out. More than 7 000 local development projects funded in the programming period 2000-2006, after being approved by their respective LAG, were evaluated in terms of their legal feasibility by the TE Centres and it was through them that the funds were provided (Figure 2.5). This means that the funding authorities (TE Centres) limit their evaluation to the legality of the projects, but once a project has been approved by the LAG, only for legal reasons it might not be undertaken. Since LAGs are seen as more inclusive, and not as a representative of the authorities: “Local people have realised that their own active participation is being rewarded. The work has been genuinely inspiring” (Hyyryläinen, 2006).

The introduction of LEADER brought the LAGs as new actors in the local arena which have increasingly integrated their work with the regional and local authorities. Naturally, the idea of relatively autonomous LAGs has been challenging to many, so “there continue to be key individuals and parties within the central administration and beyond who remain, if not hostile, at least sceptical with regard to the idea of a power shift” (Pylkkänen and Hyyryläinen, 2004). While many municipalities supported LEADER (giving help and resources) from the beginning, some others had tensions with their respective Local Action Groups. For some observers, the Local Action Groups represented an instrument of participatory and direct democracy and there were fears that the LAGs might challenge the status of traditional representative municipal democracy. These tensions have been reported in several studies (for example Katajamäki *et al.*, 2006). The main concern of municipalities was that despite the fact that they fund LAG projects, they could not control what kinds of projects the Local Action Groups were executing. Particularly the local politicians did not at first grasp the independent role of the LAGs. Nowadays the situation is better and the tensions are smoothing. The municipalities

Figure 2.5. **Joensuu Region Leader's process of authorisation and funding of local development projects**



1. This process and funding structure, although similar throughout the country might differ from this one, particular to the Joensuu region Leader.

Source: Lehtikoinen, A. (2007), "Joensuu Region Leader", Leader Flowchart, presentation during OECD mission, Outokumpu, 5 May 2007.

have great challenges of reorganising their service structures and promoting economic development. Little by little they have realised that the LAGs can be useful partners in fulfilling these tasks. In spite of this progress the work of the Local Action Groups has remained distant to part of the representatives of the municipalities. There are still efforts to be done to make the communicative processes more natural between the municipalities and the LAGs.

There is further potential for strengthening the regional dimension of rural policy. Regional policy at the national level has been a powerful leverage for rural policy, not only because of the already referred Rural Policy Programme, which derives from the Regional Development Act, but more importantly because the implementation of rural policy involves regional, sub-regional and municipal actors, which are the main "constituency" of regional policy. Some

of these actors have evidenced in the past rigidities to “think rural”. In the Finnish regional administration, two traditions have influence, side by side. First is the central Government’s tradition of regional administration whose representatives are the Employment and Economic Development Centres (TE Centres), State Provincial Offices, and Environmental Centres among others. Second, there is the regional tradition rising from the local level, of which the Regional Councils are representatives since formally they are “joint municipalities”. These two traditions come together in the Regional Management Committee (RMC) which is a collaboration forum for the State’s regional administration and the Regional Councils which set together the perspectives of the State’s sector administration and broad development perspectives of the regions. At this level there is no specific forum for the broad rural policy.

In some regions, a procedure has been put forward where a broad-scale rural division has been founded in connection with the Regional Management Committee. In the rural division, the regional level rural organisations and other interest groups relevant to rural matters are represented in addition to universities, polytechnics and other expert organisations participate. This has been a good signal towards extending rural thinking at the regional level. An important question regarding the relationship between regional policy and rural policy opens with the restructure of the Government whereby regional policy is going to be transferred to a new Ministry of Employment and the Economy combining trade, labour, innovation, energy and regional policy. This implies also changes at the regional level which are not yet defined but which could improve the relationship of rural policy with trade issues, employment, innovation, and regional policy, to the extent that the relationship between rural and regional policy is continued and strengthened. At the same time, it would be pertinent to consider the unification of the different boundaries of the regional authorities. The communicative processes between different partners are easier and there are less meetings when the boundaries are unified. At the moment there is a working group appointed by the Government which discusses about the new regional administration model. As a part of this work it is recommended to unify the boundaries of the regional authorities. The unification is highly recommended also at the sub-regional level.

The experiences of broad-scale regional rural forums which have created a rural division within the Regional Management Committee of some regions have been encouraging. In these cases, the rural division represents rural organisations and other interest groups relevant to rural matters including universities, polytechnics and other expert organisations participate. The conformation of this rural development structure at regional level could have strong impact on the planning and implementation of rural policy. For example, when the regional strategy and rural development programmes, demanded by

the EU programming period 2007-2013, were drawn up, it became obvious that in the areas of broad-scale rural division, the preparation work was versatile and the result was a programme which took into account rural development challenges in depth. The difference was great in comparison to areas where there was no regional forum for the broad rural policy.

Finland's choices with regards to the allocation of funds along priorities and across regions

As noted earlier, the Rural Development Programme for the Mainland Finland 2007-2013 is the main instrument of the so-called narrow rural policy. The reliance on EU funds poses risks because it makes rural policy vulnerable to changes in EU funding allocations and priorities. Indeed a number of important changes took place from the programming period 2000-2006 to the just initiated 2007-2013. Box 2.9 briefly describes these changes.

The explicit allocation of funds that EU countries have to make into the four axis of the Rural Development Programme force EU countries to take a stand with regards to rural development policies. The EU has specified that at least 10% of any country's Rural Development Plan budget must be spent on Axis 1 (payments to young farmers, training of agricultural and forestry producers, agricultural investments and development of food, wood and bioenergy sectors), at least 25% on Axis 2 (agri-environmental support and natural handicap payments), at least 10% on Axis 3 (diversification and development of economic activities on farms and other rural micro-enterprises, and development of rural tourism, services and villages), and at least 5% on Axis 4 (LEADER). There need not be a separate funding allocation for Axis 4 if some of the other axes are delivered through a LEADER approach. In practice only Axes 3 and 4 (and some elements of Axis 1) might truly be regarded as rural development measures.

Figure 2.6 shows the allocation of funds of the countries that at the time of writing this report presented their allocation in the European Commission webpage. There it can be seen that Finland is one of the countries with smallest share devoted to Axes 3 and 4 (oriented for rural development) and the country with highest share in Axis 2 (agri-environmental schemes). The final allocation of the total public funds by the Finnish Government in the Rural Development Programme for the Mainland Finland 2007-2013 is shown in detail in Table 2.3. It can be seen that Finland has chosen to devote 82% of its total public funds (73% of EAFRD – budget to Axis 2, 8% to Axis 1 (11% of EAFRD), 7% to Axis 3 (9% of EAFRD) and 4% to Axis 4 or the LEADER Method (5% of EAFRD).

The smaller allocation of funds to rural development measures reveals the already referred conflict of priorities of agricultural and rural development policies within Finland. While it is true that Finland does not receive as much resources

Box 2.9. The CAP and recent reforms to its rural development section (Pillar 2)

The Common Agricultural Policy (CAP) has been one of the main tools of European integration. Most CAP support (over 95%) is distributed through Pillar 1 (market price support, direct payments to farmers, etc). Thus it remains largely an economic sectoral policy. The beginnings of a territorialised and integrated rural development programme emerged in 1999 when the EU agreed a Rural Development Regulation to establish rural development as the new “second pillar” of the CAP. This Pillar 2 of the CAP is much smaller (less than 5% of support) and covers so-called “rural development measures”, including support for farmers in less favoured areas, agri-environment schemes which pay farmers to manage their land in accordance with environmental objectives, and farm modernisation. In practice, across Europe virtually all these measures are available only to farmers, and so they may still be regarded as sectoral rather than territorial in nature. In principle, the European Commission envisages that the emphasis of the CAP, in budgetary terms, will gradually shift from Pillar 1 to Pillar 2 – that is, from market support towards rural development (in this farmer-centric sense) – but this is strongly contested by farming interests in most, if not all, member states.

Following a reform of the first Pillar 1 of the common agricultural policy (CAP) in 2003 and 2004, the Agricultural Council adopted in September 2005 a fundamental reform of rural development (R-D) policy for the period 2007 to 2013. The following three major objectives for R-D policy have been set for the period 2007-2013: Increasing the competitiveness of the agricultural sector; Enhancing the environment and countryside through support for land management; enhancing the quality of life in rural areas and promoting diversification of economic activities. A thematic axis was created to correspond to each core objective. The three thematic axes are complemented by a “methodological” axis dedicated to the LEADER approach (LEADER axis). In this way the reform integrates the Leader Community Initiative (funded until 2006 through the European fund for Agriculture Guarantee and Guidance – EAGGF-O) into mainstream R-D programmes and also brings rural development under a single funding and programming framework, the European Agriculture Fund for Rural Development (EAFRD):

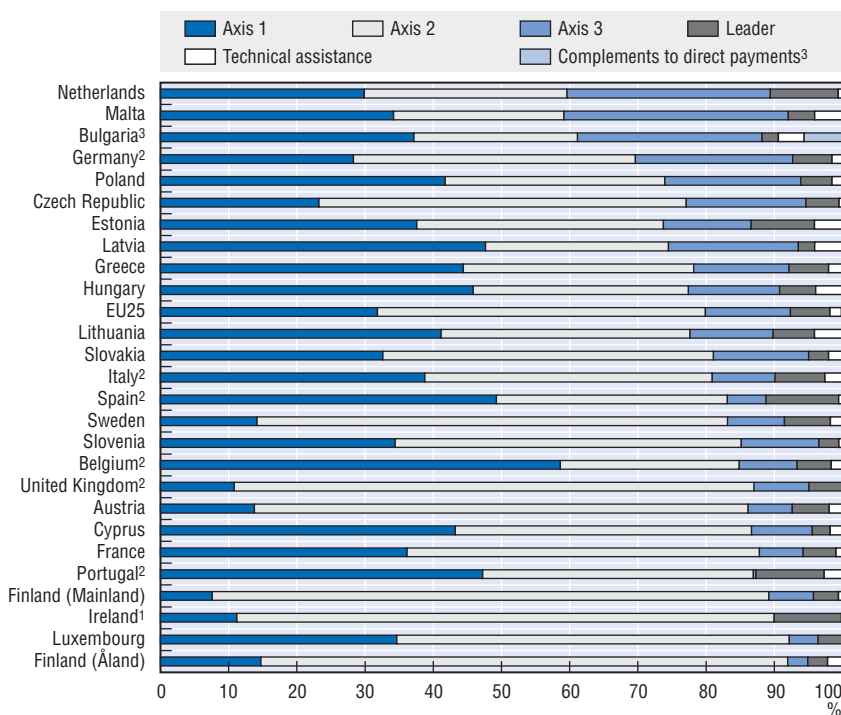
- Axis 1: Improving the competitiveness of the agricultural and forestry sectors.
- Axis 2: Improving the environment and countryside.
- Axis 3: Improving Quality of Life in rural areas and encouraging diversification.
- Axis 4: LEADER approach.

Box 2.9. The GAP and recent reforms to its rural development section (Pillar 2) (cont.)

While “a single set of programming, financing, reporting and control rules will simplify considerably the delivery of the policy” (EC fact sheet), in practice, the reform implies that LEADER has to compete with established agricultural interests for its funding. Moreover, the total sum available under Pillar 2 was reduced during the negotiations over the EU Budget for 2007-2013, leaving some financial pressure on member states and specially those who place emphasis on agri-environmental measures and less favoured area payments, such as Finland.

Source: European Commission (EC) (2006b), “The EU Rural Development Policy 2007-2013” Fact Sheet, European Communities, Luxembourg, 2006.

Figure 2.6. Comparative allocation of total public funds (EAFRD + national funds) into the 4 Axis of their respective Rural Development Programmes



Notes:

1. For Ireland Leader includes Axis 3.
2. National values obtained by adding the regions for which information was available.
3. Accession Treaty measure for Bulgaria and Romania 2007-2009.

Source: OECD based EC (2007), Rural Development Policy 2007-2013, Country Files, http://ec.europa.eu/agriculture/rurdev/index_en.htm.

Table 2.3. **Allocation of funds of the Rural Development Programme for the Mainland Finland**

| Axis | Total public (National + EAFRD) | EAFRD | % EAFRD contribution | Axis % of total public | Axis % of total EAFRD |
|-------------------------|------------------------------------|-------|-------------------------|---------------------------|--------------------------|
| Axis 1 | 504 | 227 | 45 | 8 | 11 |
| Axis 2 | 5 406 | 1 514 | 28 | 82 | 73 |
| Axis 3 | 433 | 195 | 45 | 7 | 9 |
| Axis 4 | 242 | 109 | 45 | 4 | 5 |
| Technical assistance | 40 | 18 | 45 | 1 | 1 |
| TOTAL (M EUR) | 6 626 | 2 062 | 31 | 100 | 100 |

Source: MAF (2007a), Rural Development Programme for the Mainland Finland (RDPMF) for the Programming Period 2007-2013.

under the Pillar 1 of the CAP as other European countries and thus Pillar 2 funds are a means for complementing support to farmers, the revealed priorities contradict the image that Finland has earned among European countries as a *leader* in terms of rural policy and its mainstreaming of LEADER, which is widely regarded as very successful, and as a model to other countries. Instead, funds are directed to agri-environment programmes which were not evaluated as positively as LEADER in terms of their effectiveness in their mid-term evaluation.

The political priority in Finland appears to be to support farmers with subsidies rather than to produce public goods or to invest for the future. About 94% of all farmers in Finland participate in agri-environmental schemes, and the intention appears to be to continue subsidising farmers in new ways, compliant with the WTO's "green box", even while production subsidies and protection are negotiated away in WTO talks and gradually phased out of the CAP. Similarly, Finland wishes to preserve domestic self-sufficiency and food security, but this cannot be made explicit in the EU and WTO context. The political priority is apparently to support farmers rather than to produce public goods (hence no voluntary modulation, for example), but subsidies now have to be couched in terms of the "green box", ecology, landscape and biodiversity. This explains the disproportionate emphasis on Axis 2 measures notwithstanding that these have proved much less effective than LEADER and other rural development measures.

As to LEADER funding, for the Programming Period 2007-2013 the programme will count with public funding for 242 million euros of which 108 will come from the EU Rural Development Programme for Mainland Finland and 133 million will come from national sources (state and municipal). In addition, it is estimated that 128 million from private sources will be included, totaling 370 million euros. In this programming period the 55 LAGs (some groups merged during the transition period) will be LEADER groups and have more tasks than in the previous programming period (Table 2.4).

Table 2.4. **LEADER funds for the programming periods 2000-2006 and 2007-2013**

| Programme | Public financing of all LEADER LAGs ¹ | Number of LEADER LAGs | Average public financing of a LEADER LAG | Budget years of LEADER LAGs ² | Average financing of a LEADER LAG per budget year |
|-------------------|--|-----------------------|--|--|---|
| LEADER+ 2000-2006 | 109 432 644 | 25 ³ | 4 377 306 | 5.5 | 795 874 |
| LEADER 2007-2013 | 242 000 000 | 55 | 4 400 000 | 6 | 733 333 |

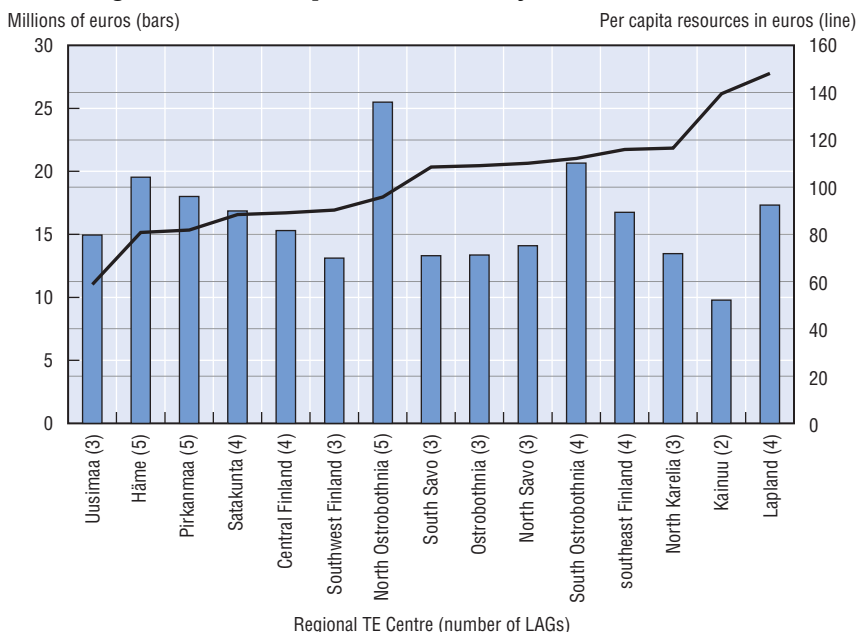
1. EU, State and municipalities.

2. LEADER+ LAGs for 2000-2006 were selected in April 2001, so the functioning time (= budget years) were about 5.5. LEADER LAGs for 2007-2013 were selected in August 2007, so in practise the average functioning time will be about 6 years.

3. In 2000-2006 there were also other LAGs than LEADER+ LAGs (POMO+, Objective 1, ALMA and ELMA LAGs). LAGs funded by ALMA and ELMA, Objective 1 and POMO+ had in average less resources and less tasks than LEADER LAGs.

Source: Rural Policy Committee (2007b).

Although the average financing of a LEADER LAG per budget year is slightly less than in the preceding programming period more needed LAGs are receiving a larger allocation. In fact, the LAGs in North Karelia, Kainuu and Lapland are the ones obtaining higher resources in per capita terms (Figure 2.7).

Figure 2.7. **LEADER public resources by TE Centre 2007-2013**

Source: OECD based on Annex 2 of MAF (2007b), "Memorandum on the Grounds for the Approval of Leader Action Groups Funded under the Rural Development Programme for Mainland Finland and Indicative Funding", Ref. 4856/544/2005.

This is the result of an open process started on November 2005 oriented to select the LEADER groups and their indicative funding for the 2007-2013 programming period. The factors considered for the allocation of funds were the following: 1) The quality and entity of the programme of the Local Action Group; 2) the population of rural heartland areas and sparsely populated rural areas; 3) the activities undertaken under the programming period 2000-2006; 4) opinions and evaluations; 5) the LAG's own estimate of funding. Besides, the LAGs submitted the decisions of municipalities in their area of operation to give the commitment to the 20% share of municipal funding for the whole programming period 2007-2013. Altogether 396 municipalities had made a decision concerning the financing of LEADER groups. (MAF, 2007). This correct targeting of regions and the learning accumulated during the preceding programming periods suggest that LEADER will continue to have important achievements as a rural development tool in Finland in the forthcoming years.

Conclusions and recommendations

Finland counts with an institutionalised rural policy which has already built up its way up in the learning curve. The scope of rural policy in Finland with its broad and narrow dimensions provides a good balance between the complementary objectives of promoting equity and competitiveness in rural areas. It is also a good compromise between two extremes often found in OECD countries between the “grand plan” solution aiming to integrate all policies into a comprehensive strategy and the “niche policy” solution which is rather limited in its scope and budget. The place that rural policy has earned as a governance instrument is largely due to the Rural Policy Committee acting both as a means for integration and a force of change. Notwithstanding, the place of rural policy occupies within the Government is subject still to debate. Originally framed within regional policy, highlighting its cross-sectoral dimension, it is currently framed under the Ministry of Agriculture and Forestry influenced by EU rural policy, facing as other countries in that situation, a tension of competing priorities and constituencies between agricultural and rural policy.

Broad rural policy has been reasonably successful in achieving coherence between the sectoral policies oriented to rural areas through the Rural Policy Programme which has provided a policy framework and a long term vision to rural policy. The distinction of two programmes, one within the Government domain (the Special Rural Policy Programme) and one broader where a number of other organisations are involved (the Rural Policy Programme), contributes to the allocation of responsibilities, decision making, information sharing and linking the planning and implementation stages. Narrow rural policy has been built taking advantage of EU funding to strengthen the existing network of village action in rural areas. Finland has managed to

articulate the Finnish approach to rural policy with those emerging from the EU in effective and convergent ways, while at the same time clearly differentiating between both and preserving a visible and active dimension for the domestic approach.

Being Finland one of the OECD countries with most marked rural character, and having built over the last decades a unique model of rural policy, it is in a strong stand to reflect on what would have to be done in the future regarding this policy area, which has evidenced its pertinence and its results given the resources and opportunities that have been available. The preceding discussion in light of the experiences of other OECD countries points to a number of specific points for consideration:

- **Strengthening the role of the Rural Policy Committee.** The Rural Policy Committee could be consolidated and properly core-funded to act as: 1) Rural supervisory body (ensuring rural proofing and fulfilment of the Rural Policy Programme); 2) Expert adviser to the Government on rural issues; and 3) Advocate on behalf of rural communities. With these functions clearly defined, the Rural Policy Committee could report directly to the Prime Minister and to a relevant Parliamentary Committee, in a sign of the strong relevance that rural areas play in the Finnish context (in a comparable way as other areas of high policy priority do, such as the Science and Technology Policy Council, which is chaired by the Prime Minister). In such role, the Rural Policy Committee would be better able to scrutinise and challenge the performance of all Government departments and public bodies and could publish and present annually a report to the Prime Minister. In strengthening the Rural Policy Committee's powers and financial autonomy, it is important to safeguard its strengths as a force for change, as an actor-network which links various Ministries with both experts and a wide range of local actors, and indeed as a social movement.
- **Untying rural policy from agricultural policy.** Consideration should be given to separating rural development and narrow rural policy from agricultural policy in institutional terms, that is, from the Ministry of Agriculture and Forestry. Such institutional separation would highlight the fact that rural challenges extend beyond those of the agricultural sector and would improve the "content" of EU rural development funds (which given the structure of EU funds, would still be linked to the Pillar 2 of the CAP – EAFRD) and complementary national funds allowing the rural policy network to specifically orient resources with clear objectives and time frame. Moreover, this institutional separation would give a strong message to other EU countries.

- **Improve the monitoring system surrounding the Rural Policy Programme oriented to fill the three discussed knowledge gaps:**

1. *whether the proposals/decisions obtained the expected results*, by increasing the measurability of each decision/proposal contained and clarifying the inputs to be provided by different agencies (human and economic resources), the outputs expected and, above all, the outcomes in terms of “rural development” that are expected to be achieved and how these are related to the overall competitiveness strategy of the country.
2. *whether the financial flows match policy priorities* by considering performing an exercise oriented to improve the knowledge of who does what in rural areas and with what resources. This exercise could be made *ex post*, that is evaluating at the end of a given budget period how much resources of each ministry reached different types of rural areas, or *ex ante*, that is integrating the rural perspective into the discussions on budget allocations.
3. *whether policies are impacting positively or negatively in rural areas (rural proofing)* by requiring the different government departments, at all levels, and all public bodies, to demonstrate (through a checklist) that they have taken rural interests into account in framing and implementing policy and to include within their regional strategies a breakdown according to the rural typology or at least identify the extent to which their strategies will benefit rural areas.

- **Extending the use of rural typologies across ministries and in the dissemination of statistical information.** While the *Finnish Rural Typology* has been increasingly used in the context of EU programmes,¹² the greater use of this typology by the different ministries for planning and implementation of policies would increase the territorial adequacy of multiple policies and ease the process of rural proofing by providing a common language. The fact that this typology use municipalities as base provides a strong advantage in the sense that it is easy to adapt to current territorial divisions into regions, sub-regions and municipalities. At present a joint working group of the Ministry of Agriculture and Forestry and Statistics Finland (the main statistical dissemination body in Finland) has produced the so called “rural indicators” for a number of socioeconomic and demographic indicators. It is recommended the further integration of this typology as a policy tool and as an official territorial division for dissemination of statistical information. The analysis by types of rural areas should pay increasing attention to the forecasting trends of strong on-going phenomena such as demographic dynamics and climate change

- **Strengthening and giving a wider role and better recognition to the Local Action Groups.** In Finland Local Actions Groups’ role is already wider than in many EU countries and they have gained their own place in the Finnish

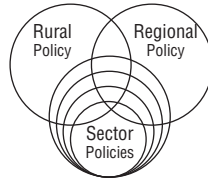
rural policy model. Considering the needs of the Finnish rural areas this kind of wider approach to LEADER should be strengthened. Giving them wider responsibilities and recognising them better would enable convincing and long-term co-operation with the municipalities, sub-regional development organisations, Regional Councils and Government representatives at the regional level.

- **Bringing the regional structures in tune with rural policy.** The experience of broad-scale rural division founded in connection with the Regional Management Committee has been encouraging, sitting together at the regional level rural organisations, higher education institutions and other interest groups relevant to rural matters. These bodies, already contemplated in the regional development legislation (MI) and in the legislation of rural development (MAF) should be extended to all regions. The conformation of the new Ministry of Employment and the Economy combining trade, labour, innovation, energy and regional policy implies changes at the regional level which are not yet defined but which could improve the relationship of rural policy with these issues.

Notes

1. The project-based operation began in 1989 with an allocation of EUR 840 000 in the State budget (Uusitalo, 1998, pp. 62-63).
2. Regional programmes are a central instrument for regional development. In order to attain the national development goals for regions, interim projects may be set up and combined with the regional programmes. The Regional Development Act (602/2002) defines the Special Programmes within regional policy as the Rural Policy Programme, the Islands Development Programme, the Regional Centre Programme and the Centre of Expertise Programme. The Special Programmes are fixed-term instruments approved by the Government for directional regional development and the creation of new methods and forms of co-operation.
3. The transfer responded to a need found in many European countries of mirroring the EU structures to facilitate the interaction with EU counterparts and channelling of funds. Rural policy in the EU is framed within the funds from DG Agriculture and not from DG Regional.
4. From 2008, regional policy will be coordinated from a new Ministry of Employment and the Economy integrating the former Ministries of Labour and of Trade and Industry and the Department for Development of Regions and Public Administration of the Ministry of the Interior.
5. After that experience, it has become an established practice in Finland that each Structural Fund has a responsible ministry of its own (RPP, 2005-2008).
6. After Kingdon (1984) *Agendas, Alternatives and Public Policies*, Little Brown and co. Boston, MA.

7. The OECD Review of Finland's Rural Policy in 1995 already referred to this parallel relationship as intersected circles. The following diagram submitted by Finnish authorities is referred.



8. This term is specifically used by the Rural Policy Programme 2005-2008 when referring to the Special rural Policy Programme to be “adopted” by the Government (Pg 1).
9. The first Rural Policy Programme set as objectives: to diversify production, safeguard public services, improve income opportunities and respond to special island needs. And it identified 15 ways and means including, training, regulation, agricultural, forestry, housing and public transportation policies among others.
10. It should be noted, that some of the measures included in this table, are included also in other Governmental decisions and action plans and have some budget of their own. Especially the decisions and proposals concerning regional and local actions concerning development of rural entrepreneurship, broadband connections etc. were already included in the Rural Development Programme for Mainland Finland 2007-2013.
11. The concept of *rural proofing*, that is, to evaluate the effects of policy decisions of the different ministries on rural areas, has been developed in many OECD countries. UK and Canada are two of the most developed examples, which are referred in the recommendation section of this chapter (see Box 2.8).
12. For example, the Finnish Rural Typology was used in the 2000-2006 EU programming period for monitoring to measure how much of the Structural Fund money was targeted to rural areas in Objective 1 programmes. Ministry of Trade and Industry has agreed to raise the level of the aid for micro enterprises in the sparsely populated rural areas.

Chapter 3

Focus on Public Service Delivery

Following the identified challenges and opportunities of rural areas in Chapter 1 and the discussion on governance and instruments of rural policy in Chapter 2, this chapter seeks to answer the question of how successful rural policy has been (in its broad and narrow sense) in promoting innovative, efficient and cost-effective means for service delivery in rural areas, while ensuring “minimum rights” for its population. The first section examines some developments observed in Finland since 1995 and identifies remaining challenges. The second part focuses on policy strategies that Finland has implemented, highlighting the successful experiences that can provide lessons to other OECD countries, along with initiatives undertaken in other OECD countries that might be relevant to the case of Finland. A final section concludes and provides a summary of the recommendations

Key points

- **Finland relies heavily on municipalities to deliver public services to its population.** Municipalities produce about 2/3 of basic services (i.e. essential and frequently needed services such as education, social and health care, culture, environment and technical infrastructure). The rest is produced by the national government, private sector and non-governmental organisations. These responsibilities are achieved through a mixture of local taxes and state grants.
- **Finland faces important challenges in public service delivery, particularly in remote rural areas.** These challenges are linked to the capacity of rural municipalities to fund and deliver public services in the context of a decreasing and ageing population, the double role of municipalities as providers of services and jobs, and the difficulties of accessibility to public services for population in remote and dispersed localities.

Finland has responded to these challenges in several ways:

- **Through policies oriented to restructure the service delivery mechanisms and foster co-operation between local authorities.** In an effort to close the gap between functional and administrative boundaries, there have been efforts from the Finnish government to rethink the administrative organisation for the provision of services: First, by promoting municipal co-operation (through Joint Municipal Boards); second, by the initiative for the restructuring of local government and services through voluntary municipal mergers; and last, by experimenting with different allocation of responsibilities, illustrated by the Kainuu region administrative experiment.
- **Through innovative ways of service delivery such as multi-functional and multi-purpose points of delivery** (One Stop Shops combine public services from the municipality and state such as pensions, employment office, policy, city administrative court and local tax office, sometimes even with private services such as post); **mobile services** (for example, adult training through mobile computer class and training unit and multiple service bus experiments for health, culture, shopping or gym for the elderly); and **telematic and electronic services** (for example, free access points at local shops, libraries, cafes or public offices; PC-Video conferencing for health services; peer training or laying experts in local computer classes, internet kiosks, cafes and at home).

- **Involving the private and the third sectors in the delivery of public services.** One way in which civil society has contributed to improving local services through its network of local action groups. Additionally, there are encouraging experiences of private and third sectors at large contributing to finding solutions to public challenges. In any case, the optimal provision of public services requires monitoring of the “public role” of private and third sectors service providers and some equity and regulatory considerations are pertinent in the use of market mechanisms for public service delivery in rural areas.

Introduction

In Finland, as in all OECD countries, local public services are a precondition for development, and are not only related to the well-being of the population, but also to the potential to attract and retain economically active population, enterprises and, thus, growth and sustainability of population settlements. In most OECD countries rural areas face a number of challenges that contribute to their weaker economic performance. Among these challenges are: 1) out-migration and an ageing population; 2) lower educational attainment; 3) lower average labour productivity; and 4) overall lower levels of public services (OECD, 2006c). Furthermore, the demographic changes experienced in most OECD countries have implied a shift in the demand of certain public services – for example, increasing demand for social services for the elders, while schools are closing because of lack of demand in rural areas. These challenges highlight the concern about the sustainability of certain rural areas.

Public service delivery in rural areas was previously addressed in two OECD territorial publications on Finland. In 1995, the focus of the topic was infrastructure capacity for service delivery: Infrastructure related to production, infrastructure for human capital and infrastructure for household services. The 2005 OECD territorial review of Finland emphasised *inter alia* governance mechanisms for the provision of services in areas with population decline. This review attempts to integrate these two past experiences, focusing on both infrastructure and governance arrangements that could increase the likelihood of achieving two important objectives of service delivery in rural development: Guaranteeing access and allowing rural areas to build on their competitive advantages.

Following the identified challenges and opportunities of rural areas in Chapter 1 and the discussion on the governance and instruments of rural policy in Chapter 2, this chapter seeks to answer the question of how successful rural policy has been (in its broad and narrow sense) in promoting innovative, efficient and cost-effective means for service delivery in rural

areas, while ensuring “minimum rights” for its population. The first section of this chapter examines some developments observed in Finland since the OECD rural report in 1995 and identifies remaining challenges. The second part focuses on policy strategies that Finland has implemented to address the current challenges, highlighting the successful experiences that can provide lessons to other OECD countries, along with initiatives undertaken in other OECD countries that might be relevant to the case of Finland.

3.1. Context and remaining challenges

Public services twelve years after... from 1995-2007

The OECD Review of Rural Policy in 1995 identified the following approaches and policy responses that Finland had been undertaking: a) emphasising on a stronger local approach; b) favouring a multi-modal approach, for example combining different modes of transport cutting the travel time to make the cost acceptable, in particular to firms; c) considering multi-functional and multi-purpose points of delivery; d) emphasising public-private partnerships; and e) encouraging a stronger co-operation and co-ordination among different levels of government, and relevant stakeholders.

Since the relative balanced development of infrastructure experienced in Finland in the 1970-1990, which was based on the foundation of a strong welfare state, infrastructure has been more or less deployed for the provision of services. Nevertheless, the OECD made two general recommendations in 1995 with respect to public service delivery and infrastructure: 1) the devolution of government services should be effective, strong and consistent at the regional level; 2) rural policy based on compensating for handicaps should evolve into an active policy that reflects determination to enhance assets and comparative advantages (OECD, 1995).

A major improvement in Finnish rural policy in terms of public service delivery has been the integration and mainstreaming of projects and programmes with EU plans and policies directed at rural development. The 1995 OECD report recognised that the proposals and measures that Finland was planning to implement appeared to be aimed at striking the balance between EU objectives and Finnish regional and rural policy, rather than planning ahead. The perception was of an inward looking planning, with little evidence of forward-looking policy proposals. This is no longer true. Finland has been proactive and assertive in tapping opportunities, tackling challenges, and using innovative policies to overhaul the assets of rural communities. Finland still faces important challenges in rural areas, such as the continuing depopulation of sparsely populated areas with its corresponding risks in the provision, quality and choice of certain public services. However, continuous efforts have been made to address these issues.

Remaining challenges

The capacity of rural municipalities to fund and deliver public services

Equity in public service delivery is among the challenges that remain in rural areas. The 1995 report noted that the decision to favour bottom-up, decentralised approach to customising public service delivery may require maintaining a top-down decision-making process as well, in order to strike the right balance between local influence on services and a national goal of ensuring equity. It recognised the risk to equity posed by privatisation and deregulation of infrastructure and services for rural areas, recommending that special attention be given to remote areas, with the aid of back-up measures to ensure a minimum level of infrastructure and services. As will be observed later in this chapter, Finland has experimented with interesting approaches to address equity issues, but the challenge remains a relevant one. These remaining challenges will be dealt with in subsequent sections.

In addition to the challenge of equity, the discrepancy between responsibilities for public service delivery and the financial capacity of municipalities to meet them is problematic, particularly for sparsely populated areas. The institutional and financial structures for the provision of public services in Finland determine the situation rural areas face in their ability to provide services. Responding to the tradition of self-government in Finland, the principle of subsidiarity, and the commitment to democratic accountability, the responsibility for the provision of services rests mainly at the municipal level. Municipalities produce about 2/3 of basic services (*i.e.* essential and frequently needed services such as education, social and health care, culture, environment and technical infrastructure). The rest is produced by the national government, private sector and non-governmental organisations. However, in terms of expenditure, local government accounts for 30% of total public spending.

Municipalities do not have the sole decision-making power over the allocation of resources, situation which becomes troublesome for rural municipalities, especially sparsely populated areas. Although municipalities are administered by a self-government system, the central government, worried about regional disparities, has imposed minimum standards for the provision of basic services. Municipalities have the freedom to allocate the resources, once they have fulfilled the minimum standards in the mandatory functions of provision of services (Table 3.1). The mandatory functions and responsibilities (of which municipalities have little discretion upon) account for 80 to 90% of all municipal expenditure. (Sandberg, *n.d.*: p. 10) This arrangement leaves little room for rural municipalities to build on their competitive advantages to attract citizens to their territory, since the already scarce resources are mostly destined for particular purposes related to their

Table 3.1. **The regulation of responsibilities of Finnish municipalities**

| Type of regulation of the task | Examples |
|--|--|
| Voluntary tasks within the frames of the local self-government | Infrastructure (partly regulated), leisure services, industrial policy |
| Nationally regulated tasks with considerable local discretion in the implementation | Care for the elderly, cultural services, libraries, fire and rescue services, environmental services |
| Strictly regulated tasks with national (and professional) standards and subjective right to services | Health care, primary and secondary education, day care for children |

Source: Sandberg, S. (2004), *Local government in Finland*, Institute for Comparative Nordic Politics and Administration, p. 10.

statutory obligations, dictated by the minimum standards, even though the resources are not earmarked. Although this may have positive incentives for municipalities to search for innovative solutions to provide services at lower costs in order to use the remaining revenue for other type of activities, this sometimes proves inflexible for municipalities with fiscal imbalances.¹

Despite the compensatory mechanisms, some rural municipalities have faced increasing difficulties in providing the statutory services. The main causes of these difficulties, as experienced in most OECD countries, are the lack of critical mass for provision of services, difficulty in accessing more remote settlements and a shift in the demand for services due to demographic changes, which result in increased cost of services in these areas. In order to fulfil their responsibilities, municipalities have three sources of revenue: Municipal taxes (income tax, property tax, and corporate tax); central government's grants (non-earmarked block grants to account for cost and income inequalities between municipalities; and current or operating income (service fees, investments and loans) (Box 3.1). As can be observed in the following Figure 3.1, these three sources of income account for up to 85% of municipal income.

Financial difficulties are particularly acute in sparsely populated areas. In an effort to address regional disparities, Finland uses central government grants to compensate some municipalities. The distribution of part of the grants depend on the characteristics of the municipalities, such as population size, population age, economic structure, unemployment and illness rate, non-Finnish speaking population and the surface size of the municipality. Although the equalisation system considers a cost formula of distribution of resources, the grants are calculated on projected spending needs of the current population base, not through the real cost of provision. This is done with the objective of avoiding excessive spending and to promote efficiency in the provision of services. (OECD, 2005a) Nevertheless, this has a negative impact for rural areas.

Box 3.1. Municipal sources of revenue

Municipal taxes. Finnish municipalities heavily rely on municipal taxes to finance their responsibilities, accounting for almost half of its revenue sources. Municipalities have increasingly depended on taxes, particularly income tax (reaching 41% average municipal income tax), since they are the most flexible source of income for the municipality because they are not limited by central government thresholds (Ministry of the Interior). The figure below shows that while real state tax and municipal share of corporate income tax (which is not significant in rural areas) have stayed quite stable, income tax has absorbed the increases of municipal tax needs.

Tax revenue in municipalities

1999-2011, BN €



Grants from the central government: For some municipalities, particularly sparsely populated rural areas, the taxable population base has decreased due to low population density, out-migration and an ageing population. Nevertheless, these municipalities are expected to provide at least the same minimal level of services than those more prosperous settlements. In order to level-up the capacity of the different municipalities to provide services, the Finnish central government calculates grant transfers through distribution formulas that compensate regional disparities, either by equalising costs (formula based grants), or equalising municipal income (equalisation grants; see Table below). Nevertheless, in spite the sector-based formulas for distributing grants, individual municipalities may allocate their resources for various purposes, as long as they comply with national standards for the provision of services.

Box 3.1. Municipal sources of revenue (cont.)

Central government grants for basic municipal services

| | % | Billions |
|--|------------|------------------|
| Formula based grants for social and health services ¹ | 49 | 4.0 |
| Formula based grants for education and culture ² | 30 | 2.5 |
| Plus and minus equalisation grants ² | 9 | 0.7 (-0.7) |
| Other grants (investment, discretionary finance assistance, municipal amalgamations, unemployment) | 10 | 0.8 |
| General grants | 2 | 0.2 |
| Total | 100 | 8.2 (7.5) |

1. Cost of service provision equalisation.

2. Municipal revenue equalisation.

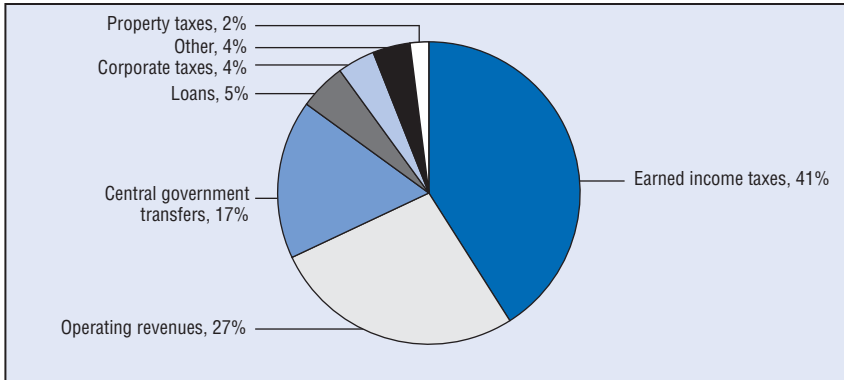
Operating revenue. It is primarily conformed of sales of goods and services, which on average account for 28% of municipal income, while expenses account for, on average, 26% of municipal expenses (Local and Regional Government of Finland, *n.d.*). Municipal operating revenue does not greatly contribute as a source of revenue for the municipality, since public services are not meant to be a for-profit activity, but merely account for costs. For some municipalities this is not even the case, particularly for sparsely populated areas, where the cost of provision surpasses the municipality's revenue (Rural Policy Committee, 2007, p. 8), since they need to contract some types of services through Joint Municipal Boards, other municipalities, private sector or the civil society.

Source: Local and Regional Government of Finland (*n.d.*), "Operations and Functions of Local Authorities", available online at www.kunnat.net and Ministry of the Interior, Department for Municipal Affairs (2006), "Restructuring Local Government and Services", presentation to OECD mission, February 2007.

Rural municipalities, characterised by less population density, are entitled to larger state grants on a per capita basis, as can be observed in Figure 3.2. Nevertheless, given the low population density when multiplied by the number of inhabitants, rural municipalities have fewer resources for capital investments and rural infrastructure, which could create problems to meet the needs for service provision to rural populations and the long-term viability of the settlement.

Municipalities in rural areas, particularly in sparsely populated areas, may be facing an even greater challenge than other municipalities to respond to three main changes: 1) meeting the standard requirements from the central government; 2) coping with the administration's efforts to cut spending, and 3) meeting the changing service demands from a small, but ageing population.

Figure 3.1. **Municipal revenue sources**
2004, in per cent of total revenues



Source: Ministry of the Interior (2007c), "Financial situation of Finnish municipalities" in website www.intermin.fi.

Figure 3.2. **Municipal tax income and state grants, 2005**



1. Municipalities classified by population.

Source: Statistics Finland (2007b), "Finances and Activities of Municipalities and Joint Municipal Boards, Concepts and Definitions", at www.tilastokeskus.fi/til/ktt/kas_en.html.

The central government has been concerned with the increasing expenditures of local governments. In an effort to improve the efficiency of local spending and in order to promote management innovations, the central administration is urging local authorities to lower operating costs, mostly related to the provision of services. This could represent a challenge for certain rural

municipalities which are already experiencing difficulties maintaining their current tax-base, and could hamper the opportunities to invest in other types of services that could prove as a mechanism to attract population and to build-up on their comparative advantages. Even when the financial situation of municipalities shows considerable differences between urban, intermediate and rural areas (using the OECD regional classification), the central government's public service delivery standards are homogenous to all type of areas.

Besides the funding implications of financing more expensive social services and meeting the changing service demands, municipalities in sparsely populated rural areas and some rural heartland areas also face a shortage of specialised staff, particularly in healthcare centres. There are hundreds of vacant doctor's posts in different parts of Finland, especially in rural heartland areas and remote rural areas.

The double role of municipalities as provider of services and jobs

The public sector accounts for a high proportion of employment, especially in rural sparsely populated areas, as has been seen in Chapter 1. This situation is likely to deteriorate given the expected increase in service demands due to ageing population, since skilled labour needs will grow in some areas, creating requirements that cannot be filled by personnel hired for general administrative tasks. In Finland over 75% of total public employees work in local government. Municipalities and Joint Municipal Boards employ about one fifth of the whole country's workforce (Ministry of the Interior, 2007). The importance of the public sector is not only seen in terms of employment, but also in the economic performance of the referred area. For example, local government expenditure accounts for over 30% of the total public sector expenditure and also 2/3 of public consumption. Municipal jobs are even more important for the employment of the municipalities of rural areas.

Rural municipalities are facing a predicament: How long can they keep providing services and employment with a deteriorating financial position? In the framework of the welfare state, public employment in rural areas is a two sided coin: On the one hand they contribute significantly to levelling the field for the rural population with respect to urban one; on the other, they provide employment to a large part of the population. Public services account to close to 30% of employment in all types of areas in Finland (see Chapter 1). Public service employment comprises public administration, (which accounted in 2004 for 13% to 17% of public service labour force, depending on the type of area), education (between 20% and 23%), healthcare (between 44% and 50%) and other municipal services (between 13% and 16%). As noticed before, the participation of women in the provision of public services and public administration has a long tradition in Finland. Women hold between 72% and 77% of the total public service employment, rural areas in general, but rural

heartland and rural municipalities close to urban areas in particular having the highest rates. In sparsely populated areas, the public sector is the most important sector of female employment accounting for 51% of total women employment in 2004 (see Table 3.2).

Therefore there is a tension pushing towards less public employment for efficiency reasons and for reduction in demand. On the other hand there are higher pressing needs for specialised public employees (particularly in health) which cannot easily be covered by the reduced demand in education. In the middle is a large population employed by the municipality (particularly women) which fear of losing their jobs.

Table 3.2. **Public sector jobs by type of municipality and gender**
2004, Finnish Rural Typology

| | | Public service, total (L..Q) | | L Public administration | | M Education | | N Health care and social services | | O Other municipal and personal services | |
|-----------------|---------|---------------------------------|------------------------|-------------------------------|-------------------------|----------------|-------------------------|---|-------------------------|--|-------------------------|
| | | 2004 | % of total empl. | 2004 | % of public empl. | 2004 | % of public empl. | 2004 | % of public empl. | 2004 | % of public empl. |
| Sparsely | Total | 53 552 | 33 | 9 146 | 17 | 11 402 | 21 | 25 256 | 47 | 7 736 | 14 |
| Populated | % Women | 75 | 51 | 51 | | 71 | | 89 | | 61 | |
| Rural Heartland | Total | 89 349 | 30 | 12 429 | 14 | 20 829 | 23 | 44 282 | 50 | 11 735 | 13 |
| | % Women | 77 | 48 | 54 | | 72 | | 90 | | 66 | |
| Close to Urban | Total | 79 729 | 32 | 12 222 | 15 | 16 097 | 20 | 40 207 | 50 | 11 189 | 14 |
| Areas | % Women | 77 | 51 | 50 | | 72 | | 90 | | 64 | |
| Urban Areas | Total | 521 502 | 33 | 89 529 | 17 | 111 884 | 21 | 231 643 | 44 | 88 280 | 17 |
| | % Women | 72 | 48 | 56 | | 64 | | 87 | | 59 | |

Note: L..Q letters refer to the Standard Industry Classification used in Finland.

Source: Statistics Finland ALTIKA (Regional Database) (2006), Indicators according to the Finnish Rural Typology 2006.

Projected increase in demand of services. The link between public employment and public service delivery is an important issue in part because it represents a future fiscal burden. The OECD has projected that in Finland “between now and 2025, merely meeting the demographically determined additional service demand would imply an increase in public sector employment by about 6% ... With population of working age expected to decline about 11% over the same period, and in the absence of any improvement in the aggregate employment rate, the share of the business sector in total employment would fall from 74 to below” (OECD, 2005c, p. 15: 11).

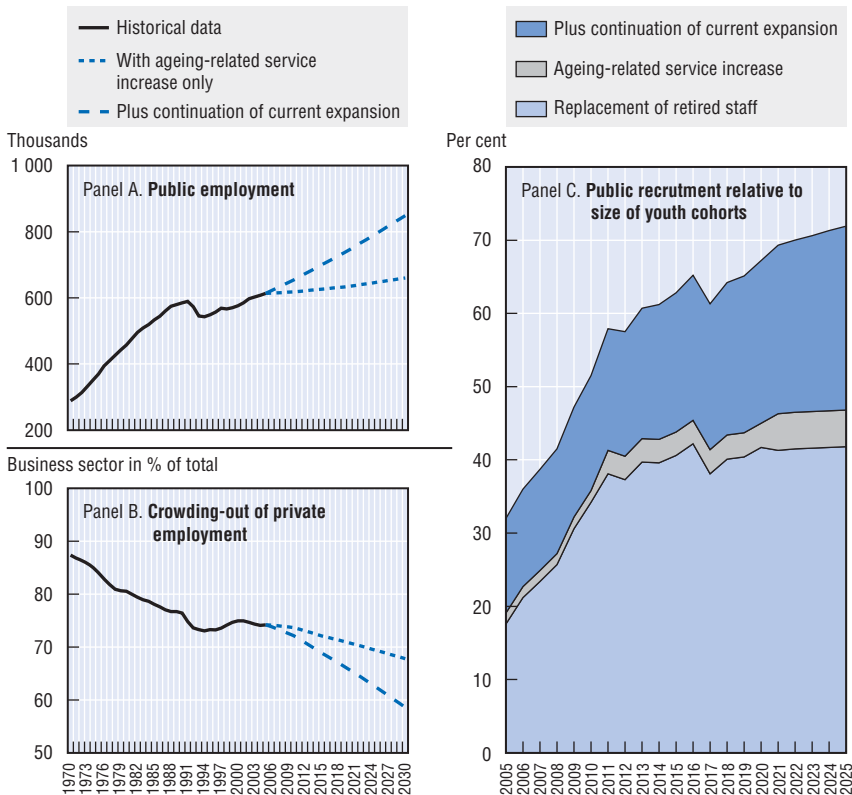
The shortages of skilled and specialised labour for the delivery of certain services. Most of the municipalities in rural heartland areas have been able to manage the basic social services as required by the national standards. However, in

services requiring special social welfare expertise, such as child protection skills, all Finnish municipalities do not have enough expertise and skilled staff. Sparsely populated rural areas are the most problematic as regards the organisation of social and healthcare services. The distances from villages to municipal centres, i.e. to social services, healthcare centres or specialist medical care, may be long. Especially the most sparsely populated municipalities suffer the most from shortage of professional staff, such as doctors and social workers, and their demographic structure is also the most distorted. The share of the working-age population and young is usually smaller than in the other types of regions. The share of the chronically ill is quite high, and relative to the population there are more people in need of various kinds of services than in the other rural areas (Ministry of Social Affairs and Health).

The risk of crowding out private sector. Private sector shows potential of being crowded-out, particularly in rural areas, where the public sector tends to dominate more heavily in the economic structure. The dominance of public employment has negative impacts on the long term sustainability of population settlements. Attraction of employment opportunities in the private sector brings longer term dynamism to regions. Given the configuration of the population structure in rural areas, the potential of private sector being crowded-out is likely to happen first, where the public sector tends to dominate more heavily the economic structure. Furthermore, rural areas depend more on public finances, which may have higher impacts in the attraction of the private sector interests and thus of economic activity. As has been outlined in previous OECD findings, if the proportion of public employment continues current trends, along with the increased requirements of social and health care for the elderly (which are dominated by the public sector), the private sector will tend to be crowded out even further (Figure 3.3).

The gender distribution of public employment. In many countries, the healthcare, social care and education sectors are associated with the feminisation of the profession. In Finland, these three sectors represent more than 80% of municipal employment. Current policies towards reducing operating costs in search for efficiency of government spending could have an impact in the gender distribution of unemployment if those people, mostly women, cannot be absorbed by the incipient private sector in rural areas. If in turn, unemployed women continue to migrate to other areas, this will further imbalance the already distorted age and gender distribution of the population in sparsely populated rural areas.

Experiences of other OECD countries can be illustrative for Finland in some of these issues. An interesting case to consider in addressing the shortage of skilled labour is that of Canada. The Quebec Ministry for Health and Social Services seeks to guarantee rural populations better access to

Figure 3.3. **Scenarios for public employment in Finland**

Source: OECD (2005e), "Ageing, welfare and municipalities in Finland", by Jens Lundsgaard, Economics Department Working Paper No. 428, OECD cote: ECO/WKP(2005)15.

specialised and supra-specialised services through a better allocation of medical staff and better travel arrangements for people who need services in urban centres. To support residents from outlying areas, an increase in the number of admissions into medical schools includes a reservation of places for students from outlying regions. Finally, to ensure that pre-hospital emergency services are properly provided in rural areas, agreements are reached with municipal associations to make first-responder services available (Government of Quebec Province, 2001).

3.2. Policy strategies

OECD countries have adopted numerous policy strategies oriented to improve the delivery of public services in rural areas in the most cost efficient way, while seeking to ensure "minimum rights" for the rural population. Finland has not been the exception; in fact, it has been at the forefront in developing

innovative solutions at the national, regional and local level to improve the delivery of public services. This section will discuss the following strategies in Finland and in the experience of other OECD countries: 1) policies oriented to restructuring service delivery mechanisms and enhancing co-operation of local authorities; 2) innovative policies oriented to achieve economies of scope through multi-service points, to cope with accessibility through mobile services and tele-services and; 3) involving the private and third sectors in service delivery.

Restructuring service delivery and fostering co-operation between local authorities

In realising that many municipalities (most of them rural) have been experiencing difficulties in successfully fulfilling their responsibilities in terms of public service delivery, Finland has been developing different solutions to address these problems. The current difficulties in the financing system of municipalities has required to rethink the “transfer” of some responsibilities for the provision of services to a different level of government, finding more regionally-based solutions to build-up on the minimum scale required for their provision. In an effort to close the gap between functional and administrative boundaries, there have been efforts from the Finnish government to rethink the administrative organisation for the provision of services. In this sense, Finland has established several mechanisms to address the provision of services in rural areas: First, by municipal co-operation (through Joint Municipal Boards); second, by the municipal mergers initiative, and last, by experimenting with different allocation of responsibilities, illustrated by the Kainuu region administrative experiment.

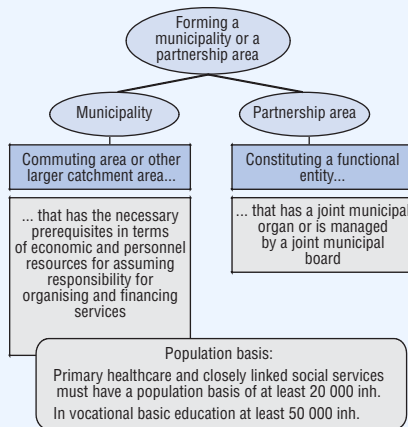
- **Joint Municipal Boards** were introduced as a form of inter-municipal co-operation in connection with the revision of the Local Government Act in 1993. They replaced the earlier inter-municipal associations. A Joint Municipal Board is a form of permanent collaboration of more than one municipality in some field of operation. They are set up under an agreement (charter) between the local authorities concerned which has to be approved by their councils. Municipalities are encouraged to voluntarily come together to pool resources for the provision of services or by municipal co-operation, “buying” services from other municipalities or providers.² As independent legal bodies, Joint Municipal Boards can acquire rights and enter into commitments and have the right to be heard before authorities. Ultimately, the participating municipalities are responsible for the finances of the Joint Municipal Board. Examples of this type of collaboration are hospital districts and specialised care districts and education districts. Three-fourths of Joint Municipal Board’s expenditure is derived from the provision of health care services. This is possible given the financing structure of Finnish municipalities.

- **Municipal mergers.** The Framework Act, or Act on Restructuring Local Government and Services, introduced in 2006, aims at strengthening services and municipal structures – by allowing the merger of municipalities or by incorporating parts of municipalities into another. This will allow the formation of larger catchment areas for services and increase co-operation between municipalities. The objective is to strengthen municipal and service structures on the basis of local democracy; to improve the manner in which services are produced and organised; to overhaul local government financing and the system of central government transfers to local government, and to review the manner in which tasks are divided between central and local government. The aim is to improve productivity, slow down the growth in local level expenditure and create a sound basis for steering the services organised by municipalities. Since municipal mergers are meant to be performed on a voluntary basis, the central government has implemented incentive mechanisms to encourage municipalities to merge (see Box 3.2).
- **Kainuu regional government.** As pointed out in Chapter 2, the only two official levels of Government in Finland are the national Government and Municipal Governments. Finland is currently undertaking a pilot project of a different administrative structure for the provision of services in the Region of Kainuu, which is one of the least developed regions in Finland and some of its municipalities were experiencing financial difficulties to meet their responsibility in the provision of services. The aim of this initiative is to transfer the power and responsibility from the municipality to the regional government level to improve the provision of services and reduce municipal spending through co-operation at the regional level. The created Joint Authority of the Kainuu Region, is currently a joint body of 9 municipalities (of which 8 municipalities are involved in the pilot) with 3 350 employees and an annual budget of EUR 240 million, based on special legislation. The assigned areas of responsibility are: Provision of education, social and health care services, regional development and regional land use planning. The Act on the Kainuu Region experiment was passed by the Finnish Parliament in February 2003, and took force on January 1st, 2005. The experiment is planned to last until December 31st, 2012. On the second and third year of implementation, it is still too soon to see the results of this pilot project in terms of improvement of public services and municipal finances. The only evidence so far is that in the first year of implementation of the pilot project, municipalities started to show good results in terms of controlling its spending and demonstrated healthier finances. Nevertheless, on its second year of implementation the expected reduction of spending has not been achieved.

Box 3.2. The Framework Act for Restructuring Local Government and Services

The Finnish government recently introduced the Act on Restructuring Local Government and Services (Framework Act, 2006) to strengthen service and municipal structures – by merging municipalities or incorporating parts of other municipalities. This will allow the formation of larger catchment areas for services and increase co-operation between municipalities. The Framework Act 2006 would enter into force at the start of 2007 until 2012. The new boundaries will be applied as of 2008 onwards.

Mergers of municipalities are done under a voluntary basis, but municipalities will have to comply with the following requirements: 1) A municipality or partnership area responsible for primary health care and clearly associated social services should have a population of about 20 000 at least; 2) A municipality or a partnership area authorised to provide vocational basic education, should have a population of about 50 000 at least. Municipalities should take measures to meet these population requirements through the rewording of municipal boundaries and by setting up municipal partnership areas. Municipal division should also be based on the requirement that a municipality constitutes a commuting area or some other larger catchment area that has the necessary prerequisites in terms of economic and personnel resources for assuming responsibility for organising and financing the services.



Incentives to merge

The municipal tax revenue base would be strengthened by transferring certain tax deductions from municipal to state taxation and by ensuring that

Box 3.2. The Framework Act for Restructuring Local Government and Services (cont.)

the system of local government financing does not discourage municipal mergers and co-operation. The aim is to merge all central government transfers earmarked for specific administrative branches. Additionally, some organising and financing responsibilities will be transferred to the central government.

The structure and size of the merger grants would be defined so as to encourage a large number of municipalities to merge into municipalities with populations that are substantially higher than at present. The merger grants would depend on the total population of the resulting municipality, the population of each of the municipalities involved (excluding the most populous one) and the number of municipalities involved. Earlier mergers will receive more benefits than later ones. The merger grant will be payable for three years.*

* For example, France, with around 36 thousand municipalities, also provides incentives for horizontal co-ordination or association among neighbouring municipalities to act together on specific local development challenges. Municipalities that agree with others on horizontal collaboration schemes proportionally more grants from the national government.

Source: Ministry of the Interior (n.d.), "Government Proposal to Parliament for an Act on Restructuring Local Government and Services and for Acts Amending the Act on Local Authority Boundaries and the Asset Transfer Act", available at [www.intermin.fi/intermin/hankkeet/paras/home.nsf/files/sis0190a/\\$file/sis0190a.pdf](http://www.intermin.fi/intermin/hankkeet/paras/home.nsf/files/sis0190a/$file/sis0190a.pdf).

With these initiatives Finland demonstrates commitment to improve the structure of service delivery throughout the country and strengthen the principle of subsidiarity by providing a greater role to local and regional bodies. A number of considerations deserve discussion from the perspective of what other OECD countries have done when trying to achieve economies of scale and to promote collaboration among local authorities.

Achieving economies of scale

There have been positive and negative experiences in achieving economies of scale by merging public services. The underlying assumption is that by increasing the size of municipalities and population served, the fixed costs of provision can be shared, and thus, reduce the overall spending of individual municipalities. The international evidence on the net benefit for horizontal association (weighing the existence of economies of scale with other relevant aspects of public management) is inconclusive. For example, while some countries have found economies of scale (Denmark) others have found mixed results of both economies and diseconomies of scale (US, UK). "The Danish Commission on Structural Reform found that co-operation can indeed help municipalities

gain economies of scale and access a greater number of specialised services. On the other hand, they noted that co-operation can also diminish customisation of services to local needs, can reduce citizen influence, and can make responsibility less clear” (OECD, 2006b).³

In the case of Finland, especially from the perspective of rural policy, the project to restructure municipalities and services is a remarkable effort, and while it may have both positive and negative effects to rural areas, it is too early to say where it will lead and what the results are. Some considerations of particularly relevance for the Finnish case are the following:

- Introducing larger functional units to facilitate rural development activities brings both positive and negative consequences for service delivery. On the one hand, larger administrative units may be more competent and cost-efficient and can offer diversified services and resources for developing regional industries as well as being more able to co-operate with the private sector. On the other hand, services may become more distant and remote from users. For example, the Postal Services Act requires that each municipality must have at least one postal service point. Not surprisingly, an evaluation found in 2006 that people in sparsely populated rural areas have worse access to postal services, having to travel very long distances in northern Finland.
- Municipal mergers may have a positive impact for rural municipalities close to urban areas but could exacerbate the problem of dispersion in sparsely populated rural areas. The Framework Act requires productivity to be improved by making the organisation and production of municipal services more efficient for built-up regions with a problematic urban structure. Rural areas close to urban areas have significant potential gains through municipal mergers, particularly those close to large cities, which could benefit from making better use of services in the region across municipal boundaries. However, the process of amalgamation of municipalities in sparsely populated and rural heartland areas should be well accompanied to avoid increasing the cost of deployment of basic public services with the enlargement of the increasing the already large size of the municipalities particularly in the northern periphery.

Fostering co-operation between local authorities

The issue of fostering co-operation between local authorities has been relevant in OECD countries. The mechanisms applied differ between countries some countries, as in the case of Finland have relied in legislative measures to create incentives for co-operation. Other rely more on economic incentives and some have taken a specific approach for rural municipalities clearly distinguishing them from urban type of municipalities. This latter approach is

relevant for Finland in the context of the decision taken in the Special Rural Policy Programme to define a number of specific measures to solve the challenges of Sparsely Populated Rural Areas in Finland. Box 3.3 illustrates these three categories with some relevant international examples.

Box 3.3. **Forms of co-operation between local authorities in OECD countries**

Variety of legal forms: The forms of co-operation between local authorities may range from simple “areas of co-operation” (like Spain’s *comarcas*) to associations (like the *mancomunidades de municipios* in Spain, associations in Portugal, *communautés* de communes in France or the *unioni di comuni* in Italy) or the creation of “syndicates” as is the case in the Netherlands. In Luxembourg (with the approval of the Minister for the Interior) they may involve agreements that include both public and private entities working for the joint interests of the communes concerned. They may even result in the creation of inter-municipal co-operative authorities as in Finland, which has applied the concept to a farther reaching degree: As a territorial unit, the “region” is based on municipal co-operation, entrusted with regional autonomy established “from the bottom up”, with the result that, legally, the regions have the status of ordinary inter-municipal authorities. The regions were created starting in the early 1990s).

Variety of economic types: Inter-municipal co-operation may be “functional”, in which case the local authorities concerned will share the provision of specific public services, usually through establishments that are responsible for this undertaking, such as Germany’s *Stadtwerke*, set up under the legislation of the *Länder* which requires all municipalities to merge their service provision units into one local public company (which in half the cases is a prelude to privatisation of the merged establishment) and is applicable to transport, drinking water, waste and sanitation, etc. Sometimes agreements lead to the initiation of a sort of trade exchange between neighbouring towns. The supply of public services is concentrated in some jurisdictions, which receive compensation from other jurisdictions benefiting from the services. This approach has been implemented in Switzerland, in particular in the area of hospital care services (more at an inter-cantonal level than an inter-municipal one) (Joumard and Kongsrud, 2003). On the other hand, inter-municipal arrangements can be geared towards more strategic local development missions and then cover a much wider field of action, sometimes supported by multi-sectoral agencies (specially in metropolitan areas).

Variety of geographical types: While inter-municipal co-operation is not a specifically rural or a specifically urban phenomenon, the distinction is significant. This is borne out by the division of inter-municipal structures into

Box 3.3. Forms of co-operation between local authorities in OECD countries (cont.)

three types in France: The *communautés des communes*; the *communautés d'agglomération* (areas with a population of over 50 000); and, the *communautés urbaines* that can be set up only when the population exceeds the 500 000 mark. Evidence shows that the most extreme form of coming together (merger) only makes sense where the zones or municipalities are very close to each other geographically. There are still some agreements for the joint provision of public services that cannot be set up between rural communes at a great distance from each other. What may be considered appropriate policy for urban areas may not help much in dispersed rural communities where the delivery of high quality public services is an important tool used for regional development objectives (e.g. Norway). The case of the Canadian Province of Quebec also illustrates the importance of developing differentiated policies for urban and rural areas. In the course of its municipal reform, from 1999 to 2002, the provincial government was highly aware of the fact that heavily urbanised areas, rural areas and mixed urban/rural areas each required their own special strategy. So the preference went to consolidating municipalities in urban and metropolitan areas, strengthening the intermediate regional structure in rural areas, and stepping up inter-municipal co-operation in mixed rural/urban areas. This differentiating strategy aims to take into account the fact that these three types of municipal environments have different skills and above all utilise these skills in different ways, as is observed in the case of intermediate regions.

Source: OECD (2005b), *Building Competitive Regions: Strategies and Governance*, OECD Publishing, Paris.

Innovative ways of delivering public services

Finland has been highly recognised for its innovative solutions for the provision of services in sparsely populated rural areas. These innovative approaches can be classified as follows:

- *Combining multiple functions*: For example, Citizen Service Office in a library; and public service points with combined municipal and state services (One-Stop Shops).
- *Mobile services*: For example, adult training (mobile computer class and training unit); and multiple service bus experiments (health, culture, shopping or gym for the elderly).
- *Information technologies*: For example, free internet access points at local shops, libraries, cafes or public offices; PC-Video conferencing for health

services; peer training or laying experts in local computer classes, internet kiosks, cafes and at home.

Finland has also aimed at the dissemination of experiences and good practices, regionally, nationally, and also internationally, in connection with public service delivery challenges. For example, Finland is a partner of an international framework (DESERVE) aimed at sharing experiences and practices, and seeks to establish the transferability of the different service delivery models to remote and rural areas among the participants. DESERVE project is an internationally established network for sharing experiences about innovative models for public service delivery in remote and rural areas. The participant partners are Finland, Scotland, Sweden and Iceland. The DESERVE project seeks to establish the transferability of service delivery models to remote and rural areas that have been successful in Finland among the participating partners. DESERVE project has recognised, replicated and promoted three sources of alternative solutions for the provision of services for remote rural areas in the three areas mentioned above. This section discusses each of these categories in greater detail.

Multi-purpose provision venues: Creating economies of scope

Finland has significant experience in multi-service points (the so-called Citizen Services Offices). This form of co-operation has been implemented in Finland since 1993, when the Act on the provision of public services from the same customer service point was adopted. A new Act on Citizen Services was adopted in April 2007. Currently, there are about 207 Citizen Service Offices in Finland, but they differ from each other a great deal, ranging from only handing out forms to a full-service point. The Citizen Service Offices, also known as One Stop Shops, allow the provision of services (whether public, private, non-for profit or mixed) to be provided from a single outlet. It also allows holistic customer service, which is easier at a single point than if the customer had to contact several authorities. This system may have a positive impact for access to certain services in rural areas, where commonly citizens are required to commute to the sites of provision for accessing the different services.

The objective of the Citizen Service Offices system is to offer citizens a single outlet for services that are suited to be managed jointly, i.e. municipal, district court,⁴ tax and work administration, National Pension Institute and other regional and local authorities. According to the new Act, the services provided through Citizen Service Offices includes reception and handing out of documents, advice concerning the institution of proceedings and processing of matters and support in the use of electronic services. The aim is to ensure, by means of joint, customer-oriented service and efficient utilisation of information technology, a sufficient and high-quality service

network, increase the productivity of the local service network and reduce the costs. The holistic approach of Citizen Service Offices make possible to address two big challenges of sparsely populated areas: a) improving access and quality to the public administration's services, as customers may cover several transactions in the same visit; and b) responding to the productivity programmes for the public sector, that would otherwise deteriorate access for remote areas.

The experience of other OECD countries in deploying multi-service points should also be considered by Finland. The cases of the UK's one stop shops and Australia's Rural Transaction Centres are of particular relevance for Finland (see Box 3.4).

Box 3.4. Multi-service points: OECD experiences

In the **United Kingdom**, the idea of a one stop shop has been applied in a wide range of fields of service provision, including education, social work, public services, information, business support and community services. A recent study on ten one-stop shops in different rural contexts of **Scotland** found that: They are usually viewed positively by providers, staff and clients; they usually provide new or better services and make them more accessible; and sometimes they tackle very difficult cross-cutting areas – such as those of social deprivation, youth, and provision of services in remote and scattered communities – which would otherwise not be dealt with by the existing service providers. They are therefore helping to join-up government and other providers on the ground. The study also found that a number of important issues need to be considered in the design, layout, location, financing and staffing of one stop shops, and that community involvement and ownership is vital from the start.

Australia instituted the Rural Transaction Centres (RTC) Programme to help small communities establish locally run and self-funding centres that either introduce new services or bring back services that were no longer available in rural towns. Recently, the Rural Transaction Centre (RTC) programme has been integrated into the Australian Government's new streamlined Regional Partnerships programme. Since its introduction in 1999, over 200 RTCs have been approved for assistance under the programme. An RTC programme field consultant assists in an initial community consultation and feasibility study. The RTC is therefore tailored to meet community needs but not compete with other planned services, and usually includes: Financial services, postal and telecommunications access, federal state and local government services, insurance and taxation, printing and secretarial capacity. These centres employ from one part-time employee to four full-time staff. Funding from the central government covers the capital costs of establishing a RTC and subsidises its operating costs during its early years of operation, if necessary.

Source: OECD (2006a), *The New Rural Paradigm: Policies and Governance*, OECD Publishing, Paris, France.

In an evaluation of the benefits and costs of co-locating services in rural areas, commissioned by the Scottish Executive (Moral, Hall and McVittie, 2007), the researchers found that:

- While co-locating service produced the greatest benefit reducing distance to access services, service providers should also recognise the importance of other service attributes, commonly related to quality.
- Co-location is not a “one size fits all” solution to service provision. Different communities with varying circumstances will value and prioritise different elements of service, and co-location may have a social cost on those locally valued elements. This should be recognised when planning service delivery.
- The existence of social benefits should be considered when assessing options for co-location where commercial considerations might otherwise preclude provision.
- The social and community focus provided by local services, particularly in more remote areas, suggests a role for local communities in providing services through volunteerism and provision of services by local community trusts. Co-location of these services may provide community focus, as people using different services are drawn to the same hub.

Coping with low accessibility: Mobile services and public/private transportation

As populations get thinner in sparsely populated rural areas the provision of public and private services becomes more difficult. This has resulted in the closing of an important number of services, public and private, in sparsely populated rural areas. The decline of village shops for example has been substantial. In 1992 there were 1 500 village shops in the Finnish sparsely populated areas and in 2002 were only left 700 shops (Aldea-Partanen *et al.*, 2004). With regards to education, figures available at the national level indicate that at the end of 2006 there were 4 610 educational institutions throughout Finland, 228 less than in 2005. The region with the highest number of closures was North Ostrobothnia (Statistics Finland, 2007).

As the network of services becomes thinner, there is the need of either bringing people to the services (transportation services) or bringing services to the people (mobile services). Finland has significant experience in both types of measures, but both alternatives face their own complications:

- **Transportation services.** In Finnish sparsely populated rural areas the reduction in public transport has meant that private car use has become essential for rural residents and the importance of the taxi network has increased. Both alternatives however imply for individuals higher costs of accessing services. Taxi operations have replaced local services that have been lost. Special village transport services to village centres are a new and

increasing form of transport. Taxi operations are a viable solution in municipalities with a sparse population base that do not have enough customers for a bus service or if bus timetables cannot be arranged to serve inhabitants (MAF 2007a).

- **Mobile services.** in the sparsely populated areas of Eastern Finland some of the public and private services have been provided through mobile service units, the most frequent cases being mobile shops, mobile libraries, but also some innovative services such as mobile gyms (as the “Power Vehicle” – Woimavaunu- in the Pyhäselkä municipality) or a voting bus (in the municipalities of Eno and Pyhäselkä, in North Karelia) or nurses visiting patients at their home in several municipalities. However, due to the declining population and cuts in public budgets, also these services have been through rationalisation. The number of mobile shops in North Karelia has declined “drastically” and the mobile library service has been reduced, partly because of the declining demand for books but also because there have been very few new library buses (Aldea-Partanen, *et. al.*, 2004).

Due to structural factors, it may be too costly to achieve economies of scale from the supply side. Thus convergent policies can be considered from the demand side. Several structural factors like dispersion of population or geographical conditions often imply that the cost of taking public services to people or people to the services becomes very high. An alternative is trying to influence the demand side, by facilitating people to relocate or commute where at least minimum efficient scales can be reached for the provision of those services. The Microregions Strategy in Mexico is a good example that provides two important lessons relevant to the Finnish case: Strengthening the services in a number of well communicated rural communities aiming both to achieve economies of scale and promote relocation of remote population, and improving the knowledge of the deficits and advances in service provision on a region by region base (see Box 3.5).

In either case, it is important to measure the deficits and advances in service provision on a region by region base. As just mentioned, one important lesson from the Microregions strategy lies in the clear identification of the deficits and advances in covering these deficits by region. The OECD review of Finnish rural policy in 1995 highlighted the “considerable lack of information about the present infrastructure supply and the regional deficit patterns.” While this has improved considerably since 1995, the Mexican experience could be relevant for implementing a system that allows easier monitoring of the advances in covering the services deficit.

Box 3.5. Mexico's Micro-regions Strategy

The Micro-regions Strategy, launched in 2001, identified the 263 most marginalised rural regions in the country and selected within these regions a number selected “micro-poles of development”, the so-called Strategic Community Centres (CECs) based on their potential to assume local leadership, economic development, and the ability to influence surrounding areas from a commercial or cultural perspective. The strategy contemplated an “all government approach” oriented to co-ordinate the efforts of 12 Ministries in the delivery of public services and infrastructure investment in these CECs a minimum standard of services in 14 specific fields.

The specificity of the scope of the Micro-regions Strategy (263 regions, 14 indicators) allows monitoring the advances and deficits in each of the areas of support through an objective and socially shared validation mechanism: For each of the CECs, the stated objective is to reach 14 “*banderas blancas*” (white flags). Each white flag certifies that a CEC has been endowed with a certain level of infrastructure or service. In practice, fulfilling the deficit of white flags in the 100% of the CECs has become a quantifiable medium term goal that orients the direction of the strategy. By the end of 2006 close to 60% of the close to 33 000 required white flags had been established.

Source: OECD (2007d), *OECD Rural Policy Reviews: Mexico*, OECD Publishing, Paris, France.

Taking advantage of ICTs for efficient public service delivery and tele-services

Modern technology offers new opportunities for rural areas. Information and Communication Technology (ICT), particularly broadband, stand out as a new and necessary public good that can bring significant opportunities to rural areas, providing not only access to information, but also the ability to provide services that until now were largely thought to be urban (OECD, 2006b). Some identified advantages of ICT for service delivery in rural areas are: a) they contribute to reduce the costs associated with physical distances; b) improve access to information; c) allow scale economies without proximity; and d) they improve quality services through tele-work, e-education, health services delivered on the web, etc. (OECD, 2007c).

By exploiting the advantages of ICTs, Finland has achieved improvements in the following areas:

- **Tele-education.** According to the National Broadband Strategy Report, the coverage of fixed external connections in comprehensive schools rose from 54% to 90% between 2000 and 2005, and in upper secondary schools from 97% to 100% in the same period. The availability of network connections at

educational institutions and their speeds have improved remarkably in the 2000s. Still, at the end of 2006, about half of all educational institutions had connection speeds of less than 8 Mbit/s, and about one in five fell below 2 Mbit/s (Ministry of Transport and Communications, 2007).

- **Health sector.** ICTs have allowed access in rural areas to specialised services that could not be provided by other means. The aim of the telemedicine project was to establish availability of broadband services to hospitals particularly considering imaging (the processing of digital X-rays). Archiving and remote viewing of digital X-rays is the most bandwidth-intensive telecommunications application used in hospitals. Nevertheless, the availability of telecommunications services has not been an obstacle to the introduction of imaging services. These services have also been linked to the more extensive introduction of electronic patient data systems and further to the reorganisation of basic medical care and specialist medical care (Ministry of Transport and Communications, 2007).
- **Other government services.** Since 2005, the government set a project for the provision of telecommunications in libraries and Citizen's Services Offices. In 2006, EUR 500 000 were destined to support procurement of high-speed telecommunications connections and up-to-date customer terminals for mobile libraries, libraries in small municipalities, rural and sparsely populated areas, and Citizens' Service Offices. While the project got off to a good start, the goals have not been quite attained. The appropriation for customer terminals and telecommunications connections in libraries, proposed by the ministerial working group, had not been achieved as of autumn 2006 (Ministry of Transport and Communications, 2007).

The decentralisation of broadband strategies and adoption of different technological standards has been raised as an element of concern that reduces the cost-efficiency of the provision of certain services, particularly in the health sector (RPC, 2007). This issue has been addressed within the National Broadband Strategy whereby all provinces were to prepare a regional broadband strategy with local municipalities in close co-operation with the National Broadband Task Force. The principles of the National Broadband Strategy are: 1) Competition ensures lower prices; 2) Public aid targeted only to areas of lagging business interest (remote rural areas); and 3) Regional planning. A summary of the evaluation of this strategy is provided in Box 3.6. Chapter 4 addresses also the issue of broadband penetration as "enabler" of business activity.

Involving private and third sectors in the provision of services

Although many of the already discussed initiatives involve already the private and third sectors, their role in public service delivery and the arrangements through which they provide the services merit specific

Box 3.6. Evaluation of the broadband strategy in Finland

The report prepared by the Ministry of Transport and Communications in Finland includes a summary of the measures taken under every action point. The aims of the original broadband strategy have been achieved. According to the strategy Finland should have 1 000 000 broadband subscriptions by the end of 2005. By January 2007 the number already amounted to 1 500 000. Broadband services through a fixed network, which were to be available to at least 95% of the population, by January 2007 were already available to 96.1%. The third aim, which was to maintain Finland's position among the four European leaders in the number of subscriptions, has also been achieved as in January 2007 Finland ranked third.

The goal of regional broadband development measures was to make the construction of networks and the provision of services financially viable even in areas where it is not commercially profitable. For this purpose, comprehensive and better coordinated regional plans for expanding broadband networks were prepared. According to the instructions, public funding can continue to be allocated to regions where broadband would not otherwise be made available. The measures involved channelling of central government grants and subsidies to help schools and libraries subscribe to broadband services even in regions where commercial availability was not reasonably priced.

Co-ordination mechanisms for building a regional broadband strategy. The National Broadband Strategy issued instructions to the regions on how to prepare and implement regional broadband strategies. These strategies were to be based on municipality-specific estimates on the development of demand and the market situation. The strategies were to survey user segments relevant for service provision. The focus in regional broadband strategies was to be on access by citizens (households) to broadband connections. Other important user segments identified in regional broadband strategies included SMEs, municipal services, such as Citizens' Services, schools and libraries.

Regional availability. The regional availability of broadband has improved due to efforts not only by telecom operators but principally by the municipalities and regional councils, whose regional broadband strategies are being put into effect in all parts of the country. Currently, access to fixed network broadband services is possible for more than 96% of Finnish households. The provision of wireless connections complementing the fixed network will allow the remaining households to be brought within reach of broadband. Currently, over half of all Finnish households have already acquired a broadband connection.

Prices. During the strategy period, prices dropped by about 45 per cent in the first year and about 45% again in the second year. There have been no further major price changes in 2006, and thus it may be considered that a well-functioning competitive environment has served to stabilize retail prices at an appropriate level.

Source: Ministry of Transport and Communications in Finland, "National Broadband Strategy", final report, 23 January, 2007, www.mintc.fi/oliver/upl615-LVM11_2007.pdf.

attention. There are many aspects to consider in this regard: 1) the role of the “narrow rural policy” through its network of local action groups as contributors to finding solutions in service delivery; 2) the private initiative in finding solutions to public challenges; 3) the optimal provision of public services and required monitoring of the “public role” of private and third service providers; and 4) the use of market mechanisms for public service delivery.

The role of narrow rural policy in improving service provision

As highlighted in Chapter 2, the rural population is strongly involved in finding solutions to their local challenges. The Village Associations and Local Action Groups have been one important way in which these sectors have participated. The engagement of communities in their own development has had a handful of good practices and innovations at the local level. It has also provided a rich source of information about local needs and responses, and indications of strategies that have worked, and which ones have not. Box 3.7 shows a number of examples of the activities undertaken in several Local Action Groups during the programming period 2000-2006 in terms of services for the community.

The on-going reform for municipality and service structures demands deeper co-operation between municipalities and between municipalities and civil society. In this process, with the help from the Local Action Groups and other actors of the third sector, new ways of organising services for rural Finland can be identified. The Local Action Groups should have a stronger role as the bridge builders between the villages and the sub-regional strategies and activities. The challenge of municipalities and Local Action Groups is to create a chain of development from the villages to the sub-regions. In this chain, municipalities and Local Action Groups have their own roles to play. In the future, the municipalities will still hold a central role and responsibility in organising services for the citizens. The task of the Local Action Groups, and more in general the third sector, is to develop solutions, through which they can participate in service production.

The private and third sector initiative in finding solutions to public challenges

The private and third sectors in Finland have been instrumental in finding innovative and even profitable business solutions to certain issues. An exceptionally interesting response to the challenge of providing healthcare and social services to the elderly population and coping with the shortage of specialised labour in rural Finland is given by the Seniorpolis Initiative in the municipality of **Ristijärvi** which has adopted the *senior strategy* as a municipal strategy “not seeing the ageing trend as a problem but as an opportunity for

Box 3.7. Selected LEADER projects which have contributed to improving services

| LEADER Group | Accomplishments |
|---|--|
| Association for Rural Development in Central Karelia Jetina | Has supported networks such as community coaches, jobs and society centres, the network of economic development officers, and the accumulation of critical mass for obtaining broadband connections. |
| Peräpohjolan Kehitys Rural Development Association | Has trained several hundred individuals to plan and implement projects and association has funded over 70 projects and contributed to the establishment of new businesses and jobs. |
| Etelä-Karjalan Kärki-LEADER ry | Involved new actors in rural development work by training and providing different co-operation networks. For example, it has provided support for training new employees to help with the periodic shortage of labour. |
| Pirityiset ry | Emphasised investments in small projects and has funded over 80 projects. For example, the OMAKO project which targets people providing nursing care for relatives. OMAKO encouraged greater community participation to relieve the burden of nursing work and was implemented in four municipalities. |
| Aisapari LAG | Emphasised community co-operation and the use of cultural resources. For example, it funded the village house of Vasikka-aho project and built a local store and meeting place for the village in response to diminishing services in the region. |
| Lake Oulujärvi LEADER | Established new enterprises and created new services supporting businesses in the field of care and wellbeing resulting in almost 80 projects. For example, it funded the “Stop the noise” project which involved refurbishing an old building of cultural history value to the accommodate art exhibitions, concerts and other cultural events. |

Source: Voutilainen, M. (2007) (ed.), *Have You Seen the Finnish LEADER*, Village Action Association of Finland and MAF (2005b), *Finnish Leader: A Summary of Mid-Term Evaluation*, Ministry of Agriculture and Forestry, Finland.

value added” (Fredriksson, 2007). Conceived as a regional business strategy or “cluster” strategy within the Centres of Expertise Programme,⁵ Seniorpolis expertise centre develops business operations that promote well-being and lifestyle opportunities for senior citizens. Their objective is to become experts and a reference in welfare services for elderly people, attract elderly people, generate demand for services (specialised leisure, housing, relaxation, entertainment, etc.) and therefore generate employment in the region. This initiative certainly provides lessons for OECD countries facing the ageing problem in rural areas (see Box 3.8).

The advanced ageing trends in Finland can be seen as a challenge, but also as an opportunity. The experience of Seniorpolis in the Municipality of Ristijärvi is relevant and replicable probably not as the specific cluster but as a concept to other rural areas. Additionally, in the framework of the action programme for SPRMs, specific “seniorcentres” could be developed in each of them both as a mean to concentrate profitable business attention for rural elderly population in rural areas and for generating a new economy with families dedicated to this activity.

The optimal provision of public services and required monitoring of the “public role” of private and third service providers

Involving the private and third sectors and the use of market mechanisms [such as Public-Private Partnerships (PPPs)] are important ways to mobilise new resources for both infrastructure and services in rural areas. These mechanisms require the development of standards of provision so as to ensure the optimal provision of the services in question.

Finland has large experience in these types of arrangements. The provision of postal services is an example of standards and a regulated environment for Public-Private Partnerships. Each Finnish municipality must have at least one postal service point, and at least one collection and delivery on each working day. The users of postal services must have the opportunity to leave mail to be transported and delivered by the post to a collection point located at a reasonable distance from the place of residence. For the compliance of the provision standards, postal offices have been set through co-location with other private services, for example in gas stations, grocery stores, etc. Although this has improved access to postal services, they depend on those consumer services to remain in operation, which in some sparsely populated areas may be in danger of closure due to lack of demand of services. An example of co-ordination between public and private operators is the school transport. Since school buses would prove inefficient in some areas, some municipalities pay taxis for pick-up services to drive children to schools. This also helps maintaining taxis as a viable business for other purposes,

Box 3.8. Taking ageing as opportunity: The Seniorpolis approach

Seniorpolis combines four main areas to develop a uniform and extensive service selection to satisfy the needs and requirements of senior citizens, such as: Housing solutions for senior citizens; life-long learning through interactive and distant learning systems for senior citizens; development of care service best practices tailored to meet the needs of senior citizens (for example, neighbourhood traffic routes and weekday services such as transportation and meals); and relaxation services. Instead of seeing senior citizens as a challenge, they are shifting towards making ageing population an opportunity.

Aside from the services provided for senior citizens, they aim at developing new models to promote business targeting senior citizens. For example, a quality certificate and trade marks for different senior citizen products and services, solutions and concepts based on *Seniorpolis*' operations. They expect that, as a result, integrated product and service packages will be established. *Seniorpolis* will prioritise export know-how and solutions.

In sum, *Seniorpolis* defines itself as:

- A network that collects, promotes co-operation, combines and integrates activities and operations involving senior citizens.
- A project that co-ordinates and develops project implementation and procedure.
- A senior citizens' village: Ristijärvi has been selected as a pilot area where specialised private housing and lifestyle services for senior citizens will be developed on a business basis.
- A prototype workshop that guides product development, innovations, applications and an application testing environment.
- A brand for marketing and launching the concept.
- A franchising concept to develop and maintain business activities and product/service packages.
- A centre of expertise: One amongst several research, development, education and business centres in the region of Kainuu (others include *Measurepolis*; *Woodpolis*, and *Snowpolis*).
- A corporate and holding company: *Seniorpolis Oy (Ltd.)* manages the *Seniorpolis* concept, develops *Seniorpolis* business logic, participates in risk financing, marketing and business development and owns *Seniorpolis* licensing and proprietary rights.

Source: *Seniorpolis (n.d.) A Unique Finnish Concept for Senior Citizens, Seniorpolis Brochure, www.seniorpolis.com.*

improving the possibility for people without private vehicles to commute to municipal centres, where they can access other services.

Monitoring of the “public” role of private and third sectors is still an important task for the Government. As recognised in the 1995 report, many social services are arranged by private and individual initiatives. “Village Committees take a lot of ‘public responsibilities’, concerning social, educational and health services” focusing less on productive activities (OECD, 1995, p. 103). While it is important to involve the private sector and the civil society in the provision of public services, such as elderly care, social care, etc, especially where there is no demand to hold a market, there must be a mechanism to monitor the access and quality of the services provided. There are also risks attached to the involvement of these bodies in assuming too many “public responsibilities”. Therefore these partnership arrangements should always include a monitoring system that evaluates how these services are provided, who is having access to these services, and what are the outcomes of the involvement of these organisations in the provision of public services. Additional considerations have to be observed with respect to the efficiency that the administrative burden of monitoring mechanisms would imply.

Market mechanisms in the provision of services for rural areas: Some additional considerations

In many OECD countries, market mechanisms, such as public-private partnerships, are being increasingly applied and searched at the national level for the provision of public services. The applicability of these mechanisms in rural contexts is still an open debate and should be subject in each specific case to rural proofing. Market mechanisms have been in the current debate on national public service delivery schemes. The OECD Fiscal Network has been working on this issue, and an extensive literature has been revised to list and understand the different market alternatives for the provision of services (Box 3.9).

If the implementation of market mechanisms for the provision of public services continues the trend it has shown in OECD countries, their implications for rural areas must be considered. For the implementation of market mechanisms, it is necessary to have the potential for emulating a market for these mechanisms to apply. Nevertheless, there are some considerations that should be taken into account when thinking about market mechanisms, such as equity and the need for flexible contracting to avoid capture by private operators (Table 3.3).

In terms of measures targeting lagging regions, some countries, such as Italy and France, have recognised regional differences in terms of

Box 3.9. Implementation of market mechanisms for the provision of services in OECD countries

Many sub-central public services are potentially open to competition among providers. Implementing market mechanisms means separating provision from funding. This allows many sub-central governments to retain the essential properties of a public service while reaping the benefits of emulating a market.

Market mechanisms may be grouped in four dimensions:

- Private ownership and contracting. This dimension deals with public-private ownership and different forms of contracting. Examples: Tendering, out-sourcing, public-private partnerships.
- User choice and competition. This dimension deals with the regulatory environment for public service providers, the extent to which consumers are allowed to choose among providers and to what extent providers have access to the market. Examples: User choice, market access and competition among providers.
- Price signals and funding. This dimension deals with the principles of funding public service provision; the extent to which public funding reflects actual service utilisation and/or service performance. Examples, user charges and fees, vouchers and other related funding.
- Monitoring devices. Benchmarking and indicators systems.

Table 3.3. Considerations to bear in mind in the implementation of market mechanisms

| | |
|---|--|
| Equity considerations | <ul style="list-style-type: none"> • Setting minimum standards (social and/or geographical) • Must be complemented by robust evaluation and monitoring schemes <p><i>Measures targeting lagging social groups</i></p> <ul style="list-style-type: none"> • Targeted lower user fees • Means-tested income support • Vouchers and use-related funding <p><i>Measures targeting lagging regions</i></p> <ul style="list-style-type: none"> • Increasing the size of the market (merging municipalities, sub-central governments' co-operation agreements) • Central government grants to sub-central governments • Equalisation policies • Regional and/or regional type differentiated standards |
| Contracts and regulation considerations | <ul style="list-style-type: none"> • Searching for flexible contracts • Involving compliers in selecting the standards through participatory approaches • Recurrent revision of proxy measures used • Agreement of adequacy of non-compliance sanctions • Some countries have implemented incentive schemes |

development. France has defined the differences in terms of type of settlement (*communautés des communes*; *communautés d'agglomération* and *communautés urbaines*) as was outlined in Box 3.3. On the other hand, Italy has identified geographical disparities between the north and the south. Based on more detailed territorial information and mapping of regional disparities, not just in terms of GDP and labour market indicators but also in terms of public service delivery, Italy recognised that the southern region is lagging behind. Therefore, in recent years authorities have focused towards achieving short term results in terms of provision and quality of public services and, as a consequence, reinforce the trust in the policy capacity to achieve change. In Italy the current regional policy strategy for the southern region includes a performance based scheme, which sets explicit targets on the provision and quality of essential services. Moreover, to focus policy actions and to reinforce accountability of policy makers, an incentive scheme is set linking financial rewards to the attainment of the specific targets; and this is a remarkable innovation of the Italian case, which requires a complex combination of political and administrative responsibilities. In fact interaction among different levels of government is needed in every step of the process (OECD, 2007f).

Conclusions and recommendations

Finland, as most countries, faces important challenges in public service delivery in rural areas, linked to the capacity of rural municipalities to fund and deliver public services in the context of a decreasing and ageing population, the double role of municipalities as providers of services and jobs, and the difficulties of accessibility among others. Finland has responded to these challenges through various means, including equalisation mechanisms and the Act on Restructuring Local Government and Services; initiatives such as Kainuu Regional Government; multi-service points, mobile services, use of information technologies with an increasing participation of the private and third sector.

Overall, Finland rural policy has been quite assertive in its efforts to guarantee the provision of basic public services in rural areas. Nevertheless, given the changing demographic situation of sparsely populated areas, they may be requiring special attention in the up-coming years. Although basic public services are more or less covered, the financial and responsibility structure of public service delivery leaves rural areas with little resources to fund for other priorities such as promoting competitiveness (see Chapter 4). In light of the previous discussion and drawing on some experiences from other OECD countries, the following points should be considered:

- **Identifying regions' specific deficits in infrastructure and advances in completion of the deficit through a systematic strategy.** A very concrete

alternative in the framework of the preparation of an action programme for the sparsely populated municipalities could be assessing, for the 143 SPRMs or for selected communities within them, the deficit in a number of areas of service delivery and then seeking to complete them through the special action plan.

- **Increase the adaptability of policies to demographic circumstances.** The experience of Seniorpolis in the Municipality of Ristijärvi is relevant and replicable probably not as the specific cluster but as concept to other rural areas. Also in the framework of the action programme for SPRMs, specific “seniorcentres” could be developed in each of them both as a mean to concentrate profitable business attention for rural elderly population in rural areas and for generating a new economy with families dedicated to this activity.
- **Enhance synergies between LAGs actions and municipal policies in service delivery.** Municipalities and LAGs count with each other for finding solutions to local development projects. The challenge is to create a chain of development from the villages to the sub-regions. In this chain, municipalities, sub-regional development organisations, and LAGs have their own roles to play. In the future, the municipalities will still hold a central role and responsibility in organising services for the citizens. LAGs in particular and the third sector at large can participate in improving service production. However, strategies towards individual capacities for participating in these different local activities should be considered, altogether with a clearer definition of their distinctive complementary role, so as to couple convergent efforts and to identify potential conflicts amongst the different actors.
- **Increase the participation of private and third sectors as allies of the public sector in the delivery of services with an emphasis put on the monitoring of their “public responsibilities”.** The involvement of these sectors in the delivery of public goods should however not crowd out their participation in productive activities, which is where, at least the private sector, has its principal role to play.
- **Increase the sharing of good practices and innovation between municipalities and among service providers.** Significant innovations have occurred within municipal governments, private and third sector providers of services in Finland. The Association of Finnish Local and Regional Authorities has a databank of best practices of municipalities in its website.⁶ These good practices could be further systematised and implemented. In the framework of fiscal transfers, incentives could also be provided for the creation and adoption of cost efficient innovations and best practices. Sharing international experiences through formal mechanisms,

such as the DESERVE network, should be maintained, or even enlarged, allowing for other countries to participate and share their own good practices.

Notes

1. Previous studies of Finland (OECD, 2005a; Sandberg, not dated) have addressed the fact that municipalities have the freedom to choose the how, but not the what, in terms of public service delivery, given the high level of standards in the form of recommendations from the centre.
2. For more information on the specific organisation of Joint Municipal boards, please refer to The Finnish Local Government Act (1995), Chapter 10: Municipal Co-operation.
3. For a more detailed discussion of municipal mergers, please refer to OECD (2006c), The Efficiency of Sub-central Spending, workshop proceedings, 27-28 November, OECD Cote COM/CTPA/ECO/GOV(2006)7.
4. Such as city administrative court, licences and permits managed by the police, recovery proceedings.
5. This initiative is part of the Centres of Expertise Programme (see Chapter 2 and Chapter 4 for more detail).
6. www.kunnat.net.

Chapter 4

Focus on Competitiveness and Business Environment Policies

Following the challenges and opportunities of rural areas identified in Chapter 1 and the discussion on governance and instruments of rural policy in Chapter 2, this fourth chapter seeks to answer the question of how successful has rural policy been (in both its broad and narrow senses) to promote competitiveness of firms and to improve the business environment in rural areas. The chapter is structured as follows: Section 4.1 analyses policies oriented to increase the competitiveness of firms, with emphasis on identifying their adaptation to rural needs. Section 4.2 analyses policies oriented to improve the enabling environment of firms in rural areas. A final section concludes and provides a summary of the recommendations.

Key points

Finland has a wide array of instruments oriented to promoting firm competitiveness, all of which could be strengthened in their rural dimension:

- **Finland enjoys a diversity of policy instruments to enhance the competitiveness of firms and economic activities.** EU co-funded financial and business support instruments for micro-enterprises included in the narrow rural policy (EAGGF, EAFRD after 2007) have proven important tools for promoting entrepreneurship, generating jobs and training rural firms. At a much larger scale, the Ministry of Trade and Industry counts with various EU funded (ERDF and ESF) instruments available for SMEs. Employment and Economic Development – TE-centres, which manage these programmes at the regional level, are in a privileged position to bridge further the existing means of support to rural SMEs.
- **The national innovation system has an implicit urban bias given its orientation towards R&D and technology firms,** although there have been interesting experiences of models to enhance innovation activity of rural SMEs. These models and OECD experiences suggest embracing a broader definition of innovation, strengthening the capacity of rural regions to assimilate innovation (particularly with policies oriented to retain, develop and attract human capital), and involving further polytechnics and vocational schools in the development of their regions.
- The present approach to **regional specialisation (clusters) and regional competitiveness** in Finland is through two main programmes: The *Centres of Expertise Programme* (CoE) and the *Regional Centre Programme* (RCP). These programmes have, in general, privileged centralisation and competition among regions, leaving rural economies beyond commuting range outside their scope. Notwithstanding, the increased “cluster” focus of the CoE opens a window of opportunity for rural firms to benefit more from this programme, and the inclusion of a “regional section” to the Special Rural Policy Programme partially improves the situation by covering those areas left out of the RCP. The way in which rural and urban areas interact has become a crucial factor to develop, with emphasis on networking outside the closest periphery.

Policies for **improving the business environment** require actions on various fronts:

- **Policies to consolidate an enabling environment** involve improving the quality of transport infrastructure which varies considerably across regions; continuing efforts to increase accessibility to broadband infrastructure, with particular attention to integrating different regional systems; facilitate access to financial services, with emphasis on risk and innovation funding. Other elements to consider might be the higher local tax rates in rural municipalities and facilities for teleworking in rural areas.
- **Policies to develop under-used natural, cultural and historical amenities** are equally important. Finland has explicit policies oriented to promoting economic activity based on the enjoyment of natural resources. One clear example is the “Everyman’s Right” established in Finnish legislation. Additionally, local action has been oriented to improve the “quality of place” in many specific locations. Further coordinated actions could be taken to preserve and make use of amenities and develop rural tourism as a specific niche (with its variants such as nature tourism, sauna and health related tourism, etc.).

Introduction

Increasingly, the concept of competitiveness is extended to the rural regions in OECD countries. As the role of agriculture diminishes in these regions, as the predominant activity for generation of income and jobs, it has become evident that *agricultural* policies are no longer suitable to capture the diversity of *rural* needs and opportunities. Therefore, diversification of economic activities requires redefinitions in terms of public policy strategies and instruments. Putting this in practice is, however, complicated because rural regions have different characteristics. OECD work on regional competitiveness suggests that there are two basic groups of factors that can be influenced by policy: 1) those directly related to the firms and 2) those related to the wider business environment (OECD, 2005c):

- **Competitiveness of firms:** Individual firms derive comparative advantage from their internal organisation, management style, internal processes of innovation, product development, marketing, and so on. In some regions, the performance of the local economy is driven by a few dynamic firms. In many other regions, collective characteristics pertaining to groups of firms or sectors provide a source of productivity gain. These collective advantages – often found in clusters or productive systems – stem from the historical development of local sectors and their links with the region, firm size and structure, level of specialisation, use of advanced technologies, local

innovation systems (including relationships between firms and universities or research centres), and the use of networking as a business practice.

- *Business environment*: Some of these policies are “space-neutral”, that is, do not differentiate among regions, such as legislative or regulatory frameworks. However, at regional and local levels a range of factors might either encourage or inhibit business activity. These include the efficiency of the transport and communications infrastructure, access to financial services, the level of local taxes and the quality of public services that they fund, provision of affordable housing, the presence and quality of education institutions and the characteristics of their environmental policies and their implementation. They also involve the quality of the local endowments and the ability of rural regions to take advantage of their natural, cultural and historical amenities.

Following the challenges and opportunities of rural areas identified in Chapter 1 and the discussion on governance and instruments of rural policy in Chapter 2, this fourth chapter seeks to answer the question of how successful has rural policy been (in both its broad and narrow senses) to promote competitiveness of firms and to improve the business environment in rural areas. Previous OECD reports have extensively analysed the policies that Finland has introduced to increase the competitiveness/productivity of firms at the regional level.¹ The scope of this chapter is not to analyse these policies and instruments at length but to discuss the extent to which these policies are accessible to rural firms and adapted to rural needs. The chapter also highlights the cases in which this has occurred in Finland and in other OECD countries.

4.1. Policies oriented to increase firm competitiveness

Finland has been in the past few years among the top countries in international competitiveness rankings.² Policy strategies oriented to foster private sector competitiveness have been instrumental in achieving such international success. This section will discuss the “rural dimension” of three types of policies in Finland, contrasting these with the experience of other OECD countries: 1) financial and business support, 2) policies to promote innovation and diffusion of knowledge and 3) policies for building relational assets or cluster policies.

Financial and business support

Direct financial support and business services are powerful tools particularly for small and medium enterprises (SMEs) and micro-enterprises, and therefore very relevant in rural areas. In Finland, “financial and business support” is the type of support (within those analysed in this chapter) that has

the strongest rural dimension. This is due to the fact that the so-called “narrow rural policy”, contains funds and programmes oriented to these objectives, coordinated by the Ministry of Agriculture and Forestry (MAF) mainly linked, in the 2000-2006 programming period, to the European Agriculture Guarantee and Guidance Fund – EAGGF – and, in the current 2007-2013 period, to the European Agricultural Fund for Rural Development (EAFRD). Additionally, within the “broad rural policy” there is a wide array of instruments oriented for financial support and advice to businesses, within the domain of the Ministry of Trade and Industry (MTI) and linked to the European Regional Development Fund (ERDF) and the European Social Fund (ESF) (a brief description of these funds is provided in Chapter 2, Section 2.2).

A particular feature of Finland’s application of EU funds is that funds from different sources meet at the regional level in the 15 Employment and Economic Development Centres (TE Centres). Finland counts with a sui generis administrative body at the regional level, which is relatively small with respect to the regional agencies that manage EU funds in many other countries, but plays a crucial role in the implementation of EU programmes. These bodies, as noted in Chapter 2 (see Box 4.2), combine several state authorities (labour, enterprise consultancy, agriculture and fisheries). They are the main Government instrument for support and advice of SMEs (with EAFRD, ERDF and ESF funds). Figure 4.1 provides a schematic view of the EU co-financed programmes oriented for business financing and support. This section discusses on the instruments for financial and business support provided by the two sources.

Financial and business support from the Ministry of Agriculture and Forestry (EAGGF/EAFRD)

The EAFRD (previously EAGGF) is the most important source of funding for micro-enterprises in rural areas with a geographical orientation to sparsely populated rural areas and rural heartland areas. EAFRD funding is channelled for the development of rural micro-enterprises (less than 10 employees, the most predominant type in rural areas), and for support of a number of economic activities, including tourism, production of bioenergy, the service sector, as well as cultural and environmental actions. It is also the only fund that finances farm based micro-enterprises, which makes it particularly relevant in the current context of diversification of farms that is taking place in Finland (see Chapter 1, Section 1.3). The main instruments of business support are investment aid, development aid, setting-up subsidies and development projects. Table 4.1 shows the allocation of resources of the Ministry of Agriculture and Forestry (co-financed from EAGGF funds) for support of micro-enterprises during the 2000-2004 period. There can be seen that 93% of

Table 4.1. **Distribution of aid to micro-enterprises from the MAF by type of area**
2000-2004

| Type of aid | Ums M € | RCUAs M € | RHMs M € | SPRMs M € | Total M € | Rural share % | Percentage of MTI |
|----------------------------------|------------|--------------|-------------|--------------|--------------|------------------|----------------------|
| Investment subsidy/aid | 8.5 | 12.8 | 59.1 | 40.6 | 121.1 | 93 | 84 |
| Development subsidy | 0.8 | 0.7 | 6.5 | 2.8 | 10.8 | 92 | 8 |
| Setting-up subsidy | 0.8 | 1.3 | 6.4 | 3.4 | 11.9 | 93 | 8 |
| Total aid for micro-enterprises: | | | | | | | |
| M € | 10.2 | 14.7 | 72.0 | 46.8 | 143.8 | 93 | 100 |
| % | 7 | 10 | 50 | 33 | 100 | 93 | |

Source: OECD based on MAF (2005c), "Comprehensive Services for Rural Micro-enterprises", Working Group Memorandum MMM 2005/4.

the resources were oriented to rural areas (10% to rural municipalities close to urban areas – RCUAs, 50% to rural heartland municipalities – RHMs, and 33% to sparsely populated rural municipalities – SPRMs). The most commonly financed type of support was investment aid (EUR 121 million, 84% of resources), followed by development subsidies (EUR 10 million, 8%) and setting-up subsidies (EUR 11.9 million, 8%). The total amount of resources allocated to support for micro-enterprises during the 2000-2004 period was EUR 143 million, which is higher compared with the corresponding figure (for micro-enterprises) of the Ministry of Trade and Industry (see Table 4.2 below), and not surprisingly also, with a stronger rural focus (93% compared to 60% of the MTI).

The LEADER programme has proved a useful tool to support entrepreneurship, business development and diversification in rural areas. The midterm evaluation of LEADER+ in the programming period of 2000-2006 showed that by July 2003, from the 1 576 projects that received support, about one fifth were enterprise support (285 were enterprise aid not linked to farms, 72 other enterprise aid cases). It is clear that enterprise support is not the main objective of the LEADER programme, although many of the development projects do improve the business environment in rural areas (see Section 4.2). Notwithstanding, LEADER support had contributed, during the referred period, to the creation of 42 new companies and 425 new jobs (including development projects). Training was also an important component; in the first half of the programming period, days spent in training (26 170) already exceeded the target for the whole programming period. (MAF, 2005b). Box 4.1 shows a number of examples of how rural businesses have either created or improved their operations, marketing or strategy with the support of financial aid or advice and training from the LAGs in the programming period 2000-2006. Important to note is that in LAGs which have targeted their activities within the framework of their own programmes, some of which are highly business-

Box 4.1. Selected LEADER projects which have provided support rural businesses

| LEADER Group | Accomplishments |
|---|---|
| Rieska-LEADER ry | Has funded more than 90 local inter-regional or international projects. It promotes micro-enterprises and village activities in its region, innovative operations and organised innovative programme services. |
| LAG Viisari | Emphasises entrepreneurship and created new full-time and part-time jobs and new businesses for women and young people. |
| Joensuu region LEADER | The “rural developers” programme emphasises co-operation between entrepreneurs and open-minded thinking and has funded over 92 projects in its region. |
| LAG Karelian Hills LEADER | Has supported over 106 projects that focused on utilising local nature, natural resources, traditions and history in innovative ways. |
| South-West Finland Riverside Partners Association | Has funded projects that included renovating old buildings and utilising local culture for promoting tourism. For example, they supported a project to build an exhibition on the history of old Oxen Road, an ancient road to local museums in different municipalities along the road. |
| LEADER Oulu South/ Keskipiste-LEADER ry | Supports rural development projects in the region that focus on entrepreneurship, rural tourism, village activities and culture. It has funded over 100 rural development projects; and it focuses on small scale companies and the secondary occupation of farmers which has created a strong basis for business life in the region. |
| Suupohja Development Association | Has provided funding to more than 90 projects many direct enterprise support or joint ventures. It trains and provides support for businesses in the region. For example, the SOMA project trained village agents and created a WEB publication. |
| Karhuseutu Development Association | Provided funding for 79 projects many of them enterprise projects. For example, the children afternoon activities, revitalisation of the market square, village plans, development of leisure boating harbours, digital culture for villages, lake renovation, and tours on railways inspection trolleys. |
| Development Association Kalakukko | Focuses on the optimal use of the regions natural and cultural resources and funds projects that support the development and investments of small rural companies. For example, arts and crafts or nursing care businesses, the rural companies that have difficulties procuring funding from large structural fund programmes. |

Source: Voutilainen M. (2007) (ed.), *Have your seen the Finnish LEADER*, Village Action Association of Finland and MAF (2005b), *Finnish Leader: A summary of mid-term evaluation*. Ministry of Agriculture and Forestry, Finland.

oriented while, some, *e.g.* the groups working under the Rural Programme Based on Own Initiative (POMO+) – the national programme used for mainstreaming the LEADER method – have not funded any business projects since they were not included in their programmes.

For the 2007-2013 programming period, public funding available for financing business and development projects within the Rural Development Programme for Mainland Finland (RDPMF), totals EUR 600 million (during the whole period). Of this 45% comes from the EAFRD, the rest is national funding. As explained in Chapter 2, EAFRD funds are allocated into four axis: Axis 1 and 3 include financing for micro-enterprises, the former includes the financing of micro-enterprises. The wood product sector and regional development of the sector, first processing of bioenergy and processing of agricultural products, the latter contains a measure supporting farm diversification a measure for financing rural micro-enterprises and special funding for promoting tourism projects in the rural areas. Businesses are supported by investment and business development aid, start up aid for two first hired personnel, training and regional business development aid. The aid level varies with the area (see Box 4.2). In addition, there are EUR 242 million available for the LEADER action groups (recall that in the current programming period, all LAGs are LEADER LAGs). At this stage is early to anticipate the impact of business support under the RDPMF for the programming period 2007-2013. Nonetheless, a number of factors suggest improvements with respect to the previous programming period: The RDPMF 2007-2013 has significantly broader possibilities to finance rural micro-enterprises compared the previous programmes; about half of the resources are now targeted to the micro-enterprises which do not have any connection to the agriculture; the allocation of LEADER resources was carefully targeted in per capita terms to the regions with higher rural population shares (see Figure 2.9, in Chapter 2); and, the regional financial frameworks are allocated directly to the TE-Centres as a single authorisation to grant payments. Also regional resources of EAFRD are allocated by the amount of rural population and type of rural area.

Financial and business support from the Ministry of Trade and Industry (ERDF and ESF)

At national scale, Finland counts with a wide array of programmes of business support mainly coordinated by the Ministry of Trade and Industry and managed by the TE-Centres at the regional level. Box 4.1 provides a selection TE-Centre's instruments for business support to which EU Structural Funds (ERDF and ESF) contribute significantly. These include **business development aid** (*e.g.* for new innovations or improvements in products, production, business management or marketing of enterprises), **support for development of the business environment of enterprises** (*e.g.* to create

Table 4.2. **Distribution of aid to micro-enterprises from the MTI by type of area**
2000-2004

| Type of aid | Ums M € | RCUAs M € | RHMs M € | SPRMs M € | Total M € | Rural share % | Percentage of MTI |
|--|------------|--------------|-------------|--------------|--------------|------------------|----------------------|
| Investment subsidy/aid | 23.2 | 9.0 | 13.6 | 18.5 | 64.3 | 64 | 70 |
| Development subsidy | 11.0 | 3.6 | 3.2 | 2.2 | 19.9 | 45 | 22 |
| Aid for operating environment | 2.2 | 0.3 | 1.0 | 2.6 | 6.2 | 65 | 7 |
| Processing and marketing of agricultural products | 0.4 | 0.2 | 0.6 | 0.4 | 1.7 | 74 | 2 |
| Total aid for micro-enterprises: | | | | | | | |
| M € | 36.8 | 13.2 | 18.5 | 23.7 | 92.1 | 60 | 100 |
| % | 40 | 14 | 20 | 26 | 100 | 60 | |

Source: OECD based on MAF (2005c), "Comprehensive Services for Rural Micro-enterprises", Working Group Memorandum MMM 2005/4.

services required by SMEs in regions), **energy aid** (for investment projects promoting the use of renewable energy sources); and **support for improving know-how in SMEs** with the help of expert and consulting services as well as with tailor-made training and development projects. TE Centres also provide **investment aid** for Finnish and foreign companies, either for investments related to start-up of business operations (e.g. acquisition of machinery, equipment, buildings and land) or investments of active enterprises (e.g. for projects clearly increasing jobs, or number or quality of services). Investment aid is granted mainly to SMEs but can be granted to large corporations depending on the national development area where investment occurs. Thus, this type of support does consider a regional and even a special provision for micro-enterprises in sparsely populated rural areas where investment support reaches 35% of the cost in development areas 1 and 2 and 30% in development area 3. Box 4.1 summarises the percentage of projects financed according to each development area by size of enterprise, as well as a map of the development areas in Finland.

The allocation of resources of the MTI for the category of micro-enterprises by type of municipality from 2000 to 2004 is provided in Table 4.2 (analogous to the one provided for the MAF). There can be seen that the 60% of the support for this size of enterprises is allocated to rural areas (14% to RCUAs, 20% to RHMs and 26% to SPRMs) and that the 70% (EUR 64 million) were in the form of Investment aid, 22% (close to EUR 20 million) in development subsidies, 7% (EUR 6 million) as aid for improving the operating environment and 2% (EUR 1.7 million) for processing and marketing of agricultural products. The total support for micro-enterprises during the period ascended to EUR 92 million.

Box 4.2. Selected TE Centres services for SMEs

Business Aid: Financial support for projects enhancing the competitiveness or internationalisation of SMEs in the long term mainly include expenditures on external services and experts, or payroll and travel expenses of a new key person employed by the firm. The intensity of financing varies from 35%-50% of eligible costs depending of the project type.

Expert and consulting services: Subsidised expert and consulting services for different stages of business life cycle:

- DesignStart: Design and graphic design of a company's products or image.
- ProStart: Evaluation of a business idea of potential entrepreneur.
- PostStart: Development of existing business operations.
- Balanssi (Balance): Improvement of economic and financial management of an SME.
- eAskel (e-Step): Development of electronic business activities of an SME.
- Globaali (Global): Preparedness of an SME to international market.
- Monitaito (Multi-Skills): Improvement of personnel skills of an SME.
- ViestinVaihto (Change of Message): Planning generation transfer of an SME.
- Kunto: Better control of company operations.
- Myyntiteho: Marketing and sales development.
- PalveluTutto: Quality and productivity development programme for service providers.
- PK-LTS: Formulating a business plan for SMEs.
- TuoteStart: Development of product and service ideas.
- Tuotto+: Development of manufacturing enterprises.
- VerkostoReittaus: Evaluating and developing networking capabilities.

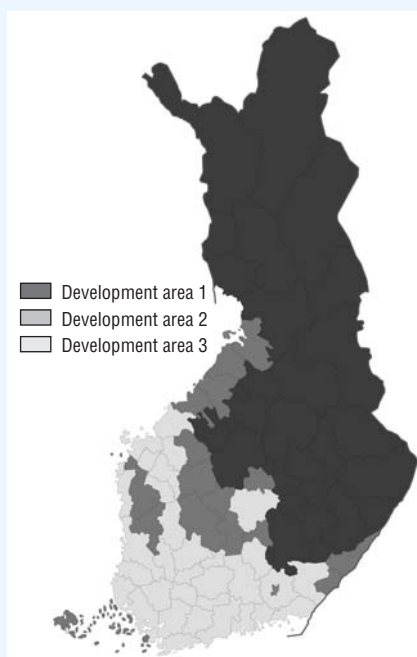
Investment Aid: Granted for the purchase of, or alterations or improvements in, fixed assets (e.g. machinery and equipment, buildings, payroll expenditure) in maximum of 12 months to small firms starting their business.

Expansion or modernisation must lead to major improvements in:

- number of jobs;
- adding value to production or products;
- enhancing the level of services;
- internationalization;
- regional productivity;
- regional economic and industrial structure.

Box 4.2. Selected TE Centres services for SMEs (cont.)

Development areas



Investment aid is granted mainly to small and medium sized enterprises but can be granted to large corporations if the investment occurs in national assisted areas. The following table summarises the percentage of project cost financed according to development area and size of enterprise:

| Type of enterprise | Development area 1 | Development area 2 | Development area 3 |
|---|--------------------|--------------------|--------------------|
| Large enterprise | 15 | 10 | – |
| Medium-sized enterprise | 25 | 15 | 75 |
| Small enterprise | 35 | 25 | 15 |
| Micro-enterprise | 35 | 25 | 20 |
| Micro-enterprise sparsely populated areas | 35 | 36 | 30 |

Source: MTI, (Ministry of Trade and Industry) (2007), "Structural funds and industrial policy" Presentation during OECD Mission by Mr. Ilkka Korhonen, Industries Department, 26 February 2007, and Invest in Finland (2007), "Support and Benefits to Foreign Companies Investing in Finland" 09/2007 available online at www.investinfinland.fi.

Other two financing institutions in Finland (recall from Figure 4.1) are Finnvera plc and TEKES. The latter deals more with innovation support and therefore is addressed in the next section. Finnvera plc is a state-owned financing company offering services to promote the domestic operations of Finnish businesses. Since it is also Finland's official Export Credit Agency (ECA), it also provides support oriented to increase exports and internationalisation of enterprises (Finnvera, 2007). Finnvera serves its clients through 16 regional offices and through a representation office in St. Petersburg. It grants loans for investments and working capital, micro-loans, establishment loans, and loans for women entrepreneurs. Part of its funding comes from EU Structural Funds whereby it reduces the cost of guarantee provision in Objective 1 regions, and in Objective 1 and 2 regions provides for lower interest rates loans for projects with somewhat higher risk and/or weaker collateral (MTI, 2007).

In sum, it is clear that the lack of instruments of support is not an issue in Finland. Both the MAF and the MTI have a wide array of tools for support of micro-enterprises and a substantial portion of them is devoted to rural areas (93% in the case of the MAF and 60% in the case of the MTI). Notwithstanding a number of considerations are pertinent, related to the accessibility of rural firms to these types of support, particularly those entrepreneurs willing to engage in diversification activities; to the geographical disparities in the distribution of these funds and to the coordination between MTI and MAF, in order not to duplicate efforts, but on the contrary find synergies between their actions in rural areas.

For rural entrepreneurs, without much business knowledge, having a wide array of instruments, linked to different EU funds and different agencies might complicate the accessibility to the right support measure. Multiplicity of programmes often increases information costs, rises administrative and control costs, creates overlapping or favours some firms getting more than fair share of public support while others don't get any or very little. In response to this, there was an inter-ministerial project in 2006 which led to a national brand "YrittäjäSuomi" (BusinessFinland) to group all business support services. The most important service is the "sub-regional-service-point" launched since 2002 by the Ministry of Trade and Industry and adopted in the Special Rural Policy Programme 2007-2010. The purpose of this project is to extend and strengthen the network of business services in sub-regions. The project promotes measures based on voluntary action and co-operation, with the aim of improving the services. The main goal of the project is to establish a well-functioning network of at least 60 regional business service points. One particular aim is to promote the supply and use of diversified development services directed specifically at start-up companies and small enterprises. The project seeks to promote the co-operation between organisations producing business services funded or part-funded by the State (Ministry of Trade and

Industry, Ministry of Labour and Ministry of Agriculture and Forestry) and to support closer co-operation within the sub-regional business service organisations built up jointly by the municipalities for the benefit of the customer. A further aim is to support the ability and resources of sub-regional business service organisations to use private services and reinforce the position in the market of business advice that is not dependent on public funding. Sub-regional business service network is the contact point to regional and national services (Ministry of Interior, 2004). This service will have at least one person specialized to rural entrepreneurship and will be financed through EAFRD.

There have been increasing efforts to find synergies between the support provided by the MTI and MAF. A working group created in 2004 produced a memorandum which identified the distribution of MTI and MAF resources by type of rural area, which was an important first step. Information in Tables 4.1 and 4.2 derives from exercise. In addition, there have been efforts to identify the complementarities and the limits of action between the measures funded by EARDF and those funded by ERDF and ESF (RDPMF 2007-2013, Chapter 10). In this regard, there is an important regional differentiation to bear in mind. The aid from Structural Funds (ERDF and ESF) will be targeted in the 2007-2013 period mainly to eastern and northern Finland. Therefore, in southern and western Finland, where the ERDF resources are scarce, these will be targeted to the most promising enterprises, mainly in urban areas. Altogether EUR 1 500 million (including 365 million of ERDF) are directed to eastern Finland and EUR 1 102 million (including EUR 311 million of ERDF) to northern Finland. Since these areas are sparsely populated, the programmes include a special amount of 35 euros/capita/year to respond to the challenges relating to dispersion. In contrast, the total funding for the programme for western Finland is EUR 692 million (including EUR 159 million of ERDF) and the funding for southern Finland is EUR 777 million (including EUR 138 million of ERDF). In practice, this means that in southern and western Finland, the financing of enterprises in the rural areas is highly dependent on financing from EAFRD.

Given the trends perceived in the rural economy in the past two decades and the foreseen increasing demand for support to rural diversification, constant efforts have to be made to bridge the existing means of support for SMEs to a new and growing group of clients: Rural SMEs. Of critical importance is to target resources especially to the entrepreneurs changing from agriculture to other sectors. Usually their competitiveness and business knowledge is not enough to obtain aid or subsidies from the Structural Funds (and even less so in the context of scarce resources in southern and western Finland). As the Special Rural Policy Programme 2007-2010 states “the demands for public business services resulting from rural development trends have to be taken into account”

(Special Programme, p. 18); that includes considering the migration or extension from agriculture to other activities and the needs to attract skilled labour force.

Many OECD countries face the problem of encapsulating rural support within a specific programme (for example the Rural Development Programme), despite actually counting with a wide array of instruments for support of SMEs. The origins of this “government failure” are in the “old” understanding that rural areas needed mostly or predominantly agricultural support and not SME support, with these two types of support residing in two or more different ministries. The assessment of the impact of different ministries on rural areas made for this review evidences that, although the situation is improving, the division of work and resources between the Ministry of Agriculture and Forestry and the Ministry of Trade and Industry has not been very functional and that the Ministry of Trade and Industry had not paid, until recently, much attention nor supported the entrepreneurship in service sector in rural areas (RPC, 2007b). This problem is also recurrent in other OECD countries.

The TE Centres are in a privileged position to reduce this “government failure”. Since TE Centres concentrate at the regional level the interventions of the Ministry of Trade and Industry, the Ministry of Agriculture and Forestry and the Ministry of Labour they have a crucial advantage in reducing significantly the problem of coordination of sub-national representations of sectoral ministries at the regional and local level. (This issue was quite relevant in the Rural Policy Review of Mexico, OECD 2007). Taking advantage of this concentration of domains and policy tools, TE Centres could perform an implicit compensation of the lower resources allocated in the RDPMF 2007-2013 for diversified activities in rural areas compared to agri-environmental measures, by providing support to SMEs in rural areas with the large array of tools already described. However, interviews with local actors and local enterprises in rural areas evidenced that sometimes it was easier to obtain financing and support for farming than for other diversification activities such as tourism. This tacit divide of support should in principle not exist and therefore its causes should be addressed. One could be the different rules of operation of EU Rural Development Programme and EU Structural Funds ESF and ERDF; other, the assumption that all rural support must be managed by the rural department of the TE Centre and only within the RDPMF 2007-2013, constraining significantly the funding opportunities for non-farm activities. The benefit of taking further actions to increase flexibility in the allocation of funds and make SME support closer to rural SMEs is higher than the costs, given the multi-sectoral nature of the TE centres. An avenue to explore, as indicated above, is taking advantage of the already existing network of LAGs to connect businesses with TE Centres services, not necessarily linked to the Rural Development funds.

The present restructuring of the Finnish Government (that aims to merge, the Ministry of Trade and Industry with Ministry of Labour and Department for development of Regions and Public Administration of Ministry of the Interior, starting from January 2008) could also be an opportunity. With the new structure, the steering of both TE-centres and Regional Councils will be within one ministry and presumably will be in closer co-operation in the future. In principle this stronger collaboration will result in support programmes more closely linked to the regions' needs. Increasingly, rural needs are discussed at the regional level as it was discussed in Chapter 2. As this becomes more and more an institutional practice, business support programmes could be adapted better to the specificity of rural regions.

Experiences from across the OECD can help improve the adaptation of the existing SME support mechanisms to rural areas. Some countries have included tools to compensate for the disadvantages of firms in rural areas. For example, in the United States the University of Wisconsin extension programme CNRED sends agents into rural communities to offer resources and serve as a broker with important stakeholders. In France, the CASIMIR Technology Centre helps to upgrade rural small businesses through technology advice and brokering with service providers and laboratories. The Fusion programme in rural Scotland provides business services and builds a network of entrepreneurs and innovators to facilitate knowledge sharing and promote innovation. Often firm support services are in the form of market intelligence, which specifically helps rural firms to reduce their information gaps. "Economic gardening" tools used in the United States provide a nurturing environment for small local companies, and sophisticated tools are used to provide a range of information to these companies largely free of charge (see Box 4.3).

Policies to generate innovation and knowledge

Evidence from across the OECD shows that the capacity of regions, whether urban or rural, to support processes of learning and innovation, is a key source of competitive advantage. Innovation in rural areas can be about "doing traditional activities in a new way", about starting up new businesses or about changing the way government, local enterprises and citizens interact. In all these cases innovation is strongly linked with social processes such as the creation of networks, the strengthening of local identities, and the creation and dissemination of knowledge (OECD, 2006b).

Finland has been a reference for many countries with respect to policies to foster innovation and interaction between businesses, academia and government – the so-called "triple helix" interaction model. The *OECD Territorial Review of Finland* (2005a) noted that the Finnish "National System of Innovation", sponsored principally by the Ministry of Trade and Industry and the Ministry of Education, is organised around two distinctive pillars, one based around

Box 4.3. Services to rural businesses in selected OECD countries

Wisconsin, United States. The University of Wisconsin Community, Natural Resources and Economic Development (CNRED) programme has community development agents in over 65 communities in the state. Beginning in the early 1960s, rural community leaders in northern Wisconsin, where they had already lost most of their agriculture, expressed to the University that they no longer needed agricultural extension agents. They needed professionals who could help their communities develop other economic engines besides agriculture that would provide employment. After pinpointing their actual conditions, the role of the extension CNRED agent was redefined to encourage, facilitate and affirm local talent and home-grown ideas, as well as to serve as a resource, convener, and broker within the community and between the community and the University of Wisconsin, thereby helping the community to develop itself. Many of the CNRED agents will organise and often staff local partnerships, task-forces of local government, and business councils to facilitate development.

In France, the CASIMIR Technology Centre was established in 1985 in the region of Auvergne. CASIMIR's basic task is to provide small (largely rural) businesses in the Auvergne with information and advice, putting them into contact with service providers and laboratories and providing support for specific projects. These services are provided free of charge, unlike the technical services provided by CASIMIR's subsidiary TECHINAUV. One of the centre's strengths is represented by its technological development consultants, who combine technical skills with solid direct experience in small businesses. Every five years, each consultant spends six months working in a business. CASIMIR's areas of work include industrial design and processes, engineering, food production and processing, packaging, information and communications technologies. CASIMIR also manages CORTECHS, a scheme under which businesses can receive advice and, if they take on a technical worker under 26 years old, are eligible for a grant to cover half the salary for the first year. Partially funded by the European Rural Development Fund the CASIMIR partnership comprises government authorities, two universities, four research bodies, three employers' federations and 13 private companies.

United Kingdom (Scotland). *Fusion* is a public-private partnership – a membership company with support from the Regional Development Agency, Highlands and Islands Enterprise. Its main role is to build a “sustainable network of entrepreneurs and innovators in the Highlands and Islands.” It facilitates creative interaction between new and experienced entrepreneurs in the region, allowing them “to spark off each other and generate fresh new approaches and solutions”. *Fusion* provides a range of services to business,

Box 4.3. Services to rural businesses in selected OECD countries (cont.)

such as looking out for suitable business opportunities, providing an annual strategic review service to members, bringing members together with other business people to explore needs and develop ideas in a supportive way, helping to identify funding for R&D, developing links with location – and interest-specific sub-groups, and offering opportunities for training, network and development. *Fusion* runs Innovation Award schemes sponsored by Microsoft.

Colorado, United States. “Economic gardening” began in Littleton, Colorado to support local entrepreneurs in rural areas. As much as three-quarters of staff time available for business support is used to provide tactical and strategic information. They have developed sophisticated search capabilities using tools often only available to large corporations. They subscribe to ten different database services and CD-ROMS which provide them with access to over 100 000 publications worldwide, and they use these tools to develop marketing lists, competitive intelligence, industry trends, new product tracking, legislative research and to answer a number of other custom business questions. They also monitor all new construction through Dodge Construction Reports so that local contractors can bid on projects. In addition, they track real estate activity and have access to the market reports of national consulting firms. Their Geographic Information Systems (GIS) software can plot customer addresses as well as provide demographic, lifestyle and consumer expenditure information. They also monitor local businesses and vacant buildings and projects. Finally the information component also includes training and seminars in advanced management techniques such as systems thinking, temperament, complexity theory and customer service strategies.

Source: www.uwex.edu/ces/cnred; www.casimir.org; www.fusionlinking.co.uk/TOP.html; www.littletongov.org/bia/economicgardening/default.asp.

universities and the other around a wide range of public/private intermediaries supporting near market activities. The research intensive end of the system is funded mainly by the Academy of Finland through competitive bidding and peer review. Other components of this pillar are the national Technical Research Centre of Finland (VTT) and the national Finnish Innovation fund (SITRA). The key player in the second pillar is national Finnish Funding Agency for Technology and Innovation (TEKES), which serves as bridge of key stages in the innovation process. TEKES focuses on technology based development with emphasis on four programme areas: ICT; Bio and Chemical Technology; Product and Product Technology; and Energy

Environment and Construction. The main instruments of TEKES are R&D grants and loans to firms for technical research with public organisations. Its regional arms are technology units located in the 15 regional Employment and Economic Development Centres (TE Centres) which provide support to technology projects (based on regional technological know-how and competence) and support regional actors in preparing their own technology strategies.

Evidently, in Finland as in most other countries, given that neither universities and R&D centres nor high end technology firms are located in rural areas, the national innovation system has an implicit urban bias, and to some extent also a bias towards large firms. The OECD Territorial Review points out that the national innovation system “remains technology oriented and less attentive to management methods in small firms or traditional sectors having a strong role in most regional economies. It is mostly focused on large firms leading networks, and less aware of the role that entrepreneurship and proximity relations between firms can have in disseminating innovation. Thus, innovative capacity is concentrated in a few regions while potential and needs for innovative technologies and management methods are more widely spread. Taking R&D expenditures as a proxy for innovation, four regions account for over 80% of the total (4.9% of GDP in 2000, one of the highest levels in the OECD), while peripheral regions have per capita R&D expenditures of only 15% of those of the capital city region. Although a place-based tool like the Centres of Expertise (CoEs) has contributed to improving the innovation capacity of firms in peripheral regions, the National Innovation System (NIS) could better integrate the concerns of non-core regions”. The connection between national innovation policies and regional policy has been reinforced within the Centres of Expertise Programme 2007-2013 (see section on cluster policies below).

The crucial question still is how can peripheral areas (and particularly sparsely populated and rural heartland areas) prosper in the knowledge economy? A number of considerations are provided below based on research on the innovation capacity of rural areas in Finland and in other OECD countries.

First and quite importantly is the definition of innovation. How “innovation” is defined is not just a theoretical discussion, it has strong policy implications and influences the destination of public investments. Traditionally, theories around innovation focus on innovation within firms and innovation is often viewed as a scientific and/or technical sequential process driven by experts. Therefore innovation is associated with “high tech products” and R&D activities, which are almost by definition carried out in urban areas. However, more recent studies of innovation have emphasised the role of learning as well as knowledge dissemination and assimilation, rather than scientific discovery, within the innovation process. The useful concept of the *learning economy* is

based on the idea that innovation is fundamentally social in character and is normally the result of collaboration and interaction between firms and a variety of actors around them (Lundvall and Borrás, 1998). These include firms, non-firm organisations such as universities, research and public organisations, as well as different knowledge supports and infrastructures. Within this perspective, a greater role is assigned to different forms of knowledge and social capital. These include the institutional and social environment for innovation, administrative and legal frameworks, education systems, the role of social capital and of tacit knowledge in the generation and diffusion of innovation (Dargan and Shucksmith, 2006).³

Evidence from across the OECD shows that innovation in rural areas often takes the form of small developments and projects mostly within already existing sectors such as handicrafts, agriculture, tourism and services targeted to the elderly to name a few. In this perspective, innovation and innovation policy are an important part of the discussion on rural development. While the Ministry of Trade and Industry adopted a broader definition of innovation in the programming period 2000-2006, still rural areas receive little mention in national policy discourses on innovation policy. Further actions could be taken in recognising that the small innovations that take place in rural areas are as important for their local development as high-end innovations for the development of Finland as a whole.

Secondly, when thinking of rural innovation, a crucial distinction is between “production” and “assimilation” of innovation. While R&D investment has become a paradigm of innovation for some regions, investment in education and training is more important in rural areas than investment in R&D because it is more critical for rural development the ability to assimilate knowledge spillovers generated elsewhere than actually producing knowledge there. This point is confirmed by recent research across the EU which evidenced four important conclusions: 1) that innovation policies with human capital policies are mutually reinforcing, 2) that regions with good endowments of human capital, but weak R&D investment can achieve innovation but, 3) that the opposite case is less likely, and 4) in cases of areas well below the technological threshold, human capital policies are the best way to assimilate innovation and reap technological spillovers (Rodríguez-Pose and Crescenzi, 2006).

The issue of attraction and development of human capital has increasingly been underlined in the discussions on rural development across OECD countries as a critical element in enabling rural regions to play a role in the era of globalisation. There are three dimensions to consider: How to retain human capital in rural areas, how to improve the human capital that remains in rural areas (life-long learning) and how to attract human capital and take advantage of the human capital that seasonally or permanently goes to rural areas.

The issue of how to retain human capital has both supply and demand implications. From the supply side relevant policy measures are those oriented to improve educational infrastructure, improve academic results and keep youngsters in school as long as possible (Regidor, 2006). In Finland a strong emphasis has been laid on equity and expansion as well as on quality of education (OECD, 2007c). In fact as it was highlighted in Chapter 1, Finland is one of the OECD countries with lowest regional disparities in tertiary education attainment (OECD, 2007a) and is one of the countries with lowest disparities between rural and urban students in terms of academic performance (OECD, 2003a). Although more people are now within easy travelling distance of a university/polytechnic, this does not always mean that rural areas are well-served. In the most sparsely-populated areas, widening access also means changing the way in which courses are delivered, for example through distance learning – whether via traditional correspondence courses or on-line (as discussed in Chapter 3).

From the demand side, an important challenge is how to balance the aspirations of individuals and the needs of the local economy. In the end, the ability of the region to retain human capital means its ability to provide a job to graduating students. This is more likely to occur if students are linked to rural development projects during the years in which they undertake their higher education and if Higher Education Institutions (HIE) encourage business initiative, train new entrepreneurs and support students in launching business projects directly linked to the region's key business sectors.

The network of polytechnics and vocational schools in rural areas could be further involved in the development of rural regions. As of today, the expertise concentrated in educational institutions has not been exploited as much as it could for developing rural areas (RPC, 2007). Therefore, in same way in which the Finnish National System of Innovation involves Universities in regional development [for example through the new University Law – 2004 – which gives universities a “regional development task” in addition to research and education (Kurki, 2006)]; continuous efforts should be devoted to involve the educational institutions in every rural region (whether they are universities, polytechnics, or other public research institutes and vocational schools) into the local discussions on rural development. These institutions can help each region identify their comparative advantages and also provide inputs for business innovations. In practice it means replicating the “triple helix” national model at a lower scale and adapted to rural conditions. The EPANET model in South Ostrobothnia is a good example (see Box 4.4). The rural development network which heavily involves academia in the process of planning rural policy at the national level could be an important facilitator in improving the links of academia and rural development at the local levels. An

Box 4.4. **EPANET: Enhancing innovation of rural SMEs in South-Ostrobothnia**

In 1999, South-Ostrobothnia had some 200 000 inhabitants, 30 000 of which were in its capital Seinäjoki. At that time they had a rather weak regional innovation infrastructure, with low “scientific credibility” to attract national and international R&D funding (R&D investments were one of the lowest in the country). The region had some nationally important clusters (food, wood-processing, metal industry, service sector) and a strong SME culture. At the time political will to develop regional innovation infrastructure and culture was a critical factor in the transformation that was about to take place.

EPANET was born in 1999 with the following objectives: Connect SMEs in the region better to the national and international knowledge flows; create a practical network model that will strengthen the regional research infrastructure and innovation activity in rural SMEs; support active networking between regional actors and important national bodies (universities, research institutions, active SMEs); support the development of regional human capital and build-up innovative “coffee tables”; and create a model that is also interesting at national level and provides added value for all partners involved. In brief, the network has established new research professorships into nationally new (mainly multidisciplinary) and growing research fields that are also important for the regional clusters. Professors belong to the staff of different universities but they are acting in the capital of the region. Research teams have been created around each professor using national and international funding resources (Funded by region, universities, over 100 SMEs, EU and ministry of education). The ultimate goal is a multidisciplinary research community of 60 researchers focusing on interaction with rural SMEs.

After 7 years, the innovation culture in the region has developed to a new level and there are some 200 SMEs involved with R&D projects. In 2006 there were 17 professor chairs in various topics including: Intelligent Systems, Virtual Technology, Logistics Systems, Health Care Information Technology, Electronic Business, Rural Entrepreneurship, Development of Entrepreneurship, Concept Management, Consumer Behaviour, Food Chains and Food Safety, Food Development, Polymer Matrix Composites Technology, Aluminium Technology, Metal Engineering, Competitiveness of Urban Areas, Laboratory Medicine, Popular Music.

Source: Kurki, S. (2006), “Connecting Rural Regions to Knowledge Flows – Finnish Experiences”, presentation at the OECD Rural Development Conference *Investment Priorities for Rural Development*, 19-20 October 2006, Edinburgh, Scotland.

interesting experiment for example could be integrating the academic sector as a fourth sector within the board of the LAGs (which already have equal representation of public, private and civil society).

The issue of improving the existing human capital involves constant upgrading of the skills and competencies of the population through adult education. Adult learners, who have established links in a specific rural locality, are usually less mobile than younger students. Upgrading their skills will thus have a more direct effect on the region's economic performance. Upgrading the skills of the rural population is already a strategic objective of the Finnish rural policy as revealed by having a specific section on "raising the level of know-how" in both the Rural Policy Programme and the Special Government Programme. The provision of adult education should be flexible taking advantage, not only of work based learning, but also e-learning and distance learning opportunities in order to take into account non-traditional learners, those who combine work and study, and the needs of the employers. They also need to allow attendance on the basis of non-formal and in-formal learning (OECD, 2007c).

The issue of attracting human capital should not be overlooked. The role of the so-called "neo-rurals" in upgrading human capital in rural regions has been highlighted in two recent OECD conferences in rural development (2006 and 2007). The impetus for innovative projects in rural areas often comes from actors external to the locality. In particular, countries have stressed the role of the "creative class" such as architects, artists, engineers, software developers, designers, etc. that are more and more keen to move to places that offer a better quality of life (OECD, 2006b). Research of the behaviour of the "creative class" in the context of rural areas in the US confirms that the combined presence of three factors has substantial more impact on economic growth than either in isolation: Entrepreneurship, the creative class, and amenities, such as landscape and recreation (McGranahan and Wojan, 2006).

A comparative advantage of rural areas in Finland is the ability to support a high quality of life. This is true not only for rural municipalities close to urban areas which have experienced positive migration flows since the end of the 1990s but also for sparsely populated and rural heartland areas in the context of the temporary migration flows that experience every year – and for increasing periods of time- to holiday houses. Both types of areas should integrate within their economic strategies the objective of improving their rural amenities (see discussion of policies to improve business environment below) but also specific means to attract creative people and facilitate their engagement in the development of the community. In certain municipalities, such as Liperi, there have been important advances in terms of formalisation of the status of cottagers, with democratic rights and voice in the planning of the municipality (see Box 4.5). 50 of Finnish municipalities have a Summer Resident Council.

Box 4.5. Integrating holiday visitors to the community: The case of Liperi

Liperi is classified by the Finnish Rural Typology as a “rural heartland municipality” in the region of North Karelia. One third of its territory is water, which makes it a very attractive place for spending the summer. There are nearly 3 000 free time houses, 78% owned by people outside the municipality and only 600 belong to local citizens.

In recognising the importance of summer cottage owners in the community, Liperi founded a Council of Summer Residents in 2004. This Council interacts with other councils that have participation within the municipality, one for senior citizens and one for young people. It also interacts with Village Associations. Liperi’s interest is that the cottagers will become new residents of the municipality.

The objective of the Summer Residents Council is to enable free time residents to express their concerns and participate by democratic means in the community. There is an elected summer guests committee formed from one representative of each of the six different lake sides for a 3 year period. The committee meets 2-3 times a year.

As result of free time residents participation, a “Target programme for leisure time living” was launched in 2004. This programme was sent to summer residents for review and then approved by municipal council. Implementation of the programme is monitored every two years. Other policy issues such as landscape planning are informed to both local citizens and summer guests, the committee has right to make their opinions heard. Other initiatives oriented to free time visitors are summer newspaper, info letters, a social evening, and a website.

These means of participation allow also the municipality to collect information about free time residents on a systematic way. A Survey conducted in 2004-2005 allowed the municipality to know:

- that 29% of the visitors stayed for 29-30 days, 24% between 40 and 69 days and 20% during more than 100 days per year;
- that 7% of Helsinki visitors would like to move permanently when retiring;
- that 81% would like to use public health care service while in free time. (Liperi allows the use of its public health care services);
- that free time residents are increasing coming in weekends, even in winter when possible and that July is the month when occupancy is higher.

Source: Mikkanen, H. (2007), Municipal manager, Liperi “Co-operation with Leisure Time Inhabitants”, presentation for the OECD mission, Liperi, Kaprakka, 4 May 2007.

While the presence of holiday visitors is already a stimulus to the rural economy that is translated into temporary jobs and higher sales, more has to be done in terms of integrating them to the productive and innovative processes of the regions, “learning” from them and taking advantage of their national and international networks. Policies oriented to facilitate teleworking at the national level (in terms of labour regulation) and at local level (for example with accessibility to broadband) could significantly enlarge the stay of holiday visitors and improve their engagement with the community. The economic effects of these policies can potentially be extended for longer periods since many of the free time residents are presumably willing to move permanently to the municipality when they retire.

Policies for building relational assets in specific regions: Cluster policies

Policy-makers interest in clusters across OECD countries has increased because of the potential of innovative clusters to offer the benefits associated with specialisation at regional level with flexibility and resistance to adverse changes in market conditions. Another motivation for interest in clusters is the accumulation of evidence from different countries that both productivity and wage levels can be higher in clustered activities than in non-clustered activities, and that clusters in “traded” (as opposed to local or resource dependent) industries have a strong influence on the overall prosperity of the region and on its average wage level. Cluster policies have proliferated over the past decade in OECD countries, with manifestations ranging from policies to encourage low-resourced, small-group business networks without a particular sectoral focus to complex, large-scale programmes of co-ordinated measures that target a specific, geographically-cohesive industry. As an approach to regional development, they differ from traditional incentive-based regional development policies by concentrating their support on networks of diverse agents rather than on individual firms (OECD, 2005c).

While the cluster approach is intrinsically linked to the idea of economies of agglomeration and its effects such as specialisation of industrial production, knowledge spillovers and concentration of specialised workers and suppliers; the idea of clusters is increasingly applied for rural areas. A recent study of clusters and cluster policies in the context of rural areas in the United States revealed that clusters are a useful concept for strategic planning for rural regional economic development (IBRC, 2007, see Table 4.6).

Finland has approached regional specialisation and regional competitiveness through several different programmes and approaches:

- During the late 1990s Finland implemented the *National Cluster Programme* which was actually a series of initiatives to strengthen the Finnish mega clusters that drove national growth. The goal was to help target R&D

Box 4.6. Clusters and cluster policies in rural regions: Findings from research in the US

The report “Unlocking rural competitiveness, the role of regional clusters” aimed at addressing in the context of the US and a particular case study in the State of Indiana, three relevant questions in the intersection of cluster policies and rural policies:

1. The Linkages between Cluster Structure, Degree of Rurality and Economic Performance. Are there systematic differences in cluster composition, specialisation and size as the degree of rurality and remoteness change? Do these differences contribute to differences in economic performance among regions?
2. Spatial Clustering and the Rural-Metropolitan Interface. Do industry clusters differ in their degree of spatial clustering? What is the nature of the interface between rural and metropolitan regions? Are certain industry clusters more “distance-sensitive” than others?
3. Growth Trajectories. What is the future growth trajectory of rural counties? What are the roles of industry clusters, proximity to metropolitan areas and degree of rurality in shaping the different growth trajectories of rural areas?

Some of their conclusions are the following:

- Most of the 17 clusters analyzed tend to be concentrated in urban counties. The clusters most strongly oriented toward urban locations are business and financial services; biomedical/biotechnology; information technology and telecommunications; and printing and publishing. The three clusters with the strongest rural orientations are agribusiness, food processing and technology; forest and wood products; and mining.
- Although rural economies have historically lagged behind urban economies, there is scattered evidence of the possible narrowing of the gap between rural and urban economic performance.
- Clusters are a useful concept for strategic planning for rural regional economic development.
- Contrary to traditional thinking, most rural clusters are not dependent upon agriculture.
- Non-disclosure of establishment data at detailed NAICS levels is a major obstacle to the finer-grained analysis that is most useful. This is a particular problem in analyzing rural areas because the number of establishments tends to be much smaller than in metropolitan areas.
- Rural stakeholders may not be accustomed to thinking in regional frameworks, but are amenable to broaden their perspective.

Source: IBRC (Indiana Business Research Center) (2007) *Unlocking Rural Competitiveness: The Role of Regional Clusters*. Research conducted by the Center for Regional Development, Purdue University, Indiana Business Research Center, Kelley School of Business and Indiana University Strategic Development Group, Inc.

expenditures to key clusters and to increase co-operation among actors, both firms and the public sector. The successor of this programme is the *Centres of Expertise Programme (CoE)* which is one of the four Special Programmes derived from the Regional Development Act (see Chapter 2). The programme goals, as indicated by certain quantitative targets, are to create jobs, prevent job loss, create companies, develop innovations and train people in selected knowledge-based sectors. The centres are designed to develop regional innovation systems using the triple helix of university, industry and government. The Centres seek to capitalise on local assets and know-how and have a high-technology focus when appropriate (sophisticated technology is not a goal *per se*). The Centres promote collaborative public-private projects, often using a local technology centre or science park to house them. The programme has evolved significantly. The new Centre of Expertise Programme (2007-13) is a regional-based tool with an annual budget of around EUR 8.7 million (2007). The most essential change compared to the previous model is the encouragement of stronger national and international collaboration. It differs also in that it has a more “cluster based” approach. The programme is implemented by 13 Competence Clusters and 21 Centres of Expertise.

- The *Regional Centre Programme (RCP)* (Aluekeskusohjelma, AKO) is also one of the four special programmes based on the Regional Development Act. While this is not a “cluster” programme as the CoE, it is a programme oriented to strengthen the linkages between cities and their neighbouring regions in 34 regional centres and one network pilot project (the Kauhajoki region, see further below). The stated objective is to “develop a polycentric regions structure based on a competitive capital city region and a network of regional centres, ensuring that all regions continue to be viable and enabling more even economic growth throughout the country. Each region must include at least one centre that offers a competitive location for various types of businesses and a diversified local labour market. In addition, each region must include successful smaller urban areas, strong municipal centres and rural areas with effective networks of businesses both within the region and beyond” (Government decision on the RCP 2004). In 2006 the programme counted with a budget of EUR 9.1 million distributed on average EUR 225 000 per region with the smallest regional sum being EUR 60 000 and the largest EUR 480 000. For the 2007-2010 period, the funding will be at the same level as at the end of the previous programming period. An important change is that the programme does no longer include the development of welfare services since that is in the domain of the municipal and service structure reform (see Chapter 3).

From the perspective of rural policy, some observers had criticized the CoE and the RCP for promoting centralisation and competition among regions,

leaving rural economies beyond commuting range to decline. For example, Marsden, Eklund and Franklin (2004) argue that both programmes evidence a “change in direction of regional policy from a combination of regional equality and development policy to efficiency and spatial concentration of resources” In essence they argue that the competitive logic of funding is spatially selective, and discriminates against rural localities. In this context, the following considerations are relevant for the future interaction of these programmes and rural policy:

- The 2007-2013 version of CoE has increased its focus on “clusters” rather than on locations, that is it has shifted the common denominator from the location to the cluster. The idea is to foster co-operation between different actors within the region together with actors within the same cluster situated elsewhere. This opens a window of opportunity for rural firms to benefit more from this programme, since within the 13 Competence Clusters also rural companies and other actors are welcomed.
- As for the RCP, an important criticism of its previous version was that it only covered 257 of the 416 municipalities in Finland. The Ministry of the Interior recognised this problem in the Evaluation of the Results and Impact of the Regional Centre Programme 2001-2006: “The radiating effect of urban centres does not necessarily extend to the rural municipalities in the peripheries.” In the programming period 2007-2010 a regional section was incorporated to the Special Rural Policy Programme, which partially improves the situation not by making the RCP more relevant for rural areas but by compensating its failure. The “seed money” of the regional section of the Special Rural Policy Programme is directed precisely to the rural areas outside the Regional Centre Programme.

While the extent to which these changes will benefit rural areas is yet to be seen, it is undeniable that the existence of a strong rural policy network advocating for a positive impact of sectoral policies in rural areas was instrumental in making these changes possible and will be instrumental in searching practical means for maximising the benefit.

Following the discussion in the previous section about the importance of strengthening the capacity of rural regions not only to produce innovation but also to assimilate innovation produced elsewhere, a critical consideration is the way in which rural and urban areas interact. Finnish research has contributed significantly to this field raising two relevant points:

- *Different sectors have different modes of interaction between rural and urban areas.* Virkkala’s (2006) research concludes that there are broadly four models of interaction between rural and urban areas of Finland: The *residual trickle-down* model (where innovation activities are concentrated in cities); a *continuum* model (where innovation is diffused from urban centres to rural

areas); a *mixed* model (where rural and urban are not seen as distinct); and a *dual* model (which emphasises difference between rural and urban, possibly in terms of dependency theories) (see Table 4.3). Identifying these different types of interaction is of crucial importance for industrial and cluster policies since different industries follow, due to their specific firm and market structure, different models of interaction. She argues for example that the mechanical wood industry followed a dual model, the electronics industry a residual, trickle-down model, and the software industry a continuum model. Moreover, innovation in each of these sectors requires differentiated policy support. “For the mechanical wood industry local mobilisation is crucial, for the electronics industry good transportation possibilities and an educational infrastructure are needed, for the software industry it is important to develop rural areas as residential areas where living in the country close to nature and accessibility can be combined. In this way, rurally located jobs could become more attractive for skilled people”.

- External networking, beyond the boundaries of proximity is critical for the innovation in rural areas (at least in the Nordic periphery). Virkkala (2006, 2007) reveals the characteristics of successful innovation in peripheral rural areas of Finland, including how firms are compensating for the lack of a dense local network, how their external networks are constructed and in what sense their external networking depends on integration into the national sector or cluster based innovation systems. Her conclusions are that instead of looking at peripherality as a disadvantage, we should look at the possibilities of a learning economy. This external networking often

Table 4.3. **Innovation Systems, urban-rural interaction models and innovation policies**

| Innovation system model | Urban-rural model | Urban-rural interchange | Innovation | Innovation policy |
|-----------------------------|--------------------------------|--|--|--|
| Knowledge diffusion | Rural residuals (trickle down) | City economies expanding into rural areas | Innovation in cities. Diffusion into rural hinterlands | Innovation in cities, technology transfer to rural areas |
| | Continuum | Settlement structure | Business/population density | Sectoral innovation policy |
| | Urban-rural mix | No difference between urban and rural | Similar conditions | |
| Regional innovation systems | Dual consensus | Regional specialisation and division of labour | Sector-specific innovations | Local resource exploitation, niche production |
| | Dual conflict | Dependency and interaction | Regional innovation systems | Empowerment strategies local mobilisations |

Source: Virkkala, S. (2006), “What is the Role of Peripheral Areas in a Knowledge Economy? – A Study of the Innovation Processes and Networks of Rural Firms”, paper presented at the Conference “Innovation Pressure”, Tampere, Finland, 15-17 March 2006.

depends on integration into the national sector or cluster based innovation systems, which are structured within the context of the national innovation system. (Virkkala and Mariussen, 2005). The upshot of this argument is the following: 1) In peripheral places, firms must be outward-looking in order to succeed, seeking knowledge from outside the local region, and they must develop markets outside the restricted local area. The network of successful firms in peripheral areas must be non-local to a considerable extent. These non-local networks frequently centre on contacts made by owners/managers in previous employment (Oinas and Malecki, 1999, 25). 2) Peripheral places provide firms with certain advantages in specific areas, in particular when it comes to incremental innovations enhancing efficient technology adoptions.

The importance of external networking has been evidenced in the case of the Kauhajoki Pilot Project of the Regional Centre Programme (Box 4.7). The pilot project ran from 2001-06 and was evaluated very favourably: Firms in this locality achieved significant growth in the food, logistics and furniture sectors, although they did not have as much expertise and critical mass in these fields as other regions. The success of the programme resides therefore in the gains that this region obtained through networking with close urban areas such as Seinäjoki and Vaasa but also relatively distant urban areas such as Lahti. This pilot project offers a model for other rural areas. Other experiments of this kind of support should be encouraged to extend and take advantage of the national and international networks of rural firms.

4.2. Policies for improving the business environment

Policies oriented to improve the competitiveness of firms need to be complemented with other set of measures. These other measures should aim to improve the “enabling environment” of the specific region that supports business activity. This is particularly true for rural regions, because as discussed earlier, these regions typically lack the benefits of agglomeration that characterise urban economies; have less access to specialised services and suppliers, or if they have access the cost is often prohibitive; they also lack the same access to specialised labour and it is more difficult for rural firms to benefit as much from knowledge “spillovers” that occur when firms are located in proximity (OECD, 2006a). Without a supportive environment, cluster development, regional innovation strategies and so on will not have a significant impact on performance. Worse, they could even lead policy back towards artificially supporting private sector development without addressing key market failures first (OECD, 2005c).

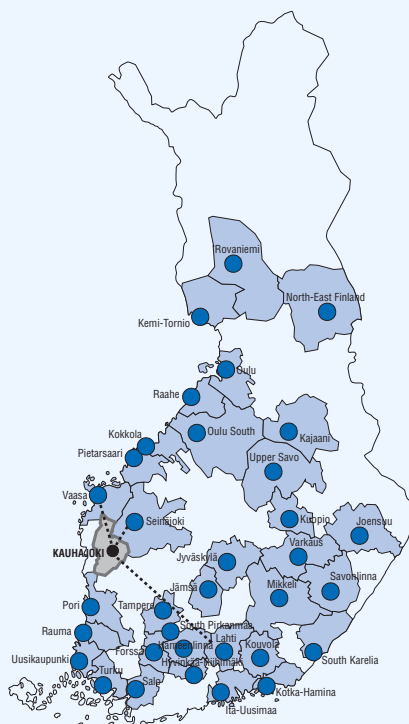
The common denominator in current thinking across OECD countries is an emphasis on place-specific externalities based on better exploiting unused

Box 4.7. External networking: Kauhajoki pilot project

Kauhajoki is a municipality in the region of South Ostrobothnia part of the sub-region of Suupohja, with a population of approximately 15 000 inhabitants (population in South Ostrobothnia is approximately 30 000 inhabitants). Its major fields of business are food and beverages, metal engineering, machinery and equipments (mainly logistical automation systems), wood products, and furniture.

In recent years there has been a strong development of these sectors by strengthening its ties with distant urban areas such as Seinäjoki, Vaasa and Lahti where expertise and critical mass on these industries was already strong. The South Ostrobothnian furniture cluster for example is now manufacturing about 35-40% of Finnish furniture production. The cluster is consisting of approximately 250 companies with about 2 000 employees.

Regional Centres, 2006



Most of the development work has been done through The Network Pilot Programme (Verkostopilotti) for the District of Kauhajoki (encompasses also

Box 4.7. External networking: Kauhajoki pilot project (cont.)

the municipalities of Isojoki, Jurva, Karijoki and Teuva, i.e. the entire sub-region of Suupohja). The programme has been a pilot programme of the Finnish Regional Centre Programme, launched by the Ministry of the Interior, the aim of which is to improve the vitality and the level of professional competence of other 34 participating regions. In contrast with the other 34 regions, the Kauhajoki programme is not based on a major city but on a network of 3 cities and a small city.

The programme is divided into four different main strategic themes:

1. Developing new business and new business operating models: Innovative development of products, processes and management as well as application of new technologies and materials for the natural leading clusters of the region.
2. Creating dynamic networks of competency and innovation and strengthening competency capital. Growth pilots in potential growth fields.
3. Developing an attractive environment for operations and innovative activity. Development of an living, service and innovation environment, an information society and a positive image.
4. Promoting international co-operation and networking.

The co-operation of actors within the district of Kauhajoki and with the specialised firms and research in the networked cities helped them develop the necessary skills in the above mentioned sectors, through technical assistance (expertise transfer) which enabled them to build competencies for themselves. It also served as a benchmark against which to gauge their progress. The main lesson was that networking is vital to the success of small firms in remote rural areas but that, contrary to expectations, these networks are not with nearby urban areas but can transcend proximity. This illustrates the complexity of rural-urban relationships, as well as the success of horizontal interactions which ignored settlement and governance hierarchies.

Source: Ministry of the Interior (2007b), "Regional Development in Finland", presentation by J. Antikainen in OECD mission, Helsinki, 27 February 2007 and Vesiluoma, T. (2007), "Examples of Local Business Clusters in Kauhajoki Sub-region, Finland: Furniture, Food Processing and Logistics Automation", presentation during OECD mission and in InnovAction fair 2007 Udine, 18 February 2007.

potential and assets. Policy instruments now tend to focus on providing collective goods that improve what has been termed the "quality of place." In terms of specific policies, OECD work has focused on two main groups of policies that exemplify the issue of providing public, collective goods for economic development in the framework of regional competitiveness:

- investing in the "enabling" environment, and

- focusing development on under-used natural, cultural and historical amenities.

Policies to “enable” the environment

The regional environment in which firms are located plays an important role in influencing their productivity, both directly with respect to the level of services and infrastructure that are available and indirectly, for example through the ability of the region to offer quality of life advantages for workers. The regional environment includes a range of factors that either encourage or inhibit business activity – the quality of transport and communications infrastructure, access to financial services, local tax rates and the return in terms of efficient public service provision, the availability of land and housing, including affordable housing, the standard of the education and health system, and so on.

Chapter 3 covered in depth the issue of public service delivery in rural areas with emphasis on the “equity” dimension in the provision of “basic” public services such as health, education and welfare services. Public services also play an important role as “enablers” of the business environment. This section will address a number of aspects of key relevance in reducing structural disadvantages of rural areas with respect to urban areas:

Transport infrastructure

OECD work across a range of different region-types demonstrates that the presence of efficient physical infrastructure and related services remains a key to economic development and particularly rural development. The expectation that improvements in physical infrastructure will generate productivity gains for local businesses and increase the attractiveness of an area for investment has been a recurring theme in OECD reviews of specific regions. High quality infrastructure and services are accepted as being vital to a strong economy – locally, regionally and nationally.

In Finland, the road infrastructure varies considerably between regions. The maintenance of the road network in the sparsely populated areas of northern Finland is difficult because of the long distances. As the Rural Development Programme for the Mainland Finland 2007-2013 states, “maintaining the extensive local road network in rural areas is specially challenging and there is a danger it will fall into disrepair in the absence of resources for repairs and maintenance”. The Ministry of Transport and Communication recognises in the self assessment of their policies provided for this review that resources of traffic infrastructure have been concentrated on most urgent targets and that the condition of lower road network is not satisfying everywhere. In recognition also of the difficulties that remote firms face in reaching markets, there is a transport subsidy granted to support companies’ expenditure on transportation. Details about this subsidy are provided in Box 4.8.

Box 4.8. Finland's transport subsidy

The Regional Transport Subsidy Act has last been changed in 2003 and it is in force until the end of 2007. According to the new Government Programme (2007-2011), the subsidy will be continued. Regional transport subsidy includes the subsidy for lowering costs of rail and road shipments within Finland's borders of product shipments that are manufactured at the area for regional transport subsidy, as well as the subsidy for shipments via certain ports.

The transport subsidy has remained relatively stable throughout the 21st century. In 2003, the subsidy increased by 5.6% from the previous year and was at that time EUR 3 6 million. In 2004, the subsidy was EUR 4.1 million, which means that it increased by nearly 14% as the Pohjois-Savo region became eligible for subsidy through the "de minimis" rule. In 2005, the amount of subsidy was EUR 4 5 million. North Ostrobothnia and Kainuu regions are granted largest amounts of subsidy. In 2005, enterprises located in these regions received nearly 56% of the subsidy. Next largest receivers of subsidy were North Karelia (16%) and Lapland (14%). The enterprises receiving the largest amounts of subsidy are located in Kainuu, but the North Ostrobothnia region has the largest number of enterprises receiving subsidy. In 2006, the amount of paid subsidy was EUR 4 8 million of which nearly 60% was directed to the North Ostrobothnia and Kainuu.

The average percentage rate of the subsidy is 15-16% of transport costs and the average semiannual subsidy received by an enterprise is somewhat over EUR 2 300. Micro-enterprises receive less than EUR 1 000 of subsidy, while the subsidy for medium-sized enterprises is fivefold. The subsidy is distributed unevenly and there are very few enterprises that receive large amounts of subsidy. In 2005, only 2% of enterprises received over EUR 50 000 of subsidy, a little over 10% received something between EUR 10 000 and EUR 50 000, and over 80% of the enterprises received less than EUR 10 000, biannually.

A recent evaluation of this subsidy shows that on average, the transport subsidy has represented 0.6% (median 0.2%) of the profit of an enterprise and EUR 270 (median EUR 138) per employee during the period 2002-2006. According to an online questionnaire, the amount of subsidy was typically 4% of the profit of an enterprise, which means that relatively small amounts of subsidy have a significant effect on the profitability of the enterprise.

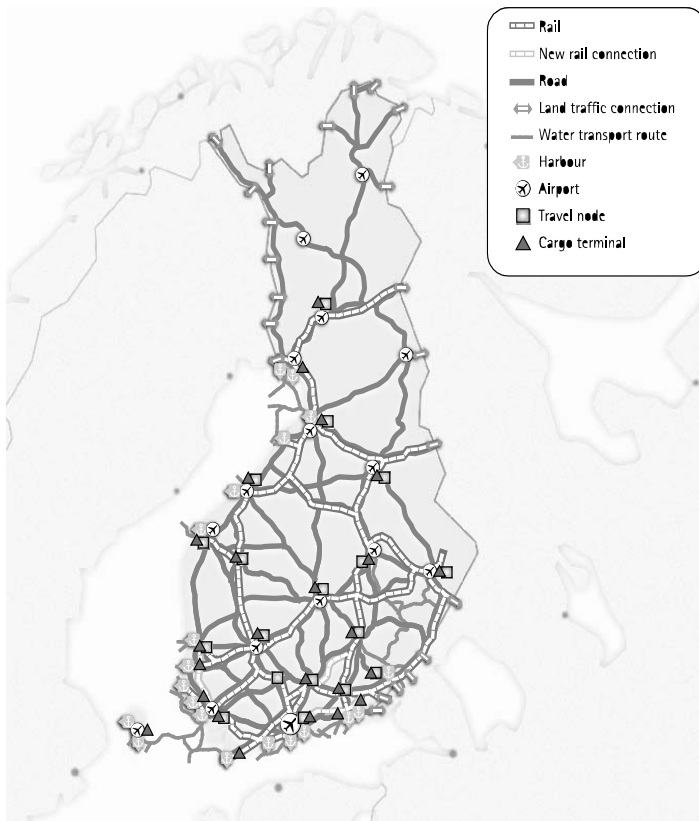
The study evaluates to what extent the subsidy equalizes the differences in transport cost caused by distances in different regions. The results are the following: Enterprises with short, domestic shipments eligible for subsidy (266-300 km, subsidy 7%) can, by means of the subsidy, compensate the cost difference in its entirety compared to an imaginary enterprise from Jyväskylä (Central Finland). On the next subsidy level (301-400 km, subsidy 11%), the subsidy equalises over 40% of the cost difference. On the following subsidy levels, the subsidy equalises nearly 37-39% of the cost difference. According to the calculation, the equalising effect of the subsidy is complete on the lowest subsidy level, after which it decreases to 36% of the cost difference. The equalising effect is lowest when the distance is 501-600 kilometres.

Source: Pekkarinen S., M. Manninen and H. Hihnala (2007), *Alueellisen kuljetustuen vaikuttavuuden, toimivuuden ja kehittämistarpeiden arviointi* (Assessment of the Effectiveness, Functioning and Development Needs of Regional Transport Aid), Ministry of Trade and Industry.

The subsidy is granted on transportation starting from the regions of Lapland, Northern Ostrobothnia, Kainuu, Northern Karelia, Northern Savo and Southern Savo. The level of transport subsidy in 2003 was 7-29% of expenditure and totalled EUR 3 8 million (Ministry of the Interior, 2005).

Rail, airport and ship transportation networks are considerably well extended to the northern part of the country. Figure 4.1 shows the main routes for rail, road and water traffic, as well as the biggest airports, harbours, travel centres and cargo terminals. Accessibility and safety have been two parallel objectives in the development and extension of these networks. And in the long run, the goal is extending these traffic networks, improve them in quality and build new rail connections (Ministry of Environment, 2006).

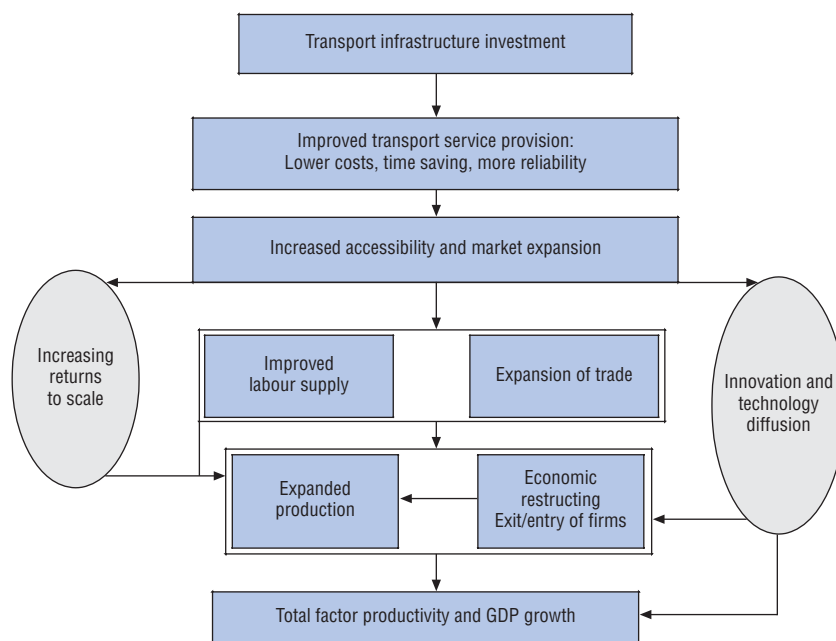
Figure 4.1. **Traffic networks of national importance**



Source: Ministry of Environment (2006), *Competitiveness, Welfare and Eco-Efficiency: Perspectives for Spatial Structure and Land Use in Finland*, Finnish Environment, 31en/2006.

For rural enterprises to develop as intended by Finland's broad and narrow rural policies, it is important to consider other elements beyond traditional cost-benefit analysis for transport investments. In many OECD countries, cost-benefit analysis tend to concentrate on the direct user benefit of transport and to overlook externalities and the wider impact on regional infrastructure. While the regional sectoral programmes aim at giving focus to these kinds of investments a greater look should be taken from the rural perspective. This perspective should avoid spreading the limited resources for rural areas which often reduces the overall returns and development impact, as funds for maintenance eat up investment budgets. Figure 4.2 shows a number of externalities of improvements of transport infrastructure that should be considered in investment decisions. Upgrading infrastructure changes access (travel times) which, in turn affects property prices and economic rents, influences decisions of households (residential location, patterns of consumption) and firms (production location, access to markets and investment decisions) and these, in turn, should have a net positive impact on the economy, increase tax revenues, create employment and generate resources for further investment. For business, the benefits could include: 1) access to a wider labour market pool, with more diverse

Figure 4.2. **Transport infrastructure investment and its economic growth effects and externalities**



Source: OECD (2003b), *Decoupling Transport Demand and Economic Growth*, OECD Publication, Paris, France.

competencies; 2) faster access to suppliers and customers, which reduces transaction costs; 3) expanded market reach (including choice of suppliers, as well as expanded customer base; and 4) reduction of land use constraints (Figure 4.2).

Broadband and communications infrastructure

Broadband has become a necessary “enabler” of business opportunities to rural areas, because it effectively levels the playing field by allowing rural communities, historically unprecedented access to information as well as the ability to provide services that until now were largely thought to be urban. The knowledge based economy, brings a new reality which is only starting, comprised of telecommuters, home based businesses, web based businesses, satellite offices and relocations. In this context, investments in technologically-enabling rural areas to perform and be competitive pay off.

As noted in Chapter 1, Finland is one of the countries with highest broadband coverage nationwide and the availability of these services in rural areas is reasonably high. The accessibility ratio in Finland is one of the highest in the OECD (reaching already 96.1% of the population). However, the intake of those services has still work to go, since 47% of Finnish households do not have broadband access; and (as pointed out in Chapter 3) there have been concerns regarding the different IT systems in different sectors and regions, particularly for the homogenised provision of national public services.

The National Broadband Strategy 2004-2007 included the following objectives: 1) promote competition within and between all communications networks, 2) promote service and content provision in networks, 3) stimulate broadband demand and 4) continue special measures in areas with insufficient demand for commercial broadband supply. The rural dimension of the national strategy has been supported by EAGGF programmes and LEADER+ helping rural regions in planning, establishing local networks and village connections, creating tele-cottages, kiosks and distant work facilities, providing web-based training of farmers and entrepreneurs, building homepages for enterprises (particularly in tourism), villages, museums, thus facilitating the trade of their services and products though the Internet. A number of specific broadband projects funded through Structural Funds. Box 4.9 describes in more detail the Kainuu Broadband Project, which aims at establishing a network of Wimax stations aiming full wireless internet coverage of the region. In the context of its strong rurality and backwardness with respect to other regions, this initiative is a relevant example for other OECD countries. Other projects funded by EU funds include Internet bus with facilities, training and helpdesk in Lapland; and a pilot of WLL (wireless local loop) – technology for residents and hundreds of summer cottages in the Lake-area (Karjalainen 2007).

Box 4.9. Kainuu broadband strategy

Kainuu Broadband Strategy is one of the regional broadband strategies initiated by the Ministry of Transport and Communications in 2003-04. The strategy which relies mainly on Structural Funds (EARDF) which have financed 15% of the project, Joint Authority of the Kainuu Region 15%, and the rest (70%) to be covered by the private contractor.

The strategy aims at obtaining full wireless coverage in the region by the end of 2008 with the Wimax (Worldwide Interoperability for Microwave Access) technology, which can transfer wireless data over long distances. Feasibility studies undertaken before 2005 indicated that Wimax was the most cost-effective alternative for the region. A Call for tender was made in 2005 and the private provider was selected. Once in place, other operators may rent the infrastructure to provide the services. The prices for customers are about the same as for city customers

In 2004 already 80% of households in the region were at range of the Wimax Base Stations. By the end of 2007, 81 stations should be functioning and after 2008, the Kainuu Telephone co-operative is committed to provide broadband access to every household and company in Kainuu area.

The strategy is part of a broader Information Society Strategy for the Kainuu Region which involves besides providing the technological infrastructure, training and support programmes, a multi-channel communication network and decentralised content production.

Source: Karjalainen, S. (2007), "Bridging the Broadband Gap in Rural Areas", presentation in the OECD mission, Ministry of Agriculture and Forestry. Including also slides from Karppinen, V. "Access to Broadband in Remote Rural Areas: Developing Information Society in Kainuu Region", Kainuun Nuotta Association, Kainuu, 4 May 2007.

Access to financial services

Section 4.1 considered a number of strategies of the Finnish Government oriented to financing SMEs and its "rural dimension." The availability of private funding for rural SMEs deserves consideration as well. Two circumstances that have transformed the private financial sector in Finland: First, the banking business has changed considerably in the past decade as result of a number of mergers and acquisitions; and second information technology has led to quite dramatic changes in banking operations, reducing the distances of rural population to financial services even when bank offices have are concentrated in municipal centres. In this context, the availability of financial services in rural areas cannot be assessed only by the figures on banking offices (which have decreased slightly in the past years). In any case experience from across OECD countries indicates that higher risks and costs that financial institutions incur when acting in rural areas limit the

accessibility of rural firms to capital. This is particularly true for new entrepreneurs engaged in non-farm activities. The Special Rural Policy Programme indicated that “there is not enough risk and innovation funding available for the initial stages of enterprises in different sectors” (Special Rural Policy Programme 2007-2010, p. 17).

There are two elements that deserve policy attention in this regard. First, the institutional architecture of rural financing in many OECD countries is still strongly linked to agriculture (specialised mainly because of its specific types of risks). This is also true in the case of Finland, where (as pointed out before) several entrepreneurs find it much easier to obtain funding for agricultural purposes than for tourism and diversification in rural areas. Secondly, rural development projects have difficulties when the sector selected for the development project is not recognised as holding significant potential according to the banking system’s criteria of choice. The difficulties linked to assessing the financial return of rural projects often discourage financial sector participation. Thus, rural development projects continue to be considered objects for public funding through different types of central government grants devoted to less developed or remote areas.

Rural policy should aim at involving more private financial institutions in rural development. Finnvera, as discussed in Section 4.1, plays an important role already by providing guarantees which allow SMEs to access private funding. Additionally the evidence throughout rural areas in both OECD and non-member Countries shows that banks and other financial institutions may play a key role not only as credit providers but also as advisers, seed-founders, trainers, evaluators, etc. The unique knowledge, expertise and resources held by financial institutions can substantially increase the effectiveness of local partnerships and the feasibility and success of rural development projects. A deep and broadly-based rural financial system reduce disparities between rural and urban areas by improving the financial access of rural households, and boost growth assuring that rural enterprises are positioned to participate in new markets and opportunities. This constitutes a win-win arrangement since with the financial impulse, rural communities find sustainable means of income, while financial institutions expand their scope to a relatively new and unexplored market, which as many experiences in OECD and non-OECD countries suggest, could be as profitable as other credit markets. The case of the *Cajas de Ahorro* in Spain, is a good example of the “social” role that financial institutions can play in rural areas (see Box 4.10).

Role of regulation and local taxation in “enabling” the business environment

During the last decade Finland has been able to build a “friendly environment” for Finnish and foreign businesses. Most of the legislative and

Box 4.10. “Social” role of Spanish savings banks

Spain counts with a wide network of saving banks (Cajas de Ahorro) which have close to 23 000 branches throughout the Spanish territory, 26% of which are in municipalities with less than 10 000 inhabitants. This proportion is even larger than the proportion of population living in these municipalities 22%, which evidences their strong specialisation in the rural environment. As a consequence, penetration of financial services in localities of low income per capita and population in Spain is much higher than that of comparable European countries such as France or Italy.

Their specialisation is in micro-credit which is granted mainly to promote self-employment and creation of micro-enterprises. The profile of the typical user of Cajas de Ahorro is usually woman (often migrant) aged of 35 years with a clear idea of business in small scale, asking for a credit of EUR 9 000 to start her businesses, mainly in the service sector. However, their role in rural development extends from the typical financial support:

- **SPECIAL FINANCING:** Social housing, land ownership, SMEs, employment and entrepreneurship.
- **SUPPORT TO LOCAL DEVELOPMENT:** Association for mutual guarantee, Association for industrial development, Enterprise co-operation, futures market, programmes of local initiatives and venture capital.
- **SPECIFIC COLABORATIONS:** Special Agreements, CAP subsidies administration, insurance and travel, services to migrants, LEADER (and Proder) Programmes.

Through the programme CRECE/EOI they have advised 24 770 participants in training and managed 20 000 projects of business creation or consolidation of enterprises. They have also participated in close to 140 017 “social projects” with an investment of EUR 1 338.5 million, from 1999 to 2006.

Source: Moraleda, F. (2007), Confederación Española de Cajas de Ahorro, “Las cajas de ahorros en la financiación de la innovación rural” (Savings Banks Financing Rural Innovation), presentation at the OECD Rural Development Conference *Innovative Rural Regions: The Role of Human Capital and Technology*, Cáceres, Spain, 21-23 March 2007.

regulatory frameworks that facilitate a competitive and secure environment for business are “space-neutral”, that is they do not differentiate among regions. While it is not in the scope of this review to undertake an analysis of these regulatory frameworks the following two considerations are pertinent:

Local taxation. As described in Chapter 3, Finnish municipalities heavily rely on municipal taxes to finance their responsibilities, accounting for almost half of its revenue sources. Municipalities have increasingly depended on taxes, particularly income tax (reaching 41% average municipal income tax). As noted in Chapter 1, municipalities in sparsely populated rural areas and

rural heartland areas have higher income tax rates than rural municipalities close to urban areas and urban municipalities. This situation responds to the need of rural municipalities to compensate for the declining income caused by out-migration of population in working age and ageing of the local population. Higher tax rate might deter population and businesses from settling in rural areas. Another element to consider is the tax paid by holiday residents. At present, although they spend an increasing amount of time in their holiday residence (sometimes reaching half year) and use services in their visiting locations, they pay taxes in their permanent residence. Thus their contribution to the visited municipality is limited to the immovable property tax paid by the holiday residences, which in most cases is less than 1% of the total tax revenue of the municipalities (RPC, 2007a). Alternatives could be sought to improve the net contribution of holiday residents to the hosting municipalities without reducing the incentives to spend time in them.

Teleworking. The expansion of broadband infrastructure contributes to breaking the technological barrier to teleworking. However, the actual capacity of urban population to work outside their office depends not only on the technological feasibility but also on the labour regulation and the willingness of employers to allow this alternative. As the Special Rural Policy Programme 2007-2010 points out, on the regulatory side, “the rules for teleworking agreed by the labour market organisations provide a solid foundation for increasing teleworking”. However, it also recognises that “more courage would be needed from the employers” side. The Government has taken important steps in promoting regionalisation of central government functions. As the Special Programme notes, opportunities for teleworking should also be considered in the context of further regionalisation.

Policies to develop under-used natural, cultural and historical amenities

There is increasing recognition that “quality of place” has an important influence on regional competitiveness, particularly with respect to attracting and retaining mobile resources such as investment and skilled labour. Rural development policies are increasingly looking to harness the potential of their “amenities”, the varied natural and man-made attractions that differentiate one rural region from another and that provide the “raw material” for different kinds of economic activities ranging from tourism and entertainment industries to speciality products and foods.

Amenities often exhibit what are termed public good characteristics, specifically, they are to some extent *non-rival* and *non-excludable*: *Non-rival* in that the availability of the good for consumption by one person is not decreased by consumption by another (except where over-use has negative impacts on the quality of the amenity). A typical example here would be an

attractive landscape. Public access to the countryside can be enjoyed by substantial numbers of people without affecting each others' enjoyment, but at some point congestion arises such that the quality of the recreation experience is reduced; *non-excludable* in that once provided, it is often impractical to exclude people from enjoying their consumption. Landscape can in principle be rendered excludable by setting up and enforcing boundaries around an area, but in practice the cost of so doing would exceed the revenue that might be obtained from the undertaking.

In Finland there is a strong recognition of the “public good” characteristics of natural amenities and specific policies oriented to promoting economic activity based on the enjoyment of natural resources. A concrete example is the “**Everyman’s Right**” legislation that bestows on all people a free right to use forests and land owned by others for travel on foot, skis, bicycle or horseback, provided they do not cause any damage. Camping and picking wild non-protected flowers berries and mushrooms is also allowed and other activities such as the use of motor vehicles and making fire in forests which require the permission of the owner (Ministry of Agriculture and Forestry, 2000).

At the local level, Local Action Groups and Village Associations have contributed to improving the “quality of place” in many specific locations. These small actions undertaken by the rural population are an important complement to national strategies. Box 4.11 provides a selection of experiences of LEADER projects that have contributed to improving the attractiveness of rural regions.

Valorising and creating a market for rural natural and cultural assets in the specific case of every region or sub-region could contribute to business development. Natural and cultural assets can represent an important, sometimes the only, source of competitive advantage in some rural regions. Moreover, the valorisation of amenities is often the best incentive for their conservation. The central question is: How can policymakers “internalise” the externality benefits inherent in rural amenities so that providers have financial incentives to maintain and/or provide access to these amenities at a reasonable cost to the different “users” (both individual visitors and, in many cases, society as a whole). Two key elements in this process are: 1) estimating the value of (demand for) amenities and thereby setting prices, and 2) encouraging the creation of market or market-type mechanisms to transfer benefits.⁴ Table 4.4 summarises a number of best practice principles used for valorising rural amenities across OECD countries.

As to policies to ensure optimal provision of amenities, experiences across OECD countries suggest that there are two main types of policy that include market-oriented economic instruments: 1) policies to stimulate co-ordination between supply and demand, either through the market (by

Box 4.11. Selected LEADER projects oriented to improving the “quality of place”

| LEADER Group | Accomplishments |
|--|--|
| Päijänne-LEADER ry | Has contributed to improving local village roads and the restoration of the beaches in Nyystölä of Padasjoki. |
| Kainuu Businesswomen LEADER Nouseva Rannikkoseutu ry | Funded a project aimed at revitalising local traditions in the municipality of Hyrynsalmi which went on to form the marketing image of the municipality. Introduced new grassroots-level project actors into operation, from new areas with increased interaction between rural and urban areas. For example, the “Ryti” projects which sought new application of the common reeds growing by the seaside or the training project for utility use of waste materials. |
| LEADER Oulu South | Has funded over 100 rural development projects – small scale companies and supported the secondary occupation of farmers creating a strong foundation for business life. |
| Pomoottori ry | Contributes to the welfare and success of their environment by funding projects from landscaping, construction, recreation to elderly people, village co-operation, revitalising fishing methods, etc. For example, they funded the building of a marina that improved the strained relations between summer guests and permanent inhabitants. |
| LAG – I Samma Båt – sammassä veneessä rf ry | Works to improve the quality of life of village dwellers at the grass roots level and favours projects that stress co-operation and involve young people. For example the “Rodbåt till byn” project (Rowing boat for Village) was implemented in co-operation with several village associations, local private enterprise and voluntary labour. It promoted old boat building traditions and after the boats were built they were given to villages for use in different activities. |
| Veej’jakaja ry | Funded programs that increase the number of visitors to the regions. For example, the development of new car parking spaces, guest parking areas, a loading dock, surveillance system, and a new harbour expanded with new piers to allow for more berths. |

Source: Voutilainen, M. (2007) (ed.), *Have you Seen the Finnish LEADER*, Village Action Association of Finland and MAF (2005b), *Finnish Leader: A Summary of Mid-Term Evaluation*, Ministry of Agriculture and Forestry, Finland.

Table 4.4. **Best practice principles to valorise rural amenities**

| Policy area | Best practice principle |
|-----------------------------|---|
| Approach to rural amenities | <ul style="list-style-type: none"> • Primary aim is to realise amenity value for economic development which in turn optimises its supply to meet demand • Support the market to fulfil efficiently its role in realising amenity value • Treat some public good amenities as private goods when possible • Direct government intervention for amenities which are public goods and/or externalities • A policy package is more likely to be successful than single instruments |
| Bearing the costs | <ul style="list-style-type: none"> • Property rights should be carefully assigned • Beneficiaries of amenities should be identified and required to pay costs when possible • The State should represent the public interest if the beneficiaries cannot be identified |
| Policy principles | <ul style="list-style-type: none"> • Ensure a territorial dimension • Carefully design preservation (most rural amenities can not be reproduced and future demand is unknown) • Monitoring and evaluation to gain credibility and ensure effectiveness |

Source: OECD (1999), *Cultivating Rural Amenities: An Economic Development Perspective*, OECD Publication, Paris, France.

encourage commercial transactions between providers and beneficiaries of amenities) or through co-operation among agents acting collectively (by promoting and supporting actions initiated and pursued by groups of agents with a view to adjusting amenity supply and demand) and 2) instruments that provide regulatory or financial incentives or disincentives to act in a particular way.⁵ Box 4.12 provides a number of examples of promotion of rural amenities in selected OECD countries.

Promoting rural tourism as a specific niche could bring large benefits to Finnish rural areas in light of the growing demand for this activity. The global changes in the behaviour of the tourist markets are clearly favourable for rural tourism as a differentiated product. Worldwide, rural tourism has grown significantly, increasingly gaining a place as a specific niche. Its estimated growth is 6% per year, which is higher than the rate of growth of world tourism.⁶ This activity has great potential for providing an alternative income to rural population since it provides employment equally for women and men, for young and old people. The Review of Finnish Rural Policy in 1995 already highlighted the potential of this activity for Finland and some of its challenges, including the remoteness and relative cost of travelling to Finland and more so to the northern areas. Two of the current most important challenges already considered in the Special Rural Policy Programme 2007-2010 are the internationalisation of this activity, which as in many other countries being fundamentally maintained by the internal demand, and the institutionalisation of a network of rural tourism providers, which is one of the ways in which this activity can grow faster without major investments. The Special Programme aims at building a network for rural tourism covering the whole country to

Box 4.12. Promotion of rural amenities in selected OECD countries

Native forests in Australia: Native forests are one of Australia's premier suppliers of rural amenities. However, tensions have been increasing between the need to conserve these forests for environmental and recreational purposes, on one hand, and support for traditional forest industries, on the other hand. The Regional Forest Agreement (RFA) process, on which the case study focuses, is designed to reduce these conflicts and promote a multifunctional forest system, by setting a framework (in the form of a signed agreement) for forest resource planning over twenty years.

Japan's *Tanadas*: *Tanadas* are stair-shaped rice fields or terraces built on steep mountain slopes. They were developed in ancient Japan and used in nearly all regions of the country. Today, there are about 220 000 hectares of *Tanadas* on slopes exceeding 1/20. They account for about eight per cent of all land planted in rice. *Tanadas* are appreciated not only for their scenic appearance, but also because they represent accumulated tradition, culture, and local identity. However, the laborious work required for their maintenance is causing them to disappear rapidly. Several measures to reverse the decline are being taken, particularly by local governments. The Temporary Owner System, for example, is intended to market amenity value by inviting city-dwellers to work the terraced fields as if they were owners of *Tanadas*. They typically assist farmers on several weekends during the busiest seasons. Another example is the *Tanada* fund, which subsidises farmers to continue to farm the traditional, terraced fields.

Trail project in the Napf border area in Switzerland: The border trail Napfbergländ follows one of the country's most distinctive economic, ethnic, and cultural dividing lines: A border between two cantons, one western and one central European culture, one Protestant and one Catholic faith. The Napf border area has not only a unique cultural identity but also a scenic, pre-Alpine landscape comprised of forested areas, historic sites, and traditionally cultivated small farms. The area's individual attractions are not considered as spectacular as those in the more mountainous Alpine region. However, as a series of natural and cultural sites connected by the border, they are a valuable asset. Hence, the trail project was begun in 1997 with government support to diversify the economy through tourism. By creating a critical mass of attractions, project leaders hope to attract visitors and market labelled products from the border trail region.

Linking up Farming and Tourism in Crete by a Private Initiative, Greece. In Crete, it is only where individual hotel enterprises offer special diets or are concerned with their own positive environmental friendly image that sustainable farming can be enhanced by tourism. Grecotel has launched a

Box 4.12. **Promotion of rural amenities in selected OECD countries (cont.)**

pilot project (Agreco) to ensure supply of fresh high quality food for its hotels. In Rethymnon where Grecotel has 3 500 beds, this initiative includes 40 varieties of fruit and vegetables. Such effective linkages in the local economy can help spread the benefits of tourism revenue to parts of Crete that are at distance from the most visited areas and thereby ensure that the public goods associated with Cretan farming landscapes benefit to all.

The “Cheese” Route Bregenzerwald, Vorarlberg, Austria. This was a strategic lead project for the LEADER II programme in this westernmost province. The aim was to build on a well-established local product – cheese – in ways that assured the livelihood of the rural population, reduced commuting and helped to create new jobs in tourism and trade. It was a holistic concept, with multiple and multi-sectoral beneficiaries, strong public-private partnership, and co-operation between different sectors including agriculture, dairies, accommodation providers, alpine pasture managers, trade and commerce. It has led to further innovative products (such as “Käsezwickel”, “Käseträger” and “KäseandDesign”) and the establishment of a new high quality regional branding. It has helped to maintain traditional alpine farming, and hence the quality of the cultural landscapes.

The Rural Museums Network of Siena, Italy. A good example of valorisation of cultural heritage is the museum network of the Italian Province of Siena (Sistema dei Musei Senesi) <http://musei.provincia.siena.it/>. Items that were previously kept in a myriad of municipal and parish museums are to be exhibited in a series of 25 museums scattered over the territory. The museum system policy provides a good example of efforts to increase the experiential value of the province to tourists while also relieving the carrying capacity problem (“the Venice effect”) of the most popular destinations. It does this by providing a mechanism for redirecting the 200 000 visitors of the main museums in the city to less popular areas. Each museum provides links to other museums in the network, assembling a sort of organised serendipity so that during the course of discovery in one museum one is directed to the other sites. For example, a tourist’s interest in terracotta, mining, or the Tuscan countryside introduced in one of the main museums can be investigated in depth at these topical museums off the beaten track. Additional didactic activities are also developed to attract specialised tourism.

Source: OECD (2005a), *The New Rural Paradigm: Policies and Governance*, OECD Publishing, Paris, France.

Box 4.13. Naturpolis and Snowpolis: Bridging tourism and business development

Nature based development and tourism in Kuusamo, in Lapland

Kuusamo is a small town (17 000 inhabitants) located in the remotest corner of the European Union; on the border of Lapland and Russia close to the Arctic Circle. Its distance to the next city is about 200 kilometres and it is at a one-hour flight from the capital, Helsinki. Its area is vast: The town is 140 kilometres long and 100 kilometres wide, characterised by its wilderness: Lakes, hills and forests.

The region has become one of the most popular travel destinations in Finland – attracting over one million – national and international – visitors every year. Its most important tourism attraction is a famous ski and holiday resort Ruka, which hosts several international skiing events every year, and is quickly developing into a pedestrian-oriented alpine-style village with plenty of services nearby. During the winter season there are about 80 chartered flights arriving from the UK, the Netherland and Ukraine among others. The number of international visitors is rapidly increasing. In the region there are also one of the highest concentrations of holiday homes of the whole of Finland, and the small Kuusamo town centre offers all the public and private services, including for example a high standard hospital and two hypermarkets. The region has invested significantly in improving its infrastructure in order to serve residents and visitors better, specially in the accommodation and services sector.

Kuusamo lives in and from the nature. Therefore the strategic choices in their regional development strategy are tourism based on the beauty of nature, traditional forest industry as well as the strongly developing bioenergy, and Information Technology. Its regional development programme works closely together with the regional development agency Naturpolis Ltd., and together they offer to the local businesses interactive ways to influence the strategies and development of the region. Naturpolis, our business centre and Centre of Expertise, is part of a Northern Multipolis Network, a network of several different centres of expertise (e.g. Aviapolis, Technopolis, Snowpolis).

Kuusamo has also been granted several awards, such as: Town with the Best Image in 1995, 1996 and 2005, Finnish Town of the Year 2001, The Award for the Best Economical Skills in 2003 (granted by the Taxpayers' Association of Finland), eWeek award of the European Commission in 2001 and in 2004 and "The Award for Best Practices of the Information Society" granted by the Finnish Prime Minister.

Box 4.13. **Naturpolis and Snowpolis: Bridging tourism and business development** (cont.)

An international Technology Park in a Tourist Attraction in Vuokatti, Sotkamo

Vuokatti is a ski resort located in the Municipality of Sotkamo, in the Region of Kainuu at about 600 kilometres north of Helsinki, which has become “the most versatile holiday-sport destination in Finland”. In this setting is hosted, Snowpolis an international Technology Park specialised in wellness, sports and all-year winter with the aim of founding, enlarging and developing small and medium-sized companies:

- **Sports technology.** The competence in sports technology is based on the activities of two university departments, the Department of Biology of Physical Activity and its division of Sports Technology at the University of Jyväskylä, as well as on the Measurement Laboratory for Sports at the University of Oulu. Different measuring equipment – methods and –, concepts and their applications are tested. Winter sport is an area of specialisation.
- **Nutrition technology.** The competence in nutritional technology is based on the long experience the Laboratory of Biotechnology at the University of Oulu possesses. In addition, the MTT (Research Centre for Agriculture and Food Science) in Sotkamo supports the competence in nutritional issues.
- **Winter technology.** The expertise in winter technology is founded on the many years of experience in testing winter sports equipment. The Vuokatti Sports Institute, the Vuokatti skiing slopes, the cross-country skiing tunnel and the snowboard tunnel have already functioned as a testing ground for many years. At Snowpolis, we are constantly seeking new dimensions of snow, ice and extremely cold conditions. The vision is to combine snow sports, ice sports and the testing of vehicles for their characteristics (e.g. friction).

Source: Halonen, T. (2007), “Case Kuusamo”, presentation at the OECD Rural Development Conference *Innovative Rural Regions: The Role of Human Capital and Technology*, Cáceres, Spain, 21-23 March 2007; and Snowpolis (n.d.) “Snowpolis Technology Park” available at www.snowpolis.com.

achieve economies of scale in sales and marketing, developing competence and quality management (RPC 2007a).

Finland has its own set of good experiences in making the most of natural assets and attracting tourists even to remote areas. The municipalities of Kuusamo and Sotkamo are good examples of the issues discussed in this section since they have combined their natural based tourism attractions (ski resorts) with providing a positive business environment for visitors and

residents and developing their own expertise, the former in Naturpolis, the latter in Snowpolis (see Box 4.13).

Conclusions and recommendations

At the national level, Finland counts with a wide array of instruments oriented to promoting firm competitiveness and providing a positive environment to firms. Notwithstanding, further efforts have to be devoted to strengthen the rural dimension of these policies. A coherent vision for the economic future of Finland's rural areas should be developed by taking a fresh look at the different types of rural economies within Finland, specially the rural heartland areas and the sparsely populated rural areas, and a clear recognition that their futures cannot depend upon trickle-down from urban areas nor only from agriculture and forestry. A new discussion about the economic function of rural areas in a rapidly changing society should consider several factors: The role of international trends (globalisation, WTO negotiations, CAP reforms, EU enlargement, etc.); internal dynamics of Finnish rural areas and their relationship with urban areas, environmental concerns, equity concerns and the overall strategy for national growth and development. These elements should be viewed as factors of the same complex system to be dealt with through a holistic approach that recognises the importance of their interaction and interdependence.

Within the discussion on the policies oriented to foster competitiveness, innovation and improve the business environment in rural areas, consideration should be given to the following recommendations:

- **Continue the efforts to bring financing and business advisory services closer to the rural population.** In particular, Employment and Economic Development – TE-Centres which already have the responsibility of both managing SME programmes at the regional level and managing EU Rural Development funds, are in a privileged position to bridge and adapt the available instruments to a new market with specific needs: Rural non-farm businesses. The network of 60 sub-regional business services centres currently in development is an important step. It is important to ensure that they “think rural”.
- **Rural proofing of innovation and economic development policy.** Innovation policy and economic development policy should each be subjected to rural-proofing evaluations, and then adjusted accordingly to address the circumstances of sparsely populated rural areas and rural heartland areas.
- **Embracing a broader definition of innovation and innovation policy.** The efforts of the Ministry of Trade and Industry of adopting a broader definition of innovation should be further incorporated into the national innovation system emphasising the role of learning within the innovation process, and

the importance not only of creating innovation but adopting innovations generated elsewhere.

- **Promote greater involvement of Higher Education Institutions (HEI) in rural development.** The educational institutions in every rural region (whether they are universities, polytechnics or other public research institutes and vocational schools) could contribute further to rural development by engaging students in rural development projects during the years in which they undertake their studies and by participating the educational institutions themselves in the discussions on rural development within the Local Action Groups for example, possibly even forming part of their board.
- **Encourage the development and attraction of human capital in rural areas.** The efforts to upgrade the skills and know-how of rural population should be flexible enough taking advantage, not only of work based learning, but also e-learning and distance learning opportunities, non-formal and in-formal learning. Additionally, efforts should be devoted to attracting human capital, with particular emphasis on the so-called “creative class” which has proven to have strong interest rural amenities such as landscape and recreation and provide and external innovation input to the localities.
- **Extending rural-urban knowledge networks.** Urban-rural linkages should be supported in less simplistic and more flexible ways, taking advantage of commuting, summer houses, the strong “rural roots” of Finland urban population and other means of rural-urban interaction in order to compensate with external networking the lack of dense local networks in rural areas and facilitating transfer of knowledge beyond the proximity which has proven successful in experiences such as the Kauhajoki Pilot Project of the Regional Centre Programme.
- **Exploiting the rural dimension of cluster and regional development programmes.** The recent modifications to the Centres of Expertise Programme 2007-2013 (emphasising the “cluster” rather than the location) and the regional section of the Special Rural Policy Programme 2007-2010 open an important window of opportunity for rural policy. Efforts should be made to ensuring that rural areas and particularly rural businesses obtain the benefits of these strategies.
- **Devote special attention in the context of broad rural policy to the set of policies that could “enable” the business environment in rural areas.** This includes improving the quality of transport infrastructure which varies considerably across regions, continuing efforts to increase accessibility to broadband infrastructure with particular attention to integrating different regional systems, facilitate access to financial services with emphasis on

risk and innovation funding. Other elements to consider might be the higher local tax rates in rural municipalities and facilities for teleworking in rural areas.

- **Improve the valorisation and provision of rural amenities.** Efforts oriented to promoting economic activity based on the enjoyment of natural resources should be strengthened by replicating the exercise at local level of estimating the value (demand for) specific local amenities and encouraging the creation of market or market-type mechanisms to transfer benefits to the local population either by stimulating co-ordination between supply and demand or by improving regulatory or financial incentives.
- **Promote rural tourism as a specific niche and replicate experiences that link tourism attraction with business development.** Within the framework of the National Tourism Strategy 2020, rural tourism should be strongly promoted for its double advantage of being a growing niche worldwide and providing income streams to the rural population. Additionally, efforts should be devoted to linking rural communities to the already strong tourist attractions in Finland and as in the case of Sotkamo and Kuusamo, take advantage of the tourist flows to develop specialisation and business development in other related sectors.

Notes

1. The National Innovation System is addressed in the *OECD Territorial Review (2005a)*, the Centres of Expertise Programme is also addressed in the *Territorial Review* and compared with cluster policies across the OECD in the *Review Competitive Regional Clusters (2007)*.
2. Finland occupied the 1st position in 2004 and the 2nd position in 2005 and 2006 on the WEF (World Economic Forum) Global Competitiveness Rankings.
3. Dargan L. and M. Shucksmith (2006), "Innovatory Economic Development", CORASON Internal Working Paper, Newcastle University. The CORASON project, funded by the EU Sixth Framework programme and co-ordinated by Hilary Tovey (Trinity College Dublin) draws on work by several other partners who researched the country case studies. See www.corason.hu/
4. See OECD (1999), *Cultivating Rural Amenities: An Economic Development Perspective* for more details.
5. For further reference see OECD (2005b).
6. World Tourism Organisation.

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Évaluation et recommandations

*La Finlande est l'un des pays de l'OCDE
les plus « ruraux »...*

La Finlande est un pays peu peuplé: la densité moyenne de population est de 17.1 habitants par km² et dans les régions la densité de population n'est plus que de 11.5 habitants par km². Selon la classification régionale de l'OCDE, la Finlande se classe au cinquième rang en ce qui concerne la part de son territoire correspondant à des régions essentiellement rurales (89 %) et au deuxième rang en ce qui concerne la population qu'elles abritent (53 % sur un total d'environ 5.3 millions d'habitants) et la part de PIB produite par ces régions (45 %). La ruralité de la Finlande transparait également dans sa culture et la relation étroite que les Finlandais entretiennent avec la nature et la campagne, la plupart d'entre eux ayant des liens familiaux puissants dans les zones rurales, un sur cinq étant propriétaire de forêts et un nombre croissant d'entre eux étant enclin à résider en permanence à la campagne, soit pour bénéficier d'une meilleure qualité de vie pendant leur vie active, soit pour y prendre leur retraite.

*... l'ensemble de ses régions essentiellement rurales
affichant de meilleures performances...*

Quand on compare les régions essentiellement rurales des pays de l'OCDE, il est frappant de constater qu'en Finlande, entre 1998 et 2003, l'ensemble des régions de ce type affichaient un PIB par habitant supérieur à la moyenne OCDE, et un taux de croissance supérieur à la moyenne également. Autrement dit, si on distingue quatre quadrants de part et d'autre de la moyenne OCDE, la totalité des régions essentiellement rurales de la Finlande se situent dans le groupe du niveau supérieur (prospère) et à forte croissance (performances élevées). Forte productivité, migrations alternantes, accroissement de la population et pourcentage élevé de population d'âge actif sont les facteurs qui contribuent le plus à l'augmentation du PIB dans les régions rurales dont la croissance est la plus forte. À l'inverse, dans les régions de Finlande où la croissance est moindre, plusieurs facteurs sont à l'œuvre, entre autres: la productivité plus faible, le déclin démographique, le moindre taux d'emploi et le faible pourcentage de population d'âge actif.

... et ses régions essentiellement rurales à la traîne étant en train de rattraper leur retard

On est aussi frappé par l'existence de signes de convergence, les régions essentiellement rurales dont le niveau de PIB par habitant était le plus faible et la proportion de population vivant dans des communes rurales la plus forte ayant rattrapé leur retard, et affichant des taux de croissance du PIB par habitant supérieurs à la moyenne nationale (Kainuu: 3.2 %, Ostrobotnie du Sud: 3.6 % et Savonie du Sud: 3.9 %, moyenne nationale 2.8 sur la période 1998-2003). Il importe toutefois de noter que ces régions se rapprochent de la moyenne nationale par suite, entre autres, des départs de résidents, ce qui influe sur la productivité marginale des régions considérées. En témoigne le fait que, en termes de PIB, la croissance réelle (en taux annualisé) dans ces trois régions était inférieure à la moyenne nationale (respectivement 1.4 %, 3.2 % et 2.9 %, contre 3.5 % pour toute la Finlande).

Néanmoins, les enjeux et les opportunités des zones rurales sont extrêmement hétérogènes...

Reconnaissant son caractère rural, la Finlande a développé, au niveau territorial, une typologie qui facilite l'étude et la comparaison de disparités de développement entre différents types de zones rurales. Cette typologie, qui a été approuvée par le Gouvernement et par l'académie, classe les municipalités en diverses catégories: municipalités urbaines (UMs); municipalités proches des zones urbaines (RCUAs); municipalités au cœur de régions rurales (RHMs); et en municipalités rurales peu peuplées (SPRMs), catégories qui ont toute une situation vraiment différentes:

- Les 89 communes rurales proches de zones urbaines, qui se concentrent principalement en Finlande méridionale et occidentale, sont en train de devenir les communes où la croissance démographique est la plus rapide et la structure par âge la plus jeune du pays. Leur population a progressé de 9 % entre 1995 et 2005, contre 6.4 % pour les communes urbaines, et 2.7 % pour l'ensemble du pays. En 2005, elles affichaient le taux de natalité le plus élevé (11.6 pour 1 000), le taux de mortalité le plus bas (8 pour 1 000), et les pourcentages les plus élevés de familles avec enfants (45 %) et de population âgée de moins de 15 ans (22 %). Les niveaux de bien-être de ces communes sont élevés étant donné que le revenu moyen de leurs administrés est supérieur à la moyenne nationale (101 %) bien qu'inférieur à celui des communes urbaines (108 %), mais elles comptent moins de chômeurs (8 %, soit 3 points de moins que dans les communes urbaines), plus de sécurité (moitié moins d'infractions avec violences par millier

d'habitant que dans les communes urbaines), et jouissent à la fois d'un environnement naturel, d'une bonne infrastructure et d'une offre de services de qualité. Leur économie repose principalement sur les services (secteur public et secteur privé représentant respectivement 33 % et 41 % de l'emploi total en 2004), et elles représentent la part la plus élevée de l'emploi dans l'industrie (24 % contre 17 % dans les communes urbaines) et le BTP (8 % contre 6 % dans tous les autres types de commune), mais 5 % seulement des activités du secteur primaire. L'avenir semble riche de promesses pour ces communes même si elles sont confrontées à des enjeux de taille comme les migrations alternantes, la nécessité d'être à la hauteur des fortes attentes, en matière de services, d'une population qui vivait naguère en zone urbaine, et l'équilibre à trouver entre le développement et la préservation des paysages attrayants et de l'environnement naturel.

- *Les 142 communes rurales du cœur de la Finlande*, qui se situent pour la plupart dans les parties sud et ouest du pays, ont vu leur population diminuer de 4.5 % entre 1995 et 2005. Il semble toutefois qu'à l'heure actuelle, elles trouvent un nouvel équilibre avec une population moins nombreuse étant donné que leur taux de migration nette est proche de zéro. D'après leurs indicateurs socio-économiques, ces communes affichent des résultats mitigés. Au regard de certains indicateurs, elles se positionnent relativement loin des communes rurales proches de zones urbaines et des communes urbaines: c'est notamment le cas pour le revenu (86 % de la moyenne nationale) et l'éducation (76 % du score des communes urbaines, contre 90 % du score des communes rurales proches de zones urbaines). Elles ont en commun avec les communes rurales faiblement peuplées une plus forte spécialisation dans les activités du secteur primaire (14 % de l'emploi en 2004) et, avec les communes rurales proches de zones urbaines, une plus forte spécialisation dans l'industrie (23 %). Par conséquent, leur part de l'emploi dans les services des secteurs public et privé est légèrement inférieure à celle des deux autres types de communes (respectivement 30 et 24 %). La spécialisation dans l'exploitation forestière et l'agriculture a rendu ces régions vulnérables face aux restructurations que le secteur primaire a connues au cours de la dernière décennie (entre 1995 et 2004, les communes rurales du cœur du pays ont perdu 18 300 emplois). Toutefois, à la fin de cette période, le bilan, en termes de création d'emplois, est positif en raison de la diversification des exploitations agricoles (principalement dans les services tels que le tourisme, le transport et la gestion immobilière, et dans la production d'énergies renouvelables), et de la création d'entreprises sans lien avec l'agriculture. En fait, les communes rurales du cœur de la Finlande ont enregistré le taux de création de PME le plus élevé entre 1993 et 2004, avec 54 % des entreprises créées dans des communes rurales. À cet égard, deux défis importants doivent être relevés, à savoir la consolidation et

l'internationalisation de ce nouveau type d'entreprise qui se développe en milieu rural, souvent dépourvu des nombreux atouts dont disposent les entreprises en milieu urbain.

- *Les 143 communes rurales faiblement peuplées, concentrées dans l'est et le nord de la Finlande, sont les moins bien placées. Elles se sont vidées de leurs habitants au cours de la dernière décennie (-12.5 % entre 1995 et 2005), les plus nombreux à partir étant les jeunes et les femmes. Cette tendance a aggravé le phénomène de vieillissement rapide que connaît la Finlande (ces communes comptent, aujourd'hui, 24 % d'habitants de plus de 65 ans, chiffre très proche des 26 % prévus pour l'ensemble de la Finlande à l'horizon 2030), d'une part, et, d'autre part, fait que ces zones se retrouvent avec une structure par sexe déséquilibrée (54 % de la population d'âge actif sont des hommes). Comparées à d'autres types de communes rurales et aux communes urbaines, les communes rurales faiblement peuplées ont les plus faibles niveaux d'instruction (70 % du score des communes urbaines), le revenu moyen le plus bas (75 % de la moyenne nationale), le taux de chômage le plus élevé (14 %, soit 3 points de plus que les communes urbaines) et les logements de la qualité la plus médiocre. À l'instar d'autres types de communes rurales, elles ont connu d'importants ajustements de leur structure économique (déclin de l'agriculture, restructurations dans le secteur public et délocalisation des entreprises manufacturières). Mais contrairement aux deux autres catégories de communes rurales, les communes rurales faiblement peuplées n'ont pas été capables de compenser le recul de l'emploi par la création d'un nombre suffisant d'emplois dans les services. En outre, ces tendances ont grevé lourdement les finances des municipalités, limitant encore plus leur capacité à fournir des services, et des emplois, à une population très dispersée. Néanmoins, ces communes disposent encore d'un potentiel important à mobiliser, principalement dans les secteurs des services du tourisme, des loisirs de plein air et des séjours de vacances. Chaque année, elles accueillent des milliers d'estivants qui, en 2004, ont augmenté la population totale de ces communes de 42 %.*

*... ce qui met en évidence la pertinence
d'une politique de développement rural
territorialisée*

Les changements significatifs que connaissent les zones rurales de Finlande montrent à quel point on peut être fondé à vouloir une politique de développement rural spécifique, capable d'accompagner cette transition au moyen d'une palette adéquate de mesures sectorielles tenant compte des enjeux et des opportunités propres aux différents types de région. Qu'une

politique de développement rural comme domaine d'action des pouvoirs publics (sans optique sectorielle, agricole en l'occurrence) ait vu le jour en Finlande témoigne du fait que ce pays a pris conscience de ce besoin avant la plupart des autres pays de l'OCDE. Au moment où l'OCDE s'est penchée pour la première fois sur la politique de développement rural de la Finlande (OCDE, 1995), ce concept était déjà débattu dans ce pays depuis une décennie. Il est difficile de déterminer dans quelle mesure les performances relativement bonnes des régions rurales de Finlande sont le fruit de cette intervention des pouvoirs publics. Néanmoins, les zones rurales se trouvent aujourd'hui dans une position plus solide et plus prometteuse qu'elles ne l'étaient en 1995. À l'époque, le pays venait d'être frappé par une grave récession et le chômage avait atteint 18 % dans les zones rurales du cœur du pays et celles proches des zones urbaines, et 23 % dans les zones rurales faiblement peuplées. Mais le besoin d'une telle politique est tout aussi important aujourd'hui.

La politique de développement rural « à la manière finlandaise »...

À l'heure actuelle, la Finlande définit sa politique de développement rural selon une méthode qui permet de trouver un bon équilibre entre la coordination des politiques sectorielles pour garantir aux zones rurales qu'elles recevront l'attention qu'elles méritent, d'une part, et l'importance de mesures spécifiques spécialement destinées à promouvoir le développement et la compétitivité des zones rurales, d'autre part. La Finlande a obtenu ce résultat en définissant de manière précise la portée de sa politique de développement rural suivant deux axes: la « politique rurale générale » visant à atteindre le premier de ces objectifs, et la « politique rurale spécifique » pour répondre au second objectif. Cette approche est aussi un bon compromis entre deux extrêmes que l'on observe souvent dans les pays de l'OCDE: le « plan d'ensemble », solution visant à intégrer toutes les politiques dans une stratégie globale, et la « politique de niche », solution très limitée du point de vue de sa portée et de son budget.

... orientée et animée par la Commission de la politique rurale...

L'analyse du cas de la Finlande montre la nécessité d'examiner de près non seulement la place qu'occupe la politique de développement rural dans l'action du gouvernement, mais aussi la légitimité « acquise » par cette politique aux yeux des différents acteurs impliqués dans les questions rurales, dont les hommes et femmes politiques, les agents de l'État à tous les niveaux

de l'administration et les universitaires, comme aux yeux de la population rurale et de la société civile organisée en son sein. Si, la politique de développement rural occupe désormais une telle place en Finlande, elle le doit à la Commission de la politique rurale, mise en place en tant que Commission consultative sur les questions rurales dès 1992 mais qui n'a obtenu la personnalité juridique qu'en 2000. Composée de 29 membres représentant 9 ministères et 18 autres organisations, cette commission n'a pas été qu'un simple dispositif permettant d'intégrer les politiques et de réunir différents acteurs. Elle-même a été un acteur de premier plan et un vecteur de changement. Toutefois, au sein du gouvernement, cette politique ne se voit toujours pas accorder l'importance qu'elle mérite (ce qui est le cas dans beaucoup de pays). À l'origine, la politique de développement rural de la Finlande s'inscrivait dans le cadre d'une politique régionale mettant en évidence sa dimension transsectorielle. Elle se démarquait nettement de la politique agricole, et c'est la politique régionale qui a favorisé les progrès de la « politique rurale générale » sur le plan institutionnel. Toutefois, la politique de développement rural de l'UE a influé sur la décision de placer la Commission de la politique rurale et les programmes de développement rural ou « politique rurale spécifique » sous l'égide du ministère de l'Agriculture et de la Foresterie. Comme dans d'autres pays, on a vu apparaître des conflits de priorités et de compétences entre les politiques agricoles et rurales. En témoigne, par exemple, la priorité relativement faible accordée aux mesures de développement rural dans le cadre de la préparation du Programme de développement rural de l'UE par rapport au soutien agro-environnemental.

... a donné d'assez bons résultats en mettant en cohérence les politiques sectorielles dans les zones rurales...

La Commission de la politique rurale a pour fonctions, entre autres, d'aider le gouvernement à élaborer et mettre en œuvre le Programme d'action en faveur des zones rurales comportant des décisions spécifiques que différentes entités gouvernementales doivent appliquer dans le cadre de ce qu'il est convenu d'appeler la « politique rurale générale ». Ce programme a donné d'assez bons résultats en mettant en cohérence les politiques sectorielles axées sur les zones rurales. La mise en application de quatre Programmes nationaux d'action en faveur des zones rurales (1991, 1996-2000, 2001-2004 et 2005-2008) et l'adoption, par le gouvernement, de deux Programmes spéciaux (2005-2006 et 2007-2010) ont fourni un cadre d'action et inscrit la politique rurale dans une stratégie à long terme. La distinction établie entre ces deux types de programme (l'un contenant des *propositions* à développer par un large éventail d'acteurs, et l'autre contenant des *décisions*

relevant des compétences du gouvernement) concourt à l'attribution des responsabilités et au partage de l'information, et fait le lien entre la phase de planification et celle de mise en œuvre. Les principaux points forts de ce processus sont les suivants: 1) participation de la société civile et des universitaires à la préparation des programmes en apportant une connaissance du terrain et un savoir technique permettant de combler en partie les graves lacunes en la matière qu'ont beaucoup d'administrations centrales chargées de fixer les priorités de la politique rurale; 2) prise en charge du programme par les différents acteurs gouvernementaux et non gouvernementaux concernés, à la suite d'un long processus de négociations dans de multiples enceintes et de l'harmonisation des actions de toutes les principales parties prenantes; 3) clarté de l'attribution des rôles et responsabilités au sein de l'administration, et processus de suivi et d'évaluation semestriel permettant de déterminer celles des propositions/décisions auxquelles il a été donné suite.

... et en « donnant un contenu local » aux fonds de l'UE pour le développement rural

La Finlande a eu la clairvoyance de profiter des financements UE pour bâtir sa politique rurale spécifique. L'expérience est particulièrement réussie s'agissant de l'adoption de l'initiative LEADER. Parmi les facteurs qui expliquent le succès de cette initiative, citons: 1) la préexistence d'un réseau d'action associatif (composé de 4 000 associations villageoises) qui, avant même la mise à disposition des fonds LEADER, possédait une solide tradition d'auto-assistance locale (*talkoot*); 2) « l'application systématique » de la méthode LEADER pour couvrir l'ensemble des territoires ruraux en utilisant des fonds nationaux (depuis 1997, avec la mise en place du programme POMO) et d'autres fonds de l'UE (ALMA et « Objectif 1 »); 3) la structure participative tripartite des groupes d'action locale (GAL) où les pouvoirs publics, les entreprises et la société civile sont représentés de façon paritaire au sein de l'instance décisionnelle; 4) l'autonomie des GAL dans la détermination des projets à financer. Malheureusement, les mesures de développement rural comme LEADER qui ont pourtant fait leurs preuves ne bénéficient que d'un financement limité, et la possibilité de les élargir n'a pas été considérée comme prioritaire lors de la préparation du Programme de développement rural 2007-2013. Bien au contraire, la Finlande a décidé d'accorder moins d'importance aux mesures de développement rural (Volet 3 – objectif d'amélioration de la qualité de la vie et de diversification, et Volet 4 – LEADER) que de nombreux autres pays d'Europe. Néanmoins, le montant total des fonds du programme LEADER (qui, dans la période de programmation actuelle, inclut 55 GAL) a été réparti avec soin sur l'ensemble du pays, favorisant ainsi

(en montant par habitant) les régions ayant le plus de besoins et celles abritant un plus fort pourcentage de population rurale que les autres.

Ces succès pourraient être affermis...

Parce qu'elle est l'un des pays de l'OCDE qui présentent un caractère rural extrêmement marqué et parce qu'elle s'est dotée d'un modèle singulier de politique rurale élaboré au long de plusieurs décennies, la Finlande est très bien placée pour réfléchir sur l'avenir de cette politique (qui a prouvé sa pertinence et donné des résultats à la mesure des ressources et des opportunités disponibles). Pour renforcer les succès enregistrés jusqu'à présent, des recommandations ont été formulées suivant trois axes: 1) donner à la politique rurale une place bien à elle et les ressources qui vont avec, 2) améliorer les instruments de cette politique, notamment par l'institutionnalisation de la vérification de l'impact des mesures sur les zones rurales (*rural proofing*), et 3) renforcer les acteurs locaux et harmoniser les structures régionales avec les besoins de la politique rurale.

... en donnant à la politique rurale une place bien à elle et le budget correspondant...

D'après les observations faites dans les pays de l'OCDE, un organisme chargé des affaires rurales devrait pouvoir agir en « prenant de la hauteur », c'est-à-dire en se situant au-dessus et non à l'intérieur de la structure sectorielle de l'administration, contribuant ainsi à la coordination des ministères sectoriels; il devrait être en mesure de veiller à l'intégration des politiques urbaines et rurales, avoir sa propre capacité financière, élargir la portée du soutien aux collectivités rurales pour que l'ensemble de l'administration se sente concernée, créer un climat propice à l'apaisement des préoccupations légitimes du monde rural, bien distinguer ce qui est de l'ordre du « rural » de ce qui relève de l'agriculture, et aider à renouer une relation positive et synergique entre les deux. En conséquence, il est recommandé de:

- Renforcer le rôle institutionnel de la Commission de la politique rurale. Affermie et dotée d'un financement de base appropriée, celle-ci pourrait jouer les rôles: 1) *d'organisme de supervision de la politique rurale (en veillant à la vérification de l'impact des mesures et à la réalisation du Programme d'action en faveur des zones rurales)*, 2) *d'expert chargé de conseiller le gouvernement sur les questions de développement rurales*, et 3) *d'avocat pour le compte des collectivités rurales*. En cette capacité, la Commission serait mieux à même de surveiller

de près et de remettre en cause les performances de tous les services de l'administration et organismes publics.

- Délier (sur les plans financier et institutionnel) la politique rurale de la politique agricole. Il faudrait réfléchir à la séparation de la politique de développement rural et de la politique rurale spécifique, d'une part, et de la politique agricole, d'autre part, dans le domaine du financement de base (PAC) et sur le plan institutionnel (ministère de l'Agriculture et de la Forêt). Cette séparation des institutions mettrait en évidence le fait que les enjeux ruraux vont bien au delà de ceux du secteur agricole. De surcroît, le fait de pouvoir compter sur une affectation budgétaire propre aux programmes d'action en faveur des zones rurales rendrait la politique rurale moins tributaire des financements sur projet tout en permettant au réseau de politique rurale d'affecter spécifiquement des ressources en fonction d'objectifs et d'un calendrier précis.

... en améliorant ses outils de suivi et de vérification d'impact des politiques rurales...

Le Programme d'action en faveur des zones rurales devrait poursuivre les améliorations graduelles qui ont été testées ces dernières années. Même si une évaluation est effectuée en regard des propositions/décisions arrêtées, il subsiste un déficit partiel d'informations concernant: 1) les résultats des propositions/décisions figurant dans les programmes, 2) le montant des dépenses publiques effectivement affectées aux zones rurales, et 3) l'impact des politiques sectorielles sur les zones rurales (vérification d'impact). À cet égard, les recommandations suivantes devraient être prises en considération:

- Accroître la mesurabilité de chaque décision/proposition, et préciser les contributions à fournir par les différents organismes (ressources humaines et économiques), les résultats escomptés et, surtout, les résultats en termes de « développement rural » que l'on espère obtenir ainsi que la manière dont ceux-ci se rattachent à la stratégie de compétitivité globale du pays.
- Envisager de mener une activité destinée à améliorer les connaissances (qui fait quoi dans les zones rurales et avec quelles ressources?). Cette activité pourrait être effectuée *ex post*, autrement dit, on évaluerait à la fin d'une période budgétaire donnée le montant des ressources provenant de chaque ministère qui serait parvenu à différents types de zone rurale, ou bien *ex ante*, en intégrant la problématique rurale dans l'examen des affectations budgétaires.
- Exiger des différents services de l'administration, à tous les niveaux, et de tous les organismes publics qu'ils démontrent (au moyen d'une liste de contrôles) qu'ils ont pris en compte les intérêts des zones rurales dans

l'élaboration et la mise en œuvre des politiques, *mais aussi* qu'ils incluent, dans leur stratégies régionales, une ventilation suivant la typologie des zones rurales ou du moins qu'ils précisent dans quelle mesure leurs stratégies auront des effets bénéfiques sur ces zones.

*... en renforçant les acteurs locaux
et en harmonisant les structures régionales
avec les besoins de la politique rurale*

Ce sont les actions de la Commission de la politique rurale, au niveau national, et celles des associations villageoises et des GAL, aux niveaux local et infrarégional, qui ont bâti le modèle actuel de la politique rurale de la Finlande. Avec la configuration de leurs instances décisionnelles et leurs principes de travail tout à fait singuliers, les GAL ont prouvé qu'ils étaient capables de jouer un « rôle plus étendu » dans leurs sous-régions respectives. Pour ce faire, il leur faut entretenir des rapports à caractère plus institutionnel avec les communes et les acteurs régionaux. En outre, il n'existe pas au niveau régional d'enceinte particulière où débattre de la politique rurale générale, et il faudrait faire davantage pour développer la « réflexion sur le rural » chez les acteurs régionaux (à la fois les représentants de l'administration centrale tels que les Centres de promotion de l'emploi et du développement économique (Centres TE), les gouvernements des provinces et les Centres pour l'environnement, entre autres, ainsi que les représentants des collectivités territoriales tels que les Conseils régionaux). En conséquence, il est recommandé de :

- Renforcer les Groupes d'Action Locale (GAL), leur donner un rôle plus large et une meilleure reconnaissance. En Finlande, le rôle des Groupe d'Action Locale est déjà plus important que dans beaucoup d'autres pays européens et ils ont gagné leur place propre au sein du modèle rural finlandais. Lorsque l'on considère les besoins des zones rurales finlandaises, ce type d'approche plus large de LEADER devrait être renforcé. Leur donner de plus grandes responsabilités et une meilleure reconnaissance devrait permettre d'instaurer une coopération à long terme avec les communes, les organismes de développement infra-régionaux et les représentants de l'administration au niveau régional.
- Créer des cellules « Affaires rurales » dans toutes les Commissions de gestion régionales. Ces commissions réunissent des acteurs régionaux pour débattre des perspectives de développement de chaque région. L'expérience d'un certain nombre de régions ayant créé ce type de cellule est encourageante, car elle a permis de réunir des organisations rurales à l'échelle régionale, des établissements d'enseignement supérieur et

d'autres groupes d'intérêts en lien avec les affaires rurales. Dans le contexte de la réforme de la structure gouvernementale aux termes de laquelle la politique régionale va être confiée à un nouveau ministère aux compétences regroupées (Commerce, Travail, Innovation, Énergie et Politique régionale), en janvier 2008, pouvoir compter sur ces cellules permettrait probablement de resserrer les liens entre la politique rurale et des domaines d'action publique.

Principales priorités de la politique rurale de la Finlande

Les principales priorités discutées dans cette étude pour l'avenir sont les suivantes: 1) améliorer l'équité et la qualité de l'offre de services publics sachant qu'on a affaire à une population vieillissante et dispersée; 2) renforcer la compétitivité d'un nombre croissant d'entreprises rurales sans activité agricole, et 3) améliorer l'environnement de l'entreprise dans les zones rurales en tirant parti de l'abondance d'agréments naturels dont disposent ces zones. Le fait qu'il existe une politique rurale spécifique n'est pas pour rien dans l'inscription de ces priorités au programme gouvernemental et la mise au point de solutions innovantes pour faire face à ces enjeux

1) Veiller à l'équité et à l'efficacité de la fourniture de services publics...

Le système de protection sociale de la Finlande a été capable d'assurer, même dans les zones rurales reculées, un niveau de qualité assez élevé en matière de fourniture de services incombant à l'État. On le remarque notamment dans les domaines de l'éducation et de la santé où la Finlande figure parmi les pays de l'OCDE enregistrant les plus faibles disparités entre les régions. La Finlande n'en est pas moins confrontée à d'importants défis en matière de fourniture de services publics, en particulier dans les communes rurales faiblement peuplées qui, à l'instar de toutes les communes de Finlande, sont chargées de *financer* (par une combinaison d'impôts locaux et d'aides publiques) et de *fournir* la plupart de ces services (les deux tiers des services de base y compris l'éducation, l'aide sociale et les soins de santé, la culture, l'environnement et l'infrastructure technique). Malgré les mécanismes de compensation, certaines communes rurales ont des difficultés croissantes à offrir les services que la loi leur fait obligation de fournir. Ces difficultés résultent principalement de l'absence de masse critique d'usagers, de la difficulté d'accéder aux lieux d'installation reculés, et

à une évolution de la demande de services provoquée par les changements démographiques, d'où un surcoût des services dans ces zones.

Confrontée à ces défis, la Finlande a réagi en utilisant divers moyens: i) politiques visant à favoriser la coopération entre les collectivités locales (par le biais de conseils intercommunaux) et la restructuration des dispositifs de fourniture des services (via la loi-cadre prévoyant des incitations à la fusion volontaire de communes, ou via l'expérience administrative de la région de Kainuu, qui concentre les obligations de fourniture de services au niveau régional); ii) méthodes innovantes de fourniture de services tels que les sites multifonctionnels et polyvalents (des « guichets uniques » regroupent les services publics municipaux et de l'État comme les bureaux des retraites et des services de l'emploi, une antenne de police, le tribunal administratif de la ville et le bureau local du fisc; parfois même s'y ajoutent des services privés comme un bureau de poste), des services mobiles (par exemple, la formation des adultes par le biais d'unités mobiles de formation et de cours d'informatique, et de multiples expériences de services embarqués: santé, culture, commerces ou cours d'éducation physique pour les personnes âgées), ainsi que de services électroniques et télématiques (par exemple: accès internet gratuit dans les lieux publics – magasins, bibliothèques, cafés ou administrations, visioconférences pour les services de santé, formation de pair à pair ou par des experts dans les cours d'informatique locaux, les kiosques et cafés Internet et pour les interventions à domicile); iii) participation des secteurs privé et associatif à la fourniture de services publics. On a pu observer des expériences encourageantes dans lesquelles la société civile contribue à améliorer la prestation de services au niveau local par le biais du réseau des GAL et des associations villageoises mais aussi grâce à des initiatives à plus grande échelle.

... en accordant de l'attention aux communes rurales faiblement peuplées...

En matière de politique rurale, la Finlande déploie des efforts énergiques pour amener les services publics de base jusque dans les zones rurales. Le Programme spécial de politique rurale (2007-2010) contient une décision d'élaboration d'un programme d'action destiné à relever les défis particuliers des communes rurales faiblement peuplées. Dans ce contexte, les recommandations suivantes sont pertinentes:

- S'efforcer de mieux connaître les déficits spécifiques des régions en matière d'infrastructures, et de les combler en appliquant une stratégie systématique; une autre possibilité très concrète consisterait à évaluer, pour les 143 communes rurales faiblement peuplées ou certaines

communautés en leur sein, les déficits dans un certain nombre de domaines de services à fournir, et de s'employer à combler ces déficits via le plan d'action spécial.

- Élaborer des politiques plus souples, ce qui permettrait de les adapter en fonction des spécificités démographiques. Dans les communes rurales faiblement peuplées, on pourrait créer des « centres pour personnes âgées » où seraient regroupés les services publics et privés axés sur la population rurale âgée; cela permettrait aussi de créer une nouvelle activité économique du fait de la présence des membres de la famille des personnes attachées à ces centres.
- Évaluer, en étant particulièrement attentif au cas des communes rurales faiblement peuplées, le système actuel de financements locaux et d'aides publiques, ainsi que les effets de la fusion de communes, en insistant sur la *capacité* de ces communes à assurer le niveau minimum de services fixé, et sur les implications possibles d'une concentration des services pour satisfaire aux besoins de populations plus dispersées.

... et en tissant des liens solides avec les acteurs concernés

- Renforcer les synergies entre les actions des GAL et les politiques communales en matière de fourniture de services. Communes et GAL pourraient se concerter pour trouver des solutions à des problèmes de développement local. L'enjeu est de créer une « chaîne de développement » allant des villages aux sous-régions. S'ils sont dotés d'un statut permanent et plus officiel, les GAL peuvent jouer un rôle en associant les administrés à l'amélioration de la fourniture des services qui leur sont destinés dans le cadre des stratégies mises en place par les communes.
- Renforcer la présence des secteurs privé et associatif en tant qu'intervenants dans la fourniture des services, en insistant sur le suivi de leurs « responsabilités à l'égard du public ». Toutefois, il ne faudrait pas que l'intervention de ces secteurs dans la fourniture de biens publics compromette leurs activités de production. En effet, la production est leur rôle premier, surtout s'agissant du secteur privé. Dans ce contexte, il importe de veiller à ce que la structure relative des salaires et les marchés du travail ne produisent pas de désincitation à exercer des activités de production.
- Accroître le partage des bonnes pratiques et des pratiques innovantes entre les communes, les fournisseurs de services, et avec les pays étrangers. Même si l'Association des autorités locales et régionales de Finlande possède déjà une base de données sur les pratiques exemplaires, accessibles depuis son site web, et si le réseau DESERVE confronte ces meilleures pratiques à ce qui

existe à l'étranger, des efforts supplémentaires pourraient être consentis sur le plan de la systématisation et de la facilité de mise en œuvre des pratiques exemplaires. Dans le cadre des transferts budgétaires, on pourrait aussi prévoir des incitations à la création et l'adoption d'innovations et de pratiques offrant un bon rapport coût-efficacité. Enfin, le fait d'inclure un plus grand nombre de pays dans l'échange de pratiques exemplaires permettrait à ceux-ci de s'enrichir de l'expérience de la Finlande et à cette dernière de tirer des enseignements applicables à son contexte.

2) *renforcer la compétitivité des entreprises implantées en milieu rural en étendant les mesures d'aide aux entreprises en vigueur aux PME des zones rurales...*

Au niveau national, la Finlande dispose d'une large palette d'instruments destinés à promouvoir la compétitivité des entreprises suivants trois axes, instruments dont la dimension « rurale » pourrait être renforcée: i) soutien financier et aux entreprises, ii) politiques encourageant l'innovation et la diffusion du savoir, et iii) politiques de renforcement des actifs relationnels ou politiques de regroupement.

Instruments de soutien financier et aux entreprises. Il existe un certain nombre d'instruments « spécifiques aux zones rurales » tels que ceux inclus dans les volets 3 et 4 du Programme de développement rural, qui, en dépit de la modicité du budget de ce programme, ont donné des résultats probants en matière de promotion de l'entrepreneuriat, de création d'emplois et de formation concernant les entreprises en milieu rural. Il existe en outre diverses organisations consultatives proches de la population rurale mais largement axées sur le secteur primaire (centres consultatifs ruraux, centres consultatifs pour les entreprises de pêche, pour l'exploitation forestière, etc.). À une tout autre échelle, le ministère du Commerce et de l'Industrie dispose de plusieurs instruments financés par l'UE (FEDER et FSE) pour les PME, qui sont gérés au niveau régional par les Centres de promotion de l'emploi et du développement économique (Centres TE). Même si d'importants efforts ont été déployés pour rapprocher les services de conseil pour le financement et les entreprises de la population rurale (comme le projet de « centres infrarégionaux de services aux entreprises » destiné à créer un réseau d'au moins 60 points de services aux entreprises régionaux, les entreprises implantées en milieu rural, notamment les jeunes entreprises dont l'activité n'est pas liée à l'agriculture, ont plus de difficultés à trouver une aide et des conseils sur le plan financier. En principe, cette « division tacite de l'aide » ne

devrait pas exister. Il convient donc de s'attaquer aux racines du problème. À cet égard, il est recommandé de :

- Profiter du caractère multisectoriel des Centres TE pour rapprocher davantage de la population rurale les services de conseil pour le financement et les entreprises. Déjà chargés de gérer les programmes sur les PME au niveau régional et de gérer les fonds de l'UE pour le développement rural, ces centres sont particulièrement bien placés pour faire le lien avec les entreprises rurales non agricoles et adapter les instruments disponibles en conséquence. Ils disposent d'un atout majeur, à savoir qu'ils diminuent le problème de la coordination entre les représentations infranationales des ministères sectoriels aux niveaux régional et local, contrairement à ce qui se passe dans d'autres pays. Par ailleurs, le réseau des GAL pourrait rapprocher les entreprises rurales des services offerts par les Centres TE, qui ne sont pas nécessairement liés aux fonds pour le développement rural.

... encourager l'innovation en mettant l'accent sur le capital humain...

Mesures visant à promouvoir l'innovation et la diffusion des connaissances : les mesures prises par la Finlande pour encourager l'innovation et les interactions entre les entreprises, les universités et l'administration – ce qu'on a appelé le modèle d'interaction « à trois branches » – ont inspiré de nombreux pays. Le système d'innovation national est toutefois marqué par une préférence implicite pour le milieu urbain étant donné son orientation en faveur des entreprises de R-D et de technologie. Néanmoins, des initiatives intéressantes ont été mises en œuvre pour renforcer les activités d'innovation des PME rurales. Ces initiatives et d'autres expériences dans l'OCDE mettent en évidence les recommandations suivantes :

- Élargir le champ d'application de la politique de l'innovation. Les efforts déployés par le ministère du Commerce et de l'Industrie pour adopter une définition plus large de l'innovation devraient se refléter encore davantage dans le système d'innovation national en mettant en avant le rôle de l'acquisition de connaissances dans le processus d'innovation et l'importance, non seulement de créer l'innovation, mais aussi d'adopter des innovations venues d'ailleurs.
- Favoriser un engagement plus actif des établissements d'enseignement supérieur au service du développement rural. Les établissements des plus hauts niveaux de chaque région rurale [qu'il s'agisse d'universités, d'instituts technologiques, d'instituts de recherche et établissements d'enseignement professionnel] pourraient contribuer davantage au

développement rural en faisant participer leurs étudiants à des projets de développement rural et en participant eux-mêmes aux discussions sur ce thème au sein des groupes d'action locale par exemple, éventuellement en faisant parti de leurs conseils d'administration.

- Encourager la valorisation et l'installation des ressources humaines dans les zones rurales. Les mesures prises pour améliorer les compétences et le savoir-faire de la population rurale devraient être suffisamment souples pour tirer parti de la formation professionnelle mais aussi des possibilités de formation en ligne et à distance et de l'enseignement non formel et parallèle. Des actions doivent être entreprises pour attirer des ressources humaines, notamment des professionnels créatifs, dont on sait qu'ils sont très intéressés par les agréments des zones rurales tels que les paysages et les loisirs, et qui représentent une source d'innovation extérieure pour les communes.

... et sur la formation de réseaux externes

Mesures visant à renforcer les relations ou les regroupements. A l'heure actuelle, la politique finlandaise de spécialisation régionale (les regroupements) et de compétitivité régionale passe par deux programmes : le Programme des Centres d'Expertise (CoE) et le Programme des Centres Régionaux (RCP). Ces programmes ont privilégiés la centralisation et la compétition entre régions laissant les économies rurales exclues lorsqu'elles sont trop éloignées géographiquement. Sur la période 2007-2010, la section régionale a été incorporée dans un programme de Politique Rurale Spéciale, qui a partiellement amélioré la situation en incluant ces zones délaissées par le RCP. Le CoE, pour sa part, s'est concentré sur les regroupements plus que sur les localisations dans sa version 2007-2010, offrant l'opportunité aux entreprises rurales de pouvoir plus bénéficier de ce programme. À cet égard, les mesures suivantes sont recommandées :

- Étendre les réseaux de connaissances zones rurales/zones urbaines. L'approche adoptée pour favoriser les liens entre espaces ruraux et urbains devrait être moins simpliste et plus souple, en tirant parti des trajets quotidiens, des résidences d'été, des « racines rurales » vivaces de la population urbaine finlandaise et d'autres vecteurs d'interaction entre zones rurales et urbaines, afin de compenser, grâce aux réseaux extérieurs, le manque de réseaux locaux denses dans les zones rurales et de faciliter les transferts de connaissances au delà des échanges de proximité.
- Exploiter la dimension rurale des programmes de regroupement et de développement régional. Il serait souhaitable de chercher à créer des effets de synergie entre le Programme de politique rurale, le Programme des

centres d'expertise et le Programme des centres régionaux en faveur des entreprises rurales, en tenant compte des divers modes d'interaction intervenant entre les entreprises rurales et urbaines selon le type de secteur d'activités.

3) Améliorer le climat économique dans les zones rurales, en mettant en avant un certain nombre d'éléments déclencheurs...

Les politiques visant à améliorer la compétitivité des entreprises doivent s'accompagner d'autres mesures destinées à renforcer le « contexte favorable » à l'activité industrielle et commerciale de la région concernée. En l'espace de dix ans, la Finlande est parvenue à créer un environnement propice aux entreprises nationales et étrangères. Cependant, nombre des mesures prises ne font pas intervenir la dimension géographique, autrement dit, elles ne font pas de distinction entre les régions. La politique rurale au sens large doit s'intéresser à certaines questions particulières qui pourraient poser problème aux zones rurales pour créer des conditions favorables :

- Améliorer la qualité des infrastructures de transport, qui sont très différentes selon les régions. L'entretien du réseau de transport dans les régions peu peuplées du nord de la Finlande est difficile et coûteux. Néanmoins, au delà de l'analyse coûts/avantages classique des investissements dans le système de transport, plusieurs externalités positives doivent être prises en compte, par exemple: 1) les retombées de l'accès à un réservoir de main-d'œuvre plus étendu, 2) la diminution des coûts de transaction découlant d'un accès plus rapide aux fournisseurs et aux clients, 3) un accès plus large aux marchés (y compris choix des fournisseurs et clientèle élargie), et 4) moins de contraintes sur l'aménagement du territoire.
- Poursuivre les efforts en vue d'accroître l'utilisation de l'infrastructure d'accès à haut débit, unifier les différents systèmes de TI régionaux et faciliter le télétravail dans les zones rurales. L'importance accordée par la Finlande au développement du réseau des TIC est indéniable: le taux d'accessibilité y est l'un des plus élevés de l'OCDE (déjà 96.1 % de la population). Toutefois, ces services sont encore peu utilisés, en particulier dans les zones rurales, étant donné que la moitié seulement des ménages finlandais disposent d'un accès à haut débit. En outre, on craint qu'il n'y ait des problèmes d'incompatibilité entre les réseaux de TI installés dans différents secteurs et régions. Il importe de résoudre ces problèmes pour obtenir une offre homogène de services publics nationaux et pour exploiter la possibilité qu'offre l'accès à haut débit de donner des chances égales à tous en

réduisant les contraintes géographiques, afin que les entreprises rurales puissent participer à l'économie du savoir.

- Accéder aux services financiers, notamment le capital-risque et le financement de l'innovation. La politique rurale devrait encourager une participation accrue des institutions financières privées au développement rural. Les difficultés liées à l'évaluation de la rentabilité financière des projets ruraux dissuadent souvent le secteur financier d'y participer. Les banques et les autres institutions financières pourraient jouer un rôle majeur, non seulement en tant que prêteurs, mais aussi en qualité de conseillers, de bailleurs de fonds de démarrage, d'évaluateurs, etc. En particulier, elles pourraient répondre à la demande de financement initial des entreprises visant à diversifier les activités dans les zones rurales.

... ainsi que des agréments naturels, culturels et historiques peu exploités

Il est tout aussi important de mettre en œuvre des politiques destinées à valoriser les agréments naturels, culturels et historiques peu exploités. La Finlande a adopté des mesures explicitement en faveur d'une activité économique reposant sur la jouissance des ressources naturelles, par exemple les « droits de tout un chacun » inscrits dans la législation finlandaise. En outre, l'action locale a été orientée en vue d'améliorer la « qualité des lieux » dans de nombreux endroits spécifiques. D'autres actions coordonnées pourraient être entreprises dans les domaines suivants :

- Valoriser et améliorer l'offre relative aux agréments ruraux. Les mesures prises pour favoriser les activités économiques liées à la jouissance des ressources naturelles devraient être renforcées en répétant l'estimation de la valeur (la demande) d'agréments locaux spécifiques et en encourageant la création de mécanismes de marché ou analogues à ceux qui opèrent sur le marché afin d'en faire bénéficier la population locale, soit en stimulant la coordination entre l'offre et la demande, soit en améliorant les incitations de type réglementaire ou financier.
- Promouvoir le tourisme rural en tant que créneau spécifique et multiplier les initiatives permettant de lier les attractions touristiques et le développement des entreprises. Le tourisme rural devrait être encouragé car il a le double avantage d'être en progression partout dans le monde et de générer des flux de revenus pour la population rurale. Par ailleurs, il serait souhaitable de chercher à créer des liens entre les collectivités rurales et les attractions touristiques déjà bien établies en Finlande, et, comme dans le cas de Sotkamo et de Kuusamo, de tirer parti des flux touristiques pour développer la spécialisation et les entreprises dans des secteurs connexes.

En résumé

La Finlande est l'un des pays les plus ruraux de l'OCDE et c'est aussi l'un des premiers à avoir adopté une approche plurisectorielle de la politique rurale, ce qui a notamment aidé les dirigeants à définir les enjeux propres à différents types de zones rurales (proches des zones urbaines, zones rurales profondes et régions faiblement peuplées). Si l'adaptation des politiques sectorielles aux besoins spécifiques de ces zones doit encore être affinée, le modèle finlandais de politique rurale a contribué de manière raisonnablement satisfaisante à harmoniser les politiques sectorielles visant les zones rurales (la « politique rurale générale ») et à tirer parti des instruments communautaires pour développer un réseau actif et motivé d'agents du développement rural (autrement dit, la « politique rurale spécifique »). Malgré une place institutionnelle relativement peu importante au sein de l'administration, la Commission de la politique rurale a été déterminante dans cette évolution et joue un rôle capital dans la gouvernance de la politique rurale, en servant à la fois de lien entre les diverses parties prenantes, mais aussi d'instrument de défense des collectivités rurales. Les résultats de plus de vingt années de politique rurale en Finlande pourraient être consolidés en accordant à ce domaine d'action une place et un budget propres, en renforçant ses mécanismes de suivi et de vérification de l'impact des mesures sur les zones rurales et en rapprochant les acteurs régionaux de la politique rurale. Les principales priorités pour l'avenir sont les suivantes: améliorer l'équité et l'efficacité de l'offre de services publics compte tenu d'une population vieillissante et clairsemée, renforcer la compétitivité d'un nombre croissant d'entreprises rurales non agricoles, et améliorer l'environnement économique dans les zones rurales en tirant parti de l'abondance de leurs agréments naturels.

Arviointi ja suositukset

Suomi on yksi OECD:n maaseutumai simmistä maista...

Suomi on hyvin harvaan asuttu maa: keskimääräinen väestötiheys on 17.1 asukasta/km² ja OECD:n maaseutumääritelmän mukaisilla maaseutuvaltaisilla alueilla väestötiheys on vain 11.5 asukasta/km². OECD:n maaseutumääritelmän mukaisten maaseutuvaltaisten alueiden osuus on Suomessa OECD-maiden viidenneksi suurin (89%) ja niiden osuus väestöstä (53% n. 5.3 miljoonan väestöstä) ja bruttokansantuotteesta (45%) on toiseksi suurin. Suomen maaseutumaisuus näkyy selvästi myös kulttuurissa ja suomalaisten läheisessä suhteessa luontoon ja maaseutuun: useimmilla on vahvoja perhesiteitä maaseutuun, joka viides suomalainen on metsänomistaja ja kasvava osa suomalaisista on halukas asumaan pysyvästi maaseudulla etsiessään parempaa elämisen tasoa vielä työssä ollessaan tai jäätyään eläkkeelle.

... jonka kaikilla maaseutuvaltaisilla alueilla menee varsin hyvin...

OECD:n maaseutualueiden vertailussa on huomattavaa, että kaikilla Suomen maaseutuvaltaisilla alueilla BKT asukasta kohden on OECD:n keskiarvon yläpuolella ja se myös kasvoi keskimääräistä nopeammin vuosina 1998-2003. Toisin sanoen, jos otetaan neljä neljänestä OECD:n keskiarvon ylä- ja alapuolella, kaikki Suomen maaseutuvaltaiset alueet kuuluvat korkean tason (rikkaat) ja korkean kasvun (voimakkaasti kehittyvät) ryhmään. Nopeimmin kasvavilla maaseutualueilla BKT:n kasvuun vaikuttavat eniten korkea tuottavuus, työssäkäynti paikkakunnan ulkopuolella, muuttovoitto ja työikäisten osuus. Vastaavasti tärkeimpiä Suomen maaseutualueiden hidasta kasvua selittäviä tekijöitä ovat alhaisempi tuottavuus, väestön väheneminen, alhaisempi työllisyys ja työikäisten alhainen osuus.

... ja jonka heikommin kehittyvät maaseutualueet saavuttavat muita kehityksessä.

On myös huomattavaa, että Suomessa on merkkejä alueiden lähentymisestä: maaseutualueet, joilla on alhaisin BKT asukasta kohden ja

suurin maaseutumaisissa kunnissa asuvien osuus väestöstä, ovat ottaneet muita kiinni ja niiden BKT on kasvanut maan keskiarvoa nopeammin (Kainuu 3.2%, Etelä-Pohjanmaa 3.6% ja Etelä-Savo 3.9%, maan keskiarvo 2.8% vuosina 1998-2003). On kuitenkin syytä korostaa, että nämä alueet lähestyvät kansallista keskiarvoa muiden tekijöiden ohella poismuuton takia, mikä vaikuttaa alueen suhteelliseen tuottavuuteen. Tämä näkyy siinä, että BKT:n perusteella näiden alueiden todellinen vuosittainen kasvu oli maan keskiarvon alapuolella (1.4%, 3.2% ja 2.9%, maan keskiarvo 3.5%).

Erilaisten maaseutualueiden haasteet ja mahdollisuudet vaihtelevat kuitenkin suuresti...

Suomessa maaseutumaisuus on hyvin tiedostettu ja maassa on laadittu aluetypologia helpottamaan erilaisten maaseutualueiden välisten kehityserojen tutkimista ja vertailua. Hallinnossa ja tutkimuksessa hyväksytty typologia jaottelee kunnat kaupunkikuntiin (urban municipalities, UMs), kaupunkien läheisen maaseudun kuntiin (rural municipalities close to urban areas, RCUAs), ydinmaaseudun kuntiin (rural heartland municipalities, RHMs) ja harvaan asutun maaseudun kuntiin (sparsely populated rural municipalities, SPRMs), joiden tilanteet eroavat selvästi toisistaan:

- *Kaupunkien läheisellä maaseudulla sijaitsevilla 89 kunnassa, pääosin Etelä- ja Länsi-Suomessa, väestö kasvaa nopeimmin ja ikärakenne on nuorin Suomessa. Vuosina 1995-2005 väestönkasvu oli 9%, kun taas kaupungeissa väestö kasvoi 6.4% ja koko maassa 2.7%; vuonna 2005 syntyvyys oli korkein (11.6/1 000), kuolleisuus oli alhaisin (8/1 000), ja lapsiperheiden ja alle 15-vuotiaiden osuus oli korkein (45% ja 22%). Hyvinvointi on korkealla tasolla, koska tulot ovat maan keskiarvon yläpuolella (101%), vaikkakin alhaisemmat kuin kaupunkikunnissa (joissa ne ovat 108%), mutta kaupungin läheisen maaseudun kunnissa on vähemmän työttömiä (8%, 3 prosenttiyksikköä vähemmän kuin kaupungeissa), parempi turvallisuus (puolet vähemmän väkivaltarikoksia tuhatta asukasta kohti kuin kaupungeissa) ja niissä yhdistyvät luonto, hyvä infrastruktuuri ja palvelujen tarjonta. Niiden talous on palveluvaltainen (julkiset 33% ja yksityiset 41% kokonaistyöllisyydestä vuonna 2004) ja teollisuudessa ja rakennusalalla työskentelevien osuus työvoimasta on korkein (teollisuudessa 24%, kaupungeissa tämä osuus on 17%, rakennusalalla 8%, kaikissa muissa kuntatyypeissä osuus on 6%), ja vain 5% työvoimasta työskentelee alkutuotannossa. Kaupunkien läheisen maaseudun tulevaisuus näyttää hyvin lupaavalta, vaikka se kohtaakin merkittäviä haasteita liittyen työmatkaliikenteeseen, kaupungeissa ennen asuneiden ihmisten suuriin palveluodotuksiin ja siihen, kuinka kehitys saadaan tasapainotettua ja sopeutettua miellyttävän maiseman ja luontoympäristön säilyttämiseen.*

- *Ydinmaaseudulla sijaitsevilla 142 kunnassa, pääosin Etelä- ja Länsi-Suomessa, väestö laski 4.5% vuosina 1995-2005, mutta tällä hetkellä ne näyttävät olevan saavuttamassa uuden tasapainon pienemmällä väestöllä, koska niiden nettomuuttoluvut lähestyvät nollaa. Yhteiskuntataloudellisten mittareiden suhteen ydinmaaseudun kuntien tulokset vaihtelevat. Jotkut tulokset ovat hyvin kaukana kaupunkien läheisten maaseutukuntien ja kaupunkien luvuista (esim. tulot 86% maan keskiarvosta, koulutustaso 76% kaupunkien vastaavasta ja 90% kaupungin läheisen maaseudun vastaavasta Suomen yleisen koulutustasoindeksin mukaan), mutta joidenkin hyvinvointimittareiden suhteen, erityisesti työttömyyden ja turvallisuuden, ne ovat käytännöllisesti katsoen samalla tasolla kuin kaupunkien läheisen maaseudun kunnat, eli parempia kuin kaupunkikunnat. Yhteistä *harvaan asutun maaseudun kuntien* kanssa on alkutuotannon suurempi osuus (14% työllisyydestä vuonna 2004) ja kaupunkien läheisen maaseudun kuntien kanssa teollisuuden suurempi osuus (23%); ja siksi jonkin verran pienempi osuus työvoimasta työskentelee julkisissa ja yksityisissä palveluissa kuin kahdessa muussa maaseutukuntatyypissä (30% ja 24%). Erikoistuminen metsä- ja maatalouteen on tehnyt näistä alueista haavoittuvaisia alkutuotannossa viimeisten kymmenen vuoden aikana tapahtuneen rakennemuutoksen vuoksi (ydinmaaseudun kunnissa näiltä aloilta katosi 18 300 työpaikkaa vuosina 1995-2004). Jakson lopussa tase työpaikkojen luomisen suhteen on kuitenkin positiivinen, koska maatilat ovat monipuolistaneet toimintojaan (lähinnä palveluihin kuten matkailuun, kuljetukseen ja kiinteistöhoitoon sekä uusiutuvan energian tuotantoon) ja on perustettu uusia yrityksiä, jotka eivät millään tavoin ole sidoksissa maatalouteen. Itse asiassa vuosina 1993-2004 ydinmaaseudulle syntyi eniten pieniä ja keskisuuria yrityksiä: 54% maaseutukuntiin syntyneistä uusista yrityksistä sijaitsi ydinmaaseudulla. Tässä suhteessa merkittäviä haasteita ovat näiden uudentyyppisten, maaseutuypärästössä kasvavien yritysten vahvistaminen ja kansainvälistyminen, koska maaseudulta puuttuu monia etuja, joita yrityksillä on kaupunkiympäristössä.*
- *Harvaan asutulla maaseudulla sijaitsevat 143 kuntaa, pääosin Itä- ja Pohjois-Suomessa, ovat heikoimmassa asemassa. Väestöä on kadonnut viimeisten kymmenen vuoden aikana (-12.5% vuosina 1995-2005) ja lähtijöistä suuri osa on naisia ja nuoria. Tämä on pahentanut Suomessa jo muutenkin nopeasti etenevää väestön ikääntymistä (tällä hetkellä harvaan asutun maaseudun väestöstä 24% on yli 65-vuotiaita, mikä on lähellä koko Suomessa vuonna 2030 odotettavissa olevaa 26%:n osuutta) sekä johtanut epätasapainoiseen sukupuolirakenteeseen (54% työikäisistä on miehiä). Verrattuna muihin maaseututyyppeihin ja kaupunkeihin, harvaan asutulla maaseudulla on alhaisin koulutustaso, alhaisimmat keskitulot (75% maan*

keskiarvosta), korkein työttömyys (14%, 3 prosenttiyksikköä korkeampi kuin kaupunkikunnissa) ja alhaisin asumistaso. Kuten muissakin maaseutukunnissa talouden rakenteissa on tapahtunut huomattavia muutoksia (maatalouden väheneminen, julkisen sektorin rakennemuutos ja teollisuusyritysten uudelleensijoittuminen). Toisin kuin kaksi muuta maaseututyyppeä harvaan asuttu maaseutu ei kuitenkaan ole pystynyt kompensoimaan työpaikkojen katoamista luomalla riittävästi uusia palvelualojen työpaikkoja. Lisäksi kehityksellä on ollut vakavia vaikutuksia kunnallishallinnon talouteen, mikä on entisestään rajoittanut niiden mahdollisuuksia tarjota palveluja ja työpaikkoja yhä hajanaisemmalle väestölle. Tästä kaikesta huolimatta kunnissa on merkittävää, vielä käyttämätöntä potentiaalia liittyen pääasiassa matkailuun, luontoon ja loma-asuntopalveluihin. Näissä kunnissa käy vuosittain tuhansia kesäasukkaita, jotka esim. vuonna 2004 kasvattivat harvaan asutun maaseudun väestöä kesäaikaan 42%.

... ja siksi aluekohtainen maaseutupolitiikka sopii parhaiten.

Suomen maaseutualueilla käynnissä olevat merkittävät muutokset vaativat erityistä maaseutupolitiikkaa, joka kykenee yhdistämään tähän muutosprosessiin riittävästi erilaisia sektoripolitiikkoja, joissa otetaan huomioon erityyppisten alueiden erityiset haasteet ja mahdollisuudet. Tämä tarve on tunnistettu Suomessa, mikä näkyy siinä, että maaseutupolitiikka itsenäisenä politiikan alana (ilman maataloussektorin näkökulmaa) alkoi Suomessa ennen useimpia muita OECD-maita. Kun OECD tarkasteli ensimmäisen kerran suomalaista maaseutupolitiikkaa (OECD, 1995), tästä käsitteestä oli keskusteltu Suomessa jo kymmenen vuoden ajan. On vaikea arvioida, missä määrin Suomen maaseutualueiden suhteellisen hyvän suoriutumisen johtuu tästä politiikkatyöstä. Joka tapauksessa maaseutualueiden tämänhetkinen asema on lujempi ja lupaavampi kuin vuonna 1995, jolloin niitä juuri kohdanneen vakavan taantuman seurauksena työttömyys oli noussut 18%:iin ydinmaaseudun kunnissa ja kaupunkien läheisellä maaseudulla ja 23%:iin harvaan asutulla maaseudulla. Tänä päivänä tarve maaseutupolitiikkaan ei kuitenkaan ole yhtään vähäisempi.

Suomalainen maaseutupolitiikka...

Nykyään Suomi määrittelee maaseutupolitiikan tavalla, joka:

- 1) tasapainottaa tehokkaasti sektoripolitiikkojen koordinoitua pyrkiessään takaamaan riittävästi huomiota maaseudulle sekä
- 2) korostaa, että on myös

tärkeää kohdistaa erityisiä ohjelmia edistämään maaseudun kehittämistä ja kilpailukykyä. Suomen onnistuminen perustuu kahteen eri maaseutupolitiikan ulottuvuuteen: laaja maaseutupolitiikka tähtää ensimmäisen tavoitteen saavuttamiseen ja suppea maaseutupolitiikka työskentelee toisen hyväksi. Lähestymistapa edustaa oikeanlaista tasapainoa OECD:ssä usein havaittavan kahden ääripään välillä: “suuren suunnitelman” (grand plan) ratkaisut pyrkivät integroimaan kaikki politiikat alueelliseen strategiaan, mikä on osoittautunut mahdolltomaksi toteuttaa, kun taas “pienimuotoisten erityistoimien” (niche policy) toimialat ja budjetit ovat hyvin rajallisia.

... jota suuntaa ja liikuttaa maaseutupolitiikan yhteistyöryhmä YTR...

Suomen tapauksen analyysi osoittaa, että on tarpeen tarkastella ei vain maaseutupolitiikan sijoittumista hallinnossa vaan myös sitä legitimitettiin, jonka maaseutupolitiikka on “ansainnut” muiden maaseutuasioiden kanssa työskentelevien toimijoiden keskuudessa, joihin kuuluvat poliitikot, eri tasojen hallintovirkamiehet, yliopistot ja tutkijat, sekä maaseutuväestö ja järjestäytynyt kansalaisyhteiskunta. Maaseutupolitiikan Suomessa saavuttama asema on pitkälti maaseutupolitiikan yhteistyöryhmän (YTR) ansiota. Se aloitti maaseudun kehittämisprojektina vuonna 1988, mutta se sisällytettiin lainsäädäntöön vasta vuonna 2000. YTR:n 29 jäsentä edustavat yhdeksää ministeriötä ja 18 muuta organisaatiota. YTR ei ole ollut pelkästään väline, jonka avulla on integroitu politiikkaa ja saatettu yhteen eri toimijoita, vaan se on itsessään merkittävä toimija ja muutosvoima. Maaseutupolitiikan asema hallinnossa ei kuitenkaan (kuten ei monissa muissakaan maissa) ole paras mahdollinen. Alun perin suomalainen maaseutupolitiikka nivoutui aluepolitiikkaan, mikä korosti sen monialaista ulottuvuutta ja selkeää eroa maatalouspolitiikkaan. “Laajan maaseutupolitiikan” institutionaaliset saavutukset ovat saaneet vahvistusta aluepolitiikasta. EU:n maaseutupolitiikan vaikutuksesta maaseutupolitiikan yhteistyöryhmä ja maaseudun kehittämisohjelmat, eli “suppea maaseutupolitiikka”, päätettiin kuitenkin sijoittaa maa- ja metsätalousministeriöön. Kuten muissakin maissa, tämä luo kilpailevien prioriteettien ja toimialueiden aiheuttamaa jännitettä maatalous- ja maaseutupolitiikan välille, mikä näkyy esimerkiksi siinä, että Manner-Suomen maaseudun kehittämisohjelman 2007-2013 valmistelussa maaseudun kehittämistoimet jäivät suhteellisen vähälle huomiolle maatalouden ympäristötukeen verrattuna.

... on onnistunut melko hyvin yhdenmukaista maan maaseutualueita koskevia sektoripolitiikka ja...

Muiden tehtäviensä ohessa YTR avustaa hallitusta maaseutupoliittisen kokonaisuohjelman laatimisessa ja toteuttamisessa. Ohjelma sisältää hallituksen eri toimintakokonaisuuksia koskevia päätöksiä, joita toteutetaan ns. laajan maaseutupolitiikan puitteissa. Maaseutupoliittinen kokonaisuohjelma on onnistunut suhteellisen hyvin yhdenmukaistamaan maaseutualueille suunnattuja sektoripolitiikkoja. Kaikki neljä maaseutupoliittista kokonaisuohjelmaa (1991, 1996-2000, 2001-2004 ja 2005-2008) ja valtioneuvoston maaseutupoliittinen selonteko eduskunnalle vuodelta 1993, valtioneuvoston periaatepäätös maaseutupoliittisiksi linjauksiksi vuodelta 2001 ja kaksi valtioneuvoston hyväksymää maaseutupoliittista erityisohjelmaa (2005-2006 ja 2007-2010) ovat tarjonneet poliittiset puitteet ja pitkän aikavälin vision maaseutupolitiikalle. Kaksi erillistä ohjelmaa (kansallinen maaseutupoliittinen kokonaisuohjelma ja valtioneuvoston selonteko/periaatepäätös/erityisohjelma), joista toinen sisältää lukuisien toimijoiden toteutettavaksi esitettyjä ehdotuksia ja toinen valtioneuvostotason päätöksiä, helpottavat vastuiden jakoa ja tiedonkulkua ja liittävät suunnittelu- ja toteutusvaiheet toisiinsa. Keskeisiä vahvuuksia tässä prosessissa ovat: 1) kansalaisyhteiskunnan ja tutkijoiden/yliopistojen osallistuminen paikallisen ja teknisen tiedon lähteinä, mikä pienentää kriittistä tietoaukkoa, joka monilla keskushallinnoilla on maaseutupoliittisten prioriteettien suuntaamisessa; 2) ohjelman "omistajia" ovat erilaiset hallinnon sisäiset ja ulkopuoliset toimijat, mikä on seurausta pitkästä, monilla foorumeilla käydystä neuvotteluprosessista ja kaikkien avaintahojen toimien yhteensovittamisesta ja; 3) selkeä roolien ja vastuiden jako hallinnon sisällä ja vuotuiset tai kahden vuoden välein suoritettavat seuranta- ja arviointiprosessit, joista käy ilmi, miten ehdotuksia/päätöksiä on viety eteenpäin.

... ja antamaan paikallista sisältöä EU:n maaseudun kehittämisvaroille.

Suomi on käyttänyt EU-rahoitusta viisaasti hyväkseen rakentaessaan suppeaa maaseutupolitiikkaansa. Menestystä on saavutettu etenkin Leader-toimintatavan soveltamisessa ja paikallisten toimintaryhmien toiminnassa. Tämän toimintatavan onnistumista selittävät mm: 1) aikaisempi vaapaaehtoisten kylätoimijoiden verkosto (2 800 kyläyhdistystä n. 3 900 kylässä), jolla jo ennen nyt käytettävissä olevia varoja oli pitkät

perinteet yhteisöllisessä vapaaehtoistyössä (talkoot); 2) Leader-toiminnan valtavirtaistaminen kattamaan kaikki maaseutualueet kansallisin varoin (vuodesta 1997 lähtien POMO-ohjelman kautta) ja muun EU-rahoituksen turvin (alueellinen maaseudun kehittämisohjelma ALMA ja tavoite 1 – ohjelmat); 3) paikallisten toimintaryhmien hallitusten osallistava, kolmikantainen rakenne, jossa paikallishallinto, paikalliset yritykset ja yhdistykset sekä paikalliset asukkaat ovat kaikki tasapuolisesti edustettuina; ja 4) paikallisten toimintaryhmien itsenäinen valta päättää rahoitettavista projekteista.

Valitettavasti onnistuneiksi osoittautuneet maaseudun kehittämistoimet kuten Leader ovat varsin rajallisen rahoituksen varassa ja mahdollisuutta niiden laajentamiseen ei pidetty kovinkaan tärkeänä Manner-Suomen maaseudun kehittämisohjelman 2007-2013 valmistelussa. Päinvastoin, Suomi päätti panna vähemmän painoa maaseudun kehittämistoimille (toimintalinja 3: maaseutualueiden elämänlaatu ja maaseudun elinkeinoelämän monipuolistaminen ja toimintalinja 4: Leader) kuin monet muut Euroopan maat. Tästä huolimatta Leader-ohjelman kokonaisrahoitus (joka nykyisellä ohjelmakaudella kattaa 55 toimintaryhmää) jaettiin huolellisesti maan eri osiin siten, että harvaan asuttuja alueita suositettiin asukasta kohden määritellyssä rahoituksessa.

Näitä saavutuksia voitaisiin lujittaa...

Yhtenä OECD:n maaseutumaisimmista maista ja viime vuosikymmeninä rakennetun varsin ainutlaatuisen maaseutupolitiikan ansiosta Suomi on hyvin vahvassa asemassa, kun pohditaan maaseutupolitiikan (joka on osoittanut tärkeytensä ja saavutuksensa suhteessa käytettävissä oleviin resursseihin ja mahdollisuuksiin) tulevaisuutta. Tähän asti kertyneiden saavutusten lujittamiseksi annetaan suosituksia koskien kolmea osa-aluetta: 1) maaseutupolitiikan oma asema ja resurssit, 2) maaseutupolitiikan välineiden parantaminen, erityisesti maaseutuvaikutusten arvioinnin (rural proofing) vakiinnuttamisella ja 3) paikallisten toimijoiden vahvistaminen ja alueellisten rakenteiden yhteensovittaminen maaseutupolitiikan kanssa.

... riippumatto malla asemalla ja omalla budjetilla...

Eri OECD-maista saadut tiedot ovat osoittaneet, että maaseutuasioista vastaavan elimen pitäisi kyetä työskentelemään muiden ylä- ja alkupuolisena toimijana, ts. hallinnon sektorirakenteen yläpuolella eikä sen sisällä. Tällä tavoin se pystyy: 1) osallistumaan sektoriministeriöiden koordinaatioon; 2) varmistamaan kaupunki- ja maaseutupolitiikan integroimisen;

3) hallinnoimaan omaa varainkäyttöään; 4) laajentamaan maaseutuyhteisöjen tukemisen näkökulman kokonaishallinnolliseksi ("whole government"); 5) luomaan keskeisiä maaseutuasioita tukevan ilmapiirin; 6) tekemään selkeän eron maaseutu- ja maatalousasioiden välille ja yhdistämään nämä uudelleen siten, että syntyy positiivinen, molempia tukeva suhde. Näin ollen suositellaan seuraavaa:

- Maaseutupolitiikan yhteistyöryhmän (YTR) institutionaalista roolia vahvistetaan. YTR:ää voitaisiin vahvistaa ja sen ydinrahoitus voitaisiin turvata siten, että se voisi toimia: 1) maaseutuasioita valvovana elimenä (maaseutuvaikutusten arvioinnin varmistaminen ja maaseutupoliittisen ohjelman toteutus), 2) hallituksen erityisneuvonantajana maaseutuasioissa ja 3) maaseutuyhteisöjen lähettiläänä ja puolestapuhujana. Tällaisessa roolissa YTR pystyisi paremmin tarkastelemaan ja kyseenalaistamaan kaikkien hallinnon osastojen ja julkisten toimielinten toimintaa ja suoriutumista.
- Maaseutupolitiikan irrottaminen maatalouspolitiikasta (taloudellisesti ja institutionaalisesti). Tulisi harkita mahdollisuutta erottaa maaseudun kehittäminen ja suppea maaseutupolitiikka maatalouspolitiikasta – sekä perusrahoituksen suhteen EU-tasolla (yhteinen maatalouspolitiikka) että kansallisissa instituutioissa (maa- ja metsätalousministeriö). Tällainen institutionaalinen erottaminen korostaisi sitä tosiasiaa, että maaseudun haasteet ulottuvat laajalti maataloussektorin ulkopuolelle. Lisäksi erityisen budjettirahoituksen osoittaminen maaseudun kehittämisohjelmille ei ainoastaan vähentäisi niiden riippuvuutta projektivaroista vaan sallisi maaseutupolitiikan verkoston voimavarojen suuntaamisen selkeiden tavoitteiden ja aikataulujen mukaisesti.

... parantamalla seurannassa ja maaseutuvaikutusten arvioinnissa tarvittavia välineitä...

Maaseutupoliittista kokonais- ja erityisohjelmaa tulisi parantaa edelleen, kuten on jo tehtykin vuosien mittaan. Sovittujen ehdotusten/päätösten toteuttamista arvioidaan, mutta osa tiedoista jää puutteelliseksi. Nämä koskevat: 1) ohjelmien ehdotusten/päätösten tuloksia, 2) maaseutualueilla tosiasiaassa käytettyä julkista rahoitusta, ja laajemmin 3) sektoripolitiikkojen vaikutuksia maaseudulla (maaseutuvaikutusten arviointi). Tässä suhteessa tulisi harkita seuraavia toimia:

- Kunkin ehdotuksen/päätöksen mitattavuuden parantaminen ja eri toimijoiden panostuksen selkiinnyttäminen (inhimilliset ja taloudelliset resurssit), odotetut tuotokset ja ennen kaikkea tulokset maaseudun kehittämisessä, jotka pitäisi saavuttaa ja kuinka nämä tulokset liittyvät koko maan kilpailukykyä koskevaan strategiaan.

- Harkitaan keinoja saada paremmat tiedot siitä, kuka maaseudulla tekee ja mitä ja millä resursseilla. Tämä voitaisiin tehdä jälkikäteen, ts. arvioida tietyn budjettikauden jälkeen, kuinka suuri osa kunkin ministeriön resursseista päätyi erityyppisille maaseutualueille, tai etukäteen, ts. sisällyttämällä maaseutunäkökulma budjettivarojen suuntaamisesta käytävään keskusteluun.
- Kaikkia eri tasojen hallintoelimiä ja julkisia toimielimiä vaaditaan osoittamaan (tarkistuslistan avulla), että ne ovat ottaneet maaseutualueiden intressit huomioon politiikkansa muotoilussa ja toteutuksessa sekä sisällyttämään aluestrategioihinsa maaseutualuetytologian mukaisen jaottelun tai ainakin selvittämään, missä määrin niiden strategiat hyödyttävät maaseutualueita.

... ja vahvistamalla paikallisia toimijoita ja sovittamalla aluerakenteet yhteen maaseutupolitiikan kanssa.

Maaseutupolitiikan yhteistyöryhmän toimet kansallisella tasolla sekä kylätoiminta ja paikalliset toimintaryhmät paikallis- ja seutukuntatasolla ovat rakentaneet Suomen nykyisen maaseutupolitiikan mallin. Paikalliset toimintaryhmät ovat osoittaneet ainutlaatuisella hallitusten kokoonpanolla ja toimintaperiaatteillaan, että niillä voi olla paljon laajempi rooli seutukunnissaan. Tätä tarkoitusta varten niiden täytyy lisätä institutionaalista vuorovaikutusta kuntien ja alueellisten toimijoiden kanssa. Lisäksi aluetasolla ei ole erityistä foorumia laajalle maaseutupolitiikalle ja maaseutuajattelun lisäämiseksi tarvittaisiin työtä alueellisten toimijoiden keskuudessa (sekä keskushallinnon edustajien kuten työvoima- ja elinkeinokeskukset, lääninhallitukset ja ympäristökeskukset että paikallistason edustajien kuten maakuntien liitot). Näin ollen suositellaan:

- Paikallisten toimintaryhmien roolin vahvistamista, laajentamista ja parempaa tunnustamista. Suomessa paikallisten toimintaryhmien rooli on jo laajempi kuin monissa Euroopan maissa ja ne ovat löytäneet oman paikkansa suomalaisessa maaseutupolitiikassa. Kun otetaan huomioon Suomen maaseutualueiden tarpeet, tätä laajempaa näkökulmaa Leader-toimintatapaan pitäisi vahvistaa. Vastuiden laajentaminen ja ryhmien parempi tunnustaminen ja tunnustaminen mahdollistaisivat vakuuttavan, pitkäjänteisen yhteistyön kuntien, seudullisten kehittämisorganisaatioiden, maakuntien liittojen ja keskushallinnon edustajien kanssa aluetasolla.
- Maaseutujaostojen perustaminen maakuntien yhteistyöryhmiin, jotka tuovat yhteen alueellisia toimijoita keskustelemaan kunkin alueen kehitysnäkymistä. Maaseutujaostoja perustaneiden alueiden kokemukset

ovat rohkaisevia, koska ne ovat tuoneet yhteen aluetasolla maaseutujärjestöjä, korkean asteen oppilaitoksia ja muita maaseutuasioissa keskeisiä osapuolia. Uudessa hallintorakenteessa aluepolitiikka siirtyy (tammikuussa 2008) uudelle ministeriölle (työ- ja elinkeinoministeriö), jossa yhdistyvät kauppa-, työvoima-, innovaatio- ja energia-asiat sekä aluepolitiikka. Maaseutujaostot voisivat parantaa maaseutupolitiikan ja näiden politiikkasektoreitten välistä suhdetta.

Tässä katsauksessa on tuotu esiin seuraavat Suomen maaseutupolitiikan avain-prioriteetit:

Keskeisiä tässä katsauksessa esiin tuotuja tulevaisuutta koskevia asioita ovat: 1) julkisten palvelujen tarjonnan tasapuolisuuden ja tehokkuuden parantaminen ottaen huomioon ikääntyvä ja väljästi asuva väestö, 2) kasvavan ei-maatilaisidonnaisten maaseutuyritysten joukon kilpailukyvyyn edistäminen ja 3) maaseutualueiden yritystoimintaympäristön parantaminen niiden runsaita luonnon ja ympäristön tarjoamia etuja hyödyntäen. Erityinen maaseutupolitiikka on ollut ratkaisevassa asemassa näiden prioriteettien tuomisessa poliittiseen keskusteluun ja innovatiivisten ratkaisujen kehittämisessä haasteisiin vastaamiseksi.

1) Julkisten palvelujen tasapuolisuus ja tehokkuus...

Suomen hyvinvointijärjestelmä on pystynyt tarjoamaan kohtalaisen korkeatasoiset julkiset palvelut myös syrjäisillä maaseutualueilla. Erityisen huomattavaa tämä on koulutuksen ja terveydenhuollon aloilla, joilla Suomi on niiden OECD-maiden joukossa, joissa alueiden väliset erot ovat pienimmät. Suomi kohtaa kuitenkin merkittäviä haasteita julkisten palvelujen tarjonnassa etenkin harvaan asutuissa maaseutukunnissa, jotka, kuten kaikki Suomen kunnat, ovat vastuussa useimpien julkisten palvelujen rahoituksesta (joka koostuu paikallisista veroista ja valtionosuuksista) ja järjestämisestä (2/3 peruspalveluista ml. koulutus, sosiaali- ja terveydenhuolto, kulttuuri, ympäristö ja tekninen infrastruktuuri). Kompensaatiomekanismista huolimatta osa maaseutukunnista kohtaa yhä suurempia vaikeuksia lakisääteisten palvelujen tarjoamisessa. Vaikeudet johtuvat pääasiassa palvelun järjestämiseksi tarvittavan kriittisen massan puuttumisesta, vaikeuksista saavuttaa syrjäisemmät asuinalueet ja palvelujen kysynnän muutoksista väestörakenteen muuttuessa, mikä aiheuttaa lisäkustannuksia näiden alueiden palvelujen järjestämisessä

Suomi on vastannut näihin haasteisiin monin keinoin: 1) Poliitikoilla, joilla tuetaan paikallisviranomaisten yhteistyötä kuntayhtymien kautta) ja uudelleenorganisoidaan palveluntarjontamekanismeja (puitelaila, joka tarjoaa kannustimia vapaaehtoiseen kuntaliitokseen, tai Kainuun alueen hallintokokeilulla, jossa palveluntarjontavelvoitteita keskitetään alueellisesti); 2) Innovatiivisilla tavoilla järjestää palveluja, kuten moni- ja yhteispalvelupisteet (yhdessä palvelupisteessä on saatavilla julkiset kunnalliset ja valtion palvelut, esim. eläke- ja työvoima-asiat, poliisi, käräjäoikeudet, kunnallisverot; joskus myös yksityiset palvelut kuten posti), mobiilipalvelut (esimerkiksi aikuiskoulutus mobiilin tietokonealueen ja koulutusyksikön avulla ja ikäihmisille suunnattu monipalvelubussikokeilu, johon sisältyvät terveys-, kulttuuri-, ostos- ja liikuntapalvelut) ja telemaattiset (etä-) ja sähköiset palvelut (esim. ilmaiset internetpisteet kaupoissa, kirjastoissa, kahviloissa ja julkisissa virastoissa; tietokone-videoneuvottelujen käyttö terveyspalveluissa; vertaiskoulutus tai maallikkoasiantuntijat paikallisissa tietokonealueissa, internetpisteissä, kahviloissa ja kodeissa); 3) Yksityisen ja kolmannen sektorin osallistuminen julkisten palvelujen tuottamiseen. Kansalaisyhteiskunnan osallistumisesta paikallisten palvelujen parantamiseen ei vain paikallisten toimintaryhmien verkoston ja kylätoiminnan kautta, vaan myös laajamittaisten aloitteiden avulla, on saatu rohkaisevia kokemuksia.

... kiinnittämällä huomiota harvaan asuttuun maaseutuun...

Kaiken kaikkiaan suomalainen maaseutupolitiikka on ollut varsin vakuuttavaa pyrkiessään takaamaan julkisten peruspalvelujen tarjonnan maaseutualueilla. Maaseutupoliittiseen erityisohjelmaan (2007-2010) sisältyy päätös laatia harvaan asuttujen maaseutukuntien erityishaasteita koskeva toimintaohjelma. Tähän liittyvät seuraavat suositukset:

- Lisätään tietoa aluekohtaisista puutteista infrastruktuurissa ja edistymisestä näiden puutteiden korjaamisessa systemaattisen strategian avulla. Hyvin konkreettinen vaihtoehto voisi olla arvioida puutteet useampien palvelujen tarjonnassa kaikissa 143 harvaan asutun maaseudun kunnissa tai tietyissä yhteisöissä näiden sisällä ja sitten pyrkiä korjaamaan nämä puutteet erityisen toimintasuunnitelman avulla.
- Tehostetaan politiikkojen sopeuttamista väestörakenteeseen. Harvaan asutulla maaseudulla voitaisiin perustaa erityisiä seniorikeskuksia keinona keskittää julkista ja yksityistä huomiota maaseutualueiden ikäihmisiin sekä luoda uutta taloudellista toimintaa tähän toimintaan omistautuneiden perheiden kanssa.

- Arvioidaan tämänhetkinen paikalliseen rahoitukseen ja valtionosuuksiin perustuva järjestelmä erityisesti harvaan asutun maaseudun kannalta sekä yhteen liittyvien kuntien vaikutukset painottaen erityisesti näiden kuntien kykyä saavuttaa palveluille asetetut minimistandardit ja mahdolliset vaikutukset, joita palvelujen keskittämisellä voi olla kauempana asuvaan väestöön.

... ja tukemalla kiinteitä yhteenliittymiä keskeisten toimijoiden välillä.

- Parannetaan paikallisten toimintaryhmien ja kunnallispolitiikan synergiaa palvelutuotannossa. Kunnat ja toimintaryhmät toimivat yhdessä löytääkseen ratkaisuja paikallisiin kehittämistarpeisiin. Haasteena on edistää kehitysketjua kylistä seutukuntiin. Aiempaa pitkäjänteisemmät toimintaryhmät voivat osallistua tähän ja saada kansalaiset mukaan parantamaan omaa palvelutarjontaansa kunnallisten strategioiden puitteissa.
- Lisätään yksityisen ja kolmannen sektorin osallistumista kumppaneina palvelujen tuottamiseen korostamalla niiden "yhteiskuntavastuun" seurantaa. Näiden sektoreiden osallistuminen julkishyödykkeiden tuotantoon ei kuitenkaan saa syrjäyttää niiden tuotannollista toimintaa, joka on etenkin yksityisen sektorin ensisijainen rooli. Tässä yhteydessä on tärkeää varmistaa, että suhteellinen palkkarakenne ja työmarkkinat eivät tarjoa negatiivisia kannustimia tuotantotoiminnassa työskentelemiselle.
- Lisätään hyvien käytäntöjen ja innovaatioiden jakamista kuntien, palvelun tuottajien ja ulkomaisten kumppanien välillä. Suomen Kuntaliiton internet-sivuilla on jo tietopankki kuntien parhaista käytännöistä ja DESERVE-verkosto vaihtaa parhaita käytäntöjä muiden maiden kanssa, mutta vielä enemmän voitaisiin tehdä, jotta parhaita käytäntöjä saataisiin toteutettua systemaattisesti ja helposti. Varainsiirtojen yhteydessä voitaisiin luoda kannustimia kustannustehokkaiden innovaatioiden ja parhaiden käytäntöjen luomiselle ja soveltamiselle. Suomen kokemuksista voisi olla hyötyä, kun uusia maita otetaan mukaan parhaiden käytäntöjen vaihtoon, ja Suomi voisi puolestaan saada uusilta mailta uutta tietoa ja kokemuksia.

2) Maaseutuyritysten toiminta ympäristön ja kilpailukyvyyn vahvistaminen ulottamalla yritystukea maaseudun PK-yrityksille...

Kansallisella tasolla Suomessa on laaja valikoima välineitä, joilla pyritään parantamaan yritysten kilpailukykyä kolmen toimintatavan kautta.

Näiden kaikkien “maaseutu-ulottuvuutta” voitaisiin vahvistaa. Toimintatavat ovat: 1) rahoitus- ja yritystuki, 2) innovaatioon ja tiedon levittämiseen tähtäävät politiikat ja 3) relationaalisen pääoman tai keskittymien (klustereiden) rakentamiseen tähtäävät politiikat.

Rahoitus- ja yritystukivälineet: Suomessa on lukuisia erityisesti maaseudulle kohdistettuja välineitä kuten maaseuturahastosta (Euroopan maaseudun kehittämisen maatalousrahasto, EAFRD, aikaisemmin EMOTR) osarahoitetun Manner-Suomen maaseudun kehittämisohjelman 2007-2013 toimintalinjoihin 3 ja 4 sisältyvät toimenpiteet, jotka aikaisemmillä ohjelmakausilla ovat osoittautuneet hyviksi keinoiksi edistää yrittäjyyttä, luoda työpaikkoja ja saada aikaan koulutusta maaseutuyrityksissä. Lisäksi on lukuisia neuvontajärjestöjä, jotka ovat lähellä maaseutujärjestöjä, mutta joiden toiminta koskee pääasiassa yksityistä sektoria (maaseutukeskukset, kalastuskeskukset, metsäkeskukset). Kauppa- ja teollisuusministeriöllä on käytettävissään huomattavasti suuremmassa mittakaavassa erilaisia EU-rahoitteisia välineitä (EAKR ja ESR) PK-yritysten tukemiseksi, joita aluetasolla hallinnoivat työvoima- ja elinkeinokeskukset (TE-keskukset). Vaikka EMOTR:n ja EAKR:n yhteistyöllä onkin pyritty tuomaan rahoitusta ja yritysten neuvontapalveluja lähemmäksi maaseutuväestöä (esim. seutukunnallisia yrityspalveluja koskeva projekti, jonka tavoitteena oli perustaa vähintään 60 alueellisen yrityspalvelupisteen verkosto), maaseutuyrityksillä ja etenkin uusilla yrityksillä, joiden toiminta ei liity maatilatalouteen, on ollut suuria vaikeuksia saada rahoitusta ja neuvoja. Vaikka tilanne onkin parantunut, tukitoimien taustalla ei pitäisi olla tällaista jakoa. Näin ollen suositellaan seuraavia toimia:

- Hyödynnetään TE-keskusten poikkihallinnollista luonnetta, jotta maaseutuväestöä lähemmäksi saadaan enemmän rahoitusta ja yritysten neuvontapalveluja. TE-keskukset vastaavat jo nyt sekä PK-yrityksiä koskevien ohjelmien että EU:n maaseuturahaston hallinnoinnista aluetasolla ja niillä on siksi varsin ainutlaatuinen tilaisuus kohdistaa ja sopeuttaa käytettävissä olevia välineitä maaseudun ei-maatilaidonnaisille yrityksille. Niillä on erinomaiset mahdollisuudet vähentää sektoriministeriöiden alueellisen ja paikallisen edustuksen koordinaatioon liittyviä ongelmia, jotka muissa maissa ovat huomattava haitta. Paikallisten toimintaryhmien verkosto voisi liittää aloittavia yrityksiä myös sellaisten TE-keskusten palvelujen piiriin, jotka eivät välttämättä perustu maaseudun kehittämisvaroihin.

... innovaatioiden edistäminen painottaen erityisesti inhimillistä pääomaa...

Innovaatioihin ja tiedon levittämiseen tähtäävät politiikat: Suomi on ollut mallina monille maille innovaatioiden edistämässä ja yritysten, korkeakoulujen ja hallinnon välisen vuorovaikutuksen vahvistamisessa (ns. "triple helix" eli kolmoiskierrevuorovaikutusmalli). Kansalliseen innovaatiojärjestelmään sisältyy kuitenkin implisiittinen urbaani vääristymä, koska se suuntautuu paljolti T&K- ja teknologiayrityksiin. Innovaatio toiminnan edistämiseen maaseudun PK-yrityksissä tähtäävistä malleista on kuitenkin saatu mielenkiintoisia kokemuksia. Näiden mallien ja OECD:n kokemusten pohjalta suositellaan seuraavia toimia:

- Innovaatiopolitiikkaa laajennetaan uusille aloille. Kauppa- ja teollisuusministeriön pyrkimykset laajentaa innovaation määritelmää pitäisi sisällyttää paremmin kansalliseen innovaatiojärjestelmään korostaen erityisesti oppimisen roolia innovaatioprosessissa sekä sitä, ettei ole tärkeää pelkästään luoda uusia innovaatioita vaan myös soveltaa muualla tehtyjä innovaatioita.
- Tuetaan korkeamman asteen oppilaitosten osallistumista entistä enemmän maaseudun kehittämiseen. Kaikilla maaseutualueilla oppilaitokset (yliopistot, ammattikorkeakoulut, tutkimuslaitokset ja jopa ammattikoulut, jotka saattavat olla korkeimpia oppilaitoksia tietyillä alueilla) voisivat vaikuttaa enemmän maaseudun kehittämiseen esimerkiksi siten, että opiskelijat osallistuvat opintojensa aikana maaseudun kehittämissuomiin, sekä ottamalla oppilaitokset mukaan maaseudun kehittämistä koskevaan keskusteluun esimerkiksi toimintaryhmissä tai jopa ryhmien hallitusten jäseninä.
- Edistetään inhimillisen pääoman kehittymistä ja vetovoimaa maaseutualueilla. Taitojen ja osaamisen parantamiseen tähtäävien pyrkimysten pitäisi olla riittävän joustavia, jotta niissä voidaan hyödyntää, ei vain työhön perustuvaa oppimista, vaan myös e- ja etäoppimiseen liittyviä mahdollisuuksia ja epämuodollista oppimista. Inhimillistä pääomaa pitäisi pyrkiä houkuttelemaan kiinnittäen erityistä huomiota ns. luoviin ihmisiin, joilla on osoittautunut olevan vahvaa kiinnostusta maaseudun vetovoimatekijöitä kuten maisemaa ja virkistysmahdollisuuksia kohtaan ja jotka tuovat mukanaan ulkoisen innovaatiopanostuksen paikkakunnalle.

... ja ulkoista verkottumista.

Relationaalisen pääoman tai keskittymien (klustereiden) rakentamiseen tähtäävät politiikat. Tällä hetkellä Suomen lähestymistapa alueiden kilpailukykyyn ja erikoistumiseen (klusterit) perustuu pääosin kahteen ohjelmaan: *aluekeskusohjelmaan* ja *osaamiskeskusohjelmaan*. Nämä ohjelmat ovat tukeneet keskittymistä ja alueiden välistä kilpailua, mikä merkitsee, että kauempana sijaitsevat alueet, joilta työssäkäynti keskuksissa ei ole mahdollista, ovat jääneet ulkopuolelle. Ohjelmakaudelle 2007-2010 maaseutupoliittiseen erityisohjelmaan sisällytettiin alueellinen osio, mikä parantaa tilannetta jonkin verran, koska se kattaa näin aluekeskusohjelman ulkopuolelle jäävät alueet. Vuosiksi 2007-2013 laaditussa osaamiskeskusohjelmassa on lisätty painotusta keskittymiin/klustereihin sijaintipaikkojen sijasta, mikä avaa maaseutuyrityksille mahdollisuuksia hyötyä enemmän tästä ohjelmasta. Ratkaisevaksi kehittämiskohteeksi on noussut maaseudun ja kaupunkien välinen vuorovaikutus, jossa painotetaan verkottumista lähimpien alueiden ulkopuolelle. Tähän liittyen suositellaan seuraavia toimia:

- Laajennetaan maaseudun ja kaupunkialueiden välisiä osaamisverkostoja. Maaseudun ja kaupunkien yhteyksiä pitäisi tukea vähemmän yksioikoisella ja joustavammalla tavalla hyödyntäen liikkumista kodin ja työpaikan välillä, loma-asuntoja, suomalaisten kaupunkilaisten vahvoja juuria maaseudulla ja muita kaupunkien ja maaseudun välisen vuorovaikutuksen keinoja siten, että ulkoisella verkottumisella voidaan kompensoida tiheiden paikallisten verkostojen puuttumista maaseutualueilla ja helpottaa osaamisen siirtoa lähimpien alueiden ulkopuolelle
- Hyödynnetään klusteriohjelmien ja aluekehitysohjelmien maaseututulottuvuutta. Pyritään luomaan synergioita maaseutupoliittisen kokonaisuohjelman ja alue- ja osaamiskeskusohjelmien välille ottaen huomioon erilaisia tapoja, joilla kaupunki- ja maaseutualueet ovat vuorovaikutuksessa keskenään.

3) Yritysten toimintaympäristön paranta minen maaseudulla painottaen erityisesti toimintaa tukevia avaintekijöitä...

Yritysten kilpailukykyyn parantamiseen tähtääviä politiikkoja on täydennettävä muilla toimilla, joilla pyritään parantamaan tietyn alueen toimintaympäristön tarjoamia mahdollisuuksia ("enabling environment") ja näin tukemaan yritystoimintaa. Viimeisten 10 vuoden aikana Suomi on

pystynyt rakentamaan ”ystävällisen” toimintaympäristön suomalaisille ja ulkomaisille yrityksille. Monet näistä toimista ovat kuitenkin neutraaleja paikan suhteen, eli niissä ei tehdä eroa erityyppisten alueiden välillä. Maaseutupolitiikan laajassa merkityksessään pitäisi kiinnittää huomiota tiettyihin asioihin, jotka saattavat haitata maaseutualueiden kykyä tarjota riittävät toimintaolosuhteet. Tähän liittyen suositellaan seuraavia toimia:

- Parannetaan liikenneinfrastruktuuria. Liikenneinfrastruktuuri vaihtelee paljon eri alueiden välillä. Pohjois- ja Itä-Suomen harvaan asuttujen alueiden liikenneverkoston ylläpito on vaikeaa ja kallista. Liikenneinvestointien perinteisten kustannus-hyöty-analyyysien lisäksi on kuitenkin otettava huomioon monia positiivisia ulkoisvaikutuksia kuten: 1) käytettävissä olevan laajemman työmarkkinavarannon vaikutukset, 2) alhaisemmat transaktiokustannukset, kun välimatka tuottajien/toimittajien ja asiakkaiden välillä on pienempi, 3) laajemmat markkinat (ml. laajempi valikoima toimittajia ja asiakaspohja); ja 4) maankäytön rajoitteiden vähentäminen.
- Jatketaan pyrkimyksiä lisätä laajakaistainfrastruktuurin käyttöä, sovitetaan yhteen erilaiset alueelliset tietoteknologiajärjestelmät ja helpotetaan etätöitä maaseudulla. Suomi on tehnyt merkittävää työtä korostaessaan tieto- ja viestintäteknologiaverkoston laajentamista. Laajakaistan kattavuus on yksi korkeimpia OECD-maissa (saatavilla 96.1%:ssa kotitalouksista). Näiden palvelujen sovelluksissa on vielä kehitettävää, erityisesti maaseudulla, koska tällä hetkellä vähän yli puolella Suomen kotitalouksista (53% tammikuussa 2007) on laajakaistayhteydet. Lisäksi huolta on aiheuttanut eri sektoreiden ja alueiden tietoteknologiajärjestelmien yhteensopimattomuus. Näiden asioiden käsittely on tärkeää, jotta voidaan tarjota samanlaiset julkiset palvelut sekä hyödyntää laajakaistan mahdollisuudet tarjota tasapuolinen toimintaympäristö ja näin vähentää maaseutuyritysten fyysisiä esteitä päästä osallisiksi osaamistalouteen.
- Rahoituspalvelujen saatavuus, jossa korostuu erityisesti riski- ja innovaatorahoitus. Maaseutupolitiikan pitäisi pyrkiä saamaan lisää yksityisiä rahoituslaitoksia mukaan maaseudun kehittämiseen. Maaseutuprojektien rahallisten tuottojen arviointiin liittyvät vaikeudet ovat usein este yksityisen sektorin osallistumiselle. Pankeilla ja muilla rahoituslaitoksilla voi olla avainrooli ei ainoastaan luotonantajina vaan myös neuvoina, siemenrahoittajina, kouluttajina, arvioijina jne. Erityisesti ne voisivat vastata maaseudun monipuolistamiseen tähtäävien yritysten alkuvaiheen rahoitustarpeeseen.

... ja liian vähän hyödynnettyjä luontoon, kulttuuriin ja historiaan liittyviä vetovoimatekijöitä.

Alihyödynnettyjen luontoon, kulttuuriin ja historiaan liittyvien vetovoimatekijöiden kehittämiseen tähtäävät politiikat ovat myös tärkeitä. Suomessa on selkeitä käytäntöjä, joilla edistetään luonnonvarojen hyödyntämiseen perustuvaa taloudellista toimintaa (esim. laissa säädetty jokamiehen oikeus). Lisäksi on toteutettu paikallisia toimia parantamaan tiettyjen alueiden laatua. Koordinoituja lisätoimia voitaisiin toteuttaa seuraavilla osa-alueilla:

- Parannetaan maaseudun vetovoimatekijöiden arvottamista ja tarjontaa. Luonnonvarojen hyödyntämiseen perustuvaa taloudellista toimintaa pyritään vahvistamaan erityisten paikallisten vetovoimatekijöiden arvon (kysynnän) määrittelyllä ja rohkaisemalla markkinoiden tai markkinoiden kaltaisten mekanismien luomista hyötyjen siirtämiseksi paikalliselle väestölle joko lisäämällä tarjonnan ja kysynnän välistä koordinaatiota tai parantamalla sääntely- tai rahoitusaloitteita.
- Maaseutumatkailua tuetaan omana erikoisalanaan ja hyödynnetään kokemukset, joiden avulla matkailullinen vetovoima saadaan liitettyä liiketoiminnan kehittämiseen. Matkailun edistäminen on tärkeää, koska se palvelee kahta tarkoitusta: se on maailmanlaajuisesti kasvava ala ja tarjoaa tulovirtoja maaseutuväestölle. Lisäksi maaseutuyhteisöt pitäisi pyrkiä liittämään Suomen nykyisiin vahvoihin turistikohdeisiin ja, kuten Sotkamossa ja Kuusamossa on tehty, hyödyntää matkailujavirtoja erikoistumisessa ja liiketoiminnan kehittämisessä muilla matkailuun liittyvillä sektoreilla.

Yhteenveto

Suomi on yksi OECD:n maaseutuvaltaisimpia maita, ja se on myös yksi ensimmäisistä maista, jossa on alettu soveltaa poikkihallinnollista lähestymistapaa maaseutupolitiikkaan. Tämä on mm. auttanut poliittisia päättäjiä tunnistamaan erityyppisten maaseutualueiden (kaupunkien läheisen maaseudun, ydinmaaseudun ja harvaan asutun maaseudun) erilaisia haasteita. Vaikka sektoripolitiikkojen sopeuttaminen näiden alueiden erityistarpeisiin vaatii vielä kehittämistä, *suomalainen maaseutupolitiikan malli* on onnistunut varsin hyvin yhdenmukaistamaan maaseutualueille kohdistettuja politiikkoja (ns. *laaja maaseutupolitiikka*) ja kohdistamaan erityisiä ohjelmia maaseudun kehittämisen edistämiseen (ns. *suppea maaseutupolitiikka*). Maaseutupolitiikan yhteistyöryhmä on ollut keskeinen toimija tässä

kehityksessä. Vaikka sen institutionaalinen rooli valtioneuvostossa (*Government*) onkin melko heikko, sillä on merkittävä rooli maaseutupolitiikan hallinnoinnissa (*governance*) sekä välineenä, joka saattaa yhteen eri toimijoita, että maaseutuyhteisöjen lähettiläänä ja puolestapuhujana.

Suomessa viimeisten parin vuosikymmenen aikana harjoitetun maaseutupolitiikan saavutuksia voitaisiin lujittaa antamalla tälle politiikan alalle oma itsenäinen asema ja budjetti, vahvistamalla seurannan ja maaseutuvaikutusten arvioinnin välineitä ja sovittamalla alueelliset toimijat yhteen maaseutupolitiikan kanssa. Tässä katsauksessa esitetyt tulevaisuuden avainprioriteetit ovat julkisten palvelujen tasapuolisuuden ja tehokkuuden parantaminen ottaen huomioon ikääntyvä ja väljästi asuva väestö, ei-maatilaidonnaisten maaseutuyritysten kasvavan joukon kilpailukyvyn turvaaminen, ja maaseudun liiketoimintaympäristön parantaminen hyödyntämällä sen runsaita luontaisia vetovoimatekijöitä.

Utvärdering och rekommendationer

Finland är ett av de mest landsbygdspräglade länderna inom OECD...

Finland är ett glest befolkat land: den genomsnittliga befolkningstätheten är 17.1 invånare/km² och enligt OECD:s definition ännu glesare i utpräglade landsbygdsområden, endast 11.5 invånare/km². Med utgångspunkt i OECD:s definition av landsbygdsområden ligger Finland på femte plats inom OECD-länderna när det gäller andelen områden som utgör utpräglade landsbygdsområden (89%) och på andra plats både när man jämför befolkningsstorleken (53% av en total befolkning på omkring 5.3 miljoner) och BNP på dessa områden (45%). Finlands landsbygdsprägel är uppenbar också i landets kultur och i finländarnas intima förhållande med naturen och landsbygden. De flesta finländare har starka familjeband i landsbygdsområden, en av fem är skogsägare och allt fler bosätter sig permanent på landsbygden med mål att nå en högre livskvalitet eller på grund av pensionering.

... där alla utpräglade landsbygdsområden uppvisar hög prestanda...

En slående upptäckt när man jämför utpräglade landsbygdsområden i Finland med motsvarande områden annanstans inom OECD är att i Finland överstiger deras BNP per capita både medelvärdet inom OECD och den genomsnittliga tillväxten mellan 1998 och 2003. Om man ritar fyra kvadranter ovanför och under OECD-medelvärdet ligger samtliga utpräglade landsbygdsområden i Finland inom hög nivå (rik) och hög tillväxt (starkt presterande). De faktorer som bidrar starkast till att höja BNP i landsbygdsområden med den kraftigaste tillväxten är hög produktivitet, pendling, befolkningstillväxt och andelen befolkning i arbetsför ålder. Lägre produktivitet, befolkningsminskning, lägre sysselsättningsgrad och mindre andel befolkning i arbetsför ålder är på motsvarande sätt några av de relevantaste faktorerna som förklarar en sämre tillväxt i landsbygdsområdena i Finland.

... och de utpräglade landsbygdsområden som presterar sämst är på god väg att komma ikapp.

Slående är också att i Finland finns det tecken på att de sämst presterande utpräglade landsbygdsområdena håller på att komma ikapp; områden med den lägsta BNP per capita och den största andelen landsbygdsinvånare har uppgett BNP per capita som överstiger det nationella medelvärdet (Kajanaland 3.2%, Södra Österbotten 3.6% och Södra Savolax 3.9%. Det nationella medelvärdet 1998-2003 var 2.8%). Det är emellertid viktigt att beakta att dessa siffror bl.a. beror på emigrering, vilket påverkar den marginala regionala produktiviteten. Ett bevis på detta fenomen är att den verkliga tillväxten i dessa tre områden, mätt i BNP, var lägre än det nationella medelvärdet (1.4, 3.2 och 2.9%, jämfört med det nationella medelvärdet 3.5%).

Landsbygdsområdena uppvisar emellertid betydande skillnader i fråga om utmaningar och möjligheter...

Finland är medvetet om sin landsbygdsprägel och man har utvecklat en typologi som underlättar analysen och jämförelsen av de utvecklingsmässiga skillnaderna mellan olika slags landsbygdsområden. Typologin, som har fastslagits av förvaltningen i samspel med forskningen, delar in finska kommuner i städer (urban municipalities, UMs), landsbygdskommuner i närheten av städer (rural municipalities close to urban areas, RCUAs), kommuner på kärnlandsbygden (rural heartland municipalities, RHMs) och glest befolkade landsbygdskommuner (sparsely populated rural municipalities, SPRMs). Det förekommer klara skillnader mellan dessa kategorier:

- *Landsbygdskommuner i närheten av städer* (89 kommuner) uppvisar den snabbaste befolkningstillväxten och den yngsta åldersstrukturen i landet. Dessa kommuner är i huvudsak belägna i Södra och Västra Finland. Befolkningen i dessa kommuner ökade med 9% från 1995 till 2005 jämfört med 6.4% i städerna och 2.7% i hela landet; de hade det högsta födelsetalet (11.6/1 000), den lägsta dödligheten (8/1 000) samt den högsta andelen barnfamiljer (45%) och befolkning under 15 år (22%). Dessa kommuner har en hög välfärd och medelinkomsten överstiger det nationella medeltalet (101%), vilket fortfarande är lägre än i städerna (108%). Kommunerna i fråga har dock mindre arbetslöshet (8%, 3 procentenheter lägre än städerna), bättre säkerhet (hälften färre våldsbrott per 1 000 invånare än i städerna) och har därtill fördelen av en tilltalande naturmiljö i kombination med bra infrastruktur och service. Ekonomin i dessa kommuner domineras av

servicesektorn (33% av den totala sysselsättningen år 2004 hörde till offentlig service och 41% till privat service) och de har de högsta sysselsättningssiffrorna inom industri (24% mot städernas 17%) och byggnad (8% mot 6% i alla andra kommunkategorier). Primärproduktionen står däremot endast för 5%. Framtidsutsikterna för den stadsnära landsbygden ser lovande ut även om de också har viktiga utmaningar att tackla. Dessa är bl.a. förknippade med pendling, före detta stadsbor som flyttar till landsbygden med höga förväntningar när det gäller service samt balansen mellan utveckling och målet att bevara ett attraktivt landskap och naturmiljön.

- *Kommunerna på kärnlandsbygden* (142 kommuner, huvudparten i Södra och Västra Finland) har sett en minskning av befolkningen med 4.5% från 1995 till 2005. Dessa kommuner verkar dock vara på väg mot en ny balans med färre invånare och migrationstal som närmar sig noll. De socioekonomiska indikatorerna för kommunerna på kärnlandsbygden uppvisar varierande resultat. I somliga kommuner är siffrorna relativt avlägsna från städer och landsbygdskommuner i närheten av städer, t.ex. när det gäller inkomst (86% av det nationella medeltalet) och utbildning (76% jämfört med städerna och 90% jämfört med stadsnära landsbygd, i en allmän mätning av utbildningsnivån i Finland). Däremot ger vissa andra välfärdsindikatorer, i synnerhet arbetslöshet och säkerhet, praktiskt taget samma resultat som i landsbygdskommunerna i närheten av städer, alltså bättre än i städerna. Kommunerna på kärnlandsbygden har gemensamt med *glest befolkade landsbygdskommuner* en högre specialisering i primärproduktion (14% av sysselsättningen år 2004), och med landsbygdskommuner i närheten av städer en högre specialisering i industri (23%). Detta innebär att andelen sysselsättning inom offentlig och privat service i kommunerna på kärnlandsbygden är något mindre än i de två andra landsbygdskommunkategorierna (30 respektive 24%). Specialiseringen i jord- och skogsbruk har gjort dessa områden sårbara för omstruktureringarna inom den primära sektorn under det senaste decenniet (18 300 jobb har gått förlorade i kommunerna på kärnlandsbygden mellan 1995 och 2004). När man tittar på mängden skapade jobb var resultatet i slutet av perioden ändå positivt eftersom gårdarna diversifierat sin verksamhet (i huvudsak till service t.ex. turism, transport, fastighetsförvaltning och produktion av förnybar energi) samt skapandet av nya företag utan koppling till jordbruk. Grundandet av små och mellanstora företag mellan 1993 och 2004 var *de facto* intensivast i kommunerna på kärnlandsbygden; 54% av alla nya landsbygdsföretag grundades i kärnlandsbygd. Viktiga utmaningar i detta avseende är att kunna konsolidera och internationalisera nya företag av denna typ som växer i en landsbygdsmiljö där de ofta saknar många av städernas fördelar.
- *Glest befolkade landsbygdskommuner* (143 kommuner, huvudparten i Östra och Norra Finland) befinner sig i den sämsta situationen. Befolkningen har

minskat under det senaste decenniet (-12.5% från 1995 till 2005) och fler av de som flyttar bort är kvinnor och unga. Detta har å ena sidan förvärrat fenomenet av en befolkning som redan åldras mycket snabbt (24% av invånarna i glesbygden i dag är över 65 år gamla, vilket inte är långt ifrån uppskattningen för hela Finland för 2030, 26%), och å andra sidan skapat en obalans i könsstrukturen (54% av befolkningen i arbetsför ålder i dessa områden är män). I jämförelse med de andra typerna av landsbygdskommuner och städerna har glesbygden de lägsta utbildningsnivåerna, den lägsta genomsnittliga inkomstnivån (75% av det nationella medeltalet), den högsta arbetslösheten (14%, dvs. 3 procentenheter högre än städerna) och den sämsta bostadskvaliteten. I likhet med övriga landsbygdskommuner har deras ekonomiska struktur genomgått avsevärda förändringar (minskad jordbruksverksamhet, omstrukturering av den offentliga sektorn och omplacering av tillverkningsföretag). I motsats till de två andra landsbygdskommunkategorierna har glesbygd emellertid inte kunnat skapa tillräckligt med nya jobb inom servicesektorn för att kompensera för jobbförlusten. Utvecklingen har dessutom haft grava följder för den kommunala ekonomin, vilket ytterligare begränsar kommunernas förmåga att tillhandahålla service och jobb åt en glest utspridd befolkning. Dessa kommuner hyser emellertid en betydande potential, i huvudsak inom turism, rekreation i naturen och service för semesterboende. De välkomnar tusentals sommarboende varje år, en faktor som t.ex. i de glest befolkade landsbygdskommunerna höjde den totala befolkningen med 42% sommaren 2004.

... vilket bekräftar relevansen hos en platsbaserad landsbygdspolitik.

De stora omställningarna i den finska landsbygden understryker lämpligheten av en specifik landsbygdspolitik som kan stödja processen med en lämplig kombination av sektoriella politikområden som beaktar utmaningarna och möjligheterna i de olika områdestyperna. Detta behov har erkänts i Finland, vilket avslöjas av det faktum att *landsbygdspolitik* uppstod i Finland som eget politikområde (utan ett sektoriellt – dvs. jordbruksbetingat – perspektiv) före de flesta andra OECD-länderna. När OECD första gången undersökte Finlands landsbygdspolitik (OECD, 1995) hade begreppet redan funnits i tio år i landet. Det är dock svårt att uppskatta i vilken grad den finska landsbygdens relativt goda prestanda beror på landsbygdspolitiken. I vilket fall som helst är den nuvarande situationen i landsbygden stabilare och mer lovande än år 1995. Då hade landet precis drabbats av en grav lågkonjunktur; arbetslösheten steg till 18% i kärnlandsbygd och stadsnära landsbygd, och till 23% i glesbygd. Dagens gynnsamma läge innebär emellertid inte att landsbygdspolitiken har blivit mindre viktig.

Den finska landsbygds politiken...

Finlands landsbygdspolitik idag är definierad med mål: 1) att skapa en god balans i koordineringen av sektoriella politikområden så att man kan garantera att landsbygdsområdena får den uppmärksamhet de förtjänar och; 2) att landsbygds utveckling och konkurrenskraft främjas genom konkreta program. Detta har åstadkommit genom att man har fastställt två dimensioner för landsbygdspolitiken: en bred landsbygdspolitik som är inriktad på det första målet och en snäv landsbygdspolitik som är inriktad på det andra. Systemet skapar även en god balans mellan två ytterligheter som man ofta stöter på i OECD-länderna: "grand plan" – lösningar som syftar till att integrera alla politikområden i en territorial strategi som dessvärre visar sig vara omöjlig att fullfölja, och s.k. nichepolitik vars lösningar har mycket begränsad omfattning och budget.

... som styrs och framdrivs av landsbygds politikens samarbetsgrupp YTR...

En analys av Finlands situation påvisar att man utöver den position som landsbygdspolitiken har inom förvaltningen också måste beakta den legitimitet som landsbygdspolitiken har "förtjänat" bland aktörer som har med landsbygdsärenden att göra. Detta inbegriper politiker, offentliga tjänstemän på alla nivåer, universitet och forskare, landsbygdsbefolkningen och det civila samhället i landsbygden. Landsbygdspolitikens position i Finland är i hög grad resultatet av den landsbygdspolitiska samarbetsgruppens arbete. Samarbetsgruppen inrättades som projektet för utveckling av landsbygden år 1988 men fick laglig status först år 2000. Gruppen består av 29 medlemmar från nio ministerier och 18 andra organisationer. Samarbetsgruppen har inte bara varit ett politiskt integrationsinstrument och ett sätt att föra samman olika aktörer utan har själv varit en framstående aktör och en betydande förändringskraft. Landsbygdspolitikens position inom förvaltningen (liksom i många andra länder) är emellertid fortfarande en "näst bästa lösning". Den finska landsbygdspolitiken utgjorde ursprungligen en del av den regionala politiken, klart separat från jordbrukspolitiken och med betoning av dess sektorsöverskridande dimension. De institutionella framstegen inom den breda landsbygdspolitiken har haft stöd av den regionala politikens inflytande. EU:s landsbygdspolitik påverkade emellertid beslutet att placera den landsbygdspolitiska samarbetsgruppen samt utvecklingsprogrammen för landsbygden (snäv landsbygdspolitik) inom jord- och skogsbruksministeriet. I likhet med situationen i andra länder har detta skapat spänningar mellan jordbrukspolitiken och landsbygdspolitiken i form

av konkurrerande prioriteter och valkretsar. Ett bevis av detta var t.ex. den relativt låga prioritet som utvecklingsinsatserna för landsbygden fick inom EU-programmet för utveckling av landsbygden i Fastlandsfinland 2007-2013, jämfört med miljöstödet för jordbruket.

... har lyckats tämligen väl med att skapa sammanhållning mellan sektoriella policyer i landsbygden...

Landsbygdspolitikens samarbetsgrupp YTR har bland annat som uppgift att bistå regeringen med att utarbeta och genomföra det landsbygdspolitiska helhetsprogrammet. Enligt detta program fattas konkreta beslut av olika regeringsenheter inom ramen för den breda landsbygdspolitiken. Det landsbygdspolitiska helhetsprogrammet har lyckats tämligen väl med att skapa sammanhållning mellan olika sektoriella politikområden som är riktade på landsbygdsområden. De fyra nationella landsbygdspolitiska programmen (1991, 1996-2000, 2001-2004 och 2005-2008), regeringens rapport till riksdagen om landsbygdspolitik 1993, statsrådets principbeslut om landsbygdspolitik 2001 och regeringens två landsbygdspolitiska specialprogram (2005-2006 och 2007-2010) har skapat en politisk ram och en långsiktig vision för landsbygdspolitiken. De två skilda typerna av program (nationellt landsbygdspolitiskt program samt regeringens rapport/beslut/specialprogram), av vilka det ena innehåller *förslag* som ska genomföras av ett omfattande antal aktörer och det andra *regeringsbeslut*, bidrar till en lämplig ansvarsfördelning och informationsdelning och fungerar dessutom som länk mellan planeringsstadiet och verkställighetsstadiet. Processens viktigaste styrkor är: 1) att det civila samhället och forskningen bidrar med lokal och teknisk expertis till beredningsarbetet, vilket minskar på de kritiska kunskapsluckor som många centrala förvaltningar har i fråga om landsbygdspolitikens prioriteter; 2) att deltagande aktörer inom och utanför förvaltningen har anammat programmet som eget till följd av en långvarig förhandlingsprocess på flera plan och tack vare att alla nyckelaktörers insatser har samordnats i samma riktning; 3) klarheten i fördelningen av roller och ansvar inom förvaltningen samt övervakningen och utvärderingarna över hur olika förslag/beslut drivs vidare, med ett eller två års mellanrum.

... och med att "ge ett lokalt innehåll" åt EU-medlen för landsbygds utveckling.

Finland har gjort klokt i att utnyttja EU-finansiering för att bygga upp sin snäva landsbygdspolitik. Särskilt positiva erfarenheter har man haft med LEADER-dimensionen och arbetet inom de lokala aktionsgrupperna (LAG). Denna framgång förklaras bl.a. av följande faktorer: 1) redan innan finansieringen var tillgänglig fanns ett nätverk för frivillig byverksamhet (med 2 800 byalag i omkring 3 900 byar) med starka traditioner för lokalt frivilligt samarbete ("talkon"), 2) integreringen av LEADER i syfte att sprida metoden till alla landsbygdsområden, med hjälp av både nationella medel (fr.o.m. 1997 genom programmet POMO) och EU-medel (regionala programmet för utveckling av landsbygden ALMA och "Mål 1" – programmen), 3) LAG-styrelsernas trepartsstruktur där lokala myndigheter, företag, föreningar och invånare är likvärdigt representerade och, 4) LAG-gruppernas autonomi när det gäller att bestämma vilka projekt de finansierar.

Dessvärre är utvecklingsinsatser med bevisad effektivitet som t.ex. LEADER beroende av begränsade medel; möjligheten att utvidga dessa insatser prioriterades inte under beredningen av programmet för utveckling av landsbygden i Fastlandsfinland 2007-2013. Finland beslutade att inte betona landsbygdsutveckling (axel 3: Att förbättra livskvaliteten i landsbygdsområden och uppmuntra mångfald i landsbygdsekonomin samt axel 4: Leaderdimensionen, aktionsgruppernas lokala verksamhet) i lika hög grad som många andra länder i Europa. Trots detta har medlen inom LEADER (som under denna programperiod omfattar 55 lokala aktionsgrupper) fördelats omsorgsfullt över hela landet med prioritering av glesbygden när det gäller finansiering per invånare.

För att befästa framstegen...

Som ett av de mest landsbygdspräglade länderna inom OECD och med en unik landsbygdspolitisk modell som har utformats över flera tiotal år har Finland goda förutsättningar att reflektera över hur framtiden ser ut för landsbygdspolitiken (som har bevisat sin lämplighet och sina resultat i fråga om resurser och möjligheter). I syfte att konsolidera de framsteg som gjorts rekommenderas följande tre insatsområden: 1) landsbygdspolitiken ska ges självständig status och egna resurser, 2) dess verktyg ska förbättras, i synnerhet genom att institutionalisera landsbygdssäkringen, och 3) lokala aktörer ska stärkas och samklang ska skapas mellan regionala strukturer och landsbygdspolitik.

... krävs en självständig status och en egen budget...

Erfarenheterna från olika OECD-länder tyder på lämpligheten av ett organ med ansvar för landsbygdsärenden som aktör *super partes*, dvs. ovanför och inte inom förvaltningens sektoriella struktur. Denna status skulle göra det möjligt för organet att: 1) bidra till koordineringen av ministeriearbetet inom olika sektorer; 2) säkra integreringen av stadspolitiken och landsbygdspolitiken; 3) förvalta den egna användningen av medel; 4) utvidga stödet för landsbygdssamhällen så att det genomsyrar hela regeringen; 5) skapa ett stödande klimat för centrala landsbygdsintressen och 6) göra klar skillnad mellan landsbygd och jordbruk och hjälpa återskapa ett positivt och ömsesidigt stödande förhållande mellan dessa. Följande rekommenderas:

- Den landsbygdspolitiska samarbetsgruppens institutionella roll måste stärkas. Samarbetsgruppen kunde stärkas och grundfinansieras i syfte att fungera som: 1) övervakande organ för landsbygdsärenden (som ser till att landsbygdssäkringen och det landsbygdspolitiska programmet fullföljs), 2) konsultativ expert i landsbygdsärenden vid regeringen och 3) förespråkare för landsbygdssamhällets intressen. Denna roll skulle ge samarbetsgruppen bättre möjlighet att rannsaka förvaltningsenheternas och de offentliga instansernas verksamhet i egenskap av kritisk motpart.
- Landsbygdspolitiken måste frigöras (finansiellt och institutionellt) från jordbrukspolitiken. Möjligheten att frånskilja landsbygdsutveckling och snäv landsbygdspolitik från jordbrukspolitiken bör övervägas, både när det gäller grundfinansieringen på EU-nivå (CAP) och som en institutionell frånskiljning på nationell nivå (jord- och skogsbruksministeriet). En frånskiljning på det institutionella planet skulle bidra till att framhäva hur utmaningarna i landsbygden sträcker sig utanför jordbrukssektorns gränser. Därutöver skulle tillgången till specifika landsbygdspolitiska anslag inte bara göra landsbygdspolitiken mindre beroende av projektfinansiering utan också ge det landsbygdspolitiska nätverket möjlighet att rikta resurser på specifika mål och med klara tidsramar.

... bättre verktyg för övervakning och landsbygdssäkring...

Det landsbygdspolitiska helhets- och specialprogrammen bör bygga vidare på de gradvisa förbättringar som har åstadkommit under de senaste åren. De överenskomna förslagen/besluten håller på att utvärderas men det finns fortfarande ett antal kunskapsluckor i fråga om: 1) resultaten av de olika programmens förslag/beslut, 2) mängden offentliga medel som har använts i

landsbygdsområden och på mer omfattande nivå och 3) effekten av sektoriella politikområden i landsbygdsområdena (landsbygdssäkring). I detta avseende rekommenderas följande:

- Att mätbarheten förbättras i fråga om enskilda förslag/beslut och att man klarlägger hur olika enheter ska delta (med mänskliga och ekonomiska resurser), vilka resultat som förväntas, och framförallt vilka resultat som kan förväntas på området "landsbygdsutveckling" samt hur dessa ligger i förhållande till den övergripande strategin för landets konkurrenskraft.
- Att man diskuterar metoder som bidrar till att förbättra kunskaperna om vem som gör vad och med vilka resurser i landsbygdsområdena. Exercisen kan göras *ex post*, dvs. så att mängden resurser som har nått de olika typerna av landsbygdsområden från varje ministerium utvärderas i slutet av en bestämd budgetperiod; eller *ex ante*, dvs. så att landsbygdsperspektivet tas i beaktande när budgetanslag allokeras.
- Att förvaltningsenheter på samtliga nivåer och samtliga offentliga instanser åläggs å ena sidan att bevisa att deras politik utformas och genomförs med beaktande av landsbygdsintressen (med hjälp av en checklista), och å andra sidan att i respektive regionala strategier inkludera en redogörelse som följer den allmänna landsbygdstypologin eller som åtminstone klarlägger i vilken grad strategierna gynnar olika landsbygdsområden.

... samt att lokala aktörer stärks och samklang skapas mellan de regionala strukturerna och landsbygdspolitiken.

Den nuvarande finska modellen för landsbygdspolitik består av den landsbygdspolitiska samarbetsgruppens insatser på nationell nivå samt av byverksamhet och lokala aktionsgrupper på lokal och subregional nivå. De lokala aktionsgrupperna har med sin unika styrelsesammansättning och sina arbetsprinciper visat att de kan spela en bredare roll i sina respektive områden. För detta måste de ha möjlighet till en mer institutionaliserad växelverkan med kommunerna samt med regionala aktörer. En ytterligare brist är att på regional nivå saknar man ett eget forum för bred landsbygdspolitik, och det finns även rum för förbättring när det gäller att sprida "landsbygdstänkandet" bland regionala aktörer, såväl inom regeringen (bl.a. TE-centralerna, länsstyrelserna och miljöcentralerna) som på lokal nivå (t.ex. landskapsförbunden). Därför rekommenderas följande:

- Att de lokala aktionsgrupperna stärks och ges en bredare roll och bättre erkännande. De lokala aktionsgruppernas roll är redan mycket bredare i Finland än i många andra EU-länder och grupperna har lyckats säkra en

egen plats inom den finska landsbygdspolitiska modellen. Denna breda LEADER-dimension måste stärkas för att möta den finska landsbygdens behov. Genom att ge de lokala aktionsgrupperna ett bredare ansvar och bättre erkännande gör man det möjligt för dem att övertyga och samarbeta långsiktigt med kommuner, subregionala utvecklingsorganisationer, landskapsförbund och förvaltningsrepresentanter på regional nivå.

- Att landsbygdssektioner inrättas inom alla landskapens samarbetsgrupper. Samarbetsgrupperna samlar olika regionala aktörer kring regionala utvecklingsfrågor. I de regioner där landsbygdssektioner har inrättats har erfarenheterna varit positiva; enheterna har fört samman landsbygdsorganisationer, högre utbildningsanstalter och övriga relevanta intressegrupper på regional nivå. Mot bakgrunden av omstruktureringarna inom förvaltningen, som innebär att regionalpolitiken från och med januari 2008 övertas av ett nytt ministerium (arbets- och näringsministeriet) som förenar handel, arbete, innovationer, energi och regionalpolitik, kunde inrättandet av ovan nämnda enheter bidra till att förbättra förhållandet mellan landsbygdspolitiken och dessa andra politikområden.

Nyckelprioriteterna i denna översikt över Finlands landsbygds politik är:

I denna översikt diskuteras följande nyckelprioriteringar för framtiden: 1) likabehandlingen och effektiviteten hos offentlig service måste förbättras med beaktande av behoven hos en åldrande och utspridd befolkning, 2) konkurrenskraften hos det ökande antalet företag utan koppling till jordbruk i landsbygden måste stärkas och 3) företagsklimatet i landsbygdsområden måste förbättras med tillvaratagande av den omgivande naturrikedomen. Stödet av en specifik landsbygdspolitik har varit avgörande för att kunna införliva dessa prioriteter i den politiska agendan och utveckla innovativa lösningar till utmaningarna.

1) Likabehandling och effektivitet måste säkras inom offentlig service...

Finlands välfärdssystem har lyckats trygga en rimligen hög standard när det gäller offentlig service, t.o.m. i glesbygden. Detta är särskilt påfallande inom utbildning och hälsovård, två områden där Finland hör till de länder inom OECD med de lägsta regionala skillnaderna. Oberoende av detta står Finland inför betydande utmaningar på området offentlig service, i synnerhet i glest befolkade landsbygdskommuner som i likhet med alla andra kommuner i Finland bär ansvaret för att finansiera (genom en kombination av

kommunala skatter och statliga bidrag) och tillhandahålla huvudparten av all offentlig service (2/3 av all grundläggande service, bl.a. utbildning, socialvård, hälsovård, kultur, miljö och teknisk infrastruktur). Trots de befintliga ersättningsmekanismerna har somliga landsbygdskommuner allt svårare att tillhandahålla denna service. De huvudsakliga orsakerna bakom svårigheterna är avsaknaden av drivkraft ("kritisk massa") för att tillhandahålla service, svårigheterna att nå avsides belägna bosättningar samt en ojämn efterfrågan som beror på demografiska växlingar och som leder till att service i dessa områden blir dyrare.

Finland har antagit dessa utmaningar på flera fronter: 1) Med politikområden som främjar samverkan mellan lokala myndigheter (samkommuner) och som syftar till att omstrukturera befintliga servicemekanismer (t.ex. ramlagen som skapar incitament för frivilliga kommunala sammanslagningar eller det administrativa experimentet i Kajanaland där serviceansvaret koncentreras på regional nivå). 2) Med nya serviceformer som t.ex. mångfunktionella servicestationer (stationer som förenar kommunal och statlig service, t.ex. folkpension, Arbetskraftsbyrå, polis, magistrat och skattebyrå eller t.o.m. privat service som t.ex. post), rörlig service (t.ex. rörliga datakurser och övningsställen för vuxna eller experiment med mångfunktionella servicebussar som t.ex. erbjuder hälsovård, kultur, shopping eller seniorgym) samt telematisk och elektronisk service (t.ex. gratis internet i butiker, bibliotek, kaféer eller myndighetskontor; PC-videokonferenser för hälsovårdsservice, utbildning med likställda eller lekmansexperter på lokala datakurser och i internetkiosker, kaféer och hem). 3) Genom att involvera den privata och tredje sektorn i offentlig service. Det finns uppmuntrande erfarenheter där det civila samhället har medverkat för att förbättra lokal service, inte enbart genom lokala aktionsgrupper och byverksamhet utan också inom ramen för större initiativ.

... genom att ge uppmärksamhet åt glest befolkade landsbygds kommuner...

I det stora hela har den finska landsbygdspolitiken framskridit med ganska bestämt grepp när det gäller att trygga tillgången till grundläggande offentlig service i landsbygden. Det landsbygdspolitiska specialprogrammet (2007-2010) innefattar ett beslut att bereda ett eget handlingsprogram för att besvara utmaningarna i glest befolkade landsbygdskommuner. Mot denna bakgrund rekommenderas följande:

- Att en systematisk strategi antas för att förbättra kunskaperna om regionspecifika brister i infrastruktur och om framstegen för att avhjälpa dessa. Ett konkret förslag är t.ex. att man utvärderar bristerna (på ett antal

olika serviceområden) hos landets 143 glest befolkade landsbygdskommuner, eller hos utvalda samhällen bland dessa, och sedan utarbetar lämpliga specialhandlingsplaner.

- Att politikens anpassbarhet till demografin förbättras. Särskilda centra för äldre kunde utvecklas i gleslandsbygd, både som ett sätt att koncentrera offentlig och privat uppmärksamhet på äldre som bor i landsbygden och som ett sätt att skapa ny näringsverksamhet för lokala invånare.
- Att det befintliga systemet för lokal finansiering och statliga bidrag utvärderas med särskild uppmärksamhet för gleslandsbygd. Man bör också analysera effekterna av kommunsammanslagningar med särskild fokus på hur glest befolkade landsbygdskommuner klarar av att möta minimikraven för service samt vilka eventuella konsekvenser som ett koncentrerat serviceutbud har för avsides bosatta invånare.

... och främja ett starkt samspel mellan de relevanta aktörerna.

- Att förbättra synergismen mellan de lokala aktionsgrupperna och kommunalpolitiken på området service. Kommuner och lokala aktionsgrupper är beroende av varandra när det gäller att hitta lösningar till lokala utvecklingsbehov. Utmaningen ligger i att främja en utvecklingskedja som börjar i byarna och fortsätter på subregional nivå. Lokala aktionsgrupper av en mer permanent natur kan bidra till bättre service genom att involvera invånarna själva, inom ramen för kommunens strategier.
- Att den privata och tredje sektorn ges en större roll som allierade serviceleverantörer, med särskild uppmärksamhet för att deras "samhällsansvar" övervakas. Den privata och tredje sektorns roll som leverantörer av kollektiva nyttigheter ska emellertid inte stå i vägen för deras deltagande i produktiva aktiviteter (som utgör åtminstone den privata sektorns huvudsakliga verksamhetsområde). Mot denna bakgrund är det viktigt att säkra att lönestrukturen och arbetsmarknaden inte skapar negativa incitament för den produktiva verksamheten.
- Att utbytet av ramgångsrika erksamhetskoncept och innovationer mellan kommuner, serviceleverantörer samt utanför landets gränser ökas. Även om kommunförbundet redan har en databank över bästa exempel på sin webbsida och bästa exempel utbyts med andra länder genom nätverket DESERVE finns det ännu rum för förbättring när det gäller systematisering och smidig tillämpning av informationen. Systemet för ekonomiska transfereringar kunde omfatta incitament som uppmuntrar till att utforma och tillämpa kostnadseffektiva innovationer och bästa exempel. Genom att

utvidga utbytet av bästa exempel till fler länder skulle man dessutom låta dem både dra nytta av Finlands erfarenheter och bidra med nya lärdomar.

(2) Företagsklimatet och konkurrenskraften i landsbygden ska stärkas genom att man utvidgar systemet med företagsstöd att även omfattar små och mellanstora landsbyggsföretag...

Finland har en bred uppsättning nationella instrument med uppgift att främja konkurrenskraftiga företag. Dessa instrument är fördelade på tre olika insatsområden som alla behöver en starkare "landsbyggsdimension": 1) finansiellt stöd och företagsstöd, 2) politik som främjar innovation och spridning av kunskap och 3) politik som skapar relationstillgångar eller klusterpolitik.

Finansiellt stöd och företagsstöd: Det finns ett flertal "landsbygds-specifika" instrument, t.ex. instrumenten för axlar 3 och 4 inom programmet för utveckling av landsbygden i Fastlandsfinland 2007–2013, som delfinansieras av EJFLU (tidigare EUGFJ) och som under tidigare programperioder har haft framgång med att främja entreprenörskap, skapa jobb och utbilda företag i landsbygden. Därtill finns det ett flertal rådgivande organisationer som ligger nära landsbygdsbefolkningen men som i huvudsak är fokuserade på den primära sektorn (landsbygdscentra, fiskericentra, skogsbrukscentra). På en avsevärt större skala har handels- och industriministeriet ett flertal EU-finansierade instrument (ERUF och ESF) för små och mellanstora företag vars regionala förvaltning sköts av TE-centralerna. Betydande insatser har gjorts av EUGFJ i samverkan med ERUF för att ge landsbygdsbefolkningen bättre tillgång till finansiell service och företagsrådgivning, t.ex. genom projektet för subregionala företagstjänster som syftar till att skapa ett nätverk med minst 60 regionala stationer för företagsservice. Trots detta har landsbyggsföretagen (i synnerhet nya företagare utan koppling till jordbruk) haft svårt att få finansiellt stöd och råd. Situationen har visserligen förbättrats, men denna slags tysta differentiering mellan företag borde i princip inte finnas. Därför rekommenderas följande:

- Att TE-centralernas sektorsövergripande natur tas till vara för att ge människor på landsbygden bättre tillgång till finansiering och företagskonsultation. De TE-centraler som redan har ansvaret att förvalta regionala program för små och mellanstora företag samt EU-fonden för landsbygdsutveckling har ypperliga förutsättningar att utvidga och anpassa de befintliga instrumenten med tanke på landsbyggsföretag utan koppling till jordbruk. De har de överlägset bästa förutsättningarna att avhjälpa den problematiska koordineringen mellan de olika ministeriernas (sektorernas)

representationer på både regional och lokal nivå, något som utgör ett stort problem i andra länder. LAG-nätverket kunde sätta landsbygdsföretag i startskedet i kontakt med TE-centralernas tjänster (som inte nödvändigtvis måste begränsas till tjänster som finansieras med medel för landsbygdsutveckling).

... och främja innovation med fokus på mänskligt kapital...

Politik som främjar innovation och spridning av kunskap: Finland har varit en förebild för många länder när det gäller att utforma politik som främjar innovation och samverkan mellan företag, högskolor och förvaltningar, dvs. den så kallade trippelhelixmodellen. De nationella innovationsmekanismerna innefattar emellertid en underförstådd favorisering av städerna eftersom de är inriktade på FandU samt teknologiföretag. Trots detta har man haft intressanta erfarenheter med modeller som syftar till att stärka innovationsverksamheten hos små och mellanstora företag i landsbygden. Dessa modeller och OECD:s erfarenheter leder till följande rekommendationer:

- Innovationspolitiken bör utvidgas och utökas. Handels- och industriministeriets arbete för att utvidga definitionen av innovation måste integreras ännu djupare i de nationella innovationsmekanismerna. Lärande bör betonas som en viktig del av innovationsprocessen och vikten både av egna innovationer och av utländska innovationer bör understrykas.
- De högre utbildningsanstalterna bör ha en bredare roll i landsbygdens utveckling. Utbildningsanstalterna i de olika landsbygdsområdena (universitet, polytekniska högskolor, forskningsinstitut och t.o.m. yrkesskolor – som inte räknas som högre utbildningsanstalter med som i vissa områden är den högsta utbildningsanstalten) kunde bidra till landsbygdsutvecklingen genom att engagera sina elever i utvecklingsprojekt för landsbygden medan de studerar och genom att själva delta i diskussioner om landsbygdsutveckling t.ex. inom de lokala aktionsgrupperna, samt möjligtvis även sitta i aktionsgruppernas styrelser.
- Utveckling och lockande av mänskligt kapital till landsbygdsområdena bör uppmuntras. Insatserna för att höja landsbygdsbefolkningens kompetens och know-how måste vara tillräckligt flexibla och kunna utnyttja inte bara praktikbaserat lärande utan också e-lärande, distansundervisning, icke-formellt lärande och informellt lärande. Mänskligt kapital bör attraheras till landsbygden med särskilt betonde av den s.k. "kreativa klassen", som har visat ett starkt intresse för landsbygdsvärden som t.ex. landskap och rekreation, och som kan bidra med nya idéer till kommunerna.

... samt extern nätverksbildning.

Politik som skapar relationstillgångar eller klusterpolitik. Finlands arbete för regional konkurrenskraft och specialisering (klusterverksamhet) är fördelat på två grundläggande program: *regioncentrumprogrammet* och *programmet för kompetenscentra*. Dessa program erbjuder privilegierade förutsättningar för centralisering och konkurrens mellan regionerna med uteslutande av landsbygd som inte ligger på pendlingsavstånd. Situationen har delvis förbättrats av att man inom det landsbygdspolitiska specialprogrammet har inrättat en regional enhet för programperioden 2007-2010 som täcker de områden som har kommit utanför regioncentrumprogrammet. Programmet för kompetenscentra för 2007-2013 har å sin sida lagt större fokus på "kluster" och mindre på orter, vilket ger landsbygdsföretag nya möjligheter att dra nytta av programmet. Växelverkan mellan landsbygd och städer har blivit ett kritiskt utvecklingsområde där fokus bör ligga på nätverksbildning utanför den närmaste periferin. I detta avseende rekommenderas följande:

- Att kunskapsnätverken mellan landsbygd och städer utvidgas. Samspelet mellan landsbygd och städer bör få ett flerdimensionellare och flexibla stöd med tillvaratagande av t.ex. pendling, sommarbostäder, den finska stadsbefolkningens starka "landsbygdsrötter" och andra former av växelverkan så att man genom extern nätverksbildning kompenserar för avsaknaden av täta lokala nätverk på landsbygden och främjar spridningen av kunskap utanför periferierna.
- Att landsbygdsdimensionen i programmen för klusterutveckling och regional utveckling nyttjas. Ett samspel bör skapas mellan det landsbygdspolitiska programmet, programmet för kompetenscentra och regioncentrumprogrammet, med uppmärksamhet på interaktiviteten mellan landsbygd och städer.

3) Företagsklimatet i landsbygden ska förbättras med betoning av vissa grundförutsättningar...

Politik som främjar ett konkurrenskraftigt företagsliv måste kompletteras av andra åtgärder som är inriktade på att skapa gynnsammare villkor för företagsverksamheten inom varje region. Finland har under de senaste tio åren lyckats skapa ett gynnsamt klimat för både finska och utländska företag. Ett stort antal av de åtgärder som har vidtagits är emellertid "neutrala" i det avseende att de inte gör skillnad mellan regioner. Landsbygdspolitiken i dess breda bemärkelse

måste också ha uppmärksamhet för konkreta omständigheter i landsbygden som kan undergräva ett gynnsamt klimat. I detta avseende rekommenderas följande:

- Att transportinfrastrukturens kvalitet förbättras. Det finns avsevärda regionala skillnader i fråga om transportinfrastruktur. Transportnätet i de glest befolkade delarna av Norra och Östra Finland är mödosamt och dyrt att underhålla. När det gäller investeringar i transport måste man utöver den traditionella kostnad/nytta-analysen även beakta vissa positiva externaliteter, t.ex.: 1) bredare transportnät ger tillgång till mer arbetskraft, 2) snabbare förbindelser med leverantörer och kunder innebär lägre transaktionskostnader, 3) större marknadsområde (större urval leverantörer och bredare kundbas); och 4) färre restriktioner för markanvändning.
- Att man fortsätter arbeta för en mer vidsträckt användning av bredbandsinfrastrukturen, integrerade regionala datasystem och distansarbete i landsbygdsområdena. Finland har fäst stor vikt vid att utvidga sitt nätverk av informations- och kommunikationsteknologier (IKT). Internet-tillgängligheten i Finland är en av de högsta inom OECD (96.1% av alla hushåll har möjlighet till bredband). Det finns emellertid fortfarande rum för tillväxt inom användningen av dessa tjänster, i synnerhet i landsbygden, med tanke på att endast dryga hälften (53% i januari 2007) av alla finska hushåll har en bredbandsanslutning. Det har dessutom funnits inkompatibilitetsproblem mellan diverse datasystem i olika sektorer och regioner. Dessa frågor är viktiga med tanke på en nationellt homogen offentlig service samt för att frigöra den potential som internet har att skapa lika regler för alla, genom att minska på fysiska hinder som gör det svårare för landsbygdsföretag att delta i kunskapsekonomin.
- Tillgång till finansiella tjänster med tyngdpunkt på riskkapital och innovationsfinansiering. Landsbygdspolitiken bör försöka involvera fler privata finansiella institut i landsbygdsutvecklingen. Svårigheten att bedöma den finansiella avkastningen hos landsbygdsprojekt har ofta en avskräckande effekt på den finansiella sektorn. Banker och övriga finansiella institut kan ha en central roll att spela både som kreditgivare och som rådgivare, såddfinansiärer, utbildare, utvärderare, osv. De kunde i synnerhet finansiera företag i startskedet som är inriktade på landsbygdsområden som genomgår en diversifieringsprocess.

... och åsidosatta naturliga, kulturella och historiska värden.

Politikområden som syftar till att utveckla undernyttjade naturliga, kulturella och historiska attraktionsfaktorer är också viktiga. Finland har tydliga policyer som främjar ekonomisk verksamhet baserad på nyttjandet av naturtillgångar, t.ex. den lagstadgade allemansrätten. Därutöver har det funnits lokala insatser för att iståndsätta konkreta geografiska platser. Fler koordinerade insatser kunde utföras på följande områden:

- Insatser för att förbättra värdesättningen och utbudet av landsbygdens attraktionsfaktorer. Insatserna för att främja ekonomisk verksamhet som bygger på nyttjandet av naturvärden bör stärkas genom att göra en uppskattning av vilket värde (efterfrågan) konkreta lokala attraktionsfaktorer har och sedan uppmuntra marknadsmekanismer som för över avkastningen på den lokala befolkningen, antingen genom att stimulera samordningen av tillgång och efterfrågan eller genom att skapa bättre regleringsmässiga eller finansiella incitament.
- Insatser som främjar landsbygdsturism som en specifik niche och som tillämpar modeller där turism kopplas samman med företagsutveckling. Landsbygdsturism är en globalt växande niche och utgör en betydande inkomstkälla för landsbygdsbefolkningen, en dubbel fördel som gör det viktigt att verksamheten på detta område främjas. Man bör också sträva efter att skapa ett samband mellan landsbygdssamhällen och populära turistmål samt i likhet med Sotkamo och Kuusamo ta till vara turistflödet genom företagsutveckling och specialisering inom andra relevanta sektorer.

För att sammanfatta

Finland är ett av de mest landsbygdspräglade länderna inom OECD och även ett av de länder som tidigast har anammat en sektorsöverskridande landsbygdspolitik. Detta har bland annat hjälpt de politiska beslutsfattarna att identifiera och skilja på utmaningarna inom olika slags landsbygdsområden (stadsnära landsbygd, kärnlandsbygd och gleslandsbygd). Även om det återstår arbete för att anpassa sektoriella politikområden till landsbygdsområdenas varierande behov har den finska modellen för landsbygdspolitik haft rätt så stor framgång med att skapa sammanhållning mellan sektoriella politikområden i landsbygden (s.k. bred landsbygdspolitik) och främja landsbygdens utveckling med hjälp av konkreta program (s.k. snäv landsbygdspolitik). En aktör som har varit central för denna utveckling är den landsbygdspolitiska samarbetsgruppen YTR. Trots sin relativt svaga institutionella roll inom förvaltningen spelar samarbetsgruppen en mycket

viktig roll i styrningen av landsbygdspolitiken, både som sammanförare av olika aktörer och som förespråkare för landsbygdssamhällets intressen. För att befästa alla framsteg som gjorts under den tid som Finland har haft en landsbygdspolitik, över två decennier, måste landsbygdspolitiken få en egen status och egen budget samt starkare instrument för övervakning och landsbygdssäkring, och en samklang måste skapas med regionala aktörer. Nyckelprioriteterna för framtiden är att öka likabehandlingen och höja effektiviteten hos offentlig service med iakttagande av behoven hos en åldrande och utspridd befolkning, stärka konkurrenskraften hos det ökande antalet företag utan koppling till jordbruk i landsbygden och förbättra företagsklimatet i landsbygdsområden med tillvaratagande av den omgivande naturrikedomen.

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OECD Rural Policy Reviews

FINLAND

Finland is one of the most rural countries within the OECD, and it is also one of the early adopters of a multi-sectoral approach to rural policy. As such, the origins and evolution of Finnish rural policy are of great interest to both OECD countries and non-OECD countries alike, many of whom are still in the early stages of development. A first rural policy review was conducted for Finland in 1995, and this edition offers a unique look at how Finnish rural policy has evolved since the initial recommendations made in 1995.

The Finnish model of rural policy has been reasonably successful in achieving coherence among sectoral policies oriented to rural areas (the so-called *broad rural policy*) and in tailoring specific programmes to promote rural development (the so-called *narrow rural policy*). The Rural Policy Committee has played a crucial role in the governance of rural policy, bringing together diverse actors and advocating for rural communities. Key priorities for the future are delivering public services to an ageing and dispersed population more equitably and efficiently, enhancing the competitiveness of an increasing number of non-farm-related rural firms, and improving the business environment in rural areas by fully utilising their abundant natural amenities.

This report will be of interest to policy makers, researchers, NGOs and others active in rural development.

French, Finnish and Swedish translations of the Assessment and Recommendations have been included in this volume.

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