

**THE INSTITUTIONAL CONTEXT
IN THE LEADER PROGRAMME:
THE CASE STUDIES OF NORTH KARELIA
(FINLAND), AND SOUTH TYROL (ITALY)**

Abstract

The aim of this paper is to investigate how the EU LEADER Programme, as a policy to promote endogenous rural development, has met the institutional context of two regions of the European Union, North Karelia in Finland, and South Tyrol in Italy. In North Karelia, the backbone of the LEADER approach is rooted in the village movement and associational legacy; in a period characterized by an increasing withdrawal of the Finnish Welfare State from remote and sparsely populated areas, local movement is gaining a critical importance similar to when this social phenomenon emerged in the 1970s. The empirical material suggests that LEADER best fits North Karelia's rural policy setting, traditionally characterized by horizontal and power-sharing organizations. At the same time, the fragmented nature of Finnish intermediate level (between central and local level of government) prevents a unitary, strong, and politically-accountable development strategy for the region; this results in some discrepancies between rural and regional policy, and between rural and agricultural policy. In the South Tyrol case study, the LEADER method is rooted in the binomial politics-agriculture; if on the one hand the vertical, top-down approach adopted by the Autonomous Province of South Tyrol has successfully implemented a strong and politically-accountable development strategy for the region, on the other hand the main risks of exogeneity are political favouritism, and a potential inhibition of endogenous development processes.

1. INTRODUCTION

The modernization of the West has experienced to a large extent the emergence of urban cultures and the dissolution of pre-modern rurality (see Cruickshank 2009). "Rapid changes in the international economy confront rural regions with some obvious threats but also with some significant opportunities that rural policy must address" (see OECD 2006:12). The aim of this paper is to investigate how the EU LEADER Programme, as a policy to promote endogenous rural development, has met the institutional context that frame the LEADER Local Action Groups (also known as LAGS) in two regions of the European Union, North Karelia, in Finland, and South Tyrol, in Italy. The different historical paths that agriculture - interpreted through the dimensions of cooperation, land use, and cultural rootedness in the territory - has undertaken in the two analyzed regions since the passage from a subsistence economy to a market economy in the second half of the 1800s is crucial to understand how the respective institutional contexts have responded to LEADER. In North Karelia (Figure 1), the main economic sector has traditionally been forestry, while

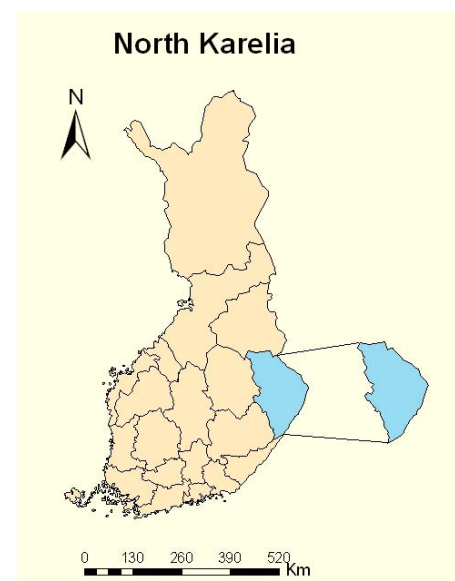


Figure 1. North Karelia

agriculture has been characterized by small farming especially in its south-west part (see Juvonen 2006; Björn 2006). Eskelinen & Fritsch (2006:62) define its settlement structure as shifting from a dispersed pattern towards a nodal one, with decreasing population numbers in sparsely populated areas. This eastern region of Finland is contextualized in a unitary state rooted in a strong central level and fairly autonomous municipalities (see Rizzo 2007). The regional level on the other hand is characterized by overlapping networks of power-sharing arrangements in administration among municipalities (see Haveri 2003). South Tyrol (Figure 2) is a predominantly German-speaking Autonomous Province located in north-west of Italy (Autonomous Province of *Bolzano/Bozen, Südtirol/Alto Adige*). From the end of the First World War onwards, South Tyrol, which used to belong to the Austro-Hungarian Empire as part of the Greater Tyrol Region, was annexed to the Italian State through the *Saint Germain Treaty* (see Steiniger 1999). The Autonomous Statute of 1972 assigned this Province legislative power and also numerous competencies in the economic field, including agriculture and forestry (see Paolazzi 2008).

Case studies at the regional level are needed to design proper theoretical and empirical formulas that address rural development (see Neil & Tykkyläinen 1998). Similarly to the works by Lang (2003) on regional structural policies, and Kull (2008) on multi-level governance in the LEADER + Programme in Finland and Germany, this paper follows “the most different systems design” by focusing on a critical interpretation of two in-depth regional cases that have been purposely chosen for their intrinsic diversity. Due to history, religion, land-ownership, local governance, and spatial scale, the variables of institutional design and social capital interact and have evolved quite differently within the analyzed settings. However,



Figure 2. South Tyrol

cooperation shares some common roots in the ideas of *Friedrich Wilhelm Raiffeisen* (1818-1888), who gave birth to the rural credit banks to minimize not only the poverty of rural population, but also of the artisans and workers in towns (see Pichler & Walter 2007).

These two border regions embody different approaches to rural development. In North Karelia endogenous practices tend to be the prevalent mode of development, and they are grounded in the ‘fertile seed’ of village action and its associational predecessors. In South Tyrol the top-down approach of the Provincial Council has traditionally played a crucial role in the growth of this Autonomous Province. This alpine region is a unique case in the EU for two complementary reasons. Firstly, the implementation of the legal institution of the Closed Farm, which has positive effects on agricultural land use, and secondly, an approach to rurality that combines symbiotically production and culture. From the starting point of this intrinsic diversity, these regions can acquire alternative perspectives on different policy and administrative practices for their development strategies. In situ research has been carried out through semi-structured interviews, direct observation, and the collection of documentation, which include policy documents and secondary sources. In order to have a wide spectrum of responses, the interviewees in both case studies have different educational and working background, and they span from the central to the local level, including researchers, university professors, entrepreneurs, farmers, civil servants, politicians, staff of the Local Action Groups (*Joensuun Seudun LEADER Ry* in North Karelia, and *Wipptal, Sarntal, and Tauferer Ahrntal* in South Tyrol) and, in the case of North Karelia, also village activists and village planners. Through inductive content analysis, employed when knowledge about phenomena

emerges during the empirical fieldwork (see Elo & Kyngäs 2007), the text of the interviews has been categorized into main themes of discussion, which have allowed to explain the research questions framed by a comparative structure.

2. CONCEPTUAL FRAMEWORK

One of the main challenges in defining the term ‘rural’ lies in its intrinsic spatial and temporal variability, which depends upon different perceptions and contextual contingencies (Figure 3). Within the evolution of European policies, which has witnessed the shift from agricultural to rural policies, the concept of rural can be framed as a constant dialectics between the definitions of representation and place (see Gray 2000). Representation, as a discursive field of political intervention, affects and modifies rural areas as concrete localities (see Vitale 2006). Cruickshank (2009) argues that representation of the ‘rural’ concept should be interpreted at the level of discourse, in particular the modernist discourse versus an alternative discourse based on local and regional autonomy. The modernist discourse assumes that rural is associated with a pre-modern and traditional society, dissolved in the distinction between urban versus rural. According to the modernist approach, production (as the exploitation of natural resources), and culture (as the idyllic place) are two separate entities (see Cruickshank 2009:101). In this regard, Shucksmith (2008:63) remarks how rural areas in Britain are viewed as “pastoral backwaters whose function is to look attractive, for recreation and perhaps for residence, but which will benefit from adjacent urban vitality”. By contrast, Cruickshank (2009:102) argues that “in Norway rural is not the idyllic pendant to rural production...the Norwegian economy as its basis in rural”, whereas natural resources produce culture and rural settlement. Rural culture and its associated values are not separated. On the basis of the empirical data collected in this paper, in North Karelia the current approach to rurality is more oriented towards the modernist discourse, while in South Tyrol rurality has been, and it is still interpreted through the lens of the alternative discourse, according to which agriculture is not mere production, but a multi-faceted culture strongly rooted in an autonomous territory.

PERCEPTION OF RURALITY

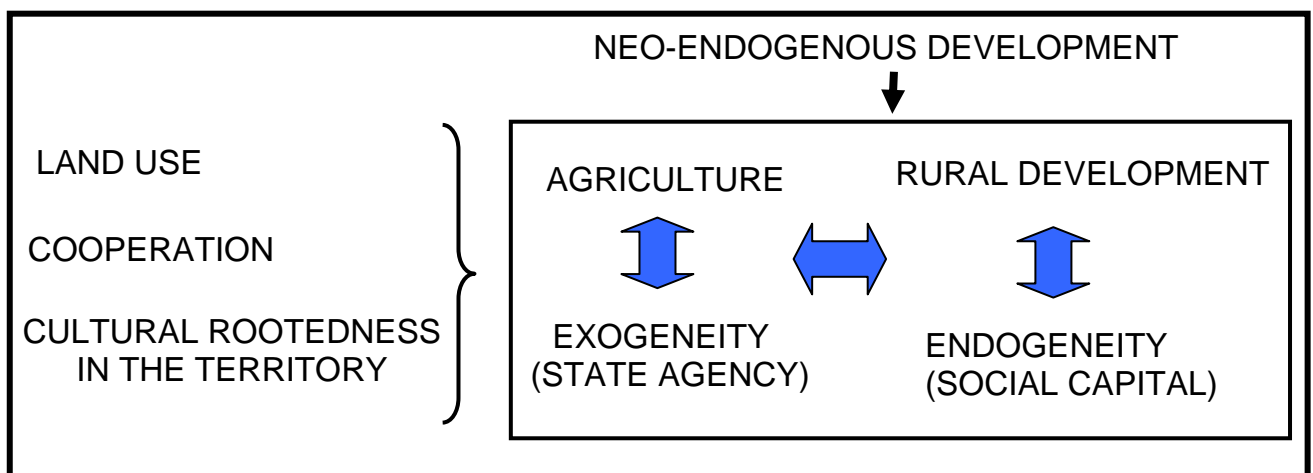


Figure 3. Conceptual framework

Within the fixed category of rurality located outside modernity, partnerships have been disclosed in the contemporary literature as the most popular tool in the development of rural areas. Partnerships are seen as the reflection of the destructuring of the hierarchies that are typical of the mode of production of the traditional industrialised societies (see Osti 2000:172). The classical hierarchical notions of 'top-down' government has been replaced by the use of the concept of governance, when referring to networks of state and non-state organizations that are involved in 'co-steering' activities in the various policy sectors (see Fox & Miller 1995 in Sibeon 2000:291). The decline of the command and welfare state models of government, and the consequent new development of space produced by deregulation, have determined a profound transformation of European regional and rural policies, which have increasingly shifted from exogenous to endogenous (see Westholm 2006). Exogenous approaches developed since the Second World War, and emphasized industrialization, centralization, and economies of scale. By the late 1970s, the exogenous model became the object of criticism, because it relied on subsidies and policy decisions from distant organizations and agencies (see Ward et al. 2005). At the beginning of the 1990s, endogenous development approaches have emerged with the goal of building the capacity of communities as territories: specific resources of an area are supposed to promote long-term rural development. In LEADER, the shift to the territorial approach becomes the cornerstone of the development process (see Ray 1999). The emergence of this new rural development system represents a mode of capitalist production in which the new territories, along with local enterprises and other collective bodies, function as the units of a European economy (see Ray 2001). At the same time, this system is defined as a tool of re-distribution and coordination in which territories are nodes where project funds flow (see Kovách 2000).

Territorially-based endogenous approaches such as LEADER have resulted in an increasing emphasis on the concept of social capital. The main idea behind social capital is "that it is an investment in social relations with expected returns in the market place" (see Lin 2001:19). On the one hand, research has extensively shown (see for instance Shucksmith 2000; Farrel & Thirion 2005) that the LEADER initiative has successfully supported collective approaches to social capital, according to which "participation in groups and associations enhances collective goals, such as participatory democracy or social development" (see Son & Lin 2008:330). On the other hand, the risk of endogenous development initiatives is that they may reward only those who are already powerful, and have at the same time the ability to commit to such initiatives (see Shucksmith 2000). As a result, it is debatable whether LEADER can support the capacity building of single individuals, according to the individual approach to social capital (see Bourdieu 1986). Additionally, endogenous approaches of development hardly consider state agency, government policies, and the structure of government itself (see Levi 1996; Newton 1999). The institutional design variable takes into account not only political and administrative organizations, but also "the set of routines, norms, and incentives that shape and constrain individuals' preferences and behaviour" (see Lowndes & Wilson 2001:631). The assumption that social capital is the result of the linkage between civil society and institutional design has put forward the concept of neo-endogenous approach (see Ward et al. 2005:5). Research by Bryden & Hart (2004) suggests that a successful rural development has its roots in cultural and social factors, which can be supported (or obstructed) by institutional frameworks that promote (or limit) local identity and self-determination. How institutional design and social capital have interacted in the areas under investigation? What are the traits that characterize rural civil society in North Karelia and Alto-Adige/South Tyrol, and how they have originated? It is reconstructing these elements that we will be able to frame and analyse how the LEADER Programme has met the institutional context of these two geographical realities of the European Union.

3. FINLAND: THE LEGACY OF RURAL COOPERATION AND AGRICULTURE

At the beginning of the twentieth century, compared to many Western European countries, Finland was in many ways an underdeveloped society, and it was moving from a barter economy to a monetary economy. Most of the Finns were living in the countryside, and their main sources of living were agriculture and forestry (see Kuusterä 1999). Considering that the number of people (children and older age included) belonging to the poor was over a million, the elite saw the necessity for social reforms, in particular a land reform. The most urgent tasks were to help small farms to organise the selling of their agricultural products, the buying of seeds and fertilizers, and at the same time to launch a credit system (see Kuusterä 1999). Thanks to *Hannes Gebhard* (1864-1933), one of the most active supporters for social reforms, the *Raiffeisen* system of cooperative movement and credit system was imported in Finland. In the original *Raiffeisen* model, the cooperatives received small membership fees and deposits from members, as well as from wealthy individuals. However, since the members of cooperatives had not enough resources to make deposits into the cooperatives, there was no possibility of self-financing. As a result, a special central institution for these cooperatives was created, the *OKOBANK*, which would take care of the financing. Although established by private initiatives, rural credit banks - which were started in North Karelia in 1903 (see Saloheimo 1973) - in their first years of operation were closely linked to the central government. Along with the state and state funding as the prime actor, the cooperative group had its role in the comprehensive resettlement and colonization program after the Second World War (see Kuusterä 1999:443). Additionally, many cooperatives and their affiliates produced inputs for agriculture and some took care of financial affairs of both agriculture and forestry (see Granberg 1999:323). Until the Second World War, and also in the next two decades that followed this event, Finnish society was in many aspects dominated by agriculture, which was the main focus of domestic policies (see Granberg 1999:311).

After Finland gained independence in 1917, an important social and agricultural policy issue was the position of landless population and crofters (see Juvonen 2006). The main target of Finnish land reform was to build private ownership based on family farming. What changed the state of land owning system during the period 1890-1940 was farms' allocation and resettlement activities, which were implemented by the 1922 *Lex Kallio*, and the 1936 resettlement law. In North Karelia, from the beginning of the 1900s to the 1930s, the number of farms more than doubled, passing from 8 400 in 1901 to about 20 000 in 1939 (see Juvonen 2006). If on the one hand these laws fulfilled the target of guaranteeing land property to as many citizens as possible, on the other hand they increased the number of small farms, laying the foundations for a quite fragile and fragmented agricultural system, which was severely hit upon the joining of Finland to the European Union. The adoption of the Common Agricultural Policy, which implied the allocation of subsidies according to the amount of hectares, has accelerated the decline of small farms in the region, as well as in the rest of Finland (representative of the Central Union of Agricultural Producers and Forest Owners - *Maa ja metsätaloustuottajain Keskusliitto - or MTK*) (May 2008).

Towards the 1960s rapid changes in the business structure of the country and strong migration towards the industrial centers of the South and to Sweden weakened rural municipalities. As a counterforce to these changes, in the 1970s village action emerged in the Finnish countryside, which was partly promoted by village projects undertaken by academics, which included new ideas on how to develop villages (see Hautamäki 1989). Hyyryläinen (2000) defines village action as part of the historical transformation of Finnish voluntary action: cooperation in the village community developed from voluntary work to modern voluntary action and to local development. Throughout the 1970s and 1980s, villages had modest economic resources at their disposal, which were mostly directed to the organization of festivals and other public events (see Lehto & Rannikko 1999). It is upon this background that the LEADER Programme was introduced in Finland in 1995, and mainstreamed all over the country (see Pylkkänen & Hyyryläinen 2004). If on the one hand this

decision to extend the LEADER approach to the whole country demonstrates that Finland has believed in this instrument to develop rural areas, on the other hand, as Vitale (2006) suggests, this strong emphasis on endogeneity could be interpreted as a way of not counting on public intervention in an era of withdrawal of the welfare state.

4. LEADER IN NORTH KARELIA: THE INSTITUTIONAL CONTEXT

In Finland, the ‘projectification’ of rural development (see Kovách & Kučerová 2006) has its foundations in the village communities, whose action is developed within a horizontal network of state and non-state organizations. The *Joensuun Seudun LEADER Ry* Local Action Group was established in the spring of 1995 by a group of active and pioneer individuals when the first news about the LEADER approach started to circulate in Finland (LEADER Achievements...2007). This LAG has traditionally had several cooperation partners, including municipal authorities and university level organizations such as the Karelian Institute of the University of Joensuu (Joensuun Seudun...2008). An important partner is the Joensuu Union of Rural Education and Culture (*Joensuun Maaseudun Sivistysliitto* or *MSL*), a state-centered and politically-sponsored (by the Centre Party) association, which organizes cultural courses for village organizations, and at the same time activates citizens together with the *Joensuun Seudun LEADER*. Its function is to help village organizations to design their village plans and to advise them how to use their budget (MSL representative March 2008). Another organization that deals directly with villages is the North Karelia Village Association. According to a regional village coordinator (March 2008), this association is a villages’ NGO, whose nuclear work focuses on villages as a basic unit of society. He further notices that this association is quite different from the LAG, which instead is a ‘rural’ NGO, whose main target is rural development. If the North Karelia Village Association is interpreted according to this perspective, the activity of this association is more related to the work of the North Karelia Regional Council than that of the Employment and Development Centre (regional village coordinator March 2008). The North Karelia Regional Council is in charge of the general development of the region, in cooperation with the state authorities (see Regional Development Act 602/2002 Section 7). It coordinates different kinds of EU Programs, which include also those that make social policy. On the one hand, this regional authority has expertise in social policy, on the other hand, the North Karelia Village Association acts as a consultant on behalf of the Regional Council (Regional Village Coordinator 2008). While the Regional Council and the Regional Village Association represent the political line of rural development, the LEADER Local Action Group and the Employment and Development Centre (state regional administration authority) represent the financial line, and, as a result, the cooperation between the latter organizations is intrinsically tight (regional village coordinator March 2008). As highlighted by a few interviewees, it may happen that there is some overlapping between the LAG and the Employment and Development Centre, because one common task is to finance enterprises, with the result that these two organizations finance similar projects. However, overlapping is not perceived as a problem because applicants have more options at their disposal, and LEADER is a preliminary tool for searching suitable ways of funding projects: often LEADER has funded preliminary briefings for entrepreneurs, and then the actual project has been funded by some other actor (forest sector entrepreneur March 2008).

The strengths of this horizontal system based on interdependencies with well-specified duties and goals are cooperation and compromise (see Rizzo 2007). Nevertheless, the lack of a regional self-government, which is typical of the current Finnish intermediate level, may bring a variable degree of fragmentation of policy responsibilities, and most importantly, a lack of unitary strategy. From the empirical data for instance, it emerges that the Regional Council and the LAG are perceived as two separate bodies, almost in competition with each other. The official point of view by the Regional Council of North Karelia is that Local Action Groups have an important role in rural areas, but they represent only one of the actors in rural areas. Additionally, the civil servants

interviewed at this organization (April 2008) consider this region as a whole ‘rural’ region. In order to mitigate the effects of a potential fragmentation at the regional level, the goal of policy designers at the Ministry of Agriculture and Forestry is to strengthen the ‘rural voice’ at the regional level, which would determine a more political influence regarding rural policy. Their concrete plan is to merge Local Action Groups, the Regional Village Associations, and other rural organizations in the same association. This is a fairly challenging task, and it is very likely that it will take some time before this reorganization will be implemented (if it will be implemented), because the other rural organizations, most of them state-centered, are reluctant to this reform. Even though some interviewees fear that this reform risks to institutionalize both the LEADER method and the entire system of rural development, it is more than necessary to give Finnish remote rural areas both the critical mass and strategic coherence to negotiate their development with an increasing competitive, and urban-oriented central government.

Another central theme of discussion emerged from the empirical material is the relationship between agricultural policy and rural policy. Even though agricultural policy and the LEADER system are both under the responsibility of the Ministry of Agriculture and Forestry, empirical evidence suggests that they go along two separate and parallel paths. A representative of the Central Union of Agricultural Producers and Forest Owners (May 2008) has for instance argued that although this organization has been involved in designing the *Joensuun Seudun LEADER* rural plan, it is not involved in the functioning or the implementation of the Programme. A staff member of the *Joensuun Seudun LEADER Ry* (May 2008) further describes these two associations as two separate bodies, one developing farming (MTK), and the other one focusing on rural development (LAG); however, he hopes for an increasing cooperation in future, in the same manner as it has happened in Denmark, where LEADER groups nowadays receive more funding than in Finland. This type of problematic issue between the LEADER Program and the farming sector is not as relevant in the South Tyrol case study, where not only the representatives of the powerful farmer organization of the League of the South Tyrolean Farmers (*Südtiroler Bauernbund*) takes an active part in the Local Action Groups, but also the LEADER program in that Province takes in high consideration the farming sector.

5. SOUTH TYROL: THE LEGACY OF RURAL COOPERATION AND AGRICULTURE

The passage from a subsistence economy to a market economy occurred in the second half of the 1800s heavily hit agriculture in many parts of Europe, causing mass migration overseas (see Pichler & Walter 2007:9-21). However, South Tyrol was still distant from those bitter social conflicts that characterized the large centres of Europe; farmers preserved always in Tyrol a larger freedom than in any other German region, which means that they were not obliged to give up part of the harvest or high sums of money for the redemption of property (see Hans von Voltelini in Faustini 1985). In the 1880s the *Landeskulturrat* (Provincial Council of Agriculture) realized a vast agrarian reform, which included the introduction of the Closed Farm, the institution of the rural credit banks according to the system of *Friedrich Wilhelm Raiffeisen*, and the launch of agricultural cooperatives, which were born around the beginning of the 1890s. At the end of the First World War the South Tyrolean Cooperatives were hived off from the superstructural organisation located in Innsbruck, and they organised themselves autonomously and began to cooperate in a period of difficult transition, characterized by the rise to power of Fascism, which opposed cooperatives’ work because of their ambitions to autonomy and democracy (see Pichler & Walter 2007).

Even though the economic and demographic structure of South Tyrol experienced in the second half of the twenty-first century a profound transformation from an agricultural society to an industrial and service society, agriculture has remained a significant economic sector. Due to the

Closed Farm system, the agricultural land has not been fragmented (see Pichler & Walter 2007). According to this institution, reintroduced by provincial legislation in 1954 in spite of Italian opposition, agricultural property is excluded from the division of the inheritance. The Closed Farm on the one hand avoids fragmentation of agriculture, and on the other hand the formation of large landed estate (*latifundium*), which results from the merging of many small farms (see Gatterer 2007). The institution of the Closed Farm has its cornerstone in family farming, which, thanks to its flexibility, is the main interlocutor of policy makers (see Gios 2001).

It is from the 1970s, when the new Autonomous Statute of 1972 was introduced, that South Tyrol experienced profound structural changes. Thanks to a wide-ranging urban policy, in the valleys numerous handicrafts and industrial centres were established. The intervention of the public sector with massive provincial financing has been able to give supplementary income to farmers, which has contributed to the rediscovery and enhancement of original farming products that fascinate tourists. The supplementary resources to income have not been created in *Bolzano* or *Bressanone* [South Tyrolean urban centres], but they have been brought to the medium and small centers that characterize South Tyrolean valleys (civil servant, Province of Bolzano November 2008). Other two important factors of development have been the presence of bilingualism (German-speaking and Italian-speaking) as a pull factor for attracting tourists, and the policy of making Alpine huts accessible by road connections. On the one hand, farmers have had the possibility to remain in their hut and develop rural tourism; on the other hand, the same farmers can reach quite easily their workplace which still represents the main source of income (University Professor September 2008).

6. LEADER IN SOUTH TYROL: THE BINOMIAL POLITICS-AGRICULTURE

Even though in the 1980s and the 1990s the number of inhabitants and the economic well-being stabilized (see Lechner & Moroder 2008), there were still areas with a delay in development. South Tyrol has had a relative advantageous population balance for decades, although out-migration to Switzerland and Germany has taken place to a various degree from the 1950s to the 1980s (University Professor September 2008). It is around the end of the 1980s, that the LEADER Programme starts in South Tyrol, with the first Local Action Group created in *Val Venosta* (see PIC LEADER + 2000-2006...2005). Unlike North Karelia, where the horizontally-based administrative organizations of the region have been designed by the Finnish State with the specific goal of dealing with the EU Programs, in South Tyrol, as in the rest of Italy, the transversal EU approach has met already pre-established administrative structures. From the empirical data collected in South Tyrolean LAGS, it turns out that the LEADER Programme is rooted in the binomial politics-agriculture. The setting-up of the Local Action Groups has been decided by provincial politicians with the local mayors, and not by the valleys' inhabitants (civil servant of the Province of Bolzano September 2008). Additionally, a high-ranking civil servant (November 2008) remarks how all associations of the various economic sectors (agriculture, tourism, handicraft, etc.) represent strong political lobbies with their representatives in the Provincial Council; he further defines these associations as worse bureaucratic bodies than the public administration itself.

The most prominent association in South Tyrol at the political level is the *Südtiroler Bauernbund*. This association, which was the first one to be re-established after the Second World War, re-organized the agricultural sector in the Province (Gatterer 2007). Nine of ten farmers have voted *Südtiroler Volkspartei* in the last elections of the 26th October 2008, and agriculture is still within the party the strongest working group. *Südtiroler Volkspartei* is the German-speaking ethnic party that has ruled the Province since after the Second World War. In the last elections, even though for the first time this party has received less than 50% of the total votes (48.1%), it still keeps the majority of the seats in the Provincial Council (18 out of 35 seats). The President *Durnwalder*

started his career in the *Südtiroler Bauernbund*, and he has been in power since 1989 (almost 20 years); these considerations suggest that farming enjoys a relevant position within the development strategies of the Province (see *Südtiroler Bauernbund* 2008; *Consiglio della Provincia...*2008).

The decision to concentrate the current LEADER Program (2007-2013) on farming instead of rural diversification has brought an alive debate among the interviewees, because if on the one hand it is true that in this Province agriculture is a vital sector, on the other hand the other economic sectors, especially the handicraft and the tourist sectors, may suffer from this decision. The *Val di Vizze* vice-mayor (October 2008) for instance, totally disagrees with this change in focus, because this valley is not very developed with regard to tourism, and funding is needed. But as she says, “*communal life is based on agriculture, it is a political question*”. In substance, this decision will imply that projects have to include agriculture, and if any other sector wants to be part of a LEADER project, it has to be linked to agriculture. Nevertheless, the LAGS’ role may be stronger in the current programming period 2007-2013. In fact, there has been a discussion between the Province and the LAGS about the possibility for these development organisations to become a center of regional development that deals not only with LEADER funding, but also INTERREG, European Social Fund, and other Community funding. In sum, the LAGS can become a center for planning the rural development of all the sub-regions within the Province (civil servant, Province of Bolzano, September 2008).

Returning to the farming issue, agriculture in South Tyrol can be divided into two main branches: on the one hand, the highly-profitable intensive agriculture, practiced in the various valleys’ bottoms (especially fruit-farming and viticulture); on the other hand, the more vulnerable extensive agriculture, typical of high mountains’ alpine pastures (milk production) (Lechner & Moroder 2008). According to a representative of *LAG Sarntal* (November 2008), the consortia of wine and apples, and the cooperatives of milk (*Mila*, *Brimi*, and *Vipiteno*) and cattle dominate. This area has other industries and commerce, but their critical mass is smaller than those related to farming. In substance, agriculture in this province can be defined as a social, economic, and cultural system well-rooted in the territory. The *Racines* mayor (October 2008) summarizes that agriculture is not only important under the economic point of view, but to keep beautiful valleys and mountains. As a matter of fact, directly or indirectly, all the interviewees have remarked that the maintenance of agricultural landscapes is crucial to keep South Tyrol rural areas viable. In fact, the Province has succeeded in keeping this rural territory alive, and the high value of agricultural land has prevented property speculation.

7. CONCLUDING REMARKS

The empirical data collected suggests that social capital as the result of the linkage between civil society and institutional design is contextualized in the diverse interpretation of rurality in the two case studies, the modernist versus the alternative discourse. In North Karelia, the empirical material confirms the problematic relationship between rural policy and agricultural policy, suggesting how these two fields follow almost two separate paths of development, at least at the level of discourse. Due in part to an unfavourable physical geography, and its small scale of operation, the role of agriculture in North Karelia has been traditionally more marginal compared to the forest economy. In South Tyrol instead, farmers have always had a privileged condition in society, condition which is rooted in a well-structured land-use (the Closed Farm), and a strong cultural attachment of its population to the territory.

The diverse interpretation of rurality in the two regions explains why strategically-speaking, the LEADER method in North Karelia is almost exclusively focused on rural development, and it is rooted in the village movement and its associational legacy. In a period characterized by an increasing withdrawal of the Finnish Welfare State from remote and sparsely populated areas, local

movement is gaining a critical importance similar to when this social phenomenon emerged in the 1970s. The LEADER method best fits the North Karelian rural policy setting, traditionally characterized by horizontal and power-sharing organisations. Nevertheless, a unitary, strong, and politically-accountable development strategy at the regional level for the whole North Karelian territory is missing, and a Programme like LEADER seems to be a fairly excluded body from the strategic plan of the Regional Council, which on paper should be the main regional development authority in Finland. The lack of unitary strategies may leave more and more the most disadvantaged and remote rural areas at their own destiny, especially in the current period whereas the Finnish political forces are more urban-oriented than ever before. The ambitious reform of rural policy goes in a bottom-up direction in strengthening the rural voice at the intermediate level. However, it has to be seen whether this reform will ever see full implementation. The other point is that at the moment both politics, e.g. in provision of services and infrastructure, and regional policy strategies are clearly neglecting rural areas.

Being a society strongly rooted in the countryside, the LEADER Programme in South Tyrol is rooted in the binomial politics-agriculture, and in the current LEADER period 2007-2013 agriculture is main focus of rural development. Politics has a relevant role in every sector of public life, and all the associations, especially the agricultural one, represent strong political lobbies within the Provincial Council. If on the one hand the vertical, top-down approach adopted by the Autonomous Province of South Tyrol has successfully implemented a strong and politically-accountable development strategy for the all region, on the other hand the main risks of exogeneity are political favouritism, and a potential inhibition of endogenous development processes. The LEADER method does not fit well the traditional top-down structure of the Province; however, at least until so far, both political representatives and civil servants in South Tyrol have understood the importance of this method as a 'cooperation laboratory' necessary to face the destructuring of the hierarchies that are typical of the mode of production of the traditional industrialised societies.

On the basis of geographical contingency, this research has elaborated further the ideas by Bryden & Hart (2004), according to whom the ideal rural development approach is the one that has its roots in cultural and social factors, and which can be supported by an institutional framework that promote local identity and self-determination. Above all, a successful rural development cannot exclude the agricultural sector, which should represent one of the main pillars in the rural development strategies of a territory.

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