

# Conclusions and recommendations of the National Audit Office

## Effectiveness of structural fund programmes

The purpose of the regional and cohesion policy pursued by the EU is to narrow differences in development - which in practice means differences in income - inside the European Union. The regional policy is in the form of regional aid directed at less developed regions where the aid is intended to encourage business investments, to improve education levels and to help in the development of the infrastructure. The regional aid comes from the structural funds of the European Union. The Cohesion Fund is aimed at Member States whose gross domestic product (GDP) per inhabitant is less than 90 per cent of the EU average. The regional and cohesion policy is one of the most important means of achieving the objectives laid out in Europe 2020, the EU's long-term growth strategy. Regional development accounts for about one third of the budget of the European Union.

During the programming period 2007-2013, structural fund spending in Finland amounted to about 1.6 billion euros and in addition to this, another two billion in national public funding was also allocated to the programmes. The audit only covered the European Regional Development Fund (ERDF), which is economically the most important of the structural funds, and the programming period 2007-2013. At the time, there were four structural fund programmes underway in Finland: The programmes for Southern Finland, Western Finland, Eastern Finland and Northern Finland.

The purpose of the audit was to assess the effectiveness of the ERDF programmes, programme monitoring and the administrative costs arising from the programmes. The assessment of the programme impacts was based on an experimental design, which arose when the boundaries of the programme regions were redrawn at the start of the programming period 2007-2013.

According to the audit findings, regional aid has helped to reduce unemployment, especially in the intervention areas where the aid has grown manifold. An increase in jobs was also noticed in the intervention areas. At the same time, average income levels and the number of higher education graduates has not increased in the manner set out in the aid objectives. However, the audit material also showed that there has been convergence of income levels that is not tied to regional policy.

According to the audit findings, the objectives laid out for EU's regional policy have been achieved, at least partially, but the sustainability of the impacts cannot be determined on the basis of the available material. This is because the programming period 2007-2013 was followed by the current programming period 2014-2020, which means that the regions continue to receive aid. It is extremely difficult to determine the societal net benefit of the structural fund programmes.

The assessment of the impacts of the structural fund programmes carried out and commissioned by the public administration has mostly been in the form of monitoring the activities. The programme assessment reports and annual reports give some idea of the volume and focus of the activities but it is impossible to determine the programme impacts on the basis of these documents. Typically, the assessments are seemingly accurate: For example, the new jobs created by the projects

receiving aid are given at an accuracy of one. However, when the monitoring data is analysed in more detail, it transpires that the figures are based on the information provided by the project actors and that there are also other uncertainties concerning the data. It is quite likely that the job figures do not even have an accuracy of one thousand.

However, the figures are used in the state budget proposals as justification for appropriations and they are referred to as achieved programme effectiveness targets. Based on the audit findings, the budget justifications should be revised in this respect. The figures in question should not be presented in a manner that can give a misleading impression of their reliability.

As laid down in the regulation (EC) No 1083/2006, a fixed percentage of total programme funding has been allocated to the administration (technical support) of the structural fund programmes. During the programming period 2007-2013, technical support accounted for four per cent of the aid in Finland. This was the maximum level permitted under the EU rules. The sum amounted to 134 million euros of which 78 million was spent on ERDF programmes. At the start of the programming period 2014-2020, tens of millions of euros of technical support from the previous period remained unused even though money had been spent on a wide variety of purposes. Pay costs accounted for most of the technical support but money was also spent on study and networking trips of the administrative personnel, rents of premises and regional reports. All funding allocated for the support was spent during the time specified the purpose (by the end of the year 2015).

In the current programming period (2014-2020), technical support only accounts for three per cent of the total funding. Finland made the reduction at its own initiative; under current EU legislation, the maximum level remains at four per cent. As there was also a slight decrease in total programme funding, the support available for administration each year was almost halved from the previous programming period.

Based on the audit findings, there were good grounds for reducing the support allocated to administrative purposes. Project processing and payment practices have also been made more efficient. As the administration is becoming increasingly digitalised, costs arising from programme administration can probably be further reduced.

#### Recommendations of the National Audit Office

The National Audit Office recommends that the Ministry of Economic Affairs and Employment

1. should pay more attention to the documents and methods used in the assessments of the structural fund programmes and the qualitative factors applied in the assessments
2. should state clearly the sources of information used for justifying proposed budgetary appropriations and the uncertainties concerning them
3. should reduce multiple reporting on programme monitoring information, such as job data, and other sources of errors referred to in the report.