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FOREIGN EXPERIENCE OF ORGANIZING LOCAL SELF-GOVERNMENT ON THE EXAMPLE OF FINLAND

The article analyzes the effectiveness of the socio-economic development of municipal entities on the example of Finland. Problematic issues in the organization of local self-government were studied, and an analysis of these issues was carried out in order to take them into account in further transformations in our country. When conducting an analysis of the effectiveness of local self-government in Finland, the problem of increasing the average age of the population was clarified, and the directions for solving the problem of ensuring an adequate standard of living for the elderly were outlined.

Keywords: *local self-government, public administration, reform, socio-economic development, municipal entities.*

Formulation of the problem. Effective socio-economic development of a municipal entity depends on many factors. An important role should be given to competent planning, which is a natural form of any purposeful human activity. Planning itself is designed to balance the needs of the municipal community and its capabilities. Over the past decades, significant transformations have taken place in the field of budget planning. Decentralization of power in our country is becoming an increasingly urgent process, and the study of problematic issues in the experience of developed countries requires additional study for the effective reformation of state power in Ukraine.

Analysis of recent research and publications. The issue of decentralization of power in Ukraine is considered directly with the analysis of such transformations in successful countries. When conducting an analysis of such transformations, the problematic issues and shortcomings that occurred during such transformations in developed countries require in-depth study. The main scientific works in this direction were carried out by the following scientists: O. V. Shevchenko, R. V. Plyushch, and J. A. Zhalilo.

Presenting main material. For the past few years, Finland has received the best marks in Europe for the organization of the main formations - which was the task of the local authorities. Finland and its Scandinavian neighbors are well known for their high level of social protection and health care, which is also a task of local self-government in Finland. Previously, the Finnish economy relied on a strong forestry and pulp and paper industry. However, in the recent past, the sector has been significantly affected by the effects of globalization and the shift of investment to developing countries in Asia and Latin America. High technologies have taken a leading position in Finnish exports. Until recently, Nokia mobile phones held leading positions in the world market, experiencing fierce competition. The largest companies in Finland are largely involved in globalization processes: they are owned by foreign shareholders. The largest owners of Nokia are US pension funds. Perhaps Sweden is the world leader in solving the problems of gender equality, but in Finland, too, women have a significant weight in society.[3] Finland has been a member of the European Union since 1995, but not a member of NATO.

As of May 2012, Finland had 5.4 million inhabitants. The domestic economy of the country is small and, on the contrary, highly dependent on exports. The global financial crisis dealt a painful blow to the Finnish economy. The country is located in Northern Europe, at a considerable distance from its Central part. The level of taxation in Finland is much higher than in Ukraine. The country's population is aging: the number of children in the age structure of the population is decreasing, and the number of pensioners is increasing. Despite the fact that the social picture looks generally prosperous, about 10-15% of residents have difficulties. Recently, there has been an increase in the level of unemployment, poverty and alcohol consumption.

Public administration in Finland consists of three levels: state, regional and local. Sometimes only two levels of this system are distinguished - the levels of central and local administration. At the regional level, direct elections are not held, regional government bodies are partly state bodies, but mostly local government cooperation bodies, none of the others have the authority to collect taxes. Until the end of 2009, Finland was divided into 6 provinces, each of which was governed by a governor appointed by the President of Finland. However, starting from 2010, governorates and governorships were abolished. [6] From now on, subdivisions of ministries work at the regional level, and regional development and regional health care are joint tasks of the local authorities of the region and are financed from local budgets.

Local self-government in Finland has a one-level structure. As of 2009, there were 348 municipalities in the country. One of them is Helsinki, the capital of Finland with a population of 583 thousand people. Sottunga, the smallest municipality located in an archipelago of islands in the Baltic Sea, has only 120 inhabitants. In general, the municipalities of Finland are extremely different from each other, but the scope of duties is the same for all of them. On average, a municipality covers an area of 873 square kilometers and has 15,200 inhabitants, but half of all municipalities have less than 6,000 inhabitants on their territory. The issue of what a municipal entity will be called - a city or a rural settlement - is decided by the State Council. Usually, a rural municipality includes several settlements or villages that have their own governing bodies. [7] The legislation provides that urban and rural municipal entities do not have differences in legal status.

The highest authority of a municipality in Finland is the Municipal Council. Its members are elected every 4 years from among the residents of the municipality in local elections. In the 2008 elections, the three largest parties received approximately 20% of the vote each, while the other five parties received just over 4% of the vote each. The most popular parties were the right wing of the national coalition, the Social Democrats and the Finnish Center party, which represents the interests of rural residents. The Green Union

is more popular in cities. The Left Union, close to long-time supporters of communist views, gradually lost their support.

The Municipal Council forms the Board, which is engaged in the preparation of issues for consideration by the Municipal Council, as well as the implementation of the latest decisions. Some sectoral committees (for education, technical issues, social security and health care, etc.) are also appointed by the Council. All parties represented in the Council are also represented in the Board, social and committees - in proportion to the number of members of the Council and the total number of votes from each party. There is no opposition in Finnish municipalities, as each party participates in all political decisions. Many members of the Finnish Parliament and even some ministers are members of their Municipal Councils, where most of them started their political careers.

The head of the administration of the municipality is not elected through direct elections. The management of the municipal administration is carried out by a professional municipal manager appointed by the Council and responsible to him. The municipal administrator, like all full-time experts in the field of municipal administration, usually continues to hold his position regardless of the results of the newly held elections. [4] This guarantees professional stability in the work of local bodies. Finns expect professionalism and competence from local authorities, but not quick populist changes. Most municipal managers have university degrees. Half of them studied municipal administration at the University of Tampere. The Council has the right to dismiss the Manager on the grounds provided for by law, but this happens very rarely.

Municipalities in Finland provide public municipal services to their residents, such as social security (daily care for children, care for the elderly, care for the disabled), health care (all hospitals), education (primary, secondary, vocational), services in the sphere of culture (libraries, sports), environmental protection, as well as technical infrastructure (urban planning, maintenance of local roads and streets, water supply, waste water control, organization of waste collection and disposal). Many municipalities accept tasks related to the organization of central heating, electricity supply, as well as providing the population with public transport services on a voluntary basis.

Finnish municipalities and inter-municipal cooperation bodies have 424,000 employees. Moreover, there are 79 employees per 1,000 inhabitants, which is more than double the similar number of all civil servants. Of all municipal employees, 30.9% are employed in health care, 26.5% in social services, 26.1% in education and culture, 4.2% in urban planning and infrastructure, and finally, at municipal enterprises – 4.6%. The main part of municipal employees consists of teachers, average medical personnel, and social workers. [2]

The current law on local self-government in Finland was adopted in 1995. In addition to it, about 400 laws relate to issues of local self-government. All laws of the country are adopted by the Parliament, and resolutions by the Cabinet of Ministers.

The average size of the local budget in 2021 was 8,050 euros per capita per year. This indicator is approximately equal to the similar indicator of the state budget. And the total budget of Finnish municipalities can be compared in size with the budget of the entire state. All issues related to the adoption of the local budget, including issues of local taxes and payments, are decided by the Municipal Council. Moreover, approval by any state authorities is not required.

Among the revenues of the local budget, on average, 47% are municipal taxes, 27% - revenues from the main activity, 19% - state subsidies, 4% - loan funds, 2% - revenues from capital investments and, finally, 1% - other revenues. Among local tax revenues, the main source (in 2020 – 18.6% on average) is the local labor income tax, which accounts for 15–21% of citizens' incomes. Every year the State Council sets the rate of this tax. Within the legally established framework, the Council also annually sets the real estate tax rate, based on the value of the land or buildings included in the tax object. All city property, including state property, is subject to local real estate tax. All receipts in connection with taxation with this tax are recognized as revenues of the municipality. [8] However, agricultural land and forest land are not subject to taxation. In 2009, the real estate tax rate, depending on the municipality and the tax object, was 0.5–1.0% of the value of the object, and in some cases, it ranged from 0.22 to 3.0%. Residential premises are taxed at a small amount, and empty plots of land suitable for construction are taxed at

a high rate. The value of real estate is assessed by state tax authorities. Municipalities also own about 22% of the amount of tax on income from business activities.

As for the income tax of Finnish citizens, a part of the salary is also taken by the state, using a progressive taxation system, in which the tax rate increases in proportion to income. The average Finn, after all, deducts 30–35% of his salary to municipalities and the state. Value added tax, as well as income tax from the use of real estate, go to the state budget. All taxes are collected by state tax authorities. Tax authorities sometimes have even more information about the income of citizens than they themselves. There is practically no gray economy in Finland. [6]

Revenues from the main activity of municipalities are municipal payments related to the provision of certain municipal services. These include, for example, payments for water consumption (real value), energy consumption (real value), daily childcare (part of the real cost comparable to family income), health care (5-10% of the real cost), social support for the elderly (part of the real cost, comparable to the client's earnings). Education in schools is free (including educational literature, food and delivery to the place of education).

State subsidies are provided to municipalities partly for the purpose of providing them with some mandatory services, but, to a greater extent, to overcome income inequality between wealthy and less well-off municipalities. Some of the most developed municipalities in the country do not receive subsidies at all, but in the north and east of the country, where distances and costs are great, where unemployment is high, the share of state subsidies in the structure of local revenues can exceed 50%. The number of subsidies is calculated according to a mathematical formula and does not depend on the political or personal decisions of any representatives of the state authorities. Municipalities experiencing serious financial difficulties are individually provided with small additional support by the state. At the request of local authorities, the Ministry of Finance in certain cases has the right to provide temporary financial assistance to 20-30 least well-off municipalities. Unfortunately, the number of low-profit municipalities has

recently increased, while the amount of state support to local self-government has remained at the previous level.[3]

Out of the average amount of the municipality's expenditure per resident of 7,100 euros, 50% goes entirely to health care and social security, 22% to education and culture. Other current costs occupy 13% and, finally, capital investment consumes 10% of the local budget.

All Finnish municipalities are members of the Association of Local and Regional Authorities of Finland. This association unites about 300 experts and plays an important role in the development of Finnish society as a whole. It takes an active part in reforming the legislation on local self-government, conducts a constant dialogue with the Government, organizes professional development of municipal employees, provides municipalities with special literature, and also promotes the development of cooperation between local authorities and the state. In addition, the association develops at the national level working conditions, salary scales in the municipal sector together with various groups of municipal employees. The pension provision of municipal employees is accumulated in the Municipal Pension Fund, which, together with banks, provides loans to municipalities.

The system of local government in Finland, since the country gained independence in 1917, has not undergone any radical reforms. In this, its slow, gradual reformation always took place. As a result, numerous small reforms changed the system quite significantly. In the period from 1944 to 1990, the rapid economic growth of the country was observed, with a simultaneous increase in the volume of tasks and resources of municipalities. Starting from 1990, there was a need to limit local resources in order to improve the efficiency of local authorities. The main task of the 1995 law was to increase the freedom of municipalities to optimize their methods of solving their tasks. Currently, the system of local self-government is again faced with complex problems that require their solution and overshadow the lives of ordinary people.

The country's population is aging. This trend is characteristic of Europe in general, but it is particularly painful in Finland. In 2000, the number of citizens over the age of 65

was 15% of the population, and the real numbers translated to 777,000 people. By 2030, this indicator will reach 26.3%, which is equivalent to 1,389,000 people. [4] Therefore, a steady increase in the amount of pension provision, social and medical services, as well as a decrease in the share of the economically active population is expected. How can we guarantee a dignified life and proper care for the elderly, whose number is constantly growing? Here are examples of solutions to this problem:

- accumulation of funds of pension funds from an earlier age;
- promoting the strengthening of the population's health and the activity of the older generation;
- keeping elderly people in their own homes, providing them with assistance at their place of residence;
- provision of financial support to citizens who independently care for an elderly member of their family;
- increase in public financing of care for the elderly population;
- division of responsibilities between municipal and private organizations in the field of care for the elderly;
- priority of municipal support for citizens in need;
- quality control of services provided to the elderly;
- close cooperation of medical and social services;
- involvement of foreign labor force;
- increasing the efficiency of providing the entire range of municipal services.

Many municipalities in Finland are considering the possibility of merging with one or more neighboring municipalities. In 2001, there were 448 municipalities in the country, in 2009 there were only 348 of them. January 1, 2009 became the day of many associations. All this is the result of financial problems. There is a clear need to reduce costs and improve cost efficiency. Merger is one possible solution to these problems, which has recently been supported by the government with the help of political and financial instruments. All associations are voluntary, although the law obliges local self-government bodies to cooperate in the field of high-tech medical care. The government

provides substantial "wedding gifts" for merging municipalities. However, many still prefer to cooperate while maintaining independence: the advantages of unification are not entirely obvious to them. In many cases, costs are not reduced because the guarantee of employment of municipal employees extends for five years and the results of the merger will be felt only in the future. [2]

Examples of potential use of private providers include construction, consulting firms, electricity, waste collection and disposal companies, private daycares and homes for the elderly, as well as private doctors in municipal health care facilities. As far as can be judged, the pace of privatization in the field of municipal services is growing. However, there are many difficulties. Often, the procurement procedure is quite complicated, and it happens that the local authorities are not competent enough. Organization of quality control of the service in the process of its implementation can be difficult. Comparing the price and quality of different alternatives to municipal services requires appropriate skills from local authorities. In addition, decisions on optimization of services provided by the municipality should be based on data on relevant costs. Several years ago, all this led to a total revision of municipal financial statements. Today, there are no fundamental differences between accounting in the municipal entity and in the private sector, which allows municipalities to calculate and take into account the real cost of their own services. [5]

The global economic crisis dealt a painful blow to Finland and its municipalities. In 2009, tax revenues of municipalities decreased, unemployment increased and, accordingly, social support costs increased. 2010 turned out to be even more difficult. Anti-crisis measures taken were quite traditional. The state budget of 2010 envisaged, in particular, the provision of additional subsidies to municipalities, which, however, were not enough to change the negative economic dynamics. As a result, more than 100 municipalities prepared a decision to increase local taxes, and all without exception had to cut their budgets. This caused a reduction in the volume of municipal services. Some municipalities tried, at least for a while, to improve their situation at the expense of loans. Many have sent part of their municipal employees to mandatory unpaid leave. In 2013,

the financial situation of municipalities remained difficult: the increase in municipal taxes and municipal loans continued. However, this did not stop local self-government reforms.

Conclusions. The acute problem of limited resources and growing needs for public services requires increasing the efficiency of municipalities. One way could be to rethink the role of local government and the private sector, and perhaps privatize some public services. In Finland, the law quite clearly defines the scope of the responsibilities of local self-government, but does not specify how and by whom this or that service should be provided. The municipality cannot refuse to organize the provision of mandatory services, but they can be provided either directly by the municipality, or by a municipal enterprise, another municipality or a private provider acting on the basis of municipal procurement and under the control of local authorities. There is a separate problem of guaranteeing a dignified life and proper care to the elderly, whose number is constantly growing. To solve the problem, a number of solutions are proposed, the main of which are: accumulation of pension funds from an early age, increase in social support, division of priorities between authorities for the care of the elderly, and constant quality control of the provision of all types of services for the elderly. Taking into account all issues will lead to greater efficiency at the reform stage in Ukraine.

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