



Smart Villages in Finland: ideas for designing support in the future CAP Strategic Plans

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Introduction	1
1. Identifying the needs of rural communities	2
2. Mapping the existing policy support framework	3
3. Designing targeted interventions for smart villages in the future CAP Strategic Plans	5
4. Guiding questions for assessing the added value Smart Villages interventions	8

INTRODUCTION

Finland is one of the countries that is most advanced in preparing a support framework for Smart Villages for the next programming period.⁽¹⁾ They are proposing to design the future interventions in the CAP Strategic Plan (SP) in a way that is both simple to use and provides clear added value for rural communities. This paper introduces the main ideas presented at the 9th meeting of the Thematic Group (TG) on Smart Villages that took place in Finland on the 20-21 November 2019.⁽²⁾

Previous briefings of the Smart Villages TG have recommended that Member States (MS) should take the following steps when designing their support for Smart Villages in the future CAP SP:

1. Identify the **needs** of rural communities that might be tackled by Smart Villages;
2. Map the **existing policy support framework** in order to identify opportunities and gaps;
3. **Design a targeted package of interventions** which enable rural communities to take an initial idea for change through to its sustainable scale-up.

The content of this document is based on the outcomes of the discussions of the ENRD Thematic Group on Smart Villages, and does not represent the views of the European Commission.

(1) The elements discussed below are based on the Commission's proposal for a CAP Strategic Plan Regulation which is subject to changes following decisions of the co-legislators in the legislative procedure.





(2) https://enrd.ec.europa.eu/news-events/events/9th-thematic-group-meeting-smart-villages_en



1. IDENTIFYING THE NEEDS OF RURAL COMMUNITIES

F inland has conducted a SWOT analysis and needs assessment for CAP Specific Objective 8 'Promote employment, growth, social inclusion and local development in rural areas, including bio economy and sustainable forestry' which provides the justification for the design of the interventions to support Smart Villages.

Table 1. Examples of key points from the SWOT especially relevant for Smart Villages

 Strengths	 Weaknesses	 Opportunities	 Threats
<ul style="list-style-type: none"> • Strong sense of community with active NGOs; • Abundant natural and water resources; • EU largest capacity for Bioeconomy; • High levels of education and skills; • Well-performing LEADER. 	<ul style="list-style-type: none"> • Long distances; • Sparsely populated areas and poor accessibility; • Poor or non-existent infrastructure; • Unbalanced age structure and gender distribution. 	<ul style="list-style-type: none"> • Diversification of rural businesses; • Local sustainable bioeconomy and circular economy; • Energy self-sufficiency with farms as energy producers; • Sustainable use of natural resources and cultural heritage e.g. tourism; • e-services and other ways of organising services (multifunctional services); • New ways to participate via technologies (online); • Local solutions for local needs; • Cooperation; • Internationalisation and immigrants. 	<ul style="list-style-type: none"> • Tendency for the centralisation of services and the associated change in the allocation of resources to reduce the political weight of rural areas and undermine infrastructure; • Climate change and global consequences; • Refugee crises.

The SWOT analysis has led to the identification and prioritisation of a series local needs which are especially relevant for being addressed through Smart Villages:



More and better broadband infrastructure (fast broadband) in rural areas;



Enhanced quality and reliability of services;



Support for local 'activators', local champions that gather and coordinate actors and work locally;



Enhanced knowledge transfer to improve digital literacy and change attitudes towards technology;



Enhanced cooperation and stronger communication and interaction among stakeholders within regions and between regions;



Integrating new people (immigrants) and young people.

2. MAPPING THE EXISTING POLICY SUPPORT FRAMEWORK

The ENRD Thematic Group has argued that future interventions for Smart villages should be designed to enable local communities to take innovative actions in a fast and flexible manner. They should avoid duplication with existing structures and strategies. Consequently, it is important to map existing policy support tools, identify what works and does not work, and design targeted interventions that add value to what already exists. In the case of Finland, several specific territorial characteristics need to be taken into account when designing Smart Villages interventions

Firstly, as identified in the SWOT analysis, there is a *high level of human and social capital* in Finnish villages. This is reflected in a strong associative movement at villages level, with more than 4 000 village associations active in nearly every Finnish Villages, organised into provincial associations under the umbrella of the Finnish Village Movement Association. The village associations provide much of the animation at local level and work closely with LEADER Local Action Groups. They rely heavily on the enthusiasm and voluntary labour of their members.

Secondly, because of the immense distances and very low population density, Finland was very quick to recognise *the strategic importance of broadband connectivity*. The first national strategy for fast broadband was developed in 2008. This was complemented by a national study for a ‘smart countryside’⁽³⁾ in 2016 and a new government initiative for rural digitisation in 2017. The Finnish Broadband Competence Office⁽⁴⁾ plays a key rural in improving cooperation between the national administration and other actors.

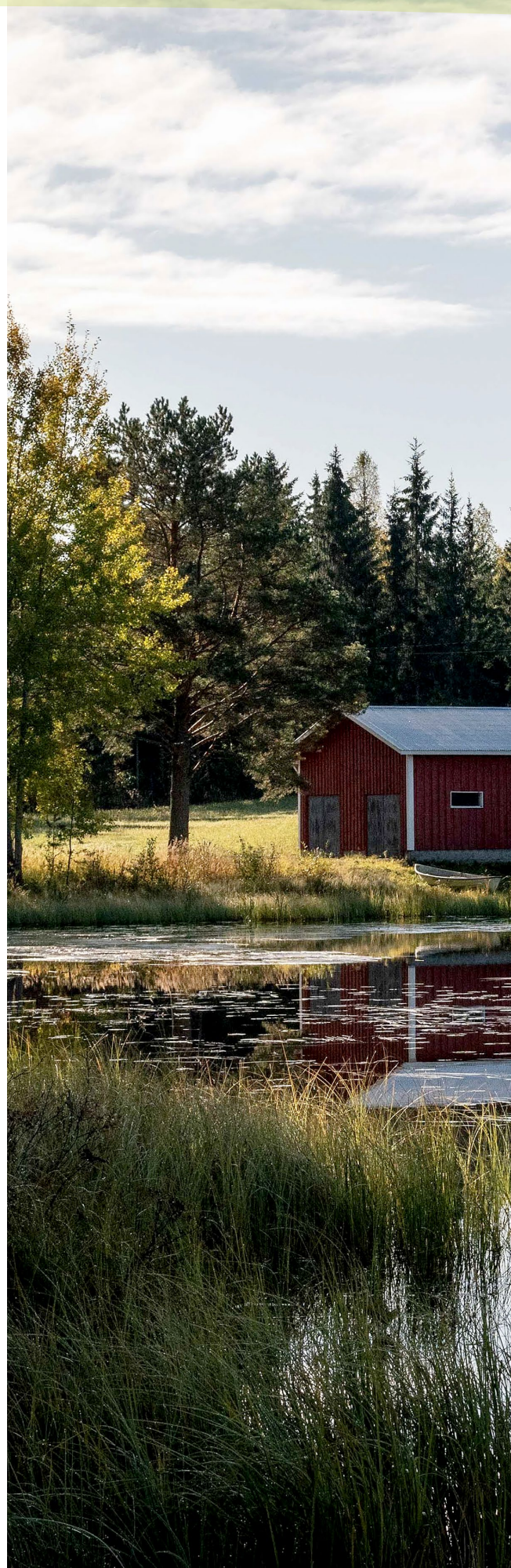
Thirdly, there is a relatively good level *policy integration and coordination* in Finland. The National Rural Policy Council brings together different administrations and stakeholders and sets global targets for rural areas. Rural Development Programmes are delivered through the Ministry of Agriculture and Forestry (Managing Authority) and the Finnish Food Authority (Paying Agency). However, certain Managing Authority functions for both the EAFRD and ERDF and Paying Agency for the EAFRD have been delegated to network of provincial government offices (Centres for Economic Development Transport and the Environment – ELY Centres⁽⁵⁾).

This enables complementarity between different funding instruments and strategies (for example, the strategy for digitisation, investments in basic services under the EAFRD, ERDF investments, LEADER, Municipal investments). The closeness of the ELY Centres to rural areas also increases the speed of project approvals and payments. The Finnish National Rural Network plays an important role in transferring good practice between different initiatives.

(3) https://enrd.ec.europa.eu/sites/enrd/files/tg_smart-villages_case-study_fi.pdf

(4) www.bco.fi

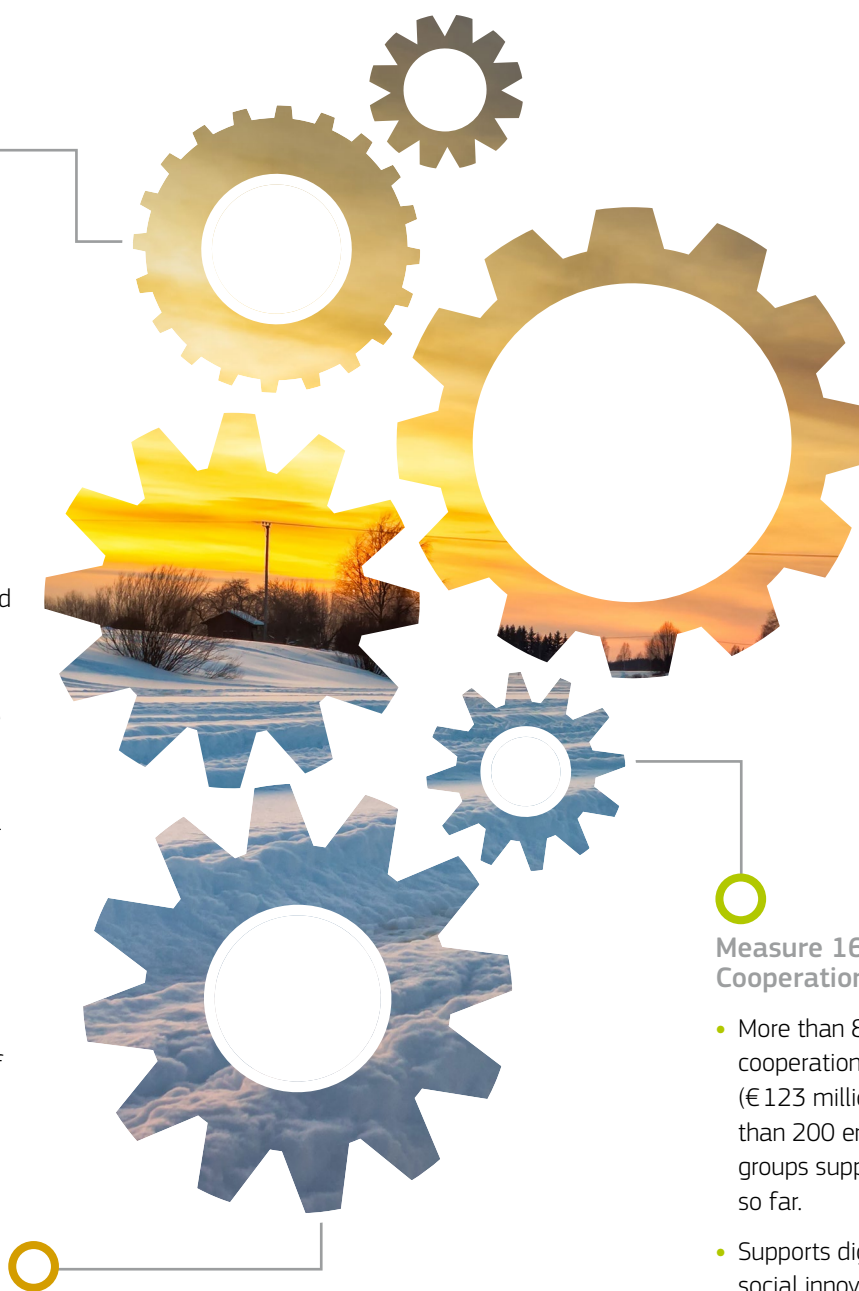
(5) <https://tem.fi/en/ely-centres>



Graph 1. Key Rural Development Programme 2014–2020, regional and local actions

LEADER (M19)

- 55 LAGs with a total public budget of € 300m cover all rural areas. Equal membership on LAG from Municipalities, private sector and civil society (1/3 each).
- LAGs, Village Associations, ELY Centres and local and national authorities work closely together to ensure relatively fast approval and payment. Extensive use of Simplified Cost Options.
- 44 LAGs currently manage 'theme projects' – own projects initiated by the LAG itself to support small strategic investments, village houses, sport and leisure investments, restoration of natural areas and landscapes, digital tools for villages, safety issues, activation of young people.



**Measure 7:
Development of Services and Villages**

- > 3 800 projects (€80 million + LEADER investments) supported.
- Many investment related to Smart Villages: improvement or expansion of local services, including multiservice centres, digitalisation of services, common environmental actions, water conservation, decarbonisation.
- Broadband funding for rural village broadband networks.

**Measure 16:
Cooperation**

- More than 820 cooperation projects (€123 million) + more than 200 enterprise groups supported so far.
- Supports digital and social innovation and all kinds of cooperation around energy, wellbeing, environmental solutions, circular economy, tourism, different industries, etc.

3. DESIGNING TARGETED INTERVENTIONS FOR SMART VILLAGES IN THE FUTURE CAP STRATEGIC PLANS

Scope

The scope of the potential support for Smart Villages in Finland has been kept deliberately broad and inclusive to reflect the very diverse needs of the villages in different parts of Finland. There is no intention to produce an overarching national strategy. The aim is to be able to respond in a fast and flexible manner to the needs expressed by local communities in the following fields:

- **Economic** investments and actions to support (business development in) emerging value chains and local economic clusters (both agricultural and non-agricultural) based on local assets and (potential) areas of comparative advantage (bioeconomy, smart tourist destinations, etc.). Smart transport and logistic solutions, smart local services and service chains and smart food chains, digitalization and co-operation of enterprises. Connectivity (broadband) and different models for businesses (for example social entrepreneurship).
- **Social** – innovations to ensure sustainable and good quality of social and cultural services. Also, investments in skills for the future, support for urban-rural linkages and sustainable wellbeing: preventing segregation and inequality between people, improve integration of immigrants and other new comers, sense of community, living conditions, culture, safety, improving rural know-how, and accessing the “hidden” knowledge of rural communities.
- **Environmental** – innovations to improve resource efficiency, create local energy communities, reduce the carbon footprint, enhance biodiversity, both protect and valorise environmental assets. Encouraging municipal authorities, business representatives, local residents, research institutes and experts to work together to devise and tailor new cost-effective solutions to reduce emissions, especially in the contexts of transportation and mobility, housing and food. Low carbon villages: circular economy, sustainable food production and local food.

Types of intervention

Several new types of intervention are being discussed and considered in Finland to support Smart Villages in the fields mentioned above.

In particular, two new forms cooperation (art. 71) are being considered to support Smart Villages at different territorial scales and complement LEADER and EIP-AGRI Operational Groups. In addition, a network of Smart Villages Innovation Brokers is being considered to help Smart Villages in the initial stages with actions such as need assessments, training, feasibility studies, contacts with research, piloting and testing, small scale investments. The Smart Villages Innovation Brokers could be coordinated by the

Graph 2.
Possible CAP interventions to support smart villages



- **Cooperation** (art. 71) – including LEADER and other forms of co-operation
- **CAP Networks** (art. 113)
- **Installation of young farmers & rural business start-up** (art. 69)
- **Knowledge exchange and information** (art. 72)
- **Investments** (art. 68), basic services

CAP Networks (art. 113) to facilitate peer to peer learning, exchange of knowledge, etc.

These new interventions could potentially be backed up by other ‘soft’ investments such as Knowledge exchange and information (art. 72) and Installation of young farmers & rural business start-up (art. 69).

The ‘soft’ measures are designed to create the conditions for interventions for ‘hard’ investments such as those considered in the Digital Strategy (Article 102 for Modernisation) and Investments including infrastructure and basic services (Article 68) and investments from other EU funds and financial instruments.

Cooperation intervention (Art 71)

Finland is considering two new types of cooperation schemes for supporting Smart Villages (see Table 2).

Table 2. Cooperation schemes for Smart Villages

	Smart Villages Cooperation projects (local village level – at least 2 villages)	Smart Villages Activation projects (regional or subregional – groups of villages)
Description	<p>The aim is to extend the scope of innovation support beyond agri-food to other rural sectors and fields (e.g. energy, mobility, education, digitalisation, services etc). Cooperation projects will be based on ‘local action plans’ that aim to provide fast and flexible support for the implementation of innovative actions that respond to a specific local challenge or need.</p> <p>Preparatory support for the development of the plan is also envisaged to support local actors to develop their proposals.</p>	<p>These are long term umbrella and/or theme projects that aim to animate and promote innovation between groups of villages on cross-cutting issues such as digitalisation and broadband connectivity, the networking and clustering of SME’s and so on. These projects need to achieve the critical mass for becoming sustainable and can span one or more LAG areas.</p>
Territorial scope	Local: Smart Village initiatives based on cooperation between several actors in 1-2 villages.	Regional or subregional covering more than one LAG area.
Possible eligible beneficiaries	Cooperation between village associations and other actors such as research institutes, SMEs, municipalities public authorities, etc.	Cooperation between several village associations and other actors such as research institutes, SMEs, municipalities, etc.
Indicators	Smart Villages cooperation projects will contribute to the result indicator ‘R.33 – % of rural population covered by a supported SV strategy.’	Smart Villages / Countryside Activation projects will contribute to output indicator ‘O.28-Number of cooperation groups – excluding EIP OG reported under O.1’. The result indicator to be decided.

Smart Villages Innovation brokers – CAP Networks (art. 113).

The idea is to create a team of Smart Villages Innovation Brokers to improve the access of rural communities to specialised knowledge in fields such as digital technologies, energy, mobility, service innovations and so on. In the current proposal, the CAP Network would coordinate the brokers and offer guidance, animation, and share information through meetings, seminars and other networking activities between the villages and brokers.

Flexible Finance (Simplified Costs Options)

During the 2014-20 period Finland has used a wide range of Simplified Cost Options in the Rural Development Programmes. These include the use of flat rate SCO of 15 % and 24 %. Flat rates are now used in more than half of the projects for Measure 1 for Knowledge Transfer, M7 for Basic Services and M16 for Cooperation. They can also be used to simplify Smart Village projects

As a result of changes in the Omnibus Regulation, Finland has also been one of the first countries to experiment extensively with lump sum SCOs with draft budgets. These allow LAGs themselves to assess the budget of projects on a case by case basis subject to final approval by the ELY centre. The maximum support is € 100 000. Payment is made solely on

the basis of the agreed outputs being achieved and there is no need to collect or verify invoices. This could provide more flexible finance for the community led innovation processes envisaged in Smart Villages.

However, the method is not suitable for all projects. Care must be taken to assess the reasonableness of costs in the budget and specify easily verifiable outputs. It is sometimes useful to break the budget down into several phases as the payments are binary – if the outputs are not achieved no payment is made.

Nevertheless, since 2017, LAGs have supported 45 projects with draft budgets and have found that it considerably simplifies applications and makes the payment process 'easy, simple and fast'.

“ *The Lump Sum cost option was eagerly expected, especially for the Leader projects. Innovators and early adopters are adapting the lump sum right now, the majority will follow most likely on next period.* ”

See more information on the application and paying process in Finland (see presentation⁽⁶⁾).

LAG advisors are key actors in implementing Simplified Cost Options as the applicants trust their expertise and advice to help to choose the right cost option for their project.⁽⁷⁾



The 'Kuitua pohjoiseen' project is an example of how villagers can get access to high-speed broadband networks even in remote and sparsely populated rural areas. It is the winning initiative of the 2019 Rural Inspiration Awards in the 'Rural Revitalisation' category.⁽⁷⁾

(6) https://enrd.ec.europa.eu/sites/enrd/files/tg9_smart-villages_simplified-cost-options_vaissalo.pdf

(7) https://enrd.ec.europa.eu/projects-practice/kuitua-pohjoiseen-high-speed-broadband-network-north_en

4. GUIDING QUESTIONS FOR ASSESSING THE ADDED VALUE SMART VILLAGES INTERVENTIONS

The ENRD Thematic Group on Smart Villages has identified a series of guiding questions to help assess whether the interventions designed support Smart Villages add value to what already exists. Despite the sophistication of the existing Finnish Rural Development support framework, it can be seen that the initial ideas for Smart Villages satisfy all these questions. Smart Village support frameworks should provide:

More resources for local facilitation/animation



Yes, in Finland, through Smart Villages cooperation projects & Activation projects.

Better access to knowledge



Yes, in Finland, by supporting Innovation Brokers.

Faster more flexible finance for community led innovation



Yes, in Finland, by using SCOs such lump sums with draft budgets.

Better **alignment with investment** and other measures



Yes, in Finland, by building in links with investment on Broadband and basic services and other ESI Funds such ERDF.

Stronger and more flexible cooperation



Yes, in Finland, through the Smart Villages cooperation and activation projects.



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