

Countryside for Vigorous Finland

Government Report to Parliament
on Rural Policy



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Summary

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Author Government		Keywords countryside, rural policy, rural development, rural policy system, quality of life, services in rural areas, rural businesses, regional development	
Summary			
<p>The Government submitted the Report on Rural Policy to Parliament on 20 May 2009. The report sets out national rural policy and acts as a guide for the comprehensive consideration of rural areas in various policies. The aim of the report is to improve the quality of life and develop business activities and the rural policy system. Improving the quality of life will be pursued by developing the conditions for living in rural areas, the availability of services and rural accessibility. Developing businesses will be pursued by diversifying and strengthening rural businesses, entrepreneurship and business services, by capitalising on and enhancing human capital and by creating innovation systems suitable to rural areas. Labour policy will feature in the efforts</p>		<p>to respond to the labour shortage and special rural needs. The production of renewable energy, diverse use of forests, multi-sector farms and tourism are being seen to an increasing extent as a source of employment and livelihood.</p> <p>Developing the rural policy system at all operational levels through a governance and networking approach is considered to be key. Particular efforts will be made to strengthen local development tools and the conditions for and role of civic activities within society, as well as to develop programme-based work. To develop broad rural policy, ministries are recommended to introduce the rural proofing method in situations when a decision or policy has a regional impact.</p>	

Tiivistelmä

Julkaisija Maaseutupoliitiikan yhteistyöryhmä	Julkaisun nimi Maaseutu ja hyvinvoiva Suomi. Valtioneuvoston maaseutupoliittinen selonteko eduskunnalle	
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Tekijä Valtioneuvosto	Avainsanat maaseutu, maaseutupoliittikka, maaseudun kehittäminen, maaseutupoliittinen järjestelmä, elämisen laatu, maaseudun palvelut, maaseudun elinkeinot, aluekehitys	
Julkaisun kuvaus <p>Valtioneuvosto antoi maaseutupoliittisen selonteon eduskunnalle 20.5.2009. Selonteko linjaa kansallista maaseutupoliittikkaa ja antaa suunnan maaseudun kokonaisvaltaiselle huomioimiselle eri politiikoissa. Selonteon tavoitteena on elämisen laadun parantaminen sekä elinkeinosten ja maaseutupoliittisen järjestelmän kehittäminen. Elämisen laadun parantamista tavoitellaan kehittämällä maaseutuasumisen edellytyksiä, palvelujen saatavuutta ja maaseudun saavutettavuutta. Elinkeinojen kehittämiseen pyritään monipuolistamalla ja vahvistamalla maaseudun elinkeinoja, yrittäjyyttä ja yrityspalveluja, hyödyntämällä ja kasvattamalla osaamis-pääomaa sekä luomalla maaseudulle soveltuvia innovaatiojärjestelmiä. Työvoimapulaan ja maaseudun erityistarpeisiin pyritään vastaamaan työvoimapolitiikalla. Työn ja toimeentulon lähteiksi esitetään enenevissä määrin uusiutuvan energian tuotantoa, metsien monipuolista hyödyntämistä, monialaisia maatiloja sekä matkailua.</p> <p>Maaseutupoliittisen järjestelmän kehittämistä kaikilla toiminnan tasoilla hallintaan ja verkostoitumiseen perustuen pidetään keskeisenä. Erittäisesti paikallisen kehittämisen välineitä sekä kansalaistoiminnan edellytyksiä ja roolia yhteiskunnassa pyritään vahvistamaan ja ohjelmaperusteista työtä kehittämään. Laajan maaseutupoliittikan kehittämiseksi ministeriöille suositellaan maaseutuvaikutusten arviointimenetelmän käyttöönottoa silloin, kun päätöksellä tai politiikalla on alueellisia vaikutuksia.</p>		

Sammandrag

Utgivare Landsbygdspolitikens samarbetsgrupp	Publikation Landsbygden och ett välmående Finland. Statsrådets landsbygdspolitiska redogörelse till riksdagen	
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Författare Statsrådet	Nyckelord landsbygd, landsbygdspolitik, landsbygdsutveckling, landsbygdspolitiskt system, livskvalitet, service på landsbygden, landsbygdsnäringar, regionutveckling	

Beskrivning av publikationen

Statsrådet överlämnade sin landsbygdspolitiska redogörelse till riksdagen 20.5.2009. Redogörelsen anger riktlinjer för den nationella landsbygdspolitiken och stakar ut riktningen för ett helhetsorienterat beaktande av landsbygden på olika politikområden. Målet för redogörelsen är att höja livskvaliteten på landsbygden och att utveckla näringar och det landsbygdspolitiska systemet. Höjd livskvalitet på landsbygden eftersträvas genom utveckling av förutsättningarna för boende samt ökad tillgång till service och bättre tillgänglighet på landsbygden. Utveckling av näringslivet eftersträvas genom diversifiering och stärkning av näringar, företagande och företagservice på landsbygden, genom tillvaratagande och stärkning av landsbygdens kunskapskapital samt genom skapande av för landsbygden ändamålsenliga innovationssystem. Arbetskraftspolitiska åtgärder vidtas för att

lösa bristen på arbetskraft och uppfylla andra specialbehov på landsbygden. Som källor för arbete och utkomst förespråkas i en ökande omfattning produktion av förnyelsebar energi, allsidigt utnyttjande av skog, flerbranschgårdar och turism.

På styrning och nätverksbildning baserad utveckling av det landsbygdspolitiska systemet på alla verksamhetsnivåer är ett centralt mål. Verktyg särskilt för lokal utveckling samt förutsättningarna för medborgarverksamhet, dess roll i samhället och programbaserat utvecklingsarbete utvecklas och stärks. Till stöd för den breda landsbygdspolitikens utveckling rekommenderas att ministerierna använder metod för landsbygdsräddning när ett beslut eller en politik som de genomför får regionala effekter.

Foreword

Finland is one of the most rural countries in the European Union. A significant part of Finland and the Finns' welfare is based on the opportunities offered by our countryside. This will also hold true in the future if we take care of our own natural resources and their sustainable use. Neither must we overlook the countryside's unique strengths, diverse nature and valuable cultural environment.

However, exploiting the resources of the countryside requires that we have a viable countryside also in the future. The kind of countryside where people are doing well, live and work and where employment and business opportunities are diverse and development is sustainable ecologically, socially, economically as well as culturally.

The Report on Rural Policy adopted by the Government sets out national rural policy and acts as a guide for comprehensive development of rural areas within various policies. The aim of the report is to build strong political will to exploit rural opportunities and ensure basic services. The report looks ahead to 2020 when the world together with its challenges and opportunities will seem different. The future global issues may include even more dramatic climate change and adapting to it, sustainable energy solutions, the availability of clean food and water, people's broad-based welfare and the ability of communities to function. The countryside requires solutions based on local conditions to respond to global issues.

A viable and vigorous countryside requires the commitment and cooperation of us all. It is our common responsibility, interest and resource. By working together for the good of the Finnish countryside, we can build the future of rural Finland on a sustainable basis.

Helsinki, 25 June 2009

Sirkka-Liisa Anttila
Minister of Agriculture and Forestry

Description of the process for drawing up the Report on Rural Policy

In spring 2007, Minister of Agriculture and Forestry Sirkka-Liisa Anttila instructed the Rural Policy Committee to prepare an initial proposal as the Government's Report to Parliament on Rural Policy. The Rural Policy Committee is a cross-sectoral cooperation body appointed by the Government that directs national, broad rural policy in Finland.

The preparation of the Report on Rural Policy was integrated with the preparatory work on the Rural Policy Programme for 2009–2013. The Rural Policy Programme is the Action Programme of the Rural Policy Committee. The Rural Policy Committee adopted the Rural Policy Programme on 27 January 2009 and the Government submitted the Report on Rural Policy to Parliament on 20 May 2009.

Strategy group, preparatory group, ministerial working group and political working group

For the purpose of drawing up the report and policy programme, the Rural Policy Committee appointed a strategy group on 18 September 2007 and a preparatory group on 12 February 2008. The strategy group was mainly made up of professors and researchers in rural studies, while representatives of various organisations from central and regional government as well as from organisations outside the administration took part in the work of the preparatory group. In addition, the State Secretary and Parliamentary Assistant to the Minister of Agriculture and Forestry took part in the work of the preparatory group at their discretion. Both groups were headed by the Secretary-General of the Rural Policy Committee and four individuals from the Committee's secretariat acted as secretaries. The individuals concerned assisted the process at each stage of the report.

The ministerial working group on rural policy under the direction of the Minister of Agriculture and

Forestry was responsible for addressing the political issues relating to the report. The text was prepared for the ministerial working group by the political working group under the direction of the State Secretary to the Minister of Agriculture and Forestry, which also included the State Secretaries to the ministers and special advisers.

Rural Policy Committee and the Committee's Theme Groups

The Rural Policy Committee's Theme Groups prepared concise explanations and key proposals on their own subject matters to be used in the preparation process. The Rural Policy Committee discussed the draft report in its meeting of 10 March 2009 and the drafts of the Rural Policy Programme in its meetings of 15 April 2008, 16 September 2008, 28 October 2008, 9 December 2008 and 27 January 2009.

Negotiation round

A comprehensive round of negotiations was held with key actors in rural policy, mainly during February–April 2008. A total of 35 consultations were held with parties including ministerial departments, research and development institutes, trade organisations and political parties. The negotiations covered issues that the parties considered to be important from the perspective of rural development.

Regional events

The Report on Rural Policy and Rural Policy Programme were drawn up through interactive dialogue with the regions. The process included 15 events that were organised by Employment and Economic Development Centre (T&E Centre) region during 2008. The events comprised public seminars and special consultations with the region's key rural actors (most often the members of the rural division of the Regional Management Committee). The events were attended by a total of over 700 people. Discussions were held during the consultations on issues such as carrying out broad rural policy and rural proofing at the regional level and how issues relating to rural development and rural policy development have been organised in the region.

Regional contacts network

Interaction with the regions was strengthened through the creation of a regional contacts network. Representatives from every T&E Centre, Regional Council, Regional Environment Centre as well as representatives from organisations in each area were invited to join the network. The regional contacts network had a total of around 70 members. The contact individuals were involved in the preparatory process through commenting on drafts of the Rural Policy Programme.

Opinions given on the report

A consultation round for the ministries was organised from 8–21 April 2009. In addition, opinions were requested from the members of the Rural Policy Committee and its secretariat as well as from the professors in rural studies. The feedback from the round of opinions and comments (108 opinions) on the Rural Policy Programme, organised during 12 December 2008–12 January 2009, was also used in preparing the report.

Connection to other processes

Other topical and important strategies, programmes and reports in terms of rural policy were considered and used in drawing up the report.

1. Introduction

Finland is in its nature a very rural country. Its rural areas are diverse and their development, strengths and challenges are different. Most Finns spend time in the countryside either all year round or seasonally to live, work and likewise for leisure pursuits. The availability of services, strengthening entrepreneurship based on rural resources, and improving opportunities to work are basic requirements for living and working in the countryside. A viable and vigorous countryside is a common interest, benefit and resource for the entire nation.

Several global trends are strengthening the importance of the countryside. Global questions relating to clean water and food as well as renewable and climate friendly energy make the resources offered by the countryside significant competitive factors and opportunities also in Finland. The basic principles of competitiveness are specialisation based on strengths, financial profitability and a dependence on location. The countryside's tangible and intangible resources form the fundamental basis to the entire country's competitiveness and they enable the creation of well-being and prosperity.

The countryside plays an important role in the preservation of cultural heritage and biodiversity. Rural areas provide a high-quality environment in which there is the time, space and the opportunity to slow the pace of the rhythm of life. This is necessary to counterbalance the increasingly frenetic pace of society and the economy. Exploiting the countryside's resources in the future will require the successful preservation of rural vitality.

As a result of the ageing population and the weakening dependency ratio, new residents and entrepreneurs are needed in rural areas. According to forecasts, the population dependency ratio will weaken throughout the country so that in 2020 there

will be 65.5 dependents per 100 people of working age. Examined by type of area, the situation becomes most chronic in sparsely populated rural areas. From the regional perspective, the darkest forecasts are for South Savo, Kainuu and Satakunta. The size of the labour force in many rural areas, especially in Eastern and Northern Finland, is expected to be around 80 per cent of the current level in 2020. There will most likely be fewer dependents than average only in the regions of Uusimaa and Pirkanmaa.

The Government Programme of Prime Minister Matti Vanhanen's Second Cabinet stresses the fact that Finland's future success will require all the country's resources to be used more effectively than at present. The Government's aim is to improve the international competitiveness of the regions, reduce inter-regional development disparities, and to safeguard basic services and connections for citizens throughout Finland. The development of sparsely populated and remote rural areas is highlighted in the Government Programme under its own section. The programme states that *opportunities to engage in rural economic activities will be improved, and rural services, security, employment and entrepreneurship, the possibilities for teleworking and a functioning infrastructure will be supported.*

The three main objectives of the Report on Rural Policy are ***improving the quality of life in rural areas, developing rural businesses and developing the rural policy system.*** The Report on Rural Policy sets out outlines to reduce regional development disparities, ensure basic services and connections for citizens, strengthen rural competitiveness and vitality, exploit resources and to improve the rural policy system. The report stresses issues and structures that strengthen and positively impact on rural development, as well as rural opportunities at the local, regional and national level. The report will act as a guide for rural policy and as a force to develop the system, and the aim is in the year 2020.

The vision of the Finnish countryside in 2020 is as follow:

The countryside is a diverse and valued element of Finnish society. The space, sparse population and local solutions are being put to good use as a source of Finnish welfare and the foundation for sustainable development. Society safeguards the basic structures for living and working in the countryside and encourages and supports people's independent development work. Rural residents, communities and companies are thriving and the sense of community, state of the environment and competitiveness have improved, similarly benefiting all of society. The international links of actors have materially increased.

2. Foundation and development of rural policy

A tripartition is used for classifying rural areas in Finland whereby rural municipalities are divided into three types: rural areas close to urban areas, rural heartland areas and sparsely populated rural areas. Each type of rural area has its own strengths and weaknesses that give rise to the need for development measures suited to the environment. In the light of various indicators, development in rural areas close to urban areas has been the most positive, whereas sparsely populated rural areas have had to face increasingly serious challenges (Annex 1).

The *decision on regional policy objectives* for the 2007–2011 term of office states that *the aim of regional development is to safeguard the conditions for a good life of the population living in different areas, irrespective of where they live and to take the country's resources into use more effectively. The aim is to improve the international competitiveness of the regions, reduce inter-regional and internal development disparities, and to safeguard basic services and connections for citizens throughout Finland.* According to the decision on the objectives, *tailored policies will be formulated for the different regions.* (Ministry of Employment and the Economy 2008.) The regional mosaic and diverse communities, which are typical features in Finland, and their mutual interaction should form the basis for development work.

The foundation of rural policy is the *welfare of people living and working in and visiting rural areas, irrespective of their age, gender, profession or ethnic background.* The strategic outlines of the Report on Rural Policy will contribute to ensuring, on the one hand, that *it will be good to live and to work in the countryside* and, on the other hand, that *rural resources and opportunities better support the welfare and competitiveness of the entire country.*

In Finland, rural development consists of broad and narrow rural policy. *Broad rural policy* is a way of operating whereby various administrative sectors and rural stakeholders jointly direct policy so that

the countryside and the people in it are taken into consideration as a whole. The policy outlines, decisions and use of budget funds of the different administrative sectors come within its scope. *Narrow rural policy* comprises those social means that have rural development as their specific purpose. The task of the cross-sectoral Rural Policy Committee is to reconcile broad and narrow rural policy development measures and to make the use of resources allocated for rural areas more effective. Both broad and narrow rural policy need their own means and funding.

The foundation of rural policy is in regional policy, from which it has evolved into its own field of policy since the end of the 1980s (Annex 2). Rural policy began to take its current form on the basis of a rural development project in 1988. The Rural Policy Advisory Committee came about after the development project and after that the Rural Policy Committee, which started operating in 1995. Rural Policy Committee has planned and systematically built the rural policy system. The first Report on Rural Policy, which was adopted in 1993, set out the outlines for rural policy for the end of the 1990s, and together with the rural policy programmes it had a major impact on the development of rural policy.

An approach, which the OECD calls the new rural paradigm, has strengthened in international debate on rural policy and also gradually in practices as well. This new rural paradigm stresses the place-based approach of the policy: the focus of the policy is on rural areas and their many actors, population groups and business activities, with the aim being to improve areas' competitiveness and build capacity from the areas' own perspective. Investigating and exploiting the countryside's untapped potential and resources is essential. Rural policy is based on multi-level governance between the various government levels, civil society and the private sector, instead of central government control. *The approach of the Report on Rural Policy is consistent with the new paradigm.*

Underpinning rural paradigm shift are three factors that have a simultaneous impact in various OECD countries. Firstly, the focal point of rural policy has shifted from compensating damage to, in particular, exploiting rural natural and cultural

assets. Secondly, the limitations of agricultural policy in rural development are being recognised and pressure to reform agricultural policy has been increasing internationally. Thirdly, new regional policy instruments, such as regionalisation and the decentralisation of activities, are becoming more common. A change in policy towards more comprehensive and coherent rural policy is discernable in OECD member states.

In the OECD Rural Policy Review of Finland (2008), Finland is considered to be a pioneer in rural policy and

the Finnish model of rural policy unique. The reasons given include especially the Finnish way of dividing rural policy into broad and narrow policy, which creates coherence in an effective way between the grand plan and the niche policy, the role of the Rural Policy Committee, the productive and comprehensive work of the Local Action Groups and the increasingly important village action. The OECD considered Finland has been successful in applying EU programme instruments to its own conditions. The OECD's assessment of Finland's rural policy and the international trends in rural policy are described in Annex 3.

3. Strategic outlines and measures

3.1 Improving the quality of life in rural areas

3.1.1 Directing special measures towards sparsely populated rural areas

Balanced regional development and equality for citizens require greater targeting of development actions towards sparsely populated rural areas. Sparsely populated areas, which cover over half of Finland's surface area and in which around half a million permanent residents live¹, need different solutions and development actions than in the rest of Finland. In the same way as Finland's dissimilarity compared with other countries in the Union is justified to the European Union, sparsely populated rural areas require policy based on their own special characteristics.

The relative weakening in the position of sparsely populated rural areas threatens to continue as the dependency ratio becomes increasingly problematic. The population dependency ratio of sparsely populated rural municipalities according to the rural tripartition of 2006 will be an average of 86 dependents per one hundred people of working age in 2020 according to a 2007 population forecast (the corresponding figure for the entire country is 65.6). As the dependency ratio weakens, it will be important to ensure that villages and parish villages are better able to attract both immigrants and non-immigrants as permanent residents. This will require making integration more effective, determined efforts to improve opportunities for building and habitation, and enhancing local development work. In addition a strong family policy is needed. Without special measures, sparsely populated rural areas will not keep up with the development of other regions.

¹ In 2005, the surface area of sparsely populated rural municipalities was 59 per cent of the entire country's surface area and the population of sparsely populated rural municipalities was 498,210, or 9.5 per cent of the population of the whole country (Statistics Finland, Rural Area Indicators).

The strengths of sparsely populated rural areas lie in their intangible resources associated with nature and the environment as well as their tangible natural resources. However, sparsely populated rural areas are not always perceived as important from the perspective of Finland's competitiveness. In order that the resources of sparsely populated rural areas, such as natural resources and space, can be exploited, areas need to have residents and employees. Sustainable economic activities and the provision of public services require a skilled workforce.

The vitality of sparsely populated rural areas demands a functioning infrastructure and telecommunication links, the incorporation of the area into development and learning networks, and a diverse business and service structure based on local solutions. In the provision of services in sparsely populated rural areas, new types of cooperation between the public and private sectors, the development of the procedures for service procurement, and activities that mutually support the different administrative sectors will have special significance. The third sector will also play a more extensive role in solving the increasing service needs of the ageing population. Issues such as guaranteeing the security of citizens will clearly demand new solutions based on cooperation between the public sector and civic actors.

The relative decline of the position of sparsely populated rural areas must be stopped. The Government will seek solutions for sparsely populated rural areas through the following targeted special measures:

- *The Government will draw up a report on the use of alternative means (including tax policy) to develop sparsely populated rural areas and will choose the most suitable measures to be implemented on the basis of the report.*
- *The authorities and voluntary organisations will cooperate more closely to ensure security services and access to rapid assistance in sparsely populated rural areas. Security services will be developed as a whole so that the services provided by the authorities and voluntary organisations create a coherent service network. Overall responsibility for the availability of security services rests with the authorities. The special*

characteristics of organisations and nature of the activities will be taken into consideration in the cooperation between the authorities and organisations. The possibility of reviewing the provisions of the Unemployment Security Act relating to voluntary work will be looked into, so that unemployed people could have the opportunity to receive a small payment for charitable voluntary work without it affecting their unemployment benefit. The special features of sparsely populated rural areas will be taken into consideration by appending the security plans contained in village plans as part of the local security plans.

- *The Government will boost incentives for young entrepreneurship through cooperation between organisations and schools and by expanding entrepreneurship training centres (Intotalo-type activities) aimed at start-up entrepreneurs in sparsely populated rural areas.*
- *The work of the Local Action Groups (LAGs) in sparsely populated rural areas will be enhanced already during the programming period 2007–2013 by increasing their available development funds. The LAGs support the implementation of youth projects and also get the young and women involved in rural development in other ways than through projects. Activities that reach out to young people and women improve the vitality of villages and parish villages and likewise the dependency ratio.*
- *Sparsely populated rural municipalities and municipalities in a financially weak position will be taken into consideration on a permanent basis in the system of central government transfers to local government in accordance with the decision on spending limits made by the Government in winter 2009.*

3.1.2 Sustainability and a focus on residents form the basis for living in rural areas

Space, peace and the closeness to nature make rural areas an attractive living environment. A regional identity and sense of community increase the appeal of rural areas. The attractiveness of rural areas close to urban areas is enhanced by the proximity of the centre and less expensive prices of homes and plots of land than in urban centres. **The Government stresses the fact that opportunities must be**

created for different age groups and families for living in and moving to rural areas by safeguarding the availability of services and considering the matter in land use planning.

Land use planning and developing water services in rural areas

The pleasantness of the living environment can be enhanced through land use planning oriented towards residents that takes into consideration the differences in rural areas and the needs of the different actors. New types of component master plans for village housing will be developed and initiated for village areas in which guidance on the land use plan is needed. The land use plan will be used as a development tool to guarantee opportunities for building and entrepreneurship. Land use planning processes and procedures will be simplified. The role of local residents and other actors will be strengthened in the development of the land use plan's content. Good practices will be passed on through examples, the provision of information and training. Housing opportunities in the various types of rural areas will also be enhanced through solutions other than land use plans. The desired locality and environmental measures will be incorporated in controls on construction.

Water supply and sewerage satisfying current requirements and the services necessary for them are needed in rural areas to improve the quality of living and competitiveness of business activities. Bringing sparsely populated areas within the water supply and sewerage network can be expedited through cooperative organisation of water supply and sewerage. The Government has increased the amount of appropriations for the construction of connecting water pipes to develop sewage disposal in sparsely populated areas. In order to make the implementation of the wastewater decree more effective in various rural areas, the use of incentives will be examined, advice on technical solutions will be improved and staggering the timetables will be considered. *When planning reforms to the domestic help credit, an investigation will be undertaken to ascertain whether it can be applied to planning wastewater and heating systems for both properties used all year round and leisure properties.*

Rural areas close to urban areas as areas for development

Construction and the creation of urban structures in rural areas close to growing urban sub-regions are intense. The growth in population, extensive construction and change in business activities require careful land use planning and planning of the services. Sustainable urban development of rural areas close to urban areas must be based on villages and population centres that can provide services as well as provide opportunities for using public transport. It is important that new residents have social networks, leisure interests or work in the area that create the sense of belonging to the locality. The change in the regions' social structure can be seen, for instance, in the age structure that is becoming younger, which increases the need for day care and school services in municipalities with a net migration gain.

Residents need the opportunity to take part in and influence the direction of the changes underway. This can be implemented through means such as town planning and the use of other planning methods. New residential areas to be constructed should be integrated with the existing built environment and its operations so that its rural nature is preserved. When choosing places to build, consideration should be given to the scenery and environmental values, the promotion of the communal spirit and the area's business activities.

Leisure housing

The number of second homes is increasing and at the same time the dividing line between main and second homes is disappearing. Owners of free-time residences are increasingly using them all the year round. In instances where a resident wants to specify the status of a leisure residence as permanent, a flexible attitude should be taken, especially if it concerns people who have retired. Most of Finland's approximately 480,000 leisure houses are located in rural heartland areas and sparsely populated rural areas. Over two-thirds of summer cottages are owned by people from outside the municipality. Cottage owners from outside the municipality are interested in buying services such as building, guarding and cleaning services for their cottages from the

surrounding area, which creates work opportunities for local companies. Summer cottages and second homes improve the vitality of rural municipalities and the quality of life for many people.

There are at most three million leisure residents. They enhance the social capital of rural areas considerably. The interactive participation of leisure residents in the activities of the local community is promoted through village associations and councils of summer residents, as well as through their close cooperation with municipalities.

Leisure residents need various kinds of municipal services, such as cultural, leisure, social and health services. ***The Government emphasises the need of citizens to obtain services in a flexible way also in a municipality in which holiday home is located.*** *Health and medical services will be improved in line with the statement of the informal Government policy session so that municipal residents will have the possibility to choose the health centre or hospital that will provide them with treatment and other health services that are the responsibility of municipalities. In addition, citizens' freedom to choose will be enhanced in other basic services across municipal boundaries.*

Preserving natural and cultural environments and landscapes in rural areas

Throughout the centuries, agriculture has created distinctive natural and cultural environments in Finland. A great many wild animal and plant species, which benefit from farming, still live in environments created and maintained through agriculture. The increase in the size of farms and investment intensity of cultivation, the concentration of cultivation in ever fewer areas, and the farm-specific and areal loss of diversity weaken biodiversity in agricultural environments and increase the environmental load.

The cultural environment has been shaped from the interaction between humans and nature over a period of millennia. Most of Finland's valuable cultural environments are located in rural areas and they are often exploited for tourism. The built environment is the most distinctive feature in cultural environments. Identifying, making an inventory of and placing a

value on locally and regionally valuable cultural environments are actions of overriding importance so that they can be taken into consideration in land use planning and so that they can be managed according to a plan. More attention also needs to be paid to managing the 'everyday' cultural environment in the countryside.

Agricultural and forestry environments have a considerable cultural value, which highlights their importance within the landscape. The foundation of cultural landscapes lies in cultivated landscapes, the openness of fields and meadows. The reduction in grazing means that restoration and management measures of traditional biotopes, i.e. meadows, fields and grazing grounds, must be made more effective. ***The Government considers it important that more attention is given to continuity in managing traditional biotopes and to safeguarding the diversity of animal and plant species dependent on them.***

In those rural areas in which construction is increasing and the nature of the area is changing, particular attention should be paid to preserving the distinctive nature of the rural environment. Nature, environmental and landscape management are needed in rural areas, which also creates opportunities for business activities in rural areas. ***The Government aims to create more business activities in the field of nature, environmental and landscape management.*** The means to achieve this include developing contractualisation and new professions relating to the sector. In the future, efforts will be made to channel more public (both national and Community) and private funds into active restoration work on natural and cultural environments as well as landscape restoration.

Climate change and ecological sustainability

The countryside is part of the solution in mitigating climate change. Mitigating climate change requires increasing the production and use of renewable energy sources, saving energy and making the use of energy more effective, especially in housing, construction and in transport. Adaptation measures will reduce the harmful impacts of climate change and exploit potential benefits. For example, measures

for coping with rainstorms, storms and floods and the costs arising from them should be included in the construction and maintenance of infrastructure. ***Rural policy will place greater emphasis on measures needed to mitigate climate change and to adapt to it.***

In land use planning, it is important to consider climate and energy perspectives in a manner that best suits the various types of area. Integrating urban structures and in this way improving access to services through public transport and non-motorised traffic is an important means in large urban areas of saving energy and reducing emissions over the long term. Improving access to services in rural areas in an environmentally friendly way can be achieved through innovative means, such as through online services, services provided through videophone connections and citizen services. The consideration of climate and energy perspectives in rural areas also means making better use of local energy solutions (wood, waste, other biomass, peat, air and geothermal heat), for example, in housing, and as the basis for entrepreneurial activities. The most important measures in promoting rural ecological sustainability include making environmental measures more effective in agriculture, producing cleaner energy solutions, reducing the load in water systems and carrying out the necessary restoration of water systems, as well as preserving biodiversity and natural and cultural landscapes.

The needs of age and language groups

Rural areas need residents of different ages. The opportunity to have a say in matters relating to their residential environment fosters the attachment of young people to their home area. The better young people know their home municipality and are involved in influencing common matters, the more attached they are to their home municipality. Maintaining schools in their own environment contributes to becoming established and building an identity as well as the sense of belonging to the rural environment and community. Municipalities and local associations must organise meaningful things for children and young people to do even outside of the centres so that taking part in activities is not dependent on getting a lift to the municipal centre. Good experiences of a childhood in the countryside

are one reason for choosing the countryside as a place to live and bring up children in later life.

Upper secondary level education (upper secondary school or vocational education and training) has considerable indirect implications for living in the countryside. A break in the education path in the home locality after comprehensive school reduces the appeal of rural areas in the eyes of people moving to the area and causes families with children to move away. A dense network of upper secondary schools has to date been able to offer a fairly comprehensive education at upper secondary level, but upper secondary schools have also been closed as a consequence of savings by municipalities and consolidations of municipalities. Closing upper secondary schools may also have a major impact on the availability and quality of education in the higher year classes of comprehensive schools.

The rural population is ageing at a rapid pace. The ageing population and their growing need for services must be taken into account when organising services so that living at home remains an option for as long as possible. Communal forms of living for the elderly should also be developed in rural areas.

The Lapps are the only indigenous people in the European Union. Lapps have the right to maintain and develop their language and culture as well as the traditional livelihoods related to it. Finland has around 9,000 Lapps, of which over 60 per cent live outside their home area. This poses new types of demands on Lappish education, services and communication. Although Lapps are entitled to receive basic services in their own language, in practice this is not the case in every respect.

Swedish-speaking and bilingual areas form cohesive coastal areas where the residents share a common sense of togetherness based on language and culture. The Swedish-speaking rural population is less likely to be bilingual than the urban population. For this reason, Swedish-language structures and services are relatively more important in rural areas. The division into Finnish-speaking and Swedish-speaking populations further reinforces the sparseness of settlements in bilingual rural areas. ***The Government stresses the fact that it is important to find suitable***

solutions for service provision that meets the needs of the different language groups.

In order to improve the preparation of matters relating to Swedish-speakers, it will be justified to establish a cooperation area of Swedish-speaking regions in accordance with the cooperation region model of the Reform Project for State Regional Administration (ALKU project). Practical cooperation on Swedish-language issues of bilingual Employment and Economic Development Centres (T&E Centres) will be continued and developed in the reforms to the state's regional administration. Furthermore, a cooperation forum is needed for Swedish-language administrative organisations and NGOs to prepare rural development work in these regions. Issues relating to the island geography are questions that concern Swedish-speaking Finns in particular.

3.1.3 Guaranteeing the availability of services in rural areas

The adequacy and availability of services impact on the quality of life of permanent and leisure residents in rural areas and the vitality of the countryside. The organisation of services in rural areas requires tailored and flexible solutions based on the areas' conditions and needs. The inter-relationships between various sectors in organising services need to be re-examined due to the trend towards concentration. Opportunities for non-profit business activities and the social economy (cooperatives, mutual companies, associations and foundations) should be enhanced. The benefits gained from the services should be the focal point and not just the costs they incur. ***The Government's aim is to ensure citizens have access to public services irrespective of the area's population density and distances, taking the conditions into consideration.***

Social and health services

The population in rural municipalities is decreasing and getting older, and therefore particular attention needs to be paid to safeguarding social and health services. The increasing demand for these services in rural areas combined with municipalities' scarce financial and human resources places them in a challenging situation.

The fragmented nature of services or their total absence makes obtaining assistance difficult. The larger the municipality and the greater the distances to the municipal centre, the greater the need for cross-sectoral cooperation. In order to safeguard the welfare of rural residents, administrative boundaries need to be lowered and the principle of local services emphasised. New technology and service innovations should be exploited in order to safeguard local services. The possibility for elderly people to live safely at home could be improved by developing family care solutions and mobile services, as well as by offering diverse home services and assistance in cooperation with rural entrepreneurs and the third sector.

The Government's Paras project and Kaste programme aim to find solutions to how the quality and availability of social and health services can be safeguarded on an equal basis, irrespective of where a person lives. In respect to this, the importance of local services must receive particular emphasis. Sparsely populated rural areas must plan for the need for special solutions. It will be possible to improve the customer orientation of services through the service strategy for municipal social services and health care if it is drawn up on the basis of systematic customer feedback, taking into consideration the special features of the various regions.

Security services

The importance of security is increasing as the population of elderly people rises. Rapid access to help in sparsely populated areas takes considerably longer than in population centres. The importance of cooperation between the authorities and voluntary organisations is underscored in sparsely populated rural areas. For example, the volunteer fire brigade service is responsible for providing rapid assistance in numerous municipalities covering a total of 94.9 per cent of Finland's surface area.

The provision of security services in sparsely populated rural areas demands extensive measures that cross the boundaries of administrative sectors. The authorities providing security services must be able to operate in cooperation both in situations demanding the provision of rapid assistance and in exceptional circumstances and situations.

Cooperation with voluntary organisations should be increased and further enhanced so that the services provided by the authorities and voluntary organisations form a coherent service network. *In order to ensure security and the availability of security services in sparsely populated rural areas, their development will be monitored in the future on the basis of reports drawn up regularly by regional administrative authorities.*

Citizen Offices and village multi-service centres

Timo Kietäväinen drew up a report (2008) on developing citizen services at the request of Minister of Public Administration and Local Government Mari Kiviniemi. As a result of the report, the Ministry of Finance set up a project to expand citizen services together with its sub-working groups. Through the project, the number of Citizen Offices will be increased, the range of services offered by the existing offices will be expanded, the procedures used in citizen services will be expanded, and new tools will be created for the service. New Citizen Offices will be set up in connection with the reforms to the authorities' service network. At the same time, it will be ensured that Citizen Offices that are working well are not closed down. State and municipal services should be centralised in Citizen Offices.

A new operating model for citizen services will be used more frequently in providing services in rural areas. It will help in being able to bring services closer to rural inhabitants. The model exploits ICT solutions and crosses organisational and administrative boundaries. The deployment of the model is underway at the regional and local level: Citizen service agreements have been updated in conformity with the law and the range of services has been harmonised. If the project to expand citizen services is implemented as planned, the coverage of the network, which is made up currently of around 200 service offices, will increase to around 300 Citizen Offices by the end of 2010. Ensuring the adequacy of human and telecommunication resources for Citizen Offices will be key.

Video conferencing connections will be exploited to obtain expert services for the service offices.

The reorganisation of the service network by state actors will safeguard the availability of services throughout the country. *The Government will examine the possibility of service points maintained by organisations to manage customer service tasks that support public administration, such as giving out forms and general advice, through citizen services agreements in areas where there is no public administration customer service at all.* Currently, the Citizen Services Act, which was reformed in 2007, only confers the authorities with the right to perform customer service tasks that assist public administration.

Developing and enhancing multi-service centres in villages will make it possible to maintain services locally and to strengthen the community spirit. Centralising several local service providers in one place will add to the appeal, and the increased volume can be used, for example, in marketing and preparing tenders. Service centres also act as the area's communal meeting place and as a place to hold events. Group family day care, morning and afternoon activities for school children, recreational and catering services for senior citizens in the same venue enable interaction between people of different ages. Service centres can also have broadband connections and an info point, as well as social and health services.

The availability of services will be improved by using peripatetic services that run on wheels (for example, the social services and health bus with its doctors) and by using distance and multiform teaching in basic education. The project to expand citizen services will examine local logistics solutions on an entrepreneurial basis.

Municipal capacity building

The organisation of welfare services, i.e. social and health services, and basic education, is the responsibility of municipalities. Municipalities are increasingly putting services out to tender and buying them from private service providers. Purchasing agreements are often short term, resulting in uncertainty and problems. Certainty and continuity are necessary for purchasing agreements. Longer-term framework agreements and the

approval of partial tenders enable entrepreneurs to concentrate on production planning, development and investments. Dialogue with local entrepreneurs should also be established in time before initiating a tender competition. Municipalities need to have solid skills in purchasing so that they are able to capitalise on the opportunities offered by procurement legislation to the full in a way that benefits their area. It will also be important to improve entrepreneurs' skills and networking so that they are able to respond to invitations to tender in the appropriate way.

The scope and means for municipalities to provide services in rural areas will be strengthened by increasing the number of Citizen Offices and their range of services, by developing online services and new ways of dividing tasks together with associations. Efforts will be made to tackle the problems in recruiting doctors and nursing staff faced by rural municipalities. The capacities of service companies and organisations providing services will be developed by, for example, improving training and legislation for the service sector, improving the competence of municipalities in procurement and by developing citizen services, service combinations as well as online and mobile services. Service bundles crossing administrative sectors that integrate different professions will be developed. The use of online services will be promoted through advice and training, and the ability of the elderly population to use online services will be ensured in particular, without forgetting to safeguard the provision of personal assistance.

Access to services is critical

The organisation of services in rural areas demands a proactive and flexible approach as well as coordinated practices that ensures services are available locally. *Conclusions on practical activities are drawn up in evaluations of basic services on the basis surveys of accessibility and the transport alternatives. The concept of local services will be specified in more detail. Various forms of integrating services will be developed and mobile services will be provided through cooperation between public authorities, local associations and companies. The special features of the service market in rural areas (the long distances and small number of*

customers and service providers) will be taken into consideration in interpreting competition and procurement legislation. **The Government requires that essential social and health services, day care, pre-primary education, education in the lower year classes of comprehensive school and library services are provided as local services.** In the implementation of local services in sports, youth work and cultural activities cooperation and the division of tasks between the state, municipalities and local associations will be developed.

The Government will ensure services in sparsely populated rural areas through special solutions that may be required to safeguard, for example, road and telecommunication links as well as social and health services. The state of and need to develop the road network in sparsely populated rural areas will be assessed and a road programme will be drawn up for sparsely populated rural areas in cooperation with the sector's actors and developers. The perspective of sparsely populated rural areas must be taken into consideration in processes relating to the provision of social and health services, such as in municipal reforms and reforms to the service structure as well as the renewal of Health Care Act.

3.1.4 Ensuring rural traffic infrastructure and communications through well-functioning connections

Transport system

The transport system is an important factor influencing competitiveness in Finland because the country is large and transport distances long. Transport connections are important not only for permanent and part-time rural residents but also for businesses. A well-functioning transport system is essential for living, tourism, agriculture and forestry as well as mining activities. **The Government will make provisions for the continuous improvement to all road classes and the additional construction of new connections to meet the needs of activities such as tourism and mining.** The funding for the maintenance of and basic improvements to private roads and forest truck roads will be secured as part of the basic rural infrastructure. A sufficient

number of sailings for the archipelago ferry traffic and at least basic service level traffic services will be safeguarded. The aim is to replace ferry traffic with fixed connection in places where this is possible.

The importance of the railway system will increase in the future and there also needs to be well-functioning rail connections in rural areas. **Rail traffic will be developed for environmental reasons to serve, in particular, commuter traffic outside the capital region too and to meet the transport needs of industry, including the extractive industry.** Flight connections will be improved, for example, with small passenger aircraft in order to meet demand. Inland waterway traffic will be developed and used for transportation.

In rural areas with long distances, the car is an essential means of transport and the majority of everyday journeys are made by passenger car. The state of the roads and traffic conditions have the greatest impact on the smooth flow and safety of road trips. There are some 330,000 kilometres of private road and around one million Finns coming within their range. The additional appropriations allocated by the Government during the current budget planning period and in the supplementary budget will only be partly sufficient for one-off basic improvements. According to the Government's Traffic Policy Report (2008), the time span for policy decision on traffic routes will be extended to 10–15 years and the budget authority procedure and procedure on spending limits for transport projects will be reformed. *More flexible ways of financing transport investments will be introduced alongside budget financing.*

The importance of public transport services in rural areas is increasing as the population ages. In sparsely populated areas it is difficult to provide reasonable public transport that safeguards connections enabling people to conduct everyday activities. **Transport services will also be safeguarded for households that do not have a car.** According to the Public Transport Development Programme approved on 1 April 2009 by the Government's ministerial working group on transport and communications policy, basic service level public transport services will be safeguarded in small urban regions and

for those living in rural areas. A needs-based 'ride guarantee' can be implemented as open public transport for those who do not have access to other public transport or transport services. The ride guarantee refers to public transport connections that enable people to make trips to the municipal centre or some other population centre to carry out business at least twice per week.

Transport needs to be planned in a more coordinated way. The aim is to increase shared transport by breaking down barriers between various activities. *A wide range of taxi services, demand responsive transport, transport solutions based on neighbourly assistance, and car pool systems will be developed and the ride guarantee will be introduced.*

Communication links

The broadband network in Finland is relatively comprehensive but compared internationally, Finland is lagging behind in terms of high speed links. The need for communications capacity is growing all the time. Telecommunication links enable people to work, remote learning and the active participation in societal activities. Every municipality should have an inexpensive video conferencing link provided by a private company or the municipality.

The Government holds the opinion that the public and businesses need fast and efficient telecommunication links equally throughout the country, irrespective of location or the place of residence. According to the Government resolution of December 2008 on the implementation of the Broadband Programme, rapid 100 Mb/s data links will be built throughout the country. EUR 66 million in national funds is being reserved for this purpose for 2010–2015. In addition, EUR 25 million in stimulus money will be channelled from the EAFRD. *Rapid links that are reasonably priced for users will be secured as broadly as possible so that the national action plan to improve the telecommunications infrastructure, which was adopted by the Government, is implemented to reach data links of 100 Mb/s as quickly as possible and as a matter of priority.*

Around 2,000 households located e.g. in the archipelago (less than 1 per cent of the population) will not receive

optical fibre links for economic reasons. Connections for them will be provided through household-specific arrangements. Telecommunications companies are building rapid links in population centres on market terms, which will achieve around a 95 per cent population coverage. Increasing the population coverage from this to 99 per cent will require fast links to be built to around 120,000 households in sparsely populated areas partially through public assistance. The costs of the project will total around EUR 200 million. The construction of optical fibre links will even out areal disparities in the supply of communication services. Households are already being offered 100 Mbit/s subscriber connections in major towns at the same price as 1 Mbit/s connections offered in sparsely populated areas. However, in rural areas information society services are at least as important as in urban areas due to business needs, teleworking and remote health care.

The Government decided to promote a growth policy through a decision made in the policy negotiations in March 2009 that highlights the importance of a transport and telecommunications infrastructure covering the whole country in order to promote the effective use of resources. The state will play a key role in this development.

3.2 Developing rural businesses

3.2.1 Diversifying and strengthening rural businesses, entrepreneurship and business services

Rural enterprises are part and parcel of Finland's success. There is still a lot of unused potential in areas such as tourism, bioenergy, the natural product sector, nature and landscape services, as well as the care and mining sectors. Entrepreneurship has increased over recent years in rural areas, especially in the metals sector, machine contracting and the equine industry. New business activities can also be created in rural areas within the food sector, business management support services, recreational fishing and creative sectors.

Creative industries are a growing economic sector. The growth in creative industries is linked to changes

in people's consumption habits as well as to an increasing desire to seek adventure, technological development and the growth in service professions. Rural areas can act as growth platforms and enablers of business activities in the creative industries. This will require continuous identification and foresight of changes in the rural labour market as well as development work supporting multisectoral service concepts. New jobs in rural creative industries can be created not only within enterprises but also in the third sector and in connection with public service production. Development work must be able to identify spearhead companies and special regional features and should strengthen clusters of creative industries that have developed a regional identity.

Networking nationally and internationally with partners who are relevant in terms of the potential to develop the region's business policies, other regional development organisations, training and research units as well as with enterprises is a prerequisite for rural actors. Resources available for regional development programmes will be allocated towards the long-term construction of these cooperation networks. Work to diversify rural entrepreneurship and strengthen the entrepreneurial skills of SMEs will continue through training and advice. The conditions for learning-on-the-job will be improved in particular.

Business financing has been increased during the current EU programming period in order to increase rural entrepreneurship and to improve competitiveness. All micro-enterprises operating in rural areas can now receive support irrespective of their field of activities. Business financing is a significant incentive for rural entrepreneurship and for enhancing competitiveness. Business, product and process development together with the introduction of new methods are extremely important for enhancing competitiveness. *The Ministry of Employment and the Economy and the Ministry of Agriculture and Forestry will guarantee business development financing for rural areas also after the current programming period.*

The Government will promote the development of rural entrepreneurship. Entrepreneurship training will be boosted. The image of entrepreneurship in rural areas often does not reflect its current state,

so there needs to be *proactive communication* on the opportunities in rural entrepreneurship now and in the future. Rural entrepreneurship will also be promoted by making it easier to transfer businesses between generations; the reduction in inheritance tax and gift tax decided upon by the Government became effective from the beginning of 2008.

Business activities founded on rural strengths and resources will be further strengthened, among other things, by *safeguarding access to business services* as part of the EnterpriseFinland service system. The aim is to establish a sub-regional business services network of 65 service points covering the entire country. The activities of officers responsible for rural customers in the sub-regional service points is being financed during the programming period 2007–2013 from the Rural Development Programme for Mainland Finland, although continuity and longer-term financing will be needed for the activities in the future.

Developing the EnterpriseFinland service system will require a coordinated approach at the national and regional level. One way to enhance organised coordination is the networked cooperation model, which brings together various actors and the services they offer in a new way. Networked cooperation links research, advice and development to each other in a closer and stronger way, supporting innovation and the application and introduction of innovations.

In addition to public administration services, rural entrepreneurship and innovation can be supported through the creation of a national and regional cooperation structure for rural expert organisations (Maaseutu-Inno). This would take the form of a complementary structure and would not overlap existing activities. Maaseutu-Inno would be a cohesive force in cooperation between public administration, the Rural Policy Committee, universities, universities of applied sciences, research institutes, the Finnish Innovation Fund Sitra, producer and advisory organisation (such as the Central Union of Agricultural Producers and Forest Owners MTK and ProAgria) as well as various development actors. The aim is for the reasonably good rate of establishment of new enterprises in rural areas to continue and for the enterprises to succeed in changing market conditions.

3.2.2 Exploiting and enhancing human capital in rural areas

Competitiveness, well-being, new jobs and production can be created in a sustainable way in rural areas only through high-level expertise. A skilled workforce is a critical factor in economic growth and productivity. Skills in rural areas must be consciously enhanced so as to create a regional reserve comprising human capital and innovation systems. By identifying and capitalising on existing skills and by developing expertise in rural areas it will be possible to transfer the focus from the role of producer of raw materials to developers of products and services. ***The Government underlines the importance of foresight on rural training needs and meeting the need for training and education, the development and exploitation of skills, as well as turning the results of rural research into products and exploiting them.***

National, regional and local training, education and labour needs of various professions and sectors must be given consideration and foresight should be developed. Responding to education and training needs requires continuing education as well as multiform and remote education to be increased, the flexible integration of courses from various educational programmes to support multiple skills, and boosting advice and business skills. Pedagogical and technological innovations, such as different learning environments and new pedagogical approaches, will be utilised in the development of education and training. The training and education of jobseekers in a weak labour market situation should be strengthened and at the same time their access to the training they need facilitated. Filling the skills gap should be part of an activation programme and training should not always lead to a qualification, rather it could be provided in the form of partial qualifications and modules.

Regional availability of higher education has a significant role in rural areas. Education has a direct connection to the creation of human capital, technological development and the availability of an educated labour force. Upon graduation, students often stay and work in the locality in which they studied or its local surroundings, if jobs are available. *In pursuing regionalisation, target areas should also include small localities.*

Vocational education and training is linked to regional development. Developing employment and economic life is prescribed by law as a part of vocational adult education and training. Various innovations that have been created in cooperation between vocational education and training and the business world have given rise to new ways of operating and have capitalised on local conditions, and in this way also strengthened the region's appeal. *Better use should be made of universities of applied sciences and upper secondary vocational education and training in local and regional development work for delivering basic skills of rural development work and for entrenching programme and project activities.*

Rural development and the development of rural policy needs to be supported through both basic research and applied research with various research methods ranging from analyses of broad-ranging statistical data to individual case studies. Rural research provides information on the success and impact of development measures by testing and passing on various models, compiling experiences and creating new innovations. Rural research focuses in particular on rural economic, social and cultural structures, rural inhabitants and their living conditions, rural businesses and rural culture and history. Rural research is carried out in a number of units that are separate but mutually networked. The continuous development of university centres is important because a major part of rural information and research is located in them. *The reforms to sectoral research and performance guidance on the core funding for state research institutes as well as service agreements will ensure that rural businesses, the countryside as a place to live and spend free time, and the welfare of rural population groups, including services, are involved in the research of the various institutes undertaken through core funding.*

A network of nine professors of rural studies has been established in Finland and their task focuses on rural research, education and rural development work. Rural research has gained an established position within the research and policy field as a result of the professorships in rural studies: awareness of the countryside and rural policy has increased and the level of competence on rural matters has increased in both undergraduate and postgraduate studies.

In formulating the content of rural policy and its practical implementation, expertise that exploits research results and which is based on scientific validity, and which has been widely recognised also outside Finland, has been provided by the professors of rural studies for this purpose. The professorships support the multidisciplinary Rural Studies Network made up of ten universities, which was established in 2002, and which implements undergraduate and postgraduate university education in the sector in a coordinated way, as well as supports research into and the social impact of the sector. *The Government will guarantee continuity in the funding for professorships in rural studies, which are important in terms of developing human capital in the sector. The Government also believes that the continuation of the activities of the multidisciplinary Rural Studies Network is important. In addition, there is a need for a Swedish-language master's programme in rural studies, which could be implemented in cooperation with Swedish higher education units.*

3.2.3 Developing rural innovation systems

Innovativeness is one of the most important factors in regional competitiveness. The elements vital to innovations are social capital and interaction, access to and the application of new technology and a diverse array of funding systems. Successful innovation aimed at national and international markets is already taking place in rural areas. The strength of rural areas comes especially to the fore when developing innovations for which it is an advantage that a large amount of space is available. Examples include local solutions based on renewable energy sources in decentralised energy supply, decentralised water and wastewater management systems and local food chains and care services.

From the perspective of clusters, the opportunities of the rural innovation environment are linked to the competitive advantage brought about by natural resources and the environment, for example to the food and wood product industry, tourism, environments based on sparse settlements and a cold climate, physical exercise and sports, as well as the mining industry. The effective implementation of Sitra's natural resources strategy and Sitra's

Rural Programme will create a foundation that enables rural innovations. Programmes to develop rural innovation environments will be needed after these have ended. The planning and development of rural micro-clusters are an essential part of regional development programmes. Local Action Groups have a significant role in enabling the establishment of micro-clusters. Micro-clusters can only be set up by capitalising on local strengths and by integrating the resources of regional and local research and educational institutions, enterprises and public actors. ***The Government emphasises the need to develop an innovation system applicable to rural conditions.***

Innovators – individuals who are able to combine different things – are extremely important to rural areas. *Universities and universities of applied sciences must be given a clear and planned role in regional innovation policy and in the planning of skills networks linking rural and urban areas.* Important research and development areas include diversifying the use of timber, developing forms of social innovation and expertise in rural culture.

3.2.4 Meeting the labour shortage and special needs in rural areas through labour policy

Availability of a labour force in rural areas

The ageing population and other changes in the operating environment are leading to problems in the availability of labour in rural areas. The changes will require both enterprises and employees to be flexible and the ability to renew themselves. ***The Government will ensure the availability of a skilled labour force throughout the country and will support the establishment of Finnish and foreign labour in rural areas.*** One key means of solving the need for labour is *improving and updating skills*. In addition to this, the availability of labour in rural areas requires measures that will *improve the quality of working life and safeguard the competence of people in the labour market and their well-being at work, improve the working capacity of ageing people, support retiring later through various flexible working time solutions and arrangements, and arouse people's interest in rural jobs. The linking of government aid*

and short-term jobs should be developed so that performing short-term jobs is possible and financially worthwhile.

Ensuring a supply of labour in rural areas will in the future also require a contribution from the immigrant population. Immigrants should be identified as a new and important population group whose establishment and employment in rural areas will be supported among other things through integration. Integration is a two-way process requiring changes in the attitudes and ways of action of the local population. *Empowering immigrants to become members of local communities will be enhanced by capitalising on the good experiences gained from integration.* Special measures for seeking a competent labour force abroad may be needed in order to promote and facilitate immigration. *The recruitment of foreign labour will involve Eures advisors in Employment and Economic Development Offices and regional ESF projects.*

The role of Employment and Economic Development Offices

As part of the reforms to employment and economic development administration, employment offices have become employment and economic development offices (TE Offices). Their role is being expanded from the organisation and production of services to the strategic development of the regions, and their importance as an expert on the region's employment and economic policy and as active partner will strengthen. In the implementation of the reforms to the Employment and Economic Development Offices, access to services from TE Offices may not deteriorate in rural areas. The unemployment rate in sparsely populated rural areas is higher than in the rest of the country, and for this reason, equal access to the services of the labour administration throughout the country is important.

Employment and Economic Development Offices operate in geographically large areas and they are not necessarily able to identify micro labour markets in rural areas. This is one reason why action groups, i.e. Leader Groups, are needed as partners of Employment and Economic Development Offices in order to organise the implementation and

contractualisation of small jobs. To carry out this task, the skills of action groups will be strengthened and the required resources allocated to the groups.

Outlines on developing the EnterpriseFinland service offering will be drawn up simultaneously with the local organisation of the employment and economic development administration. Business advice and services provided by publicly funded organisations will be further developed on the basis of sub-regional cooperation networks and agreements. The role of Employment and Economic Development Offices as part of the sub-regional business services network will be strengthened.

Developing contractualisation and teleworking

Contractualisation and job placement mechanisms will be developed to bring together scattered jobs in rural areas. Contractualisation is a flexible job placement mechanism and mechanism for delivering goods, which is based on partnership with the public, private and third sector and which complements existing systems. Contractualisation incorporates demand and supply in a new way at a local level. Associations carrying out local development work, such as village associations, have proven to be the most natural implementers of delivery mechanisms based on contractualisation.

Teleworking makes it possible to improve the quality of working life and work productivity, makes it easier to reconcile the demands of work and family life and reduces burnout and commuting as well as emissions caused by transport. The focused introduction and promotion of teleworking will also facilitate regionalisation and the reorganisation of the operations of municipalities that have merged.

The Government considers that organising teleworking should be one part in planning the activities of public organisations, enterprises and organisations. Performing teleworking will be enabled through taxation, legislation, and the provision of information as well as by supporting the construction of sufficiently fast data links; one area under review is the tax deduction for a work room.

3.2.5 Decentralised production of renewable energy in rural areas using local energy sources

The attainment of the energy and climate goals set by the EU for 2020 requires Member States to undertake major actions. According to Finland's National Climate and Energy Strategy (2008), the share of renewable energy will be increased to 38 per cent of total energy consumption, as a consequence of which there needs to be a major increase in the use of wood-based energy, waste fuels, biogas and wind energy. Finland considers that the objectives for renewable energy will be achieved on a national basis by developing and supplementing current support and guidance measures, which will give rural areas a major role in energy production. ***The Government stresses the fact that rural areas must exploit decentralised energy production based on local and renewable energy sources and in this way participate in improving the entire country's energy security and attaining climate objectives.***

In order to achieve the significant objectives, *decentralised bioenergy production based on local harvesting and processing solutions will be developed in a well-coordinated way in addition to large-scale facilities*, since the potential for large-scale production is to a large extent already being exploited and the actual potential to increase and develop bioenergy lies in decentralised small-scale production organised in an effective way, partly even through mobile facilities. The work that has already started will be continued *to increase the number of heating enterprises and other decentralised energy production plants, to develop logging and combustion technology and to extend local and regional cooperation in energy production and procurements of heating plants. The organisation of advisory services supporting an increase in the use of renewable energy will be undertaken.* Within the public sector, especially in municipalities, the *official standardisation of low-temperature technology will be examined* to facilitate increasing the number of regional heating plants maintained by entrepreneurs in the sector. *The importance of farms as producers of bioenergy derived from forests and agriculture used regionally will be strengthened by pursuing solutions for issues relating, for instance, to technology and distribution.* Forest-based wood energy requires

the collection of sufficient volumes, for example, via terminals. The forest tax relief approved by the Government will promote the use of wood for fuel.

Bioenergy will be developed into a significant rural industry that will incorporate new business activities, new jobs and innovations. Local solutions will be developed in rural areas for measures required under the obligation to reduce emissions with respect to heating homes and traffic fuel, and rural actors will participate in constructing a more sustainable and secure supply of energy. *The use of energy subsidies will be increased with the aim of saving energy and achieving more diverse use of renewable energy sources.*

3.2.6 Diverse use of forests as a source of employment and income

Forests are Finland's most important economically exploitable natural resource; as a renewable natural resource, the importance of forests, in the face of increasing resource scarcity and climate change, is increasing. Forests are the most important producer of biomass, which will further increase the social significance of rural areas. Increasing timber reserves, the need for timber by the wood processing industry and the use of wood for energy are creating opportunities for the significant additional exploitation of forests. At the same time, forests can be used diversely and sustainably for the needs of various sectors such as the chemical forest industry, the wood products sector, tourism, the natural products sector, as well as recreational and adventure services. The multiple uses of forests and their multiplier effect have a major regional policy impact. The National Forest Programme 2015, adopted as a Government resolution in March 2008, includes the forest policy decisions to be followed, according to which, the various purposes for which forests are to be used will be reconciled so that the impact on the welfare experienced by citizens and the economy that is derived from forests is as great as possible.

The Government considers it important that forests, timber and natural products are exploited to greater and more diverse extent as a source of employment and income. The expertise of SMEs on the value chain

of 'from the forest to the market' will be improved through advice. The capacity of companies in the wood products sector and other companies using the forests' tangible and intangible raw materials will be further enhanced through development and investment assistance. The regional expert network of the wood products sector will be strengthened and the work of the national WoodFinland programme that supports it will be continued. Research and development in the forest sector will focus on developing and commercialising new products and services. The role of natural resources of forests in the development of the bioeconomy and the fibre economy will be highlighted. Also, communal forests will be developed as a forest ownership form and the provision of information and advice on this will be increased. In order to improve the supply of labour, the attractiveness of the sector will be enhanced by developing working practices and conditions and by supporting well-being at work.

The natural products sector covers activities relating to wild berries, mushrooms and herbs as well as other products collected from the natural environment, such as by-products from trees, handicraft and decorations, as well as care products. The growth prospects for entrepreneurial activities in the natural products sector are based on the increasing environmental and health awareness of consumers and the potential to develop products from currently unexploited raw materials as well as to combine products, for example, with well-being services and tourism. Gathering natural products is an economically important area of work, which nowadays has had to rely on foreign pickers. In terms of the sector's development, the creation of a centralised warehousing and marketing system is vital.

3.2.7 Developing farms as the basis for food production and the security of food supply and as enterprises with multiple tasks

The structural changes taking place in agriculture have reduced the number of farms at the same time as the size and efficiency of farms have increased. Agriculture continues to be important to business activities and income formation in rural heartland municipalities in particular. Rural heartland

municipalities produce most of the raw materials for the domestic food industry. With the structural development in agriculture, some farms are becoming specialised and making their production more effective, some are diversifying and in this way are attempting to improve their profitability. Some farmers are clearly turning towards work outside the farm either as employees or as entrepreneurs in another sector. **The Government stresses the fact that the diversification of farms should be viewed as part of general development of business activities.** Farms should be identified as one target sector in innovation policy and opportunities to take part in innovation networks should be created for them.

Farms are a key element of the building blocks of settlements and make the operations of the domestic food industry possible through their production of raw materials. Landscapes created through agriculture are important for all those living in rural areas and visitors to the area, and it is a fundamental part of the operating environment for rural tourism. Rural areas need people skilled in multiple sectors and farmers are just such people. Agriculture also produces tax revenues for the region, and raw materials not only for the food industry but also for bioenergy production, machine contracting and other services for other rural inhabitants, as well as extensive indirect employment effects through large farms directly offering new jobs.

The policy decisions on agricultural development were made in the report on agricultural policy in 2005, which was debated at length in Parliament.

Farms are key actors in improving the status of waters, which concerns all of society. Reducing nutrient loading from agriculture plays a key role in the Government resolution on Water Protection Policy Outlines to 2015. In order to make agri-environment payments more effective, measures should be allocated to areas most prone to risk more effectively. Criteria relating to the state of the water and water protection should serve as the allocation basis. Measures at the farm level should also focus on parcels producing the most loading. In reforming agri-environment payments, it will be ensured that the payment to be made for effective water protection measures will be high enough so that the measures

encourage farmers to commit to water protection measures.

In the future, farms will play an increasing role in building new welfare services. So-called GreenCare operations, where the natural environment is integrated as part of the content of care services, will bring new employment opportunities to farms as well as other rural enterprises and actors, while similarly expanding the content, number and regional accessibility of social, health and educational services. A condition for these activities is cross-sectoral cooperation, solid professional skills and their continuous development, the promotion and commercialisation of services offered on farms, the development of financing schemes, a revision of the legislation governing the sector and the development of service contents to meet social and health service quality standards. Research and development should be initiated to take the activities forward, especially in the field of preventive social work with children and young people. Mental health rehabilitation, the employment of people with disabilities and care for the elderly are sectors in which a rural environment could be made greater use of. *The importance of the rural environment and the conditions offered by rural areas for rehabilitation services should be taken into consideration when developing service quality standards.* The use of rural environments as part of the learning environment for children and young people creates jobs and a bridge between the town and countryside. In order to improve the relationship to nature and make children and young people more aware of the food chain, operating models and various forms of support should be developed so that farms could operate as educational environments.

The Government considers it to be important that rural environments are seen as new resources and as an opportunity for rural enterprises in offering social and health services and in teaching and educational work.

The social importance of food production is increasing. Food is no longer a self-evident issue; rather, examined from the global perspective as a result of, for example, extreme weather phenomena caused by climate change, changes in consumption in Asian countries and the rise in price of inputs, we need ever greater food production and raw materials produced by agriculture.

Finland's agrifood industry has to date succeeded well in the increasingly competitive situation. The strengths of Finland's agrifood industry include the high quality of products, a controlled and traceable production chain and good level of hygiene, the high-level of professional skill of enterprises and advisers, appreciation by consumers of domestic food products, the solid cooperation of the various actors in the chain to improve the quality and safety of food according to the 'from farm to fork' principle.

The Government emphasises safeguarding self-sufficiency and security of supply in domestic food production. Achieving this will require profitable agriculture. The basic capacity of national food production must be maintained in all situations so that it is possible to manage risks arising, for example, from international fluctuations in the trade cycle, food crises and climate change. Domestic production can be easily traced, so the public can be assured of food safety.

To develop livestock production, it will be important to improve the health care system supporting animal health and welfare and to ensure the availability of veterinary services. The new Animal Health Act strengthens animal welfare in particular and ensures the independence of controls on animal diseases and protection in relation to the provision of municipal veterinary services. The number of inspection staff will be increased in municipalities, regional administrative authorities and Evira, the Finnish Food Safety Authority, which will enable more effective and customer-focused specialisation in the provision of veterinary services within municipalities.

The importance of the countryside and safeguarding domestic food production will also be supported by the global trend in the preference for local and organic food. Consumers want to know where and through what means their food has been made, taking into consideration not only the price but to an increasing extent the environment, ethicalness and regional impact criteria. Raising awareness of the source of food and the environmental and regional impact of local food is important among both consumers and decision-makers. The objectives to promote local food will also be supported through the Sustainable Public Procurement action programme. *The Government will*

examine the need to amend procurement legislation to enable broader use of local food. In addition, the Government will seek means, in cooperation with commerce, for the better availability and visibility of local food in stores.

To maintain competitiveness in the food sector, new initiatives are needed along with the identification of weak signals. The use of natural products, reindeer and game, and domestic fish should be increased. In order to promote local food, regional food schemes need to be developed by creating opportunities for further processing and logistical solutions within regions, likewise the commitment towards the use of local food is needed by political decision-makers and those responsible for food services in the public sector.

3.2.8 Promoting the growth of tourism in rural areas

Tourism is a growing provider of employment and welfare in Finland and its rural areas. Many prevailing consumption trends, such as individuality, welfare and an emphasis on originality, support growth opportunities for tourism in Finland, especially rural tourism. International trends in tourism highlight demand factors, such as the natural environment, health, safety, quietness, open spaces, culture, well-being, which the rural environment and tourism industry are best able to respond to. In addition to the nature, foreign holiday travellers are attracted by activities linked to the natural environment. For example, the popularity of fishing tourism is growing.

The dependence on location of the business increases the importance of tourism: jobs and capital in the tourism industry cannot be transferred elsewhere. Tourism creates demand in rural areas for many other business activities, such as for the construction industry and food industry, and for other services, such as village shops, improving at the same time the availability and quality of services for permanent residents. Rural tourism is based on micro-enterprises and is an industry run by many family businesses. The importance of the tourism industry is highlighted especially in the archipelago and remote areas in Northern and Eastern Finland where it can be the only means of preserving the region's

vitality. Tourism is also a concrete way of enhancing interaction between urban and rural areas.

The Government stresses the importance of tourism as an expanding business activity and as a key area for development, especially in sparsely populated rural areas. According to the growth objectives set for 2020, tourism by Finns is expected to grow by around 3 per cent a year in rural areas; in addition, 40 per cent of the sales revenue (customers) is expected to be gained from foreign countries. Achieving the objectives will require a strong image as a tourism country that supports the countryside, a seamless service chain, easy accessibility and availability (a country portal containing all the sites is needed), professional skills and a skilled labour force, a well-functioning and competitive infrastructure, a regulatory environment that supports the profitability and competitiveness of the rural tourism industry, and the clear division of responsibilities between the actors, as well as a strong network. *The skills of tourism entrepreneurs will be increased through training, which will encompass entrepreneurship and the laws governing the tourism sector.* The use of sources of information on tourism will be promoted as part of developing the operations of enterprises.

3.3. Development of the rural policy system – a method based on governance and networking

3.3.1 Developing rural policy governance at all operative levels

The rural policy system of Finland has developed over the last twenty years, but the creation of actors operating across administrative sectors has been a challenge. Rural development requires a cross-sectoral approach. It allows to create better coordinated measures, promote multi-sectoral cooperation and direct actions to achieve common objectives. A rural policy actor is required for all operative levels (international, national, regional, municipal and village levels) of the three sectors of society. Such an actor must have a broad perspective on development and be committed to the location.

Rural policy at national level

At national level, rural policy is directed by the Rural Policy Committee YTR, whose activities are governed by the Government's rural policy outlines and the Rural Policy Programme. In the government organisation rural policy is currently located in the Ministry of Agriculture and Forestry, which is responsible for rural development measures. It also implements the Rural Development Programme for Mainland Finland, partly funded by the EU, which provides the framework for funding most measures of narrow rural policy directed at rural areas, such as the activities of the LEADER Action Groups. According to the OECD review (2008: 112–113), the inclusion of rural development in the sector of the Ministry of Agriculture is rarely the best possible solution as operating within the sectoral ministry restricts the cross-sectoral dimension of rural development. Also, rural policy issues are often considered to be overshadowed by an emphasis on agricultural policy and to be of secondary importance in resource allocation. ***Rural policy needs a stronger position and more resources within the administration.***

Rural policy is directed by a cross-sectoral group of ministers, whose position will be made permanent during the current term of office. The approach for implementing rural policy by each administration is decided in the negotiations on the Government Programme. One option for boosting both joint responsibility for rural policy and the current approach is to formulate a policy programme on rural policy, for example, for each term of office. The Rural Policy Committee's tasks would include acting as the secretariat for the policy programme.

Both the Ministry of Agriculture and Forestry and the Ministry of Employment and the Economy are responsible for broad rural policy. Cooperation between officials of the two ministries is being enhanced and the officials responsible for rural policy are appointed from both ministries. The role of the Rural Policy Committee as a permanent cross-sectoral body for cooperation that integrates the various sectors will be strengthened. This will make broad rural policy more effective.

Rural development at regional level

As the authority responsible for regional development, the Regional Council is also responsible for rural development. Rural areas are taken into account in regional plans, programmes and their implementation plans. The region is important as the implementer of rural policy because political influence in the hierarchy of rural policy actors is concentrated, in addition to ministries, in regional authorities. Many decisions by the authorities are made by Regional Councils and T&E Centres. Cross-regional joint targets and projects as well as resource allocation for both local and regional projects are handled at regional level. The regional organisation of many actors is reflected in the nature of regional development: large regional projects are emphasised and the approach is quite heavy on administration. A number of administrative actors and business organisations form a large regional network that seems capable enough for regional development work. The great challenge for development work at regional level is how to strengthen regional civic action. Civic organisations bear the responsibility for building up resources in order to establish more significant partnerships and cooperation partners for regional government. In this way, matters important for rural areas can be better included in regional-level decision-making.

The preparation of regional rural policy is being strengthened. The Reform Project for State Regional Administration (ALKU) will bring changes to the strategic and operative supervision of regional administration. *A multi-sector, cross-sectoral division of the Regional Management Committee focusing on rural issues, "a regional Rural Policy Committee", which will prepare, develop and implement regional rural policy and bring together rural actors must be established in connection with the Regional Management Committees and the Centres for Business and Industry, Transport and the Environment (ELY Centres) that start operating in 2010.* A horizontal rural division will create an overall picture of the development needs and situation of rural areas, integrate rural measures implemented through the various funds and present issues relevant to rural policy to the decision-making authorities, such as the Regional Management Committee. A rural division of the Regional Management Committee or

an equivalent cooperation body is already up and running in many regions.

Local rural development at municipality and village level

Almost all decisions of the municipality have an impact on the vitality of its rural areas. The available resources and the mechanisms for preparing matters for decision, together with the emphases of the prevailing policy, are relevant to how well rural areas are taken into account in municipal decision-making. Due to the poor state of local government finances, many municipalities with small populations inhabiting a large geographic area have been forced to make decisions that are unfavourable towards rural areas.

In municipal mergers that involve the amalgamation of a rural municipality or municipalities with a central urban municipality, it is very important that the rural areas are taken into account. The cooperation relationships within the municipality and its villages must be organised on the basis of the principle that the different parts of the merging municipality bring resources and actors that are important in the pursuit of success by the new municipality and for its strategy. Rural development is part of the municipality's development strategy, which provides a certain latitude in terms of the allocation of development funds in situations that change according to the pursuit of success by the newly merged municipality. The strategy should be specified by a municipal rural programme prepared every four years, the drawing up of which involves local actors and the use of village action plans. The municipality must also ensure that its staff includes experts in the strengths and weaknesses of rural and sparsely populated areas. It is important in all municipal mergers that clear outlines on rural development and their practical implementation are included in the municipal merger agreement. The agreement is made between the merging municipalities, which decide on its content.

There is a need in large municipalities for a negotiation and agreement mechanism involving the municipal executive board, village residents and village associations both for reasons of democracy

and service development. It is of central importance that permanent cooperation is established for discussing the proposals in village plans that involve the municipality and for coordinating development activities between the villages and the municipality. The mechanism must be able to exploit the operating methods of the three social sectors. This will enable public activities and funds to be complemented with private funds and voluntary work. When procedures are planned, development based on programmes and projects occurring in the villages must also be taken into account.

One approach for creating a mechanism for negotiations and agreements could be offered by a village cooperation body, *a village council or a home area council* or equivalent, which would act as the municipality's partner and negotiating party in planning actions carried out in villages and planning the use of funds. On the other hand, the council would have a role as supervisor of village plans, builder of cooperation and planner and initiator of joint projects. Another option would be *area committees under municipal administration*. Village and home area councils and area committees that pull together local development actors already exist, but more are needed.

3.3.2 Significantly boosting local development instruments

The development of diverse rural areas requires tailored policies that take local circumstances into account. In order that special local features and needs can be taken into consideration, the forms of local participation and cooperation must be developed. Especially the practical organisation of cooperation by municipalities and local actors is beneficial both for the municipality and its sub-areas. Existing horizontal local action, such as Local Action Groups, village associations, and other organisations that carry out broad-based local development work must be substantially strengthened.

Increasing the effectiveness of public functions leads to centralisation, which results in the actors and services moving further away from rural areas. Therefore, to provide a balance, it is necessary to simultaneously strengthen both local

activities and actors that are bound to the location (local communities, villages, municipalities and sub-regions). ***The Government emphasises the strengthening and coherence of development work related to rural policy carried out in villages, municipalities and sub-regions.***

Village development

There are 3,900 villages in Finland, and 2,800 of them already have village associations. As a result of structural changes among the associations, cooperation between local associations is becoming closer, while the number of village associations is increasing. Village development is an increasingly important part of rural development. Villages are needed as action units that bring the available resources together.

Village associations are important implementing actors of EU development programmes. These programmes have provided the people who live in rural areas with resources for developing their own living environments. More than 2.5 million permanent and free-time residents are involved in village development activities. A village plan has already been prepared for 2,000 villages. These plans set development targets and propose concrete measures for achieving them. The quality of village plans has increased and more of them are being prepared.

For village development it is important to integrate village and neighbourhood plans with the municipal budget and planning process. One option is provided by an arrangement by which a part of the municipal budget is “villagified” through village plans. For this purpose, appropriations for targets agreed on by the municipality and local actors would be separated from the municipal budget. The appropriations would be decided on by the municipal executive board in accordance with principles defined by the municipal council.

More and more village and other local associations are responsible for arranging, among other things, cultural and leisure services, road maintenance, repairs to communal buildings, children’s day care services, neighbourly assistance and other care services in their area. These responsibilities

are expected to grow further, since otherwise the areas will be at risk of deterioration. The situation requires activating of residents and committing them to development work, and an increase in the level of knowledge concerning the various areas of development actions, such as the planning basis of development actions, programming, funding opportunities, legislation and administration.

State aid brings stability to village action. It is used for enabling the regional and national village representatives to disseminate information, arrange training, prepare village plans and implement joint development projects. Finland has an organised village development mechanism that extends from the national and regional levels to individual villages, providing the conditions for responsible, coordinated development and for increasing knowledge and skills within villages. However, current development efforts are too heavily based on short-term project funding.

Village action is currently subsidised with EUR 700,000 in State aid, which is a small amount in comparison to the extent of the activities and the challenges faced by villages. *During the current term of office, the Government will increase the level of State aid and emphasises that, as challenges for villages increase, it will be necessary to gradually increase State aid in the long term.*

LAG work

In sub-regions, rural policy is mainly implemented by LAGs, municipal business companies and regional business service points. LEADER activities focus both on the development of living conditions of rural residents and on business development, whereas business companies emphasise the development of business activities. The challenge over the next few years will be to continue developing distribution of work and strengthening of activities of LEADER, municipal business companies and business services points.

The LEADER approach, i.e. work by Local Action Groups, which arrived in Finland with the advent of the EU, currently covers all rural areas in mainland Finland. The LEADER approach uses public and private sector cooperation to produce tailored

solutions for the challenges of each area. This approach is suitable to Finnish conditions (including sparsely populated rural areas) and is an effective development tool that brings scarce resources together, activates new actors and fosters a sense of commitment to the development of their area, as well as encourages cooperation between the different sectors in society. The method brings municipalities, businesses, communities and individuals together in the same association and on an equal basis. Action groups are not only the implementing actors of the LEADER approach in the Rural Development Programme for Mainland Finland for 2007–2013, but also autonomous development associations acting as sub-regional developers with varied activities and functions.

LEADER activities will increase in importance in the future as the challenges and opportunities of rural development in the globalising world diverge between the areas at an ever increasing rate. The LAGs have well-functioning approaches for cooperation in rural areas both at the regional and international level. Cooperation has brought results, so it should be further strengthened. The work by LAGs as promoters of partnership between the public, private and the third sector should be reinforced and new working methods should be developed. The forms of direct democracy provided by LAGs are being extensively developed in order for LAGs to be able to provide rural actors with local and direct channels for exerting influence. In growing municipalities, the role of the LAGs as promoters of the interests of rural areas and as a vehicle of local influence will increase. *The Government aims to develop LEADER activities during the programming period beginning in 2014.*

3.3.3 Developing programme-based action

The programme-based approach to rural development will continue after 2013. The procedures will be developed so that the continuity of development work by the actors is ensured and problems arising from the fixed-term basis of the projects are reduced. Flexible procedures that are based on agreements and which pull together different projects will be developed for the sustainable and successful implementation of the programmes.

Bureaucracy that impedes development work based on programmes and projects has increased year by year, and this situation must be quickly rectified. An evident reason for the increasingly cumbersome administration is the approximation of the rural policy provisions and agricultural aid schemes. However, this is not justified as the idea of programme and project activities is to encourage discretionary, target-oriented, innovative activities that achieve new results. Bureaucracy prevents the realisation of key elements of programme policy, leading to the inadequate consideration of the basic idea behind programme and project activities and the related regularities.

Increasing of different levels of administration has led to stricter rules and, in particular, to stricter interpretation of the rules. The objective of administration to treat customers equally has led to supervision that is too meticulous from the point of view of successful programme implementation. Actors in this field experience difficulties resulting from the increased difficulty in receiving advance payments, the abundance of appendices required, the increasingly strict line with respect to eligible expenditure items, and excessive demands to know the details of the concrete implementation of each project beforehand. The tasks of T&E Centres and LAGs overlap, which is not justifiable. *An official and a supporting expert group will be appointed to dismantle bureaucracy.* The programming period beginning in 2014 will be prepared so that it starts without delays and with simplified practices.

Regional programmes are the basic instrument of regional policy. However, they still omit rural issues that may seem insignificant although, in their own area, they are at least as important as many issues that have been highlighted in population centres. The methodological development of the Regional Programmes, the Structural Fund Programmes and the Cohesion and Competitiveness Programme (KOKO) is of central importance for achieving both cohesion and competitiveness within and between the areas and for the programmes to genuinely support rural development as well. Programme contents must take into account the interaction between urban and rural areas. The importance of this interaction is highlighted as municipalities grow in size and towns become more rural. Cooperation and interaction

between urban and rural actors may result in finding means to secure the equality of marginal areas and possibilities to participate for the inhabitants in growing municipalities.

The amount of money allocated to national projects for research and development on rural areas has been a stable EUR 2.5 million annually. There is a great need for national uncommitted funding for regional programmes. Various assessments and the OECD rural policy review on Finland (2008) highlight the need for adequate resource allocation for the implementation of Government decisions and the Rural Policy Programme. The estimated amount is six million euro. ***The Government believes that it is justified to manage not only large projects involving the structural development of rural policy but also sector-specific projects promoting the whole sector in a centralised manner and with national funding.*** *During the current term, the Government will increase financing for rural research and development projects while highlighting the exploitation of other sources of funding.*

3.3.4 Strengthening the conditions for and role of civic activity

The functions and roles of the public, private and third sector are changing drastically due to the structural changes in society. Diversified ways of service production also have a major impact on organisations operating in rural areas. Development will inevitably make it necessary to assess the division of roles between the public sector and organisations in society.

At municipality level, many tasks have in practice been transferred to organisations. The activities of organisations in the provision of opportunities for leisure activities, sport, culture, art and children's and young people's activities are already crucially important in many municipalities. Services offered by various patient organisations and social and health organisations, afternoon activities for young school children, the maintenance of sports facilities, peer support and other forms of activities are also already so significant at the local level that without them, society would not be able to cope with the cost burden resulting from the increasing need for services.

The Government emphasises the need to strengthen the role of organisations as well as their partnership with the public sector in producing services. However, this involves many challenges. The organisations are autonomous and their activities are based on active individuals. Therefore, their activities are not created by administrative decisions or requirements set by society. However, it is possible for the public sector to support an active civil society and the activities of organisations in many ways. *Means of strengthening the role of organisations include promotion of the organisations' long-term funding and employment opportunities, support for cooperation between organisations and removing barriers to neighbourly help.* In an informal cabinet meeting of 17 November 2008, the Government decided to appoint a working group under the Ministry of Finance to identify problems in the taxation of organisations and to propose solutions to them by 1 June 2009.

The activities of organisations that specialise in producing and selling services are in many ways very close to the activities of enterprises providing services. When distinctions are made between the activities of organisations on the one hand and businesses, on the other, the areas where the services are provided, the services themselves and the customer groups that the organisations produce their services for must be taken into consideration. There are not always other providers of similar services in rural areas, nor are there functioning markets or enough customers who would be able to pay for the services. From the perspective of many rural areas, the competition issue is less important than the question of who will make sure that the services are available at all. The amendments made in recent years to legal provisions on competition and taxation and their interpretation may also reduce the importance of the activities of organisations in enhancing the community spirit, social capital and networks in the long term.

The financing of service provision is a highly important question in the third sector as well. Although voluntary work and peer support are very significant for organisations, the growing importance in the role of organisations as service providers means that more sustainable solutions must be sought for

funding paid professional work carried out within the organisations. This will require amendments to the legislation on, for example, procurements, municipal funding and employment policy. Attention must also be paid to increasing the level of expertise on procurement legislation. In addition, an assessment must be undertaken of how the concept of services of general economic interest (SGEI) and other closely related concepts (public service obligation, general interest, for-profit and not-for-profit services) and the relevant legislation can be defined at national level so as to ensure the availability and funding of the services needed by inhabitants of rural areas.

Traditional organisational activities have a significant role in increasing the welfare of individuals. Activities carried out by organisations strengthen communities, human interaction, mutual support and social relationships. These are very important for the welfare of individuals and for building social capital, as well as for preventing problems and illnesses, which directly reduces the costs incurred by these to society. Maintaining the viability of civic activities is of primary importance. Opportunities can be created to achieve this aim by supporting self-direction.

New forms of cooperation are needed between the public sector and civic actors. *A project to examine new forms of cooperation between the State, municipalities and the third sector will be completed by the end of 2010. The project's report will be based on previous work on the subject and will be connected to the preparatory work already underway in the Consultative Committee on Civil Society Policy (KANE). As a continuation of the report project, the Government will launch long-term development efforts to organise cooperation and new ways of dividing tasks between the public sector and civic actors.*

3.3.5 Consideration of the special features of rural areas in decision-making

The decisions and chosen policy outlines impact in different ways in different types of areas. Therefore,

prior to decision-making and policy implementation, it is important to consider the quality and extent of the impacts resulting from each decision and policy in different areas. *The rural proofing* is a method used for identifying significant impacts of a policy on rural areas. These impacts may affect the living conditions of rural residents, the pleasantness of their environment and their health, as well as industries and work, culture, know-how, services, infrastructure, accessibility, the environment, landscapes, or the sense of community. Rural proofing is necessary for achieving regional equality and for influencing the future of rural areas. It is especially important to assess the impacts on sparsely populated rural areas as these will be proportionally the most significant, and often adverse. The rural perspective must become a systematic element of policy preparation and implementation at all levels. A practice for conducting rural proofing has not been in place in Finland to date, which has been a clear shortcoming. Rural proofing can prevent adverse impacts on rural areas, and the costs to society resulting from rectifying them.

The Government recommends that the ministries use the rural proofing tool in the preparation of decisions and policies alongside other impact assessments in situations when a decision/policy has regional impacts. The Rural Policy Committee will prepare the rural proofing tool and monitor its introduction within the ministries.

Municipality-based statistical information is no longer adequate for identifying the special features of rural areas now that municipalities are becoming larger in size as a result of the Paras project and as large rural areas merge with towns. Statistical methods based on grid data for areas smaller than municipalities are needed to support rural planning and development. This data can be obtained using a geographic information system. Statistics can be prepared, for example, for each village on the basis of grid data. ***The Government requires that sufficiently detailed grid-based data be available for identifying rural development trends.*** This requires that a uniform national classification is taken into use.

4. Future of rural policy and Finland's objectives in the EU

The EU's rural and cohesion policy

As a result of the enlargements in 2004 and 2007, the European Union has become more rural. According to the Commission (2009), approximately 91 per cent of the area of the EU-27 is rural and more than 56 per cent of EU citizens live in rural areas. This means that rural areas must be better taken into consideration in policies both at the Community and national level. The Commission (2009) identifies the strengthening of rural development policy as an overall EU priority.

Rural development is linked to two Community policies: Pillar II of the Common Agricultural Policy and the Cohesion Policy. The challenges of rural areas within the EU are extensive and varied, and the existing rural policy of the EU has not been fully capable of meeting them. At the European level, the European Agricultural Fund for Rural Development has mainly focused on supporting the competitiveness of agriculture, while the European Regional Development Fund (ERDF) supports the economic competitiveness of population centres. The measures of the European Agricultural Fund for Rural Development and the ERDF are not directed sufficiently well towards development measures under the broad rural policy. ***The Government emphasises that the development of rural areas will require improved reconciliation between policy sectors, the development of tools and expanding the scope of policies.***

Two types of debate have taken place within the EU on whether rural development should fall within the scope of regional and structural policy in the next Structural Fund period. The prevailing view in the consultation on the reforms to the Commission's cohesion policy was that the separation of rural policy from the Cohesion Policy has made it harder to develop a coherent and integrated approach. On the other hand, rural policy can be developed as part of the Common Agricultural Policy if more emphasis and resources are given to the development of rural areas.

Territorial cohesion

The Lisbon Treaty, which is still to be ratified, puts the concept of territorial cohesion on an equal footing with social and economic cohesion. The Green Paper on Territorial Cohesion published by the Commission in October 2008 specifies 18 sparsely populated areas, all of them rural, as areas with special geographic features and development challenges. In its response to the European Commission's public hearing on the Green Paper on Territorial Cohesion, Finland notes that sparsely populated and remote areas, in particular, need, in addition to development measures focusing on business and the operating environment, new ways of producing and providing services. Finland is in favour of a broader definition of funding for the cohesion policy. Indicators are needed for depicting development at regional and subregional levels (NUTS 3 and NUTS 4 levels) in greater detail, and disparities in development must be taken into account in the future priorities of the cohesion policy. In addition to inter-territorial cohesion, intra-territorial cohesion should also be promoted.

When Pillar I of the Common Agricultural Policy (market support for agriculture), Pillar II (rural development) and the Cohesion Policy are reformed and reconciled, the perspective of territorial cohesion and the heterogeneity of the territories and their needs must be considered. ***It is essential that the territorial dimension of the Common Agricultural Policy is strengthened so that it better supports territorial cohesion.*** The policy must be simplified and its instruments must be developed in order that the development potential of rural areas can be realised.

Rural policy options for the period starting in 2014 and Finland's objectives in the EU

The EU's internal budget pressures and the need for cohesion within the enlarged Union have raised the debate on the future of Pillar II of the CAP to a new level. Two alternatives have come to the fore. One is that the territorial basis is strengthened at the expense of the current farm-based approach in all Pillar II policy measures (axes 1, 2, and 3 and the LEADER approach). This would require increasing the amount of funds available under Pillar II. The second

option that has been discussed is that only measures under Axis 1 (Improving the competitiveness of the agricultural and forestry sectors) directed at farms and Axis 2 (Agri-environmental payments and compensatory allowances) remain in the old CAP, while Axis 3 (The quality of life in rural areas and diversification of the rural economy) and the LEADER approach are integrated within the strengthened regional policy aiming for cohesion. This, in turn, would mean the permanent transfer of funds within the EU budget from heading 2 (natural resources) to heading 1 (sustainable growth) under Structural Fund resources.

If Union-wide cohesion and competitiveness becomes the most important objective of rural development at the EU level and rural policy is integrated as part of regional and structural policy, it can be assumed that less EU funds will be allocated to rural areas of countries such as Finland. ***The Government emphasises that rural development overall should primarily fall within the scope of Pillar II of the CAP or, alternatively, the criteria of the cohesion policy could be amended so that they take into account the rural conditions in Finland. Finland's basic principle is that the level of funding for Finland under headings 1 and 2 will in total remain at the current level during the programming period that begins in 2014. Maintaining the vitality of the countryside and balanced territorial development are important objectives for Finland. Funding for rural development will be increased both through the Structural Funds and Pillar II of the CAP.***

Rural development requires flexible implementation and a significant reduction in bureaucracy. *The funds allocated to rural development must be gathered nationally regardless of the budget heading that they are granted under, and they must be allocated through a single framework to the strategic priorities in line with the new paradigm that has been defined in rural development work.* To strengthen proactive development and an approach that maintains the vitality of the countryside, it is of utmost importance that many different kinds of actors are mobilised for rural development work. The EU's rural policy must meet the challenges of the future, and not focus solely on fixing shortcomings and maintaining the existing situation. In addition to horizontal

development measures, strong place-based policy is needed so that regional and local needs can be better taken into account. In place-based policy, it is important that accessibility based on geographic and communication links is ensured.

International influencing

Finland is an active player in building and developing European rural policy. Interactive cooperation in rural and development policy is being enhanced. Over the next few years, influencing European rural policy will occur mainly through developing the rural policy systems of the various countries by, for example, greater application of the LEADER approach and establishing it as widely as possible in the rural areas of Europe. Furthermore, it is important that European village action and the organisation of villages will be promoted, where possible, and interaction between urban centres and rural areas in Europe will be improved.

More emphasis has been given to rural development in development co-operation that Finland is involved in. The national rural policy and the EU's regional and rural policy have similarities with the situation in developing countries, for example, with respect to local development, civic activities and interaction between rural and urban areas. The structures of rural development must be improved in developing countries in order to achieve sustainable development. *The knowledge of Finnish experts on rural matters will be used in planning development policy and, correspondingly, the experiences and know-how on rural development in developing countries will be used in Finnish rural policy.*

The extensive work of the OECD in investigating the rural policies of its member countries provides information on the practices, achievements and problems of the different countries and helps develop rural policy system. European cooperation by actors in rural development will eventually also influence the policies of the European Union, as well as its policy instruments. *The international exchange of experiences through the European Union, the Nordic Council of Ministers and the OECD will continue and Finland will actively participate in this work.*

5. Implementation

The three key objectives in the Rural Policy Report are the **improvement of the quality of life in rural areas, the development of rural businesses and the development of the rural policy system.** In order that these objectives can be achieved, the structures, actors and working methods must be developed and the State must take a supervising role. The following main outlines are central:

- ***The relative decline of the position of sparsely populated rural areas must be stopped.***
 - The Government will draw up a report on the use of alternative means (including tax policy) to develop sparsely populated rural areas and will choose the most suitable measures to be implemented on the basis of the report.
 - Sparsely populated rural municipalities and municipalities in a financially weak position will be taken into consideration on a permanent basis in the system of central government transfers to local government in accordance with the decision on spending limits made by the Government in winter 2009.
 - ***The Government's aim is to ensure citizens have access to public services irrespective of the area's population density and distances, taking the conditions into consideration. The Government will ensure services in sparsely populated rural areas through special solutions that may be required to safeguard, for example, road and telecommunication links as well as social and health services.***
 - The number of Citizen Offices will increase to 300 so that they will form an extensive network.
 - Multi-service centres will be opened and mobile services arranged through cooperation between the public sector, local associations and businesses.
 - ***The Government will make provisions for the continuous improvement to all road classes and the additional construction of new connections to meet the needs of activities such as tourism and mining. Rail traffic will be developed for environmental reasons to serve, in particular, commuter traffic outside the capital region too and to meet the transport needs of industry, including the extractive industry. Transport services will be safeguarded for households that do not have a car.***
- ***The Government holds the opinion that the public and businesses need fast and efficient telecommunication links equally throughout the country, irrespective of location or the place of residence.***
 - ***The Government emphasises the need to strengthen the role of organisations as well as their partnership with the public sector in producing services.***
 - ***The Government will promote the development of rural entrepreneurship.***
 - Development funding for rural businesses will be secured.
 - Rural business activities will be supported by ensuring the availability of high-quality business services, by increasing the range of training for entrepreneurs, by promoting networking and by disseminating information on rural business opportunities.
 - The capacity of the EnterpriseFinland service system to serve diversifying industries offering new employment and earning opportunities in rural areas will be improved by enhancing the network of experts and increasing its level of specialisation and by using business subsidies.
 - ***The Government underlines the importance of foresight on rural training needs and meeting the need for training and education, the development and exploitation of skills, as well as turning the results of rural research into products and exploiting them.***
 - ***The Government will ensure the availability of a skilled labour force throughout the country and will support the establishment of Finnish and foreign labour in rural areas.***
 - ***The rural policy will be strengthened at all operative levels.***
 - Rural policy will be given a stronger position and more resources within the administration; decisions on the approach for implementing rural policy in each Government's term of office (e.g. a policy programme, a resolution, or an action programme) will be made in the negotiations on the Government Programme. The Ministry of Agriculture and Forestry and the Ministry of Employment and the Economy are jointly responsible for broad rural policy, and the role of the Rural Policy Committee will be strengthened into a permanent cross-sectoral and integrating cooperation body.

- *At the regional level, the preparation of rural policy will be strengthened;* a cross-sectoral division of the Regional Management Committee, “a regional Rural Policy Committee”, will be created in all regions to address rural matters. This division will prepare, develop and implement regional-level rural policy and bring together all rural actors.
- *LEADER activities will be developed during the programming period starting in 2014.*
- *At local level, well-functioning negotiating and contractual mechanisms will be established between the municipal board, village residents and associations to develop democracy and services.*
- ***The programme-based approach to rural development will continue after 2013.***
- The procedures will be developed so that the continuity of development work by the actors is ensured and problems arising from the fixed-term basis of the projects are reduced. Flexible procedures that are based on agreements and which pull together different projects will be developed for the sustainable and successful implementation of the programmes.
- ***The Government recommends that the ministries use the rural proofing tool in the preparation of decisions and policies alongside other impact assessments in situations when a decision/policy has regional impacts. The Rural Policy Committee will prepare the rural proofing tool and monitor its introduction within the ministries.***

Policy outlines in the Report and the implementing measures

The Rural Policy Report presents the Government's outlines on the rural policy development process until 2020. The outlines in the report will be implemented through a concrete rural policy operational programme prepared by the Government. The operational programme will be prepared at the beginning of 2010 after Parliament has debated the report and it will take into consideration Parliament's opinion. The Government that starts its term in 2011 will update the operational programme, which can be adopted as a Government resolution.

Implementing actors

The Rural Policy Report sets out the national rural policy horizontally and across administrative

sectors. Thus, the outlines and measures will be implemented by many ministries and bodies within the ministries. The Rural Policy Committee will assist the Government in implementing the report by means of guidance on information, theme group work, negotiation and project activities. The process will also be promoted via the implementation of the Rural Policy Committee's own action programme, the Rural Policy Programme. The outlines of the report and the Rural Policy Programme are aligned to each another. The Rural Policy Programme brings actors from outside the government to implement the report. These include municipalities, congregations, research and educational institutes, businesses and civic organisations.

Budget impacts

Most of the measures implementing the report do not require new funds, as they can be implemented by changing operating practices, by increasing co-operation or by reallocating existing resources. The most important new resources needed are related to ensuring rural transport services and other public services. Measures that indirectly improve the effectiveness of the use of central government resources include many measures relating to developing project activities, increasing the level of expertise and improving cooperation between the various actors. The outlines and measures of the report aim especially at maximising positive regional economic impacts in the most challenged areas.

Matters relating to financing are discussed and decided on within the framework of central government spending limits in the decision on central government spending limits and budget processes. The overall economic situation and its impact on the report and the development measures proposed in it are taken into account in assessing the level of funding.

Monitoring and evaluation of implementation

The rate of implementation of the report's outlines will be evaluated in an implementation report prepared once every two years. The Rural Policy Committee will monitor the implementation of both the Rural Policy Report and Rural Policy Programme and report on this to the ministerial group on rural policy and to the Parliament's rural network.

ANNEX 1. Features of the Finnish countryside

1.1 Current state of the countryside and development trends

Rural areas in Finland are diverse and varied. This is why there is no unambiguous definition of the countryside. In Finland, rural areas and rural municipalities are divided into *three types: rural municipalities close to urban areas, rural heartland municipalities and sparsely populated rural municipalities* (Figure 1). This division was first made in 1993 and it was updated in 2000 and 2006. As the municipal structure changes, the typology of rural municipalities must be revised.

When the rural typology was updated in 2006, the proportion of rural municipalities close to urban areas and of sparsely populated rural municipalities increased, while the proportion of rural heartland municipalities decreased. The border of the area of sparsely populated rural municipalities moved further south. General trends in rural development vary between the type of rural area. Various indicators show that rural municipalities close to urban areas have experienced the most positive development, while sparsely populated rural areas are faced with ever increasing challenges.

Demographic development was very varied in the different area types in 1995–2005 (Figure 2.) In sparsely populated areas, the annual population loss was higher than one per cent. The population also declined in rural heartland areas, but not as rapidly as in sparsely populated rural areas. Since 2000, the population decline in both sparsely populated rural areas and in rural heartland areas has steadily decreased. In rural areas close to urban areas, population growth increased and, in the late 1990s, it was already higher than in urban areas. (Ministry of Agriculture and Forestry 2006: 37.)

Population structure by gender is distorted in the different types of rural areas. More men than women

live in sparsely populated rural areas and in rural heartland areas, while women form the majority in urban areas. The situation is worst in certain municipalities in Eastern Lapland and in some municipalities in the Turku archipelago, where there were 6.5 women per 10 men in the 15–64-age bracket in 2007. Young women, in particular, move from rural areas to urban areas, and consequently the birth rate in rural areas has declined and the population structure has become even more distorted.

The dependency ratios in urban and rural areas are very varied. The population dependency ratio indicates the number of people under the age of 15 and over 65 per one hundred people in the 15–64 age group (working age population). The dependency ratio in urban areas is the most viable (50.5 in 2006). Rural municipalities close to urban areas (57) also achieve a dependency ratio that is better than the average for all municipalities (59.5). In turn, rural heartland municipalities (61) and sparsely populated rural municipalities have a weaker than average dependency ratio (Table 1). According to forecasts, the population dependency ratio is becoming weaker throughout the country so that by 2020 there will be as many as 65.5 dependents per 100 working age people. By area type, the situation will be the most difficult in sparsely populated rural areas (dependency ratio of 86.0 in 2020) and the best in urban areas (59.5) (Table 2). By region, the forecast is the bleakest for South Savo (80.3), Kainuu (77.7) and Satakunta (76.7). Current forecasts predict that only the Uusimaa region (54.6) and Pirkanmaa region (63.4) will do better than the country average. By sub-region, the trend is the weakest in many rural sub-regions especially in eastern and northern Finland. According to the population projection by Statistics Finland, there will be more than 90 dependents per 100 working age people in the sub-regions of Keuruu, Inner Savo, Eastern Lapland, Pielinen Karelia, Torniojokilaakso and Joutsa in 2020.

The unemployment rate dropped in all types of areas from the mid-1990s at a relatively steady pace until the early 2000s, when the trend stabilised. The differences in the unemployment rates between the types of rural area remained almost unchanged in 1995–2005. (Ministry of Agriculture and Forestry 2006: 38–39.) In 2006, the unemployment rate

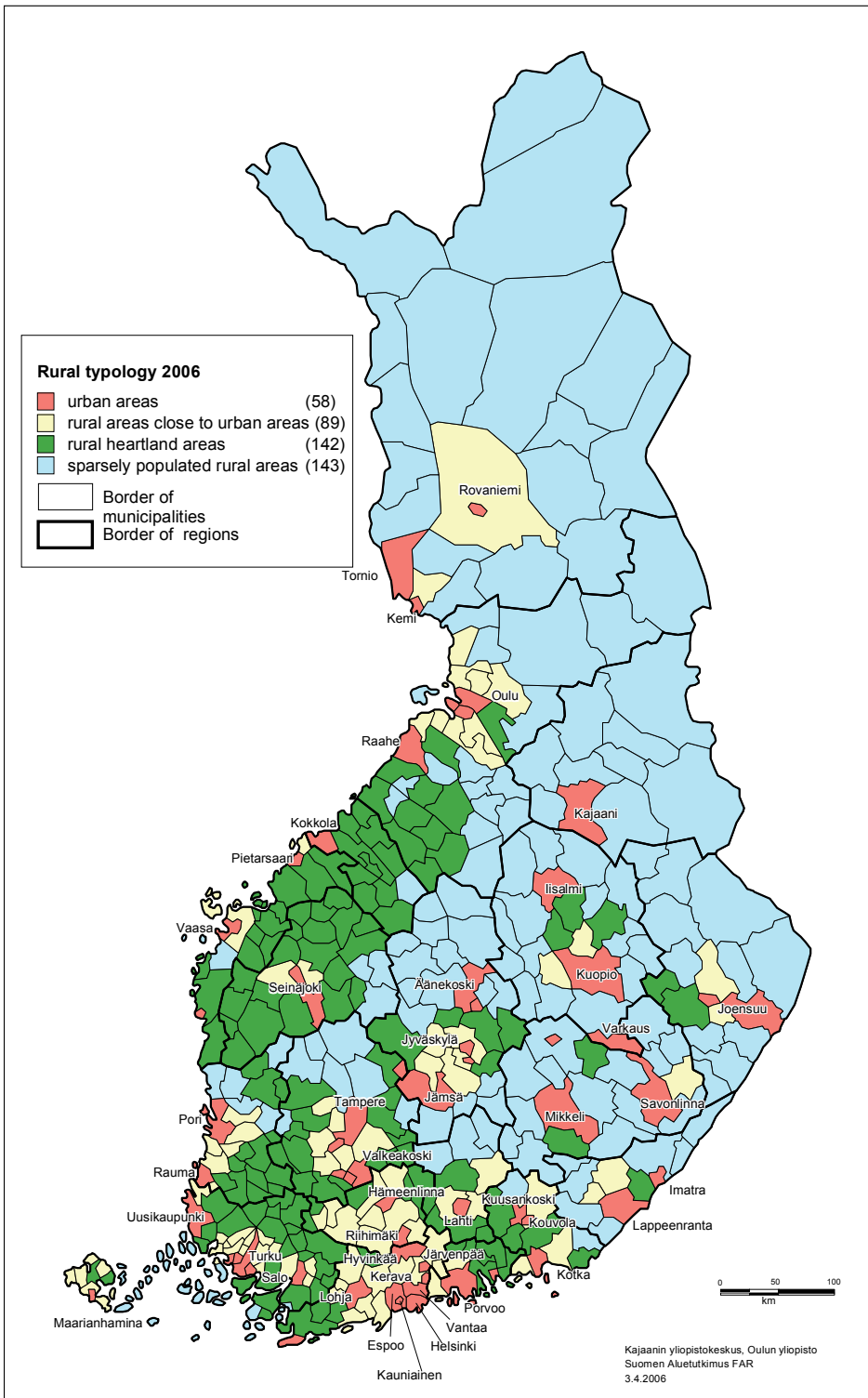


Figure 1. Division of the countryside into rural municipalities close to urban areas, rural heartland municipalities and sparsely populated rural municipalities (Ministry of Agriculture and Forestry 2006).

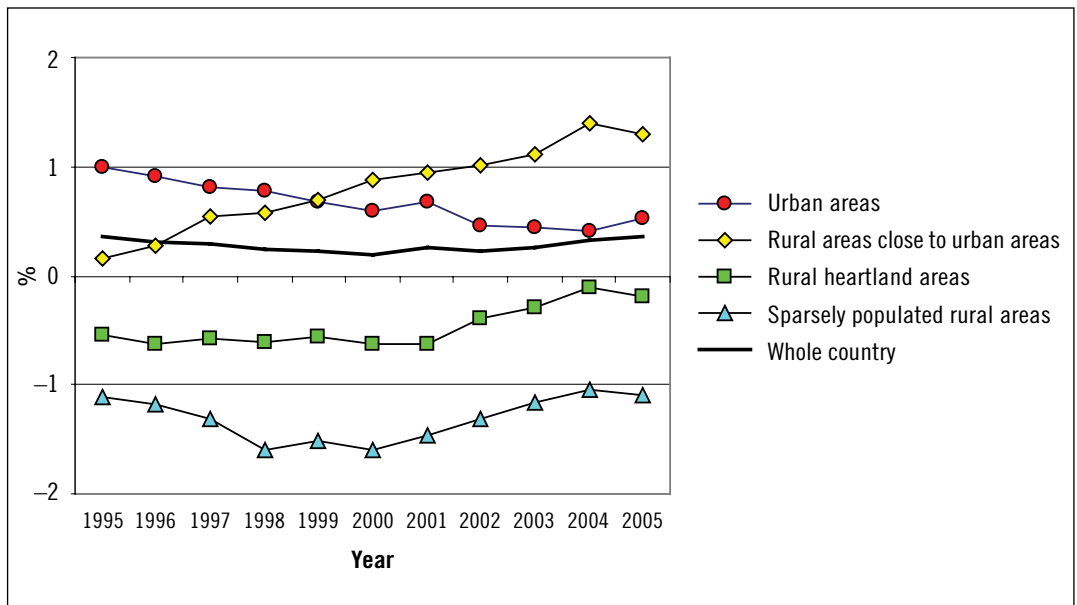


Figure 2. Annual population growth by type of area in 1995–2005 (%) (Statistics Finland, ALTIKA – Regional Database).

Table 1. Age structure and population dependency ratio in 2006 by type of rural area.

	Over 65-year-olds of population (%)	0–14-year-olds of population (%)	Population dependency ratio
WHOLE COUNTRY (municipal average)	16.5 (20)	17 (17)	50.5 (59.5)
Urban areas	16.5	17	50.5
Rural areas close to urban areas	15.5	21	57
Rural heartland areas	20.5	17.5	61
Sparsely populated rural areas	24	15	64

Table 2. Population dependency ratio (number of over 65s and under 15s per 100 working age people) in the whole country and by type of rural area (forecast for 2010–2020).

	2010	2015	2020
WHOLE COUNTRY	51.6	59.2	65.5
Urban areas	46.9	53.6	59.2
Rural areas close to urban areas	55.5	63.2	68.6
Rural heartland areas	61.2	70.6	78.9
Sparsely populated rural areas	62.8	73.9	86.0

was the highest in sparsely populated rural areas (14.6 per cent) and the lowest in rural municipalities close to urban areas (7.8 per cent). In sparsely populated rural areas, unemployment decreased as the whole labour force shrank. The decrease in unemployment can be partially explained by the migration of unemployed persons to other regions or leaving the workforce.

The income level of the population varies greatly between the different types of rural areas. In 2006, the income level in sparsely populated rural areas was about 78 per cent of the average income level for the whole country, while the income level for rural heartland areas was 86 per cent of the average. In rural municipalities close to urban areas, the income level was close to the national average. Income disparities between the types of areas have remained almost unchanged since 1995. (Ministry of Agriculture and Forestry 2006: 39–41, Statistics Finland, Rural Area Indicators).

In 1995–2005, the *total number of jobs* grew in all types of areas except sparsely populated rural areas. This was mainly attributable to new jobs in the service industry. The growth percentage of private services varied between 10 per cent in sparsely populated

rural areas to about 34 per cent in urban areas and rural areas close to urban areas. The number of jobs in public services grew by just under two per cent in sparsely populated areas and by about 15–25 per cent elsewhere (Table 3). The rapid increase in processing jobs in the 1990s turned into a decline at the start of the 2000s. The loss of jobs in primary production was steady and relatively equal in proportion in all types of rural areas in 1995–2005. All types of rural areas lost about one third of the jobs in primary production. (Ministry of Agriculture and Forestry 2006: 38–39.) The decline in jobs in primary production has affected men and women relatively equally. However, the new jobs have clearly been distributed on the basis of gender. Of new industrial jobs, 88–131 per cent have employed men, while 88–116 per cent of new jobs in the service industry have been for women (figures above 100 per cent mean that the number of jobs for the other gender has decreased). (OECD 2008: 74–75).

The economic structure in rural areas has changed. The greatest change has been the reduction in primary production and the increase in services in all types of area. In 1995–2005, the portion of primary production jobs decreased in sparsely populated rural areas and rural heartland areas by about seven

Table 3. Change in number of jobs by sector and type of area in 1995–2005 (Statistics Finland, Rural Area Indicators)

	Jobs total		Primary production		Processing		Private services		Public services	
	change in 1995–2005		change in 1995–2005		change in 1995–2005		change in 1995–2005		change in 1995–2005	
	no.	%	no.	%	no.	%	no.	%	no.	%
WHOLE COUNTRY	332 459	17.2	-41 330	-30.9	56 152	11.0	201 669	31.5	134 833	22.4
Urban areas	293 913	23.0	-5313	-28.8	32 844	10.0	170 702	34.9	107 234	25.8
Rural areas close to urban areas	35 728	17.0	-5987	-31.2	12 034	16.9	17 333	34.1	14 527	23.2
Rural heartland areas	10 340	3.7	-18 317	-30.7	9612	12.2	9734	16.1	12 202	16.5
Sparsely populated rural areas	-7522	-4.5	-11 713	-32.4	1662	4.8	3900	10.1	870	1.7

per cent units, while the proportion of both private and public services grew by a few per cent units. In exception to the other areas, the share of processing jobs also grew slightly in sparsely populated rural areas and rural heartland areas. The share of public services as an employer is noticeably similar in all types of rural areas and in urban areas (about 30 per cent). In rural areas, services have an even more important position than in urban areas as the private services sector is smaller there (about 25 per cent, compared with 42 per cent in urban areas). (Statistics Finland, Rural Area Indicators). However, private services employ more and more people and the sector is already the second most important employer in rural areas. Of private services, the importance of the wholesale and retail trade is increasing. Another growth industry is tourism. However, growth has been the most rapid in the real estate, rental and research services and in business services. (OECD 2008: 63.) Industry has a more important role in the economic structure of rural areas than in that of urban areas. Rural areas accommodate activities by practically all processing sectors. The proportionally strongest industrial sectors are the woodworking and furniture industry, the textile, clothing and leather industries, the chemical industry, the food industry and the metal and the machine industries. Rural areas account for the highest number of all jobs in these sectors.

Forty per cent of Finnish *enterprises* are located in rural areas, and most of these enterprises are small. In 2003, there were more than 130 000 small rural businesses, 39 per cent of which were engaged in primary production (farms), 18 per cent were multi-sector farms and 43 per cent other small enterprises. The number, the number of employees and the income of rural enterprises other than farms engaged in agriculture have increased in all rural areas. Of the 15,000 new small enterprises established in Finland in 1993–2004, about 13,200 were set up in rural areas (28 per cent in rural municipalities close to urban areas, 54 per cent in rural heartland municipalities, 17 per cent in sparsely populated rural municipalities) and the total number of small enterprises rose to 62,660 in 2004. During this period, the number of persons employed by these enterprises grew considerably (44.4 per cent in rural municipalities close to urban areas, 45.4 per cent in rural heartland municipalities and 20.5 per cent

in sparsely populated rural municipalities), as did their net income (78.6 per cent, 70 per cent and 38.9 per cent, respectively). (OECD 2008: 64–65, quoted by: Statistics Finland, ALTIKA – Regional Database, 2006).

The diversification of farm activities is associated with growing income and increasingly with secondary income. In 2005, there were about 24,300 *multi-sector farms* in Finland, which marked an increase of 11 per cent on 2000. Sixty-eight per cent of the multi-sector farms were engaged in service sector activities, mainly machine contracting (41 per cent of multi-sector farms), tourism (7 per cent) and other services including care, transport, and real estate maintenance services (19 per cent). More and more farms are expanding their operations to include renewable energy sources by selling firewood and wood chips. (OECD 2008: 63–64.)

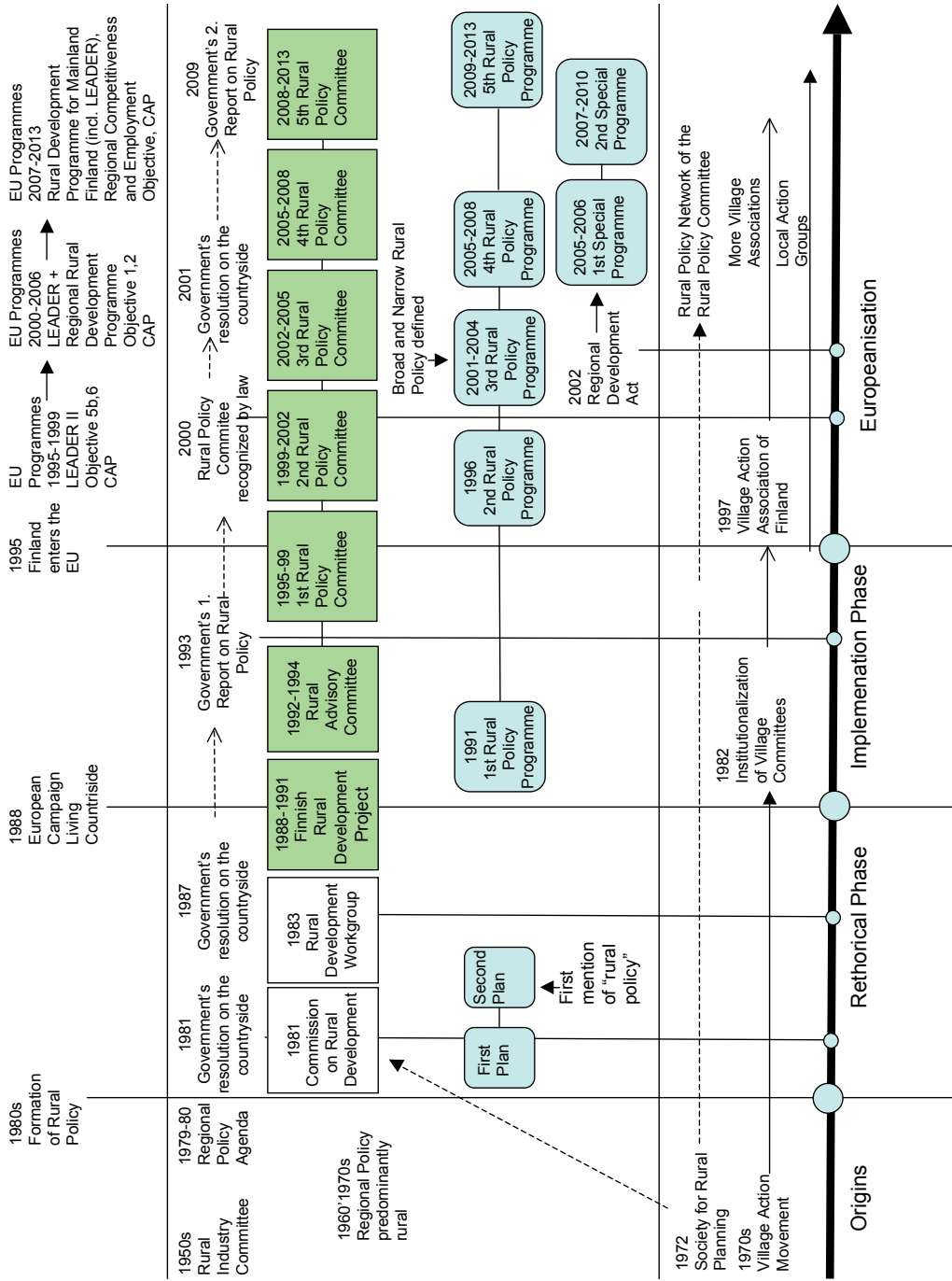
1.2 Finland is a sparsely populated country with small population centres

Within the EU, the system of planning and controls on land use is a national matter that is the responsibility of the Member States. However, the programme-based regional development of the EU has had an impact on the Member States' practices of regional and spatial planning. It is difficult to get an idea of the Finnish countryside from the perspective of European regional and spatial planning as the regional structure in Finland is substantially different from that of most other European countries. Compared to Finland, many European countries are small in size, densely populated and have large cities, while Finland is mainly made up of sparsely populated countryside with small population centres and towns. From a European perspective, social activities in Finland are dispersed, centres are small and far apart and do not form a clear hierarchy. Unlike in Europe, the network of population centres does not extend to all parts of Finland, and the sphere of influence of population centres does not cover all areas. Despite its dispersed regional structure, Finland has succeeded, which shows that the interpretation that competitiveness can only be created through population centres is too narrow.

The Government decision on the national regional development targets for 2007–2011 states that the development of regional vitality requires, in addition to strong urban areas, small population centres and rural areas. The principle is to develop a viable, polycentric, network-based regional structure that covers the whole country and comprises urban areas and the surrounding rural areas. The Finnish strategy for regional development must be based on network-based interaction of rural areas and urban areas of different sizes. The decision on the

regional policy targets requires that better tools and procedures are created for dealing with the problems of sparsely populated remote rural areas and for developing them. According to the decision on the regional policy targets, balanced rural development requires that attention be paid to the conditions for development in sparsely populated rural areas and rural heartland areas so that the development of these areas does not lag behind the development of the whole country. (Ministry of Employment and the Economy 2008).

ANNEX 2. Development of Finnish rural policy



Source: Rural Policy Committee 6/2008: 11 (original source OECD 2008: 93).

ANNEX 3. Rural policy from an international perspective

3.1 OECD review of Finnish rural policy

In 2006–2008, the OECD undertook a review of Finnish rural policy. According to the OECD (2008: 141), Finland has built a unique model of rural policy over the last decades. The recognition by law of the Rural Policy Committee in 2000 was a significant step forward (OECD 2008: 114).

The Finnish rural policy is a good combination of the extremes often found in OECD countries, i.e. a “grand plan” (combining all policies as a comprehensive strategy) and a “niche policy” (with a very narrow scope of application and a limited budget). The division of rural policy into a broad rural policy and narrow rural policy makes the policy in Finland clearer than in many other countries. The broad and the narrow dimensions have resulted in a good balance between objectives that complement one another: the objectives of equity and the availability of public services and the correct targeting of sectoral policies are achieved through the broad rural policy, whereas the objectives of improved competitiveness and the meeting of special needs of rural areas are achieved through the narrow policy (OECD 2008: 110; 140.)

The broad rural policy has succeeded quite well in reconciling sectoral policies targeted at rural areas by the Rural Policy Programme. It has provided the political framework and a long-term vision for rural policy. In developing narrow rural policy, Finland has managed to effectively and coherently reconcile its own approach to rural policy with the EU's approaches while making a clear distinction between these two and giving the Finnish approach a high profile and an active role. Other EU Member States consider Finland a good model especially in following and mainstreaming the LEADER approach so that it covers all rural areas. The LEADER programme has raised the Local Action Groups as new local actors

that have gradually developed their division of tasks with regional and local authorities. However, the regional dimension of rural policy can still be strengthened.

Evidence across OECD countries suggests that a body in charge of rural affairs should be able to act above and not inside the sectoral structure of the Government. It should be able to contribute to the coordination of sectoral ministries, ensure the reconciliation of urban and rural policies and handle the connections between urban and rural areas. It should also be able to have its own financial capacity, develop support for rural communities into an approach encompassing the “entire government”, create a climate of support for important rural concerns, and make a clear distinction between rural and agricultural issues, and to re-engage the two in a positive, mutually supportive relationship. An example of such high-quality direct supervision of rural areas is the Commission for Rural Communities, CRC, established in England. (OECD 2008: 116.)

3.2 Rural policy in different countries

The objectives and funding activities of the Structural Funds of the European Union and the European Agricultural Fund for Rural Development, as well as the numerous OECD rural policy reviews show that rural policy is still being developed. Finland is one of the countries that have got the furthest. In many countries, the most central issue of rural development is the eradication of poverty in rural areas and the population. In these countries, the shift to a modern cross-sectoral rural policy is particularly challenging and time-consuming.

Connected to regional policy, rural development work within the European Union focuses mainly on business investments and improving education. The intensity of the activities varies a great deal between countries. As European competitiveness, innovation and the necessity of logistics have become key priorities, regional policy has become focused on population centres. Regional policy sees the countryside as a special area, and solutions to its problems are often only sought after they have become urgent.

In a nutshell, rural development linked to the EU's agricultural policy comprises the targeting of fairly large subsidies to rural areas and increasingly specific environmental measures. As agricultural policy has begun to emphasise the competitiveness of the business and the profitability of farms, a broader view of the countryside has become less prominent. Agricultural policy sees the countryside from the narrow perspective of the agricultural business.

The role of the European Union as the developer of regional and rural policy is controversial. On the one hand, the EU has given its Member States tools and resources to develop rural areas, but, on the other hand, its measures that are of themselves insufficient have eliminated Member States' national measures. This has happened, for example, in *Sweden* and in *Finland*. The rural policy of the European Union comprises activities in line with the old paradigm, which slows down the strengthening of the new broader paradigm. This has been the experience of at least *Finland* and *Scotland*.

The above-mentioned processes have led to the development of national rural policy in more and more countries. For example, a new law on the sustainable development of rural areas entered into force in *Spain* in 2008, which resulted in the establishment of new institutions for governance of rural policy: a ministry responsible for environmental, rural and marine affairs, an inter-ministerial commission for rural development, a rural development council and a cooperation body for rural development organisations. The law will also result in the creation of a broad, long-term inter-ministerial rural programme with its own financial resources. In *Sweden*, the government adopted a rural development strategy under the new broad rural policy in March 2009.

England has an independent *Commission for Rural Communities* (CRC), which was established by an Act of Parliament in 2006. Its key roles are to act as a rural advocate (representing rural needs to the relevant persons), expert adviser (providing the relevant persons with information and advice about issues connected with rural needs or ways of meeting them) and as an independent supervisory body (monitoring

the development, adoption and implementation of policies through rural proofing or some other way and the success of policies in meeting rural needs, and reporting on them). A central task for the CRC in delivering these responsibilities is to provide independent advice to the Government and others to make sure that policies reflect the real needs of people living and working in rural England. However, there also continue to be countries that have not considered actual rural policy to be necessary, such as the densely populated and small *Denmark* and the *Netherlands*.

A more profound debate on rural policy has begun in many countries. It has two types of features: one aim is to get a grasp of the rural impacts of decision-making and, on the other hand, to build a rural policy system to eliminate adverse impacts and to achieve positive ones. In advanced rural policy, rural proofing is part of the operation of the system. Rural proofing has been developed especially in *England*, *Northern Ireland* and *Canada*. *Finland* is in the process of adopting it, and many other countries also have a strong interest towards this approach.

A rural policy system requires continuity and must be broad in perspective. This cannot be achieved only through the programmes and projects of the EU. Many countries have put in place some necessary system elements: political decision-makers set out outlines on rural policy from time to time and organisations with clear rural policy responsibilities have been established in regional and central government. A clear difficulty that has been detected everywhere is the organisation of cross-sectoral activities, which are, however, a central element of rural policy.

In many countries, the slow development of rural policy may be given momentum by the increasing debate on the necessity of an integrating rural policy. Civic actors have become organised in a way that is relevant to rural policy at the local, regional, national and European level. Both evidence and experience show that the LEADER instrument of the European Union can be developed into a significant and genuine instrument of rural policy. Interest in this approach is no longer limited to Europe.

The Government submitted the Report on Rural Policy to Parliament on 20 May 2009. The report sets out national rural policy and acts as a guide for the comprehensive consideration of rural areas in various policies. The aim of the report is to improve the quality of life and develop business activities and the rural policy system. Improving the quality of life will be pursued by developing the conditions for living in rural areas, the availability of services and rural accessibility. Developing businesses will be pursued by diversifying and strengthening rural businesses, entrepreneurship and business services, by capitalising on and enhancing human capital and by creating innovation systems suitable to rural areas. Labour policy will feature in the efforts to respond to the labour shortage and special rural needs. The production of renewable energy, diverse use of forests, multi-sector farms and tourism are being seen to an increasing extent as a source of employment and livelihood.

Developing the rural policy system at all operational levels through a governance and networking approach is considered to be key. Particular efforts will be made to strengthen local development tools and the conditions for and role of civic activities within society, as well as to develop programme-based work. To develop broad rural policy, ministries are recommended to introduce the rural proofing method in situations when a decision or policy has a regional impact.