

## The impacts of regional development programmes

This theme audit concerned the impacts of regional development programmes conducted during the programme period 2000-2006. The evaluation of impacts was based on audits performed by the National Audit Office in 2003-2007, supplemented by interim evaluations of regional objective programmes.

The audit's summary report concentrated on the impacts of regional development programmes that were supported by the European Regional Development Fund (ERDF) and national funds as well as administrative procedures in regional development projects. In evaluating impacts the main perspectives were employment impacts, programmes' role in increasing knowledge, and the spreading of programme results and good practices.

### Evaluation problems

Regional development programmes' operating policies and projects have differed greatly, which has made it more difficult to evaluate programmes. According to audits as well as interim evaluations of objective programmes, expectations regarding programme impacts have often been overly optimistic.

Reliability problems were also observed in authorities' monitoring systems. Owing to incorrect or incomplete information, it has been difficult to verify precise figures in evaluating impacts.

In the opinion of the National Audit Office, it should be possible to evaluate programmes as a whole, even though there are differences between regional development programmes' operating policies and projects. Evaluation should concern the setting of quantitative and qualitative objectives and performance indicators, the achievement of objectives and the permanence of results.

The large number of regional development programmes has caused overlap and competition for limited resources as well as the

unnecessary fragmentation of resources. In the opinion of the National Audit Office, the diversity of regional development requires the proper focusing of resources and a sufficient range of regional development tools.

In 2007 the Ministry of the Interior began work on a system for evaluating regional development as a whole. The National Audit Office considers that an overall evaluation of the effectiveness of regional development programmes and measures should be conducted to help in developing the evaluation system, on the basis of which the effectiveness of regional development measures could be improved.

Programmes' effectiveness with regard to macro variables, such as gross domestic product (GDP), disposable income, employment or population, is difficult to observe or verify reliably. The direct employment or business impacts of individual regional development programmes are hard to separate from the impacts of other programmes or forms of support aimed at the same region or the general development of the economy. Distinguishing the net impacts of funds from the effects of other factors is problematic.

Programmes' impacts may be overlapping, in which case the results of individual programme evaluations may be cumulative. In the opinion of the National Audit Office, an overall evaluation of the effectiveness of regional development programmes could reduce the possibility of cumulative results.

In updating the interim evaluations of objective programmes that were conducted in 2005, a more critical attitude was taken towards the evaluation of the impacts of regional development measures and indicators measuring effectiveness. In the opinion of the National Audit Office, the final evaluations of objective programmes should also serve the overall evaluation of effectiveness. Furthermore the National Audit Office considers that shifting regional development tasks to the Ministry of Employment and the Economy will improve preconditions in coordinating the state's aid measures.

Impacts on employment

The Lisbon strategy that was approved in 2000 was revised by the European Council in spring 2005. Attention was focused on promoting growth and jobs. The revised strategy gives equal importance to increasing both employment and productivity. According to the strategy, jobless growth should be avoided. According to the mid-term review of the Lisbon strategy in 2005, the member states' main objective of increasing rates of employment has not been achieved. The Commission has also called for incentives for people to work and for businesses to take them on in order to create more and better jobs.

On the basis of the audits performed by the National Audit Office, the job-creating impacts of support from the European Regional Development Fund were lower than expected in Finland. The audits indicated that support has made it possible to preserve or renew jobs in many cases, however. This has had great significance for areas in the weakest position in eastern and northern Finland as well as areas where restructuring has taken place.

According to interim evaluations, the Objective 1 programmes for eastern and northern Finland have not paid adequate attention to employment and exclusion problems. Another significant problem has been the achievement of targets concerning the creation of new enterprises.

Most direct corporate aids including support from the ERDF were granted as investment aids in the programme period 2000-2006. Investment and development aids have had a small but statistically significant impact on employment. Otherwise corporate impacts were small and transitory.

General economic development has led to more concentrated development and differences between regions have grown. Support from structural funds has often been directed to growth centres or flowed to them over the long term. Migration can also have indirect impacts on regional employment. In particular when young people move from remote areas to growth centres, this has negative impacts on the development of remote areas.

According to audit findings, some of the programmes supporting objective programmes have been of short duration and projects' impacts on the environment, jobs, the number of enterprises or enterprises' turnover have not been observed.

An experiment exempting employers from social security contributions that was conducted in 2003-2005 with the aim of improving job creation was not found to have any clear regional impacts on employment or migration. A positive effect of the experiment was that existing jobs were preserved in the enterprises that participated in the experiment. In connection with the extension and expansion of the experiment, local authorities were also allowed to take advantage of exemptions. According to the audit, this will increase local authorities' possibilities to provide jobs. Positive impacts on employment are expected to have multiplier effects, with employment growing in the service sector as well.

The national decentralization programme is expected to have positive regional impacts on employment. Decentralization involves functional, economic and personnel-policy uncertainty factors, however. The National Audit Office considers that in future adequate attention should be paid to uncertainty factors related to decentralization both in preliminary evaluations and in regular evaluations of the actual impacts of measures.

According to objectives, decentralization measures' main emphasis should be on regional centres. In the opinion of the National Audit Office, the measures in the decentralization programme should also pay adequate attention to supporting labour markets in the regions that are in the weakest position by also shifting activities to areas outside regional centres when this is possible. This would help support the development of marginal areas.

### Strengthening knowledge

The Lisbon strategy has stressed the significance of research and development as well as education in promoting economic growth and employment. The goal has been to develop links between enterprises, universities and financial markets in order to achieve regional institutional frameworks. Strengthening human capital promotes the creation and dissemination of knowledge.

Structural fund programmes have been designed to curb growing differences between regions in research and development activities and in the use of new information and communication technology.

Knowledge and networking projects in the Objective 1 programmes have resulted in the creation of networks and increased cooperation among actors. Projects' links to enterprises have not been adequate in all respects, however. This is a significant problem, since enterprises play a key role in innovation. Another problem has been the lack of foreign cooperation partners. Knowledge projects have generally not resulted directly in new jobs or enterprises.

Among special programmes the Centre of Excellence Programme has successfully implemented regional innovation policy. The programme has supported economic growth and strengthened knowledge in centres of excellence.

In the first stage of the Centre of Excellence Programme, competition among centres of excellence posed problems for cooperation. According to the recommendations in audit report 13/2001, steps have been taken to improve cooperation among centres of excellence.

The creation of cooperation networks in the Regional Centre Programme has been more successful than the programme's effects on regional vitality and the positive development of regional economies.

In the opinion of the National Audit Office, although measuring qualitative results may be problematic, an effort should be made to evaluate how the programme has promoted innovation, the transfer of knowledge and learning processes between actors. The National Audit Office also considers that, from the viewpoint of the innovation process and the effectiveness of support, project timetables have often been too short.

### Spreading results and good practices

The success of activities is influenced by a project's timeframe and operating environment. Practices may be easily transferable, but showing them to be good practices in other regions is uncertain. The precondition for transferring knowledge is cooperation among regional actors.

According to audit report 82/2004, the best way to spread results is to tailor and market them and to create new cooperation networks. The short duration of programmes and projects weakens project outcomes and programme effectiveness and makes it harder to observe and transfer good practices.

In the opinion of the National Audit Office, in every regional development programme, both the programme and projects should include a plan for spreading results and good practices. Projects should also be supported long enough to build more permanent knowledge networks. Knowledge and networking projects' overdependence on programme funds should be avoided by seeking alternative means of financing.

Cooperation among centres of excellence in Innovative Actions Programme work is a good example of the successful spreading of knowledge. Through projects the centres of excellence disseminated results and good practices to a broader environment. This increased operating possibilities and the development of social capital in remote areas.

Action groups can be used as intermediaries between centres of excellence and local actors in rural areas. So far action groups' contribution to knowledge and networking projects has been small.

In developing the Regional Centre Programme the National Audit Office believes that special attention should be paid to spreading the results and impacts of programme work to surrounding areas. Programme results have not been reflected adequately in surrounding areas.

### Problems in project administration

On the basis of audit findings, the criteria used in selecting projects have contained omissions. The project information in the Finnish Monitoring System (FIMOS) has often been incomplete and unreliable. This had made it difficult to monitor and evaluate the results of projects.

In project administration problems were also observed in complying with timetables and managing payments. The handling of aids was often delayed.

The European Commission has drawn attention to overlapping and bureaucratic reporting procedures and confusion as to who is responsible for what.

In the opinion of the National Audit Office, the criteria used in selecting projects and programme suitability should be examined more critically. Greater attention should be paid to projects' employment impacts. The project information monitoring system should be based on actual direct impacts. The National Audit Office also considers that project administration should be developed through advice and adequate and consistent guidelines. Information systems should also be harmonized, regardless of the programme. Reporting should be developed according to the Lisbon agenda by simplifying reporting procedures.