



*European Network for
Rural Development*

**Thematic Working Group 1: Targeting territorial specificities
and needs in Rural Development Programmes**

Rural Typologies and their use in RDP 2007-2013: Finland

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Connecting Rural Europe

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1. Definition of typology used in the RDP 2007-2013

Finland is the most sparsely-populated EU member-state. Thus, if the OECD definition is used, the whole country would be classified as either predominantly or significantly rural. Therefore, the Finnish authorities have decided that the OECD definition would be too crude to reflect the socio-economic and structural characteristics of rural areas in Finland and to specify the different policy needs of different rural areas. Within this context, since the first national rural programme in 1990, Finland has evolved a three-part classification of rural municipalities (LAU2), dividing them into urban-adjacent rural areas, rural heartland areas and sparsely populated rural areas, in order to focus rural policy on specific regional needs and to ensure effective delivery of policy.

The Finnish rural typology has gone through changes, because of changes in the operational environment and because rural areas have become increasingly diversified. Major factors in this process have been EU membership and the wish to strengthen the urban dimension in evolving the typology. Rural municipalities were classified in 1993, again in 2000, and for the third time in 2006, when the current classification emerged.

The rural typology in Finland is based on a gradual classification process which involves three stages:

- Stage 1: First, urban areas are defined through a study in Urban Networks and Districts (Antikainen et al., 2006). Then the initially-defined group of urban areas is extended by using the proportion of the rural population in the municipality as the basic criterion (threshold of 10%), as well as additional criteria (number of rural inhabitants, number of farms, location of municipality in relation to urban centres).
- Stage 2: In the second stage, there is an identification of urban-adjacent areas, according to the volume of commuter traffic to target urban centres (with more than 15000 inhabitants) from the rural locations within each municipality. Urban-adjacent municipalities were defined as these with an average proportion of commuters of at least 32% of persons employed in rural locations.
- Stage 3: The remaining 285 municipalities were analysed through a statistical multivariate method (principal component analysis) and classified as rural heartland areas and sparsely populated areas. The ten principal components (variables) used for this classification were:
 - Population density (population in rural areas per inhabited km² in 2004).
 - Average distance in km of inhabited km² grid cells of rural areas to the nearest agglomeration of more than 500 inhabitants in 2004.
 - Length of public roads in relation to the rural population in 2004 (m/rural resident).
 - % of jobs in forestry and mining in 2003.
 - Diversity of economic activities in rural areas in 2002.
 - Average taxable income per holding between 2001-2003.
 - The production line sum variable, average for 2003-2005.
 - The % average net migration in relation to the population of the municipality between 2002-2004.
 - The % share of the rural population aged 20 to 39 in 2004.
 - Economic dependency ratio in 2003

Summary of the division of Finnish rural areas into three types 2006, Finnish rural typology 2006 and list of towns and municipalities in mainland Finland with more than 23,000 inhabitants and with 20,000–23,000 inhabitants.

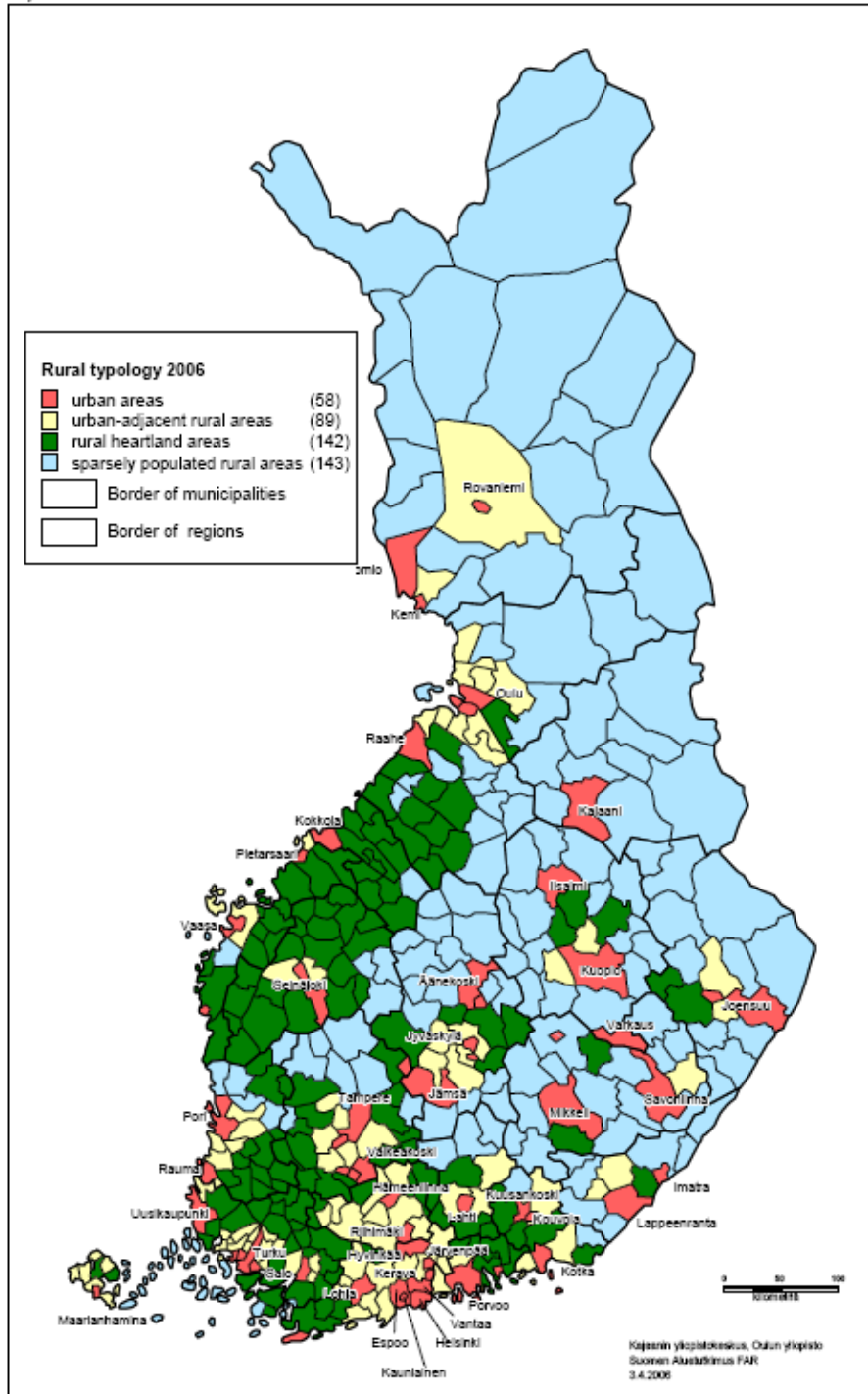


Figure 1. Finnish rural typology 2006

The result of this process is the current typology, which includes (Figure 1):

- **Urban areas** (58 municipalities), which include the centres of major urban areas, and other urban areas with comparable characteristics.

and **three categories of rural areas**, namely:

- Urban-adjacent rural areas (89 municipalities). These areas have the best development potential. Residents and entrepreneurs are close to main markets, conditions are favourable for agriculture and rural diversification activities (as these areas locate in Southern and Western Finland), and many municipalities have recorded economic growth and net migration gains.
- Rural heartland areas (142 municipalities). These municipalities are agriculturally-dependent and also include few manufacturing and specialized primary production clusters. Several medium-sized centres locate near these areas. Rural heartland areas locate in Southern and Western Finland.
- Sparsely populated rural areas (143 municipalities). These are rural areas in decline. They are characterised by depopulation, unfavourable age-structures, a decline in agricultural activity and net job losses. The short growing period and unfavourable natural conditions constrain the development potential of agriculture. These municipalities locate in Eastern and Northern Finland.

Also, it is worth noting that another classification, devised in the context of the 2000-2006 programming period, is still applied in Finland in order to differentiate natural handicap payments support (RDP Measure 211). This classification specifies 7 types of areas for the regional allocation of support for arable crops and is here to differentiate handicap payments. As expected, areas facing very unfavourable natural and physical conditions are associated with higher rates of support (210 EUR/ha), while support is lower in less-disadvantaged areas (150 EUR/ha).

2. Factors captured by the typology

The aim of the Finnish typology is to differentiate municipalities into urban and rural and then, specify different types of rural areas with distinctive socio-economic and structural conditions and thus, different needs in terms of rural development policy approaches. Then, the classification system is applied as follows. Rural areas include urban-adjacent rural areas, rural heartland areas and sparsely populated areas; these three zones are eligible for RDP support and can also benefit from the support of Local Actions Groups. Thus in all three types of rural areas, the Leader approach can be applied. However, development action under Axis 3 is mainly focused on the two outer zones, namely the sparsely populated rural areas, which occupy about 65% of the national territory, and the rural heartland areas, which occupy about 20% of that territory.

Further to the above factors, the Finnish rural typology is utilized in order to refine Axis 3 eligibility priorities. In more detail, the RDP recognizes the high dependence of rural heartland areas on agriculture and the socio-economic constraints and decline of sparsely populated areas, and states that:

- measures aimed at diversifying the rural economy should have a "minimum of 80% of business financing allocated to rural heartland areas and sparsely populated rural areas"; and for
- measures aimed at improving the quality of life in rural areas "at least 70% should be targeted at rural heartland areas and sparsely populated rural areas".

Further, development in sparsely populated areas (Eastern and Northern Finland) is further supported by an emphasis in funding from the ERDF, ESF and EFF.

3. Use of the typology in the application of RDP measures

As noted, the Finnish typology is used to define one urban and three distinctive rural zones. In addition to being the focus of RDP support, urban-adjacent rural areas, rural heartland areas and sparsely populated rural areas have the benefit of Local Actions Groups. Also Axis 3 measures mostly focus on sparsely populated areas and heartland rural areas. Taking the above into account, it can be argued that the typology is mainly used in the application of the RDP for concentrating Axes 3 and 4 funds in rural heartland areas and sparsely populated rural areas.

In more detail, the 80% minimum quota of rural heartland and sparsely populated rural areas on resources specific to Axis 3 measures 311, 312 and 313 and the relevant 70% minimum quota on resources related to measures 321, 322 and 323, mean that **at least** 330.6 ml EUR (i.e. 5%) of RDP total public funds will be dedicated to these two outer zones.

Also, as the Axis 3 minimum quotas apply also to measures implemented through the Leader approach, at least another 125.6 ml EUR (1.9%) of total RDP public funding will be dedicated to rural heartland areas and sparsely populated rural areas.

Due to the fact that the majority of Axis 4 funding will be directed to sparsely populated rural areas and rural heartland areas, one might add (to the above Axis 3 amounts) a rather significant (but unidentified) proportion of Axis 4 funds specific to the following measures:

- a) Measure 411: This includes measures 111 (Vocational training and information actions), 123 (Adding value to agricultural and forestry products) and 124 (Cooperation for the development of new products, processes and technologies in the agriculture, food and forestry sectors). The public funding of 411 amounts to 10 ml EUR.
- b) Measure 412: This includes measures 214 (Agri-environment payments) and 216 (Non-productive investments). The public funding of 412 amounts to 9 ml EUR.
- c) Measure 421 (Inter-territorial and transnational cooperation) which records a public funding of 24 ml EUR.
- d) Measure 431 (Running LAGs, acquiring skills and animating the territory) which amounts for 40 ml EUR (public funding).

Further, the Finnish typology is utilized in order to differentiate investment support aid in the case of measures 123, 311 and 312. In more detail, the rural typology is used in the context of Government Decree 44/2007 "on support areas for regional development", to specify the following four types of National Support Areas:

- i) Support area 1: this includes 128 areas of all four types.
- ii) Support area 2, sparsely populated rural areas: includes 32 sparsely populated rural areas.
- iii) Support area 2, other than sparsely populated rural areas: includes 77 rural heartland, urban-adjacent rural areas and urban areas.

- iv) Support area 3, sparsely populated rural areas: includes 15 sparsely populated rural areas.
- v) Support area 3, other than sparsely populated rural areas: includes 185 rural heartland, urban-adjacent rural areas and urban areas.

Within this context, measure 123 aid rates are differentiated as follows:

Measure 123 Aid Rates

National Support Area	Medium-sized enterprise	Small enterprise	Micro-enterprise
Support area 1	25%	35%	35%
Support area 2	15%	25%	25%
Support area 2 - Sparsely populated rural areas			35%
Support area 3	10%	20%	20%
Support area 3 - Sparsely populated rural areas			30%

In the case of measures 311 and 312, the differentiation of aid rates is as follows:

Measures 311 and 312 Aid Rates

National Support Area	Micro-enterprise
Support area 1	35%
Support area 2	25%
Support area 2 - Sparsely populated rural areas	35%
Support area 3	20%
Support area 3 - Sparsely populated rural areas	30%

Finally, the typology is utilized in way that leads to the enhancement of complementarity between EAFRD, ERDF, ESF and EFF, and the attainment of synergies between measures, in the context of the wider effort to reinforce territorial coherence. The RDP states that "... in eastern and northern Finland (i.e. sparsely populated rural area), where the rural development challenges are the greatest, more funding is available under the European Regional Development Fund (ERDF) and European Social Fund (ESF) than in other regions, which also supports the development work in rural areas." Also, LAGs, which cover the whole of the sparsely populated areas, can negotiate funding from ERDF, ESF or EFF to assist in implementing their local development strategies. The RDP does not mention other national funding, despite the fact that Finland applies – through its Rural Policy, which is wider in scope than the RDP – the concept of 'broad' rural development, which relates to coordination between different policies and government funding.