

32nd Session of the Congress of Local and Regional Authorities – 28-30 March 2017 - Local and regional democracy in Finland

Speech of Jari PARTANEN, State Secretary at the Ministry of Local Government and Public Reforms of Finland

Madam President, Distinguished Representatives of the Congress of Local and Regional Authorities,

Firstly, let me begin by extending my warmest thanks for the invitation and opportunity to make an address to this session of the Congress. We feel that this is an important part of the political dialogue that must take place in order to strengthen our important common cause, namely local and regional democracy.

This year, Finland is celebrating the 100th anniversary of its independence. For one hundred years and more, the Finns have handled their common issues together, particularly at the local level. The foundations of our democratic system are strong. We also want to develop our democratic system to reflect future expectations. As the representative of the Finnish Government, I am also satisfied that the Congress of Local and Regional Authorities' monitoring report recognises the fact that in Finland democracy and local democracy in particular are on a strong footing. On the other hand, the rapporteurs identified the need for further development in some areas, particularly in the system of regional government now being established.

Representatives of the Congress,

The most significant reform of Prime Minister Juha Sipilä's Government programme is the health and social services reform. This is absolutely necessary, given the economic and demographic challenges that lie ahead. The reform is intended to safeguard public services, to increase people's opportunities to participate and exert influence, and to ensure more equal access to services. The purpose of the regional government reform is to create for Finland a modern and cost-effective system of government and to strength regional democracy and the direct application of democracy. The health and social services reform is intended to safeguard health services throughout Finland and curb ever-increasing cost pressures.

At the beginning of March 2017, the Government submitted to Parliament a bill proposing the establishment of new counties from the beginning of July 2017. Responsibility for organising healthcare and social welfare services would be transferred from the municipalities to the counties at the beginning of 2019. The proposed legislation consists in all of 34 bills. The key parts legislative package are the Counties Act, the Act on Organising Health and Social Services, and the Act on the Financing of the Counties.

Through the proposed acts, 18 counties will be founded in mainland Finland. The counties will be public law bodies that enjoy regional autonomy. They will have directly elected county councils. The first county elections are intended to be held in connection with the 2018 presidential election and thereafter at the same time as the municipal elections. It is worth noting at this point that the next municipal elections in Finland will be held in a couple of weeks' time, on the 9th of April.

The counties will be public authorities with a wide range of duties, and it is intended to gather within them that the currently fragmented and territorially diverse system of regional government. Duties from approximately 400 present actors would be transferred to the counties. These duties would include organising healthcare and social welfare services as well as, among other things, rescue services, environmental healthcare, regional development and Structural Fund activities, business promotion, regional road maintenance, construction supervision and promoting regional culture. County government will, in a certain way, by an intermediate form of government between local

government and the regional state administration, and will have duties that are both local and regional in nature. I would particularly like to emphasise that the counties must also deliver diverse opportunities for their residents to exert influence over issues.

Representatives of the Congress,

The counties will have no right to levy taxes when the reform enters into force. The income sources will be central government funding as well as customer and usage fees.

The Government's objective is to create for the counties a system of financing that ensures that the counties are capable of discharging the duties assigned to them by law. In part, this objective will also be supported by the financial steering model for the counties. The central government, as the provider of financing, would steer the counties' financial management with the instruments at its disposal, such as the general government fiscal plan, the State budget, and legislation covering the counties. The goal will also be to curb growth in the cost of healthcare and social welfare services, in other words to deliver the main objective of the reform.

Central government funding for the counties will be mainly universal and un earmarked. It would be based on an imputed system whose needs and criteria are intended to be updated every four years. The counties will therefore decide on the use and allocation of their funding independently within the limits of their autonomy and powers. Similarly, the Counties Act, governing the counties' administration, finances and democracy, would by its nature enable the creation of a framework for the implementation of autonomy.

Distinguished Representatives of Local and Regional Authorities,

The regional government reform will impact the municipalities, their activities and finances, and particularly their operational finances, in diverse ways. When the municipalities' income and operational finances fall to nearly half their present level, the municipalities' balance sheet deficits and surpluses will, in practice, remain unchanged. The main longer term impact will particularly be that costs relating to population ageing and mortality will be transferred away from the municipalities' responsibility. This will have great significance for the predictability and controllability of operational finances.

From the standpoint of municipal finances, the intention is to implement the reform in an orderly manner via changes made to the system of central government transfers to local government. The Government will also purposefully continue a programme aimed at reducing municipalities' duties and obligations. In the long term, this may improve the funding basis of services and implement the principle of adequate financial resources safeguarded in the Constitution. For example, projects assessing the legislation in various sectors have been launched with the aim of removing and easing rules relating to the way in which municipalities' duties are implemented.

The monitoring report has highlighted the fact that, in connection with the reform, large cities would be exempted from organising the healthcare and social welfare duties that will now be transferred to the counties. I can assure you that the Government has reviewed and carefully considered this matter in the connection with a separate solution for the Helsinki Metropolitan Area. The Government considered that there were insufficient grounds for a separate solution for the Helsinki Metropolitan Area in respect of healthcare and social welfare duties from the standpoint of the equal access to health and social services referred to in Finland's Constitution. The constraints of the Constitution are unavoidable and must be taken into account. The Government and the Helsinki Metropolitan Area municipalities have, however, continued the preparation of separate solution with respect to growth services, namely employment and business services as well as services relating to integration and immigration. This solution is particularly justified in promoting the vitality of the Helsinki Metropolitan Area. In addition, with respect to certain duties of the counties, a municipality possessing sufficient resources to handle them could agree with a county on the transfer of responsibility for organising the services.

The Government, in launching the Municipality of the Future reform, additionally intends to assess how the differentiation of municipalities should be taken into account in future in the preparation of legislation relating to municipalities. In connection with the reform, the intention is also to assess changes required to the Local Government Act, which offers an opportunity to strengthen the political leadership of local government, for example. Municipalities' role as part of public administration as a

whole will remain strong. In the future, they will be responsible for many basic public services such as education, training and culture as well as regional vitality.

Ladies and Gentlemen,

The monitoring report stated that Finland's future system of county government will not fulfil all of the prerequisites for autonomy included in the Charter of Local Self-Government. Your message is clear. At the time of their establishment, counties will have no right to levy taxes, they will have no general mandate, nor the opportunity to take long-term loans.

The Charter is legally binding on Finland. There is not the slightest doubt about that. When Finland ratified the Charter, Finland had no other level of government subject to the Charter than the municipalities. Finland's original commitment to adhere to the Charter was based on the governmental structure existing at the time of ratification, which the health and social services reform and the regional government reform will now, of course, change significantly.

I would particularly like to highlight the fact that the binding nature and applicability of the Charter to the future system of regional government must also be clear. The Government therefore proposes in the bill submitted to Parliament that Parliament approve the giving of a notification in application of the Charter according to the Articles 12 and 13 of the European Charter of Local Self-Government. Finland would undertake to apply the Charter in entirety to local government, namely the municipalities, also in the future. With respect to administrative areas larger than the municipalities, namely the future counties, Finland would undertake to comply with the Charter, with the exception of Article 4, Paragraph 2 and Article 9, Paragraphs 3 and 8. In this matter, Finland has also consulted the Treaty Office of the Council of Europe, the depository of the Charter, and the Treaty Office does not consider there to be any specific legal barriers to giving the notification.

I can assure you that, through the reform I have described, our governmental system is in the midst of unprecedented change. The transition from a two-tier system of government to three can be implemented in a controlled and planned way only gradually. The system of county government now being established already fulfils, however, in the Government's view, many of the boundary conditions of self-government, even though there is still scope for further development. Minister of Local Government and Public Reforms Vehviläinen has considered it important, for example, that a study be made during this parliamentary term on the countries' right to levy taxes. The right to levy taxes must be carefully considered in relation to the tax system as a whole, and steps must be taken to ensure, among other things, that taxation of earned income does not increase.

Madam President, Distinguished Representatives of the Congress,

Finally, I would like to express my gratitude to the Congress and to all those people from the Council of the Europe who have contributed to the smooth implementation of the monitoring process. In particular, I want to thank the writers of the report for the observations made in the report with respect to the development of Finland's local and regional democracy. You did a very professional job.

On behalf of the Government of Finland, I would also like to express my warm thanks for the valuable work that the Congress and the Council of Europe do to promote democracy. Recent events are an indication that, in this, we still have some work to do. Awareness of the principles of democracy and the rule of law must be increased at all possible levels and in all possible forums.

Ladies and Gentlemen,

Our common task is clear. We promote democracy and the development of the rule of law, we protect human rights and pluralist democracy, and we promote human values. Our task is demanding, fundamental and we are committed to it. Thank you!