

THE STEERING EFFECT OF THE ACT ON DISCRETIONARY GOVERNMENT TRANSFERS

The Act on Discretionary Government Transfers came into effect on 1 September 2001. The commentary noted that the regulation of state aids had been disjointed because of the lack of general legislation. The procedures and practices followed in granting aids were not uniform.

The present audit evaluated the steering effect of the Act on Discretionary Government Transfers with regard to the consideration process. The main question was how the Act has influenced practices in the granting of state aids. The audit focused on the Ministry of Education's administrative sector because of the volume of aids and generalizability. The Ministry of Education and subordinate bodies decide on some 13,000 aid applications a year. The total amount of the aids they grant exceeds 300 million a year.

The audit indicated that guidelines concerning the consideration process have not been prepared for many state aids. Guidelines regarding key procedures in the consideration process or situations that are open to interpretation have not been available either. The lack of guidelines is a risk factor that endangers the proper implementation of the Act. Aid funds should not be allocated even to an applicant named in the state budget without a clear concept of the purpose for which the aid will be used.

The effects of the Act on Discretionary Government Transfers on practices in granting aids have been minor. This is because some of the new Act's requirements, such as taking into account the market effect of aid, are not applicable to aids granted in the Ministry of Education's administrative sector. In considering whether to grant many aids there has been no need to take the new Act into account.

The differences between the Act on Discretionary Government Transfers and earlier regulations and practices adopted on the basis of them have proved to be relatively

minor. In spite of this the Act on Discretionary Government Transfers has strengthened the capabilities of the officials who prepare state aids to evaluate the requirements of their own activities.