

Municipality Finance Plc

Social Bonds Framework's background paper

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BACKGROUND AND PURPOSE¹

This paper introduced the characteristics of the Finnish welfare state and the role of municipalities' responsibilities and functions more specifically. The paper forms a background for MuniFin's Social Bonds Framework.

Finnish municipalities have a strong social impact. In addition, municipalities have wide range of functions on a European scale with over 500 statutory functions, based on a special legislation, including social services, health services, education and culture. Local authorities are responsible for about two thirds of the public services, the remaining one third being the responsibility of the central government.

The Finnish Local Government Act of 2015 stipulates that "municipalities shall advance the wellbeing of their residents and the vitality of their respective areas, and shall arrange services for their residents in a way that is financially, socially and environmentally sustainable."

The most important statutory functions, which are broadly covered by MuniFin's Social Bonds framework, are:

- Social services
 - o Securing a basic livelihood, rehabilitative work activities, services for people with disabilities, child welfare, care of the elderly.
- Health services
 - o Primary care, specialist care, oral health care and environmental health services.
- Education and culture
 - o Early childhood education and care, basic education, general upper secondary education, vocational education and training, library and information services, youth work and sports services.

In the following pages, this paper introduces MuniFin's Social Bonds Framework eligible project categories' characteristics regarding Finnish welfare state and municipalities' functions. These categories are: social housing, welfare and education.

¹ <https://www.localfinland.fi/expert-services/finnish-municipalities-and-regions/functions-municipalities-and-joint-municipal-authorities>

SOCIAL HOUSING^{2 3}

Public building stock in Finland can be financed with non-subsidised loans or with state-subsidised loans. The public building stock consists of owner-occupied, rental, right-of-occupancy and part-ownership housing. From the total of 3 million apartments in Finland, every third has been constructed using state subsidies. MuniFin is the major credit institution in Finland financing the state-subsidised housing production.

The Housing Finance and Development Centre of Finland, “ARA”, grants subsidies for organisations and housing sites defined as not for profit. The basic premise of state-subsidised housing has been the provision of safe housing conditions for residents at a reasonable cost. ARA’s criteria for selection of residents are the applicant’s need for a home, income level, and wealth. ⁴ Because of the social element in state-subsidised housing production, the use and handover of the homes has been limited.

With the state-subsidised loans the housing needs of different age groups and population groups, as well as, the sufficient state support of housing for special groups and communal housing, are ensured. MuniFin has included both social housing production for the most vulnerable population and reasonably priced rental housing projects that support communal living into its Social Bonds Framework.

Special-needs or special groups, defined by ARA, include elderly, homeless, refugees, students, people with mental health or substance abuse problems, disabled people, and people suffering from memory illnesses. In addition to these special groups, MuniFin has included youth, rehabilitees and severely marginalised people into the social bonds framework and together with special groups they are referred to as the most vulnerable population. The communal housing element as stated in MuniFin’s Social Bonds Framework may include, for example, communal living or hobby spaces, communal gardens, collective use utilities or a building enabling different age and population groups to mix.

Communal housing elements are included in the framework as means of promoting inclusion of these in future social housing projects as they can help to alleviate loneliness and prevent social exclusion of the residents. Finland’s Sustainable Development Goals include the notion of alleviating social exclusion and an example of a preventative measure is participation in community activities. Every fifth Finn experiences loneliness sometimes but one of every 20 Finn is alone continuously. In Finland, the loneliest group are young people aged 18-24. Loneliness increases the risk of premature death by 45 percent, making it a greater health risk than being significantly overweight or overconsuming alcohol.⁵ Promoting communal elements in social housing but also in welfare projects that function as meeting spaces for people will help people to find new relationships. High quality public spaces can enhance the sense of community, which can ultimately lead to reduced loneliness⁶.

² <https://www.ym.fi/en-US/Housing>

³ https://www.ara.fi/en-US/ARA_housing_stock

⁴ <https://www.ara.fi/fi-FI/ARAasuntokanta/ARAvuokraasunnot>

⁵ Helsinki Missio, <http://www.e-julkaisu.fi/helsinkimissio/1-2015/#pid=1>

⁶ <https://onlinelibrary.wiley.com/doi/abs/10.1002/1520-6629%28200101%2929%3A1%3C29%3A%3AAID-JCOP3%3E3.0.CO%3B2-C>

WELFARE

WELFARE: HEALTH

There is a universal access to healthcare services in Finland. The Finnish constitution outlines the duty of the public authorities to promote the health of the population. In practice, municipalities are required to provide these services to their inhabitants. Primary source of funding is tax revenue collected by the municipality tax.

Public healthcare that municipalities provide consists of healthcare centres that provide primary healthcare services and specialised medical care that is provided by hospital-district hospitals. Municipalities can choose to run their own healthcare centre or alternatively collaborate with other municipalities. Some healthcare centres can be run by a private operator that have been chosen by the municipality in question. Specialised medical care is provided by 20 hospital districts of which five are university hospital districts. Each hospital district can run several hospitals. For instance, the largest hospital district of Helsinki and Uusimaa operates 24 hospitals, of which there are central hospital and other hospitals. To meet the constitutional requirement, every municipality is a member of one of the hospital districts. In addition, all hospital districts belong to a catchment area of one university hospital district.⁷

Ministry of Social Affairs and Health are responsible for planning, direction and supervision of specialised medical care. Federal councils exercise the decision power in hospital districts. Members of the federal councils are elected by the municipal councils.

To supplement the public healthcare services, there are private sector operators that provide healthcare services to individuals. The most usual services provided include physiotherapy services, consultations with doctors and dentists and occupational health. Social Insurance Institution (KELA) reimburses parts of the fees.⁸

Occupational health is under the occupational safety and health act and outlines the obligation of employers to provide healthcare to prevent work-related illnesses and accidents. The employers must arrange and finance this. KELA reimburses parts of the cost for the employer and the amount depends on the type of the expense. Rest of the expense is tax-deductible.⁹ Providing medical care is voluntary for employers but it is not rare as majority (54%) of the expenses related to occupational health come from medical care. Employers can choose between public and private healthcare service provider. In 2017 private service providers covered roughly 75% of employees who have occupational health and public healthcare centres along with employer's own healthcare centres provided the rest.¹⁰

Finnish Student Healthcare Service (FSHS) provides healthcare services to university students. Services include general health, oral health and mental health.

In MuniFin's Social Bonds Framework, the eligible projects under healthcare facilities would only include projects that municipalities are involved in and would exclude any private and occupational healthcare.

⁷ <https://stm.fi/en/hospitals-and-specialised-medical-care>

⁸ <https://stm.fi/en/private-health-care>

⁹ <https://stm.fi/en/occupational-health-care>

¹⁰ https://helda.helsinki.fi/bitstream/handle/10138/303534/Kelan_tyoterveyshuoltotilasto_2017.pdf?sequence=1&isAllowed=y

USAGE OF HEALTHCARE SERVICES

In Finland the distribution of healthcare expenses is concentrated to a small group of people. It has been estimated that 70-80 percent of the total expenses are related to healthcare of only 10 percent of the population.¹¹

Across different age groups, low income part of the population tends to use relatively more public healthcare services compared to higher income groups, as they cannot afford to substitute their consumption with private healthcare services.

According to a study from National Institute for Health and Welfare, majority (62%) of the people who use the public primary healthcare services are people with long-term illnesses.¹² Furthermore, three out of four people aged over 65 use primary healthcare services and quite often they seek treatment for long-term illnesses.¹³ Low income portion of the elderly use more healthcare services compared to groups that are better off and often cannot afford to use private healthcare service providers. High income part of the elderly population use private healthcare service providers more often than groups with lower income. In general, the underlying reason for higher consumption of healthcare services by the low income group can be explained by socioeconomic health gap. Often low socioeconomic status is associated with lower physical and mental health, higher morbidity and death rates.

SOCIAL AND HEALTHCARE REFORM

The former Finnish government proposed changes to legislation concerning Finnish social and healthcare services as well as regional governments. Preparations for the implementation of this reform were discontinued on 8 March 2019.

The new government appointed after the parliamentary election in April 2019 is likely to seek to reinitiate the process to enact a reform in respect of the social and healthcare system or regional governments. However, at this stage, there are no proposals for legislation.

¹¹ <https://www.vtv.fi/app/uploads/2018/05/22105012/paljon-palveluja-tarvitsevat.pdf>

¹² <https://www.laakarilehti.fi/tieteessa/terveydenhuoltoartikkelit/potilaiden-tyytyvaisyys-terveysasemien-palveluihin/?public=e6c78e3255104ebfeade0c78410fc9ad>

¹³ https://www.julkari.fi/bitstream/handle/10024/136061/URN_ISBN_978-952-343-067-9.pdf?sequence=1

WELFARE: SPORTS¹⁴

Physical activity is one of the basic services provided by municipalities. Municipalities maintain and provide both facilities and services for sport and physical activity, support civic activity in sport and athletic clubs and organisations, and espouse physical activity that boosts health and wellbeing. In addition, municipalities provide green spaces and outdoor areas accessible for everyone.

There are around 35,000 registered sports facilities in Finland, approximately 75% of which are built and maintained by municipalities. In MuniFin's Social Bonds Framework, sport services category can include projects sport facilities, such as swimming halls, ice hockey halls etc. and public open spaces such as sport parks and sport fields.

WELFARE: CULTURE¹⁵

Finland's cultural policy comprises of the different sectors of arts and culture, museums, cultural heritage, libraries, cultural exports and creative work. As Finnish municipalities are self-governing entities, promotion of general cultural activities is one of their tasks. They encourage cultural activities among local residents by for example providing grants, making facilities available and organising various events.

Municipalities also maintain arts and cultural institutions. There is a functioning library in every municipality in Finland and a museum in most municipalities. At least one theatre can be found in the largest municipalities. In MuniFin's Social Bonds Framework, eligible projects for the project category of culture can be, for example, libraries, cultural facilities, museums, theatres and multipurpose venues.

Overall culture category's eligible projects support the wellbeing of citizens and improve vitality of municipalities and regions. In Finland, municipal services are of a high standard since functions are statutory and based on special legislation.

One example of eligible project for the project category of culture are libraries. The Finnish system of municipal libraries is of high quality by international standards. Libraries have an important and versatile cultivating and cultural role in Finland.

Libraries provide everyone with equal access to culture and information, support civic knowledge as well as strengthen the sense of community and participation. Library services are among the most frequently used municipal services. Under the Library Act, every Finnish municipality must provide library services that meet certain standards. Public library services, as all other public services, must be equally accessible to everyone and basic services are free of charge for all users. Up to 70 per cent of Finns live within three kilometres from a library and 93 percent have a library within 10 kilometres from their home. The network of library services are completed by mobile libraries that serve users of all ages and provide an opportunity to use library services also for those who cannot access a regular library. In Finland, about 80 per cent of residents use the library services and the number of library visits and items borrowed per capita is among the highest in the world.¹⁶

¹⁴ <https://minedu.fi/en/sports-and-physical-activity>

¹⁵ <https://minedu.fi/en/culture>

¹⁶ <https://minedu.fi/documents/1410845/4150031/Library+services/65df0ce2-685f-4c3c-9686-53c108641a5c/Library+services.pdf>

In MuniFin's Social Bonds Framework eligible Sports and Culture projects will be screened by using an internal evaluation model that analyses post code areas and municipalities across socioeconomic factors to identify areas where investments in health and wellbeing would have the greatest impact on the vitality of the area.

EDUCATION^{17 18}

Education is one of the cornerstones of the Finnish welfare society. Finland's education system offers equal opportunities for education for all. The goal is to enable everyone an equal opportunity to receive high quality education regardless of the family's income and to educate active citizens. Education from pre-primary to higher education is free of charge.

The education system includes early childhood education, preschool education, comprehensive education, upper secondary education and higher education:

- early childhood education and care which is provided for children before the compulsory education begins
- pre-primary education which is provided for children in the year preceding the beginning of compulsory education
- nine-year basic education (comprehensive school), which is compulsory
- upper secondary education, which is either general upper secondary education or vocational education and training
- higher education (tertiary education) is provided by universities and universities of applied sciences
- adult education and other study opportunities are available at all levels

By the end of 2017, 72% of the population aged 15 or over had completed a post-comprehensive level qualification. In addition, 31% per cent of the population had completed a tertiary education in 2017.¹⁹

Finnish education system is globally well recognised. Over the years, Finnish education system has been titled even as the best in the world e.g. regarding the annual study of The Global Competitiveness study by The World Economic Forum.²⁰ In addition, Finland has shown good results in The Programme for International Student Assessment ²¹ "PISA" in all of the studies that are arranged every third year since 2000. In the study in 2015, among all 73 participating countries, Finland was placed as following:

	OECD countries	All participants
Mathematical literacy	7 th	13 th
Reading literacy	2 nd	4 th
Scientific literacy	3 rd	5 th
Collaborative problem-solving	5 th	7 th

¹⁷ <https://www.infofinland.fi/en/living-in-finland/education/the-finnish-education-system>

¹⁸ <https://minedu.fi/en/education-system>

¹⁹ http://tilastokeskus.fi/til/vkour/2017/vkour_2017_2018-11-02_tie_001_en.html

²⁰ <https://www.independent.co.uk/news/education/11-best-school-systems-in-the-world-a7425391.html>

²¹ <https://minedu.fi/en/pisa-2015-en>

EARLY CHILDHOOD EDUCATION AND CARE

In Finland, children are entitled to receive early childhood education and care (ECEC) before they reach school age. The goal of ECEC is to promote children's development, health and wellbeing as well as to improve children's opportunities for learning. Early childhood education is organised in day care centres and family day care that are organised by municipalities. Since early childhood education is tax funded, it is affordable for families. The fee is determined on the basis of the family's income and size and the time that the child spends in the early childhood ECEC. In addition, private early childhood education is available and in 2016, about every sixth of children went to private day care.²²

PRE-PRIMARY EDUCATION

The goal of pre-primary education is to improve children's opportunities for learning and development. Since 2015, participation in pre-primary education has been compulsory for all children in Finland. The education usually starts during the year when the child turns six.

The National Core Curriculum for Pre-Primary Education, approved by the Finnish National Agency for Education, guides the planning of the contents of pre-primary education and functions as the basis for drawing up the local curricula.

Municipalities organise pre-primary education and it is free of charge for families.

BASIC EDUCATION

The nine-year basic education, or comprehensive school, is compulsory for all children aged between 7 and 16. All children residing in Finland permanently must attend comprehensive education. Comprehensive school comprises of nine grades and Finnish legislation guides the education. National curriculum bases and local curriculums are also in use. In 2017, there were around 2,300 active comprehensive schools operating which had 539,600 pupils.²³

Comprehensive education is mainly organised by municipalities. Private or state schools only hold a couple percent of all comprehensive school pupils. Comprehensive schools organised by municipalities are tax funded and therefore free-of-charge for families. In addition, schools offer students free school meals.

Every student has a right to attend to the local school, usually the nearest school. Local school is appointed by the municipality and primarily students from the local school's district can attend the school. With some special reasons, e.g. health issues, students can attend to different school than their local school.

²² <http://www.tilastokeskus.fi/tietotrendit/artikkelit/2018/yksityinen-varhaiskasvatus-yleistyy-vauhdilla/>

²³ https://www.stat.fi/til/kjarj/2017/kjarj_2017_2018-02-13_tie_001_en.html

UPPER SECONDARY EDUCATION

After comprehensive school, students in general apply to general upper secondary school (high school) or vocational education.

In the general upper secondary school, the studies provide all-round education: they are primarily focused on natural sciences and humanities. At the end of the general upper secondary education, the students take a national matriculation examination. The passed examination gives eligibility to apply for further studies at universities, universities of applied sciences and vocational institutions. General upper secondary education usually takes three years to complete.

The vocational education comprises vocational upper secondary qualifications, further vocational qualifications and specialist vocational qualifications.

Upper secondary education is usually free-of-charge for the students. However, students need to purchase their own books and learning materials.

HIGHER EDUCATION

Higher education is provided by universities and universities of applied sciences. The mission of universities is to conduct scientific research and provide education based on it. Universities of applied sciences provide more practical education that aims to respond to the needs of the labour market.

The tuition fees are applied if student is not an EU or EEA citizen or a family member of an EU or EEA citizen and studying towards a Bachelor's or Master's degree programme.

OTHER STUDY OPPORTUNITIES

Adult education and educational institutions offer study opportunities at all levels.

Adult education and training encompasses education leading to a qualification, degree studies, training preparing for competence-based qualifications, apprenticeship training, further and continuing education updating and extending the professional skills, studies in subjects relating to citizenship skills, working life skills and society, and studies in different crafts and subjects on a recreational basis.

In Finland, there are also many educational institutions offering people of all ages some additional studies, which do not lead to a degree. These institutions include adult education centres, summer universities, study centres and sports training centres. The studies provide all-round education where is possible to study, for example, languages, arts, crafts or communications. Normally the student has to cover some of the expenses of the education.

In MuniFin's Social Bonds Framework Education Projects are screened using an internal evaluation model that analyses post code areas and municipalities across socioeconomic factors to identify areas where investments in education would have the greatest impact on the vitality of the area. However, higher education campuses and education centres are exempt from the selection criteria according to the internal evaluation model since they do not recruit students from the local area where they are situated. The higher education campuses and education centres provide education to all Finns and hence the target population is the general public.