

**A Viable Countryside – Ministries’  
Responsibilities and Regional Development**

Special Rural Policy Programme 2007–2010

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<b>SUMMARY</b>			
<p>This publication is an international version of the programme document "Viable Countryside – Ministries' Responsibilities and Regional Development – Special Rural Policy Programme 2007–2010". The structure and content of the publication follows the programme document approved by the Finnish Government in February 2007, but certain sections have been revised to consider the foreign readers.</p> <p>In Finland the responsibility for regional development rests with the municipalities and State. Provisions on regional development are laid down in the Regional Development Act (602/2002), according to which the special programmes are the Rural Policy Programme, Island Development Programme and Regional Centre Programme as well as the Centre of Expertise Programmes. The special programmes are fixed-term instruments adopted by the Government for the targeting and coordination of regional development and creation of new methods and cooperation practices.</p> <p>The Special Rural Policy Programme focuses on the broad rural policy issues and development of the rural policy framework. Broad rural policy refers to the assessment of the impacts of measures taken in different administrative sectors on the rural areas. The special programme sets down the Government strategies for rural policy and decisions on development measures for 2007–2010. The programme has been reconciled with the other special programmes related to the national regional policy and with the regional programmes. The national regional and rural policy is supplemented by the EU's regional and structural policy as well as rural and fisheries policy.</p> <p>The aim of the rural policy is to ensure a viable and functioning countryside. In the special programme the rural policy is categorised into four priorities: 1) restructuring of economy and work, 2) raising the level of competence, 3) improving basic services and living opportunities and 4) reinforcing the operational structures in the rural areas. The strategic outlines put forward in the programme are concise and goal-oriented. The programme contains 66 decisions, i.e. development measures categorised according to the axes.</p> <p>The Special Rural Policy Programme is prepared by the Rural Policy Committee, which also assists the Government in its implementation. The Rural Policy Committee is a cooperation group appointed by the Government which brings together the national-level actors involved in rural policy.</p>			



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## **FOREWORD**

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This publication is an international version of the programme document “Viable Countryside – Ministries’ Responsibilities and Regional Development – Special Rural Policy Programme 2007–2010”. The structure and content of the publication follows the programme document approved by the Finnish Government in February 2007, but certain sections have been revised to consider the foreign readers.

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## INTRODUCTION

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In Finland the responsibility for regional development rests with the municipalities and State. Provisions on regional development are laid down in the Regional Development Act (602/2002), according to which the special programmes are the Rural Policy Programme, Island Development Programme and Regional Centre Programme as well as the Centre of Expertise Programmes. The special programmes are fixed-term instruments adopted by the Government for the targeting and coordination of regional development and creation of new methods and cooperation practices. The term of this Special Rural Policy Programme and the Island Development and Regional Centre Programmes prepared within the same time frame is 2007–2010. The Regional Centre Programme will be implemented in 2007–2013.

In the regions the Regional Councils function as the regional development authority. In Finland there are 19 Regional Councils, plus the autonomous Province of Åland. The Regional Council is a coalition of municipalities of the region. Regional planning comprises the general and regional plan and regional development programme for the region. The strategies set down in the special programme are incorporated in the regional programme and reconciled with the strategic development objectives and actions of the region. The main projects as regards the implementation of the special programmes and estimated funding are compiled into the implementation plan of the regional programme drawn up annually.

The Special Rural Policy Programme focuses on the broad rural policy issues and development of the rural policy framework. Broad rural policy refers to the assessment of the impacts of measures taken in different administrative sectors on the rural areas. The special programme sets down the Government strategies for rural policy and decisions on development measures for 2007–2010. The programme has been reconciled with the other special programmes related to the national regional policy and with the regional programmes. The national regional and rural policy is supplemented by the EU's regional and structural policy as well as rural and fisheries policy. Figure 1 illustrates the programme framework for the rural, regional and structural policy in the EU programming period 2007–2013.

Narrow rural policy refers to measures and instruments targeted specifically at rural development. On the national level the main instrument of the narrow rural policy is the Rural Development Programme for Mainland Finland 2007–2013, which is part-funded by the EU. The Special Rural Policy

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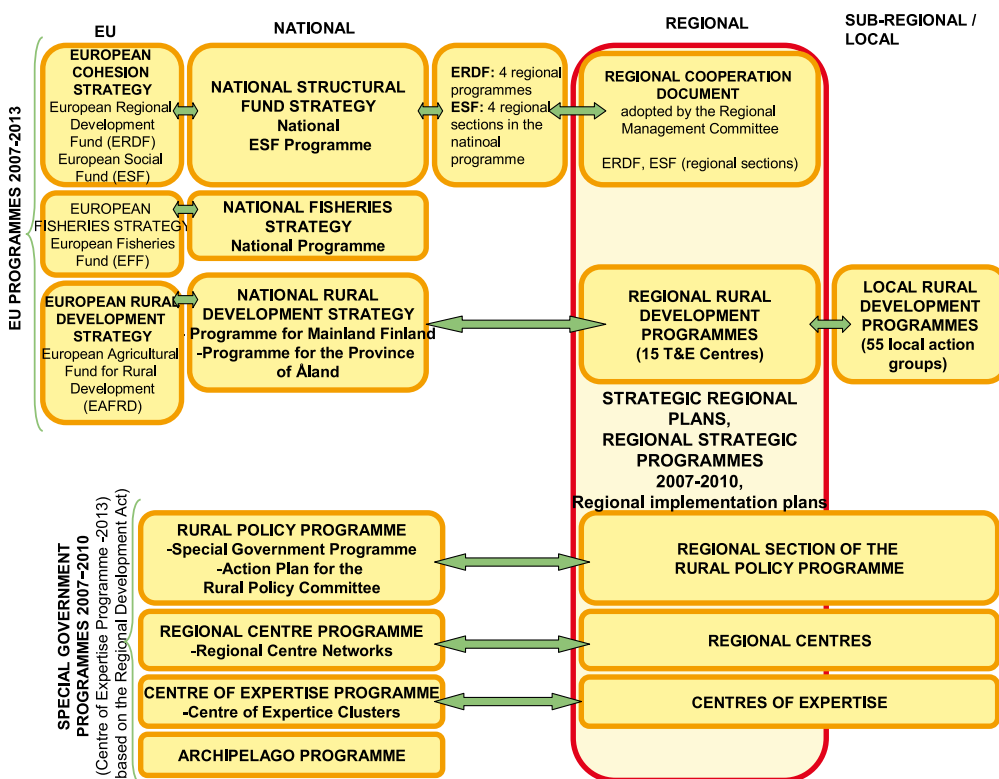


Figure 1: Programme framework for rural, regional and structural policy in the programming period 2007–2013 in Finland.

Programme is an instrument of the broad rural policy, which means that its measures extend to other sectors as well, including the social and health policy and transport and communications policy. Another important difference compared to the Rural Development Programme for Mainland Finland is that the development programme is a financing instrument, while the special programme is implemented within the framework of the State budget. The Special Rural Policy Programme contains decisions which improve the mutual linkages between the programmes targeted at the rural areas and increase the consistency and coherence of the measures undertaken by different actors.

The Special Rural Policy Programme is prepared by the Rural Policy Committee, which also assists the Government in its implementation. The Rural Policy Committee is a cooperation group appointed by the Government which brings together the national-level actors involved in rural policy. The 29 members of the Rural Policy Committee represent the different ministries and regional

administrative bodies, NGOs and research institutes. The term of the present Rural Policy Committee continues until the end of May 2008.

The preparation of the Special Rural Policy Programme 2007–2010 was started by evaluating the implementation of the previous programme for 2005–2006. The action programme of the Rural Policy Committee 2005–2008 “A Viable Countryside – Our Joint Responsibility” as well as the surveys of the theme groups of the Rural Policy Committee concerning their own specific sectors were also utilised in the preparation. The task of the cross-sectoral theme groups appointed for a fixed term is to improve the preconditions for rural development in their own field. The number of theme groups varies between 12 and 16.

The programme was prepared in an open process and it was available for comment on the web pages of the Rural Policy Committee. During the preparation four regional hearings were held in different parts of Finland and the draft programme was circulated for comment at the ministries. Prior to the approval by the Finnish Government the draft programme was discussed at the Rural Policy Committee, Ministerial Group on Rural Policy and Ministerial Group on Administration and Regional Development.

In the special programme the rural policy is categorised into four priorities:

- restructuring of economy and work
- raising the level of competence
- improving basic services and living opportunities
- reinforcing the operational structures in the rural areas

The strategic outlines put forward in the programme are concise and goal-oriented. The programme contains 66 decisions, i.e. development measures categorised according to the axes. The measures have been designed so that they can be implemented during the four-year programme period. The content and importance of the measures vary. When approving the measures presented as decisions in the programme the Government also defined the parties responsible for each measure, which will see to the practical implementation of the measures. The measures do not apply to the autonomous Province of Åland.

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# 1 FOUNDATIONS OF A VIABLE COUNTRYSIDE

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## 1.1 Vision of a viable countryside

Because of the large, very sparsely populated countryside and location far up in the north, Finland is a very exceptional country in Europe. This is why there is a particular need to develop a policy which efficiently addresses the specific conditions in the rural areas. The viability of the countryside can be influenced through various means in different policy sectors as well as through the rural policy.

The aim of the rural policy is to ensure a viable and functioning countryside. In the Special Rural Policy Programme this means a countryside where the population count stays the same or grows and the preconditions for well-being are improving. The vision for a viable countryside put forward in the previous Special Rural Policy Programme completed December 2004 is still valid:

*The countryside is highly diverse, comprised of competent and determined people and nature, sparse, village and small-town settlement, a growing variety of occupations, and networks of numerous active communities. It interacts with the urban areas and is closely linked to national and international development trends.*

## 1.2 Finnish rural policy system

The rural policy system in Finland consists of the so-called broad and narrow rural policy. Broad rural policy refers to the measures affecting the rural areas in the different administrative sectors. The main instruments of the broad rural policy are the two elements of the Rural Policy Programme: Special Rural Policy Programme of the Government and the action programme of the Rural Policy Committee. The special programme focuses on the strategies and decisions of the central administration and development of the rural policy system. A regional section was introduced as a new element to the special programme for 2007–2010. 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 instruments of the narrow rural policy, or rural policy proper, include the rural development programmes part-funded by the EU. (Annex 1: Figure of the Finnish rural policy system).

Both the broad and narrow rural policy are implemented from the village level up to the whole nation as well as internationally. The various rural policy

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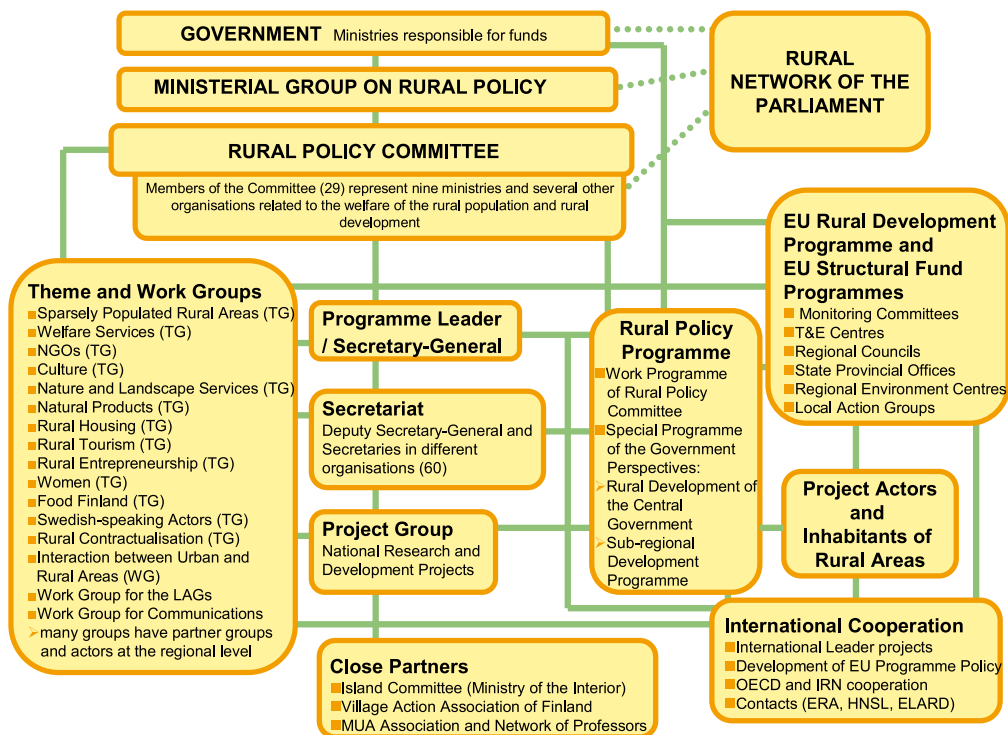


Figure 2. Finnish rural policy actors during the preparation of the Special Rural Policy Programme in 2006.

actors constitute a comprehensive network which combines the different levels (Figure 2). The rural policy system must be developed constantly, taking account of the changing needs in the rural areas. Stronger internationalisation, for example, may bring new ideas and cooperation arrangements.

### 1.3 Rural development processes

#### *Three types of rural areas*

The countryside can be viewed in various ways. Traditionally the rural areas were perceived through agriculture, but due to the diversification of rural economies and decrease in the role of primary production the rural areas have established their position as diversified regions which bring together different industries, people and occupations as well as types of living and leisure activities. The countryside can be defined in a number of ways, because no single definition is sufficient either in the national or international context.

According to municipalities, all municipalities other than cities and towns are rural, while the Statistics Finland classifies municipalities as rural according to the population density. According to the national classification (typology) which has evolved along with the rural policy, municipalities are divided into rural areas close to urban areas, rural heartland areas and sparsely populated rural areas (Annex 2). In the rural policy the rural areas comprise the municipalities included in the three types of rural areas as well as rural areas which belong to large and medium-sized towns.

Urban and rural areas interact in a number of ways. The countryside produces various kinds of commodities to the urban consumer, while rural residents need the goods and services offered by the urban areas. For everyday needs the goods and services are purchased in population centres nearby, while durables and services that are needed less frequently are acquired from larger centres further away. Many urban residents spend their free time in the countryside, where they may have friends and childhood memories. One already quite traditional form of interaction is commuting to work from rural to urban areas or vice versa on a daily basis. The money flows created by the urban-rural interaction are particularly important for the enterprises.

#### *Variations in the rural population trends*

Rural municipalities represent more than 90% of the surface area of Finland. About 40% of the residents and 32% of jobs are located in these municipalities. In many regions the population of the rural areas is in fact larger than shown in the statistics, because they do not take account of the growing numbers of those spending their free time in the countryside and other part-time residents.

In the sparsely populated rural areas and rural heartland areas the population trend is decreasing, but the pace is now slower and the migration is getting more balanced. The population loss is largely due to the large number of 15 to 29-year-olds who have left the countryside, which also means that fewer children are born in these regions. Migration away from the sparsely populated rural areas and rural heartland areas has led to a distorted *age and gender structure* of the population. In these areas the share of the working-age population is much smaller than in the other parts of the country and the share of men is much higher than women. The problems related to the peripheral location and sparse population are mounting especially in the sparsely populated regions in eastern and northern Finland. Instead, in the rural areas close to urban areas the population trend is much more positive and in some places the population is growing even more rapidly than in towns and cities.

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As regards the municipal economy of areas which suffer from population loss, one particular problem is the *break in the chain of generations*. The municipalities have taken care of the basic training, youth work and healthcare of the young, but when they reach the age when the municipality could become a recipient of tax revenue instead of the payer, the people move away and start paying taxes to another municipality. The chain of taxpayers is broken at the other end as well, because the parents of the same young people are reaching the age when the healthcare and special healthcare costs to the municipality begin to increase, and those who have moved away no longer contribute to the payments. Thus the growing costs remain to be paid by the decreasing number of taxpayers who still remain. This may cause pressures to raise the municipal tax rate to an unreasonably high level, while the services provided in return may have to be cut. Central government transfers to local government and the mechanism for equalising the tax revenue alone are not enough to compensate for the deficit in the municipal tax revenue. The project launched by the Finnish Parliament 2005 (Project to Restructure Municipalities and Services) is expected to find solutions for the organisation of service production in the rural municipalities as well (see Fact Box).

### **The role of municipalities in public administration**

The public administration in Finland is divided into national government administration and municipal local administration. Finnish municipalities enjoy a high level of local autonomy. Similar to other Nordic countries, Finland is highly decentralised. The Constitution gives municipalities a right to levy taxes.

Local government has the primary responsibility for social welfare, healthcare, education and culture. Over 75% of total public employees work in local government. Municipal jobs are particularly important for the employment of the rural municipalities. Local government expenditure accounts for over 30% of the total public sector expenditure and 2/3 of public consumption.

### **Project to Restructure Municipalities and Services**

In 2005 the Finnish Government launched a special project to boost the development of the municipal structure and municipal cooperation in order to improve the capacity of municipalities to maintain the basic

services also in the remote areas. The objective of the project is a sound structural and financial basis for the services that municipalities are currently responsible for, in order to secure the organisation and provision of such services in the future, with due regard to the required standard of quality, effectiveness, access, efficiency, and technological advancement.

The Parliament adopted the Framework Act for the project in 2006. The Act on Restructuring Local Government and Services, also referred to as the Framework Act, sets down the guidelines and framework for the restructuring of local government and services. The legislative and administrative reforms necessary for carrying out the restructuring initiated on the basis of the Act should be completed by the end of 2009.

The objective of the Framework Act is to strengthen municipal and service structures on the basis of local democracy, improve the manner in which services are produced and organized, overhaul local government financing and the system of central government transfers to local government, and 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 government expenditure and create a sound basis for steering the services organized by municipalities.

*Services a growth sector, unemployment a problem in sparsely populated rural area*

The rate of unemployment has fallen in all types of rural areas since the mid-1990s. The differences between the rural areas as regards unemployment have remained about the same. In the sparsely populated rural areas the unemployment rate is still close to 15%, which is more than 4% higher than in the whole country on average. The unemployment rate in towns and cities is the second highest.

In 1995–2004 the number of jobs increased in the rural heartland areas, rural areas close to urban areas and in towns and cities. Most of this growth took place in the service sector. In the sparsely populated rural areas the number of jobs remained about the same. In primary production the number of jobs has been falling steadily over the ten-year period 1995–2004. Of the almost 724,000 jobs in the rural municipalities in 2004, 11% were in primary production, 29% in processing, 26% in private services and 31% in public services (services total was 57%). Over the ten-year period the number of jobs in both private and

public services increased the most in rural areas close to urban areas. In all types of regions except for the rural heartland area the number of jobs grew more in the private than in public services.

### *Country living brings rural people together*

The concept of *residential rural area* defines the most significant denominator for the people living in the countryside. There is a wide variety of different kinds of people in the rural areas, who represent an equally wide range of occupations. The number of holiday residents is growing and the time they spend in the countryside is getting longer. Residing in the countryside is the most important factor that brings together the different groups of people. A third of the Finns identify themselves as both rural and urban, and the number of those who choose both of these as their place of residence is growing.

Free-time residence is highly widespread in Finland, and it offers significant opportunities for the rural heartland areas and sparsely populated rural areas. Of the altogether 475,000 free-time residences the majority are located in these two types of area. According to a study of the Island Committee<sup>1</sup>, each holiday residence is used regularly by the average of four persons. This means that the total number of regular holiday residents in Finland is almost 2 million. Especially during the holiday season the number of holiday residents in many sparsely populated municipalities may be the same or even higher than the number of permanent residents, which increases the turnover of local businesses considerably. However, the impact on the municipal economy remains quite small. The share of the immovable property tax paid by the holiday residences in the municipal tax revenue remains very small, in most cases less than 1% of the total tax revenue of the municipalities. In 2005 the immovable property taxes paid for residential buildings other than the permanent ones were more than 100 euros per resident and represented over 2% of the total tax revenue in about 20 Finnish municipalities.

The diversification of both the population and their occupations is a very positive trend. Comprehensive development of the rural areas is founded on the implementation of measures that improve the living conditions, businesses, livelihood, services and amenities of all the different population groups residing in the countryside.

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<sup>1</sup> The Island Committee is a permanent statutory advisory committee appointed by the Government. The Committee participates in the development of island areas jointly with regions, municipalities, State authorities and other relevant parties. The Committee has a Secretariat with a full-time Secretary-General.

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## 1.4 Abundant opportunities in the countryside

*Rural residence* in all its different forms is an increasingly important denominator of the viability of the countryside. Migration is becoming more balanced and, thanks to the better connections and growth in secondary residence, the demands for residences and building sites in the countryside is growing and extends to wider areas. This is why promoting the residence and building in the rural areas is one of the main tasks of the rural policy.

*Neighbourhood services* are becoming more and more local. The concentration of public and private services has continued for a long time. The number of local service points is decreasing and the development of mobile and electronic services has been quite slow. Besides the traditional municipal services, the municipalities need new, different kinds of methods for organising and producing services. Developing the private and third sector as services produces offers new ways to arrange the local and neighbourhood services, for example, in multi-service points. Producing the services locally is a serious challenge for the Project to Restructure Municipalities and Services (see Fact Box on page 8).

*Local communities*, village associations and sub-regional rural development associations have been set up for quite some time. These have been encouraged to take up tasks which are important for the viability of the community but which the companies are not interested in because of the small market, or the municipalities can no longer take care of due to shortage of funding. Through the work of the stronger local organisations many of the threats can be turned into opportunities.

*Agriculture and forestry* have an important role, both socially and for the industrial policy. The multifunctional role of primary production should be reinforced and the diverse production potential connected to it should be utilised more efficiently than at present. Besides food and wood raw material the goods produced by agriculture and forestry include landscape and environmental services.

To ensure the profitability of agriculture and forestry and reinforce the viability of the rural areas, people should be encouraged to look for work that needs to be done. Rural areas suffer from unemployment, but there is also shortage of labour. There are significant employment opportunities on the growing farms and in certain other sectors, which need to be utilised to promote the development of the countryside. In particular, *occasional and temporary employment should be combined* into meaningful entities through better *contractual arrangements*. The

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*opportunities for teleworking* should be utilised. Contractual arrangements refer to mechanisms for transmitting goods and work through which the hidden opportunities for employment and earning a living can be realised.

*The use of bioenergy* is growing and the preconditions for bioenergy production are improving, thanks to better price competitiveness. Development work in the sector is under way, but further research and investments are needed.

*Rural tourism* has become increasingly significant and diverse, but there are still unutilised resources and potential in the sector. In particular, tourism and recreation based on the nature and wildlife could be increased considerably. The development the theme tourism and networking of companies have succeeded very well, and the large tourism centres which have already been built are being utilised in diversified ways.

*Rural culture and heritage* are becoming increasingly diversified. Combined with tourism and other services it creates employment and business opportunities and money flows in the rural areas. Through country living, culture and reintroduction of local services more and more people again perceive the countryside as viable and attractive.

The opportunities of the rural areas can be summarised into the four priorities of the Special Rural Policy Programme: restructuring of economy and work, raising the level of competence, improving basic services and living opportunities, and reinforcing the operational structures in the rural areas. Rural policy develops all rural industries in accordance with the relative importance and anticipated future role, improves the level of competence, promotes living in the countryside and seeks new forms of services. Rural policy also aims to reinforce the operational structures that yield the best result under the constant and rapid changes in the society and countryside.

The countryside is not always and everywhere the loser. New objectives, solutions, arrangements and organisation create new opportunities. An absolute, but not sufficient, prerequisite is the growing responsibility of the rural residents for the development of their own home region, which also involves power and influence. The constant change calls for new mechanisms to bring together the existing strengths. *Functional and operative restructuring is needed in the rural areas*. In the near future the operational structures will be increasingly cross-sectoral and based on cooperation.

The rural areas have the potential to be viewed as physically and socially attractive living, consumption and business environments, as long as the

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positive conditions are created and reinforced and there is faith in the future of a viable countryside. Through the Special Rural Policy Programme the Finnish Government aims to respond to the great challenges for the rural development policy in the near future. One of the main challenges is to reduce the differences in the prerequisites for development between the regions. Migration and demographic structure should become more balanced and the structure of rural economies should be diversified further. Challenges for the near future also include ageing and retirement of the so-called large generations. The functioning of the service networks must be ensured especially in the sparsely populated rural areas, and mutually supportive cooperation between urban and rural areas must be developed.

### **1.5 Development of rural policy**

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. In some places the rural population has even increased. The countryside is considered an attractive place of residence.

The most serious *negative trends* are the disappearance of services, while the development of new forms of services is far too slow. The rural population has been decreasing for more than 50 years and the sparse population has been getting even thinner, even if very few areas have become completely depopulated. Because of the high age of the population, the decrease will continue. Telecommunications have become indispensable infrastructure in terms of the competitiveness of businesses and organisation of services and other functions. One problem is that some rural areas are lagging behind in the construction of sufficient telecommunication networks.

*The rural policy system* has developed quite rapidly: over the past 18 years the policy has become organised, and there are actors and working methods in all levels of the activity. Important steps forward in rural policy include the theme groups and local action groups and coordination and umbrella projects. These have contributed to deeper networking and cooperation between, companies, experts and other actors and more efficient distribution of labour. Methodological progress also includes the strengthening of rural research through the nine professors of rural studies and the Rural Studies Network

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of universities, which offers the highest education on rural affairs, produces master's degrees in the field in cooperation with other disciplines and develops education and research. The strengthening research efforts improve the preconditions for differentiating the rural policy according to the needs of different types of rural areas.

*The rural policy needs more support* through constructive public discussion. Often agriculture and the quite heavy agricultural administration consume too much of the resources that would be needed for rural development. The participation of regions and citizens in the rural development work should be improved as well. In recent years the social role of associations has diminished due to the stricter rules for tendering competitions and changes in the interpretation of taxation provisions. The associations have also limited their own role by concentrating their functions to larger units and centres so that fewer activities take place locally. One major challenge for the near future is to reverse this trend.

The Government supports the third sector to ensure the provision of various indispensable social functions. Village associations as well as sub-regional rural development associations, i.e. local action groups, have been set up. These cross-sectoral associations bring together the strengths and resources and are well suited to rural development work.

Successful cross-sectoral rural development work is founded on progress as regards certain elements in the operating environment and structures:

- Rural development work is organised in a systematic way and on a permanent basis. It is truly cross-sectoral at all level of activities. The Government continues to build up the rural policy system.
  - The viability of the rural areas is understood and defined so that the rural policy is seen to promote the population growth in the countryside and improve the welfare of the residents.
  - Rural infrastructure is taken care of; both the existing structures and those that are yet to be built.
  - Sustainable development of the rural areas is viewed from all four perspectives: social, economic, ecological and cultural.
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## 2 REGIONAL SECTION OF THE SPECIAL RURAL POLICY PROGRAMME

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So far there has been a gap in Finland's national rural policy instruments as regards the rural regions. Of the special programmes set down in the Regional Development Act, the Regional Centre Programme has offered a development tool for the urban areas, but a similar regional section has been lacking in the Special Rural Policy Programme (see Figure 1). The decisions of the Special Rural Policy Programme 2007–2010 include a development tool for rural regions, similar to that for urban areas in the Regional Centre Programme (see Fact Box).

### **Regional Centre Programme**

The Regional Centre Programme is one of the special regional policy programmes set down in the Regional Development Act. The programme aims to develop the strengths and competences of the urban areas, as well as specialisation and cooperation. The Regional Centre Programme focuses on the development of competence basis and innovation activity in accordance with the business development and specialisation strategies. The Regional Centre Programme was launched in 2001.

The applications submitted by the Helsinki Metropolitan Area, diversified university towns and most regional centres for funding under the Regional Centre Programme for 2007–2010 made very little or no reference to rural development or urban-rural interaction. In larger towns and cities rural development is hardly at all taken into account in the implementation of the Regional Centre Programmes. Instead, in smaller centres rural development to a lesser or greater extent included in the actions under the Regional Centre Programmes. One reason for the low visibility of rural development and urban rural interaction may be that, due to the restructuring of municipalities and services, the strategic outlines of the Regional Centre Programme have been refocused more strongly to the competence building and businesses. Thus both the organisation of services and sub-regional aspects relating to infrastructure have been neglected.

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*Objective to reinforce the position of rural areas in regional development work*

The purpose of the regional rural section of the Special Rural Policy Programme is to specify the strategic key areas in the development of the business and competence basis of the rural areas and create new methods and cooperation practices for regional development. The section reinforces the urban-rural interaction and supplements the operative models and set of tools available for rural development work. The Ministry of the Interior allocated 1 million euros for 2007 as seed money for the implementation of the regional section.

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## 3 PRIORITIES AND MEASURES

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### 3.1 Restructuring of economy and work

The Government lays more emphasis than before on sectors of the future, because the countryside cannot stay viable without an *increasingly diverse structure of economy and industries*.

Because of the ageing population, the organisation of services and ensuring the continuity of economic activities are serious challenges in the sparsely populated rural areas. *The restructuring of the service sector* improves both the access to services and the structure of industries in the countryside. The operating conditions for private service production, public actors and the third sector must be improved and more cooperation is needed in the production of services in the rural areas. Growing services sectors are, among others, the welfare and care services and tourism, culture, nature and landscape services.

The tools for restructuring of economy and work include joint action and contractual arrangements. Contractual arrangements refer to transmission mechanisms through which sources of employment and earnings can be utilised in practice. The preparation and introduction of a rural contract system is one of the decisions of the Special Rural Policy Programme 2005–2006. However, the contract system has not been implemented to the extent envisaged in the previous programme. Contractual arrangements are needed, in particular, due to the restructuring of municipalities and services to ensure the provision of services and to put isolated employment opportunities together to create jobs or enterprises.

Working life has become increasingly business-oriented. One major challenge in the working life is how to *reconcile paid labour and entrepreneurship*. Various forms of entrepreneurship touch upon the work history of a growing number of people either part-time or full-time, or intertwined with working for wages. Multiple entrepreneurship offers new opportunities to earn a living from the fragmented work opportunities in the rural areas.

According to the Government's industrial policy, the competitiveness of *the rural SMEs* should be improved in all sectors through better competence, cooperation and networking. The industries can be developed through comprehensive projects for specific sectors. There is a great deal of potential for renewal in the rural SMEs, but there is not enough risk and innovation funding available for the initial stages of enterprises in different sectors.

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Resources should be allocated for the utilisation of new business ideas. The possibilities to revise the taxation practices and competition legislation so that the SMEs and actors representing the third sector have sufficient and equal opportunities to function as providers of goods and services should also be examined.

The development of the SMEs depends a great deal on the services available for businesses. Through the structural fund projects of the EU the public and market-oriented business service sector has been complemented by nationally significant advisory services for rural enterprises, which operate in the sub-regional business service points. These should become a permanent part of the business service system. The public service system is being reorganised under the Ministry of Trade and Industry to make it increasingly customer-oriented. The reorganisation work is based on a Government Resolution, which launched the implementation of the Enterprise-Finland service system. Enterprise-Finland is a free Internet service targeted to SMEs, which gives information on the establishment, expansion and development of businesses. The new demands for public business services resulting from rural development trends should be taken into account: the transfers of farms to the next generation will be increasing, the education level of entrepreneurs is rising, it is increasingly difficult to find skilled labour force, the need for services is growing and a higher standard of services is required.

*Agriculture and forestry* are important resources for the countryside, both as business activities and in terms of landscape and preservation of biological diversity. The role of agriculture and forestry in regional economies and employment and the opportunities of farmers to earn income from alternative sources must be taken into account in the development of support systems for the rural areas. The livelihood opportunities of the farming population can be improved through further concentration and specialisation as well as by improving the preconditions for diversification. Concentration has increased the technical and safety requirements in farm building. The supervision and steering of building should be developed to take account of the changes in farming operations and building standards. The Government encourages operators in the agriculture and forestry sectors to diversify their production activity and increase the pluriactivity of farms. For example, *horse husbandry* is a rapidly growing rural industry which derives its returns from the free-time market. The challenges involved are examined in a development plan on the operating conditions for the sector, which addresses the obstacles to the entry of new actors on the market and factors which restrict the growth of businesses.

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Each year the forest owners make about 80,000 felling decisions and hundreds of thousands of decisions concerning forest management measures. Despite the fellings, Finnish forests are commercially underutilised. A great deal of forest management and felling work, e.g. third of the annual tending of seedling stands, is not being done due to poor profitability and organisation of the work, temporary nature of the work and poor productisation. In forest management work the demands and supply do not always meet. New kind of *forest service entrepreneurship* in the form of regional contracting has spread quite slowly in the forest sector, even if there is an obvious need for the production of such services. The development of forest management services based on the supply alone is not enough. A network of forest service entrepreneurs is needed to carry out the forest management works, which may be funded by means of State assistance or by the forest owners alone.

The ageing of forest owners increases the demand for forest management services. At present about a quarter of the privately owned forests in Finland are owned by death estates or groups. The fragmentation of forest holdings and neglect of forest management works should be prevented to ensure that diversified operations which support the other local industries continue in forests. These activities include village and nature tourism, processing of nature's products, development of landscape sites and forestry. Active use of private forests can be promoted through transfers of forest holdings to the next generation, new jointly-owned forests and development of new forms of joint ownership.

*The use of renewable energy* increases the share of domestic energy production and utilisation of the regional energy raw material potential. At the same time it reduces the use of fossil fuels, improves employment, creates the conditions for new business activities in the rural areas and generates positive impacts on the regional economies. Supporting the use of bioenergy improves the technical expertise in the sector and creates export opportunities for Finnish companies. In order to realise this potential we need energy policy and decisions which increase the usability of forest and arable energy and further inputs especially in the second-generation technologies.

The Finnish *food sector* has done quite well in the tightening competition on the EU markets. The strengths of the Finnish food sector include the high quality and standard of hygiene, appreciation of domestic food, as well as the high professional skills and cooperation among the different actors in the food chain, with strong focus on the quality and safety of foodstuffs in accordance with the "from farm to table" principle. The national and EU support systems ensure that the processing industry has access to reasonably priced raw material. The

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development trends in food production include a growing emphasis on the health aspects, including the so-called functional foods. Organic and local foods create new opportunities for the operators in the sector. Further and more comprehensive research, training, product development and marketing are needed to reinforce the food sector. SMEs in the food sector are interested in expanding their operations mainly on the domestic market. According a study of the operating environment of SMEs in the food sector, the main obstacles to expansion are the rules and regulations and shortage of customers in the market areas, while the lack of negotiating power prevents the entry to wider markets. The main development objectives are to raise the turnover, production volume and level of competence of the staff.

*The natural product* sector offers various kinds of opportunities for business activities based on either the natural products themselves or related experiences. This in turn supports and reinforces several other sectors. To take full advantage of the potential in the sector, better expertise is needed among the organisations offering financing and business services, entrepreneurs as well as in the administration.

*Tourism* is a rapidly growing business, which is particularly important in the most rural regions of Finland. Proper utilisation of the opportunities of tourism in rural development may create thousands of jobs locally. Tourism industry is showing the way to the new role of the rural areas as providers of services. The key area 'development of theme-based products and services' of the National Tourism Strategy is highly significant from the rural perspective. The National Tourism Strategy was compiled under the Ministry of Trade and Industry in extensive cooperation with the tourism industry operators. The strategy extends until 2020 and it defines, among other things, the growth objectives, strategic key areas for the growth and the product themes given priority in the development work. In the near future the development work focuses on the development of theme and activity products in the form of networks and introducing the products on the international markets. Another challenge in the next few years is to create a development network for rural tourism which covers the whole country and offers benefits and livelihood to large numbers of village residents. Horizontal key areas in developing tourism are product development work, sales and marketing, developing competence, and quality management and the environment. Pure nature and cultural environments are taken advantage of as factors that contribute to the welfare and amenities in the rural areas in both tourism and living in the countryside.

The objective of the previous special programme to extend rapid and reasonably-priced broadband connections to the whole country by 2007 will

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be realised quite well, but the connections are still lacking in some areas. Good *telecommunications infrastructure* offers even better opportunities for teleworking as well as networking of small rural enterprises and innovation activities. The possibilities for *teleworking* need to be reinforced. Teleworking reduces commuting to work and the environmental load this causes. If applied extensively, teleworking could balance the rush-hour peaks, improve occupational safety and reduce the pressure on traffic routes. The opportunities for teleworking must also be taken into consideration in the further regionalisation of central government functions. The technology for teleworking is already in place, but more courage would be needed from the employers' side. The rules for teleworking agreed by the labour market organisations provide a solid foundation for increasing teleworking.

Regionalisation is one of the main tools for promoting competitiveness, both nationally and in the regions. Regionalisation means placing central government functions outside the Greater Helsinki Region. The objective of regionalisation is to improve governance and enhance regional development. The aim is that regionalised functions and the expertise of regions will support each other. Regionalisation also enables to reform and streamline operating procedures in connection with the transfer of functions. Primarily regionalisation contributes to the creation and development of regional clusters to the major towns and cities in the regions. Strong regional clusters have positive impacts on the development of the region as a whole.

Improving the preconditions for entrepreneurship includes securing the availability of *skilled labour force*. Problems relating to the availability of labour force are a serious threat to the development of regional economies in many rural areas. This problem can be expected to get even more serious in the future. Besides the businesses the shortage of skilled labour concerns the public sector as well. Jobs in the social and health services will be the most challenging single target groups already in the near future. In its education policy the Government draws attention to the need to ensure that the shortage of skilled labour will not constitute an obstacle to the diversification of the structure of rural economies. The priority concerning raising the level of competence is more specifically targeted to serve this objective. Immigrants are also needed to ensure a sufficient labour force in the rural areas. Positive attitudes to immigrants promote the cultural diversification of the countryside and enrich the rural communities.

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## MEASURES

The priority 'restructuring of economy and work' contains 24 measures, which aim to respond to the challenges discussed above. Six of these are given as examples, together with the organisations responsible for their implementation. The implementation of the measures is followed annually in a report drawn up by the Rural Policy Committee.

- A working group is set up under the Rural Policy Committee to promote the organisation of local services and development activity in the rural areas through contractual arrangements with the local companies and communities. The working group compiles the experiences gained from research and pilot projects concerning contractual arrangements and improves the competence and practices of the administration in such arrangements. (Rural Policy Committee, Ministry of Agriculture and Forestry, Ministry of Labour, Ministry of Social Affairs and Health, Ministry of the Environment, Ministry of Finance, Ministry of Education)
  - Rural business advice is improved by bringing together the main organisations offering business services on the sub-regional level so that customers receive the services provided by different organisations from a single service point. The aim is to set up 60 sub-regional business service points. (Ministry of Trade and Industry, Ministry of Agriculture and Forestry, Employment and Economic Development Centres)
  - More efficient utilisation of energy wood is promoted by supporting the development of equipment, investments and harvesting of energy wood as well as through information and guidance. Heat centres functioning according to the principle of heat entrepreneurship are set up in population centres with small residential buildings. (Ministry of Trade and Industry, Ministry of Agriculture and Forestry, Ministry of Labour)
  - A growth programme which creates product and technology development packages for small food sector companies and an image campaign on SMEs in the food sector are launched. (Ministry of Trade and Industry, Finnish Funding Agency for Technology and Innovation Tekes, Ministry of Agriculture and Forestry)
  - A working group is set up under the Rural Policy Committee for the development of the natural product sector. The main tasks of the group include the organisation of long-term coordination, promoting the networking of companies in the sector and development of a system of experts on the different business activities within the sector. (Rural Policy Committee, Ministry of Trade and Industry, Ministry of Agriculture and Forestry, Ministry of Labour)
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- Besides the key areas in the promotion of tourism (product development work, sales and marketing, development of competence and quality management and the environment) efforts are targeted to the development of welfare tourism and the related theme and activity products as well as their international marketing. (Rural Policy Committee, Ministry of Trade and Industry, Ministry of the Environment, Ministry of Education)

### **3.2 Raising the level of competence**

#### *Development of competence capital and innovation systems*

The only way to create welfare, new employment, production and other activities on a sustainable basis in the countryside is through a high level of competence. In the rural areas the competence develops in diversified interaction with the urban areas and population centres. Different types of rural areas need different kinds of competence. Finding out the different kinds of needs for competence is a prerequisite for raising the level of competence.

Conscious efforts are needed to build up the competence basis in the rural areas into a regional reserve, which consists of the competence capital and innovation systems. *Competence capital* is a construction of knowledge, skills, qualifications, identity and expertise in certain issues and regional contexts. *Innovation systems* refer to identifiable and accessible institutions providing information, expertise and financing as well as information transfer and cooperation mechanisms supporting these. Important elements in the competence capital of the rural areas are the skills and expertise created in communities and citizens' action. It is not feasible to restrict the focus on the competence markets of the public sector and businesses.

The preconditions for the construction of the competence capital and innovation systems in the rural areas should be improved from three perspectives. These are 1) identification and recognition of the existing competence and the development needs, 2) competence which creates new knowledge and skills and 3) interaction between the current and new knowledge and skills and involvement of the people.

#### *Competence and development needs in the rural areas*

There is a great deal of competence in the countryside, which is not always recognised or which is utilised only locally. In particular, the rural residents have *knowledge and skills that are closely related to practice*. There is also poorly

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recognised knowledge regarding especially the *cultural sector*. Developing the countryside as an environment for creative economy and culture production is becoming increasingly important. Cultural events, arts and crafts and other activities should not depend on the market forces *or occasional local voluntary work and financing sources, but these need to be promoted on the national level by reinforcing the cultural and art organisations in the rural areas*. The development of everyday creativity and culture and practical applications for art are important sources and fields of social innovation. They improve the people's welfare and offer new kinds of employment and business opportunities for arts professionals and those who are interested in creative work and activities.

In addition to the diversified competence in the countryside, the needs for development must be recognised as well. The practical knowledge and skills existing in the rural areas should be utilised in a flexible way in the education and training. It should be possible to take courses in various schools and colleges, as well as through practical training. Practical skills can be proven by a demonstration examination. In the future there will be a serious shortage of skilled labour in, for example, care services in the rural areas as well. The supply of and demand for labour do not meet, because the formal education is lacking and it may be difficult to obtain. Formal studies for several years away from home may not be a realistic option for adult students, even if this could eventually lead to permanent employment.

The Government improves the ability of the education system to ensure sufficiently diversified and flexible education and training in the rural areas. Important actions in this include the restructuring of education and advice, ensuring a diversified supply of education and training and improving the access to education. *Competence is also developed in working life according to the needs of the companies*. New kind of education and training aimed at multiple competence should be launched, because this cannot be achieved through education that is focused on one specific occupation. ESF funding governed by the labour administration can be allocated to project-based development of the rural areas. Through the ESF funding can be made available to, for example, training of multiple skilled employees in the rural areas and search for employment opportunities. The ESF may also contribute to supporting cultural and citizens' activities aimed to prevent social exclusion.

One growing problem in the rural areas is that the *opportunities for further training for those who complete their basic education are moving further and further away from home*. More and more young people are faced with a situation where they have to move away from their home district for higher secondary or vocational education. At that age the young may not be mature enough

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for independent life. One problem in vocational education is that all young people cannot manage the very demanding practical work training periods, and because of occupational safety they cannot even participate in all types of work. This may cause some young people to drop out of school, which may lead to exclusion from both studies and working life. One solution could be to raise the school-leaving age by one year. Now the compulsory education starts in Finland in the year when the child is seven years old and ends at the age of 16 (when the 9-year basic education has been completed).

*Means to create new kinds of competence*

The utilisation of the creativity and competence existing in the countryside requires increased interaction and development of innovation systems. Public support and investments are needed for the infrastructure of the information society and a nation-wide service network. Access to education in the rural areas and functional national and regional cooperation between schools and universities must be ensured. Libraries must be developed as learning facilities and multi-service centres. The information systems and databases of libraries are updated and conditions for studies via the Internet are ensured.

*The local action groups (LAGs)* have a great deal of experience in training, activation and utilisation of tacit knowledge. The local action groups must have the opportunity to use various sources of funding, including ESF funding, in a flexible way to create new employment models and for competence transfer. The work of the LAGs possesses the greatest value added in learning a development culture that is based on own action and self-initiative. This is not enough, but besides the initiative the developers must possess the necessary competence and skills. The projects of the LAGs are expected to yield better and better results, which calls for a high level of competence. The level of competence can be raised by increasing training aimed to improve the development potential of the rural areas. Education in NGO activities and management should be incorporated in the education system.

*Rural studies and education in universities*

Rural studies and education on the university level has increased in recent years, but the constructions which have been created are still being maintained through temporary funding. As regards the basic structure this kind of arrangement is inefficient and it cannot compete for highly qualified staff. When the five-year terms of the professors in rural studies which are part-funded by the Rural Policy Committee come to an end, the multidisciplinary teaching and research input of the sector must be ensured through more permanent arrangements.

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The sectoral research institutes of the State are being reorganised and research inputs are being transferred from sectors whose role in the society has diminished to the growing sectors. In international comparison the Finnish rural policy and rural studies are on the top of the world. In recent years this has opened important opportunities to function as experts and influence the formulation of the OECD and especially EU development policies. Rural research is a growth sector.

Rural Studies is a network of universities which offers the highest education in the rural sector, produces the multidisciplinary master's degrees in the sector and develops education and research. As set down in the strategies for the rural policy, in recent years serious efforts have been made to develop the university-level education in the sector and the Rural Studies network. The network has proven both functioning and necessary by responding to the demand that exists in the society.

The activity of the Rural Studies network serves the important objective for the highest education concerning the cooperation between the universities and other institutions of higher education (polytechnics). The principle of life-long learning is promoted by reinforcing the teaching in rural studies in open universities and continuing professional education, which may be organised, for example, through university centres.

The Special Rural Policy Programme reinforces centres of competence in rural affairs and the development of mechanisms to transfer innovations and competence to smaller centres and the rural areas. This calls for close cooperation with the competence and regional centres programme, both nation-wide and regionally.

## **MEASURES**

The priority 'raising the level of competence' has 13 measures. Six of these are given as examples, together with the organisations responsible for their implementation. The implementation of the measures is followed annually in a report drawn up by the Rural Policy Committee.

- In the preparation of the Government development programme for child and youth policy special attention is directed to the living conditions and needs of children and young people living in the rural areas. (Ministry of Education)
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- Special actions are examined to prevent the social exclusion of young people who have completed their basic education. (National Board of Education)
- More studies are included in the basic and complementary education of community planners concerning land use planning, infrastructure, building and energy economy of different types of areas, including the countryside. (Ministry of Education, universities and polytechnics, Centre for Urban and Regional Studies)
- The necessary funding of 6 million euros is ensured for the national rural research and development projects within the available financial frameworks by means of the annual appropriation of 3 million euros of the Rural Policy Committee, joint funding from different ministries and other programme funding. (Ministry of Trade and Industry, Ministry of Education, Ministry of Agriculture and Forestry, Ministry of the Interior, Ministry of Social Affairs and Health, Ministry of Labour, Ministry of the Environment)
- The structural development of the Rural Studies network is continued through closer relationship between research and teaching and by constructing cooperation in higher education on the rural sector between the universities and other institutions for higher education (polytechnics). (Ministry of Education, National Board of Education, Rural Policy Committee)
- The internationally recognised and appreciated rural policy competence is turned into an export article on the international competence market. At the same time Finland takes advantages of the rural policy practices and experiences from other countries and develops the methodologies for the sector together with the EU, OECD and relevant NGOs. (Rural Policy Committee, Ministry of Agriculture and Forestry, Ministry of the Interior)

### **3.3 Improving basic services and living opportunities**

The countryside is becoming more of a residential community rather than place of rural businesses. Residence is becoming an increasingly common reason for location in the countryside, and many urban dwellers would be prepared to move to a rural area, if an opportunity for this were offered. This does not concern only people who move back to the countryside, but there are completely new residents as well. Living in the countryside involves different kinds of challenges in different types of rural areas. Because the countryside is widely considered as a desirable place of residence, moving and living there should be facilitated by developing, for example, land use planning and

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building permit procedures, infrastructure, access to basic services, supply of alternative forms of residence, flexible commuting arrangements and opportunities for work that is not tied to a certain place.

Alternating between work and residence is one of the most important forms of interaction between the rural and urban areas. Many people want to live in the countryside and travel to work in the population centres from there. In recent years *commuting* has increased rapidly especially in rural areas close to urban areas. The distances are also getting longer. One increasingly common form of commuting is so-called long-distance commuting where the actual place of residence is in the countryside but the workdays are spent in a population centre of another locality. This phenomenon can be considered to comprise the growing use of seasonal labour in, for example, the tourism industry in Lapland and in central and southern Finland during the peak seasons in the berry and horticulture sectors.

*The good status of natural resources* is not self-evident even in the rural areas, but the environmental impacts must be taken into account in all actions. A good status of especially the soil and waters and biological diversity are highly important as regards the viability of the countryside. The Government objective is that the rural areas preserve their competitiveness as healthy and safe living environments which are in harmony with the nature and where the social costs are reasonable.

Traditionally building in the countryside has been regulated less than building in population centres. For builders this has meant more flexibility and a greater freedom of choice, but the development has not always been positive in terms of the community structure and landscape. The settlement has become dense in an unplanned manner, which has complicated the application and granting of building permits. Land use planning, especially master plans, create more building opportunities as well as locates the buildings in the best possible way in terms of the development of the rural landscape, services and infrastructure. To facilitate building, efforts are being made to expand the possibilities to grant building permits directly by virtue of the master plan. The municipalities, villages and land owners are also encouraged to cooperation in the preparation and realisation of the plans. One way to do this is to take advantage of the village planning initiated by the villages and land owners as the basis for the master plan. The supervision and guidance of building is developed so that the measures support the conversion of holiday homes to all-year use. Besides buildings, traditional landscapes are important elements of our national assets.

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*Free-time and secondary residents* must be taken into account in all rural development work in more diversified ways than has been the case so far. Joint organisation of free-time and permanent residents contributes in various ways to the development of villages.

A good residential environment supports cultural diversity, including the Sami culture in Lapland and the Swedish-speaking culture in the coastal regions. Archipelago municipalities and communities are important environments as regards the preservation of the Swedish-speaking culture in Finland. This also supports the preservation of the roots and heritage of the Swedish-speaking Finns who live in towns and cities and the very special archipelago culture.

The opportunities offered by the restructuring of municipalities and services must be utilised so that the access to services is secured also for the residents of the sparsely populated rural areas. The service structures in the rural areas are reinforced in connection with the restructuring of municipalities and services (see Fact Box on page 8) to ensure the quantity and quality of services and access to them.

The increased need for advisory services will concern especially the worst off, and the need for services is the greatest among those whose ability to seek information is limited for one reason or another.

*In the new kind of organisation of local services* more and more actors on the sub-regional and village level as well as networking between these are needed. Besides the municipalities, the role of the third sector, especially villages and local associations, becomes increasingly important in the organisation of the local services. The activities of the third sector which serve the public good are defined more clearly to respond to the new interpretations of the competition and taxation legislation. Alternative methodologies, service products, good practices, cooperation models and the necessary changes in the legislation are examined in cooperation between the public sector, associations and companies, with the aim to develop the services in the countryside. It must be possible to produce the services in an economically, ecologically and socially sustainable manner and with due respect to the equality between the citizens independent of the place of residence.

In terms of food production in the countryside it is particularly important to ensure sufficient veterinary and food control services. The veterinary services system and food control are being organised into larger operative units, while ensuring the access to local services and high quality of the services. The reorganisation of the veterinary services also contributes to living in

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the countryside, because the reform aims to ensure high-quality veterinary services intended for pets and hobby animals as well.

In the social policy there is urgent need for efficient organisation of services for the *ageing population* and especially an equitable distribution of the costs of the specialised medical care between the taxpayers of municipalities that are losing and gaining population. The aim is to reinforce community responsibility and obtain private funding for the production of functions and services which the citizens consider as necessary, because these can no longer be maintained through public funding alone.

Rapid and reasonably priced *telecommunications* in all parts of the country are vital for both businesses and in terms of the service structure in the rural areas. Many services can be arranged via the Internet, which serves well especially the residents of the sparsely populated rural areas and may increase the migration of new residents to the countryside. The connections have improved considerably in recent years, but there is still work to be done. Communications infrastructure alone is not enough, but training in the use of the Internet is also needed. Training can be organised locally by means of a computer class portfolio. The network of libraries and mobile libraries can also be utilised for training in the use of Internet services.

In addition to shops, *schools* are a basic service that influences the choice of the place of residence and through this the decisions on migration to and from the sparsely populated rural areas and the employment trends. To preserve the population of the rural areas various kinds of actions should be launched to ensure that the municipalities consider it feasible to continue to maintain the village schools even for a smaller number of pupils. The complicated calculation methods for assessing the additional costs caused by the local schools to the municipalities constitute one specific problem. At present closing down the schools is often in practice the only alternative. More courage would be needed to allow exceptions to the general trend if, for example, the village residents wish to assume more responsibility for preserving their school. If the society gives the opportunity to test new solutions, it may be possible to find alternatives and new, functioning models. Village schools can be developed into service centres that support the welfare and recreation activities, reinforce the community spirit and serve the local residents as meeting places for various kinds of associations.

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## MEASURES

The priority 'improving basic services and living opportunities' has 21 measures. Six of these are given as examples, together with the organisations responsible for their implementation. The implementation of the measures is followed annually in a report drawn up by the Rural Policy Committee.

- Changes in the relationship between the three sectors of the society (public, private and the third sector, i.e. NGOs and citizens) and their practical implications are examined to ensure that services are produced in the best possible way in accordance with the specific circumstances in the rural areas. (Government, Ministry of the Interior, Ministry of Labour, Ministry of Social Affairs and Health, Ministry of Agriculture and Forestry, Rural Policy Committee)
  - Development work is done in cooperation between ministries to ensure the local services in the sparsely populated rural areas in a way that is comparable to the other recipients of services. The development work focuses on multi-service points, mobile services, electronic services and service units based on diversified competence. Financial support is made available to promote cooperation between administrative sectors in the development of service centres. (Ministry of Social Affairs and Health, Ministry of the Interior, Ministry of Trade and Industry)
  - Small schools and their learning environments are developed in the context of the development of the education sector and in the education and training of teachers. (Ministry of Education, National Board of Education)
  - The impacts of the change in the use of free-time residences in different circumstances are examined. The results are used to define the minimum criteria according to which a free-time residence can be converted into a permanent one. (Ministry of the Environment, Ministry of Agriculture and Forestry, Ministry of the Interior, Association of Finnish Local and Regional Authorities, Rural Policy Committee)
  - Long-term funding for basic road improvement is ensured and the level of funding is raised to prevent the deterioration of the lower-level road network and guarantee traffic safety. (Ministry of Transport and Communications)
  - Use of public funding for building projects relating to communications infrastructure is continued in cases where joint supply is not generated on a commercial basis. (Ministry of the Interior)
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### **3.4 Reinforcing the operational structures in the rural areas**

Despite the demanding climate, sparse population and long distances, Finnish countryside can be active, pleasant and competitive, provided that the means to reinforce the operational structures are suited to the countryside where both the demographic structure and technologies are changing rapidly. The countryside is a mosaic of activities and structures, which is why the development work needs to be differentiated according to the types of rural areas (rural areas close to urban areas, rural heartland areas and sparsely populated rural areas, Annex 2). Within many of the themes the development work must be deepened and more cooperation must be constructed. The rural policy instruments constitute a varied mosaic as well: there are the means of the narrow rural policy, means that extend to different levels of activity, and means that take account of the three different types of rural areas. The main features of the operational structures in the rural areas are programme-orientation, partnership, bottom-up influence, local action, cooperation and networking, and focus on diversified competence.

The Government stresses that, to ensure a balanced development of regions, the centrally steered regional policy must be supplemented by rural policy which leans strongly on local communities, villages, municipalities and sub-regional units. Forms of work that increase the competence, resources and cooperation in the rural areas are reinforced: village action, municipal cooperation, sub-regional business services, LAG work and clusters of expertise. Village action and LAG work have evolved into permanent tools of the rural policy, whose further development in cooperation between the public authorities and citizens is both necessary and fruitful.

Interaction between the urban and rural areas must be increased. In public administration new forms of work which support the urban-rural interaction are needed. The organisation of the citizens' action in the urban and rural areas should be reconciled to enable more flexible interaction. It is also necessary to ensure that the provisions governing the programmes and projects do not constitute an obstacle to the interaction. Urban-rural interaction is related to the diversification of the civil society. Dialogue between the associations working in villages and parts of towns and cities leads to practical projects, through which the citizens start to produce elements for the ways of organising services, content of the cooperation between the towns and cities and the areas surrounding these and development trends of the local food economy, provided that the public authorities take account of the opportunities offered by the third sector.

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One significant obstacle to the effectiveness and cost-efficiency of the rural development work is that most of the employees work on a temporary basis. Rural development requires a continuous effort, which means that temporary contracts of employment cannot be justified by the termination of programme or project funding. The Government will increase action to ensure the continuity of work of employees hired for rural development work in central government, Employment and Economic Development Centres, LAGs and other rural development organisations.

The most challenging tasks of the rural policy in the next few years which call for the most attention are how to find functioning means to address the problems of rural areas in a very sparsely populated country, as well as reinforcing sub-regional development of rural municipalities, increasing new forms of work that contribute to competence building in the conditions prevailing in the rural areas, deepening the development work under the growing number of expanding themes and increasing the interaction practices between urban and rural areas.

## **MEASURES**

The priority 'reinforcing the operational structures in the rural areas' has eight measures. Four of these are given as examples, together with the organisations responsible for their implementation. The implementation of the measures is followed annually in a report drawn up by the Rural Policy Committee.

- LAG work that covers the whole country is continued in the programming period 2007–2013, new sources of funding are searched for the expanding functions, and the methodology is developed to bring together and encourage the individual actors in the rural areas, citizens, associations, companies and municipalities more than before and to assemble the resources. (Ministry of Agriculture and Forestry, Rural Policy Committee)
  - To reinforce urban-rural interaction, associations of parts of towns and cities, residents' associations, authorities of towns and cities and companies are encouraged to organise into development organisations similar to the LAGs in the rural areas in the implementation of the EU Objectives Programmes concerning regional competitiveness and employment 2007–2013. (Ministry of the Interior, Ministry of Trade and Industry, Ministry of Agriculture and Forestry, Ministry of Labour)
  - The Ministerial Group on Rural Policy evaluates the effectiveness of the main rural policy instruments, i.e. work of the Rural Policy Committee, Special Rural Policy Programme 2007–2010 and Rural Development
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Programme for Mainland Finland 2007–2013, including the work of the LAGs, during the programme period. (Ministerial Group on Rural Policy, Ministry of Agriculture and Forestry, Rural Policy Committee)

- The Rural Policy Committee draws up a proposal for an action programme to help to find solutions to the special problems faced by the sparsely populated rural areas. (Government, Rural Policy Committee)
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## 4 IMPLEMENTATION AND FUNDING OF THE SPECIAL PROGRAMME

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*Implementation process of the special programme has several stages*

Broad rural policy comprises several policy sectors. This means that the implementation of the Special Rural Policy Programme requires joint responsibility and the process involves various stages:

- the Government approves the Special Rural Policy Programmes and defines the responsible organisation for each measure
- the Ministerial Group on Regional Development develops and follows the progress of the urban and rural policy as a whole and interaction between these
- the progress of the special programme is followed in the Ministerial Group on Rural Policy and Rural Network of the Finnish Parliament<sup>2</sup>
- the Rural Policy Committee draws up a report on the implementation of the special programme twice a year
- the Ministry of the Interior and Rural Policy Committee follow the achievements of the programme by means of selected indicators and reports on these to the Ministerial Group on Rural Policy
- the functioning of the rural policy system, incl. the Special Rural Policy Programme, is evaluated once during each Government's term in office
- project funding is directed to research, reinforcing regional development and network projects, through which the special programme is implemented
- the Rural Policy Committee and Ministry of the Interior organise information and training events and seminars on the Special Rural Policy Programme and Rural Policy Programme

The Government Decision on the Special Rural Policy Programme provides the political support to rural policy. This is reinforced through the follow-up of the programme implementation at the Ministerial Group on Rural Policy. Practical measures to implement the programme are the responsibility of the relevant ministries, Rural Policy Committee and various regional actors.

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<sup>2</sup> Rural Network of the Finnish Parliament was 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. In the spring 2007 a new Parliament was elected for the term 2007–2011. Setting up the new Rural Network of the Parliament was decided in June 2007.

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The main elements of the rural policy include the work of the theme and working groups and financing of national projects. Theme groups are cross-sectoral working groups appointed by the Rural Policy Committee for a fixed term to improve the preconditions for rural development in their own field. The number of theme groups varies between 12 and 16. Each year the Rural Policy Committee allocates more than 3 million euros nationwide for rural research and development projects, which also support the work of the theme groups. Annually 50 to 60 projects are completed. The theme groups reinforce the regional action relating to the theme and produce information on the problems and questions in the field. In recent years significant progress has been made in constructing the networks and cooperation between actors, both regionally and nationally.

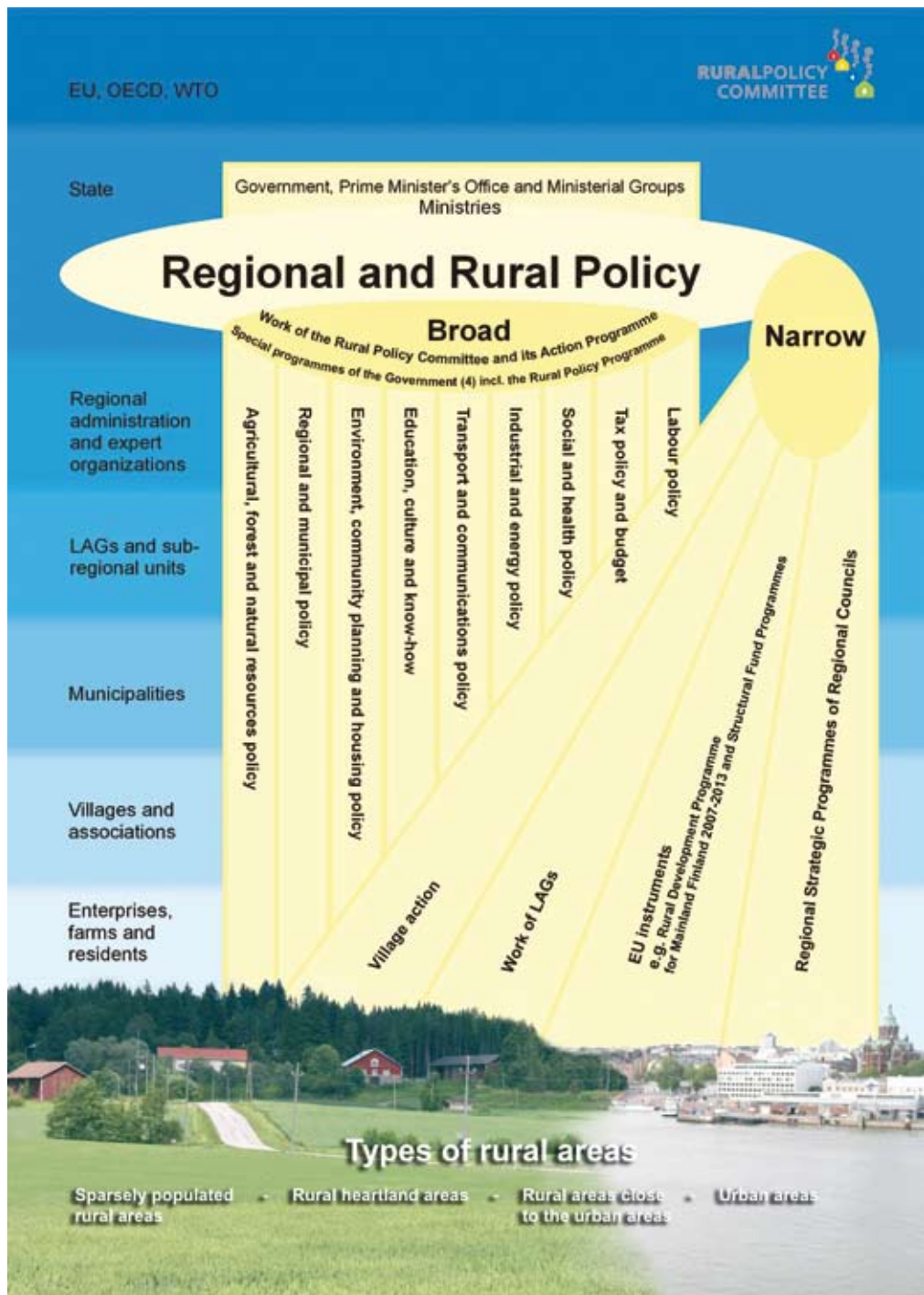
#### *Impacts on the national economy*

The Special Rural Policy Programme is extensive in terms of both its content and the responsibility for its implementation. Some of the measures included in the special programme call for additional resources compared to the current decisions. According to the Government Decision, the Special Rural Policy Programme is implemented with the framework and budget of the State economy and by reallocating the available funds. The ministries take the needs relating to rural policy into consideration in their operating and financial plans, with due account to the productivity measures decided by the Government.

The Special Rural Policy Programme influences the allocation of the available budget funds in several administrative sectors. The implementation of the decisions can be expected to improve the conditions in the countryside and the effectiveness of the development work done in the regions.

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## ANNEX 1: FIGURE OF THE CURRENT FINNISH RURAL POLICY SYSTEM



## ANNEX 2: CLASSIFICATION OF RURAL AREAS INTO THREE TYPES

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The first version of the typology of rural areas was completed in 1993. It has been updated in 2000 and 2006. During this time the typology of rural areas as a policy tool has changed. In particular, the operating environment of rural policy has changed since the first typology because of Finland's accession to the EU and strengthening of the urban policy. The differentiation within the countryside and statistical indicators have also changed and improved. According to the typology, the types of rural areas are defined as follows:

*Rural municipalities close to urban areas* have the best development potential. The residents are able to work in neighbouring towns. Agricultural and other entrepreneurs have access to a diverse local market. Most of the rural municipalities close to urban areas are located in southern and western Finland, which have the best conditions for agriculture and for the diversification of the rural economy. Many municipalities in these areas are gaining population. Families with children, in particular, favour these areas. Because of the positive migration balance, many rural municipalities close to urban areas, including some smaller towns, are able to diversify their services and make investments, while preserving their economic room for manoeuvre. The standard of well-being is the best in municipalities that are close to urban areas.

*Rural heartland municipalities* are mostly engaged in primary production. There are also some industrial and specialised primary production clusters, including pig, poultry and fur farms as well as greenhouse production. Several medium-sized centres are located near rural heartland areas. Municipal centres have diverse activities and the majority of villages are viable. Most of the municipalities representing rural heartland areas are located in southern and western Finland.

*Sparsely populated rural municipalities* have entered into a vicious circle: the young are moving away, services are declining, agriculture is on the decrease, new jobs are too few to compensate for the loss of traditional jobs, the elderly population is growing and the economic capacity of municipalities cannot cope with the change. The short growing period and other natural conditions restrict the development potential of primary production. Most of the municipalities representing sparsely populated rural areas are located in eastern and northern Finland.

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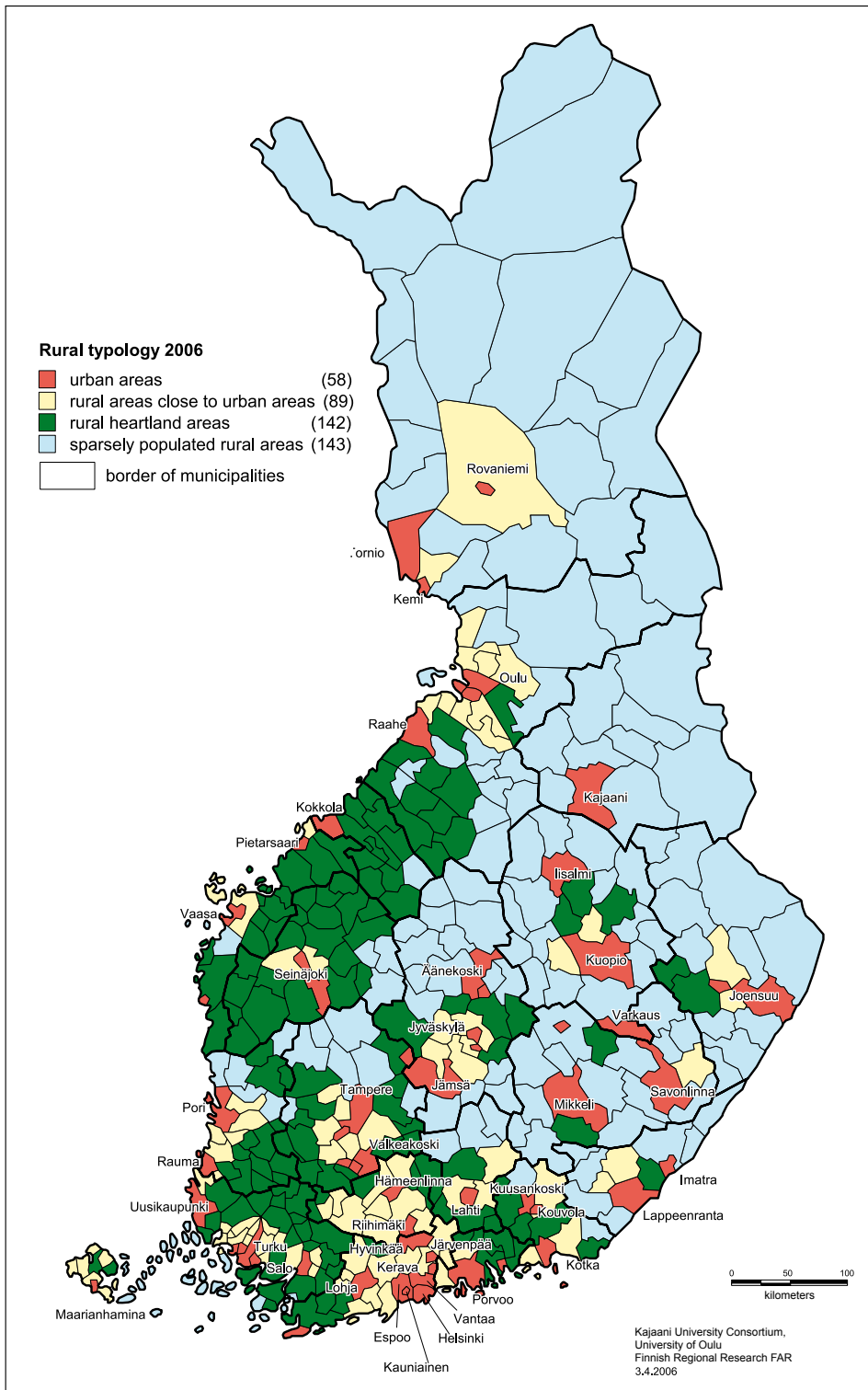


Figure: Finnish rural typology 2006

In the update of the typology of rural municipalities in 2000 the share of both rural areas close to urban areas and sparsely populated rural areas have grown at the cost of rural heartland areas, and the sparsely populated rural area has moved further to the south. This change reflects both the positive but regionally limited impact of centres on the growth in rural areas and the need for an even stronger rural policy. To achieve balanced regional development and equality to all citizens, the development actions must be directed to the sparsely populated rural areas.

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