



Resituating the Local in Cohesion and Territorial Development



Case Study Report
Lieksa Development Strategy 2030
Finland

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Abbreviations

EC	European Commission
EU	European Union
LieKe	<i>Lieksan Kehitys Oy – Lieksa Development Ltd.</i>
NUTS	Nomenclature of Territorial Units for Statistics
PIKES	<i>Pielisen Karjalan Kehittämiskeskus Oy – Pielinen Karelia Development Centre Ltd.</i>
SME	Small and Medium-Sized Enterprises
SOTE	Sosiaali- ja terveydenhuolto – Social and Health Care

Executive Summary

The report at hand presents the findings of our case study on the development and implementation of the municipal “Strategy 2030” drawn up for the Finnish municipality of Lieksa (the locality). The report is structured according to the analytical framework of the RELOCAL project, which examines “the capacity of placed-based approaches to deliver spatial justice.” The spatial justice dimension in Lieksa mostly relates to the safeguarding of the municipality’s/city’s socio-economic viability against the distributive background of continuing demographic decline, peripheral location (poor accessibility) in both regional as well as national contexts and dwindling financial resources.

The Action at hand is embedded within the highly institutionalized system of Finnish local government guided by the principles laid down in the Finnish Local Government Act. However, the analysis showed how the coming together of several factors - e.g. in the case of Lieksa, socio-economic and financial malaise, changes in the leadership and external pressures to transform – can lead to a sea of change in how things are done in a municipal setting. The report identifies a number of changes that have been implemented in the way the municipality of Lieksa has been run since 2015 when a new mayor initiated a new approach to city leadership and management, to significant extent based on the premises of a new municipal Strategy 2030 that was accepted in summer 2016.

Improvements in procedural aspects - for example an overall more effective municipal apparatus, improved transparency in decision-making through better communication and budding participatory practices, and strong liaison with and utilisation of placed-based knowledge of the local businesses – provide a stronger foundation for positive socio-economic development in Lieksa. A key element in this new approach is the provision of the best possible operating environment for local businesses for the ultimate aim of improving distributive aspects of spatial justice for Lieksa by maintaining and creating jobs, thus encouraging residents to remain in or even move to Lieksa. The restructuring of the City administration and governance has given the City more effective tools for realising its own local development aims, which are targeted especially at the improvement of the business environment.

This intervention logic, applying a decidedly entrepreneurial approach to local development, has meant that comparatively less attention has been paid to the potential inputs of third sector organisations and civil society at large. Whether this comparatively high attention to business and the economy will become a long-term policy choice, or whether it is a short-term ‘fix’ on what has been identified as the crucial point for Lieksa’s development, remains to be seen. One can, nevertheless, detect an observable need to balance between administrative efficiency and democratic responsiveness (Stivers 1994) by increasingly listening to the needs and wishes of civil society and third sector organisations, as well as individual residents.

Another finding is that Lieksa, through its reorientation in city management (also through the Strategy), claimed more ‘autonomy’ by strengthening its capacity to adapt and even carry out proactive measures amidst inter-municipal and regional collaboration and competition. Within the unfavourable situation that Lieksa has found itself, a decision was made to look more egocentrically after its own interests. Frequently referred to in this respect has been the perceived need to defend Lieksa’s (and in general, smaller municipalities’) own interest in the competitive setting with regard to the regional centre of Joensuu.

The Action in Lieksa is still in its early phase, and although the changes are noticeable, it is still premature to estimate its long-lasting impacts. The mayor was hired to be – to a certain extent – ‘a manager for change’ and the transformations in the City governance

have indeed been significant and mostly positively accepted. It remains to be seen how the City governance will have to be further adjusted to suit the possible institutional reforms, but this more proactive, inclusive, dynamic and strategic-thinking leadership offers an apparently sustainable option for tackling the spatial injustices faced by a peripheral municipality within a region dominated by a much stronger centre.

1 Introduction

The *Lieksa Development Strategy 2030* aims to develop the level of vitality and viability (*elinvoima* in Finnish) of the town. The Action mostly aims at improving the socio-economic position of Lieksa vis-a-vis other municipalities and within the Finnish context. Since the 1960s, this rural municipality has been fast and steadily losing population, which has resulted in a radical decrease in the share of the young cohorts (see Figures 3-6 in Annex 8.2), and major imbalances in the local labour market. This rural municipality has a number of companies with a potential of tackling local circumstances and capacities and at the same time producing goods and services for national and wider global exportation. Yet, the paradoxical situation exists in Lieksa that there is a high unemployment rate as well as a high number of long-term unemployed people, while there are companies looking for candidates with the right skills and experience.

In the first part of the 20th century, the increased European demand for timber triggered the expansion of the local economy based almost solely on the utilization of forest resources, which in turn, increased the demand for local labour force in this sector. Lieksa's population also grew as a result of the resettlement of about 2000 persons from the areas that were ceded to the Soviet Union at the end of the Second World War. However, structural change and a general rationalization in primary production, as well as the peripheral (border) location has led to Lieksa's progressive marginalisation in a fast urbanising Finland: in the last approximately five decades, Lieksa has lost more than half of its population and has been suffering from permanently high levels of unemployment and 'un-wellbeing'.

A systematic approach to regional policy in Finland began in 1966. Its initial core objective was to industrialize regions that were characterized by a dominance of primary production (forestry, agriculture). Lieksa belonged to the highest tier of support and, in addition, the establishment of an industry park was aiming at the diversification of Lieksa's economic structure. These measures slowed down the population decline but did not stop it. Regional development policy over time shifted towards promoting innovation. A watershed was 1995 when Finland became member of the EU. Since then, EU Cohesion Policy and national policies on advancing economic development have 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.

After several particularly difficult years (2012 - 2014), a new reform-affine mayor was appointed in 2015, who then took on a more proactive and strategic approach to Lieksa's development. Through a participative process, and with unified support of the city officials, a new Development Strategy for 2030 was drawn up. The Strategy placed emphasis on 'vitality' policies; directing Lieksa's focus on developing the business sector and economic policies. Overall, *local human interactions are seen as a resource for local (economic) development* and the implications/results of this shift in emphasis is an important focus of this case study. The Strategy can also be seen as part of municipal identity building through increasing participation, promoting responsible local citizenship both for social and economic wellbeing, and hence can be itself the manifestation of the strengthened role of the local in delivering spatial justice. A main objective of this study is *to understand the significance of this approach, its difference from the previous ones, and the ways the 'locality' attempts to organise itself in its design and implementation*.

The Action in the focus of this study has to a significant extent been motivated by external changes and has been influenced by other than local actors within the vertical hierarchy of governance: the new local strategy has been designed under changing administrative

circumstances. Lieksa, as a municipality, is a self-government based on the Constitution of Finland and has wide-ranging responsibilities and powers (e.g. right to levy taxes). This system has been in flux: *the current Finnish government* planned a regional government & health and social services reform from 2020 onwards. However, the reform failed to pass in its planned form during the period of current government. With regard to the content of this report, the rationale behind Lieksa adapting to the planned reform remains valid, since the consensus for carrying out such reform still exists. Accordingly, many municipalities have already started to initiate reforms by themselves in the provision of health and social services, and the *region of North Karelia*, the county that includes Lieksa, has taken a 'head start' regarding the reform. The *region's fourteen municipalities* have started co-operation in 2017 for the provision of health and social services (at the regional level). The removal of the responsibility for these services at the level of individual municipalities has created an opportunity for them to develop new approaches to local development. For now, it is difficult to identify the direction of the influences as well as positive or negative effects of this reform for municipalities. With its new local strategy, but embedded into processes at these higher levels, Lieksa is also looking for the suitable focus and coverage of important development issues.

Related to the abovementioned, the new approach is to a great extent *place-based* by nature as it promotes a certain 'Lieksa-centred' way amid changing institutional settings, which will alter the roles and functioning of municipalities. Another key question in this study is *how the local authorities of Lieksa are/have been able to adapt to the upcoming reforms, and how all this affects Lieksa's capacities to promote spatial justice*.

In sum, this Action aims to establish a certain place-based solution via the so called *Lieksa-centred approach* – an outcome of a 'bottom-up initiative' in the form of an apparent shift towards 'local' in the ways Lieksa City operates – as a response to top-down requirements with regard to the reestablishment of the tasks, responsibilities and powers of Finnish municipalities.

2 Methodological Reflection

An important methodological consideration to be made here concerns the way of operationalising the idea of 'spatial justice' for the Lieksa case: the researchers tried to avoid pre-setting its meaning for the interviewed and engaged the Lieksa stakeholders, letting them to make their own emphases and interpretations. However, the research team used the terms *eriarvoisuus* (inequality or disparity among individuals and places) and *eriarvoistuminen* (growing inequalities/disparities among individuals and places) in the interviews that were carried out as part of this research.

Empirical research in Lieksa started with the initial group interview on the 17.4.2018, including the mayor and four other members of the city administration. Preliminary desk research helped to define the key issues of interest and initial interview questions. Using the snowballing method and also bearing in mind the need to cover a diversity of sectors and stakeholder groups - including the management group of the City administration, local entrepreneurs and associations, local media representative, head of a village association and some locals - 26 semi-structured interviews were conducted between October 2018 and February 2019. The vast majority of them were performed face-to-face in Lieksa. Observations in the town were made during the personal rounds. A three-hour long focus-group discussion was held in Lieksa (22nd February 2019) with a group representing the city, businesses and civil society sector. Besides collected primary data, the study relies also on statistical information and relevant academic and policy literature. (See also Annex 8.1.)

3 The Locality

3.1 Territorial Context and Characteristics of the Locality

This report examines and presents the development and implementation/application of the development strategy for the municipality of Lieksa with a timeframe until 2030. Lieksa is located in eastern Finland, on the northern shores of Lake Pielinen. It is the biggest in terms of area of the 13 municipalities of the NUTS3 region of North Karelia (*Pohjois-Karjala*, see Figure 1). Lieksa, though very large in terms of area, expanding over 4,000 sq. km (almost twice the size of Luxembourg, and roughly the size of the Ruhr area in Germany), is a very small city in terms of population (11 000). The municipality on average is extremely sparsely populated (3.25 inhabitants/km² in 2018). Over 80% of its population is concentrated in its central, urban area, while the rest of Lieksa's territory is a large hinterland containing tiny villages, managed forests and uninhabited wilderness (Halonen et al. 2015). In addition to the urban area of Lieksa, there exists a residential community of approximately 700 people around the Pankakoski cardboard factory, about 10kms away from Lieksa centre.

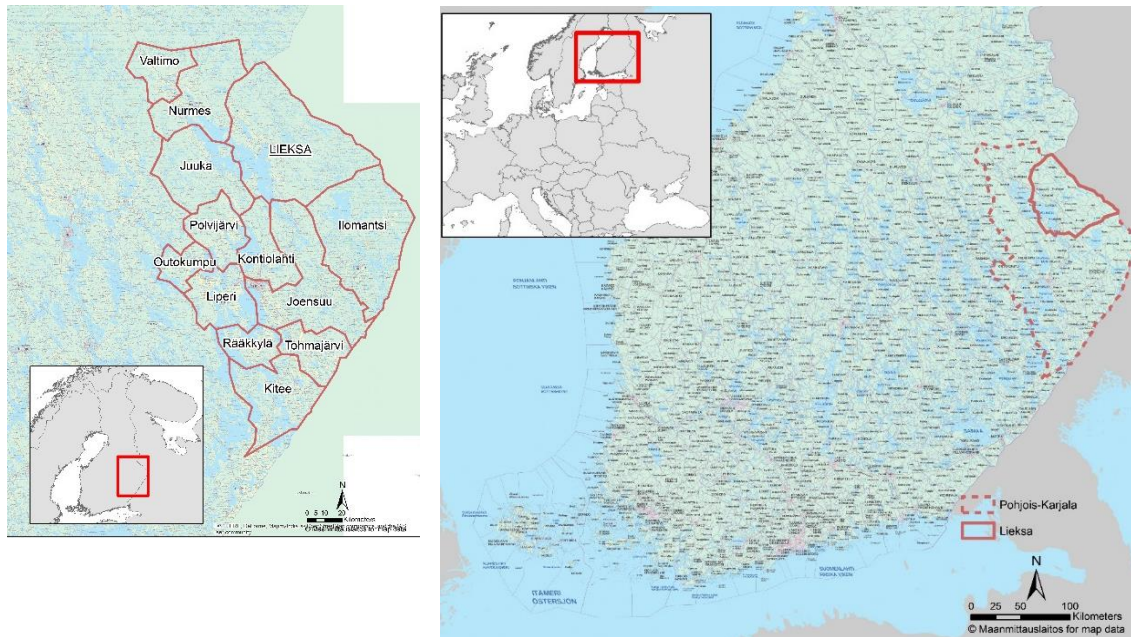


Figure 1. Lieksa's location in Finland and North Karelia

The area that is Lieksa today, became part of the Swedish empire, and thus western Europe, as part of the Treaty of Stolbova which ended the war between Russia and Sweden in 1617. Thereafter, the City of Brahea was founded at the central location for water transport in the area, the lake delta of the River Lieksa. Brahea, however, turned out to be not viable as a population centre and it was given up in the 1680s. From the early 19th century a new settlement started to develop slowly. In 1934, most of the central area was destroyed in a major fire, the new buildings raised afterwards produced a more urban look, more fitting the title of a 'market town' designated to the place in 1936. In 1973, the town and the surrounding rural municipality (Pielisjärvi) were merged to become the City of Lieksa.

Lieksa's geographic position can be described as very peripheral even in a Finnish context. The road distance from Helsinki is about 530km (about 6 hours) and from the regional capital of Joensuu the distance is 95km (about 1.5 hours). It is also peripheral in the sense that the eastern border of the municipality is the border with Russia, and since 1995 the external border of the European Union. There is only one border crossing point with Russia on the territory of Lieksa, which can only be used with a special permit for lumber transports and occasional cultural visits. Moreover, the immediate border area on both sides is largely uninhabited. No international border crossing exists within a two-hour drive from the city, so the border represents more of a barrier than a resource in the specific case of Lieksa.

The most characteristic features of Lieksa area, forests, untouched wilderness and the Lake Pielinen, have provided an opportunity to utilize the surrounding nature for tourism purposes. There are prominent tourist attractions within Lieksa municipality such as the Ruunaa Hiking Area and Nature Reserve some 30 km east of Lieksa near the Russian border, as well as the Patvinsuo National Park about 55 km southeast of Lieksa. However, it is the Koli National Park on the other side of Lake Pielinen that is the most famous, both nationally and internationally, and the most popular among tourists. Tourism in Koli started over a hundred years ago, its main attraction being the views from top of Koli hills over the lake Pielinen, often referred to as the 'National landscape of Finland'. Koli was made popular among Finns by several prominent artists of their time (Source: Finnish Forest Management Authority, website). While Koli is located only 26 kilometres from Lieksa as the crow flies, to get there from Lieksa one has to drive through small roads around the lake Pielinen, bringing the travel time to roughly an hour (~85km). In winter, there is an ice road over Lake Pielinen between Koli and Vuonislahti, which reduces the distance between Lieksa and Koli by 50km.

(See also pictures in Annex 8.5 'Photo Gallery')

Box 1. Brief history and geography of Lieksa

Population decline has been the key challenge for Lieksa for half a century already. In the 1960s, the number of its inhabitants had been more than twice the number at the beginning of the 20th century, as a result of a series of state-led colonization phases between 1918 and the early 1960s which aimed at social resettlement after the civil war, and also coupled with agricultural and industrial policies in order to increase farming and forest work (Halonen et al., 2015:24). The employment opportunities resulting from the large-scale extraction of natural resources (mostly forestry), coupled with the overall natural population increase after WWII (Kotilainen et al. 2015), have over time led to a relative inflation of the population with regard to what could be expected for a locality such as Lieksa. After reaching the peak in the early 1960s (population about 26 000), Lieksa entered a continuous decline (see Annex 8.2) as a consequence of decreased demand for labour due to mechanization in forestry and in the primary sector in general, which could not be compensated by new jobs in the manufacturing and service sector that were mostly the result of the above-mentioned State-led welfare and regional policies. Around the same time the first post-WWII generation entered the job market and a majority of them moved away from Lieksa in search of jobs and further education. Outmigration from Lieksa has thus been a combination of necessity (due to the lack of employment and higher education opportunities) and choice (the prospect of better

opportunities in other parts of Finland or even abroad). This same demographic trend continued over the following decades, reinforced by the increasing disadvantage of Lieksa from its peripheral geographical location within its region and Finland.

In addition to forestry, manufacturing has played a significant role in the economy of Lieksa, yet its modernization also have lowered its labour demand from about the 1980s (Halonen et al., 2015.) The oldest factories in the municipality have traditionally processed local raw materials. The cardboard factory in Pankakoski, 10km from the city, started operations in the early 19th century already, employing some 1000 people in the 1960s, and about 200 persons today. The saw mill in Kevätniemi, in close proximity to the city centre, was established in the beginning of the 20th century; its number of employees fell from about 400 in the 1950s to approximately 50 today.

Name of Case Study Area	Municipality of Lieksa
Size	4,067.60 sq km
Total population (2018)	11 000
Population density (2018)	3.25 inh./sq km
Level of development in relation to wider socio-economic context	Disadvantaged locality within a wider underdeveloped region (both NUTS2 and NUTS3), at the geographical and economic periphery of the country (at the border with Russia, and 500 km from the capital city Helsinki)
Type of the region (NUTS3-Eurostat)	predominantly rural (NUTS3, North Karelia)
Name and ID Code of the NUTS3 area	North Karelia, FI13
Name and ID Code of the NUTS2 area	North & East Finland, FI1D

Table 1. Basic socio-economic characteristics of the area
 (Source: Statistics Finland)

3.2 The Locality with regards to Dimensions 1 & 2

3.2.1 Analytical Dimension 1: Perception of spatial (in-)justice within the locality

Perception of Injustices within the Urban Core of Lieksa

When asked about ‘spatial (in)justice’ or ‘spatial inequalities’, respondents from Lieksa referred to different dimensions of these phenomena that can be identified within the locality. Spatial inequalities within the centre of Lieksa, among disadvantaged and well-off neighbourhoods, are not particularly evident. Some interviewees did identify a particular area near the centre where there exists a cluster of the city’s council housing apartments that attracts a higher proportion of residents with low incomes, including immigrants. However, this place should not be regarded as an especially problematic area, particularly in a wider European context. Income differences, between different areas in Lieksa are generally rather low.

Perception of Injustices within the Municipality

A more pronounced aspect of spatial justice that has been brought up in the interviews is the spatial inequality within the municipality in form of a growing gap between the urban centre of Lieksa and the surrounding dispersed settlements (‘villages’) within the municipality. Municipal service provision has over time been concentrated in the urban core of Lieksa, leading to an overall improvement of the quality of these services. At the same time, the surrounding villages have been affected by an increasingly spatially unequal distribution of services as the City has not been able to maintain them in the smaller settlements, which forces the people to travel tens of kilometres to the city centre

of Lieksa. It has to be borne in mind that this phenomenon is common in the Finnish context and cities like Lieksa are simply forced to centralize their services due to lack of resources in the face of demographic decline and ageing (Kotilainen et al. 2015). As a consequence, these small rural villages scattered around Lieksa have been shrinking during the past decades, serving these days mainly as residential locations for the remaining population (some farmers and elderly people). It was a common sentiment among the City officials, that the increasing spatial inequalities concerning the remote villages is something the City has very little power or influence over:

"Whether we have spatial inequalities, yes, in reality we do and we probably can't influence it very much. The reality is that the services provided for the people living in remote areas of the municipality will diminish." (Int. #2)

"I think all the rural villages are in a somewhat disadvantaged situation. We obviously can't provide services 35kms away these days." (Int. #14)

However, the City of Lieksa also provides proactive support to its remote villages and their residents mainly for the purpose of at least providing some basic incentives for residents to remain or even move there. For example, the City has financially helped remote villages, through either direct funding or loans, to set up new optic fibre connections or better water- and sewage systems. The City has acquired a new library bus that circles the smaller villages, it has arranged a cheap and widely encompassing carpool system where you can get a taxi ride from your front door to the centre and the City leadership tours these villages, thus at least offering the residents the chance to participate and be heard (for example, Int. #2, #3, #5). One of the City executives put it like this:

"They are conscious decisions (referring to the different measures taken by the municipality), with which we aim to at least mitigate the spatial inequalities there." (Int. #2)

"With the services that the City provides we try to support the equal opportunity for living in the villages. It is our goal that the villages remain habited. We have put quite a lot of effort in people being equal regarding with regard to their place of residence." (Int. #5)

Village associations (*kyläyhdistys*) and other associations also have the possibility to apply for financial support from the city. However, financial support cannot be direct support for the operating costs of these associations. Associations must relate their costs in the application to the planned actions/activities and indicate their scope in terms of impact and output (Int. #2). Village associations are important because of their role in the development of their villages. The most active village associations have strong and direct collaborative connections with city officials (Int. #18).

Lieksa as a whole compared to its region and Finland

One of the most pervasive perceptions of spatial injustice in Lieksa is in fact the overall position of the city/municipality in Finland in terms of its peripheral geographical location within its region and Finland in terms of overall socio-economic and demographic development. The continuous decline in population and economic prospects has turned Lieksa into an archetypal example of a shrinking, peripheral town. In post-war Finland, educational and employment opportunities were increasingly available to people who were ready to re-locate to other places in Finland or even beyond (e.g. migration to Sweden during late 1960's and early 1970's). This trend continued over the following decades. Lieksa itself, as a result of its size and peripheral location, was not able to provide much incentives for younger people to remain. The businesses active in the city today require skilled labour, but Lieksa as a place of residence is not particularly attractive in a national context, mostly due to its peripheral location and small size (see Annex 8.2).

The reputation and stigmatisation of a particular place is of relevance here. Peripheral places like Lieksa must have positive pull factors, that help mitigate the brain drain of

young people living to bigger cities for their education and/or employment on the one hand and attract skilled workers on the other. Having a good reputation as a place of residence is certainly important in this. When asked about the reputation of Lieksa, the general agreement among the interviewees was that for outsiders Lieksa has much worse reputation than it deserves. Part of this reputation consists of the overall perception of Lieksa as a remote and shrinking town. However, another factor has been the negative news coverage from the national media in the wake of an influx of immigrants to Lieksa around the year 2010 (see Figure 7). The rapid increase of foreigners among a previously largely homogenous population caused its problems, of which the national media was more than keen on drawing juicy headlines. As a consequence, Lieksa was labelled being racist, although later several municipalities looked to Lieksa for guidance on how integration is *successfully* done (multiple interviews).

However, Lieksa can also appear in a very positive light when it is linked to the surrounding nature and with nature tourism associated with the excellent reputation of Koli National Park (see Box 1 above). An interviewee also pointed out how people's views on Lieksa can change when looked upon from varying geographical scales: internationally it has a great reputation thanks to its role as a tourism destination (especially Koli), nationally people view it negatively through its poor socio-economic indicators and on the regional level Lieksa is somewhat seen as a remote outlier (Int. #14). The challenge remains as to how Lieksa can actively improve its reputation:

"Externally the reputation is awful... the external image is completely different to what it in reality is. The biggest challenge is how we can transmit this image to the outside, so that we can turn it around." (Int. #12)

3.2.2 Analytical Dimension 2: Tools and policies for development and cohesion

Administrative Structure in Finland

The Finnish administrative structure is characterised by a bipolar system. National ministries are mainly responsible for the steering of their respective policy sectors. Municipalities carry out a wide range of functions as they have traditionally been responsible for the provision of social welfare and health care services and also for education and culture services. Furthermore, municipalities have to provide environmental and technical infrastructure services. There also exists a regional level of governance in the form of Regional Councils. Regional Councils are joint municipal authorities that operate as development and planning authorities on the regional level (including the management of Structural Funds). Regional Councils can be considered important promoters of cooperation between municipalities at regional level as well as supervisors of regional interests.

Lieksa is one of 311 municipalities that exist in Finland and one of the 107 of these that use the title of a "City" (municipalities can freely decide to call themselves a "city" or "town" if they see that the requirements for an urban community are met). According to recently revised Local Government Act (410/2015), Finnish municipalities have to seek how to advance the well-being of municipal residents and the vitality of their areas. They are also responsible for arranging the services for municipal residents in financially, socially and environmentally sustainable manner. The act also states that elected members of the municipal council have to promote the best interests of the municipality as a whole. Generally, municipalities are self-governing units but in reality, their activities are strongly influenced by state regulative processes that are constraining municipalities' scope of action. Lately, the Finnish government has made its own organisational processes more efficient by transferring different public services to municipalities. The increased service obligations are governed by strict exercise of specific national legislation. This

situation is also partly worsened by cutting the expenses in government subsidises that has pushed the municipal economic resources up to its limits.

The municipal council is the highest decision-making body of a municipality, and it is elected for a four-year term in municipal elections. The council nominates members to the municipal board, which is responsible for the preparation and implementation of the local councils decision. Municipalities have also a municipal manager (mayor), who is chosen and appointed by the local council. The municipal council and board hold powers over political management while the mayor runs professional management (for more information, see Annex 8.4). The balance between political and professional management varies a lot between municipalities. Finnish municipalities also have the possibility to establish joint authorities, i.e. legal public entities, to carry out particular tasks on a permanent basis (in addition to the compulsory membership in their respective Regional Council). The joint authorities have become increasingly more important as many municipalities are too small to organise demanding services.

Planned Reforms to the Administrative System¹

As an answer to the economies of scale question in municipal service provision, several governments in Finland have initiated wide-ranging reform processes. To date, all of these attempts have failed. The present government (in power since 2015) aimed to reform regional administration and health and social services, the main aim being a transfer of health and social services from municipalities and their joint authorities to new administrative regions as well as a rationalisation of organisational structures at state, regional and municipal levels. The aim of the reform was to transform the Finnish administrative structure to a three-tier system comprising central government, autonomous regions and municipalities, securing services on a more equal basis than earlier as well as evening out regional differences in health and well-being by transferring the responsibility for the provision of such services to larger and more resourceful organisations (the regions). As a result, the number of joint authorities and state regional administration would be drastically reduced to 18 autonomous regions that would have been formed on the basis of existing regional divisions (in principle the current NUTS3 regions). A council elected by direct vote will exercise the highest decision-making power in the new counties. They will not have the right to levy direct taxes, but the state will have primary responsibility for financing the regions. A regional government reform along such lines might increase inequalities between smaller and larger municipalities as smaller municipalities will not have similar possibilities to promote their interests as larger ones in the new regional setting.

Against the background of looming reforms, some municipalities already started preparatory actions to comply with forthcoming changes. As a consequence, the fourteen

¹ The planned health, social services and regional government reform *failed* to pass in its planned form during the period of the current government. On the 8th of March 2019, the Constitutional Law Committee stopped preparing the new laws, giving the 'death blow' to the planned reform. On the same morning, by the decision of the Prime Minister, the Government resigned, since the reform was their flagship initiative. (YLE News, 2019b). As to this report, the rationale behind Lieksa adapting to the upcoming reform remains valid, since the consensus for carrying out such reform still exists. The necessity to centralize social and health care services hasn't changed and the reform has merely been delayed. However, the content will likely be somewhat different, as the preparation will be in the hands of the new government, which will be formed after the parliamentary elections in April 2019. It also should be borne in mind that the North Karelian municipalities already established a regional joint municipal authority for the delivery of social and health care services.

municipalities in North Karelia have created a joint authority in 2017 for the provision of health and social services at the regional level. This means that following the reform preparations at national level, the North Karelian municipalities have actively produced a model that operates much like the proposed new regions would. This model does not only mean reorganisation of service provision, but it also necessitates a change of attitudes and organisational culture.

Repatriation of local economic development policy to the municipality – story of PIKES

The municipalities of Lieksa, Nurmes and Valtimo founded the sub-regional local development company *Pielisen Karjalan Kehittämiskeskus Oy* (PIKES) in July 2006. The task of PIKES is to develop the sub-regional area of Pielinen Karelia (the northern part of the NUTS3 region of North Karelia) by focusing on entrepreneurs and promoting entrepreneurship. It does this by providing the local companies with various services, mainly in the form of expert guidance on various business-related topics. Importantly, PIKES also operates and acts as the first contact and source of support for businesses *planning* on settling to the area. (PIKES)

The rationale behind PIKES was that collaboration between the different municipalities in economic policy would benefit the area as a whole. However, this sense of mutually beneficial cooperation was lost when decision-makers and businesses in Lieksa and Valtimo increasingly felt that PIKES was favouring Nurmes. Not many years had passed since the founding of PIKES, when in autumn 2012 both Lieksa and Valtimo were pondering their departure. The City Council of Valtimo had already voted for leaving PIKES on the condition that Lieksa would leave as well, but as a result of some organizational changes in PIKES, both of them eventually remained (Karjalainen, 2012).

However, from the perspective of Lieksa the situation did not improve, and several interviews confirmed that the perception remained that PIKES was too often favouring Nurmes. Additional contributing factors to this perception were that the PIKES headquarters was located in Nurmes and that the CEO of PIKES was at the same time mayor of Nurmes. Coming from an entrepreneur with factories in both Lieksa and Nurmes:

“PIKES was somehow leaning towards Nurmes the whole time.” (Int #21)

The relationship between the three municipalities had also somewhat degraded as a result of failed municipal merger negotiations in 2014, when Lieksa was willing to merge with Nurmes and Valtimo, but the two latter ones eventually decided against the union (Ylä-Karjala, 2017). Despite the fact that the City of Lieksa was the largest shareholder and thus paid the major share of costs, it didn’t feel like getting its money’s worth from PIKES:

“I have said that PIKES was okay, but we didn’t get the ownership working for it. We never got for Lieksa what we paid for.” (Int. #9)

Lieksa eventually decided to leave PIKES in 2016, and the separation process was concluded in July 2017. The discontent with PIKES was apparent for years, but it required a change of leadership and the initiative from the new mayor to actually follow through with process (Int. #26). In the council meeting regarding the separation from PIKES, the arguments for the decision were tied to the new City Strategy 2030. The Strategy, which was finalized earlier in 2016, was emphasising the improvement of vitality (*elinvoima*) in the City. Based on the Strategy, it was deemed important to re-patriate as many vitality-related measures as possible to a unit *controlled by the City* itself. As Lieksa was in the process of leaving PIKES in 2017, Lieksa Industrial Park was given the tasks formerly carried out by PIKES and was officially designated as the new development agency for Lieksa: *Lieksan Kehitys Oy* (LieKe). (Kaupunginvaltuusto 2017)

The decision to leave PIKES initially resulted in criticism towards Lieksa from the outside, questioning why and how Lieksa wanted to 'go their own way'. However, this criticism subsided rather quickly and LieKe has been very positively received by local entrepreneurs and the City. An interviewee working for LieKe claimed that the criticism towards Lieksa's actions has stopped as a result of a general shift towards decommissioning the regionally-based local development agencies in Finland. Lieksa was simply one of the first to realise the benefits of taking economic policies more firmly 'in their own hands' and leaving PIKES is one example of changing perceptions on local development policy. (Int. #12) PIKES continues to operate, on a notably smaller scale, including now only Nurmes and Valtimo. The City of Nurmes owns 78% of the shares. (PIKES)

4 The Action

4.1 Basic Characteristics of the Action

4.1.1 Drivers and objectives of Lieksa's new Strategy

Preparations of the new local development strategy in Lieksa started in 2015. The severity of the local socio-economic situation particularly during the years 2012-14, as well as external pressures resulting from a number of planned public policy reforms in Finland, had led to the realisation among decision-makers that the city needed to operate in a different way. The retirement of the former, long-standing mayor in 2015, provided a window of opportunity for a new approach to doing things.

The purpose and wider function of the Strategy is rooted in and can be regarded as, a response to a sense of socio-economic distress that emerged within the municipality and became particularly pronounced during the years 2012-14. As can be seen from the brief statistical overview in Annex 8.2, long-term population decline, ageing, unemployment, low-income levels among its population and long distances to markets and higher-level service centres have resulted in a situation where the municipality of Lieksa has been struggling to maintain its vitality and viability. Concomitantly, however, a distinct lack of skilled workforce available to companies that are located in Lieksa and its surroundings also presented itself as a problem (e.g. Int. #21 and #26, see also Annex 8.2). External factors also are essential drivers for change. Against the background of dwindling municipal finances and the dawning social and health care reform (SOTE, see above in 3.2) as well as the regional government reform to be carried out in Finland, the municipality had to redefine its role in light of the shifting of tasks and responsibilities from the municipal to the regional level.

Guiding its deployment, the Strategy is followed up by a regularly updated Action Plan (last updated for 2019), which concretises the Strategy for each Priority Area, setting out objectives/sub-objectives that are operationalized though more or less concrete and assessable measures to be implemented through the city administration and municipal enterprises. (See also Figure 2.)

The writing of the Strategy is the result of the work carried out within the formal institution of the 'locality', that is, the Municipality (complying with a statutory task laid down in sections of the Finnish Local Government Act already before the particular section on municipal strategy was in force in 2017, see Annex 8.4). The Lieksa Strategy is a concise document of eight pages, which first generally describes its four Priority Areas and then moves on to flesh out the content in more detail on subsequent pages. The Strategy also devotes one section to the importance of skilled city employees who are relied upon in implementing it properly and efficiently. In general, the strategy emphasizes the values of economic efficiency (*taloudellisuus*), equality (*yhdenvertaisuus*), participation (*osallisuus*), creativity (*luovuus*) and leadership (*johtajuus*). It envisions the city's future with the slogan: "Lieksa – Energetic and brave achiever" (*Lieksa – energinen ja rohkea menestynä*).

The four Priority Areas of Lieksa's Strategy

- 1. Vitality (*elinvoima*):** The strength of the economy is based on growing businesses, efficient provision of services and a functioning infrastructure.
- 2. Economy and Governance (*talous ja omistajaohjaus*):** The finances of the City will be kept in balance. Economic governance will be more systematic and structured.
- 3. Well-being (*hyvinvointi*):** The living environment in Lieksa will developed to promote well-being.
- 4. Participation (*osallisuus*):** The residents of Lieksa will be more responsible, active and aware. Increasing the appreciation for municipal decision-making.

Box 2. The Lieksa Action in a nutshell

The Action under investigation broadly revolves around the deployment of the Lieksa Development Strategy 2030 (from here onwards 'the Strategy'). This includes an

examination of how and why the Strategy was conceived, prepared and implemented, approximately covering the time between mid-2015 to early 2019. Over the course of research, the case study team realised that an exclusive focus on the Strategy had to be enriched with a wider analysis of changing local government practices and processes in Lieksa.



Figure 2. Timeline of evolution of the 'Action'
(Source of quote: YLE News 2019a)

4.1.2 Vitality as the cornerstone of the Strategy

The priority areas in the Strategy cover a significant part of all municipal policy sectors. However, there exists a certain hierarchy among the different priority policies. Such emphasis is not described in the document itself, but when asked, the interviewees unanimously distinguished vitality (*elinvoima*) as the core of the strategy.

"This vitality of course has ever since the start been the biggest, or most important, of these priorities" (Int. #3)

The word vitality is the direct translation of the Finnish term, and as in Finnish, it is purposefully vague. When asked from the Vitality Executive of Lieksa City what the term actually means:

"Good question. (...) It is not just about economic and industrial policies, but also about *everything* that is linked to them. In my own job description, even though being enormously broad and containing a crazy number of different sectors, the parts are so well interlinked, that it would be very difficult to find parts to remove from there." (Int. #5)

The term vitality is rather new in the Finnish policy framework, but it can be regarded as the successor to what was formerly called economic policy (*elinkeinopolitiikka*). Its core is thus rooted in promoting industrial and entrepreneurship policies (Paananen et al. 2014). However, the vagueness of the term entails a much broader conceptualisation and implementation in comparison to the narrower contents of previous economic policies.

An important aspect of the new vitality policy approach is the importance of increased human interaction within and by the municipality, for example in the form of promoting

participation and networking of the residents. Furthermore, the paradigm shift to vitality policies encourages municipalities to re-define and -invent themselves and to adopt a more proactive approach, where emphasis is placed on a strategic and future orientated approach. (Paananen et al. 2014)

The choice of embracing vitality policies in Lieksa is deliberate, and it becomes apparent from the concrete actions taken by the City of Lieksa, which not only reflects a favourable attitude towards businesses and entrepreneurship but also a more inclusive, strategic-thinking and future-orientated approach to city management in general (see section 4.2.2). Several of such actions and approaches can be identified in the Action Plan as well as from the interviews with local experts. They include among others:

- calculated risk-taking and proactive stance in the developing and attracting new businesses
- making Lieksa more attractive by developing a positive image, ensuring the provision of diverse services and educational opportunities
- making land-use planning processes and the development of infrastructure more efficient and allowing for the prioritization of important projects

The argument for prioritising vitality above the other aims of the Strategy was often claimed to be straightforward. The basic thrust of the argument was that without ensuring the vitality of Lieksa, the other policies matter very little within the socio-economic realities in the municipality.

"It is clear that vitality is the number one thing, and if we don't succeed in that our social- and healthcare, as well as educational services can't be covered." (Int. #2)

4.2 The Action with regards to Dimensions 3-5

4.2.1 Analytical Dimension 3: Coordination and implementation of the Action in the locality under consideration

Reorganising the City management to accommodate the new approach

Responding to the socio-economic problems mentioned above, summer 2015 was the defining moment when a younger, reform-affine mayor was appointed². He immediately became a driving force behind and took leadership over the development, implementation and monitoring of the new City Strategy. As a member of the city council put it:

"In 2015 we got a new mayor. He was a younger, reform-affine man who wanted to develop further the working and functioning of the City and the public sector to correspond with modern times. Probably that's where it started." (Int. #6)

Within a climate that was ripe for change, the new mayor claimed and was awarded significant powers within the local government setting. Concomitantly, he could count on the support and strong commitment from the rest of the city government and from the political representatives in the city council across political divides. There was an almost unanimous support to taking a new approach to local development in the City in general and the implementation of the Strategy in particular. Not surprisingly then, the preparation of the new Strategy, with the new mayor at the helm, was based on consensus and a priori commitment to the jointly developed aims and goals. This was embedded within wider changes in terms of decision- and policy-making within the City.

² In the majority of Finnish municipalities, also in Lieksa, mayors are appointed by the municipal council either for a fixed or continuous term. Thus, they are employees of the municipality and are not directly elected by the local population.

"It (change in procedures and ways of doing things) is probably linked to the fact that the strategy was jointly drawn up, prepared, planned and widely accepted, and people rely on it." (Int. #14)

The Strategy also played a role in this reorientation of municipal government and governance. The four pillars of the Strategy have been infused to the structure of the management group whose 'executive positions directly reflect' the contents of the Strategy (Int. #26). They, together with the mayor, form the core coordinators of the Action and function as links towards other stakeholders in the municipality such as businesses, education and the third sector. Concomitantly, argued as being based on the objectives of the Strategy, the City merged two of its subsidiaries and established LieKe (see Dimension 2) allowing for more centralized and efficient running of vitality policies (Int. #12). These measures ensured that the public sector coordination of local development is well adjusted to the needs of effective Strategy implementation and generally for delivering a new approach. Not surprisingly then, since 2016, significant improvements in the running of the city affairs have been achieved in Lieksa, which are detailed in the following.

Leadership tools for transparency, domination and efficiency

Already in the early phases of the strategy-making process, much effort was made to involve and include the views of a diversity of stakeholders representing various sectors in Lieksa. The interviewees were nearly unanimously agreeing that the involvement of different actors represented in itself a positive novelty. This co-creation increased the legitimacy for the City to implement the Strategy. To this end, the City has significantly strengthened its media presence with frequent news bulletins and more activities on social media, which provides the ground for closer involvement and participation of the local population and can contribute to transparency and openness. This is also evident in the way the City leadership (particularly the mayor), is actively taking part in local meetings and events, thus further enforcing the notion of increased transparency. The mayor himself is especially making an effort to be 'visible and easily approachable' (Int. #24). The greater involvement of the City officials in the grass-root level events can evoke trust among the residents for a more positive future for Lieksa.

"(The city leadership) visits even the smaller village events, which in my opinion creates certain motivation, vigour and faith in the future of Lieksa also for the tax payer and everyone living here." (Int. #26).

A noticeable change has occurred in the running and efficiency of daily city affairs, which were widely credited by the interviewees to have become more transparent and swift. An interviewee mentioned, maybe somewhat exaggerating, that certain dealings with the city today take two months' time when they used to take two years to complete some years ago (Int. #21).

It is clear that these improvements have been derived from a consciously driven process, which have been traced in the preceding paragraphs, and have not emerged out of the blue. However, it is difficult to gauge whether these changes have been due to the effects of the Strategy explicitly, or to the wider change in ways of doing things within the municipal government, which the Strategy is part and parcel of. It is, nevertheless, noticeable how the Strategy is being often used by the City as a point of reference for what they are doing, for example in the vain of: 'this is being done according to the Strategy' (Int #24). By referring to it in the context of running municipal affairs, the City establishes the Strategy as a source of justification for the decisions they make, and this in turn enforces the legitimacy of the Strategy itself as a tool for further development.

According to some interviewees, the City's leadership is currently preparing decisions so effectively that political debates and voting on motions characteristic to city councils have decreased to a significant extent. This has led to the anecdotal adoption of the term 'Lieksa

Party' (mentioned by several interviewees), which illustrates well the changed (political) atmosphere towards a more straightforward way of decision-making. This term both refers to a change in a more positive direction, in the sense that lengthy political discussions and confrontations no longer protract decision-making in and for the City, but the situation indubitably raises certain questions about the role of municipal-level democracy. If the contributions from the elected city councillors is reduced, as one interviewee put it, to be a 'rubber stamp' for the ready-made decisions of the officials (Int. #24), the situation can entail a wider shift of decision-making power and capacity towards the City leadership. As a critical voice pointed out:

"These officials are being trusted and I think people are too loyal towards them. We have a common saying here that we don't have different political parties anymore, instead we have one "Lieksa Party". (Int. #11)

City – Business partnership at the core of the Strategy implementation

The overall perception is that the City of Lieksa is proactively promoting local entrepreneurship. This might be rooted in the industrial history of the locality, but certainly it has been recently underlined in the vitality objective of the Strategy. The entrepreneurs are the closest partners of the City; they are being listened and taken into consideration regarding the City's decision-making and the City is swift to provide them with facilities as well as guidance through their development company. An editorial in the local newspaper points out how there are frequently articles in the local paper about business activities in Lieksa, and how the City is often involved in supporting them. Already in a short time the business-friendly approach has produced tangible outcomes. Lieksa received recognition as the best municipality for entrepreneurs in North Karelia in 2017 (Lieksan Lehti, 2018b). The positive direction of entrepreneurship in Lieksa can also be seen in the national report on Economic policy for 2018, done by Finland's largest association for entrepreneurs: "Suomen Yrittäjät". Lieksa, out of all Finnish municipalities, has climbed to the 9th spot on a scoreboard for economic policies (Figure 11), now ranks 3rd among municipalities with 10 000 – 50 000 residents (Figure 12) and has been the 8th best improver between 2016 – 2018 out of all Finnish municipalities (Figure 13). (Elinkeinopoliittinen mittaristo 2018, Valtakunnallinen raportti, 23.5.2018)

The third sector is not similarly at the focus of the City, thus not being a part of a similar intensive cooperation network as the private sector. However, being a small municipality, many members of the City Council, Board and other decision-making committees are also members of associations and hence access to a platform for expressing their opinions on city issues. Same applies to a certain extent to the entrepreneurs as well; in a small place like Lieksa, the active people are involved in 'everything'. (Int. #6)

4.2.2 Analytical Dimension 4: Autonomy, participation and engagement

Autonomy of Lieksa to pursue Lieksa-centred policies

The abovementioned transformation of policies, processes and practices in Lieksa, in addition to affecting the more daily aspects of running the City, are concomitantly a response to the upcoming reforms in the Finnish institutional setting described in Dimension 2. The most imminent changes have been pushed back or are still finding shape in prolonged and complicated political and legislative debates, the final role of a given municipality remaining uncertain, but a paradigm shift to more powerful regional nodes is evident. The reform will alter the power relations within the regions as the new counties will create a new tier of governance between the municipality and the State. This notion was confirmed by the interviews and discussed even in the local media, where, for example, a letter to the editor points out the changing societal mechanisms where power

and influence of the municipality is shifting towards regional and national authorities, thereby decreasing municipal autonomy (Lieksan Lehti, 2018c).

Resulting from this and concomitantly to the Strategy-building process, municipal administration and political decision-makers appear to have strengthened the supervision of Lieksa's own interests. A general observation from the interviews was the commonly uttered view that Lieksa had to start looking at its own advantage, meant in a positive way, from being driftwood to taking the fate of their own town into their own hands. Coming from a City executive:

"(It is basically) the idea that there is no other choice than to take things firmly in your own hands, because the path where we are being taken by 'the current', we have seen how it does not lead to a good result. That is a bit of an exaggerated way to say it, because of course also earlier we were thinking of Lieksa's advantage, but that vision has now truly been enforced." (Int. #3)

The new Strategy 2030 itself represents both an instrument for efficiently running municipal affairs, but also an initiative aimed at raising Lieksa's profile within a regional and national context, also in response to the planned regional and social/healthcare reforms (see Section 3.2.2). Interestingly, the city started its Strategy-building process unconventionally early (prior to the election of a new city council) in order to anticipate and effectively influence regional decision-making for the benefit of Lieksa's interests. The Strategy works as a sort of countermeasure against the decisions made on the regional level, providing Lieksa with a template for its own plans for development. This way, Lieksa actively resists following the decisions made in, and often for, the growth centre of Joensuu. The current leadership of the City is 'aggressively' rooting for Lieksa, which is embodied in the 'responsive and uncompromising' manner in which Lieksa's interests are being promoted on the regional level (Int. #26). Subsequently, the city also became somewhat of a trailblazer with regard to re-positing municipalities in the new regional government setting, which has also garnered some opposition from the regional level and its largest municipality (Joensuu). Starting to express their interests more vocally in different committees and position statements both with regards to the regional level decision-making and towards the central state (ministries) are part and parcel of this process.

Lieksa's focus on its own interests, which to some extent has also come at the expense of inter-municipal and regional co-operation in North Karelia in general and in the northern parts of the region in particular (with the municipalities of Valtimo and Nurmes) has had some tangible effects for collaborative structures in North Karelia. Lieksa, as mentioned in Dimension 2, has left the formerly joint local development company of Lieksa, Nurmes and Valtimo and has set up its own local development company (LieKe) in 2017. LieKe has been well received by the local business community for enabling the municipality to target its limited resources more effectively to its *own needs* and potential avenues for development, and importantly ensuring close cooperation with the City of Lieksa. As the following quotations illustrate:

"(...) yes we took it up in the Strategy that we will terminate this cooperation with PIKES and go our own way, so that we can direct Lieksa's resources, previously spent on PIKES, here locally for ideas that are deemed here to be important and worthy of developing." (Int. #6)

"Lieksa was the first one (municipality) to realise that taking these economic policy affairs to your own hands, things can be dealt with much greater efficiency, and most importantly, more productively." (Int. #12)

Participation and inclusion of stakeholders and residents – Autonomy within Lieksa

Participation (osallisuus), in theory, is directly at the core of increasing the local level decision-making capacity, autonomy and empowerment. In Finland, the participation of

residents is guaranteed in the Local Government Act's Chapter 5 –Right of participation of municipality's residents (see Annex 8.4), which establishes a set of legal obligations for the municipality to carry out (Ministry of Finance, Finland, 2015, 7). Within Chapter 5 is the Section 22 – Opportunities to participate and exert influence, which ensures the locals the right to participate and proposes multiple ways through which participation can be realised in practice. However, it is left at the discretion of city councils how they wish to fulfil this obligation and what concrete measures they wish to implement (Kuntaliitto, 2017). This leeway has resulted in variations between individual municipalities in their chosen participatory practices.

In Lieksa, concomitantly to the Strategy process, participation has become an item of increasing interest in city government/governance. It is one of the four priority areas in the Lieksa 2030 Strategy and the stated goals are to ensure better communication of municipal affairs for the facilitation of active involvement and empowerment of local residents. Under the headline of participation, the City also aims to support and promote the activities of civil society and village associations.

According to the interviews, some positive trends in involving residents could be observed in recent times. The interviewees were almost unanimously stating that participation has improved in recent years, as a result of increased openness of decision-making and improved communication from the City. This more open and communicative spirit can, to some extent, be attributed to the new Strategy and its emphasis on participation and involvement of residents. However, the interviewees also stated that this is the priority area where most work still needs to be done.

There are clear differences discernible with regard to the participation of different types/groups of stakeholders. It was confirmed by the interviews, that the business sector has been, and is, the most influential and involved group both in the strategy-making and in its implementation. There are strong connections and frequent and institutionalised cooperation processes between the City and the Business Association in Lieksa. This collaboration is in line with the goals of the Strategy, where the vitality of Lieksa is rooted in entrepreneurship and a growing business sector. When asked about the most influential stakeholders, the answer from a member of the city council illustrates this setting well:

"The association of entrepreneurs is definitely still the central one and it is being genuinely involved in this. Their feedback is willingly received for future development. Are there any other key actors? Frankly not." (Int. #6)

The City is also working more closely with the local educational institutions, most notably with the vocational school (Riveria) operating in the region of North Karelia, as exemplified by the recently signed partnership agreement leading to an even closer cooperation in the future (Int. #26). There is also an interesting opening from the City of Lieksa to establish a sort of 'god parenting' initiative, where a small group of selected city councillors visit various local education institutions from pre-school through primary to high school education. The reasoning behind is that the City wants to listen more to the opinions of the youth and thus increase the appreciation of municipal decision-making – which is in fact, included as a distinct aim in the Strategy. The selected 'god parents' visit the different educational organizations a couple of times a year and report about their visits to the City's welfare board, which in turn, responds to the visited schools. (Karjalainen, 2019)

Businesses are well included, but problems arise regarding the participation of civil society associations. The deliberate choice to prioritise businesses and the economy, as has been shown in Section 4.1.2, might play a role in this. The aim for efficiency in municipal management, i.e. an overall increase in the speed of decision-making, might

have worked against the long-term and structured inclusion of third sector organisations in local decision- and policy-making, as the following interview quotes illustrate:

"Now things (municipal decision-making) are so well prepared that it's difficult to influence".
(Third-sector representative, Int. #11)

"They (the third sector) have a lot of ideas and thoughts. The ways to develop them have to be thought over. Yes, there would be potential." (Int. #14)

There has also been a structural change impacting the third sector associations, implemented in the wake of the Strategy, which was the introduction of 'requirements' that third sector associations have to meet in order to receive funding from the City. In the past, associations (including village associations) would receive a certain amount of money for their activities, regardless of what they were planning to do with it. In the current setting, the associations have to apply for the money and have a plan describing how and where the money is used as well as having to describe the impact of their actions (Int. #2). This impact can be sometimes difficult for the associations to prove, since their operations might focus on intangible achievements (Int. #11). When evaluating if the criteria for the funding are met, the City is assessing how the proposed plan is advancing the goals of the Strategy and how the impacts can be monitored and measured. The amount of money granted to the third sector has not changed, but it is redistributed in a new way that is more in line with the City's business-orientated focus, as illustrated by the quote:

" (regarding the newly prepared financial support for associations) ...it was directed where results and achievements could be seen." (Int. #2)

Although the new city leadership has shown propensity to directly engage with local residents, participation of them in structured manner has proved somewhat difficult. There has been a few letters to the editor of the local newspaper that criticise the current means for participation and refer to the Strategy directly claiming that the goals of the strategy have merely become rhetoric and that the concrete means for participating are still lacking. These articles call on city officials to become more interested in the views of residents and to provide concrete tools, such as citizen councils and jury, for genuine communication between policymakers and inhabitants. (Lieksan Lehti, 2018c / *Lieksan Lehti*, 2019).

However, it should be borne in mind, that the lack of participation from the residents is a general problem and there is only so much that the City can do about it. There are tangible actions with regard to participation that the City of Lieksa has taken in the wake of the new Strategy. Residents can provide (also anonymously) direct feedback to the City about municipal affairs through an electronic form. Initiatives proposed (*kuntalaisaloite*) by the residents are taken more seriously and they have led to concrete results and action that include for example the construction of a Frisbee-golf course, an outdoor fitness park for senior residents, etc. Furthermore, transcripts from the meetings of the City Council, the Board and several other committees can be openly and easily accessed from an online database, with an archive of meetings dating back to 2016 (Dynasty Tietopalvelu). In addition, meetings of the City Council are being recorded and can be watched online. Recordings can also be later openly accessed from YouTube. The City has also improved its communication practices by preparing frequent bulletins and engaging more strongly in social media, the latest example being the hiring of a Communications Secretary and the following establishment of Lieksa City's Instagram page in January 2019 (Int. #24). The abovementioned measures result in decision-making and administration of the City that is noticeably more transparent. Concomitantly the City is doing its part in providing the residents with functioning platforms of engagement and participation:

"I think it is evident that the communication by the City has been transformed, it is more open than previously and it is being done a lot more, it then has an effect on participation and commitment, when people know about things. Decisions are no longer made in 'behind closed doors'. So if that is how you define participation, then I think now it is being very well done." (Int. #12)

There are certainly noticeable changes taking place in the way the City of Lieksa is attempting to extend the scope of participation and engagement to even the lowest possible local level. Regarding the role of the Strategy itself being part of the process, the prevailing notion among the interviewees was that the priorities set in the Strategy sort of "trickle" down from the top, reaching widely the various city officials and closely connected stakeholders, but (perhaps not surprisingly) not all the way down to the residents themselves (multiple interviews). However, in course of the research it became apparent from following the local media articles and transcripts of the City Council and Board meetings, that the Strategy and its priorities are known to the wider public as well. Furthermore, there have been cases where the Strategy is being 'used' by the citizens, for instance by having a component or content of the Strategy as the justification of a municipal initiative (Kaupunginhallitus, 2019, Kaupunginvaltuusto 2019), or by directly quoting the Strategy in the letters to the editor described above. In this sense, the Lieksa City leadership is being held 'accountable' for the development goals established in their own Strategy, and on the other hand, the City has succeeded in encouraging the participation of local stakeholders by getting them involved in the local development facilitated through the Strategy.

4.2.3 Analytical Dimension 5: Expression and mobilisation of place-based knowledge and adaptability

The Action is focussed on using endogenous resources and knowledge to further development in Lieksa. Since the Action is a municipal strategy, its spatial scope, and source of place-based knowledge and commitment, is clearly defined: it is concerned with the territory within the administrative boundaries of Lieksa. However, as has become clear from the preceding text, local development initiative in Lieksa has to be analysed against broader regional and national settings.

Although the Strategy concerns Lieksa as a whole, it reflects a certain sensitivity to spatial variations and disparities within the municipality. Villages are mentioned under two of the Strategy priorities, but the Action Plan itself does not indicate specific efforts to reduce their disadvantage with regard to, for example, service provision. However, there is a visible effort from the part of the City leadership to try and reach out to the remote corners of the extensive territory, in terms of (remote/mobile) service provision, as well as engagement and exchanges with the more distant village communities within Lieksa. With regard to specific economic resources, the municipal leadership pays significant attention to Koli and its tourism entrepreneurs.

There is clear indication that Lieksa is taking greater advantage of local knowledge, exemplified by inviting and encouraging local stakeholder groups to participate in local decisions (see above Section 4.2.2), hence mobilizing knowledge for a place-based approach. In concrete terms, this can be observed the best in the preparation process of the Strategy. The content of the Strategy itself indicates a strong belief in the value of Lieksa's cultural and natural assets, such as ways of life, values that are perceived as attractive and marketable to the wider public. It can also be argued that the positive change in Lieksa can be attributed to the successful utilization of information on what exactly the problems are *in* Lieksa and the resulting understanding of possibilities and limits for local development (Focus Group 22.2.2019). Vice versa, also the learning of individual actors or stakeholders regarding the way the City is being run can be assumed to encourage their continuous participation and interest in local development decisions.

Sources of local knowledge include the business sector, the educational sector and civil society/third sectors organisations. With regard to the City's proactive stance towards businesses and entrepreneurship, listening actively to their needs, the willingness to utilise local knowledge is apparent. This increased openness for consulting and learning from entrepreneurs also exemplifies a joint learning experience among various tiers of the local society and groups of stakeholders which, in turn, helps the City form a stronger basis for the implementation of the Strategy. Close co-operation also exists with the North Karelian vocational education and training provider (Riveria), which operates a training centre in Lieksa. Riveria is taking into account the local specifics and requirements of Lieksa when planning their education content, having also the Strategy as a background for indicating the local needs and aims for future development (Int. #26) and local schools (see Section 4.2.2). As indicated in Section 4.2.2, potential for improvement exists for better harnessing the special local knowledge that exists within third sector organisations.

An important feature of the Action of Lieksa is that a new approach was taken on by the City not only to respond to old and persistent challenges but also to prepare the locality better for upcoming (or at least, to some extent, foreseeable) changes posed by national and regional reforms. Although the Strategy does not directly problematize the processes of shrinking and demographic change, these ongoing changes are rather predictable and local decision- and policy-makers are well aware of them and frame their actions accordingly. National and regional reforms (see Section 3.2.2), however, are the source of some considerable uncertainty. During the preparation process of the new Strategy, Lieksa had to justify their choice to approach local development completely from their own starting points. Lieksa, for having had the courage to initiate such change, the leadership of the municipality must have had high confidence about its interpretation of its own past development trajectory over the previous decades and possible ways to change it. This is very special local knowledge rooted in first-hand experience of several failed external interventions as well as local or regional efforts to change Lieksa's fate. With this self-assurance, the current leadership goes directly against the sceptical views coming from the regional centre. This is illustrated by the following comment from the interviews:

"A peripheral municipality like this, and one in decline in a regional context, is not expected to start something early and before others do. That is supposed to be the task of "engine" municipalities, to be innovators and trailblazers. It led to some confusion in this region when Lieksa's actions and approaches were suddenly very different from before and its approaches and solutions were not conventional at all" (Int. #2)

The more strategic, independent and inward-looking approach to municipal governance in Lieksa prioritises a much smaller institutional and political space. As part of this, regional and sub-regional collaboration is, to some extent, called into question as part of this Lieksa-centred approach. Similar trajectories are also visible in other Finnish municipalities.

5 Final Assessment: Capacities for Change

5.1 Synthesising Dimension A: Assessment of promoters and inhibitors

The previous sections of this Report (Dimensions 3-5 in particular) demonstrate how the Action (changing the ways the municipality of Lieksa is run, guided to a significant extent, by the Strategy) mostly concerns one key aspect of spatial injustice: Lieksa's poor socio-economic prospects. Hence is the Action's main aim of safeguarding and strengthening its position within both its regional and national contexts, which is based on a Lieksa-centred approach utilising its own resources/assets and focussing on its own interests.

There are several factors that have led Lieksa to take on a new approach for tackling the problems related to the above interpretation of spatial justice in/for Lieksa, that is, mainly by means of improving city management practices. These factors either are rooted in weaknesses and challenges or emerging opportunities:

- concern over socio-economic crisis particular during the years 2012-2014
- concern over the impact of looming regional and social/healthcare reforms
- the appointment of a new, reform-affine mayor
- an overall commitment across party lines to change the fortunes of the City

5.1.1 Promoters

- Unified and efficient City leadership

The Lieksa Strategy 2030 is to a large extent a reflection of a change in city leadership and management culture aiming for efficient processes that improve the vitality of Lieksa. The new management approach adopted by the City is based on more thorough preparation of decisions by city officials which has decreased the need for political debate and speeded up processes of decision-making. There also appears to be a general commitment among elected decision-makers to jointly support the processes of change and positive development in Lieksa. Particularly the proactive support of and responsiveness to the needs of business is emphasised in this new approach in order to turn around the municipality's socio-economic situation.

- Improved transparency

A shift towards more transparency in decision-making and a turn towards more participatory processes are also prevalent in the preparation of the Strategy, among the priorities of the Strategy, and to a lesser extent, in the actions of the municipal leadership. This indicates a willingness to emphasise the fairness of procedures and processes of decision-making. Overall, these aspects point towards a positive trend in terms of procedural justice in Lieksa.

- Enhanced interaction allowing for better utilisation of place-based knowledge

The overall more 'interactive' approach taken by the City provides a fertile ground for the utilisation of place-based knowledge. The City has already succeeded in establishing a structured dialogue with the business community, which provides information on the local needs and potentials of that sector in the municipality. Despite having less of a structured dialogue with third sector organisations, some new practices have emerged in order to better interact with residents and civil society and include citizen initiatives in local development (see 4.2.2).

- A Lieksa-centred approach enhancing aspects of local autonomy

The foreseeable (though yet uncertain) municipal reform and SOTE, that is, an expectable rescaling of responsibilities and tasks from municipalities to newly formed regional administrations can be regarded as an erosion of municipal autonomy, but it has led in Lieksa (and in many other municipalities) to reorientation in policy processes and development measures. As a result, the workload of municipalities, their tasks and responsibilities are becoming lighter, which in turn allows them more room to manoeuvre and achieve more within their remaining tasks. In anticipation of this, and in response to the changing power constellations within the region of North Karelia and the sub-region of Pielinen Karelia did the municipal leadership take on its more Lieksa-centred approach (i.e. the supervision of its own interests). Although so far Lieksa has done relatively well in this approach and seems to be emulated by other municipalities in this respect, it is difficult to gauge whether it will work in Lieksa's favour over a longer term. The uncertainty over the future of these reforms in general makes an assessment of this question difficult. At least there is firm belief shared by many in the city that the Lieksa-centred approach ('doing things *locally*') is putting Lieksa in a stronger position in its region.

5.1.2 Inhibitors

- 'Spatial injustice' limiting the capacity of the Local/Action

Lieksa faces several key problems which at the same time represent 'spatial injustice problems' Lieksa is facing and factors that pose limitations to the capacity of the Action to reduce spatial injustice in/for Lieksa. Some of them are of a distributive nature and are only to a limited extent under the influence of the municipal leadership. These include the long-term and continuing decline of population (as a result of out-migration and, especially in the coming years, ageing) and the apparent decline of regional policies in Finland for the benefit of small cities such as Lieksa, which lead to tightening municipal budgets.

Although the impact of the current Strategy and management procedures and processes carried out by the current leadership in Lieksa have improved significantly with regard to procedural aspects as compared to the pre-2015 situation, some inhibitors are identifiable that work directly against the effectiveness of the Action at hand, also with regard to its influence on spatial justice.

- Sacrificing inclusiveness for more effective decision making?

The city leadership in Lieksa is accessible and their work is characterised by small power distance, i.e. informal exchange of information is frequent and discussion of policies commonplace. This direct interaction and exchange of opinions prepares the ground for collective trust, which in turn enables municipal management to speed up decision-making and improve efficiency, but this approach might be perceived as being not entirely based on fair processes. The somewhat excluding nature of fast-paced decision-making and the prioritisation of economic rather than social aspects, which has been described in detail in the preceding sections, might work in favour of the business community, but might impede genuine participation from third-sector organisations and individual residents. From the viewpoint of residents, particularly ones that do not have access to or interaction with decision-making elites, the new municipal strategy and approach raised concerns of marginalisation from the decision-making processes. From the perspective of third-sector, there was also a concern that their arguably important contribution in terms of knowledge and know-how, particularly with regard to social, wellbeing and community aspects, could be underutilised as a result of a focus on businesses.

5.2 Synthesising Dimension B: Competences and capacities of stakeholders

5.2.1 Place-based interpretations of spatial injustice and potential for localised action

The spatial injustices *within* Lieksa, as perceived by the stakeholders, are resulting from the long distances between the urban centre of Lieksa and the surrounding clusters of settlements described in Section 3.2.1. These rural villages have been shrinking rapidly in the past decades and the era when they could still support a range of services for their inhabitants is in the past. The centre of Lieksa has been shrinking as well, but the trajectory of centralizing many services there means that the people living there have much better access to services and opportunities than in the fringes.

The most prominent form of spatial injustice, unanimously agreed on by the interviewees, exists on the regional level. The regional inequality is a result of the geographically remote and thus unfavourable position of Lieksa within North Karelia and in Finland as well. The remoteness poses an inherent disadvantage in the way of exploiting the growing economy of the regional centre Joensuu. In addition to this, the possible upcoming regional and social and healthcare reforms will further centralize services and decision-making to a new regional authority, thus further impairing the position of Lieksa.

With regards to the 'spatial injustice' manifest in Lieksa's unfavourable position in its region, that is, amid the unfavourable situation where Lieksa has found itself, a decision was made to start taking things into Lieksa's own hands and selfishly look after its own interests and advantage (Focus Group 22.2.2019). This Lieksa-centred policy – a clearly place-based approach, concomitant to the drawing up of the new City Strategy, has addressed spatial injustice confronting Lieksa in several ways:

- Lieksa has benefitted from being able to make its own decisions, not having to always follow the regional level trends (relying on the Strategy);
- Lieksa has become more vocal in matters concerning its interests on the regional level decision-making (not afraid to do things differently from others);
- the example of Lieksa has encouraged other municipalities of North Karelia to step up against 'Joensuu-based' policies, which in theory can lead to fairer distribution of resources and opportunities in the region;
- local policy makers and other stakeholders widely approve the Lieksa-centred policies.

5.2.2 Increased capacity for using 'local energies'

The City of Lieksa has developed a higher capacity for taking advantage of local resources, knowledge and potential, especially for the purpose of supporting local businesses. The restructuring of the City administration and governance in the wake of the new Strategy has given the City more tools for realising its own local development aims, and the widely credited flexible and responsive way in which the City of Lieksa is interacting with businesses these days is a direct result of this. Furthermore, leaving PIKES and setting up their own development company exemplifies a deliberate choice of pooling the scarce resources and know-how to the local level for more efficient utilisation.

5.2.3 Formal and informal empowerment

Being a small peripheral municipality, Lieksa is also relying on state subsidies as well as on support on wider infrastructure maintenance of the road and railway networks. The change in national policy regarding supporting remote areas could mean serious difficulties for places like Lieksa. Against this backdrop, it was deemed essential to engage people more in municipal decision-making and increase its appreciation, since Lieksa needs motivated individuals to promote its interests on the regional and national levels.

The steps the City leadership has taken to involve and empower even the lowest local level are evident, although there is a noticeable, and deliberate, bias towards the stakeholders representing the business sector. Prioritizing private sector involvement has resulted in the development of close cooperation networks between the City and the entrepreneurs and their association, which has been found highly beneficial mutually. The somewhat one-sided focus of Lieksa City has meant that the third sector, thus also the vulnerable social groups they represent, appear to be somewhat left out of the 'loop'. To better utilise the potential of the local level, and to tackle the dire socio-economic problems posed by the age and population structure of the locality, Lieksa City could aim for similar inclusive approach towards the third sector as it is having with the private sector.

5.3 Synthesising Dimension C: Connecting the Action to procedural and distributive justice

5.3.1 Achievements and impact on the locality

Upon assessing the overall achievements of the Action, it has to be borne in mind that it is an ongoing process which has been implemented for only about three years; often too short time for achieving tangible outcomes or for assessing the possible long-term effects. However, the (procedural) changes brought on in Lieksa since 2015 have already had some positive (distributive) impacts on the locality (examples in Section 4.2). Achieving the support and commitment of businesses to the development of Lieksa has been widely attributed to the speed and efficiency at which the City these days operates. The strategic aim of supporting entrepreneurship in Lieksa is clearly visible and so far successfully fulfilled to a great extent – as already showed by Lieksa being ranked higher in 'business friendliness' (Annex 8.2).

5.3.2 Opportunities for local communities and residents

Promoting participation of residents is one of the priorities of the Strategy, and was an important feature of the Strategy preparation process, too. Despite not yet committing to a structured and long-term dialogue with a broad set of third-sector organisations, the City has opened up new channels for receiving opinion and ideas from the local communities (4.2.2). It is, however, obvious that by being 'friendly' to businesses (by engaging them in local development as partners of the City), who provide employment, services and vitality to the place, it is Lieksa's residents eventually (directly and indirectly, too) who receive new opportunities. This is further emphasized by the fact that Lieksa, due to its isolated location (not being within commuting distance of any economic centre), has to build up its own base of local opportunities, and in this its local businesses and investors are essential (see also Figure 10).

5.3.3 Opportunities for the City leadership and Lieksa as a whole

It is interesting to note that Lieksa, through its reorientation in city management (also through the Strategy), claims more 'autonomy' by strengthening its capacity to adapt and even carry out proactive measures. Frequently referred to in this respect is the perceived need to defend Lieksa's (and in general, smaller municipalities') own interest in the competitive setting with regard to the regional centre Joensuu, which latter is deemed to increase in light of the looming regional reforms. During the Focus Group discussion (on 22.2.2019, see Annex 8.1), Lieksa was even considered to be somewhat of a leading figure in this endeavour among the smaller North Karelian municipalities surrounding Joensuu. As part of this discussion, two somewhat diametrical notions concerning the importance of the regional centre can be discerned. On the one hand, Joensuu is seen as important to

generate regional growth. On the other hand, it is perceived as a critical hindrance to the success of smaller municipalities such as Lieksa.

The City gains new opportunities via a more participatory approach of managing the locality. Interaction with various stakeholder groups and the residents is a resource for the City leadership in form of local knowledge that can be used for guiding decisions. Furthermore, already the *feeling* of being involved produces higher levels of trust among stakeholders and individual residents (Focus group 22.2.2019) which can provide the leadership with greater legitimacy for running the City and in turn, more incentive to keep up inclusive practices.

5.3.4 Strengthening local identity and place-basedness

The overarching perception emanating from the interviews, local media and Focus Group discussion was the positive atmosphere that has emerged in Lieksa, resulting from both the positive economic development as well as from the conscious effort by the City to communicate about the positive things happening in Lieksa. This positivity can in part help with committing the inhabitants to local development, re-patriate former residents, attract new businesses and to also overcome the historically negative reputation of Lieksa.

5.3.5 Impacts over wider context of space and time

The Action in Lieksa is still in its early phase, and although the changes are noticeable, it is still early to estimate its long-lasting impacts. The mayor was hired to a certain extent – ‘a manager for change’ and the transformations in the City governance have indeed been significant and mostly positively accepted. It remains to be seen how the City governance will have to be further adjusted to suit the possible institutional reforms, but this more proactive, inclusive, dynamic and strategic-thinking leadership offers an apparently sustainable option for tackling the spatial injustices faced by a peripheral municipality within a region dominated by a much stronger centre.

As described in earlier sections, the Action in Lieksa has to a certain extent been achieved at the expense of inter-municipal cooperation (see Section 3.2.2 for the story of PIKES). While the competitive setting between the neighbouring municipalities may have slightly intensified as a result of the Action, Lieksa is not promoting its interest to such an extent, or in a manner, where it would be directly hindering the possibilities of its neighbours, nor has it completely ceased all cooperation.

6 Conclusions

As has been mentioned in the foregoing analysis, spatial justice – understood here as a “fair and equitable distribution in space of socially valued resources and the opportunities to use them” (Madanipour et al. 2018) – in and for Lieksa mostly relates to the safeguarding of the municipality’s/city’s socio-economic viability against the distributive background of continuing demographic decline, peripheral location (poor accessibility) in both regional as well as national contexts and dwindling financial resources. In this respect, the current municipal leadership (as an institution/organisation), led by the mayor, has managed to bring about many positive developments in combating spatial injustices through the implementation of its municipal Strategy 2030 (as an Action).

Improvements in procedural aspects - for example an overall more effective municipal apparatus, improved transparency in decision-making through better communication and budding participatory practices, and strong liaison with and utilisation of place-based knowledge of the local businesses – provide a stronger foundation for positive socio-economic development in Lieksa. The overall approach to achieving greater distributive justice appears to be the provision of the best possible operating environment for local businesses for the ultimate aim of maintaining and creating jobs, thus encouraging residents to remain in or even move to Lieksa. This is also reflected in the way the city leadership listens to different interest groups and in the noticeable bias towards the private sector in the Strategy. Whether this focus on the business sector and the overall entrepreneurial approach (Harvey 1989) by the City will become a long-term policy choice, or whether it is a short-term ‘fix’ on what has been identified as the crucial aspect for Lieksa’s development, remains to be seen. One can, nevertheless, detect an observable need to balance between administrative efficiency and democratic responsiveness (Stivers 1994) by increasingly listening to the needs and wishes of civil society and third sector organisations, as well as individual residents.

Via the Strategy, the administrative and political leadership of the City of Lieksa has assessed their current situation and future trajectory and identified the key measures for responding to both the internal socio-economic challenges and the external pressures of national and regional reforms. Based on the Strategy, the current leadership decided to take a Lieksa-centred approach including, first, a more egocentric approach in its interactions and collaboration with neighbouring municipalities and, particularly, the regional centre of Joensuu and, second, the repatriation of as many vitality-related measures as possible. The aim is to channel the scant available resources into the municipality itself and for the benefit of its own population, based on the explicit knowledge of needs and opportunities that exist locally. This paradigmatic shift, and the resulting focus on Lieksa’s own needs and potentials, has also to be seen against the uncertainties rooted in the ongoing top-down initiatives to reform local and regional government in Finland; and the fear among localities such as Lieksa that the power of initiative and autonomy will increasingly be transferred to the regional level and that such an arrangement will be more and more dominated by the larger cities and regional centres. Finally, the Lieksa-centred approach is actively resisting the current policy measures that place emphasis on growth centres (indirectly) at the expense of the more peripheral locations. Several interviewees pointed out problems with this sort of policies, arguing that the diminishing of the smaller municipalities will greatly damage the future prospects of the larger cities as well by, for example, resulting in drastic decrease in the capacity to exploit the natural resources or tourism potential that the rural municipalities offer.

The Action at hand is embedded within the highly institutionalized system of Finnish local government guided by the principles laid down in the Finnish Local Government Act. However, the analysis has shown how the coming together of several factors - e.g. in the case of Lieksa, socio-economic and financial malaise, changes in the leadership and external pressures to transform – can lead to a sea change in how things are done in a municipal setting. The shift towards a more entrepreneurial approach in local governance, focusing on business development and employment as well as efficient city management and a healthy degree of egocentrism is clearly evident in our case; a setting that is familiar across Europe and beyond. The aim of this approach is to combat continuing challenges to spatial justice with regard to Lieksa in terms of attractiveness as a place to do business, work and live. However, there are also voices in the municipality who question the rather one-sided approach and call for a balancing between the efficiency- and effectiveness-oriented approaches and those that pay more attention to the views and contributions from third sector organizations and residents. The attention that is being currently paid to inclusion, participation and legitimacy in EU policy making and research is therefore well placed.

Another aspect that is of importance in Lieksa and of national and European relevance, is that of shrinking in small and medium-sized towns. It is quite surprising that municipal leadership in Lieksa does not proactively embrace shrinking as an important variable in Lieksa's development. The fact that Lieksa is facing population decline is accepted widely, but shrinkage is not directly acknowledged in the Strategy and innovative ways to deal with it have not been emphasized by the majority of interviewees.

Finally, it is obvious that Lieksa and other localities in similar peripheral positions have to cope with the shortage of (skilled) people as well as a deficiency of financial resources to be used to turn their fortunes around. So even with strong commitment to implementing place-based an endogenous local development, these localities could make good use of externally funded programmes and initiatives which offer support tailored to the specific needs of such small and shrinking peripheral towns.

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8 Annexes

8.1 Research participants and stakeholder interactions

Interviews with experts

#	organisation/type of organisation represented	way/place of the interview	date
1	Initial group interview	face-to-face, Lieksa	17.4.2018
2	Lieksa City (mayor)	face-to-face, Lieksa	26.10.2018
3	Lieksa City (welfare sector)	face-to-face, Lieksa	26.10.2018
4	Lieksa City (administrative sector)	face-to-face, Lieksa	26.10.2018
5	Lieksa City (vitality sector)	face-to-face, Lieksa	26.10.2018
6	Lieksa City (city council)	face-to-face, Lieksa	08.11.2018
7	Lieksa City (youth sector)	face-to-face, Lieksa	08.11.2018
8	Lieksa City (employment services)	face-to-face, Lieksa	08.11.2018
9	Association for entrepreneurs	face-to-face, Lieksa	08.11.2018
10	Association for women entrepreneurs	face-to-face, Lieksa	08.11.2018
11	Local third-sector organisation (provides social services especially focusing on rehabilitation of the unemployed)	face-to-face, Lieksa	08.11.2018
12	Regional development company	face-to-face, Lieksa	16.11.2018
13	Lieksa City (welfare board)	face-to-face, Lieksa	16.11.2018
14	Lieksa City (city board)	face-to-face, Lieksa	16.11.2018
15	Regional public health association	face-to-face, Joensuu	21.11.2018
16	Regional development company	face-to-face, Lieksa	18.1.2019
17	Local active	face-to-face, Lieksa	18.1.2019
18	Local village community	face-to-face, Lieksa	18.1.2019
19	Representative of a forestry company / Local active	face-to-face, Lieksa	18.1.2019
20	Local parish	face-to-face, Lieksa	18.1.2019
21	Local entrepreneur	face-to-face, Lieksa	18.1.2019
22	Local active / entrepreneur	face-to-face, Koli	21.1.2019
23	Tourism business working on regional scale	via Skype	25.1.2019
24	Representative of the local newspaper	via phone	01.2.2019
25	Tourism association in Koli	face-to-face, Joensuu	01.2.2019
26	Regional educational institute operating in Lieksa	face-to-face, Joensuu	05.2.2019

Table 2. Table of Interviewed Experts

Focus Group Discussion

A three-hour Focus Group Workshop was carried out in Lieksa on 22.2.2019. The focus group consisted of four selected interviewees. One was a local entrepreneur who these days is also involved in the politics of the City, being a member of both the City Council and the Board. The head of the City council was also present, who is also representing Lieksa in the Board of the regional health care consortium. Third member was a representative of the regional vocational education and training provider Riveria, responsible for services and well-being. There was also a participant representing the third sector, working in an association dealing with rehabilitation of the unemployed in Lieksa. Professor Emeritus Heikki Eskelinen was the moderator of the discussions, and four researchers from the UEF Team were present, taking notes and making short comments or questions.

Interactions with stakeholders during fieldwork

Type of Stakeholders	#	Stakeholders' ways of involvement in the project
Local administration	6	interviewees, participant of the focus group discussion
Associations representing private businesses	3	interviewees
Entrepreneurs	3	interviewees, participant of the focus group discussion
Local development companies/agencies	2	interviewees
Municipal associations	3	interviewees
Non-profit/civil society organisations representing vulnerable groups	1	interviewee, participant of the focus group discussion
Other local community stakeholders	3	interviewees
Colleges and universities	1	interviewee, participant of the focus group discussion
Social and health care institutions	1	interviewee
Media	1	interviewee
Church	1	interviewee

Table 3. Stakeholder interaction during fieldwork

8.2 Lieksa's socio-economic indicators

Lieksa has experienced dramatic and continuous population decline during the last 50 years. From 1972 to 2017, its population has almost halved and now stands at approximately 11 000. Lieksa has experienced the highest rate of population decline (-42%) of all Finnish municipalities with a population of above 10 000 (2017) from 1972 to 2017. Figure 4 below shows how population decline in the municipality has accelerated during the early 1990s, when Finland was hit by a major recession. Around the same time, the NUTS3 region of North Karelia started to experience population decline. From 1990 to 2017, the region experienced 8 percent decrease of its population, whereas Lieksa's population decreased by 36% during the same period. Finland as a whole has experienced a continuous population increase during the last decades and its population increased by 10 percent from 1990 to 2017.

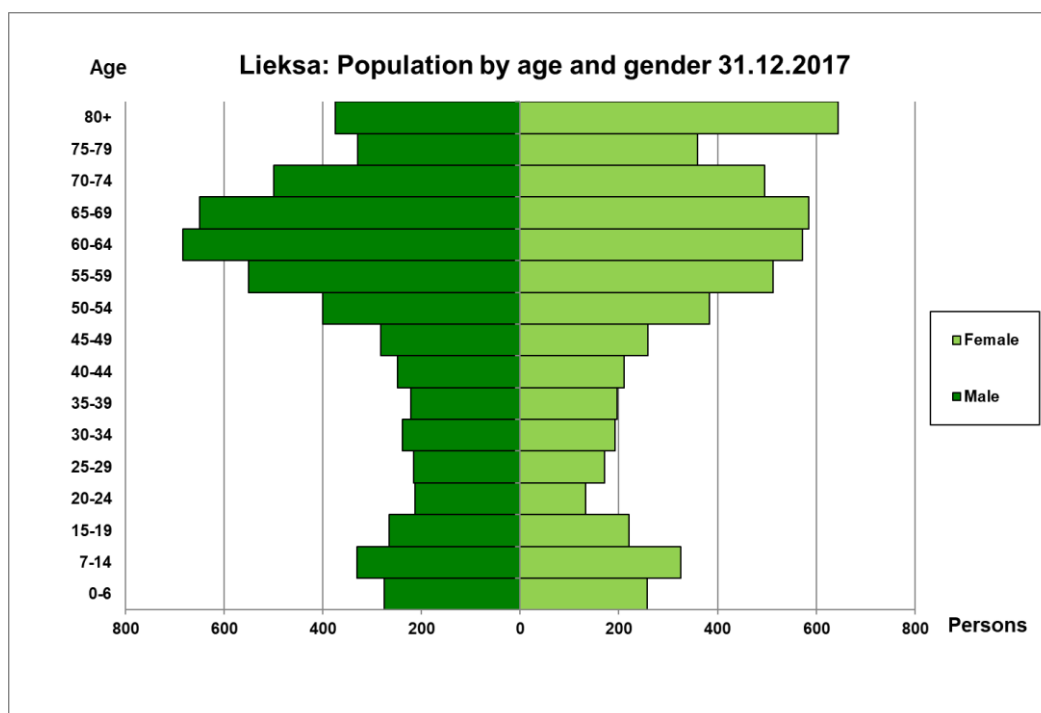


Figure 3. Lieksa age pyramid
(Source: Statistics Finland, Regional Council of North Karelia)

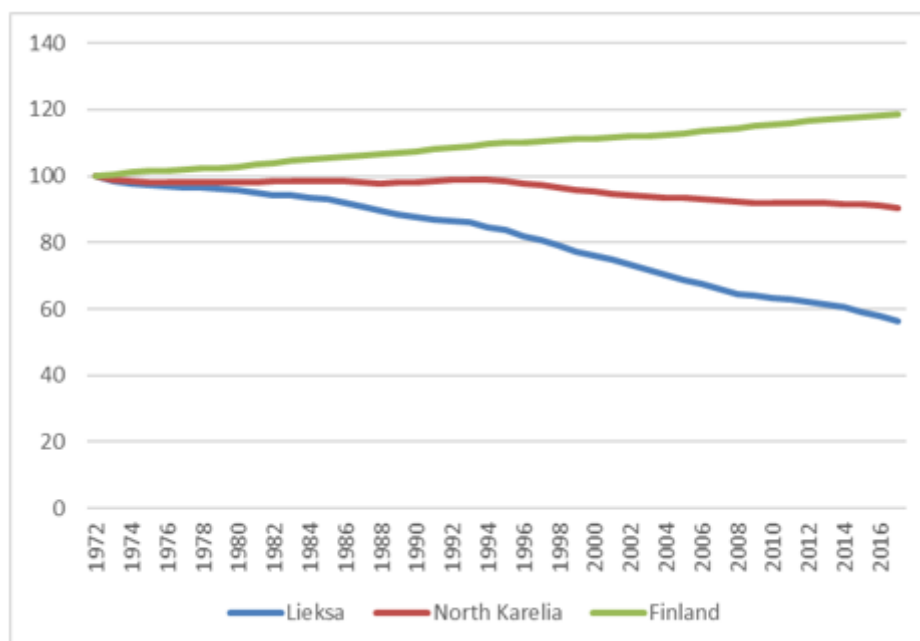


Figure 4. Population development (1972 = 100)
(Source: Statistics Finland)

The remaining population of Lieksa is characterized by processes of ageing, majority of the population being elderly, as illustrated by Figure 3. As can be seen from Figure 5 below, the percentage of population aged over 64 years has increased from approximately 15 percent in 1987 to 35 percent in 2017. Ageing and the resultant impact on demographic development is a concern for Finland as a whole, but the situation in Lieksa is particularly dramatic, as illustrated by the increasing gap in Figure 5 between the municipality and the region/country with regard to this type of indicator.

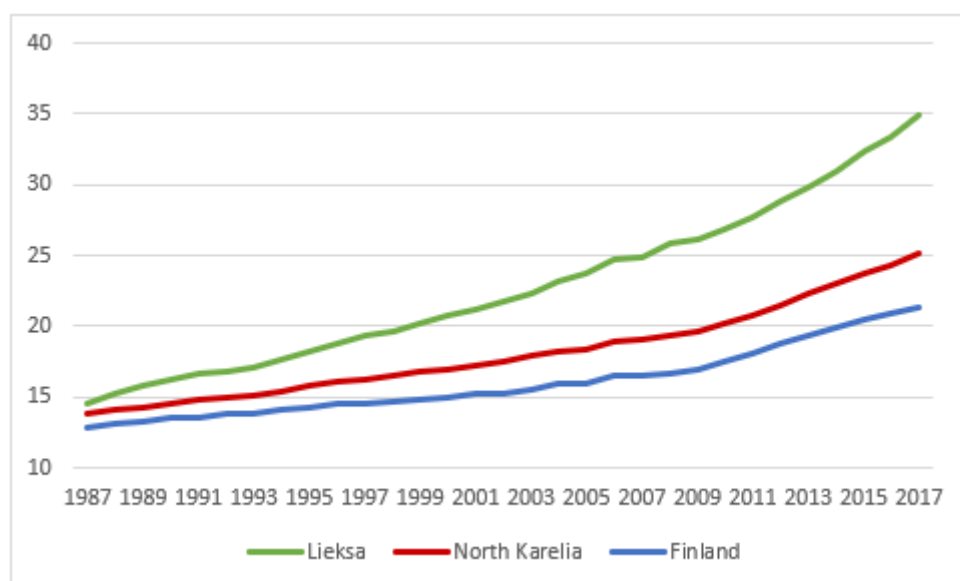


Figure 5. Population development (1972 = 100)
Share of persons aged over 64 of the population, percentage
(Source: Statistics Finland)

As to the components of population development, natural increase has been continuously negative in Lieksa since 1990. This means that the number of births was not able to compensate for the number of deaths. In addition, total net migration in Lieksa (see Figure 6) has been negative between 1990 and 2017, except for the years 2009/2010/2013, years which were signified by a significant increase of in-migration of foreign citizens to Lieksa compensated for emigration to other places in Finland and abroad. In relative terms, this influx of foreign citizens has been quite significant as can be seen from Figure 7. As can be seen, the share of persons with a foreign background has increased in Lieksa from a 0.9% in 2008 to 4.3% in 2013. Since that peak, levels have decreased again to 2.3% in 2017. The largest group of foreigners in Lieksa are Somalis.

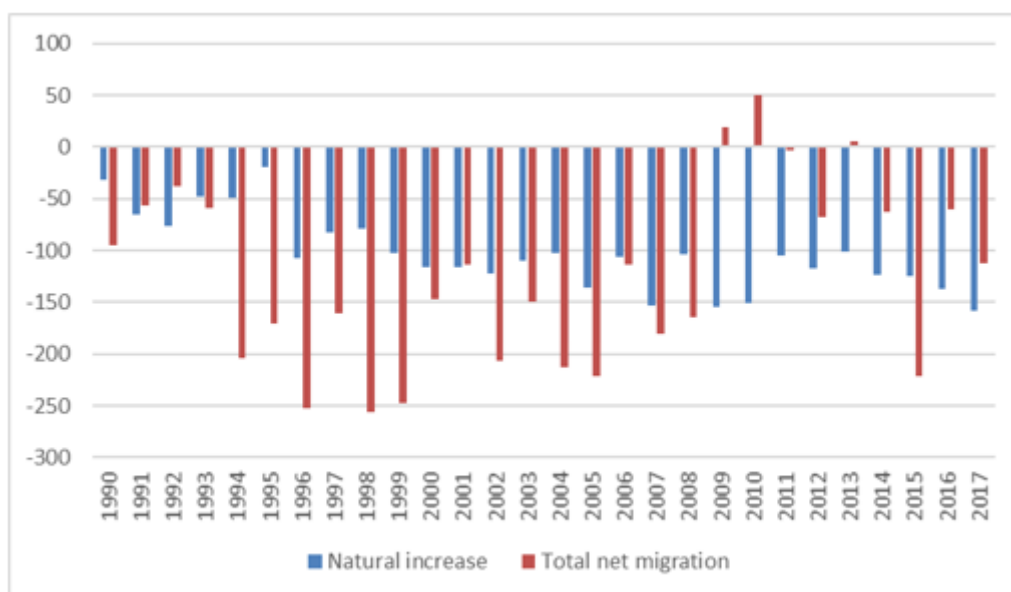


Figure 6. Population development (1972 = 100)
Components of population change, natural increase and total net migration, number of persons
(Source: Statistics Finland)

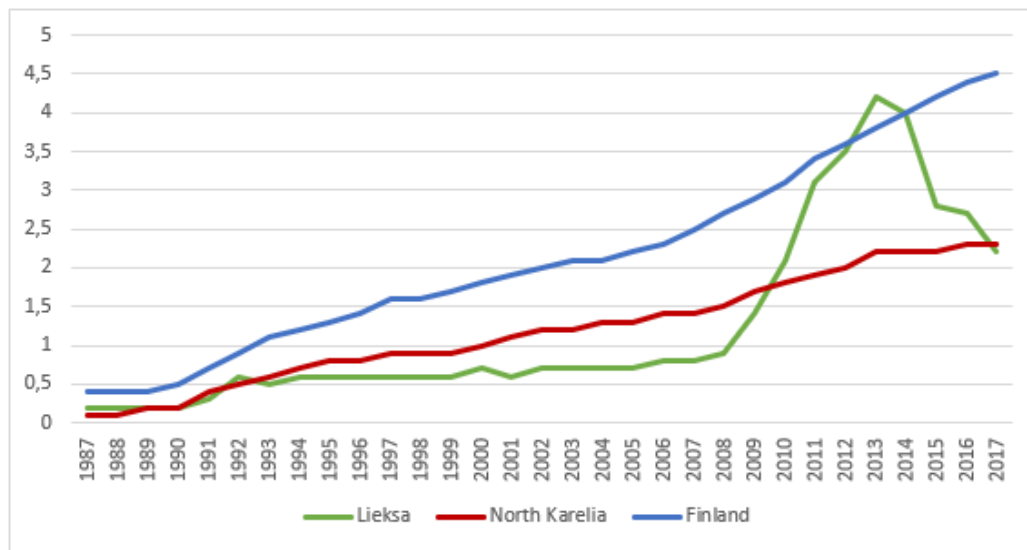


Figure 7. Share of foreign citizens of the population, percentage
(Source: Statistics Finland)

Unemployment has been a persistent problem in Lieksa. The municipality has consistently performed worse in terms of unemployment levels and employment rate than its surrounding region of North Karelia and Finland as a whole. Overall, however, the trends have been similar, as can be seen from Figures 11 and 12. The situation with regard to unemployment in Lieksa was the worst during Finland's major recession in the early and mid-1990s peaking at 29.9% in 1994. Since 1997, unemployment levels have improved slightly. More recently, the employment situation has improved quite dramatically in North Karelia and its municipalities. In Lieksa, unemployment levels decreased from 20.5% in November 2016 to 13.2% in November 2018³. As a result, Lieksa is no longer the worst performer among the North Karelian municipalities.

³ Source: ELY-Keskus: <http://www.ely-keskus.fi/documents/10191/29899079/Ty%C3%B6llisyyskatsaus+marraskuu2019/87d0a769-cf23-4d6c-8fb8-307d8e02ad59> ; <http://www.ely-keskus.fi/documents/10191/14645074/Ty%C3%B6llisyyskatsaus+marraskuu+2016/c695fc30-98f6-4820-8943-7e582c8a2e51?version=1.0>

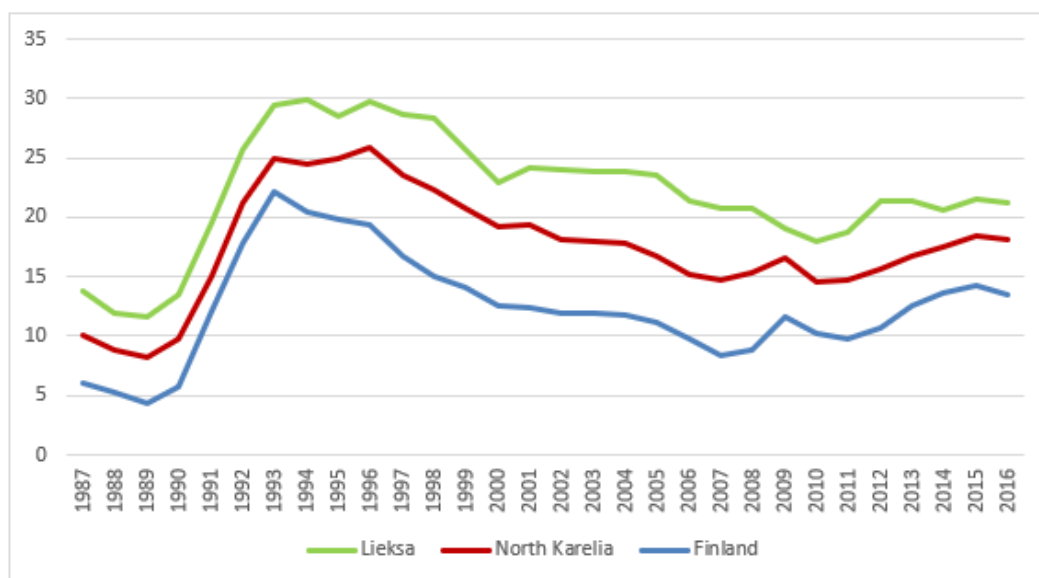


Figure 8. Proportion of the unemployed of the total workforce, percentage
(Source: Statistics Finland)

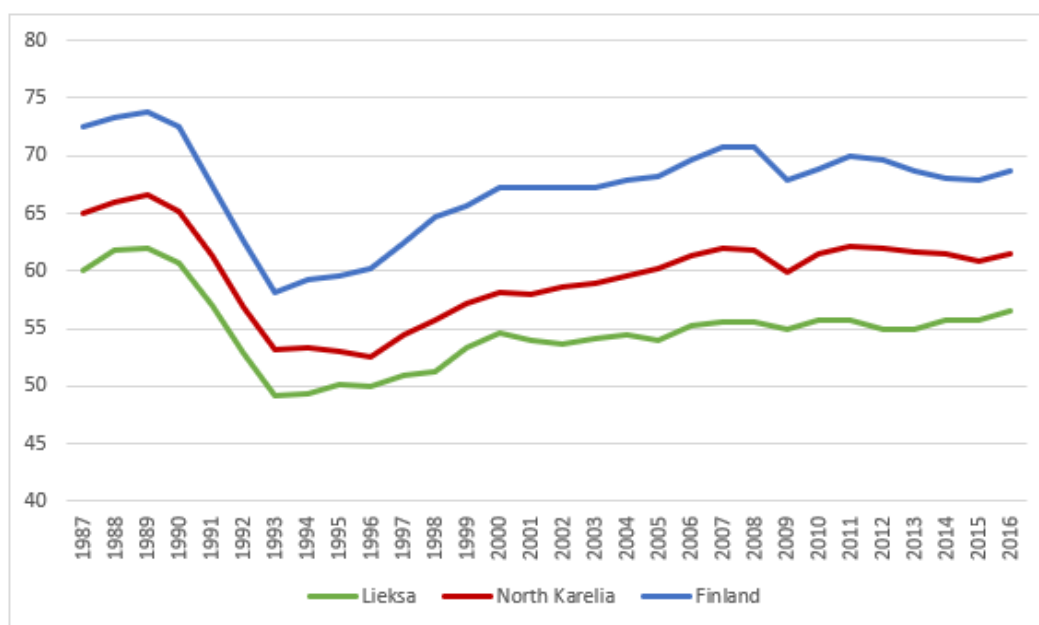


Figure 9. Employment rate, percentage
(Source: Statistics Finland)

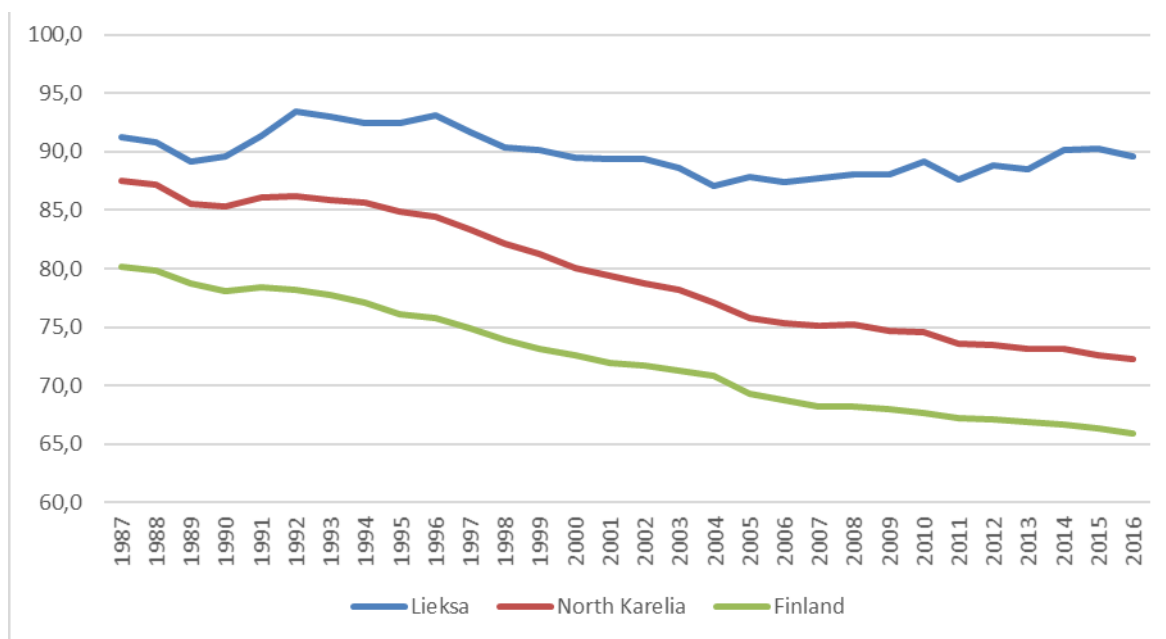


Figure 10. People working in their municipalities of residence, percentage.
(Indicating increasing commuting to work in Finland and North Karelia, but not from Lieksa.)

Share of the highly educated within the population

Lieksa has a shortage of people who have completed tertiary education (Bachelors or Masters degrees) in comparison to Finland and North Karelia: in 2017, in **Lieksa 17.8%**, in **North Karelia 25.4%** and in **Finland 31.0%** of the population above 15 years of age had a higher education degree. (Source: Statistics Finland.)

Business friendly Lieksa

Sijoitus	2018	2016	2014
Lieto	1.	5.	12.
Muurame	2.	2.	1.
Ilmajoki	3.	7.	3.
Merikarvia	4.	4.	-
Vieremä	5.	-	-
Keitele	6.	1.	-
Säkylä	7.	81.	-
Ilomantsi	8.	3.	4.
Pomarkku	9.	-	-
Lieksa	9.	51.	39.

Figure 11. TOP 10 Finnish municipalities according to their economic policies, and the change in their ranks between 2014 – 2018
(Source of data: Suomen Yrittäjät, 2018)

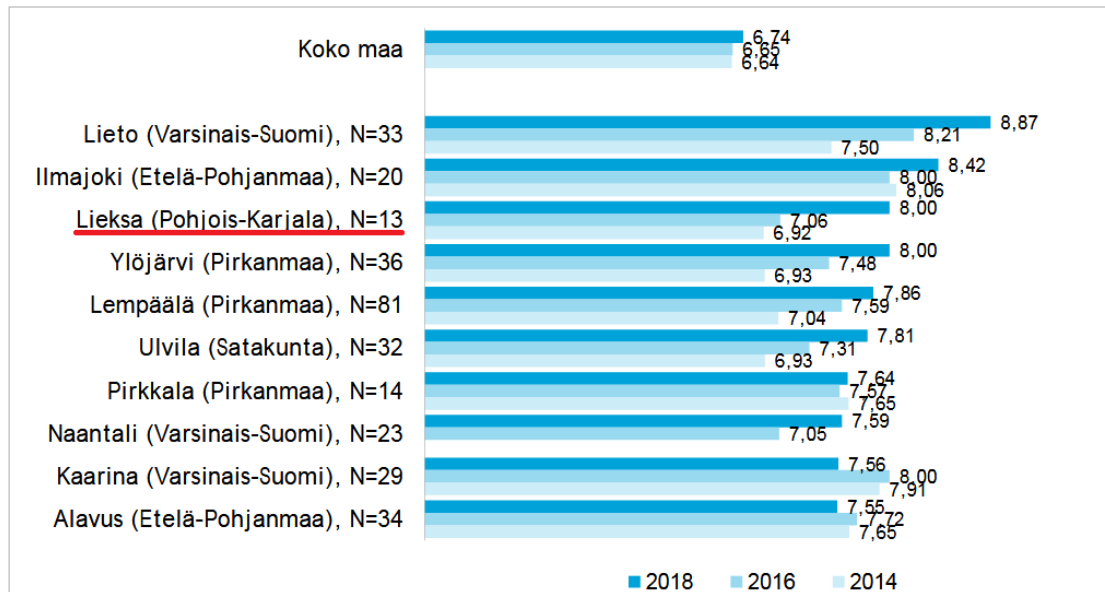


Figure 12. TOP 10 overall grade on economic policies, of municipalities with 10 000 – 50 000 residents (On a scale of 4-10. Koko maa = Finland)
(Source of data: Suomen Yrittäjät, 2018)

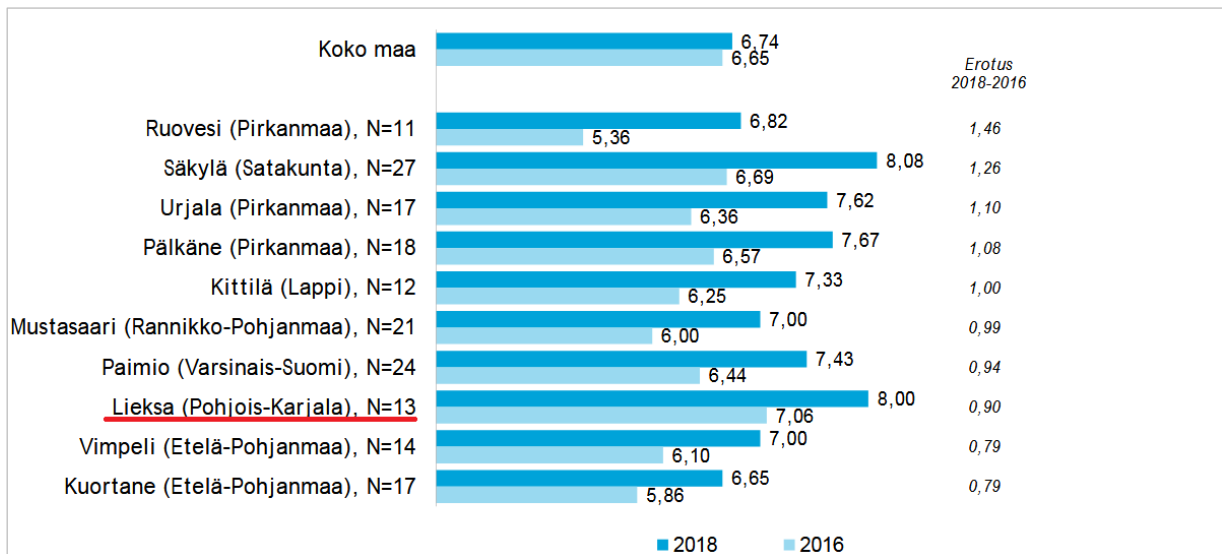


Figure 13. TOP 10 biggest improvers of the overall grade between 2016 – 2018, of all Finnish municipalities (On a scale of 4-10. Koko maa = Finland)
(Source of data: Suomen Yrittäjät, 2018)

The positive news regarding Lieksa's thriving business sector are frequent in the local newspaper. The latest major news is that of a 20-million-euro investment by Binderholz Nordic Oy, an international forestry company with a sawmill in Lieksa, to further increase their production in their Lieksa factory. The company is already the biggest industrial employer in Lieksa, and with the expansion it will seek to employ even more local workforce. (Lieksan Lehti, 2018a)

8.3 The strategies and guiding documents of the City of Lieksa

- The City Strategy 2030
- Lieksa City Strategy's Action Plan (last updated 2019)

- Lieksa's Immigration Strategy for 2020
- Lieksa's Rural Strategy
- POKAT 2021; Regional Plan for North Karelia (by the Regional Council of North Karelia)
- Regional Demographic Strategy for 2020
- Welfare Report 2017-2020

8.4 The Local Government Act (410/2015)

The new Local Government Act established in April 2015 is the legislative cornerstone of municipal affairs in Finland. It establishes the tasks of the municipality and the objectives and aims for future development. The following are some of the most relevant sections regarding this case study report.

Chapter 4 – Local councils (municipal council)

Section 14 – Duties of local councils

- (1) Municipalities shall have a local council, which shall be responsible for the municipality's activities and finances and shall exercise the municipality's power of decision.
- (2) The local council shall decide on:
- 1) *the municipal strategy;*
 - 2) *the administrative regulations;*
 - 3) *the budget and the financial plan;*
 - 4) *the ownership policy principles and the corporate governance principles applying to the local authority corporation;*
 - 5) *the operating and financial objectives set for municipally owned companies;*
 - 6) *the principles for managing assets and for investment activities;*
 - 7) *the principles for internal control and risk management;*
 - 8) *the general principles concerning payments charged for services and for other tasks performed;*
 - 9) *the granting of a guarantor's undertaking or other security for another party's debt;*
 - 10) *the election of members to the decision-making bodies, unless otherwise provided hereafter;*
 - 11) *the principles concerning the financial benefits of elected officials;*
 - 12) *the appointment of auditors;*
 - 13) *the approval of the financial statements and the granting of discharge from liability.*
 - 14) *other matters that are laid down for the decision of the local council.*

Chapter 7 – Local authority management and the local executive

Section 38 – Local authority management

- (1) The municipality's activities shall be managed in accordance with the municipal strategy approved by the local council.
- (2) The local executive shall manage the municipality's activities, administration and finances.
- (3) The administration, financial management and other activities of a municipality shall be directed by a chief executive, who will operate subordinate to the local executive. The local council may decide that the municipality is to be led by a mayor instead of a chief executive.

Section 39 – Duties of local executive (municipal board)

The local executive must:

- 1) *be responsible for the municipality's administration and financial management;*
- 2) *be responsible for the preparation and implementation of the local council's decisions and for overseeing the legality of these;*
- 3) *oversee the municipality's interests and, unless otherwise specified in the administrative regulations, represent the municipality and exercise its right to be heard;*

- 4) *represent the municipality as employer and be responsible for the municipality's personnel policy;*
- 5) *be responsible for coordinating the municipality's activities;*
- 6) *be responsible for ownership policy regarding the municipality's activities;*
- 7) *see to the arrangement of the municipality's internal control and risk management.*

Regarding participation of local residents, the '*Chapter 5 –Right of participation of municipality's residents*' serves as the basis for the mandatory and voluntary means of participation for Finnish municipalities. Here are some examples of the rights and participatory instruments that municipal officials are required to establish:

- *Section 20 –Right to vote in local elections*
- *Section 21 –Right to vote in local referenda*
- *Section 22 –Opportunities to participate and exert influence (check below for further elaboration)*
- *Section 23 –Right of initiative*
- *Section 26 –Youth councils*
- *Section 27 –Older people's councils*
- *Section 28 –Disability councils*
- *Section 29 –Communications (i.e. proper communicating towards the residents)*

Section 22 – Opportunities to participate and exert influence

(1) A municipality's residents and service users have the right to participate in and influence the activities of the municipality. Local councils must ensure that there are diverse and effective opportunities for participation.

(2) Participation and exerting influence can be furthered especially by:

- 1) *arranging opportunities for discussion and for views to be presented, and setting up local resident panels;*
- 2) *finding out residents' opinions before taking decisions;*
- 3) *electing representatives of service users to municipal decision-making bodies;*
- 4) *arranging opportunities to participate in the planning of the municipality's finances;*
- 5) *planning and developing services together with service users;*
- 6) *supporting independent planning and preparation of matters by residents, organisations and other corporate entities.*

The Local Government Act also establishes the task of writing a municipal strategy in its *Chapter 7 –Local authority management and the local executive:*

Section 37 – Municipal strategy

(1) Each municipality must have a municipal strategy in which the local council determines the long-term objectives for the municipality's activities and finances. The municipal strategy must take into account:

- 1) *advancement of the well-being of the municipality's residents;*
- 2) *the arrangement and provision of services;*
- 3) *the service objectives laid down in acts on the functions of municipalities;*
- 4) *ownership policy;*
- 5) *personnel policy;*
- 6) *opportunities for the residents of the municipality to participate and exert an influence;*
- 7) *development of the living environment and vitality of the area.*

(2) The municipal strategy must be based on an assessment of the municipality's current situation and of the future changes in the operating environment and the impact of these on the performance of the municipality's functions. The municipal strategy must also define the process of assessment and monitoring of the strategy's implementation.

(3) Provisions on taking the municipal strategy into account in the preparation of the municipality's budget and financial plan are laid down in section 110. The municipal strategy shall be reviewed at least once during the term of the local council.

8.5 Photo Gallery



Figure 14. Fire in Lieksa, May 1934
(Source: Halonen and Nevanlinna, 1983)



Figure 15. Koli in summer
(Picture by Patrik Hämäläinen)



Figure 16. Koli in winter
(Picture by Patrik Hämäläinen)



Figure 17. The start of the 7 km long Koli ice road
(Picture by Sarolta Németh)



Figure 18. Vuonislampi, one of the remote villages within the City of Lieksa
(Source: <http://www.vuonis.net/vuonislampi.htm>)



Figure 19. Lieksa views (an old shop)
(Picture by Patrik Hämäläinen)



Figure 20. Lieksa centre
(Picture by Patrik Hämäläinen)



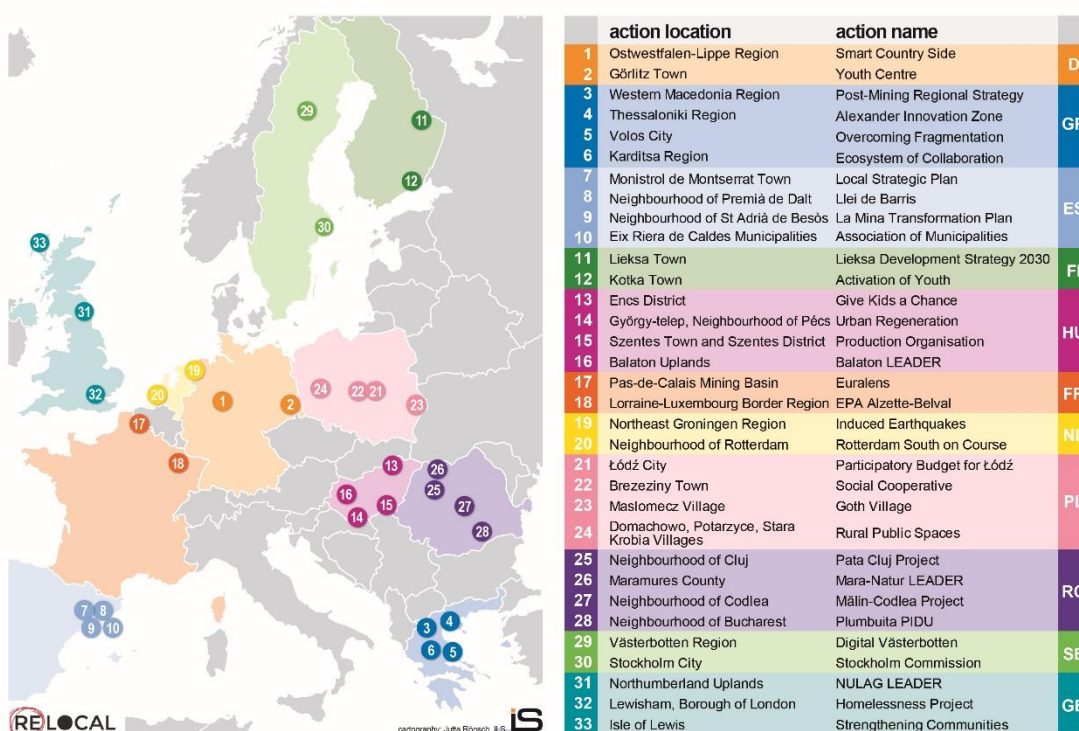
Figure 21. Lieksa bakery - the place to be for a great lunch!
(Picture by Patrik Hämäläinen)

The RELOCAL Project

EU Horizon 2020 research project '**Resituating the local in cohesion and territorial development**' –RELOCAL aims to identify factors that condition local accessibility of European policies, local abilities to articulate needs and equality claims and local capacities for exploiting European opportunity structures.

In the past, especially since the economic and financial crisis, the European Social Model has proven to be challenged by the emergence of spatially unjust results. The RELOCAL hypothesis is that **processes of localisation and place-based public policy** can make a positive contribution to spatial justice and democratic empowerment.

The research is based on **33 case studies** in **13 different European** countries that exemplify development challenges in terms of spatial justice. The cases were chosen to allow for a balanced representation of different institutional contexts. Based on case study findings, project partners will draw out the factors that influence the impact of place-based approaches or actions from a comparative perspective. The results are intended to facilitate a greater local orientation of cohesion, territorial development and other EU policies.



The RELOCAL project runs from October 2016 until September 2020.

Read more at <https://relocal.eu>

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