
THE STATE AUDIT OFFICE'S POSITIONS

The main purpose of the audit was to find out if the LEADER+, Pomo+, ALMA and Objective 1 programmes have been conducted according to programme objectives and regulations and how the system created for programme administration serves the achievement of objectives and as far as possible to evaluate the results achieved with the help of the programmes as part of the development of rural areas. The audit concerns the programme period 2000–2006 up to the end of 2003. Aid decisions concerning the projects covered by the audit were made before 31 December 2002.

The point of departure was local action groups' role as developers of the living environment in rural areas. In addition to the LEADER+ and Pomo+ programmes the audit therefore included parts of the ALMA and Objective 1 programmes that are implemented by local action groups. The audit did not look at other parts of these programmes.

The principle in local action group work is that residents themselves decide how to develop rural areas. The audit indicated that this principle has been implemented well in conducting programmes and in local action groups' activities. Granting aid to projects conducted by local authorities is not in line with this principle, even if this is allowed by regulations.

According to the picture obtained in the audit, development projects receiving aid from the programmes in question complied with requirements and were small-scale projects intended to improve the quality of life or to take advantage of natural and cultural resources in rural areas. Other projects in line with programme principles also received aid to a lesser extent.

Programme objectives have been drafted in such a broad way that they allow aid for practically any type of project. The audit indicated that qualitative objectives have been achieved fairly well in projects receiving aid. Implementing programmes has developed the living environment in rural areas by getting inhabitants involved.

Whether projects' effects will be sustained is difficult to judge at this stage of the programmes. Most likely employment effects will be limited to the period covered by projects and sustained employment

effects will not be clearly visible. The creation of new enterprises also appears limited. When funds are granted in future, priority should be given to projects that are expected to have clearly visible employment effects afterwards. Local action groups should in future follow the Ministry of Trade and Industry's guidelines in evaluating the employment effects of projects.

Local action groups have generally approved all the expenses in projects' cost estimates as eligible for aid. They have not been as critical in investigating the eligibility of expenses as the Employment and Economic Development Centres, which make aid decisions.

Not every kind of activity should be eligible for aid, even if a proposed project or activity is meant to achieve a good purpose and appears to fit programme objectives. The adequacy of funds for high-standard projects must be ensured and for this reason the criteria for granting funds should be made more demanding.

On the basis of the audit it would seem most effectual and efficient to arrange local action group work in the programme period after 2006 within the framework of a single programme. The similarity between projects provides a good basis for this. Local action group work in several programmes of a similar nature absorbs considerable resources at different levels of administration.

The national implementation of programmes was delayed at the beginning of the programme periods. The ministries responsible for programmes should see that this does not happen in future programme periods.

The system should be used to ensure that aid goes to the projects that are best in terms of effectiveness. A problem in this respect may be the funding frameworks for local action groups as well a lack of projects eligible for aid, in which case projects that are less effective also receive funds.

Project implementers are in different positions depending on the programme. For example corporate projects cannot receive aid from the ALMA programme unless they have an agricultural link, but corporate projects can receive aid from the LEADER+ programme without this type of link.

Local action groups evaluate project applications in terms of suitability and the Employment and Economic Development Centres in terms of legality. In practice the line between the two is not always clear and so the Employment and Economic Development Centres and local action groups work together and agree on common approaches. The Employment and Economic Development Centres and

local action groups also do work that overlaps, for example in taking care of payments. The division of labour between these organizations should be clarified. Despite the need to eliminate overlapping work, local action groups' experience of cooperation with the Employment and Economic Development Centres has been good nor have differences arisen between local action groups and the Employment and Economic Development Centres concerning projects' eligibility for aid.

In the opinion of local action groups and project implementers, the biggest problem in the project system is excessive bureaucracy. This is particularly true for small projects, since all projects go through the same process. Bureaucracy also raises the threshold for aid applicants.

Processing times for aid decisions concerning projects varied considerably in the Employment and Economic Development Centres. In some cases processing times had increased to half a year or as much as a year instead of the recommended two months. The same applies to changes in aid decisions and payment decisions. In some cases delays may have made it necessary to start projects with borrowed money. Such a delay is unreasonable if the applicant is not at fault.

The most likely reasons for lengthy processing times are insufficient personnel resources at the Employment and Economic Development Centres and the time required to complete missing information on applications. In some cases it has been necessary to postpone the implementation of a project or to ask for the extension of a project because of increased processing times. Recommended processing times should be followed and more attention should be paid to speedy processing in both local action groups and the Employment and Economic Development Centres.

The grounds given for aid decisions were often inadequate. They did not make it sufficiently clear why aid should go to projects. In some cases no grounds were given for decisions. In other cases details concerning projects were mentioned but the actual grounds for granting aid were not.

The grounds given for aid decisions should show how a project fits in a programme, theme and measure category, in what way a project is innovative, what key effects it is expected to have and how sustained effects will be ensured. Special attention should be paid to the employment effects of a project and how these have been evaluated together with the applicant.

Local action groups play a more significant role in implementing programmes than the Employment and Economic Development Centres, which must comply with a local action group's positive or negative opinion concerning a project unless there is some legal obstacle. The key content of the local action group's proposal must be mentioned in all decisions.

Local action groups' opinions, on which aid decisions are based, were often inadequate as well. In some decisions they were not mentioned at all. Since local action groups' opinions are essential in making aid decisions, they should clearly state how a project meets a programme's key objectives. An opinion should also make clear any aspects of a project that a local action group is not in favour of aiding.

Aid decisions did not always describe the content of a project clearly. Sometimes the project description in the decision was copied directly from the application form and did not make clear what the project was intended to accomplish. The description of the content of a project can therefore include activities for which aid has not been granted. The description should correspond exactly to the agreed implementation of the project. This is also of primary importance for payments so that the description can be used to decide whether costs submitted to the payment authority are eligible for aid. Decisions and the conditions in them should be prepared in such a way that a decision is not open to interpretation.

The LEADER+ programme document allows long implementation periods for projects. Nevertheless The Employment and Economic Development Centres had made numerous decisions to extend the implementation period by 1-2 months. No grounds were given in these cases, although decisions should always be justified. According to audit observations, making such additional decisions increases the work load of local action groups and the Employment and Economic Development Centre unnecessarily. The length of the implementation period should be evaluated realistically when the actual aid decision is made.

Project implementers report to local action groups and the Employment and Economic Development Centres on the progress of projects twice a year and at the end of each project. Local action groups report on their own activities twice a year to the Ministry of Agriculture and Forestry and to the Employment and Economic Development Centre. The audit showed that the indicator forms concerning aid applications and interim and final reports that are used in

monitoring were not sufficiently clear and easy to complete. As a result of misunderstandings, statistics assembled from indicator information cannot be considered sufficiently reliable.

On the basis of audit observations, local action groups make little use of final reports. High-cost projects in particular should be expected to produce good final reports and these should be used in programme monitoring, in evaluating the success of projects, in planning new projects and in deciding how methods and results can be transferred to other regions. Since projects come in many forms, there are many potential possibilities to transfer methods and results. Final reports can provide information on risks involved in projects and how problems and failures can be avoided in future projects of a similar nature. The final reports for small projects could be condensed. In other respects project monitoring and supervision can be considered adequate on the basis of the audit.

On the whole the work performed by local action groups carries out programmes' objective to develop rural areas with the help of small-scale projects. However in future greater attention should be paid to projects' continuity and sustained employment effects.

The most significant thing in granting aid is to achieve the desired results, which should promote objectives over the longer term. This also applies to EU funds, although the reasons for using Community funds to develop rural areas are quite broad and vague. From the state's viewpoint the mere fact that EU funds are available is not sufficient grounds for granting state aid. Other requirements concerning the granting of aid must also be met. Clear and measurable objectives must be set for aid to develop rural areas and aid must only be granted if authorities can conclude from applications that objectives will be met. In connection with payments and especially final payments, authorities should verify that objectives have been met. Programmes should also be evaluated critically after their conclusion.