

Kainuu regional self-government experiment

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Foreword

In the region of Kainuu has started in Finnish local administration history a unique experiment. By the experiment to the citizens of a region has given power to control through direct democratic processes to the regional development. This experiment is unique not only as a new form of regional administration; it's also a test ground to form new openings to local and regional services. There is still left independent municipalities, but the main part of their traditional tasks has been given to regional organisation (joint municipality) in the name of efficiency. This experience should be one model in the Finnish municipal framework to test how certain quality of the welfare services could be produced at depressing public economy. It is also a test ground to give decision power to local administration over certain government funds.

This paper is not scientific analysis of the experiment. There is a certain reason for that: this experiment has started at the beginning of the year 2005. First years of the experiment are forming of the processes transferred from municipalities to region. In this paper is not described neither organisational processes nor operative actions over the regional administration. In this paper is no international analysis of the situation of municipalities or local services.

For example in Denmark is happening at the same time a big change in the sizes and functions of municipalities. Hopefully this will wake up interest to the experiment by the researchers to start different monitoring, data-collecting etc. work for coming analysis. There is field for geographers, sociologists, economics and many more branches of science to start research work from point zero.

This paper is based mainly in the authors own work experiences in municipal administration and the work during the preparation work of the Kainuu regional self-government experiment.

The Finnish local administration

Public power in Finland has been actually polarity, municipalities in other side and the government with its administrative authority on the other side.

The Finnish constitution gives to the municipalities high level self-governing level. This has a long historic background. Municipal autonomy is guaranteed in section 51 of the Constitution. Welfare-services to citizens are practically run through municipalities. Government has given new tasks to municipalities, but it has to be done by legislation. In legislation is given the content of those tasks but also the

principles of the funding of those tasks. The basic tasks run by the municipalities are social and health care, education up to secondary level and polytechnics, environmental regulations, civil planning and cultural services. The development of infrastructure to give possibilities to live and encourage entrepreneurship is also seen an important part of municipal tasks.

Discussions about the state of municipalities role in society has not caused any big changes in it. The independent of municipalities is experienced also highly as an emotional question by local citizens. The amount of municipalities has slowly decreased from the highest amount 602 municipalities in year 1944 to 432 municipalities at 2005 (Kuntaliitto 2005) by voluntary merging. Reason for merging has mostly been economical. By voluntary actions municipalities can produce different services together. The highest decision making operator in municipalities is the council, which members are elected by general poll. The Act about municipalities (365/1995) will define the role and basis of the municipalities actions.

Finland has been divided to 19 regions. Ahvenanmaa is the 20th region, but it has a specific status by international contract. In European Unions statistical division region is understood as the NUTS 3 level region. By legislation has been set that regional joint municipalities are producing regional special health services and regional civil planning. Regions administrative role over the municipalities has concentrated merely in regional planning. The regions are controlled by the municipalities, which own them by joint municipality agreement. The decision making power in joint municipalities are the councils with the members named by the owner

municipalities. So the councils are not elected directly by the citizens.

State has controlled how the municipalities realize their legislative tasks mostly through provinces. After the last organisational change the amount of provinces is reduced to five. Besides that the government is operating with several public tasks (for example environment, justice, labour services, road maintenance services etc) through national and regional offices with task-oriented jobs.

The main purpose of state supervision is to ensure that local authorities carry out their statutory obligations and do not overstep their proper mandates. The means of State supervision can be divided into two categories. State supervision takes place through the system of appeal whereby the concerned party – member of the community or legal person domicile in the municipality – can challenge the decision of a local authority and possibly have it revoked. Such appeals are dealt with by the Provincial Courts and the Supreme Administrative Court. Secondly, it is the duty of the Provincial State Office (provincial government) to monitor local government in general (Leskinen 2005).

Development of the role of municipalities during last 15 years

During last decades the role and the tasks of municipalities became multifunctional and covering almost all the aims of the welfare system created by the political authorities. Up to the beginning of 1990's government (parliament) set the tasks to the municipalities and at the same time for every

task was shown the funding elements, mainly through taxation system. This meant also a creation of complicated public funding system where the municipalities were divided in several categories by the average income, population density and other functions to show their possibilities to carry out the different tasks financially (financial capacity classification). This system meant that the municipalities funded the tasks by their own municipal taxation, by revenues from different charges and by a variable amount of state grants depending to the financial status of municipality. The grants were showed to every task separately. Government also controlled quite detailed the way how the municipalities carried out the tasks directed by legislation.

On the 1990's the government prepared and the parliament accepted the change of state funding system to the municipalities. Basic idea in that change was to simplify the grant system and give municipalities more independence to carry out their tasks. The way was to change the task oriented funding system to general grant system where the certain differences in financial capacity of municipalities was noticed, but otherwise the state grant was paid by one lump sum without any "ear-marks". The municipalities could plan their operation by their own will, still they had to realize all the tasks shown by legislation to them.

Basically this was a new step to increase municipal independence. Practically it caused some problems. Firstly at the same time Finnish economy was in bad depression and the basis of public funding was in troubles. Secondly the models of the operative actions in municipalities were shaped by an automatic increase of funding and it was very difficult to change the way of work. The economic depression meant

the Finnish state run into dept during few years by keeping up the public tasks. So the start to more flexible municipal operation mode was not so good.

The general policy of public administration (governmental programmes) is to decrease the general level of taxation. Basically government can only do decisions to state tax levee, municipalities can decide the municipal tax by themselves. But there are also some political aspects, which effect that the municipalities are very careful to raise the level of municipal tax over 20 %.

Anyway the general way of the development of the financial status of Finnish municipalities is quite desperate. The most of the municipalities on rural areas are losing population and age structure is getting distorted. Work-aged population (read: tax-payers) are moving out and the senior citizens with growing needs of services are staying.

The Kainuu experiment

On above-mentioned situation in Kainuu was waken up the strategy to find out the way to face the coming future. The area of Kainuu region is 21.567 km² and its population is 85.965 inhabitants (31.12,2004). The development of population is following the trend of rural and Northern regions in Finland, the population is reducing. The reduce of population in Kainuu was fastest from Finnish regions, -0,7 % in year 2004. The gross national production per capita in Kainuu at the same year was 68 % (lowest of Finnish regions) of Finnish average, (North-Ostrobothnia 95 % and Lapland 81 %). So by those figures Kainuu is the less



Figure 1. Kainuu region in Finland.

developed region in Finland. (Tilastokeskus 2005).

In Kainuu is 10 municipalities and it has been divided in two regional statistical units (NUTS 4); Kajaani and Kehys-Kainuu.

Existing administrative and budgeting practices were not considered to provide sufficient support to the initiation of major, effective industry and business development projects in the region. Kainuu was seen as a suitable testing ground for new types of administrative and financing structures. Supported by these arguments, the Act on the regional self-government experiment

(343/2003) in Kainuu was passed in the Finnish Parliament in February 2003, and it took force on January 1, 2005. (Leskinen 2005). By the Act the experiment should end at the end of year 2012. The municipality of Vaala is in the experiment only in regional planning.

As of that date, the region will then be responsible for health care and social services (with the exception of children's day care), as well as vocational and upper secondary education and professional adult education. Municipality of Vaala is not under the region in these tasks.

Table 1. The population of Kainuu municipalities 31.12.2004 and target of population in 2025 (Kainuun maakunta 2005)

	Population 2004	Target 2025	Change 2004-2025	Change %
Hyrynsalmi	3 148	2 633	-515	-16,4
Kajaani	35 675	35 670	-5	-0,01
Kuhmo	10 449	8 550	-1 899	-18,2
Paltamo	4 219	3 549	-670	-15,9
Puolanka	3 472	2 843	-629	-18,1
Ristijärvi	1 659	1 466	-193	-11,6
Sotkamo	10 701	10 500	-201	-1,9
Suomussalmi	10 248	8 595	-1653	-16,1
Vaala	3 751	3 416	-335	-8,9
Vuolijoki	2 643	2 483	-160	-6,1
Kainuu	85 965	79 705	-6 260	-7,3

Regional industrial policy, regional planning and development will fall under regional authority. Regional administration will also apply expediency consideration to pass decisions on the use of significant national development funds and EU structural funds, allotting these to their designated purposes. In the national budget for 2005, all national funding for the development of Kainuu will for the first

time be grouped in a single subsection. (Leskinen 2005)

By this Act was not only formed a joint municipality to realize the member municipalities tasks, it was also given a democratic mandate by direct elections of the regional council. This was also a new factor compared to other regions or other joint municipalities in Finland. First elections of the Kainuu regional council were held

at the same time of Finnish municipal elections at October 2004.

The Kainuu model

In discussions are told about “The Kainuu model”. But in practise there is not a ready formula for that, yet. The experiment has been operating only for few months and there is a lot of operations which will be formed in their final way after the time goes. So the Kainuu model is just in its beginning. During the planning process before the start of experiment was working a several amount of work groups with a lot of specific tasks to plan the first steps of experiment. In those work groups were members from public administration, municipal council’s members and other

social partners. The planning process was open and democratic with totally about 1000 people involved.

Basic idea to operate with the entire mandate given by the act is that now the regional council does have the power over the single municipalities with its tasks. By the common contract made by the member municipalities they will pay 59,9 % of their municipal tax income to the Kainuu region. They will also pay the state grant for social and health care and for secondary colleges to Kainuu region. So that’s how the financial independence is operated for Kainuu region.

The model for social end health care can describe the basic idea for Kainuu model. It’s a customer-oriented model where the needs of clients will target the structure of services. The services you need often are locally produced and the services you need



Figure 2. General structure of social and health care services in Kainuu region (Pikkarainen 2005)

seldom or the services, which need certain special knowledge, are produced regionally. (Pikkarainen 2005). This model is shown in the figure 2.

To the citizens of Kainuu region has been given a freedom to choose local social and health care services where they want. If a citizen of Paltamo municipality will have his health care services from the health centre of Kajaani, he has the access there. The information system in health care is covering the entire region; so all the patient information is available in different health centres.

The local – regional –model is one of the ways how the Kainuu region should be seen different compared to other regions in Finland. This kind of basic forming should be seen also in the development of high school network, vocational education or development of enterprises and economy.

The Future questions

The Act over the experiment is ending at 2012. But it is very unlikely the municipalities should go back to old system. If the possibilities of the experiment are used correctly, there should be found and tested new ways to carry out public services. Those services should be client friendly, economically effective, low hierarchical and transparent.

For geographers there should be found several points of interest. Now it should be easy to carry out research work where could simultaneously be a reference region, which is meeting the same economical and demographical challenges. At least after the experiment we should find answers to following questions:

- What is local in multifunctional region (world)?
- Can we change from municipal citizen to regional citizen?
- Can we find out any certain point where the economical efficiency and the social carrying capacity will meet?
- Will the bigger role of region increase the role of villages?
- Did the experiment succeed?

Even we are discussing about experiment, it does not mean an open test ground for every possible future. The rights of citizens to get public services and ensure legislative rights are at all time the basis.

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