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## **Agreement procedure for land use, housing and transport: what works and what needs changing**

**A summary of the AFLRA report on the Finnish agreement  
procedure for land use, housing and transport: what works  
and what needs changing. Acta Publications No. 280.**



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# Contents

<b>1.</b>	<b>Introduction .....</b>	<b>4</b>
<b>2.</b>	<b>MAL agreement procedure now .....</b>	<b>6</b>
2.1	Planning of urban regions supports the MAL agreement procedure.....	6
2.2	Challenges of the negotiation process .....	7
2.3	Effectiveness of the MAL agreement procedure.....	9
<b>3.</b>	<b>Conclusions and summary of what needs changing.....</b>	<b>11</b>
3.1	Enhancing voluntary planning of urban regions .....	11
3.2	Specifying the content of MAL agreements .....	12
3.3	Clarifying the negotiation process and agreeing on financial principles .....	13

# 1. Introduction

Urban regions play a key role in driving economic growth and in promoting sustainable development, people's well-being and the smooth running of daily life. Land use, housing and transport lay the foundation for well-functioning communities, and the coordination of these areas requires cooperation across municipal boundaries within the framework of the planning of urban regions. Finland's seven largest urban regions have additionally concluded agreements on land use, housing and transport with the central government, known as MAL agreements. The aim of these agreements is to coordinate and set long-term objectives for the development of land use, housing and transport, and to form a partnership between the central government and the municipalities in urban regions. The MAL agreements commit the urban regions and the central government to implement and co-finance measures to improve the regions' competitiveness and functioning and to deliver climate objectives.

Contractual cooperation has, however, its challenges and uncertainties, as reaching a consensus and negotiating an agreement is not always easy. The procedure is being established in new urban regions, whose special needs should be considered and equal development ensured. This has raised debate over the procedure's effectiveness. Urban regions also face new challenges and pressure to combat and adapt to climate change, which requires more and broader measures from them. This is reflected in suggestions for extending the content of the agreement procedure. Moreover, the procedure has been criticised for not being democratic and transparent enough, which challenges the current procedure's legitimacy. On the other hand, solving such complex problems requires increasingly intense cooperation and concrete measures from the central and local governments. The MAL partnership is a good example of this.

This report produced by the Association of Finnish Local and Regional Authorities (AFLRA) looks at the MAL agreement procedure now and how the planning of urban regions supports it, and evaluates the procedure's effectiveness. The time is right for a review. A decade has passed since the first MAL letters of intent, and in 2021 the MAL agreement procedure was extended to three new urban regions. The report also identifies best practices and lessons learned, while also proposing measures to address problems and challenges related to the current

procedure and to further improve the procedure. The report is based on data gathered through a questionnaire and interviews and on a literature review. A mixed method approach was used to analyse the data.

## 2. MAL agreement procedure now

### 2.1 Planning of urban regions supports the MAL agreement procedure

The municipalities in urban regions have long cooperated in regional planning by drawing up various land use, housing and transport plans. The MAL agreements have deepened the cooperation between the urban regions because they reduce competition and encourage the urban regions to consider impacts that cross municipal boundaries. The agreements have a special importance in the cooperation between the central government and local authorities, which have formed a partnership through the agreement. In this partnership, they share the economic risks and responsibilities related to urban development and are able to launch projects that would not otherwise be carried out. Cities are the engine of the Finnish economy, so the investments that the central and local governments make in urban regions foster growth in the whole country. The goal of the agreement procedure is to benefit all parties by increasing the vitality and effectiveness of the urban regions and the well-being of their citizens.

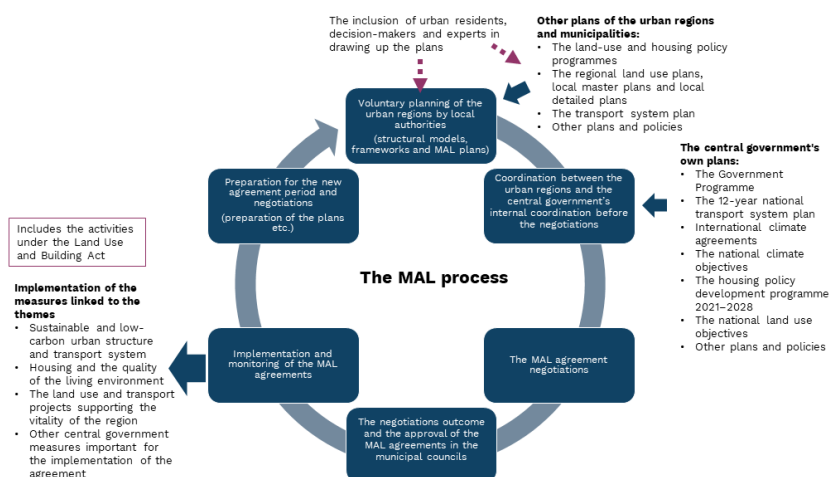


Figure 1. A generalised and simplified description of the MAL process.

The plans for the urban regions encapsulate the municipalities' common intent and vision for the region's development. They are the basis on which the urban regions draw up their proposal for the MAL agreement negotiations with the central government, as shown in Figure 1 above. The final MAL agreement is concluded by the municipalities and the central government once they have found an understanding and a common will in the negotiations. The outcome of the negotiations is approved by the municipal councils, after which the implementation of the agreements may begin.

The respondents from municipalities did not find it problematic that the MAL procedure is separate from the official planning system, as the current voluntary planning of urban regions adheres to the principles of representative democracy: citizens, decision-makers and experts are included in the preparation of plans and the implementation of agreements, as shown in Figure 1. For this reason, the proposition in the reform of the Land Use and Building Act to make the plans for urban regions statutory is not considered to be necessary or to yield added value. Interviewees were concerned that if the plans were made statutory, procedures such as zoning would have to be directly applied to planning, which would slow down the entire MAL agreement process and lead to duplication of work.

Instead of statutory regulation, survey participants would like to see the problems identified in the report to be solved by enhancing the current procedure, while maintaining its voluntary and contractual character. The democracy and legitimacy of the procedure can be strengthened by increasing inclusion in the planning of urban regions and by taking better account of the plans of the urban regions in the MAL agreements. It is important that local authorities also continue visionary and long-term regional planning which goes beyond the MAL agreements, because this planning will influence development activities outside the MAL agreements. The MAL agreements support the planning, as they can be seen as instruments of implementing the plans and as a way for the central government to participate in the development of urban regions.

## **2.2 Challenges of the negotiation process**

The MAL agreement procedure has an element of uncertainty as its continuation depends on the negotiations carried out every four years between the central government and the local authorities in the urban region. Although the term of MAL agreements is 12 years, it is possible that the parties do not find consensus and common intent in the negotiations, in which case no agreement is concluded. Survey respondents want the central government to commit to the agreements for a longer period of time. At present, the government's financial commitment

is limited to four years, the length of the government's term. This is considered problematic because urban development is a slow process and requires longer-term commitment. On the other hand, a four-year period gives time for responding to changes in the operating environment.

The previous rounds of negotiations were lengthy, so clarifying and streamlining the negotiation process would be important. The parties need to adequately prepare for the negotiations. It would therefore be good if the central government strengthened its internal coordination and resolve. Right now, there is room for improving ministerial coordination. The parties representing the state would like to see local authorities step up regional prioritisation of projects before the negotiations to reduce sub-optimisation. It is also important to set a clear timetable for the negotiation process and inform all parties on the issues on the agenda, so that the parties can ensure their negotiating mandates are up to date.

For the negotiations to be successful, the negotiating parties should have a clear common understanding of the objectives and purpose of the MAL agreements. Otherwise, there will be an increasing range of expectations for the content of the agreement, which will complicate negotiations. For urban regions it is important that they all are on an equal footing at the negotiations and that decisions are reached through genuine discussion. All urban regions should be offered projects from all categories, and effectiveness should be the primary criterion for selecting the measures to be included in the agreement. The relationship between the MAL agreements and other policies must also be clear, meaning that all parties should know which issues are negotiated in the MAL negotiations and which ones are to be resolved in other contexts.

All negotiating parties must also sufficiently understand the urban region's characteristics, needs and investment capacity so that they can choose the most effective and profitable measures for the agreement in this respect. For this to happen, some would like to see more flexibility in the current agreement template. At present, some urban regions have challenges in finding projects that meet the criteria defined in the given template. The situation would improve if the plans for urban regions prepared by local authorities were given more attention in the MAL negotiations, and the criteria for measures were more flexible within the agreements.

However, the content of the agreements should still be limited to the themes of land use, housing and transport. A broader content could endanger the effectiveness of the agreement procedure. Survey respondents consider that clear and simple objectives and measures along with sufficient funding contribute to effectiveness more than a broadening of the agreement content.

The problems in the agreement negotiations have to do with disagreements over financial contributions. It is not sustainable from the viewpoint of local government finances that firstly, local authorities have to finance a growing share of the implementation costs of the agreements and secondly, that the agreements take no account of other investments required from local authorities to ensure the implementation of projects. With a view to streamlining the negotiation process, the principles of the local-central government co-financing model should be agreed on already before the next MAL negotiation round.

### **2.3 Effectiveness of the MAL agreement procedure**

All interviewees agreed that the MAL agreements had improved the predictability and continuity of the development of urban regions, and that the agreements will continue to be necessary. They felt that especially the extension of the agreement term to 12 years in the latest negotiation round will contribute to the continuity and predictability of the agreements. However, they call for a longer term financial commitment, as currently the state is committed to the agreements four years at a time, so the agreements must be renegotiated every four years.

The vision and development needs of urban regions are presented in the urban region plans voluntarily drawn up by the local authorities. The MAL agreement has introduced a mechanism for implementing urban region plans, which also partly explains the ambitions to use the effective instrument in other urban development themes dealt with in the plans, such as business, services and the climate. Nevertheless, for the MAL agreements to be manageable and effective, they should continue to focus on land use, housing and transport issues. It is possible to consider the other thematic areas mentioned above within the existing land use, housing and transport themes. For example, climate issues are already taken account of in the agreements. As a rule, however, the purpose of a MAL agreement is to coordinate land use, housing and transport and to agree on measures. The suggestions to extend the agreement procedure to new themes also indicates that the procedure is effective. Nevertheless, there is a need to explore whether some other instrument would be more suitable for local-central government cooperation in other themes and contexts.

In summary, the current MAL agreements are seen as a very effective way of organising the cooperation between urban regions and the central government. The objectives of the agreements have also been largely achieved, for example the volume of housing production and zoning has increased and the public transport has become more sustainable and accessible over the past decade.

Much remains to be done, however. In order to achieve the ambitious objectives of the agreements, local authorities and the central government need to cooperate more closely and make greater investments in the development of urban regions. In future, it will be important to ensure that sufficient financial resources are allocated from the state budget for the implementation of the agreements and that the municipalities' share of funding is on a sustainable basis.

# 3. Conclusions and summary of what needs changing

The report's findings show that the MAL agreement procedure is considered a very effective way of organising cooperation between the central government and local authorities for the development of urban regions. The agreements have produced good results and the parties have a strong interest to continue their contractual cooperation in the future. The problems with the procedure are related to the negotiation process and disagreements over the financing principles. If these issues are addressed, the procedure will continue to be an effective urban policy tool in the future. The report also identified other aspects that need improvement. They should be followed up in the further development of the procedure and the planning supporting it.

## 3.1 Enhancing voluntary planning of urban regions

The circumstances in urban regions vary greatly. The urban regions themselves have the best idea of the challenges that need to be addressed in their area and of the special circumstances in which the development of cities takes place. This expertise should be drawn upon and be the basis for the development of urban regions. Active cooperation between the central government and urban regions is necessary to consider the wider national context. The central government should therefore be involved at the stage when the plans for urban regions are being drafted. Better knowledge of the central government's needs and framework conditions already at the planning stage would facilitate planning and streamline the MAL negotiation process.

All MAL regions are engaged in planning activities, although the organisation of the planning process varies. Voluntary planning processes have proven to be effective. Against this backdrop, the proposition to make the planning of urban regions statutory would unnecessarily stifle the well-functioning MAL process. It would be neither a remedy to the identified problems nor a substantial

improvement to the current procedure. A voluntary procedure affords more flexibility and responds better to changing needs and circumstances.

Local authorities are responsible for or direct the preparation of urban region plans, and it is not necessary to change this. There is a need to increase the involvement of citizens especially in the preparatory process of the MAL agreements.

Municipal residents and other stakeholder groups have already been included in the regional planning process, and trials using new kinds of methods are under way. The cities' own experiences of inclusion speak in favour of using and developing new methods and tools in the inclusion work. Each local authority should be allowed to choose its own methods and tools for promoting inclusion. Identifying and sharing best practices and interaction between urban regions would be a good way of developing the planning of urban regions in the future.

### **3.2 Specifying the content of MAL agreements**

As a general rule, MAL agreements are used to solve problems related to land use, housing and transport. As circumstances change over time, it is not uncommon that pressures will mount to include other priorities and objectives in the agreements. Nevertheless, to keep the MAL agreement manageable and effective, their scope should not be extended. Already the current scope of the contractual framework allows the parties to emphasise different thematic areas in the agreements and more broadly consider both the specific characteristics of urban regions and the changing societal needs. Combating climate change and preparing for its consequences naturally fit into the agreements' current themes. It is also effective climate policy to develop urban structure in the direction indicated by the MAL agreements. However, the agreements are not a panacea for all specific and local problems.

To streamline the negotiations, urban regions and the central government should bring their views closer, and for this purpose their interaction already at the planning and preparatory stages is important. The MAL agreements are an integral part of the central government's urban policy, and the government should therefore formulate its goals and expectations for the MAL agreements in a broader context. Using the plans for urban regions as a basis for the negotiations and taking better account of the urban regions' special needs in the agreements improves the procedure's effectiveness.

The MAL agreements must have clear, mutually agreed objectives and measures that everyone is familiar with. The measures must respond to the urban regions' main MAL-related challenges while also taking account of their special needs.

Even in the case of difficult issues it must be possible to record concrete measures, not general observations, to the agreements. Effectiveness should be the primary criterion for selecting the measures to be financed, based on prioritisation made by the urban regions. However, everything that local authorities normally do anyway does not have to be included in the agreements.

### **3.3 Clarifying the negotiation process and agreeing on financial principles**

Focusing on the core themes of land use, housing and transport is necessary for ensuring that the negotiation process — both the preparation stage in urban regions and the actual negotiations — can be completed. There is also a need to streamline the MAL negotiation process. The starting points of the negotiations should be clarified and both parties should make adequate preparations and have the right level of ambition before any negotiation takes place.

The process itself could be streamlined by phasing the negotiations or limiting the participants to persons who have the power to make decisions on the issues being handled. In addition, the parties should receive the agreement template well in advance or they should prepare it together. The implementation of the MAL agreements requires stronger mutual coordination and common intent from the parties representing the central government, including the state ownership policy guidelines with consideration to the content of the agreements. The central and local governments should also clarify the content and the cycle of the updating of the MAL process and Finland's 12-year national transport system plan and the relationship between the two.

The crucial importance of cities and urban regions must be recognised and adequate state resourcing for their development ensured. In the future, sufficient resources should therefore be allocated to the implementation of the MAL agreements to secure their effectiveness. The central government and the municipalities in the MAL regions should agree on the general principles of the co-financing model for transport projects before the next round of negotiations. The aim to increase the municipalities' share of financing of the central government's transport projects is not on a sustainable basis. In addition to projects co-financed with the state, municipalities must also be able to finance other costs of growth and significant investments in infrastructure and in the service network. The state must assume responsibility for its assets in urban regions.

In the MAL agreement negotiations, the central government should offer funding from all categories to all MAL regions and not exclude some categories from

some of the urban regions already before the negotiations begin. The criteria for choosing the projects should, nevertheless, be profitability and effectiveness, and the choices should be clearly justified.