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Title:

Finnish sub-national governance in flux: Top-down reform processes between European and domestic influence

Abstract:

The two main characteristic features of the Finnish two-tier system are on the one hand the strength of the traditional ministerial structure and on the other hand an extensive local self-government. Due to severe structural and socio-economic challenges, Finnish sub-national governance has been in constant flux and subject to successive reform processes since the accession to the European Union in 1995. Analyzing the reform processes from a top-down approach, the article specifies the mediating domestic factors, which in the Finnish case account for an indirect impact of Europe on sub-national mobilization. Although European perceptions of regions are clearly visible in sub-national policies, the European impact is, according to the results, strongly mediated by domestic factors, particularly by an interaction between contextual and institutional factors. The conclusion is that subnational developments since the early 1990s cannot be interpreted as a strengthening of regions at the expense of the State.

Keywords:

governance, sub-national authorities, regions, regional development, reform policy

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Introduction

Due to simultaneous developments of accelerated socio-economic transformation, geopolitical repositioning and rapid integration, Finnish sub-national governance has been in constant flux and subject to successive reform processes since the accession to the European Union in 1995 (Fritsch and Eskelinen, 2016; Sandberg, 2015; Andersson and Sjöblom, 2013). The European impact on these reform processes, and on domestic territorial governance structures and institutions in a broader sense, is, however, far from straightforward. On the one hand, sub-national policies clearly reflect the politics of scale deployed in the territorial and regional policies of the EU. On the other hand domestic challenges, interests and policy practices mediate the European impact to the extent that many studies tend to overstate the significance of domestic adaptation to European integration processes as an explanation to Finnish sub-national developments (cf. Kettunen and Kungla, 2005).

The current Finnish sub-national system is a result of continuous and rather complicated successive reform processes since the early 1990s. The focus of the reforms has been on structural, administrative and economic challenges to sub-national governance (Meklin and Pekola-Sjöblom, 2013). The main characteristic features of the Finnish two-tier system form the backdrop of these reforms, namely the strength of the traditional ministerial structure on the one hand and the extensive local self-government on the other. Finnish local government is a one-tier system consisting of municipalities and supplemented by extensive municipal cooperation, primarily by means of joint municipal authorities (Sjöblom, 2011). Due to the one-tier structure, local authorities are responsible of an exceptionally wide variety of duties, the most important of which are social welfare, health care, education, environmental protection and infrastructure. Despite the fact that municipal restructuring has been a priority of all governments since the early 2000s, the medium size of the municipalities is no more than 6600 inhabitants which means that Finnish municipalities still are comparatively small.

The second core part of the Finnish sub-national system, the regional level, underwent a fast adaptation to EU regulations and requirements prior to the accession in 1995. As will be described more thoroughly in subsequent sections, the Finnish regional administration of the past three decades has on the one hand faced efforts of streamlining and centralizing a previously very fragmented administrative structure. On the other hand, there is a strong reliance on a pluralized sub-regional multi-actor structure for the implementation of regional development policies (Kull, 2009; Kettunen and Kull, 2009). In early 2016, the Government however launched the most extensive administrative reform ever undertaken in Finland. The reform will, when implemented in 2020, transform the Finnish administration from a two-tier to a three-tier system, in which 18 counties will be responsible for public health care and social services as well as regional development policies (Ministry of Finance, 2016). The reform will, if implemented according to initial blueprints, dramatically change the future role of the municipalities as well as the relationship between the central State and subnational levels.

Departing from the aforementioned reform processes, the purpose of this article is thus to analyze how current subnational structures have emerged in interaction between a European politics of scale and domestic institutional constellations. The focus of the analysis will thus be on the *politics* and *polity* dimensions, i.e. how subnational structures have changed and taken shape since the accession

to the EU thus affecting the possibilities for sub-national mobilization. In addition, the policy dimension, i.e. key subnational challenges and the governmental solutions to these challenges, is of course of relevance for the analysis. Following the theoretical framework of the special issue, the more specific purpose is twofold, i.e. to determine the mediating domestic factors, which in the Finnish case account for an indirect impact of Europe on sub-national mobilization and to assess the possible consequences for state authority.

Conceptual points of departure

The article focuses on top down approaches to regional mobilization. This is mainly due the top-down nature of the Finnish public sector reform strategy. Subnational reforms as well as regional development policies have since the 1990s been strongly subordinated to national competitiveness, with the Government and the respective ministries as key actors for orchestrating the reform processes (Sandberg, 2015; Andersson and Sjöblom, 2013; Alasuutari, 2004). Furthermore, economic crises and fiscal constraints have clearly served as a window of opportunity for imposing new policy initiatives and for reinforcing State control of welfare sectors (Vrangbaek et al. 2017). Because of the extensive reform agenda of the past two decades, Finland provides an excellent case for analyzing the specific domestic factors, which mediate the European impact on top-down processes for sub-national mobilization.

This does not mean to say that bottom up approaches to sub-national mobilization have been without importance. In Finland, as in other EU member countries, The European structural policy and the concept of "Europe of the regions" provided a new political opportunity structure for sub-national authorities and other actors after the EU accession in 1995 (Godenhjelm, 2016; Kettunen and Kull, 2009). From a governance perspective, the move from state centred to post regionalist perceptions of regions above all reflected an increasing reliance on variable, collaborative and network based structures and interventions. In the case of Finland, it is however clear, that domestic institutional and contextual characteristics have inhibited a full-fledged implementation of post regionalist approaches to regional development.

Following the theoretical framework of this special issue, the focus of the following analysis is on the interaction between institutional and contextual factors in mediating the European impact. That is, which are the specific institutional and contextual factors and how have they affected agency, here interpreted as the capacity building of sub-national actors. Furthermore, one should not underestimate the importance of "discursive European impact", meaning that "Europe" might be present in the political practices without being explicitly manifested in formal institutional structures (Lehmkuhl 2008, 353; Luukkonen, 2011, 254). European integration may, for instance, trigger domestic change by altering the beliefs and expectations of domestic actors. The discursive European impact is of potential importance with respect to the norms and values for selecting regional administrative solutions and for addressing domestic regional problems. European policies and ideas can thus serve as a point of reference for reform-minded domestic actors and provide additional legitimation for reforms at national and sub-national levels (Knill and Lehmkuhl, 2001).

The reminder of the article is structured as follows: Next section provides a brief summary of the general qualities of the Finnish sub-national system, serving as a point of departure for an analysis of the contextual and institutional mediating factors in the subsequent sections. The analysis is followed by an assessment of their impact on agency, here interpreted as the capacities of key actors of the Finnish sub-national governance structure. Norms and values are scrutinized with to the procedures and practices guiding collaborative implementation of regional development policies. The outcomes in terms of a potential state re-scaling is assed in the final section of the article.

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The Finnish sub-national level – general characteristics

The Finnish administrative system has since the independence in 1917 been characterized by a Nordic-style two-tier structure, comprising the central government and the municipal level which is equipped with a high degree of local self-government (Sjöblom, 2011). As the Finnish municipal level is a one-tier system, the local authorities are responsible of an exceptionally wide variety of duties. As the differences between the Finnish municipalities are considerable and due to a lack of regional multi-purpose authorities for infrastructure and service provision, there has been a constant need to intensify various modes of inter-municipal cooperation. Contrary to many other European countries, key functions such as public hospitals, upper secondary schools and adult education centres are under the responsibility of municipalities. Joint municipal authorities constitute the most important form of cooperation supplemented by a variety of activities ranging from local economic development programs and regional strategies to contractual cooperation within e.g. public transport, education, health, regional e-government and culture (Haveri and Airaksinen, 2007).

With respect to regional level developments since the early 1990s, the EU accession was definitely a watershed. Before the accession, the intermediate level consisted of 12 provinces and a very diverse state district organization under the respective ministries. The intermediary structures between municipal and provincial levels of government were rather weakly developed (Kettunen & Kungla 2007, 368). The regional level reforms began in 1993 when responsibility for regional development was transferred from the state-bound provincial governments to local government-bound regional councils. Without doubt, the establishment of regional councils can be seen a solution to the misfit that existed between principles (such as subsidiarity) and institutional demands of EU regional policies on the one hand and the earlier Finnish model of state-bound provincial governments on the other hand. (Kettunen & Kungla, 2007, 368). In 1997, the government furthermore decided upon a series of reforms under the heading Regional Reform 2000, the first of which was a radical reform of the provincial governments, later abolished through a subsequent reform in 2010.

In the latest major reform implemented in 2010, the government established two state administrative bodies in order to streamline state regional functions. By consequence, the current regional administrative level consists of 15 Centres for Economic development, Transport and the Environment (ELY centres), six Regional State Administrative Agencies (AVI centres), 19 regional councils and a number of other state administrative districts under the ministries. Despite these reforms, the Finnish regional administration does, for the time being, not include authorities, which

meet ideal perceptions of SNAs as authorities with and elected assembly that appoints a regional executive (cf. Borghetto and Franchino, 2010: 759).

To summarize, several features of the Finnish politico-administrative system are important for understanding the more specific mediating domestic factors, which account for on indirect impact of Europe on sub-national mobilization. These general characteristics are: strong ministerial powers; an extensive local self-government inhibited by an accelerating municipal capacity problem; a regional level characterised by weak political powers due to a lack of directly elected bodies and a fragmented regional administration in which responsibilities are divided between a large number of administrative agencies and districts without clearly defined over all coordinating responsibilities. These general features also form the backdrop of the current reform agenda, to bes scrutinized more thoroughly below. The contextual factors of importance for the developments are addressed in the next section.

Contextual factors: Economic and societal challenges

The Finnish economy and society was for a long time dominated by primary production. The post-war changes were rapid and challenging in terms of regional development. The urbanization and industrialization of the 1960s and 1970s were the fastest in Europe. The late 1960s and the early 1970s was a period of rural depopulation known as the era of the "Great Migration". Over the period 1950-95 the population of the urban areas increased from 2 million to 3, 5 million. As Finland is a country large in area but small in terms of population, particularly the low population density, considerable regional differences and the strategic positioning with respect to the Russian Federation, the Baltic Sea, as well as the northernmost regions and the Arctic, form important constitutive aspects of sub-national developments since the early 1990s (Fritsch & Eskelinen, 2011; Paasi ,2005).

Despite the challenges, the gradual adaptation of the universal welfare model to the decentralized municipal system from the late 1960s onwards proved to be successful. The 1960s and 1970s were a period of rapid service expansion by means of a considerable increase in central state funding and regulation as well as state-controlled planning systems. In addition, the Finnish regional policy of that time was partly successful as there was a clear development of regional convergence in per capita income (Tervo, 2003). However, the urbanization and industrialization of the 1960s and 1970s were the fastest in Europe. Production and population were gradually concentrated to the Helsinki capital area and other main centres of the country.

Finland experienced a fast recovery from the economic recession of the early 1990s. For over a decade, the country enjoyed a strong output growth led by the high-tech sector until the 2008 global financial and economic crisis. Presently, government finances are facing increasing pressures due to rising costs related to ageing and demand for health care services as well as slower economic growth, largely reflecting structural factors such as deteriorating competitiveness and downsizing in the electronics and forestry sectors. Due to the rising costs of ageing and mounting public debt

structural reforms, i.e. pension reforms and the public sector reforms described in the previous sections, have by the governments of the past decade been defined as core instruments for medium-term consolidation of the fiscal policy. This reform agenda is strongly supported by the OECD (e.g. OECD, 2014, OECD, 2015).

Turning from the national level to the more specific long-term developments of Finnish regions, two mega-trends are of particular importance: On the one hand, a clear regional convergence in per capita income levels but on the other hand a simultaneous concentration of production and population to the Helsinki region and other main city centres of the country. Convergence came to a halt in the 1990s. The positive aggregate development after the recession years was based on uneven regional growth (Huovari et al. 2001; Tervo 2005). Moreover, Finland was especially hard hit by the 2008 financial crisis as the volume of exports shrunk by 20% and imports by 18%, causing an especially problematic development in regions relying on paper and pulp industry. In terms of economic performance, all regions located in the northern and eastern parts of the country are below the European average and five counties show a level of GDP per capita below the 90% threshold of the EU average (Nordregio, 2014: 63).

The second mega-trend, the concentration of production and population to urban areas, has been a process of continuous acceleration especially after the recession years of 1991-93. Studies using municipal borders as a proxy for physical space show that over 90 percent of the Finnish territory constitutes an out-migration area (Hanell, Aalbu and Neubauer, 2002, Tervo, 2003, Sjöblom, 2012). By consequence, 70 percent of Finland's population lives in urban regions, covering only about five percent of the country's total area. The regional city centres and their surrounding areas will thus continue to have better development prospects than the peripheral areas in terms of industrial development, standards of living and welfare (OECD, 2010: 112). By consequence, traditional regional cleavages prevail and they are increasing. The relationship between urban and rural areas is growing increasingly challenging. Also the changing demographic situation is a major concern as the Finnish population is ageing faster than anywhere else in Europe. The elderly dependency ratios are comparatively high in most of the Finnish regions (Nordregio, 2014: 25 f.) but the development exacerbates the situation especially in sparsely populated areas already faced with out-migration.

The financial base of the decentralized welfare system gradually deteriorated to the extent that reforms were inevitable. The economic recession of the early 1990s was a definitive turning point, partly explaining the extensive reform agenda of all cabinets since the early 1990s (Andersson and Sjöblom, 2013; Alasuutari, 2004). To summarize, the economic recession in the early 1990s and the subsequent crisis in 2008 together with persisting regional – particularly urban rural – cleavages have been the most important contextual factors, also strongly mediating the potential empowering effect of the EU. Recent studies of two welfare sectors, health care and higher education in Finland and Denmark, indicate a pattern of stepwise adjustment where the severity of responses is stepped up as the crisis persists (Vrangbaek et al. 2017: 26 f.). The authors argue that the external shock of an economic crisis can serve as a window of opportunity for imposing new policy initiatives and reinforcing ongoing efforts to tighten state control over welfare sectors. The same pattern is clearly visible in the aforementioned

reforms and in the strongly top-down driven reform strategy. This turns us to the second important category of factors, namely the institutional and political factors.

Institutional and political factors

As shown in the previous sections, Finnish sub-national governance since the early 1990s been subject to several comprehensive and successive reform efforts. Although the reforms have of course had considerable effects on procedures and inter-organizational relationships, the local and the regional levels have to a considerable extent evolved separately. The current regional government reform is the first one to require major simultaneous re-organizations at both levels, thereby also altering the very foundation of the politico-administrative system. Although the focus of this special issue is on regions, Finnish institutional developments are impossible to understand without considering the interaction between municipal and regional structures. In this section key institutional and political factors – and their possible mediating effects on the European influence – are specified through an analysis of intergovernmental relations. The question is what the key qualities of these relations are and how they have materialized in major reform processes from the municipal reforms of the early 2000s to the current efforts of regionalizing major parts of the welfare services.

Quality of intergovernmental relations

The two main characteristic features of the Finnish two-tier system have on the one hand been the strength of the traditional ministerial structure and on the other hand an extensive local self-government. Reflecting on the Finnish public sector reform agenda since the 1990s it is clear that the increasingly multi-level character of the system, caused by internationalization in general and the EU accession in particular, has been an important backdrop for increasing the strategic agility of the central State administration. In the early 2000s, an influential international evaluation of the Finnish governance agenda stated that the traditional ministerial structures and a relatively limited involvement of civil society in governing is a problem for creating a flexible responsive capacity for the public sector (Ministry of Finance, 2000: 15). In their recommendations, the evaluators particularly emphasized horizontal governance in terms of strategic thinking and management, shared policy development and project management as well as reducing vertical bureaucratic competition by overcoming ministerial stovepipes. These objectives and many others have been on the reform agenda ever since.

As confirmed by recent comparisons, particularly the COCOPS-project (e.g. Hammerschmid et al. 2015), public sector reform trends have indeed been stronger in Finland than in many other countries. Finland is in these comparisons above average on e.g. transparency and open government, collaboration and co-operation among different public sector actors, e-government, focusing outcomes and results as well as external partnerships and strategic alliances (Hammerschmid et al. 2015: 131). Reform efforts such as public sector downsizing, agencification and privatization are according to the results comparatively less important in Finland, primarily

because these reforms reached their peak already in the 1990s. Most importantly, however, the results also reveal a comparatively strong top-down implementation of the reforms.

When the authors characterize Finnish reforms as *'active top-down policies without rocking the boat'*, (Hammerschmid et al. 2015: 131-134) they touch upon an essential feature of the Finnish politico-administrative culture. The top-down tradition and the strong ministerial structure have been hard to break, which is also clearly reflected in the sub-national reforms more thoroughly described below. The Ministry of Finance, the Ministry of Interior, and later the Ministry of Economic Affairs and the Employment, have played a major role in the preparation and implementation of the reforms. The government has made the decisions and the Parliament has been involved to the extent that all major reforms have required new legislation.

In practice, agreements between the party leaders and core ministers of the respective cabinets have however been crucial for initiating all major reforms (Sandberg, 2015). It is important to recognize that traditional divides in Finnish political life have had considerable bearing on the reforms. While the Social Democrats and the Conservatives have been in favor of strong municipalities and a two-tier system, the Centre has traditionally favored a development of the local as well as the regional level, not the least due to the party's strong position in the rural regions (Andersson and Sjöblom, 2013; Sjöblom, 2011). As will be illustrated more thoroughly below, the solutions to the municipal capacity problem proposed by various cabinets, as well as the weak results of the municipal reforms, should be understood against the background of traditional political cleavages. Furthermore it is clear that the two-tier system over time has caused an imbalance between administrative levels in the sense that the regions have remained weak, a fact which in combination with the aforementioned political tensions, until today has prevented a more radical regionalization of Finnish welfare systems.

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The municipal capacity problem – path dependent transformation?

The successive municipal reforms since the early 2000s took the shape of a process in which multiple reform strategies gradually, as the problems persisted, were narrowed down to a few alternatives with a strong emphasis on municipal mergers. As shown below, this process has strengthened rather than weakened the aforementioned top-down and state-centered nature of Finnish sub-national reform policies.

In 2005, the Center Party joined forces with the National Coalition Party and the social democrats by launching an extensive reform project for restructuring the municipalities and their services, the so-called PARAS-project (Meklin & Pekola-Sjöblom, 2013). The main instruments of the reform were voluntary municipal mergers and intensified cooperation between existing municipalities. The reform was, however, voluntary and a limited number of municipalities decided to merge, despite economic incentives.

Because of the allegedly weak results of the PARAS project, the new government formed after the parliamentary election in 2011 and led by the National Coalition Party decided to launch a new reform, much more radical than the PARAS project (Meklin and Pekola-Sjöblom, 2013;

Andersson and Sjöblom, 2013). According to the first and most radical blueprint of the reform, the number of municipalities was to be reduced from somewhat under 350 units to 70.

Key parameters in the new reform were on the one hand the conception that Finnish municipalities are predominately (welfare) service producing organizations. This deviates decisively from the view of the municipalities as units for democracy and citizenship. The service-providing municipality has been an important unifying concept of the coalition between social democrats, proposing welfare services, and conservatives promoting business-like behavior also in the public sector (Strandberg, 1998). Moreover, the concept relied on a vision of municipalities as commuting areas (postmodern localities). One consequence of this model would have been an erosion of the traditional rural anchorage of Finnish municipal and political life. One consequence of the two reform projects was a reduction of the number of municipalities by means of voluntary amalgamations from 452 in the year 2000 to 311 in 2017. Still the median size of a Finnish municipality is no more than 6,600 inhabitants.

The two reforms failed in achieving their objectives for several reasons (Sandberg, 2016). The results of the voluntary reforms were mixed, ranging from very radical amalgamations to inaction. Furthermore, the voluntary reform scheme did not include any measures to discipline veto players, meaning that the most reluctant partners in some regions dictated the solutions. While most parties agreed on the need for reform, there was a basic disagreement concerning methods and sequence. While the first reform (2006–2011) placed a high value on multiple reform strategies and stimulated inter-municipal co-operation alongside amalgamations, the aim of the government in the 2011 reform was to narrow the number of alternatives, and to guide the outcomes of local processes more thoroughly compared to the previous government (Meklin and Pekola-Sjöblom, 2013, Andersson and Sjöblom, 2013). A basic conflict in the reform scheme was the attempt to pursue an extensive reform through voluntary means (Sandberg 2015).

Despite the extensive reform efforts, the capacity problem of Finnish municipalities remains and Finnish local governments thus face one of their most significant challenges for decades. As extensive reforms of the municipal structure had remained fruitless, in 2016 the center-conservative government redirected the sub-national reform strategy towards a regionalization of key welfare services (Ministry of Finance, 2017). If implemented in 2020 according to initial blueprints, the Regional Government, Health and Social Services Reform will be the most radical welfare reform ever undertaken in Finland, turning the politico-administrative structure into a three-tier system. The responsibility for social and health care will be transferred to a new autonomous level of 19 regions or counties. Counties will be responsible for healthcare and social welfare, rescue 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. Even if municipal boundaries remain the same, about 60% of the municipal duties will be transferred to this new regional level. Municipalities continue to exist as communities for local involvement, democracy, culture and vitality. The refom will of course have extensive effects also on the activities, finances and politics of local authorities. Although the emphasis in the reform debate has been on social and health care, the proposed reform implies, as more thoroughly

described in next section, a complete reorganization of the existing sub-national administrative structure.[1]

A European impact has not been explicitly visible in the aforementioned municipal reforms. Domestic contextual challenges were the main targets of the reform efforts. Still it is clear that some elements of the reforms – particularly the most radical structural visions and the emphasis on urban regions - have relied on a concept, which is clearly more compatible with the politics of scale deployed in European regional and territorial policies. However, the rural-urban divide, and corresponding political tensions, had a strong mediating impact on reform objectives based on politics of scale, which made it impossible to reach sufficient political support for the most radical reform initiatives. In a long-term perspective, Finnish local developments can thus be interpreted as a process of path dependent transformation. During the post war era, historical and political tensions corresponding to the urban-rural divide have made it impossible to follow the Swedish example, i.e. approach the municipal capacity problem by means of extensive amalgamation reforms. Due to the political tensions, it was impossible to reach an agreement on similar reforms in Finland. The Finnish alternative was a municipal structure with small municipalities supported by extensive state subsidies and transfers.

The dynamics of the reform processes are however also an example of stepwise governmental adjustment where the alternatives are narrowed down and the severity of responses is stepped up as financial and political constraints persist (Vrangbaek et al. 2017: 26 f.). In the Finnish case, the constraints provided an opportunity for a top-down and path breaking redirection of the sub-national reform policy towards a regionalization of welfare services. Furthermore, there is an indirect European impact in the sense the regional councils established in 1993 provided a geographical and institutional opportunity structure for regionalization. This turns us to the question of the effects of these developments on agency, i.e. the capacities of key actors in the Finnish sub-national governance structure.

Agency: Capacity building and the Finnish sub-national governance structure

Finland belongs to the group of EU states, which since the early 1990s have increased their regional authority (Borghetto and Franchino, 2010: 759; Hooghe et al. 2008). The regional councils established in 1993 can be interpreted as a rather straightforward adaptation to EU requirements in order to achieve 'goodness of fit', i.e. to adapt domestic administrative structures and policy instruments to EU legal obligations. The efforts for streamlining regional structures in order to avoid institutional and policy misfit correspond to similar developments observed in many other EU countries since the 1980s (Börzel and Risse, 2003; Knill and Lenschow, 1998). The regional councils, together with a programmatic way of planning, appeared to strengthen the regional level

[1] It should be said that the proposed reform has from the beginning been very controversial in political, constitutional as well as administrative respects. At the time of writing (October 2017), it is by no means clear that the reform will be implemented according to initial outlines. In July 2017, the government decided to postpone the reform with one year. It is now to be implemented in January 2020.

administration. Moreover, the role of the regional councils in coordinating and implementing the regional development programmes was, at least seemingly, in correspondence with prevailing ideas of regionalization (cf. Kull and Kettunen, 2009; Kettunen and Kungla, 2005). However, as shown in the previous section, the Finnish regional administration is still rather fragmented despite the re-organizations a few years prior to the EU-accession and subsequent reforms during the following decade.

Providing that the Regional Government, Health and Social Services Reform will be implemented according to initial blueprints, the adaptive reforms of the 1990s have however indirectly provided an administrative opportunity structure for a regionalization of a considerable part of the welfare services. Besides transferring health and social services to the regional level, the purpose of the reform package is to harmonize the state regional administration with county government administration and to rationalize the organization of public-sector administration at state, regional and municipal levels. As a primary solution, the government envisages a centralization of functions, tasks and authority into clear, autonomous regions, i.e. the counties.

All of the statutory duties handled by the regional councils will be transferred to the counties. The same goes for most of the duties of the Centres for Economic Development, Transport and the Environment. The counties will agree on the provision of employment and economic development services with municipal, private sector and third-sector producers that meet the criteria laid down in legislation (Ministry of Finance, 2017).The provision of rescue services and pre-hospital emergency care will be assigned to five counties that maintain a university hospital based on the counties' collaborative catchment areas. The current six Regional State Administrative Agencies will be formed into a single authority with nationwide responsibilities. The comprehensive reform package to be implemented in 2020 implies a considerable upgrading of Finnish regions through a transfer of duties and authority form the municipal level and from the state regulatory agencies.

For the time being, it is however clear that the fragmented nature of the structure has had several consequences. Firstly, studies have shown that the possibilities of the regional councils for controlling and coordinating other actors are rather limited. The sub-national context offers a considerable number of veto points (Kettunen & Kungla, 2007: 369). Secondly, a stronger position for the regional councils relative to the state regulatory agencies would require a more extensive control over funds. Thirdly, as the councils are not elected by popular vote, their democratic legitimacy is relatively weak.

So far, the Finnish regional development system thus relies on a pluralized sub-regional multi-actor structure (table 1) for the implementation of regional development policies. Because of these characteristics, there are considerable inter-regional variations in terms of procedures, practices and collaborative capacities (Sjöblom & Andersson 2016). The pluralized structure is partly due to the fact that Finland, contrary to many other countries, has never had a conventional RDA structure (cf. Prota & al. 2012; Teräs & Alatossava, 2012). Regional development activities are based on a mix of the aforementioned regional authorities, semi-private regional development organizations and municipalities. Furthermore, sub-regional development agencies (SRDAs) and a number of organisations The Finnish Funding Agency for Technology and Innovation (Tekes), the Finnish Innovation Fund (Sitra), the State financing company (Finnvera) and the Association for promoting

SRDAs (SEKES) are important not the least for the funding and coordination of regional development activities.

Table 1. The regional governance structure in Finland until 2020

Key administrative units	Key actors	National intermediaries and organizations
• Ministry of Employment and the Economy • ELY-centres • AVI-centres • Regional councils	• Municipalities • Local companies and associations • Local development companies	• SRDAs • Technology Centres • Tekes, Sitra, Finnvera • SEKES

Source: Adapted from Teräs & Alatossava 2012; Sjöblom & Andersson 2016

Insofar as the proposed democratically elected county structure will replace the regional councils and take full responsibility for the implementation of regional development policies, the long-term consequence might be that future Finnish regions will be more consistent with a European conception of regions than before. Although the reforms in the mid-1990s were an adaptation to EU requirements, the subsequent developments cannot, for the time being, be interpreted as a strengthening of the regions at the expense of the central state. State regulatory agencies are still very much present in the current administrative structure.

Norms and values: Perceptions of Europe in regional development actions

In addition to the aforementioned administrative and institutional adaptation in the 1990s, EU integration of course also affected inter-institutional relations and strengthened the multi-level character of the politico-administrative system (cf. Kull, 2009). These developments are perhaps most clearly visible in the norms and values guiding the implementation of regional development policies. In addition to the pluralized actor structure described in the previous section, two features are particularly salient: a) the increasingly programmatic character of regional development actions, and b) the strong reliance on a collaborative policy style at sub-national levels.

As for the programmatic character of regional development policies, it is important to recognize that the EU accession coincided with the early stages of a transformation process through which Finland has gradually developed from a welfare state towards a competition state (Alasuutari, 2004; Luukkonen, 2011). In policy terms, this manifested itself in a shift from policies targeting welfare provision in the entire country towards the promotion and support of innovation-driven development focusing on urban centres and regional clusters (Luukkonen, 2011: 267; Jauhiainen and Suorsa, 2008). Consequently, also the perception of regional challenges changed from targeting narrowly defined problem regions to policies and instruments focusing on the development of the entire country (OECD, 2010: 112). Regional policies became increasingly subordinate to national competitiveness. After the recession in the 1990s, a “competitive and knowledge-based economy” became the overarching objective, meaning that technology- and knowledge-based devices largely displaced traditional regional policy instruments (Tervo, 2005). Studies have shown that despite the

fact that explicit references to Europe or to the EU are scarce in regional strategies and policy documents, European norms and styles of thought have strongly influenced the practices of sub-regional actors and the implementation of regional policies. Spatial planning in (and for) Europe is utilized to promote the European integration process by binding regional policies to European spatial visions and narratives (Luukkonen, 2011: 267).

Concerning the second important feature, the increasingly collaborative sub-national policy style, it is clear that the institutional transformations described above gave the private sector as well as non-governmental institutions and interest groups access to policymaking processes and that they increasingly interact with government institutions at all administrative levels (Godenhjelm 2016; Sjöblom and Andersson, 2016). Taking into account the aforementioned severe cleavages between urban and rural areas there is an evident need for reinforcing a place-based regional policy that involves regional and local stakeholders in the development process following a rationale partly indicated already in the Territorial Agenda of the EU of 2007 and the Treaty of Lisbon in 2009. At least in a programmatic sense the Finnish regional development strategy for 2020 corresponds to these needs in so far as increasing active participation, co-operation and networking among citizens and actors is emphasized as one of the key principles of the strategy (Ministry of Employment and the Economy, 2010: 37, Sjöblom and Andersson, 2016).

The conclusions to be drawn of these collaborative developments are, however, somewhat mixed. The most profound expression is perhaps the huge increase in sub-national project activities. Under the EU 2007–2013 Structural Fund programmes, roughly, 18.600 projects were carried out in Finland, 60 percent of which were implemented in Eastern and Northern Finland. The extensive regional and local level project activities represent a considerable potential for increasingly place-based and spatially integrative regional development processes but the potentials appear to be directed towards specific types of areas, particularly in the rural-urban fringe and at the interface between rural centres and rural heartland. The possibilities for integrating the extremes of the rural-urban scale – urban areas and sparsely populated rural areas – are considerable weaker (Sjöblom and Andersson, 2016).

Furthermore, somewhat paradoxically EU Structural Fund programmes have, strengthened the central state's representation in the regions. After studying the implementation of Leader+ initiatives in Finland and Germany, Kull (2009) argues that the "Finnish way" of including local residents and local businesses in implementing rural development policies has on the one hand been outstanding by representing a more genuine bottom-up approach than in many other EU countries. On the other hand one cannot, according to Kull's analyses, neglect the powerful position of the central state, be it in the bargaining process for the budget or in designing the overall policy structure. State regulatory agencies are also actively involved in individual regional development projects (Andersson and Sjöblom, 2015; Godenhjelm, 2017). Inter-regional variations in collaborative patterns are however considerable, not the least due to a lack of democratically legitimized institutions with overall coordinative responsibilities.

- discursive Europeanisation in här

Conclusions

Since the early 1990s, Finnish sub-national governance has been in constant flux. The multifarious changes and successive reform processes are reflections of complex societal challenges. There has certainly been a reallocation of authority from the national to regional and local levels and efforts of upgrading the significance of regions in sub-national decision-making but for the time being none of these developments can be taken into account for a weakening of national state authority. Contextual and institutional factors as well as historical and political cleavages constraining the range of alternatives within sub-national reform processes, have mediated the European impact (table 2). The most important contextual factors have been the economic recession in the early 1990s and the subsequent crisis in 2008 leading to a gradual deterioration of the financial base of the decentralized welfare system and to persisting cleavages between urban and rural areas.

With respect to institutional factors, there is a clear power imbalance between the administrative levels. The regions and the regional administrative structure have remained weak and fragmented in the Finnish two-tier system, which mainly relies strong ministerial powers and extensive local self-government. For historical reasons, political tensions reflecting the aforementioned urban-rural cleavages have been hard to overcome. Despite several efforts throughout the independence for empowering the regional level, the legal-constitutional powers of the regulatory agencies and the regional councils are limited and their democratic legitimacy is weak. For the time being, the Finnish regional-level administrative structure does not include authorities, which meet ideal perceptions of SNAs as authorities with and elected assembly that appoints a regional executive. The ongoing Regional Government, Health and Social Services Reform may in the future alter that picture.

So far, the regional administrative level has however developed incrementally into a rather fragmented structure of state provincial administration. Although the regional level administrative reforms in the early1990s, particularly the regional councils established in 1993, were a response to an institutional misfit between the European institutions and domestic structures, the possibilities of the regional councils for controlling and coordinating regional development actions are rather limited. Although the current multi-actors structure responsible for the implementation of regional development policies represents a strong collaborative potential, the inter-regional variations in collaborative patterns are considerable due to a lack of democratically legitimized institutions with overall coordinative responsibilities.

Table 2. Key mediating factors in Finnish sub-national developments

Category of factors	**Mediating domestic factors**
Contextual factors	Economic recession in 1990-1993 and 2008
	Persisting regional cleavages between urban and rural areas
	Deteriorating financial base of the decentralized welfare system

Path dependency	Historical and political tensions constraining the range of alternatives in sub-national reform processes
Institutional factors	Power imbalance between administrative levels in the two-tier structure
	Fragmented regional-level administrative structure
	Lack of SNAs with legal-constitutional powers and democratic legitimacy
Agency	Pluralized actor structure with a collaborative potential
	Lack of coordinative capacities causing inter-regional variations in collaborative patterns
Norms and values	Strong top-down tradition
	European perceptions of regional development subordinated to national competitiveness

The impact of European norms and values is most clearly visible in the implementation of regional development policies. Like in other member states, the EU accession strengthened the multi-level character and the collaborative features of the politico-administrative system. Furthermore, there is a clear discursive impact in the sense that European perceptions of regions - such as innovation driven regional development, urban regions, regional clusters and European spatial visions – have had a bearing on domestic regional development strategies and discourses. However, regional development objectives and targets are strongly subordinated to national competitiveness, a fact that also partly explains the top-down nature of Finnish sub-national reform policies. The top-down features of the reforms have prevailed regardless of coalition in power. The perception of a 'strong State' is still very much present in Finnish sub-national reform policies. The current reform of regional government introducing a new county structure will not necessarily alter the top-down features of the system. In the blueprint of the reform, the government explicitly envisages a strengthening of government steering of welfare services in order to provide people with equal services and curb increases in expenses. Furthermore, the State shall have primary responsibility for financing the counties.

For the time being one cannot interpret the Finnish sub-national developments since the early 1990s as a strengthening of regions at the expense of the State. In terms of State rescaling processes, one has to characterize the European impact as neutral due to several mediating domestic factors. However, as the counties in the future also will have full responsibility for the implementation of regional development policies, and as the councils will be elected by popular vote, future Finnish regions may be more consistent with a European conception of regions than before.

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