

Promoting the development of electronic business

In setting information society objectives, increasing attention has been paid in recent years to developing electronic business. Both the Information Society Programme of Prime Minister Matti Vanhanen's first Cabinet and the Ubiquitous Information Society Action Programme of Vanhanen's second Cabinet have included objectives concerning the development of business processes to take advantage of information and communications technology services and particularly electronic invoicing. Numerous projects supporting the development of electronic business have also been conducted way in different regions.

The audit focused on projects promoting the development of electronic business. The audit examined how projects supporting the development of electronic business in different regions and at the national level have been conducted and how activities have been steered nationally.

Over 20 million euros in public funds were spent on different regional projects supporting the development of electronic business in 2004-2008. The total costs of the projects that were covered by the audit came to about 14 million euros. Around twenty regional projects were audited. The audit also examined national projects. Projects were conducted by the Ministry of Employment and the Economy, the Finnish Information Society Development Centre (TIEKE), the Foundation for the Promotion of Small and Medium-Sized Industries, regional development companies and universities of applied sciences. Projects were financed by the Ministry of Employment and the Economy (previously the Ministry of Trade and Industry), the State Provincial Offices' education departments, the Employment and Economic Development Centres' labour market departments and regional councils. Many projects were conducted with aid from the European Social Fund and national aid. Portals supporting the development of electronic business have also been opened by TIEKE and the Foundation for the Promotion of Small

and Medium-Sized Industries. TIEKE has also been a key actor in regional projects.

The audit indicated that at the national level the selection of projects supporting the development of electronic business and the focusing of objectives were largely done without official steering. As a result, individual projects have been conducted in different parts of the country and also in the same regions partly with different conditions for aid and with different compositions of project implementers. Furthermore activities have often been overlapping, with numerous actors offering and supplying information technology training, for example. In some of the audited projects that included training, it was difficult to get entrepreneurs to participate in training sessions. On the basis of the audit, this was due to the large supply of training and the fact that entrepreneurs generally do not have the time and possibilities to take part in training. Information technology training aimed at businesses has been supplied by universities of applied sciences, universities, adult education centres, vocational institutes, regional development companies, local business organisations and chambers of commerce, at least.

In the opinion of the National Audit Office, the lack of national policies and steering has resulted partly in inefficiency and modest results. Numerous projects were conducted in individual firms using eSeteli vouchers, however, and demand for these was also good. On the basis of the audit, around 2,300 training and consulting sessions supporting electronic business were carried out in individual firms using eSeteli vouchers in 2004-2008.

Measures should be taken immediately to define aid criteria for projects supporting the development of electronic business so that projects are conducted according to national policies using uniform criteria. Different actors' role in conducting projects also needs to be clarified. Special attention should be paid to the possibilities of businesses in the field to offer training services without distortions in the supply of training being caused by projects operating with public funding. Supply should be based primarily on free competition. The Ministry of Education and the Ministry of Employment and the Economy are primarily responsible for deciding on policies and improving steering.

A lot of independent study materials and manuals covering the basics of electronic business had been produced in projects. These

materials had not been used efficiently, however, and materials were also overlapping in some respects. The National Audit Office emphasises that it is up to ministries to see that information is supplied to target groups and regional aid authorities on projects whose results can be generalised in order to reduce overlapping work.

On the basis of the audit, national projects have been coordinated only within the framework of the eLiiketoiminta (eBusiness) network. The Ministry of Employment and the Economy (formerly the Ministry of Trade and Industry) has also assisted and conducted projects with aid from the European Social Fund, but these have partly overlapped and the results in relation to costs have been modest. The problems that have been observed in projects financed by the ministry have apparently been due to the lack of clear, targeted and long-term policies. Projects have been conducted as and when project proposals have been presented to the ministry for funding and the ministry has approved them.

Numerous shortcomings were also observed in the implementation of projects assisted by the Ministry of Employment and the Economy. Attention was not always paid to value for money in implementing projects. Some projects were also problematic from the viewpoint of procurement legislation, since services were purchased directly from project partners. Another problem in projects financed by the ministry was the form of aid decisions. According to aid decisions the ministry acted as the customer in projects, making procurements subject to procurement legislation.

The National Audit Office considers that the Ministry of Employment and the Economy should focus in future on taking care of managing authority tasks in ESF projects and should refrain from conducting projects itself, since the ministry's credibility as a managing authority and good governance are jeopardised if it conducts projects itself. The ministry should clearly act as an aid authority in ESF projects and not as a customer or project administrator.

The Foundation for the Promotion of Small and Medium-Sized Industries has developed and maintained the national Yritys-Suomi (EnterpriseFinland) portal for the Ministry of Employment and the Economy (previously the Ministry of Trade and Industry) since 2002. The ministry has partly financed activities with state aid throughout the portal's development. In the opinion of the National Audit Office, in purchasing services from the Foundation for the

Promotion of Small and Medium-Sized Industries the ministry should have complied with the Act on Public Contracts and invited tenders for services purchased from the foundation, since the foundation operates on the authorisation and account of the ministry. In conducting the project the Foundation for the Promotion of Small and Medium-Sized Industries had also procured lots of services without inviting tenders. Procurement decisions were also missing for some procurements.

In the opinion of the National Audit Office, the technical and mostly operational development of the Yritys-Suomi portal should be reorganised, for example as part of the development and maintenance of the Suomi.fi portal, even if the portals are kept separate. For this reason the Ministry of Employment and the Economy should take steps to reorganise the Yritys-Suomi portal's maintenance and development tasks. Attention should be paid to development in the production of the central government's IT services and synergies with the development and maintenance of the Suomi.fi portal.

The audit also observed shortcomings particularly in projects financed by the labour market department of the Employment and Economic Development Centre for Southeastern Finland and the education department of the State Provincial Office of Lapland. Shortcomings were observed in projects' coordination, decision-making, payment appropriation and other control. Aid authorities have, for instance, approved travel in projects without clear grounds. Nor has the feasibility of project objectives and implementation been evaluated adequately in every case. Problems have been due to the fragmented and extended nature of project implementations as well as aid authorities' resource problems. In the Province of Lapland problems were observed in cooperation among aid authorities, as a result of which authorities have financed overlapping projects. Regional structural funds and state aids had not been used in the best possible way in terms of overall economy and the need to provide aid for projects had not been given sufficient study.

The starting point for aid authorities cannot and should not be that aid granted to projects will be used for many new purposes deviating from the original project plan so that aid can be used up. Aid authorities' guidelines require that project implementations cease if

they cannot achieve the main objectives that have been set for a project.

To reduce risks in broad projects, project decisions should be divided into parts. In the first stage aid would be granted to implement a limited part of the project. On the basis of the results during this first stage, the aid authorities would reevaluate the project's possibilities to continue implementing other objectives and distributing planned financing. Everything connected to a project does not have to be done at the same time. Instead tasks can be segmented and implemented one at a time and different aspects of the project can be clearly separated. This would also considerably improve the administrative monitoring of projects' results and other matters.