

Relying on LEADER? A place-based policy approach to the rural development of Finnish municipalities

ELLA MUSTAKANGAS



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In Finnish rural development, the role of municipalities has proven to be modest, even though the place-based policy approach in principle gives them an important position. The main part of municipal rural development involves cooperation with LEADER groups, to which municipalities give priority. In this study I ask: What explains the current status of municipalities in place-based rural development, that is, the dominance of LEADER and the small scale of the municipalities' own rural development? The methodology is based on critical realism, and the analysis draws from semi-structured interviews conducted in three municipalities. The aforementioned state of local rural development is called demi-regularity, which is the starting point of the research. Using a thematic analysis developed by Tom Fryer for critical realist research, the study proposes three causal explanations for this observation, namely the idea of responsible local communities, the development policy of the shrinking municipality, and the challenges of projectification. According to the findings, the increased role of villages in rural development does not necessarily support the involvement of municipalities, but rather the opposite. The study also shows that when municipalities are primarily looking for (economic) growth, they have difficulties in trusting the potential of rural areas, let alone exploiting it. On the other hand, the challenges of projectification do not characterise LEADER projects in the same way as other municipal project work, making it tempting to rely on LEADER in municipal rural development. Overall, the study shows how strongly and differently LEADER is rooted in place-based rural development in Finland. In order to bring municipalities back into the scene, a broader discussion on the actual preconditions of municipalities in place-based rural development is needed.

Keywords: critical realism, thematic analysis, rural development, municipalities, LEADER

Ella Mustakangas (<https://orcid.org/0000-0002-6327-0126>), Faculty of Management and Business, Tampere University, Finland. E-mail: ella.mustakangas@tuni.fi

Introduction

In rural governance systems, the role of municipalities varies considerably depending on the national and international context (Douglas 2018). In the European Union, the contribution of municipalities to rural development has been specifically linked to the implementation of the LEADER programme, where municipalities have acted as public-sector partners for rural actors (Teilmann & Thuesen 2014; Pollermann *et al.* 2020; Gargano 2021). However, the place-based policy approach, which emphasises the cultural, social, and institutional characteristics of a place (Barca *et al.* 2012), potentially places municipalities in a much more important position in rural development. From a municipal perspective, the approach stresses interaction with rural communities (Winterton *et al.* 2014; Kumpulainen & Soini 2019), as well as place leadership and a local collective agency (Horlings *et al.* 2018). In Finland, the potential of municipalities in place-based rural development stems from the strong tradition of local democracy and the number of tasks they retain in local affairs (Haveri 2015). This article examines why this potential seems largely unrealised. Specifically, why do municipalities refrain from taking a more active role in place-based rural development, preferring the LEADER programme and keeping their own rural development practices modest or, in some cases, non-existent?

In Finland, municipalities are the focal point to generate viability, growth, and community well-being in their area (Makkonen & Kahila 2020). In rural contexts, essentially, all municipal policies have an impact on the area. Hence place-based rural development can be approached within the framework of national rural policy and its key concepts of broad and narrow rural policy (Kattilakoski *et al.* 2022). Such development consists of both integrating the rural perspective into the different administrative sectors of the municipality (broad rural policy) and of building local capacity and cooperation with rural communities through projects funded by the European Union's rural and regional development programmes (narrow rural policy). From this perspective, it can also be expected that rural municipalities will integrate the objectives and content of national rural policy and national municipal policy into their own development work, for example, by approaching local development issues from the perspectives of interdependence and environmental justice, promoting a new knowledge economy, smart adaptation, and multilocality (Kattilakoski *et al.* 2022; Valtiovarainministeriö 2022). The scope for the municipalities to pursue their own rural development therefore potentially goes well beyond the implementation of LEADER.

From a European perspective, the relation between municipalities and LEADER Local Action Groups (LEADER groups) has proven to be quite specific in Finland. First, it has been based on a tripartite principle put rigorously into practice in LEADER executive committees (Munck af Rosenschöld & Löyhkö 2015), which decentralises the decision-making between public, private, and third-sector actors (Kull 2009). Little is known of the dominant role of municipalities in implementing the LEADER programme, unlike in some other European countries (Furmankiewicz *et al.* 2010; Navarro *et al.* 2016). Instead, some have stated that Finnish municipalities are lagging in rural development and their position from the perspective of rural policy has remained weak (Hyyryläinen 2014; Kahila 2016; Hyyryläinen 2017). In a study by Kumpulainen and Soini (2019, 301), the interviewed representatives of villages even felt that "municipal officials and decision makers have turned their back on the development of rural areas". However, no precise answers for how and why municipalities have fallen by the wayside in rural development exist.

This article aims at opening the 'black box' of the municipal rural development in Finland, by exploring *what explains the current status of municipalities in place-based rural development, that is, the dominance of LEADER and the small scale of the municipalities' own rural development*. The methodology is based on critical realism, turning the analytical focus on the causal explanations of the observed phenomenon (Bhaskar 2008; Buch-Hansen & Nielsen 2020). The aforementioned state of municipal rural development in Finland is adopted as an empirical observation – a demi-regularity in critical realist terms (Lawson 1997) – that forms the point of departure for the deeper analysis. The potential causal explanations are examined by using a thematic analysis method elaborated for critical realist research by Fryer (2022). Empirically, I draw from 31 semi-structured interviews conducted in three municipalities. In the analysis, three causal explanations – the idea of responsible

local communities (Herbert-Cheshire & Higgings 2004; Nørgaard & Thuesen 2021), the development policy of the shrinking municipality (Syssner 2020), and the challenges of projectification (Godenhjelm *et al.* 2015) – are drawn inductively.

I will first briefly outline the starting points of place-based rural development at the municipal level. The next sections clarify the methodology, the critical realism approach, and introduce the thematic analysis. Before turning to the results, I describe how the demi-regularity of municipal rural development was reflected in the data. The analysis focuses on three causal explanations. In the concluding section, I summarise the main findings and reflect on the implications of the study in theory and practice.

Municipalities in place-based rural development: the state of play

Local policy environment for place-based rural development

Place-based rural development in Finnish municipalities consists of both broad and narrow rural policies. For the first, the conditions for municipalities changed significantly from the beginning of 2023 when a massive national reform of health and social services, implemented by the Finnish government, came into force. The reform transferred health, social, and rescue services from the municipalities to 21 counties. The impact of the reform goes to the very heart of the nature of municipalities, emphasizing their potential role in local community and economic development (Vakkala *et al.* 2021). Although the more specific consequences remain unknown, the abolition of a number of tasks will, at least in principle, give municipalities more room to manoeuvre in local development, which will also have an impact on the role of municipalities in place-based rural development.

For municipalities, policy instruments of narrow rural policy are diverse, and their implementation is mostly based on projects. The main sources of funding are the EU regional and rural development programmes, the European Agricultural Fund for Rural Development in particular, but also the European Regional Development Fund and the European Social Fund when their funding is specifically used for rural development. In the implementation of the programmes, the participation of municipalities is very much a political decision (see Jakola & Prokkola 2021). The exception is the LEADER programme funded by the European Agricultural Fund for Rural Development: in Finland, municipalities *must* participate in LEADER with a ‘lump sum’ for the entire programme period, leaving funding decisions for individual projects to the LEADER groups. In all projects (including LEADER), municipalities can act as project managers in addition to their role as financiers.

Additionally, municipalities have usually budgeted allowances for civic activity. However, in rural development such are typically modest, highlighting the villages’ own responsibility for fundraising (Kumpulainen & Soini 2019). Additional funding can be received from the private sector, such as energy or mining companies, as shown by the data (interviews 8 and 12). The funding sources and the related role of the municipality are summarised in Table 1.

Table 1. The funding instruments of place-based rural development in Finnish municipalities.

| Funding instrument | Projects financed by EU rural and regional programmes | Projects financed by LEADER | Municipal allowances for civic activity | Other funding (e.g. private enterprises) |
|------------------------------|---|-----------------------------|---|--|
| The role of the municipality | Co-financier, Manager | Co-financier, Manager | Financier | Co-financier, Manager |

The critical implications of the place-based approach at the municipal level

The research highlights a number of challenges that municipalities face in place-based development. For example, barriers to the use of this development approach have arisen from the wider institutional environment, such as outdated municipal legislation, as noted in Canada by Barrett and Vodden (2023). Similarly, in Sweden, Hermelin and Trygg (2022, 309) note that the conditions for place-based rural development have been characterised by “the mandatory and strongly institutionalised task of local authorities”, which has led to “a precarious and unstable status for local development policy”. Highly regulated conditions have been typical of the Nordic welfare states, although the situation in Finland is now somewhat changed.

Even in these circumstances success in place-based development is not a given. Today, very high expectations are placed on the innovativeness of municipalities (Makkonen & Kahila 2020). Project-based development also often involves bureaucracy and uncertainty, and the funds allocated to projects may not meet the real needs of municipalities (Kallert *et al.* 2021). There is evidence of a mismatch between programme priorities and local needs, which is likely to lead to inefficiencies in policy implementation (Jakola & Prokkola 2021).

In essence, place-based development can be seen as a reflection of neoliberal ideology, which emphasises the governance of communities and places through individual skills and empowerment (Tonts & Horsley 2019). However, the question arises, to what extent can development policies based on this ideology guarantee the vitality of rural areas? As Tomaney, Pike and Rodríguez-Pose (2010) point out, the importance of wider economic development structures and government institutions in regional development should not be ignored. They argue that national and international policies should be more explicit about supporting local and regional actors. From this perspective, the involvement of the local public sector in rural development grows important. Hence, in this paper, I will explore the ultimate reasons why Finnish municipalities have refrained from taking a more active role in rural development, through the lens of critical realism.

A critical realist approach to municipal rural development

The ontology of critical realism, demi-regularities and causal explanations

Studies in various academic fields have demonstrated the potential of critical realism as a research method (e.g. Ryan *et al.* 2012; Zachariadis *et al.* 2013; Hoddy 2019; Melia 2020; Hastings 2021). In rural research, the approach has been applied to some extent (e.g. Oksa 1998; Reid 2019; Kuhmonen 2023), yet given the methodological pluralism associated with critical realism (Danermark *et al.* 2019), many untapped opportunities for its application exist.

Critical realism provides a systematic way of examining what makes things happen – or *not* happen (*ibid.*). This study is about the latter. From a territorial perspective, this means that I am particularly interested in understanding the modesty of the role of municipalities in relation to ‘deep’ rural areas, such as rural heartlands and sparsely populated areas surrounding municipal population centres, including villages. These areas make up a large part of the studied municipalities¹. Ontologically, *demi-regularity* and *causal explanation* lie at the heart of this approach.

According to critical realist ontology, reality exists independently of human consciousness, but it is stratified and consists of the empirical, actual, and deep domains (Bhaskar 2008). The empirical domain includes experiences and observations, being the narrowest part of reality. The actual domain consists of events and phenomena not necessarily observed or experienced. The deep domain is the broadest, including unobservable structures and mechanisms that cannot be approached directly. Analytically, the deep domain is of particular importance: the structures and mechanisms cause events that manifest themselves in the empirical and actual domains of reality. Consequently, in critical realist research, empirical analyses focus specifically on the deep domain and the causation it contains (Buch-Hansen & Nielsen 2020).

From the critical realist viewpoint, reality is characterised by demi-regularities. According to Lawson (1997, 204), it refers to “a partial event regularity which *prima facie* indicates the occasional,

but less than universal actualization of a mechanism or tendency, over a definite region of time-space". Demi-regularities thus signal that mechanisms or structures have activated in the deep domain of reality, bringing them out and maintaining them. Finding them, however, does not constitute in-depth analysis, since they are merely observations in the empirical domain of reality. Accordingly, Patomäki (2019, 195) points out that "it is the task of social scientists to move quickly from identifying them towards analysing the deeper social structures and causal complexities generating these manifest phenomena". In other words, the detection of demi-regularity should lead to the search for a causal explanation.

In critical realism, the concept of causality differs significantly from that of the positivists. Whereas the latter see causality as a horizontal cause-and-effect relationship between two phenomena, the causality of critical realism is vertical, with explanations of events rooted in underlying mechanisms and structures (Buch-Hansen & Nielsen 2020). The primary concern is to understand the nature and emergence of causality in a particular context, rather than find a generalisable causality (Danermark *et al.* 2019). Consequently, there has been debate about how critical realism relates to more interpretive philosophical orientations such as poststructuralism or social constructionism. While poststructuralists have criticised critical realism of falling into dualism – by making a clear distinction between agency and structure (e.g. Willmott 2005) – in social constructionism the relationship with critical realism has been seen as more synergistic. According to Al-Amoudi and Willmott (2011), critical realism and social constructionism are linked by epistemological relativism, and Elder-Vass (2012) argues that causal forces are equally at the root of discursive practices. The coexistence of these philosophies has been found useful, for example, in governance research (Newton *et al.* 2011).

In principle, causal explanations can be examined *a priori* or *a posteriori*, meaning that they can be based either on existing theories or extracted inductively from the data (Ryan *et al.* 2012). Most often, the analysis is a combination of both (e.g. Fletcher 2017). As Bhaskar states (2008, 186), since causal powers "can only be known, not shown to exist", the role of theories in explicating them is pivotal (also Danermark *et al.* 2019). At the same time, choosing theories that best explain the phenomenon contributes to the credibility of critical realist analysis (Isaksen 2016). The ontological starting points of this paper are presented in Figure 1.

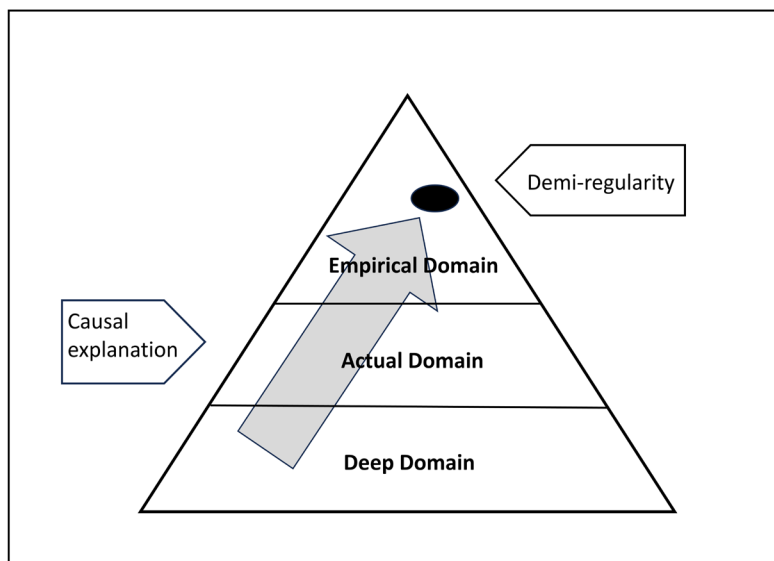


Fig. 1. The ontology of critical realism, demi-regularity, and the causal explanation.

Thematic analysis in critical realist research

The analysis follows the method of thematic analysis developed by Fryer (2022). Experiences, events, and causal mechanisms as its core concepts, this provides a clear framework for conducting analysis from a critical realist perspective. The method has some similarities with the critical realist thematic analysis developed by Wiltshire and Ronkainen (2021), which, nevertheless, is more nuanced and better carried out through research collaboration. In Fryer's version, instead, the definition of a theme is exclusively limited to a causal explanation, which “pushes researchers to produce causal explanations in their work” (Fryer 2022, 381). Therefore, I found this method ideal for my own research.

Fryer defines the ontology of the method as follows: (empirical) experiences are primarily located in the data, events are placed in the codes, and causality corresponds to the themes. In practice, it is based on a five-step procedure: 1) the researcher develops at least one causal research question by identifying the experiences/events of interest; 2) the data are prepared for analysis by becoming familiar with them; 3) codes are applied, developed, and reviewed; 4) themes (i.e. causal explanations) are developed and reviewed; 5) conclusions are drawn and the findings reported. Next, I describe how I used this method in this study.

Conducting the analysis for finding causation

The data consists of 31 semi-structured interviews, conducted in 2021–2022, in three rural municipalities in different parts of Finland: Kauhajoki in the west, Sodankylä in the north and Sotkamo in the east. All municipalities have a population density well below the national average (18.3 inhabitants per km²), but they differ to some extent in terms of population development and the spatial distribution of inhabitants (Table 2.). In each case, local elected representatives, civil servants, village residents, and LEADER representatives were interviewed. The interviews focused on five topics: the municipality's development potential; villages and cooperation with them; the municipality's rural development work; the municipal strategy and its use in rural development; and rural development projects. To facilitate the discussion on the last topic, a list of projects in the municipality was presented to them.

Table 2. Figures on the population 2022 (Statistics Finland 2024).

| Municipality (population) | Population change | Population density (inhabitants per km ²) | Share of inhabitants in rural areas ^a (%) |
|------------------------------|-------------------|---|--|
| Kauhajoki (12 750) | -140 | 9.8 | 34.9 |
| Sodankylä (8 134) | -53 | 0.7 | 98.1 |
| Sotkamo (10 345) | 6 | 3.9 | 38.6 |

^aThese include rural areas close to urban areas, rural heartland areas and sparsely populated rural areas (Helminen *et al.* 2020).

In Fryer’s method, step 1 focuses on the formulation of a causal research question, which can take place flexibly before or after data generation. In the beginning, I was interested in the roles that projects play in municipal rural development. However, I could not formulate the causal research question – what explains the current status of municipalities in place-based rural development, that is, the dominance of LEADER and the small-scale of the municipalities’ own rural development –only after I had familiarised myself with the existing data, from the perspective of place-based rural development. Then, an interesting finding emerged: in each municipality, LEADER groups and their projects were in a key position, while at the same time the municipalities’ own rural development

seemed rather modest. Moreover, the municipalities willingly gave room to the LEADER groups in rural development. In critical realist terms, I had detected a demi-regularity that also reflected the existing research in municipal rural development. Focusing on causation, I then asked, what explains this? Consequently, as the research question was formulated when (re-)reading the data, step 1 was inherently linked with step 2.

Moving on to step 3, I started coding the data by using ATLAS.ti software. At this stage the coding was largely data driven: the aim was to describe the data as it appeared, as suggested by Fryer. In practice this meant focusing on the experiences of the interviewees and coding them into events of municipal rural development. At the same time, the inductive coding process produced more information on the demi-regularity. In step 3, I coded each municipality separately.

In the first round of coding, the number of codes became expectably relatively high: 234. To manage such a large number, Fryer suggests two ways to develop the codes: consolidation and standardisation. Accordingly, I combined the codes with a similar content (standardisation) and created more general concepts for similar ones (consolidation). As a result, the number of codes was reduced to 117. I also reviewed the codes constantly and renamed some of them to better reflect the data.

After finalising the coding, I focused on themes, or causal explanations (step 4). According to Fryer (2022, 375), “the causal explanations will try to outline how particular causal mechanisms produce the experiences and events we see in our data”. As initial evidence of causality can be registered during the coding and the review of the initial codes (Wiltshire & Ronkainen 2021; Fryer 2022), I marked most of the codes with the labels ‘projects’, ‘rural communities’ and ‘municipal development policy/politics’, based on my theoretical pre-understanding. However, as Fryer stresses, the use of existing theories is crucial for making causal explanations theoretically valid. Thus, informed by previous research on the role of local communities in rural development, rural shrinkage, and the proliferation of projects in public organisations, I created three code groups for themes that reflected my interpretations of the causal explanations. Titled by the chosen theories they are: ‘the idea of responsible local communities’, ‘the development policy of a shrinking municipality’, and ‘the challenges of projectification’. Each code group included codes from all municipalities. The first code group had 24 codes, the second 36, and the third 29, with a total of 487 excerpts.

In sum, by applying the critical realist thematic analysis method by Fryer (2022), I analysed the experiences of the interviewees and coded them into events, which made it possible to create causal explanations by grouping the codes into themes with the assistance of the existing theories. The analysis is illustrated in Figure 2. Before moving to step 5, to report the results, I outline the demi-regularity found in the data. In the analysis, I refer to the interviews with the numbers in brackets.

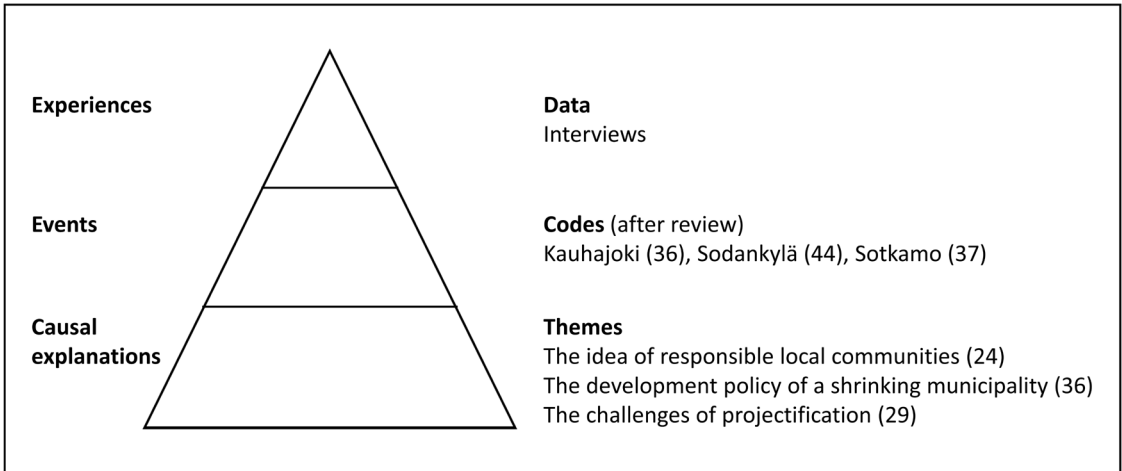


Fig. 2. The thematic analysis of the study.

Demi-regularity: The current status of municipalities in rural development

Demi-regularity refers to a rather enduring phenomenon, observed at the empirical level of reality, based on an activated mechanism or tendency (Lawson 1997). The demi-regularity of municipal rural development – the dominance of LEADER and the small scale of the municipalities' own rural development – was reflected both in the data and the existing research literature (Hyryläinen *et al.* 2011; Kahila 2016), indicating its social relevance. In the analysis, 28 of the 117 codes were related to demi-regularity. Next, I will outline how the previous observations on the role of municipalities in rural development applied to the data.

LEADER groups were widely regarded as key agents of rural development (2, 3, 12, 18, 21, 23, 26). They were seen as “the natural partners of villages” (21), and LEADER funding was praised for matching the needs of local communities well (23). Additionally, when asking one local elected representative about rural development in his municipality, he immediately turned the attention to the local LEADER group and asked me whether I had visited their office (26). Even those who in general criticised projects approached LEADER positively (10, 17).

There is evidence of weak cooperation between municipalities and villages, especially in sparsely populated areas (Hyryläinen *et al.* 2011). According to the data, some cooperation still exists but mainly for strengthening cooperation between villages and LEADER groups, rather than between villages and municipalities. For example, municipalities informed rural communities about LEADER funding (18, 23), helped them with their project applications (19, 20, 30), and provided interest-free temporary loans to village associations for project implementation (1, 3). The municipality of Sodankylä had also systematically encouraged village communities to form associations to apply for LEADER funding (18). Thus, the municipalities' own rural development was mostly based on the work of LEADER groups.

The interviewees implied that the budgeted allowances for village work in the municipalities were low (3, 11, 22, 28, 29) or even seen as symbolic (12). Concurrently, the expectations of village residents regarding development were noted to be usually modest (9). However, as addressed by two municipal officials, even a small sum of money was expected to make a difference at community level (8, 31). Thus, there seemed to be few pushing forces to change the municipalities' own rural development.

Taken together, these findings suggest that the municipalities rely heavily on LEADER in their rural development. Simultaneously, it means that the municipalities themselves remain in the background, which from a governance perspective can be seen as a (political) choice (see Hämäläinen & Németh 2022).

Causal explanations

The idea of responsible local communities

EU and national rural policies are built on the idea that rural communities take responsibility for their own development (Nousiainen & Pylkkänen 2013; Gargano 2021). At the same time, as Husu and Kumpulainen (2019) state, rural policy objectives have required a new kind of moral behaviour as the residents are expected to be increasingly interested in the development of their communities. They also argue that in this setting, “the state and municipalities are constructed as ‘others’, ‘outsiders’ who do not naturally belong to village life” (Husu & Kumpulainen 2019, 16). Hence, the first causal explanation is based on the idea of responsible local communities, which, according to the data, is not only the cornerstone of contemporary rural policy, but also frames the general position of municipalities in place-based rural development. The view that local communities take a significant responsibility for their development was shared both by the interviewed village activists and the municipal representatives (i.e. the civil servants and local elected representatives) (6, 17, 18, 19, 24, 26). Although their reasoning differed, the final causal effect was very similar, as shown below.

The interviewed village residents participated in the development of their villages to varying degrees, some of them very actively. In particular, in the interviews with the more active participants, the independent agency of the villages was highlighted. As one village activist said (19): “You often hear it said that the municipality does not do this or that, and there comes no help or such. But it's so much up to us. [...] I don't think the municipality should come and tell us what to do.” Indeed, the

data provides one example where a municipality had consciously pursued a more prominent role in the development of villages. These experiences reveal that building a stronger partnership with empowered villages can be challenging and may not encourage the municipality to proceed any further but rather the opposite, as the findings from Sodankylä municipality illustrate.

As reported by Kitti, Ovaska and Wuori (2014), Sodankylä initiated a strategic cooperation with its villages in a project on the green economy. Yet, the endeavour failed. In the interviews, the attitude of the municipality was criticised. One village activist said that the municipality was very demanding when expecting new development initiatives from the village, which already put effort into LEADER projects (20). Another village activist stated that the municipality was rather unfamiliar with the local circumstances when suggesting a new development idea for the village (local bioenergy production). She condemned it by saying that the municipality did not consider that all the fodder produced in the village was used to feed cattle, and hardly any raw material was left for bioenergy production (19). Moreover, some other interviewees noted that the rural development projects of Sodankylä had sometimes been too visionary and detached from the everyday lives of the rural residents (16, 18). These observations show that the project ideas initiated by the municipality were considered 'top down', even if a genuine aim was to strengthen cooperation *with* the villages (1). Thus, in place-based rural development, adopting a more visible role can be difficult for the municipality. This makes it appealing to rely on an existing rural governance tool, the LEADER programme. Indeed, this is what happened in Sodankylä, as the municipality later withdrew to its current role (1, 22) and focused mainly on the LEADER policy in its rural development (18).

The idea of responsible local communities was also widely adopted by the representatives of the municipalities (2, 10, 22, 24, 26). These interviewees stressed the responsibility of the villages as a starting point for their sustainable development as well as for their cooperation with the municipality. As noted by one elected representative of Sodankylä (17): "The will must be found in the village. If there's no will, it's pointless for the municipality to put any money there." In Kauhajoki and Sotkamo, the elected representatives stressed the same issue by saying that "carried water does not stay in the well" (26) and that "the municipality cannot keep any village alive" (9). These comments reveal the current 'code of conduct' in place-based rural development from the municipal viewpoint: villages must show their own interest in development, and only then is it reasonable for the municipality to put effort into developing them. These findings resonate with the study of Herbert-Cheshire and Higgins (2004), who state that in governance, the development of rural communities is very much a local choice that determines the extent to which expert organisations will contribute. Thus, from a causal perspective, the responsabilization of local communities can mean that the municipalities are happy to 'wait' for initiatives to come from villages.

The causal effect of the idea of responsible local communities did not appear so clearly in the interviews of the LEADER representatives. However, it was indirectly present as they hoped that the municipalities would take a more prominent role in rural development. For example, it was expected that local elected representatives would become more familiar with the LEADER method and thus be able to inform rural actors about the funding effectively (7). The municipalities were even invited to take more responsibility in project management, specifically in cases where a suitable project coordinator was otherwise difficult to find (16). These views are much in line with what the interviews in general indicate about the causal effect of the idea of responsible local communities on municipal agency in place-based rural development.

The LEADER representatives also shared the view that the potential of rural areas has not yet been fully exploited in local development policy (7, 16, 29). These comments turn the analytical lens towards broader regional dynamics and their impact on local development policy. Consequently, the next section looks at the second causal explanation.

The development policy of a shrinking municipality

Shrinkage is often the result of long-term depopulation, which in Finland characterises the development of rural municipalities in particular (Makkonen *et al.* 2022). Therefore, it was not surprising that the concrete outcomes of shrinking were marked in all studied municipalities. The development of rural

areas was described as uneven as the vitality concentrated in villages in favourable areas (1, 6, 11, 24). Additionally, the shrinkage extended to population centres (8, 21), reflected as empty commercial premises on the streetscape (24, 25) and the diminishing number of working-aged people living in the municipality (19, 22). Consequently, the second causal explanation stems from the phenomenon of shrinkage and especially how the municipalities' own development policies are used to tackle it.

Several scholars argue that to ensure the quality of life in shrinking areas, development policies must change (Hospers 2014; Syssner 2020; Hagen *et al.* 2022). It is expected that growth will be understood from a new perspective, meaning disengagement from policy approaches that exclusively aim at increasing economic growth (Hospers 2014; Sousa & Pinho 2015). According to Syssner (2020), municipalities are in a key position to adapt to shrinkage and make choices between alternative policies. Accordingly, she calls for an explicit local adaptation policy to be formulated by the municipalities. The potential of rural areas can relate, for example, to digitalisation, sustainable movement, and the circular economy, as well as to approaching these areas as places for the elderly and/or temporary residents (Syssner 2022). Respectively, adhering to established policies and prevailing project ideas is a causal force that prevents positive change and restrains the municipality from strengthening its agency in rural development. As illustrated below, local development policies that largely aim at growth can explain the current position of the municipalities in place-based rural development.

Despite the above observations on shrinkage, the development policies in all three municipalities seemed quite growth-oriented. Sotkamo focused on tourism and winter sports, the promotion of which was very fruitful and resulted in Vuokatti becoming a well-known tourist resort and winter sports centre (11). In Sodankylä, projects facilitating the international mining industry were considered important (10, 13), as the mines have a significant impact on local vitality (19, 22). Kauhajoki focused on promoting local economic development in general, continuing the strong tradition of entrepreneurship in the area (21, 23).

The above development activities could be considered as municipal rural development, as all three municipalities are almost entirely rural. This point was highlighted in some interviews, used to mitigate the distinction between rural development and other municipal development (3, 12). However, numerous findings on the fading villages and the declining municipal population centres show that the current municipal development policies are not really adaptive and do not significantly contribute to rural viability. Based on the data, municipal development policy is not *de facto* rural development. Concurrently, this finding illuminates the contribution of the municipalities in place-based rural development: by pursuing their policies in the current way, the municipalities are rather modest players in rural development.

Nevertheless, the potential of rural areas was recognised in the interviews. In the light of global trends, such as the COVID-19 pandemic, the municipalities were seen as having "momentum" on which they should capitalise (2, 13). It was also noted that some people seek out remote rural areas to live and work (11, 14, 22), not to mention places closer to local population centres and potential jobs (12, 20). Opportunities were also seen in remote work, natural lifestyles, and small-scale rural tourism (11, 12, 22).

However, the ideas that represent an adaptive policy for shrinkage were not yet put into practice to a significant extent, maintaining the causality in question. Indeed, the interviews indicated a strong disbelief that the municipalities could significantly mitigate rural shrinkage. In Sodankylä, where many of the interviewees pointed to an increased demand for housing in the villages (14, 20, 22), the representatives of the municipality were reluctant to intervene in the situation, stressing that the market would take care of it (10, 22). The situation had not changed although a well-known social media influencer moved to one village, bringing visibility on different media channels to the municipality. For a time, Sodankylä municipality cooperated with the influencer in marketing, but the cooperation ended and much of the produced material, it was claimed, remain unused (14). In the interviews, this pioneer work to cope with the shrinkage was hardly mentioned, indicating its minor significance in the municipality's development policy.

The ability of municipalities to influence rural development was also questioned in other interviews. In Kauhajoki, when asked if he had anything else to add at the end of the interview, an elected

representative began to talk about the extensive migration of local residents to America in the early 20th century and to Sweden in the 1970s (26). In the light of historical events, rural development seemed to him rather deterministic, explaining the increase in the number of rural schools as well as their decline. In Sotkamo, when talking about the declining villages, an elected representative (6) tactfully stated that “for them the story will probably be different, at least from the point of view of the municipality”. Both views suggest that the municipality, as a local development agent, had little to do with rural shrinkage.

Thus, based on these findings, adherence to existing policy approaches (and undervaluing rural potential) in municipal policy-making is partly due to the difficulty of approaching shrinkage as a dominant rural phenomenon. This is very much in line with previous research (e.g. Manu *et al.* 2020). According to Syssner (2015; 2022), municipal policymakers fear stigmatisation if they use shrinkage as a starting point for policy. Consequently, this causal dynamic provides the third explanation for why municipalities are so willing to transfer responsibility for rural development to LEADER groups. Unless municipalities can reformulate their policies to address shrinkage, they are likely to continue to play a relatively modest role in place-based rural development.

The challenges of projectification

As projects symbolise efficiency and innovation (Nylén 2021), and are the main tools of local development, it is not surprising that all municipalities made efforts to use them. Kauhajoki was praised for having among its municipal staff professionals who were very skilled in using project funding and who made Kauhajoki's project activities lively (21, 30). In the same vein, Sotkamo strengthened its project expertise by hiring new staff (2, 4). Sodankylä had changed its approach to projects as municipal politics had become more critical of them. It was argued that, in the future, Sodankylä should focus only on projects that had practical relevance and directly supported local economic development (10, 22). The success of the projects was however not as clear-cut as these observations would suggest. Consequently, the third explanation for why municipalities have not gained a stronger foothold in place-based rural development lies in their project implementation.

In the research literature, the increase of projects is called projectification, referring to the profound change that projects have brought to public organisations and their way of working (Büttner & Leopold 2016; Fred 2020). A key question is, how do projects as temporary organisations fit into permanent institutions and how short-term projects are adapted to public policies, over a longer period of time (Sjöblom & Godenhjelm 2009; Mukhtar-Landgren & Fred 2019). Projectification stems, especially, from EU funding policies, such as regional and rural development programmes (Godenhjelm *et al.* 2015; Granberg *et al.* 2015), as a result of which projects have increased also in municipalities.

The views on projects were strikingly divided. Whereas LEADER projects were praised for their concreteness, municipal development projects were generally criticised and their results were considered weak or only temporary (4, 6, 10, 11, 12, 13, 22, 31). In Sodankylä and Sotkamo, most of the interviewees were frustrated with the project world. As one municipal official commented (31):

How long will the world go on like this? We have people jumping from one project to another and trying desperately to accomplish something bigger. Or we get something done but what happens after that is not considered at all. We have a lot of them [projects] which don't really fit into our budget, don't fit into anywhere, and then things just remain... And then we have twenty-five-year-old guide signs, with the arrow pointing towards the sky because no one has remembered them. [...] The project world is probably really good and it's here to stay, but we should know how to adapt these activities to our organisation so that they would support instead of hampering it.

The excerpt encapsulates the essence of projectification in practice: the integration of projects into the municipal organisation is difficult, resulting in a causality that affects the current role of the municipalities in place-based rural development.

The observations above also turn the attention to the project management capabilities of the municipalities. Based on the data, succeeding in project management requires work and puts pressure on municipal officials. Indeed, two officials from different municipalities reported very similarly about

their limited resources for contributing to projects in parallel with their other duties (22, 23). One official explained (22):

When these people are recruited, they need active guidance from us. You can't leave it so that the project manager is chosen and you just give him the project application and say that let's come back in a year to see what you've achieved. I work weekly with these projects even though basically they don't belong to me.

The above interviewee also saw that, should project manager lack support, there is a risk that the project will not achieve the expected results, municipal financing will not pay itself back, and there will probably be problems with well-being at work as well. As Fred (2020) states, project fatigue occurs especially as project objectives prove unrealistic. Yet, we can ask to what extent the municipality's project management capability influences performance. Is it possible that project objectives prove to be unrealistic due to poor management, which understandably also increases the criticism of projects? If that is the case, the crux of the causal explanation related to projectification is the municipalities' project management capability, and there seems to be an urgent need for improvement if municipalities want a greater foothold in place-based rural development. Along the same lines, Kuura (2010, 153) advocates that "governments should give much more credit to project management" and calls for a particular (local) policy regarding project management practices.

According to Maylor and others (2006), one potential mechanism to improve the situation is the establishment of programmes, known as programmification, which provides the link between projects and governance (also Nylén 2021). Although this does not eliminate the need for support at the project level, it could provide a means of linking projects to the long-term plans of municipalities, thereby alleviating the core challenge of projectification. However, there was little evidence of this in the data, as it was only in Sodankylä that programmification had played a significant role in coordinating projects. The local mining programme and the bio-economy programme were of particular importance (1, 12), but both had become outdated. An update of the mining programme was planned (22), but the bio-economy programme, with its specific focus on rural development, was no longer implemented. In fact, the importance of the latter collapsed in tandem with increasing criticism of the projects (1), pointing to the key role of local decision-making in rural development. In the descriptions of contemporary rural development in Sodankylä, the bio-economy programme did not play a significant role (13, 17, 18).

Another example is Sotkamo. Although programming in this case was carried out at the regional level, it also had an impact on rural development at the municipal level. Previously, in Kainuu Province, the regional authority of the central government (ELY Centre) funded regional rural thematic programmes to coordinate rural development, which were implemented by a number of regional organisations. Reflecting on this period, a municipal representative said that the programmes had led to a proliferation of rural projects (8). From Sotkamo's viewpoint this seemed ambiguous because, as the interviewee explained, the municipality did not want to become a project actor at that time. Secondly, the municipality had been very cautious about rural development as LEADER funding was primarily aimed at villages. In result, Sotkamo chose to support its villages directly with municipal grants. It was claimed that, as a result of these events, the municipality's project activities in rural development remained modest (8). Projectification and the related dynamics thus provide a possible explanation for the lack of rural projects in Sotkamo, which I discuss in depth elsewhere (Mustakangas & Vihinen 2024).

Overall, the interviewees' experiences show that, as Nylén (2021, 3) states, "projects can be a crude method of organising development work", that is, their temporality and contextuality may not correspond to the reality of development. In the light of these observations, the funding of LEADER projects seems to be a fairly clear way for municipalities to promote rural development. LEADER represents rural development *per se*, and in the Finnish context its administrative procedures are clear, including the role of the municipality (Munck af Rosenschöld & Löyhkö 2015). Thus, by emphasising rural development within the LEADER programme, municipalities do not have to face the challenges of projectification in the same way as in projects in general. Nevertheless, as municipalities finance LEADER, they are actively involved in rural development – at least from their own viewpoint.

Concluding discussion: broadening perspectives on place-based rural development in municipalities

In this study, my aim has been to explain why municipalities have remained secondary players in rural development in Finland, giving priority to LEADER groups and the local actors involved. Utilising the methodology of critical realism and with the support of rural and regional development literature, I examined three causal explanations to answer the research question. The explanations found – the idea of responsible local communities, the development policy of a shrinking municipality, and the challenges of projectification – provide a detailed picture of what is really happening in municipalities in terms of rural development.

The first causal explanation relates to rural policy and its impact at the village level. The village activists and municipal representatives shared the view that villages are the most relevant actors in rural development. This notion also formed the starting point of the municipalities' own rural actions: the initiative for cooperation is primarily expected to come from the villages. However, at the same time, it may explain why the municipalities appear rather passive in rural development. On the other hand, if the municipality takes the initiative, in the worst case it may step on the toes of village communities by bringing development ideas from the top down. Thus, from the municipal viewpoint, it can be tempting to regard LEADER groups as the primary partners of villages. In sum, the strengthened role of villages in rural development does not inevitably support the involvement of municipalities; rather, the causal effect can be the opposite.

Second, the study revealed that in shrinking municipalities, current development policies work poorly as a means of rural development. Based on their experience, municipalities are primarily seeking (economic) growth, which makes it difficult to trust the potential of rural areas, let alone exploit it. Consequently, the municipalities can play a rather minor role in rural development. Thus, by underpinning the previous findings on shrinkage as a (politically) difficult issue for municipal decision-making (Syssner 2015), the study provides evidence for why the responsibility for rural development in municipalities is so willingly given to LEADER groups.

The third causal explanation draws from projects and their utilisation in municipal development work. The project world is challenging for municipalities. It is difficult to take advantage of projects, which are always temporary, and the lack of project management capacity in municipal organisations does not make it any easier. In some cases, programmification has been used to coordinate projects, although even then the results have not been very convincing. LEADER projects, on the other hand, are valued: compared to other projects, they often produce tangible results. Moreover, from the municipal perspective, their implementation is fairly unambiguous due to their well-established funding and management procedures. The results thus show that the challenges of projectification do not characterise LEADER projects in the same way as other municipal project work – helping to explain the current role of municipalities in rural development.

The role of municipalities in rural development is not a new research topic. Since Finland joined the European Union and rural development has been implemented through programmes and projects, the issue has been addressed in various studies (e.g. Karhio 2000; Rantama 2002; Mustakangas *et al.* 2004; Uusitalo 2009). As the research design already showed, it is also not new that municipalities seem to rely on LEADER groups for the development of rural areas. This study provides insight into why this is the case and makes the dynamics of (intra)municipal rural development more visible. In doing so, it broadens the perspective beyond more conventional explanations, such as the view of rural projects as a funding resource, from which, as discussed by Nousiainen (2011), the relationship between municipalities and LEADER groups has already been addressed. Thus, I propose that the resource-based view is only one explanation of how municipalities participate in rural development (see Syssner & Meijer 2017).

The three causal explanations observed show how strongly and differently the LEADER groups are rooted in place-based rural development in Finland. Without LEADER, rural development at local level would be much more modest in terms of resources, agents, and modes of action. At the same time, I could argue that when municipalities leave rural development to LEADER groups, they have understood the essence of neoliberal rural development policy and also acted accordingly (see

Nousiainen & Pylkkänen 2013; Husu & Kumpulainen 2019). In this sense, the choices of Finnish municipalities cannot be much faulted. Another question is whether the focus on creating space for other local actors is essentially rural governance. This is quite different from what, for example, Borén and Schmitt (2022) stress that place-based development requires from a governance perspective. According to them, it means creating the networks of deep learning that enable mutual trust and the use of collective capacities in action. With this in mind, I would argue that there is still a lot of work to be done in the municipalities with regard to local rural policies and the use of related instruments to govern rural development.

The central role of municipalities in place-based rural development is also underlined by the national municipal policy, which increasingly emphasises the differentiation of municipalities (Valtiovarainministeriö 2022). The current policy pays particular attention to rural shrinkage, which should be seen from a new perspective – not as a burden but as an *opportunity* for strategic development. For municipalities, these views can be seen as a call for a stronger role in broad rural policy and to discuss rural issues openly in local policy-making, without fear of stigmatisation. A key issue is to recognise the territoriality of the municipality. What does shrinkage mean in ‘deep’ rural areas and what does it mean in municipal population centres? In my view, both issues should be addressed strategically.

The methodology of critical realism provided an access to the actual events of municipal rural development in Finland, and the inductively drawn initial causal explanations were considered in relation to contemporary rural and regional development theories. Therefore, it is possible that the causal explanations that I have examined here have, at least provisionally, the most explanatory power for the phenomenon under study (Buch-Hansen & Nielsen 2020). In practice this means that the challenges faced by the municipalities in project-based development are probably not uncommon. Similarly, the study sheds light on the positionality of municipal officials in projects and feelings of frustration with project-based development. Therefore, when municipalities are expected to adopt a place-based approach to development, particular attention should be paid to their actual capacity to do so, especially in relation to projects.

Overall, the examination of the three causal explanations has shed light on the conditions of municipal agency in place-based rural development. However, the concept of agency could have also been used more analytically. This concept would have made it possible to highlight the differences between municipalities in terms of the composition of actors and power relations, and to show that peripheral areas are indeed quite heterogeneous in terms of their development opportunities, as suggested by Nilsen, Grillitsch and Hauge (2023). At the same time, approaching municipalities from an agency perspective would have shifted the analytical focus even more towards seeing them as political communities, as Häkli (1993) has pointed out already some thirty years ago. By talking about the municipality as an agent, we help to create an image that people living in the area can identify with, rely on and work for (Zimmerbauer 2008). Today, this kind of language is necessary because, in my view, at the heart of place-based (rural) development lies a fairly strong belief in the capacity of municipalities to act.

Notes

¹ According to the national urban-rural classification, the three observed municipalities include four types of rural areas: local centres in rural areas, rural areas close to urban areas, rural heartland areas and sparsely populated rural areas (Helminen *et al.* 2020).

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