

Integrating Regional Development and Planning into "Spatial Planning" in Finland: The Untapped Potential of the Kainuu Experiment

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ABSTRACT

With Finland's accession to the European Union in 1995, a regional level of administration responsible for regulation-based land-use planning and incentive-driven regional development policy was introduced. The administration of both policies on the same spatial scale and within the same organisation suggests increased coordination of spatial impacts and a move towards an integrated conception of spatial planning. In practice, however, the relationship of these two fields remains ambiguous. In the Finnish case, one potential explanation for this detachment lies in the de facto weakness of the regional scale. In the Kainuu region in Northeastern Finland, ambitions to strengthen the regional scale resulted in a self-government experiment between 2005 and 2012. This article addresses the implementation of this experiment, its implications for integrated regional governance and the lessons to be learned for the upcoming regional reform in Finland.

Keywords: Spatial planning, Northeastern Finland, Kainuu experiment, periphery, regional planning, regional development, Cohesion policy

1. Introduction

The term region has been around for centuries, referring to a somewhat cohesive and coherent territory. Nonetheless, no other spatial scale is characterised by as much ambiguity and ascribed as many different meanings as the region. One factor contributing simultaneously to the standardisation and diversification of regions is the European Union (EU). On the one hand, the EU has promoted the narrative of a "Europe of the Regions" (Elias 2008; Keating 2008, 2009; MacLeod 1999), gaining popularity in the 1980s and 1990s. Interpretations of this narrative range from the idea that nation states would be significantly weakened or even cease to exist to the acknowledgement and consideration of regional differences and identities in policy making at the European level. On the other hand, the EU has developed a system of subsidies with a regional focus, aimed at supporting economic growth and com-

petitiveness while reducing regional disparities within Europe. While the success regarding these objectives is debatable (see, e.g., Bachtler and Gorzela 2007; Boldrin and Canova 2001; Le Gallo et al. 2011; Le Gallo and Dall’erba 2008; Leonardi 2006; Rodríguez-Pose and Garcilazo 2015), the establishment of EU regional policy certainly had an effect on regional governance in many European countries. Sub-national authorities have taken up new tasks and assumed major responsibilities for implementing and enforcing European legislation in the context of cohesion policy (Elias 2008). In order to comply with the requirements of EU regional policy, member states had to adapt their governance structures, by either creating a regional tier of government from scratch or integrating new administrative tasks into existing institutional structures. Moreover, while the term region traditionally refers to a sub-national scale, the EU brought out new conceptions that transcend the boundaries of nation states, such as cross-border regions or macro-regions (Deas and Lord 2006; Hansen and Serin 2010; Perkmann 2003, 2006).

The point of departure of this article is the observation that with the emergence of EU regional policy, regional planning as well has experienced a significant enhancement in many countries. In Finland, where this article’s case-study region Kainuu is located, the regional scale is a fairly new addition to the administrative system, even if the concept of region has existed in the Finnish language for a long time. Although the potential advantages of establishing regional self-governance have been discussed ever since the late 19th century, the position of regions between a strong central state and powerful municipalities has remained weak, as is typical for the Nordic administrative tradition.

With Finland’s accession to the EU in 1995, however, the country was comprehensively divided into regions, based on functional and economic grounds as well as historic regions, and regional councils (“*maakunnan liitto*”) were established. The regional councils can be understood as “politically guided statutory joint municipal authorities, which formulate, in cooperation with other relevant regional actors, regional land-use plans, regional development strategies and EU programmes” (Luukkonen 2011, 259). The assignment of these tasks to one organisation suggests a more integrated approach towards regional planning, regional development and EU regional policy, that is, towards the emergence of spatial planning. However, there is also a risk of a “false bottom” situation, in which a connection seems to be established superficially, but the policies remain detached in practice.

In the Finnish case, a potential explanation thereof lies in the weak character of regional-scale governance, which is a projection of local and national interests onto the regions rather than a self-contained level of administration. As this weakness has been a well-known challenge for years, in 2016 the Finnish government drafted a proposal concerning a regional government reform, stating the intention to establish new autonomous counties based on the existing regions (Ministry of Social Affairs and Health and Ministry of Finance 2016).

In anticipation of the reform, a self-government experiment was carried out in the Kainuu region in Northeastern Finland between 2005 and 2012. For the duration of the experiment, the Kainuu Regional Council was elected directly and given competences that usually lie within the jurisdiction of the state or the municipalities. This article scrutinises the regional self-government experiment in Kainuu and pays close

attention to the changes in regional governance that occurred. It aims to answer the question whether a politically stronger regional scale furthers the development of an integrated spatial strategy, contributes to overcoming the detachment of regional planning and regional policy matters, and thus supports a move towards spatial planning at the regional level. With spatial planning, we are referring to planning as “shaping spatial development through the coordination of the spatial impacts of sector policy and decisions” (Nadin 2006, 18).

The article first sets out to briefly outline trends of regionalisation across Europe, to identify the role of the European Union for regions and to highlight potential linkages between EU regional policy and domestic regional planning. Subsequently, it takes a look at regions and regional governance in the Finnish context and provides an analysis of the Kainuu self-government experiment. It concludes by exploring the obstacles to integrated regional governance, and by setting the findings in the context of the current regional reform in Finland.

2. Regionalism across Europe and the EU as advocate of regions and spatial planning

Processes of regionalisation are inherently complex and multifaceted. In the last decades, regionalisation processes have received increased attention in public administration and academic literature, especially against the background of a growing European Union, a globalising economic market and increasing interspatial competition (Brenner 2003; Keating 1997). Functional change, political mobilisation and institutional restructuring typically give an impetus to strengthen regions. While the internationalisation of the economy and new communication technologies accelerate globalisation in all spheres of life, local factors and specific characteristics of territories are increasingly acknowledged, too. The complementary logics of the global and the local meet at the regional level, which is intermediary both in the territorial and functional sense and can thus play a crucial role regarding governance and administration. In some cases, regionalisation is also carried by political movements, adhering typically to specific ideas of regional autonomy regarding economic and social issues. The political support, orientation and significance of these movements varies greatly between countries and regions, and so do their aims, which range from regional independence to stronger integration into the nation state (Keating 1997, 2016).

The establishment of regions as arenas for political debate, however, does not necessarily imply the creation of government institutions at the regional level. Institutional restructuring, in turn, is mainly driven by European integration and administrative rationalisation. As EU regional policy requires some form of regional administration, member states needed to establish or reinforce regional institutions upon accession to the EU (Gualini 2004; Keating 1997). Especially in many Central and Eastern European countries where regional administration was built from scratch, this process has caused problems or inefficiencies (Bachtler and McMaster 2008; Bruszt 2008; Dąbrowski 2013, 2014; Hughes et al. 2004; Kovacs and Cartwright 2010; LaPlant et al. 2004; Marek and Baun 2002; Pálné Kovács et al. 2004). Moreover, regional boundaries had to be (re-)drawn as the NUTS (French:

Nomenclature des unités territoriales statistiques) classification was introduced (Paasi and Metzger 2017). Though first intended as a hierarchical system of statistical units, NUTS regions drawn up by member states did not only reflect existing political and cultural regions but also economic concerns, as the NUTS system quickly turned into a spatial framework for EU regional policy. The exact territorial demarcation and location of boundaries could thus prove to be of significant economic importance in the disbursement of EU regional policy funding (Paasi 2009).

Moreover, the NUTS regions also played a crucial role in visualising the “Europe of the Regions” narrative and creating a more or less unified regional map for the whole of Europe. While NUTS boundaries were defined in a top-down manner by national actors, the EU has lately increasingly addressed sub-national actors directly, and sub-national actors have increasingly shown interest in EU institutions and policies. And while regions never enjoyed any formal status at the EU level, a range of opportunities for regions to influence European politics opened up during the last decades, such as representation offices in Brussels, the Committee of the Regions or the European Parliament (Keating 2008; Tatham 2008). Whether regions are viewed as an element in the multi-level governance system created by the European Union (Hooghe and Marks 2003) or as independent “spaces for politics” characterised by their own power structures and logics of action for which the EU acts as a driver of change (Carter and Pasquier 2010), scholars agree that Europeanisation is amongst other things a regional phenomenon. “[T]here are numerous ways in which the EU remains highly important for regions, and in which regional politics plays a significant role in shaping the nature and direction of European integration” (Elias 2008, 487). However, the EU does not specify requirements and characteristics associated with regional governance. Correspondingly, the institutional responses to Europeanisation differ greatly at the regional level.

In many cases, changes regarding governance also affected land-use planning, first and foremost planning at the regional level, potentially paving the way for the emergence of spatial planning, i.e. a more integrated approach of steering spatial development, although yet again arrangements differ considerably between member states. While some countries have established structures dealing with regional planning and regional policy within the same institution, others have divided the tasks into two parallel systems: Newly established institutions take care of the technicalities and acquisition of European Union funds in the course of regional policy, while government administration continues to make regional plans. The separation of regional planning and regional policy into two detached institutional settings can be regarded as problematic and can potentially compromise the effectiveness of public investments if coordination is not ensured. The EU Structural and Investment Funds are aimed to support regional development and long-term programming in order to increase competitiveness. This is especially crucial to support the cohesion of European regions “lagging behind”, the underlying rationale of regional policy, as well as peripheral and sparsely populated areas. However, the detachment of strategic visions, often incorporated into regional plans, from financial tools for project implementation reduces both their chance of realisation and their political significance.

Though evaluations and academic research agree that EU regional policy has, in addition to its socio-economic effects, shown “noticeable indirect, ‘qualitative’

impacts” (Dühr et al. 2010, 282), such as changes regarding governance, its connection to regional planning is seldom directly addressed. It can be assumed that the higher the congruence regarding certain linkages, such as spatial imagery, governance structures or alignment of objectives, the stronger the influence of the European Union on planning in a particular region through the means of regional development policy. However, practice shows that even if the linkages are established, EU funds are not necessarily used in a strategic manner to further regional planning goals. One reason for this detachment, so we argue, lies in the institutional arrangements at the regional level. Regional actors could be significantly empowered by using the EU funds strategically, making use of their leverage effect, facilitating the implementation of regional planning measures, and boosting regional development. Yet, regional governance is often faced with several hindrances, such as the lack of regional identity, the inability to determine a collective regional interest or the political or constitutional weakness of the administration.

Ultimately, it has to be mentioned that the EU has not only triggered changes regarding governance, but also regarding the conception of planning in general. The Euro-English term “spatial planning” was introduced in the 1990s (Faludi and Waterhout 2002) and is nowadays used in planning practice, theory and research. Although the EU has never aimed to define spatial planning, the European Spatial Development Perspective (CEC 1999) uses the term and emphasises the need for horizontal and vertical cooperation of spatially relevant policies, a claim that “carries with it implications of a broader form of integrative ‘spatial’ planning” (Shaw and Sykes 2005, 185). While different actors might have their own interpretations, spatial planning is often associated with a wider understanding of planning and a focus on strategic coordination rather than legal regulation. It is thus closely intertwined with other policies, such as regional and environmental policies, and can be perceived as spatial development policy or territorial governance (Böhme and Waterhout 2008).

This section has opened up a theoretical-conceptual framework to scrutinise the interplay of regionalisation processes, regional governance reforms, and changes in the conception of planning against the background of European integration. In the following sections, this framework will be applied to Finland and the Kainuu region.

3. Regional development and planning in Finland: Upscaling or downscaling, integration or detachment?

Although the EU has played an important role in assigning new meanings to territory and re-scaling state spaces, as briefly illustrated in the previous section, domestic factors have also significantly shaped transformations regarding the understanding of regions in different countries. Subsequently, this section outlines changes to regional governance in Finland since the 1990s.

Following the Nordic administrative tradition, Finland is a unitary state with strong local government (Sjöblom 2010). Local self-government is stipulated in the constitution, and the municipalities are responsible for the provision of local and welfare services. Alongside the central state, municipalities are also given taxation rights in order to cover the costs of service provision. The central state and the municipalities

are also the important actors in the Finnish planning system, which is based on the Land Use and Building Act (LBA 132/1999). Although the LBA defines three planning levels – national, regional and local – and attributes certain tasks and functions to each level, a fairly asymmetrical distribution of powers can be observed in which local self-government is favoured over state intervention (Hirvonen-Kantola and Mäntysalo 2014). In addition, the hierarchy of plans does not always work in practice: General-level plans such as regional plans often merely reflect local interests rather than steering local planning (Kilpeläinen et al. 2011; Newman and Thornley 1996).

The national level, primarily the Ministry of Environment, is responsible for the preparation of planning legislation, the establishment of general goals and objectives, and the definition of planning issues of national importance. The guidelines specified by the ministry are not legally binding and do not affect local detailed planning directly unless incorporated into regional land-use plans or local master plans. In addition to the Ministry of Environment, other ministries also contribute to planning at a national level with regard to their specific sectoral focus.

At the local level, municipalities enjoy a monopoly in land-use planning, meaning that they are solely responsible for drawing up plans, ensuring sustainability and favourable living conditions within their jurisdiction. Individuals (e.g. landowners) do not have the right to request the development of a plan from the authority, and regional or national actors do not have means to control or disapprove local plans. Municipalities can make use of different planning instruments: A local master plan serves to provide guidance regarding the urban structure and land use, while a local detailed plan regulates the detailed organisation of land use, building and development for a certain area within a municipality (see also Valtonen et al. 2017).

While the national parliament and the municipal councils are directly elected every four years, there are no elections at the regional level (with the exception of the autonomous Åland Islands¹). Nevertheless, regional state administration exists in several forms, and regional governance is practiced through different institutions. In 1994, in the course of Finland’s accession to the EU in 1995, 19² regional councils were established. They are joint municipal authorities, composed of representatives from municipalities, and headed by managing directors who are appointed professionals. The regional councils have a statutory responsibility for regional development, regional land-use planning and the preparation and coordination of the EU structural funds programmes (Sjöblom 2010). To this end, the regional councils issue the regional land-use plan as well as the regional development strategy and regional development programme. The regional land-use plan is the hierarchically highest plan in the planning system and forms the legally binding basis for municipal planning. Although regional plans are legally binding and formally steer municipal planning, the steering capacity of regional planning has been frequently put into question because of the decision-making structure within the regional councils. The fact that the members of the regional council represent municipalities and that their demo-

¹ All statements about the Finnish administrative system in this article refer to mainland Finland and not the Åland Islands unless otherwise specified.

² The number of regions was reduced to 18 in 2011 when Uusimaa and Itä-Uusimaa were merged into one region.

cratic mandate is based on municipal elections allows municipalities to project their interests into regional plans in a fragmentary manner instead of making strategic choices at the regional level (see, e.g., Kilpeläinen et al. 2011). The regional development documents, in turn, usually do not have legal effects towards citizens or municipal planning. They are guidance documents containing long-term development goals for the next 20 to 30 years (strategy) and more concrete targets, key projects and measures for the next four years (programme).

Whereas the municipality-driven regions date back to the 1990s, the latest reform of regional state administration was carried out in 2010. One of the central objectives of the reform was to enhance cooperation between regional councils and state authorities at the regional level and to strengthen the role of regional councils in the steering of regional development (Suomen Hallitus 2009). As a result of the reform, various state organisations at the regional level were rearranged under two organisations. Centres for Economic Development, Transport and the Environment (“*ELY Centres*”) were established by merging together Employment and Economic Development Centres (“*TE centres*”), Centres for Environment and road districts. Today, ELY Centres are primarily associated with the Ministry of Employment and the Economy but also deal with tasks under the administrative branches of other ministries. There are currently 15 ELY Centres in Finland, and, with a few exceptions, their regions are spatially identical with those of the regional councils.

Moreover, six Regional State Administrative Agencies were established (“*aluehallintovirasto*”) in Finland. Their mission is to promote regional equality by carrying out executive, steering and supervisory tasks laid down in the law. The agencies’ areas of responsibility comprise basic public services and legal rights, education and culture, occupational health and safety, environmental permits as well as rescue services and preparedness. They are subordinate to eight ministries, and their exact tasks and objectives are specified by the current government programme. As there are only six agencies in the whole of Finland, their covered regions are significantly bigger than those of the regional councils.

Although, as outlined above, different regional institutions have taken up certain tasks in the Finnish administration, the governance structures at the intermediate level remain weak. The regional councils were established “to provide an avenue for democratic regional participation and an integrated approach to spatial development, but they were not granted proper decision-making competence” (Eskelinen et al. 2000, 48). Due to the lack of regional elections, Finnish regions cannot be seen as a self-contained administrative level. Rather, interests of the municipalities and the central state are projected to the regional scale through the regional councils and ELY Centres respectively and negotiated there. As the regional councils consist of representatives of the municipal councils, “there is an element of indirect democracy in these bodies” (Virkkala 2008, 106). The weak point is thus not necessarily a lack of accountability or legitimacy of Finnish regions as such, but rather the potential inability to establish a collective regional interest. Since regional decision makers are at the same time elected members of municipal councils, the risk of being biased towards specific municipal interests must not be overlooked (Kilpeläinen et al. 2011).

With the construction of the regional scale, an opportunity arose to apply a more integrated approach to the Finnish planning system. Traditionally, spatial planning

– for which no equivalent expression exists in the Finnish language – was covered by three separate policy fields: land-use planning, urban and regional (economic) development, and environmental policy (Eskelinen et al. 2000). Although the system moves slowly towards a more integrated approach, divisions are still visible, for example at the level of ministries, where both the Ministry of Environment and the Ministry of Economic Affairs and Employment are involved with planning matters. Additionally, “one can still sense cultural barriers between the interests and perspectives of land-use planning, environmental policy, and local and regional development” (Eskelinen et al. 2000, 43) as well as differences in terms of their conceptual and theoretical underpinnings. Nowadays, as the Finnish regional councils are in charge of both regional development and regional planning, a more integrated approach to spatial development at the regional level seems likely, but frequently the two issues remain detached.

In addition to the top-down regionalisation, supported by the accession to the EU, there are of course also bottom-up regionalism processes taking place in Finland in which regional actors ideologically construct their territory and create networks. Compared to other countries, regional identification is rather weak in Finland. However, the degree of regional identification varies greatly between the regions: while some are relatively well established, others lack a clear profile (Virkkala 2008). In a study by Paasi, respondents gave a variety of answers to the question in which region they currently live, ranging from the names of local municipalities to those of regions and counties (Paasi 2009, 143). Despite this often vague identity associated with Finnish regions, regional councils have recently actively used and shaped the regional identity rhetoric. The brought up themes often echo EU narratives, highlighting how the European Union is intertwined with the Finnish regions, albeit in many cases only on a discursive level (Moisio and Luukkonen 2015; Paasi 2009).

4. Self-government experiment in Kainuu, Finland: Towards integrated regional governance?

This section addresses the self-government experiment taking place between 2005 and 2012 in the Finnish Kainuu region. The main objective of the experiment was to explore the effects of regional self-governance on regional development, on the provision of basic services, on citizen participation, on the relation between the region and the state, and on the functioning of municipalities as well as the state administration at the regional level (Suomen Hallitus 2002). Various studies have assessed the experiment (Airaksinen et al. 2005; Airaksinen and Haveri 2012; Haveri et al. 2011; Jäntti 2016; Jäntti et al. 2010; Pyykkönen 2008), but their focus has been mainly on the experiment’s effects on service provision, while its influences on regional development have attracted little attention. An exception is a study by Haveri et al. (2011), which finds that while the experiment brought about economic improvements regarding the provision of services, its effects on regional development were marginal. Moreover, the authors identify tensions between service provision and regional development during the experiment. However, the rela-

tion of both fields with regional planning is not addressed. Hence, this article aims to highlight the experiment's effects on regional governance in general and the relationship between regional development and regional planning, in particular. The study is based upon information obtained from reports and evaluations as well as five semi-structured expert interviews with regional and local administrators and politicians conducted in February 2017 by the authors. In the interviews, the self-government experiment as well as regional planning and regional development in Kainuu and Finland were discussed. The interviews were conducted in Finnish and English and transcribed and analysed by the authors.

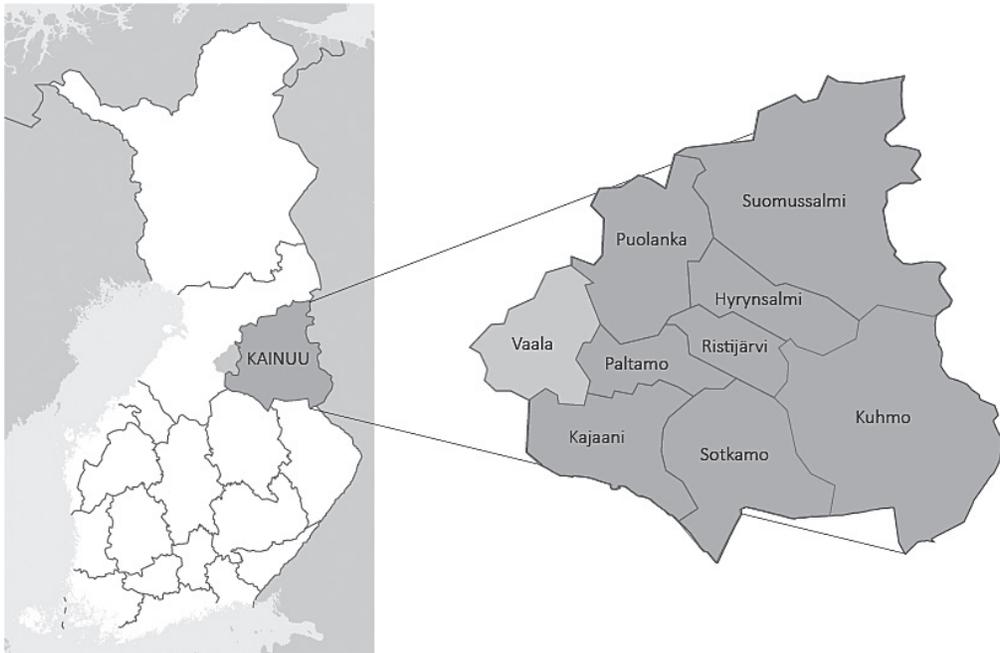


Figure 1: The Kainuu region in Finland and the eight municipalities in Kainuu³

4.1 The Kainuu region and the self-government experiment 2005-2012: An overview

The region of Kainuu is located in the Northeast of Finland and borders the Finnish regions Northern Ostrobothnia, North Karelia and Northern Savonia as well as the Russian Federation. With approximately 75,000 inhabitants living in an area of 21,000 km², Kainuu is the second most sparsely populated region in Finland after Lapland. The region comprises eight municipalities, of which the administrative capital Kajaani is by far the most populous, accounting for roughly half of Kainuu's population. Despite its relatively low number of inhabitants, Kainuu is a NUTS 3 region and has its own regional council and ELY Centre. Like other peripheral

³ Since January 2016, the municipality of Vaala has belonged to the region of Northern Ostrobothnia. Although Vaala was still part of the Kainuu region until 2016, the municipality did not participate in the experiment.

regions in Finland, Kainuu has been facing economic challenges during the last few decades. Between 1987 and 2016, its population decreased by approximately 20,000 inhabitants, both due to natural decline and out-migration. Especially young adults move to Finland’s bigger cities, as the opportunities for tertiary education in Kainuu are very limited.

Against this background, Kainuu was selected to serve as a testing ground for a regional self-government experiment between 2005 and 2012. Although the initiative for the experiment came from the Finnish government, and then Prime Minister Paavo Lipponen, local politicians and administrators were quickly convinced of the idea, as they realised that the decline of population and entrepreneurial activity requires innovative actions. Moreover, they saw the importance of a strengthened regional level in securing the independence of Kainuu as a region, but also to avoid municipal mergers, which were strongly supported by the central government in the course of the local government and services reform in the year 2006. An official from Kainuu Regional Council summarises why the region was chosen for the experiment as follows:

I think Kainuu was compact and small enough. We understand our problem that we must develop our area more effectively. And we want to keep our area independent, and that was one possibility to strengthen this independence and try something new, quite new.

The Kainuu experiment could thus be seen as what Fürst (2006) calls “experimental regionalism” in the German context: While the state defines objectives, determines the rules, and assesses the results, it relies on the voluntary commitment of regional or local actors to participate and find innovative solutions. Haveri et al. (2011) understand the experiment as “rescaling through a restructuring of hierarchy” (29), i.e. the transfer of decision-making powers upwards and downwards from the municipal and state levels, respectively.

The experiment focused on three main issues: regional democracy, increased responsibility for decisions regarding regional development, and provision of certain basic services at the regional level. In order to strengthen regional democracy, the first direct elections of the regional council in mainland Finland were held in 2004 and 2008 in Kainuu. Additionally, municipal elections remained in place and were held simultaneously. As a result, voter turnout of approximately 52% for the regional elections was in line with the common turnout of municipal elections in the Kainuu region (Oikeusministeriö 2015), and shares of political parties were similar as in the municipal elections.

Regarding regional development, which is the responsibility of the regional council in all Finnish regions, the innovation of the experiment lay in the move of decision-making powers from the state level to the regional level. Kainuu was thus enabled to directly decide on the allocation of a large share of regional development resources from the nation state and the European Union. A development fund for Kainuu (“*Kainuun kehittämisraha*”) was established by gathering different budget items in the state budget and delegating the decisions concerning their use to the regional level. The development fund accounted for 44.8 million euros in 2005,

when the experiment started, and for nearly 60 million euros per year at the end of the experiment (Valtiontalouden tarkastusvirasto 2009, 7).

Although these tasks and decision-making powers were transferred from the national to the regional level, the Kainuu Employment and Economic Development Centre and the Kainuu Centre for Environment (later merged to form the regional ELY Centre), representing the interests of the ministries, were not included into the newly formed regional governance structure. Regarding regional planning, changes triggered by the experiment were limited. Regional planning and industrial policies remained responsibilities of the regional administration, while municipalities continued to be responsible for local land-use planning.

The third innovation concerned the provision of healthcare, social and educational services at the regional level. Traditionally, the provision of basic services lies within the jurisdiction of the municipalities. During the experiment, the municipalities continued to finance the services according to previously defined shares, but the administration and organisation of services took place at the regional scale. This way, the experiment aimed to ensure basic services and their quality for all inhabitants in Kainuu, while increasing the efficiency of the service sector. As healthcare, social and education services account for most of the municipal budget, this aspect of the experiment attracted most attention, both among local decision makers and among academics (Jäntti 2016; Jäntti et al. 2010).

The experiment was based on the consensus principle, requiring all municipalities to agree unanimously on its continuation. As negotiations were not successful, the experiment came to an end in December 2012. The main reasons for the discontinuation were concerns or disagreements regarding the legislation, the cooperation culture and the financial aspects (Kainuun hallintokokoilun seurantasihteeristö 2013). Subsequently, the additional regional governance structures were dismantled, giving Kainuu's regional authorities the same responsibilities as all other Finnish regions.

4.2 Opportunities for and obstacles to an integrated regional perspective

Even if a more integrated view on regional governance was not an objective of the Kainuu self-government experiment as such, the experiment unquestionably afforded opportunities to strengthen a comprehensive understanding of policy and decision making at the regional scale. The integration of different responsibilities within one regional authority is certainly a step towards creating stronger ties between different policy fields, even if the organisation under one roof does not necessarily imply a close connection. The peripheral location and small population size of the Kainuu region might, however, support the integration of different policy fields, for the simple reason that organisations such as the regional council have a limited amount of employees who are continuously in close contact.

However, it seems that the regional self-government experiment in Kainuu has not exploited the potential to make a strong move towards integrated regional governance. We identify three main obstacles that contributed to hindering a more comprehensive approach at the regional level: the narrow conception of spatial planning, the ambiguity of responsibility at the regional level, and the missed opportunity to make strategic use of EU policies and funds. These obstacles should by no means be

confused with the reasons for discontinuation of the experiment itself. The self-government experiment came to an end primarily due to a lack of trust and communication between different actors and disagreements regarding financing. If these issues had been resolved, the experiment would most likely have been continued; however, not necessarily in an integrated manner.

The narrow conception of spatial planning

As mentioned in the previous section, the term spatial planning does not translate into the Finnish language. In the Finnish context, “planning” has been traditionally understood as land-use planning, that is, as the designation of areas for different types of uses. Hence, spatial planning, in the meaning of “shaping spatial development through the coordination of the spatial impacts of sector policy and decisions”, to employ Vincent Nadin’s (2006, 18) definition, has not been fully embraced in Finland. Although the establishment of regions clearly posed an opportunity to take up a broader view on spatial development, the separation into land-use planning, economic development and environmental policy prevails. In the Kainuu case, a stronger regional level did not significantly soften the divide between the policies. If anything, the addition of new competences and responsibilities to the regional level increased competition between different policies: When time and resources are scarce, some policy fields might be disregarded at the expense of others. According to an official from the Kainuu Regional Council, this was also the case during the self-government experiment:

I think the biggest problem during this experiment was that the healthcare system is so big. And they are using such a big amount of money there. It takes too much energy from the politicians and the decision making, because the budget is so huge. And when the same politicians are working with different kinds of problems, then the regional development will stay in the background. And that was the problem in our experiment also.

The evaluation reports assessing the Kainuu experiment also mention that planning and development issues were disregarded simply because they are abstract and difficult to understand, whereas services are very concrete and form a part of people’s everyday life (Haveri et al. 2011; Jäntti et al. 2010, 114-115). The abstractness and complexity of spatial-planning issues suggested to some of the interviewees that it would not even have been worthwhile to try to make the political decision-makers interested in planning issues:

When the experiment started, we [regional planners] could work more independently. We were given more decision-making powers. ... They trusted us.

Not only the political decision-makers but also the key actors in the administration were often experts either in the service sector, or the planning and development sector. It was rare that an administrator would have expertise in both sectors and would thus support the integration of sectoral policies and plans.

... our director – the director of the council – back then was very much oriented towards social and healthcare issues. He wanted to be involved in all the social and healthcare issues. So, he did not have that much time for regional planning issues, not at least for the concrete questions related to drawing up regional plans.

Admittedly, from a legislative perspective, healthcare and social services are not part of regional planning or regional development, as these two issues lie within the jurisdiction of the region, while the municipalities are responsible for the provision of services. However, if all issues are dealt with at the regional scale, as was the case in the Kainuu experiment, it becomes unclear why a strict separation must be enforced, especially since the provision of services in a sparsely populated area is without doubt an issue with a strong spatial dimension (see e.g. Humer 2014; MDI 2015). Although this is acknowledged in the region, the experiment has not brought about any willingness to make strategic choices related to the structure of the region (MDI 2015). The problem remained after the experiment ended, as for instance the Kainuu regional programme 2014-2017 shows: It emphasises the importance of well-functioning regional structures as a pre-requisite for service provision. However, when it comes to the concrete goals set in the framework for regional planning, priority is given to the development of the central city of the region, municipality centres, smaller communities and rural areas (Kainuun liitto 2015, 60), thus not focusing resources on certain activities or areas. In other words: when everything is prioritised, nothing is prioritised.

Even if the conception of spatial planning is not stretched to include services, but limited to its key components – planning, development and environment – the Kainuu experiment did not support an integrated view on the three issues. Despite the creation of a stronger regional authority with independence regarding the allocation of development funds, the ELY Centre continued to exist, ensuring the implementation of environmental policies. A previous study indicated that some experts suspected that the experiment would have been more meaningful, had the ELY Centres been merged with the regional administration and the government been willing to give up its powers in different sectors of administration (Kainuun hallintokokouksen seurantasiihteeristö 2013; Pyykkönen 2008).

However, regional planning and development, despite being responsibilities of the regional council, seemingly did not come closer to each other, either. Concerning regional planning, the experiment was not regarded as a big opportunity for change or consolidation, especially since the municipalities continued to make their own master plans and detailed plans. Consequently, the Finnish paradigm of “strong” municipal planning and “weak” regional planning was not overcome in the course of the Kainuu experiment.

For regional development, in turn, the increase in decision-making powers and direct rule over the allocation of funds provided an opportunity to sharpen its profile. However, despite the chance to act more flexibly and steer bigger investments, which was seized, for instance, when the paper company UPM closed its factory in Kainuu, the decisions regarding the allocation of funds did not become significantly more strategic (Jäntti et al. 2010; Kainuun hallintokokouksen seurantasiihteeristö 2013;

Pyykkönen 2008). An exception was the decision of the regional council to allocate funds for public transportation services (Jäntti et al. 2010, 101). Nonetheless, it has also been noted that a large share of the development funds which came under the administration of Kainuu during the experiment were in fact already allocated to road maintenance and employment issues, giving little leeway to regional decision-makers to re-allocate that money in practice (Jäntti et al. 2010, 102). The comments of the interviewees confirm this:

The quality of road maintenance just cannot change at the border of two regions.

The Ministry of Employment made sure that we took care of the employment issues in the same way as before. They did not ratify our plans, but they were monitoring us very carefully.

In addition to being overshadowed by the service sector, regional policy remained weak due to the continuation of industrial and commerce policies at the municipal level. Since the responsibilities concerning services were largely transferred to regions, municipalities had more resources to enhance entrepreneurship and industry than they had had before (Jäntti et al. 2010, 108). The advancement of regional industrial policies took place not only via the regional council but also through the joint development company “*Kainuun etu*” that was established to support the companies in the area and to realise projects requested by them. Despite the successes that the company has had in obtaining EU funding for projects to support, for instance, the development of the key clusters in the area, the interviewees identified one main problem. Local actors, who fund *Kainuun etu*, wish to see that every euro invested in a project is just as profitable to their own municipality as it is to the other municipalities:

The idea was, when we established this, that we can get bigger projects that generate more value for enterprises. I know that this amount of funding would be used [in the municipalities] in any case. But the money would go to some other purposes unless we had these enterprise-oriented projects going on. That is the advantage [of *Kainuun etu*]. Nonetheless, last year it started again. It was alleged that *Kainuun etu* is not democratic and impartial enough. Some municipalities have gotten more than the others. So now some municipalities wish to reduce their share of funding. Here we go again.

As a result, both regional planning and regional development did not change significantly during the experiment, and neither did their relation to each other. Even if the two fields have reached a state of mutual acknowledgement, their design and implementation remains detached. It can be assumed that this is not a problem unique to Kainuu, but one that applies to many Finnish regions.

Ambiguity at the regional level

Ever since their creation, the Finnish regions have been caught in a tug of war between the state and the municipal level. With the ELY Centres and the regional councils, respectively, both levels have their representation at the regional scale,

while a self-contained regional level is missing. The Kainuu experiment provided such a strengthened and directly elected regional level, but nonetheless the ambiguity of responsibilities and competences at the regional level remained, as one former official of the Kainuu Regional Council remembers:

There has been a lot of debate as to whether it should be a two-tiered or three-tiered model. And the model [of the experiment] has been a fuzzy mixture of these. The middle layer has been dominated by different kinds of joint municipal organisations and a lot of ambiguity.

In order to carry out the Kainuu experiment, a new law concerning self-governance was enacted. However, amending other existing laws was avoided, making the new legislation an add-on and thus increasing complexity, rather than clarifying the tasks of the regional scale or reducing bureaucracy. Moreover, the financial model remained roughly the same, resulting in a situation where government transfers were still channelled through municipalities, which then paid their shares to the joint municipal authority. In addition, the regional ELY Centre continued to exist and operate as a representation of the central government and its ministries, even if its responsibilities were reduced. One interviewee claims that the divide between state and municipalities was too difficult to overcome:

I don't know the exact reason [why the ELY Centre was not part of the experiment] but I think this border level between state and municipality, it was too hard to break then. Now [in the upcoming reform] we are doing it, in this new experiment. Well, it's not an experiment, it's just a change.

Thus, neither the state nor the municipalities were completely removed from the regional level. However, most actors describe the cooperation with the ELY Centre as representation of the central state in the region as working well, as two interviewees remember:

It is true that we had TE-centre and Environmental centre⁴ with us for the part of some funding sources – and we could decide about this funding in the council. But we could have gone further and merged the organisations, as it is going to be in the future. But it did not matter that much that we were separated, because we all knew each other. But better integration would have facilitated grass-roots cooperation.

Kainuu regional council personnel was 20 people, and that remained the same. However, there was more cooperation with the TE-centre. Also, quite a lot of unofficial cooperation. We had small project-based working groups where we went through all the issues and could allocate resources in a more adequate manner. This was one of the best things.

⁴ TE-centre and environmental centre were reformed into one ELY Centre in 2010.

The presence of state, region and municipalities at the regional scale during the Kainuu self-government experiment highlighted tensions between the region and the central state, as well as between the municipalities within the region. Regional actors primarily criticise the central government’s indifference towards the Kainuu region:

On top of everything, also the central government played against us. All the ministries had the attitude that since you have your own thing in Kainuu, you can take all the responsibility of it – we don’t care about you. No extra resources were given. This shared pot we had and the liberties ... well, you could not have divided the cake in any other ways.

The government decisions are the main problem. They forget these areas. I suppose they remember Lapland, but this Northeastern part of Finland is often forgotten.

The political leadership in Finland is a general problem for us in Kainuu. It doesn’t focus on the rural areas, even with Centre Party in the government and Sipilä as prime minister. Most people live in cities, so that’s where politicians can get most votes, so that’s where they try the hardest. They want to get Helsinki, they already have Oulu, but Kainuu is not important to them.

In addition, the experiment created – or potentially simply brought to light – tensions and disagreements between the municipalities. Instead of enjoying increased self-determination as a region, some municipalities felt that the control was merely relocated.

All in all, we started this experiment because we wanted to bring the decision-making powers from Helsinki to Kainuu, but then in the end, the municipalities felt – on a smaller scale – that the decision-making powers were now in Kajaani, and that the central administration in Kajaani made the decisions and they could not influence the decisions. All they could do was to pay the costs.

Everything is concentrating here [in Kajaani]. Some people think that this is a problem but anyway, Kajaani is half of the population of Kainuu. Some people think it’s too much and that Kajaani has too much power, but I think today the people are moving to centres, it’s a big wave everywhere.

Under these circumstances, the Kainuu region did not gain enough weight to act as a counterbalance to the municipal and national level. One additional factor suppressing the importance of the regional scale might have been the temporary nature of the regional self-government model. Although a continuation of the experiment seemed possible and even probable until shortly before its end in 2012, the status as an experiment and the duration of only eight years might not have provided strong enough commitment and a long enough time frame to establish a common regional interest.

However, a common regional identity seems to exist at least to a certain degree in Kainuu. Not least due to the region’s long-lasting economic difficulties and small population, municipalities show solidarity with each other – especially with the central state in mind, as one interviewee notes:

Well, often it is the case that Kajaani and Sotkamo stick together against the rest of the municipalities. Of course, there are also some disagreements between those two. But, of course, the regional identity and regional interest need to be emphasised with a view to Helsinki – otherwise our region will cease to exist very soon.

Even if municipal interests are still prioritised over regional interests in many regards, first steps towards a self-contained regional level and associated regional politics were taken during the Kainuu experiment. One actor from the regional council describes the situation as follows:

It's not easy, because some of the people, they just take care of their own municipal interests. But there were some people, real regional-level politicians. And I believe this is coming. ... And we like to promote this kind of thinking that they represent the region, not the municipalities they come from.

Missed opportunities to make strategic use of EU policies and funds

Ultimately, it seems that Kainuu was not able to seize opportunities offered by the EU to strengthen its position as a region and to address regional development and planning in a more integrated manner. The experiment offered more flexibility regarding the allocation of national development funding. However, a large share of these resources was already allotted to specific issues, such as road maintenance or unemployment measures, undermining the self-determination claim of the regional authority. This limitation, however, did not apply to resources coming from EU funds, as they are not allotted to a specific use, as long as investment priorities defined at the EU level are met. An empowered regional authority thus had the chance to attach increased importance to its spatial strategies through targeted allocation of EU funds. Yet, during the experiment, EU regional policy funding continued to be handled in a similar manner as before. This must of course be seen against the background of a decrease in total EU funding for the Kainuu region due to the EU accession of the Central and Eastern European countries in 2004 and 2007. This reduction in funding could thus have contributed to the perception that EU regional policy was not that crucial for Kainuu.

Regional actors, however, acknowledged the potential of other EU funds, targeted for example at rural development or research. The former is implemented through the LEADER programme, carried out by two Local Action Groups at the sub-regional level and is regarded as successful in supporting rural areas and villages. Due to its sub-regional implementation, the LEADER programme was not included in the regional self-government experiment.

In order to improve the competitiveness of the region on a larger scale, the region would also need research and innovation funding. One hindrance in this regard is the lack of expertise in Kainuu. As the region has no independent university but only a small university consortium coordinated by universities from other regions, support from experts to get EU funding is difficult to obtain. In addition, the task of admin-

istrating EU funds requires certain resources that are not present at the regional scale to that extent. During the experiment, although decision-making powers were shifted from the national to the regional level, expertise was not shifted, and additional resources ensuring this expertise were not provided (Jäntti et al. 2010, 102-103). The situation is mirrored in the understaffed regional representation of Northern and Eastern Finland in Brussels, which can thus only provide little support for the region, as one interviewee explains:

We don't have enough professionals in this field in our area. We have only our EU office there in Brussels, [the office of the] Northern and Eastern Finland councils. Of course we use it, but if we don't know ourselves here what we want and what we might need, they can't help us. Because there are only two or three people working there for the whole of Northern and Eastern Finland.

If the necessary expertise and regional leadership could be established, Kainuu might be able to make better use of the opportunities the EU provides. The creation of know-how and expertise is, however, a circular problem: Without the much needed professional expertise, the region will not be able to attract knowledge-intensive businesses and services, potentially providing the know-how to qualify for future EU funds that could support regional development.

5. Future of the regional scale in Finland

In 2017, at the time of writing of this article, regional governance is being reformed once again in Finland – now in a more comprehensive manner than in 2010 when the ELY Centres were formed. This time both the state functions at the regional level and municipality-driven regional councils are planned to be merged into regional government at the county level. These counties, which correspond geographically to the current regions, would then form the intermediate tier of government between the state and the municipalities. The re-organisation of healthcare and social services has been the focus of the upcoming reform, as the counties are to take the responsibility for these services starting from January 2019. However, changes in the Land-use and Building Act and Regional Development Act are underway, as well, since the counties will be responsible for regional planning and regional development as well as functions that have until now belonged to the competence of the ELY Centres. Keeping these changes in mind, the question, whether any lessons have been learned – or could be learned – from the Kainuu case remains to be answered.

The financing arrangements in the Kainuu model have been criticised in many reports, and also the interviews conducted for this article highlight that, when it comes to the funding of regional service provision, municipalities tend to monitor carefully that they get their share of each individual project. The report of the National Audit Office, for instance, criticises the design of the Kainuu experiment for not having made use of the possibility to transfer taxation rights to the region and observe the influence of this change on the genuine search of a regional interest (Valtiontalouden tarkastusvirasto 2009). The current proposal for the Act on the

Financing of the Counties does not include regional taxation either, but it states that the central government is to finance the counties and steer their financial management (Ministry of Social Affairs and Health and Ministry of Finance 2016). The interviewees see both opportunities and threats in this model:

There was a flaw in the financing model of our experiment, because the funds were channelled through the municipalities. Now in the model that they are suggesting, funding comes from the central government. There should not be small-scaled tensions like we had.

Our experiment was different [from the current reform proposal], since the municipalities financed this system and so municipalities want to control how the regional level uses their money. But now the money is coming from the state, and the control is there, and that's why the municipalities, and I also, I am a little bit nervous, what will happen when the state is the boss, there on the regional level ... It's a big difference. And some municipalities are afraid about this financing system, they are afraid about independence, real independence of this regional-level governance. Because the state gives the money, and they want to steer it.

As regards planning, the tendency has not been to strengthen the role of the state, but rather to increase the power of municipalities and – to some extent – the power of regions. Before the Land-use and Building Act (LBA 132/1999) came into force, municipal master plans were subjugated to ratification by the Ministry of Environment. Regional plans were subject to ratification by the Ministry until the year 2016, but today the regions are entitled to ratify their own plans.

Furthermore, even though the decision of including ELY Centres in the new county administration has been taken, a current government draft proposes amendments in the LBA to diminish the power of ELY Centres in steering municipal planning. According to these changes, ELY Centres are seen as equal partners to municipalities rather than supervisors of municipal planning. This is a substantial difference with regard to their role, which would transform from the guardians of the legality of local plans to an institution that is supposed to primarily comply with the will of political decision-makers. As one of the interviewees states, the officials in the ELY Centre might not see current changes as giving power to the state, but rather to local political decision making:

After that [the experiment] the ELY Centre has also noticed that it is easier anyway to be in the same organisation ... but the state is a little bit afraid, the politicians. On the municipal level, the politicians are very near, they are local politicians who are here every day and we are discussing with the political level all the time. And that's not common in the state organisations. Because they have only the ministers there, and the biggest powers are a very long way, in Helsinki, and they are doing what they want here in the area. But the municipalities, they have very big and very effective political control on this level. And that's why the state, the people who are coming from state organisations like ELY Centre, they are a little bit nervous: What is going to happen with this political steering?

Time will show whether the tensions between the state and the municipalities continue to exist regarding regional planning specifically and regional governance generally, or whether the counties are able to establish a genuine tier of government that is driven neither by the state nor by the municipalities. On the one hand, the Kainuu experiment thus shows that elections at the regional level are not yet a sufficient condition for the establishment of a political mentality that can look beyond local interests but does not resort to central-government powers. On the other hand, it underlines that financial issues are an important factor in the success of regional governance, as well.

6. Conclusion

This article has scrutinised the Kainuu self-government experiment and its implications for regional development and planning. The aim of the experiment to strengthen the regional level politically and administratively holds a lot of potential for a more integrated view on planning and development, moving towards the European idea of spatial planning. However, in the case of Kainuu, this potential remained largely untapped. Although the regional responsibilities and decision-making powers for allocating development funds were increased, decisions were not made in a more strategic manner, taking into account all spatially relevant policy fields. The article identifies three main obstacles why regional development and regional planning remained detached.

Firstly, the conceptions of regional development, regional planning and other policies with a spatial dimension such as education or the provision of healthcare and social services remained narrow. Instead of steering them in an integrated manner – either under the umbrella of spatial planning or as regionally coordinated sector policies – the experiment saw competition between different policies. As the provision of healthcare and social services at the regional level was regarded the biggest innovation and accounted for the lion’s share of the newly formed regional budget, most of the human resources and political discussions were centred on this topic. Secondly, ambiguities as to who constitutes the regional level were not dispelled in the course of the experiment. Both the central state and the municipalities remained as strong players in the region, undermining the emergence of a self-contained regional level. Disagreements between local, regional and national actors regarding responsibilities, financing and political steering ultimately led to the discontinuation of the experiment. Thirdly, Kainuu was not successful in obtaining support from the European Union. EU development funding allocated to Kainuu could have been used in a more flexible way than national funds. However, there was no significant change in their use resulting from a stronger regional level. Moreover, the region lacked leadership and specific knowledge to obtain additional strategic EU funds, for example targeted at research and development, which could help to mitigate emigration and unemployment.

Although Kainuu is facing economic difficulties and challenges due to its peripheral location, the region holds a lot of potential when it comes to regional governance. In addition to a relatively strong regional identity, the number of involved actors is limited, making the integration of policies manageable in practice. Kainuu’s peripheral status might even support governance innovation, as municipalities in the

region feel enough strain to cooperate, a situation that might be considerably different in Finland's bigger cities. However, during the Kainuu experiment, neither the municipalities nor the state were willing to withdraw from the regional level to a degree that would allow a new form of regional planning to emerge.

It remains to be seen if or how the upcoming regional reform in Finland addresses the topic of spatial planning at the regional level. Based on discussions so far, there is a serious risk that, similar to the Kainuu experiment, an integrated view will be superseded by a strong focus on certain sectoral issues, such as healthcare and social services. If this is the case, the potential of planning to frame development processes in a broader way will likely remain untapped. However, if the opportunity to establish spatial planning at a regional scale was exploited, it could give additional purpose and attach importance to the Finnish regions. The sectoral division prevailing at the national level and the strong adherence to administrative boundaries at the municipal level could both be overcome at the regional level, ensuring the integration of different sectors and the consideration of functional relations. This way, the regions could evolve from a projection of state and municipal interests into a self-contained spatial scale with an added value regarding policy making.

If the Finnish regions are not reformed to that effect, it might be worthwhile to reconsider the regional level as a whole and ask a fundamental question: If different policies are not viewed in an integrated manner, why are they even addressed at the same spatial scale? A move from fixed regional boundaries to softer, variable arrangements for different purposes might in the long run be more constructive to advance specific policies. A first step in this direction was already proposed in the context of the Kainuu region: In a report on regional development, commissioned by the municipalities in Kainuu, a development corridor based policy was proposed (MDI 2015). Variable development corridors could frame different long-term or short-term plans, resulting in more strategic choices and ultimately a more efficient use of development funding. Although this approach bears the danger of working against the balancing objective, it certainly supports economic development and competitiveness. Administrative borders are of minor importance to businesses and entrepreneurs, which are so desperately sought after in the Kainuu region. This is also reflected in the remarks of one interviewee:

I know that the companies could not care less about the municipality borders. They do business in the areas where they can find competent people. This is the main dilemma.

As this analysis of the Kainuu experiment has shown, from a viewpoint of planning and development, the current organisation of the regions in Finland could be improved, as the potential for coordination and integration of different policies remains untapped. A move either towards policy integration or soft spatial arrangements could mend the state of the Finnish regions – both seem to be viable future options at the moment. However, it remains to be seen whether they will be taken into consideration in the upcoming or future reforms of Finnish regional administration.

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