

Effective governance and Public private partnership in Finland

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Effective governance and PPP in Finland

- **Definition of PPP**
- **Public procurement**
- **Life-cycle model**
- **Service voucher**
- **Bigger municipalities**
- **One counter principle**
- **Domestic help credit in taxation**
- **Low level of corruption**
- **Private and public sector in social services**



Definition of public private partnership

- **What is public-private partnership (PPP)?**
 - **a contractual agreement between the public and the private sectors**
 - **private operator commits to provide services or utilities that have traditionally been supplied and financed by public institutions.**



Public private partnership

- **Goal of PPP to obtain better value for money than traditional public options. Such as**
 - **reduced costs,**
 - **improved quality**
 - **better risk allocation,**
 - **faster implementation of public works and services,**
 - **more choice**
 - **better conditions for private companies**
 - **higher tax income with same or lower levels of taxation**



Public private partnership

- **PPP provides a possibility**
 - **to exploit the management qualifications and the efficiency of the private sector without giving up on the quality standards of outputs**



Public procurement

- Which services or utilities does the public sector produce itself?
- Which services or utilities are purchased from the private sector?
- Public sector makes the decision. For a correct decision the following needs to be taken into account:
 - correct calculation of own costs
 - cost transparency
 - quality comparison



Public procurement

- Rules for public procurement in EU and at national level

⇒ Legislation in Finland:

1. Purchases must be put out to tender

- If value of purchase exceeds 15 000 €, in social and health services 50 000 € and in construction contracts 100 000 €

2. Equal treatment of service providers

3. Openness

- Direct acquisition or limited tendering is restricted to specific circumstances

4. Cost-effectiveness/quality

- The most cost-effective bid chosen
- Municipalities and private producers know-how of public procurement process needs to be improved



Life cycle model

- Often used in PPP:s, typically in extensive construction endeavours such as road construction
- Often turn-key contract and maintenance combined
- Compensation for service provider on basis of eg. number of service users under a longer period is possible
- For service purchaser a smaller single initial payment, comparison of costs under a longer period, sharing of risk between public and private sector



Service voucher

- Municipality has the right (but not the duty) to provide its inhabitants social services or home treatment on a service voucher
- Service voucher has a specific value close to what the cost of a self-provided service would be
- Client can choose the service provider (open market or service providers selected by municipality)
 - If cost exceeds voucher value, client pays for the difference
- Vouchers not widely in use as of yet
- Range of use now being widened
- Voucher strengthens the potential of private market



Bigger municipalities

- Project **Paras** in progress aiming to municipality fusions
- Now more than 400 municipalities in Finland > too much
- Based on voluntariness, financial support as lures
- Functions and know-how made more effective
- A large enough clientele for social and health services, minimum 20,000 inhabitants
- Better purchase/marketing know-how among other things
- Easier distribution of best practices



One counter principle

- Counters for joint services – preparation in progress
 - inhabitants
 - Enterprises
- Reducing bureaucracy
- Significant especially for new entrepreneurs and small enterprises



Domestic help credit in taxation

- Fighting the grey economy
- A private person can get reductions in taxation for majority of costs produced by household tasks such as
 - home treatment
 - social services at home
 - cleaning
 - renovation
 - IT installations and maintenance
- Tax reduction 60 % off the enterprises's bill or 30 % off the employee's wages plus compensation for the side expenses
 - Maximum 3000 €/ spouse in 2009, now 2400 €/spouse/ year
 - Own contribution min. 100 €/year



Low level of corruption

- Low level of corruption crucial to effective government
- Finland has always been among the least corrupted countries
- Finland's strengths
 - A historically rooted common value base that promotes moderation, self control and the common good;
 - legislative, judicial and administrative structures that permit close monitoring of and protection against the abuse of power,
 - women's prominent participation in political decision-making,
 - low income disparities and adequate salaries
 - high level of education, especially good equal level of basic education
 - free media



Private and public sector in social services

- **Private sector 30 %, public sector (municipalities) 70 % of all social services in Finland**
 - **Strong tradition of non-profit organisations**
 - **Expanding companies**
- **proportion of private sector is growing**
- **Majority of private sector services purchased by municipalities**

- **Functions on the Employer and Branch Organisation of Social Services :**
 - **Negotiating of collective agreements + other trademarket functions**
 - **Preparing ground for a wider opening of the public social sector to the private sector**
 - **Creating more balanced principles of competition**
 - **Developing models of contracts for selling social services**
 - **Enhancing quality systems for the sector**



Factors influencing social sector

- **Market**

- **A growing need for social services**
 - number of elderly people
 - **Different social problems in society (Drugs, people with special needs etc.)**
- **Competition**
 - **With the public sector**
 - **Within the private sector**
 - **International competition**

- **Society**

- **Lack of qualified workforce in the future**
 - **Post- war baby boom generations retiring 2008 – 2015**
 - **Smaller new generations**
- **Technical and computer innovations**



Factors influencing social sector

- **Financing**

- Comparison of effectivity
- New forms of support of the society
 - such as tax benefits for home services
- Interests of the investors
- Care insurance

- **Supervision**

- National and regional authorities, Communities, Customers
- EU-regulations, National laws
- Quality standards

