

Continuity or Transformation? Perspectives on Rural Development
in the Nordic Countries

Continuity or Transformation? Perspectives on Rural Development in the Nordic Countries

Proceedings of a 2 day Workshop hosted by Nordregio,
Stockholm, October 10th and 11th 2006

Edited by Andrew K Copus

Nordregio Report 2007:4
ISSN 1403-2503
ISBN 978-91-89332-65-2

© Nordregio 2007

Nordregio
P.O. Box 1658
SE-111 86 Stockholm, Sweden
nordregio@nordregio.se
www.nordregio.se
www.norden.org

Nordic co-operation

takes place among the countries of Denmark, Finland, Iceland, Norway and Sweden, as well as the autonomous territories of the Faroe Islands, Greenland and Åland.

The Nordic Council

is a forum for co-operation between the Nordic parliaments and governments. The Council consists of 87 parliamentarians from the Nordic countries. The Nordic Council takes policy initiatives and monitors Nordic co-operation. Founded in 1952.

The Nordic Council of Ministers

is a forum of co-operation between the Nordic governments. The Nordic Council of Ministers implements Nordic co-operation. The prime ministers have the overall responsibility. Its activities are co-ordinated by the Nordic ministers for co-operation, the Nordic Committee for co-operation and portfolio ministers. Founded in 1971.

Stockholm, 2007

Contents

1. Introduction	7
2. John M Bryden Changes in Rural Policy and Governance: The Broader Context	23
3. Hanne Tanvig Rural Development and Rural Policy in Denmark – A General Overview	32
4. Niels Jorgen Mau Pedersen Changes in local governance and Rural Policy in Denmark	44
5. Hilkka Vihinen Overview of Rural Development Policies in Finland	60
6. Hannu Katajamäki The Framework for Rural Policy in Finland	78
7. Erika Knoblock and Riikka Ikonen An Overview of Rural Development in Sweden	90
8. Frida Andersson, Richard Ek, Irene Molina Regional Enlargement and Rural Multi-Level Governance in Sweden	111
9. Sjur Spildo Prestegard and Agnar Hegrenes Agriculture and Rural Development Policy in Norway	123
10. Odd Jarl Borch The Governance of Rural Development Policy in Norway	136
11. Hjalti Jóhannesson An Overview of Rural Development in Iceland	149

1. Introduction

1.1 Context: Rural Norden – the policy constituency

The papers in this volume, and the workshop at which they were presented, attempt to summarise the range of policy interventions which benefit rural residents and firms in the Nordic countries. It therefore seems appropriate, before introducing the workshop, and the papers, in more detail, to consider the nature and scale of the ‘constituency’ for rural policy in the Nordic countries. What is the area which may be described as ‘rural’, how many people live there? These seem very basic questions. The answers for the individual Nordic countries can be found in the papers which follow, here we will attempt an answer for Norden as a whole.

Definitions of rurality are notoriously variable between countries, reflecting different national experiences, environments, and administrative structures (Bengs and Schmidt-Thomé 2003, OECD 2005). The papers which follow provide good examples of relatively sophisticated national definitions, which would, however, probably not transfer well, even within the Nordic area. In a European context there have been various attempts at regional typologies of rurality, but only one, that developed by the OECD, has been widely adopted as a basis for socio-economic analysis and in the context of rural development policy.

The OECD scheme distinguishes 2 hierarchical levels of geographic detail, namely local community (LAU 1/2) level and regional (NUTS 3) level. Local communities are classified as rural or urban, according to their population density (< > 150 inhabitants per sq km). Regions (either NUTS 3 or NUTS 2) are then classified according to the proportion of population living in rural or urban communities (Table 1).

Table 1: OECD NUTS 3 Regional Classification Criteria

Region Type	Criteria
Predominately Urban (PU)	<15% population in rural communities
Significantly Rural (SR)	15-49% population in rural communities
Predominately Rural (PR)	>50% population in rural communities

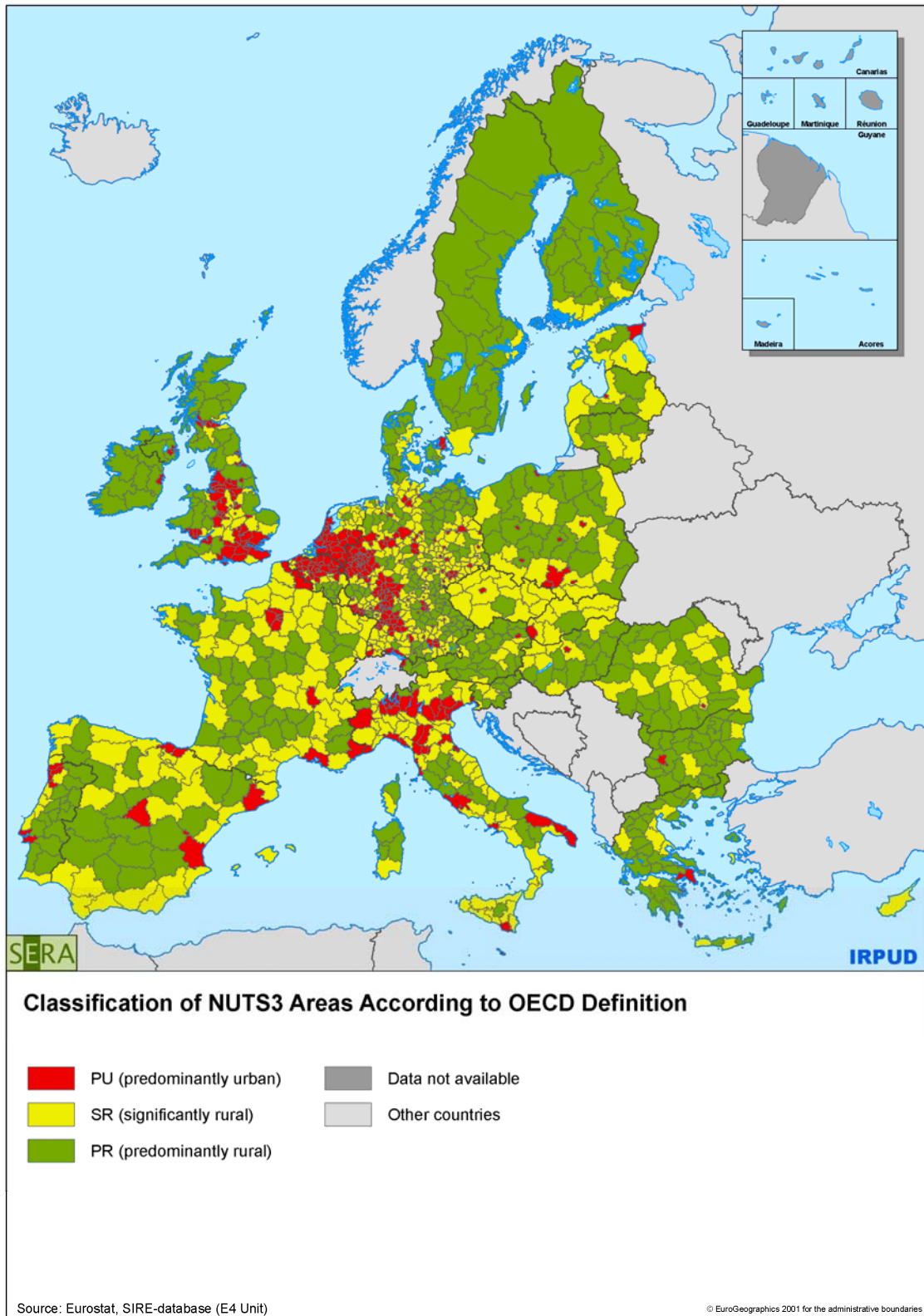


Figure 1: The OECD Typology of NUTS 3 Regions
(Source: Copus *et al* 2006)

Unfortunately this classification is not very appropriate to the Nordic context. The size and configuration of NUTS 3 regions and the relatively low population density means that there are no Predominantly Urban (PU) regions in either Sweden or Finland. Stockholm and Helsinki are

classified as Significantly Rural (SR). Of the four PU regions within the Nordic area, three comprise Copenhagen and its environs, whilst the fourth is Oslo. According to the OECD definition almost 90% of the population of the four largest Nordic countries live in rural NUTS 3 regions (Figure 2). These ‘rural’ regions account for almost 95% of the area of the four countries.

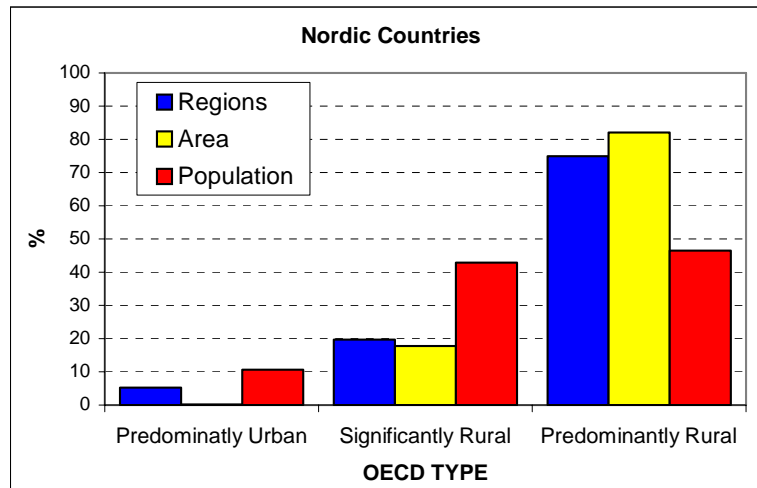


Figure 2: Share of regions, area and population in each OECD U-R category in the Nordic countries (excluding Iceland)

The national definitions of rurality, described in the papers which follow indicate that the OECD typology tends to overestimate the size of the rural policy ‘constituency’ in the Nordic Countries. Developing a more appropriate Nordic definition is a substantial task, and well beyond the scope of this introduction. However it is perhaps helpful to present maps and a few basic statistics to describe some of the potential elements of such a definition.

Figure 3 shows that the OECD rural-urban criterion at a municipality level (150 persons per square kilometre) picks out the larger cities relatively well. The total population of the Nordic municipalities with a density of less than 150 persons per square kilometre is 14.5 million (Table 2). This represents 59% of the Nordic total population.

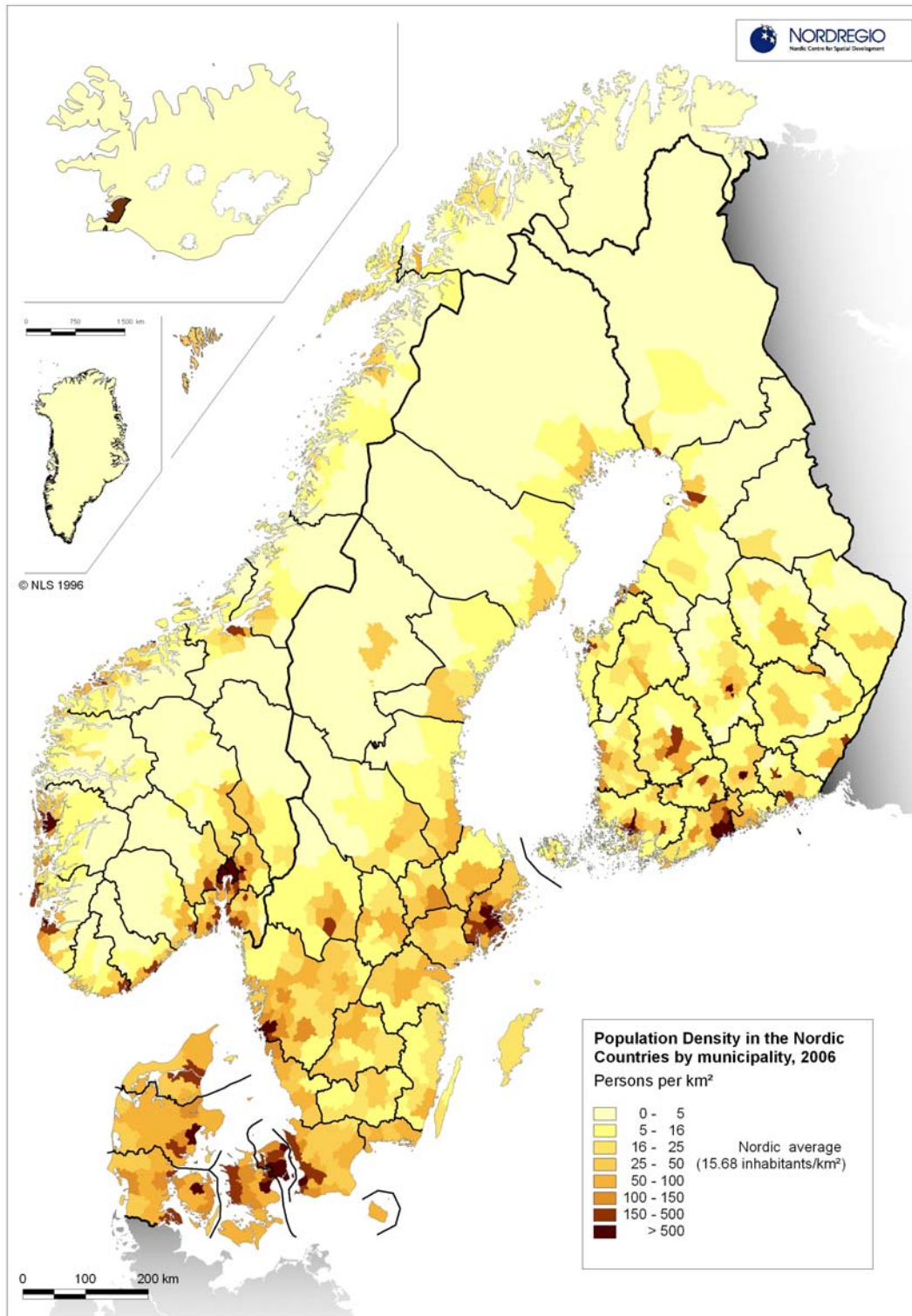


Figure 3: Population Density in the Nordic Countries, 2006, by Municipality

However a careful comparison of Figure 3 and Figure 4 reveals that smaller regional centres (especially in Southern Sweden and Denmark) often do not ‘show up’ in the density map because they do not push the density of the municipality above that of adjacent areas.

It is therefore reasonable to argue that the absence of a substantial urban settlement should perhaps be added as a second rurality criteria. Table 2 shows the result of adding a such a criteria with a settlement size threshold of 25,000 (an admittedly subjective choice, but arguably a reasonable one to illustrate the principle). The additional criteria results in a the total population of ‘rural’ municipalities falling to 6.6m, or 27% of the total for the Nordic countries. However this is clearly still a very substantial ‘constituency’ for rural policy.

According to this definition there are striking contrasts between the Nordic countries, both Finland and Norway having more than 40% of their population in ‘rural’ municipalities, but Sweden just 24 and Denmark only 3.5. Figure 5 shows the distribution of these ‘rural’ municipalities.

Table 2: A simple typology of Nordic Municipalities

	Low Density		Rural		Mixed	
	Population Density Less than 150 per Km ²		Population Density Less than 150 per Km ² and having no town >25,000		Population Density Less than 150 per Km ² but having a town >25,000	
	Total Population (m)	% of Total Population	Total Population (m)	% of Total Population	Total Population (m)	% of Total Population
Denmark	2.72	50.20	0.19	3.50	2.53	46.70
Finland	3.03	57.70	2.14	40.70	0.89	17.00
Iceland	0.11	35.90	0.11	35.90	0.00	0.00
Norway	2.51	54.20	2.05	44.10	0.46	10.10
Sweden	6.14	67.90	2.17	24.00	3.97	43.90
Nordic Total	14.52	58.90	6.66	27.00	7.86	31.90

Between the ‘rural’ municipalities (thus defined) and the ‘urban’ ones (with population densities of more than 150 persons per square kilometre) are a large number of ‘mixed’ municipalities, whose overall population density does not reach 150 persons per square kilometre, but which contain a town of more than 25,000. These account for almost 32% of the total Nordic population. In Denmark and Sweden the proportion is more than 40%. A proportion of the population of these ‘mixed’ municipalities should also be considered as part of the rural policy constituency.

In very broad terms we may therefore conclude that the ‘constituency’ for rural policy in the Nordic countries is somewhere between 7 and 15 million people (between 27% and 59% of the total Nordic population). Clearly this is a very crude assertion, based upon place of residence, without taking account of issues such as commuting between rural areas and regional centres. However it provides very rough indication of the importance of rural policy in the Nordic countries.

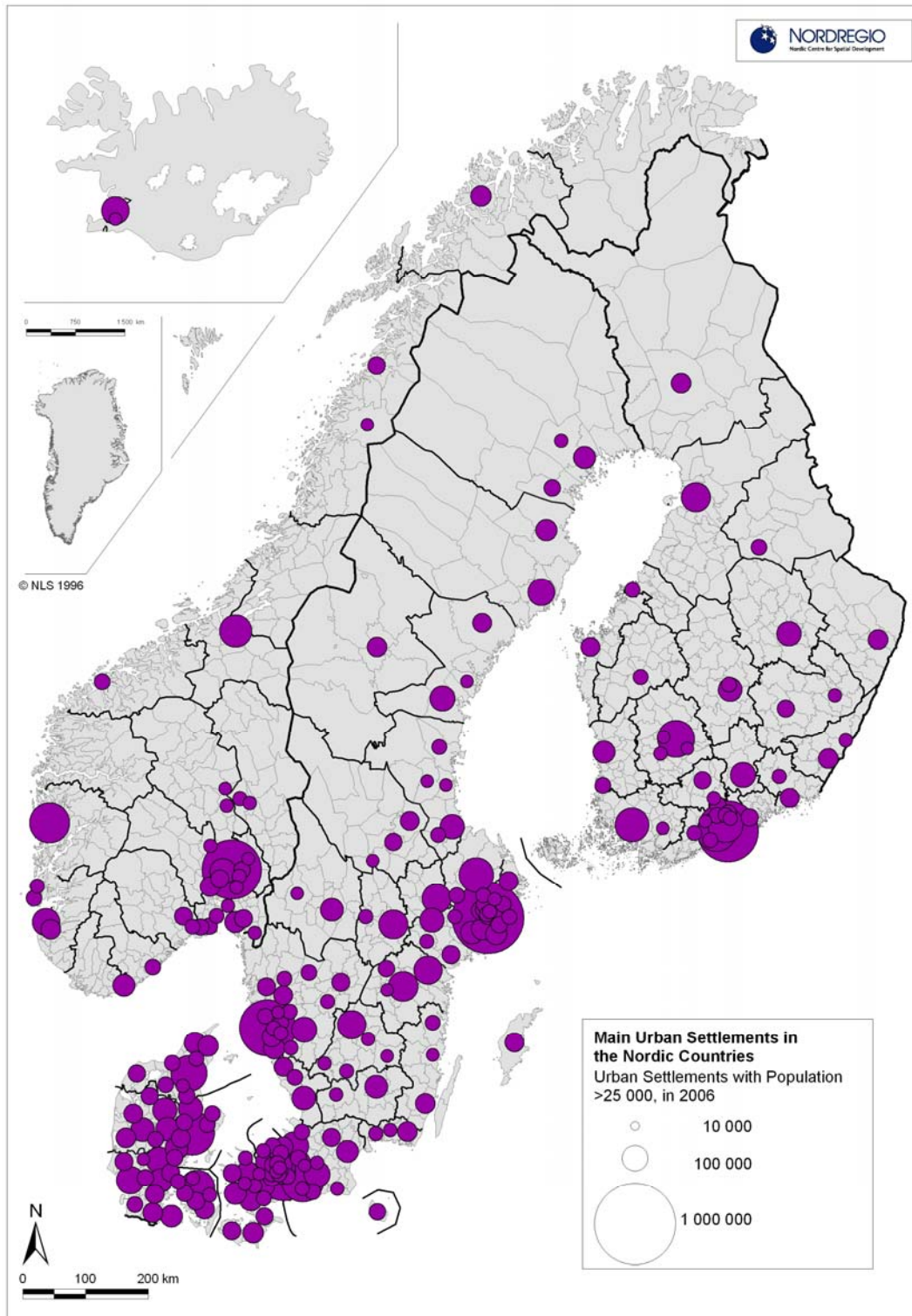


Figure 4: Urban Settlements with Population >25,000 in the Nordic Countries



Figure 5: Municipalities with a population density <math><150</math> per square km. AND no settlement >25,000 in 2006

A supplementary question about the rural policy constituency concerns its relationship to the distribution of agriculture.

The PELCOM land cover database provides insights into the distribution of agricultural land use in the Nordic countries (Figure 6). It is very clear that rurality and agriculture have a more complex relationship than is often assumed. The municipalities in which agriculture is a more important land use are often relatively densely populated, or, in terms of the above typology of municipalities 'mixed'. The most extreme examples are found in Denmark, where many municipalities contain both major settlements and high shares of agricultural land. A similar relationship is evident in Southern Sweden. At the other extreme, most of the sparsely populated municipalities in N Sweden, Norway and Finland have relatively little agricultural land use, forest and 'wilderness' being dominant¹.

The above rather simple analysis, (which might reward further elaboration) serves to underline two important points which help to illustrate the importance of the subject discussed at the 'Continuity or Transformation' workshop:

- A substantial proportion of the Nordic population lives in rural areas, and rural policy (in its broadest sense) is still an extremely important issue at the beginning of the twenty-first century.
- There is not a strong connection between rurality and dependence upon agriculture in the Nordic countries, and the assumption that the needs of the Nordic rural population can be best served by interventions which have developed out of agricultural policy seems to rest upon a misunderstanding.

¹ Of course land use is not necessarily a guide to the role of agriculture within the rural economy. However, without entering an inappropriate extended discussion of statistics, it is fair to say that a map of the importance of agricultural employment would show a broadly similar regional pattern to Figure 6.

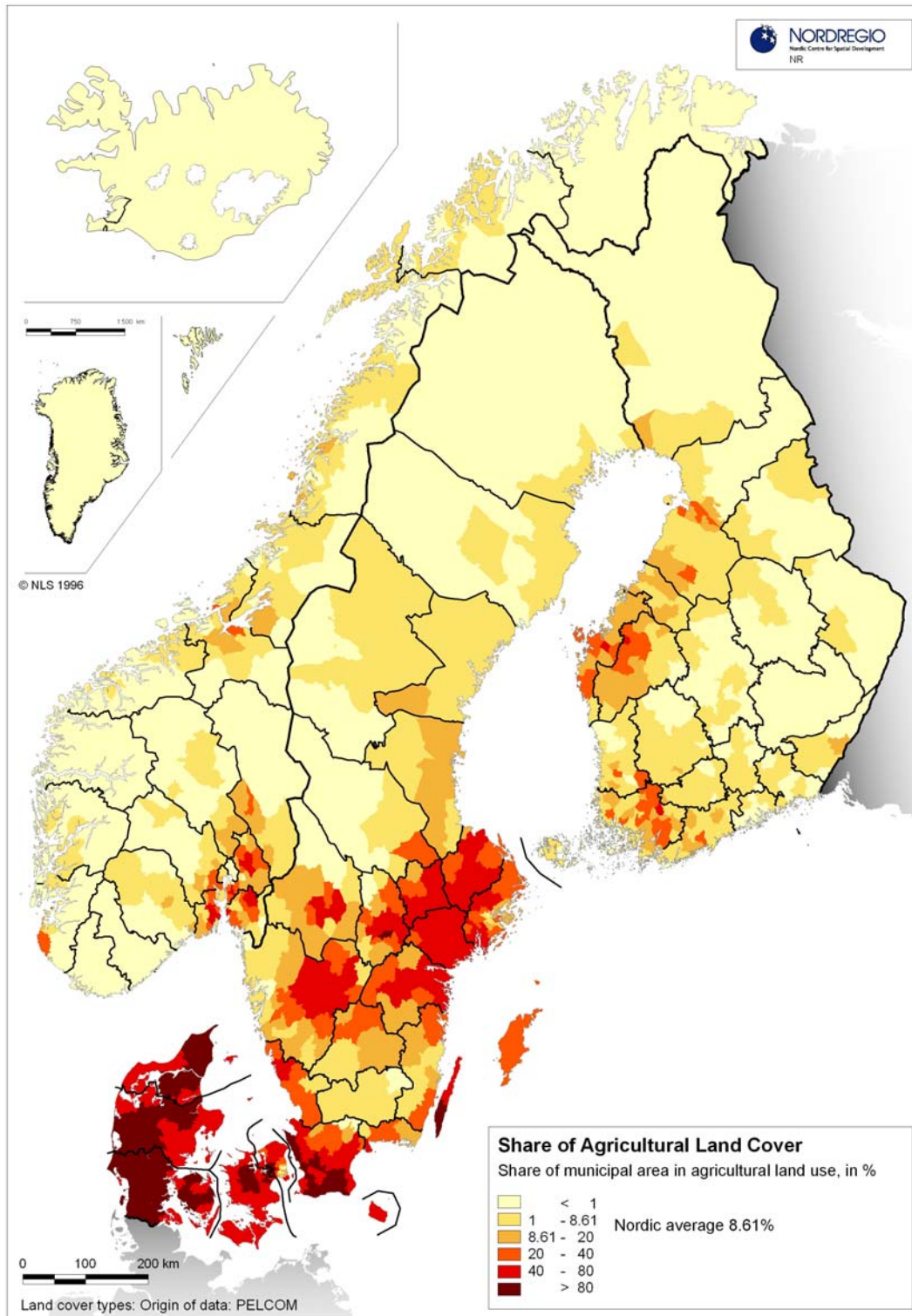


Figure 6: Share of Agricultural Land Cover in the Nordic Countries, by Municipality

1.2 The Nordregio workshop

Background and Objectives

The workshop on Nordic Rural development, and these proceedings, are the result of an initiative by Nordregio's director, Ole Damsgard, during January 2006. This was based upon an awareness of the need for a comprehensive overview of this very important policy area, and a consciousness that the next months were likely to see important changes, which would spark renewed debate. These changes would be driven by two largely independent policy processes:

- The implementation of the new European Rural Development Regulation (1698/2005) in Denmark, Finland and Sweden. Although in the first instance this relates specifically to policy measures which form the 'second pillar' of the Common Agricultural Policy, it also has profound and far reaching indirect impacts upon a wide range of interventions to support the economy and communities in the rural parts of the Nordic EU member states.
- The longstanding debate about regional governance, which has proceeded with different timetables in each of the Nordic member states, but has raised very similar issues in each of them. Denmark, for instance is now assessing the implications of the 'big bang' municipal/regional restructuring decision which was implemented on January 1st 2007, whilst the Swedish *Ansvarskommittén* published its proposal for changes in the following month. Discussions continue in Finland and Norway, whilst in Iceland municipal mergers have been quietly taking place for several decades.

During the weeks which followed the decision to hold a workshop, a Steering Group was formed, including one member from each Nordic country. This group met during April 2006 to plan the workshop and the proceeding in greater detail. The following overall objectives were agreed:

- To raise awareness of the scope and content of EU (Pillar 2) and member state policy measures specifically addressing rural development issues in the Nordic countries.
- Through a comparative approach to identify common themes and principles, and Nordic best practice.
- To provide a forum for discussion and assessment of proposals for post 2006 rural policy.
- To build, or strengthen existing Nordic networks of researchers active in the field of rural policy analysis, and to facilitate communication with policy makers and practitioners.

Three of these objectives have already been addressed by the workshop, or will be achieved through the publication of the papers included in this volume. The second objective (identifying common Nordic themes) is the concern of this introductory section, and of the concluding 'key-note' paper by Professor John Bryden.

Guidelines for contributions

Two speakers were invited from each Nordic country (except Iceland, where just one was invited). One speaker was asked to provide an overview of rural development policy in their country, the other to summarise the debate on regional governance, and the likely implications for rural development.

In this context *rural development policy* was defined by a 'rule of thumb' relating to what each member state customarily 'calls' rural development policy. This could be both by explicitly using the term, or implied through targeting (either territorial – by limiting a policy measure to 'rural' areas, or sectoral – by association with 'rural' activities, such as agriculture, forestry, or rural tourism). Although this approach resulted in slight differences of perspective between the five overview

papers, it also avoided definitional difficulties and allowed the papers to highlight differences between the Nordic countries in terms of national 'concepts' of rural development policy.

The authors of the overview papers were asked to consider the following elements in their papers:

- The key rural development issues which are evident in the country concerned.
- A description of national rural development policy.
- A description of the implementation of Pillar 2 (2000-2006) and an outline of the proposed (Pillar 2) programme for 2007-13.
- An assessment of the achievements of the interventions in relation to the key rural development issues, highlighting examples of best practice.
- A discussion of future challenges and likely scenarios for the development of rural development policy in the country.

The authors of the papers on the governance debate were asked to consider the following four elements:

- The way in which rural development policy is formulated, administered and delivered in your country.
- The distribution of strategic decision making power, and responsibility for day to day delivery.
- Recent or proposed changes in the organisation of local and regional administration in your country.
- The way in which this reorganisation has/may in future, change the mode of delivery, and perhaps the character or style of rural development policy.

1.3 Common themes, 'Nordic Distinctives' and Best Practice

A number of common themes relating to rural development policy at a European level are picked up and discussed by John Bryden in his keynote paper, and it is not the intention to duplicate that discussion here. This section is simply intended to answer the simple question; 'What is distinctive about rural development policy in the Nordic countries?'

The importance of local democracy

The relative strength of local democracy across the Nordic area has important implications for the style of rural development policy. This is because the breadth of responsibility and activity of the municipalities, including aspects of land-use planning, economic development, housing policy, and so on, seems to have acted (with the notable exception of Finland) as a brake to the development of a more integrated approach to specifically rural issues at a national level. At the same time, however, the tradition of local democracy has probably strengthened the application of LEADER-like approaches, especially in Finland, but also in Sweden, in both of which the EU funded programme has been supplemented by parallel national schemes.

The legacy of Nordic Welfare State, regional policy, and redistribution of tax revenues

Although the past decade has seen a weakening of the role of both the welfare state and regional policy within Nordic rural areas, they continued to have a substantial legacy effect. Thus the authors of the Swedish Environment and Rural Development Programme 2000-06 note the relative absence of rural-urban disparities in incomes or standards of living, whilst Tanvig points to the reduced

welfare state as a significant challenge for rural development policy. Similarly the shift in regional policy emphasis from equalisation of income to supporting innovation and growth (mainly in urban centres) will have implications for many Nordic rural areas.

The transfer of tax resources between Swedish municipalities described by Ikkonen and Knoblock would seem to be a rather powerful (indirect) form of rural development policy.

Both these observations suggest that at least in some of the Nordic countries rural economic disadvantages have, in the past been addressed largely by national regional or local policies, rather than by explicitly rural ones.

Broad and narrow rural (regional) policy

Vihinen defines broad and narrow rural policy as follows:

‘Broad rural policy refers to the efforts to influence all actions that impact rural areas implemented within and by the different administrative sectors as part of the development of the society. Narrow rural policy consists of the measures targeted specifically at the rural areas.’

Although this distinction is more or less evident in all the overview papers, subtle differences emerge. Thus in Sweden, Ikkonen and Knoblock show that although it is very clear that a wide range of policies and administrations impact upon rural development, and some institutions (such as the Swedish National Rural Development Agency) are inclined to take a broad view, there is no specific attempt to coordinate or ‘rural proof’ policies. In Finland, on the other hand, Vihinen describes how the Rural Policy Committee follow a very explicit ‘broad’ approach to rural development, through which a wide range of policies are assessed and ‘fine tuned’ to ensure that they work together to the benefit of rural areas.

Similarly in Denmark Pedersen describes rural policy as ‘a comprehensive policy, in that it includes elements of industrial and agricultural policies, landscape planning, settlement policy and public services.’ This idea is embodied in the interdepartmental rural committee set up in 1997, and its annual rural ‘statements’. Nevertheless, as Tanvig shows through her description of the recent debate over the new EU programme, coordination/collaboration between the different agencies and ministries involved in rural policy in Denmark, is not always perfect.

In Norway Prestegard and Hegrenes, and Borch both apply the terms ‘broad’ and ‘narrow’ to regional policy. The latter refers to the activities of the Ministry of Local Government and Regional Development, whilst ‘broad’ regional policy is carried out by a range of other national and regional administrations, and includes the use of agricultural policy to support remote and sparsely populated regions which would otherwise tend to become depopulated. This leads us to remark on the distinctive relationships between agricultural, rural and regional policies in the Nordic countries.

Relationships between agricultural, rural and regional policy

The relationships between these three strands of policy is different in the Nordic Countries to that of other parts of Europe simply because in many regions, especially in the North, agricultural land is far from co-terminus with rural land. Agriculture is often a minority and relatively unproductive activity in the more fragile, peripheral and sparsely populated areas. The potential for different responses to this are well illustrated by contrasting the agricultural and rural policies of Sweden and Norway.

In Sweden a strongly sectoral rural development tradition (defended by powerful farmers representative organisations), combined with the fact that the regions where the rural economy is weakest are also those where farming is relatively unimportant, (and vice versa), has meant that support for the broader rural economy comes mainly from outside the Agriculture Ministry. It is delivered, for example, through regional policy, the Welfare State, or (with the help of the ‘Robin Hood tax’) through relatively proactive local government. What is termed ‘rural development policy’,

and sponsored by the Agriculture Ministry, is dominated by decoupled agri-environment measures to support landscape and wildlife public goods.

In Norway the relatively greater degree of freedom in the implementation of agricultural policy has allowed it to become part of a 'broad regional policy', with differential regional support explicitly designed to bolster the viability of remote and sparsely populated areas, and prevent their depopulation. Ironically, however, 'narrow' regional policy has moved away from a compensation/equalisation approach to one focused on support for innovation and entrepreneurship as motors for growth, which is not necessarily as beneficial for remote and fragile rural areas.

Regional enlargement, versus peripheral depletion

'Regional enlargement' is a term frequently used in the governance papers, especially Ek. It refers to the process of expansion and coalescence of commuting zones, and to the response in terms of rationalisation of administrative areas and responsibilities. It is particularly evident in the Swedish and Finnish papers. In Denmark the process has perhaps proceeded farther, and is now 'old news', whilst in Norway very large peripheral areas remain relatively unaffected. Even in Iceland there is evidence that the influence of Reykyavik is extending outwards (Johannesson).

Ek points out that regional enlargement has driven the debate in Sweden about the reform of regional and local administrative structures. He suggests that it can bring both positive opportunities (in terms of employment, or social interaction) to places which were hitherto isolated and limited, and negative impacts upon the lifestyles of individuals. He explains that regional enlargement is intertwined with the process of exploring the concept of 'multi-level governance', which is largely a consequence of accession to the EU. The spatial configuration of labour markets in different parts of Sweden (whether dominated by a substantial city (as in the South), or more 'balanced', (as in the North) will affect the status and relative influence of those elements of governance particularly responsible for rural development. Indeed he questions whether 'rural' and 'urban' may any longer be viewed as discrete entities, since the linkages and traffic between them (both physical/material, and in terms of information) are now so dense.

At the other extreme (both in a geographical sense, and in terms of economic and social trends) there is evidence from all the Nordic countries of decline and 'depletion' of population and economic activity in the more remote rural areas. Even in Denmark Pedersen notes the negative trends in 'outlying rural districts'. In the north of Sweden, Finland and Norway the situation is far more extreme. However, what is striking about the accounts of current rural development policy in the papers presented at the workshop is the relatively low priority apparently given to addressing the issue of 'depletion'. Those measures which exist, - such as the special subsidies for farmers in northern Sweden (Knobblock and Ikonen), or the regional differentiation of agricultural subsidies in Norway (Prestegard and Hegrenes), - are generally residuals from a former policy era. The increasing popularity of the rural policy ethos which prefers supporting growth potential rather than focussing assistance on the most fragile areas is part of the explanation for this. The separation of the new (EU) rural development programmes from Structural Funds is likely to further weaken the degree of geographical targeting of rural development assistance, and the outlook for 'depleting' rural areas is rather uncertain.

Nordic Best Practice in rural policy coordination

Whilst a number of specific examples of good practice in implementation are highlighted by the workshop papers, no 'common threads' are very apparent, and it is perhaps appropriate here to simply draw attention to a very fundamental issue relating to the style and governance of rural policy at a national level.

Given that 'broad' rural policy is delivered by more than one government department or ministry, and perhaps by a variety of executive agencies too, the degree and quality of overall strategic coordination is very important if the benefits are to be maximised. Such coordination begins, of course, with a conscious effort to assess need, state aims and define a strategy to rural policy.

These aspects have recently been addressed by the Swedish 'Landsbygkommittén' (Knoblock and Ikonen). The Committee also had a direct input into the development of the new EU funded Environment and Rural Development Plan for Sweden.

In Denmark (Pedersen) there have been a series of Government Committees, white papers, annual reviews, and plans, which have taken the strategic planning process a step closer to practical implementation.

However the most striking example of national strategic coordination is Finland's 'Rural Policy Committee' (Vihinen), which not only takes responsibility for overall strategy and specific (narrow) rural development measures, but seeks to assess and harmonise all aspects of government policy which have some impact upon rural areas. This is similar to the UK concept of 'rural proofing' of policy. This must surely be one of the most fully developed coordination mechanisms for broad rural policy in Western Europe.

Is there such a thing as 'Nordic Rural Policy'?

The answer is 'yes and no'. It is probably quite evident from the above that although some common characteristics are shared by the five countries, these are, to a degree, overshadowed by the distinctive styles which derive both from fundamental differences in geography (settlement patterns, physical environment, and so on) and from distinctive 'path dependencies' in terms of interrelationships between welfare state models, structures of local governance, and regional, agricultural and rural policy. As such the papers which follow present rich contrasts and variety at least as often as shared experiences.

1.4 The authors

Hanne Tannig is a Senior Consultant at Forest and Landscape Denmark (an independent centre of the University of Copenhagen). Formerly head of the Danish Centre for Rural Development Research (CFUL), and of the Danish LEADER+ programme, Hanne is an expert on endogenous development.

Niels Jorgen Mau Pedersen is an economist by training, with a particular interest and expertise in local government finance. He is Head of Division for Economy of Local Government Economic Matters, Danish Ministry of Interior and Health, where he has been closely involved in the recent municipal reform. He has published widely on local government finance.

Hilkeka Vihinen is a political scientist, and Professor of Rural Policy, at MTT Agrifood Research Finland. She is not only a leader in her academic field in Finland, but has also considerable practical experience in rural policy development and evaluation.

Hannu Katajamäki is professor of regional studies, specialising in rural development issues, at the University of Vaasa.

Erika Knoblock is a researcher at Nordregio. Her main responsibility is for the TOP-MARD project (EU Framework 6) on multifunctional agriculture. Erika is a Human Geographer by training.

Riikka Ikonen was, at the time of the workshop, a researcher at Nordregio. She has since moved to Culminatium Ltd Oy - Helsinki Region Centre of Expertise. Riikka has degrees in Regional Studies and Spatial Planning. At Nordregio she worked on a wide range of projects, including a synthesis of the evaluations of the 2000-06 Rural Development Programmes, for DG Agriculture.

Richard Ek is a Human Geographer, working at the Institute for Service Management at the University of Lund. His research interests include regional governance, the impact of changes in infrastructure and information technology, and place-based marketing.

Sjur Prestegard is an Agricultural Economist, and is Director of the Research Department at the Norwegian Agricultural Economics Research Institute (NILF) in Oslo. He has published widely on agricultural and rural policy, multifunctionality, and the relationship between EU and Norwegian policies.

Agnar Hegrenes is an Agricultural Economist, working at the Norwegian Agricultural Economics Research Institute (NILF) in Oslo. He is an expert of production economics and farm management, and he is also interested in research on effects of agricultural and regional politics on agriculture and rural economies.

Odd Jarl Borch is a professor of entrepreneurship and strategy at the Bodo Graduate School of Business and Nordland Research Institute. He has his PhD from Umeå universitet. He is working within the field of business and community entrepreneurship, industry development and strategy, and regional policy.

Hjalti Johannesson is a Geographer, who studied in Toronto and the University of Iceland, and has since worked as a researcher, as a planner, and as a consultant in Iceland. He is currently Assistant Director of the University of Akureyri Research Institute.

John Bryden (Keynote speaker) is a Political Economist by training, and is head of PolicyWeb, at the UHI Millennium Institute, Inverness, and Professor Emeritus of Aberdeen University. John is a respected international expert on rural development policy, and has published widely in this field. He has acted as a consultant for a variety of international organisations, including the OECD.

Andrew Copus is a Senior Research Fellow at Nordregio. A Human Geographer by training, he has spent much of his career among agricultural economists at the Scottish Agricultural College in Aberdeen. His research interests lie in rural development policy, the regional impact of the CAP, economic development in peripheral areas, rural labour markets, and indicators.

1.5 Acknowledgements

First of all, it is important to emphasise the role of the respondents, who led the discussion after the presentation of each pair of papers. Their reflections set a high standard for the discussion which followed, and their insights have helped the authors to revise and improve their papers since the workshop. The respondents were:

Poul Hoffmann, Direktoratet for FødevareErhverv (Denmark)

Peter Backa, Svensk Byaservice (Finland)

Lennart Lindqvist, Ministry of Agriculture and Food, (Sweden)

Frøydis Vold, Ministry of Agriculture and Food (Norway)

Snorri Bjorn Sigurdsson, Institute for Regional Development (Iceland)

The Steering Group, *Hanne Tanvig*, *Petri Kabila*, *Erika Knobblock*, *Sjur Prestegard*, and *Hjalte Johanesson* played a vital part in the planning of the workshop, and identifying appropriate speakers and respondents.

I would also like to thank *Ole Damsgaard* for making the workshop possible, and for his support and advice, and *Sophie Didriksson*, the Nordregio Administrator, for looking after all the practical arrangements. *Johanna Roto* has provided valuable assistance with the maps in Chapter 1.

References

Bengs C and Schmidt-Thomé K (2003) *Urban-rural relations in Europe* (ESPON project 1.1.2). Second Interim report,

http://www.espon.eu/mmp/online/website/content/projects/259/649/file_1186/2.ir_1.1.2.pdf
accessed 8/23/07

Copus, A, Hall, C, Barnes, A, Dalton, G, Cook, P, Weingarten, P, Baum, S, Stange, H, Lindner, C, Hill, A, Eiden, G, McQuaid, R, Grieg, M, Johansson, M, 2006, *Study on Employment in Rural Areas*, (SERA) Final Deliverable prepared for the European Commission, DG AGRI, Brussels http://ec.europa.eu/agriculture/publi/reports/ruralemployment/sera_report.pdf

OECD (2005). Task Force on Statistics for Rural Development and Agricultural Household Income: Chapter 4 and Annex 3 of the *Handbook on rural household, livelihood and well-being*: Statistics on rural development and agriculture household income, Working Paper No. 4, <http://www.unece.org/stats/documents/ces/ac.61/2005/wp.4.e.pdf>, accessed 02.05.2007.

2. Changes in Rural Policy and Governance: The Broader Context

John M Bryden

UHI Policy Web
Great Glen House
Leachkin Road
Inverness IV3 8NW
UK
John.Bryden@inverness.uhi.ac.uk

2.1 Introduction – a short historical perspective

The key general policy issue in remote and rural regions that lie beyond the ‘commuting belt’ of our larger metropolises (100,000+) can be summarised as *the struggle between the old and the new rural policy paradigm and the very different governance models associated with each.*

The *old* rural policy paradigm is the sectoral approach, where rural development is seen as almost entirely an agricultural and land management issue, and the clients are almost entirely farmers. In this paradigm, there was no real attempt to deal formally with ‘broad’ rural policy issues, mainly because these were subsumed within an extensive welfare state system built on Marshall’s ideas of civil, social and political rights of citizens in any democratic nation (Pateman 1996, Tanvig above). In the ideology that followed Marshall, people had rights to live where they chose because they paid the same taxes wherever they lived, participated in war or defence wherever they lived, and took part in political, civil, economic and social life wherever they lived, and thereby contributing to the general welfare – and indeed security and integrity – of the nation. In return they were given more or less equal rights as citizens to education, health care, government functions, participation in political life, electricity, telephones, public transport and so on. As several of the papers to this workshop demonstrate, this strongly egalitarian framework, *especially strong in Scandinavia* (Selle 1991), was supported by fiscal equalisation schemes that ensured that services could be delivered to remote and scattered populations. Usually, and especially in more remote and sparsely populated regions and regions suffering from industrial decline, there were also regional policy efforts which focused mainly on investment in infrastructure and sometimes on propping up ailing industries like mining, ship building and steel manufacture. In the UK case, the first ‘rural’ regional development agency was the Highlands and Islands Development Board, established in 1965 by Act of Parliament (now Highlands and Islands Enterprise). Uniquely, this agency had powers of intervention in all economic sectors as well as a social remit. However, as one of the papers at this workshop points out, most ‘regional policy’ became extremely ‘sectoral’ in approach as well.

We can date the beginning of the erosion of the ‘social contract’ or the effort to define social rights out of the concept of citizenship as enshrined in concepts of *Folkhemmet* (Brox 2006)² fairly precisely to the Regan-Thatcher period beginning in the 1980’s and influencing all political parties since then, most especially since the fall of the Berlin Wall in 1989. I would also contend that the

² The later attacks on the ‘welfare state’ and even universal human rights had the same roots.

Lisbon accord has reinforced this tendency by making ‘cohesion’ a narrower issue of economics and competitiveness.

Equally, and more or less at the same period (or slightly earlier) we can see the growing attacks on agricultural policy and related farming practices on the grounds of environmental damage to biodiversity and to water courses and supplies, and because agriculture (and related support) was not ‘delivering’ either social cohesion or the development of rural regions. The RICAP³ report of the early 1980’s, undertaken by Michele de Benedictis, Michel Petit and others, had the same conclusion as the recent ESPON report (Shucksmith *et al* 2005) – the CAP spending had *perverse* impacts in terms of social and economic cohesion in the EU.

In the late 1980’s and early 1990’s we can see signs of a new approach, most notably in the EU through the Structural Funds Reforms in 1988 and the introduction of the LEADER programme in 1990. From a rural perspective, both of these were cross-sectoral, spatially prioritised, used a partnership approach with local and regional actors, and involved all three EU structural Funds. The 1993 Maastricht Treaty, Article 130a *explicitly* stated that Rural Development was a cohesion issue. This was bold, new, and challenged the old paradigm. In more or less the same period we saw the beginnings of the ‘greening of the CAP’ with the introduction of set aside, extensification, agro-environment schemes. With the MacSharry 2002 CAP reforms came the beginnings of ‘decoupling’ of farm support from production.

2.2 The new rural policy paradigm

Only this year, the OECD produced a book which I was lucky enough to take part in called ‘The New Rural Paradigm’ (OECD 2006). The OECD lists the key features defining the new paradigm⁴ as:

- ‘a shift from an approach based on subsidising declining sectors to one based on strategic investments to develop the area’s most productive activities;
- a focus on local specificities as a means of generating new competitive advantages, such as amenities (environmental or cultural) or local products (traditional or labelled);
- more attention to quasi public goods or ‘framework conditions’ which support enterprise indirectly;
- a shift from a sectoral to a territorial policy approach, including attempts to integrate the various sectoral policies at regional and local levels and to improve co-ordination of sectoral policies at the central government level;
- decentralisation of policy administration and, within limits, policy design to those levels; and
- increased use of partnerships between public, private and voluntary sectors in the development and implementation of local and regional policies. ‘

These changes refer to governance as well as content and focus, and I think that they serve as a contextual frame for reading changes within the EU and in the Scandinavian Countries in particular.

A cautionary note

Reflecting back to my own paper for the OECD in 1999, I gave a very clear caution that the changes noted in the late 1980’s and early 1990’s were not irreversible.

‘It is however important not to exaggerate the shifts which have taken place. In many countries, sectoral policies and centralised sectoral administration of them remain very

³ Regional Impact of CAP. The study was funded by DG-12 (now Regio), and the results did not please DG-16 (Agri). The parallels with ESPON are striking!

⁴ I produced a similar list in a paper for the OECD in 1999, which also has some argumentation about the driving forces behind these trends. Bryden, J (1999) Page 3 *et seq.*

important, and many of these retain the character of subsidies to maintain existing activity rather than investment to adapt to, and take advantage of, new conditions. In some cases, policies appear to have reverted to a more sectoral character in the later 1990s. Moreover, although such points may give the impression that resources for 'rural development' have been increasing, it is not clear that this is the case when looked at in 'real' terms. Nevertheless, the above summary represents a common understanding of the general trends.⁵

In my own country, our analysis reflects what seems to be the message of the EU Scandinavian papers, namely that 'rural policy' has been to a large extent recaptured by the agricultural interests⁵. Among the causal factors seem to be the following:-

- Comprehension within the agricultural lobby and related interests (including departments, agencies and research institutes) that CAP reform was going to intensify, and that an increasing share of the budget would go to 'Pillar 2'. Since one of the drivers of this is the WTO, it affects non-EU countries as well.
- The often deeply embedded post war system of governance of agricultural policy which gave farmers the main or only place at the policy-making table, complemented to some degree in recent years by the environmental lobby, but in which rural communities and the majority of non-farmers who live in them, are not represented at all.
- Comprehension that 'multifunctionality' was the way to continue making payments to farmers, justified by market failures in relation to alleged public goods produced by them, and (ironically⁶) held to be disconnected with production
- The idea of 'simplification' at the EU Commission level, meaning a move to 'single fund' arrangements for all the structural fund components, thus returning 'rural development' to DG Agri.
- The cuts to the European commissions proposed Pillar 2 budget for 2006-13 and the high level of carry-forward commitments, to which have been added commitments agreed in advance with farmers unions and environmental interests over LFA payments and Agri-Environment payments.
- The mainstreaming of LEADER and turning it into a single fund initiative.
- The shift in regional development thinking towards an ideology of city regions, and especially the metropolis of Europe and member states, in the interests of being 'globally competitive', with a corresponding focus on clusters, centralisation, innovation systems, R&D etc. This means that there is little interest in tackling development issues in rural regions, and all the talk about rural-urban relations actually means either that a kind of trickle down process is expected from the growing cities to their rural hinterlands or that the latter become 'empty spaces' for the real or imaginary satisfaction of city interests in the form of 'countryside leisure' to quote the UK-Office of the Deputy Prime Minister (ODPM).
- The erosion of social rights in concepts of citizenship discussed above.
- The erosion of democracy and one of its core elements, namely 'community'⁷
- The introduction of functional and market related performance managerial styles and performance measures in education, research, medical care, government and governance and the public sector and its dependants in general.

⁵ Prestegard and Hegrenes (above) argue that rural policy in Norway is essentially agricultural policy, and there are also strong links with 'multifunctionality'. However, it is also clear that Norway has had strong 'broad' rural policy elements.

⁶ Ironically because the concept of multifunctionality usually involves joint products, at least one of which is a private good and at least one of which is a public good. Since the discourse is usually around Multifunctional *Agriculture*, the market good is usually food or raw materials, so that some production is presumed.

⁷ See Alperovitz et al (2002) and Alparovitz (2004) for a critical political economy perspective from a US point of view, which stresses the importance of strengthening communities of place in efforts to reclaim the Founding Father's ideals freedom and democracy in that country.

It is clear that many of such tendencies and causal factors in policy shifts are common to most if not all the OECD countries, including Scandinavia. Do they matter? Are they based on sound reasoning and research? What outcomes are they trying to produce? How will progress towards these outcomes be measured? Are they the right outcomes? Will they lead to improvements in the economic circumstances and quality of life of all citizens, including those who live in rural areas? If the answers to at least some of these questions is 'no' or 'don't know' then what can we as active and concerned researchers professionals and citizens in our own right, do?

2.3 Local government: reform, enlargement, amalgamation

I think the Scandinavian papers for the workshop show ample evidence of the reality of almost all of the tendencies described, and also some analysis of the impacts on rural places. Thus, tendencies of centralisation in public and private services and enlargement of local government are mentioned in Sweden, Denmark, Norway, Iceland and Finland. These are also hot topics in Scotland. In the excellent paper by Frida Andersson Richard Ek and Irene Molina there is some analysis of the actual impact of regional enlargement. They argue that it has negative consequences especially for women, children and families due to the complexity of commuting to different places for nurseries, travel, different services and work etc., leading to days which are full of 'press and stress' for rural people and children. They ask whether regionalisation is a self-fulfilling prophecy because of centralisation of shopping and services, and the impacts on those who do not commute. This is a question we should discuss, whilst recognising that in some countries local government remains very small scale indeed, so we must be conscious of national contexts when doing so.

2.4 Different ideas of 'rural' and their policy significance

To some extent, our discussion of rural policy is hampered – as several authors point out – by our different understandings and definitions of 'rural'. I want to say that I take a regional approach to this question, and essentially think of the OECD 'predominately rural' regions as those that the kind of rural policy I have discussed as the 'new paradigm' have been mainly applied. Such regions can contain fairly large towns, for example the Highlands and Islands of Scotland, our most peripheral and sparsely populated region, has Inverness as its de facto 'capital' and Inverness has around 70,000 people. Such rural cities often do have a very real connection with their hinterlands. However, I exclude the commuting belt of larger cities, and regions dominated by larger cities, where there is often a disconnection between the city and its hinterland beyond the commuting zone. I don't think one should any longer exclude settlements of say 200 or 300 from the 'rural areas', as is still often done in the Scandinavian countries. To me this is really an attempt by the back door to define rural as open space or 'land use' as the dominant issue.

2.5 Governance, and 'new governance'⁸

Equally, our discussion of governance, and especially local government and regional government is hampered by very different systems and structures in place. Scotland has a two-level system – the Scottish parliament and the local authorities. A single local authority – Highland Council – covers most of the Highlands and some islands with an area of 26,500 sq km and a population of 214,000. The three larger island groups (Shetlands, Orkneys and the Western Isles) are fortunate in having a

⁸ For an excellent discussion of 'new governance' see Hajer and Wagenaar, 2003.

local government each. In the predominately rural region of SW Scotland there is one single local authority (Dumfries and Galloway) for an area of 6,440 sq km and population of 150,000. Contrast this with the Faroes⁹ or any other of the Scandinavian countries¹⁰, and you'll see the problem! I am among a minority in Scotland who think our local authorities in rural areas are far too large to be meaningfully representative of their rural citizens. However, the arguments for enlargement have been powerfully about functional and budgetary issues, and not about issues of democratic representation and user-friendly services to people¹¹. I am not aware of any *ex post* evaluation that has proved that enlargement does indeed save money, or improve efficiency, etc, and frankly after a certain point I really doubt it. However, the point is that local government is importantly about representation, democracy, social and political rights (and responsibilities) and coping with diversity. I think that Scandinavia has a better sense of that than we do in Scotland, although frankly in some cases the local government units are so small as to be non-functional today, as several authors argue. So when I criticise local government reform in Scotland, it is not the same thing as criticising the joining of small municipalities in Iceland or Denmark, especially when the voluntary principle holds as it has to in cases where local government reform demands constitutional change (e.g. in Iceland and Faroes: it does not in Scotland)¹².

2.6 Variation in the nature, powers and autonomy of local governments

There is also wide variation in the nature, powers and financial autonomy of local governments which affects their suitability as an 'organisational tool' (Brox, 2006 op cit: 49). Thus Denmark still has a very strongly top-down physical planning system, and in Scotland many former local government powers (such as health, water & sewage, housing, environment) have effectively been passed to government agencies controlled by government departments and their appointed 'Boards'. In terms of new governance, notably decentralisation of certain functions and partnership working, I am broadly in favour of widening the range of actors round decision making processes, even if we must fight for openness and honest recognition of a democratic deficit and problems of 'elite capture' (Shortall & Shucksmith, 2001). We can deal with these things. However, an important issue here in rural areas is that of co-terminous boundaries¹³. Lucky are the islands which force coterminous boundaries on agencies, local government, and the governance system. However, in mainland areas this can and does lead to huge problems of inter-working. It has become more important precisely because of the decentralisation of decision making which is an implicit in 'new governance', and the need for 'horizontal coordination' not only at central, but also at regional and local levels¹⁴. However, the processes of 'decentralisation' of some functions need to be seen alongside processes of 'recentralisation' and the tendency to remove whole areas of decision making

⁹ The Faroes have 47 municipalities for 46,000 people, or an average of 1000 people each; in 1999 the average in Finland was 11,000, in Sweden 31,000, in Norway 10,000, in Iceland 2,300 and in Denmark 19,000. Holm, D and Mortensen, B (2004, p 200)

¹⁰ However, the recent Danish reforms will reduce the number of municipalities from 271 to 98 in January 2007 thereby more than doubling the number of inhabitants per municipality. (Pedersen above).

¹¹ See also the paper by Borch for the Norwegian debates on Municipal reform, and also the issue of separation of politics from decision-making through professionalisation and new unelected agencies of the Central State.

¹² In a paper on 'horizontal coordination' for the OECD rural policy conference in Oaxaca Mexico last year, I argued that small local authorities should be given incentives to cooperate rather than being forced to amalgamate.

¹³ In the DORA research project, the autonomy of local government and the effectiveness of local governance systems were found to be important factors in explaining differential economic performance between similar rural regions. See Bryden and Hart 2004.

¹⁴ The Community Planning Partnerships at local Authority level in Scotland provide an example, as do the recent moves in Finland where the Rural Policy Committee is establishing provincial sub-committees for their own provincial broad rural policy.

from the democratic arena, and hence from local scrutiny and effective people power. Alongside this we can observe the power of giant corporations to take and to influence important decisions affecting local communities, both rural and urban. This is Gar Alperowitz's point about the erosion of liberty and democracy.

In this context I think we must recognise the important role of NGOs and Voluntary or Social Movements (Katajamaki above, Ikonen and Knoblock above), started in Scandinavia as the village movements in Sweden and Finland, but spreading to other countries. These movements seem to have had an important influence on rural policy, for example the crucial thinking about 'broad' and 'narrow' rural policy seems to have originated in pre-EU Finland.

2.7 Is EU 'Rural Policy' a hindrance?

The impact of the rural social movements in Scandinavia seems to me to raise the question of whether a rather 'backward' EU 'rural policy' is in fact a hindrance to where individual member States want to take their rural policies (because it diverts national resources and locks these into agriculture and the environment). Let us consider the Finnish case, as discussed by Hilka Vihinen (above).

'The funds available for rural development have decreased. The membership in the EU introduced new types of funding for development work under the rural policy, but this was not enough to substitute for the cuts in other public and private funding directed at the countryside.

The conditions for the viability of the rural areas are not sufficiently taken into account in agricultural and regional policy, but the right of rural policy to function as an independent policy sector is still not clearly acknowledged.'

2.8 EU Rural Policy is not a Rural Policy!

Let us be quite clear, what the EU describes as its 'rural policy' is not a rural policy, but, overwhelmingly since 2000 and for the period to 2013, a series of measures directed at farmers, and legitimised by the 'environmental' label. In practice, and in most member States, the maximum available funds will be devoted to various agri-environmental and land management schemes, and, in some cases at least, especially to measures which will help the member states and regions with intensive agriculture meet the requirements of the Water Framework Directive. Important as this may be, and I do think it is important, it is quite simply *not* rural policy¹⁵! And since the richer and most intensive agriculture is usually in more accessible and richer rural areas, it will not help economic and social cohesion either! *Does anyone care? Perhaps it is a good thing that EU Pillar 2 funds have declined for most of the old member states, since this could free up national resources and indeed policy thinking to look at more creative ways of ensuring that rural communities thrive in future?*

2.9 The shift from subsidies to investment: what should we be investing in?

Within the new rural paradigm, public support is shifting from subsidies to 'investment'. This is also the case in what might be called the new regional paradigm'. In thinking about what to invest in our rural areas, it is vital to recognise that the nature and function of the public goods that underpin

¹⁵ Ikonen and Knoblock (above) report that 'The Swedish ERDP is more concentrated on agro-environmental measures than in other European countries' p 11. And Figure 21 shows that only 1% of expenditure went to 'adaptation and development of rural areas'. Despite this, we are told that the mid term evaluation considers the programme 'effective'! It all depends how you measure effectiveness!

economic activity and human welfare in rural areas is often very different from that in urban areas. Looking at new business formation and new jobs created in rural areas on the one hand, and the factors that make up the quality of life for rural citizens and people who may wish to migrate to rural areas on the other, we can see that important actual or potential rural public goods and quasi-public goods are fresh air, clean water, wind, tides, waves, fish (now mainly privatised), nature & biodiversity, recreational space, landscapes and seascapes, culture, archaeology, history, public festivals and events, the internet, and public services such as education and health. The range of public goods also includes Universities & local learning centres! Incidentally, the UHI¹⁶ is a new University being forged out of a partnership between the further education colleges in the most peripheral rural areas of northern Scotland including the Islands, and at the moment it mainly serves people who would find it very difficult to go away for Higher education as well as others who value its specialisms like marine science and sustainable development. We can also note that UHI is a striking exception to the centralisation trend.

The public and quasi-public goods I have listed are important for the development of tourism recreation, local products, marketing and branding, innovation and enterprise, democracy and for the quality of life, and hence migration decisions, of people. They cannot all be attributed to the activities of agriculture and land use, although some may be. There is a need to recognise that other actors are crucial in creation & maintenance of such important public goods and services, and that adverse trends in these other areas may well be overpowering compared with efforts in relation to 'agri environment and Land Management Contracts, for example, as suggested by [at least one of the papers refers to this]. Equally there is a need to 'join up' policies and activities that 'create or maintain' rural public goods, and those that use them for enterprises like tourism and recreation, or niche product creation. I think this is what Hannu Katajamaki refers to as 'value chain thinking'. It is the failure to join up 'value chains' in the policy governance system that makes EU pillar 2 so very weak in comparison with some of the things going on at local level.

2.10 What outcomes is rural policy aiming at?

A central problem in analysing rural policy is to know what outcomes it is aiming at. This is often hard to pin down, and looking at the kind of indicators used by the EU does not help! If I had to choose one outcome from all the statements flying around it would be 'sustainable rural communities' in the economic, social and environmental sense of that concept. If I had to choose one or two simple indicators, I might choose net population change as an indicator of how people were voting with their feet, supported by indicators of quality of life, incomes and employment, enterprise births and deaths, and water and air quality. But pinning policy makers down to desired outcomes is very hard! We need to push them! How many can say - as Hilikka Vihinen does of Finland - that the task of rural policy is to *guarantee a viable and functioning countryside?*

'Finnish rural policy has taken as its starting point the fact that countryside has value as such. Countryside offers an alternative to urban regions and lifestyles, and its very existence and availability is an important social value. It is not just a hinterland affected by the positive or negative forces deriving from population centres, but a region with a will and vision of its own. However, like urban areas, it needs active development methods of the public sector. Hence, the task of rural policy is to guarantee the existence of viable and functioning countryside.' (Hilikka Vihinen, above, citing from 'Viable countryside – our joint responsibility 2004'.)

One thing a viable rural community needs is people, and one key indicator is population change. Roughly speaking, in many remoter areas of Europe birth rates fell below death rates sometime in

¹⁶ UHI – University of the Highlands and Islands or UHI Millennium Institute. This is a partnership of FE colleges from the Shetland Islands to Perth plus some specialised research institutes based in the Highlands and Islands. The UHI PolicyWeb is a small institute dedicated to the study of impacts of all kinds of social and public policy on the region.

the 1980's, and so since then population maintenance has depended on positive net in-migration. 'Keeping your young people' – a popular but in my opinion mistaken notion in many rural areas – is just not enough. The critical thing is to attract both your own and other young people back in their child-bearing years, and it is critical to ask what this group values in terms of 'quality of life'. Katajamki's paper from Finland makes a point that we are often stressing in Scotland, notably that in-migrants to rural areas will be increasingly multicultural. As the Finnish paper, and other recent research elsewhere, points out this will pose new challenges for rural communities and for rural policy¹⁷.

2.11 Conclusion

In 2000 we organised a conference called Rural Policy at the Crossroads' at the Arkleton centre in Aberdeen. By this we meant to capture the conflicts between the old and new paradigms. It is evident that these conflicts continue, 6 years later, and that they will continue until 2013, at least at EU level. Nevertheless, there remain strong pressures for reform at the level of the member States and within rural communities, on whom the pressures of global and national changes are considerable, and for whom the edifice of EU rural policy falls woefully short of what is needed. Implicit in the struggle for a new policy structure and focus, is the struggle for policy governance. All this is evident in the country papers before us.

Equally, there are general changes in society that are impacting on rural people and places, as well as structures of government, and processes of governance. There is a wide literature on 'new governance' which suggests reasons why new actors are being brought into decision making processes, and why decision making is being decentralised in some areas. No doubt cynics would say that the decentralisation has to do with budgetary constraints at national level, but there are also 'real' forces at work here. There is an equally wide literature on 'clusters' 'city regions', centralisation, 'innovation systems', and regionalisation. The striking point about many such tendencies is that they tend to further marginalise rural areas beyond the commuting belt. And yet, there are many economically successful rural areas in this more peripheral zone that defy all the ideology and received wisdom of city regions and 'innovation systems' ideology. In getting the point across, I think we should pay attention to Finland even if it has not succeeded in doing anything very interesting or useful with its EU Pillar 2 funding.

This brings me back to the specific contributions of the Nordic countries to the rural policy debates, and in part this is an acknowledgement of the many Nordic scholars who have influenced my own thinking. Let me mention the debates on broad and narrow policy (Finland, for me especially Eero Uusitalo, Chairman of the Rural Policy Committee), farm household pluriactivity (for me especially Ottar Brox's early work in Norway in the 1960's was seminal), social rights (again Ottar Brox and his own sources especially pertaining to T H Marshall), sustainable development (very many, but perhaps most obviously Norwegian PM Brundtland), differential migration (Brox), the 'arena society' 'reach' and labour market areas (Late friend, colleague and collaborator since 1986, Lars Olaf Persson and his colleagues Westholm, Wiberg, and Ceccato), technology diffusion, public goods and local revenues (Brox), rural-urban political alliances (Brox) to name but a few. The papers at this workshop demonstrate that this process is continuing, and long may it be so!

¹⁷ For a review of ethnic minority issues in rural areas, see also de Lima, P (2003) Beyond place: ethnicity/ race in the debate on social exclusion/ inclusion in Scotland. *Policy Futures in Education* 1 (4), pp. 653 – 667.

References

- Alperovitz G** (2002) *Making a Place for Community: Local Democracy in a Global Era* (with Thad Williamson and David Imbroscio). Routledge, New York
- Alperovitz G** (2004): *America Beyond Capitalism: Reclaiming our Wealth, our Liberty and our Democracy*, John Wiley & Sons
- Brox, O** (2006) *The Political Economy of Rural Development: Modernisation without Centralisation?* Eburon, NL
- Bryden, J** (1999) *Policymaking for Predominately Rural Regions: Concept and Issues*. DT/TDPC/RUR (99)2, OECD Paris November 22. Page 3 *et seq.*
- Bryden, J and Hart K** (eds) 2004. *A New Approach to Rural Development in Europe*. New York, The Edwin Mellen Press.
- Hajer, M.A and Wagenaar, H** (2003) *Deliberative Policy Analysis: Understanding Governance in the Network Society*. Cambridge University Press. Series: Theories of Institutional Design
- Holm, D and Mortensen, B** (2004) *Regional Development in the Faroes: What is the Right Size for Effective Local Government?* In Byron, Hansen and Jenkins (eds) *Regional Development of the North Atlantic Margin*. IGU-Ashgate.
- de Lima, P** (2003) Beyond place: ethnicity/ race in the debate on social exclusion/ inclusion in Scotland. *Policy Futures in Education* 1 (4), pp. 653 – 667.
- OECD** (2006) *The New Rural Paradigm: Policies and Governance*. TDPC, Paris
- Pateman, C** (1996): *Democratisation and Citizenship in the 1990s: The Legacy of T.H.Marshall*. Institute for Social research, Oslo: Pax
- Selle, P** (1991) 'The Idea of Equality and Security in Nordic Social Democracy' in Karvonen & Sundberg (eds) *Social democracy in Transition*. Aldershot
- Shortall, S and Shucksmith, M** (2001) *Rural Development in Practice: issues arising from the Scottish Experience*. European Planning Studies, 6, 1
- Shucksmith, M., Thomson, K.J., and Roberts, D** (2005): *The CAP and the Regions: The Territorial Impact of the Common Agricultural Policy*. CABI Publishing

3. Rural Development and Rural Policy in Denmark – A General Overview

Hanne W. Tanvig

Danish Centre for Forest, Landscape and Planning,
Faculty of Life Sciences, Copenhagen University
Haraldskær, Kvak Møllevej 31
DK-7100 Vejle
Denmark
hwt@life.ku.dk

Abstract

Many people wonder what rural development and rural policy covers, in terms of content and significance, in a small country such as Denmark, which on the face of it seems well-developed in all areas. Moreover, for a number of years, rural policy attracted relatively little attention beyond agricultural support or support for community projects. Even the LEADER Programme, (although it is of increasing importance) has not played a substantial role. On the same lines, regional policy in Denmark has been rather invisible or has only operated indirectly, for example through compensation schemes between regions in different economic circumstances, or through the implementation of Objective II measures and a so called National Strategy for regional growth within a few selected areas. Furthermore none of these are considered to be ‘rural’ policies as they probably would be in other countries.

The key questions here are:

- Why does rural development, and the above policies, have such a weak profile in Denmark?
- Whether they will continue to be pursued?

Changes in society, and the regulation of it, are likely to draw attention to these questions. Firstly, unequal regional development is taking place at present, causing socio-economic decline in some rural areas. Secondly, the decentralised Danish welfare state – which is probably the factor which best explains why, until now, there has not been a perceived need for specific rural and regional policies - is undergoing a process of centralisation and municipal amalgamation (the municipal reform). Thirdly, participation in European rural policies, and the process of accessing the funds, will necessitate a sharpened focus on rural development.

This paper will describe the relatively vague focus on rural development, and weak policy relating to rural areas in Denmark. It will give an indication of the present status, and likely future path, with particular emphasis on the preparations of Rural Development Program 07-13 (RDP 07-13).

3.1 The concept of rurality in Denmark

Although rural development and rural policy have almost become household words in Denmark, as elsewhere, the meaning of these words is far from clear. The meaning ascribed to them would seem to depend on the parties and interest groups concerned. A number of different delimitations and definitions are applied in the field:

The *statistical definition* regards rural areas as the parts of a country that are not urban in terms of population density. In this context, an urban community is defined as one with 200 or more residents. Statistics also refer to 'rural municipalities', in which the largest town has less than 3,000 people¹⁸. In a *planning context*, the terminology used is 'the open land'. For *agriculture* and its organisations, the definition relates simply to farmland and the related supportive schemes. A very different (broader) perspective is associated with '*village activists*', who carry out village community development and seek to promote the 'local voice' (Svendson, 2002). Yet another perspective is associated with *nature and environment organisations*, as well as some *lines of research*, who simply assume that 'rural' means nature, landscape, vulnerable environment, and related supportive schemes. Other lines of research connect rurality with fresh air, simple living and that you think and feel that you are outside the city. In a *political context* you also find examples of 'rural' being associated with peripherality and backwardness.

You could choose to consider this blurred, colourful mix as an expression of the view that rural areas and rural policy are not a central element in a small, welfare state type of society that functions well all over, unless we are only talking about agriculture, nature and the environment. Still, if we use the statistical definition, only about 15% of Danes live in rural areas, of which approximately 4 % are farmers and their families.

3.2 Rural policy at central level in Denmark so far

Despite the ambiguity of the concept of rurality the following section will present the range of policy statements and activities (at a national level), distinguishing those associated with (broad) territorial socio-economic development from those which focus on support for agri-environmental activities.

The declared¹⁹ central players in rural policy are the Ministry of the Interior and Health and the Ministry of Food, Agriculture and Fisheries, both of them taking lead roles in rural development with an emphasis on socio-economic issues. In addition the Ministry of Environment has played a role in relation to agri-environmental issues, nature protection and planning, and many have looked upon this ministry to be the most important in rural matters. These three ministries handle dedicated rural development issues at central level, although their concepts of rurality are significantly different. A number of other central government departments and agencies (including, for example, the Ministry of Economy and Business) also affect rural development through their policies, although they do not use the term 'rural development' as such.

The Ministry of the Interior and Health is in charge of rural development and policy on behalf of the Danish government. This ministry also hosts a special funding instrument – The Rural Community Fund – to promote local project activities under the motto 'let a thousand flowers bloom'. Moreover, this ministry is preparing a stock-taking report on the development of rural areas.

The Ministry of Food, Agriculture and Fisheries is responsible for the farm-related policies, including, EU-financed activities in rural areas. It is under these auspices that implementation under the second pillar of the CAP, and LEADER+²⁰, is taking place. A number of other programmes and

¹⁸ The new municipal reform, with much larger administrative units, will no doubt make this delimitation redundant.

¹⁹ In a sense that they explicitly use the term 'rural'.

²⁰ 12 minor areas have been selected for the LEADER+ program in Denmark. The budget for each is very small.

activities, including the Innovation Act, which seeks to promote innovation in SMEs operating in Danish food production are run by this ministry. Although there are some signs of a territorial development approach from this ministry, (in particular LEADER+), agriculture and its conditions remain the dominant focus.

The amount of money spent indicates priorities. The Danish government spends approx. DKK 21m. (€m 2.8) a year on the Rural Community Fund for community project support. From the EU-cofinanced Article 33 more has been spent on rural development projects, but still not very much in comparison with agricultural support or environmental improvements related to agriculture, which also have come under pillar 2.(see Table 3).

Table 3: Expenditures related to Rural Development Program, 2006

	DKK	% of Total
Article 33	87m.	8,4
LEADER+	29m.	2,8
Total	1.035m.	100

Source:

<http://www.folketinget.dk/samling/20061/almdel/FLF/spm/133/svar/endeligt/20071222/336396.PDF>

Co-financing under Article 33 and LEADER+ has mainly come from the county and the municipal levels, since central government co-financing has not been able to meet the requirements. The view of the government has been that rural policy should not primarily be dealt with by the central government but by the county councils²¹ and municipalities, so that co-funding by the central government has only gone to agriculture-related activities. The size of LEADER+ has more or less corresponded to the Rural Community Fund, but again central government co-funding has been weak and much has been referred to the regional and local level.

Roughly speaking, central government funds allocated to rural policy have been small and spent on community projects and village movements, while the major funds obtained from the EU have been used primarily in connection with the development of agriculture and environment. The weak central government priority in relation to other objectives, and also the relatively limited funds available from the counties and municipalities, have had the result that what little money is available for rural development outside agriculture has been spent in accordance with the profile of the Rural Community Fund. This has been pointed out in several evaluations, e.g. Kvistgaard (2003), who also found Article 33 to be too little oriented towards the creation of jobs and new local economic activities, and Teknologisk Institut (2003), which made the same observation regarding LEADER+. A recent study (Thomsen/Tanvig, 2006) found the same when examining all funds related to rural development during the recent 5 years in Denmark.

As indicated earlier *other ministries* at the central government level have, however, been working with initiatives that affect rural development. In the Ministry of the Environment, which is responsible for nature and environmental issues as well as physical planning, more emphasis has recently been put on protection of nature and environment and on a sharpened distinction between urban and rural space, see Miljøministeriet (2006). From this ministry you can, though, at the same time find smaller attempts to combine protection of nature and the environment with local development issues. These thoughts are found in the discussion of the establishment of national parks and regional agricultural strategies. The latter will incidentally form part of the introduction of a new regional planning exercise.

Danish initiatives under the Regional Fund go through the Ministry of Economic and Business Affairs. In some contexts, the Objective 2 Programme has been close to LEADER+, geographically as well as in terms of its activities. It is nevertheless the work of implementing the initiatives of the

²¹ From January 2007 the Municipal Reform will work and from then the county councils will not exist any more. Five regions are going to open and together with the enforced municipalities they might touch upon rural policy, see later.

present government, the Regional Growth Strategy²², that seems to be particularly interesting in this context. For the first time in many years, we have been witnessing an attempt to carry out a geographically determined distribution and targeting of support and measures from different competent bodies and sources, where all these initiatives are subject to a joint regional development plan. This is also very much in line with the LEADER+ philosophy and have covered largely the same areas, although there have been no joint thinking or implementation for the two.

3.3 Rural policy at regional and local level in Denmark so far

First of all there is a dividing line between activities which relate to physical planning, area management and regulation, and those which aim at promoting socio-economic development in an area. These two types of rural policy are usually carried out by different actors.

At regional level the county councils have (until now) been the main players in physical planning, area management and regulation of the open land, although a few years ago the municipalities were delegated the management and regulation issues within the open land act. The county councils have also been responsible for major nature and environmental policy issues. After the new municipal reform, when the county councils will be removed, overall responsibility will pass to the central state, whilst some more localised policies will become municipal responsibilities. At the same time, the new regional councils and their advisory boards for regional and business development, (the 'Vækstfora'), will assume new responsibilities in the field of rural development, (see below).

The municipalities have, until now, made physical plans and management within the framework from the county councils' regional plans, and as a consequence their planning activities have mainly related to physical issues.

It is, however, interesting to observe that 'local rural policy' is treated as an voluntary and unregulated issue, independent and separate from the 'mainstream' planning system. For a number of years the central politicians and relevant documents have taken their cue from the village movement, arguing, that rural development (meaning village development) depends mainly on local engagement and activity. The nature of available funds and incentives (notably the Community Development Fund, Article 33 measures and LEADER+) back this up.

In the late 1990's municipalities and county councils officially were requested, by the Ministry of the Interior, and their own central organizations, to set up their own 'local rural policy' This was to be implemented as part of the planning system, but with 'a free hand' when it came to methods and contents. Later on The Ministry of The Interior and Health published guidelines (Indenrigs- og Sundhedsministeriet, 2004), but these also left the detailed implementation to the local authorities, except from a strong recommendation to involve the local citizens and communities in the preparations of 'local rural policy'. The involvement of the civil society and the 'rural policy' development process can therefore be seen as the main impact of this initiative.

Furthermore, studies and evaluations, e.g. Thomsen/Tanvig (2006) and Teknologisk Institut (1999; 2001; 2003), show that the civil society in rural areas is very active, (running a lot of projects), and that many municipalities are indeed dealing with 'local rural policy'. But as stated before this kind of rural policy can mainly be characterized as small community projects, bringing people together and marking the existence of the local society. The latter has not least played a role in periods with municipal amalgamations, such as the early 70's, again recently, when people in the smaller societies and sparsely populated areas fear loosing attention from and influence on the politicians and their politics in the bigger units. Thus until now 'local rural policy' in Denmark could be characterised as being the sum of local engagement and activity on a voluntary basis in rural areas.

On the face of it rural policy and its management has not played a significant role in the debate and preparations of the new municipal reform. However in future rural policy may be somewhat broader, incorporating, for instance, the protection of nature, environment, physical planning and

²² This is a national program targeting 15 selected minor outlying areas that was set up by the government in 2003.

regulation. This is likely to be the outcome of the new kind of regional planning which will be the responsibility of the new regional authorities, (see, for example www.im.dk/publikationer/strukturaftale.kap.14.html.) This kind of planning will be framed by regional development strategies, which will include development strategies for rural (especially peripheral) areas. The advisory boards, Vækstfora, also have a responsibility to devise strategies for regional business development in rural and remote areas, and to plan structural fund expenditure. It is no surprise that these new players, with new roles, have been keen to integrate LEADER and other parts of RDP 07-13 under their auspices, (see below).

At municipal level a new framework for rural policy will also be introduced. A revised planning act instructs the municipalities to set up strategies for development in general, on which their physical planning must be based. This effectively makes them responsible for a rural development remit which is broader than physical planning, area management and regulation of the open land. It is important to keep in mind the fact that in many of the new larger municipalities 40 % or more inhabitants live in rural areas. These are attracting political debate as to how their interests will be taken care of.

3.4 Preparations of the Rural Development Program (RDP) 07-13

The preparations of RDP 07-13 provide an illustration of the tendency for rural policy to get more attention than previously in Denmark. There is no single reason for this. The proposed programme has many diverse facets, and whilst it could be said to lack coherence, it nevertheless appeals to a wide variety of interest groups. As in other EU member countries the programme is scheduled to begin in January 2007, but for various reasons this has been delayed. The following section is partly a factual account based upon published documents, and partly impressions of one observing the process 'from the sidelines'²³.

The current Danish RDP (2000-2006) could be described as a long list of independent operations rather than a coherent rural policy, (Kvistgaard 2003). At the same time the program has been managed independently from other types of rural policy. From the beginning of the preparations of the new program clear signals were given that a much more coherent and substantial program, with involvement of relevant parties at all levels and across the usual sectors was envisaged. Support for economic viability and development in rural areas was to go 'hand in hand' with activities related to protection of nature and environment. A committee of relevant ministers was appointed in 2006, in the first case to strengthen the current RDP, and later to prepare the new program, so that the new one could be coherent and strengthened as well. Five ministers are members of the committee, which is chaired by the Minister for Food, Agriculture and Fisheries²⁴.

The preparatory work was work planned on generous lines, and involved experts from relevant research areas who assisted by identifying the key themes for the new program. After this several consultation meetings took place in different parts of Denmark, offering the minister the opportunity to hear the local voices. All were invited to communicate their ideas and suggestions on the rural policy in the future. Expectations became inflated because there was a widely held impression that there would be much more money available for rural policy in the new programming period, and that rural policy would be what is elsewhere regarded as 'local rural policy'. The sum indicated was DKK 1,1m. (€M 147) annually.

At this stage the ministry had successfully reached a big target group that usually considers rural policy to be 'local rural policy', based on local ideas, initiatives and with the so-called bottom-up perspective, and that not yet has been the primary partners for this ministry. The ministry's more

²³ The author has followed the process closely and among other things taken part in several meetings in relation to the preparations.

²⁴ Apart from this the Minister of the Interior and Health has his own advisory board consisting of a long range of representatives from organizations and parties dealing with rural development issues.

usual partners: farmers, nature and environment protective interests and so on, also took part in the consultation, but they were no longer the only members of the audience.

Then the process apparently stopped and meetings were cancelled. Rumours began to spread that the budget had been severely cut, and that a larger part of the total budget was already tied up covering protection of nature and environmental activities²⁵, so that very little money was left for 'local rural policy'. At the same time a new Minister of the Environment launched a generally strengthened policy concerning protection of nature. Those who considered rural policy to be a matter of 'local rural policy' reacted, of course, with frustration and indignation.

It is a well-known fact that the LEADER-method is going to be integrated into the RDP 07-13. Nevertheless, LEADER as such was not discussed in the general debate in the beginning, unless it had to do with local influence and involvement. One reason for this might be that the term is not widely known and understood in Denmark, and the government did not wish to highlight how potentially powerful LAGs (Local Action Groups) might be. Furthermore it was probably not considered advisable to open a debate between, on one hand, the municipalities, and on the other, the new regions/Vækstfora, concerning the delegation of power to LAGS. It also might be because the minister did not, at this point, appreciate the importance of LAGs and their opportunities and instead perceived individual locals to be the main players at local level. This view was later to change (see below). Behind the scenes the LEADER-axis has nevertheless been discussed. The municipal and regional associations and the Ministry of Economy and Business Affairs have signalled their individual interests in the interpretation and anchoring of the LEADER-axis. The general perception of the LEADER-axis in Denmark has changed substantially in recent months (see below).

For a while the newspapers reported a competition between ministries. The Ministry of Environment argued for a major share to axis 2, whilst the Ministry of Economic and Business Affairs wanted (in addition to responsibility for the LEADER-axis) to be involved in the design of measures (within axes 1 and 3) relating to growth and innovation, and to be able to coordinate with the regional Vækstforums' work. The Minister of Food, Agriculture and Fisheries was still of the opinion that RDP 07-13 should not be a program mainly supporting nature protection and environment but rather for supporting local development and growth. The Ministry of the Interior and Health, holding responsibility of the rural development, seems to have played a rather passive role. All the while, 'back stage', powerful nature protection interests and the agricultural organizations were doing what they could to secure the funding they perceived to 'belong to them'. This 'tug-of-war' was only resolved in September 2006, when the Prime Minister assumed responsibility for the allocation of the budget between axes. This allowed the preparations of the program to continue²⁶. A draft of a program was submitted in November, and a bill was finally presented to the Danish Parliament in December. A political agreement²⁷ on the budget for the first two years amounting DKK 0,560 bio. annually (plus a minor amount meant for a few particular areas) was made:

Axis 1: Food production - 25,4 %

Axis 2: Nature and environment - 55,0 %

Axis 3 + 4: Living conditions and new jobs - 19,6 %

The official EU-amount is DKK 0,950 bio. annually, so after the first period more money will be available for new activities in the program²⁸. Now, by the end of 2006, it is expected that the program will open during 2007. The announcement of LAGs and the preparation of their development plans will begin shortly. Also, the minister is intending to repeat his popular consultation. A long range of meetings will take place in January 2007, with hundreds of participants expected at each meeting.

²⁵ At the moment the total budget finally just has been decided to amount DKK 0,9 bio. annually. How it is going to be shared by the axes, we do not yet know.

²⁶ Following is based on a speech given in December by a central civil servant.

²⁷ Agreement between the government and Dansk Folkeparti, see www.Landdistriktsprogram.dk

²⁸ Ministeriet for Fødevarer, landbrug og Fiskeri (2007)

One of the interesting things is that the LEADER-axis actually got more attention and will play a more important role than many would have expected when listening to the central decision takers. The whole of axis 3, minus a very small part, and a smaller part of axis 2²⁹ are going to be covered by the LEADER-method³⁰.

Officially, the minister admits his changing attitude. Among other things it can be explained by the fact that late in the preparations of the program the minister became aware that LEADER+³¹ has been very successful and has been able to lever much activity that the program itself was not able to finance³².

This means that the RDP 07-13 is going to be administered in two ways: either via LAGs or directly via the central state (the ministry in charge). Another interesting thing is that the program will now also reflect regional disparities when distributing money via LAGs. The map below shows that Denmark can be sorted out in different types of municipalities having different degrees of rurality, - which in itself is an admission of the rural question been regarded as a matter of territorial rather than agri-environmental circumstances or a matter of population density³³. The most peripheral areas will attract most funding. The peripheral as well as the most agricultural areas will also be co-financed by the state, which is different compared to former period. A third group of municipalities will be able to access EU-funding, but will have to find public co-finances themselves. The fourth group, the urban municipalities, are not able to attract money from axes 3/4.

²⁹ Apart from LAGs are also going to cover parts of a new fisheries programme.

³⁰ LAGs (partnerships) as decion takers, territorial based strategies, bottom-up-principles et al.

³¹ The LEADER+ LAGs together with the national networking centre LEADER+ Denmark launched a pamphlet that showed what had been obtained by LEADER+ (Thuesen/Thomsen, 2006) at a very strategic moment in the process.

³² Bear in mind that because of the agricultural sectors decline and structural development and because relevant supportive schemes needed as well might be relevant to the Ministry for Business and Economy, the 'old agricultural' ministry also might have to look for new tasks.

³³ Used by Statistics Denmark and The Ministry of the Interior and Health.

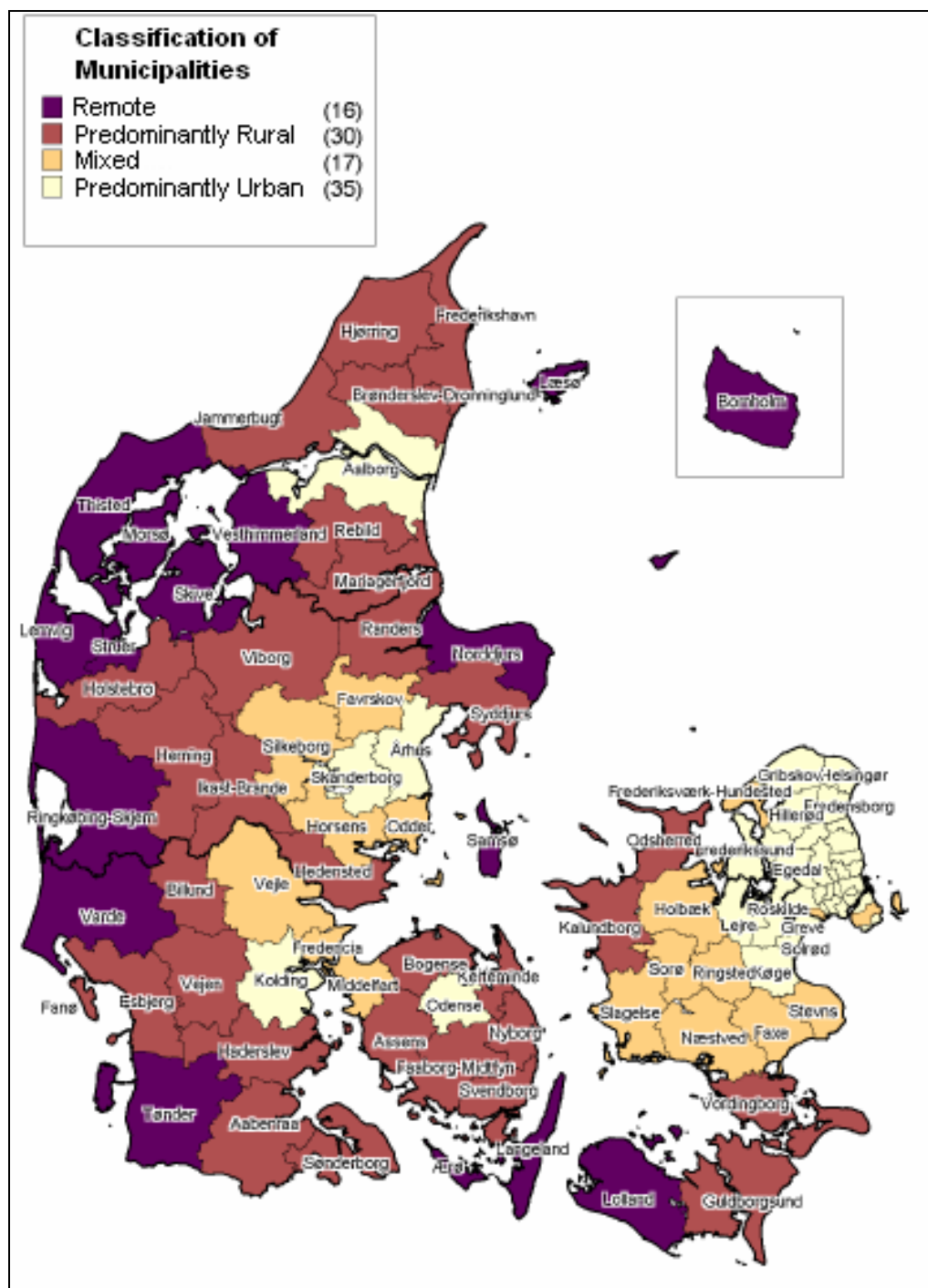


Figure 7: Urban-rural classification of municipalities in Denmark

Source: Kristensen et al (2007)

Despite this particular emphasis on the LEADER-axis, axis 1 and 2 still are the biggest and are available to all areas. Compared to the former period the axis 2 share has been slightly reduced. This, of course, has caused frustration for the nature and environmental interests. Perhaps even more surprising (though little discussed, and not on the agenda for the January meetings) is the share allocated to axis 1 – the food production sector

Apart from distribution of power as an explanation for all this, and therefore also the political fight about the rural question, the discussions and the political process surrounding RDP 07-13 have highlighted a range of interesting issues:

1. The concept of rurality and rural policy have until now been fragmented and consisted of different components, each of them having different targets and delivery structures, horizontal and vertical. Greater coherence has been achieved through the need to connect different types of actions within the same program
2. The old fight between regulation/protection concepts on the one hand and development/use concepts on the other, continues.
3. Locally-based rural policy has not played a substantial role in the kind of rural policy that formerly was carried out from Ministry for Food, Agriculture and Fisheries, but both the preparatory process and the strengthened LEADER-axis seems to indicate a change
4. It seems reasonable to speculate that the changing attitude to the LEADER-method has to do both with politics in general and with fiscal reasons in particular
5. Even if the territorial based approach to rural development has gained power – opportunities to make efficiency and synergies by combining the program's different axis are not secured. In particular axis 1, that is dedicated the sector concerning food production, is out of reach of the LAGs and will be administered with a sectoral approach without a clear rural perspective.
6. The great public focus on the preparations of RDP 07-13 may have exposed the importance of the program and the ministry in charge of it. At the same time preparations for and implementation of the municipal reform during the same period may have occupied other players and overshadowed the fact that that they also may have roles in rural policy in the future.

3.5 Rural development and rural policy in the future in Denmark?

Despite the political struggles, rural development and rural policy in Denmark might attract more attention in the future, for good and bad, simply because³⁴ the general development in society will lead to that. This is because:

- *Regional development* in itself tends to lay bare problems in rural areas, in particular in remote areas. Like in many other countries we are experiencing a strong tendency towards concentration in and around the major cities. Rural areas close to major cities are drawn into this development, becoming a kind of suburbs and potentially causing a pressure on nature and environment. Conflicts due to the coexistence of the farming sector and newcomers often occur, for example over the obnoxious smells from large pig farms. The need for regulation might be more obvious here. At the same time the remote areas are losing jobs and inhabitants. Until a few years ago, remote areas instead benefitted from a decentralized industrial development, see e.g. Tanvig, 1995. In this situation there might be a need of strategies promoting socioeconomic development, with or without the agricultural sector, and with or without particular caretaking of nature and the environment. Many actually find that nature and heritage can be used as drivers to promote new development, (OECD 1999).
- *Structural development within the agricultural sector* will draw attention to the role of the sector in the rural areas. The visual, aesthetic and sociocultural appearance and performance of farming being more and more like that of heavy industry is already a provocation to many. Solutions for how to handle or use the growing amount of vacant or abandoned buildings for other purposes, are being debated as well. Alongside the mainstream, we find examples of other kinds of farming strategies and structures, not least because local quality produce, multifunctional production and diversification

³⁴ As mentioned before, new planning instruments at both regional and municipality level, will also involve attention to rural development issues in a broader sense than until now.

are in focus. But until now, such alternatives, have been overshadowed, and it is a good question if Danish farmers can change direction to the extent that the alternatives become mainstream³⁵.

- The partial *withdrawal of the decentralized Danish welfare state* will affect rural development. The model has been particularly efficient since 1970 and during the introduction of the late municipal reform and other reforms that all of them had the goal to secure the ability to equal development, regionally as well as socio-economically. This is one of the reasons why rural areas remained viable, for so many years, despite the decline of their agricultural base. The municipalities provided the localities with administrative and public services, and also provided employment for thousands of persons also in remote areas. The new municipal reform will result in the concentration of the public sector employment in fewer centres, and will also mean that decision makers will be further away from many rural residents. This might make it easier for them to take unpleasant decisions. Even before the Reform takes effect in January 2007, decisions have been taken to close down hundreds of small schools, local libraries and other public services in sparsely populated areas. At the same time public transport (financed by the state) in remote areas will be cut. These kinds of provision have until now been seen as ordinary public services in Denmark. In the future it seems that they may well be considered as elements of rural policy like they are in many other countries.

- *New modes of regulation* will affect rural policy. Rural development and rural policy can be described as in the middle of a struggle between *governance and government*, according to the previous analysis. Among others, Bogason (2003) and Bang et al. (2006) explain these terms, and why we have to be aware of them. We are all over in our societies facing ideologies and examples indicating that the well known triangle: state, market, and civil society, does not work or is substituted by other models. More and more examples of cooperation across public and private as well as new division of labour between horizontal and vertical parties are seen, often in a mixture. This has been described as networking, partnering, public-private-partnerships and so on. The representative democracy and hierarchical top-down approach to development in society, is supplemented or replaced by other modes, such as the 'the small local democracy' based on its own interests, or 'the local, culturally identity based activity'. If it comes to that, many years' experiences with organizing and setting up 'local rural policy' actually has the same connotation and can also be the ideology behind the formation of LAGs in RDP 07-13.

- *New paradigms of development* from other reasons than above mentioned might attract attention to rural development and rural policy, see Tanvig (2006). The term 'governance' can be seen as a part of a greater context. Due to globalization, new technologies and the networking economy, spatial development can follow other tracks than what are given within national boundaries or relationships between e.g. nearest cities and rural areas. Local initiative and specialization based on local comparative advantages and marketing within a global context has become crucial to an area's viability. Therefore the importance of local identity, local structures and local actions is increasing, and as Herlitz (2000) explains, 'the logics of a place-driven development' has substituted the logics of a '(business)sectoral-driven development'³⁶. Local development also in rural areas instead therefore might depend to a greater extent than before on locals' abilities to shape and take part in the new development (Copus et al., 2000), and as Amin and Thrift (1999), and Johannisson (2000) explain, depends on institutional thickness, social entrepreneurship and social capital. Individual communities in rural areas are of course affected and shaped by their physical and historical backgrounds and their structures and cultures, but, having the opportunity to be integrated into globally functioning systems and other kinds of local communities, they are becoming more and more diverse. On the one hand, they tend to lose their common identity and the term 'rural' is liable to be devalued. On the other hand, they have a framework for interacting in new constellations and can eventually play a more active role in shaping themselves rather than being the residual and passive part of either the agricultural sector or the cities. This is also why, as phrased by the OECD

³⁵ The organic farming sector is rather big in Denmark, but it tends to follow the same lines of effectiveness as the conventional sector. At least organic farms are just as big as the others.

³⁶ Usually industrial sectors.

(2003), there must/should be a shift away from a sector-based policy towards a place-based policy and local interests and the resources that are available, and why the concept of governance and (for example) LEADER can be so relevant.

3.6 Conclusions

Rural policy in Denmark is really at a crossroads. For many years we have pursued an agricultural policy, characterised by production support combined with a supportive scheme for small community activities. Rural policy with a regional policy angle has not yet played a significant role either, and what can be considered as such does not term itself rural policy and does not target rural areas. The main reason for this is the industrial development and the decentralized Danish welfare state, that together did not leave rural areas in backwardness after the decline of agriculture.

Now, the situation has changed, with regional development tending to widen disparities and the welfare state that will no longer be based on securing equalities and decentral economic viability. This might leave several openings for a stronger rural policy, because of an increasing need of:

- regulation of growth in rural areas in the outskirts of the major cities
- taking a stand on what should happen to agriculture
- taking a stand on remote areas' future and developing the tools that they might need to be revitalized

Theoretically, rural development can take place also in remote areas, depending on the locals' abilities. RDP 07-13 and in particular the LEADER-method can offer some of the tools needed.

The question is, if such an interpretation of rural development and policy will be accepted and facilitated seriously, when it comes to political realities. The struggle behind the preparations of RDP 07-13 illustrate that classic viewpoints play a significant role, and that the rural question still is pretty open and political, with the difference that now it is posed in the public debate and in a period with big changes. Rurality has come to Denmark, rural policy maybe also.

References

- Amin A and Thrift N**, eds., 1999, *Globalization, Institutions, and Regional Development in Europe*. Oxford University Press.
- Bang H P** m.fl., 2006, *Magtens nye ansigt – netværkspolitik, kulturstyring og ny elitisme*. Juridisk Økonomisk Forlag.
- Bogason P**, 2003, *Fragmenteret forvaltning. Demokrati og netværksstyring i decentraliseret lokalstyre*. Systeme.
- Copus A K et al.**, 2000, *Holding down the global: Regional Milieux, Innovation, and Economic Vitality in the Periphery*, paper presented at the 'European Policy at the Crossroads' conference, Arkleton Centre for Rural Development Research, University of Aberdeen, June 2000.
- Herlitz U**, 2000, *Platsideologi. Bygderörelsen och demokratisk perspektiv i det postindustrielle sambället*. Rapport 119, SIR, Sverige.
- Indenrigs- og Sundhedsministeriet**, 2004, *Regionalpolitisk redegørelse*. København.
- Indenrigs- og Sundhedsministeriet**, 2004, *Lokal landdistriktspolitik. Vejledning til amter og kommuner*. København.
- Johannisson B** 2000, *Humankapital och socialt kapital som kraftkällor vid regional utveckling*. Rapport 13-15 från Regionalpolitiska Utredningen. Fritzes Forlag.
- Kristensen I T, Kjeldsen C, Dalgaard T** (2007) *Landdistriktskommuner - indikatorer for landdistrikt*, Danmarks Jordbrugsforskning.
- Kvistgaard M**, 2003, *Midtvejsevaluering af Landdistriktsprogrammet*. København.
- Miljøministeriet, Landsplanafdelingen**, 2003, *Et Danmark i Balance*. Landsplanredegørelse 2003. København.
- Miljøministeriet**, 2006, Landsplanredegørelse. *Det nye Danmarkskort – planlægning under nye vilkår*. København.
- Ministeriet for Fødevarer, Landbrug og Fiskeri, Direktoratet for FødevareErhverv**, 2003, *Vækst gennem innovation i fødevarersektoren i Danmark*. København.
- Ministeriet for Fødevarer, Landbrug og Fiskeri**, 2007, *Mere liv på landet. Landdistriktsprogrammet 2007-2013*. København.
- OECD**, 1999, *Cultivating Rural Amenities and Economic Development*. Paris.
- OECD**, 2003, *The Future of Rural Policy – from Sectoral to Place-based Policies in Rural Areas*. Paris.
- Svendsen G L H**, 2002, Drømmen om det rigtige liv på landet. In: *Jordens Folk*. Etnografisk Revy.
- Tanvig H W**, 1995, *Lokal industriel udvikling – lokal erhvervs politik*. Sydjysk Universitetsforlag.
- Tanvig H W**, 2007, Landdistriktsudvikling – begreber, teori og praksis. I: Gunnar L.H. Svendsen & Hanne W. Tanvig, red., *Landvindinger - landdistriktsforskning og perspektiver*. Syddansk Universitetsforlag. Forthcoming.
- Teknologisk Institut**, 1999, *Landdistriktspuljen 1994-99*. Evaluering foretaget af Teknologisk Institut Erhvervsanalyser. Indenrigsministeriet.
- Teknologisk Institut**, 2001, *Evaluering af kommuners og amters landdistrikts politik*. Evaluering foretaget af Teknologisk Institut Erhvervsanalyser. Indenrigsministeriet.
- Teknologisk Institut**, 2003, *Midtvejsevaluering af LEADER+ programmet*. København.
- Thomsen L and Tanvig H W**, 2006, *Støtteordningerne på landkortet*. CFULs Skriftserie 13/06, Esbjerg.
- Thuesen A A et al.**, 2006, *LEADER i Spil. Landdistriktsudvikling efter LEADER-metoden*. LEADER+ Danmark, Esbjerg.

4. Changes in local governance and Rural Policy in Denmark

*Niels Jørgen Mau Pedersen*³⁷

Indenrigs- og Sundhedsministeriet
Slotsholmsgade 10-12
DK-1216 København
Denmark
mau@im.dk

Abstract

The paper begins by briefly describing the configuration of rural Denmark. It goes on to and define rural policy, and then reviews Danish rural from a sectoral perspective. It is shown that rural policy incorporates aspects of policies relating to the environment, spatial planning, agriculture, industry, and the public sector. In addition to this broad or integrated view of rural policy the more conscious rural policy of local governments and co-ordinating Central Government initiatives are dealt with. Other elements of rural policy are then highlighted through a time series perspective, focusing on the roles of the various agents of the rural agenda for the last 30 years. Changing ministerial initiatives are a particular focus.

Against this background a short description of the recent Danish local government reform is given. This is followed by a discussion of the question of governance in relation to the separate policy areas. Although it is a little early to be certain, since the reform is still in the implementation phase, assessments from the perspective of planning and environmental policy, of the role of new organizations such as LAGs and growth foras, and of the responsibilities of Central Government versus municipalities are provided. It is already apparent that the new municipalities seem to show an interest in formulating and discussing rural policy.

4.1 Introduction – the geography of rural Denmark

Despite the fact that Denmark – compared to the other Nordic countries – is geographically homogenous, it is still possible to distinguish rural areas, outlying areas and urban areas. There are rural districts in all regions, but, as in almost every other country, the outlying regions are more rural and sparsely populated than urban regions. Development in the rural districts – in terms of settlement and income – seems to be dependent upon whether the rural district is part of a predominantly urban region or is located a peripheral region. Rural policy is a relevant and much discussed subject on both the national, regional and local level.

³⁷ This paper has been invited by Nordregio for a seminar in Stockholm, October 10th /11th 2006 entitled Nordic Rural Development Policy Workshop. I have in the Ministry of Interior and Health (and formerly the Ministry of Interior) worked with rural policy matters for some years. However, the statements in the paper are on my own account and not on the ministry's. Nevertheless, due to my occupational background, I might be somewhat biased towards the role of (Central) Government. Finally, I wish to thank Lene Anderson for very substantial contributions.

Before turning to governance and rural policy it is necessary to consider the scope of rural policy. We must have some kind of impression about what is expected from rural policy before concentrating on who is responsible. Previous to this we must establish a definition of rural areas.

In literature there are numerous discussions about a suitable definition for the rural areas. This discussion is also reflected in Denmark, where the definition seems flexible depending on the context.

In the official government rural statements, e.g. Indenrigs- og Sundhedsministeriet (1997 and 2002), the definition states that a rural area has no continuous built up area with less than 200 inhabitants in, or alternatively rural areas and small towns with up to a 1000 inhabitants. This definition is by critics seen as a residual or passive definition, although it is on the other hand at least consistent, and accessible, since it is incorporated into Danish official statistics. It is, however, not the only definition used by the Danish government. For example in the context of the Danish administration of the EU RDP the definition of a rural area is flexible, but normally relates simply to areas outside the larger urban centres.

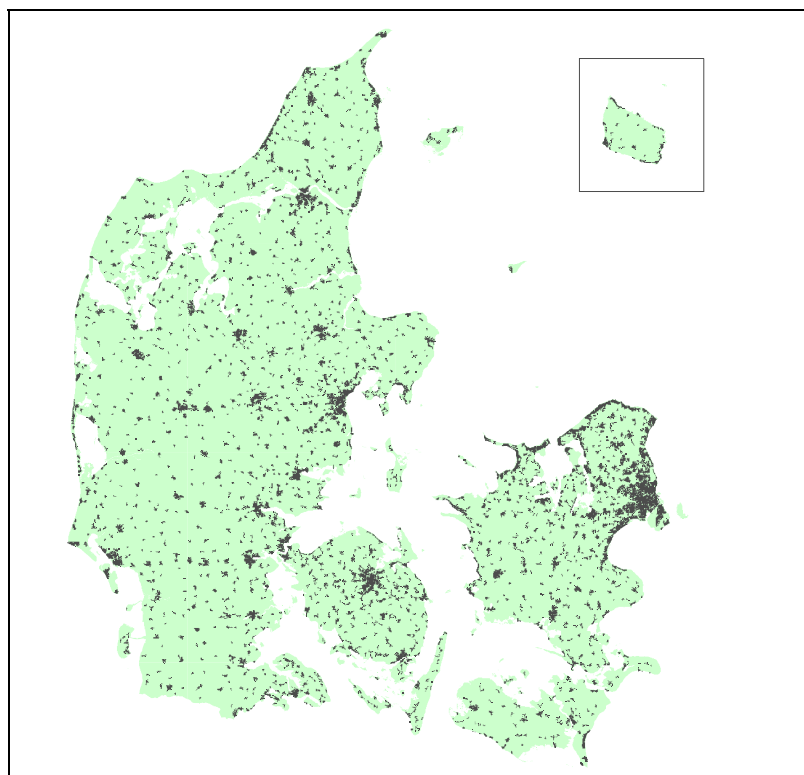


Figure 8: Rural areas in Denmark (Danish Statistic definition)
(areas with less than 200 inhabitants in adjoining built up area = the green areas)

Source: Indenrigs- og Sundhedsministeriet (2002), Bilag 2.

4.2 Rural policy in Denmark – elements and aspects

Introduction

The overall objective of rural policy is sustainable development of areas in which the population has access to jobs, a variety of public services, and culture and leisure activities. It can be described as a comprehensive policy, in that it includes elements of industrial and agricultural policies, landscape planning, settlement policy and public services.

Since the beginning of the 1990's the overall responsibility for coordinating rural policy in Denmark has been with the Ministry of Interior (and Health). This reflects the multi-sectorial perspective which characterizes Danish rural policy. The traditional agricultural or landscape approaches have been judged too narrow for the complexity of rural matters. However, this makes it necessary to define the difference between rural and regional policy:

‘Rural policy deals with differences between rural and urban districts in Denmark. The point of departure for this policy is development in districts, where public and private service is scattered. The aim of rural policy on this background is to secure that the rural districts continue to be attractive to localize business and households.

Regional policy deals with differences between regions, where rural and urban is regarded as adjoining districts. The point of departure is larger areas, e.g. counties or commuting areas...’
(Indenrigs- og Sundhedsministeriet 2002)

Thus Danish rural policy is not discreet, unitary, policy, but is composed of elements from several different policies. The most important of these will be discussed below.

Environmental and planning policy

Environmental aspects of rural policy in connection with spatial planning have been of great significance for many years in Denmark, since many rural areas are valuable recreational areas, not so much for local (rural) inhabitants, but more importantly, for the urban population. This gives the rural population a particular interest in environmental policy, indeed they are important partners or actors in it. However, there are also examples of conflicts between environmental objectives and interests associated with other rural policy fields. For example in relation to agricultural policy, negative externalities from farming on the physical environment might have an adverse effect on the living conditions of rural inhabitants. Another example of conflict relates to the fact that the population of many rural areas is sustained mainly through counter-urbanisation and extended commuting, which increases air pollution and other environmental impacts.

Although rural policy thus has important environmental aspects, the transfer of the responsibility for coordinating rural policy from the Ministry of the Environment to the Ministry of Interior in the early 1990'ies signalled the government's desire to underline the importance of other aspects of rural development.

It is also important to recognise that on some occasions the organizations of rural areas, villages etc. have expressed concerns that environmental interest groups tend to give a higher priority to public, (i.e. urban), interests in recreational areas and open-land than to the need for vigorous rural communities. This disquiet is often expressed in slogans such as ‘We don't want to be reservations’. Such concerns were recently exemplified by the fact that the designation of national parks has met with both great interest but also sometimes with serious resistance from local population.³⁸ However,

³⁸ See e.g. Jensen & Jørgensen (2005)

it is nevertheless the population of the rural areas that has the primary interest in – and knowledge of – ‘environmental assets’.³⁹

Agricultural policy

It goes without saying that the agricultural sector is of utmost importance to rural areas, due to the historical fact that farming has long been the dominant economic activity here.⁴⁰ Agriculture and the primary sector still occupy 11-13% of the workforce in rural and more peripheral municipalities (Table 4).

Table 4: Occupied persons in business sectors for different types of municipalities, percent, 2005

	Type of municipality				Country Total
	Peripheral municipality	Rural municipality	Urban municipality	Municipalities in capital area	
Primary industries	13	11	4	1	3
Manufacturing industries	15	20	18	9	15
Construction	8	10	7	6	7
Service industries ¹	29	27	36	46	38
Public and private services ²	34	32	36	38	36
Total	100	100	100	100	100

Note: Occupation registered at the work-place. Occupation in non-registered business is excluded. For definition of the municipality type see table 2. In this table however, the urban municipality summarize ‘small city municipality’ and ‘big city municipality’.

¹Transportation, postal services, autorepair, hotel and restaurant services etc.

²Public administration, education, health sector etc.

Source: Danmarks Statistik and Indenrigs- og Sundhedsministeriet (2007).

Even though agricultural interests are occasionally in conflict with the interests of other local inhabitants, farming still plays an important economic role in rural areas, and traditionally farmers have also been rather active in relation to the rural policy agenda. Today, the agricultural organisations deal not only with business policy, but also, for example, with cultural and leisure activities⁴¹. By tradition – maybe due to some sociological characteristics of the typical farming family⁴² – the level of political interest and influence has been high. It is no coincidence that the history of the influential ‘folkehøjskoler’ tradition of adult education had its origins in Danish farming culture.

Finally it is worth mentioning that EU agricultural funds (CAP Pillar 2) have in recent years begun to channelled, to some extent, away from agricultural production and towards more general rural area projects. This seems likely to perpetuate the close connection between rural policy and the policy for, and economic condition of, agriculture.⁴³

Industrial policy

As part of the growing importance of the multi-sector approach to rural development, general industrial policy has received increasing political interest from a rural perspective. A number of policy initiatives are evidence of this:

³⁹ Se Tanvig (ed) (2002), chp. 5.

⁴⁰ Indenrigs- og Sundhedsministeriet (2002).

⁴¹ As examples can be mentioned ‘Danmarks 4H’ and ‘Danmarks Landboudom’.

⁴² See Tanvig (2003).

⁴³ Indenrigs- og Sundhedsministeriet, Fødevareministeriet (2004), section 5.

- The policy for SME's, (including measures to alleviate administrative burdens and create support services such as business counselling)
- Measures to encourage entrepreneurial activity, (in which rural areas should have potential, but generally do not seem to exploit it to the same extent as urban areas)
- Measures to develop new uses for former agricultural buildings and for putting up new constructions⁴⁴
- Infrastructure and public transportation policy in less densely populated areas, (including, for example tax deductions for transportation costs).

Public sector policy

The public sector occupies about one third of the total Danish workforce and the economic significance of this sector has increased dramatically, especially in the 1970's and 1980's.⁴⁵ In the rural municipalities and in the less densely populated districts in general, this has been an important component of economic development trends.⁴⁶ The tendency for long-term convergence in income per capita levels between rural and urban areas seems to be to a great extent explained by the expanding public sector.⁴⁷ After the municipality reform in 1970, when the public sector gradually became more decentralised, the build up of the welfare state during the 70s created a lot of jobs in public services, many of them in the rural districts. The increasing number of well-paid public sector jobs benefited the tax-base of rural areas, and this, together with an effective municipal equalization system, has enhanced the economic resources available to local governments in rural areas.

Besides these factors of development, two policy issues regarding public sector have a special relevance to rural policy:

- political representation of rural population
- level of public sector service and taxation in rural areas

Representation

As can be seen from *Figure 9* the proportion of the population in rural areas has diminished markedly in recent years. However, it is of course still important to this diminishing part of the population that its interests are still represented in an appropriate way.

We could here distinguish between four kinds of elected political bodies in Denmark:

- 1) the national Parliament
- 2) the county boards
- 3) the municipal boards in predominantly urban areas
- 4) the municipal boards in predominantly rural areas

Both for 1) and 2) the rural population is a minority, of course, but will – possibly with the exceptions of The County of Copenhagen and the Municipalities of Copenhagen and Frederiksberg – have some representation. This goes also for 4). For type 3) municipalities, however, some only have a very small rural population measured against the total population of the municipality, and in consequence rural interests may have some concerns concerning their representation.

⁴⁴ It has for many years been a disputed question, see in short Miljøministeriet (2004).

⁴⁵ Larsen and Mau Pedersen (2005), chp. 1

⁴⁶ Mau Pedersen (1999).

⁴⁷ Indenrigsministeriet (1993) deals with this phenomenon – sometimes titles 'the move to the West' (of industrial activity from Copenhagen Metropolitan Area to the provincial areas, especially Jutland).

Level of service and taxation

The level and quality of public services, and their cost to the local citizen, are interesting aspects of rural policy. For services offered by the Central Government, (including, for example, further education), it is widely accepted that the levels should be equal, in principle at least, according to the principle of horizontal equality or 'equal treatment for equals'.⁴⁸ Also the tax burden should be the same in all parts of the country, rural and urban, so that people with same level of income pay the same tax regardless of location.⁴⁹

This is the principle, but in practise the decisions of localization of central government institutions will also have some importance for the service - and job opportunities - in rural areas, although this question is in Denmark normally treated as part of regional policy. It has in recent years been the obligation of ministries, or other central agencies, to consider regional effects, (including rural aspects), of re-organisation and efficiency-improving initiatives.⁵⁰

Services offered by counties/regions and municipalities can vary due to decisions regarding local service levels. Depending on the level of equalisation, the local tax rates may to some extent differ in accordance with the service levels.

The municipalities are responsible for major part of the citizen-related service tasks such as care of the elderly, child care, primary schools and a number of social services. Regions - formerly counties - are responsible primarily for health care. Both for counties and municipalities we have seen an equalisation of service levels, going hand-in hand with a decentralised public sector. Especially, in the 1990'ies the levelling out of service-standards has been significant, e.g. concerning kindergartens.⁵¹ The explanation probably lies both in Central Government recommendations and in demands from the citizens. This has also been to the benefit of rural municipalities, although there has been a slight growth in tax rates compared to more urban local governments.

Rural policy

Having taken account of the environmental, agricultural, industrial and public sector policy issues as components of 'broad' or 'integrated' rural policy, there remain two areas which could be labelled 'rural policy'. These are, on the one hand, the explicit rural strategies devised and implemented by the municipalities and counties, and on the other, the co-ordinating rural policy initiatives of the Central Government.

The Ministry of Interior and Health has requested that the municipalities to form a local rural strategy or rural policy. A local rural strategy/policy is one which coordinates town and country (spatial) planning with the different policies for service provision, with the objective of maximising the benefits to the local communities and villages. The starting point in a rural strategy is special knowledge of the needs and opportunities of the communities. The recommended procedure for making a local strategy is a bottom-up process in which the citizens themselves are involved in defining needs and opportunities.⁵²

4.3 A historical view of the rural agenda

After the above 'cross sectional' discussion of different aspects and elements of rural policy in Denmark we will now present a historical perspective.

⁴⁸ See Mau Pedersen (1995), chp. I.

⁴⁹ Concerning the tax deductibility in personal taxable incomes of transportation costs the discrimination between the population of certain rural areas and the rest of the country is an example of an exception to this 'rule' of horizontal equality. The discrimination is in favour of the rural areas.

⁵⁰ Se Indenrigs- og Sundhedsministeriet (2006).

⁵¹ See Indenrigs- og Sundhedsministeriet (2005b), part I. About regional disparities and decentralization in OECD countries Lessmann (2006).

⁵² See Indenrigs- og Sundhedsministeriet (2004a).

Demographic changes

Many of the changes Danish rural policy over recent decades owe their origin to demographic change. Over the years there has been a decline in the number of inhabitants in rural areas, and the population has become more concentrated in the big cities. In addition the demographic structure has changed. This, of course, is linked to structural employment change, especially the decline in the agriculture. However, since the beginning of the 90's the rural population has been stable at about 15% of the Danish total.

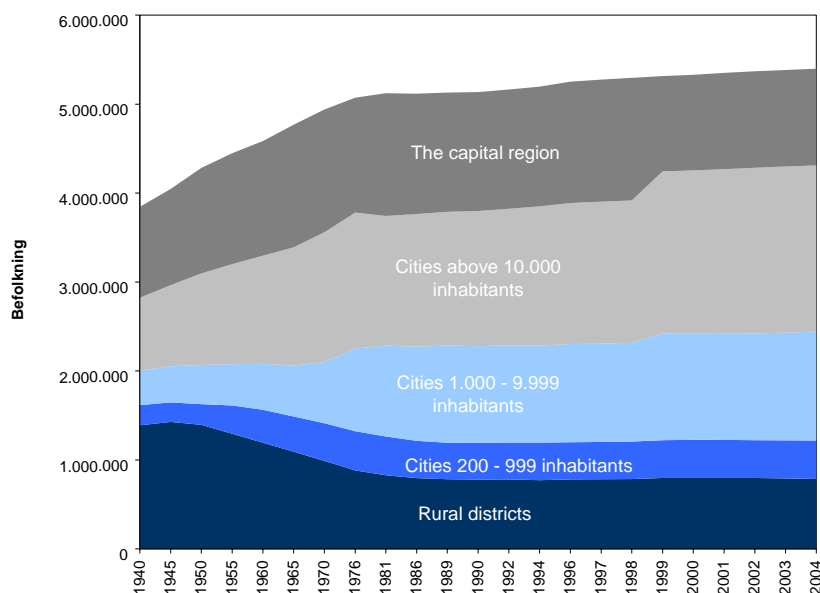


Figure 9: Population distributed among rural and city areas

Source: Danmarks Statistik

Behind this overall stability lies a more differentiated picture, depending on the location of rural areas. Broadly speaking rural areas close to big cities tend to attract new inhabitants, whereas outlying rural areas have experienced a population decline, (Table 5). It is therefore helpful to distinguish (at least) 2 different types of rural districts: 'urban-rural districts' and 'outlying rural districts'.

The 'urban rural districts' are characterized by growth both in population and in their economy. Many of the inhabitants commute to the cities to work in service- and knowledge-based industries. An important element of the population is children attending day care and going to school, whilst the working population provides a solid tax basis for the area. By contrast the 'outlying rural districts' are characterized by decline and an aging population and therefore with a reduction in the workforce.

This two-track picture is of course not without local variations. Some rural areas in the outlying areas do attract new inhabitants and new business. One analysis shows⁵³, that rural districts which show some degree of dynamism tend to have some specific favourable conditions and opportunities for business, such as amenity values. The crucial point here also is how the local community responds to and exploits their special advantages. The analysis also shows that this has to do with how 'open' the community has been (historically) to changes and to new ideas and inhabitants.

⁵³ The analysis is carried out by The Institute – formerly Centre - of Rural Research and Innovation. See Svendsen et al (2004). – man kunne også henvise landdistriktsredegørelsen 2004

Table 5: Yearly average growth in income, occupation and populations

	Type of municipality					Total
	Outlying area	'rural' municipality	Small city municipality	Big city municipality	municipalities in the capital region	
Population in rural areas 1994-2004	-0,21	0,16	0,06	0,20	0,98	0,14
Population in the municipality total 1992-2004	-0,12	0,33	0,25	0,43	0,48	0,39
Occupation in rural areas (by address) 1994-2003	0,04	0,56	0,40	0,38	1,06	0,45
Occupation in rural areas (by working place) 94-2003	-0,08	0,15	0,40	1,39	1,76	0,57
Income pr. capita (primary) 1992-2002	3,33	3,76	3,49	3,49	3,54	3,57

Note: 'outlying areas' is defined as municipalities where the largest city has less than 3000 inhabitants and with a distance of more than 40 km to the nearest centre. 'rural municipality' is defined as municipalities where the largest city has less than 3000 inhabitants. 'Small city-municipality' is defined as the largest city has less than 20.000 inhabitants; 'Big city-municipality' is defined as the largest city within the municipality has more than 20.000 inhabitants. Rural districts is defines as places with less than 1000 inhabitants. *Source:* Danish statistics and own calculations

Traditionally, rural development has been linked to the development of agricultural production, but with the decline in agricultural employment, the political agenda has changed and new rural organisations have arisen in parallel.

Resume of the political agenda for the past 30 years

In 1978 the Minister of Environment appointed the 'Landsbykommission' (Commission of Villages), with the purpose of analysing the state of the villages and recommending initiatives which could improve the 'well-being' of the villages. One of the outcomes of this work was that the Minister of Environment set up a 'village contact group' with 14 members from different ministries and organisations. The purpose for the group was to discuss village problems, and to create ideas and consider solutions to those challenges. The contact group was abolished, however, in 1990.

In 1992 the government set up an interdepartmental working group on rural development, with a remit to take stock of the situation, analyse the situation of the rural areas, and consider possible initiatives to generate new economic activity. The lead department was the Ministry of Interior, and the work resulted in a white paper⁵⁴ on rural issues, and a government action plan. Two of the main points in this action plan, related to the appointment of a 'Rural Group', and the establishment (for a trial period of 5 years) of a Rural Fund (Landdistriktspuljen - DKK 17 million per year) for financing experimental projects in rural areas, and information and research initiatives.

The 'Rural Group' was established with members from rural organisations and politically appointed persons with interests in rural affairs. The group functioned as an advisory board for the minister of Interior with regular meetings four times a year. The group also monitored the allocation of the rural fund.

The Rural Fund supported rural development projects relating to settlement, living conditions, culture and business. Typical applicants are rural organisations or associations situated in rural areas.

Both the Rural Group and the Rural Fund were based in the Ministry of Interior. This might, (as already mentioned above) be interpreted as a signal that the rural agenda had already begun to focus on broadly formulated living conditions and organisations without a close link to the agriculture production or environmental issues.

⁵⁴ Betænkning nr. 1242, December 1992, Indenrigsministeriet (1993).

As a follow up on a Danish Parliament debate in 1996, the government once again encouraged the establishment of an interdepartmental working group. The main object was to examine whether the existing regulatory framework (in terms of legislation) secured equal opportunities for rural areas as well as for cities. The analyses carried out by the interdepartmental working group, chaired by the Ministry of the Interior, took into account both spatial constraints and constraints in terms of business development, services and settlement in the rural districts.

The analyses were presented to the Danish Parliament (Folketinget) as a white paper⁵⁵ in 1997 followed by a debate in the Folketinget. As a consequence of the debate, the government produced a rural statement (review). The government rural statements have been annual in the period 1997-2002, and were in that period the responsibility of the minister of Interior.

The governmental rural statement reviews the actual situation for the rural districts in Denmark. The statement gives an overview of the main tracks of development of the rural areas and also provides a summary of new sectoral initiatives on rural development during the past year (and forthcoming initiatives). Finally the statement states the governmental ambitions in terms of further development. By tradition the government rural statement has been followed by a debate in the Danish Parliament (Folketinget) which often passes a resolution on governmental action for improving the conditions of rural areas.

One of the most notable resolutions has been a continuation of the 'Rural (community) Fund' after its trial period, and furthermore an increase of 5 million kroner (a total of DKK 22 million each year). This happened in 2000 and the rural (community) fund still exists.

Parallel to the rural agenda a regional agenda has emerged, and the government (Minister of Interior) also gives an annual statement of regional development in Denmark.

The development of the rural organisations

As a consequence of the changes in the rural agenda, new rural organisations were established. The main agenda of these organisations – more or less – was to improve living conditions for people in rural areas/districts. But even though the broad 'cause' was the same, the organisations differed in specific objectives and approach, and collaboration was difficult. Then, in 1997, three organisations created a new umbrella organisation 'Landdistrikternes Fællesråd' (LDF)⁵⁶. This organisation now has 13 member organisations, covering the interests of rural areas in terms of general living conditions, agriculture and business development. Since 1997, LDF has been a serious (sparring!) partner to the government both on local and national level.

Centre of Rural Research and Innovation

Another actor in the rural arena has been the Centre of Rural Research and Innovation ('CFUL'), established for a 5 year trial period in 2001. The idea of such a Centre was formulated as during a preliminary investigation (initiated and supported by the Rural (community) Fund) of the potential for focused research on rural development. As a follow-up the Ministry of Interior and the Rural Group, began joint preparations for the centre. The concept was realised as a private foundation (CFUL), with public funding, established in Esbjerg in 2001. The objective of the centre was to contribute to the development of sustainable rural areas with a particular focus on business development and quality of life. The work of the centre has been much appreciated, and it has been decided not only to continue, but also to strengthen the research links through establishing (in summer 2006) a university institute for rural research known as 'IFUL'.

⁵⁵ Betænkning nr. 1333, marts 1997, Indenrigsministeriet (1997).

⁵⁶ See <http://www.landdistrikterne.dk>.

4.4 The local government reform⁵⁷

In 2007 a major reform of the Danish public sector will be implemented involving both structure and assignment of public tasks. This reform – with many potential aspects for governance in rural districts and rural policy – will briefly be handled in general below under the heading ‘the local government reform’. Afterwards, in section 5, the possible influence on the various policy areas will be discussed.

On January 1 2007, a new local government structure will be implemented. 98 municipalities will replace the previous 271. 14 Counties and 3 unitary municipalities will be abolished and five regions will be created, see Figure 10.

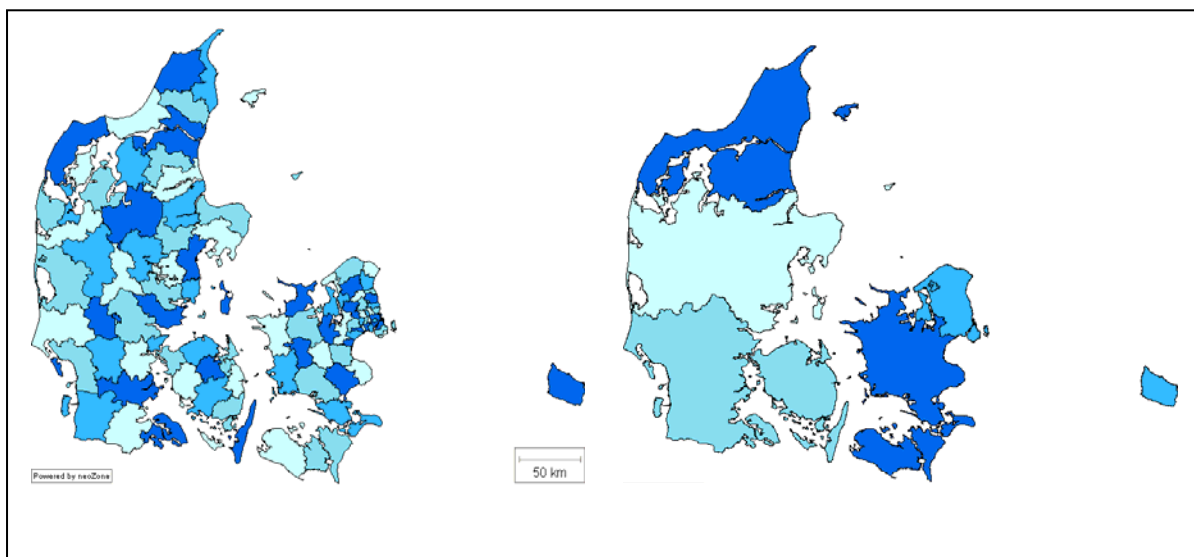


Figure 10: New municipalities and regions 2007

These changes are the outcome of a structural reform passed by through the Parliament in June 2005. The structural reform contained the criteria for a new system of municipalities and regions and a new distribution of tasks between municipalities, regions and the state. Finally, parallel to the structural reform a financing and equalisation reform was decided.

The main guidelines for delimitation – in terms of geography and tasks – were provided in the ‘Agreement on a Structural Reform’.⁵⁸ This agreement also stipulated requirements regarding the size of the new municipalities. Then, it was up to the municipalities to agree on mergers to create larger and sustainable units before 1 of January 2005.

The changes in the municipality structure – before and after the reform – in terms of population and land are shown in Figure 11.

⁵⁷ About the reform, including changes in tasks between the levels of government, see Indenrigs- og Sundhedsministeriet (2006b).

⁵⁸ Indenrigs- og Sundhedsministeriet (2004b).

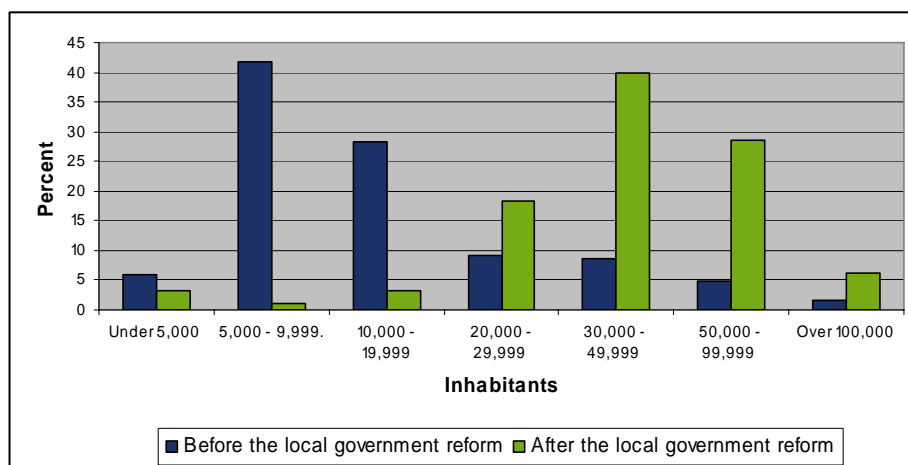


Figure 11: Distribution of Municipalities by Population

Source: Statistics Denmark, number of inhabitants as per 1 January 2005.

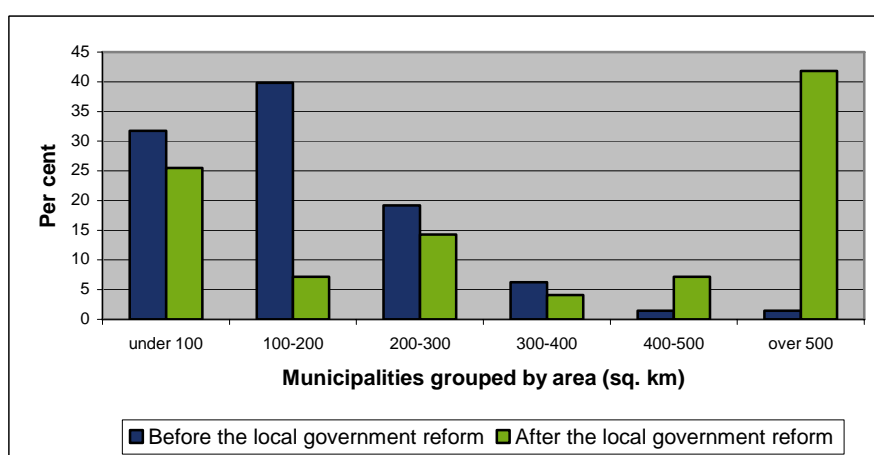


Figure 12: Area that the Municipalities Cover before and after the Reform.

Source: Local key figures for 2004. Boundary adjustments have not been taken into consideration.

In terms of land, the local government reform will result in the average size of municipalities changing from 159 square kilometres (the size of the 'old' municipality of Hølbæk) before the local government reform to an average of 440 square kilometres (the size of the new municipality of Svendborg) after the reform (Figure 12).

4.5 Change in governance and policy areas

The reform resulted in changes in the allocation of responsibilities between the different levels of government, and new forms of organisation arose in some areas. The main changes relating to the sectoral elements of rural policy are summarised below.

Governance of environmental and planning policy

Historically, the counties have had a major role to play in this area. The so-called regional plans, (one for each county), have dealt with the regional aspects and balanced development. In the new governance structure the local level will be considerably more influential and the central level will also be strengthened.

As major tasks being of interest in a rural background should be mentioned:

- preparation of local spatial plans for rural areas (for other areas plans have been prepared by municipalities)
- in connection with this the authority of sanctions for business activities in rural areas.

The purpose of the new organisation of tasks in this area has been to give municipalities more opportunities to administer permissions, exemptions and sanctions in rural areas (open-land) and to plan both rural and urban areas more coherently. Regions will still have some authority in relation to so-called development plans, and the local municipal plans should not be in conflict with the development plans. The development plans are not detailed descriptions of future activities in rural districts, but could be seen as the regional authority's vision for future development, and descriptions of important linkages between infrastructure, other planning activities from other sectors and the future development of the region. The Central Government, on the other hand, keeps and strengthens its role in ensuring that local plans are in accordance with national interests.

So it seems that local plans for rural districts, might in the future be focused on urban interests and national interests rather than focusing on regional perspectives. This might be seen, for example, in the context of the increasing integration of urban and rural communities as more and more rural residents commute to urban areas. On the other hand it might weaken some territorial aspects, which could seem less relevant in a more integrated society. For example, there is a difference between balanced economic development between municipalities *within* a certain region - and the economic balance between what might be called core and more peripheral regions. It is thought-provoking that the Ministry of Environment has, for the first time in many years, albeit probably only temporarily, established a new village commission.

Governance and agricultural policy

There seems – on the surface – not to be any very important changes in governance in this area. The Ministry of Food, Agriculture and Fisheries, will remain responsible for regulation of the farming sector, EU-schemes, policy initiatives and so on, other levels of government will continue to have only modest roles.

Not directly linked to the local government reform but nevertheless with relevance to governance is the establishment of new Leader 'Local Action Groups' (LAGs). The 'leader-method' has been followed previously within the Leader+ programme, in 12 selected areas, but the new Rural Development Regulation requires this method to be integrated in the activities accounting for at least 5% of total programme funding. Within the Danish programme LAGs have been given a substantial role at the local level.⁵⁹

The aim is to form local development plans and to integrate local actors, (citizens, business people, people from organisations and local government) in the work. It is of course of great importance that the local development plan is compatible with the strategy formed by the regional growth fora, (see below) and that there is appropriate interaction between the two levels.

It is suggested that 34 LAGs will be established. Of these up to 25 will be situated in outlying and rural municipalities. The link to the municipal structure reflects the fact that the new municipalities are the 'closest' authority for the local rural associations. At the same time the government has encouraged the new municipalities to focus on local democracy and to involve the citizens both as users of public services and as citizens situated in specific areas within the municipality – here of course also rural citizens and associations.

⁵⁹ Indenrigs- og Sundhedsministeriet (2007)

Governance and industrial policy

It seems that in the future municipalities will be more important actors in industrial policy than previously. This is due to the fact that municipalities will be responsible for spatial local planning for both urban and rural districts, they will take over from the Central Government responsibility for local business services. Their role in labour market initiatives will also be strengthened. Finally, and not the least, the municipalities will be an even more important employer and supplier of public services.

On the other hand for the regional authorities the outlook is for a more modest role in industrial policy, including that relating to sparsely populated and rural areas. However, this picture is somewhat complicated because of the establishment of the new so-called growth fora. This is a new type of organisation which consists of representatives from the business sector, educational institutions, the parties of the labour market and politicians from regions and municipalities⁶⁰. The aim of this composition is to allow different interests to respond to the same problems and to find coordinated solutions.

It is the responsibility of the growth fora to monitor regional and local possibilities of growth and also to form a regional business development strategy. The regional growth fora can initiate activities to improve framework conditions and prioritize regional means for growth. Funding will come from EU Structural Funds.

The growth fora do not have any specific responsibilities for rural areas as such. But according to the structural agreement⁶², high priority must be given to the outlying areas of the region. Furthermore it is the responsibility of the growth fora to allocate the EU funds to the outlying areas at the same level as today, (35% of the total funding)⁶³. To safeguard that ambition, outlying areas have been defined, according to the new municipality structure, as 16 municipalities with low earned income and a slow or negative development in population. Those municipalities have in general more rural areas than the average municipality.

All in all this new construction, the regional growth forum, is likely to have an important role in policy relating to rural areas, but it is difficult to evaluate the precise extent at present.

Governance and public sector policy

Representation in new structures

The most important change of the reform is that because the municipalities are bigger almost no municipalities will in the future be completely dominated by urbanized areas. Of course, corresponding to this the rural dominance in a number of formerly small, rural dominated municipalities will also be 'diluted'. The net effect might very likely be a strengthening of rural policy perspective, since under the current arrangement the effective influence on development conditions for small rural municipalities has been limited, especially if an important part of the population commute to work in other municipalities.

Governance and level of service

If the hypothesis that the rural influence within the municipalities will generally speaking be stronger, the likely effect will be an increase in level of services in rural areas. Furthermore, and perhaps more importantly, the principle of horizontal equality should result in improved service levels in rural areas. Hitherto service levels have tended to be somewhat lower in rural municipalities than in more urban municipalities. The new larger municipalities, including many rural municipalities,

⁶⁰ The growth fora already have started to work in order to be ready to prioritize projects for the EU's structural fund from January 2007. See also on growth for fora Indenrigs- og Sundhedsministeriet (2004b).

⁶¹ There are 6 regional growth fora, since the island of Bornholm has its own forum separated from the growth fora of the capital region.

⁶² Indenrigs- og Sundhedsministeriet (2004b), Section 10.

⁶³ Økonomi- og Erhvervsministeriet (2006)

are likely to harmonise service levels somewhere in between the lower and higher service levels formerly associated with the rural and urban municipalities respectively.

Of course, the above assertions are somewhat speculative. However it is a fact that with new tasks and new responsibilities, the municipalities will have the chance to rethink the organising of public services. In the public debate, it has been argued that the rural areas would lose services since the new municipalities would tend to centralize the service in order to be more efficient. But based on experiences from the island of Bornholm where 5 municipalities amalgamated into one three years ago, this does not appear to have been the outcome. Indeed the rural population in Bornholm tend to be more satisfied with the changes than the city population⁶⁴. This seems to be explained by the fact that the rural population has experienced an improvement in the standards of the public service due to improved management.

Governance and rural policy

Finally, the governance relating to 'pure' rural policy itself should be discussed.

The main interest here might be the behaviour of the municipalities. An indication of this would be the interest and action towards a rural policy, as mentioned above in section 2.6.

In 2000 a consultant's report analysed the development of rural policies in municipalities and found that only 43 of 275 had a formed policy, but that more were expected to follow. The analysis however also indicated that the understanding/interpretation of what a rural policy really is, and how it is implemented differs considerably between municipalities. Most surprisingly was that more city municipalities than rural municipalities had formed a policy.⁶⁵

What about the future situation then? In an unpublished survey carried out by the Ministry of Interior and Health, the new municipalities were asked whether or not they will be focusing on formulating a rural policy. 24 of the 73 responding municipalities replied that an independent rural policy will be formulated as a part of the reform whereas 4 municipalities stated that they already have a policy, which will be continued. 28 municipalities will not formulate a rural policy either because it is not relevant or it is not a priority. The remaining 17 municipalities will defer discussion of rural policy until they have formulated a municipality spatial strategy.

Asked whether or not questions of rural relevance will be discussed in standing committees, 35 of 75 responding municipalities answered yes whereas 17 municipalities (presumably mostly in the Metropolitan area) said that the rural agenda is not relevant. On the basis of the above it seems fair to say that the new municipalities will have a significant focus on the rural agenda. However, whether it will be increased, compared with the present, and how this should be measured, is difficult to say.

The above discussion of municipality and regional responsibilities and roles in rural policy is of course important, but we must not forget the need for the rural population to have an opportunity to engage in the process. Development happens as a result of interaction between different actors and it is crucial that the different actors work in the same direction (or are headed for same goal). Therefore the rural population also have an obligation to engage themselves in the process of developing their area in the direction they want. That is also why it is highly recommended that a municipality rural policy is formed in cooperation with rural individuals and associations.

4.6 Final remarks

Considering governance in rural policy the definition of spatial Denmark must be a starting point. However, rural policy has not only to do with geographical considerations but, of course, with several distinct policy areas. Rural policy owes a dimension of environmental/spatial planning policy, agricultural policy, industrial policy and policy of the public sector. The content of those policies with relevance to the rural agenda and governance has been outlined for each policy, as well as for

⁶⁴ Results from a analysis on the municipality amalgamation on Bornholm, AKF 2005, see Kjær et al (2004) and Christoffersen (2004).

⁶⁵ Teknologisk Institut (2001).

the residual part of 'pure' rural policy. This cross section look on the rural matters catches some elements of rural policy. Some other elements are revealed by looking at rural policy in a historical perspective.

Against this background the main features of the Danish local government reform are described, partly in relation to the structural changes, creating new municipalities and regions, and partly in relation to the new assignment of tasks to the three levels of government.

Finally, the question of governance in relation to separate policy fields are discussed, bearing in mind the reform. We are, of course, still only able to speculate about impacts, since the reform is currently being implemented. However it is possible to make the following observations in relation to potential rural policy implications:

- On spatial planning and environment the main focus might shift from the regional perspective to a local/central perspective
- New organizations, i.e. LAGs and growth foras, will in the future play a role in rural policy governance
- Central Government authorities and ministries will in the coming years be important to the rural agenda
- The municipalities will be the of utmost significance to rural development, because of their strengthened competencies, especially in relation to planning, industrial and public sector policy areas
- It seems promising, from a rural policy viewpoint, that the new municipalities seem to show a considerable interest in formulating and discussion rural policy. However, in the short run, the demanding process of restructuring may reduce their ability to act.

References

- Aalbu, H. & T. Hanell**, 2003: *Den regionale udvikling i Danmark og i ett nordisk perspektiv*, i: Konference om regional udvikling, Kbh. 29. januar 2003. Indenrigs- og Sundhedsministeriet. <http://www.im.dk/publikationer/konf-regudv/all.htm>
- Christoffersen, H.**, 2004: *Regional udvikling og kommunesammenlægning – En undersøgelse af den regionale udvikling på Bornholm og I landets øvrige dele*. AKF-forlaget.
- Indenrigsministeriet**, 1993: *Landdistrikterne – ændrede vilkår*. Betænkning nr. 1242.
- Indenrigsministeriet**, 1997: *Landdistrikternes udviklingsmuligheder*. Betænkning nr. 1333.
- Indenrigs- og Sundhedsministeriet**, 2002: *Landdistriktsredegørelse 2002*.
- Indenrigs- og Sundhedsministeriet**, 2004a: *Lokal landdistriktspolitik. En vejledning til kommuner og amter*.
- Indenrigs- og Sundhedsministeriet**, 2004b: *Agreement on a Structural Reform* (between conciliation partners of the government (Venstre and Det Konservative Folkeparti) and Dansk Folkeparti). Juni 2004.
- Indenrigs- og Sundhedsministeriet**, 2005b: *Et nyt tilskuds- og udligningssystem*. Betænkning nr. 1437.
- Indenrigs- og Sundhedsministeriet**, 2006a: *Regionalpolitisk redegørelse 2006*.
- Indenrigs- og Sundhedsministeriet**, 2006b: *The local government reform – in brief*.
- Indenrigs- og Sundhedsministeriet**, 2007: *Landdistriktsredegørelse 2007*. (forthcoming)
- Indenrigs- og Sundhedsministeriet & Fødevareministeriet**, 2004: *Landdistriktsredegørelse 2004*.
- Jensen, C. & A. M. Jørgensen**, 2005: *Borgerinddragelsen i Pilotprojekt Nationalpark Vadehavet*. Syddansk Universitet.
- Kjær, U. & L. Olsen**, 2004: *Kommunesammenlægningens første år bedømt af borgerne på Bornholm*. AKF.
- Larsen, T. & N.J. Mau Pedersen**, 2005: *Den offentlige sektor*. Handelshøjskolens Forlag.
- Lessmann**, 2006: *Fiscal decentralization and Regional Disparity: A Panel Data Approach for OECD Countries*. Paper for 62.th congress og IIPF, Cyprus.
- Mau Pedersen, N.J.**, 1995: *Decentralisering og Kommunaløkonomi*. Jurist- og Økonomforbundets Forlag.
- Mau Pedersen, N.J.**, 1999: *Den offentlige sektors betydning for den regionale udvikling*. AKF-nyt, dec. 1999.
- Mau Pedersen, N.J.**, 2005: *Strukturbrud i kongeriget? AKF-nyt, særnummer*, maj 2005.
- Miljøministeriet**, 2004: http://www.mim.dk/Om+Ministeriet/Strategier+og+politikker/Regelforenkling/gennemf%C3%B8rte_initiativer.htm
- Svendsen, G.L.H., Sørensen, J.F.L. & Tanvig, H.W.**, 2004: *Landdistrikter med forskellige vækstforløb*, i Indenrigs- og Sundhedsministeriet & Fødevareministeriet (2004). Bilag 3.
- Tanvig, H.W.**, 2002: *Rurality, Rural Policy and Politics in a Nordic-Scottish Perspective*. Working paper 1/02, CFUL, Esbjerg.
- Tanvig, H.W.**, 2003: *Landdistrikter I Danmark – nye tider*. Debatbig 1, CFUL, Esbjerg.
- Teknologisk Institut**, 2001: *Evaluering af kommuners og amters landdistriktspolitik*. Undersøgelse for Indenrigs- og Sundhedsministeriet.
- Økonomi- og Erhvervsministeriet**, 2006: *Regionalpolitisk vækstredgørelse*.

5. Overview of Rural Development Policies in Finland

Hilkka Vihinen

MTT Economic Research, Rural Policy
Luutnantintie 13
FIN-00410 Helsinki
hilkka.vihinen@mtt.fi

Abstract

This paper gives an overview of Finnish rural development policy, both EU funded and national. It begins by presenting the general approach of Finnish rural policy, and listing the main current rural development issues. This is followed by a description of national rural policy prior to EU accession, and of major national measures that have been continued during EU membership. Third, Pillar 2 implementation during the programming period 2000-2006 will be discussed, followed by a concise assessment of these interventions. Fifth, the proposed Pillar 2 programme for 2007-2013 will be presented. Sixth, three examples of best Finnish practices – the rural area typology, Finnish rural policy system and the Finnish version of local action work will be presented. The paper finishes with a summary of the best features of the Finnish rural policy, and with a sketch of the future rural development policy system.

5.1 Rural policy in Finland

Finnish rural policy has taken as its starting point the fact that countryside has value as such. Countryside offers an alternative to urban regions and lifestyles, and its very existence and availability is an important social value. It is not just a hinterland affected by the positive or negative forces deriving from population centres, but a region with a will and vision of its own. However, like urban areas, it needs active development methods of the public sector. Hence, the task of rural policy is to guarantee the existence of viable and functioning countryside. (Viable countryside – our joint responsibility 2004.)

It is essential that rural policy cuts across sectoral concerns and has a territorial orientation. The strategic objective of rural policy is to incorporate rural areas more closely into general development work carried out by public and private actors, and to ensure that the rural point of view is acknowledged in the daily running of society. This is done by pursuing both *broad* and *narrow rural policy*. Broad rural policy refers to the efforts to influence all actions that impact rural areas implemented within and by the different administrative sectors as part of the development of the society. Narrow rural policy consists of the measures targeted specifically at the rural areas. Figure 13 below outlines the rural policy setting.

Organisation of rural policy in Finland

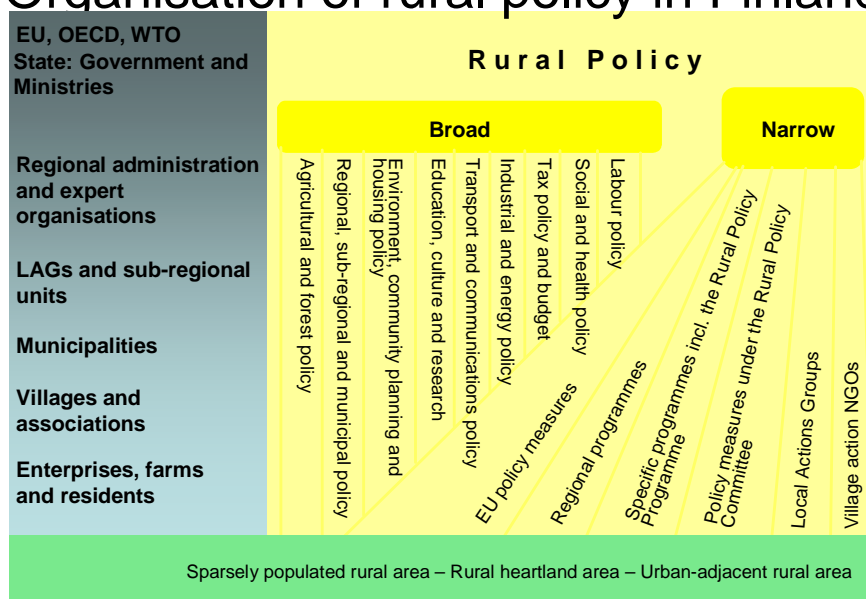


Figure 13: Organisation of rural policy in Finland.

The current key issues in Finnish rural policy are:

- To develop the rural policy system further and to consolidate the rural frame into Finnish politics.
- To diversify the economic basis of rural areas.
- To find even more efficient and sophisticated decentralised solutions - in particular in sparsely populated and rural heartland areas. This concerns both governance structures and policy measures.
- To influence the strengthening of the CAP second pillar in such a way that it will become genuine rural policy and that it will better take into account peripheries and sparse population, as well as become more proactive.

5.2 National rural policy measures before and after the EU accession

As in many other countries, rural policy was in Finland originally based on the outlines and strategies of other policy sectors, in particular agricultural and regional policy. Until the 1960s, rural policy was primarily agricultural policy, with self-sufficiency as the main goal. Agricultural policy was also used to strengthen national independence and social cohesion during the politically unstable years after WWII. During the 1960s, agricultural policy also adopted aspects of social policy in addition to the more traditional aim of modernising agricultural production. From the late 1960s onwards, industrialising regional policy was used to promote employment in rural areas. (Vihinen 1994.) The establishment of the Nordic welfare state system all over the country in the turn of the 1970s was, however, probably the most important rural policy event during these decades: it led to regionally comprehensive service provision, and established a lot of new jobs - for rural women in particular - in the welfare sector, (Pyy and Lehtola 1996).

The rapid structural change in agriculture culminated in early 1970s, during the years of rural depopulation and emigration to Sweden. The dramatic changes gave rise to various responses, one of which was the emergence of rural 'grassroots activity', i.e. village-level action and development projects. The roots of Finnish rural policy lie both in the initiative of the rural areas themselves and

in policies and administration. In the administration it was more widely recognised that a central problem in rural development by regional policies was that the necessary functions and operations were divided between several, insufficiently coordinated sectors of administration.

The evolution of rural policy thinking was a slow and gradual process. The term ‘rural policy’ appeared officially for the first time in 1983 in the document of the rural development committee II (Komiteanmietintö 1983:41). The Rural Development Project (1988-91) listed the first tools of national rural policy as follows:

- Planning and funding of the regional rural development projects
- Drafting the National Rural Policy Programme
- Implementation of national development and pilot projects
- Retargeting of state budget grants for rural objects.

Rural Policy Programmes have remained as the main rural policy tool also after the EU accession in 1995. The present programme from 2004 is the fourth, previous ones were published in 1991, 1996 and 2000. As described above, Finnish rural policy consists of both broad and narrow policies, and both have continued since EU membership.

The main national narrow policy instruments are:

- Formulating and implementing the Rural Policy Programme
- Work of the LAGs (partly nationally financed)
- Work of the Theme Groups
- National research and development projects
- Village action assuming responsibility for development work.

(see Viable Countryside – Our Joint Responsibility 2004, 20-22)

A list of single policy measures can hardly catch the spirit and strategy of the national approach. It perhaps makes more sense to talk about mobilising the rural people at all relevant functional levels, about networking and about designing and offering alternative modes of action.

5.3 Implementation of the CAP Pillar 2 (2000-2006)

During the programming period 2000-2006, the rural development measures co-financed by the European Agricultural Guidance and Guarantee Fund (EAGGF) included agri-environmental support and compensatory allowances (under the Horizontal Rural Development Programme) and measures for developing rural areas, such as diversifying business activity, developing villages and improving basic services in rural areas. In North and East Finland these were integrated into the Objective 1 programmes, elsewhere they were carried out under the Regional Rural Development Programme (RRDP). Structural development measures in agriculture were also supported. They included, for example, aid for investment and aid for young farmers.

Most of the Pillar II funding intended for rural development has been allocated to area-based payments to farmers due to the importance of agri-environment payments and natural handicap payments.

During the 2000–2006 programming period, promoting the welfare of production animals was an additional agri-environmental measure for livestock farms in the RRDP. The aim of this measure was to promote the care of livestock according to the breed and to raise farmers’ awareness of factors affecting animal welfare. Support for organic livestock production was introduced as a special agri-environmental measure in 2005.

The EU contributes about 32% of the compensatory allowances, and 55% of the environmental supports paid to Finnish farmers, while the rest is paid from national funds (Table 6). In Finland less favoured areas support covers the whole cultivated area. In 2005 the LFA support paid to Finnish farmers totalled €423m. and the same amount is budgeted for 2006. The EU contributes 50% of the compensatory allowances in Objective 1 areas and 25% in the other parts of the country. The average EU contribution is 32%.

Figure 14 illustrates the development of agricultural support in Finland 2000-2006.

Table 6: *Agricultural support based on the CAP in Finland (financed in full and part-financed by the EU)*

	2001	2002	2003	2004 prelim	2005 prelim	2006 est.
	€m.					
CAP income support						
Support for arable crops	345	345	345	362	351	
Other area-based support	10	10	10	10	10	
CAP support for animals	80	88	101	130	154	
Total	435	443	456	502	515	543
Compensatory allowances						
EU contribution	130	131	137	137	137	137
National financing	288	291	286	286	286	286
Total	418	422	423	423	423	423
Environmental support						
EU contribution	157	158	167	166	177	117
National financing	124	125	139	129	145	210
Total	281	283	306	295	322	327
Total Agricultural Support						
EU financing, total	722	732	760	805	829	797
National financing, total	412	416	425	415	431	496
Total	1,134	1,148	1,185	1,220	1,260	1,293

(Source: Finnish agriculture and rural industries 2006, p52.)

The agri-environmental scheme covers 94% of the farmers and 98% of the arable area. Under the scheme filter strips have been established along river/lake margins, the use of fertilisers has been reduced, plant protection sprayers have been tested and animal manure is used more efficiently.

The national aids paid in Finland comprise the northern aid, national aid for southern Finland, national supplements to environmental support and compensatory allowances, as well as certain other forms of support.

Table 7: National aid for agriculture in Finland, € million (aid per production year)

	2001	2002	2003 prelim.	2004 prelim.	2005 prelim.	2006 est.
	€m.					
Northern aid	354.9	353.8	357.6	387.1	330.4	328.7
National aid for Southern Finland	134.9	1233.6	130.8	127.3	99.0	97.0
National aid for crop production	80.5	93.0	98.7			
National supplement to environmental support				60.0	55.0	55.0
National supplement to the LFA support					120.4	120.4
Other national aid	13.2	14.3	14.7	14.2	14.6	13.1
Total	583.5	594.7	601.8	588.6	619.4	614.2

(Source: Finnish agriculture and rural industries 2006, p54.)

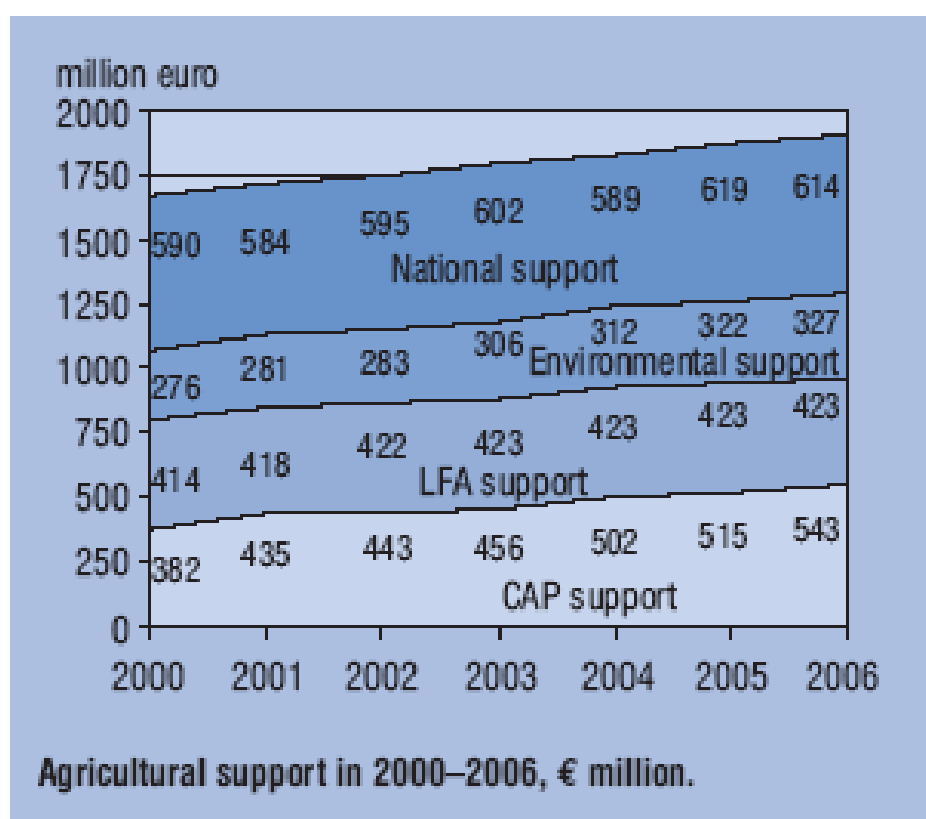


Figure 14: Agricultural support in 2000–2006, € million.

(Source: Finnish agriculture and rural industries 2006, 53.)

5.4 Assessment of the interventions

In the most recent rural policy programme (Viable Countryside 2004) the Rural Policy Committee reflects its own work as follows (ibid, 19-20): ‘The narrow rural policy can be considered to have achieved what could reasonably be expected in terms of enterprises, jobs, training and networks promoting cooperation. The countryside has been mobilised to the development work, which is why positive results concerning the relevant parties directly have been reached more than without rural policy actors and actions. Instead, within the broad rural policy, i.e. in terms of regional impacts of sectoral policies, the achievements have been quite moderate. The development instruments linked to

the EU suffer from their temporary nature, which may quite needlessly also affect the rural policy using them.

From the perspective of the rural policy instruments the results can be evaluated as follows:

- The number of organisations and people carrying out rural development work on a full-time basis has increased.
- The rural research units cover the regions and to some extent the different fields quite well. A network of rural professorships has been created. The production of information has increased and deepened, but is not yet sufficient.
- There has been a considerable increase in different types of training of rural developers and in the best cases the developers constitute a cooperation network needed in the programme and project work.
- The instruments of the narrow rural policy have developed: objective programmes part-financed by the EU, work of local action groups, theme programmes and groups, national research and development projects and village action assuming responsibility for development work.
- The methodology and content of the Rural Policy Programme influencing the broad rural policy have been developed.

Incompletion and negative elements in the instruments and system still remain in respect of the following:

- The funds available for rural development have decreased. The membership in the EU introduced new types of funding for development work under the rural policy, but this was not enough to substitute for the cuts in other public and private funding directed at the countryside.
- The conditions for the viability of the rural areas are not sufficiently taken into account in agricultural and regional policy, and the right of rural policy to function as an independent policy sector is still not clearly acknowledged.

In 2004, an evaluation was made of the Rural Policy Committee. According to this external evaluation, the rural policy programme has an independent role in rural development, its preparation method requires considerable commitment from stakeholders, and the programme probably has a catalytic impact, but it is difficult to measure. Furthermore, the evaluators recognised the role of the Rural Policy Committee in coordinating and networking rural development actors, but it regarded the Committee as not very well known in Finnish society. Overall, it was concluded that the net effect of the work of the Rural Policy Committee has been 'good'. (Maaseutupolitiikan yhteistyöryhmän arviointi 2004.)

In the Finnish Rural Development Programme for Mainland Finland 2006-2013 it is stated that (2006, 47-49) rural areas were successfully developed during Finland's first programming period 1995-1999 through seven different structural fund programmes, in addition to the common agricultural policy and its accompanying measures. Development based on programmes was new, but (in the opinion of the evaluators) the implementation of the programmes was quite successful and they achieved the expected results.

Local rural development projects have been funded by the Leader+ Community Initiative Programme. The Leader approach was mainstreamed in Finland during the programming period 2000-2006 in the RRDP, Objective 1 and nationally funded POMO+ programme. On the basis of evaluations of the first (1995-1999) and second programming period (2000-2006), the key strategic areas and selected measures have been judged to be successful.

The impacts of compensatory allowances and agri-environmental support were assessed in the mid-term report on the Horizontal Rural Development Programme, completed in 2003. According to the evaluation, compensatory allowances have formed a significant part of farmers' income and have probably boosted farm household income to a level which roughly corresponds with that of

regional reference groups. Despite the low level of agricultural profitability, nearly all agricultural land has remained in cultivation. The comprehensive nature of the compensatory allowance scheme has resulted in compliance with usual good farming practices, which are a prerequisite of the scheme. Concepts of usual good farming practices are becoming established and more consistent. The impact of agri-environmental support can currently be seen as a reduction in the volume of fertilizers used and a decline in the rate of increase in nutrient concentrations in arable land. However, the agri-environmental scheme in the programming period for 2000-2006 has not in itself been sufficient to safeguard biodiversity in rural areas or to actually reduce the agricultural nutrient load, especially to the extent required by the goals in the Programme for the Protection of the Baltic Sea.

According to the mid-term evaluations of regional rural development programmes in the programming period 2000-2006, the programmes have had a significant impact on maintaining the viability of rural areas. Investment aids have had an impact on developing business activity, increasing turnover, creating jobs and reorienting farm activities, and other business activities. The farm-related enterprise aid and development actions in the RRDP and Objective 1 programmes have achieved good results in terms of employment, as they have helped support a slowing down in the negative population and employment trends and even reverse these trends. Yet, the evaluations stated that the programmes' measures can only have a limited impact on general economic and population trends.

In addition to impacts on employment and the population, measures that have an impact on strengthening skills and networking are particularly important for rural areas. According to the evaluations, projects funded by the programmes have promoted the setting up of clusters and networks, increased cooperation between educational institutions, research institutes and enterprises, created human capital and skills for the benefit of enterprises and improved the position of enterprises in networks and their use of networks. These factors have strengthened people's opportunities for safeguarding their own careers, for developing within a profession or for finding a new job. Strengthening skills has also enhanced the potential for creating new jobs, starting up new enterprises and diversifying rural activities. According to the evaluations, measures should, however, be more directed towards the opportunities created by internationalisation. Overall improvement of strategic planning, programming and project activity deserves to be mentioned separately from other forms of skill development, as this has significantly improved the effectiveness of development measures.

According to the evaluations (Mid-term evaluation of the Finnish LEADER+ Programme, 2004) the specific features of the LEADER have been realised well so far. The implementation of the Leader+ programme contains examples of all the special Leader characteristics: local orientation, a bottom-up principle, local partnerships, a pilot nature, an integrated strategy, networking and different types of cooperation, including international cooperation. The characteristics best implemented in Finland are the bottom-up approach, networking and local partnership in decision-making, in line with the principle of three-way representation in the board (1/3 municipal officials and holders of positions of trust, 1/3 representatives of associations and enterprises and 1/3 individual rural residents). Of the LEADER+ distinctives, 'piloting' is perhaps the least concrete and has been the most difficult to measure during the programming period.

Respect for social and cultural constraints is an important aspect of sustainable development according to the Leader+ approach. Numerous Leader+ projects promoting environmental sustainability have also been implemented by action groups, for example those relating to recycling and environmental education. However, there are only a few projects in the Leader+ programme in which environmental sustainability has been the main focus. As a whole, the Leader programme clearly has a positive impact on sustainable development, especially as a result of measures promoting socially and culturally sustainable development.

The impact of the programmes on equality has also been examined by the evaluations. The realisation of this dimension is not yet well developed. The programmes' measures have been found in the main to be gender neutral, i.e. they have not been observed to contain any gender-specific aspects. The Leader+ programme spent most funding on measures aimed at women. The RRDP did

not contain specific measures aimed at women at all, and funding directed at women in the Objective 1 programmes has been very limited.

The evaluations have found that territorial rural development actions have been left mainly to the European Agricultural Guidance and Guarantee Fund (EAGGF). The attempt to promote rural development through other structural funds remained more modest, mainly because of focussing on other priorities.

5.5 Outline of the proposed Pillar 2 programme for 2007-2013

The priorities and financial frameworks set in the strategy for each axis are included in the programme as follows (Rural Development Programme for mainland Finland 2007-2013):

Axis 1 – competitiveness of the agricultural and forestry sector:

Objectives:

1. To develop the productivity and competitiveness of the main agricultural production sectors and to prevent the weakening of the age structure of farmers by supporting structural development of family farms. To promote the diversification of forms of agriculture and farming operations.
2. To improve the competitiveness of SMEs processing agricultural and natural products (meat and meat products, milk and dairy products, vegetables, berries, wild berries and mushrooms). To develop the production and use of wood energy and other forms of renewable bioenergy. To increase the value added of small-scale wood processing. To increase the development and utilisation of new products, production methods and technologies based on innovation.
3. To develop the business management skills, environmental awareness and awareness of the welfare and health of production animals among farmers. To improve the knowledge and skills of forest holders on the use and management of forests and to maintain the diversity of forest nature.

The programme introduces the following measures under Axis 1 (the code of the measure in brackets):

- vocational training and information actions (111)
- setting up of young farmers (112)
- early retirement (113), although only expenditure according to the commitments for the programming period 1995–1999
- modernisation of agricultural holdings (121)
- adding value to agricultural and forestry products (123)
- cooperation for development of new products, processes and technologies in the agriculture and food sector and in the forestry sector (124).

Of the Community contribution for Axis 1, a minimum of 50% is allocated to the structural development of agriculture and a minimum of 4% is allocated to utilising research and promoting innovation, to develop, in particular, the food, wood and bioenergy sectors. A significant part of Axis 1 is funded nationally, either in the form of additional payments within the programme, or outside the programme, such as the National Quality Strategy for the Food Sector. Other important measures to be funded nationally in their entirety include a majority of agricultural investments, part of the setting-up aid for young farmers, the forestry investments, and the early retirement scheme (except for commitments made during the programming period 1995–1999).

Axis 2 – Environment and the countryside:

1. To maintain valuable, open, cultivated agricultural landscape as well as meadows and pastures, irrespective of whether they are used to produce food, raw materials, renewable energy, or are managed without cultivation.
2. To reduce the environmental pressures on the soil, surface waters, groundwater and air from agricultural sources, by the promotion of environmentally-friendly production methods. To support the reduction in greenhouse gases and the preservation of organic matter in the soil, and the carbon sink effect through renewable bioenergy produced on agricultural and forest land.
3. To preserve biodiversity in agricultural and forest environments. Special emphasis is given to the preservation of the Nature 2000 network of agricultural and forest areas.

The programme introduces the following measures under Axis 2:

- natural handicap payments in mountain areas (211) and payments in other areas with handicaps (212)
- agri-environment payments (214)
- animal welfare payments (215)
- non-productive investments (216)

The overall strategic focus of Axis 2 is evident from the allocation of funding: At least 50% of the Community contribution is allocated to natural handicap payments, and at least 30% to agri-environment payments. The funds released through the modulation of direct payments are allocated to agri-environment payments.

Axis 3 – Diversifying the rural economy and improving the quality of life in rural areas

Objectives:

1. To slow down the decrease in the population of sparsely populated rural areas and rural heartland areas and to contribute to an improvement in employment at the same pace in the whole country.
2. To support an increase in the number of rural enterprises and jobs, and the diversification of economic activities. To reinforce the role of women and the young in economic activity. To promote new innovations and product development and their utilisation to create employment opportunities in rural areas. To improve skills in both entrepreneurship and in the fields of information and other technology in rural areas.
3. To improve the attractiveness of rural areas as places of residence and leisure. To contribute to efforts aimed at maintaining the activity and vitality of villages.

The Leader approach has proven a highly appropriate tool for rural development in Finland, and it will play a central role in reaching the objectives in Axis 3. The local action groups, whose work covers the whole country, ensure the local perspective in rural development in support of the Community objectives. In addition to a community spirit, the Leader approach promotes regional, national and international cooperation and networking.

The programme introduces the following measures under Axis 3:

- diversification into non-agricultural activities (311)
- support for the creation and development of enterprises (312);
- encouragement of tourism activities (313);
- basic services for the economy and rural population (321);
- village renewal and development (322);

- conservation and upgrading of the rural heritage (323); and
- training and information (331).

Of the Community contribution for Axis 3, a minimum of 50% is allocated to the creation of employment opportunities and a minimum of 30% is allocated to promoting living and the quality of life in rural areas.

Axis 4 – The Leader approach:

1. To implement strategic, systematic rural development driven by local needs in accordance with the bottom-up principle, which provides each rural area with precise solutions for improving the opportunities for employment and earning a living. The Leader approach is applied throughout the country, and in all axes of the programme.
2. To bring together and activate new people and groups of actors to rural development work and to explain about development opportunities. To strengthen local rural communities and improve the living conditions, quality of life and the environment of the residents.
3. To develop cooperation between the civic society and public administration and to create new modes of operation. To improve the opportunities of the rural residents to participate and influence.
4. To network and create cooperation between different kinds of actors at the local, regional, national and international level. To use networks to disseminate new, innovative solutions and know-how, which will improve the competitiveness of rural actors.

The programme introduces the following measures under Axis 4:

- implementing local strategies under axes 1, 2 and 3 (411, 412, 413)
- inter-territorial and transnational cooperation (421)
- running the local action group, acquiring skills and animating the territory (431)

Of the Community contribution for axis 4, a maximum of 20% is allocated to activation and acquisition of skills at the local level (operational funding) and a maximum of 80% is allocated to the implementation of local development strategies.

Table 8: Financing plan for the programming period 2007–2013 according to axes

Axis	Total public funding (€m)	EAFRD contribution (%)	EAFRD funding (€m)	Share of the EAFRD funding (%)	Share of total programme funding (%)
Axis 1	510.538	45	229.742	10	7,5
Axis 2	5,401.000	28	1,513.810	71	79
Axis 3	603.500	45	271.575	13	9
Axis 4	255.000	45	114.750	5	4
Technical assistance	40.000	45	18.000	1	0,5
Total	6,620.538	31	2,062.602*	100	100

5.6 Highlights of Finnish rural policy

As has been discussed above, Finnish rural policy is a wide phenomenon and its history is relatively long. Trying to pick out the best practices and initiatives which have worked particularly well is not an easy task. However, for the comparative purpose of this paper, three examples stand out. All refer to different dimensions of rural policy.

The first, the rural area typology, is an example of purposeful long-term work in developing *basic tools* which facilitate precise and efficient policy formation and regionally targeted policy implementation. The second good practice example is the Finnish rural policy system (as a whole), which may be regarded as a *system innovation* in policy. The third is the Finnish version of local action work, which can be called an *operational innovation*.

Finnish rural area typology

The national rural classification is a major achievement in support of rural policy. It originated in 1991, when the first national rural programme introduced the idea of the areal division of rural policy, in the form of the so-called *tripartite* principle. Rural municipalities were re-classified in 1993 and 2000. A third updated version of the typology, featuring new data and revised classification criteria has recently been published (Malinen *et al* 2006).

The typology divides rural municipalities into three groups:

- Rural municipalities close to urban areas (cities and towns)
- Core rural municipalities
- Isolated/sparsely populated rural municipalities.

The latest Finnish national rural policy programme, Viable Countryside (2004), describes the rural categories to be used in the classification of rural policy as follows:

Rural municipalities close to urban areas

These municipalities have the best development opportunities. Residents have the chance to work in nearby towns and cities. Agricultural and other businesses have highly diverse markets nearby. These economically integrated rural municipalities are located in southern and western Finland. These parts of the country enjoy the best conditions for agriculture and for the diversification of the rural economic structure. The level of welfare is the highest in the country.

Core rural municipalities

These are important municipalities for primary production. They also contain some rurally located sector-specific industrial centres here and there. Core rural municipalities are situated close to a number of medium-large centres. The centres of these municipalities are diverse in their activities and most of the villages they contain are economically viable. Core rural municipalities are to be found in southern and western Finland.

Rural area typology 2006

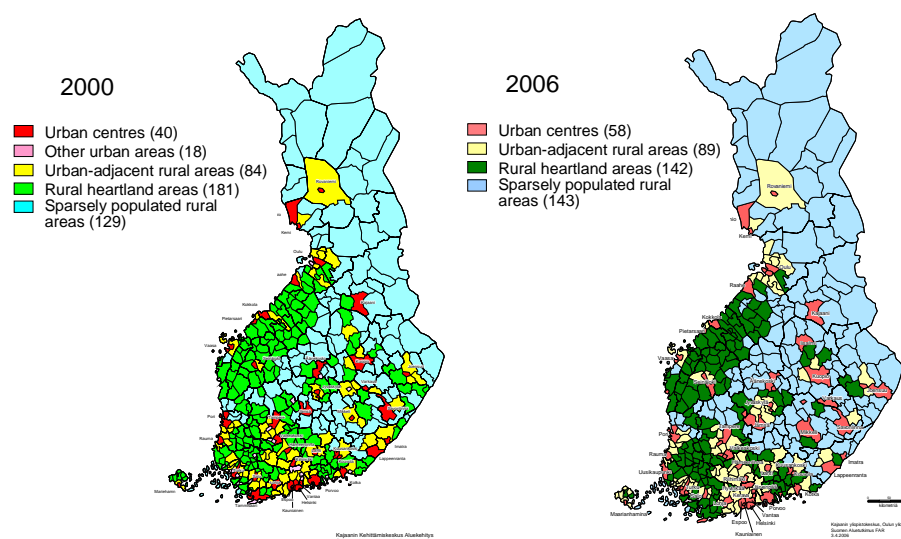


Figure 15: Rural area typology maps 2000 and 2006.

Sparsely populated rural municipalities

The threat to these municipalities is the cycle of poor development: depopulation, ageing population, unemployment, problems in public service provision, stagnation of economy. Most sparsely populated rural municipalities are to be found in eastern or northern Finland and throughout the duration of Finland's membership of the EU they have been situated within the EU Objective 6 and Objective 1 areas.

The classification may be used in the directing of development measures especially regional and rural policy as well as in the scaling of resources. The allocation of rural policy resources can thus be optimised especially from the standpoint of the most rural municipalities, thereby emphasising the means for promoting endogenous development factors which in other policy structures would remain unused.

Table 9: Parameters for rural categories for 2006

Rural - Urban category 2006	Number of municipalities	Population 2004		Land area 2002		Rural population 2004 (persons)		No. of farms 2004	
		(persons)	(%)	km ²	(%)	(%)	(%)	(lkm)	(%)
Urban	58	3,055,223	58.3	19,057	6.3	166,457	16.7	6,039	8.4
Rural - close to urban areas	89	826,158	15.8	35,900	11.8	228,380	22.9	13,285	18.4
Core rural	142	793,848	15.2	59,619	20.0	316,190	31.7	33,206	46.1
Rural - Sparsely populated	143	561,382	10.7	189,900	62.4	287,216	28.8	19,424	27.0
Whole of Finland	432	5,236,611	100.0	304,476	100.0	998,243	100.0	72,054	100.0

(Source: Malinen et al, 2006, p65.)

Rural policy system

The Finnish rural policy system consists of four bodies (Fig 3 in red) which are all cross-sectoral, and of three main practical methods (Fig 3 in blue). At the heart of the system is the Rural Policy Committee, which had functioned under different names for 12 years before it was recognised in law (Regional Development Act 602/2002).

The Committee is appointed by the Finnish Government and has 21 members. It consists of 9 ministries, of other public organisations and of private stakeholders on a partnership basis. The daily functioning of the Committee is run by a Secretary General, who in turn is assisted by a Deputy Secretary General and by part-time secretaries in 60 different public and private organisations. This is the so-called 'kitchen' method of rural policy, which allows for continuing effect of the rural policy system on the broad rural policy at different societal levels. The fourth part of the system is the Project Group which manages both the national research and development projects on rural policy.

The three main working methods of the rural policy system are the Rural Policy Programme, national research and development projects, and the Theme Groups. The Rural Policy Programme deals with broad policy issues – rural impacts of the actions of different sectoral policies, and the means to alleviate the negative impacts and reinforce the positive consequences. The programme is revised about every four years, and it contains both a strategic perspective and concrete proposals with explicit references to those responsible for implementing them. The Rural Policy Committee carries forward the proposals of the programme through negotiations, projects, theme group work and by influencing various political processes. The preparation of the Rural Policy Programme includes the preparation of the so-called Special Policy Programme, which contains only those issues and actions that are under the competence of the Government.

In the recent years the Rural Policy Committee has used about 3 million euros per year for about 70 research and development projects. The funded projects are often closely connected to the implementation of the policy programme. There are 10-15 Theme Groups working on specific themes. In some cases the theme group is a kind of a laboratory which elaborates a new idea. These groups are often temporary. Permanent groups, such as the one for LAGs, Theme Group for Rural Tourism and Theme Group for Welfare Service are important factors in their own field.

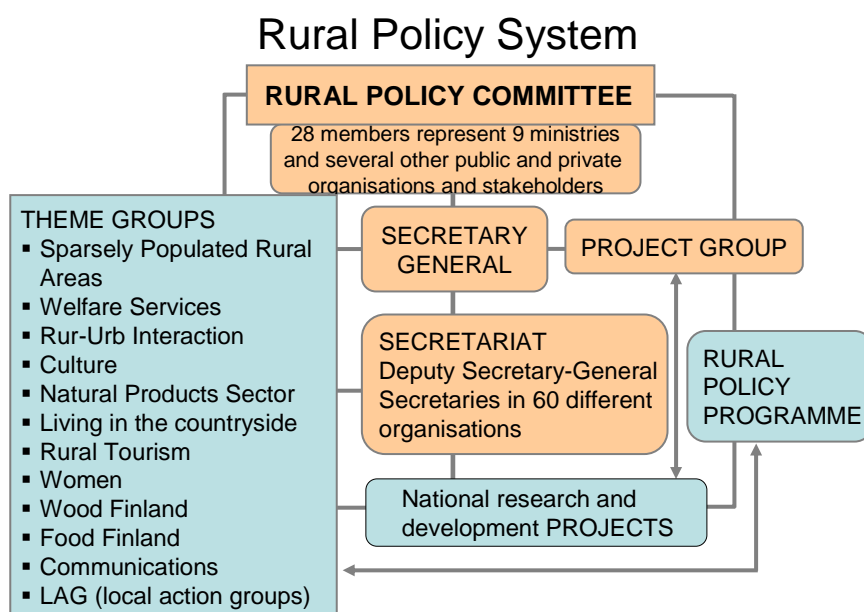


Figure 16: Finnish Rural Policy System.

Local action work

The third best practice of is the Finnish version of the LAG work. Finland is the only country where the representation in the LAG boards must follow the three-way procedure, while in the other countries it is only required that at least half of the representatives of the decision-making bodies, i.e. boards, must be other than official authorities. In Finland the official authorities are the municipal officials and people holding municipal positions of trust, which make up a third of the representatives. Unlike in other countries, the local rural residents must also be represented in the boards to reinforce the grass-roots input to rural development. Finland has been praised for adopting this approach.

The work of the LAGs started in 1995, when Finland joined the EU and the LEADER II Programme and corresponding national Rural Programme Based on Local Initiative (POMO) were launched. The good results and inspiring experiences led to the extension of the work to the whole country during the 2000-2006 programming period. Besides Finland, such comprehensive LAG work can be found only in Ireland.

There are currently altogether 58 LAGs, whose territories vary from 1,000 to 49,000 square kilometres, and their population from 14,000 to 80,000. The average territory is about the size of a sub-regional unit with 40,000 residents. In the programming period 2000–2006, the public funding for all Finnish LAGs totals about €220 million, of which the EU contributes 85 million, the (central) State 90 million, whilst the remaining 20% comes from the municipalities. All LAGs also search for funding from private sources. The average funding for a LAG during 2000-2006 totals €3.9 million. The main task of the LAGs is to find new development actors and development ideas and getting them started, provide the opportunities for this work and launch and encourage more extensive development action.

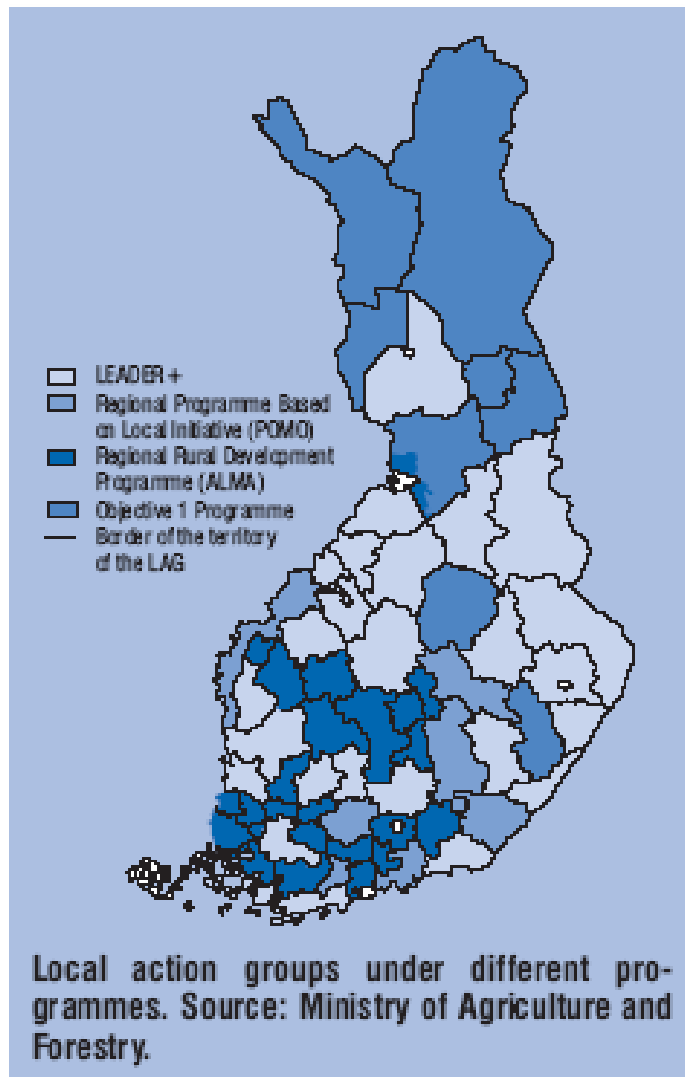


Figure 17: Local action groups under different programmes.

Source: Ministry of Agriculture and Forestry.

The evaluations of the development programmes have shown that local action groups as a development method and part of the rural policy have produced significant results and created added value. Besides the direct economic impacts, the work of the LAGs has been important in terms of the accumulation of human and social capital.

Principles of LAG work in Finland:

- LAGs are registered rural development associations which are open to all.
- Three-way representation in the board: 1/3 municipal officials and holders of positions of trust, 1/3 representatives of associations and enterprises and 1/3 individual rural residents.
- Activity is based on a development plan drawn up together with the local residents.
- Municipalities are committed to the LAG work.
- LAGs make the decisions on financing the projects, whose validity is checked by the Employment and Economic Development Centres.

As to the factors which explain the extensive and rapid process of mainstreaming the LEADER method in Finland, Päivi Pylkkänen and Torsti Hyyryläinen (2004, p29) have raised the following reasons:

- the network-based national rural development policy
- the viability and functional capacity of the civil society.

5.7 The 'Finnish approach'

To sum up, the goal of Finnish rural policy is to draw attention to the specific needs of rural areas and integrate them to central government decision making in different, relevant sectors. The means to do this is a large committee with an extensive cross-sectoral focus. The 21-member committee, which represents nine ministries and several other organisations is hosted by the Ministry of Agriculture and Forestry. Staff members from various organisations serve as part-time secretaries. OECD (2006, 82) states that this arrangement is consistent with the Nordic tradition of a consensus-building approach to decision-making. This way of organising is the first specific feature of Finnish rural policy.

Another Finnish characteristic is that of using both 'broad' and 'narrow' perspective. The broad policy deals with all actions across different administrations that could have an impact on development in rural areas, whereas the narrow policy relates to initiatives that specifically focus on rural areas. Broad rural policy works, basically, for equity and equal access to public services.

Finnish rural policy is based on detailed regional information and classifications. Tailored tools and measures are available because of the creation of the rural area typology.

Last but not least, the strong infrastructure at the local level facilitates place-based policies. The commitment of the rural civil society allows for multi-stakeholder arrangements, such as the successful LAG work.

LEVELS \ ACTORS	Non-governmental organizations	Governmental organisations
LOCAL	Village association	Municipality
SUBREGION	LAG	Subregional unit of municipalities
PROVINCE	Regional organisation for local actors	Regional unit for horizontal affairs
NATION	Village action movement Rural parliament	Rural Policy Committee
EU	European Rural Alliance	EU Commission

Figure 18: Future structure of rural development policy system.

Despite good results so far, the rural policy system and its working methods still need to be improved. In Finnish rural policy thinking there is now a shared understanding of the need to strengthen all relevant functional levels. On all levels there have to be both public sector and civil society partners. A vision of the future structure of rural development policy system has been outlined in *Figure 18*.

References

Komiteanmietintö 1983:41. *Maasendun kehittämistoimikunnan mietintö II.* Helsinki.

Niemi J and Ahlstedt J (eds) 2006 *Finnish agriculture and rural industries.* Agrifood Research Finland, Economic Research, Publications 106a.

Maaseutupolitiikan yhteistyöryhmän arviointi (2004) Loppuraportti. *Työryhmämuistio MMM 2004:13.*

Malinen P, Kytölä L, Keränen H ja Keränen R (2006) *Suomen maaseututyypit 2006.* Maa- ja metsätalousministeriö 7/2006.

OECD (2006) *The New Rural Paradigm. Policies and Governance.* OECD Rural Policy Reviews.

Pykkänen, P and Hyryläinen T (2004) Mainstreaming of the LEADER method into rural development policies in Finland, *Maasendun uusi aika, English Supplement 4/2004, p22-32.*

Pyy, I and Lehtola I (1996) Nordic welfare state as rural policy. *New Rural Policy, English supplement of the Finnish Journal of Rural Research and Policy, p17-34.*

Pykkänen P (ed.) (2003) Suomen LEADER+ -ohjelman väliarviointi 2003. *Mid-term evaluation of the Finnish LEADER+ Programme.* Publications of Ministry of Agriculture and Forestry 2/2004.

Rural Policy Committee (2004) *Viable Countryside – Our Joint Responsibility.* (2004) Rural Policy Programme 2005-2008. English Summary. *Rural Policy Committee Publication 13/2004.*

Vihinen H (1994) *Finnish agricultural policy during the structural change era (1958-1987)* Working Group on Agricultural Policy, Wageningen Agricultural University.

APPENDIX
 PRELIMINARY ALLOCATION OF FUNDING
 for the programming period 2007–2013 according to measures
 (in million EUR).

Measure/axis	Public funding	Private funding	Total costs
Measure 111	40.000	3.956	43.956
Measure 112	160.000	160.000	320.000
Measure 113	68.500		68.500
Measure 121	103.038	103.038	206.076
Measure 123	109.000	75.745	184.745
Measure 124	30.000	12.254	42.254
Axis 1 in total	510.538	354.993	865.531
Measure 211	1,657.000		1,657.000
Measure 212	1,302.000		1,302.000
Measure 214	2,313.000		2,313.000
Measure 215	105.000		105.000
Measure 216	14.000		14.000
Measure 221	10.000		10.000
Axis 2 in total	5,401.000		5,401.000
Measure 311	180.000	90.677	270.677
Measure 312	150.000	82.558	232.558
Measure 313	67.111	3.532	70.644
Measure 321	70.389	3.705	74.094
Measure 322	96.000	5.053	101.053
Measure 323	15.000	0.789	15.789
Measure 331	25.000	2.473	27.473
Axis 3 in total	603.500	188.787	792.288
Local development strategies:			
Measure 411 under axis 1	10.000		10.000
Measure 412 under axis 2	9.000		9.000
Measure 413 under axis 3	170.500		170.500
Measure 421	25.500	1.342	26.842
Measure 431	40.000		40.000
Axis 4 in total	255.000	1.342	256.342
Axes 1, 2, 3 and 4 in total	6,580.538	545.122	7,125.661
Technical assistance 511, of which the natural rural network	40.000 13.000		40.000 13.000
- administrative costs (a)			
- action plan (b)			
GRAND TOTAL	6,620.538	545.122	7,165.661

6. The Framework for Rural Policy in Finland

Hannu Katajamäki

University of Vaasa
Faculty of Public Administration
P.O. Box 700
FIN-65101 Vaasa
hannu.katajamaki@uwasa.fi

6.1 General viewpoints on Finnish rural areas

There are still differences between towns and rural areas. An important difference is based on population forms and immediate surroundings. Rural areas are characterised by wider landscapes than those in towns, in addition to looser forms of population, and biota which in some cases have become endangered due to a decrease in pasture. In the border areas, it is difficult to conclude where towns end and rural areas begin.

Rural areas differ from towns in regional division of labour, too. It still is the role of rural areas to offer recreation opportunities and to produce raw materials, energy, and food. A typical role for rural areas in the Finnish division of labour is to produce raw materials for forest industries. As more and more forests are owned by those living in towns, a new dimension is created to the interaction between towns and rural areas.

In a Finnish domestic policy context, rural areas are sometimes defined as areas outside built-up areas. A built-up area is a community of at least 200 residents, where the distance between buildings is less than 200 metres. It is not without problems to define rural areas as the sparsely populated areas outside built-up areas, as the boundary between built-up areas and sparsely populated areas is not permanent: built-up areas are expanding and sparsely populated areas diminishing. The boundaries of sparsely populated areas are dependant on municipal planning policy.

Rural areas are sometimes also defined by form of municipality. In these cases, municipalities which are not towns are viewed as rural areas. These areas were once defined as rural municipalities. However, definitions of towns and rural areas, based on form of municipality do not work. There are municipalities in the midst of Finland's 113 towns that, outside their smallish built-up area, are quite sparsely populated and resemble rural areas in terms of landscape. The concept of town has become blurred in Finland. One can no longer make a clear cut between towns and rural areas, based on form of municipality. In the fourth Rural Policy Programme 'Viable countryside – our joint responsibility'⁶⁶, rural areas are described as follows:

'Rural areas interact with towns and they are connected with national and international development. Rural areas are versatile in nature; they are communities of scattered settlement, villages, and small-town living, formed by skilled, strong-willed people, in addition to nature.'

⁶⁶ www.maaseutupolitiikka.fi.

6.2 The development of Rural Policy in Finland

First steps

The first real rural policy alignments in Finland were drawn up in a report by the Regional Policy Committee in 1985. This was complemented by the principal decision of the Finnish Government in 1987. The aim of rural policy was established as securing rural vitality, enhancing living conditions, and preserving an adequate population base. The self-reliance of the residents of rural areas was viewed as important. A European rural campaign, initiated in 1988 by Council of Europe, was a breakthrough in the formation of rural policy. A national rural project was then initiated, to coordinate sector policies which impinged on rural issues. The ministries in charge of the rural project were the Ministry of the Interior and the Ministry of Agriculture and Forestry.

The work of the rural project culminated in 1991, when the first Rural Policy Programme was published. In the Programme, the regional characteristics of rural areas were analyzed in terms of a three-fold division: urban-adjacent rural areas, rural heartland areas, and peripheral rural areas. In the Programme, an attempt was made to integrate the measures taken by different administrative sectors affecting rural areas into a cluster of measures, taking the unity of rural areas into account. There were nearly 80 practical proposals in the Rural Policy Programme, and clearly less than half of them were put into practice. Rural policy was still weak, but rural cooperation, across administrative fields was already recognized in a conceptual sense.

In 1993, on grounds of the first Rural Policy Programme, the government gave the Parliament a report on rural policy. The responsibilities of rural policy were defined as follows:

- Renewing industries in rural areas
- Strengthening the performances of service networks
- Improving the quality of rural living environments and developing community structure
- Sustainable utilization of renewable natural resources

These objectives are still valid. In 1999, a fifth objective was added: the development of know-how systems and human resources.

A time of progress

In 1992, a Rural Policy Advisory Committee representing several administrative fields, interest groups and expert organizations, was founded. In 1995, the name was changed to the Rural Policy Committee. This change of name reflected a change of role: from issuing statements to initiating action. The members of the Rural Policy Committee are appointed by the Government.

The Rural Policy Committee promotes the collaboration of administrative fields in issues concerning rural areas. The Committee also launches national rural research- and development projects. For this purpose, the Committee has a few million euros per year at its disposal. Compared to needs the money is minimal. A number of theme groups are coordinated by the Committee. For example Food Finland, (promoting small-scale food entrepreneurship) and theme groups relating to rural tourism, welfare services, and remote rural areas.

In 1996, the Rural Policy Committee published their second Rural Policy Programme called the *Active Countryside*. The percentage of proposals put into practice was much higher than under the first Rural Policy Programme. The third Rural Policy Programme was published in 2000 with the name *Countryside for the People*. This time a majority of its proposals have been put into practice. The title of the Programme reveals the concept behind this policy: a focus on quality of life in rural areas. The goal was thus to enable as many people as possible to live and work in the rural areas, and to maximise their welfare.

The fourth Rural Policy Programme *Viable countryside – our joint responsibility* covers the period 2004-08. The significance of this Programme could have been greater than that of the other Programmes, as the European Commission demands a Rural Policy Programme from all member countries for the programme period 2007-2013. However, it seems that the significance of Rural

Policy Programme of 2004 will be minor in the drawing up of the programme demanded by the Commission, in which the emphasis was more upon the trusteeship of traditional agriculture than upon the versatile development of rural areas.

Broad and narrow rural policy

The aim of the form of rural policy described above is to affect national decision-making, to incorporate overt and consistent consideration of the implications for rural areas. It also seeks to encourage policy makers in different sectors to work together to promote the functionality and culture of rural areas. These processes are referred to as *broad rural policy*.

Broad rural policy has developed gradually in Finland since the 1980's, mainly through the Rural Policy Programmes, of 1991, 1996, 2000, and 2004. However, even today, dealing with rural issues in a holistic way is not instinctive. Rural areas are often still interpreted through agriculture, failing to appreciate their unity, and their mosaic of many functions, people and cultures.

In addition to broad rural policy, it is common to refer to *narrow rural policy*. This refers to various projects, specifically targeted on rural areas, through which new job opportunities are pursued, training is given, environment is improved, and culture is diversified. The tools for narrow rural policy have increased and diversified after Finland joined the European Union. Thousands of rural development projects are an external manifestation of this.

Nevertheless, the situation for rural areas has probably not improved much overall. Narrow rural policy does not necessarily compensate for the weakness of broad rural policy, nor is it able to repair the problems caused by the decrease of national funds allocated to rural areas. At the same time, the continuing reduction in the number of farms is narrowing down the functional base of rural areas. New job-openings, created with the help of narrow rural policy, have not been enough to compensate for the decrease of traditional rural trades. The lack of dynamism in narrow rural policy is underlined by the relatively negative trends in rural heartland areas and sparsely populated rural areas. Without the strengthening of broad rural policy, depopulation and job losses will continue in these areas.

6.3 Multi-levelled system of Rural Policy

EU-level

The practice of rural development has been organized into a four-level system. At the European Union level, general principals are outlined and the contents of programming periods are prepared. Rural-related development materials are transmitted through Common Agricultural Policy (CAP), structural funds, and Community Initiatives.

An outlook related to merely agriculture is gradually widening in the EU-level. The decisions regarding programming period 2007-2013 are a sign of this. According to the decisions, the resources for strengthening small-scale rural enterprises and promoting cooperation practices are increasing. In addition, the improvement of rural quality of life is emphasized. The second pillar of CAP is, at last, getting some genuine rural policy flavour.

National level

Practices of rural development transferred from the EU, and rising from national traditions, are fitted together in the national level. The central administration of Finland is based on the strong 'territories' of sectoral Ministries. In addition, the regional administration of the government has organized itself according to these territories – in terms of Employment and Economic Development Centres, Environmental Centres, Forestry Centres and State Provincial Offices. The development ideas transferred from the EU, in addition to the tools promoting them, are horizontal in nature and require different partnership set-ups. In Finland, horizontal, or broad rural policy is

promoted by the Rural Policy Committee, formed by different administrative and rural interest groups. The Council of State appoints this grouping for three years at a time.

The most important means of influence for the Rural Policy Committee is the Rural Policy Programme, drawn up at stated times, and also a Special Rural Policy Programme which is based on the Rural Policy Programme, and is approved by the government. The difference between these documents is that The Rural Policy Programme is policy document and the Special Rural Policy Programme is a political document. The latest Special Rural Policy Programme was approved in February 2007. The Rural Policy Committee goes through constant debate in order to put into practice the goals defined in the Rural Policy Programme. At the same time, it aims to create new practices in rural-related decision-making which help different administrative functions to be evaluated from the point of view of rural areas.

Provincial level

In the provincial planning system, long-term directions are outlined in a regional strategic plan. Once every four years, a regional programme is drawn up and it is made concrete in an annual implementation plan. The Finnish regional development system does not recognize an actual practice of regional rural policy. Lately, in many provinces they have started to develop provincial sub-committees for the Rural Policy Committee, as an initiative for their own provincial broad rural policy. The aim is, for instance, that the regional rural strategies, required by the EU for the programming period 2007-2013, would take the rural areas, as a whole, into consideration, and that all regional administrative authorities would together commit to put broad rural policy into action in their own regions.

Local level

The local level of rural policy is formed by over 400 municipalities, different cooperation forums of regions, and civic action. Of these, 3,900 *Village Action Groups* play an important role in rural policy. At the local level, there is no specifically defined broad rural policy. Hence, the recognition of the distinctively rural issues in the planning processes of local communities tends to be rather random.

Local administration

Finnish administration system is two-sided, as it is based on strong central and local administration put into practice by municipalities. The municipalities have powers of taxation. The local council which is elected via general election every four years has greatest power. The most important duty for municipalities is to ensure its residents similar services, regardless of place of residence. Core services are social- and healthcare services, in addition to pre-school education, basic education, upper secondary education, and vocational schools.

There is also fiscal federalism between municipalities, on the basis of which richer municipalities help poorer ones. This is based on the principle of justice of welfare state. It means that when necessary, equality between citizens and regions is put into practice through current transfers.

For decades, there has been discussion about the optimum size for municipalities in Finland. One belief has become stronger and stronger: present day municipalities are too weak to face the challenges of the new millennium. The most fundamental challenges are the aging of population and the need to succeed in the competitive global economy. Cooperation between municipalities has been taking place for years. There has also been encouragement of voluntary consolidation of municipalities. Contracting out of provincial services to NGOs, or full 'privatisation' have also been possibilities.

In the year 2005, hectic work began to renew municipality- and service structures. The aim is to achieve a reform which would lead to rapid decrease in the number of municipalities. The aim is that the new municipality structure will be finished by the beginning of the year 2009. It is not yet known where the renewing process of municipality- and service structure will lead. The new government beginning its work in the year 2007 will probably have the realization of the reform in its

programme. So far, the discussion of municipality- and service structure has been area neutral. The uniqueness of rural areas has not really been an issue in the discussions.

Local action groups

When Finland joined the European Union in 1995, attention was drawn to the Leader- Community Initiative. Its basis is on local- and civil- centric development of the rural areas. The application of Leader calls for founding a Local Action Group. A Local Action Group bases its action on direct democracy, involving, residents of rural areas, NGOs, enterprises, and local administration. There were no Local Action Groups in Finland before the EU-era. From the point of view of the EU, Local Action Groups represent a minimum of democracy which has to be carried out in order to put Leader's development tools into practice. The practices of local administration differ greatly from each other in different member states. Without the Local Action Groups, the set-up of rural development would be too diverse from the point of view of Leader.

In Finland, these Action Groups started to develop in villages. In this process, the experiences from the Village Action Movement were valuable and the village activists were selected to write the first programmes of Local Action Groups in the middle of 1990's. They were immediately at home with this. As a result, Local Action Groups spread all around Finnish rural areas in a few years. In 2007, there are 58 Local Action Groups in Finland. The whole Finnish countryside is covered with Local Action Groups. Only the minority are Leader-groups. This means that, in Finland, the idea of Local Action Groups has been mainstreamed.

The Local Action Groups have been organized into developmental associations that aim to support people living in rural areas to improve their home district, improve its atmosphere and produce new jobs and businesses. The idea of the Local Action Groups refers to civic activity, participation and partnership. Each Action Group has an administration, consisting of rural residents as well as representatives of NGOs, businesses and public administration. In addition to their administration, the Local Action Groups have a paid workforce, taking care of practical matters as well as preparing and carrying out the decisions made by the administration. The work of the Action Group is based on a development plan which the group prepares together with people living in the area and other interest groups. The decisions on financing the plans are made, based on a proposal by the administration of the Action Group, by the Services for Farming and Fisheries of the Employment and Economic Development Centre which is part of the provincial administration of the state.

All of the rural municipalities in Finland are members of an Action Group. Each Action Group is formed by 2 to 16 municipalities. The municipalities take part in the work of the Action Groups in different ways. They are encouraged to take part in the preparation and realization of the development plan of the Action Group. In addition to this, the municipalities are responsible for about 20% of the public funding of the Action Groups. The Municipalities, however, do not have the right to interfere in their decision-making. From the point of view of the municipalities, this set-up may create tension, since responsibilities and power in local development have been shifted to a new authority that has an unclear relationship to the municipality.

6.4 The regime for rural policy: Preliminary outcomes

Concept of Regime⁶⁷

The ways to influence society have become more complex and diverse. The traditional governmental structures that affect economy and welfare have lost their power, as the logic of supranational development is starting to have an increasingly direct effect. The term glocalization is now used of the encounter of the global and the local. There has developed a need to find new ways to survive the challenges of glocalization, and one of the most essential ways to do this is to move from government to governance. When discussing the substance of governance, three questions need to be answered: 'Who are working together? How do the organizations co-operate? How will the cooperation be sustained, when the processes of interaction in governance change?'

The Regime-theory gives a view to perceive the societal processes required by changing situations. The essential claim of the theory is that the successful control of new societal situations requires the mobilization of the resources of parties outside the official administrative apparatus. *Clarence S. Stone* is often referred to in connection to this. He has studied the political decision-making in Atlanta in 1946–1988. He took interest in Atlanta because its decision-making had been more efficient and productive, compared to many other cities. According to Stone, this can be explained by functional partnership between corporate life and official administration. Stone started to call this partnership a *regime*.⁶⁸

The concept of regime has since been established to be used when discussing arrangements surrounding and reinforcing the work of public administration. When applied to regional development in Finland, the term regime is used when describing modes of action, based on equal partnership between municipalities and officials of regional development, institutions of higher education and other expert organizations, trusts– and political organizations, as well as businesses and NGOs. The formation of a regime is not automatic; it must be built by making mutual decisions.

Regime-thinking is based on mutual dependence between different parties. This dependence is about the added value resulting from persistent cooperation and the increase of the quality of trust and interaction. Regime is not based on short term opportunism, instead it bases on a stern conviction to succeed together or not at all. The birth and progress of regimes demand social capital, a concept which has been frequently discussed during the past few years. A good definition is offered by Torsti Hyyryläinen and Pertti Rannikko:

'Social capital is a social and mental link between people. Its central factors are such official and unofficial norms, shared rules of action and trust that make it possible to work together to achieve together-set goals.'⁶⁹

In addition to social capital, the birth of a regime requires networks. During the last fifteen years, a lot of networks have been developed in relation to regional development. The system of regional planning requires networks formed by, for example, regional councils, municipalities and the regional officials of the state. Village Action Groups have formed networks based on districts and provinces. Businesses work in networks based on, for example, subcontracting and marketing. Universities and polytechnics work together.

⁶⁷ This section is based on an excellent review of regime -theory written by Antti Saartenoja. Saartenoja, Antti (2004). *Kaupungin ja maaseudun vuorovaikutus alueellisessa kehittämisselityksessä*. (Abstract: Urban – Rural Interaction in Regional Development Policy) *Annales Universitatis Turkuensis*. Ser. C. Vol, 214, pages 83-91. University of Turku.

⁶⁸ Stone, Clarence N. (1989). *Regime Politics: Governing Atlanta 1946-1988*. University Press of Kansas, Lawrence.

⁶⁹ Hyyryläinen, Torsti – Pertti Rannikko (2000). *Sosiaalinen pääoma ja paikallinen kehittäminen*, In: Hyyryläinen, Torsti – Pertti Rannikko (ed.) *Eurooppalaistuva maaseutupolitiikka*, p. 191. Vastapaino. Tampere.

Concentration on their own activities is typical to networks, and interaction between them is not necessarily very deep. Separate networks and formal interaction between them is not sufficient to define a regime. However, similar to social capital, networks are necessary for forming a regime. Forming regimes is very difficult for a regional community without social capital or networks.

The supporting idea of a regime is cooperation based on equal partnership. A regime is horizontal of nature, which is why it is very challenging to form true regimes in Finland, where networks are traditionally vertical. The welfare state was built on a multi-level administration, in which central, regional, and local administration form a vertical administration chain. Relationships in power and cooperation exist within individual administration sectors, reaching from the ministry to regional administration, and all the way to the governmental administration.

The model of the public sector is also followed in civic action and associations. Local associations traditionally have more connections to their regional organizations and through them to the national level, than to other associations in the same local community. All and all, Finland is a society built on vertical activity sectors, and horizontality it is very thin in its administration tradition.

The logic of building new regimes has been under some discussion in administrative sciences. *Marion E. Orr* and *Gerry Stoker* have presented a model for the change, or transition, of regimes.⁷⁰ It takes into account the change in operational settings and the internal dynamics in the forming of developmental partnerships. The model has three stages:

1. *Questioning the old regime.* Changes are detected in the operational setting, and the ability of the traditional administration to meet the future challenges is discussed.
2. *Re-defining the scope of application and meaning of the regime.* Uncertainty arises. Different networks and groups are separately finding new directions to their operation. At this point disputes break out, and they may intensify into open debates. Different experiments to gather strength and seek common approval are started by the competing networks.
3. *Building a new regime (institutionalization).* At this stage, a new way of thinking is created. This stage also includes new forms of material incentives and the establishment of new modes of action, i.e. institutionalization.

Prospects associated to the release of international trade and the regional development policies of the EU make it well-founded to assume that Finland needs to move on to a broad regime of rural policies, in which agriculture still has an essential role, but into which the regional administration, Regional Councils, universities and polytechnics, NGOs, municipalities and businesses are diversely connected.

Forming a regime for broad Rural Policy: The case of Ostrobothnia

Unofficial working group

At the end of the summer of 2003, an unofficial working group interested in rural questions was founded in Ostrobothnia, a province of 170,000 inhabitants at the west coast of Finland. Representatives of the regional administration, the Regional Council, Pro Agraria, and the Union of Swedish-speaking Agricultural Producers in Ostrobothnia (ÖSP), Local Action Groups, the Finnish-speaking University of Vaasa and Swedish-speaking university of Åbo Akademi took part in the discussions. The conclusion of the group was that the conditions for broad rural policy must be improved. The working group included people who had taken part, within their own networks, in starting developmental planning for rural areas. The group's conclusion was that they must together find a mode of action that searches for, and finds new possibilities for rural areas.

⁷⁰ Orr, Marion E. – Gerry Stoker (1994) Urban Regimes and Leadership in Detroit. *Urban Affairs Quarterly* 30:1, 48-73.

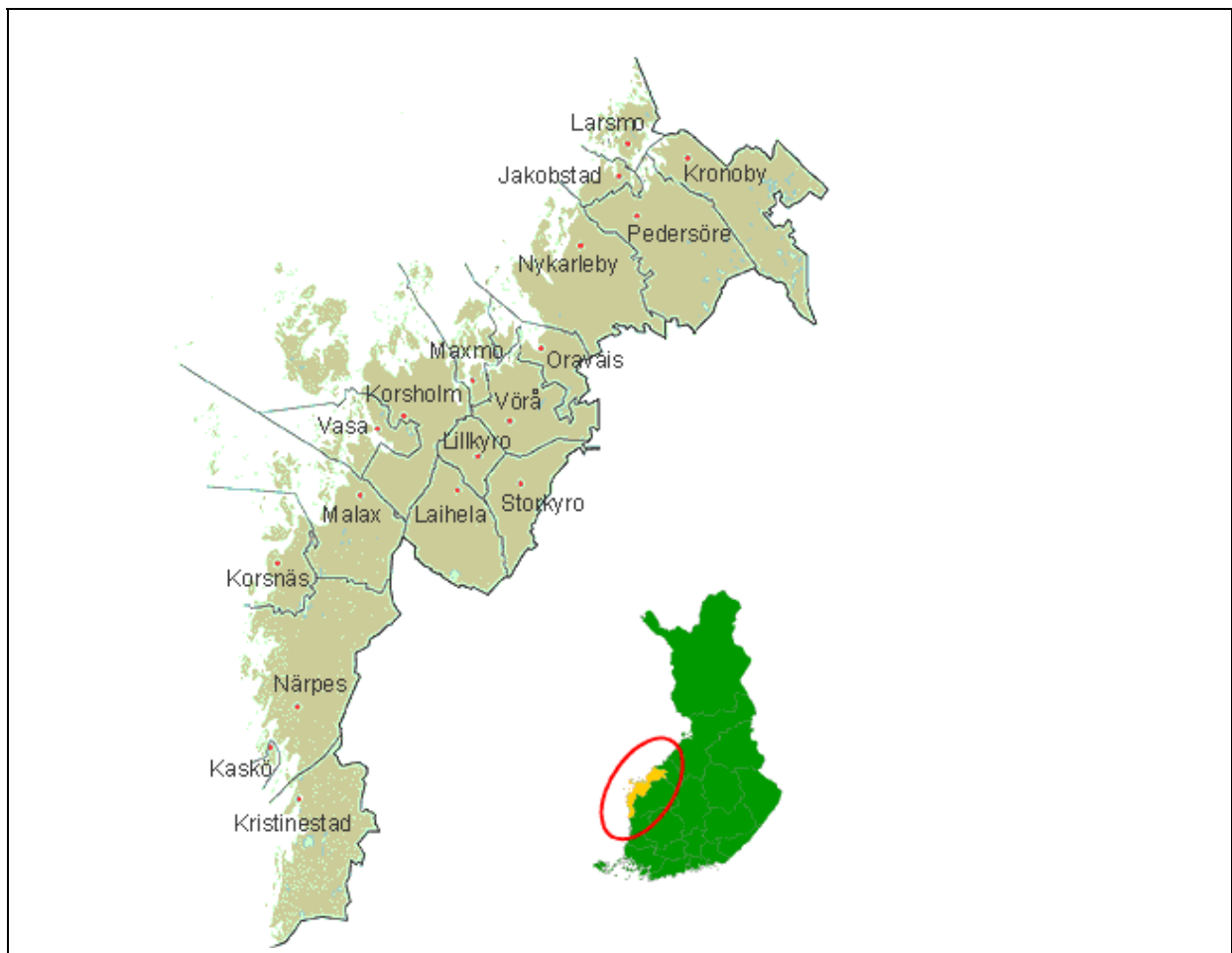


Figure 19: The Province of Ostrobothnia

When interpreting the situation in applying the regime-theory, it was found that the terms for the first stage of the transition model were fulfilled, and some of the terms of the second stage were recognized as well. The working group also became aware of the risks connected to the second stage. If separate work in traditional networks was to continue, there would be a danger of disagreements becoming more acute and the tensions between competing coalitions more tense. It was agreed that this could not be afforded in a situation of diminishing resources, because any conflicts would consume mental resources, and would eventually start exhausting the social capital, found to be essential to the development of the rural areas of Ostrobothnia. Making the broad rural policy stronger together, was considered to be the best way to proceed. Expressed in terms of the theoretical material mentioned above, the agreed goal was to institutionally form a regime for broad rural policy in Ostrobothnia.

The analysis of regional development system

The starting point was the assumption that broad rural policy should be integrated into the existing organization of provincial development. The foundations of the system are the regional strategic plan, regional programme and its implementation plan, which are all coordinated by the Regional Councils. Strategies and action programmes made by officials of regional administration of the state are also an important part of the system of provincial development.

The regional strategic plan is a long-term idea of the developmental views of the province for approximately the next twenty years. The regional programme is a plan of average-range (4 years),

drawn from the goals of the regional strategic plan, to direct and fit together the practical measures of provincial development. No separate funds are assigned to implementing the regional programme, because its function is to co-ordinate actions and existing financial resources.

When preparing the regional programme, it is important to take into account the regional strategic plans, national goals of regional development, regional developmental plans of different administrative branches, and other programmes concerning the province, especially the structural fund programmes of the EU and regional development plans of national level. It is the aim of the regional programme to point out the most central priorities of practical developmental work, and it should be used to co-ordinate the contents of the strategies and developmental programmes of each province. However, the regional programme does not have any legal status or powers. It is essential to the implementation of the regional programme that different parties reach mutual understanding, and commit themselves to the programme during the preparation process.

The greatest problem of the provincial development system in Finland is the gap between the developmental programmes and financial resources. The reform of regional legislation in 2003 tried to solve the problem by introducing an instrument for regional programme work called the implementation plan of the regional programme. The implementation plan is a letter of intent, thus it is not lawfully binding. While the fact that different parties are required to approve the plan without conditions and reservations makes it somewhat more efficient, this principle may also limit the actions given to the scope of the implementation plan.

The implementation plan consists of a list of the plans central to the realization of the regional programme and special programmes, as well as an estimate of their funding. The plan is prepared in cooperation with regional administration officials of the state, municipalities and other parties involved in funding the regional programme. The aim is to outline the strategy of the regional scheme and the most important projects to realize the priorities of the regional programme, to estimate the required funding, and to define the funding responsibilities of different parties.

Each province has its own statutory Regional Policy Committee to align regional development and the division of EU aids. Municipalities, state administration, as well as employment- and economic development organizations are represented in the Regional Policy Committee, appointed by the Regional Council. Rural division, a sub-division of the Regional Policy Committee ensures that other national and EU funded programmes are fitted together in a way most beneficial to rural areas. The division is obliged to report to the Regional Policy Committee.

The place for the new regime

The unofficial rural network of Ostrobothnia concluded in its discussions that the most essential organ for the new regime in the developmental organization of the province is the rural division of the Regional Policy Committee. A similar conclusion had already been reached in national rural policy discussions. When rural divisions were founded, it was considered a possibility that they develop into provincial equivalents to Rural Policy Committee. In practice this has not happened, instead in most provinces, including Ostrobothnia, the rural divisions have settled in taking care of administrative tasks. This is also visible in the structure of the divisions; it is the officials and trade unions of agriculture and forestry that are working at the core of the division. The rural divisions have not developed into the forums of broad rural policy in the provinces.

The unofficial working group discussing rural topics did not see any reason why the job description and structure of the rural division should not be expanded. Preparations for this were started in the fall of 2003, and by February 2004, the Regional Policy Committee decided on the new structure of the division. All parties essential to the rural areas of Ostrobothnia were represented in the broadened rural forum. The meetings are prepared by a secretariat, consisting of experts from different participating parties.

Practical work of the broad Rural Policy regime in Ostrobothnia

The qualifications for developing a regime have been established. The goal is to give rise to new, ambitious projects of rural development through a new mode of action. The new rural division is the most essential forum for developing the substance of broad rural policy. The secretariat of the

division has a great responsibility in preparing the meetings and giving material to discussions between the parties concerned.

The exact nature of the new rural development projects cannot be defined at this point. The definition will be formed in diverse conversations between individuals, perceiving rural areas from different point of views. The work is not based on discussions within the traditional sectors, but the idea of the new regime is to bring different 'living worlds' together in mutual discussions and the new viewpoints brought out by these encounters. The first mission is to find the rural themes to open these discussions. It is also good to bear in mind that it is not likely that surprising and new 'great answers' to rural development will be found. The task of the new regime is to connect existing viewpoints in new ways to find new, interesting ways to develop rural areas.

After defining the themes, working groups are founded to advance practical projects. The mode of action will be similar to that in national rural policy, where the Rural Policy Committee makes the strategic preparations, and the theme groups each take forth the practical actions in their own field. The goal is that rural Ostrobothnia works independently and on its own terms, as a part of the province's strategic development and the improvement of its competitive abilities. One of the goals is also to reach a set-up in which, together with preparing the yearly implementation plan, two to three broad projects are prepared to develop rural areas.

6.5 Principles for the new regime in Broad Rural Policy in Ostrobothnia

There are five principles that are the basis of making decisions concerning rural areas in Ostrobothnia, and they direct contents of the developmental projects in practice. The members of the regime have all committed to the principles. The principles are *sustainable rural development, increasing the degree of processing, cultural pluralism, equality and partnership.*

Sustainable rural development

The basis of Sustainable Rural Development is identifying rural areas as a diverse area of interaction between nature and human activities. The environment gives multiple possibilities to human activities, but the conditions set by nature have to be recognized and taken into account, so that the interests of economy do not overrun those of nature. The aim is to find a balance between the environment, economy and human activities.

Accomplishing environmental awareness requires preserving the nature in rural areas, an open rural landscape, and endangered species, considering waterways and wastewater maintenance in relation to the functions of people and economy, as well as preserving traditional biotopes. It is also necessary to make old and new constructed environment fit together, and to take care of the historical layers and diversity of cultural environments.

Increasing the degree of processing

The destiny of rural areas depends on employment. People will not continue living in or moving into rural areas without job opportunities. In urban-adjacent rural areas, it is possible to put into practice the idea of rural living which is based on people working in towns. However, the future of rural heartland areas and remote rural areas is in the hands of new jobs produced into rural areas. This is why increasing the degree of processing is an important principle of rural policy. The number of rural job opportunities is dependant on how much raw material is processed in rural areas, whether the raw material in question is to do with agriculture, forestry or the immaterial skills of people.

Value chain -thinking is important in increasing the degree of processing. Developmental projects are needed, in which value chains are considered as a whole, from possibilities provided by the market, to producing raw-material and organizing processing. The market can be local, provincial, national and international. Tourism is also one of the significant target groups for rural businesses.

Increase in the degree of processing demands concentration on education. New sources of rural livelihood require new kinds of professionals. Upper secondary education is facing the largest challenges, but polytechnics and Universities should also become more aware of the educational needs originating from rural areas.

Cultural pluralism

World trends concern rural areas, as well as towns. Broad rural policy values multidimensional developmental work springing from the encounters of different points of view.

Seeing rural areas as a unity and discussing important questions of its future from several different angles, is a part of the idea of cultural pluralism. Cultural pluralism will not be realized, if different administrative sectors and parties interested in rural areas are carrying out their own projects unaware of each other. Cultural plurality also requires versatile interaction between people and businesses in rural and urban areas.

Equality

Citizens, regional officials, educational institutions, municipalities, businesses and NGOs all have an equal right and responsibility to take part in rural development. There are no core groups or groups on the perimeter in broad rural policy. The projects take into account the equality between languages, local communities, genders and age-groups.

Partnership

The working method of broad rural policy regime is partnership. The realization of partnership requires discussions about the basic challenges of rural areas between regional officials, municipalities, NGOs and educational institutions of different levels, as well as the different organizations involved in developmental work.

6.6 Concluding remarks: lessons from Ostrobotnia

1. The legitimacy for new kind of horizontal governance is difficult to attain in a society like Finland which is based on sectoral thinking.
2. The communicative processes between public administration, NGOs, firms, interest groups and expert organizations are difficult in a situation where... 'everybody wants to go to heaven but nobody wants to die.'
3. Shared goals concerning rural development are difficult to define.
4. The role of traditional agricultural experts and interest groups is hazy in the context of the new regime for rural development.
5. It is crucial to learn to handle tensions between those who want to preserve the traditional agricultural structures and those who want to promote the structures of the 'New Countryside'.

References

Hyryläinen, Torsti and **Rannikko P** (2000). Sosiaalinen pääoma ja paikallinen kehittäminen, In: Hyryläinen, Torsti – Pertti Rannikko (ed.) *Eurooppalaistuva maaseutupolitiikka*, p. 191. Vastapaino. Tampere.

Orr, M E. and **Stoker G**(1994) Urban Regimes and Leadership in Detroit. *Urban Affairs Quarterly* 30:1, 48-73.

Saartenoja, A (2004). Kaupungin ja maaseudun vuorovaikutus alueellisessa kehittämissä politiikassa. (Abstract: Urban – Rural Interaction in Regional Development Policy) *Annales Universitatis Turkuensis. Ser. C. Vol, 214*, pages 83-91. University of Turku.

Stone, C. N. (1989). *Regime Politics: Governing Atlanta 1946-1988*. University Press of Kansas, Lawrence.

7. An Overview of Rural Development in Sweden

Riikka Ikonen and Erika Knobblock

Nordregio
Box 1685
SE-111 86 Stockholm
Sweden
riikka.ikonen@culminatum.fi, erika.knobblock@nordregio.se

7.1 Introduction

Sweden is sparsely populated by EU standards, with an average density of 22 persons per km². However, the 9 million inhabitants are very unevenly distributed across the country. Most are concentrated in the south, or along the Gulf of Bothnia coastline in the east, leaving the inland area of northern Sweden exceptionally sparsely populated at 2.2 persons per km². This makes the area one of the most sparsely populated in the EU (Agriculture Directorate-General 2003, p1).

In common with other remoter rural areas across Europe, rural Sweden (particularly beyond the commuting zones of the major cities) has seen relatively negative demographic trends in recent years. Thus the share of people living in sparsely populated areas has decreased by approximately ten percent since 1995 (Swedish National Rural Development Agency 2005, p6). The primary causes of this rural population decline are low birth-rates and out-migration - of young people in particular (Swedish National Rural Development Agency 2005, p6). Nevertheless, despite strong urbanisation tendencies, at the turn of the century about a quarter of Sweden's population still lived in rural settlements (MAFF 2000, p10).

The strength of the Swedish welfare state system and regional policy has ensured (at least until recently) that extreme variations in population density have not resulted in significant regional disparities in living conditions. This degree of spatial cohesion may now be threatened by increasingly unfavourable rural demographic trends within the context of moves towards a more 'liberal' model of social service provision and a stronger emphasis upon regional competitiveness (Coronel 2002, Persson and Westholm 1994).

Swedish rural policy has responded to the rural situation with policies which aim to achieve development that is ecologically, economically and socially sustainable. Probably the most conspicuous element is the Swedish Environmental and Rural Development plan for 2000-2006 (ERDP). This addresses both environmental issues and rural entrepreneurship, mainly in relation to the farming community. Within the parts of Sweden designated under EU Structural Funds policy Objective 1 regional programmes offer assistance of various kinds (support for entrepreneurship, infrastructure development, and so on) some of which has a real impact upon rural development. Another key rural policy area is based upon the Environmental Quality Objectives and Special Measures for Environmental Improvement within Agriculture. Broader economic development in the Swedish countryside is supported by various aspects of National Regional Policy, at both County and the Municipality level. The voluntary sector and local initiatives are supported both by the Leader+ and similar programmes, which strengthen social networks and facilitate 'bottom up' development (Section 6).

Whilst the review which follows can never be fully comprehensive, it is hoped that it will convey the overall 'shape' and 'style' of rural policy in Sweden at the time of writing (late 2006). It begins

(Section 2) with an overview of the 'governance' structures which deliver the various interventions of Swedish rural policy, This is followed (Section 3) by a review of the main National policies. Sections 4, 5 and 6 deal with European funded rural development; the ERDP, Structural Fund Objective 1 programmes and Leader+. In Section 7 attention turns to the future, and the new Rural Development Programme (2007-2013) is described. The final section provides an overall discussion and assessment of the current state of Swedish rural development policy.

7.2 The structure which delivers rural development in Sweden

Sweden is governed at three main administrative levels; the Swedish Parliament (national level), the County Council (regional level) and the Municipal Council (local level). In addition there are a variety of public sector boards and agencies, and a range of voluntary groups. This complex structure is illustrated by Figure 20.

Central government level

At the national level, decisions are taken by the Swedish Parliament (Riksdagen), which is democratically elected and has legislative power, and implemented by the Government (Regeringen). The primary (policy making) responsibility for rural development lies with the Ministry of Agriculture, Food and Fisheries. Other aspects of rural policy involve other ministries, including the Ministry of the Environment (environment policy), the Ministry of Enterprise, Energy and Communications (Forestry policy and Regional policy). Rural areas are also affected by policies relating to welfare and infrastructure. Implementation involves various state agencies and boards working with rural issues, including; the Swedish Board of Agriculture (Jordbruksverket), the Swedish National Rural Development Agency (Glesbygdsverket), and the Swedish Agency for Economic and Regional Growth (NUTEK).

In June 2004 the Swedish Government assigned a special Committee to develop a long-term strategy for national policy regarding sustainable rural development. The aim of the Rural Committee was to develop a strategy based on the ecological, economical and social sustainable development of rural areas. Special focus was given to agriculture and forestry and new ways to develop these sectors further in the future. In 2005 the committee published their first report (SOU 2005:36) and by 2006 their final report was published (SOU 2006:101).

Regional level and local level

Sweden is divided in 21 Counties (län). Each county has a County Administrative Board (Länsstyrelse), which is the government's regional representative, responsible for regional planning, and for some specific social welfare matters. Each county⁷¹ also has a democratically elected County Council (Landsting)⁷². The county councils' most important task is to provide health care. They are also responsible for national goals regarding regional development. In the county of Västra Götaland and in Skåne the county councils have increased regional autonomy during an experimental period and are called Regions (Regionala självstyrelseorgan) (Swedish Association of Local Authorities and Regions, a). These regions have more power and responsibility for regional growth and development than the county councils.

⁷¹ The one exception is Gotland, where the municipal council has the same function as a county council.

⁷² In the county of Västra Götaland and in Skåne the county councils have increased regional autonomy during a test period and are called Regions (Regionala självstyrelseorgan) (Swedish Association of Local Authorities and Regions, a).

At the local level there are 290 Municipalities (Kommuner). They are both by size and population very diverse⁷³. Each municipality has an elected assembly, the municipal council. National laws regulate what the municipalities must provide and they play a key role in providing public services e.g social services, childcare, education and community planning.

Since 2003 county councils and municipalities within a county can form a Regional Co-operation Council (Kommunala samverkansorgan). The regional co-operation councils assume responsibility for regional development, (in place of the county administrative board). They can decide on state grants distribution, and infrastructure investment. The members are elected by members of the municipal councils and the county councils. The idea is to achieve more democratic and effective regional development, as politicians with knowledge about their own region take more responsibility. Today there are nine regional co-operation councils, and four applications from groups of municipalities to become councils (Swedish Association of Local Authorities and Regions, a and b). Through the regional co-operation councils it has become easier to come to agreements on regional development and prioritizing, since there is increased mutual understanding between different levels of governance in Sweden (Kommunförbundet Västernorrland 2005, p18).

The funding system of local and regional activities

The municipalities and the county councils/regions, who are responsible for providing the majority of public services, have independent powers of taxation in order to finance their activities. Tax revenues constitute the largest income source for municipalities and also account for two-thirds of the funding of county councils/regions. The average tax rate is 30% of income. In addition to tax incomes the local and regional authorities receive state grants, which are generally paid per inhabitant, or targeted on specific actions.

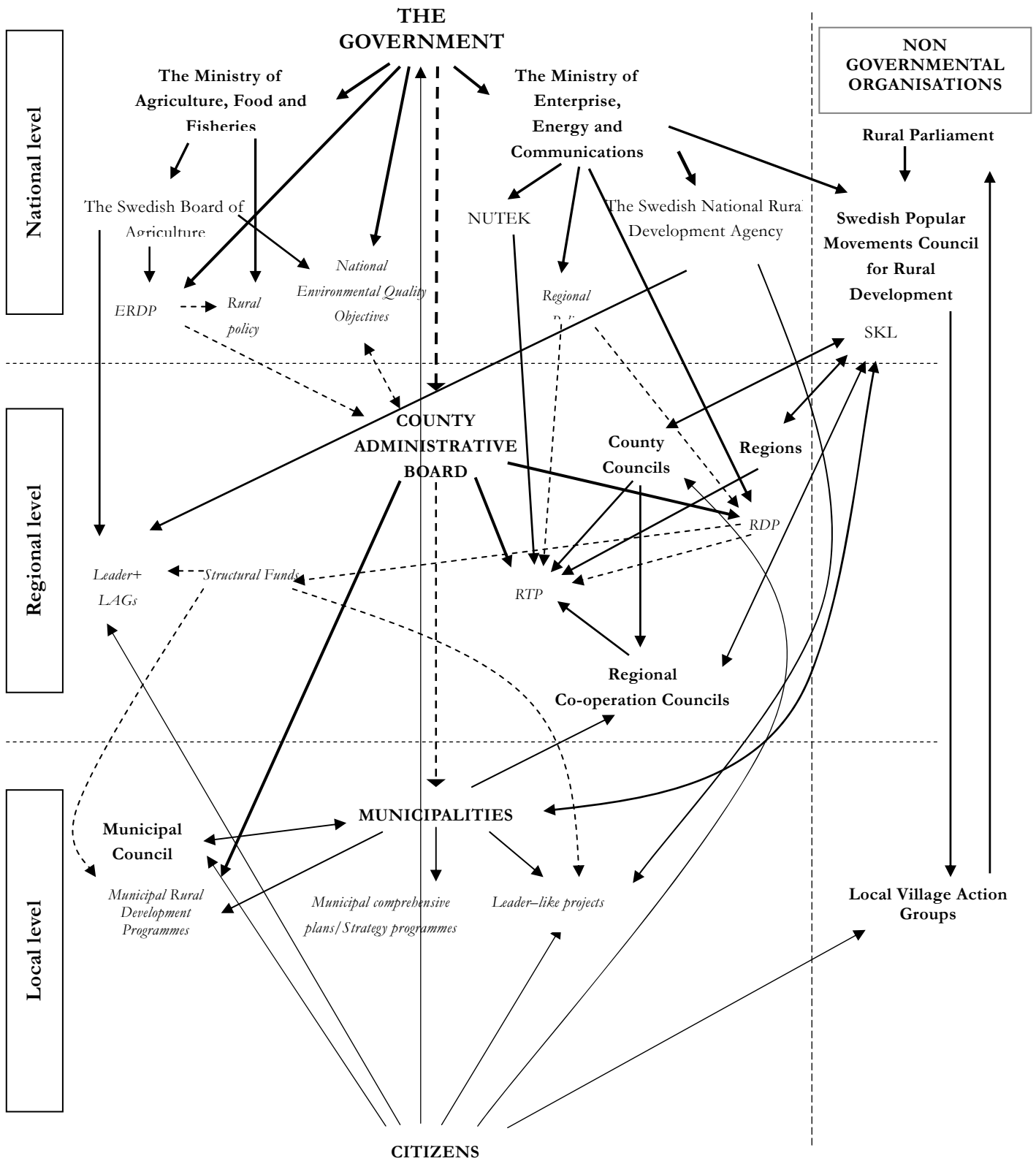
Due to structural differences and variations in the average income across Sweden tax revenues per head vary considerably between municipalities and counties. At the same time differences in population density mean differences in the cost of providing services. Urban municipalities tend to raise higher tax revenues and have lower costs, than rural and sparsely populated ones. However, all municipalities are legally obliged to provide public services to national minimum standards. In order to ensure uniform standards of service provision a system of tax equalisation has been devised. This redistributes the revenues from the local authorities and the county councils/regions on the basis of their taxbase and level of expenses. During 2006 the economical resources redistributed between municipalities amounted to 58 billion SEK (Swedish National Rural Development Agency 2005, p52).

Overview of local activities

In a recent report from the Swedish National Rural Development Agency 100 of 290 municipalities were said to lack a local rural development program, while other used their planning documents such as the municipal comprehensive plans (Översiktsplaner) or other strategy programmes (Swedish National Rural Development Agency 2006, p8). Municipal Rural Development Programmes (kommunala landsbygdsutvecklingsprogram) have been used in Dalarna, Jämtland, Värmland, Västmanland and Östergötland. The municipalities that had a strategy document concerning rural development had all constructed their programmes in different ways, but they were all focused on services, rural entrepreneurship and accessibility. Sectors such as agriculture, forestry, tourism and fishing, which could be seen as traditional sectors in rural areas, are only mentioned briefly (Ibid, p19).

⁷³ The capital of Stockholm is the most densely populated municipality (765 044 hab.). Bjurholm in northern Sweden is most sparsely populated (2588 hab.). The largest municipality is Kiruna at 19 447 km² and the smallest is Sundbyberg (near the capital) with 9 km².

Figure 20: The structure which delivers Rural Development in Sweden



- ERDP Environmental and Rural Development Plan 2000-2006/ 2007-2013
- LAGs Local Action Groups
- NUTEK Agency for Economic and Regional Growth
- RDP Regional Development Programme
- RTP Regional Growth Programme
- SKL The Swedish Association of Local Authorities and Regi

The voluntary sector

In Sweden there is a strong voluntary sector. There are approximately 4,400 local Village Action groups, and about 1/3 of all people living in rural areas are believed to be active in the voluntary sector (The Ministry of Agriculture, Food and Consumer Affairs 2006, p4). The Swedish Popular Movements Council for Rural Development (Folkrörelserådet Hela Sverige ska leva) is a good example of a Village Action movement of voluntary organisations dealing with rural and community development⁷⁴. The movement was established in the late 1980's when the Government together with NGOs started the campaign 'All Sweden shall live' to encourage local initiatives and support local development, changing attitudes among decision-makers and the public regarding rural areas, and to improve national rural policies during a time when rural areas were facing many difficulties (Swedish Popular Movements Council for Rural Development, a). A Rural Parliament (Landsbygdsriksdagen) also became established and is held every second year with representatives from e.g. village actions groups. As in the 80's many actions groups are still created as a result of some type of crisis or specific need, such as a lack of childcare, a school closing down or bad maintenance of a local village road. It generally starts with a few dedicated people, often consisting of women and newcomers, getting together (Ibid). Some village actions groups run independent village schools, others make it possible for elderly people to continue living in the village by establishing cooperative care homes. They also work with entrepreneurship, build 'advance factories', assist business development, tourism development, cultural activities and run local shops. The Village Action movement is a part of the social economy in rural areas. It is non-profit and not connected to the public sector.

7.3 National rural development activities

Broad and narrow views

The overall objective for national rural policy is 'Rural development that is ecologically, economically and socially sustainable' (Ministry of Agriculture, Food and Consumer Affairs 2005a, p13). According to this Ministry (Ibid) the most important rural development instruments are:

- The Swedish Environmental and Rural Development Plan 2000-2006 (ERDP).
- Measures for rural development within structural funds – (especially Objective 1 in Norra Norrland)
- The EU Leader+ programme
- National income support for agriculture in Northern Sweden
- Measures for environmental improvement within agriculture.

This seems to be a narrow, essentially sectoral view. A broader view, encompassing other rural activities, is adopted by the Swedish Institute for Food and Agricultural Economics, who also include Regional policy (SLI 2004, p5). In the context of the current paper a broad view is assumed, including (in addition to the policies mentioned above), National Environment Policy.

Environmental policy

In 1999 the Swedish government adopted 15 National Environmental Quality Objectives (NEQO). A 16th (biodiversity) objective was added in 2005. The NEQO are not a policy (with a budget etc); rather they are a set of guidelines, within which national, regional and local administrations must

⁷⁴ They are estimated to engage approximately 100,000 persons, while 3 million people is said to be affected by their work (Swedish Popular Movements Council for Rural Development, a).

operate. The aim is to achieve the environmental quality objectives within the lifespan of one generation. The County Administrative Boards have the overall responsibility for all objectives in their regions, except the objective for sustainable forests, which is covered by the Swedish Forest Agency (Skogsstyrelsen) (The County Administrative Board of Västerbotten, 2004).

Table 10: National Environmental Quality Objectives

1. Clean air	9. A varied agricultural landscape
2. High-quality groundwater	10. A magnificent mountain landscape
3. Sustainable lakes and watercourses	11. A good urban environment
4. Flourishing wetlands	12. A non-toxic environment
5. A balanced marine environment, sustainable coastal areas, archipelagos	13. A safe radiation environment
6. No eutrophication	14. A protective ozone layer
7. Natural acidification only	15. Limited influence on climate change
8. Sustainable forests	16. A rich diversity of Plant and Animal Life

Source: The Swedish Government (<http://www.miljomal.nu/english/english.php#>)

In every county the objectives are adapted to local conditions and (if appropriate) additional objectives are devised. There are three quality objectives that particularly affect rural areas;

- *A varied agricultural landscape:* ‘The agricultural landscape and the value of agricultural land for organic production and food production are to be protected, while the biological diversity and cultural heritage are preserved and strengthened.’
- *No eutrophication:* ‘Concentrations of eutrophying substances in land and water are not to have a negative impact on human health, on the conditions necessary for biological diversity or the potential for versatile use of land and water.’
- *A Non-toxic environment:* ‘The environment is to be free from substances and metals that were created in or produced by society and which can be threaten human health or the biological diversity.’

(Ministry of Agriculture, Food and Consumer Affairs 2005a, p13).

The NEQO have so far generated mainly discussions, meetings and plans. It is too early to say how far they have been implemented and how effective they will be at the municipal level, but according to an ongoing study at Umeå University (Jonsson, A-C 2006) only 25 of 79 investigated municipalities were in some degree working actively with the objectives by May 2006. The lack of implementation and financial prioritization suggests that the progress of fulfilling the NEQO may be slow.

Regional policy

Regional development policy has a wide remit, including, for example, trade and industry, the labour market, educational, transport, culture and research, together with activities relating more directly to rural policy, such as agriculture, and forestry (The Swedish Government 2001, p6). The stated aim of Regional policy is ‘well functioning and sustainable local labour market regions with good levels of service throughout the country’ (Ibid). Regional development is today conducted through three different programmes; Regional Development Programmes (Regionala Utvecklings Program - RUP), Regional Growth programmes (Regionala Tillväxt Program - RTP) and Structural funds (NUTEK 2006b, p8).

The RUP outlines the long-term development strategy of every region and is the primary policy tool for regional development. The aim is to achieve better interaction and cooperation between

authorities and to generate common goals and strategies in order to strengthen sustainable regional development. The RUP is an umbrella program for other policy measures, such as the RTP, the structural funds programmes and County infrastructure and environment strategies. The RUP will end in 2013.

The RTP is funded by the state, the EU and partnership members (NUTEK 2006 b). The County Administrative Boards, Regions and Regional Co-operation Councils are responsible for the RTP's in place during the 2004-2007 period. The aim is to link national growth policy to regional policy. The RTP is essentially a procedural framework to achieve better coordination of resources to support sustainable regional development. It encourages national and regional agencies to work more closely together, within the context of labour market regions, - an arrangement which is considered to offer more effective use of resources and to better reflect/exploit local conditions (ITPS 2004b, p4). Total funding for the RTP amounted to 11,8 billion SEK in 2003, rising to 17,6 billion SEK in 2004, and 23,3 billion SEK in 2005 (NUTEK 2005, p59, p65 and NUTEK 2006 a, p8).

In an evaluation in 2005 most participants said they had had positive experiences of the RTP (NUTEK 2006 a). However a need for more effective involvement of private sector actors and closer links to National government agencies were also identified.

7.4 The Swedish Environment and Rural Development Plan 2000-2006

Geographical coverage and objectives

The ERDP is a national programme, however, due to peculiarities of the EU funding arrangements some measures (which are part of the ERDP in the rest of Sweden) are administered as part of the EU Structural Funds Objective 1 Programmes in Norra Norland and the South Forest Region (See Section 0).

The stated aim of the Environmental and Rural Development Plan for Sweden is to promote the ecologically, economically and socially sustainable development of agriculture, food production, forestry and rural areas. Equal opportunities for development for men and women are promoted. The programme has two priority areas:

- Environmentally sustainable agriculture and Economic and;
- Socially sustainable rural development. (Ministry of Agriculture, Food and Fisheries 2000, p107).

Description of measures

Although it is of course formulated within the guidelines laid out in the EU Rural Development Regulation (RDR), the ERDP is closely aligned with both national environmental policy and regional development policy (Regeringskansliet 2005, p13). In common with the programmes of the other Nordic EU member states, its support is mainly directed towards the farming sector.

Twelve of the RDR measures are implemented by the ERDP (Table 11). Of those not implemented in Sweden, some reflect local conditions (eg 'afforestation of agricultural land', and 'agricultural water resource management'). Perhaps more significant is the failure to implement 'basic services for the rural economy and population' – which it might be imagined could be helpful in remoter parts of the country.

Table 11: The 12 measures implemented in the ERDP

a. Investment in agricultural holdings	*
b. Setting-up of young farmers	*
c. Training	*
e. Less-favoured areas	
f. Agri-environment	
g. Improving processing and marketing of agricultural products	*
m. Marketing of quality agricultural products	
o. Renovation and development of villages and protection and conservation of the rural heritage	*
p. Diversification of agricultural activities and activities close to agriculture to provide multiple activities or alternative income	*
r. Development and improvement of infrastructure connected with the development of agriculture	*
s. Encouragement for tourist and craft activities	*
t. Protection of the environment in connection with agriculture, forestry and landscape conservation as well as the improvement of animal welfare	

Note: * indicates measures integrated into the Structural Fund Programmes in Norra Norland and the South Forest Region. The remaining measures are implemented through the ERDP throughout Sweden

Source: DG Agriculture (2003) Overview of the implementation of rural development policy 2000-06, (http://ec.europa.eu/agriculture/publi/fact/rurdev2003/ov_en.pdf, Table 4.1.1.1

Measures f and t, which are intended to utilise the positive environmental impact of agriculture and minimising its negative environmental impact, play a prominent role in the ERDP. It is intended that these measures will contribute to the achievement of the NEQO in relation to the farmed landscape. (Ministry of Agriculture, Food and Fisheries 2000, p 107) Most of the remaining measures are aimed at improving the competitiveness of the countryside by facilitating and accelerating necessary adaptation of the agricultural sector to new conditions. Measures o, p and s have potential to address the needs of the majority of non-farming rural residents and businesses.

Within *Priority I* (Environmentally sustainable agriculture), area-based environmental payments are the most important in terms of expenditure. This priority also includes other measures such as compensatory allowances for Less Favoured Areas, aid for environmental investments, training, aid to improve the ecological value of forests and compensation for protecting the environment in connection with agriculture, forestry and conserving the landscape and improvements in animal welfare. The agri-environmental programme of the ERDP is structured in three sub-programmes (ibid, p110-116):

Sub-programme 1 aims to compensate farmers for their production of collective services such as biodiversity, genetic diversity and cultural heritage values.

Sub-programme 2 supports the maintenance of an open farmed landscape through environmentally-friendly ley farming. This measure covers woodland and mixed woodland/flatland areas and northern Sweden.

Sub-programme 3 includes measures to stimulate an increased use of organic production methods and measures to reduce nutrient leaching and erosion from agriculture.

Within the *priority II* (Economic and socially sustainable rural development) the measures include investment aid, setting-up of young farmers, improved processing and marketing of agricultural products, training and measures to promote the adaptation and development of rural areas. An important part of the rural development plan comprises measures which help facilitate a diversification of agricultural holdings and promote the further processing of raw materials

produced within agriculture and horticulture and the production of other good services and collective services. (Ibid, p108)

Distribution of funding

The total budget for the ERDP 2000-06 is about SEK 23 billion (Ministry of Agriculture, Food and Fisheries 2005b). About 45% is co-financed by the EU (Ministry of Agriculture, Food and Consumer Affairs 2003, p50.)

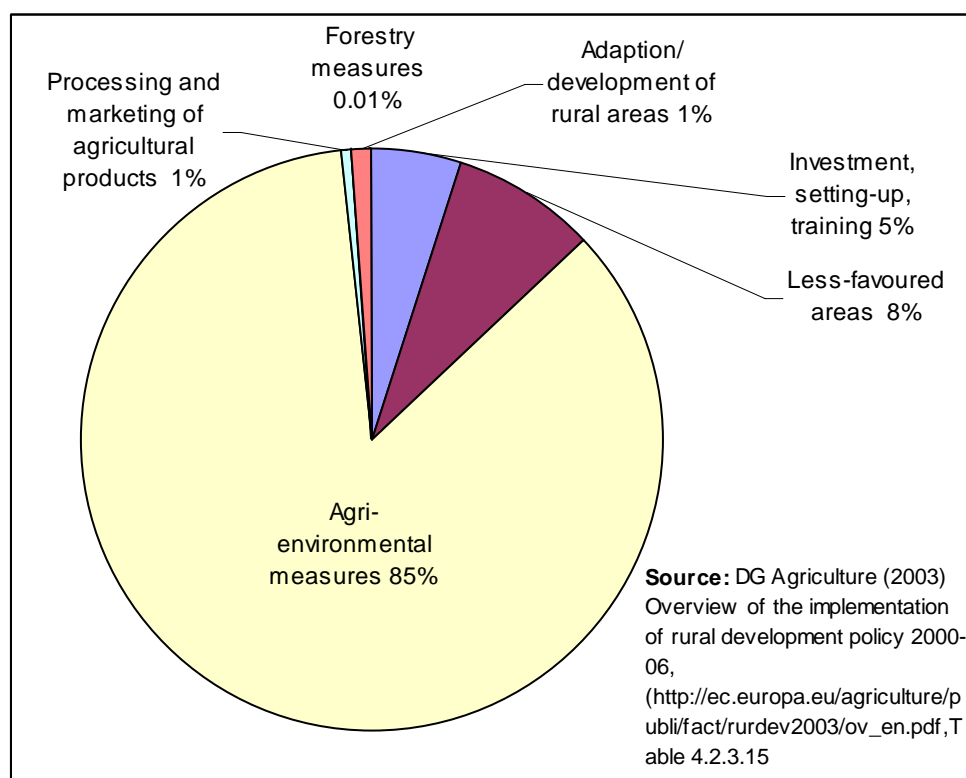


Figure 21: Distribution of (actual) ERDP expenditure 2000-2005

Figure 21 shows the distribution of expenditure of European funds by the ERDP during the period 2000-05. It illustrates well the dominance of Agri-environment measures, (at 85%). The next most significant areas of expenditure are the Less Favoured Area payments (8%) and farm investment, setting up of young farmers, and training (together 5%). The remaining measures, (including those with the potential to assist the wider rural economy) account for a mere 2% in total.

Implementation arrangements

Overall responsibility for planning, administration, implementation and monitoring of the rural development plan is given to the Swedish Board of Agriculture. However the authorisation role is delegated to the County Administrative Boards, which receive and process applications, carry out the physical checks and make decisions on aid to individual farmers (Ministry of Agriculture, Food and Fisheries 2000, p232-233)

The Swedish Board of Agriculture is an accredited paying agency for aid from the Guarantee Section of the EAGGF and is also the fund coordinator designated by the Government. It also promotes the harmonised application of the Community rules, distributes Community literature to

the County Administrative Boards and sends the stipulated information to the Commission. The Board is also responsible for the shared computer system, coordinates information for farmers about the aid, and is responsible for application forms. (Ibid.)

Assessment of impact, outcomes etc

The mid-term evaluation of the ERDP, which was carried out in 2003, was generally positive. It concluded that the ERDP had contributed to ecological, economic and social sustainability of rural areas (particularly in relation to agriculture) (Ministry of Agriculture, Food and Consumer Affairs 2003.) Several of the objectives associated with Priority I had already (in 2003) been fulfilled, and those which had not, seemed likely to be fulfilled before 2007. The ERDP had also had a significant impact on the fulfilment on two of the National Environmental Quality Objectives⁷⁵.

The evaluators were more critical in relation to Priority II – where it was felt that there had perhaps been insufficient time for significant impacts to be felt. There were also concerns relating to the geographical distribution of expenditure. (Ministry of Agriculture, Food and Consumer Affairs 2003.) During the period 2000-2003 the economic support for farmers had mostly gone to those living in the coastal areas of Norra Norrland, in response to a greater number of applications coming from that area. Some measures were in fact over-subscribed. It was therefore suggested that the County Administrative Boards in Västerbotten and Norrbotten should prioritise areas within their regions for future economic support.

The evaluators also criticized the programme for being too focused on agriculture at the expense of other important rural activities. The problem seems to have been more a question of implementation than programme design, since several of the key measures (in terms of providing support to the wider rural economy) were already implemented in the ERDP. The evaluators therefore suggested that the main remedy was better integration of the ERDP with other regional development programmes. In particular it was suggested that the Regional Growth Programmes should pay more attention to rural development issues. Integration between different ERDP measures could also be improved, especially between measures addressing landscape issues and other (economic development) measures within Priority II.

More recently the Swedish Rural Committee has also argued that there is need to further adapt the programme to regional and local conditions, working in partnership with regional development policy (Swedish Rural Committee 2005, p19, 37). Whilst Glesbygdsverket has pointed to the need to develop broader rural policy that is not focused solely on the structural changes taking place within agriculture. Other areas such as the environment, food production and a broadening of the rural economy should become more important (Glesbygdsverket 2005, p51).

The Rural Committee has argued the need for greater simplicity of implementation. (Swedish Rural Committee 2005 p37). They have also suggested that the evaluation system should be reshaped so that more attention is paid to aims, the fulfilment of aims, results and effects. (Swedish Rural Committee 2005, p39). This echoes an earlier criticism by the Ministry, related to the lack of appropriate performance indicators, which means that the EU evaluation system requires considerable investment of time and effort (Ministry of Agriculture, Food and Consumer Affairs 2003, p18).

⁷⁵ A varied agricultural landscape Objective and the No Eutrophication Objective.

7.5 Rural Development elements of Swedish Structural Fund Programmes 2000-2006

'Pillar 2' components

In Sweden there are two objective 1 programmes; in Norra Norrland and the South Forest Region.

Due to peculiarities of the EU funding arrangements these Objective 1 programmes incorporate 8 RDR measures which (in their regions) parallel priority II of the ERDP. These measures are identified with a * in Table 11. Figure 21 shows that the measures integrated into the Objective 1 programmes are relatively unimportant in expenditure terms (they account for less than 10% of ERDP expenditure). Both the 'largest' measures (in terms of ERDP expenditure), the Agri-environment Programme and the Less Favoured Area Payments, are implemented by the ERDP throughout Sweden, (including the Objective 1 areas).

The Objective 1 programmes have a budget of about 9 billion SEK during the 2000-2006 programming period. (Ministry of Agriculture, Food and Consumer Affairs 2003, p309). Of this, EU funding is about one third. The measures are financed by the Regional Fund (ERDF), the Social Fund (ESF), the European Agricultural Guidance and Guarantee Fund (EAGGF) and the Fisheries Fund. (NUTEK 2003a; NUTEK 2003b) There is also a possibility within the Objective 1 to work in Leader-like projects (See Section 6 below).

The aims of the Objective 1 *Norra Norrland* are that trade and industry will display at least the same growth as other successful regions in Sweden and Europe, and that full employment will be reached within the framework of a sustainable development and equal opportunities. The objectives of the programme are to reach 8,000 new and safeguarded jobs, 4,000 temporary jobs, 2500 new businesses, offer education to 20,000 persons. (Norra Norrland region 2000, p2.)



Figure 22: The Norra Norrland Objective 1 area

Source: Hanell, Aalbu and Neubauer (2002) The EU's regional policy in the Nordic countries , Nordregio <http://www.nordregio.se/Files/r0202p53-65.pdf>

The programme revolves around six priority areas and technical assistance measures (*Table 12*)

Table 12: Priority areas for the Norra Norrland Objective 1 Programme

Priority areas	Total cost
1. Development of infrastructures	184,061,000
2. Commercial and industrial development	204,751,509
3. Development of skills and employment	157,295,058
4. Rural development, fishing and aquaculture	80,848,359
5. Nature, culture and human environment	64,068,275
6. Sami programme	12,556,930
7. Technical assistance	18,781,438
Total	722,362,569

Source:

http://ec.europa.eu/regional_policy/country/prordn/details.cfm?gv_OBJ=ALL&gv_PAY=SE&gv_reg=ALL&gv_THE=ALL&gv_PGM=1999SE161DO001&LAN=5

It is perhaps worth emphasising the fact that although the ‘narrow’ view of rural development would see it as being carried out mainly under the fourth priority area (perhaps supplemented by 5 and 6), the broader view recognises that all priority areas may have an impact upon the wider rural economy and quality of life.

The vision of the Objective 1 *South Forest Region* is to achieve a growing business life and entrepreneurship, and the development of the region’s already favourable living environment in order to attract new people. Objectives of the programme are 8,000 new and maintained jobs, 1,000 new enterprises, offer education to 20,000 persons in 2,000 companies. (Södra Skogslän region 1999, p4.)

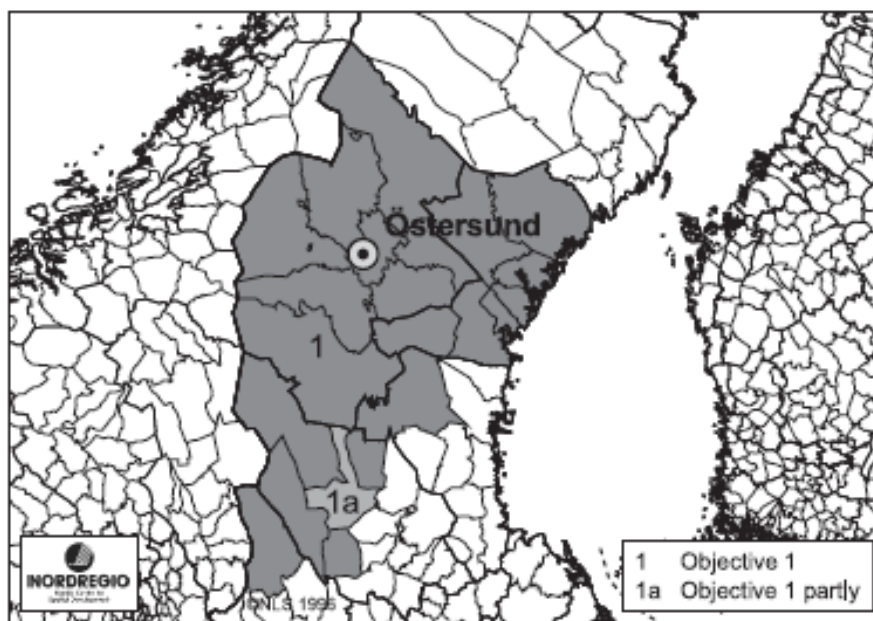


Figure 23: The South Forest Region Objective 1 area

Source: Hanell, Aalbu and Neubauer (2002) The EU’s regional policy in the Nordic countries, Nordregio <http://www.nordregio.se/Files/r0202p53-65.pdf>

This programme has also six priority areas (Table 13):

Table 13: The Priority areas of the South Forest Region Objective 1 programme

Priority area	Total cost
1. Development of trade and industry – strengthened, diversified and innovative business life.	379,592,034
2. Life long learning and development of human resources in work life.	137,859,435
3. The development of agriculture and forestry, development of the rural areas and of the fisheries industry.	95,266,900
4. Development of living environments and infrastructure – strengthened regional and local attraction power to attain improved accessibility.	54,496,862
5. Sami programme	5,516,997
6. Technical Assistance	19,687,787
Total	692,420,015

Source:

http://ec.europa.eu/regional_policy/country/prordn/details.cfm?gv_PAY=SE&gv_reg=ALL&gv_PGM=1999SE161DO002&LAN=5#tab

Assessment of impacts and outcomes

According to the mid-term evaluation, as regards the half-time objectives stated in the programme complement, the programmes have attained the set up goals for two core indicators: new enterprise and individuals in skills development activities. The results vary according to measure, but in many cases (especially when it comes to jobs and the number of participants in training) they have exceeded the objectives. However the mid-term evaluation argues that this favourable outcome is partly a consequence of the fact that objectives were set relatively low. Intra-regional disparities in impact have again been an issue in both programmes with a clear difference between the inland and the coastal areas in terms of the number of decisions and level of support (coastal areas having fared better). (NUTEK 2003a; NUTEK 2003b.)

The evaluators argue that available monitoring data is insufficient to permit any real assessment of long-term impact. They therefore suggest that the managing authority in each programme should spend more time on systematically following up projects and their impacts. Additionally they recommend that, for the remainder of the programme period, larger projects (e.g. all over 1 MSEK in EU funding) should carry out a self-evaluation. (Ibid.)

In another study, the effect of the EU's Structural Funds on the local economy at the municipality level was analysed by the Swedish Institute for growth Policy Studies (ITPS 2004 a). Their assessment was rather less up-beat. They could not find no evidence that Structural Fund expenditure has had a positive impact on the municipalities' economy, or upon the numbers of new businesses, employment in the private sector, income levels or the mobility on the employment market.

7.6 LEADER+

Implementation

The EU funded Leader+ programme for area-based 'bottom-up' development is implemented in Sweden, as it is in almost all EU member states. In Sweden eligible rural areas must be located at least 4 kilometres from a population centre of at least 20,000 inhabitants, or on archipelagos or islands with permanent residents but no bridge to the mainland. (Swedish Network for Leader+.)

The LEADER+ programme aims to develop rural areas and thereby reduce regional disparities by:

- Improving the conditions for a strong economy in the area;
- Contributing to new job creation;
- Increasing the value of natural and cultural heritage, and;
- Improving organisational opportunities in society.

The horizontal objectives of the Swedish national programme include increased employment, gender equality, integration and preservation and development of environment. (Swedish National Rural Development Agency 2001.)

Programme activity is carried out by 12 LAGs (Local Action Groups, Figure 24), which are partnerships consisting of representatives from public, private and non-profit-making sectors, (in principle one third from each). The work has a bottom-up approach and is always based on local conditions and needs. Activities are required to be innovative in the local area, but should be transferable and usable in other rural areas. A national network is established to collect experiences and share them with others. (Swedish National Rural Development Agency: [http://www.glesbygdsverket.se/.](http://www.glesbygdsverket.se/))

The Swedish National Rural Development Agency is responsible for the administration of Leader+ and the Swedish Board of Agriculture is responsible for payments. The Rural Development Agency is also the secretariat for the Monitoring Committee, which is appointed to follow the development and focus of the programme. (Swedish Network for Leader+: [http://www.leaderplus.se/.](http://www.leaderplus.se/)) Leader+ in Sweden has over EUR 147 million, about SEK 1.2 billion, at its disposal. The EU's share of this is EUR 40.5 million, or about SEK 344 million. In the case of Leader, private contributions consist largely of non-profit work or benefits. (Swedish National Rural Development Agency: [http://www.glesbygdsverket.se/.](http://www.glesbygdsverket.se/))

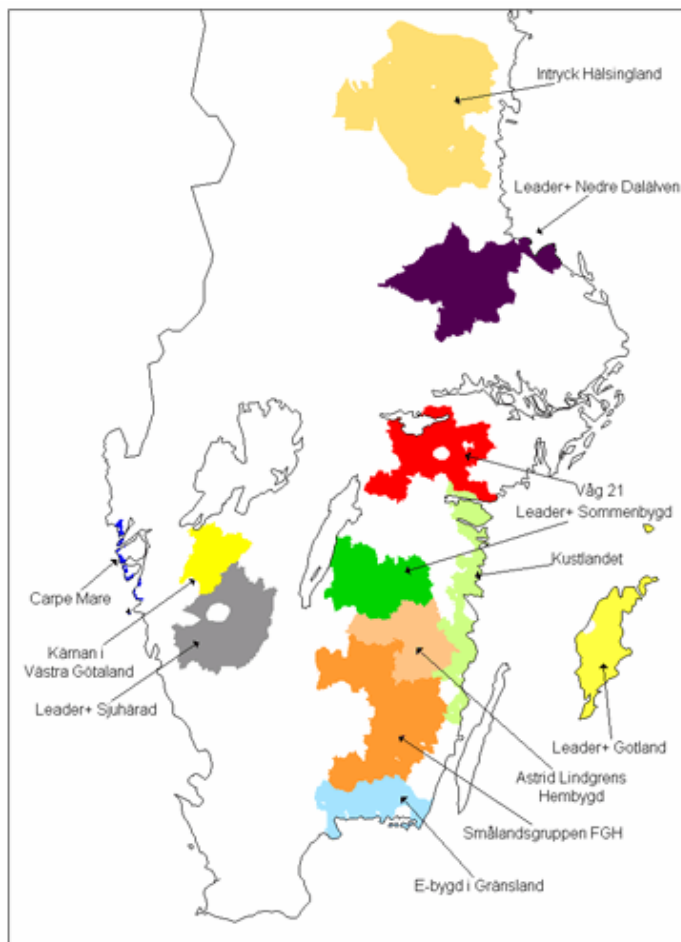


Figure 24: LEADER+ areas in Sweden.

(Source: By permission of Glesbygdsverket)

Overview of activities

The LAGs each base their work on one of four development themes (Swedish National Rural Development Agency 2001). These are:

1. The use of new skills and new technology to make rural products, including services, more competitive
2. Raising the value of local products, including services, particularly by collaboration between smaller businesses in order to gain improved market access
3. Improving the quality of life in rural areas
4. Improved exploitation of natural and cultural resources, including Natura 2000 areas

The groups have chosen the measure they consider best suited to the area's identity and local conditions. They follow a local development plan which takes account of their area's particular opportunities and constraints. The LAGs receive applications for funds for Leader projects and they exercise discretion regarding which projects they will support. (Swedish Network for Leader+: <http://www.leaderplus.se/>.)

One of the Swedish groups (Blekinge E-bygd i gränsland) is working within the Measure 1. It aims at solving bottleneck problems in the distribution of goods, services and people from rural

areas, creating new meeting places and promoting new entrepreneurship. Four groups are working within the measure 2 (Carpe Mare, Leader+ Gotland, Kärnan i Västra Götaland, Smålandsgruppen FGH). These LAGs have activities that aim, for example, to stimulate activities that reduce marine pollution, provide better services in Gotland, increase retail trading in the area, and new craft products using wood, aluminium and crystal. Three groups working within Measure 3 (Astrid Lindgrens hembygd, Leader+ Sjuhärad, Våg 21) include activities that, for example create a positive attitude about growing up and living in a rural area, finding new solutions for achieving a better quality of living based on the local natural and cultural environment, and developing eco-villages as an alternative form of housing in rural areas. Four LAGs working within Measure 4 (Intryck Hälsingland, Kustlandet, Leader+ Nedre Dalälven, Leader+ Sommenbygd) encompass activities that, for example, will enhance the appreciation of natural and cultural heritage, encourage development work in village schools, and stimulate collaboration and development of entrepreneurship by creating meeting places, financing, skills development and network building. (Ibid.)

Assessment of impacts and outcomes

According to the mid-term evaluation the Leader+ in Sweden has been implemented in a generally satisfactory and positive manner. This evaluation relates to the Monitoring Committee, managing authorities, payment authority, and the network and individual LAGs. The case studies made by the evaluator revealed enthusiasm for the way of working in the LAGs. The method is seen as valuable and has built important components of local rural development. (EuroFutures 2003, p5.) Leader has contributed to local mobilisation and has created conditions for economic development.

However, on the negative side, a lack of focus in the process, with too many goals, and unclear administration has made it relatively expensive (Ministry of Agriculture, Food and Consumer Affairs 2006, p4). Furthermore, according to the mid-term evaluation only about half LEADER+ projects reached their objectives, especially in relation to employment and improvement of nature and cultural heritage. This can be partly explained by the fact that the projects were quite newly established (EuroFutures 2003, p5.)

The evaluation presents some recommendations to improve the programme, two of them being especially important for the future:

- To build a contact network between the central actors and LAGs representatives to improve the spread of experiences from Leader+
- LAGs should raise their ambition levels concerning innovativeness of the projects. Some groups also needed to consider the long-term perspective, commercialisation and employment potential. (Ibid.)

Leader-Like programmes – national or Objective 1 funded

By 2004 the number of Leader-like projects was only one within the Objective 1 Norra Norrland and none within Objective 1 South Forest Region (NUTEK 2004, p35)⁷⁶. In the mid-term evaluation this is explained in terms of a lack of information/knowledge, and insufficient funding. Another explanation is that LEADER style local rural development method could already be carried out within the Municipal Rural Development Programmes, which also are financed by Objective 1. However the evaluators regarded such programmes as inferior to the Leader method in terms of their ability to enhance local commitment and partnership (NUTEK 2004, p35).

⁷⁶ The Swedish National Rural Development Agency approves the applications for Leader-like projects. Today there are three leader-like projects in Sweden; Stad&Land, Mittland and Höga Kusten (Swedish Network for Leader+)

7.7 Looking ahead

The new Rural Development Programme (2007-13)

During the coming programming period (2007-2013) Sweden will this time implement a single programme for rural development covering the whole country. With the creation of the new EU rural development fund (the European Agricultural Fund for Rural Development – EAFRD) there will be no parallel measures within Structural Fund programmes. It is hoped that there will be more participation in the programme by non-farmers. In this sense the next Rural Development Programme will be broader in both geographical terms and in terms of the end users/beneficiaries.

The planned budget of the new programme is set at 35 billion SEK, which means roughly the same annual expenditure as in the 2000-06 period in absolute terms, probably a slight reduction in real terms.

The overall objective of the policy remains the same; to promote economically, ecologically and socially sustainable development in rural areas, through safeguarding cultural and natural assets in the agricultural landscape and minimising the negative environmental impacts of farming. Furthermore the policy aims to improve economic growth, competitiveness, entrepreneurship and rural employment. The policy is also still closely connected with environment policy and the 16 national environmental quality objectives. (Ministry of Agriculture, Food and Consumer Affairs, 2006).

However the new Swedish rural development plan must be consistent with the broad structure set out by Regulation 1688/2005, especially in terms of the balance between the four 'axes', and the minimum expenditure percentage assigned to each.

The Swedish plan assigns 15%⁷⁷ of expenditure to measures from Axis 1 (Improving Competitiveness). It is proposed that this part of the programme will promote enterprises, growth and employment by strengthening the competitiveness and economic strength of agriculture, forestry and other rural businesses. The programme will focus on production in agriculture and in forestry and on the natural resources that they manage by tradition. It is seen as supporting the restructuring and development of sustainable and resource efficient production of goods (food and other) and services which the public and private sector/consumers will continue to demand. New production technology consistent with this will be supported⁷⁸. The programme will also focus on measures that correct negative external effects of production. The main emphasis seems to be on supporting farmers as land managers and as producers of public goods. However it is important to note that other rural actors such as entrepreneurs, forest owners and non-profit organisations will also have the same possibility to receive financial support (Ibid.)

Axis 2 (Improving the Environment and the Countryside) is planned to receive 75% of expenditure. This is substantially more than the minimum 25%, reflecting a continuing dominance of the agri-environment measures. The justification for this, it is argued, is an integrated view of the natural and cultural assets of the rural environment and landscape as a basis for development and growth in rural areas. The programme document points out that the countryside is a unique resource for rural development and growth. Farming and forestry with sustainable methods contribute to a landscape which is increasingly in demand by both private and public sector. A clean and healthy rural environment is crucial to businesses in the visitor tourism and recreation industries, especially those based upon hunting, fishing and other outdoor activities. It is also important in terms of the quality of life for new rural residents, many of whom commute to nearby urban areas. They argue that preventive healthcare and rehabilitation are important new fields for developing activities which link rural and the urban society (Ibid.)

⁷⁷ The legal minimum is 10%

⁷⁸ But, by implication new technology which will simply increase production will not be supported. It is not clear on what criteria the different sorts of technical improvements will be distinguished.

Under Axis 3 (Quality of Life and Diversification of Rural Areas) the programme is intended to promote wider rural development. Here the intention is to allocate 10% (the legal minimum) of the programme budget to support employment creation, sustainable use of resources, and the improvement of local services and infrastructure. The programme emphasises, and will support, active local involvement via local development groups and opportunities for partnerships, thus involving the whole rural community (including non-farmers). An integrated approach to rural development is to be sought in both planning and implementation. On the basis of the overarching national strategy, objectives and priorities coordination between actions is to be strengthened and a greater regional say in the application and implementation of actions is to be sought. (Ibid.)

The leader programme will be implemented in all three of the above Axes. The overall objective of this part of the programme is to promote efficient implementation of the rural development programme by means of the added value inherent in local support, local influence and local cooperation. (Ibid.)

Although at the time of writing the EU-commission has not finally approved the new programme, some measures opened for applications in January 2007

Assessing the prospects for a shift in emphasis within the context of the new ERDP

The Board of Agriculture claims that during the next years rural development policy in Sweden will enter a new phase, with both broadened tools and possibilities. There are now, of course, many ideas and examples of communities or enterprises that have been successful in developing new rural activities.

However, there are different opinions about how resources of the 2007-13 programme should be spent. Ultimately this may hinder the prospects for development. The fight over money (as seen in public debate and in the media) has been between interests and agencies aligned to the different axes, and in some cases seems to have weakened the possibilities of projects and ideas that overlap between axes. Although many taxpayers see 'nature' as a resource they are willing to pay for, some rural development actors clearly do not think the same way.

The allocation of such a large share of the financial resources of the new ERDP to the environmental axis is indicative of the Board of Agriculture's view that the environment is the key comparative advantage of rural Sweden, which must be exploited in new ways, and through new kinds of rural enterprise. Thus the ERDP is said to be based on 'an ecosystems approach'.

Of course the previous (2000-06) programme also had a strong environmental focus. However, at this time, in the eyes of the Board of Agriculture and the regional and local planning communities, the potential 'environmental entrepreneurs', were farmers and public advisors. Within the new programme, rules and possibilities are broadened in terms of 'who' the beneficiaries can be. The crucial question is whether the rural population at large, outside of the 'green' interest groups, are prepared to develop the Board of Agriculture's vision.

This explains why those responsible for the new ERDP are so aware of the need for adjustments to rural development governance. Evaluation of the 2000-06 programme had demonstrated its contribution to mobilising local action groups (some suggest up to 4,000 across rural Sweden). These have given a voice to minority groups within the rural community, and have begun to provide a balance to sectoral interests which have traditionally dominated the debate over rural policy. This shift will be effected through Axis 4 (LEADER-like implementation), and it is indicative of the importance attached to this that the Ministry of Agriculture, Food and Fisheries have submitted resources for an information campaign together with Glesbygdsverket, the Board of Agriculture and the County Administrative Boards.

Once the new programme document is approved each county will be responsible for developing their own implementation strategy, and for the distribution of funding between the different measures. The County Boards will thus have an important role in creating better conditions in rural

areas since the regional focus will be stronger and the regional strategies will affect who the end users will be.

7.8 Conclusions

Swedish rural development policy has many features common to other Western European countries, but they have a particular background and are combined in a unique way due to unique characteristics of the wider policy environment in Sweden's recent past.

For example, the strong sectoral emphasis of Sweden's policy seems not (as in other European countries) primarily due to the relative importance of agriculture in the rural economy (in the North, and in the forest regions it was relatively *unimportant*), but to the fact that a strong regional policy, together with strong local democracy and ubiquitous provision of services, have hitherto looked after most other economic and social needs, even in the remotest corners of the country. On accession to the EU, and faced with the need to implement Pillar 2 of the CAP, it was natural that Sweden should avoid those kinds of measures which seemed to duplicate the traditional role of regional policy or the welfare state, and a focus upon agri-environment policy was the natural answer.

However, from another perspective, Sweden's regional policy tradition, with its emphasis upon the role of urban development, has exacerbated rural problems by accelerating rural-urban migration, and the depopulation of the more marginal areas. Urbanisation has also established the role of the countryside as predominantly a source of public goods for urban consumers, rather than as a place where communities live and work.

Another irony is the strong emphasis upon agri-environment policy, in a country where much of the agriculture is naturally rather extensive, and environmental pressures are less severe than in other parts of Western Europe. Since the 2003 Mid-Term Review of the CAP (Pillar 1), decoupling of subsidies has removed, at least in part, the motivation to produce on marginal land. So the threat is not from intensive practices, but from abandonment, (and natural regeneration of forest) due to inability to compete on a world market against countries and regions which have none of Sweden's climatic handicaps. Nevertheless, despite all that is said about the importance of 'open landscapes' as a justification for agri-environment payments, the vast majority of tourists and recreationists use forest or wilderness rather than farmland for their activities.

The main pressures for change in rural development policy in Sweden are a consequence of recent changes in the wider (national) policy context. Thus it is the shift in regional development approach, from compensation and equalisation towards an emphasis on competitiveness and innovation, and the trend towards 'regional enlargement' and cost savings in (municipal) service provision which is increasing the need for territorial approaches to rural development. In the light of this it is surprising that Axis 3 is apparently a relatively low priority in the new ERDP. This perhaps reflects to overwhelmingly urban, consumption-based view of rural areas, and (despite what has been said about LEADER and similar capacity building initiatives) the relatively weak lobbying impact of rural communities.

References

Coronel J (2002) *Foundations, Decline and Future Prospects of the Swedish Welfare Model: From the 1950s to the 1990s and Beyond*, DePaul University <http://lilt.ilstu.edu/critique/spring2002docs/jcoronel.htm>

European Commission, Agriculture Directorate-General (2003) *Implementing EU Rural Development 2000-2006 - The Swedish Case*. <http://europa.eu.int/comm/agriculture/rur/countries/sv/case-illu.pdf>

EuroFutures (2003) *Halvtidsutvärderingen av Leader+ I Sverige. Programmets aktualitet, genomförandeaspekter, målpåfyllelse samt fyra fallstudier av trepartnerskapet*.

EU Regional Policy – Inforegio:

http://ec.europa.eu/regional_policy/manage/authority/authority_en.cfm

Hanell T, Aalbu H and Neubauer J (2002) The EU's regional policy in the Nordic countries , Nordregio <http://www.nordregio.se/Files/r0202p53-65.pdf>

ITPS (2004a) *Effektutvärdering av de geografiska målprogrammen inom EG:s strukturfonder*. Rapport A2004:9. ITPS. Östersund

ITPS (2004b) *Ex ante-bedömning av de regionala tillväxtprogrammen. ITPS sammanfattande rapport till Näringsdepartementet*.

<http://www.itps.se/Listor/Publikationssok.asp?secId=902&PubSearch=true&pubtype=851&year=&reportnbr=&title=program&writer=&Submit1=S%F6k>

Jonsson A-C (2006) 2006-08-07. Environmental Health Programme student

Kommunförbundet Västernorrland (2005) *Regionfrågan och kommunala samverkans organ, KSO. Ett informations- och diskussionsmaterial för politiska diskussioner, 2005-05-18*. <http://www.y.komforb.se/Filer/studiematerial.pdf>

Kungl. Skogs- och Lantbruksakademiens tidskrift 143:21 (2004) *Översyn av Miljö- och landsbygdsprogrammet 2000-2006*. http://www.ksla.se/sv/retrieve_File.asp?n=151&t=ksla_publication

Länsstyreslen i Västerbotten (2004) *Samverkan för hållbar utveckling i Västerbottens län. Miljö kvalitetsmål, delmål och behövsstrategier*. Tryckeri City, Umeå 2004. (<http://www.ac.lst.se/files/HHE2SSSu.pdf>)

Ministry of Agriculture, Food and Consumer Affairs: <http://www.sweden.gov.se/agriculture>

Ministry of Agriculture, Food and Fisheries (2000) *The Environmental and Rural Development Plan for Sweden 2000-2006*.

Ministry of Agriculture, Food and Consumer Affairs (2003) SOU 2003:105. *Ett levande kulturlandskap - en halvtidsutvärdering av Miljö- och landsbygdsprogrammet*. Statens offentliga utredningar.

Ministry of Agriculture, Food and Consumer Affairs (2005)a *This is the Ministry of Agriculture, Food and Consumer Affairs – objectives and policy areas*. Regeringskansliet. Edita Västra Aros, 2005.

Ministry of Agriculture, Food and Fisheries (2005b) *Landbygden – mångfald och möjligheter*. TRYCK Edita Nordstedts Tryckeri, Stockholm.

Ministry of Agriculture, Food and Consumer Affairs (2006) *Nationell strategi för landsbygdsutveckling*. Jordbruksdepartementet. <http://www.regeringen.se/sb/d/6263/a/65430>

NUTEK (2003a) *Mål 1 Norra Norrland. Halvtidsutvärdering*. (Objective 1 Norra Norrland. Midterm evaluation).

NUTEK (2003b) *Mål 1 Södra Skogslänsregionen. Halvtidsutvärdering*. (Objective 1 Södra Skogslänsregionen. Midterm evaluation).

NUTEK Infonr 039-2004 (2004) *EU:s strukturfonder - ett verktyg för regional utveckling. Erfarenheter i halvtid, 2000-2006*. Stockholm 2004.

NUTEK Infonr 044-2005 (2005) *Regionala tillväxtprogrammen 2004. På väg mot en hållbar tillväxt?* Stockholm 2005.

NUTEK Infonr 096-2006 (2006a) *Regionala tillväxtprogrammen 2005. På väg mot fler starka regioner?* http://www.nutek.se/content/1/c4/13/24/info_096-2006.pdf

NUTEK 2006:11 (2006b) *Verktyg för hållbar regional utveckling. Stöd och tips för ett lyckat förändringsarbete*. Stockholm 2006.

Persson L O and **Westholm E** (1994) Towards the new mosaic of rural regions, *Review of Agricultural Economics* 21-3/4, pp. 409-427.

Södra Skogslän region (1999) Single Programming Document Objective 1, Södra Skogslän region 2000-2006. Development Force and Knowledge-Driven Growth. Doc. No. region 1999 0508.02.00 EN.

SLI (2004) *En levande landsbygd – vad kan politik åstadkomma?* Swedish Institute for Food and Agricultural Economics 2004:3. Rahms, Lund 2004

Swedish Rural Committee 2005 *På väg mot... En hållbar landsbygdsutveckling – Delbetänkande av Landsbygdskommittén (On the way towards... a sustainable rural development –midterm review of the Rural Committee)*. Statens offentliga utredningar (SOU) 2005:36. <http://www.regeringen.se/content/1/c6/04/37/04/ef7ebe16.pdf>

Norra Norrland region (2000) Sweden Objective 1 2000-2006, Norra Norrland Region.

Swedish Association of Local Authorities and Regions a: <http://www.skl.se/lopsedelbanner.asp?C=24>

Swedish Association of Local Authorities and Regions b (2006-09-05). Telephone interview.

Swedish Government webpage <http://www.regeringen.se/>

Swedish Government (2001) *A policy for growth and viability throughout Sweden*. Government Bill 2001/02:4.

Swedish National Rural Development Agency: <http://www.glesbygdsverket.se/>

Swedish National Rural Development Agency (2001) *Nationellt program för Leader + i Sverige*.

Swedish National Rural Development Agency (2005) *Sveriges gles-och landsbygder 2005*. Edita Västra Aros, Västerås 2005.

Swedish National Rural Development Agency (2006) *Samspelet mellan regional och lokal nivå – tas förutsättningarna för utveckling i gles- och landsbygder tillvara?*

Swedish Network for Leader+: <http://www.leaderplus.se/>

Swedish Popular Movements Council for Rural Development (a): <http://www.bygde.net/>

Swedish Popular Movements Council for Rural Development (b) (2006-09-01) Telephone interview.

TemaNord 2004:516 (2004) *Lantbrukets och landsbygdens framtida roller*. Nordiska ministerrådet. Jord och skogsbruk. Ekspressen Tryk & Kopicenter. Köpenhamn 2004

8. Regional Enlargement and Rural Multi-Level Governance in Sweden

Frida Andersson, Richard Ek, Irene Molina

Lunds universitet
Campus Helsingborg
Institutionen för Service Management
Box 882,
SE-251 08 Helsingborg
Sweden
richard.ek@msm.lu.se

Multi-level governance has become a seminal way to organize rural policy development since the Swedish entrance in the European Union in 1995. During the same span of time, regional enlargement has appeared as a discursive necessity in order to be able to secure public service and growth in rural areas. In this chapter, these two tendencies in regional planning and rural policy are discussed in a conceptual way, with regard to the future of rural policy development and the implications for rural development. In the conclusion, it is argued that 'rural', as a concept, are running the risk of becoming a misleading concept as the flows between the 'urban' and the 'rural' becomes more and more intense, and 'countryside' and 'city' are increasingly intertwined. A future set of rural multi-level governance constellation has to take this intertwining into consideration not only regarding the future policy-making, but when it comes to the very fabric of the future multi-level constellation per se.

8.1 Introduction

Since the Swedish entrance in the European Union back in 1995, multi-level governance as a planning and policy making technique has quickly become a seminal way to approach issues and challenges within the field of regional politics in the administrative-political complex. During the same time, the notion that the region is a suitable geographical formation to handle societal challenges and development issues has been institutionalized. As a consequence, multi-level governance constellations have increasingly started to pivot around the regional level, even if the multi-level character of these constellations still is the most prominent feature. To this picture, however, we need to add another aspect. Regions are not static geographical formations. Due to overreaching societal changes in terms of increased mobility, regions, defined as the area of local or regional labor market, tends to grow spatially. This regional enlargement is however not only due to external societal changes. Regional enlargement has quickly become a key word in the discourse of regional planning and policy, and has been filled with positive connotations. The geographical idea of regional enlargement has been intertwined with more general assumptions regarding what needs to be done in order to secure growth and regional development in Sweden.

In this paper we argue that the geographical notion of the necessity of regional enlargement in rural areas is probably the most significant policy variable in a discussion about the future rural

development policy in Sweden, and a variable that will significantly influence rural development. We also argue that whatever the changes in local and regional government and administration will be in the near future, regional enlargement will still be the core idea that will characterize the rural development policy in Sweden, as well as its future organization.

In section two we outline the current multi-level governance situation of rural development in Sweden. Thereafter, in section three we summarise and discuss the proposed changes to local and regional government and administration made by the state committee, Ansvarskommittén (The Public Responsibility Committee), which is expected to present the final suggestions and recommendations in the beginning of 2007. In section four we introduce the concept of regional enlargement and discuss how this inherently geographical notion, quickly has become a taken-for-granted point of departure in planning and policy discussions, including multi-level governance questions. In this section we also discuss the possible negative social consequences of regional enlargement, as a counterweight to the dominant positive notions of its economic effects. In a brief conclusion we take a step further in the reasoning outlined, and discuss whatever 'rural' as a concept still is of much analytical value in a future of regional enlargement and increased governance-situated interdependence between geographical scales and areas in Sweden.

8.2 The current rural multi-level governance situation

While government indicates formal and hierarchical ways of implementation and steering in the public political and administrative system, governance indicates the engagement of public, private and non-profit actors in more fluid and flexible ways of co-operation. Governance are by some regarded as a third way between hierarchical and market oriented ways of organizing (Larsson L, 2002) in which the boundary between different kinds of organization is permeable (Stoker G, 1998). But preferably, governance should be seen as a complementary organization principle to more traditional ways to orchestrate political processes (Larsson L, 2002).

Multi-level governance refers to a governance situation with a particular kind of interaction, both horizontally and vertically, between several institutional and spatial levels (Peter G and Pierre J, 2004). Multi-level governance denotes a negotiated rather than formalized order, and is a reflection of the assembled nature of the surrounding institutional arrangement (ibid.). Multi-level governance as an ordering principle has by time become the special trademark and mode of organizing and institutionalizing European political space, and most notably that of European regional policy (Gualini E, 2004, Hall et al 2005). The European multi-level governance model is based on three fundamental assumptions, (i) that sub-national actors are regarded as important as actors on national and European levels, (ii) that sub-national mobilization and empowerment is not replacing national state political manoeuvre capability, and (iii) that European institutions exerts an independent influence in policy making (ibid.).

Partnership is one of many ways of organize multi-level governance constellations, but is in many ways *the* manifestation of governance (Larsson L, 2002). In Sweden, it is usually the case that multi-level governance constellations are organized as public and private partnerships (Sveriges Kommuner och Landsting, 2005), especially after the entrance in the European Union and specifically in the work with the Structural Fund programs (Ansvarskommittén, 2003).

The development of a structure for rural governance in Sweden started at the end of the 1980s when the national popular movement 'Folkrörelserådet Hela Sverige ska leva' (All of Sweden should live) was founded. Throughout the 1990s, a manifold of local organizations was formed as parts of the national movement. According to Folkrörelserådet they had 4371 local members in their registers (Glesbygdverket, 2005a, p9). The main reason behind the growth of these local organizations (whether the register reflect the amount of active local members or not) can be found in the

deteriorating level of service available in less populated areas and in areas close to urban centres (see further Brandt D & Westholm E, 2006). The threat of closing down the local primary schools, grocery shop, post office, pharmacy or health care institution is often the cause for local mobilization. As a consequence, these organizations tend to be focused on specific issues and it is less common that they have more general goals concerning local development as their main objective (Svensson R, 1998).

From a more formal governance perspective the role of the local social movement within the local and regional development process was made manifest in the mid 1990s when the EU required participation of local representatives from social movements within the partnerships connected to the Structural Funds. As a result, Folkrörelserådet created independent regional organizations, länsbygderåden, (county community counsels) that were to represent the local interests (Glesbygdsverket, 2005a). In 2005, Glesbygdsverket (the Swedish National Rural Development Agency) conducted a survey that focused on the participation of these regional representatives within the development process. The main results were (i) that the level of participation tended to be low in the strategic part of the process and higher in the more practical and project oriented parts, (ii) that the representatives on a regional level in general felt that they lacked resources (in terms of finance, time and people) to participate to the extent that they would have liked to and (iii) that the connection with the local organizations tended to be less strong than the connection to the national movement. The conclusions drawn by Glesbygdsverket were that the form of participation by the civil society in local and regional is still in the process of developing (see also Sveriges Kommuner och Landsting, 2006). But Glesbygdsverket also concluded that central state authorities have to prioritize which level they want to support (local, regional or national) and direct more financial support to the movement if they want to increase the level of participation (Glesbygdsverket, 2005a, see also Glesbygdsverket, 2005b).

8.3 Proposed changes to local and regional governance

A parliamentary committee, Ansvarskommittén, (The Public Responsibility Committee) was formed in the beginning of 2003 to look over the structure and responsibilities of the Swedish state organization. In its first major publication, the committee suggests that the work of the committee should follow the following strategies: (i) a strategy to clarify the division of responsibility in cases and situations of multi-level governance, (ii) a strategy to increase developmental ability on municipal level built on a clear division of responsibility between the state level and the municipal level and (iii) strategy to increase developmental ability on state level, including cross-sectional development of state activity and state steering (Ansvarskommittén, 2003, p7, our translation).

In a second step, different state activities should be evaluated in order to find an appropriate balance between different levels in the state apparatus. Changes in structure and division of responsibility should be considered, especially regarding the relationship between the government and the central authorities and between central and local level. The question is if one or two sub-central levels should exist and how they should be organized and divided (Ansvarskommittén, 2003).

A central question related to the question concerning the amount of administrative levels is if multi-level governance as an organizing principle is motivated from a democratic point of view (relating to questions of transparency and responsibility) or if the ambition should be to isolate specific responsibilities to distinct actors, levels and sectors (ibid.). The committee here raises an interesting question that goes 'against the current', that is, the institutionalization of multi-level governance as an organising technique of political processes. However, the committee's reasoning is nevertheless based on the same interpretation of the contemporary changes and tendencies in

societies that discursively are presented as causes that makes multi-level governance a suitable, even necessary way of organizing the polity in the first place (see further Lindström B, 1997 & 2005).

First, that 'the regional level has crystallized as the key level' (ibid., p117) is admitted, as that that level has been the 'primary experiment field for new ways of policymaking technologies with partnerships and multi-level governance as key words' (ibid.).⁷⁹ Second, regional enlargement is taken as a fact: 'Through regional enlargement, the local labor market has increased as local and regional borders are intertwined' (ibid., 2003, p9). Third, the need of 'development power' (prerequisites for productivity development and the ability to adapt and change activities to new conditions and demands (a word used instead of productivity, ibid.)) is stressed, as well as 'co-creating' (that individuals and civil groups in significant degree influences and shapes the public efforts) (ibid.). Fourth, and finally, the discursive importance of notions stemming from the 'new economic geography' (Barnes T and Gertler, M S, 1999) regarding industrial districts, innovation systems, proximity, cluster and critical masses are not questioned or deconstructed. On the contrary, they are regarded as givens, and reasons behind the need of regional enlargement (ibid.).

In sum, regional enlargement becomes a foundational variable in the committee's geographical imagination, as:

Increased mobility and enlarged commuting together with the fact that municipal and county borders intertwine puts demand on a wider regional perspective when it comes to business, infrastructure, public transport and planning in general. Even if regional enlargement is most evident in larger city regions, no part of the country is totally unaffected (ibid., p36, our translation, emphasis added).

Even if traditional economic concepts like 'growth' and 'productivity' sometimes are avoided, the committee's world-view does not differ in any significant way from the world-views that in different senses argue for the need of multi-level governance solutions. This means that the two extreme scenarios that are presented further in the report, in no way rules out the need of the multi-level governance solution in the future.

The first of the two extreme scenarios is *direct state level responsibility for public services*. In this scenario, the central state level centralises public services as well as the financial responsibility in order to increase governmental implementation, be able to co-ordinate resources to a higher degree (especially in highly specialised medical care, health care, elder care). The local level should in many ways work as an entrepreneurial counter part towards the central state, with little influence regarding the design of the tasks. In this scenario, it becomes difficult to justify two sub-state levels, and especially the regional level since primarily public tasks with a 'regional logic' as hospital treatment, senior high school, infrastructure and other growth issues falls outside the responsibility of local government' (Ansvarskommittén, 2003, p150).

In the second scenario, a *more independent local level*, is the regional level more required. In this scenario, local government has more room to manoeuvre when it comes to the design and execution of the public services that are supplied. While the central state governs through the formulations of goals and through legislation, it is on local level that sector co-ordination should be realised so that developmental power is created. Since local government actors are free to organise the activities, they are also free to develop different kinds of inter-local co-operation with each other. In this scenario, the establishment of co-operations on a regional level increases, perhaps following the profile of the experimental work with changed regional division of responsibility in the two regions of Skåne and Västra Götaland (ibid. 151-154).

⁷⁹ It is also stated in Nordregio and Eurofutures (2006, p31), writing in Ansvarskommitténs publication series (but not necessarily speaking for the committee) that the growth of Sweden is the sum of the growth of the Swedish regions.

To conclude this section, we would argue that whether the first scenario or the second should be realised, multi-level governance constellations within a wider frame of continued regional enlargement should still be a necessity. In the second scenario, the multi-level governance constellation should have to be established bottom-up, on initiative from local governments. In the first scenario, multi-level governance should have to be established top-down, on initiative from the state level in order to execute the tasks at hand. Co-ordination of resources, within the framework of the need to find a balance between (i) the need to divide because of complexity and (ii) the need to be able to handle the complexity as a result of division (Hallin G, undated), in a cost-effective way, is hardly possible without the arrangement of a actor configuration that essentially is similar to the multi-level governance model. Therefore, it becomes less important to discuss what kind of possible implications that could follow as a result of the two scenarios presented by the committee, and more important to discuss the possible implications of continued regional enlargement for rural development and rural development policy in Sweden.

8.4 Regional enlargement and rural development implications

Regional enlargement is a concept that incorporates the local labor markets geographically as well as a concept that indicates development and an active regional politics, but it is also an analytical concept that has gained a substantial symbolic value in the regional policy. Statistics indicate that people are prepared to commute longer distances, with the consequences that several local municipalities today has to be regarded as a common local, or extra-local, labor market. As a consequence, it has been a halving of local labor markets in Sweden, from about 190 in the 1970's to around 100 in the end of the 1990's. This tendency is especially strong in Southern Sweden (Häggroth S, 2005, p45). In Skåne, for instance, 16 local labor markets in 1970 had agglomerated into 5 in the year 2000 (Region Skåne, 2001, p7). In the regional policy discourse, this development is regarded as a fruitful tendency and is seldom questioned (Westholm E, 2005). Within the regional polity, people are increasingly expected to be prepared to commute longer and longer distances and regional enlargement are motivated with functional and efficiency oriented arguments such as the idea that geographically larger labor market more easily creates growth, dissolves bottle necks on the labor market, are more diversified, and so on (Westholm E, 2005, Friberg T, 2007).

To function properly, or rather, to be able to function at all, infrastructure, transportations and communications has to be improved and so called transport corridors created. To NUTEK (2002) this is a reasonably certain way to increase efficiency and prospects for growth. Ansvarskommittén points towards another reason for regional enlargement, from a more administrative point of view. Larger regions are generally a way to make the medical care apparatus more effective. (DN 2005.09.22 in Friberg T, 2007). This dominant view on regional enlargement indicates an instrumental view on humans. People become calculable units, their commuting measurable statistics and possible to categorize in distinct groups. Humans are expected to behave as rational decision-makers, following economic or career incitements (Friberg T, 2007).

The geographical imagination of regional enlargement in Swedish regional policy is a reflection, or a part of, a wider spatial notion about European space that has gained in importance within the European spatial planning and policy-making. Jensen and Richardson (2004) have conceptualized this discourse as 'European monotopia'. Monotopia is a conceptualization of Europe, particularly the European Union, as a transnational territory organized in order to obtain frictionless mobility and the highest possible speed in transport and communication. Through zero-friction mobility is the European single market expected to compete globally. A well-developed infrastructure is a requirement for this, as the harmonization of flows of people, goods, service and capital. As a consequence, the importance of a strengthened infrastructure network permeates to a significant

degree regional policy and regional development discourses in general (Jensen O B, and Richardson T, 2004, see also Graham S, 2000; Peters D, 2003; McNeill D, 2004).

What has crystallized in the planning vision of monotopia is the need and usefulness of mega- or eurocorridors. In contemporary European policy and planning context, the mega- or eurocorridor is defined as a combination of one or more important infrastructure axes with heavy flows of (usually cross-border) traffic that links major urban areas together (Priemus H, and Zonneveld W, 2003). The corridor is not, however, only regarded as a bundle of infrastructure, but also a development corridor in a more general sense:

‘The spatial concept of eurocorridors can establish connections between the sector policies of, say, transport, infrastructure, economic development, urbanisation and environment. The development perspective for eurocorridors, should clearly indicate the areas where the growth of activities can be clustered and the areas which are to be protected as open space’ (CEC 1999, p36).

The corridor is defined in terms of traffic engineering, as a relationship between opportunities for economic development and major traffic axis, and the basis for the directions of future urbanization. The assumption is that infrastructure and traffic not only are derived from social and economic processes in general, but to a high degree determine these processes as well. ‘Following this logic, corridors have a considerable impact on spatial development and spatial patterns’ (Priemus H, and Zonneveld W, 2003, p173). Since it is about infrastructure, economic development and urban growth, it is in every major city’s or region’s interest to be a part of as many corridors as possible, or at least be a part of one major corridor in the European landscape of infrastructure (Chapman D et al, 2003).

Even if regional enlargement and mega- or eurocorridors are not in theory the same, in practice they overlap. Regional enlargement in Sweden follows often a corridor mode of thinking as they geographically usually include several large or medium-sized cities with an enlarged rural hinterland. Regional enlargement, as a consequence, implies the intertwining of urban agglomerations and rural areas into functional labor market regions, something that has consequences for rural development policy (see the conclusion). For instance, in the attempt to institutionalize Europakorridoren (The European Corridor) from Stockholm to Berlin, a complex set of cooperating rural and urban, local and regional, actors has established a multi-level governance constellation in order to coordinate the negotiations and pressure on state level actors responsible for the necessary infrastructure development investments (Ek R, 2003).

Therefore, as far as we can see, multi-level governance constellations will remain a necessary organizing principle, whether this governance constellation is mixed with urban actors or not. As a normative concept with a discursive momentum, regional enlargement becomes something that expects to be implemented in rural and urban areas all over Sweden. This is perhaps especially the case in rural areas since it also promises a vital and economically sustainable rural countryside (Landsbygdskommittén, 2005, p13). In enlarged rural regions, with a geographically magnified labor market, the population is presumably able to stay in less populated areas but still have a good possibility to find work that are adequate to their education. Rural regional enlargement becomes a functional way to be able to let ‘all of Sweden live’, at least in theory.

The implications of regional enlargement regarding the rural development policy will differ depending on the main characteristics of the specific regions. Ansvarskommittén has, according to secondary sources (Dagens Nyheter, 2007-01-26) suggested that Sweden should be divided in 6-9 regions with 0.5 - 2 million inhabitants, and include at least one university. A look at the Swedish demographic map reveals that the enlarged regions in the Southern part of the country will to a high degree be structured around major urban agglomerations or comparatively large cities like Linköping, Norrköping and Uppsala. Here, rural development policy actors on local scale will be a part of a multi-level governance constellation very much urban-rural in its (regional) character, with an

emphasis on the urban since the very idea of regional enlargement is built on a strong center that sets the tone (usually expressed as a 'win-win situation'). These rural development policy actors could possibly have to negotiate and compromise to such degree, that they eventually will find themselves in a submissive position in the multi-level governance constellation.

The enlarged regions in the Northern part of the country will to a higher degree be structured as a network of local actors in the interior parts and the relatively small cities by the coast. In a schematic sense, rural development policy on a local level will be part of a more mutually interdependent multi-level governance constellation of actors, spread over quite a large territory. Possibly, these rural development policy actors will not have to negotiate and compromise to the same degree as similar actors in the south of Sweden.

Whether the enlarged region is of *urban*-rural character in the south or urban-rural character in the north, it will still have to be coordinated and organized as a functionally enlarged labor market. Different actors on local and regional level will have to cooperate, whether the direct state level responsibility alternative or the more independent local level responsibility alternative will be closest to the future Swedish geography of administration and responsibilities. As a consequence, the democratic dilemma of multi-level governance will remain.

The mode of EU governance are not only international or supranational, but also *infranational* in character. Increasingly large sectors of European policy making are carried out at meso-governance level, as 'second-order governance', that is, committees, commissions, directorates etc. (Weiler J H H, 1999). Infranationalism increases the autonomy being given to the bureaucracy (ibid., pp284-285):

...because of its managerial, functional and technocratic bias, [it] operates outside parliamentary channels, outside party politics. There is nothing sinister or conspiratorial in infranationalism, but its processes typically lack transparency and may have low procedural and legal guarantees...In general, the classic instruments of control and public accountability are ill-suited to the practices of infranationalism.

There exists no automatic relationship between the flexible forms of networking governance that are practiced in multi-level governance constellations, and transparency and public participation (Jensen O B, and Richardson T, 2004). Since those policy-making networks contain a complex web of negotiations between public and other forms of non-public actors, the decision-making process may be just as opaque and exclusive as traditional bureaucratic forms (Atkinson R, 2002). Striving for an efficient and pragmatic decision-making process, some actors may even prefer informality and opaqueness, making European space in 'obscure policy spaces, away from the public gaze' (Jensen O B, and Richardson T, 2004, p 5). In the regional enlargement scenario, this dilemma will rather increase than decrease, due to the heightened complexity of the multi-level governance constellations, and something that has to be attended to.

However, regional enlargement will not only have consequences for rural development policy (with a remained need to find multi-level governance solutions to be able to handle the region enlargement process) but also for people living in the region as well (and consequently for rural development per se). The increased demand on flexibility and mobility among people can quickly become a burden. This is probably especially the case for women, in general whose that takes the largest responsibility for the care of children and housework (Friberg T, 2007). The everyday life of households with small children⁸⁰ and both parents commuting several hours every day becomes a logistic puzzle that has to be solved on an ad-hoc basis. Every unplanned incident as a visit at the dentist or a buss or train ten minutes late immediately has consequences on the timetable for the day. Tora Friberg (2007) discusses a concrete example, a family, which moved out from Linköping to a

⁸⁰ The situation for children is a forgotten variable in the discourse of region enlargement. The everyday life for children becomes increasingly centered on public (and increasingly private) institutions as day nursery and school when their parents spend more time commuting longer and longer distances.

little village on the countryside. After one and a half year they moved closer to the woman's work. It was not an easy decision to take, but commuting took too much time and was a very stressful everyday experience. Not only that commuting took time, the seats on the train were often occupied so she had to stand up the whole journey. Besides that, they got a place in the day nursery in another village, which made every day even more filled with time pressure and stress.

The example comes across an important issue concerning rural development and multi-level governance in terms of the availability of public and other services. It might be that regional enlargement increases the possibilities for people to live in rural areas and commute to a job in town, but it might not provide access to other types of services. The number of local shops, post offices, pharmacies and schools decreases at the same time as shopping malls in the outskirts of urban areas increases. This leads to a situation where the people living in rural areas are faced with fewer options, as most people are supposed to commute on a daily basis in to town (Svensson R, 1998). This is the problem most commonly addressed by local civil organizations and it suggests that, in relation to regional enlargement, rural communities on the outside or on the far range of functional regional labor markets might have to find alternative (public-private-civil) ways to organize local services or face a continued trend towards depopulation since people's daily lives and family lives incorporate other aspects than work, as the previous example illustrates.

In a more analytical vein, the situation of people in an enlarged region can be contextualized into Manuel Castells' (1996) influential theory on the network society. In Castells' vision, contemporary society is going through a period of historical transformation due to the revolution in information technology, globalization and the emergence of a new form of organization that he calls networking (a specific kind of power networking that is changing the ways we perceive and manage in social life). The result is a new social structure: the network society (Castells M, 2002). In the network society a new spatial form characteristic of social practice dominates: the space of flows, 'the material organization of time-sharing social practices that work through flows' (Castells M, 1996, p412).⁸¹ The space of flows does not, however, permeate down to the whole realm of human experience. Actually, a majority of the population live in places, a 'locale whose form, function and meaning are self-contained within the boundaries of physical contiguity' (ibid., p423). Here, two spatial logics meet and collide in the context of everyday experience, as (ibid., p428, original emphasis):

'Thus, people do still live in places. But because function and power in our societies are organized in the space of flows, the structural domination of its logic essentially alters the meaning and dynamic of places. Experience, by being related to places, becomes abstracted from power, and meaning is increasingly separated from knowledge. It follows a structural schizophrenia between two spatial logics that threaten to break down communication channels in society. The dominant tendency is toward a horizon of networked ahistorical space of flows, aiming at imposing its logic over scattered, segmented places, increasingly unrelated to each other, less and less able to share cultural codes. Unless cultural and physical bridges are deliberately built between these two forms of space, we may be heading toward life in parallel universes whose times cannot meet because they are warped into different dimensions of social hyperspace.'

If rural areas can be described as 'scattered, segmented places', it could be argued that regional enlargement is the solution of the problem, that is, the physical bridge between the two forms of space. We, however, have another interpretation, that regional enlargement inherently is a space of flows – creating a phenomenon that creates the structural schizophrenia Castells is discussing.

⁸¹ The space of flows consists of three layers, the material support constituted by a circuit of electronic impulses, its nodes and hubs, and the spatial organization of the dominant managerial elites (Castells M, 1996, p412-415).

Whatever interpretation is chosen, peoples' everyday experience of the implications of regional enlargement has to be taken into more consideration in regional planning. Otherwise, regional planning, in a sense, runs the risk of becoming quite inhuman. These implications are seldom approached, however. An exception is the committee *Långtidsutredningen* (The Long-Term Investigation Committee) from 2004 that analyzed the macro economic development and the future challenges of the public welfare system. The committee discussed possible negative consequences of regional enlargement, such as time consuming commuting, increased pressure on adults and children and a conservation of gender roles. The committee also stresses that these implications has to be investigated into further, but so far this remains to be done (Friberg T, 2007).

8.5 Conclusion

If we extrapolate the arguments outlined above, it could be questioned if 'rural' as an analytical concept perhaps incrementally becomes a misleading perhaps even inadequate word to hang up notions of geographic development on? The dichotomy of 'urban' and 'rural' is a modernist one (Murdoch J, and Lowe P, 2003), and in a society more and more characterized as a network, links and flows between the 'urban' and the 'rural' becomes increasingly the constitution of the societal and economical.

Even if the network society in no way evaporates the spatialities of society and economy (as is stated in the 'end of geography thesis', see for example O'Brien R, 1992) the distance variable is substantially changed in importance and character. This is in itself an enough reason to rethink concepts, models and indicators that are based on an absolute view on space (that is, space equals distance, space as a container), like conventional models and concepts of location, like peripherality (see further Copus A K, 2001). Following the absolute view on space, it is possible to divide a territory into distinct subsections, and point them out as 'rural', 'urban' or any other overarching attribute. This is a persistent geographical notion, but nevertheless a less and less valid one.

Places with specific qualities like agrarian atmosphere, dominant natural vegetation and sparsely populated areas could of course be described as 'rural', but these places are as well constituted by flows, connections and out-stretched assemblages of immaterial activities and material resources embedded in institutions of practices and performances. Even if the place-bound characteristics of specific areas will remain as an inevitable variable to take into consideration in future regional politics and rural governance, we argue that the rural should be regarded as something primarily connected to the extra-rural (for instance, the urban economy) as well as to other spatial scales as well (like the European level).

There is another reason to question the analytical value of the concept of 'rural'. The concept connotes to place-specific characteristics that seem to be less and less valid. In general, the rural countryside is imagined as a place for agrarian activities, recreation, or a place to live in, in an idyllic way. In the discourse on regional enlargement there is an underlying notion that the enlarged region makes it possible for people to live in harmony on the countryside or in the urban-rural fringe and at the same time be able to commute to an urban center to work. The rural areas outside the creative cities (Florida R, 2005) are increasingly imagined as 'experience landscapes' for tourists and other visitors (Pine B J and Gilmore J H, 1999) as well as the region's 'creative class', whose talents are crucial for the future growth of the region (Florida R, 2002). The growth of spending on recreational and other forms of leisure activities has boosted the importance of the tourist industry in rural areas (Copus A et al, 2006, p97). This is a strong indication that the counter-urbanisation process not only involves the migration of people, but employment opportunities as well: 'This has resulted in expansion of secondary and tertiary employment in the more accessible significantly rural regions, especially those which are perceived to offer attractive quality of life' (ibid, p104). When R. E Pahl 40 years ago argued that the rural-urban continuum rather should be seen as 'whole series of

meshes of different textures superimposed on each other, together forming a process' (Pahl R E, 1966, p327), the same goes for the travel-to-work patterns of the enlarged regional labor market.⁸²

Further on, the established geographical notion of 'rural' has a tendency to focus the discussion on the national and sub-national spatial scales. It is easily overlooked that 'rural entrepreneurs' work and are engaged in global networks of collaborators and customers (unlike 'urban entrepreneurs', since the urban agglomeration quite often stands as a symbol for globalization), even if a few iconic examples are exposed, like the founder of the Ice-hotel in Jukkasjärvi in Northern Sweden. The example of the ice-hotel also shows that not only people but also ideas travel between the 'rural' and the 'urban' in ways that are in no way one-directed. The entrepreneurial idea of building an ice-hotel (and rebuild it every winter) has spread, and has been followed by the Stockholm based Nordic Sea Hotel's initiative to construct an ice-bar in the hotel.

So peoples, resources and ideas travel between the 'rural' and the 'urban' in ways that are difficult to foresee. In order to be able to create the necessary institutional circumstances for entrepreneurial ideas like the examples above, the multi-level governance constellations has to be arranged so that it is possible to handle the dynamic exchange between the cities and the countryside. Therefore, it should be unfortunate for the future rural development policy if 'rural' as a planning concept discloses diverts attention from the necessity to find multi-level governance constellations that affirms the rural-urban assemblages of economic activities and peoples' everyday practices.

But the establishment of urban-rural governance constellations is also needed in order to secure a regional policy and development that do not create a situation where peoples everyday lives becomes a commuting life with decreased quality of life for whole families as a consequence. Therefore, finally, urban-rural governance constellations should also be the forum for a scrutiny of the necessity of regional enlargement in the first place, and a forum where other alternatives than the enlargement of local labor markets in order to be able to maintain public service, welfare and other planning objectives, are discussed.

⁸² The writings of Pahl also reveals that questioning the concept of 'rural' is nothing new, as he has stated that 'In the sociological context the terms rural and urban are more remarkable for their ability to confuse than for their power to illuminate' (Pahl R E, 1966, p299, for an overview of the rural-urban continuum thesis, se also Pacione M, 1984, p152-156).

References

- Ansvarskommittén** (2003) *Delbetänkande Utvecklingskraft för hållbar välfärd* (SOU 2003: 123).
- Atkinson R** (2002) The White Paper on European Governance: Implications for Urban Policy, *European Planning Studies* vol 10, 781-792.
- Barnes T. J and Gertler M. S** (eds.) (1999) *The New Industrial Geography. Regions, Regulation and Institutions*. Routledge, London.
- Brandt D and Westholm E** (2006) *Statens nya geografi*. Ansvarskommitténs skriftserie, Statens Offentliga Utredningar, Stockholm.
- Castells M** (1996) *The Rise of the Network Society*. Blackwell, Oxford.
- Castells M** (2002) Local and Global: Cities in the Network Society, *Tijdschrift voor Economische en Sociale Geografie* vol 93, 548-558.
- CEC, Commission of the European Communities** (1999) *European Spatial Development Perspective. Towards Balanced and Sustainable Development of the Territory of the European Union*. Agreed at the Informal Council of Ministers responsible for Spatial Planning in Potsdam, May 1999. Office for Official Publications of the European Community, Luxembourg.
- Chapman D; Pratt D; Larkham P and Dickins I** (2003) Concepts and Definitions of Corridors: Evidence from England's Midlands, *Journal of Transport Geography* vol 11, 179-191.
- Copus A K** (2001) From core-periphery to polycentric development: Concepts of spatial and aspatial peripherality. *European Planning Studies* 9(4), 539-552.
- Copus A et al** (2006) Study on Employment in Rural Areas. Final Deliverable. Commissioned by European Commission, DG for Agriculture. May 2006. http://ec.europa.eu/agriculture/publi/reports/ruralemployment/sera_report.pdf.
- Accessed 2007.01.25.
- Dagens Nyheter** (2007-01-26) *Klart för storregioner*.
- Ek R** (2003) *Öresundsregion – bli till! De geografiska visionernas diskursiva rytm*. Institutionen för kulturgeografi och ekonomisk geografi, Lunds universitet.
- Florida R** (2002) *The Rise of the Creative Class*. Basic Books, New York.
- Florida R** (2005) *Cities and the Creative Class*. Routledge, London.
- Friberg T** (2007) Det uppsplittrade rummet: Regionförstoring i ett genusperspektiv. In Andersson, F; Ek, R & Molina, I (eds.): *Regionalpolitikens geografier*. Studentlitteratur, Lund.
- Gualini E** (2004) *Multi-level Governance and Institutional Change. The Europeanization of Regional Policy in Italy*. Ashgate, Aldershot.
- Glesbygdverket** (2005a) *Länsbygdsrådets roll – deltagande och roller i det lokala och regionala utvecklingsarbetet*. Glesbygdverket, Östersund.
- Glesbygdverket** (2005b) *Samverkan kring tillväxt på kommunal nivå*. Glesbygdverket, Östersund.
- Graham S** (2000) Constructing Premium Network Spaces: Reflections on Infrastructure Networks and Contemporary Urban Development, *International Journal of Urban and Regional Research* vol 24, 183-200.

- Hall P et al** (2005) *Nätverk söker förankring: Öresundsregionen I ett demokratiperspektiv*, Studentlitteratur, Lund.
- Hallin G** (undated) *Sektor möter region – men hur och var?* En studie av territorium och funktion i svensk politik på uppdrag av Ansvarskommittén. Institutet för Tillväxtpolitiska Studier, Östersund.
- Häggroth S** (2005) *Staten och kommunerna*. Ansvarskommitténs skriftserie, Statens Offentliga Utredningar, Stockholm.
- Jensen O B and Richardson T** (2004) *Making European Space. Mobility, Power and Territory*. Routledge, London.
- Landsbygdskommittén** (2005) *På väg mot...En hållbar landsbygdsutveckling*. Delbetänkande (SOU 2005:36).
- Larsson L** (2002) *När EU kom till byn. LEADER II – ett sätt att styra landsbygdens utveckling*. Geografiska Regionstudier nr 50, Uppsala.
- Lindström B** (1997) Regionalpolitiken i stöpsleven. Perspektiv på regional utveckling och politik i Norden. *NordREFO* 1997: 7. NordREFO, Stockholm.
- Lindström B** (2005) *Regionalpolitiken som tillväxtpolitik. Retorik och substans i den regionala utvecklingspolitiken*. Institutet för tillväxtpolitiska studier, Östersund.
- Långtidsutredningen** (2004) *Huvudbetänkande* (SOU 2004: 19).
- McNeill D** (2004) *New Europe. Imagined Spaces*. Arnold, London.
- Murdoch J and Lowe P** (2003) The preservationist paradox: modernism, environmentalism and the politics of spatial division, *Transactions of the Institute of British Geographers* vol 28, 318-332.
- Nordregio and EuroFutures** (2006) *Sveriges regionala indelning – om tillväxtperspektivet får råda*. Ansvarskommitténs skriftserie, Statens Offentliga Utredningar, Stockholm.
- NUTEK** (2002) *Starka regioner. För nationell tillväxt i en global ekonomi*. NUTEK, Stockholm.
- O'Brien R** (1992) *Global Financial Integration: The End of Geography*. Pinter, London.
- Pacione M** (1984) *Rural Geography*. Harper and Row, London.
- Pahl R E** (1966) The Rural/Urban Continuum, *Sociologica Ruralis* vol 6, 299-329.
- Peters D** (2003) Cohesion, polycentricity, Missing Links and Bottlenecks: Conflicting Spatial Storylines for Pan-European Transport Investments, *European Planning Studies* vol 11, 317-339.
- Peters G and Pierre J** (2004) Multi-level governance and democracy: A Faustian bargain? in Bache, I and Flinders, M (eds.), *Multi-Level Governance*. Oxford University Press, Oxford.
- Pine B J and Gilmore J H** (1999) *The Experience Economy: Work is Theatre & Every Business a Stage*. Harvard Business School Press, Boston.
- Priemus H and Zonneveld W** (2003) What are Corridors and What are the Issues? Introduction to Special Issue: The Governance of Corridors, *Journal of Transport Geography* vol 11, 176-177.
- Stoker G** (1998) Public-private partnerships and urban governance, in Pierre, J (ed), *Partnerships in Urban Governance: European and American Experience*. Macmillan, London.
- Svensson R** (1998) *Det nya Sverige byggs underifrån*, Växjö. Glesbydsverket, Östersund.
- Sveriges Kommuner och Landsting** (2005) *Offentligt-privat partnerskap. Lägesbeskrivning*. Sveriges Kommuner och Landsting, Stockholm.
- Weiler J. H. H** (1999) *The Constitution of Europe: 'Do the New Clothes Have an Emperor?' and Other Essays on European Integration*. Cambridge University Press, Cambridge.
- Westholm E** (2005) År 2015 – Supersverige med 6-8 regioner? *Framtider* nr 4 2005, 4-9.

9. Agriculture and Rural Development Policy in Norway

Sjur Spildo Prestegard and Agnar Hegrenes

Norwegian Agricultural Economics Research Institute
Postboks 8024 Dep
NO-0030 Oslo
Norway
Sjur.Prestegard@nilf.no

Abstract

Although the importance of Norwegian agriculture has diminished, it still is important for economic activities and settlement in many municipalities. Regional and rural concerns have for many decades been important in Norwegian politics, also agricultural policy. In Norway, the term ‘rural development policy’ is usually used to describe the policies intended to maintain agricultural activities in rural areas, and to help farmers to start up new businesses based on the resources of the farm and the farm household.

Norway has made extensive use of import protection and direct payments to achieve the agricultural policy goals. The subsidies are partially differentiated according to production, geographical region and farm size. Smaller farms and farms in the most remote regions have received relatively more direct payments than larger farms and farms in central regions. Investment support from the Agricultural Development Fund (Landbrukets utviklingsfond, LUF) has in recent years been increasingly directed towards stimulating new business activities. Less investment support has been given to traditional agriculture, with the exception of support for environmental protection measures.

The administration of the agricultural policy has partly been transferred to the county departments of agriculture and municipalities. The county departments of agriculture have formulated strategies for rural business development.

Although a large part of agriculture is in regions with low priority in the ‘district’ policy, agriculture is of relatively large importance in regions with high priority in the ‘district’ policy. There is also evidence that the agricultural policy is important for maintaining agricultural activity and settlement in remote areas.

9.1 Introduction

Norway is a sparsely populated country, but 78 percent of the total population of 4.5 million inhabitants lives in towns and cities, and the largest cities have in recent years experienced high growth (Statistics Norway, 2006a). Due to climate and topography, few areas are suitable for agriculture, and only 3 percent of the total land area is farmland. There has been a reduction in the number of farm holdings and farm employment, and significant structural changes.

Depopulation is an increasing problem in many rural areas, and Norway has therefore a political objective of maintaining and supporting the viability of rural areas. Regional and rural concerns have for many decades played an important role in Norwegian politics, including agricultural policy. In Norway, the term 'rural development' ('bygdeutvikling') is used in various ways, but it is often used to describe agricultural policy measures intended to maintain agricultural activities, especially in the more remote areas, and to help farmers to start up new businesses based on the resources of the farm and the farm household. In this paper, we use the term 'rural development' in this way.

In this overview paper, we look at agriculture in a regional perspective with emphasis on rural development policy. First, we briefly describe the objectives of the agricultural policy, including the rural development policy. Then, we present the policy measures that have been implemented to achieve these goals. Finally, we focus on agriculture in a regional perspective and possible effects of the agricultural and rural development policies. We also briefly mention possible future development in the Norwegian rural development policy.

9.2 Objectives and guidelines for Norwegian agricultural and rural development policy

In Norway there is a distinction between regional and 'district' policy. Regional policy covers the whole country. The government aims at maintaining the main pattern of settlement. The 'district' policy is a part of the regional policy, and it is aimed at regions and districts that need special attention because of a weak industrial base, small labour markets or long distance to larger centres. The regional (district) policy is divided into a 'narrow' and a 'broad' policy. The 'narrow' regional policy is carried out by the Ministry of Local Government and Regional Development and is a special chapter in the state budget. Important measures are regional development grants to county municipalities, and compensation for regionally differentiated payroll tax. The 'broad' regional policy is, for instance, sector policies that have an effect on the possibilities of achieving regional policy goals. The measures fall into two broad categories⁸³ (Kommunal- og regionaldepartementet, 2005):

- Category A: Measures that have 'district' policy aims, or give preferential treatment to regions with weak industrial base, small labour markets or long distance to larger centres.
- Category B: Measures implemented in order to compensate some regions for disadvantages, or measures that have effects in some 'districts' due to specific circumstances, and also are of particular importance for industrial development, local economies and settlement.

Agricultural policy is part of the 'broad' regional (district) policy. Regionally differentiated price support for milk, meat, eggs and vegetables is in Category A. Farms in central regions do not receive such support while farms in Northern Norway receive the highest support. The larger part of the agricultural policy measures is in Category B. All farms might receive such support, but usually the rates are highest for farms in remote areas. Acreage support, headage support, a special support for

⁸³ Own translation.

milk production, and vacation and replacement subsidy are the largest agricultural policy items in Category B. Another, and smaller, measure is the 'Rural development grants' ('bygdeutviklingsmidler'). The policy is explained in more details in Chapter 3.

The current agricultural policy was presented in Report to the Storting⁸⁴ no. 19 (1999-2000) 'On Norwegian Agriculture and Food Production' and in the Storting's discussion thereof, Innst. S. no. 167 (1999-2000) (Landbruksdepartementet, 1999; Stortinget, 2000). In general, the parliament majority agreed with the government. Therefore, we mainly refer to the Report to the Storting.

It is difficult to find the words 'goals' and 'objectives' in this report. Often, the Report describes guidelines for the future agricultural policy more than stating goals or objectives. The report repeatedly emphasizes that farmers are self-employed and responsible for their income. Furthermore, it is stated that farm income must be seen in connection with other farm policy objectives. This implies that income has to a large degree changed from being a goal (in itself) to becoming a policy instrument for the achievement of other policy objectives, such as the production of environmental goods, food security and settlement.

These latter goals are based on the view that agriculture contributes to the production of public goods such as national food security, environmental benefits (cultural landscape, land conservation, flood control, biodiversity, and recreation), cultural heritage, and viable rural areas. This is also referred to as agriculture's multifunctional role, in other words, that agriculture produces more than just food and fibres (Prestegard, 2005, p.233). These other goods cannot be treated separately as market commodities. A free market could therefore lead to a situation where too little of these goods are produced in relation to the actual demand of the public. By applying regulations or support measures the authorities can influence the level of activity in agriculture, thus ensuring food security and contributing to viable rural areas and varied cultural landscapes. Report to the Storting no. 19 (1999-2000) argues that this justifies an active agricultural policy aimed at maintaining farming activities throughout the entire country. The report also claims that the close link between agricultural production and the production of public goods makes it necessary to maintain extensive use of product-specific support, including a strong import protection for agricultural products.

Report to the Storting no. 19 (1999-2000) states furthermore that the *'geographical distribution of (agricultural) production contributes to securing a viable agriculture throughout the entire country and shall be continued'*. According to the report, farming is a locally-based business and plays a vital role in maintaining settlement patterns. In this respect, it should be emphasised that in general a minimum of economic activity, and therewith a certain population basis, is necessary in order to secure viable rural societies. According to Report to the Storting no. 19, the government will continue to give preference to agriculture in remote regions when developing the agricultural policy instruments.

Norway has had two parliamentary elections and has changed government three times since Report to the Storting no. 19 (1999-2000) was prepared. Every new government has prepared a government declaration and Report no 19 has been the basis for the agricultural policy of all governments since its preparation.

⁸⁴ The Storting is the Norwegian parliament.

9.3 Agricultural and rural policy instruments

General background and type of policy instruments

Chapter 2 explained how the need for a versatile rural economy is underlined in Report to the Storting no. 19 (1999-2000). This is to be achieved via policy instruments aimed at stimulating general rural development in addition to farming activities.

Numerous policy instruments have been used to stimulate production and to give farmers, especially in more remote areas, possibilities for a development in income and welfare in line with other groups in society. This includes purely economic instruments such as tariffs and direct payments, as well as public regulations pursuant to the provisions of various laws. There are, for instance, laws regulating buying and selling of agricultural properties. Pig producers need a public concession in order to have more than 105 sows or to slaughter more than 2100 pigs per year. There are similar regulations of poultry production. Dairy farming has been regulated by production quotas since 1983, and there is extensive regulation of the profitability of the dairy industry via a milk price equalization scheme.

Market support and direct payments

Norway has made extensive use of import protection and direct payments more or less linked to production to achieve the agricultural policy goals. Numerous agricultural policy measures have been introduced or changed as a result of the annual negotiations between the Government and the two farmers' associations (the Norwegian Farmers' Union and the Norwegian Farmers' and Smallholders' Union). These two associations have the right to negotiate annually with the Government on prices and other measures. Tariff rates, however, are not part of the negotiations.

In Norway, agricultural policy and forestry policy are to a certain degree intermingled since most of the forest areas are owned by farmers. In Report to the Storting no. 17 (1998–1999) (Landbruksdepartementet, 1998), the government emphasizes that economic growth in the forestry sector, especially in rural areas, can be assured by increasing the product range and the degree of processing, as well as by supporting small and medium-sized enterprises.

Norwegian agricultural and rural policy has mainly had a top-down approach and has been centrally governed. However, there have been some support programmes and measures with a more bottom-up approach, some of these have been connected to rural development initiatives. Recently, some minor parts of the agricultural policy have been delegated from central government bodies to regional authorities (county authorities) and to the municipalities.

Border protection and market price support

Due to the tariffs on import of agricultural products, farmers are getting higher prices than world market prices, and domestic production is larger than it otherwise would have been. This price difference is often referred to as market price support. According to OECD (2006), Norwegian market price support amounted to approximately NOK 8.8 billion in 2004, compared to NOK 10.1 billion in 2003.

Direct payments

Norwegian farmers receive considerable support via the state budget in the form of numerous subsidy programmes and measures. In 2004, the direct payments amounted to nearly NOK 10.9 billion, compared to NOK 11.1 billion in 2003 (OECD, 2006). The various support measures can be divided into:

- Direct support

- product-specific support (e.g. price subsidies on agricultural products)
- non-product-specific support (e.g. headage or acreage-based production subsidies and various social support schemes)
- Investment support
- Indirect support via research, education and extension services

The subsidies are partially differentiated according to production, geographical region and farm size. Smaller farms and farms in remote regions have to a large degree received relatively more support than larger farms and farms in central regions.

Of the various support programmes, price-support, production subsidies and investment support schemes are economically most important for Norwegian agriculture. This applies mainly to the production of milk, beef and mutton, but also to grain and a number of horticultural products. Other productions, not contributing as much as these productions to the provision of public goods, receive considerably less direct payments. This mainly applies to the production of poultry, pork, and eggs. These farmers are more dependent on the market price support for their income.

During the past 20 years, price subsidies has been reduced and (partly) replaced by non-product-specific support, for instance acreage and herd support.

According to a classification by The Ministry of Agriculture (Landbruksdepartementet, 2002), 22 percent of direct payments was targeted towards regional and settlement purposes. Regionally differentiated payments to milk, meat, eggs and vegetables were a large part of these payments. Originally, the main criteria for this kind of agricultural support were to counteract differences in production costs. Almost one half of the total direct payments had more than one target; they were directed towards the fulfilment of more than one objective.

Rural development policies, investment support, and environmental programmes

The administration of subsidies and other policy instruments has partly been transferred to the county departments of agriculture and to municipalities. The objective is to improve the utilization of local knowledge and experience. Such a decentralisation enables a better adaptation of policy instruments to the needs of the various counties and municipalities.

An interesting issue for the future is if and to what degree there will be a further transfer of responsibility for policy instruments to the county departments of agriculture and municipalities, and if Norway will implement more support programmes with a more bottom-up approach than today (for example similar programmes to the LEADER programmes in the EU).

Investment support, rural development and environmental programmes

Investment support from the Agricultural Development Fund (Landbrukets utviklingsfond, LUF) has in recent years been increasingly directed towards stimulating new business activities, but still as much as 74 percent of LUF's support was given as investment support to projects within traditional farming and horticulture in 2005 (Statens forhandlingsutvalg, 2006). Investment support from LUF is often referred to as Rural Development Grants.

The Rural Development Grants amounted to NOK 286 million in both 2003 and 2004, and NOK 241 million in both 2005 and 2006 (Landbruks- og matdepartementet, 2004; 2005). These funds have been allocated to the 19 counties based on criteria such as the number of holdings, utilised agricultural area, and agricultural employment as a percentage of total employment in each county. The administrative responsibility is divided between the Agricultural Departments of the County Governors and Innovation Norway. Innovation Norway is responsible for the farm-business oriented measures, while the Agricultural Departments of the County Governors are responsible for other measures. From 2005, a special programme of NOK 85 million per year was established to finance investment in modern buildings and equipment in milk and beef production. In 2005, Innovation

Norway received a total of 2,117 applications for farm-business oriented support. Of these, 18 percent were rejected.

In addition, a smaller amount of funds for rural development are administrated centrally for projects of national magnitude within areas such as tourism, gender equality and national development projects. These funds amounted to NOK 36 million in 2004 and to NOK 38 million in both 2005 and 2006 (Landbruks- og matdepartementet, 2005).

In 2000, a 5-year added-value programme for Norwegian food production was established. Important areas for the programme include innovation and business development projects, mobilization measures and marketing channels. In 2004, NOK 95 million were allocated to this programme, increasing to NOK 114.6 million in 2005 and NOK 110.2 million in 2006 (Landbruks- og matdepartementet, 2005).

Within the total framework of forestry support measures, which amounted to NOK 133 million in 2004 and 2005, silviculture, road construction and forestry management schemes receive the main priority. The allocation of funds to bioenergy amounted to NOK 11.6 million in 2004 and NOK 23 million in 2005 (Landbruks- og matdepartementet, 2005).

Regional strategies for rural business development

In autumn 2004, all Agricultural Departments of the County Governors developed regional strategies for rural business development. The agricultural departments were assigned the coordination of business development strategies for their respective counties. They also administrate the rural development funds within each county, in cooperation with, e.g., Innovation Norway and local authorities.

At the same time, the Ministry of Agriculture and Food developed a national strategy for rural business development: 'Agriculture – more than agriculture'. The aim is to improve the coordination of funding within the national programme for value creation, the regional development funds and other projects, both regionally and nationally. The strategies are to be part of an integrated focus on rural business development in the various regions.

The idea behind the regionalization of policy programmes for rural business development is to utilise regional and local know-how and unique qualities that give a competitive edge. The counties were asked to prioritise areas in which additional funds can stimulate value creation, strengthen networks and enhance interaction between different parts of the value chain.

The focus on increased farm-based value creation represents a potentially important change of Norway's agricultural policy. So far, this is only a modest instrument within Norway's total agricultural policy.

Municipal environmental (and development) funds

The administrative responsibility for specific environmental and regional measures, as well as for forest-related funds allocated via the Agricultural Development Fund, was transferred to the municipalities in 2004, in accordance with Report to the Storting no. 19 (2001–02) 'New Responsibilities for Local Democracies - at the Regional and Local Level' (Kommunal- og regionaldepartementet, 2001). The specific environmental measures include the cultural landscape measures, investment support for environmental measures and environmental adaptations in cereal growing areas. Local governments shall draw up a brief long-term strategy with budget proposals for the various objectives, and must submit annual status reports to the County Governor regarding the use of the funds. The funding framework for municipal environmental measures will increase from NOK 130 million in 2006 to NOK 140 million from 2007. In addition, the municipalities could in both 2005 and 2006 use NOK 95 million to enhance business development and for environmental measures in forestry (Landbruks- og matdepartementet, 2005).

National and regional environmental programmes

In the 2003 agricultural negotiations, the negotiating parties agreed to introduce a national environmental programme in 2004 and regional environmental programmes in each county in 2005. The national environmental programme consists of national farm policy objectives and regulations, routines for reporting and assessing policy instruments, a framework for the regional environmental programmes, a system for approval and control of the regional environmental programmes, and a 'package of policy instruments' consisting of an acreage and cultural landscape scheme, a list of regional environmental requirements linked to production subsidies, rough grazing subsidies, and support to organic agriculture.

The regional environmental programme was established in 2005 and amounted to NOK 350 million, increasing to NOK 390 million in 2007. The package was partially funded by transferring and joining the budget allocations of a number of previous programmes. In agreement with county trade associations, the County Governors should make proposals for regional (i.e., county) environmental programmes. Each county's environmental programme should then be approved by the Norwegian Agricultural Authority in agreement with the negotiating parties. Each county was assigned the responsibility for establishing instruments and schemes enabling the achievement of the environmental challenges that have received the highest priority in the region. Each of these schemes is to be based on one of the following main areas:

- Measures aimed at maintaining the cultural landscape, including promoting the use of mountain dairy farming, and promoting active use of grazing resources;
- Measures aimed at pollution reduction.

All 19 counties have now established regional environmental programmes.

9.4 Development and possible effects of the agricultural and rural development policies

Several parallel trends in Norwegian agriculture can be observed: niche and quality production and organic farming on one hand; volume-oriented, high-tech industrial agriculture on the other. Furthermore, numerous additional services are provided, based on farm resources. These include services within the health and care sector, education and training, nature experience, culture and tourism. Farmers are developing new, farm-based business enterprises. The question is if and to what degrees the different policy schemes have influenced on this development. We do not know what would have happened if these policy instruments had not been implemented.

The agricultural land in active use has been rather constant since 1959, just above 1 million hectares. This is an indication that the agricultural policy have contributed to maintaining agricultural activities also in more marginal rural areas. However, the latest years there is a tendency that the agricultural land in use is diminishing slightly.

Labour input in agriculture and off-farm income

Labour input in agriculture and the number of farms in operation have declined continuously since the Second World War. The number of farms decreased from 196 000 in 1960 to 53 000 in 2005 (Budsjettnemnda for jordbruket, 2006). A total of 66 000 man-years were carried out in Norwegian agriculture in 2005, compared to 81 600 man-years in 1999. The combination of farming and other occupations is a long standing tradition in Norway. Off-farm income plays an increasingly vital role in Norwegian farm households. The percentage of farm income of the total family income has decreased throughout the entire period, and is now down to 40 percent in the Account Statistics

(Norsk institutt for landbruksøkonomisk forskning, 2006). Another 8 percent of total net family income is directly related to forestry and farm-based supplementary enterprises. Wage income is especially high, on average, for farm households with sheep farming or cereals. Agriculture is more important for those with dairy and beef production and those with cereal and pig production in combination.

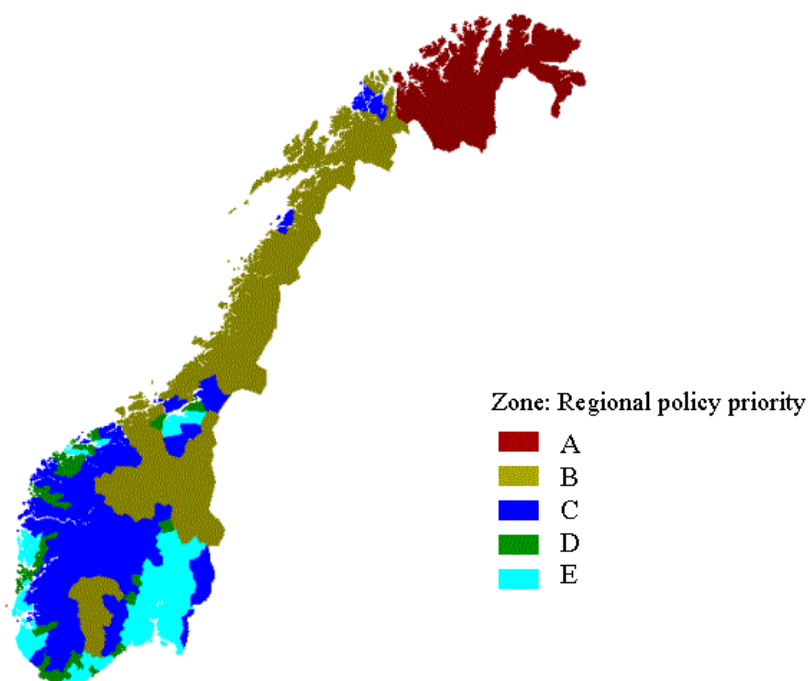
Regional distribution of agriculture

As mentioned, one important goal in Norwegian regional policy is to maintain the geographical distribution of the population. Agriculture can play a role in reaching regional policy goals if agriculture is located to the regions with high regional policy priority. If agriculture is located to areas outside the regions with regional policy priority, it cannot play an important role in fulfilling regional policy goals. The geographic distribution of agriculture is thus a rough indicator of the possible contributions of agriculture in order to reach regional policy goals.

For regional policy purposes Norway has been divided into zones entitled to different levels of support. Geographical differentiation of the payroll tax was for many years a key element in the regional policy. This measure was (almost) abandoned as of 1 January 2004, but is partly reintroduced from 1 January 2007. Another measure is the division of the country into zones for regional policy measures, mainly investment grants to small and medium sized businesses. In this paper, we present some figures for agricultural activity in the zones for regional policy measures, see table 14. The regional priority decreases from Zone A to Zone D. Zone E has no regional policy priority. Figure 25 shows which parts of the country that belong to each zone.

Figure 25: Zones for regional support 2000

Source: Hegrenes et al. (2002)



Hegrenes et al. (2002) used two types of indicators to express the importance of agriculture in each zone: (1) The agricultural activity per 1000 inhabitants, and (2) the percentage of the total agricultural activity that is located in each zone. The latter is an expression of the distribution of agriculture per se. Agricultural activity per 1000 inhabitants measures agricultural activity in relation to other activities, assuming that the number of inhabitants is an indicator of total economic activity. In this paper, we concentrate on indicator (1).

Table 14 shows that the municipalities with no regional policy priority (Zone E) are on average more populous than municipalities within the zones with regional policy priority (Zones A-D).

Measured relatively to population, agriculture is most important in zone B and zone C, see for instance the figures for labour input per 1000 inhabitants.

Table 14: Some key figures for agricultural activity in zones for regional policy priority in Norway, 1999

	Regional priority					Country
	A	B	C	D	E	
Maximum investment grant equivalent in year 2001, percent ¹⁾	30+5	20+5	10+10	indirect	0	
Number of municipalities	23	129	114	37	132	435
Inhabitants per municipality, as of 1 January 2000	3723	3663	5081	6201	23573	10295
	Per 1000 inhabitants					
Farm holdings	11.1	31.2	38.8	26.4	8.5	15.8
Utilized agricultural land, ha	164	457	473	313	149	232
Cereals and other annual crops, ha	1	28	111	53	88	81
Number of milk cows	53	191	163	122	31	70
Number of other cattle	80	404	353	284	81	161
Sheep older than 1 year	247	604	592	319	75	213
Breeding pigs	3.6	23	37	37	19	22
Labour input, annual work units	12.2	40.8	42.9	29.0	8.8	17.7

1) The first figure for each zone indicates maximum support for all firms while the second figure indicates maximum additional support to small and medium sized firms. In Zone D only indirect support to firms and support to municipality funds are allowed.

Source: Hegrenes et al. (2002)

Zone A and zone E have the smallest figures for agricultural employment per 1000 inhabitants. This means that measured in this way, agriculture is of less importance for the zone with the highest regional policy priority and in the zone without regional policy priority.

Direct payments were NOK 132,427 per annual work unit, and market price support was NOK 83,403 per annual work unit in agriculture in 1998/99, on average (Hegrenes, 2004). When comparing the support to each region with what the regions would have received if the support to all annual work units on average had been the same, we get the result presented in Table 15. Regions with high regional policy priority received more than their equal share of direct payments, as intended. However, farms in these regions receive less than their equal share of market price support. The net result is that zones with priority A, B, and E receive more than their equal share of total support, while zone C and D are the 'losers'. The relatively high support to farms in zone E is not in accordance with a policy giving high priority to regions with high priority in the regional policy.

Table 15: Difference between estimated support and support if average support per annual work unit was the same in all regions. 1999

	Regional policy priority				
	A	B	C	D	E
Direct payments, 1000 NOK	58,783	337,062	-63,129	-33,362	-229,487
Market price support, 1000 NOK	-30,072	-330,754	-368,476	-68,462	797,681
Sum, 1000 NOK	28,710	6,308	-431,605	-101,824	498,194
NOK per annual work unit	27,500	327	-17,352	-15,289	18,166

Source: Hegrenes (2004)

Many reasons can explain why this is so. As mentioned below, the schemes with a regional objective as the only objective amount to about 20 percent of direct payments. Market price support is proportional to produced quantity. Labour efficiency, measured as produced quantity per annual work unit, tends to be highest in central regions. Yet another reason is that in pig and poultry productions, that have low direct payments and relative high market price support, produced quantity of meat per annual work unit is high compared with beef and mutton and lamb production which are more common in regions with high regional policy priority. Although support per annual work unit is high in central regions, there are reasons to believe that support per unit of produce is lowest in the central regions. Support per hectare of agricultural land can be an indication of this. On average this was NOK 16 480 in 1999 (NOK 10 112 in direct payment and NOK 6 368 in market support schemes). In Zones A-D the figure varied between NOK 18 000 and NOK 19 300 while it was NOK 13 900 in Zone E.

Statistics from Innovation Norway shows that 72 percent of the Regional Development Grants ('bygdeutviklingsmidler') in 2005 were allocated to projects within the areas of regional policy priority (Zones A-D in Figure 25), an increase of 4 percent points from 2004 (Statens forhandlingsutvalg, 2006).

Evaluation of the effects of the agricultural policy

In 2004, a committee appointed by the government published its report on the effects of governmental efforts to enhance regional development and to reach rural development objectives (NOU, 2004). According to the committee, agriculture is an important business in many rural areas. Based on calculations done by Vårdal (2003), the committee concludes that the agricultural policy has an effect on production and employment and especially for agriculture in more remote areas. Further, the committee argues that it is very expensive to enhance rural development and to reach regional policy objectives through agricultural policy, and that alternative use of the money could possibly have given better results. However, the committee concludes that in many rural areas there are few other job opportunities than employment in agriculture.

Rural Development Funds and farm-based supplementary enterprises

Evaluation of the use of Rural Development Funds

Sørbrøden & Aubert (1998) evaluated the use of Rural Development Funds to help farmers (or others) to start up new businesses based on farm resources or the resources of the farm households. In total, 517 entrepreneurs who had received support to establish new businesses were interviewed. Sørbrøden & Aubert conclude that in the period 1988-1997 this type of support had contributed to the establishment of nearly 5000 man-years in 'farm-based supplementary enterprises'. They conclude that this type of support is of great importance as a compensation for the reduction in

employment in more traditional agriculture. In contrast, Aanesland and Labugt (2000) are very critical to this support measure. They argue that these rural development funds ('support to start up farm-based supplementary enterprises') can be an obstacle for the creation of clusters in more populated areas that may enhance entrepreneurship. This type of support will contribute to the lowering of prices and will have a negative effect for firms that do not get any support. They argue that more general support measures are better for the enhancement of entrepreneurship than selective ones.

Farm-based supplementary enterprises

According to Statistics Norway (2006b), 48 percent of all farm holdings had supplementary industry in 2004/2005. The most common types of supplementary industry was contracting work with tractors and combine harvesters etc, renting out hunting or fishing rights, and processing timber for sale. There is no information on turn-over or value added in this statistics.

'Account Statistics for Agriculture and Forestry' is an annual survey of holdings on which farming represents a main source of income. The survey is focused on the total economy of farms and farm families. All business activities that were not ordinary agriculture or forestry were classified as 'supplementary enterprises'. Since 1997 the activities linked to the farm resources have been specified, and the term 'farm-based supplementary enterprise' was introduced. A farm-based supplementary enterprise is an enterprise utilising the farm's land, machinery, buildings and other resources for non-farming activities. Thus, ordinary wage labour is not included in the concept.

In the accounting year 2005, 928 holdings were included in the Account Statistics. Of these, 490 holdings (53 percent) had 'farm-based supplementary enterprises' (Norsk institutt for landbruksøkonomisk forskning, 2006). 'Machinery contracting' was the most frequent type of farm-based supplementary enterprise. Renting out farm houses is also widespread, especially in south-eastern Norway. Relatively few farms have supplementary enterprises within tourism, use of outlying land or production of goods. Of the latter, the most common activity is production of firewood.

In 2005, net farm income from farm-based supplementary enterprises averaged NOK 57,300 for those who had such income. For the farms in question, this amounted to 11 percent of the total income.

For all farms in the Account Statistics as a whole, net income from farm-based supplementary enterprises accounted for almost 6 percent of total income in 2005, with variations between regions and types of farming. Farms in South-eastern Norway were the most active with regard to supplementary enterprises, whereas such activities had much less importance in Northern Norway throughout the entire period from 1997 to 2005.

Interestingly, the most common supplementary activity is 'machinery contracting', e.g., snow clearing, which is easy to combine with regular farm operations. There are no or very small grants for such activities. Activities which might be entitled to higher grants, are less frequent and of less importance.

9.5 Final remarks

Regional and rural concerns have for many decades played an important role in Norwegian politics, including agricultural policy. In Norway, the term 'rural development policy' is usually used to describe the policies intended to maintain agricultural activities, especially in the more remote areas, and to help farmers to start up new businesses based on the resources of the farm and the farm household.

Norway has made extensive use of import protection and direct payments to achieve the agricultural policy goals. Numerous policy instruments have been used to stimulate production and to give farmers, especially in more remote areas, possibilities for a development in income and welfare in line with other groups in society. The subsidies are partially differentiated according to

production, geographical region and farm size. Smaller farms and farms in the most remote regions have received relatively more direct payments than larger farms and farms in central regions.

Investment support from the Agricultural Development Fund (Landbrukets utviklingsfond, LUF) has in recent years been increasingly directed towards stimulating new business activities. Less of LUF's support has been given as investment support for traditional agricultural activities.

The importance of Norwegian agriculture for employment and settlement has diminished, but it is still important for economic activities and settlement in many municipalities. A committee appointed by the government concluded in 2004 that the agricultural policy has an effect on production and employment, especially in more remote areas. The committee argues that it is very expensive to enhance rural development and to reach regional policy goals through agricultural policy, and that alternative use of the money could possibly have given better results. However, the committee concludes that in many rural areas there are few other job opportunities than employment in agriculture.

The administration of subsidies and other policy instruments has partially been transferred to the county departments of agriculture and to municipalities. The objective is to improve the utilization of local knowledge and experience. An interesting issue for the future years is if and to what degree we will experience a further transfer of subsidies and other policy instruments to the county departments of agriculture and to municipalities.

References

Budsjettnemnda for jordbruket (2005) *Jordbrukets totalregnskap 2003, 2004. Jordbrukets totalbudsjett 2005. Registrerte og normaliserte tall.* Oslo.

Budsjettnemnda for jordbruket (2006) *Jordbrukets totalregnskap 2004, 2005. Jordbrukets totalbudsjett 2006. Registrerte og normaliserte tall.* Oslo.

Hegrenes A, Gezelius S, Kann F, Mittenzwei K (2002) *Landbruk og distriktspolitikk – ein analyse av den norske landbruksstøtta.* NILF-rapport 2002-10. Norsk institutt for landbruksøkonomisk forskning, Oslo.

Hegrenes, A (2004). Landbrukspolitikk som distriktspolitikk. In: Amdam, R. & O. Bukve (Eds.) *Det regionale regimeskiftet – tilfellet Noreg.* Tapir akademisk forlag and Norges forskningsråd. pp44-62.

Kommunal- og regionaldepartementet (2001) *St.meld. nr. 19 (2000-2001). Nye oppgaver for lokaldemokratiet – regionalt og lokalt nivå.*

Landbruksdepartementet (1998) *St. meld. nr. 17 (1998-99). Verdiskaping og miljømuligheter i skogsektoren (skogmeldingen).*

Landbruksdepartementet (1999) *St.meld. nr. 19 (1999-2000) Om norsk landbruk og matproduksjon.*

Landbruksdepartementet (2002) *St.prp. nr 1 (2002-2003). For budsjetterminen 2003.*

Landbruks- og matdepartementet (2004) *St.prp. nr. 1 (2004-2005). For budsjetterminen 2005.*

Landbruks- og matdepartementet (2005) *St.prp. nr. 1 (2005-2006). For budsjetterminen 2006.*

Norsk institutt for landbruksøkonomisk forskning (2006) *Driftsgranskinger i jord- og skogbruk 2005.*

NOU (2004) *Effekter og effektivitet. Effekter av statlig innsats for regional utvikling og distriktspolitiske mål.* Norges offentlige utredninger 2004: 2.

OECD (2006) *Producer and Consumer Support Estimates, OECD Database 1986-2005.*
http://www.oecd.org/document/55/0,2340,en_2825_494504_36956855_1_1_1_1,00.html

Prestegard S S (2005) Multifunctional agriculture, non-trade concerns and the design of policy instruments: applications to the WTO agricultural negotiations. *International Journal of Agricultural Resources, Governance and Ecology (IJARGE)* 18(4) p675-708.

Statens forhandlingsutvalg (2006) *Statens tilbud, Jordbruksforhandlingene 2006*. Arbeidsdokument 6. mai 2006.

Statistics Norway (2005) *Sample Survey of Forestry 2004 - final figures*. http://www.ssb.no/english/subjects/10/04/20/skogbruk_en/

Statistics Norway (2006a) *Population and land area in urban settlements, 1 January 2006*. http://www.ssb.no/english/subjects/02/01/10/befteett_en/

Statistics Norway (2006b) *Sample survey of agriculture and forestry, 2005. Preliminary figures*. http://www.ssb.no/english/subjects/10/04/10/lu_en/

Stortinget (2000) *Innst. S. nr. 167 – Innstilling fra næringskomiteen om norsk landbruk og matproduksjon - St.meld. nr. 19 (1999–2000) Om norsk landbruk og matproduksjon*. Stortinget, Oslo.

Sørbrøden Ø, Aubert S (1998) *Evaluering av BU-midlene 1998*. http://odin.dep.no/lmd/norsk/dok/andre_dok/rapporter/020005-990024/dok-nu.html

Vårdal E (2003) *Støtten til distriktjordbruket sett i et samfunnsøkonomisk perspektiv*. SNF-arbeidsnotat nr 13/03. Bergen. www.oeffektutvalget.dep.no

Aanesland N, Labugt IL (2000) *Bygdeutvikling, til nytte for hvem?* Landbruksforlaget, Oslo.

10. The Governance of Rural Development Policy in Norway

Odd Jarl Borch

Bodo Graduate School of Business
Nordland Research Institute
N-8049 Bodo
Norway
Odd.Jarl.Borch@hibo.no

Abstract

In this paper we focus on the development of the rural development support system and the public governance system in Norway. We emphasize the links between this policy area and the regional and innovation policy efforts and the dominating paradigms of the field. In recent years, as part of the increased innovation effort, there have been changes the governance system, moving towards administrative structures with less political involvement, especially at the regional and local level. We discuss the implications for rural development. Finally, we elaborate on the recent debate relating to the regionalization of Norwegian government structures, with its emphasis on both larger municipalities and larger regional governance structures. These changes are expected to provide more opportunities for both delegation of policy development influence and improved coordination in larger functional regions.

10.1 Introduction and background

In Norway, there have been significant changes in the context of rural development policy. First, as in most western countries, Norway is facing significant rural demographic change. The younger generation has moved to larger cities and thereby increased the challenges of rural development. Also, the dominant industries and job creators in rural areas, such as the fisheries, agriculture and aquaculture have experienced dramatic downsizing and rationalization efforts. This has led to rural societies being stuck in a negative spiral of lack of jobs, low fertility and high death rates. As a result, the already sparsely-populated rural areas with long distances to centres have been even more difficult to administer.

The second challenge has been a significant reduction in the amount of support within the traditional regional policy schemes. There has been a general decline in the development funding both at industry and regional level within the traditional spatial context of rural Norway. Instead, efforts have been made to increase the number of innovative firms and especially high tech industries through the innovation policy. This change has meant that the allocation of government support has changed direction towards the larger and expectedly more innovative regions. Together with heavy private and public investments this has, for example, made Oslo one of the fastest growing regions in Europe. The other university cities are also exhibiting high growth rates.

Third, the fragmented Norwegian public system is not easy to administer with its twenty-one counties and 430 municipalities governing a population of only 4.5 million. Motivated by a drive towards a more effective and efficient public system, recent governments have been strongly

influenced by a New Public Management philosophy with its emphasis on professional governance more than political hands-on governance, more independent or privatized agencies governed indirectly through boards, and market-oriented or commercial principles for operational management. As we will see this has also influenced the policy areas and the governance structures relating to rural development.

Finally, we have seen an increased influence over Norwegian regional and rural policy from the EU and WTO system in particular, influencing both on the direction of the rural development schemes, their size and governance. Here, Norway has been eager to fulfil the demands of the EEU agreement, and in particular, afraid of accusations of unacceptable subsidies to Norwegian industries.

In the following parts of this chapter, we look at how these general trends have influenced the policy-making and the governance of the different sectors of special relevance to rural development. We look into the different types of policy influencing the rural development programs launched, the interplay between different ministries and government organizations at national level, and the political influence and the operational governance at regional and local level. We elaborate on the role of the municipality and the county as politically governed institutions, versus the role of the regionalization of central government bodies. The consequences of political and administrative changes are discussed as to geographical and industrial effects, and effects at grass root levels. Finally, we look into the debate on regionalization of the Norwegian government system taking place during the last few years.

10.2 The governance structure

In this section we describe the way rural development is formulated, administered and delivered in Norway. The rural development schemes will represent an amalgam of policies within different sectors and ministries. In Norway we find that the Ministry of Agriculture and the Ministry of Local Government and Regional Development have a dominant role in formulating rural development policies. We discuss the importance of the innovation policy and its influence on other sectors, related to the broad integration efforts of the coordinating ministry, the Ministry of Trade and Industry and its executive body Innovation Norway. Finally, we present the operational governance structure, where the Innovation Norway organization has played a significant role at regional level.

Governance related to industry

At the national level, much influence has been concentrated around primary industry ministries: agriculture, fisheries and manufacturing. Due to international agreements and especially the EU/EES agreement our export industries have lost much of their government support. This has also meant less influence on the rural policy from these sectors. The exception is the agricultural industry with its heavy subsidies, border protection and a very active corporative system linking the interest organizations and the Ministry of Agriculture and Food together. While the traditional manufacturing and fisheries industries have lost many of their development tools, the agricultural industry has kept its stronghold. The Ministry of Agriculture and Food has, more than the other ministries, managed to retain its vertical partnerships to the County Governors (Fylkesmenn) at regional level, and the agricultural development sections at the municipality (kommune) level. At all these levels, the relations to the farmers associations and the food industry are close.

The new knowledge-intensive service industries and the technology industries have, at the same time, complained of too little support. However, with the new innovation policy, these groups have had the main focus, and Ministry of Trade and Industry has put a significant emphasis on this type of firms. This is seen in the priorities within the innovation policy, with more direct support, knowledge infrastructure efforts through innovation and research centres within the Industrial

Corporation of Norway (the SIVA- network), new seed and venture funds, tax incentives for R&D and special programs within the Norwegian Research Council.

Governance related to policy sector- the regional policy

Norway has traditionally had a strong spatial dimension related to policy development, emphasized in the regional and district policy report to parliament presented every fourth year by Ministry of Local Government and Regional Development. The debate on regional policy has very much been focused on less prosperous areas or peripheries with special challenges in terms of job creation or welfare production. This has been termed the narrow regional policy. Compared with other Nordic countries Norway's narrow regional policy had an early start in the sixties. The broad regional policy, including education, transportation, health and social welfare has been dominated by sector politics and not having a spatial dimension or particularly focused on rural areas. However, the national welfare aspects have been central also to the broad regional policy areas. The nation building objectives after WWII, meant an emphasis on country-wide distribution and equal opportunities, with special emphasis on compensation for disadvantages of peripherality.

Within this ideological framework, the sector policies also had an important regional dimension. This also meant that there was a need for a fine-grained system for administration, securing both equal rights and local and regional adaptations. The municipalities and the county administrations came to play a central role with the Ministry of Local Government and Regional Development as the central ministry. The agricultural policy and the Ministry of Agriculture and Food has played a similar role, with its emphasis on small scale agriculture and rural development contributions.

In addition, a new system of regional state agencies has been introduced.

Regional policy and the Ministry of local government and regional development

Rural development support in Norway has evolved in the context of the Norwegian regional policy. Regional policy has, as discussed above, secured a strong focus on equal opportunities with a special emphasis on rural development in areas with less industry growth and employment challenges.

In this respect regional policy has been strongly linked to agriculture and the other resource-based industries like fisheries, fish farming and the metal industry. The Ministry of Local Government and Regional Development has with its presentation of the white paper on regional and rural development (every fourth year before the parliamentary election), played an important role in setting the goals and developing the tools for regional and rural development.

The Ministry of Local Government and Regional Development is also an important contributor to rural development policy in cooperation with the county administrations. Through its budget amounting to 2.8 billion NOK (2006), a broad range of schemes are targeted towards regional and rural development policy efforts. During the last few years, their policy has been innovation orientated, and directed towards women and young entrepreneurs in particular. Also there has been a special emphasis on small community development and municipalities falling behind in their development. Priority has been given to rural areas with emphasis on public and private service, welfare production, industry development and making local communities look more attractive. As such, the narrow regional policy linked to the Ministry of Local Government and Regional Development has been more and more a 'reactive intervention', reducing the worst effects of centralization on rural areas or what in policy terms are called 'small societies' (småsamfunn).

Also the total amount of government support to instruments such as investment funding, competence development funds and support to business entrepreneurs has been significantly reduced over the past decade. This has been due to the governments' redirection of focus from rural policy support to innovation policy efforts.

As shown below the central partners responsible for the narrow regional policy are the county administrations, Innovation Norway, SIVA – The Industrial Development Corporation of Norway, and the local municipalities. As to administration, the Ministry of Local Government and Regional Development has during the last national governments been oriented towards channelling more of its tools towards the Innovation Norway and the SIVA system, with less money to local municipalities, and less operational influence of the county administrations.

The innovation policy and the Ministry of trade and industry

Traditionally, the Ministry of Trade and Industry has been oriented towards the manufacturing industries, the service industries, and towards trade and shipping. There has been a limited emphasis on the primary industries and the regional policy tools. With the increased emphasis on the broad, sector-integrating innovation policy the regional dimension has become more distinct. The Ministry of Trade and Industry has increased its range of tools and policy influence, and to a large extent taken over responsibility for industry development at regional level.

The basic reason for this has been the government's program for innovation stating that:

'Norway is to become among the world's leading, most innovative, dynamic and knowledge-based economies in areas where we have competitive advantages. Norway shall be a good place for business activity.'

The result of this ambitious goal is that the Ministry of Trade and Industry has received the coordinative role of tools to:

- Facilitate innovation in all areas
- increase investments in R&D
- develop human capital through education and other competence measures

During the last five years, Norwegian innovation policy has been transformed from a marginalized and fragmented activity divided on several ministries and sectors like regional policy, industrial policy, and R&D policy. Through efforts from the Ministry of Trade and Industry as the main coordinating body, the innovation policy has been changed into a main-stream policy context for all sectors, with high profile central government guidance.

This emphasis on a broad, cross-industry and cross-region innovation policy has meant a transfer of money and tools in the direction of the three important policy areas presented above. A significant increase in research activity has top priority, with a goal to reach a total investment in R&D of 3 per cent of GDP by 2010. The most important instrument in this respect has been a tax relief scheme for technology intensive firms, and an increase in the measures channelled through the Norwegian Research Council. A third and important area of support schemes have been to subsidize seed and venture funds to increase the availability of capital to high tech and fast-growth companies.

The basic ideology behind the broad innovation policy has been that new growth will come within more technology intensive, R&D oriented firms. More emphasis on this category of firms has resulted in new funding schemes of direct business support, R&D infrastructure and investment funds channelled towards the knowledge centres, mainly the larger university cities.

The reason for this may be found in the policy of channelling more investment support through private investors. The R&D support has traditionally been coordinated through the National Research Council (NRC), with a centralized organization structure and a corporative system consisting of ministry officials, the universities and central research institutions. The regional dimension has thus been much ignored and there is no regional apparatus except for communication officials representing the NRC regionally. However, a few efforts have been made to create regional seed funds, to create regional ambassadors for R&D, and representatives of the National Research

Council localized to the regional Innovation Norway offices. The general picture is, however, that of a highly centralized governance system and a 'picking the winners' philosophy mainly aiming at high tech and high growth ventures. Within rural areas, this has caused protests against a too centralized policy among local politicians. Deep into the central political parties there have been strong arguments for a regionalization process with decentralization of power from national government bodies to the regional political institutions.

The agricultural policy and the Ministry of agriculture and food

Norway has maintained a very expansive agricultural policy with support schemes in the international top level. Much of the agricultural policy derives its political support from the role Norwegian agriculture plays in rural development and production of public goods. Agricultural policy is therefore strongly linked to rural and regional policy. The agricultural policy thus also includes special rural development funding.

The Ministry of Agriculture and Food has also introduced policy measures to support innovation, thus meeting the demands of national innovation policy. This has also made it easier to defend the special government support to agriculture. As such there has been an emphasis on multifunctional and multi-entrepreneurial farmers. Farmers have been encouraged to add new income sectors based on resources on the farm, such as farm based tourism, welfare activities and small scale value added processing.

Support for this type of activities has come through the Agricultural Development fund, also called rural development support. Regional level inputs have been provided by the county governor administrations (which have kept their agriculture departments), and the regional offices of the Innovation Norway. The Ministry of Agriculture and Food has decentralized the operational distribution of its rural development funds to the regional level while keeping the broad agricultural support measures under strict national government control. As such the decentralization has only been at the 'narrow side' of the rural or regional policy, amounting to approx 250 million NOK.

The policy for the rural development funding was set out in a special strategy for rural business development following the 'white books' on agricultural policy during the late nineties, and was influenced by the very strong corporate system, rooted in the central position of the farmers' associations and farmers' cooperatives. The largest element of agricultural support is that given directly to farmers as production support.

At the regional level, however, each county governor administration office has received a small amount of funding. The administration of this money takes place in a partnership between the municipality and the county governor administration. For environmental efforts and forestry the municipality had some limited amounts to use on their own according to specific strategy plans accepted by the county governor.

The argument for this decentralization was the need for more entrepreneurial activity, developing a broader range of income alternatives for the smaller farms. Also the agricultural funding was to allow tailor-made efforts to avoid depopulation of villages and disintegration of the rural communities.

Summary

The diffusion of ideas and convergence between the innovation policy and regional policy has influenced the latter both as to national objectives and to the management of the support schemes. The integrating role of the innovation policy has been achieved through the reorganization of the central level agencies, in particular the Innovation Norway system channeling more of the funding at regional level, while the national control over policy development has continued. What remains to be seen is whether this focus on regional operational governance also will end in a bottom up, local and regional influence and geographical redistribution of the total funding, and more influence over the

innovation policy from the traditional actors and target groups of rural policy. The main challenge in this respect will be the rapidly increasing R&D funding and the role of the Norwegian Research Council, where both policy making and operational control are heavily centralized. The conflict of objectives within the innovation, regional and rural policy between on one hand national growth and on the other hand spatial distribution and cohesion including rural areas and traditional industries, is taking place through the whole nation, giving birth to much annoyance among local politicians.

10.3 Operational governance and day to day delivery of rural policy schemes

The operational governance of rural development measures take place at national, regional and local levels. Historically, the regional and local administrative system was well developed. With the establishment of Innovation Norway and the fusion of the national industrial banks, more money was coordinated within the same umbrella. Much of the influence over these funds has been given to the professional staffs of the Innovation Norway system operating within strict national support criteria.

The same pattern we find for the rural development funding channelled through the Ministry of Agriculture and Food towards the County Governor offices. The influence from the professional administrations has increased with less direct influence of the politicians at the operational level. Below we give a more detailed description of the governance system.

Operational governance at national level

During the last decennium the operational governance system has experienced a series of rationalization processes. During the nineties there was an integration of several state governed industrial banks into what is now called Innovation Norway. Included in this organization was also, in a second round of integration, the Norwegian Export Council with several offices abroad. The IN organization has become a conglomerate with a very broad range of programs. It integrates tools from four ministries; the Ministry of Fisheries, the Ministry of Agriculture and Food, the Ministry of Local Government and Regional Development and the Ministry of Trade and Industry. This includes both the regional development funding, general entrepreneurial and innovation programs and value added innovation programs both for the marine and the agricultural sector. Thus, this organization represents a wide range of objectives with a broad variety of policy measures and instruments. Innovation Norway plays a vital role as a central level inter-sector coordinating mechanism both at business- industry, regional, national and international level.

An important part of the Innovation Norway system is a fine-grained system of offices in every county. The general trend has been that the operational responsibility has been decentralized to the regional level. However, the ministries have kept some of the funding for larger national projects. For example, the Ministry of Agriculture and Food has kept approx 130 mill NOK a year for projects related to tourism, gender and other national development projects. And more important, the national level is setting up strict success criteria for the regional levels. This has opened for critics claiming that the Innovation Norway functions more like a restrictive bank than a regional development body.

An institution that has kept both national policy and operational control is the Norwegian Research Council (NRC). NRC plays a dominant role in channelling research money to research institutions and the industries. The Norwegian Research Council is also a result of a merger between several institutions and the redirection and coordination of R&D money channelled through the ministries. As such, the NRC also has served as a central level, inter-sector coordinating mechanism within the fast growing R&D segment.

However, the vertical coordination and partnership has been limited. The Norwegian research system is heavily centralized around the universities, and the NRC has kept a tight central control over both policy development and operational governance. This also includes large innovation-oriented R&D programs, where much of the funding is channelled into the universities and surrounding institutes. Paradoxically, 80% of the public funding of higher education and research within agriculture is channelled to Oslo and the neighbouring county Akershus. With an increasing amount of innovation oriented funding centralized through this system, it also implies a limited spatial effect of the innovation policy. The rural areas receive a small part of this government tool that is regarded as the most critical factor for regional innovation. As such, the Norwegian R&D policy is very much into the rather 'out-dated' linear thinking of large centralized research systems to develop knowledge.

Operational governance at regional level

At the regional level organizational structures have been rather stable, even though the distribution of funding between the different agencies has changed. Efforts have been made to develop a coherent system from the national level with an innovation policy 'twist'.

The *county administration* with a county council elected at a regional level, has traditionally played a central role both in politics and in operational management of rural instruments. Its main responsibilities have been upper secondary education, business and industry development, communication, culture and environment. The *county governor* represents the state within the county and has the responsibilities to follow up the implementation of national policies. In addition, they have kept an operational responsibility for measures within agriculture and environment.

During the last ten years there have been significant changes in the role of the county administration. The channelling of funding within regional development towards Innovation Norway took away the operational control over business support from the county administration. The county administration and the County Governor have had to move their administration of business related applications to the regional office of Innovation Norway. This meant that staff taking care of these cases were moved to the Innovation Norway regional offices. The Agricultural department at the County Governor Office has been left to take care of tasks related to the farming society, competence development, and broader rural development projects. Some of the political influence has been remained through formal contracts between the county administration and the Innovation Norway and through the IN regional board where the county administration is represented. The total amount of government funding has at the same time been cut in half, giving all agencies less money to work on. Instead more money has been channelled towards schemes within the national innovation policy programs, providing increased funding for R&D and high-technology firms, and investor funds.

The removal of direct operational influence of the county administration over the funding was contrasted by increased political responsibility for the regional development and welfare production. In two white books on local democracy and the regional responsibility reform on sharing of responsibility between different governance levels, presented to the Norwegian parliament in 2001 and 2002, the county administration was given a broader responsibility for regional development and for coordinating the efforts of different government bodies at regional level. As such, one may say that the county administration has had the administrative coordinative responsibility without much money to channel into rural development. Instead, so-called partnerships agreements horizontally with regional state bodies, and vertically with the municipalities were introduced.

Within the new thinking of regional partnership, all relevant institutions have been gathered to develop coordinated efforts in targeted areas. Inspired by the Interreg programs and the EU Structural Funds programs, this tool was intended to make regional development activities more effective. The regional development partnerships have included regional offices of state agencies, the regional county administration, the labor union and employer organizations, higher education and

other interest organizations. Through rural development programs (RUP) there have been more formal contracts and plans for coordinated action.

However, there is still great uncertainty as to the objectives of partnership, their influence over operational efforts, and the interaction between the partners. As such, it may be seen more as a system for communication and intention agreements. It may also have proven a costly, coordinative effort when it comes to planning and administrative capacity. So far, there are problems in making these regional partnerships become something more than time-limited, formal contracts with small amounts of money involved and with not too clear objectives and obligations. It has proved difficult to change policy and practices within partner organizations, not the least the regional state agencies. There are also challenges in terms of vertical influence and interaction with the municipalities, as the county administration has no instruction rights at local level. The small scale structure of the Norwegian municipalities in rural areas means that cooperation is difficult both ways. There are many contracts to follow up for the county administration staff, and there may be no local staff for business development within the municipality.

Thus, the partnerships struggle to create initiative at the bottom level and to create resources at local level that can take active part in the development process. The main challenge is, however, to revitalize the local government apparatus for rural development and innovation.

Operational governance at local level

The municipality. At local level, *the municipality* has played an important role in business development and rural development efforts. During the seventies, the municipalities had national support for hiring business development consultants and funds to deal with entrepreneurs and SMEs. Within the agricultural sector, most municipalities developed a section for agriculture helping the farmers out, among others with applications for government funding and with smaller financial support.

During the last years, this system has disintegrated. This has partly been related to the liability of smallness where the smaller municipalities have felt that they could not afford this type of capacity. This trend was strengthened by the removal of most of the municipality development funds. This meant that there was less political interest in the field of business and industry development. The consequence was that small municipalities in rural areas lost momentum and political focus on rural development efforts. Today, one will find large differences in the amount of resources spent for rural development between municipalities dependent on the priorities of the political leadership. Some of the smaller municipalities have no staff related to business development, while others have tried to protect this activity from budget cuts. Part of the business development support has been taken over by external offices or consultants.

Others. During the last years *the regional councils*, formed in each functional district, have been active within selected areas, including rural development. However, the activity level varies considerably between regions.

Close to regional centres, *the SIVA system* has been developed with emphasis on creating physical infrastructure and networks between regional, national and international R&D environments. So far they have established more than 60 innovation centres in Norway serving as networking hubs for companies, investors and R&D institutions. With a location to the smaller cities these institutions have so far not found their place as to their role in the rural development scheme, but may represent a channel for more access to innovation policy measures in the rural areas in future.

The trend above reflects a general lack of trust at national level in relation to the municipality and its capabilities for serving the business community and taking care of government funding. Also, the local political system has lost faith in the role of rural development schemes, or given other tasks higher priority. This has led to a lack of political and administrative focus on rural development and a strong reduction in business development staff at municipality level. As more of the regional funding has been related to special projects and partnership agreements, this has severely reduced the

capability of many smaller municipalities to compete for government funding. This negative spiral has been reinforced by the downward demographic trends in many rural areas and job cuts, with less tax incomes and fewer private companies to take initiative.

Summary

At national level, the general picture has been a struggle between representatives of different policy areas responsible for rural development funding. The emphasis of central government on the new innovation policy and reduction of dependency of the oil economy has meant that the Ministry of Trade and Industry, with its more distinct market orientation ideology has won position and influence over government funding. The exception is part of the agricultural support where the Ministry of Agriculture and Food and its alliances within the strong farmers' associations and the farmers' cooperatives have managed to keep its position against more liberal forces.

As for the Norwegian rural policy, it has been stuck between a focus on traditional industries and rural areas, and the need to strive towards modernisation of the Norwegian economy through innovation efforts and new industry development. This new innovation policy also meant a change in the governance structure at local and regional level. The new innovation regime has meant that the influence at local levels has been removed to Innovation Norway, the Norwegian Research Council and the SIVA -organization for industrial development. This also meant a dramatic reduction in the scale of regional support. Partly arguing for alignment with EU policy, the total amount of government money spent on regional development has been cut in half over a ten year period. Thus, we have had both a strong reduction in total funding, and a centralization effect of the more innovation focused policy. As such we can now see that there have been significant differences and a certain polarization between the policy towards innovation at the expense of rural development policy.

A very severe political effect may have been a reduced political emphasis from local and regional politicians in relation to entrepreneurship, business development and regional development efforts. In a senses, the political system has been discredited and told to have a more hands off approach to industry funding. This may have meant too little efforts on business development in spite of fragmentation and reduction in industrial platforms and the number of jobs in rural areas. Also, the administrative infrastructure and business development competence has disintegrated. The administrative capacity as to rural development programs has diminished in several small municipalities. This has meant that many grass root initiatives may have been lost. At regional level, we may have had the same effect, with limited capability for the county administrators to take care of the interests of their region.

At the positive side, the effects of the centralization of both policy influence and concentration of operational responsibility may have resulted in more targeted efforts towards projects and activities with larger effects, a broader focus on renewal of the traditional industries dominating rural areas, more efforts towards entrepreneurship and new industry development also in rural areas, and more efficient use of government money through better alignment and coherence between private and public sector efforts. A central question to be asked during this process has been whether there has been too much negative focus on the traditional tools within regional and rural policy and not enough emphasis on the positive results over time. For instance, one may question the strong reduction in support for physical investment in companies, where Norway has reduced the amount of support to well under EU limits. This policy may have influenced the whole development process of traditional manufacturing and primary industries, also reducing their efforts towards competence improvement and innovation. As for rural areas the market imperfection as to financial capital may have increased due to risk aversion in the financial system.

Many of the new tools, such as innovation parks, may also prove relatively costly, and that insufficient consideration has been given to long-term effects. The technology focus of the innovation policy may also overshadow traditional industry efforts in terms of many small

incremental innovations. Finally, one may ask whether the lack of funding and administrative resources at local level may severely hamper the partnership between local entrepreneurs and the government.

10.4 A new regionalisation debate in Norway – The pendulum swung back?

Trend towards regionalization and bottom-up processes.

During the last few years one may see indications that the pendulum is about to swing the other way within Norwegian rural policy. As in the rest of Europe there is a trend towards recognition of the role that the local and regional government may play in the development of the welfare state. The former Norwegian government (Bondevik II) launched a discussion on a regionalization process within the Norwegian government. The discussion has first and foremost been linked to the governance at regional level and a new and larger geographical regions replacing the current county administrations. This was also recommended by the advisory body ‘The District Commission’ in 2004 suggesting larger regions to gain more influence and coordinated efforts at regional level. The discussion has been inspired by the more business oriented perspectives on innovative and learning regions, and the more welfare-oriented focus on creating what has been called robust living-, service- and job regions. In this respect, there has been a special focus on decentralization of important tools as R&D, higher education and investment capital.

The new regional governance body.

The new regions are meant to be complete administrative regions with political governance, providing broader influence over policy development and operational governance. All resources necessary for regional development are expected to be delegated to the new regional level. Among these we may find communication infrastructure, industry and business development funding, agriculture, environment, education and R&D, health and the culture sector. The objective is to have more tailor-made policy and services, and more effective regions to compete and cooperate on a global arena. The reform at regional level may also include increased decentralization to the local level. Also here the discussion has been going towards larger geographical units through fusion of municipalities. Fewer and larger municipalities are expected necessary to create a more robust local government with higher competence and capacity for an increased range of tasks.

The controversy of horizontal spatial mergers.

The regionalization reform, however, has proved very controversial, especially when it comes to the merger of municipalities. In December 2006 White Paper No 12 (2006-2007) on regional advantages and regional future was published. The white paper discusses a decentralization of physical planning, responsibility for road system, regional R&D funds, and Innovation Norway split into regional parts. Also, the County Governors office is to be stripped of operational responsibility within the agricultural sector and remained strictly as control authority. The present government (Stoltenberg II) has problems with a clear recommendation as to the size and role of the new regions. However, they have declared as their policy to increase decentralization and increase the range of tools for rural development. The new regional structures are to be implemented from year 2010.

No changes are to be made in the horizontal structure at municipality level in spite of its extreme fragmentation. Thus, the future discussion in this area may end up in arguments over the geographical range of the new municipalities and the new regional level, severely hampering the decentralization of political influence and operational governance to regional and local level. Taking

account of the grass roots opposition to municipality mergers , the potential for increased decentralization may depend on the ability to cross-municipality cooperation and mobilization against national political dominance and the professional government bodies.

Political focus and vertical partnerships

The present government has provided an increase in total funding for regional and rural development, including a strengthening of the business development fund at municipality level. However, an increase in resources and responsibility at local level implies for the municipalities a strengthening of political emphasis and knowledge within this area, and increased administrative capacity and competence. In many rural areas there will be a discussion about an increased influence over natural resources, and the turnover of the resource-based industries to compete globally. This includes adapting the agricultural sector to exposure from international competition after the tariff barriers are reduced. A discussion of local ownership also seems inevitable. This means that the partnership principles followed at local level will have to be more dynamic than what currently applies at the regional level. Not the least there will be challenges as to business-government networks and access to the more centralized type of resources like R&D and investment funds. This means the development of more entrepreneurial rural development principles and more strategic oriented alliances including the political level, compared with to-days rather toothless partnerships and governance patterns based on new public management principles.

There may be a need to create bottom-up processes towards the regional and national level to gain influence. At the same time, the national and regional level have to create guidance as to national monitoring of goal achievement at local level, leaving the local level to create flexible system for implementation, and to learn from experience.

A need for public entrepreneurship

The challenges of rural Norway imply that we are in need of politicians and government officials with large innovative skills to exploit the new opportunities opened through a decentralization process. There is a need for public sector entrepreneurship stimulating the process of creating extra value for new and present persons, firm and organizations, and bringing together unique combinations of public and private resources to exploit new opportunities. Thus, both the regional and local administrations have to develop a new breed of actors and a renewal of the bureaucratic culture of many government bodies. At the same time, one may find ways to deal with challenges related to the sort of negative images of local and regional governance which lead to allegations of ignorance of civic values, reliance on single persons' domination and coercion, revolutionary change without proper evaluation of consequences, and disrespect for traditions. There has to be a willingness to experiment with new solutions, and to coordinate both financial, organizational and community resources towards new, more ambitious, rural development projects.

References

- Alsos, G., Bjørnsen, H-M, Borch, O.J., Brastad, B., Jenssen, S.A. og Mønnesland, J.** 2000. SND i Distrikts-Norge. *Evaluering av de bedriftsrettede distriktpolitiske virkemidlene*. NF-rapport 21-2000, Bodø.
- Amdam, R. og O. Bukve** red. (2004) *Det regionalpolitiske regimeskiftet – tilfellet Noreg*. Norges Forskningsråd / Tapir akademisk forlag, Trondheim.
- Arbo, P.** (2002) 'Partnerskap – den nye universalløsningen?' Plan 6/2002. s. 4-11.
- Asheim, B.T, Isaksen, A., Nauwelaers, C. & Tödtling, F.** 2003. *Regional innovation policy for small-medium enterprises*. Edward Elgar, 2003.
- Berg, P. O. & Borch, O.J.** 2004. *Staten i distriktene. En evaluering av Effektutvalgets instilling* NOU 2004: 2 Effekter og effektivitet. Rapport til Distriktskommisjonen, Kommunal- og regionaldepartementet.
- Borch, O.J.** 2004. *Nærings- og innovasjonspolitikken sett nedenfra – bedriften i fokus*. I Gammelsæter G. & Arbo, P (red.). Innovasjonspolitikken scenografi. Nye perspektiver på næringsutvikling. Tapir Akademisk Forlag, Trondheim 2004
- Borch, O.J., Isaksen, E., Jenssen, S.A., Kolvereid, L., Sørheim, R. & Widding, L.Ø.** 2002. *Kapitalmarked for nyetablerte bedrifter. En studie av etterspørsels- og tilbudssiden*. Handelshøgskolen i Bodø/Kunnskapssparken AS Bodø. KPB rapport nr 1/2002.
- Diederer, P., Stoneman, P, Toivanen, O. & Wolterns, A.** (1999). *Innovation and research. Policies*. Cheltenham : Edward Elgar, 1999.
- European Commission** (2000). *Innovation policy in a knowledge-based economy*. A publication from the Innovation/SME programme.
- Gammelsæter, H.** (red.) 2000. *Innovasjonspolitik, kunnskapsflyt og regional utvikling*. Tapir Akademisk Forlag, Trondheim.
- Hansen, J.C. & Selstad, T.** 1998. *Regional omstilling-strukturbestemt eller styrbar?* Universitetsforlaget, Oslo.
- Hope, E.** (red), 2002. *Næringspolitikk for en ny økonomi*. Fagbokforlaget, Bergen.
- Isaksen, A. & Smith, K.** 1997. *Innovation policies for SME's in Norway*. Step-rapport 2:1997, Oslo.
- Johnstad, T., Klausen, J.E. og Mønnesland, J.** 2003. *Globalisering, regionalisering og distriktpolitikk*. Rapport 76. Makt- og demokratiutredningen, Oslo.
- Laredo, P & Mustar, P.** (eds.) 2001. *Research and innovation policies in the new global economy. An international comparative analysis*. Edward Elgar, Cheltenham, UK
- Mariussen, Å.** m.fl. (2000) *Evaluering av regionale utviklingsprogram i Norge*. Rapport R2000:5. Stockholm: Nordregio
- Maskell, P., Eskelinen, H., Hannibalsson, I., Malmberg, A. & Vatne, E.; Competitiveness, Localised Learning and Regional Development. Specialisation and prosperity in small open economies.** Routledge 1997.
- Moen, E.** 2002. *Globalisering og industripolitiske strategier. En sammenligning av Finland og Norge*. Rapport 41. Makt- og demokratiutredningen, Oslo.
- NOU** (2000:22) *Om oppgavefordelingen mellom stat, region og kommune. Utredning avgitt til Kommunal- og regionaldepartementet*, Oslo (3. juli 2000).

NOU (2004) *Effekter og effektivitet. Effekter av statlig innsats for regional utvikling og distriktpolitiske mål.* Norges offentlige utredninger 2004: 2.

Nærings- og Handelsdepartementet. 2003. *Fra idé til verdi. Regjeringens plan for en helhetlig innovasjonspolitikke.*

Pierre, J. (red.) 1998. *Partnerships in urban governance. European and American experiences.* London: Macmillan Press Ltd.

Spilling, O. 2002. *Bør næringspolitikken fokusere på vekstforetak? I Hope (red).* 2002. Næringspolitikk for en ny økonomi. Fagbokforlaget, Bergen.

St. Meld. Nr 41 (1997-1998) *Næringspolitikk inn i det 21. århundre.*

St.meld. nr. 19 (1999–2000) *Om norsk landbruk og matproduksjon.*

St. meld. nr. 34 (2000-2001) *Kommune, fylke , stat – en bedre oppgavefordeling. Kommunal- og regionaldepartementet, Oslo (6. april 2001).*

St. meld. nr. 19 (2001-2002) *Nye oppgaver for lokaldemokratiet – regionalt og lokalt nivå. Kommunal- og regionaldepartementet, Oslo (12. april 2002).*

St.prp. nr. 51 (2002-2003) *Virkemidler for et innovativt og nyskapende næringsliv.*

St.meld. nr. 46 (2003-2004) *SIVAs framtidige virksomhet. Nærings- og handelsdepartementet, Oslo (18. juni 2004).*

St. meld. nr 12 (2006-2007) *Regionale fortrinn, regional framtid. Kommunal- og regionaldepartementet, Oslo (8. des. 2006)*

Teigen, H. 2003. *Effekter av den smale distriktpolitikken.* Sluttrapport Effektutvalget.

Østhol, A. og B. Svensson (red.) *Partnership responses – regional governance in the Nordic states.* Nordregio Rapport 2002:6. Stockholm: Nordregio.

11. An Overview of Rural Development in Iceland

Hjalti Jóhannesson

The Research Centre of the University of Akureyri
University of Akureyri Research Institute
Borgum v/Norðurslóð
IS-600 Akureyri
Iceland
hjalti@unak.is

Introduction

The purpose of this paper is to give an overview of rural development policy in Iceland and its main characteristics for the workshop *Continuity or Transformation? Perspectives on rural Development in the Nordic Countries*.

In the case of Iceland, it is important to point out that rural and regional development policy are basically the same. Hereafter this will be referred to as rural development policy. In this introductory section of the paper, the settlement pattern in Iceland will be briefly described, as it has some unique features compared with its western counterparts.

The pattern of settlement in Iceland can generally be characterized by, on the one hand, a growing urban agglomeration in the capital city region and its immediate hinterland, and on the other, more sparsely populated regions comprising small towns and rural areas. Strictly defined, rural settlement in Iceland accounts for only 6% of the population.

Iceland is Europe's most sparsely populated country with only 2.9 inhabitants per km². Almost 80% of the country is uninhabited, and mostly uninhabitable. The highland interior of the country mostly consists of barren highlands, lava fields, glaciers, mountains and volcanoes. The population is to a large extent concentrated in the lowlands, a narrow coastal belt and valleys extending from the coast.

The population of Iceland is around 300,000, of which over 62% or 187,000 lives in the capital city Reykjavík⁸⁵ and seven surrounding municipalities, located in the southwest part of the country, and referred to as *'the capital region'*. The remaining 38%, or 113,000, live in towns along the coast, other small urban centers, as well as in sparsely populated farming communities. Most areas of Iceland⁸⁶, apart from the capital region, have experienced considerable out-migration during the last decades (Hagstofa Íslands, www.hagstofa.is). The highest out-migration numbers are seen in West fjords region (about 24% of the population during the period 1980-2002) and in the Northwest region and the East region (a decrease between 9% and 13%). Respectively the population of the capital region has grown considerably in the same period (about 50%).

⁸⁵ Reykjavík has a population of 115,000.

⁸⁶ Note that the regions referred to here are not administrative units but are used for statistical purposes, similar geographical division was used for constituencies during the period 1959-2003.

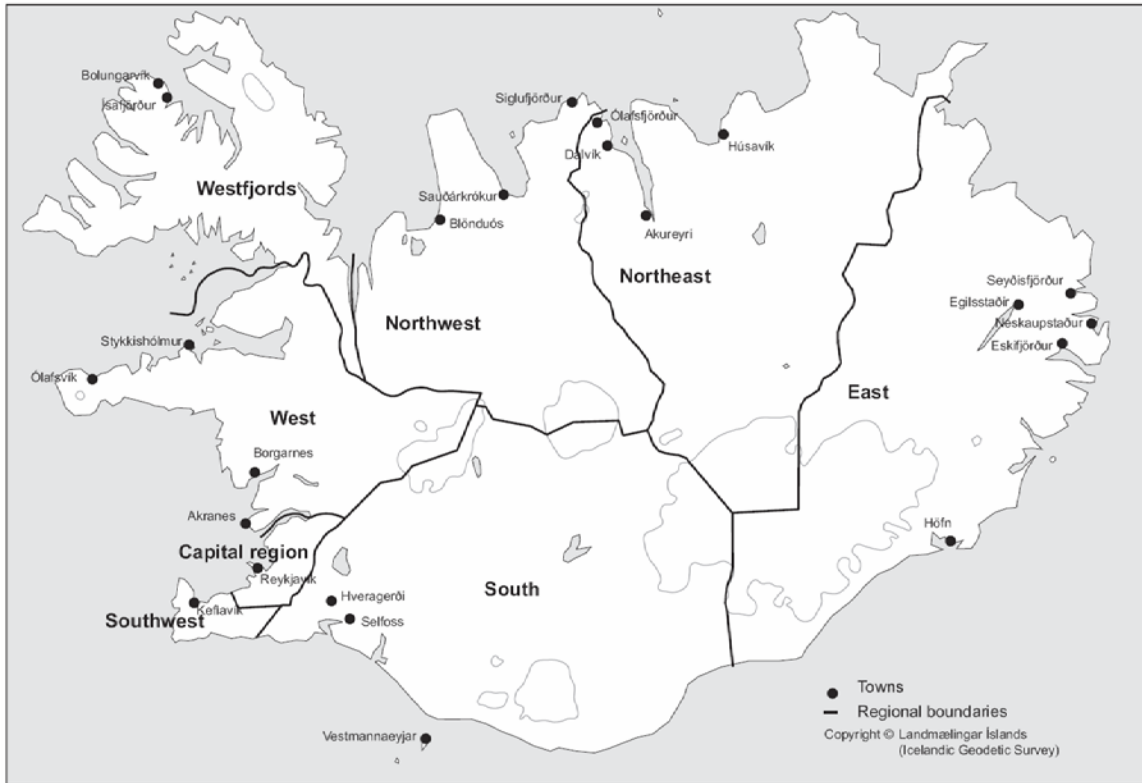


Figure 26: Regional boundaries, primarily used for statistical purpose.

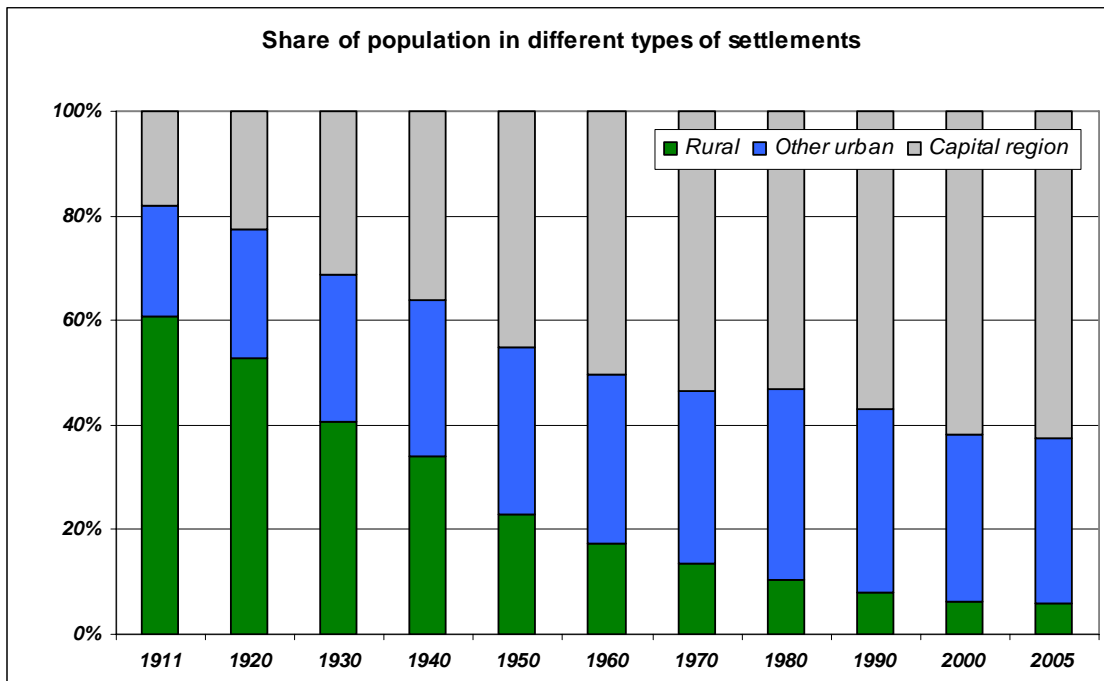


Figure 27: Share of population living in the capital region, other urban settings or in rural areas 1911-2005.

Source: Hagstofa Íslands www.hagstofa.is

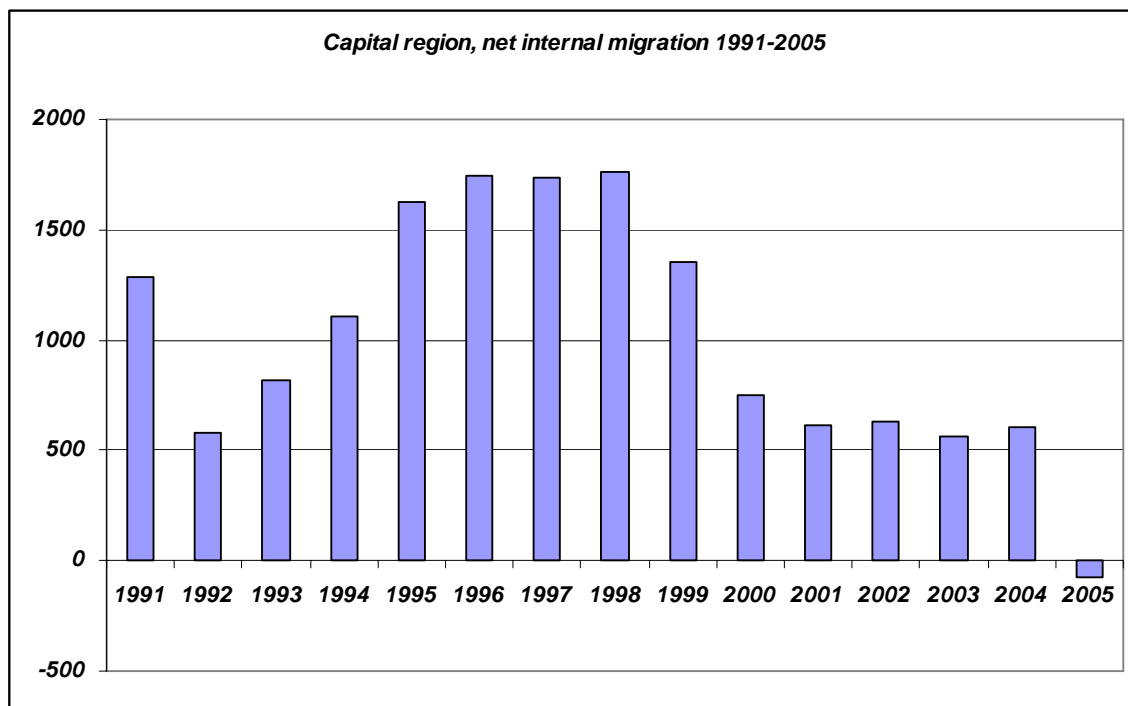


Figure 28: The capital region, net migration 1991-2005

Source: Hagstofa Íslands www.hagstofa.is

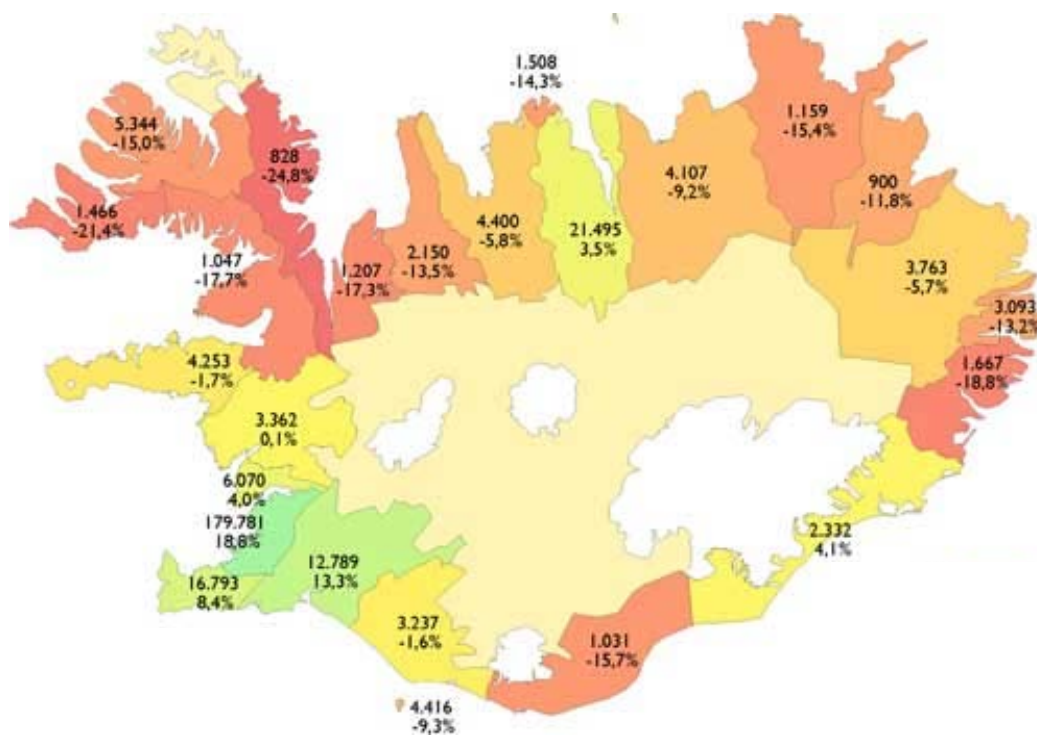


Figure 29: Population Dec. 1 2002 and relative change 1992-2002.

Source: Byggdastofnun [The Institute of Regional Development in Iceland] (www.byggdastofnun.is, Sept. 22. 2006)

Statistics Iceland defines an *urban* community as a cluster of houses with at least 200 inhabitants and with a distance between houses generally not more than 200 meters. A *sparsely populated or a rural* community is by this definition an inhabited area, which is not urban. According to this definition, some Icelanders live in communities that are considered sparsely populated in 2005, which accounts for merely 6% of the Icelandic population. However, if we look at the regional level, the picture is somewhat different. Based on OECD rural development programme's definition of rural regions and Statistics Iceland's division of Iceland into regions⁸⁷, six out of eight regions of Iceland can be categorized as significantly rural⁸⁸. The other two regions would be categorized as predominantly urban. It should be noted that a common approach for a geographical division of Iceland is to use a two tier division, which is partly based on population density, i.e. a) the capital region, and b) the rest of the country; the latter usually referred to as '*landsbyggdin*' in Icelandic. This definition is however not sufficient for a geographical analysis, even if this is widely practiced e.g. in some types of important statistics at Statistics Iceland. Furthermore, there are signs that regions in the vicinity of the capital region itself are also growing rapidly, e.g. due to counter-urbanization from the capital region proper. Within a 45 minutes driving distance from Reykjavík⁸⁹ there live some 75% of the Icelandic nation! This indicates clearly that the present definition of the capital region would need to be reconsidered.

11.2 The Structure which delivers Rural Development in Iceland

Iceland has two government levels, the central state and 79 municipalities. There is thus no intermediate county level in Iceland. The entire country is divided into municipalities which manage their own affairs and have independent tax sources. Their right to self-governance is defined in the Constitution. Elected local councils manage the affairs of the local authorities. They are, for example, responsible for education, social services, sports and recreation, cultural activities, infrastructure, physical planning, utilities, technical services, harbours and fire services⁹⁰.

It is however primarily the central government which has the responsibility to carry out the rural development policy for Iceland but the municipalities are important actors in this area e.g. by working in the interest of the inhabitants and businesses in the respective location. This function takes e.g. the form of lobbying the Parliament and the government on issues relevant for the development of the respective municipality or region.

The Parliament – Althingi

The Parliament, Althingi is the oldest and greatest national institution. It was established around 930 AD as an outdoor assembly and laid the foundation for an independent national existence in Iceland. Today 63 representatives sit in the Parliament. For rural development policy it is important to discuss briefly the constituency system. In 1999 changes were made to the constituencies so that the country

⁸⁷ See also <http://www.oecd.org/dataoecd/41/17/15236001.pdf>

⁸⁸ OECD Rural Development Programme's definition of *rural* is based on a division between two geographical levels: 1) the local community and 2) the region (OECD, 1994). A community is defined as a small basic administrative or statistical area, which is either rural or urban, based on a similar definition as the one of Statistics Iceland referred to above. A region is defined as a larger administrative or a functional area, providing '*the wider context in which rural development takes place*' (OECD, 1994, p. 20). Regions are categorized into three types, depending upon what proportion of the region's population lives in rural communities. These are 1) predominantly rural regions, with more than 50% living in rural areas, 2) significantly rural regions, with 15-50% living in rural areas, and 3) predominantly urban regions, with less than 15% living in rural areas.

⁸⁹ In fact the same definition as a functional urban area (FUA) in the Espon programme (www.espon.lu).

⁹⁰ In some cases the responsibility is divided between the state and the municipalities.

is now divided into six constituencies. The number of seats in each constituency must be at least six. Due to the fact that generally the three constituencies in the capital are gaining population their number of MPs will be growing at the cost of the other three. The following map shows that the three constituencies in the capital region have 33 MPs out of 63 and this unevenness will increase.

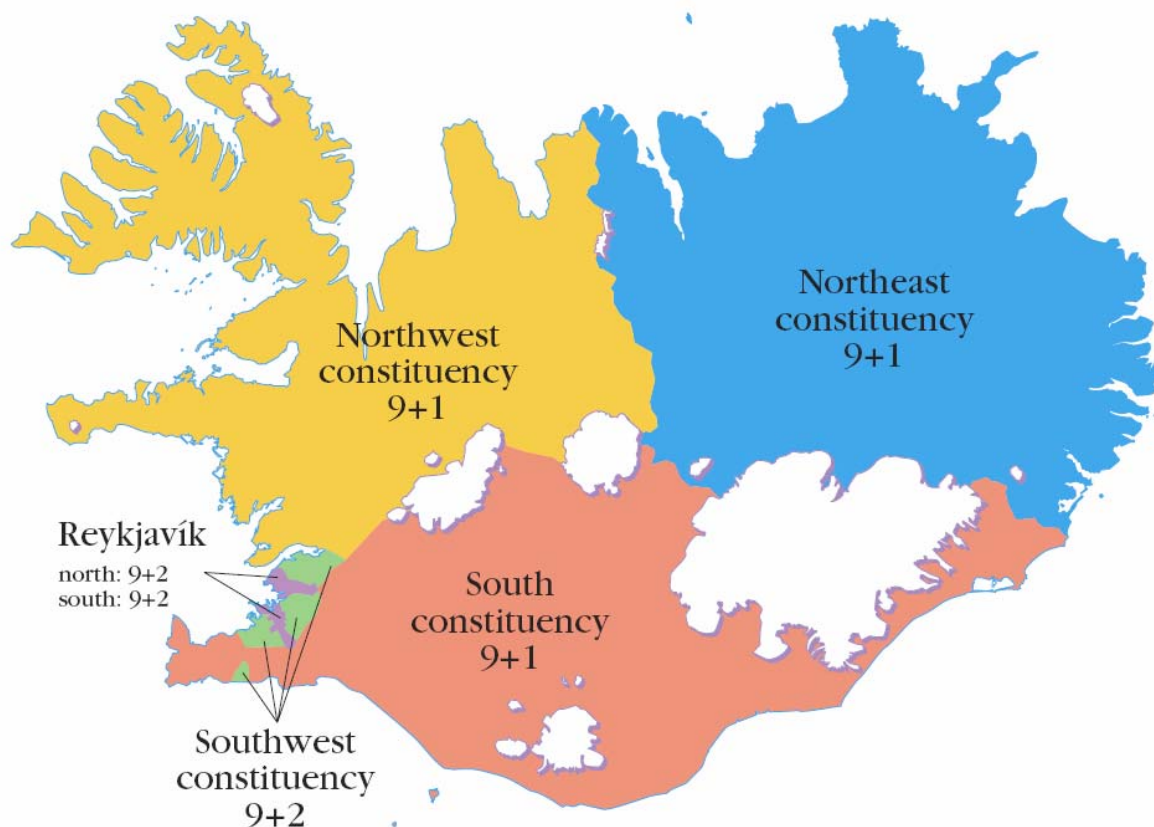


Figure 30: Icelandic constituencies since 1999 and number of MPs: 2003-2007
Source: Gunnarsdóttir and Jónsdóttir, 2004

From 1959 to 1999 there were eight constituencies and due to population development there was an increasing unevenness of balance of votes behind each representative. In constituencies where much depopulation had been occurring there were much fewer voters behind each MP than in the constituencies of the capital region. This was considered unfair towards the most populous constituencies and was the main reason for the change of the constituencies.

Rural development policy in Iceland is passed by the Parliament in the form of a parliamentary resolution. Parliamentary decision is defined in this way in Iceland ‘Althingi [the parliament] can declare its position or decision on an issue without passing legislation. This is done through a parliamentary resolution, which may urge the government to carry out a certain project, prepare legislation in one area or another or investigate some matter’ (Gunnarsdóttir and Jónsdóttir, 2004 p. 14).

Central government

According to a regulation for the government offices of Iceland (no. 3/2004), the *Ministry of Industry and Commerce* is responsible for rural development policy and research in that field as well as economic development. This arrangement took effect 1 January 2000, but prior to that rural development policy was the responsibility of the Prime Minister. The organizational chart below

shows that there does not exist a special office for rural development. This belongs to the office for industrial affairs.

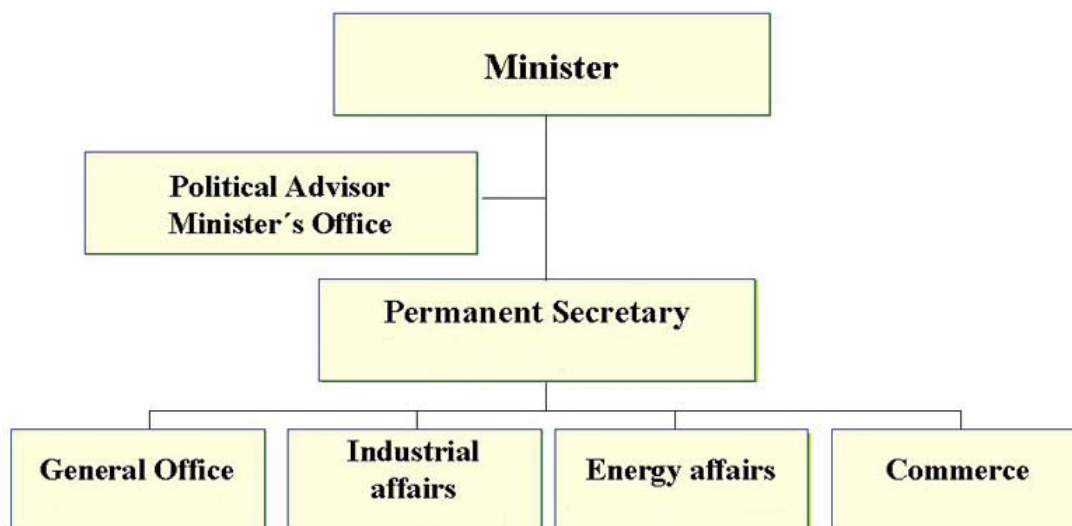


Figure 31: The organizational chart of the Ministry of Industry and Commerce.

Source: The ministry of Industry and Commerce <http://eng.idnadaraduneyti.is/ministries/chart/> Sept. 29 2006

Even if they are not responsible for carrying out rural development policy, other ministries are, due to the respective industries and circumstances in Iceland, very important for rural regions. The *Ministry of Agriculture* is responsible for that industry which is highly important in the most sparsely populated parts of the country. Another important industry in 'landsbyggdin' is the fishing industry which is the responsibility of the *Ministry of Fisheries*. Due to fact that Iceland is a very sparsely populated country, some of the infrastructure has been lagging behind in many rural regions, this applies especially to the road infrastructure and the communications network. Therefore the *Ministry of Communications* can be identified as an important part of the structure that delivers rural development in the country. The ministry prepares e.g. a national transport policy for a twelve years period, divided into more specific policy for each four years period⁹¹. These policies are parliamentary resolutions like the rural development policy. Other important ministries are the *Ministry of Social Affairs*, which is responsible for municipal affairs, the *Ministry of Education, Science and Culture* and the *Ministry for the Environment*. Some important polices carried out by these ministries will be described in brief later in this paper.

The Institute of Regional Development in Iceland [Byggðastofnun] is an institution run by the Icelandic state under the authority of the Minister of Industry and Commerce (see a short description on the institute on its webpage <http://www.byggdastofnun.is/Stodflokkar/English/nr/58>). According to Act 106/1999 the institute's main objective is to strengthen settlement and economic activity in regions outside the capital region (in 'landsbyggdin'). To fulfil this objective the institute shall prepare, plan and finance projects and provide loans with the purpose of strengthening settlement, economy and enhancing innovation. Preparing a proposal of the rural development policy for Iceland is one of these tasks. Secondly, the institute shall monitor the settlement in the country by collecting data and carrying out research. The institute cooperates with and supports financially economic development offices in each of the seven regions outside the capital region. In order to strengthen

⁹¹ The present national transport policies are for the periods 2003-2014 and 2005-2008 respectively.

settlement and economic activity in rural the institute can carry out plans to strengthen settlement and economy in specific regions. It is important to note that Byggðastofnun was relocated from Reykjavík to the town Sauðárkrókur⁹² in North Iceland in the late 1990s. Such a relocation of institutes has not been practiced much in Icelandic governance. However, in recent years there are a few examples of institutes which have relocated, primarily to municipalities within commuting distance of Reykjavík or to the town Akureyri in North Iceland, by far the largest urban centre in the country outside the capital region⁹³. There has been much resistance towards the relocation of institutes, not least among government officials.

Impra – Service Centre for Entrepreneurs and SMEs is an institute under the authority of the Ministry of Industry and Commerce. It has the role to assist entrepreneurs in evaluating business ideas, provide counselling with start-up, growth, and management of companies, and be a link in the communication chain between individuals, companies and public agencies. Also, the centre provides assistance to small and medium sized enterprises (SMEs) on how to improve their business productivity, encourage innovation and assist in export planning, for example, by facilitating cooperation in R&D and technology transfer with foreign businesses. Much of Impra's services are carried out in rural areas and the division of the institute responsible for rural Iceland is located in Akureyri (www.impra.is, 19 Sept. 2006).

The other ministries mentioned above as being an important part of the structure that delivers rural development in Iceland all have their respective institutes dealing with administration in the respective fields. Most of these institutes are located in the capital region and in some cases small branch offices are located in other regions.

As can be seen from the above, the central government deals with matters concerning rural development in various ways both overtly and indirectly.

Local government

Local governments are very active players in the field of rural development even if it is not one of their tasks according to the municipal Act 45/1998. This does not come as a surprise as it is very much in their interest to strengthen settlement and the economy in the respective municipality or region. According to the aforementioned Act no subject which concerns the interests of a particular municipality shall be concluded without the agreement of the municipality (similar to the EU concept of 'subsidiarity'). Furthermore, municipalities can take on any duties which concern the inhabitants as long as it is not the duty of another establishment by law.

In recent years many municipalities in Iceland, especially the smallest ones, have been merging and thus becoming larger and more active players in rural development⁹⁴. However, some of the rural municipalities still have very few inhabitants. According to law, the minimum number of inhabitants in a municipality is set to merely 50 for three consecutive years. After that, amalgamation with a neighbouring municipality is mandatory.

The Association of Local Authorities in Iceland is an important forum for co-operation between the local municipalities. All municipalities in the country are members. The association is the joint representative of the country's municipalities. It looks out for their interests in relation to the government and other parties both nationally and abroad. The association formulates a common policy on individual issues and works closely with the government and the Parliament. A special co-operation agreement exists between the association and the government, containing formal provisions covering relations between them (www.samband.is).

⁹² 2,600 inhabitants.

⁹³ 16,600 inhabitants.

⁹⁴ The number of municipalities peaked in 1950 with a total of 229 but in August 2006 their number was merely 79.

The Municipal Act contains a provision stating that local authorities are entitled to ‘establish regional associations of local authorities to work for the interests of the inhabitants in each region.’ Currently, there exist eight such regional municipal associations, to which most local authorities belong. These associations have been very active in working in the interest of the respective regions. However, there are signs that due to the relative size of the largest municipalities the importance of the associations has been shrinking e.g. due to recent municipal mergers and different population development of municipalities.

The voluntary sector

The voluntary sector has played a limited role in rural development in Iceland. Yet there have been grass root organizations established with the purpose of strengthening rural areas. One such organization, presently active, is *Landsbyggðin lifi* (‘landsbyggðin’ shall live) established in 2001 with the main objective of strengthening settlement in all of Iceland. Among many members of the organization are rural municipalities and local interest groups. One of its main objectives is to act as an umbrella of local interest groups in all municipalities of the country and to enhance their activity in various ways. This grass root organization is an active player in the debate on urban-rural relations but can hardly be termed as a part of the structure that brings rural development policy in Iceland (www.landlif.is).

Political parties have to a different degree had rural development on their agenda. In the 1980s and early 1990s there was an active debate on the rural-urban divide in Iceland and interest groups primarily focusing on that issue took part in elections for the central government.

11.3 A parliamentary resolution on a regional (rural) development policy for the period 2006-2009

As mentioned before, the Icelandic rural development policy is in the form of parliamentary resolutions for the duration of four year periods. The policy is carried out in accordance with the Act on the Institute of Regional Development in Iceland no. 106/1999:

‘The Minister of Industry shall submit to the Althing a proposal for a parliamentary resolution regarding a strategic regional development plan for a period of four years. The plan shall describe the objectives and policy of the government with regard to regional development, plans for action and the place that regional development policy occupies in relation to the economy in general as well as plans in the field of public services in Iceland.

The regional development plan shall describe the current situation and future prospects in regional development in Iceland.

The Minister of Industry shall prepare the regional development plan in co-operation with the Institute of Regional Development.

During the course of preparing the plan, the Minister shall consult with other ministries, municipalities and other parties as required.

The regional development plan shall be reviewed every two years.’

Since the mid 1960s numerous rural development plans for individual regions had been carried out by the Institute of Regional Development and its predecessors. However, in 1991 there was a change of government and in the same time a radically different approach towards rural development. In the government’s policy it said that ‘the government will by general measures

support efforts to strengthen manufacturing and services in the growth regions in ‘landsbyggðin’ [rural Iceland] and facilitate adjustment to a changing economy and market conditions.’ It was however not stated which regions were referred to as growth regions (Ríkisstjórn Sjálfstæðisflokks og Alþýðuflokks, 1991, p. 10). ‘The interference of the state on economic affairs in recent years has not had success. Attempts to diversify the economy have in many cases not been fruitful, even if enormous amounts of money has been spent for the purpose of supporting the creation of new industrial sectors... Excessive and questionable investment has been encouraged. Difficulties and bankruptcies of companies in fish farming, fur farming and wool industry give a good indication of how the result has been. Much investment has been wasted’ (ibid. p. 8). In the previous quotation the picture is painted in strong colours but this describes the change that was taking place in this field at the time. Probably the period prior to 1991 could be associated with the ‘watering can principle’. Much structural change took place in the following years of the early 1990s and many jobs, especially in manufacturing were lost while new ones were created especially in various services. The society was on a fast lane towards the service based economy and more urbanized than ever before.

Prior to 1999 the responsibility of rural development was with the Prime Minister. A new Act on the Institute of Regional Development in Iceland (no. 106/1999) moved the responsibility of rural development to the Minister of Industry and Commerce and this took effect 1 January 2000. This can be seen as an important change of course with rural development policy being changed to more specific actions instead of being a cross sectoral national policy (Valsson 2002, p. 271).

Four rural development plans in the form of parliamentary resolutions have been passed by the Parliament since they were initiated in the early 1990s:

- 1994-1997 was the period for the first rural development policy for Iceland as a whole and it was carried out in accordance with the policy of the government. Its main emphasis was to strengthen growth regions in ‘landsbyggðin’. (Byggðastofnun, 1993) However, no specific growth regions were identified in the policy, probably due to fears of politicians that some regions would be discriminated against.
- 1999-2001 was the period of the second rural development policy for the whole of Iceland. The policy put emphasis on that population development in ‘landsbyggðin’ should not be under the national average and innovation in the economy. Emphasis on growth regions was less apparent in this period (Þingsályktun um stefnu í byggðamálum fyrir árin 1999-2001). In a special report containing information and analysis of rural development and prepared especially for the purpose of the policymaking, the main emphasis was on making the living conditions in Iceland comparable between different regions. That was according to the report the precondition for future growth in regions outside the capital region. Furthermore, in that report there was continuing emphasis on strengthening growth regions even if this featured only to a limited extent in the policy text itself (Eðvarðsson, 1998).
- 2002-2005, the third rural policy period, was a milestone, as a specific growth region was finally identified, namely Eyjafjörður in North Iceland, being the most populous region outside the capital region. The proposal to the parliamentary resolution was an elaborate planning statement: It included five main objectives, 12 fields of importance and 22 specific measures were identified. Specific ministries and the Institute of Regional Development were made responsible for carrying out these measures. Finally, a special project management group was to be established to supervise the implementation of these measures (Þingsályktun um stefnumótandi byggðaáætlun fyrir árin 2002-2005). The policy text as it was passed by the parliament however included only the following five very general main objectives!
 - a) To even the differences in living standards of people between regions and create good living conditions in landsbyggðin.

- b) To assist regions in landsbyggðin to adapt to rapid social and economic changes by strengthening the municipalities, providing systematic support to economic development, education, good social services and infrastructure.
 - c) To make the living conditions in landsbyggðin better by strengthening those areas which have most inhabitants, are most attractive for people and have the best opportunities to strengthen the economy, education, culture and public services.
 - d) To assist regions in practising their culture and therefore diversifying society and creating more diverse options for the citizens in choosing their residence and life style. This includes preserving settlements which have a long history and a cultural value, as well as respecting the roots people in the least populated regions have to their native places by making it possible to continue living there.
 - e) To promote diverse economy, even job conditions and that companies in landsbyggðin can make use of their locations by sustainable use of resources and good conduct towards nature.
- 2006-2009, the present policy was agreed upon by the Parliament in the spring of 2006. Generally, this policy follows a similar planning procedure as for the previous period. This rural development policy will be described in more detail below.

Objectives

The rural development policy for 2006-2009 has three main objectives. These objectives have a fairly broad scope and touch on various aspects of rural development (Þingsályktun um stefnumótandi byggðaaáætlun fyrir árin 2006-2009).

- a) To strengthen specific regional centres but at the same time find ways to strengthen settlement in locations where population has been shrinking.
- b) To assist communities in rural Iceland to adapt to rapid social development and change in the economy.
- c) To strengthen the economy, education, culture and social equality in '*landsbyggðin*'.

Specific emphasis is put on the importance of education and culture, increase innovation and economic development, improved transportation and communications and strengthening of the regional centres of Akureyri (in north Iceland), Ísafjörður (in the West fjords), central east Iceland, and other important economic and service centres of the country.

During the planning period, the government shall put emphasis on the three main topics:

- a) To greatly increase availability of education in '*landsbyggðin*'
- b) To increase the number of jobs in public service in '*landsbyggðin*'.
- c) To strengthen the Institute of Regional Development in Iceland by increasing its budget and make it possible for the institute to carry out its tasks in the field of rural development.

Description of measures

The three main objectives were developed into 23 specific measures. These measures specifically aim at harmonization between the rural development policy and other national policies and measures of the government. In many cases the measures aim at strengthening the activity of the public sector in '*landsbyggðin*'. In a speech held by the Minister of Industry and Commerce in the Parliament when proposing this parliamentary resolution of rural development (Sverrisdóttir, 2006) it was stated these measures were by no means exhaustive for the measures of the government in the field of rural development for the same period.

The following measures were incorporated into the parliamentary resolution. The full description of each measure is listed in Appendix 10.1. Even more detailed description of these measures and their implementation exists in the proposal for the rural development policy.

1. Improved transportation.
2. Strengthening of the local government level.
3. Improved communications.
4. Preparation and implementation of growth agreements.
5. Collection and processing of statistics on rural/regional development.
6. Preparation of spatial development plans.
7. Research the standing of regions facing continuous shrinkage of population.
8. Strengthening rural economic development.
9. Strengthening research, technological development and innovation.
10. Develop knowledge centres/university centres.
11. Strengthening rural education, e.g. distance learning on all educational levels.
12. Strengthening continuous education.
13. Strengthening of cultural activity.
14. Exploitation of information technology.
15. Improved health service.
16. Improved service to immigrants and increased multiculturalism.
17. Analysis of opportunities of traditional industrial sectors – increased public service.
18. Development of the tourism sector.
19. Support to economic activities run by women.
20. Strengthening of the creative industries.
21. Strengthening of environmental activities in municipalities.
22. Participation in the NPP programme.
23. Strengthening of the Nordic Atlantic Co-operation, NORA.

The Minister of Industry and Commerce shall assemble a project management group to supervise the implementation of this rural development policy.

Some of these measures relate to a general development of society rather than specifically rural regions. Furthermore, it is not always clear which bodies shall implement some of these measures and how they will be financed⁹⁵. It is also important to stress that the rural development policy is in the form of a parliamentary resolution which does not have a legal status. Such resolutions can be shunned by various actors without penalties. Therefore, much determination and concerted effort by the various actors is needed to implement the policy.

Distribution of funding (forecast / actual?)

The actual funding of rural development activity can be hard to estimate. Do we refer to the actual funding of specific institutes and programmes or do we refer to all funding in society that we can associate with rural development. Here we will use the former (and much simpler) approach and present funding according to the national budget.

⁹⁵ In the proposal for this parliamentary resolution, this was however accounted for in more detail.

Table 16: *Distribution of Rural Development Expenditure 2005-06*
 (Source www.stjr.is, Sept. 20 2006)

	Actual 2005	Forecast 2006
	(Thousand ISK/EUR)	(Thousand ISK/EUR)
Rural development policy	302,400 / 3,397	327,000 / 3,674
The Institute of regional development	316,900 / 3,561	337,300 / 3,790

There has, however, been much debate over the actual cost of rural development policy in Iceland. Opponents of rural development policy claim that the cost is much higher than presented in the national budget. They claim that a great deal of the cost of the Ministry of Agriculture and its institutions, a great deal of the cost of infrastructure in 'landsbyggdin' and various services of the state to those regions should be counted as the cost of rural development policy. Others point out that tax payers' money is being spent disproportional in the capital region, e.g. seen by the relatively high and continuously growing number of civil servants and agglomeration of government institutes in that region as well as the increasing costs of urbanization.

Implementation arrangements

The implementation of each of the measures in 3.2. above is the responsibility of particular ministries or institutions. The Ministry of Industry and Commerce and the Institute of Regional Development coordinate and monitor the process. As noted above, however it is not always clear how responsibility is distributed between different actors and how to mobilise necessary actors in society. In the policy, as it was passed by the Parliament, in some cases the financing of individual measures is not obvious.

Assessment of impact, outcomes etc

Annually, the Minister of Industry and Commerce delivers to the Icelandic parliament, (Althingi) a report on the progress of the rural development policy. This is carried out in accordance with Act 106/1999 by the Institute of regional development.

In the report, the progress of each of the measures is described, and this gives a good overview. However, for many of the measures and therefore it is hard to assess the progress, due to the absence of a 'benchmark'. Indeed, if a benchmark has not been specified in advance, it can be hard to see if the outcome of certain measures has been desirable. Furthermore, a comparison between the development of various social factors in the capital region and in 'landsbyggdin' is sometimes missing. However, according to the Institute of Regional Development the institute shall develop benchmarks to monitor the present policy.

An important part of the assessment process would be to compare various data on social development in various regions. This comparison is in some cases hard in Iceland since data on various factors such as education levels, division of the labour force between different industries and wage levels is usually not available for smaller geographical units such as municipalities. The data is in some cases (e.g. wages and division of the labour force between different industries) available for the 8 regions of Iceland and sometimes, (e.g. in the case of education levels) only for the capital region on the one hand and 'landsbyggdin' collectively on the other.

11.4 Other national rural development activities

Policy statements

In section 3 above, the key role of the Ministry of Industry and Commerce for rural development policy was described. To a somewhat different degree, all the ministries have a role to play with regard to rural development. Below, some of the most relevant ministries and policies are accounted for:

The Ministry of Agriculture is one of the most important parts of the framework for rural development policy in Iceland, even if the formal rural development policy is the responsibility of another ministry. In 2003, there were just over 3,600 farms in Iceland, their number has somewhat decreased as the trend is towards fewer and larger operating units. Yet, the income of farmers is rather low compared to other occupational groups in Iceland (Aradóttir et al, 2005). Changes in the legal and quasi-legal environment concerning agriculture during the last decade or so have generally focused on increased efficiency of production, relaxation of production- and price control, as well as liberalizing of import control in connection with Iceland's EEA-membership and the WTO-agreement. Quotas exist in sheep and dairy farming.

Some policy efforts have been targeted towards the diversification of the industry. Official grants are now available for a broader range of production and agricultural activities. Development efforts have also aimed at encouraging utilization of resources such as fishing in lakes and rivers, collecting eider down, driftwood collecting and processing and similar. Fish farming and tourism are also industries that farmers have increasingly got involved in, for the purpose of strengthening their income base (ibid.).

The Ministry of Education, Science and Culture. The rural development policy 2006-2009 has clear emphasis on education and culture. Some of the most relevant policies for rural areas in the fields of the ministry are to be found in the rural development policy itself. Science, technology and innovation is of high priority in the policy framework.

The Science and technology policy 2006-2009, prepared by the Science and Technology Policy Board (STPB) is a very important policy for the development of rural regions as well as for development in Iceland in general. 'The STPC places highest priority on the following:

- To establish an internationally outstanding educational and scientific institutional system, closely connected to a dynamic economy, capable of providing leadership in responding to rapid changes
- To strengthen public competitive funding schemes and merge these in related areas
- To encourage private firms and the public sector institutions to join efforts in strengthening research and development in order to boost successful and profitable innovation and thus international competitiveness based on knowledge
- To redefine the role of the public sector in financially supporting scientific monitoring and research in support of public interest, environmental protection and sustainable economic growth.' (The Science and Technology Policy Council, 2006, p. 2)

It appears that the focus of innovation policy has primarily been on the competitiveness of Iceland in general, less for individual regions.

The Ministry of Fisheries is highly important for rural Iceland as fisheries has during the past decades been its most important industry. One of the most important policies for the development of the rural regions has been the fisheries management system. In terms of volume of catch Iceland is the eleventh largest seafood producing nation in the world.

The cornerstone of the Icelandic fisheries management system, which is based on an individual transferable quota system (ITQ), is the Fisheries Management Act from 1990. Quotas can not be

sold out of Icelandic ownership. The ITQ system, which has remained in essence the same since the beginning of the nineties, evolved from an initial individual vessel quota (IVQ) system first agreed on in 1983 to take effect from 1984. The last fleet segment, small boats under 6 gross tonnage, became part of the ITQ system in 2004, which means that all segments are now managed under the ITQ system. Some of the resource rent from the fisheries will from 2004/2005 be collected by means of a fishing fee, which equals 6 percent of the net catch value. This fee will increase by law over the coming years to a level of 9.5 percent in 2009 (Gudmundsson et al., 2004, p. 1-4). To compensate for this some other levies on fishing vessel owners will be discontinued (Ministry of Fisheries <http://www3.sjavarutvegsraduneyti.is/frettir/nr/833> 3 Oct. 2006) Rural regions have since the initiation of the system lost much of their quota.

The Ministry of Communications is responsible for transportation, communications and tourism. Partly due to the fact that Iceland is a very sparsely populated country (2.9 inhabitants per km²), some of the infrastructure in rural areas has been lagging behind, this applies especially to the road network. The following policies have been prepared by the ministry in recent years:

- A national transport policy for a 12 years period, divided into a more specific policy for each four years period. These policies are in the form of parliamentary resolutions like the rural development policy.
- A communications policy for 2005-2010. Some of its main objectives are very important for rural regions as they aim at increasing greatly availability of IT connection, long distance mobile phone network and accessibility of TV and radio signals.
- A tourism policy for the period 2006-2015. Its main objectives concern the rural areas of Iceland as nature and the culture will be among the most important factors in the development of tourism. Another important objective in relation to rural areas is that tourism shall be more evenly distributed around the country and its inhabitants.

The Ministry for the Environment. The Icelandic government passed a *national strategy for sustainable development: 'Welfare for the Future - Iceland's National Strategy for Sustainable Development 2002–2020'*. The strategy is intended to be a general framework for policies set by authorities in fields relating to sustainable development in the near future. The strategy was prepared by several ministries but the comments of municipalities, interest groups, non-governmental organizations and the public were also sought (The Ministry for the Environment, 2002).

Assessment of impacts and outcomes

In a report the Minister of Industry and Commerce delivers to the Icelandic parliament on the progress of the rural development policy the impacts and outcomes of the rural development policy are accounted for. A similar procedure is followed for policies carried out by other ministries.

Measured by the general development of rural Iceland, the outcomes of these policies are at the best moderate. This can best be illustrated by a recent study on the development of GDP by regions. During the period 1998-2004 the GDP of Iceland grew by 29%. In the capital region the GDP grew by 40% but all other regions it was considerably lower. Two regions; the West fjords and the Northwest region experienced a development of GDP of -6% (Byggðastofnun and Hagfræðistofnun Háskóla Íslands, 2007) During the same period the net internal migration to the capital region was around 6,300 persons and the population decrease was most pronounced in these two regions mentioned above.

11.5 The role of the municipalities

Implications of the funding system (different tax rates? transfers between regions?)

A part of the Icelandic tax system is the municipal tax '*utsvar*' which varies between municipalities. The maximum level of this tax for 2006 is 13.03% and the minimum 11.24% but since majority of municipalities opt to charge the maximum level the weighted average level is 12.97%. There is no obvious difference in these levels between urban and rural municipalities. The total average tax on wages in Iceland is 36.72%.

The budget of municipalities can be different because of differences in population, area size, services and the structures of the local economies. To compensate for this difference the government uses the *Local Governments Equalization Fund (Jöfnunarsjóður sveitarfélaga)* to make transfer payments to municipalities. The transfer payments of the fund support municipalities with a low tax base and high cost structures. It also supports directly the municipal school costs.

Municipalities can decide to make special terms for companies locating within their borders (e.g. lower taxation, discount for building sites) and thus stimulate development in the respective municipality or region. Some municipalities have issued special regulations concerning these matters.

Local development remit and powers

Physical planning is one of the responsibilities of municipalities in Iceland and this is obviously a tool to influence the development of individual municipalities and/or regions.

In each of the seven regions outside the capital region, economic development offices operate. Usually these offices are owned partly by municipalities in the respective region and sometimes companies as well. As mentioned above they are supported financially by the Institute for Regional Development in Iceland. These offices have an active role in enhancing economic activities within their regions.

Municipalities in Iceland have an active role in shaping the discussion of rural-urban relations and they e.g. provide statements on proposals of laws and resolutions of the Parliament that are relevant for their area or field of interest.

The Association of Local Authorities in Iceland has been active in the discussion on rural development and has e.g. had working committees on the issue. In 2001 such a committee issued its conclusions and among those there were e.g. very direct clauses on specific growth centres which were pointed out for the first time by an official body. Therefore this was a very important input into the discussion on rural development policy and, in this case, the Association took the initiative. This is just what had been long waited for! We have to keep in mind that at this time 10 years had passed since the policy of strengthening growth centres was presented by the government and two rural development policies had been passed by the Parliament, 1994-1997 and 1999-2001 without defining any specific centres, even though they were a central theme, in the first policy at least. (Byggðanefnd Sambands íslenskra sveitarfélaga, 2001).

Among the policies the association has supported and followed up is that which concerns the amalgamation of municipalities into fewer and more viable administrative units. Due to urbanization many rural municipalities have suffered from depopulation and at the same time the responsibilities of municipalities have increased. The smallest municipalities have not been able to supply the required services and administration required by law. Not surprisingly many small municipalities have experienced financial deficits. According to the municipal Act amalgamation is voted on in elections of the inhabitants in each municipality. As mentioned above, the number of municipalities has shrunk dramatically in recent years and in general this effort has been successful.

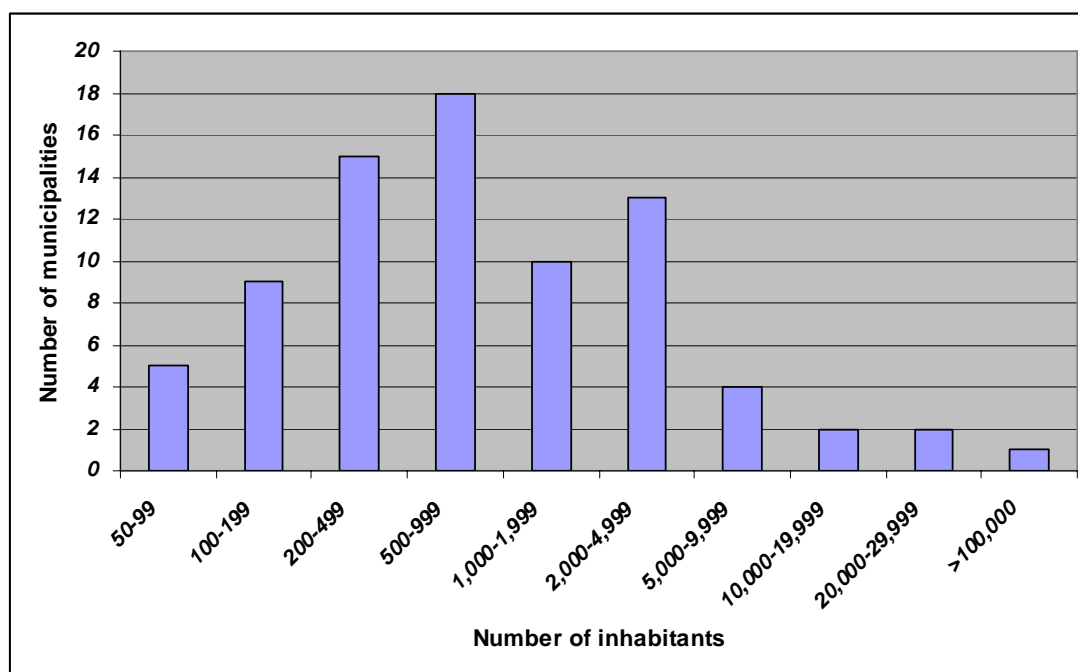


Figure 32: Number of municipalities in different size categories.

Source: Association of Local Authorities in Iceland (www.samband.is, 24. Sept. 2006)

Despite much amalgamation of municipalities in Iceland, there still exist very small rural municipalities and in some regions there is a large number of small municipalities in a small geographical area. Five municipalities in Iceland have less than 100 inhabitants and another nine have 100-199 inhabitants⁶. Obviously, these municipalities are less capable of influencing rural development and providing services and infrastructure to their inhabitants than their larger counterparts. To compensate for this, cooperation between municipalities on certain services such as waste disposal, harbours, utilities, public schools and specialized services to the schools is common.

As mentioned above, there exist eight regional associations of local authorities whose major role is to work in the interest of the inhabitants in the respective region. These associations have been active in this field and some of them manage certain services for the inhabitants of the respective area. However, due to the relative size of the largest municipalities, recent municipal mergers, and various population trends, the importance of these associations has probably been shrinking. Thus the largest municipalities in some regions may sometimes overshadow these associations in discussion on rural issues.

Overview of activities

The municipalities, the economic development offices, regional associations of municipalities all have an active role in rural development in the respective regions. However, there is some difference in the relative importance of rural development in the operation of each of these bodies. It appears that some changes in the relative role of each of these bodies are taking place, due to relatively rapid development of the municipal level resulting in larger and stronger municipalities that are becoming more active players in this regard. Despite this, there still exist small rural municipalities which are not able to exercise much power in this regard and this is a matter of concern.

⁶ According to the municipal Act, the minimum number of inhabitants in a municipality is 50, three years consecutively.

Assessment of impacts and outcomes

No systematic assessment of impacts of the municipal level on rural development exist. However, there are indicators to be found in research reports. Among the findings of their research on the amalgamation of seven municipalities in the 1990s⁹⁷ (Eythórsson and Jóhannesson, 2001) is that larger municipalities have a clear advantage when it comes to creating good living conditions and municipal services for the residents. Ólafsson (1997) studied internal migration in Iceland in the 1990s and one of his major findings was the importance for migrants of amenities and services associated to modern society. These include diverse job opportunities, services, culture activities and the like. As the capital region has most to offer in this regard, it has had overshadowing attraction on potential migrants. Larger municipalities have more potential in creating these conditions and thus attracting migrants or hold on to their inhabitants. The above indicates, that the policy of the government and the Association of Local Authorities in Iceland of amalgamating municipalities in functional regions can have positive effects in strengthening the respective regions.

11.6 The role of the voluntary sector

Landsbyggdin lifi – the ‘landsbyggdin’ shall live

As mentioned previously, the voluntary sector has played a limited role in rural development in Iceland. However, grass-root organizations established with the purpose of strengthening rural areas have been active players in the debate on urban-rural relations.

One such organization presently active is *Landsbyggdin lifi* (‘landsbyggdin’ shall live). It was established in 2001 with the main objective of strengthening settlement in all of Iceland. Among many members of the organization are rural municipalities and local interest groups which are then an additional part of the voluntary sector at a lower geographical level. One of the main objectives of *Landsbyggdin lifi* is to act as an umbrella of local interest groups in all municipalities of the country and to enhance their activity in various ways. These local interest groups do not operate in all regions and they usually have a role to play e.g. regarding the local spirit.

Activities of other charities and voluntary organisations

One of the voluntary movements, that have dealt with rural development issues was, Byggdahreyfingin Útvörður which was active in the late 1980s and early 1990. Its mission was e.g. to influence discussion on rural-urban relations (Helgason, 1990). This movement emphasized the importance of a new intermediate government (county) level for rural development in Iceland. Their visions did not materialize in this regard but the amalgamation of municipalities in recent years has in some ways compensated for this.

There have been political parties that have had the issue of ‘equality between regions’ on their agenda. This applied for example to Þjóðarflokkurinn – The national party in the late 1980s that took part in national elections and may have influenced the discussion on rural development at the time.

11.7 Looking ahead

Changes in the institutional framework for rural development in Iceland

A proposal for a new Act on the successor of the Institute for regional development and two related institutions in innovation and economic development was put forward at the Icelandic parliament in

⁹⁷ A research on 37 municipalities that amalgamated into seven.

the spring of 2006. This was a proposal for an *Act on Public Support to Technological Research, Innovation and Economic Development*. It was however not passed then by the Parliament due to much resistance. It would have led to the merging of three institutes; the Institute for Regional Development in Iceland; the Technological Institute of Iceland and the Icelandic Building Research Institute into a new institute, *The Innovation centre of Iceland*. Among several changes in the proposal, was the establishment of a rural fund that would provide liability insurance on loans to:

- a. Renovation, development and innovation.
- b. Change of ownership.
- c. Establishment of new companies.
- d. Investment.

The fund would only have supported specific economic activity in regions where it is allowed in accordance with the decision of EFTA Surveillance Authority (ESA).⁹⁸

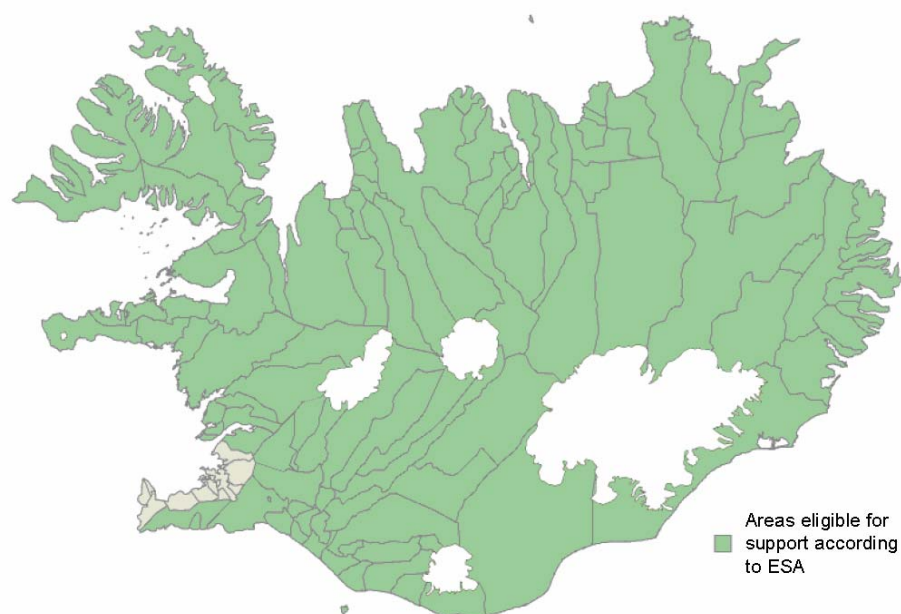


Figure 33: Areas eligible for support according to ESA

Source: Tillaga til þingsályktunar um stefnumótandi byggðaáætlun fyrir árin 2006–2009.

This change would have entailed that rural development would be even more focused on subjects such as innovation and economic development. Since the field of rural development was moved from the Prime Ministry to the Ministry of Industry and Commerce in 1999, this development has been apparent.

The proposal did not include an article on a rural development policy like article seven in the present Act for the Institute for Regional Development. Thus, the future of rural development policies as they have been practiced would have become very uncertain.

This Act was passed in the spring of 2007 with some major changes from the proposal described above. Instead of three institutes being amalgated only two were, i.e. the Technological Institute of Iceland and the Icelandic Building Research Institute. This left the Institute for regional development in Iceland unaltered, at least for the time being. Since the Act was passed in this way, this leads to less

⁹⁸ Parliamentary document no. 1067 – 731.

changes in the field of rural development policy than was anticipated. What changes will be made in the legal framework for the Institute for regional development in Iceland and rural development policy thus remains to be seen.

Prospects for national, municipal and voluntary sector rural development activity

The rural-urban divide in Iceland is greater than in most other countries in this part of the world, and even if Iceland is a relatively small country of 103,000 sq km with just over 300,000 inhabitants, it seems that there is less tolerance of the different views of people living under such different circumstances. This is, for example evident in relation to the harnessing of hydro- or geothermal power for manufacturing industry. In the respective regions, people want to use this energy to create jobs and reverse declining population development while nature protectionists are more active among the urban population and want to halt such projects and preserve wilderness areas. Similar debate exists around the building of new road infrastructure instead of outdated and dangerous gravel roads or road tunnels in remote rural areas with difficult access due to long distances around or over mountainous landscape. Urban dwellers don't see the point in spending high amounts of taxpayers' money on such projects and instead point out congested roads or roads with high accident rate in or around the capital region as important projects. Probably the reconciliation of these different views of people living in urban and rural settings will be among the greatest challenges of the next years.

11.8 Discussion

Icelandic rural development has been changing in recent years from a specific support to regions in distress and sectors in distress into a general policy aimed at strengthening certain regions in rural Iceland. Furthermore, since the responsibility of the field of rural development was moved from the Prime Minister to the Minister of Industry and Commerce, increased emphasis has been placed on economic development and innovation. Regarding the growth centre policy, it took a long period of time since it was introduced in 1991 to decide on which regions should be prioritised. There are indications that e.g. growth agreements that were initially in 2002 meant to be applied to three regions in Iceland will be carried out in most or all of rural Iceland. Thus, the 'watering can principle' seems to be applied once again in Icelandic rural development policy.

The fact that Icelandic rural development policy is in the form of parliamentary resolutions, probably presents one of its weaknesses, as the implementation process may be less certain than it would be in the case of Acts. Another important characteristic is how diverse and numerous the measures are for each four years period of the policy (see above) making perhaps the focus of the policy less sharp.

The division of Iceland into constituencies can have effects on rural development. There are obviously certain conflicts between regions as there is competition between them e.g. on state funding. Even if the weight of votes behind each MP from rural regions has traditionally been more than in the capital region this does not seem to have benefited those regions particularly well.

References

- Aradóttir, Elín, Hanne Tanvig, Jens F. L. Sørensen, Katarina Larsen, Klaus Lindegaard, Kristiina Niemi, Lars Olof Persson, Marit Vatn Jensen, Monica Stoye, Morten Fraas, Seija Virkkala, Trond Einar Pedersen, Åge Mariussen, Åsa Pettersson** (2005). *Innovation Systems and the Periphery*. Oslo: Nordic Innovation Centre.
- Byggðanefnd Sambands íslenskra sveitarfélaga** (2001). *Tillögur byggðanefndar Sambands íslenskra sveitarfélaga* [unpublished report]. Reykjavík: Samband íslenskra sveitarfélaga.
- Byggðastofnun** (1993). *Breyttar áherslur í byggðamálum, tillaga að stefnumótandi byggðaáætlun 1994-1997*. Reykjavík: Byggðastofnun.
- Byggðastofnun and Hagfræðistofnun Háskóla Íslands** (2007). *Hagvöxtur landshluta 1998-2004*. Sauðárkrókur: Byggðastofnun.
- Byggðastofnun** (2006). [The Institute of Regional Development in Iceland] www.byggdastofnun.is, Retrieved Sept. 22. 2006 from source.
- Eðvarðsson, Ingi Rúnar** (1998). *Byggðastefna til nýrrar aldar*. Reykjavík: Byggðastofnun and Rannsóknastofnun Háskólans á Akureyri.
- The ESPON programme** (2006) www.Espon.lu Retrieved 8 August 2006 from source.
- Eythórsson, Grétar and Hjalti Jóhannesson** (2001). *Sameining sveitarfélaga, Ábrif og afleiðingar, Rannsókn á sjö sveitarfélögum*. Akureyri: Rannsóknastofnun Háskólans á Akureyri.
- Stjórnarráðið** (2006) [Government offices of Iceland] www.stjr.is. Retrieved Sept. 20 2006 from source.
- Gudmundsson, Eyjolfur et al.** (2004). *Development of Effort and Fishing Fleet Capacity in the Icelandic Cod Fishery*. IIFET 2004, Japan. Proceedings
- Gunnarsdóttir, Hildur Gróa and Solveig K. Jónsdóttir** (2004). *Althingi, Althingi and democracy, History of Althingi, Elections to Althingi, The role of Althingi, Parliamentary procedure, Secretariat of Althingi, Parliament house, Institutions responsible to Althingi* [pamphlet]. Reykjavík: Althingi.
- Hagstofa Íslands** (2006) [Statistics Iceland] www.hagstofa.is Retrieved August 2006 from source.
- Helgason, Sigurður** (1990). *Byggðamál á Norðurlöndum*. Reykjavík: Byggðahreyfingin Útvörður.
- Iðnaðar- og viðskiptaráðuneytið**. [Ministry of Industry and Commerce] www.idnadarrauneyti.is Retrieved Sept. 2006 from source.
- Impra - Service Centre for Entrepreneurs and SMEs** (2006). www.impra.is. Retrieved 19 Sept. 2006 from source.
- Landsbyggðin lifi** (2006) [The landsbyggðin shall live] www.landlif.is Retrieved 18 Sept. 2006 from source.
- The Ministry for the Environment** (2002). *Welfare for the Future, Iceland's National Strategy for Sustainable Development 2002–2020*. Reykjavík: The Ministry for the Environment.
- Ólafsson, Stefán** (1997). *Búseta á Íslandi, Rannsókn á ábrifum búferlaflutninga*. Reykjavík: Byggðastofnun.
- Ríkisstjórn Sjálfstæðisflokks og Alþýðuflokks** (1991). *Velferð á varanlegum grunni, stefna og starfsáætlun Sjálfstæðisflokks og Alþýðuflokks* [pamphlet]. Reykjavík: Ríkisstjórn Sjálfstæðisflokks og Alþýðuflokks.
- Samband íslenskra sveitarfélaga** (2006) [The Association of Local Authorities in Iceland]. www.samband.is, Retrieved Sept. 2006 from source.

Samgönguráðuneytið (2006) [The Ministry of Communications] www.samgonguraduneyti.is. Retrieved 18 Sept. 2006 from source.

The Science and Technology Policy Council (2006). *Science and Technology Policy 2006-2009*. Reykjavík: The Prime Minister's Office.

Sverrisdóttir, Valgerður (2006, February). *Stefnumótandi byggðaáætlun 2006-2009*. A speech held at the Icelandic parliament, Althingi, Reykjavík.

Umhverfisráðuneytið (2002) [The Ministry for the Environment] *Welfare for the Future - Iceland's National Strategy for Sustainable Development 2002–2020*. Reykjavík: Umhverfisráðuneytið

Valsson, Trausti (2002) *Skipulag byggðar á Íslandi frá landnámi til liðandi stundar*. Reykjavík: Háskólaútgáfan.

Acts, parliamentary resolutions and regulations:

Þingsályktun um stefnu í byggðamálum fyrir árin 1999-2001. [Parliamentary resolution for a rural development policy 1991-2001]

Þingályktun um stefnumótandi byggðaáætlun fyrir árin 2006-2009. [Parliamentary resolution for a rural development policy 2006-2009]

Tillaga til þingsályktunar um stefnumótandi byggðaáætlun fyrir árin 2006–2009. [Proposal for a parliamentary resolution for a rural development policy 2006-2009]

Sveitarstjórnarlög nr. 45/1998 [Municipal Act no. 45/1998.]

Lög um byggðastofnun [Act on the Institute of Regional Development] no. 106/1999.

Appendix 10.1

The 23 specific measures to meet the objectives of the Icelandic Rural Development Policy 2006-2009

1. *Improved transportation.* Improvement of the transportation network in 'landsbyggdinn' and development of public transportation according to the national transportation policy which takes notice of its importance for rural development. The Institute of Regional Development in Iceland shall assess the importance of such projects for regional development.
2. *Strengthening of the local government level.* Systematic cooperation between the state and the municipal level shall be initiated in order to move the responsibility of certain fields of administration from the state to the municipal level. Simultaneously, further amalgamation and cooperation of municipalities in coherent commuting or service areas shall be developed in order to facilitate the adoption of such fields of administration.
3. *Improved communications.* Continuous development of communications and IT network in 'landsbyggdinn' in accordance with the national communications policy and increased equality in the cost of data transfer.
4. *Preparation and implementation of growth agreements.* Regional growth agreements between private and public actors shall be established in order to increase the competitiveness of regions and increase economic growth. The outcome of these agreements shall be monitored on a regular basis.
5. *Collection and processing of statistics on rural/regional development.* In 2006, continuous collection and processing of statistics on rural/regional development shall be planned. Systematic processing of these data shall commence at the Institute of Regional Development in 2007.
6. *Preparation of spatial development plans.* The outcomes of an NPP project on this subject shall be estimated with the possibility of adapting this planning process to Iceland in general.
7. *Research the standing of regions facing continuous shrinkage of population.* The strengths and weaknesses shall be estimated and analysed possibilities of reinforcement of these regions.
8. *Strengthening rural economic development.* The support system of economic development and innovation in 'landsbyggdinn' shall be coordinated and its efficiency increased. Impra - Service Centre for Entrepreneurs and SMEs in Akureyri and the regional economic development offices shall be secured with continuing financial support from the state.
9. *Strengthening research, technological development and innovation.* In 2006 a policy shall be made on general increase of support to research, technological development and innovation in 'landsbyggdinn', e.g. in the fields of energy, fishing industry, tourism and agriculture. Fields of importance shall be determined and forms of cooperation. This cooperation shall be carried out as development project for the remainder of the rural development policy period.
10. *Develop knowledge centres/university centres.* Continuing development of knowledge/university centres in 'landsbyggdinn'.
11. *Strengthening rural education, e.g. distance learning on all educational levels.* The benefits of distance learning will be utilized to provide diverse education supply at all education levels by cooperation of education institutions. E.g. the cooperation of universities in distance learning will be promoted. Specific fields in vocational training in 'landsbyggdinn' will be identified and strengthened by the cooperation of colleges, companies and larger vocational schools.
12. *Strengthening continuous education.* The supply of continuous education in 'landsbyggdinn' shall be increased through the cooperation of centres offering continuous education and the

Education and Training Service Centre of the Icelandic Federation of Labour and the Confederation of Icelandic Employers. Furthermore, the cooperation of centres offering continuous education and colleges in the field of adult education shall be strengthened.

13. *Strengthening of cultural activity.* Continue to make special cultural agreements between the state and the municipalities. Support to increased cooperation of museums in 'landsbyggdinn'. The possibilities of increasing supply of TV material from 'landsbyggdinn'. Strengthening of sports- and youth programs in 'landsbyggdinn'.
14. *Exploitation of information technology.* Continuous exploitation of making the outcomes of a research and development project on smart communities from the previous rural development policy available for other municipalities.
15. *Improved health service.* Health service shall be strengthened in 'landsbyggdinn', e.g. by transferring tasks in the field of health services from the state to the municipalities. Health service network, that e.g. connects institutes and makes distance therapy possible shall be developed further and made fully operational.
16. *Improved service to immigrants and increased multiculturalism.* Mutual adoption of immigrants into Icelandic society shall be worked on. At the initiative of local people in each region the possibilities of establishing service centres for immigrants will be explored.
17. *Analysis of opportunities of traditional industrial sectors – increased public service.* The standing of traditional economic activities in 'landsbyggdinn' such as agriculture, fisheries and tourism will be studied and major opportunities and possibilities for innovation. It will be considered if government services related to these industries could be strengthened in 'landsbyggdinn', e.g. by relocating certain tasks.
18. *Development of the tourism sector.* Robust tourism sector will be developed in 'landsbyggdinn'. Emphasis will be put on the characteristics of each region and development of growth regions. Furthermore, facilities in the national parks will be developed and they made better accessible.
19. *Support to economic activities run by women.* Increased participation of women in economic activities will be worked on by consultation and seminars. Ways to make the economic support system more accessible to women will be considered.
20. *Strengthening of the creative industries.* Strengthening of the creative industries will be worked on in accordance with the resolution of the Science and Technology Council of 2 June 2005 with the active participation of 'landsbyggdinn'.
21. *Strengthening of environmental activities in municipalities.* Environmental activities of municipalities will be strengthened with an emphasis on the implementation of Local Agenda 21, primarily in smaller municipalities in 'landsbyggdinn'.
22. *Participation in the NPP programme of EU.* Iceland shall continue to participate in the program.
23. Strengthening of the Nordic Atlantic Co-operation, NORA. Iceland shall continue to develop the activities of NORA and go in for that the member countries finance the activities of the committee.