

Региональная экономика и политика, территориальное планирование

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АДМИНИСТРАТИВНАЯ РЕФОРМА И РЕГИОНАЛЬНАЯ ПОЛИТИКА ФИНЛЯНДИИ: ПРОШЛОЕ И БУДУЩЕЕ

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В Финляндии в настоящее время проводится самая крупная административная реформа в истории страны. В результате в Финляндии будет создано 18 административных провинций, которые будут заниматься централизованным региональным планированием и региональной политикой, а также социальной и медицинской помощью. Показана взаимосвязь административной реформы с региональной политикой страны. Анализируется влияние региональной политики Европейского Союза на Финляндию.

***Ключевые слова:** региональная политика, региональная администрация, административная реформа, региональная политика на местном уровне, муниципалитеты.*

Preface

In Finland is currently running the largest administrative reform in history. As a result of the reform there will be 18 provinces (counties), who will take care of centrally regional planning and regional policy, but also social and health care. This article clarifies shortly and incompletely the Finnish regional administration, its development policy, past and future. The article analyses also the influence of European Union regional policy and its influence to Finland. There are several definitions of the regional policy. In regional policy must make a distinction between regional policy as a discipline, regional policy practices and regional policy planning. Regional policy gradually expanded during the history from northern and eastern Finland throughout the country and at the same time the confrontation between different parts of the country decreased, but remained between urban and rural areas, particularly between the capital region and the rest of Finland. Professor Vartiainen [1] has pointed that this is reason, why Finland needs both, urban and rural policy, which is challenging in the country of contrasts.

Remahl [2] has devided very suitable for this paper targets of regional policy as:

<u>Sector</u>	<u>Targets</u>
Financial	Economic growth, competitiveness, efficient use of resources;

Social	Welfare, justice, equality, lifestyle;
Cultural	Nation, national, and regional identity;
Political	Political unity of the state, manageability and defense, political parties and national political interests, moral and human issues;
Ecological	Minimization of environmental harm, sustainable use of natural resources

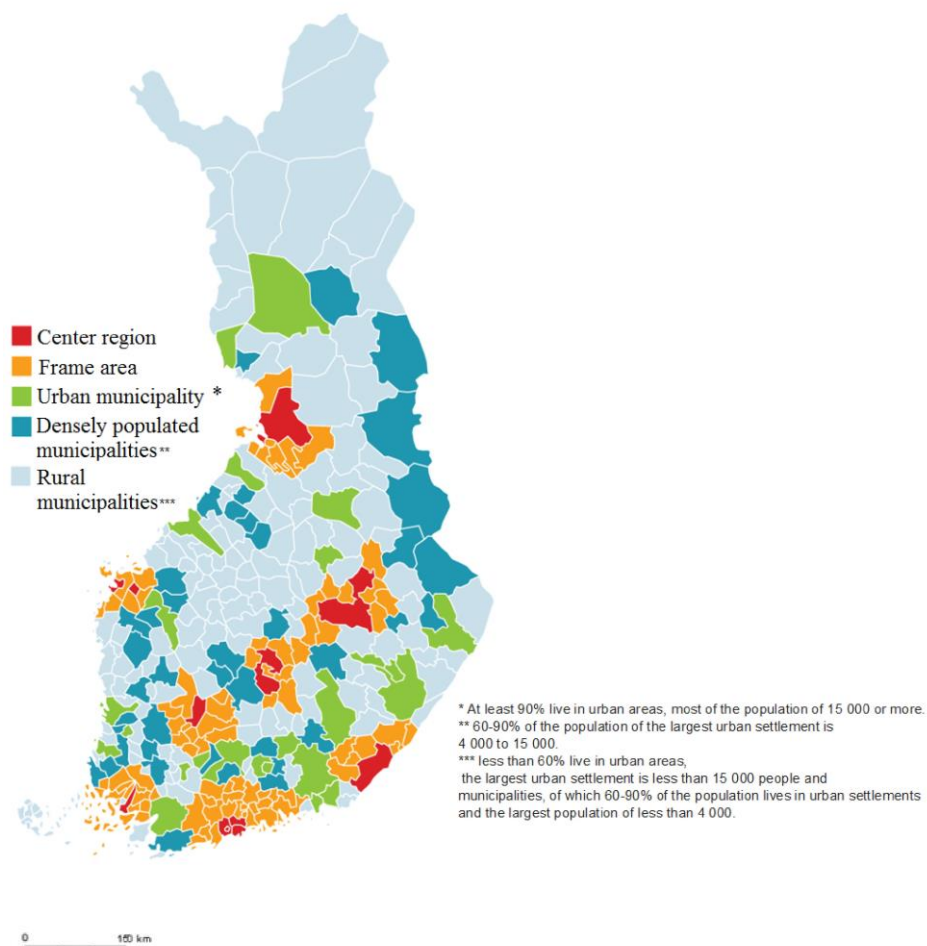
One hundred years old Finland is located on the continent of Europe and covers 338,424 square kilometers of land and 34,330 square kilometers of water, making it the 65th largest nation in the world with a total area of 338,145 square kilometers. Finland is 1157 km long and 542 km wide a huge area. According to Statistics Finland, Finland's population is 5.5 million (2017), and majority of the population is concentrated in the southern region. For example, the population in Helsinki is 635 181 people (2016), in Espoo 274 583 people and in Tampere 228 284 people. In the metropolitan area lives about 1.6 million inhabitants. For the population of the municipalities, municipality Kangasniemi (5603) is on the median [3]. Kangasniemi [4] is also the official home for the author of this paper. He is also the member of municipal council (see section 1) in Kangasniemi. Finnish municipalities population density was highest at the beginning of 2016 in Helsinki (over 2 900 people / km²) and the lowest in the municipality of Savukoski, located in the North, where the population density of only 0.2 persons / km². An average population density is 17 inhabitants per square kilometer [5]. Finland has the lowest population density in the membership countries of the European Union. That is why regional policy have a great importance in this sparsely populated country. Finland has land borders with Russia 1313 km, Sweden 614 km and Norway 727 km, as well as the water line 1100 km.

The basic regional and local administrative structure in Finland is the municipalities (Finnish: kunta). In Finland is currently running the largest administrative reform in history. In this text already mentioned, that as a result of the reform there will be 18 provinces (counties), who will take care of centrally regional planning and regional policy, but also social and health care. The reform will enter into force as planned in 2019. The two-tier system based on central and local government is planning to replace with a three-tier governance structure, as the new self-governing regions. Provinces will not have to levy taxes, such as municipalities have, but provinces are financed by the government revenues [6]. To simplify this, the Finnish regional policy is economically based on tax revenue equalization, as well as miscellaneous financial subsidies. Current arrangement creates opportunities for the regions, but also in some sense deactivates the actors and limiting the analysis perspective. Background of the reform can see as well as economic reasons, but also the idea, that actors, municipalities should take care more active role of their own future [7]. By reform the tasks of social and health care moves from municipalities to provinces. This reform will have a great impact to

regional policy and regional development programs. Legally, this means almost 300 new laws or legislative amendments. This reform does not, however affect directly to the number of municipalities in Finland. This kind of reforms are going on the same time in several Nordic countries and they include changes of organizations, distribution of responsibilities and sometimes with new geographical boundaries for administrative units [8].

1. Municipalities in Finland

The origins of Finland's local government in its current form date back to the 1860's and the first local government laws were enacted a hundred years ago, further structuring the operations, administration, finances and functions of local authorities [9]. The number of municipalities is, in 2017, 311, of which 16 located in Åland Islands. Municipalities are very different types, some of them are urban type municipalities, towns, some of them are density populated and some of them are rural municipalities. Picture 1 shows the different type of municipalities in Finland [10-11].



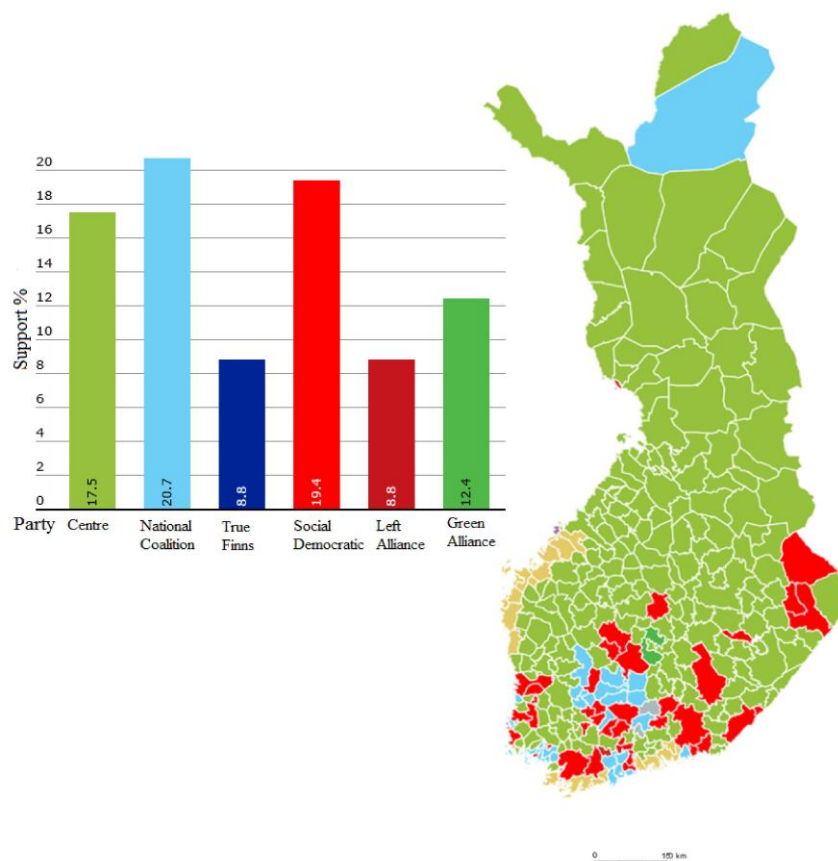
P i c. 1. Different type of municipalities in Finland

Municipalities have the right to collect a flat percental income tax, which is between 16 and 22 percent, and they provide two thirds of public services. Municipalities control many community services, such as schools, health care and the water supply, and local streets. Municipalities are also very important structure for promoting and supporting the local culture. But they do not keep maintain highways, set laws or keep police forces – these tasks are the responsibility of the central government [12].

Municipalities have council-manager government, it means, that they are governed by an elected council (*Finnish: kunnanvaltuusto*), which is legally autonomous and answers only to the voters. Local authorities play an important role in the implementation of regional policy. Municipalities operating strategies and development plans, define their priorities on which attention will be paid in municipal level. The municipalities are responsible for the development and implementation of both the local master plans and the local detailed plans in their own areas. The size of the council is proportional to the population, the extremes being 9 in Sottunga municipality and 85 in Helsinki. That political party, which is the largest of the municipal council, its targets can be seen in municipal strategy, so the municipal elections have a great importance for the future of local development. In Finland was held municipal elections in April 2017, and the election results can also be presented as a map [13-15], which illustrates the major parties in each municipality.

That picture (2) shows, that Centre Party is geographically the biggest political party in Finland with 2823 places in municipality councils (17,5 %), but by percentage support the biggest party is National Coalition Party with 1492 places (20,7%). This tells also, that the support of Centre Party is biggest in small municipalities, but National Coalition Party in towns and big cities [13].

A subsection of the council, the municipal executive board (*Finnish: kunnanhallitus*), controls the municipal government and monitors the implementation of decisions of the council. The council must approve its decisions. Unlike national cabinets, its composition is derived from the composition of the council, not along government-opposition lines. Furthermore, individual decisions are prepared in specialized municipal boards (*Finnish: lautakunta*) for a council meeting; these include e.g. zoning, social assistance, and education boards. Council, executive board and board membership is responsible position, not a full-time job [16].



P i c. 2. Municipal elections 2017 and parties in the map
(According to the largest party)

2.1. Legal paces of local and regional self-government

In Finland the municipalities are legal persons and can appear in an administrative court. Likewise, the state is a separate legal person. Excluding judicial review of formal compliance to administrative law, municipalities are independent and not a part of a local state hierarchy. Municipalities do not have police or legislative powers, local ordinances concerning traffic can be set, and municipal parking inspectors can give parking tickets. As stated by Article 121 of the Constitution [17], "*Finland is divided into municipalities*", a provision enshrining the territorial demarcation that existed at the time it entered force. The Law on local self-government (no. 365/1995) of 17 March 1995 set out provisions on voluntary inter-municipal cooperation (chapter 10); it is not possible to merge municipalities against their will. The local self-government is also one of the most debated legislation in parliament of Finland [18]. The Government of Finland [19] has submitted amendments to this legislation [20].

The legal basis for local and regional self-government is guaranteed by Article 121 of the Constitution "Municipal and other regional self-government". In accordance with paragraph 2 of that Article, the general principles of local self-government and the powers of local authorities are established by law. The main legal texts [21] regulating local and regional self-government are as follows:

- *Local government act (365/1995);*
- *Law on division of the territory into regions (1159/1997);*
- *Law on regional development (602/2002);*
- *Law on land use and building (132/1999) and its amended version (222/2003);*
- *Law on elections (714/1998);*
- *Law on the restructuring of municipalities and municipal services (169/2007);*
- *Law on the territorial boundaries of local authorities (1698/2009);*
- *Law on autonomy of the Province of Åland (1144/91);*
- *Law on cooperative action between municipalities in the Helsinki metropolitan area in waste management and public transport (829/2009).*

There is no constitutional provision governing relations between local and national authorities. Article 8 of the Law on local self-government (no. 365/1995) sets out several stipulations concerning state supervision of municipalities. It has been completed by Sections 8a and 8b which provide for the Basic Public Services Programme procedure [22] and the advisory Board for municipal administration and economy. The Basic Public Services Programme procedure is a guide of coordinating government action affecting local authorities and their finances.

Concerning the compatibility of the Finnish situation with Article 3 of the Charter, the provisions of the Constitution and the Law on local self-government are clear. Article 2 of the law – Functions of local authorities – stipulates that "*Local authorities shall perform the functions that they have undertaken by their autonomy and those laid down for them in the law. Local authorities may not be allotted new functions or duties, nor shall they be deprived of functions or rights, other than by passing legislation to this effect. By agreement, local authorities may undertake public functions other than those falling within their autonomy. Local authorities shall perform the functions laid down for them by law either alone or in cooperation with other local authorities. Local authorities may also secure the services they need to perform their functions from other service providers*" [17].

The planned reform of the regional administration is going to have a lot of importance above all in terms of governance, but also on regional policy and development of regional vitality. In Government Programme [23] the idea of regional government reform is to harmonise Finnish regional

administration and coordinate the functions of regional and municipal level [24]. According to Government Programme, the planned reform will follow mainly the following starting points.

1. *Municipalities will continue to exist as communities of local involvement, democracy, culture and vitality that handle the duties related to municipal self-government as decided by the residents (general mandate) and local duties defined by law. In accordance with the principles of current legislation, the municipalities will remain responsible for handling and promoting employment. The municipalities will also continue to be responsible for promoting competence and culture as well as health and wellbeing, and for sports services, youth services, cultural services and other leisure services, local industrial policy, land use, construction and urban planning.*
2. *The new structure, counties will be responsible for healthcare and social welfare, rescues services, environmental healthcare, regional development duties and tasks related to the promotion of business enterprise, planning and steering of the use of regions as well as promoting the identity and culture of the counties. In addition, the counties will be responsible for other statutory regional services assigned to the counties.*
3. *The central government will uphold and develop, as before, the rule of law, safeguard fundamental rights and evaluate their implementation, and assume responsibility for security. It will also perform international and national tasks as well as supervise equality and public interest. The organisation of central government administrative duties will be based on the principle of national competence, also when the duties require a local or regional presence. The principle of central government administrative duties is to follow uniform national practices in operating methods and decisions.*

The reform has been criticized a lot, especially about social and health services [25-29]. Province of the reform is said to strengthen the position of the Center Party in Finland.

2.2 The periods of regional policy in Finland

Regional policy in Finland has traditionally based on the following models:

1. Industrialization model
2. Regional Planning Model
3. Income transfer model
4. Program-based model
5. Network model

6. Place-based planning model

It is said that the date of official regional policy is 1 April 1966, the date upon which regional development legislation entered force [30-32]. For the thirty years afterwards, until Finland became member of the European Union, changes in regional policy essentially map into regular legislative periods. When Finland joined to the European Union (1995), then began a new kind of regional policy, which is run largely from other places than Finland. Sippola [32, see also 33] has divided in his very broad study of Finnish regional policy 5 to 10 years' periods, which are: 1. *Period of development area policy 1966-1975*, 2. *Period of integrated regional planning 1975-1981*, 3. *Period of regional diversification 1982-1989*, 4. *Period of programmatic regional development 1989-1994* and 5. *Period of European structural policy 1995- 2013*.

The time before regional policy is characterised by settlement and agricultural policy. In addition to the agricultural regional aid, small industry loans for rural areas and tax relief for Northern Finland were introduced from the year 1958. Regional institutions of higher education were primary establishment towards the end of the 1950s and into the 1960s [32].

The period of development area policy (1966-1975) was characterised by the development of industry areas, with the help of interest subsidies, the granting of credit, and tax reliefs. Toward the end of the period, the Regional Development Fund was established [34] and the transport subsidy and development subsidy were introduced. Regional Development Fund was operating as an independent until the year 1999, after which it was combined with the Finnish Guarantee Fund Ltd. [35]. The new organisation, get the name of Finnvera [36]. Finnvera Ltd. is a wholly owned by the Finnish state's specialized financing. Finnvera's main role is to supplement the financial market by providing businesses with loans, guarantees, venture capital investments and export credit guarantees. In other words, set by the State for Finnvera's industrial and ownership policy goals include the extension of business, enabling the optimum for small and medium-sized enterprises to finance and enterprise growth, internationalization and promotion of exports.

An emphasis on the importance of planning (1975-1981), and the establishment of a separate planning department [37] at the Prime Minister's Office in thought the coordination, by ministries, of provincial planning and socio-political planning. Business aid policy transferred to subsidies. To restrict the growth of Metropolitan Region, decentralisation measures were planned, alongside a system for controlling enterprise locations.

During the period of diversification (1982-1989), the aim was to target regional policy measures more accurately, to remedy problems between different regions. This period was characterised by special regions, regional projects, the provincial development appropriation, Rural development Programme, and programme for the Metropolitan Region operational area

and regional technology programmes. These are the basis for the next phase, the period of programmatic regional policy. This period, in turn, were formulated based on an administrator's report corresponding to the European Union's structural policy, and thus supporting readiness to join Union [1, 32, 38].

The change in regional policy has been in line with structural changes in society, and planning ideologies. Development area policy entailed extending industrialised society into development areas. Alongside the transfer to a service society, the focus was on the general development of enterprises and improvement of technology and competence. Once integrated planning had proven impossible, a shift began toward focus areas and influencing the Government's investments and development policies. The efficiency of regional policy peaked at the turning point of the transfer from the industrial society stage to the service society stage, at the end of the 1970s and early 1980s. The transfer to a service and information society, and opening internationally, undermined public authorities' ability to control the placement of enterprises and jobs. More general development of regions, programmes and projects became policy priorities (1989-1994 and 1995-2013) [31, 38].

The period post 2013 is closely linked to the debate on future cohesion policy in European Union [39]. An important change in EU regional policy took place, when Commissioner Danuta Hübner asked Dr. Fabrizio Barca [40] to prepare an independent report containing an assessment of the effectiveness of cohesion policy to date as well as a series of proposals how to reform cohesion policy for the period post 2013. The European Union's regional and structural policy (cohesion policy) aims to increase the Member States' economic and social cohesion as well as to reduce interregional development disparities. The idea of Barca report was, that regional development strategies are the most effective when informed by a solid understanding of the broader context [40-42]. In addition, right now (April 2017) in the context of the EU, has begun a debate to promote equal development in Europe. This mean that Member States of EU must exchange best practices in the fields of education, health, culture and sports, and social and regional reconversion programmes that are co-funded by EU money would have to be discontinued or funded nationally [42]. With the discussions of EU Member States and the possible measures that may be taken, may have many impacts on regional policy and development programs. However, it is still too early to assess the impact of this debate.

Mäkinen [43], the Executive Director of the office of the Regional Council of South Savo [44], see that Finnish regional political decision-making is focused on the EU Commission and the Government of Finland is mainly executor [45-47].

2.3 Today's regional policy in Finland

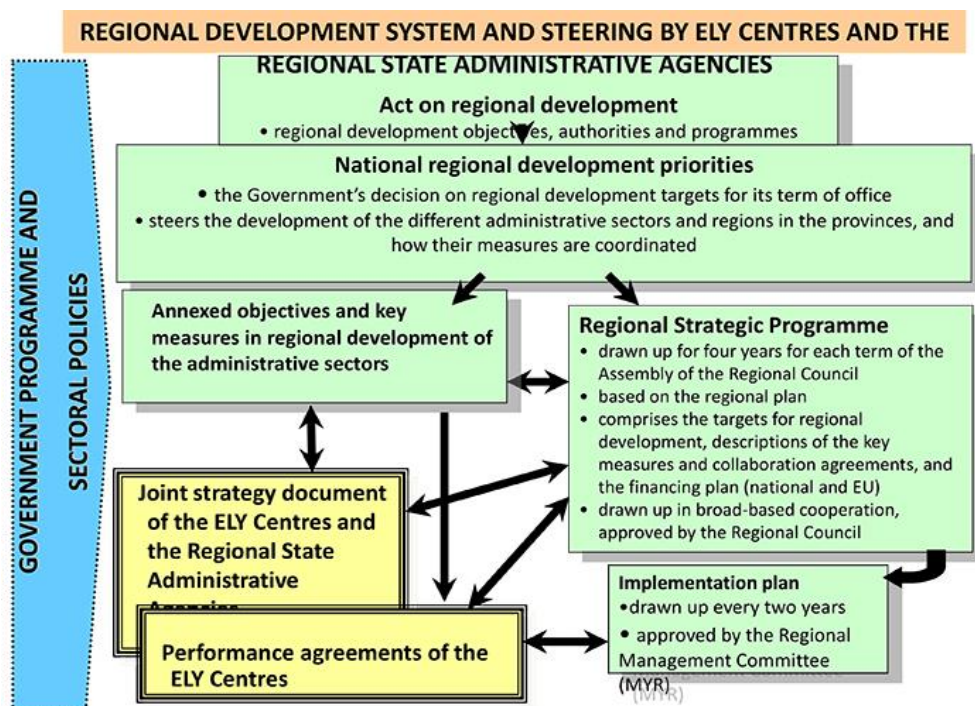
In Finland, the government's control is further emphasized and the claim presented by Mäkinen's is not completely true. The regions' own interests and motivations for innovation should invest a lot more and this have been recognized also in regional policy of Finland after 2013.

The law on the development and structural development of regions (7/2014) [48] defines the regions development objectives as follows. Regional development objectives are:

- (1) Confirms the balanced development of regions and their national and international competitiveness;*
- (2) In a sustainable manner strengthen and diversify the areas economic structure and promote economic balance;*
- (3) Promote sustainable employment and skills of the population, equal opportunities and social inclusion;*
- (4) Reduce the inter- and intra-regional disparities and to encourage the full utilization of the resources the introduction of a sustainable manner;*
- (5) Enhance regions own strengths and areas of specialization as well as to promote their culture;*
- (6) Improve the quality of the living environment and sustainable regional and community structure.*

The major region of Eastern and Northern Finland is a support area because low population density. It comprises the regions of South Savo, North Savo, North Karelia, Kainuu, Central Ostrobothnia, Northern Ostrobothnia and Lapland. Eastern and Northern Finland comprise support area **I** where the aid levels are highest. Support area **II** comprises the municipalities of Salo, Somero, Kannonkoski, Karstula, Kinnula, Kivijärvi, Kyyjärvi, Pihtipudas, Saarijärvi, Viitasaari and Konnevesi. The rest of Finland belongs to support area **III** where the aid levels are lowest and large enterprises are not eligible for any aid.

Island policy is one of the oldest elements of regional policy in Finland [49]. The Government appointed a long-term committee to address issues relating to islands as early as in 1949. The provisions on the Island Committee were laid down by decree in 1961 and the Island Development Act entered force in 1981. The Island Development Programme, approved by the Government or a ministry, has been the main tool in the implementation of the island policy. Åland representative takes part in meetings of the Island Committee as an expert member. In this context, it is worth mentioning that the Finnish Saami Council has an important role in the development and regional policy in the North [50]. Finnish regional development system is described in the following design by the Ministry of Economic Affairs and Employment in Finland [51].



P i c. 3. Regional development system in Finland

That thematic picture 3 shows well the situation, what we have now in Finland, before the new administrative reform has been implemented. After reform, there is no any ELY-centres (Centre for Economic Development, Transport and the Environment) or ALY-centres (Regional State Administrative agencies). Tasks of these centres will be transferred in administrative reform under the provincial governments [52].

In Finland during some last years have discussed a lot about place-based regional policy. Places are connected to the concept of functional regions and the idea of locality through variable interpretations of flows and networks [53]. According the survey of Moisio and Luukkonen [54] the economic competitiveness and growth are the key political rationalities, which will define the regional development and its goals, methods and effectiveness. In this sense, place-based thinking means a case-by-case study of everyday actions as seen through administrative, functional and political criteria. Places are not separate from the world, but their existence in dependent on larger societal structures. Places are also means of power and ideology. The place appears in place-based development policy as a unifying functional-multicultural node, which connect levels of networks and initiatives. The report of Fabrizio Barca [55] is largely in Finland and EU countries the background of a place-based debate.

In this debate has been raised a great need to coherence with the place-based or territorial policy concept. Barca has bring out the reform of

governance on ten basic "pillars", which are based to EU Strategic Development Framework [55-56]. A place-based development represents a current mainstream of the European Union's cohesion policy, which means the reducing disparities between the various regions and the backwardness of the least-favoured regions. However, this place based policy leaves space for different state governing operational modes, which are affected understandably institutional and other differences concerning the circumstances. Moisio & Luukkonen [54] have also stated, that European spatial planning can be seen both as a way of imagining and reordering European spatial composition as well as a technical manoeuvre directed at establishing this space as a governable entity, and as a possible object of government. It is thus crucial to ask how, and in what forms, territory is articulated in the activity of governing Europe in European spatial planning and development policy. And what kind of spatial ideas, knowledge, expertise, means of calculation, and political rationality are employed in the practices of European spatial planning-that is, to regulate and monitor 'Europe', the 'European economy', and the 'conduct of Europeans'.

OECD [57] call this policy or the ideology of Barca, the "**new paradigm of regional policy**", which has been experimented with in various parts of the world in the past two decades. Its objective is to reduce persistent *inefficiency* (underutilisation of resources resulting in income below potential in both the short and long-run) and persistent *social exclusion* (primarily, an excessive number of people below a given standard in terms of income and other features of well-being) in specific places. According OECD places are defined though the policy process from a functional perspective as regions.

In Finland, the concept of place-based development has been actively used only in rural areas [58]. Several core elements of this model, such as itself the concept of the place and its own resources, the importance of informal institutions to the community and small-scale rural development priorities, were used in Finland long time ago. Place-based development policy emphasizes the identification of available resources. In a global and European context, northern regions appear in a different light than in Finland. In this context, raises also the question of relationship between Helsinki and other European centres, metropolises. What is the role of Helsinki relation to other regions in Finland?

Eskelinen [59] has stated that in general the transition to place-based strategy, can be interpreted as natural consequence of changes in the institutional and structural conditions. Barca-report underlines that place must be defined in such a way that it is an appropriate to development task in question. In Finland, the key issue and a special feature is sparsely populated (as it mentioned before in this text), northern climate and long distances. Also in Barce-report noticed that exploitation of the knowledge of local actors is crucial, because the development of institutional structures is always a context bound and requires knowledge of the local conditions. According

Luukkonen [60] it is essential to define the context of regional development, what is knowledge, and local information. Local knowledge should not be judged only in terms of what it applies to, or what it relates to. But in terms of where and how it is produced and what the broader interests or information which relates to it. An important question is also, who can qualify the subject and the condition of the place, what should be developed.

In fact, European Union guides to regional and local development policies, among others through several directives, regulations and structural funds. The European Union Commission's regional policy strategies and guidelines define the priorities financed by the EU structural funds. The local authorities are forced to shape the development policy into line of those. On the other hand, the EU's regional development policy gives a lot of opportunities to take national measures at the local level. The municipality is largely responsible for the implementation of regional policy at the local level. Currently Finland have only some regional funds, which are directed to the development of non-urban areas. Several Finnish rural development programs goal is to support remote regions and rural areas entrepreneurial environment. Some project funds intended to increase local residents' livelihoods, diversity of economic activity and operating conditions of enterprises. The criteria for funding are defined in such a way that the company will be in rural areas.

Lehtonen & Muilu [61] have found that these "business" support programs have been criticized a lot. Unfortunately, this kind of strengthening of local development supports the migration inability to balance the regional differences in unemployment. In addition, subsidies to rural development have also decreased in recent years in Finland. It also seems that the location leads to the disadvantages of local development issues and current development programs do not prevent disparities in development, regional issues related to the aging of population and depopulation of rural areas.

3. From the village to municipality

Finland's regional allocation is based on cities and rural municipalities (urban and rural regions). Finland is divided regionally into several categories as picture 1 have shown. Also, municipalities are very different for example from their population, from their regional area and proportion of high school graduates or tax revenue. The table 1 shows some of these differences between municipalities [62-63].

T a b l e 1

The diversity of municipalities 2014

<i>Largest, biggest, highest</i>	<i>Smallest, lowest</i>
Largest population 612 664	Smallest population 100
Biggest area 15,053 km ²	Smallest area 6 km ² (approx.)
Largest population density 2866	Smallest population density 0.2

ihabitants/km ²	inhabitants/km ²
Highest demographic dependency ratio 103.5	Lowest demographic dependency ratio 42.6
Highest percentage of foreigners: 13.2%	Lowest percentage of foreigners: 0.2%
Highest proportion of high-school graduates:56.8%	Lowest proportion of high-school graduates:10.2 %
Maximum income tax rate: 22.50 %	Lowest income tax rate 16.50 %
Largest tax revenue in 2014 €/inhabitant (mean): 6374 €	Lowest tax revenue in 2014 €/inhabitant (mean): 4682 €
Highest annual rate 2014 € / Resident: 4682 €	Lowest annual rate 2014 € / Resident: 4682 €

The diversity of municipalities plays an important role in regional policy. Key factors for regional development are political decision-making, regional control systems, regions own decision-making and development goals, the functionality of regions, taking place in the territory of cities and towns processes and globalization. A particularly important role in regional development have regional restructuring, regional policy and regional legislation [64]. In Finland the development policy underlines that urban areas and rural areas are closely network with each other. A large part of the production facilities and the industry is located outside the metropolitan area, even though corporate headquarters are in the metropolitan area. In this case, companies usually pay their taxes to the municipality where the head office is. In Finland, however, the possibility of dual domiciled registration is being discussed [65], not just people's but also the place of companies' registration. In rural areas, the importance of locality and villages is essential due to the vitality of the regions. Because of this, Finland has actively involved in EU-funded local development programs.

One of these programs is Community-led local Development – program [66]. The key idea is so called **Leader**-method. Leaders' main idea is to use local expertise and knowledge in development work. Leader [67], with its clear reference to rural areas will continue to use also in the future for CLLD under the European (European Union) Agriculture Fund for Rural Development [68]. Can be said that Leader is a local development method of European Union, which have used for 20 years to engage local actors in the design and delivery of strategies, decision-making and resource allocation for the development of rural areas. In the 2014-2020 programming period, the Leader-method has extended under the broader term Community-Led Local Development (CLLD) [66]. Leader activities are part of place-based development, which is a key part of the local development rising from self-initiated co-operation and development.

In the European Agriculture Fund for Rural Development, Leader and place-based development is a mandatory way of working. In other EU funds, such as the Regional Development Funds [69], the Social Development Fund [70] and the Marine and Fisheries Fund [71] the Leader method is now voluntary. Leader has been operating in Finland since 1997. There are 54 Leader groups in Finland who make their own development programs and choose projects to be implemented. Leader funding can support, for example, the creation, development and investment of businesses, the vitality of villages, recreational opportunities and international activities. Leader is mainly implemented by local associations that receive funding for various above mentioned projects and development activities. These, usually small-scale projects play a major role in rural development. So-called Leader-groups are working in close cooperation with municipalities' administration and villages.

In Finland, there are over 4000 villages, 3 124 village-associations and 890 village councils in addition several other associations, which takes part of development of villages. Before mentioned administrative reform is going to change the working methods of municipalities as well. As result of the reform, Leader-type activities will increase in the local area. This is certainly the great challenge and opportunity at the local level to which the new municipality will respond. Amin [72] has stated that future measures should, however, strengthen and support collective interaction networks rather than individual actors. However, individual actors play their role in the development of regions and municipalities.

Helsinki municipal elections 2017 were the same time mayoral ("Lord Mayor") elections. The mayor acts as municipal manager and as a speaker of municipal council. Winner of the election in Helsinki, National Coalition Party, will get the mayor's place. The task will be to choose the election's largest voice king Jan Vapaavuori [73], who got 29 547 votes in municipal elections. As the point of regional policy and regional development, Jan Vapaavuori has announced that he wants to develop Helsinki one of the world's metropolises. This means regionally guiding the development capabilities of urbanization (urbanization is a global megatrend [74]) and centralization. He has also been critical to planned Helsinki great Mosque [75], because if the project is implemented, it will change the urban structure substantially and it can lead to segregation of population groups.

Metropolitan areas – one of the driving forces of development – are always the result of public as well as private decisions, the former consisting of the design of institutions (for regulating land use, promoting research and support to firms, providing social services, education, healthcare, water supply and so on) which are tailored to places. Moreover, the growth and development of metropolitan area has a great significance to the development of the whole country, with an emphasis on the interaction between the regions and network-like structure of cooperation [76]. However, different

kind of criticisms also exist and it has been found that the scattered urban structure slows down GDP growth. Usually in discussions concerning the regional policy and development, raised the positive effects of growth centers to their surrounding environment, but according to Lehtonen and Muilu [60], the results of some studies, the positive effects of growth centers do not extend very wide area, which has led under-utilization of natural resources, capital and labour in rural areas. This means that, urban resilience [77], development policy, careful planning of the land use and the geographical location of communities and other activities are essential elements for providing high standards of living, the functionality of the physical environment and sustainable development [78].

Fostering resilience in the face of environmental, socioeconomic, and political uncertainty and risk has captured the attention of academics [79] and decision makers across disciplines, sectors, and scales. Resilience has become an important goal especially for cities. Urban areas house most the world's population [74]. For example, in large- and medium-sized cities is home to 68.8% of the population in Finland [80]. In addition to functioning as nodes of resource consumption and as sites for innovation, have become laboratories for resilience, both in theory and in practice. Viia etc. [81] have noted, that European welfare states are at a critical turning point. European countries are undergoing transformation processes and the restructuring of welfare models is a key element in this international process. The main socio-economic changes the EU countries are facing include: economic restructuring, technological development, changes in work and the labour market, globalisation, mobility and economic interdependency, and blurring boundaries between spheres, institutions and identities. These changes are also familiar in Finland. How will a small welfare society like Finland develop in the future and how it can respond to regional development needs, remains to be seen.

4. Conclusions

Finnish municipalities are very different. Despite their variety, their field of work is similar and large-scale. For this reason, the Finnish municipality has, in international comparison, been unique, even exceptional. Maybe there are no other countries in the world, where municipalities have been responsible for such a large and important task. The development and changes of local government system is not new phenomena, but the ongoing administrative reform deeply changes the structures of Finnish administration and changes also understanding of the municipality. Municipalities are part of a larger system whose total activity is captured to local subsystems. Reciprocal-dependent systems of administration are the most effective when their components are both autonomous and flexible. The multifunctional system can reorganize changes so that the essential functions, structures and identities of the system can be maintained.

Finnish regional policy has changed over the decades. The process of building a Finnish state and public administration began in 1809, when six easternmost counties in Sweden were annexed to Russia. But anyway, the Senate, the provinces and the municipal administration was set up to take care of the local community tasks. The regulations of the municipal administration on the land (1865) and the municipal administration of the city (1873) governed by municipal decision-making. Taxation and financial management were the first step to the present-day municipal government.

Today, regional policy is closely linked to the European Union's norms and regulations. They, however, leave space for Finland's own interpretations and fulfilment of the goals. The roots of local-based and place-based regional development can be found in geography theories. Regional policy faces many challenges in terms of population aging, urbanization, rural depopulation and migration. From the bottom up, regional development can in the future provide significant opportunities for a one hundred years old country like Finland [81], while the whole country remains inhabited. Today, regional policy is closely linked to the European Union's norms and regulations. They, however, leave space for Finland's own interpretations and fulfilment of the goals. The roots of local-based and place-based regional development can be found in geography theories. Regional policy faces a lot of challenges in terms of population aging, urbanization, rural depopulation and migration. From the bottom up, regional development can in the future provide significant opportunities for a one hundred years old country like Finland [81], while the whole country remains inhabited.

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ADMINISTRATIVE REFORM AND THE REGIONAL POLICY IN FINLAND: THE PAST AND FUTURE

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This article clarifies shortly and incompletely the Finnish regional administration, its development policy, past and future. The article analyses also the influence of European Union regional policy and its influence on Finland. In Finland is currently running the largest administrative reform in history. As a result of the reform there will be 18 provinces (counties), who will take care of centrally regional planning and regional policy, but also social and health care.

Keywords: *Regional policy, regional administration, administrative reform, municipalities, local-based regional policy.*

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