

Coping Strategies and Regional Policies
– Social Capital in the Nordic Peripheries –
Country report Finland

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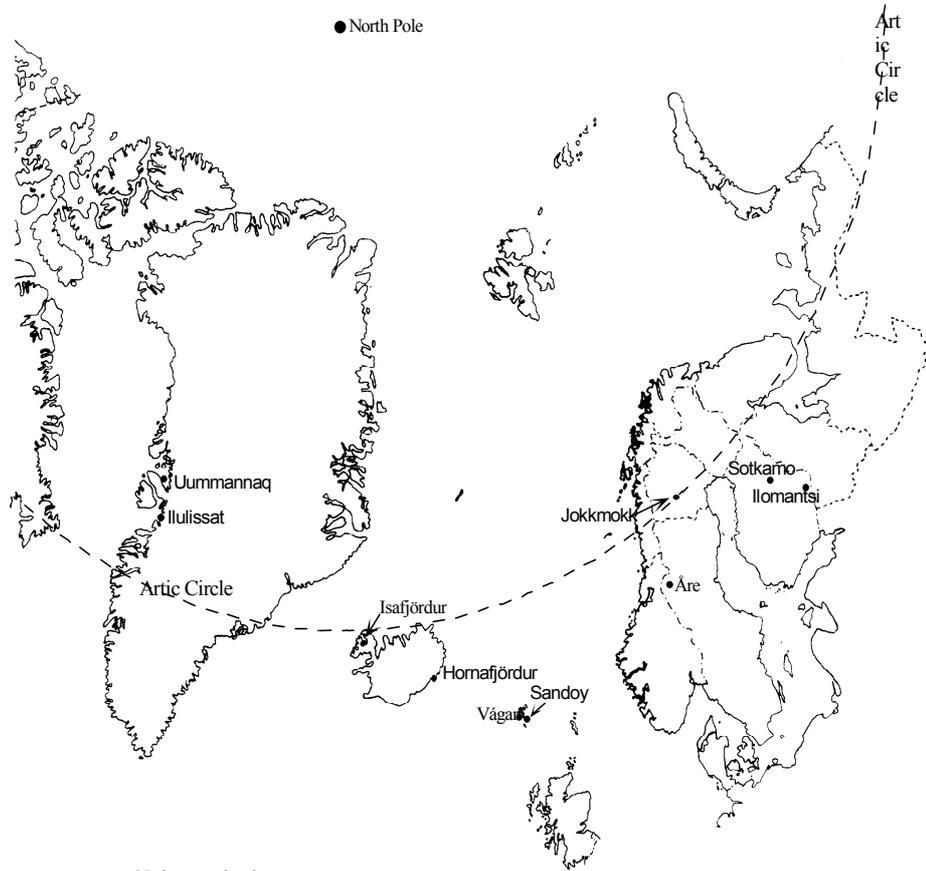
Preface

This country report is one of five country reports (Nordregio working papers) of the research project *Coping Strategies and Regional Policies, Social Capital in Nordic Peripheries*. The research includes fieldwork during 2001 in Greenland, Iceland, the Faroe Islands, Sweden and Finland, two localities per country, two projects per locality. The project was co-operatively conducted by researchers from the University of Iceland (Reykjavik), the Research Centre on Local and Regional Development (Klaksvík, Faroes), the Swedish Agricultural University (Uppsala), the University of Joensuu (Finland) and Roskilde University (Denmark). Researchers from these institutions are responsible for the five country reports. A comparative report written by Jørgen Ole Bærenholdt summarizes the country reports

The project is part of the Nordic research programme *Future Challenges and Institutional Preconditions for Regional Development Policy*. The programme is commissioned by The Nordic Council of Ministers / Nordic Senior Officials Committee for Regional Policy (NÄRP). A pilot phase of the programme was reported in 2000 (Nordregio Report 2000:1). This report is one of eight studies in the 2000-2002 phase of the programme. A final phase will start in 2002 and end in 2004.

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Stockholm, August 2002



--- Nation-state borders
 Region/province borders

0 500 km

Coping Strategies and Regional Policies
 Social Capital in Nordic Peripheries.
 Localities studied, NORDREGIO - project 2000-2001.

Contents

1. Introduction.....	7
1.1 Regional policy in Finland.....	7
1.2 The Localities of Ilomantsi and Sotkamo	12
2. Cases from Ilomantsi	18
2.1 Berry wine making school	18
2.2 SampoNet.....	19
2.3 Networks and policies in Ilomantsi	20
3. Cases from Sotkamo	22
3.1 Ski tunnel	22
3.2 Bio-laboratory.....	23
3.3 Networks and policies in Sotkamo	24
4. Conclusions	27
4.1 Similarities of local strategies	27
4.2 The triangle of successful local development.....	28
4.3 Regional policies and local strategies.....	29
References.....	31
List of Interviewed persons	34
Statistical appendixes.....	36

1. Introduction

This paper is a country report based on the two development projects in each of the two localities in eastern Finland that comprised this project, namely those in Iломantsi and Sotkamo. Empirical data was gathered from the four development projects. Theme interviews were conducted during fieldwork in August and September 2001. Besides interviews, other materials, such as official documents and statistical data, have also been used.

1.1 Regional policy in Finland

Main structure and actors in Finnish regional policy

In Finland, according to the Regional Development Act (1993) both local and central government are responsible for regional development. Regional Councils set up by the municipalities act as regional development authorities and are responsible for drawing up programmes for their areas jointly with other regional bodies (see e.g. Pohjois-Karjalan liitto 1998; The Regional Council of Kainuu 2000).

The structure of Finnish administration is highly polarised: with both strong central government and strong local government in existence, municipalities (in Finnish “kunta”; NUTS 5¹). The intermediate level consists of several bodies, representing different encounters and compromises between these two. The six provinces (“lääni”) carry out state functions in fields such as security, education, and social affairs. The 20 regions (“maakunta”; NUTS 3), often derived from historically formed counties, are administratively speaking, associations of municipalities (for example, Regional Councils co-ordinating the regional development programmes). However, the state also operates on the region level, namely through the Ministry of Trade and Industry, the Ministry of Agriculture and Forestry, and the Ministry of Labour, all of whom operate in the context of the joint Employment and Economic Development Centres (TE Centre). These 15 centres make decisions concerning the flow of regional development financing coming through the three ministries, thus providing loans, grants and development services for businesses, entrepreneurs, and private individuals. After Finland’s accession to European Union in 1995, a new regional tier has emerged, the major region (“suuralue”; NUTS 2). There are six major regions in Finland, for example major region of Eastern Finland being one of these. This level is based on the division into regions. Major regions are thus also important units for the regional policy of EU.

The 85 sub-regions or sub-regional units (“seutukunta”; NUTS 4) of the country are often functional employment, commuting and marketing areas consisting of several neighbouring municipalities. Municipalities are in most cases in the process of developing new forms of co-operation in service provision and industrial development (both in forms of associations and enterprises). The 448 municipalities make up the local level of administration in Finland in 2000. The municipalities differ significantly from each other in both area and population, from six large towns of over 100 000 people to almost 90 communes of less than 2000 inhabitants, the average size being 11,200 inhabitants. The municipal councils also have considerable authority – in that

¹ NUTS (Nomenclature des Unités Territoriales Statistiques) is a regional classification system of the European Union (EU), which is used to compile all common regional statistics of the EU (Statistics Finland 1999, 10)

they spend two thirds of Finnish public money (Uusitalo 1999a) and have (since the 1990s) broad opportunities to practice independent, local development policies.

The backbone of the Finnish system of strong municipalities can be found in their right to levy taxes. Each municipality decides independently on its income tax rate; no upper limit is set. The real estate tax does however have an upper and a lower limit prescribed by law. In 2000, the average local income tax rate was 17.67% of taxable income. The lowest tax rate was 15.50%, with the highest being 19.75%. Local authorities fund nearly half of their operations out of their own tax revenues.

Taken together, the municipal taxes constitute about 10 percent of GNP, and about 21-22 percent of the total tax income of the Finnish public sector. However, the financial resources of Finnish rural municipalities have diminished due to the decline in state grants, and in practice they now have rather limited resources through which to put these opportunities into practice.

The municipalities are an important part of the public economy. The expenditure of local authorities and their joint organisations makes up nearly two-thirds of all public consumption and public investment in Finland. Most of the expenditure of local authorities and joint municipal authorities arises from the provision of basic community services, such as social services and health care, education and cultural services, infrastructure maintenance and environmental protection. Local authorities receive government grants to help cover the costs of the functions required of them by law. The government pays a contribution to operating costs and establishment costs. Government grants account for 14% of the income of local authorities.

The government grants received by a local authority depend on factors such as the size of the population and its demographic structure and the number of users of the public services they provide. Special circumstances, such as a small and dispersed population, unemployment, bi-lingualism or great numbers of islands, are also taken into account. The economic differences between local authorities are balanced out through the equalisation of tax revenues included in the government grants system.

The overall change in regional policies

The following description of Finnish regional policies is based mainly on the work of the Prime Minister's Office (2001). Perttu Vartiainen (1998) has divided the course of Finland's regional policy into three main stages (see table 1.).

Table 1. The three main stages of Finland's regional policy.

Up to the mid 1970s	Policy with an industrial focus for developing areas
From mid 1970s to late 1980s	Regional policy planning
Late 1980s onwards	Programme-based regional development

According to Vartiainen, Finnish regional policy has been marked from the start by parallel goals concerning uniformity and effectiveness. In the industrialisation phase, as early as the 1950s, strong regional differentiations were discovered, which both politicians and researchers proceeded then to examine more closely. On the other

hand, the industrialisation of peripheral areas was often justified by the need to utilise their under-exploited resources. Finland did not adopt a growth policy based on industrialisation until the mid 1960s, and this was also the time when the first actual legislation on developing areas was passed.

Economic development from the late 1970s to the early 1990s relied on domestic demand, and regional development was then relatively uniform. The expansion of welfare services increased public-sector employment throughout the country. In addition, general inputs from the government supported the development of administrative and university centres in developing areas. The grinding halt brought about to economic growth in the mid 1970s by the world economic crisis slowed down the emerging differentiation trend between different parts of the country, and as well as curbing migration. At the same time, the number of industrial jobs in traditional manufacturing took a downward turn. Thus Finland, like so many other Western countries, witnessed a new kind of regional problem among areas suffering from industrial decline, and this played its part in breaking down the old distinction between industrial Finland and the developing areas.

In an increasingly global environment, however, a development path depending on rising public consumption and other domestic factors became simply unsustainable. The period of steady economic growth during the 1980s concealed the fact that structural problems were endemic, both nation-wide and in the various regions. The recession was felt equally everywhere, though the potential for recovery afterwards varied greatly across different parts of the country.

As regional problems started to differentiate, the emphasis in regional policy shifted to adapting measures to suit the situation in individual areas. The change to programme-based regional development underlining the regions' own strengths may be the most recent phase in Finnish regional policy, but the regions' development strategies are largely built on the earlier basis, created 30-50 years ago when the State-owned companies and new universities were set up and the regional infrastructure was developed.

The argument presented ten years ago by Walter Stöhr concerning the change in European regional policy thus applies quite well to Finland, (Prime Minister's Office 2001, 74):

- Regional policy no longer makes a simple division into developed and underdeveloped regions, but recognises a diversity of structural problems.
- The main strategy is regional innovation.
- Action is decentralised, deriving from local bodies.
- The prevailing mechanism is not based on redistribution of overall growth but on the utilisation of local resources.
- Regional policy is oriented towards knowledge and technology rather than capital, on flexibility rather than quantitative growth, on services and inter-sectoral contacts rather than industry, on programmes rather than individual

projects, and on a large number of SMEs rather than a few large companies.

- The dynamics of regional policy comprise fast-changing problem areas difficult to define rather than geographically static areas, and spontaneous use of local resources rather than a fixed number of planned growth centres.

Regional trends in public spending in the 1990s can be examined from two points of view. On the one hand, the effect of public spending cuts has been greatest in the areas where the public sector has always provided a lot of jobs. Frequently, these areas are also relatively more dependent on agriculture and forestry. A simultaneous release of labour from primary production and a decrease in public-sector jobs in fact marked developments in certain areas throughout the 1990s. On the other hand, despite all the savings, considerable public funds continue to flow from richer areas to poorer ones.

While the total amount of business subsidies paid out has fallen, *public funding for research and product development* has increased. The regional breakdown of R&D funding naturally depends on the location of the companies receiving it. Three quarters of all R&D financed by corporations takes place in Uusimaa or southern Finland. Companies in Eastern Finland account for under 3 per cent of the country's total private sector R&D funding. Public-sector research and development resources are also focused quite heavily on a small number of centres. The largest single administrator of R&D funding is the National Technology Agency (Tekes). University research and development funding is distributed more evenly, regionally speaking.

National Regional Policy Programmes

National regional policy is guided by the Regional Development Act (1135/1993), which came into effect at the beginning of 1994. The aim of the Act is to promote the independent development of the regions and a good regional balance. The principles of regional policy and the general lines for development are defined in the Objective programmes.

Regional development programmes are programmes drawn up under the Regional Councils, which co-ordinate and focus development work in their regions. The specific targets and strategies for regional development are compiled jointly by the Regional Councils, the local authorities, the State regional administrative authorities and other bodies.

The regional programmes take account of the special needs and strengths of the area concerned. On this basis, development strategies have been formulated for business and industry, the main focuses of development defined, lines of action chosen and measures decided upon. These choices are then reflected in the criteria used to select projects. They also form a framework within which the projects financed by different authorities are co-ordinated.

The national Centre of Expertise Programme supports regional specialisation and co-operation between different centres. Finland has an effective network of Centres of Expertise to meet the challenges of the information society in the 21st century. There

are 14 regional Centres of Expertise and two nation-wide networks carrying out the Centre of Expertise Programme for the period 1999-2006.

The Committee for Urban Policy is a body set up by the Government, which aims to create better conditions for the independent development of urban regions and to promote urban affairs in the State administration. The basic premise for urban development is economically, socially, culturally and ecologically sustainable development. The activities of the Co-operation Committee must promote the co-ordination of rural and urban policies.

The Committee for Rural Policy is a partnership body set up by the Government in 1995, and its objective is to co-ordinate rural development programmes and to promote the effective use of resources targeted on the countryside. There is also the Island Committee, which works to counterbalance the drawbacks of island life and to ensure the controlled utilisation of Finland's unique coastal waters and the protection of their natural diversity.

EU Programmes

The European Union's regional and structural policies aim to promote economic and social homogeneity within the EU area, to reduce development differentials and to help less developed regions. Programmes are financed through support from the Structural Funds out of the common EU budget and from national funding. EU regional and structural policies were implemented in Finland in 1995-99 through the regional objective programmes of the EU (see table 2.).

There was a division of labour here between two groups of objectives. Objectives 6, 2 and 5b were implemented only in particular areas, covering some 53.6 per cent of the country's total population. While objectives 3, 4 and 5a could be implemented across the whole country. Between 1995 and 1999 Finland received approximately ECU 1.7 billion from the Structural Funds. About one half of these funds were directed towards regional objectives. The objective 6 region received around one third of the total support.

Table 2. The EU objective programmes in Finland, 1995-99.

6	Development of regions with an extremely low population density
2	Converting the regions seriously affected by industrial decline
5b	Development and structural adjustment of rural areas
3	Combating long-term unemployment and facilitating the integration into working life of young people
4	Facilitating the adaptation of workers to industrial changes
5a	Facilitating the development and structural adjustment of rural areas

Finland's Objective programmes were submitted to the Commission at the beginning of 1995. The Commission approved the Objective 6 programme and the first Objective 2 programme on July 13, 1995 and the Objective 5b programmes on

November 13, 1995. Because of their autonomous status, the Åland Islands have their own Objective 5b programme.

The EU funding that Finland receives is written into the State Budget. Shares of funding from the Structural Funds are written into the income and expenditure items of the responsible ministries on a fund-by-fund basis (see table 3.). Regional Objectives 6, 2 and 5b were the responsibility of the Ministry of the Interior, Objectives 3 and 4 fall under the purview of the Ministry of Labour, while Objective 5a is overseen by the Ministry of Agriculture and Forestry.

Table 3. EU structural funds and the division of labour between the Finnish ministries.

Ministry of the Interior	European Regional Development Fund (ERDF)
Ministry of Labour	European Social Fund (ESF)
Ministry of Agriculture and Forestry	a) European Agricultural Guidance and Guarantee Fund, Guarantee Section (EAGGF-G) b) Financial Instrument for Fisheries Guidance (FIFG)

Financial support from the EU must always be matched by some degree of national funding. This is the concern of the ministries, local authorities, companies and other private-sector sources. In the State Budget, national funding contributions are budgeted to the ministries within whose purview the programmes concerned fall. The ministries responsible for the Structural Funds also allocate the EU funding to these ministries.

In the provinces, Regional Councils made up of municipalities act as the regional development authorities. The Councils have had regional programmes drawn up in cooperation with other bodies in the area concerned.

1.2 The Localities of Ilomantsi and Sotkamo

The main criterion for selection has been the identification of remote localities that have innovative projects in both the so-called new economy, as well as in restructuring traditional resource sectors (agriculture and forestry & fishing). The two localities, Ilomantsi and Sotkamo, represent two remote regions in eastern Finland, Kainuu and North Karelia.

Both localities are relatively remote rural municipalities (see Figure 1). They have many similarities in their socio-economic development over the last century, though in the 1990s these localities appeared to diverge rather more sharply in adopting different development paths. Ilomantsi is a remote rural municipality on the eastern border with the Russian Federation and its history of Karelian culture; connections to its eastern neighbour and the Orthodox faith are well known, at least in Finland. The locality is also famous for conflicts over the use of its forests and marshlands (e.g. Natura programme). Structural changes in the local economy have been rapid. The decline in population figures is faster than the region's average, and the unemployment rate is high (24,6 % in 1999).

The image of Sotkamo is favourable, and in comparison with neighbouring areas, it may be called successful. In terms of net-migration and the rate of unemployment (18,1% in 1999), Sotkamo is one of the least depressed municipalities in the Kainuu Region. The image of its Vuokatti landscape is well known, and Sotkamo's service sector has been innovative, at least in terms of tourism. One finds a very positive self-awareness, strong motivation towards local co-operation and a healthy sense of collective identity, all of which is maintained by the city having one of the top baseball teams in Finland.

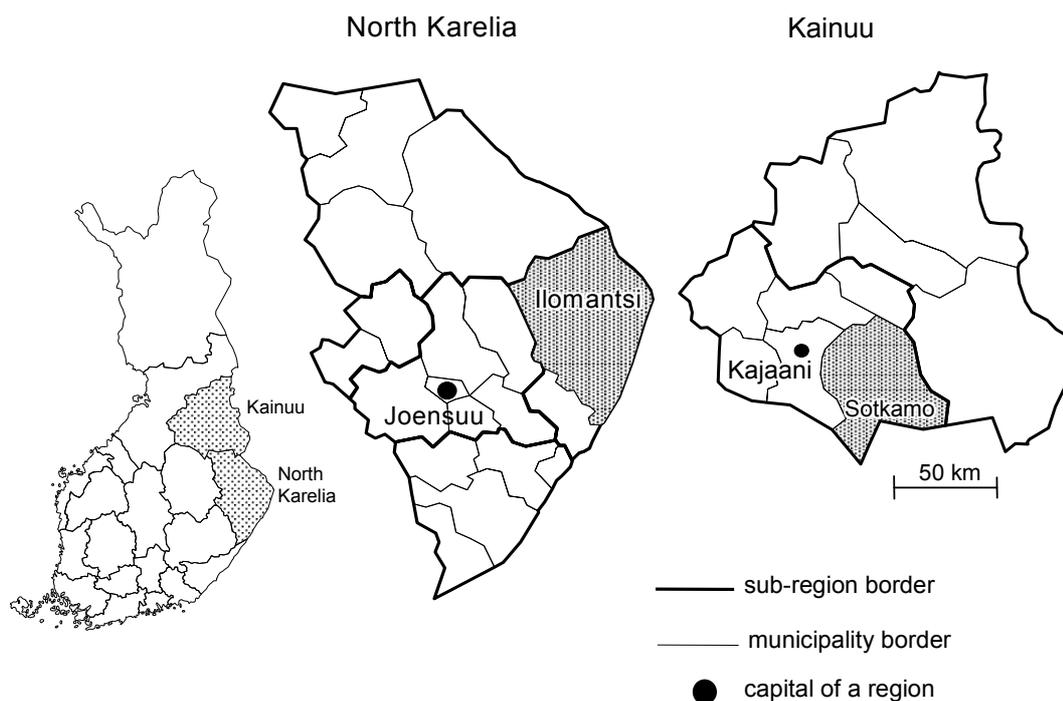


Figure 1. Location of case localities in Finland

Ilomantsi

Ilomantsi is a small remote municipality on Finland's border region with the Russian Federation. The local socio-economic structure is now dominated by public sector jobs. Traditionally the economy was dominated by forest work, combined with small-scale farming. The geographical area of the municipality is quite large, ca. 3 200 km², and its population amounts to some 7 129 inhabitants (in 2000). The distance from its centre to the nearest town, Joensuu, is 73 kilometres. The development of Ilomantsi mirrors more generally many recent changes in the rural areas of Eastern and Northern Finland.

The following description of the restructuring processes in Ilomantsi over the last 50 years is based on the work of Ilkka Lehtola (2000). As late as the 1950s Ilomantsi was an example of a peripheral lumber-smallholding area. The livelihood of many of its people was mainly based on a combination of wages earned in lumber production and agricultural products raised on one's own farm. As a result of the period's settlement policies and high birth rates, the population of the municipality was constantly

increasing. Not surprisingly, society brought new schools, post-offices, and roads to the most remote corners of the municipality.

In the 1960s Finland entered the second great national project, namely that of the industrial welfare state. With the rationalisation of agriculture and the forestry economy beginning around this time, traditional forms of livelihood were no longer able to provide everyone with work in his/her home region. The countryside was to provide the growing industry of the larger towns and cities with labour and raw materials. As the centres of Southern Finland and Sweden were at this time offering plenty of work, large numbers of people left the underdeveloped areas and chose to live in the major cities. In Ilomantsi, as elsewhere, the period of out-migration was at its strongest at the turn of the 1960s and 1970s, when hundreds of people left the municipality every year.

As the welfare state expanded, migration slowed. In the period from the 1960s to the 1980s, several major social reforms were carried out (Pyy & Rannikko 1995, 98-99). Finland became a Nordic welfare state with extensive social security provision and an extended system of services. The public sector was responsible for providing these welfare services. A particular aim here was to improve services in rural areas to the level of those in the largest population centres (Pyy & Lehtola 1996, 22-29). Therefore, in rural municipalities new jobs were created particularly in the fields of social and health services, education, and public administration. Moreover, the tasks once taken care of by women, either at home or in the local community, usually without remuneration, now became tasks to be taken care of by society and its new professionals (Rannikko 1997, 239). The 1980s in particular witnessed a period marked by a belief in the welfare state, economic growth, and social equity. This was also the case in Ilomantsi, where the service sector expanded and trust was placed in institutional and standardised services.

While municipal centres were growing, the number of people living in the surrounding countryside decreased significantly particularly in Eastern and Northern Finland. This general trend can be seen quite clearly in the case of Ilomantsi. In 1995, the number of people living outside the municipal centre was only 34 % of that from 1960. Moreover, with population decline came also a decline in the provision of rural services. This was the fate of village schools and shops in particular: while Ilomantsi had 47 village schools in 1957, in 2000 only 10 of them were still operating. These structural changes have brought about a divide between the growing centre and the declining villages. The growth of the centre started in the 1960s, simultaneously with that of the overall decline of the municipality's total population. In the 1970s and 1980s, many new public services and also some private services were located or re-located to the municipal centre. Today, two thirds of the people of Ilomantsi make their livelihood from services and about one half of the population live in the municipality centre.

In the 1990s Finland faced the most serious economic recession since the Second World War. GNP decreased, and the country's unemployment numbers rose sharply. As jobs were scarce everywhere in the early 1990s, migration was not very common. Yet the Ilomantsi population kept on decreasing, as mortality rates now exceeded birth rates. When the biggest centres of Southern Finland started to offer work once

again in the mid-1990s, the repressed migration pressure started to unravel. It should be noted that the remote rural municipalities of Eastern and Northern Finland did not share in the period's general economic development, as most of their jobs had been in the public rather than in the private sector.

By the end of 2001 moreover a new threat had emerged. The management of largest local factory, producing surgical products mainly for hospitals, informed the workforce that the factory will be closed during 2003 (see Verkko-Karjalainen 2001). The factory is an important employer in the region with its workforce of approximately 100, mainly female employees. According to the plan (Mölnlycke 2001) the company has decided to concentrate its production of surgical products in central Europe, Thailand and Mexico. The Ilomantsi factory's geographical situation and the cost of maintaining production at the factory mean that it would not remain competitive in the long-term.

Since the 1990s, migration from the rural municipalities has mainly consisted of young adults, and it is this that has resulted in the ongoing population decline. The age structure of the population has become distorted. While the share of people over 65 years of age was 15 % in the whole country in 1999, in Ilomantsi their number was rather higher, being 22 %. Indeed, the major population-related problem of many remote rural municipalities centres on the burden of having a decreasing population. The population structure here shows a high number of ageing and retired persons; in such municipalities the number of people not involved, for one reason or another, in working life also exceeds the national average. The case of Ilomantsi is similar: its unemployment figures are above the national average. As the population is constantly ageing, the demand for social and health services has also been increasing almost exponentially.

The period of recession during the 1990s was also one of transition into the so-called "third project". Now Finland started to more fully integrate itself into international markets and the political organisation of Western Europe. Finland's general success has been based on its ability to compete internationally. In the countryside the main mode of action has been to create strategies of action to improve the position of rural areas in the face of such competition (Oksa 1994, 279). This competition is however not only for the buyers of products or for jobs, but is now also to be found with regard to the project funds offered by the EU and via national sources.

The change in the role of rural areas can also be seen in the transformation of the country's rural policy into a rather broader conception than hitherto. In the 1990s the ability to compete was defined as the central goal of the country's rural policy, which has meant that the development of rural areas has been connected with more general trends in social development (Uusitalo 1999b, 50-64). This has meant a move away from a conception of rural development as being based on agriculture. One of the trends of this new rural policy has been the construction of a rural welfare policy that aims at the preservation of services and experiments with new forms. Finland's full membership in the EU (1995) in particular created thousands of development projects and new kinds of activities in the countryside. Entrepreneurs, associations, voluntary organisations, and village councils have created a multitude of projects seeking to develop new forms of services.

Sotkamo

Administratively the municipality of Sotkamo belongs to the region of Kainuu; its major neighbouring municipalities are the regional capital Kajaani to the west, and the rural municipality Kuhmo to the east. The population of Sotkamo is 11,237 (in 2000), of which 55 % is located in the two centres of the municipality: Sotkamo centre and Vuokatti. Sotkamo has an area of about 2950 km², which makes it the eighteenth largest municipality in Finland. The population density is only 4,2 persons per square kilometre, which is typical for northern and eastern Finland.

In relation to other municipalities in the Kainuu Region, Sotkamo may be regarded as having done rather well in recent years. Its relative success has been based on tourism, combining both the summer and winter seasons. It has a strong identity and its social networks of co-operation are interesting in terms of social capital. At the core of the area's local identity is the successful Sotkamo baseball team, which won many Finnish championships in the 1990s. In the region, sport is characterised as a network connecting several other networks.

The following discussion on the turning points of Sotkamo's socio-economic development draws very much on the work of Jari Kainulainen (2000). For over one hundred years *forestry and forest work* have been important sources of extra income for the farming population. However, the number of forest workers employed in forestry has declined rapidly. While in the 1940s, over 1400 Sotkamo dwellers were employed in forest cutting (and there would have been jobs available for even more), the number of permanently employed forest workers declined to 112 in the early 1990s. The yearly revenues from forestry in the 1990s were however still around FIM 100 million, which remained higher than those generated by the tourism sector. (Wilmi 1997, 360-366)

In addition, the dairy sector has been particularly important for the local economy in Sotkamo. Locally, dairies were depicted as "Sampos" of Sotkamo (the Sampo is the mythological wonder-mill from the Finnish epic *The Kalevala* that could grind out every kind of wealth and richness). After a short period of village dairies, a co-operative dairy mill was founded in 1905. There was considerable growth in dairy production in the 1950s, and in 1962 the region-scale Kainuu co-operative dairy enterprise built a new dairy in Sotkamo. A few years later, at the "time of two dairy mills", the number of milk producing farms was at its peak (1634). Since then the volume of milk production has come down rather steeply. In 1990 the two dairies merged. Dairy employment still provided jobs for 226 persons in 2000, which was almost the same number of jobs as in tourism, in addition to generating revenue for the 181 dairy farms sending milk (Wilmi 1997, 338-347). Sad news however emerged concerning the Sotkamo Dairy in spring 2001, with the announcement that it will be closed in 2003 (Kainuun Sanomat 2001).

After World War II, the *settlement policies* that created new farms for Karelian evacuees brought new farming enterprises and farmers to many rural localities especially in eastern and northern Finland. For example, in Sotkamo almost 150 new farms were developed between 1945 and 1947 (Wilmi 1997, 279). The construction of new farms continued throughout the 1950s, when hundreds of additional farms were founded for war veterans. At its peak, the number of farms in Sotkamo was almost 2000 by the middle of the 1960s. In the 1970s state policies began to react to

agricultural overproduction. This was the time of “field packages”, when farmers were paid to keep their fields fallow. The number of active farms dropped by almost one-third, a tendency that continued throughout the 1980s. In the 1990s the number of farms came down to 600, of which only 200 produced milk. At the start of Finnish membership of the EU, the number of active farms was 370, and in 2000 their number had decreased to around 300, a figure expected to decrease still further to 120. (Rusanen 2000)

Kainuu Region also witnessed the great rural exodus of the 1960s and 1970s to southern Finland and Sweden. Thus here once again, demographic factors are indicators of rural problems, as attention is focused on the social problems that arise from the ageing of the rural population. The problems of organising services for the elderly in rural areas are extensively debated. (see Pyy 1998; Volk 1999, 69.) Membership of the EU brought about new changes in the role of the region; out-migration increased in the 1990s and was exceptionally rapid, while birth rates and natural population growth decreased (see Keränen 1994, 31; Keränen 1999).

The latest changes in the development of rural Kainuu are connected with the so-called “*new countryside*”. The results of the “new countryside” are hard to evaluate in Kainuu. Nevertheless an increasing number of project activities have been developed, and village activities in the area have been notably lively. The impact of previous changes from the 1960s and 1970s seem however to remain superimposed upon the changes of the 1990s.

The *structure of the economy in Sotkamo* is similar to that of other municipalities in Kainuu (Kajaani city, of course, being an exception due to its rather more developed service structure). The most important sectors of industry are food production, wood manufacturing and tourism. (Wilmi 1997, 317). Sport, particularly baseball, as well as the Vuokatti sport and recreation centre, also has significant economic significance, in addition to its rather more imperceptible “image value”.

As with many other remote regions, the municipality itself is the biggest employer in Sotkamo, its number of employees being around 720. Among the largest employers mention should be made of a particular mining enterprise. The role of the service sector is important; the same applies to other rural municipalities across the region.

Food production (dairy) has traditionally been important for Sotkamo, however, in the late 1990s the situation here became more difficult. In 1995 the income derived from milk was roughly at the same level as those derived from the manufacture of electronics (Wilmi 1997, 317). The significance of the electronics manufacturing sector located in Vuokatti has however been growing.

2. Cases from Ilomantsi

The two case-projects from Ilomantsi belong to two categories of strategies. The project of the wine making school represents a restructuring of traditional resource industries, i.e. agriculture. The second project represents the transformation towards “new-economies,” which refers here to information technology.

Changes in rural areas and also in agriculture have been dramatic over the last ten years in Finland. Many small farms were forced to cease production because of a lack of profitability. A similar trend has occurred in Ilomantsi. One local coping strategy has been the cultivation of berries, such as black, red and white currants and strawberries. Berry cultivation fits well into local traditions, as people have always made one part of their livelihood from forestry.

The development of the information technology sector has a short history in Ilomantsi, although recently there have been activities, particularly in telecommuting and in basic information technology. The SampoNet project is an example of information technology development in a remote rural area.

2.1 Berry wine making school

The objective of the berry wine making school project (1996-99) was to develop wine production based on cultivated local berries (i.e. black and white currant, strawberry). Other targets of the project were the processing of other berry products, the development of quality and quality control, as well as marketing and the utilisation of the project results for tourism. Local knowledge of cultivation and berry processing was improved by co-operation with local and national partners. The main applicant of the project was the Ilomantsi Vocational School, which is one unit of the North Karelia Educational Federation of Municipalities.

The background to the wine school project is the revival of local berry production during the 1990s and the need to find new functions for the local vocational school. The project combined the following elements: the local tradition of berry cultivation developed since the 1960s, the new possibilities for berry products (with liberalised alcohol policies), and new financing possibilities for development projects.

The germination of the project began already in the early years of the 1990s, though the active role of the vocational school was needed to get the process “up and running”. When the vocational school was reorganised and two local training units were joined together under municipal ownership, there was however an urgent need to attract new pupils to the school. To counteract future threats to the vocational institute, the new idea of a wine making school was thus launched.

Local berry growers and producers, together they may be called a local berry cluster, have in the past co-operated on smaller scale development projects. However, this is the first time that the vocational school, the municipality, entrepreneurs, berry farmers, and the advisory and training organisations all came together. The new element here is the participation of both the school and the municipality in the same project, giving it a wider significance in terms of local economic development.

The project has been able to accumulate expertise in berry wine production and this “know-how” has been transferred to the local and regional participants. The project

started with special training courses and consultations, activities that later grew into an entire training programme with a vocational diploma. Expertise was gained through the earlier networks of co-operation (such as with the Chymos enterprise), new national contacts (such as the wine schools in Lepaa and Muuruvesi), and international connections (particularly with Hungary). The training activities have brought about investment in buildings and technology, which in turn have supported both the school and local wine-producing enterprises. Some of the key enterprises in Ilomantsi participated in the project and started utilising the “know-how” and infrastructure of the wine school, which was itself the start of new service activities supporting local entrepreneurs. In this way training activities have slowly grown into business activities, measurable in money and turnover.

To put it briefly, a set of a few earlier development projects and processes has given birth to a wine school that is now an important sub-regional centre for training and development.

2.2 SampoNet

SampoNet was an educational information technology project implemented in the area of three municipalities: Ilomantsi, Tuupovaara and Eno. The project trained people to become developers in the following fields of information technology: video conferencing, multimedia, web-design, internet-TV, and internet-radio. The project was targeted at individuals planning to establish an enterprise specialising in tele-informatics. The project applicant here was also the vocational school of Ilomantsi. The main innovator and project co-ordinator was a local teacher specialising in information technology. The project began in April 1999.

The project was born in the late 1990s, with the sub-region, consisting of Ilomantsi and Tuupovaara municipalities, debating future alternatives. One new possibility was the growing information technology sector, which had not as yet reached this particular corner of Finland. The person with the idea for SampoNet had earlier been the co-ordinator of an information technology project aimed at villages, which had been financed by the EU’s rural development programme, LEADER II. During that project he had gained knowledge of project management, the future prospects of the IT sector, and the field of actors in this area. There was also some experience of co-operation with the two municipalities and with other similar local information society projects, such as the Learning Upper Karelia project and its continuation in the Karelian Hill district (see Oksa & Turunen 2001).

The project plan was shaped in co-operation with the vocational school, which had previous knowledge of organising training projects. The innovative part of the project was financed partly by the European Social Fund, while the training section received national funding. In the early stage of the process the partnership was enlarged to include the local labour administration, because the main target group was unemployed persons or individuals under threat of unemployment. In the beginning, the local labour administration felt they could not find a sufficient number of appropriate persons, who also had an interest in information technology. After discussions with the regional labour administration, the local office started to participate in the project. The recruiting stage surprised the partnership however in terms of the significant level of interest generated.

Currently, some twenty-four persons have been trained in basic information technology skills and in special skills connected to video technology. This has created a new regional pool of “know-how”. During their work-practice in local enterprises the trainees transferred their knowledge to these enterprises. In this way, a new network was born, connecting the school, trainees, enterprises, three municipalities and the labour office. At the same time, the school initiated a special training programme in information technology, which also supported the project’s activities. Some project trainees have subsequently found jobs in the Learning Karelia Hills project and in municipal organisations. As a result, the idea of information technology development has been transferred to the region by a new group of trained experts. There are some ideas about continuing the process, such as a plan for a regional NetCentre, which would begin as a project and later turn into an enterprise sub-contracting services to further enterprises in the Helsinki Region.

2.3 Networks and policies in Ilomantsi

The cases in Ilomantsi bring to light local networks with strategic objectives that combine several actors in the public and private sectors. These networks have been able to combine in an innovative way several on-going processes, all of which are connected to the production of social capital. The wine school brought together several different actors dealing with berries and berry-related expertise. The four key stakeholders were the vocational school, the 4H association, the municipality and berry-based enterprises. They were all able to gain by participating in the project. The joint process brought them and the locality new expertise, and new resources from the outside. The municipality managed to create projects that were in line with the new priorities of the regional development plan and to find forms of action that suited the programme-based policies. The SampoNet project sought to answer the challenge of new information technology and attempted to get new kinds of actors working together. The project offered new opportunities for the school to develop its activities. At first the municipality had some doubts about the ability of IT-training to create jobs. Now however the municipality is interested in the idea of a NetCentre that aims to create jobs and income based on information technology skills.

Local strategies may consist of innovative combinations of development paths. While responding to the challenges of transformation, one may rely on utilising local skills and traditions and the networks maintaining them. This is what happened in the wine school case. Berry cultivation has been developed on small farms since the 1960s. At first this had been regarded as a hobby or as a minor source of secondary income, but not as a possibility for development into real production. The key person at the beginning of this process was the advisor of the 4H organisation. He also started the first networks of berry contract cultivation, which later led to experiments in joint marketing, storage, and sub-contracts to the food industries of southern Finland. This created a local network of berry farmers. The availability of this local raw material in turn enabled the “start –up” of small enterprises manufacturing juices and jams. These enterprises grew out of the existing voluntary networks of rural women.

Local networks based on skills and traditions are not usually sufficient for finding new markets and for developing new products. Some external impacts or partners are needed. In the case of Ilomantsi’s wine production, important change took place in the regulative policy framework, as markets for alcohol beverages were liberalised, and

licences to produce wine and liquor on Finnish farms became possible. A group of three young men from Ilomantsi was one of the first to pioneer country wine production in Finland. In the early 1990s this group received considerable additional experience from international visits viewing wine production and berry harvesting technology across Europe, as ever since the early 1970s it had been a local habit to gain new knowledge through the use of international excursions.

Both case projects in Ilomantsi are connected to national welfare state policies. The rationalisation of public training schools provided a strong impetus to the search for new ways to be found to “induce” wealth creation. The local vocational training and agricultural schools were merged under a new organisation structure where the local administration took on a greater role than before. To attract new students, the school started to take more interest in local development issues. This change has subsequently been seen as crucial for local development activities. Today, the school and the municipalities work together in trying to find ways to support local economic development and to maintain the local service structures. In this way they hope to maintain their populations and perhaps to even attract new people.

The emergence of new regional policies based on programme funding has also affected the nature of local coping strategies. The objectives of both case projects have well suited the regional programme of the North Karelia Regional Council (see Pohjois-Karjalan liitto 1998). It has emphasised local specialisation and moreover, in the regional strategy for a foodstuff cluster, berry cultivation was identified as a strategic focus for Ilomantsi municipality. In the 1990s the North Karelia regional programme has also emphasised the role of the region in information society experiments in rural areas. The regional council itself organised a NOKIS project, which was part of the European Union’s programme of regional information society initiatives (RISI). Indeed, one of its information society projects, namely, “Learning Upper Karelia”, subsequently became a model for others, including the case-project of SampoNet discussed above (see Oksa & Turunen 2001).

Both of the Ilomantsi cases bear witness to the importance of the vocational institute, not only through the development of the new economy, but also in the restructuring of nature-based production. The vocational school has turned into a project management centre and today it is actually a home base for a local development enterprise (founded jointly by the school and the two municipalities). In the case of berries it has become a small centre of expertise and in the case of SampoNet it has been creating the necessary skill base for future forms of entrepreneurship.

3. Cases from Sotkamo

The case projects of Sotkamo also represent two sectors of the economy. An artificial ski tunnel may be understood as a part of the “new-economy” because of its close connections to international sport and lifestyle tourism. On the other hand, it may be seen as part of the resource-based economy due to its utilisation of the natural landscape. For over 50 years Vuokatti has combined sport, recreation and tourism. The other case project, a bio-laboratory, is tied to restructuring within the dairy industry, but is also connected to the knowledge-based economy. The development of dairy products has taken place locally on a small scale since the establishment of the first dairy at the beginning of the last century, although the project in question here has taken such activity onto a new level.

3.1 The Ski Tunnel

The Ski Tunnel is an indoor cross-country ski track. It is 1200 meters long, an artificially constructed tunnel, in which the temperature is kept between minus five and minus nine degrees Celsius, but if need be this can be dropped to minus 18 degrees. Air in the tunnel is totally changed every four hours. The ski trails are groomed by machine. The tunnel’s snow making system (high pressure cannons) replenishes the trail surface during the night. The ski tunnel was built in 1997-98, part of many projects that are developing a winter skiing training and tourist centre.

The tunnel is located in Vuokatti village at the Ski Training Centre & Sport Hotel. Vuokatti is an important training centre for Nordic ski disciplines. The starting point of the tunnel is in “Vuokatti House”, which is the tourist information centre for the area. It is also the service centre for skiers providing reception facilities, Vuokatti-info, refreshments, ski waxes, a cafeteria, and sports shops.

The idea of the ski tunnel was born in the Sport College of Vuokatti, which has a tradition of half a century in sports education and training behind it. The idea was marketed through the media and international sporting events since the early 1990s. Preparations for the project were begun in earnest when the leadership of Sotkamo municipality became involved. The Sports College was able to connect the venture to the national programme of constructing sports facilities and the municipality provided the link to regional development programmes. This ensured sufficient private and public funding for such a large-scale venture.

The role of the municipality of Sotkamo has been particularly important here, as the Sports College itself had neither the financial nor the “know-how” resources to realise the idea. The municipality also brought its technical expertise and knowledge of tourist development into the venture. Moreover, the municipality also helped to gain regional support for the venture. In this effort, the good connections of the municipality’s director with the region level decision-makers in Kajaani city was also of the utmost importance. Gaining region-wide support was of crucial importance, because earlier tourist developers at the regional level had criticised Sotkamo and Vuokatti for being too “separated” and for acting alone. Ultimately however the project needed the support of the region as a whole.

The regional nature of the project is reflected in the project organisation: Both the City of Kajaani and local tourist enterprises took part, in addition to the municipality

of Sotkamo and the sports college. With the help of this wider network the venture was able to become more than just an additional facility that only served skiing circles. The construction of the ski tunnel activated links to regional tourism, and a new idea was born to construct a tourist and business centre, the so-called Vuokatti House, at the start of the ski tunnel, while later on the additional idea of building a half-pipe for ski-board practitioners was developed.

The ski tunnel project became a node for various networks and connections. The Sports College, the originator of the idea, had long-term ties of co-operation to the national sports associations and other national actors with an influential role in the field. Connections with the key-persons on the national board of sports (in Finland's Ministry of Education) were used to ensure their support. Moreover, the leadership of Sotkamo municipality worked actively to promote ski sports, participating in a European network of cross-country skiing cities, with such members as Gällivare (Sweden), Val di Fiemme (Italy) and others in Norway, France and Austria. In addition, long-time connections with the provincial capital in Oulu have been useful. The state decision to finance the project was made at the time when the Minister of Labour was from Oulu (Mrs. Jaakonsaari).

3.2 The Bio-laboratory

The bio-laboratory in Sotkamo is a part of the Research and Development Centre of Kajaani, which itself belongs to the University of Oulu. The bio-laboratory specialises in the research and the further processing of foodstuffs, and particularly milk and other natural products, such as herbs, wild berries and mushrooms. The goal of the unit is to raise the level of processing of natural raw materials. The establishment of the bio-laboratory is a new form of networking that at one and the same time is trying to support and save the existing dairy, by buying milk from farms in Sotkamo and other municipalities of Kainuu Region.

The background to the development of the bio-laboratory consists of the dramatic restructuring of the primary sector in Kainuu Region and the new regional development programmes started during the 1990s. The objective was to strengthen the food sector of Kainuu by developing independent food manufacturing in Sotkamo, which had become a local centre of milk manufacturing already in the 1980s. Some ideas for a development model were taken from the growing electronics sector and these were then applied to the primary sector. The director of the Kajaani Research and Development Centre developed the project. The project was to strengthen the local impact of the university unit, utilising the possibilities of regional development programmes. The concept itself combines the needs of the declining primary sector and food manufacturing with new high-level expertise. The local milk "know-how" has thus been infused with state-of-the-art research expertise.

The Finnish dairy industry has gone through several waves of rationalisation in recent decades. In the 1980s the whole dairy industry of Kainuu Region was concentrated in Sotkamo. In the early 1990s the sector started adapting to the opening up of international markets. At that time the threat was already there that the dairy unit in Sotkamo, belonging to the Valio chain, may be closed. The Sotkamo Dairy adopted a special adaptation strategy. It started developing a milk product brand (trademark) of its own. Developing the new brand called for new kind of expertise that was not available locally. This was the start of the process of joint projects with the university.

The founding of the bio-laboratory within the facilities of the Sotkamo Dairy was a continuation of this co-operation between the dairy and the university. The university has even contributed financially, albeit on a small scale, though this has in itself been important in attracting funding from beyond the region. The laboratory has been funded from various sources, and European Union funding has been obtained through such channels as the Ministry of Education, Tekes (the Finnish National Technology Agency), and the Provincial State Office in Oulu.

Sotkamo municipality and the dairy have supported the laboratory through, for example, product development for the dairy. Some of the employees come from the local labour markets. In spite of these connections however, the relationship to local development goals remains in reality rather loose, because the main thrust of local action has concentrated in the development of tourism. The bio-laboratory unit has functioned as an independent expert organisation, depending on high levels of competence and expertise, and particularly on the credibility of its director and his networks.

The development of the laboratory has taken the form of the long-term construction of a centre of excellence with connections to national and international markets. In recent years there have been some new local connections facilitated by the national programme of the centres of expertise. Since the beginning of 2000, the bio-laboratory has functioned as a node in the national network of food expertise (ELO). These nodes serve as contact points for enterprises looking for expertise in the food sector. Each node can link the enterprise concerned to other nodes for advice.

3.3 Networks and policies in Sotkamo

Both case projects in Sotkamo are well connected to the regional development programme. The skiing tunnel ties into the development of tourism and the bio-laboratory to the development of food production. The municipality of Sotkamo has participated in both projects, and this is something that has gone a long way to creating local acceptance. In both projects the key actors have specialised expertise of their own, whilst also having connections to networks reaching beyond the region. However, both of the projects also have strong ties to the local level. They are connected to local economic sectors with long traditions, e.g. milk manufacturing and tourism.

The cases in Sotkamo bring out two different kinds of networks of local development. As such they represent two kinds of locally based responses to the changing global economic context. Both projects are connected to *local economic traditions*. The Sotkamo area is the stronghold of cattle and milk farming in the region. It also became the centre of concentration for the dairy industry in the region. The sector is based on milk production on family farms. The owners of these farms are also an important political force in the municipality. Sotkamo has a long tradition of nature-based tourism. The Vuokatti hill is an important international skiing resort in Finland, both because of the landscape and because it is the home of the Vuokatti Sports College, founded over 50 years ago. The area also has some traditions in summer tourism. Several national companies have recreation resorts there for their personnel. There are several small hotels and catering businesses and one large hotel and spa complex.

There are also many non-local factors that influenced the projects. Both case projects have an *international element*. The bio-laboratory is an attempt to counteract the impacts of restructuring in the food sector and in agriculture. Thus there is now a need to find new food products based on local raw materials. The owner of the Vuokatti Sports College, the Finnish National Skiing Association, has connected its development to the widening of international training service markets.

The projects also have connections to national level *state policies*. The Sports College has received considerable state support for its activities and its investments. State policies have also affected the bio-laboratory via the state university system. The University of Oulu has reorganised its units in Kajaani city into a development centre that finances its activities partly through development projects and networks.

Both projects have also been part of the *regional policy framework*. The ski tunnel project is linked to the Kainuu regional programme. The programme has defined the development of tourism as one of its key priorities, basing it on the utilisation of attractive nature, sports expertise, and local culture. One set of projects in this priority falls under the slogan “the best skiing region in the world”, which included several projects linked with Vuokatti, including the ski tunnel. The bio-laboratory is also connected to the same regional programme within the foodstuffs sector. The bio-laboratory is seen as a regional resource for the foodstuffs sector, particularly in regard to its help with the new specialisation in milk products, and in products of special nutritional and medicinal use. The regional programme also emphasises the connections between educational institutes and business life. One objective is to establish a centre for expertise in the foodstuffs sector by utilising the existing connection to university level research and expertise.

The ski tunnel connects for the first time two different sets of networks in a common effort: the winter sport networks of Vuokatti College and the tourist development networks of the locality and the region. These complementary forms of expertise and links enabled considerable funds to be channelled to the project. The project has thus started a process, which adds the new ideas from tourism and private business enterprise into the old ski-training centre. Vuokatti is becoming a model for solving the difficult dilemma of tourism and limited seasons, as it seems to attract both winter and summer tourists.

The network that was running the bio-laboratory project was able to attract regional policy funds through the discovery of innovative answers to the needs of the food sector. Networking with university research brought about these innovations. The local unit of the university and the food industry had common interests, which found support within the regional strategy and its priorities. However, it is still not clear whether these efforts will be enough to save local production, as the economic forces of rationalisation seem to be destined to close down the dairy come what may. With this, the laboratory and the networks behind it face new and difficult challenges ahead.

The dynamism of the *local administration* in Sotkamo municipality is based on several overlapping networks easily reaching the near-by regional capital of Kajaani, but also the Finnish university network, as well as the international networks of winter sports and nature tourism. An additional source of cohesion and local identity is found in another rurally based and nationally constructed sports tradition, Finnish baseball.

The team in Sotkamo was again the national champion in 2001. There may however be some underlying tensions between the international skiing networks and the baseball team. The Sotkamo baseball team has grown from being a village effort to becoming a part of the regional identity. While previously the baseball network had been able to mobilise amazing amounts of voluntary effort, now it has become an efficiently run entertainment business in its own right at the national level.

4. Conclusions

4.1 The similarities of local strategies

When we look at the local strategies and the case projects of the two Finnish localities we can see many similarities. In both localities the projects constitute attempts to find new answers to structural and political changes. In the background we can see the dark clouds of rationalisation in agriculture and forestry, and in the rural manufacturing sector based on their produce. These have been the traditional economic and social backbones of rural Finland, and their diminishing capacity to offer jobs and incomes is a factor pushing young generations to migrate outwards, while simultaneously providing an impetus to local developers to find new forms of economic activities and new ways of working locally. Of course, many actions are attempts to overcome the threats of the future, but only some of projects may be termed successful.

In both places, the projects deal with *international connections*, and actually the more successful of the projects have international networks present either in the market projections (international training markets of top winter skiers in Sotkamo), or as sources of experience and knowledge for local innovations (international wine production expertise in Ilomantsi).

In both places, changes in the *policy regulations have opened up new scope for project action*, in addition to being subject to cuts in public spending. The liberalisation of wine production opened up a new production sector in country-wine production. New regional policy programmes represent a new kind of funding context for local development activities.

One may also find successful connections to *markets or consumers* in both localities. In Sotkamo, the connections to international training and winter tourism are important. In particular, the development of services for winter season consumers are important, because traditionally, Finnish rural tourism has focused on summer time travellers only. Connections with the bio-laboratory are perhaps rather more mediated, as its customers are enterprises rather than individuals. In Ilomantsi the berry wine school is co-operating closely with the local wine-producing enterprise, which utilises a significant amount of resources on marketing. The market success and the good image of the wine-producing “Pelttohermanni” company is important for the whole berry growing sector in Ilomantsi.

In both places, the local dynamics are based on two kinds of institutions, the *local municipalities* on the one hand, and on *local institutions of learning*, on the other. It may be a specific feature of the Finnish variety of the welfare society that institutions of education have played a strong and active role during rapid structural changes. In Ilomantsi the future of the vocational schools was at stake, and both case projects were part of the new role of the vocational institute as an active participant in local development. Co-operation with the local administration is however a new phenomena. In the Sotkamo cases, the Sports College at Vuokatti and the Kajaani Development Centre of Oulu University have found themselves new and successful

functions in local development tasks and, at the same time, they have found new partners in the local administration and in the regional policy offices. The cooperation between local and regional development actors and learning institutions has also brought about new possibilities for combining different sources of public funding.

Mention must also be made however of yet another common feature, which is a crucial common factor here in project success. That is the *ability to build innovations on existing local skills and economic traditions*. In Ilomantsi the cultivation of berries has been practised on farms for several decades and slowly over time this “hobby” of women and children has become the basis of a new rural production cluster, namely that of making berry wine. In Sotkamo the skiing tunnel builds on local traditions of winter sports and tourism, and the bio-laboratory on milk and dairy production. In all of these cases it is not the tradition itself that is enough, but also that a new approach and a new layer of skills is brought face-to-face with local continuities, or brought out of them. Thus, if we focus on local learning: new layers of learning are growing out of traditional skills and traditions. This is why the institutions of learning have been so important in building the projects and the networks within them.

4.2 The triangle of successful local development

The key processes and interactions may be described as having the form of a triangle of local development. One may say that there are three kinds of factors that have to be brought into fruitful interaction, if one wants to build a successful development project or process. Similar triangles of necessary actors or factors have been presented in the conclusions of other Nordic studies (see Almås 1995; Ronnby 1995; Uusitalo 1995).

The most successful projects have been able to create spheres that balance on all three corners of the triangle (Figure 2.). Those projected with a limited sphere are more dependent on only one or two corners. In future, to ensure that projects have longer-term regional impact, they need networks that can connect them to the missing corners.

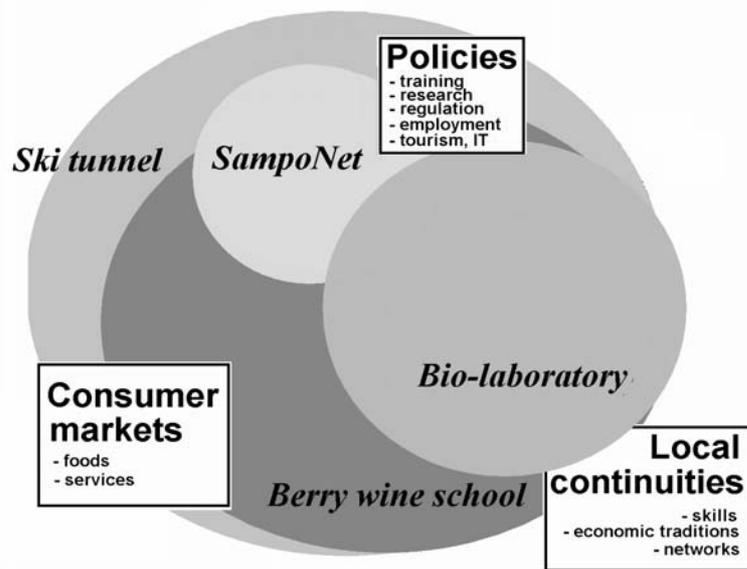


Figure 2. The spheres of case projects and the three corners of successful local development

The first corner of the triangle represents state policies, particularly policies of regional development. In our cases such policy sectors as training, research, employment policies, the development of tourism and information technologies, have been particularly relevant sources of funding and advice.

The second corner of the triangle is that of consumer markets, that is the end users of the products of local enterprises and their workers. One may say that really successful projects have penetrated this corner of their triangle. Some of the projects have not reached consumer markets, though they may have created some bases for later successes in product development. Quite a few of the training projects create the general skills that are necessary for the development of profitable economic activities at a later date.

The third corner is that of the local continuities that are being continued, further elaborated or utilised in a successful development. Local continuities are good for local competitiveness, because they are difficult to transport to other places. However, they may be weak if one is not able to turn them into some kind of additional value in terms of actual products needed elsewhere.

4.3 Regional policies and local strategies

The overall question of this research effort is "*whether, how and why regional policies work in concert with coping strategies locally?*" (Bærenholdt, 2000b). Actually there are various ways in which the relationship between regional policies (understood in a broad way) and local development may be analysed. In this work local development refers to the coping strategies that combine innovation, networking and the formation of identity (see Aarsæther & Bærenholdt 2001a, 23).

On the basis of the Finnish experience, one may say that one can find cases where regional policies in some sense, run parallel to and support local development efforts. In small localities it is often however difficult to separate the impact of different factors and groups. The same persons and institutes tend to play roles in many networks at the local, regional, national and even international levels. Actually it is this simultaneous activity on several fields that creates new approaches and innovative solutions to local problems. Mere intensity and the number of network contacts or participation, to use more traditional terms, do not guarantee results. It is more important that the networks can create common objectives and maintain relations of trust and fluent co-operation. The social relationships of actors form both the structural bases and the limit to such activities. Participation in networks and development efforts is part of the redefinition of borders that also help change local common identities (and trust is based on common identities). The quality of co-operation and the level of trust may at least then partly explain why some places are doing better than others.

One feature of Finnish policies and administration is that of the very strong tradition of sectoral divisions. In spite of some efforts to overcome sectoral borders, the results are as yet minimal in impact. Moreover, European Union programmes have perhaps even overseen the entrenchment of the powers of ministries and their sectors, as European funding is divided amongst them.

Torsti Hyyryläinen (2001) noted when writing about rural policy: "In Finland, as in many other countries, functions within society are organised primarily on the basis of specialised institutions and even the public sector is professionally highly sectorised. In a sectoral society of this kind the principal paths of communication operate in a vertical direction, from the top down. Each sector is responsible for its own results, strategies and development programmes regardless of the whole. An excessively developed sectoral administration is apt to lose its grip on society as a whole, so that in the worst case no individual feels any responsibility for the overall outcome. The sectorisation of the public administration can also be problematic for rural areas, as this administration usually plays a significant role in matters of rural policy."

In regional policies the sectoral divide is a hampering factor, as regions should be developed as wholes. This context creates a field where local and regional networking skills that are able to combine different sector agencies on regional and local levels, make a significant difference. Some local networks have become masters at running several projects in different sectors simultaneously, so that they serve local objectives. The capacity to integrate thus becomes an important factor in local development.

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List of Interviewed persons

a) Interviews in North Karelia

Mr. Markku Ahtiainen (Planning officer, Employment and Economic Development Centre for North Karelia/Labour Market Department), in Joensuu, 5 September 2001.

Mr. Tero Hakkarainen (Project manager for SampoNet project/ Vocational School of Ilomantsi), in Ilomantsi, 6 September 2001.

Mr. Pertti Jaakonaho (industrial secretary, Municipality of Ilomantsi), in Ilomantsi, 6 September 2001.

Mr. Jorma Korhonen (4H adviser, retired), in Ilomantsi, 29 August 2001.

Ms. Tiina Lakkala (project manager for Berry wine making school project, Vocational School of Ilomantsi), in Ilomantsi, 29 August 2001.

Mrs. Sirkku Leskinen (rector, Vocational School of Ilomantsi), in Ilomantsi, 30 August 2001.

Mr. Heimo Pikkarainen (Wine specialist, Vocational School of Ilomantsi), in Ilomantsi, 29 August 2001.

Mr. Terho Sirviö (EU programme officer, Employment and Economic Development Centre for North Karelia/Rural Department), in Joensuu, 5 September 2001.

Additional interviewees in North Karelia

Mrs. Reetta Kareinen (Secretary, Municipality of Ilomantsi/Rural Office), in Ilomantsi, 6 September 2001.

Mrs. Sirkka Luukkainen (Secretary, Vocational School of Ilomantsi), in Ilomantsi, 30 August 2001.

Mr. Kauko Puruskainen (Rural officer, Municipality of Ilomantsi/Rural Office), in Ilomantsi, 6 September 2001.

b) Interviews in Kainuu

Mr. Tapani Alatossava (Head of Unit, University of Oulu/Research and Development Centre of Kajaani/ Biotechnology), in Sotkamo, 19 September 2001.

Mr. Juhani Pieniniemi (Administrative manager, Municipality of Sotkamo), in Sotkamo, 19 September 2001.

Mr. Juha Puranen (Planning Officer, Employment and Economic Development Centre for Kainuu/Labour Market Department), by phone on 4 September and in Kajaani, 20 September 2001.

Mr. Vesa-Pekka Sarparanta (Executive director, Vuokatin Hiihtoputki Oy), in Sotkamo, 26 September 2001.

Mr. Taavi Tainijoki (Executive director, Kainuun Osuusmeijeri), in Sotkamo, 26 September 2001.

Mr. Jorma Teittinen (Planning officer, The Regional Council of Kainuu), in Kajaani, by phone on 11 and 20 September 2001.

Mr. Erkki Vähämaa (Municipal director, municipality of Sotkamo), in Sotkamo, 25 September 2001.

Statistical appendix

a) Basic statistics from Ilomantsi and North Karelia

	1975	1980	1985	1990	1995	2000
North Karelia	177089	176650	177567	176836	177271	171609
Ilomantsi	9144	8753	8469	8054	7832	7129

Table 1. Population in North Karelia and Ilomantsi in 1975-2000. Source: Statistics Finland, Altika.

	Economically Active population in 1998 %	Structure of jobs %
Agriculture and forestry	14,3	13,5
Manufacturing	19,7	18,7
Services	62,8	63,9
Unknown	3,2	3,9
Absolute number, total	2307,0	2208,0

Table 2. Structure of economic activities in Ilomantsi, 1998. Source: Statistics Finland, Altika and StatFin.

	Number of persons	Share of jobs %
Entrepreneurs	452	20,6
Salary earners	1741	79,4
- By type of employer		
-- state organisation	213	12,2
-- municipality	733	42,1
-- state owned company	42	2,4
-- private	752	43,2

Table 3. Social position of the active population in Ilomantsi, 1998. Source: Statistics Finland.

The Municipality of Ilomantsi	470 (permanent: 400)
Mölnlycke (surgical products for hospitals)	120
Border guard	90
Pääskynpesä (rehabilitation institution)	60
Kesla (metal factory)	40-50
Vocational school of Ilomantsi	35
Forest companies (MH, UPM, Enso)	?

Table 4. The biggest employers in Ilomantsi in 2001. Source: P. Jaakonaho, phone interview on 30 October 2001.

b) Basic statistics from Sotkamo and Kainuu

	1975	1980	1985	1990	1995	2000
Kainuu	97957	99247	99288	96957	95201	89777
Sotkamo	11647	11430	11622	11603	11477	11106

Table 5. Population in Kainuu and Sotkamo in 1975-2000. Source: Statistics Finland, Altika.

	Economically Active population 31 Dec 1998 %	Structure of jobs %
Agriculture and forestry	15,2	15,9
Manufacturing	25,1	26,6
Services	57,7	55,4
Unknown	2,0	2,1
Absolute number, total	4069,0	3804,0

Table 6. Structure of economic activities in Sotkamo, 1998. Source: Statistics Finland.

	Number of persons	Share of jobs %
Entrepreneurs	791	20,8
Salary earners	3013	79,2
- By type of employer		
-- state organisation	79	2,6
-- municipality	887	29,5
-- state owned company	65	2,2
-- private	1979	65,7

Table 7. Social position of the active population in Sotkamo, 1998. Source: Statistics Finland.

The Municipality of Sotkamo	720
Incap (electronics)	294
Aito-Maito Fin Oy (Dairy) (ownership change, new owner: Valio)	185 (during old owner) 129 (after new owner)
Mondo Minerals	143
Katinkulta (Holiday centre) (excluded 'moveable' restaurant employees)	117

Table 8. The biggest employers in Sotkamo in 2000. Source: Kainulainen (2000).

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