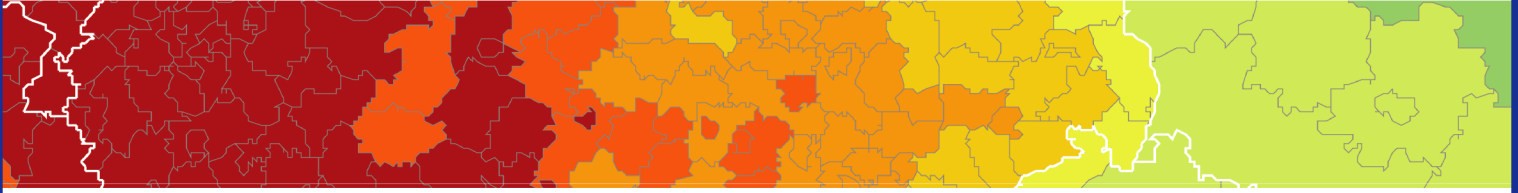


Inspire policy making by territorial evidence



ESCAPE European **S**hrinking Rural Areas:

Challenges, **A**ctions and **P**erspectives for Territorial Governance

Applied Research

Final Report – Annex 12
Case Study Juuka, North Karelia, Finland

Annex 12

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Final Report - Annex 12 - Case Study Report

**Juuka, North Karelia,
Finland**

ESCAPE
European **S**hrinking Rural Areas:
Challenges, **A**ctions and **P**erspectives for
Territorial Governance

Version 21/12/2020

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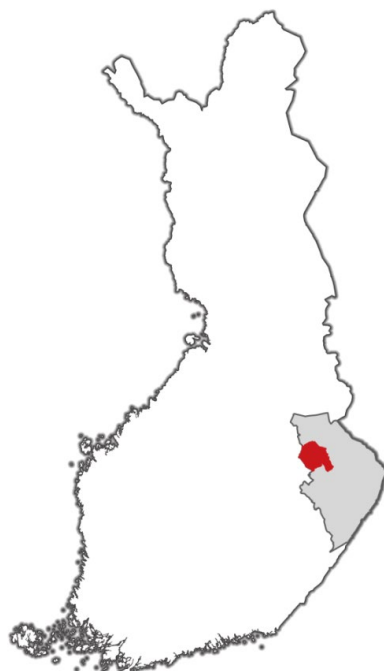
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Abbreviations

CAP	Common Agricultural Policy
CS	Case Study
EARDF	European Agricultural Rural Development Fund
EC	European Commission
ESPON	European Territorial Observatory Network
EU	European Union
ERDF	European Regional Development Fund
ESF	European Social Fund
FIN	Finland
GDP	Gross Domestic Product
ICT	Information and Communication Technology
LAG	Local Action Group
LAU	Local Administrative Unit
LEADER	Liaison Entre Actions de Development Economique Rurale
NUTS	Nomenclature of Territorial Units for Statistics
NK	North Karelia
NKSSS	North Karelian Society for Social Security
PROFECY	Processes, Features and Cycles of Inner Peripheries in Europe (ESPON 2020 Project)
RDP	Rural Development Programme
R&D	Research & Development
SME	Small and Medium-sized Enterprises

Factsheet of Juuka, North Karelia, Finland

Map 0.0: Geographical location of Juuka in North Karelia NUTS 3 unit and in Finland



CS area is shown in red, and the NUTS3 region in grey.

Name: Juuka Municipality, located in North Karelia (NUTS3 unit)

Key Indicators:

Figures refer to 2017 or 2001-2017 unless otherwise specified

Total Population (persons):	4,938
Population Density (persons/km ²):	3.2
Population Change (%):	27.4
Net Migration (per 1,000):	-130.2
Natural Change (per 1,000):	-143.2
% aged >65:	34.5
% Employed in Agriculture:	10.9
GDP (PPS) per Capita:	24,700* (2016)

* NUTS 3 data

Typologies:

- Urban–rural typology: Predominantly rural, remote region¹
- Border region: Programme area (external)²
- Typology of simple shrinkage (ESCAPE project): Population decrease 1993-2033, mostly/more pronounced in period 1993-2013; slow shrinking rate (>-0,5)

¹ According to the Eurostat's urban-rural typology including remoteness, a NUTS3 region is predominantly rural if the share of population in rural areas is higher than 50%. It is considered remote if less than half of the residents can reach a city of 50,000 inhab. driving 45 min.

² According to the Eurostat's classification of border regions, external borders refers to regions that participate in programmes involving countries outside both the EU and European Free Trade Area (based on the 2007-2013 cross-border cooperation programmes).

Executive Summary

Juuka is a remote and rural municipality in south-eastern Finland. It is one of 13 municipalities (LAU2) located in the region of North Karelia (NUTS3). At the end of 2018, Juuka had a population of 4 709 distributed over 1 800 square kilometres. This sparsely populated municipality is located approximately 85 kilometres north of the regional centre of Joensuu and 500 kilometres northeast of the capital Helsinki. The industry and construction sector are comparatively strong in the municipality, particularly the mining/processing of soapstone and metalworking as well as food processing industries.

Juuka can be seen as an archetype of a small, rural and relative remote Finnish municipality that has been facing population decline for many decades. From 1972 to 2018, Juuka's population almost halved from 9000 inhabitants to 4700. From the year 2000 to 2017, municipal population has declined by 26%. Currently, the major cause of shrinking in Juuka is ageing, with almost four times as many people dying each year as being born. Today, almost 35 percent of Juuka's inhabitants are 65 years or older. This ageing process, to a large extent fuelled by earlier out-migration processes (for industrial jobs in cities, due to unemployment as a result of mechanisation in agriculture and forestry, in search of better educational opportunities) and higher-than-today birth rates also impacts fertility and birth rates within the municipality negatively today. Juuka can thus be regarded as an example of a 'legacy' type of shrinking area as natural decrease has become the main component of population in Juuka. Nevertheless, out-migration still takes place particularly among younger age cohorts for educational or job-seeking purposes to regional centres or the capital region of Helsinki, many of whom do not return to Juuka. As such, it can also be considered an 'urbanization' type of structural demographic shrinkage.

The strong but mono-oriented industry structure in Juuka (especially soapstone mining for the production of fireplaces) has experienced decline recently, which has led to high levels of unemployment. However, population decline has been relatively constant since the 1980s and the booms and busts in this industry do not appear to have significantly affected population development. Simple and complex shrinking processes have impacted the municipality in a variety of ways, including declining tax income, oversized service infrastructure and need for adaptation/right-sizing (e.g. schools, certain types of housing etc.), declining specialist shopping opportunities, a somewhat dysfunctional housing market and increasing pressure on the social service sector due to rapid ageing.

Regarding the perception of shrinking, natural population decrease is taken as a given and acknowledged, as is the need for a realistic approach to it. There was a distinct criticism and even mistrust, a sense of being forgotten, voiced towards the national level and its purported focus on urban centres as engines of growth. A young, reform-affine municipal leadership, 'a manager for change', and the political leadership have instigated adaptational strategies including cost-saving and right-sizing. Nevertheless, Juuka also continues mitigative activities (attraction of new residents) through, for example, positive communication through social

media, events, etc., paying a symbolic 'baby bonus' of 1000€ (highest in North Karelia) and aiming to attract high-school and vocational students from Russia. Under the current mayor's leadership, and the 'Model for Juuka', the municipality itself is also increasing its own activities in the field of business and co-operation in order to respond to challenges posed by complex shrinking processes, for example by leaving the sub-regional development company and employing its own local economic development planner.

In Juuka, and Finnish rural policy circles as a whole, there is an increasing prevalence of the understanding that vitality is to be gained from something else than population growth, including soft factors such as lively socio-cultural environment and functioning leisure facilities and active civil society and third sector organization, which increase welfare and well-being for local residents. Under the conditions of population decline and decreasing financial resources to provide services, this is, however, not an easy task and approaches such as encouragement of social enterprise, inter-municipal co-operation and collaboration between the third sector and municipalities have become increasingly popular as a result.

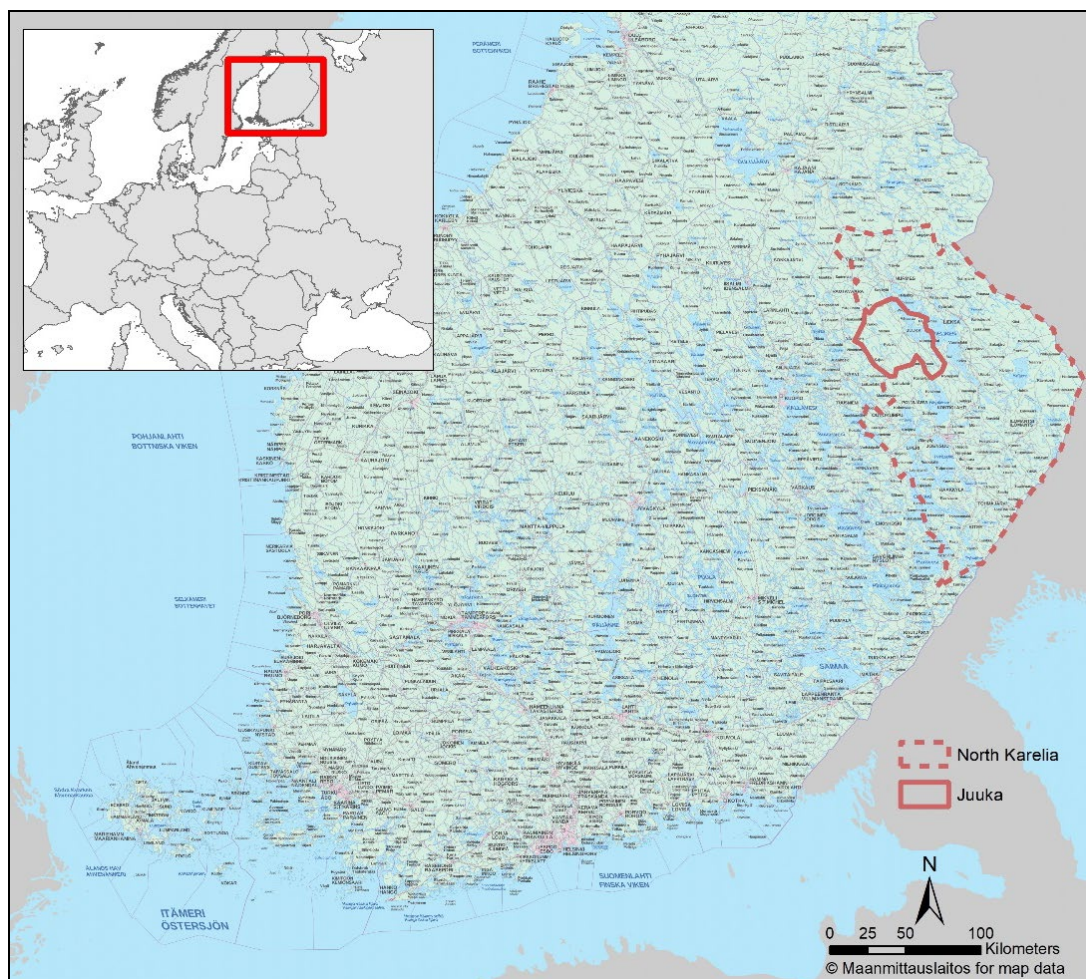
An increased emphasis on participation, social cohesion, and mitigation of climate change in EU cohesion policy in coming programming periods - and potentially changing megatrends connected to these - might strengthen the role of rural municipalities as actors and deliverers of policies and projects, who must be ready to reap the benefits. Also with regard to EU policy frameworks, funding for shrinking rural areas that is not based on a project framework could form a promising approach for tackling the reality of simple and, particularly, complex shrinkage in places such as Juuka. Another aspect that emerged was that shrinking areas are not a monolithic group and that they can have quite differentiated needs, which, in turn, calls for more tailor-made policies. EU- and national-level interventions can be deemed ineffective to provide such tailor-made policies, but they could provide an important impetus and overall framework for place-based policies developed at lower levels of policy-making.

1 Diagnosing rural shrinkage and its contexts

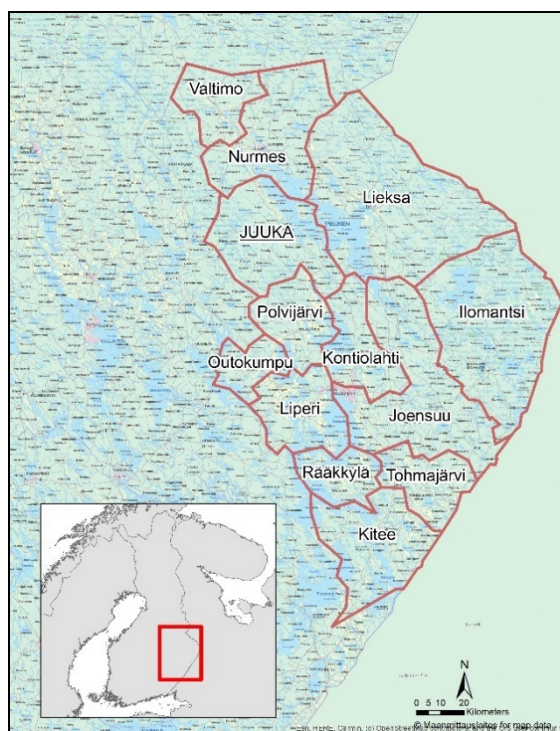
1.1 The CS area: introduction

This report examines and presents the process of shrinking in Juuka, one of 13 municipalities (LAU2) located in the eastern Finnish region of North Karelia (NUTS3) in eastern Finland (see Map 1 and Map 2). Juuka is located on the western shores of Lake Pielinen (4th largest lake in Finland) approximately 85 kilometres north of the regional centre of Joensuu and 500 kilometres northeast of the capital Helsinki. The central village Juuka is only 35 kilometres away from the forested hills and popular tourist destination of Koli, one of the most famous national parks/sceneries of Finland. The old village center of Juuka, which is called “Puu-Juuka” (Wooden Juuka) holds culture-historical significance, due to its unique architecture. The oldest buildings in Puu-Juuka are from the late 19th century. Juuka municipality also hosts a high amount of summer cottages as compared to the number of total households.

Map 1: Juuka (LAU2) and North Karelia (NUTS3) in southern Finland



Map 2: The 13 municipalities in North Karelia (JUUKA is capitalised)



The municipality of Juuka covers an area of approximately 1 800 square kilometres, 1 500 of which are land and 300 are water. At the end of 2018, Juuka had a population of 4 709 and was home to 2513 households. With a population density of 3.13 persons per square kilometre, the municipality of Juuka can be described, even by Finnish standards, as an extremely sparsely populated area. In addition to the central locality of Juuka (population approximately 3200), the municipality contains 20 small villages: Ahmovaara, Halivaara, Kannas, Kajoo, Kelosuo, Kuhnusta, Larinsaari, Matara, Nunnanlahti, Paalasmaa, Petrovaara, Pihlajavaara, Polvela, Puu-Juuka, Raholanvaara, Timovaara, Tuopanjoki, Vaikko, Vihtasuo ja Vuokko.

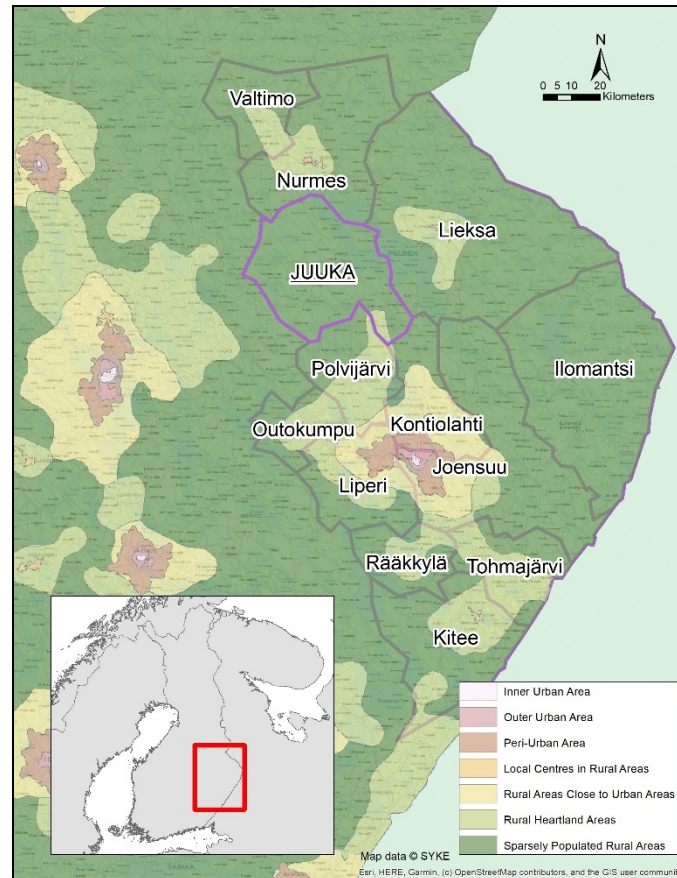
In terms of economic activities, an important business operating in the municipality is the mining and processing of soapstone for the production of fireplaces. Two fireplace-producing companies are located 13 kilometers from the center of Juuka village, close to their soapstone quarries. There is also a comparatively large foodstuff production facility owned by Nestle (Puljonki). Puljonki Oy is also the largest corporate income taxpayer in Juuka, followed by the local co-operative bank and the producer of soapstone fireplaces Nunnanlahden Uuni Oy³. Puljonki has recently invested heavily in its production facilities and employs a relatively young workforce.

³ Source: <https://yle.fi/uutiset/3-6912978>).

1.2 The CS area in the contexts of territorial classifications

Juuka is a Finnish local administrative unit (municipality) within the NUTS 2 region of Northern and Eastern Finland and the NUTS3 region of Pohjois-Karjala (North Karelia). It is one of 311 municipalities in Finland (as of 2018). In terms of EU territorial classifications, the municipality is classified as being a predominantly rural, remote region. Also, within the more detailed urban-rural classification produced by the Finnish Environment Institute, which is based on grid data and divides the Finnish territory into seven regional classes (3 urban classes and 4 rural classes)⁴, Juuka is classified as entirely rural. According to this classification, the share of persons living in 'sparsely populated rural areas' is 95,3% and the share of persons living in 'rural heartland' areas is 3,3% (Tilastokeskus 2019). This classification, provided by the Finnish Environment Institute, is presented in Map 3 for North Karelia and Juuka. The rural heartland areas of Juuka are in the southeastern parts of the municipality.

Map 3: Finnish urban-rural classification in eastern Finland (source of map data: Finnish Environment Institute)



⁴ The seven regional classes are 1. Inner urban area 2. Outer urban area 3. Peri-urban area 4. Local centres in rural areas 5. Rural areas close to urban areas 6. Rural heartland areas 7. Sparsely populated rural areas. For more information, see https://www.ymparisto.fi/en-US/Living_environment_and_planning/Community_structure/Information_about_the_community_structure/Urbanrural_classification

Table 1: The CS area in the contexts of territorial classifications

Classifications	Positioning of the case study area
Name	Juuka
Scale and role in national administration (Y/N and level)	Local Administrative Unit (Municipality)
NUTS 3 unit covered by the CS area	FI1D3 - North Karelia
Regional typologies	
Urban–rural typology	Predominantly rural, remote regions
Coastal regions	Other region
Mountain regions	Other region
Island regions	Other region
Sparsely populated regions	Other region
Border regions	Programme area (external)
Inner peripheries (ESPON PROFECY)	Access to regional centres, interstitial
Shrinkage typology (ESPON ESCAPE)	
Typology of simple shrinkage (NUTS3)	Population decrease 1993-2033, mostly/more pronounced in period 1993-2013; slow shrinking rate (>-0,5)
Typology on structural demographic shrinkage	Urbanization/Legacy

Source: Eurostat; ESPON

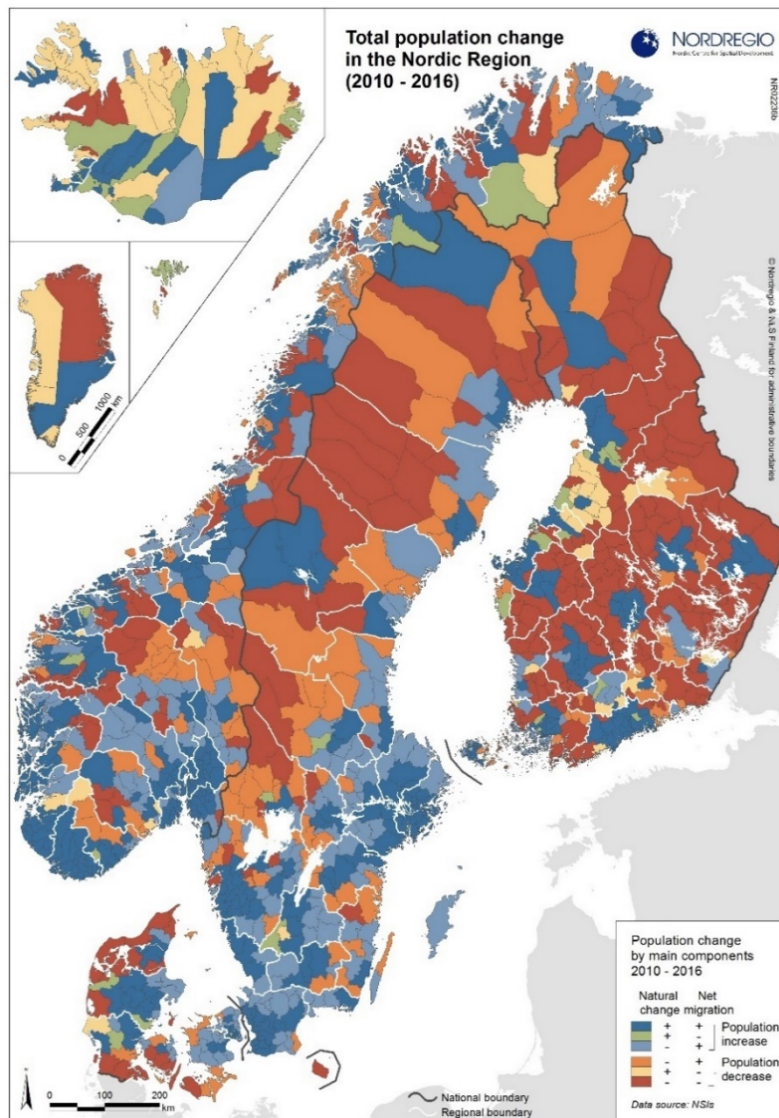
In EU classifications dealing with territorial specificities, The NUTS3 region of North Karelia, and thus the municipality of Juuka, is identified only as a border region. North Karelia indeed shares an external EU border with the Russian Federation. However, Juuka is not directly located at this border and distances to the nearest border crossing points are long (approx. 150km to the Niirala crossing point; approx. 180km to the Vartius crossing point). As a result, interaction with Russia both in economic and social terms can be regarded relatively negligible, except the influence of cross-border tourism (particularly in relation to nearby Koli national park). Within the ESPON PROFECY typology, Juuka is classified as an interstitial area with poor economic potentials and a poor socio-economic situation.

Population decline has been a long-standing issue in Juuka. Out-migration and natural decrease has continued for so long and to such an extent that it has led to accelerated rates of ageing, high age dependency ratios and a dwindling part of the population in the reproduction age, which in turn leads to a falling birth rate. Juuka can therefore be regarded as an example of a 'legacy' type of shrinking area. Out-migration particularly has taken place, and still is, among younger age cohorts for educational or job-seeking purposes to regional centres or the capital region of Helsinki. Many of them do not return to Juuka. As such, it can also be considered an 'urbanization' type of structural demographic shrinkage.

1.3 The case study area against the region, the country and the macro-region

Juuka can be seen as an archetype of a small, rural and relative remote Finnish municipality that has been facing population decline for many decades. Compared to the 1960s, when population numbers in such municipalities has been generally the highest, Juuka has lost around half of its population. In terms of demographic development, Juuka as such does not exhibit particular specificities. As visible from Map 4 below, a similar situation, negative natural change coupled with a negative migration rate (for details, see section 1.4.1) exist in many other municipalities in Finland and Sweden, and to a lesser extent in Norway and Denmark. The stark contrast between urban and rural areas in Finland are clearly visible in the map.

Map 4: Population changes in the Nordic region 2010 – 2016 (Source: Nordregio)



It does not come a surprise that compared to the regional, national and EU situation, negative population development has been much more pronounced in this small municipality. Juuka and its surrounding NUTS3 and NUTS2 regions had percentage decreases of -26, -5 and -1.5 percent from the years 2000 to 2007 respectively, whereas Finland has had a percentage increase of 6.5 percent and the EU percent over the same time period.

Table 2: Basic demographic and socio-economic trends behind rural shrinkage

Indicators	Spatial level	Case study area (if available)	NUTS 3	NUTS 2	NUTS 0, Country	EU28
	Name	Juuka	Pohjois-Karjala	Pohjois- ja Itä-Suomi	Finland	European Union
	Code	176	FI1D3	FI1D	FI	EU28
Total population on 1 January – persons	2000	6677*	172,551	1,315,432	5,171,302	487 million
	2017	4938**	164,085	1,296,023	5,503,297	511 million
Population change between 2000 and 2017 ([Population 2017-Population 2000] / Population 2000 * 100) – percentage	2000–2017	-26	-4.91	-1.48	6.42	4.95
Population density – persons per km²	2000	4.4	9.70	6.40	17.00	111.90
	2017	3.2	9.20	6.40	18.10	117.70
Total fertility rate – number	2000	-	1.77	1.92	1.73	1.46
	2017	-	1.44	1.63	1.49	1.59
Net migration rate (Net migration 2000–2017 / Population 2000 * 100) – percentage	2000–2017	-11,5***	-1.90	-2.87	4.14	4.54
Population projection (EUROPOP2013) – persons	2020	4514	166,028	1,306,193	5,618,874	512 million
	2030	3724	165,296	1,306,004	5,880,875	518 million
	2040	3210	160,443	1,284,838	6,057,564	524 million
	2050		154,669	1,250,678	6,160,993	526 million
Working age population (15-64 years old population / Total population *100) – percentage	2000	62,9	65.42	65.70	66.93	67.09 (2001)
	2017	54,8	61.46	61.13	62.86	64.98
GDP per capita – purchasing power standard	2000	-	17,000	18,400	23,400	19,800
	2016	-	24,700	26,400	31,800	29,300
GDP per capita – PPS in percentage of EU28 average	2000	-	85	93	118	100
	2016	-	84	90	109	100

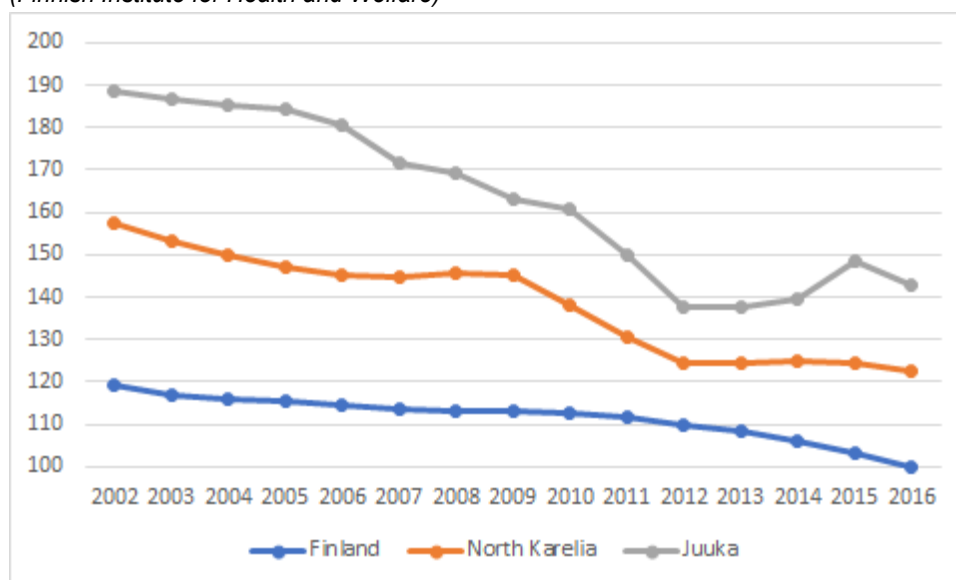
Convergence of GDP per capita to the EU28 average (1 + [GDP per capita 2016 - GDP per capita 2000] / GDP per capita 2000)	2000–2016	-	0.99	0.97	0.92	1.00
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Source: Eurostat, Regional statistics by NUTS classification (see table names above) * 31.12.1999; **31.12.2016; ***Net migration rate between 2001 – 2017 in Juuka

Population density within these areas has changed in line with population dynamics over these years, with Juuka experiencing a pronounced drop over the time period as compared to the larger territories. Also, with regard to the other demographic indicators, Juuka generally shows a more pronounced decline in comparisons to national, macro-regional and European contexts. Municipal data on GDP is not available.

One aspect that Juuka sticks out negatively in a national context is health. According to data from the Finnish National Institute for Health and Welfare, Juuka belongs to the worst 10% of municipalities with regard to the morbidity index of the Finnish National Institute for Health and Welfare. Common diseases include cardiovascular and neurovascular diseases, musculoskeletal disorders and dementia. Some interviewees also indicated that Juuka also has a higher than average rate of disabilities.

Figure 1: Age-standardised morbidity index between the years of 2002 – 2016. Source: Institute for Health and Welfare (THL) regional differences that do not depend on differences in age structure. (Finnish Institute for Health and Welfare)



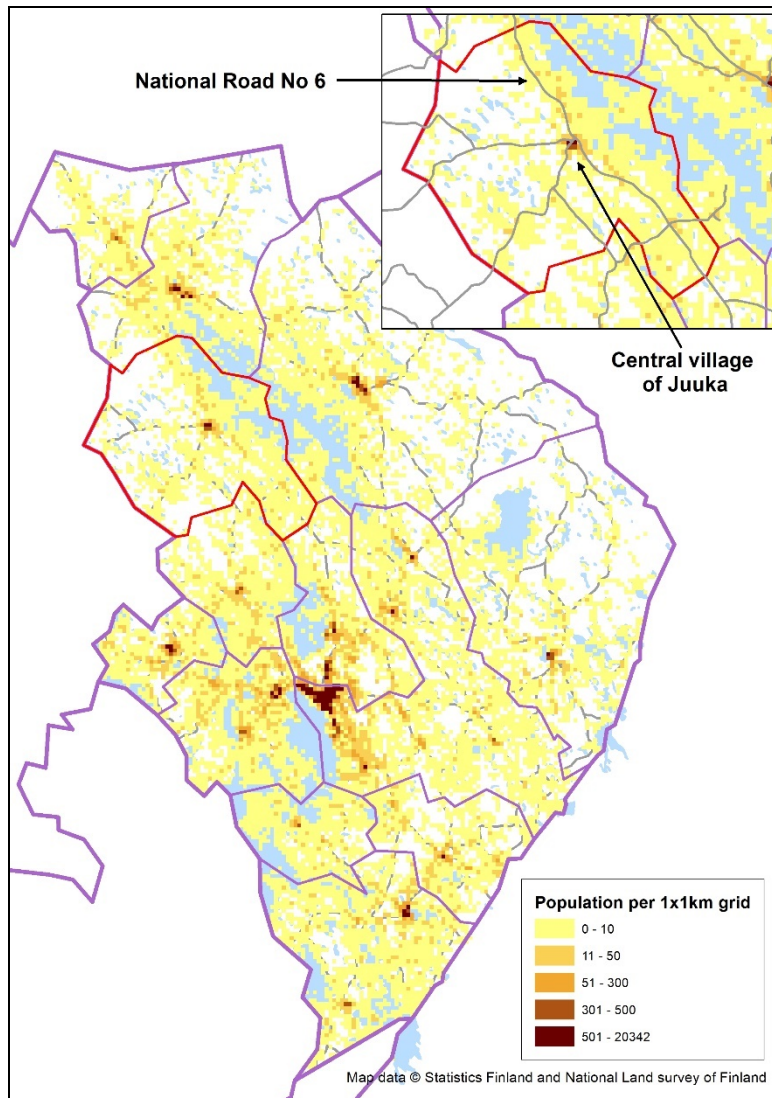
Note: The THL index describes morbidity in a specific municipality or region in relation to the whole country's morbidity. It takes into account seven different groups of diseases and four different aspects of weighting to evaluate the significance of diseases. For the last year in the times series, the value of the index is 100 for the whole country. The age-standardized index describes those

1.4 Characteristics and contexts of the shrinking process in the CS area

1.4.1 Characteristics of the CS area along demographic criteria (Simple shrinking)

Map 5 below visualizes the distribution of population in the NUTS3 region of North Karelia and the municipality of Juuka. As can be seen, the major part of the population in Juuka is concentrated in the central locality/village. However, population is also distributed along the shores of Lake Pielinen and the National Road No 6 as well as along the other main roads within the municipality. Significant areas in the western part of the municipality are void of any resident population.

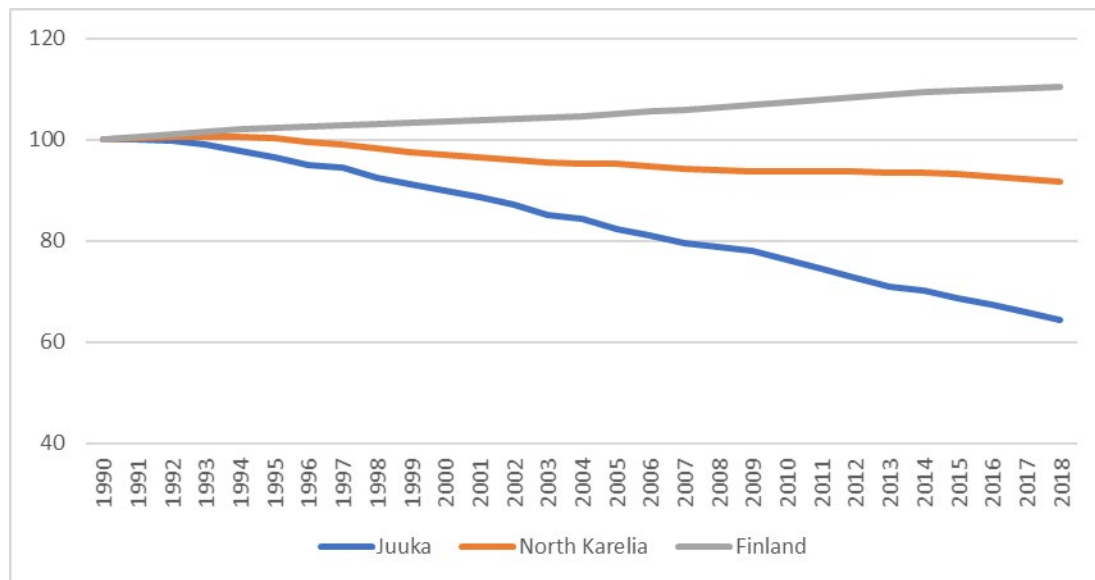
Map 5: Population per 1x1km grid in North Karelia (zoom-in map for Juuka municipality)



Juuka has experienced population decline for many decades. From the year 2000 to 2017, municipal population has declined by 26%. From 1990 to 2017, the respective decline was

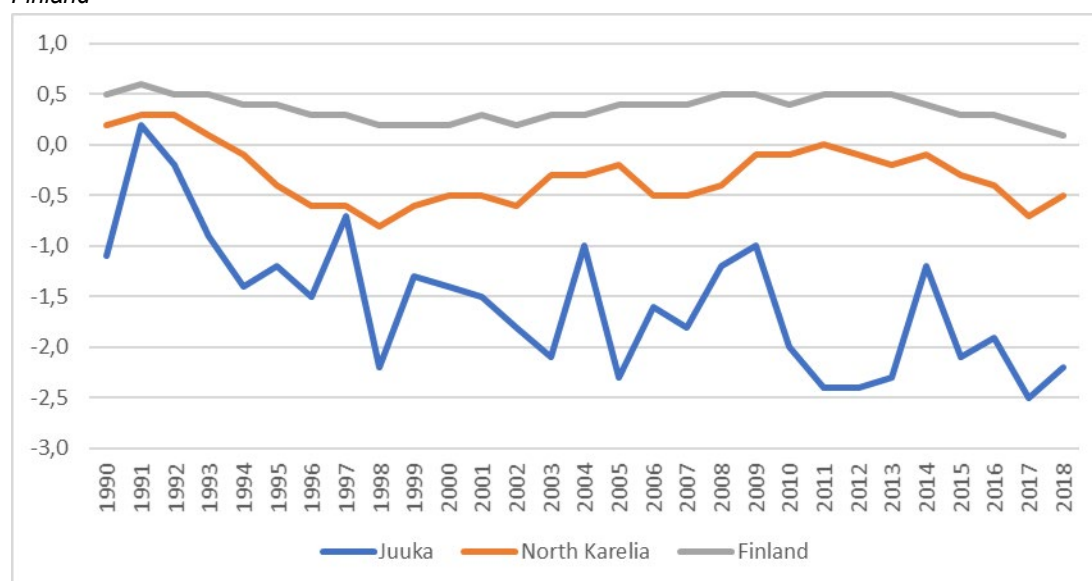
34%. From 1972 to 2018, Juuka's population almost halved from almost 9000 inhabitants to 4700. As can be seen from Figure 2 below, Juuka has experienced a relatively rapid and continuous decline as compared to its NUTS3 region (-8%) and Finland as a whole (+10%), which has in fact grown significantly in terms of population numbers.

Figure 2: Population numbers 1990 – 2017 for Juuka, North Karelia and Finland. 1990 = 100. Source: Statistics Finland



As can be expected from a municipality with a relatively small population size, annual fluctuations in population change are quite strong in Juuka as compared to North Karelia and Finland as a whole. As can be seen from Figure 3 below, the trend in Juuka has been towards a growing rate of population decline. The average rate of population change in Juuka during the 1990s was -1.0% (NK -0.2%; FIN +0.4%). The average rate of population change during the 2010s in Juuka was already at 2.1% (NK -0.3%; FIN +0.4%)

Figure 3: Percentage change in the population in Juuka, North Karelia and Finland. Source: Statistics Finland



Population projections until 2040/2050 reflect this population trend in the different types of territories/regions. Juuka is projected to lose 29% of its population between 2020 and 2040. Population loss within the surrounding NUTS3 region of North Karelia and NUTS2 region of Northern and Eastern Finland is projected to be 3.4% and 1.6% respectively during the same time period. Finland is predicted to have a population gain of 7.8% and the EU28 as a whole 2.3%. (Source: Statistics Finland)

As to the components of population development, natural increase has been continuously negative in Juuka since 1990. During the last couple of years, annually around 25 babies were born in the municipality, whereas around 95 persons died each year. This means that the number of births was not able to compensate for the number of deaths. As can be seen from the linear trend line for natural increase, the amount of deaths has continuously increased over the amount of births. Whereas natural increase during the 1990s was on average -28 persons, the average for the 2010s (until 2018) was already -65. In addition, total net migration in Juuka (see Figure 4) has been negative between 1990 and 2017, except for the years 1991 and 1992. Negative net migration peaked in 1998 and 2005 when over a 100 more people left the municipality than moved in. The negative trend in total net migration appears to have evened out from 2011 onwards. In 2019, Juuka is expected to have a positive net migration rate for the first time in years (Interview 1).

Figure 4: Natural increase and total net migration in Juuka. Source: Statistics Finland

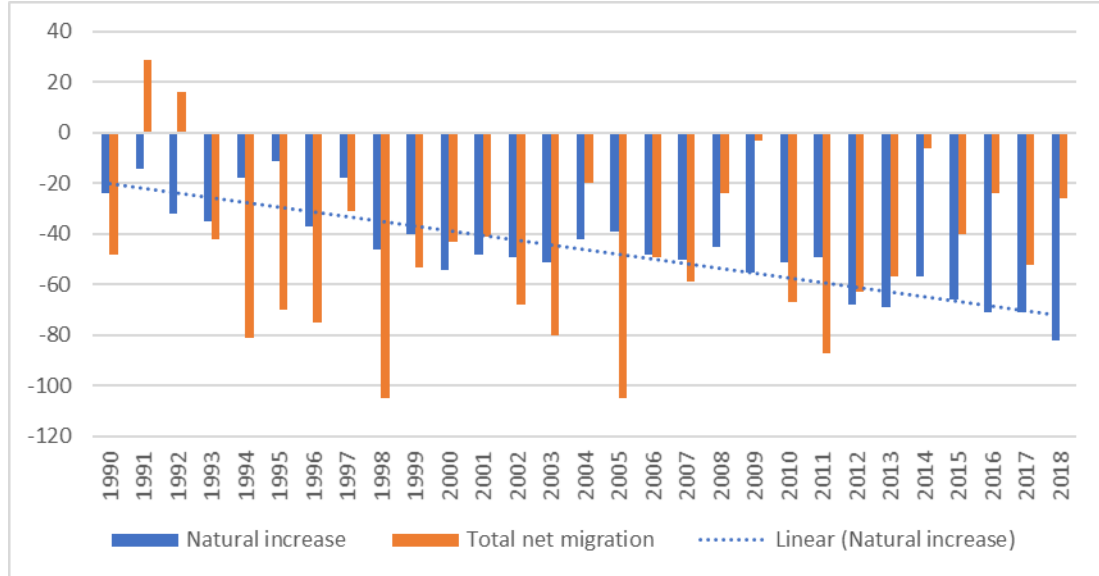
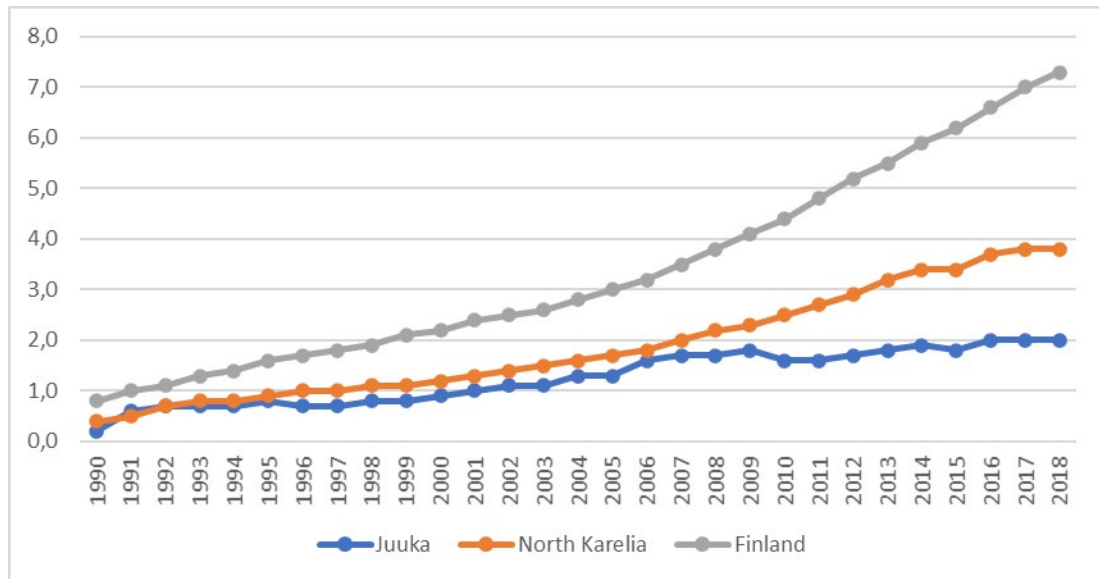


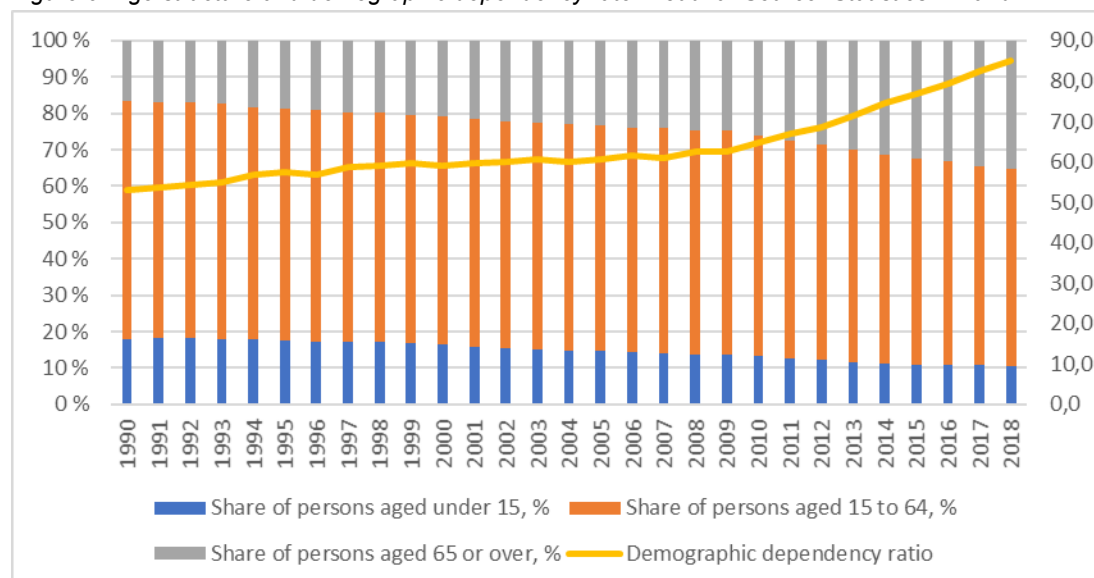
Figure 5: Percentage share of persons with a foreign background in Juuka, North Karelia and Finland. Source: Statistics Finland.



Migration from other countries does not play a significant role in Juuka's demographic development as the municipality has experienced just a very modest increase in immigration from abroad. As can be seen from Figure 5, the share of persons with a foreign background has increased in Juuka from 0.4% in 1990 to 2.0% in 2018. This share is lower than in the region of North Karelian and significantly lower than the share in Finland as a whole. From 2007, the municipality has not managed to increase its share of persons with a foreign background significantly. In fact, the gap between Juuka and North Karelia as well as Finland has widened with regard to this variable in the recent past. It is also interesting to note that of the 13 North Karelian municipalities, Juuka has the 5th lowest share of persons with a foreign

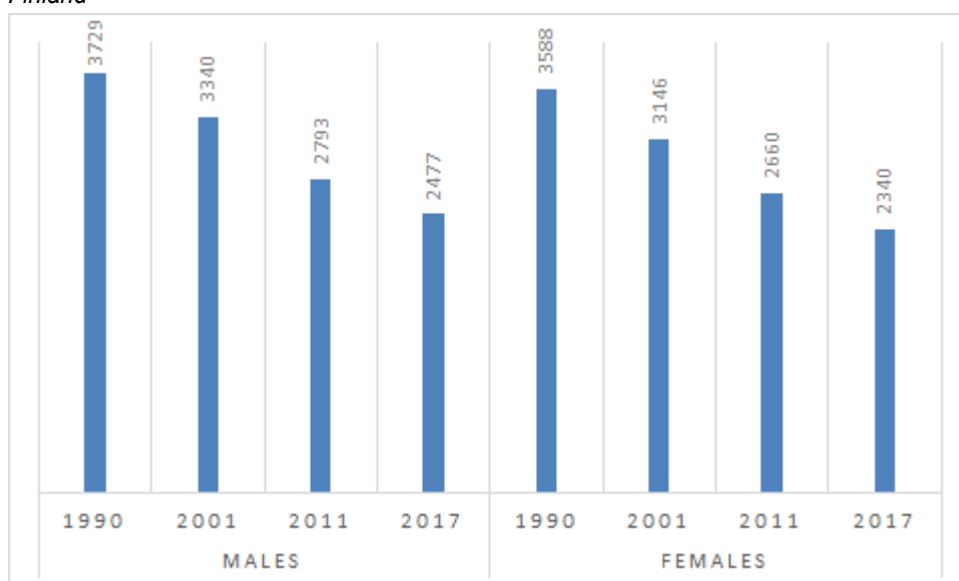
background. The majority of in-migrants from abroad have their origins in Russia, Estonia, Poland, Vietnam and Thailand and work in the industrial sector; their employment rate is currently around 100 percent (Interview 1). A large share of Juuka residents from Russia are in fact women who are in a marriage with a Finnish man and therefore moved to Finland.

Figure 6: Age structure and demographic dependency rate in Juuka. Source: Statistics Finland



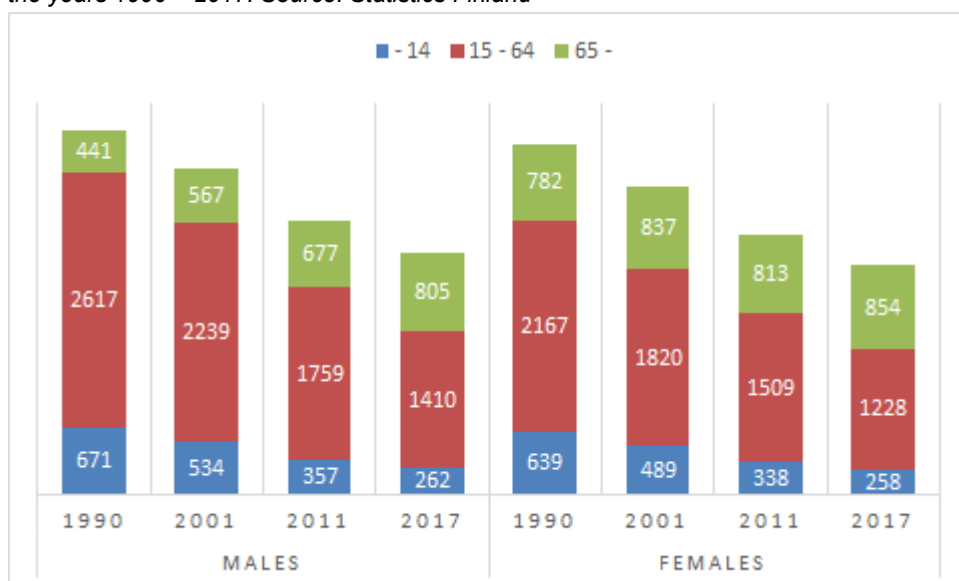
Population decline has had significant effects on the age structure of Juuka municipality. As can be seen from Figure 6, the age structure is becoming heavily skewed towards the older age cohorts. Whereas the share of persons aged under 15 was 17.9% in 1990, the corresponding number in 2018 was only 10.6%. On the other side of the age pyramid, the share of persons aged 65 or over has rapidly increased from 16.7% to 35.3% over the same time period. This trend has resulted in an increasing demographic dependency ratio, which is depicted by the line graph on the secondary axis. The year 2009 appears to be a watershed year from whereon the ageing process in Juuka has accelerated rapidly.

Figure 7: Number of males and females in Juuka between the years 1990 – 2017. Source: Statistics Finland



Over the observation period, the gender balance in Juuka has been characterised by an overrepresentation of males. However, as can be seen in Figure 7, population decline has been more or less the same among both genders between the years 1990 and 2017. In 1990, the gender balance was 0.96 females per one male in Juuka municipality. In 2017, the respective number was 0.94. Juuka differs from the national picture, since between the years 1990 and 2017 gender balance in Finland has been characterised by an overrepresentation of females, which however decreased from 1.06 females per male in 1990 to 1.027 in 2017.

Figure 8: The overall number of males and females in age groups (-14, 15-64, 65-) in Juuka between the years 1990 – 2017. Source: Statistics Finland



Interesting variations in gender balance can be seen in Figure 8, in which the population in Juuka has been divided by gender and by distinct age groups. Among the age groups 0-14 and 15-64 there is a male majority over the observation period. In the working age group 15 – 64, gender imbalance (more males than females) is particularly pronounced. Over the years, this imbalance has become smaller (from 0.83 females to one male in 1990 to 0.87 in 2017). The older age cohorts are characterised by a significant majority of the female population. As can be seen from Figure 8, in 1990 Juuka’s gender balance among the population in the age group 65 or older has been as high as 1.77 females to one male. Interestingly, female dominance in this age group has decreased dramatically over the observation period as in 2017 the female dominance decreased from 1.77 to 1.06.

1.4.2 Characteristics of complex shrinkage of the CS area

Shrinking processes in Juuka are the result of the interplay of socio-economic and demographic processes. Complex shrinking, understood as “economic, infrastructural and institutional decline” (ESCAPE Inception report, p13) is evident in a number of processes underway in the municipality of Juuka.

In terms of the overall economic structure within the municipality, Juuka shows the hallmarks of a small, rural and remote municipality. The primary production sector is with approximately 11% still relatively strong in Juuka as compared to the national and regional situation (see Table 3), which is partially due to the importance of the forestry sector as an employer. With approximately 59%, the service sector is less developed as a source for employment than in more central places and the region/country as a whole. The industry and construction sector are comparatively strong in the municipality, particularly the mining/processing of soapstone and metalworking as well as food processing industries. However, economic restructuring processes are clearly evident in the numbers in Table 3 below. Growth of the service sector and a decline of the industry and construction sector as well as primary production is clearly evident. An important element in this shift has been the declining number of jobs available at the comparatively large soapstone producing companies. Tulikivi, for example, employed about 1000 persons in 2008. After several layoffs, the number of employees has decreased to currently around 100 persons (Interview 1). This decrease is particularly damaging to Juuka’s development as these jobs came with relatively high salary levels. In addition, many of those laid off became long-term unemployed or have entered early retirement rather than being re-employed somewhere else.

Table 3: Employed labour force by Industry in Finland, North Karelia and Juuka (source: Statistics Finland)

	2011	2017
Finland		
<i>Primary production</i>	3,5	2,9
<i>Industry and Construction</i>	22,1	21,1
<i>Services</i>	73,1	74,8

North Karelia		
Primary production	7,3	5,6
Industry and Construction	23,0	22,9
Services	68,0	70,2
Juuka		
Primary production	13,4	10,9
Industry and Construction	34,2	28,5
Services	50,5	58,8

Restructuring processes are also evident in the employment and unemployment figures in Juuka. Unemployment has been a persistent problem in Finland as a whole already since the economic recession during the early 1990s, but smaller, remote municipalities, particularly in eastern Finland, have been disproportionately affected.

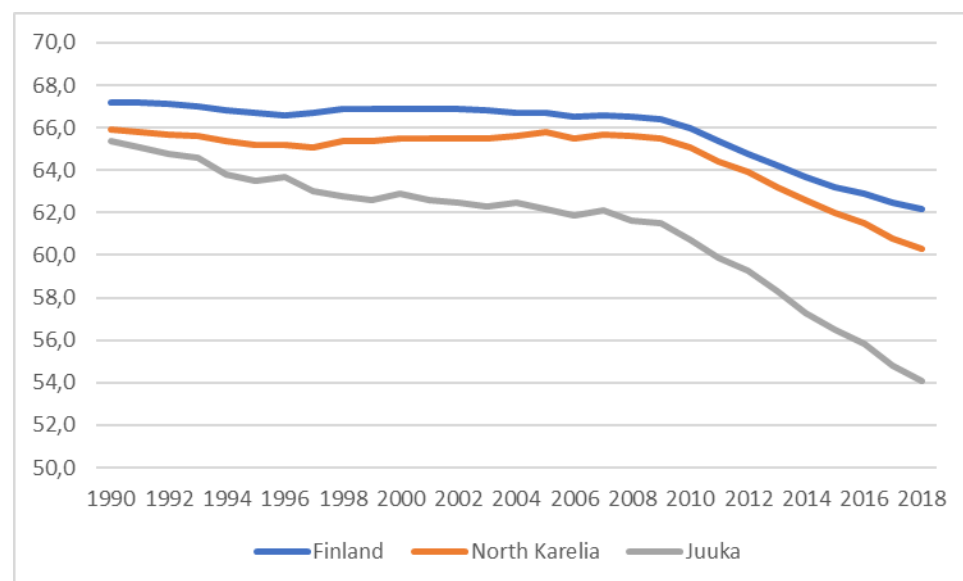
Table 4: Employment (E.r.%) and Unemployment rate (Un.r.%) in Finland, Juuka and North Karelia, %, 1990 – 2017 (source: Statistics Finland)

	1990		2001		2011		2017	
	E.r.%	Un.r.%	E.r.%	Un.r.%	E.r.%	Un.r.%	E.r.%	Un.r.%
Finland	72,5	5,7	67,2	12,4	69,9	9,8	70,5	11,3
Juuka	62,5	11,6	55,1	22,1	58,3	15,3	58,2	19,1
North Karelia	65,2	9,8	57,9	19,6	62,2	14,8	63,5	16,1

As can be seen from Table 4, Juuka's employment rate has been significantly lower than the employment rate of Finland as a whole over the entire observation period and somewhat lower than that of the surrounding region of North Karelia. High levels of unemployment play an obvious role in this. Unemployment in Juuka is as such not a new phenomenon as the municipality had relatively high levels already in 1990, which increased over time to the levels experienced today (around 19%). Typical for a small municipality with a small and isolated labour market, Juuka has, despite having high levels of structural and long-term unemployment, many open positions that businesses find difficult to fill with employees possessing the right skills. This is also a result of the declining pool of people in working age, which is the result of quite a dramatic decline of the ratio of people in working age in total population.

The graphs presented in Figure 9 visualise this trend well. The gap between the trend in Juuka on the one hand and regional/national trends on the other has been increasingly evident since the early 1990s. Ageing, and thus a reduction of the number of people in working age, started to accelerate particularly from around 2008 onwards. As a result, the economic dependency ratio is very high in Juuka being 224.8 in 2017. This compares to a national dependency rate that is almost half of that (136.8).

Figure 9: Ratio of working age (15-64 y.o.) population (%). Source: Statistics Finland



Also in small and remote places such as Juuka, the level of education a person possesses increasingly influences his/her chances of employment.

Table 5: Share of persons aged 15 or over with and without upper secondary qualification and share of persons aged 15 or over with tertiary level qualification in Finland, North Karelia and Juuka in the years of 2011 and 2017, % (source: Statistics Finland)

		Share of persons aged 15 or over without upper secondary qualification, %	Share of persons aged 15 or over with at least upper secondary qualification, %	Share of persons aged 15 or over with tertiary level qualification, %
2011	Finland	32.3	67.7	28.2
	North Karelia	32.8	67.2	22.8
	Juuka	44.3	55.7	14.5
2017	Finland	27.9	72.1	31.0
	North Karelia	27.7	72.3	25.6
	Juuka	37.9	62.1	16.4

Statistics reveal some interesting disparities in terms of educational levels, especially between the municipality and its surrounding NUTS3 region. As can be seen in Table 5, Finland as a whole and the region of North Karelia are similar with regard to the levels of upper secondary qualification. The most significant difference can be seen in the share of tertiary level of education, where North Karelia falls behind the national average. The contrast between Juuka and both Finland and North Karelia is considerable. Juuka exhibits quite significantly lower levels of education. That being said, Juuka has managed to narrow the gap during the observation period as the share of persons aged 15 or over with at least upper

secondary qualification has increased by 6.4 percentage points between 2011 and 2017. Particularly with regard to the share of persons with tertiary level qualification, Juuka's performance is substantially lower than the national and regional level. Even though Juuka has managed to raise its overall share of people with tertiary level of qualification, the gap between Juuka and the surrounding area has increased by a couple of percentage points over the observation period.

A major structural problem in Juuka, and similar municipalities in Finland, is the difficulty for well educated women to find a job. In a Finnish setting, where generally both parents work, this makes it difficult to attract young families with children to the municipality (Interview 1)

1.4.3 Broader socio-economic contexts of shrinkage which may drive shrinking

As has been mentioned before, Juuka represents an archetypal small, shrinking municipality in Finland. Municipalities with similar features and comparable shrinking processes can be found all over the country. Currently, the major cause of shrinking in Juuka is ageing, with almost four times as many people dying each year as being born. This ageing process, to a large extent fuelled by earlier out-migration processes and higher-than-today birth rates also impacts fertility and birth rates within the municipality negatively today.

Nevertheless, there are some additional broader contexts that influence simple and complex shrinking processes to various extents.

In a European context, Juuka can be characterised as very peripheral. The next larger town (Joensuu) is over an hour away by car. Public transport connections only exist in the form of buses and connections to and from Juuka with this mode of transport are rather infrequent. There are no direct bus connections to the city of Kuopio. Daily commuting for work purposes to Joensuu and Kuopio is not a viable option for the majority of population, although working outside the municipality of residence appears to have become slightly more popular over the years.

Table 6: Commuting in Juuka between the years of 1990 – 2017. Source: Statistics Finland

Juuka	1990	2001	2011	2017
Persons working outside their municipality of residence	242	219	278	300
Persons working in their municipality of residence	2608	1898	1538	1183

Note: Due to the employment pension reform, the lower age limit of employed persons rose in 2005 from 15 to 18 in the employment statistics. The change is visible as a fall in employment of young people and a rise in the number of students.

The closest city of Joensuu (municipal pop. 75 000) itself is a small town in a European comparison, but it serves as the regional centre providing a broad range of services (regional

hospital, airport, train station, higher-level education facilities including university, regional and state administration services, etc.). Juuka is just off the national road (National Road no 6) connecting south-eastern Finland with northern Finland and the cities of Joensuu and Kajaani/Nurmes. As such, it is, in terms of road transport, in a relatively good position as compared to, for example, cul-de-sac municipalities on the Russian border such as Lieksa or Ilomantsi.

Remote working has been identified as a possible solution for retaining existing and even attracting new residents to remote, rural municipalities. For this, good information and communication infrastructure must be in place. For a remote and rural community, the availability of fixed broadband in Juuka is relatively good at slower speeds. However, coverage for very high speeds (above 300 Mbit/s) is not developed. The table below presents the availability of different download speeds via fixed broadband in terms of percentage of households covered.

Table 7: Fixed broadband availability in Juuka (percentage of households covered), 2018 (Source: Traficom)

Fixed broadband in Juuka municipality	Download ≥ 2 Mbit/s	Download ≥ 10 Mbit/s	Download ≥ 30 Mbit/s	Download ≥ 100 Mbit/s	Download ≥ 300 Mbit/s	Download ≥ 1000 Mbit/s
Percentage of households	80 %	76 %	48 %	47 %	0 %	0 %

The mobile network, and as such mobile data connections, are excellent in Juuka municipality. In 2019, 100% of households were covered by a basic 4G mobile network, 92% were covered by 4G 30 Mbit/s network and 65% by high-speed 4G 100 Mbit/s networks (Source: Traficom). As such, relatively fast internet connections can also be established without access to fixed broadband in the municipality.

In Juuka, all basic municipal services are provided, which include day care, basic education to high school level, elderly care, the library and sports as well as youth services.

There are two kindergartens in the central locality of Juuka, both located within refurbished old wooden building in the historic Puu-Juuka district. In addition, there is a group crèche organized in the village of Ahmovaara and the municipality supports the organization of family day care.

Figure 10: Kindergarten located in refurbished old wooden buildings in Puu-Juuka (© Juuka municipality)



An important factor for a municipality such as Juuka to attract or retain young families with children is the provision of educational opportunities and network of schools. However, in a vicious circle, the rapid population decline that has affected the municipality has, in turn, a significant impact on the ability of the municipality to provide local education services, particularly for the more remote villages of the municipality. In 2011, five primary schools and one secondary school were located in the municipality. As a result of financial cutbacks, a decreasing number of children at school age and the poor condition of some of the local schools, two of the five schools have since been closed permanently (the school in the village of Kajoo was closed in 2015 and the village school in Ahmoavaara in 2018). This meant that the students of Ahmoavaara school were relocated to the primary school in Nunnanlahti. However, a significant number of parents of former students chose to move their children to Koli, which is located in the neighbouring municipality of Lieksa. Recognizing the problem of long school trips, the municipalities of Juuka and Lieksa entered a contract in order to facilitate this.

The two remaining village schools, in Nunnanlahti and in Vihtasuo, will be closed in the imminent future. This is because local policymakers have made the strategic decision that all primary education will be centralized in the central village of Juuka itself. The school of Poikola, located directly in the village of Juuka, has also been affected directly by population decline. During the years 2012/2013, the school had approximately 400 students which has since decreased to around 290 students in 2019/2020. This was despite the fact that students from closed village schools were relocated to the school of Poikola. In any case, the municipality has decided that by the year 2022 all primary education will be centralized in the newly built school property in the village of Juuka, resulting in longer school trips for pupils living in more remote parts of the municipality.

There is also a health and social care centre serving the municipal residents. This service used to be provided by the municipality itself, but it has now been transferred to a regional

joint municipal authority that has been set up by the 13 North Karelian municipalities for the delivery of social and health care services. This had been done in anticipation of a looming regional and social/health care reform and in order to achieve economies of scale against the background of rising costs in this sector. Kela, the Social Insurance Institution of Finland, a government agency that provides basic economic security for Finnish citizens/residents, also operates a contact point in the municipality. This is, however, not a full-fledged Kela office and provides only limited services. The police station in Juuka was closed in 2014 as a result of budget cuts at the state level.

In a retail study prepared for the Regional Council of North Karelia, it was found that Juuka's retail sector in 2012 consisted of six grocery stores, two stores with a broad selection of groceries and other products, 12 specialist shops, two car dealer ships and four petrol station. The study states that the coverage of specialist shops is relatively weak in Juuka (Pohjois-Karjalan maakuntaliitto 2015). According to the interviews, a number of specialist shops have closed in the municipality. The proliferation of online shopping has further contributed to a decline in shopping facilities over the last years.

Juuka has a relatively lively and comparatively large civic sector for being a somewhat small municipality. There are multiple civic societies in Juuka, which differ from another a lot by member count and area of interest. The oldest association that is still in operation is Juuan Työväenyhdistys ry (Juuka workers' association), which was founded in 1921. Civil associations work in a variety of fields. For example, there are 21 village associations in the municipality: every village has its own association, which focuses on promoting local well-being. On top of that, there are some associations that concentrate on enhancing local culture. For example, culture organizations such as Karaoke Club Juuka and Vuokonjärven kesäteatteri (Vuokonjärvi summer theatre) are considered to be important contributors to cultural and community life in Juuka. Another example for municipal civic societies are *Martat*, which promote well-being of families and upholds traditions in household economics. There are several Martta associations located in different villages across the municipality.

1.5 Governance framework

In the following, the institutional and governance framework with regard to shrinking is presented. It should be kept in mind that some institutions/organisation may have more direct impact on simple and complex shrinking, whereas others only have an indirect impact, for example by strengthening the civil society base, and as such the attractiveness, of Juuka as a municipality.

Local level public institutions

Juuka municipality, the locality and its organisation, is embedded within the Finnish administrative structure, which is characterised by a bipolar system of strong municipalities and strong central government. In Finland, 311 municipalities carry out a wide range of

functions and have been traditionally responsible for the provision of social welfare and health care services and also for education and culture services. Municipalities also provide environmental and technical infrastructure services. The specific responsibilities and tasks are laid down in the Finnish Local Government Act. Section 1 of the Act Local Government Act states that “Municipalities shall advance the well-being of their residents and the vitality of their respective areas and shall arrange services for their residents in a way that is financially, socially and environmentally sustainable.” A wide set of activities and tasks carried out by the municipal organisation relate to regional and rural development; e.g. economic, educational and social policy, attraction of investments in competition with other municipalities, attraction of residents based on a variety of considerations, for example quality of service. Finnish municipalities have the right to levy taxes but are also dependent on financial transfers from the central state.

After World War II and especially during welfare state building between the 1960s and 1980s, municipalities received many new mandatory tasks from the central state. These new tasks were mainly connected to social and health care but also to educational services. Naturally, enlarging welfare service provision and the number of obligatory tasks meant also growing expenditure, but the growth was always covered by central government geared to these mandatory tasks. Economic recession during the 1990s produced a revision of the welfare state model financing, as municipalities received more tasks in addition to obligatory tasks to spur the socio-economic situation, but no specific grants to cover the costs. Central government steering and the financing model developed in a relative unbalanced way from the point view of local government. Since then, various Finnish governments’ way to act towards municipalities has encompassed drafting a growing number of new tasks and responsibilities without specifying general grants to finance these tasks. This demonstrates a clear inconsistency in central government policy making that has resulted in deficit budgeting, growing municipal loans and higher tax rates in municipalities. Simultaneously, increasing social and health care expenditures are contributing to reduced financial autonomy for local governments, which also means reduced manoeuvring space in local policy making.

A major change in local development in and for Juuka took place in 2018 when the municipal leadership decided to leave the sub-regional local development company JOSEK (now Business Joensuu). Business Joensuu provides assistance for setting up businesses and internationalisation and provided support to companies willing to relocate or investment in Joensuu and surrounding municipalities (including Juuka until 2018). Citing a lack of visibility and lack of Juuka-specific activities/initiatives, and its somewhat different geographical position outside the daily commuting area of Joensuu, Juuka left the alliance in order to employ its own economic development planner from 2018 onwards working in tandem with the mayor (Karjalainen 2017⁵). It can be expected that a certain reservation towards a dominance of the

⁵ <https://www.karjalainen.fi/uutiset/uutis-alueet/maakunta/item/162965>

regional centre of Joensuu in this sub-regional arrangement was also a factor in this decision. Juuka in fact has followed a recent trend with this action, since sub-regional local development companies have become increasingly unpopular among smaller and remote municipalities in Finland.

Much of the operating environment of Finnish municipalities is conditioned by overall structures and policies determined by central government. Ministries steer different policy sectors, which can have significant implications for the municipalities as the executive arm at the local level. Obviously, overall policy approaches by central government, and the prevalent political constellations, with regard to regional and rural development has significant impacts on localities/municipalities, thus also for Juuka municipality. Although compartmentalised thinking between different sector/ministries exists, which influences the nature and intensity of policymaking for rural, sparsely populated and shrinking areas in Finland, several inter-organizational collaborative bodies exist that bring together actors and policymakers from multiple levels of governance on the issues of such areas with territorial specificities. These inter-organizational collaborative bodies include the Rural Policy Council which was set up to support central government in question of cross-sectoral and strategic policy making for rural areas and consists of 35 members from the public, private and third sector and from multiple levels of governance. In addition, the Island Committee, often sparsely populated and shrinking areas, advises and participates in the development of such areas. The Committee is made up of representatives of ministries, government agencies and Regional Councils. The HAMA network (Network on sparsely populated areas) works on specific questions that concern the sparsely populated areas in Finland, based on the strategy "Sparsely populated rural areas – full of possibilities. Strategy for sparsely populated rural areas 2017-2020", which was produced in 2016.

At the local level, within the municipality of Juuka, two service providers, directly linked to the municipal organisation have been identified as important for tying and attracting residents and investments to the municipality.

Juuan vuokratalot oy owns and manages about 480 rental flats that are being rented for reasonable rents to people in need of affordable housing. The property market in many Finnish rural areas is weak and people are reluctant to buy houses in these areas, which is also the case in Juuka. The reason for this trend is fear of value deprivation. As buying property is not considered to be an option, renting is seen as a viable alternative. As the demand for ownership property is low, renting is considered to be important aspect in mitigating regional shrinkage. *Juuan vuokratalot Oy* plays an important role in this by providing easy access to rental properties and services (affordable rents, reliable maintenance) to people in need. In Juuka, the utilization rate for rental apartments is now 100%. Consequently, there is in fact a need for a larger supply of rental flats.

Juuan Kaukolämpö Oy, wholly owned by the municipality, produces and sells affordable district heating to residents and businesses in the central locality/village of Juuka. Juuka has

a long tradition in district heating as the municipality generated its own district heating already in 1983. However, it was the beginning of the year 2016, when Juuka shifted Juuan Kaukolämpö Oy to its own joint-stock company. Juuan Kaukolämpö Oy distributes district heating to 85 properties, which consist of 37 residential buildings, 23 industrial buildings and 26 commercial and/or public buildings. In 2018, Juuan Kaukolämpö Oy had a net revenue of 1,3 million € and employed 3 persons.

Regional level public institutions

As compared to many central European countries, the regional level in Finland is relatively weak. There are no elected regional administrative bodies. A regional level of government/governance exists in Finland in the form of Regional Councils. Regional Councils are in fact joint municipal authorities that were initially set up for the management of Structural Funds and are today important for promoting regional development and collaboration. Regional Councils focus on regional development, regional planning and the supervision of regional interests and also serve as a conduit for co-operation (as well as competition) between municipalities at the regional scale. An executive arm of central government in the regions are the 15 Centres for Economic Development, Transport and the Environment (ELY Centres), which are responsible for the regional implementation and development tasks of the central government. North Karelia has its own Centre for Economic Development, Transport and the Environment. However, it only deals business and industry, labour force, competence and cultural activities and environment and natural resources. The sector of transport and infrastructure is taken care of by ELY Centre of North Savo. Both Regional Councils and the Centres for Economic Development, Transport and the Environment are the central actors in regional development financing and act as intermediaries for EU Structural Funds and other EU programmes.

Another regional-scale organisation/institution that has a significant impact on service provision, and thus potentially on regional and population development, is the regional health- and social care provider Siun Sote. In Finland, this sector has traditionally been the responsibility of the municipality (municipal organisation). However, in anticipation of regional reforms, social- and healthcare service provision was elevated to the regional level in North Karelia. As a consequence, the thirteen municipalities in this region created a joint authority in 2017 for the provision of health and social care. This reform resulted in the need for reorganisation of service provision and required significant changes in organisational cultures.

The Finnish Leader local action groups (LAGs) are mainly registered non-governmental organisations, in which municipalities, local organisations and local residents are equally represented in the decision-making boards of the LAGs. The LAGs can generally be considered as developers; they fund local development and support local enterprises. Municipalities are one of the main financiers of the LAGs, in addition to the EU, government and private actors. LAGs are good examples of how a policy instrument has a direct influence on the formation and new constellations of actors or new development networks. We may

argue that there is a sort of conflictual nature within the relationship between municipalities and the LAGs as they are rather often described in relation to the representative decision-making structures such as municipal councils. Municipalities must make often hard decisions on usage of the money collected from the taxpayers, but the LAGs decide on funding that is not collected directly from the taxpayers. The regional LAG (Vaara-Karjalan Leader ry) partially funded by Juuka municipality has been criticised that it is channelling funding for smaller projects based on local initiatives and has failed in facilitating broader development in the region. However, we must bear in mind that the funding emphasis vary a lot between the LAGs in Finland, and municipalities' viewpoint of targeting the funding does not always correspond to LAGs' viewpoint.

Third sector organisations

As is described in other sections of this case study report, cultural organisations are seen as important element in the vitality of the municipality. There are a number of cultural organizations that are seen as particularly important actors. The local curiosity, Karaoke Club Juuka, is extremely popular all around the province of North Karelia. The previously mentioned organization arranges couple of times per year a musical in the village of Juuka. Karaoke Club Juuka offers a unique trademark that is linked to the municipality. Another culture-oriented organization is Vuokonjärven kesäteatteri (Vuokonjärvi summer theatre), which is organizing popular theater events in the idyllic archipelago of Lake Pielinen during summer. Another cultural organisation with high significance for local vitality and identity is Ellin taitajat, which promotes handicrafts and organises rather high-profile events around this theme.

The Lutheran church in Juuka plays a significant part in contributing to municipal wellbeing. The church naturally offers the basic elements of church activities, i.e. weddings, funerals, baptisms, but also guidance for spiritual wellbeing. On top of that, the church produces all kinds of activities for municipal members. For example, parish work is one of the ways how the church provides services for residents. Parish work contains various kinds of club activities for all ages: afternoon clubs for children aged between 3 and 5 years and family clubs that are suited for everyone at any age. For youth and adults, the church offers slightly different activities that are focused more on spiritual wellbeing. There are also confirmation schools especially directed at young residents who are at the verge of adulthood. There are also weekly Bible circles for youth and adults. In addition to spiritual wellbeing, the diaconal action of the church works on social issues allocating financial aid (purchase permits to local stores) and visiting elderly people in the municipality. Diaconal work is highly appreciated in Finnish municipalities and it has developed responses to unemployment and social exclusion at the grassroot level.

The Hopeinen Koivu (Silver Birch) cooperative is a service cooperative focussing on facilitating activities and enriching home living for elderly people. One important dimension of the cooperative is to ensure for ageing persons' safety, getting around, and other activities of

daily life, for instance supplying firewood, snow plowing, cleaning, etc. A main aim is to help ageing persons avoid moving to assisted living facilities and to allow them staying in their own home and get older "in place". The cooperative was established through close cooperation between Juuka municipality and the regional health- and social care provider Siun Sote. The municipality was the initiator in establishing the cooperative at a time when health and social care was transferred from municipalities to regional level and Siun Sote was formed. Hopeinen Koivu is thus at the centre of the current debate on how to organise services for ageing residents in remote and rural areas of Finland. It is obvious that public service providers have an intention to keep elderly people at home as long as possible, because the expenses in the nursing homes are much higher as compared to a situation where elderly people get old at home. Consequently, the initiative, firstly, contributed to lower social care costs by making it possible for ageing persons to live at home longer and, secondly, it also encourages long-term unemployed persons to employ themselves as service providers for these elderly persons.

There are various sport organizations in Juuka. These organizations differ a lot from each other, by size and format. Many organizations have sport clubs for both genders and for all ages. For example, there are organizations for football and floorball, both sports are extremely popular in Finland. On top of that there are also classic athletics club, which offers training for track and field. Other forms of sport are volleyball, skiing, basketball, orienteering, martial arts and shooting sports.

These organizations are considered vital for citizens of Juuka. Leisure time and especially different possibilities for leisure time are more and more important for citizens. The importance of spare time is acknowledged by the regional policymakers. For example, all sports facilities are either offered for organizations for minimal charge or they are completely rent free. This kind of policy creates cohesion between the municipality and its sport organizations. At the same time, it lowers the payments for citizens who are interested in sport activities.

Like other associations presented above, the North Karelian Village Association contributes to municipal wellbeing in several different ways. Compared to the local-level village associations, the North Karelian Village Association operates at the regional level. It acts as an umbrella organization for various different actors, including local village associations, village councils and residents' associations. The main aim of the association is to promote, support and develop local village and residents' activities. Another main purpose is to generate co-operation between different associations and other actors active in rural areas. Finally, the North Karelian Village Association is aiming to preserve the uniqueness of North Karelian villages by promoting local wellbeing and conditions for businesses to thrive.

The North Karelian Society for Social Security (NKSSS) is a Finnish non-governmental organization working in various fields. These fields include employment of people, promoting communities, multiculturalism and digitalization. The NKSSS also helps people with questions

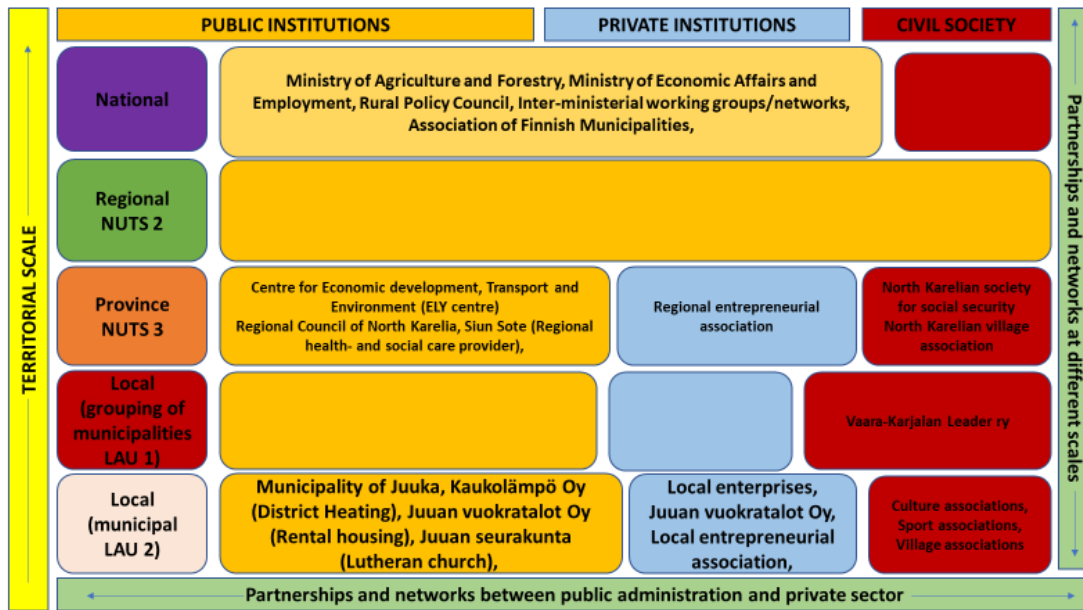
about education. The North Karelian Society for Social Security has a significant number of different ongoing and completed projects regarding the previously mentioned fields of interest. The projects are operated by the NKSSS themselves, or with co-operation from other organizations, such as University of Eastern Finland or Karelia University of Applied Science. The organization is funded by State-owned lottery company Veikkaus Oy, the Centre for Economic Development, Transport and the Environment and by the European Social Fund.

Private organisations

Like the North Karelian Village Association, the Regional Entrepreneurial Association also operates as an umbrella organization for small and medium-sized enterprises and local entrepreneurs active in the region. However, the Regional Entrepreneurial Association is more of a promoter of interest and lobbying group. This means, that the Regional Entrepreneurial Association is promoting and improving the operating conditions of small and medium-sized enterprises of the organization. The other main focus of the organization is the promotion of the voice of the SMEs in the national-level debate.

In Juuka, there are couple of enterprises that can be considered vital for the well-being of the municipality. For example, the previously mentioned soapstone quarries are still major employers in the municipality. There are two enterprises, which are in the soapstone industry, making fireplaces and sauna stoves. Tulikivi Oyj and Nunnauuni Oy are located in Nunnanlahti, around 13 km away from the Juuka village, in close proximity to their quarries. Tulikivi Oyj was previously known by the name Suomen Vuolukivi Oy until the year 1980, when the brand was renamed. In the year 2018, Tulikivi had net sales of 28.6 Me and employed around 200 people. The other soapstone company, Nunnauuni Oy was established in 1982. Nunnauuni is the smaller of the two, but still holds significant economic value to the area. In 2018, Nunnauuni Oy had a net sale of 5.5 Me and it employed 57 people. Unfortunately, both enterprises had suffered severe recessions in the last decade or so, which has led to major losses of revenue and, as consequence, significant layoffs in the workforce. Amid the economical struggles of this industry in Juuka, one enterprise could be seen as local success story. Puljonki Oy was established in 1991 by two chefs from Helsinki. Puljonki's line of business is foodstuff products, especially sauces and broths for consumer markets. In 2011, Puljonki Oy was bought and is now owned by global mammoth Nestlé. In 2018, Puljonki's net sales were 16.5 Me and against the local trend, net sales weren't declining but stable. In 2017, Nestlé invested around 8 million euro in Juuka, modernising the Puljonki factory. The investment also expanded the factory line, which, in turn, created 20 new jobs.

Figure 11: Visualisation of the Institutional map of Juuka municipality



2 Patterns and causalities of rural shrinkage

2.1 Broad introduction of global and national factors impacting shrinkage in the CS country

With regard to population development in Finland, the future is forecasted to be characterised by shrinkage over the next decades. Ageing of the population coupled with low birth rates diminish the potential for natural population increase in the future. A particular worry at the moment in Finland is indeed the dramatically declining birth rate which has now fallen for eight years in a row standing now (2018) at 1.41 children per woman; the lowest of all times in Finland⁶. This trend is reflected in the latest population projections for Finland produced by Statistics Finland. According to their forecast, Finland's population will, if the current trend continues, start shrinking by 2031 (Statistics Finland). It could thus be argued that Juuka is facing now a trend that will be the norm in the whole of Finland in 30-40 years.

These trends will obviously have differentiated effects in different types of territories in the country. Whereas the majority of rural and remote municipalities have been shrinking for years and sometimes decades, larger cities (regional centres) and particularly the metropolitan area of Helsinki have benefitted from internal Finnish rural-urban migration, leading to a growing urban-rural divide in terms of population development in the country. This trend is illustrated well by the numbers in Table 8, which presents the population numbers for urban areas on the one hand and rural areas on the other between 2001 and 2017. The situation is similar with regard to employment opportunities. A study commissioned by the Finnish Ministry of Agriculture and Forestry shows that the overall amount of jobs in rural areas has decreased significantly between 1995 – 2015. On the basis of the Finnish urban-rural classification, the number of jobs has decreased by 8.2 percent in the rural heartland areas and 14,9 percent in the sparsely populated rural areas. In a diametrical fashion to the number of jobs in urban areas, especially inner urban areas, the number of jobs has increased significantly by 24.9 percent during the observation period (Maa- ja metsätalousministeriö 2019a).

Overall, population and employment are concentrating in cities with population moving from the surrounding countryside to the regional centres of Finnish regions and from all over the country to the large cities and particularly Helsinki. Nevertheless, the large-scale trends of ageing and declining birth rates will also change this picture in the coming decades. In a study prepared by a private consultancy firm, it is forecasted that only 12 out of the 23 largest urban agglomerations will grow between 2018 and 2040. This means that 11 cities, which mostly have seen population growth during the last decades, will start to decline in terms of population numbers⁷. This is mostly due to the fact that population potential in their

⁶ Statistics Finland; https://www.stat.fi/til/synt/2018/synt_2018_2019-04-26_tie_001_en.html)

⁷ https://www.mdi.fi/content/uploads/2019/05/C23_vaestoennuste.pdf

surrounding rural areas, traditionally a source of new residents in regional centres, has over time become depleted.

Overall, a picture emerges where Finland faces demographic decline in the majority of its territory in the coming decades with shrinkage becoming a topic of concern not only in small rural municipalities, but also in many smaller cities and in some larger regional centres. Migration from abroad could cushion some of the effects of ageing and declining birth rates. However, in the current political climate, Finnish immigration policy can be expected to remain rather restrictive, despite of calls from several political parties and the private sector to ease work-related immigration. In addition, migrants generally favour larger cities and, therefore, migration will probably not be much of an option for smaller and rural municipalities.

It should be considered that projections do not necessarily foretell the actual outcomes as they are based on past and current trends, neglecting any significant policy intervention. Significant changes in population behaviour and megatrends (change in residential preferences, family planning, norms and values) can result in different trajectories than forecasted.

Table 8: Total population according to the urban-rural classification in Finland between the years of 2001 - 2017, Source: Statistics Finland

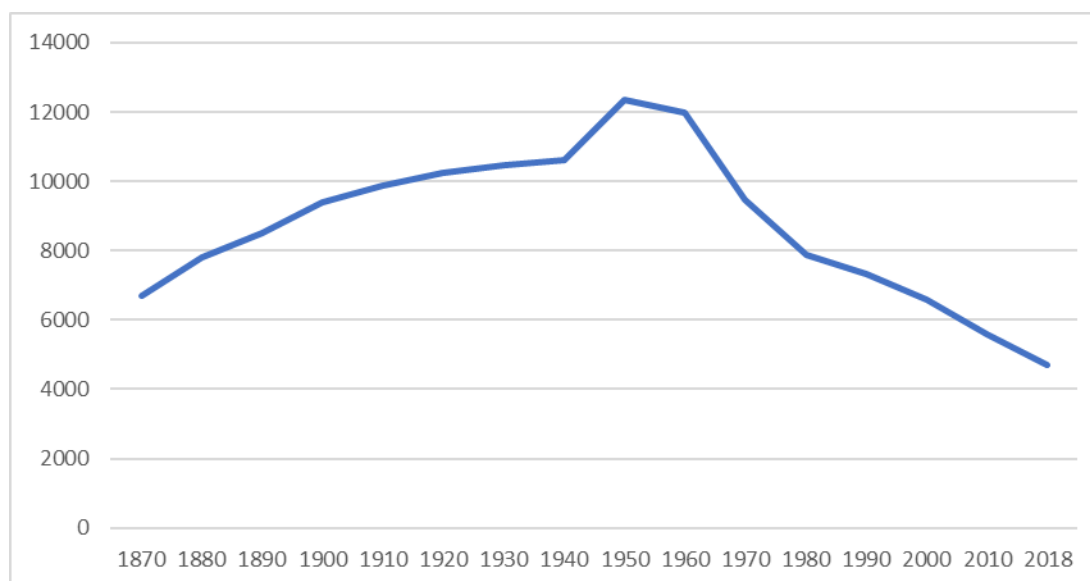
			Total population
2001	Finland	Urban areas	3402736
		Rural areas	1738063
2011	Finland	Urban areas	3674067
		Rural areas	1665999
2017	Finland	Urban areas	3856747
		Rural areas	1585178

Note: *Urban areas: The population centres of urban areas are agglomerations with more than 15 000 residents. Each of these agglomerations consists of a core urban area, which is then divided into an inner and outer urban area. Surrounding the core urban area is a peri-urban area. Statistics Finland*

2.2 Evolution of shrinkage in the CS area

Figure 12 below illustrates the long-term population development in Juuka municipality from 1870 to 2018. As can be seen, population numbers grew steadily from 1870 onwards as a result of high birth rates and peaked at the end of the 1940s when people moved to the countryside after the war and evacuees from the areas ceded to the Soviet Union were re-settled in the remaining Finnish territory. Population decline started in the 1950s and has since been continues and rather rapid.

Figure 12: Long-term population numbers in Juuka municipality 1870 - 2018 (source: Official Statistics of Finland, SVT)



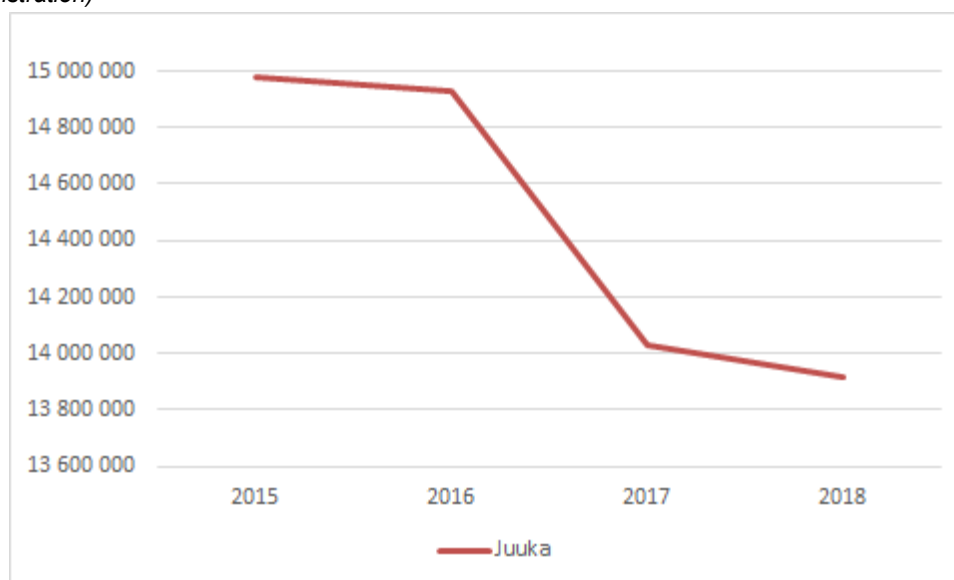
The evolution of shrinkage and current demographic situation in Juuka is highly legacy-driven as population decline in this municipality, as also in the majority of other rural Finnish municipalities, is inextricably linked to the rural exodus and concurrent urbanisation processes that developed rapidly already in the 1950s and 1960s with population moving to industrial centres in search for work and educational opportunities that were not available in the countryside. Educational and employment opportunities in post-war Finland were increasingly available in the larger cities, and in some industrial communities, which fuelled internal migration among a population that was also increasingly willing to re-locate to other places in Finland. In addition, Sweden became a popular destination for migrants from the Finnish countryside in the 1960s. Over the last couple of decades, the double whammy process of rural population moving to larger regional centres and particularly to the capital region has also been a familiar story in Juuka (migration to Joensuu/Kuopio and Helsinki). However, as can be seen from section 1.4.1, migration has been replaced by natural decrease as the main reason for current population decline in Juuka.

From the 1960s onwards, the working age population in Juuka was also affected by a thorough change in the economic structure in the municipality. Whereas 78% of the employed population worked in agriculture and forestry in 1960, this share almost halved until 1980 as a result of mechanization in these industries (Juvonen 2017). The resultant decreasing employment prospects led many local residents to consider re-location to other parts of Finland in search of jobs.

Juuka's economy experienced growth in 1980s as a result of a boom in soapstone mining and the related construction of soapstone fireplaces, which provided a high number of jobs in Juuka, offering relatively good salaries without the need of educational qualifications. Soapstone fireplaces became popular as a consequence of the oil crisis and a favouring of

domestic modes of heating (Juvonen 2017). Subsequently, the share of industry and construction in employment rose rapidly, contributing in turn to a reduction in unemployment rates (Ibid.). Tulikivi and Nunnauni opened up international markets and invested heavily in their production facilities. However, although the boom in this industry provided full employment in the municipality, it did not, apart from a small cushioning effect, turn around the negative population trend in the municipality. Fortunes for the two major produce of soapstone products in Juuka turned in the wake of the financial crisis in 2008 and subsequent diminishing demand for soapstone fireplaces both internationally and domestically and the number of employees at Tulikivi fell from 700 to 350 from 2006 to 2013 (Nunnauni: 255 to 100) (Juvonen 2017). This obviously resulted in long-term unemployment in the municipality and declining tax income, the latter of which is also the result of overall population decline and a shrinking pool of working-age population in the municipality (see Figure 13).

Figure 13: Overall tax income in Juuka between the years of 2015 – 2018 Source: Verohallinto (Tax administration)



It also demonstrated the risks connected to the one-sided industrial structure and labour market dependency on a limited set of industries in the municipality (Interview 1). The previous availability of a high amount of well-paid jobs in the soapstone sector also contributed to the relative lack of local entrepreneurialism in Juuka (Interview 6). According to some interviewees, the municipality also reacted too late to the downturn in the soapstone industry, for example by supporting local individual entrepreneurship. The stone industry also impacted the farming sector as many younger farmers opted to work in the soapstone companies rather than continuing the family business, which has significantly slowed down restructuring of local agriculture and subsequently resulted in the smaller farm sizes not able to compete in the modern farming environment (Interview 2).

Population decline on the one hand and budgetary cuts at the national level on the other have also led to a deterioration of the local service network provided by the central government. For example, at the beginning of the 2000s Juuka still had an Employment and Economic Development Office (TE Offices), a police station and Kela Office (Social Insurance Institution of Finland). This thinning out of service infrastructure certainly does not help to retain and attract residents in/to Juuka.

Another effect of the shrinking population is the increasingly dysfunctional housing market in Juuka and similar municipalities. Although affordable single-family houses are widely available, existing and potential residents do not dare to buy property in the fear of losing their capital and banks do not easily finance loans in such locations. As a consequence, the rental market is of most importance in small, shrinking municipalities such as Juuka. However, high-quality, new rental flats are scarce, which is also due to the fact that the rental stock of Juuka is relatively old.

2.3 Local (regional) perceptions and interpretations of shrinkage: discourses, explanations

Shrinking process are widely acknowledged among the stakeholders in Juuka and accepted as something that the municipality must face. Indeed, most interviewees emphasised the fact that Juuka represents a typical example of a shrinking municipality in Finland. As one interviewee put it:

“We had an enormous soapstone industry here which has lifted this place up, but now that industry has gone down and there are fewer jobs, so there was a longing for the better old times. But now, during the last two years or so, some kind of realism has taken root in local discourses: we are now here in this situation, we believe that this megatrend continues, so the population is ageing, activities decrease...”
(Interview 3)

There is also an understanding and acceptance of the fact that much of the shrinking process is fuelled by natural population decrease and legacy effects from earlier out-migration rounds and ageing of the baby boomer generation as a number of interviewees referred directly to the fact that over 100 residents die and only about 25 are born each year, but only marginally referred to migration as an important component of population change in Juuka. Nevertheless, a number of interviewees emphasised that attracting new residents is still important for the survival and development of the municipality. Indeed, the fact that in 2019 an equal number of persons moved into the municipality as moved out, was met with some enthusiasm within the municipal administration. A key approach taken by the municipal administration in terms of migration, attracting new residents, is to spread a positive image of Juuka as a good place to live. Social media, affordable leisure services and the work of civil society organisations in the fields of culture and sports are seen as important in this (Interview 8). Civil society organisations organise events that often attract external visitors and can be used to spread a positive image of Juuka. Social media has become an important element in

promoting Juuka as a place to live. Visibility of the municipality builds on the social media activities of the mayor and other members of municipal management. It also builds on a certain proudness of being from Juuka, which is reflected on the comparatively high visibility of Juuka among social media activities of older age cohorts, also among people living in other parts of Finland.

A significant amount of critique is directed towards central government, but also regional government, for failing to address the issue of population decline in non-urban areas in Finland. This critique concerns a number of different dimensions.

Firstly, it has been emphasized in the interviews that demographic shrinking and its uneven spatial effects gets a lot of media attention and that the attached challenges are realised at the national level. Despite the fact that officially the principle of “keeping the entire country inhabited” is still valid, significant dissatisfaction with central government and its ministries was discernible. Small, shrinking municipalities such as Juuka are perceived not to be the policy focus of central government. Instead, it was claimed that the policy focus appears to be on the challenges and opportunities in the capital region of Helsinki and other larger cities (Interview 1), which are growing rapidly in population at the expense of rural and remote municipalities, as illustrated by the following quote:

“Well, in developing Finland the emphasis is placed on the parts south of Helsinki’s ring road 3 [i.e. the metropolitan area of Helsinki]. And here the roads disintegrate...” (Interview 7)

In addition, there does not seem to exist any holistic, long-term strategy at the national level to combat population decline and sparsely populated and remote areas, although demographic change is referenced in most policy interventions (programmes, projects). It was even outright questioned whether central government even anymore aims to facilitate residency in all parts of Finland through public investments in rural and sparsely populated areas, or whether it wants to let “development run its course”, i.e. the concentration of people and economic activity in larger urban centres is quietly accepted. This is interesting against the background that, according to a recent poll, close to 80% of Finnish respondents agreed to the statement that “the state should make it a priority to provide services to sparsely-populated areas in order to keep them populated”⁸. In general, there seems to be consensus among local stakeholders that in order to turn around the population decline in rural municipalities, strong central government intervention is needed.

Secondly, the above is linked to the topical debate of municipalities increasingly being in financial distress as a result of an eroding tax base, to some extent due to population decline in many of them, and a system of central government transfers to local government, which has not kept pace with the increasing number of tasks and responsibilities received from

⁸ Source:

https://yle.fi/uutiset/osasto/news/survey_79_feel_state_should_invest_in_services_to_keep_rural_areas_populated/10318077

central government. Juuka has indeed been directly affected by a reduction in transfers from the system of central government transfers to local government. A change in the composition of the morbidity index (prevalence of types of diseases) used as a variable in the calculations resulted in a 1.5% reduction of income for the municipality.

Thirdly, critique has been voiced towards central government for failing to regionalise public employment from Helsinki and the capital region to regional centres and smaller cities, which would also benefit rural municipalities in relative vicinity of these regional centres, particularly with regard to the employment of well-educated women (Interview 1). This is linked to the approach proposed by a number of interest groups that focus on keeping rural and peripheral areas viable; i.e. to improve the preconditions for remote work and giving employees in the public sector the opportunity to choose where to be located for their work. A public employment regionalization strategy as part of national policymaking has existed for the last two decades already. In 2002, regionalization was cemented in Finnish national law and has since been adjusted and revamped by later governments with varying success. In 2019, the Finnish Ministry of Finance produced a report to bring the regionalization policy and principles up-to-date with the operating environment of the 2020s. The report found that despite the regionalization strategy, governmental employment has in fact been decreasing drastically both in the capital region and the rest of the country, notably due to the national productivity programme and military reform reducing the overall amount of public jobs (Valtionvarainministeriö 2019, 19). The report concluded that current regionalization strategy is in urgent need of restructuring as a result of rapidly/constantly changing operating environment (Valtionvarainministeriö 2019, 82). However, it is also often emphasized that the benefits of decentralization of public services and thus employment to shrinking and lagging areas should not be taken as a truism. Whilst it might be extremely beneficial to the areas in question, one could ask if decentralization is beneficial to the relocated services itself; i.e. questions concerning the relative lack of competent employees and communication (Interview 10).

Critique was raised also towards the regional level of policymaking. It appears that local stakeholders are wary of an increasing focus on the regional centre of Joensuu in regional policymaking and a concomitant neglect of interest and needs of smaller localities and sparsely populated areas of the region (Interview 2, Interview 3, Interview 5). A regional reform, which was supposed to be implemented during the last government period but failed, would have arguably increased the role of Joensuu at the expense of the surrounding rural municipalities. The already existing joint municipal authority set up for the provision of health and social care (SiunSote) also raises fears that services in this sector will increasingly be centralised in the regional centre of Joensuu. Dissatisfaction was also raised regarding the fact that the central state's arm in the region, the ELY Centre of North Karelia, does not take care of aspects related to transport and infrastructure anymore. Instead, this has become the responsibility of the ELY Centre North Savo, which, according to some interviewees, has led to North Karelia losing out on transport investments to the neighbouring region of North Savo.

3 Responses to the challenge of shrinkage: visions, strategies, policies

3.1 High level (EU and national) and regional policies addressing demographic decline

3.1.1 EU and national policies indirectly impacting rural shrinkage:

Broadly defined, the main goal of Cohesion Policy is to stimulate regional development and decrease differences between the Member States. European Cohesion Policy is implemented in Finland through the Sustainable Growth and Jobs 2014–2020 structural funds programme, in which both ERDF (European Regional Development Fund) and ESF (European Social Fund) actions are described and defined. The programme is administered by the Ministry of Economic Affairs and Employment (TEM). Main aims of the Cohesion Policy are to advance regional development by support in the fields of R&D, support to SMEs, education, or transport, telecommunication, social and environmental infrastructure. Cohesion Policy is complementing the activities carried out by the European Agricultural Fund for Rural Development (EAFRD) that aims to support rural areas to grow not only with regard to the competitiveness of agriculture but also with regard to other sources of livelihood, and to contribute to a sustainable way of managing natural resources and climate change. European Cohesion Policy and European rural development policy are not expected to exclude each other, but rather to be complementary.

The ERDF and ESF funds as instruments of EU regional policy have evolved remarkably from their origins as a mean of transferring resources to economic infrastructure (Manzella & Mendez 2009). The dominance of the knowledge economy and technological development has been prevailing paradigm since 1995 as Finland became member of the EU. Geographically, European Cohesion Policy has increasingly focused on cities and their capabilities to stimulate economic growth and innovations. This shift of policy measures has further broadened the gap between urban and peripheral areas. However, the EU regional policy has during the programming period 2014-2020 taken steps towards multi-sectoral and multi-level collaboration to better address societal challenges that somewhat go beyond fostering solely economic growth, but the main emphasis lays still mostly on supporting development in urban areas.

The EU rural development policy (EAFRD) is implemented through The Rural Development Programme for Mainland Finland 2014–2020 (RDP). The RDP is administered by the Ministry of Agriculture and Forestry. There are three main objectives in the programme: fostering the competitiveness of agriculture; ensuring the sustainable management of natural resources, and climate action; and achieving a balanced territorial development of rural economies and communities including the job creation and maintenance of employment. Especially the last objective is crucial from the point of view of shrinking rural regions in Finland. The RDP assigns for rural development priorities about 8.2 billion € for the 2014-2020 funding period. Because of the harsh climate conditions for Finnish agricultural production in the northern

latitudes of Europe, Finland provides the largest share of its RDP program funding to agricultural areas with natural constraints (ANC) in order to ensure the continuation of farming activities and secure the open landscapes for Finnish biodiversity. Specific strong focus is put on CAP Pillar 1 expenditure and it constitutes approximately two-thirds of the RDP total budget.

In terms of balanced development in the rural regions, the most important measures of the RDP are CAP Pillar 2 payments that comprise farm and business employment, basic services and village renewal in rural areas as well as financing the activities of Leader local action groups in Finland. It has to be noticed that payments to ensure agricultural production (CAP Pillar 1) are also important in supporting employment in rural areas as well as generally promoting the economic development. They sustain many sources of livelihood that are dependent on operational holdings in rural areas. CAP Pillar 2 support is important to develop and vitalise non-agricultural or agriculture related business start-ups as in many cases the agricultural holdings will not, because of their smaller size, provide enough incomes for households. This is why cooperation has brought rural holdings together to organise their daily operations as well as to share facilities and resources. Forestry also has a significant position in many farms to bring extra incomes besides farming the land. Economically vital agricultural holdings and their agricultural production activities will also preserve other sources of livelihoods in rural areas. Also, maintaining roads is often directly connected to location of agricultural holdings that emphasises the indirect importance of these RDP measures to other people and sources of livelihood.

For many years, Finnish governments have acknowledged that implementation of successful and effective rural policy necessitates that the actors and activities of different ministries and other policy sectors involved have to be devoted to common goals. Therefore, a characteristic of Finnish rural policy has been the integration of sectoral policies in alignment with the rural policy agenda. A general Finnish rural policy vision (at least in the Ministry of Agriculture and Forestry) is that rural areas are an inseparable part of national prosperity. Rural policy is managed at the national level based on a network method, in which rural areas are to be developed at all levels of government in co-operation between public, private and third sector. At national level, a horizontal co-operation body Rural Policy Council, whose tasks, members and term are assigned by the government, prepares and implements rural policy. Council members represent a broad spectrum of various authorities and organisations who are coming from different levels of administration.

The main task of the Rural Policy is to advance living conditions as well as possibilities for entrepreneurship in rural areas. Specific emphasis is directed towards the importance of civil society (village movement) and participation. The Rural Policy Council follows in its activities the National Rural Policy Programme (2014-2020), which forms the main guiding plan for Council's action. Generally, the programme gives substance to national rural policies and is managed in the context of resources set in the annual government budgetary framework. The

programme consists of five themes: participation and local democracy, housing and services, infrastructure and land use, livelihoods and expertise, and ecosystem services. The rural policy measures are undertaken in cooperation with the municipalities and various associations as well as different authorities. More practical development work is steered through the secretariat of the programme, the thematic networks as well as to some extent by financed research and development projects.

We have to bear in mind that the National Rural Policy Programme does not include any financing measures. The nature of the programme is to influence other policy sectors in a way that specific rural circumstances are taken into consideration. Finnish rural policy and EU rural development policy (EARFD) are combined to guide practitioners and beneficiaries to adopt new practices and values. The main aim is to have solid ground for advancing best possible utilisation of the EU rural development policy. The design of the EARDF promotes and necessitates broad participation of various actors and encourages contribution of different levels below national government. These elements are also a crucial part of national rural policy. Functional cooperation and synergy between Finnish rural policy and EARDF are important for enhancing the economic efficiency of policy interventions as well as for improving the accountability and facilitating participation.

The Finnish model of broad rural policy that aims to achieve coherence among sectoral policies for rural areas has been very successful at national level. However, this success of national level rural policy has never been fruitful in supporting policies between the structural funds and the RDP program. The narrow rural policy comprising specific programmes to promote rural development has been rather successful but only at the regional level where the structural funds and the RDP program has been governed. Naturally, there have been regional differences with regard to how diverse actors and policies have been brought together.

The service infrastructure has steadily declined in the shrinking rural areas. For instance, the number of village shops, which often locally very important, has decreased by 20% from 2012 to 2015. Consequently, the Finnish government decided in 2019 to support village shops in sparsely populated rural regions for the first time ever⁹. A corresponding support mechanism has been in use in Sweden since 2016. The aim of the village shop support is to promote the availability of basic services in villages located in sparsely populated rural regions. The disappearance of village shops is believed to negatively affect migration with regard to the area served. Village shops are important not only in terms of shopping but often as a meeting and information point, specifically for the ageing persons and those without means of transport. Regulations on Services of General Economic Interest, or SGEI, is applied in the

⁹ Source:

https://www.maaseutupolitiikka.fi/materiaalipankki/utiset_ja_tiedotteet/harvaan_asutun_maaseudun_ky_lakauppatuki_etenee_-_ministerion_esitys_lausuntokierrokselle.html

support of village shops. To this date, SGEI regulation has rarely been used in Finland, practically only in a few cases and only at the national level even though the regulation could be applied in national, regional or local level¹⁰.

3.1.2 Regional and local policies directly impacting rural shrinkage:

Besides European Agricultural Fund for Rural Development (EARDF), the European Regional Development Fund (ERDF) and European Social Fund (ESF) have an important role in supporting regional and rural development in sparsely populated areas. All three funds make available a remarkable amount of financial resources to be used in North and East Finland for developing entrepreneurship and to some extent also advancing public and private investments. ERDF has the aim to balance regional development differences and decrease some permanent disadvantages that are faced especially in North and East Finland because of their low population density and partially harsh climate. Therefore, sparsely populated rural regions in North and East Finland benefit from a special allocation for sparsely populated areas of EUR 35 per inhabitant per year from the ERDF. However, the importance of infrastructure and accessibility have not really been prioritised during programming period 2014-2020, and there should be more attention paid on transport connections where it possibly can produce some cross-regional effects to attract new private sector investments.

In addition to national and North and East Finland's priorities, each region has selected its own priorities, which it will aim to focus funds on. Regions possess also regional management committees that coordinate the funding activities in their regions and monitors the fulfilment of the programmes. Since there is some overlap in the aims of these funds, many projects can be funded by more than one fund. In 2014, the Commission adopted the Partnership Agreement with Finland that lays down the strategy for the optimal use of structural and investment funds in the regions and cities. More detailed, the Partnership Agreement is a framework agreement that describes task allocation, supplementary and coordination between the funds, specifically in terms of coordination at regional level and between the relevant ministries. However, more consideration should be given to the regional level in order to bring the involvement of various actors closer to goals that have been set out. This would promote the integration of all funds and increase the capability to detect policy complementarities at regional and local levels. Generally, integration of the funds has not been very successful, because of different types of practices between funds, authorities and project actors.

Demographic issues are not directly mentioned as objectives/measures in the ERDF, ESF or EARDF funds. Demography is brought up for instance in considering labour market issues in

¹⁰ Source: <https://tem.fi/sgei-saantelyn-kaytto-suomessa>

the ESF measures. People who are unemployed or transitioning into the labour market cannot be excluded from skills development actions, as it exacerbates disparities in education between demographics. Aging is a crucial question as the fund aims to provide equal opportunities in continuous learning, which is vital to a functioning labour market and the availability of labour. EARDF does pay more attention to demographic processes because its target areas (rural ones) have an important commonality that relates to the demographic challenges they face. It is evident that policy responses in these areas are also crucial to tackle more effectively the combination of challenges including the outflow of young people, ageing as well as the low birth rates. However, the main target of the EARDF has not been the issue of demographic aging and outmigration as such but rather how demographic aging and outmigration interacts with aspects of economic development and reducing human capital.

We may argue that the structural funds have generally functioned well, and they have been successful overall in promoting ERDF and ESF actions. The content focus of the strategy supports the needs of the operational environment and activities in line with EU-level strategies. The programme contents have been timely and relevant to enable the activities to remain current relative to the needs of the environment. However, during the long-term, seven-year programming period, there have been changes in the operational and socio-economic environment. Main issue is that the ERDF and ESF funds would also have a possibility to examine whether the programme contents and focus areas could be revised to better match current needs, when changes occur in the operational environment. This has not been totally the case as the funds have not had a possibility to react flexibly to particular regional needs in relation to shrinking processes such as sudden structural changes and ageing. It is the broad scope and multi-level structure of the funds that pose regional challenges.

In shrinking rural regions, promotion of sustainable and quality employment and labour mobility as well as investments in education, skills and lifelong learning are important objectives. They have been promoted by both ESF and EARDF actions in the regions. Regional task allocation has been clear between the funds as EARDF funding has been allocated to primary production, rural small businesses and associations, the food industry, and education and development measures targeted at rural populations. Regarding employment and skills, ESF actions have mostly excluded primary production and rural populations. However, some ESF funded actions have also been targeted at rural or agricultural contexts including the promotion of wellbeing at work among agricultural and rural entrepreneurs as well as actions to safeguard labour availability in shrinking rural regions. This reflects the fact that shrinking rural areas are also rather often suffering from structural problems in business activities. Therefore, it is important that rural areas are not solely target areas for EARDF but also for ESF and ERDF measures.

Incremental employment of ESF and ERDF measures in shrinking rural regions is vital in the context of structural change. There is a considerable number of working age people who are detached from the labour force. Many rural areas are facing a legacy of economic restructuring that has caused higher and long-term unemployment and serious difficulties to return to the labour force. These problems are predominantly prevalent among young and older men. Older workers are a specific group as they are more difficult to retrain and are less attractive for potential employers to employ. They have also higher threshold to move from their living environment because of a new job. Youth unemployment is also rather often higher than national average in these regions. However, there exists also potential labour demand as rural labour market areas are large with dispersed population that decreases the potential scope for labour market matching. EARDF or national rural policy is not able to tackle labour market problems in rural areas that is unfortunate considering available resources in the fund.

In turn, service delivery in shrinking rural regions is strongly under pressure because of above mentioned demographic and labour market trends. There is a limited variety of both public and private services available and they are also more difficult to access outside of major population centres. Smaller rural communities are less attractive for private enterprises to locate and also more expensive to organise public services. So far, Finland has had a strong tradition of providing public services across the whole country but there will be growing pressure on these arrangements in the future. Many small municipalities will have strong problems on how to organise more costly public services. Ageing population requiring more health care and social services in smaller and remote municipalities will create increasing disparities not only between rural and urban areas but also between larger and smaller municipalities.

Generally, matching and clear management between national, regional and local levels are key issues in outlining and delivering regional/rural development policies. Main control over the means and instruments for economic development and regional/rural development are in the hands of the national level. The ELY Centres play a most important role in regional governance structures in facilitating a synchronised approach to policy delivery of above-mentioned policy areas. Regional Councils are joint municipal authorities and mainly responsible for preparing the regional strategies and programmes as well as have some responsibilities concerning the transport planning and cultural policy. Governance practices of structural funds policy delivery is divided between ELY Centres and Regional Councils: the former is mainly responsible for ESF and EARDF and the latter responsible for ERDF. At the local level, municipalities are responsible for providing social service and health care as well as education, but they also participate in various projects financed through ERDF, ESF or EARDF funds. Normally the funded projects are not owned by the municipalities but, rather, they are direct or indirect beneficiaries of project activities.

An important dimension and instrument at the municipal level for local involvement and integration are the LEADER Local Action Groups which are developing rural areas based on local strategies. LEADER groups are mainstreamed across the country and there are now 54 groups. LEADER groups are managed by associations or corresponding and they are overseen by a board comprising one-third representation from municipalities, one-third from enterprises and communities, and one-third from local people. Municipalities in the LEADER area are committed to contribute 20% of the public funding for the group during the whole programming period. The broad board structure of the groups and financial contribution from the municipalities has been vital in enabling rural development initiatives based on local level commitment and in finding proper synergies between public, civic and private actors.

Projects funded through LEADER groups have been significant in creating jobs and improving living conditions in sparsely populated areas in Finland, even if the significance of the LEADER initiative has somewhat been more maintaining than developing. In this case one has to also bear in mind, that maintaining requires also developing as rural areas need to diversify and advance innovations to adapt to new conditions. Service innovations and a new kind of business promotion in sparsely populated areas are needed, as well as more local, neighbourhood-oriented activity and participation. One specific theme under the Finnish RDP as well as national rural policy priorities is Smart Villages approach that aims to help and encourage villages to find smart solutions based on phenomena such as digitalisation. A smart village theme seeks new solutions for providing services in areas such as healthcare, education, food and energy production, mobility, retail, hobbies and culture.

The 'Towards Employment and Education' -project is an interesting project with regard to regional and local vitality. The project is led by the City of Lieksa in co-operation with Juuka municipality. In essence, the project is aimed at ensuring the availability of skilled workforce. The project consists of four key themes. Firstly, to coach and guide people towards work and education. Secondly, to advance rehabilitation and retirement paths. Thirdly, to develop education and early stages of employment and, finally, piloting new employment models and enhancing co-operation in municipal borders. The project runs from 2019 to 2022 and is funded by ESF, ERDF and the South Savo ELY-center and the city of Lieksa, with participation of the municipality of Juuka.

The 'Workforce and Students from Russia' -project is an inter-municipal project where municipality of Juuka co-operates with several municipalities from central Karelia for a common cause. The project serves two main purposes. The first purpose is to provide labor force for the needs of businesses in Juuka and in the other central Karelian municipalities. There are significant reserves of skilled labour force across the Finnish-Russian border, especially in Petrozavodsk, St. Petersburg and the Ladoga area. The second main purpose is to get students from Russia to participate in vocational and in upper secondary schools in Juuka, Kitee and Tohmajärvi. This main purpose is in fact intertwined with the first one, that is, the young students could become a skilled workforce for the municipalities after their

graduation. The project started in the spring of 2019 and will continue to December 2021. The project is funded by ELY-centre of North Savo through ESF and in participation of the municipalities of Kitee, Tohmajärvi, Juuka and the North Karelian Educational Association Riveria.

The 'Kartalla' -project is carried out by Vaara-Karjalan LEADER ry and is specifically designed to serve enterprises in tourism sector. Basically, the purpose of the project is to develop a map service for common use, i.e. a map for tourists can be used to find interesting destinations and/or scenic routes and enterprises that offer services to tourists. A number of municipalities are involved in the project including Juuka, Lieksa and Ilomantsi. The project started in January of 2020 and ends in March 2021.

3.2 Discourses and explanations at national/regional levels concerning policy measures and tools addressing rural shrinkage

Public debate on the social and spatial effects of demographic change is currently quite intense in Finland. Demographic change is part and parcel of most strategies and programmes developed at the national level, but there are increasing calls to develop *holistic and long-term* strategies to combat demographic shrinkage. This debate is mostly characterised by a growing concern over the effects of ageing process, an alarming recent dip in birth rates, and an intensifying polarisation between growing and booming urban areas on the one hand, and generally shrinking/lagging rural areas, including depopulation of large parts of sparsely populated areas on the other.

Demographic change is acknowledged at the highest level of political decision-making as the current Programme of Prime Minister Sanna Marin's Government pays much reference to ageing processes in a variety of policy contexts. The Programme also states that:

"An impact assessment will be carried out on the proposal of the parliamentary working group on sparsely populated areas, and an action plan including experiments to boost vitality and wellbeing will be drafted for areas with a declining population."

As potential strategies and methods to strengthen the resilience of areas with declining population, the support of multi-local living, the sustainable use of natural resources and tourism, the safeguarding of rights to basic public services of people living in sparsely populated areas and in the archipelago, solutions to personal hardships associated with the dilapidating and devaluing housing stock and the continuing of the LEADER programme are being mentioned in the Government Programme.

However, it is interesting to note that, although no major differences with regard to the narratives on the causes and effects of simple, demographic shrinkage can be detected between higher-level (national/regional) and local discourses, a more diverse picture emerges when looking at discourses and narratives at national/regional levels on how to tackle, or whether to tackle at all, shrinking processes. Overall, the issue of what kind of policy reaction

to develop for shrinking rural and sparsely-populated is a rather sensitive political issue and consequently there is no single voice or thrust of argument existing at the national level in what comes to ways to tackling rural shrinkage both among individuals, political parties and different 'sectors'. Generally, it seems that a proactive discussion about the reality and consequences of shrinkage is not engaged with at the national level, which appears to be interpreted at the local/regional level as central government wanting to 'let development run its course'. Despite these criticisms towards the perceived lack of debate and action at the national level to engage proactively with the effects of population shrinkage in rural areas, several inter-organizational collaborative bodies bring together actors and policy-makers from multiple levels of governance on the issues of rural areas, island areas and sparsely populated areas, i.e. those types of territories that are generally affected the most by the effects of population decline (see section 1.5)

In any case, differences in approaches among the different sector ministries are easily identifiable. Currently in Finland, shrinking regions are mostly still rural and already sparsely populated areas, which are mostly the policy target of the Ministry of Agriculture and Forestry. It is obvious that this ministry places more policy emphasis on such territories and on the effects of population decline and continue to see these areas as an integral part of national prosperity. The Ministry of Economic Affairs and Employment tends to focus on urban areas and growths centres, which results in a somewhat different policy outlook. An interviewee from the Ministry of Employment and the Economy, for example, highlighted the general understanding at the ministry that public investments should be guided to the areas that can realistically produce outcomes and longer-lasting positive effects from such investments, which most of the time favours already growing urban agglomerations over shrinking rural areas. (Interview 10). At the same time, it was stated that an a priori prioritization, i.e. a decision not to guide public investments to shrinking rural area, is still politically unacceptable (Interview 10). This illustrates the complex task of balancing, and the political discussion and conflict, between the interest of, on the one hand, Finland as a whole and the interests of shrinking and/or lagging areas on the other. A similar issue is reflected in the everyday experience at the regional level, where business support funding often goes to areas that have a relatively strong exiting business structure, such as municipal centers and fringes of larger cities, less so to remote and already sparsely populated areas (Interview 9).

A relatively popular approach among rural development agencies/ministries and their representatives is currently to question the applicability and validity of universally accepted indicators that focus almost solely on growth as a measure for rural vitality and equating region development with economic and population growth. This echoes the local response/approach, also detectable in Juuka, to focus on quality of life and well-being of its residents. In the current situation of ever-growing concern about the impacts of climate change, regional and local growth strategies could also be in contradiction with sustainability and environmental strategies. By using different indicators to measure vitality, a region could be seen as healthy region even though if the region is ageing (Interview 11). Nevertheless,

public investments in order to provide preconditions are still seen as necessary. In addition, there is no political base to proactively plan for decline or shrinkage, something akin to a de-growth strategy, despite the obvious realities in many rural and sparsely populated areas. This aspect is also linked to the debate on the need to keep Finland comprehensively populated in order to unleash the country's full potential. An acceptance of whole regions emptying out would make it impossible to use that region's resources, natural or human and start a vicious circle of complex decline that, once underway, is difficult to stop (Interview 9). Some local/regional even contemplated whether depopulation processes are seen at the national level to be acceptable to decrease costs, for example through the opportunity to scale or shut down services and not to invest in infrastructures anymore (Interview 9).

From the national debate and interviews, a number of potential policy approaches emerge as ways of tackling both simple and complex shrinking processes in rural and sparsely populated areas in Finland.

A current item of policy debate laid out, for example in the report by the parliamentary group on sparsely populated areas, and one that is echoed at the local level, is a Norwegian-style support model of tax reliefs in sparsely populated areas of Finland. The Norwegian model is built on different grades of employers' contributions to payroll taxes depending on the geographical position of the enterprise and the gradual nullification of student loans for people, who chose to move in the more peripheral areas of Norway, was mentioned several times (Interview 3, Interview 11, Interview 14, Interview 15). However, this approach was questioned by the Ministry of Justice for the proposal being in contradiction with Finnish constitutional law (Maa- ja metsätalousministeriö (2019b)). The model has nevertheless been identified as a potentially powerful tool to stem internal migration to larger urban centres by a number of interviewed decision-makers at all levels of governance/government.

A recurring theme is also the strengthening of the role of third sector organisations in socio-economic development in shrinking rural areas in general and better co-ordination and collaboration between third sector organisations and municipalities in particular. In 2015, the Finnish Advisory Board on Civil Society Policy produced a report in collaboration with KansalaisAreena ry and the Finnish Association of Finnish Municipalities regarding co-operation between municipalities and the actors of third sector. The report found that there is co-operation between the two particularly in the sector of social security. For example, the third sector is highly important for producing services for elderly people and children (Kansalaisyhteiskuntapolitiikan neuvottelukunta 2015). It is argued, that in the future, the actors of the third sector are needed specially to complement municipal service sector (Kansalaisyhteiskuntapolitiikan neuvottelukunta 2015).

Another key element in both the regional/local and national debate on the current and future viability of rural and sparsely populated areas is accessibility both in terms of physical and ICT infrastructure. A regional-level interviewee, for example, stated that:

“The transport infrastructure, as we know, accessibility is extremely important element for regional vitality” (Interview 12)

The parliamentary working group on sparsely populated areas emphasized in their report (2019b) the importance of overall accessibility in rural areas for viability and their future development. Even though the overall road usage is comparatively low in the rural areas, the condition of the road network is important for transportation, agriculture, tourism and local residents (Maa- ja metsätalousministeriö 2019b). One interviewee also highlighted, that most of Finland’s reserves for natural resources is located in rural areas, so accessibility is crucial in that regard (Interview 15). The parliamentary working group suggested as a direct action that 300 million annual extra funding is needed for the upkeep of the basic network of main roads and railroads (Maa- ja metsätalousministeriö 2019b, 23-24).

Overall accessibility concerns not only the physical networks, i.e. roads and railroads, but also ICT infrastructure. The parliamentary working group pointed out that functioning telecommunication networks will be crucial in the future. The extension of robust ICT networks into rural and sparsely populated areas is also on the agenda of the current Finnish Government. The Government Programme states that Finland should aim to build a comprehensive nationwide optical fibre network

3.3 Local responses to shrinkage

3.3.1 Coping strategies

Against the background that migration only plays a minor role and that ageing and associated natural decrease is now the main factor in population development in Juuka, it is unsurprising that adaptation appears to be the preferred coping strategy in the municipality. The mayor of Juuka in the interviews stressed that the main focus should be on the provisioning of such a living environment and a service infrastructure that existing and prospective residents want to live in the municipality. Vitality has therefore to be gained from something else than population growth, including soft factors such as lively socio-cultural environment and functioning leisure facilities and active civil society and third sector organization, which increase welfare and well-being for local residents.

Despite this focus on the provision of a good living environment, the municipality is also adapting to shrinkage in the form of slashing operating costs, which the municipality has been able to reduce by 3 million euro over the last three years. As part of this process, the municipal administration is also striving to adapt its service structure to future needs. For example, the new school complex, which after the closure of two village schools will be the only one in the municipality, will be too small for current needs, but of suitable size in the coming years when the number of schoolchildren will have dropped as a result of the low birth rates (Interview 7). In addition, Juuka is adapting by reducing its building and housing stock, which has significant positive effects on the cost structure of the municipality. Thus, a

consensus appears to have been formed among stakeholders and decision-makers that the municipality will continue to shrink in the future and that steps towards rightsizing its facilities and services must be taken. However, this appears to be a tacit agreement rather than an explicit and practice de-growth strategy as visible from this quote:

“A kind of a silent acceptance is made, that Juuka fades away. I think that is a somewhat negative notion of development. We should develop and somehow get people here” (Interview 7)

Nevertheless, there does not appear to exist a clash of opinions with regard the need for adaptational strategies between the civil servants and elected council members within the municipality, although it was emphasized in the interviews that some convincing had to be done by the city management. Indeed, the current mayor, a young and reform-affine person, was appointed as a ‘manager of change/reform’. Moreover, it should be emphasized that, despite being an ageing municipality, Juuka and its decision-makers have taken decisive steps to renew and reform its municipal leadership. Evidence for this is the appointment of young and dynamic leaders such as the aforementioned mayor and, for example, the economic policy officer. The appointment of such dynamic leaders, both of them not originally being from Juuka, has resulted in new approaches to municipal government/governance and ways of doing things, including new attitude towards using social media and interaction with residents. Regional and national news also picked up stories about the young mayor’s message to municipal employees to use working time for physical exercise and his interaction with local youth by jumping on a moped and cruising with them around the village (Karjalainen¹¹).

Despite an acknowledgement of the unlikelihood of achieving a turnaround in terms of population development, municipal administration has not given up on attracting new residents to the municipality or raising birth rates. As to the latter, the municipality started to pay a ‘baby bonus’ of 1000€ (the highest amount paid by any North Karelian municipality) from 2019 onwards to families who decide to have a(nother) child, although there is not much evidence that such a bonus significantly increases the birth rate. As to the former, Juuka has been able to attract some young families with children as a result of the availability to cheap homes and the prospect of the new, modern school building. Another group of people interested in settling in Juuka are often pensioner returnees who return to Juuka to spend the dusk of their life in the place of origin, although some of them only spend part of the year in Juuka. Particularly for municipalities that do not manage to attract other segments of population, supporting the formation of retirement zones might represent a suitable response, particularly as older returnees tend to be active citizens with regard to volunteering and keeping up the activities of socio-cultural associations, such as the village associations, which, in turn, transmits a positive image of the municipality that can be used to attract further

¹¹ <https://yle.fi/uutiset/3-10180840>

residents (Interview 2, Interview 8). However, such an approach might also exacerbate the ageing process within the third sector organizations in Juuka and also pose a threat to continuity of their activities. Overall, however, the majority of interviewees emphasized that jobs and employment is what people and potential future residents are after. Without job opportunities they generally did not see an opportunity to sustain population figures in the longer term.

As has been mentioned before, Juuka has not been very successful in attracting migrants from abroad to the municipality, although the integration of international migrants into the local labour market and community has generally been seen as a positive experience; employment levels among migrants from abroad has been around 100 percent. Most interviewees agreed that Juuka municipality will not be able to attract a significant number of foreigners in the future. Nevertheless, the municipal administration has started to work on strategies to make Juuka attractive to young foreigners, particularly from Russia, as people from that country already represent a large share of foreign-born residents and are well integrated into the municipality and its labour market. To this end, Juuka is co-operating with other municipalities from North Karelia on a project aiming to attract employees, vocational students as well as high school students from Russia, who already have been studying Finnish in that country, to the municipality (Interview 8). Attracting high-school students from Russia would also help to sustain the local school in times of dwindling student numbers (Interview 8). A concern about the future of and a commitment to secure the existence of a high school in Juuka is clearly discernible among the stakeholders against the background of an understanding that a lack of high-school education would make the municipality much less attractive as a place to live.

As in many places in Finland, tourism is seen as a potential resource for future economic development, and thus for keeping the municipality and population numbers viable. For Juuka, second homes and the Koli national park (located in the neighbouring municipality of Lieksa but relatively close to Juuka) are most important. With regard to second homes, multi-local living can bring benefits to the municipality through people who divide their time between a city (often for work) and the countryside (often for recreation). About the tourism industry, a general problem identified in Juuka is it being a patchwork of small operators. Juuka municipality is currently investigating opportunities for setting up a co-ordinating entity that provides services for which small operators do not have the necessary skills or resources (Interview 8). In light of increasing tourist numbers, a weakness identified with regard to Koli is its lack of hotel accommodation. In this context, it was mentioned that Koli would benefit from one to two additional large hotels/accommodation in order to reach a certain economy of scale. Puu-Juuka was also identified as having some tourism potential, but ownership structure proves to be challenging. Private owners of properties in Puu-Juuka are ageing and do not have the resources/energy to develop their properties into active use.

Another response to shrinking that has been identified by local stakeholders is to encourage the work and provide a good working environment for third sector, cultural and sport

organisations and co-operatives. Examples of such organisations contributing to the vitality of the municipality and providing an additional source of service provision include the co-operative Hopeinen Koivu (service provision to elderly living in the countryside providing also a source of employment for the difficult-to-employ), *Meetingpoint Ellinkulma* (a space for the elderly to meet and partake in joint activities such as physical exercises, music, IT support, and well-being advice) and the Ellin taitajat association (an association aiming to increase the vitality and liveliness of and in Juuka through the promotion of handicrafts and the organisation of associated events, fairs, competitions and training). The importance given to recreation, hobbies and physical exercise is also illustrated by the fact that the municipality of Juuka also runs a support fund for young children and their families. The support fund is used to sponsor local children in their hobbies and activities. The trust is under control of a special committee, which is appointed by the municipal board. The municipality also offers other grants for people in need in order to promote wellbeing and quality of life in the municipality.

3.3.2 Available policy tools: take-up rates, opportunities and hindrances

In the current climate of project-led development, utilization and uptake of national and EU funding opportunities represents an important variable in addressing complex shrinking process and rural development in general. Overall, it can be stated that rural areas often face challenges with regard to the uptake and utilisation of EU as well as national funding programmes. Several interviewees at all levels of government mentioned that EU-funding opportunities have not been used well enough in municipalities (Interview 6), although it was also stated that municipalities vary to a significant extent with regard to their propensity for applying for external funding. Whereas some are very active, others do not engage in externally funded project activities at all. The financial situation in many rural municipalities is often so dire that innovation, experiments and new approaches, often funded through projects, are difficult to launch, simply because resources and capacities are limited to such an extent already that only core tasks can be focussed on. From the perspective of Juuka, an interviewee from the municipal administration stated that project funding is a two-sided sword. On the one hand, it provides additional funding and can support governance experiments, but, on the other hand, questions arise with regard to the sustainability of activities, the risk of diversion from core tasks and the burden of bureaucratic management (Interview 8).

Nevertheless, it is obvious that human capital needed for successful utilisation of a range of funding instruments, particularly Structural Funds, in rural areas is often weak. This situation is, for example, clearly illustrated by results from a study commissioned by the Ministry of Agriculture and Forestry from the year 2019 with regard to research and development expenditures. In this study, the analysis of statistics concerning national R&D expenditures revealed striking differences between the investments guided towards urban and rural areas. The study found that 95 percent of overall expenditures of R&D was directed to urban areas of Finland and only 5 percent was aimed to rural areas between the observation period of

1997 – 2016 (the analysis was done by using Finnish urban-rural classification, see Map 3) (Maa- ja metsätalousministeriö 2019a, p41).

The EU does not only have influence in local development through its funding instruments but also through legislation. On the basis of EU legislation on state aid, the Finnish Local Government Act since 2016 does not allow municipalities anymore to provide guarantees for corporate loans. The abolishment of this practice was seen as extremely challenging in the sparsely populated rural areas due to the fact that commercial and/or industrial buildings, which were commonly used as a guarantee, have lost a significant part of their value over recent years. Consequently, at the moment, municipalities can only offer corporate loans for businesses at market-based rates and conditions. (Interview 15). That being said, the new Government Programme prepared the ground for the development of new financial instruments in order to react on such challenges in the sparsely populated rural areas (Finnish Ministry of Agriculture and Forestry 2019b, 31 – 32).

3.3.3. Local visions concerning future pathways and available policy support

The majority of interviewees did not directly refer to EU policy tools as being important for adapting to or mitigating shrinking processes. However, as has been set out in the previous sections, a number of EU funds are important for rural development and thus can contribute positively also to demographic shrinking processes. This includes ESF-funded projects on employment-related matters, which are also used by Juuka municipality. An identified hindrance to using EU policies and funding effectively in shrinking rural areas in Finland is their focus on R&D, support to SMEs and education, for which effective take up rate in rural areas can be challenging, simply because potential funding targets and applicants are scarce or there does not exist sufficient human capital to successfully apply for project funding.

Against the background that there exists a significant fear that eastern Finland as a whole will be losing out in the future in terms of transport connections, infrastructure investments are another item of concern. Finland has generally been reluctant to use ERDF funding for infrastructure investments, as this is seen as a national responsibility, and this might work against the interests and needs of rural areas.

A vision on future pathways might be stronger collaboration between the more 'peripheral' municipalities in regions such as North Karelia in the form of joint projects. Some examples of such projects between smaller municipalities, which might have different needs and objectives than larger regional centres (such as Joensuu), are already in existence. The recent shift away from sub-regional local development companies and concurrent repatriation of economic policymaking to the municipalities themselves, might actually contribute to this development. However, one also has to keep in mind that competition between municipalities for investments and residents remains strong. Bilateral co-operation between neighbouring municipalities might also serve as a way to cut costs whilst also improving or securing service provision for residents. A report by the Finnish Ministry of Agriculture and Forestry (2019b) suggested, for example, that there should be more direct

intermunicipal co-operation between neighbouring municipalities when it comes to primary education i.e. families should have the option to choose closest primary school regardless of municipal boundaries. This kind of intermunicipal co-operation has already been practiced by Juuka and its neighbouring municipality of Lieksa. As was mentioned before, after the closure of the village school in Ahmovaara, parents preferred to send their children to the closest school (i.e. Koli, in Lieksa municipality) over the closest school within the municipal borders of Juuka (in Nunnanlahti). This was facilitated through a contract between Lieksa and Juuka municipalities. The relocation of schoolchildren was taken positively by the city management of Lieksa: the arrangement meant that the student numbers in the school of Koli doubled from the previous year¹². In addition, technical experts, such as land-use planners or building inspectors have been shared between Juuka and its neighbouring municipalities. As one interviewee pointed, this kind of co-operation might not be even perceived as municipal co-operation in the most conventional way of thinking (Interview 5).

¹² Source: <https://www.karjalainen.fi/uutiset/uutis-alueet/maakunta/item/148134>

4 Matching local visions on future pathways of change with potential policy support

4.1 Towards future pathways: enhanced intervention logic along innovative experiences

Rural population decline and resulting weakening of local economies is a tangible problem in majority of Finnish rural municipalities. Rural depopulation has been an ongoing trend since 1960's and is most severe in northern and eastern Finland. Recently, many Finnish rural municipalities have not anymore lost population as a result of outmigration but rather because of negative natural population change. Also, most of the Finnish rural municipalities are still counting on their responses to population decline through economic development efforts advancing growth. However, there is also a growing discussion at national level to consider population decline in the municipalities as a process that necessitates reducing the level of public services and infrastructure but maintaining the quality of life. This is the case in population development in Juuka, and, therefore, it is also natural choice that the municipality is favouring an adaption process in managing the demographic change.

Almost every rural municipality in Finland is discussing/debating about efficiency, resource transfer and savings and has also included them into their strategies. However, clear "shrinking strategies" do not exist in the majority of municipalities. Juuka does not have one shrinking strategy as such but it has paid attention to its strategy work on problems relating to housing and infrastructure as well as ageing population. Welfare services like education, and health and social services cover almost three-quarters of municipal budgets. We have to bear in mind that main part of these welfare services are regulated through national legislation leaving rather limited manoeuvring space for municipalities to make reductions. Therefore, a critical question is, also in Juuka, how municipalities deal with national level legislation in combination with shrinking local economy and greater demands from an ageing population.

One way to response shrinking process is to encourage and develop the social entrepreneurship for solving problems related to ageing in rural municipalities as well as for promoting the integration of marginalised groups in the municipality. Achievements of such actions are utmost important in areas where people are most likely to drop out, such as employment and education. Social entrepreneurship is not only vital for people in danger to be marginalised but it has also potentiality to create new employment in a municipality as well as generate savings for the municipality because it for instance may advance peoples' possibilities to live at their home longer time. In Juuka, municipal authorities have recognised the importance of social sphere to achieve a wider range of people. Therefore, Juuka municipality has been the initiative maker in establishing a social entrepreneur that provides welfare services to ageing people in the municipal centre and villages. Simultaneously, social entrepreneurship has a possibility to offer simple tasks for the people whose employability has been difficult for a longer period. The municipality has also actively supported third sector activities related to meeting spaces for elderly and promotion of handicrafts. Rather, many

municipalities in Finland are promoting third sector activities but rarely is the municipality an initiator like Juuka in establishing the social entrepreneur.

In Juuka, a shift towards an adaptation process did not take place as a preference of a community as such but, rather as a municipal governmental action through appointment of new mayor and economic development planner. We may argue that the municipality is in a 'reactive phase of policy' towards an adaptation process. There is broad understanding and acceptance of the need for an adaptation process among municipal officials and councillors, but there is still need to deliver the new 'mood of policy' to residents as well. Participation is emphasised and advanced but the challenge is to communicate the adaptation process more broadly. Key conditions are set and resources are targeted at the municipal level, but we may also argue that capacities of small municipalities to generate such strategies are limited. However, the Juuka Municipal Strategy (2017), to which the interviewees referred quite often, can be considered as an effective tool when combating shrinkage, since it lays out measures and processes to adapt to consequences of shrinkage, rather than turning the process around.

Local development strategies and approaches have broadly been emphasised in EU rural and regional policies. Community development designated under various bottom-up and place-based practices is considered as the most essential instrument for developing sources of livelihood and participation in rural areas. Leader local action groups (LAGs) have been extensively used in Finnish rural development projects arising from the idea that development is expected to originate from local needs and actions. As a result, the municipalities have been recognised, or they have identified themselves as outsiders whose place is not at the village level although they finance the implementation of LAGs' projects. This is not the case in all Finnish municipalities but in Juuka it was to some extent detectable. The reason behind this situation might be that projects implemented by LAGs are concentrated on villages and not in the municipal centres. Juuka municipality has itself recognised that it does not have the necessary capacity to initiate and manage the development projects.

An interesting future pathway that could be opened to rural territories is to ensure their access to reformed cohesion policy. Indeed, the Green Deal and mitigation of climate change, as well as the increased focus on Social Inclusion in the next programming period could, with the right support mechanisms and intervention logic, help turn global megatrends, such as climate change, into sources of innovation for rural areas. More generally, megatrends are perhaps changing in favour of rural areas, which must be ready to reap the benefits. We may argue that the intervention logic of development projects from the various programmes are also profoundly focused on growth and mitigation. Potential activities in relation to adapting to demographic change are mainly managed and developed by municipal administration. If social cohesion will gain more emphasis in the EU cohesion policy interventions during the new programming period, municipalities might get more weight especially in terms of the intervention logic. In other words, specific issues closer to the municipal administration in

terms of social welfare services will be addressed in the EU cohesion policies interventions and deliver positive impacts on municipalities' participation on project implementation.

4.2 Broadened and more suitable policy support

Overall, municipal decision-makers refer relatively little to the EU as a source of policy guidance. The national level is much more seen as a source of potential policy input and it is indeed criticized quite much for the perceived lack of holistic, long-term strategy for shrinking rural and sparsely populated areas.

Nevertheless, it is obvious that the different EU funding instruments have some impact on regional development in shrinking rural areas. The general approach in EU policy support has been the 'growth paradigm' which aims at fostering balanced economic growth and by creating employment opportunities in both densely populated and sparsely populated regions. The Europe 2020 Strategy spells out the purpose of European cohesion policy and explicitly emphasises growth through growth-enhancing factors. The aims of the strategy are to improve employment rates, promote R&D, mitigate climate change, increase education, reduce poverty and promote social inclusion. Finland's national targets are set out in Finland's national programme for the Europe 2020 Strategy. From a Finnish perspective, cohesion policy could take a stronger role in tackling demographic change, especially with regard to the explicit mandate of Article 174 of the Treaty on the Functioning of the European Union. Article 174 specifies that attention has to be paid to rural areas, areas affected by industrial transition, and regions suffering from severe/permanent demographic handicaps. Cohesion policy does target the two first above-mentioned regions but positive actions corresponding the last one has not really been adopted in the structural funds. Funding for shrinking rural areas that is not based on a project framework could form a promising approach for tackling the reality of simple and, particularly, complex shrinkage in places such as Juuka.

At the national level, a vivid debate on the causes and effects of shrinking processes in rural areas exists, but there are calls for a more *open and realistic* policy discussion on the challenges and future of shrinking rural areas and, on the basis of that, a move has to be made from discourse to policy-making. In other words, local policy-makers call for a shift away from 'moral support' to 'proactive measures'. On the basis of a strong and politically accepted agenda, such measures could include, for example, tax incentives, direct financial support and a job regionalisation strategy that dares to speak its name, transport infrastructure investments, re-thinking of state aid rules, support of multi-local living etc. Overall, smart shrinking, and possible policy approaches related to this, are gaining topicality in the Finnish national political debate, as, for example, exemplified by a high-level political seminar organised on smart shrinking at the Finnish Parliament in February 2020.

Another point that is often repeated among interviewees and within the public debate in Finland is that shrinking areas are not a monolithic group and that they can have quite

differentiated needs, which, in turn, calls for more tailor-made policies. EU and national-level interventions can be deemed ineffective to provide such tailor-made policies, but they could provide an important impetus and overall framework for place-based policies developed at lower levels of policy-making.

Policy support must also include enough resources. In Finland, municipalities struggle with increasing tasks and responsibilities coupled with declining financial resources. They cannot be expected to develop highly policy approaches or experiments with regard to demographic change in such a situation, trying “to make ends meet”. Here, a vicious circle emerges where declining financial resources put a strain on human capital, which in turn affects negatively the municipality’s capabilities to attract investments, external funding and, last but not least, new residents. Care should also be taken not to make legislation work against the interests of shrinking rural areas (municipalities), as has been, for example, illustrated by the EU’s legislation on state aid, i.e. the abolishment of municipal guarantees, which has made life extremely difficult for rural business. In addition, much attention is drawn to the importance and necessity of a functioning and strong system of central government transfers to local government, which has the potential to even out differences between growing/successful and shrinking/lagging municipalities.

4.3 Enhanced governance approaches

The fact that demographic change and shrinking processes in rural and sparsely populated areas are currently an important and debated topic is clearly visible in the way in which interaction between the multiple levels of governance is played out. There seems to be a certain level of distrust between different policy levels within the topic at hand. Even though the importance of Ministries and working groups is recognized, the perception among local and regional stakeholders of how central government responds to shrinking in rural and sparsely populated areas appears to be quite negative. For example, local policymakers/residents seem to have preconception, that the national government is biased towards bigger cities or agglomerations to the disadvantage of rural areas. Compartmentalized thinking and the exclusive focus on particular types of territories among different ministries and individual policymakers continues to exist and this shapes the debate. Further work has thus to be done to better co-ordinate between urban and rural policy.

The problem does not appear to be that the issue of shrinkage is not debated, but that, from a local/regional perspective, there does not appear to be a proactive strategy, or even willingness to do something, at the national level. The somewhat adversarial setting between central and local/regional government in what come to the issue of the treatment of demographic change identified in previous sections is somewhat worrying in this respect. Interestingly, the local level was often seen as the most important level to deal with shrinking, but, in times of tight budgets and cost cutting, there was a feeling of powerlessness to be sensed.

Some instances of intra-regional co-operation between municipalities have been highlighted in this case study report. This form of co-operation is also highlighted in Juuka's municipal strategy, which states that the municipality follows the mosaic principle, i.e. the municipality is involved in different projects by evaluating the projects individually, depending how much the project in hand could benefit the Juuka municipality itself. However, the region of Koli makes an exception in the mosaic principle, since the area is regarded as crucial for tourism sector (Juuan kuntastrategia 2017, p19). Co-operation between neighboring municipalities can have particularly good results with regard to adaptation process, e.g. Juuka and Lieksa tackled an acute challenge, the closure of village school, by intermunicipal co-operation, which, in turn, is also an effective way to reduce costs. However, a competitive setting remains, and rural municipalities not only compete against bigger agglomerations, such as the regional centers and the capital region, but also against each other, for example, for residents and funding.

Innovative solutions that have been identified in the case of Juuka has been its reform-minded leadership willingness to observe the surrounding environment, readiness to make (tough) decisions and engage in efficient and modern ways of communication (both towards residents and higher levels of government). There has been an interesting strive towards a repatriation of policy-making that are perceived as shaping the future of the locality. According to the municipal strategy, Juuka is trying to build its own strategy towards more active economic life in the municipality. The strategy is labelled as 'Model for Juuka' which basically means that the municipality itself is increasing its own activities in the field of business and co-operation (Juuan kuntastrategia 2017, p16). Juuka, for example, has left the sub-regional development company JOSEK, which was perceived to not represent local interests sufficiently. Hiring a local development planner has brought more élan to the entrepreneurial sector in Juuka which in the longer run may influence demographic development in terms of migration.

Another important component of a new approach to shrinking has been the appointment of the parliamentary working group on sparsely populated areas. Although the working group was not appointed to improve shrinking areas of Finland as such, most sparsely populated areas are shrinking. Bodies such as parliamentary, inter-ministerial working groups and policy networks have an important role of raising the issues at hand. But more must be done to take their recommendations to the level of holistic strategies and to the stage of implementation.

Cooperation between the third sector and municipalities is getting stronger, not least as a result of the dwindling financial resources of the latter. In order to support the collaboration, it is important not restrict the activities of third sector through legislation.

Policy recommendations

The analysis of simple and complex shrinking processes in Juuka, and the policy frameworks surrounding these, provide input to a number of policy recommendations. However, it has to be borne in mind that these have arisen from a Finnish perspective in general and from a case study perspective (Juuka) in particular and are, as such, not necessarily relevant to or transferable within a European context. Policy recommendations include:

- to create more acceptance and positive recognition of the potentials of/in shrinking municipalities. It is necessary to strengthen the public debate around this issue not only in shrinking municipalities but also in shrinking cities. Municipal strategies mostly still aim at growth and do not very actively engage with adaptation strategies to shrinking processes.
- ever tightening municipal budgets create one of the most severe problems for shrinking municipalities. The national level should support municipalities in finding new financial opportunities and not only decrease funding or alternatively require municipalities to carry out more tasks.
- strengthened involvement of stakeholders concerned with shrinking process from the very beginning. It is important to give all actors a voice who might have something to say in a matter. This approach will improve the knowledge management in municipal administration and policy fields at the local level.
- the establishment and strengthening of a high profile, multi-level dialogue between municipalities, regional level of policy-making and the national level leading to a proactive and anticipative shrinking strategy. A solid and streamlined set of policies or strategy is a vital method to catalyse change not only in one municipality but in a whole region. Only then it is possible to exchange good experiences and look for cross-benefits in the whole region for effective shrinking strategies.
- external financial and political support to municipalities in order to design and implement holistic strategies and responses to shrinkage that are sensitive to local circumstances.
- linked to the above, the facilitation of peer learning between similar municipalities and stronger collaboration between the more 'peripheral' municipalities in the form of joint projects and stronger lobbying for their interests towards the national and EU level.
- the development of bolder policy initiatives by the national level to support and promote shrinking rural areas as places to live in. These bold measures could include tax incentives, tailor-made guarantees for corporate loans or direct subsidies.
- the support of more positive, transparent and advanced communication between and within different levels of policymaking (trust) in order to overcome adversarial settings
- careful drafting and implementation of new legislation, including the avoidance of creating unnecessary barriers for rural areas, i.e. impact assessment for rural, shrinking areas.

- discussion on potential changes in EU funding terms from project-led funding to more direct modes of funding

Conclusions

In the case of Juuka, it is obvious that rural shrinkage is the result of structural changes in the economy and growing efficiency in the agricultural/forestry sector combined with increasing unprofitability of smaller agricultural holdings. Rural shrinkage in Juuka has also been perceived as an opportunity for policy-makers to create and develop new and innovative solutions to manage structural shrinkage processes. If no action is undertaken, the likely scenario is that negative demographic change will continue and there will be no improvement in sight, although recovery to a minor extent some might be possible in form of return migrants (retired persons). In rural municipalities like Juuka, the shrinking process can be considered as inevitable, since out-migration allows for better education and employment possibilities especially for young people. It is not possible to prevent out-migration totally, but it is possible to guarantee the quality of life for those who are staying in shrinking municipalities. One important approach is to encourage and innovate different incentives in the municipalities in providing, for instance, attractive social and health services in order to secure individual wellbeing as well as create new employment in the municipality. In Juuka, and Finnish rural policy circles as a whole, there is an increasing prevalence of the understanding that vitality is to be gained from something else than population growth. It is inevitable that the strong local self-government has vital role in managing the structural processes of rural shrinkage.

Concluding beyond the case of Juuka, it must be emphasised that overall more attention should be paid to the effects and potential responses to shrinking processes in the Finnish municipalities. Rural population decline and the resulting weakening of local economies is a tangible problem in most Finnish rural municipalities. This development trajectory has not triggered a real policy change in the municipalities nor has it stimulated a strong discussion at the regional level. There are indications that there is a growing interest at the national level to consider population decline as a broader process in society under the concept of “smart shrinking”. However, there is neither a clear policy strategy nor discussion paper at the national level about the critical elements of a potential smart shrinking strategy. In addition, municipal-level discourses and strategies do not really reflect simple and complex shrinking processes but deal mostly with efficiency, resource transfers and cost-cutting. Some municipalities, such as Juuka, have nevertheless paid attention to problems relating to housing and infrastructure as well as ageing population.

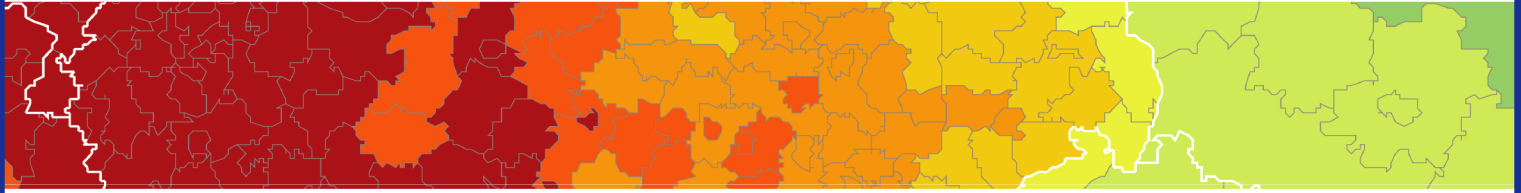
The lack of consistent strategies on how to manage shrinking processes is mainly linked to two key aspects: lack of comprehensibility and lack of knowledge. Juuka municipality has managed well to inform and educate local decision-makers about how to tackle existing challenges caused by demographic decline. Administrative and policy transparency is also very well established and decision-makers have better opportunities to understand the conflicts of interest between suggested policies. We may say that the municipality is in a ‘reactive phase of policy’ towards an adaptation process. There is broad awareness and

approval of the need for an adaptation process among municipal officials and councillors, but there is still a need to deliver a new 'mode of policy' towards residents as well. However, there is clear indication that new modes of governance both in form of formal and informal networks and functional cooperation have been recognised and set up at the national level to advance efficiency and policy-making. If social cohesion gains more emphasis in EU cohesion policy interventions during the new programming period, municipalities as actors and deliverers of policies and projects might experience a strengthened role. If municipalities develop and participate in new interinstitutional relations, they have a possibility to develop the involvement of private and social partners both in policy-making and implementation.

The sparsely populated areas in Northern and Eastern Finland are, according to Article 174 of the Treaty on the Functioning of the European Union, specified to receive extra funding from EU structural funds to alleviate severe/permanent demographic handicaps. It is obvious that EU funding instruments have had positive impacts on regional development in shrinking rural areas. Therefore, it is interesting to note that Juuka's municipal decision-makers refer relatively little to the EU as a source of policy guidance but, rather, they consider the national level much more as a source of potential policy input. On the other hand, the attitude of municipalities is understandable because they are dependent on the financial resources from national and not from EU level decision-making/funding. Shrinking municipalities rarely carry out EU projects mostly because they are suffering from financial problems and have restricted budgets. They are very often also incapable to apply for EU funding simply because they cannot cover the required match funding for projects. This situation could be changed if specific issues closer to the municipal administration in terms of social welfare services will be addressed in EU cohesion policies interventions, delivering positive impacts on municipalities' participation on project implementation.

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