
THE STATE AUDIT OFFICE'S POSITIONS

This audit of the EU's Innovative Actions Programme concerned regional programmes in Finland (excluding Åland). The audit mainly covered projects planned for 2002–2003 and concluded by the end of 2003. All five projects in the Southern Finland programme and nine projects in the Northern Finland programme were scheduled for this period.

The audit focused especially on four projects in the Southern Finland and Northern Finland programmes. The two selected projects in the Northern Finland programme were concluded by the end of 2003. The Southern Finland programme was granted an extension and its projects were not completed until spring 2004.

The programme period in Eastern Finland is 2002–2004 and in Western Finland 2003–2005. The Eastern Finland and Western Finland programmes were included in the overall evaluation of the programmes in Finland. All the regions (excluding Åland) were also included in a survey aimed at determining project objectives and results. Projects were asked to respond to questions according to the situation at the end of 2003.

In addition to the main questions the audit investigated the administration of regional programmes and projects.

The first main question in the audit was: **How have the selection of projects and the allocation of funds been coordinated in the Innovative Actions Programme and other regional development programmes and what value has the Innovative Actions Programme produced?**

The audit indicated that the Innovative Actions Programme as a regional policy testing laboratory is contributing to the goal of leveling regional differences inside the country. The projects selected for the programme together with other regional policy programme measures have increased regional competitiveness and ensured regional vitality.

Finland's Innovative Actions Programme has supported, promoted and accelerated the development of the selected policies by offering funds to projects that involve considerable risk. Public funding has helped lower project risk and uncertainty as well as the threshold for entry into the field.

In the opinion of the State Audit Office, the projects selected for regional programmes' different lines should have been evaluated more critically in the selection stage, since it would have been more appropriate to seek funds from another programme in some cases. Furthermore projects' financial plans should have been checked by source of funds before funding decisions were made and projects were started.

The actual funding of projects will also differ clearly from financial plans. According to a survey that was conducted in the audit, funding had not been obtained according to plan in about a third of projects and answers indicated that there were also reservations concerning final funding. In many projects where funding had been obtained according to plan, final funding was also subject to reservations.

In selecting projects the selection criteria were not always met. One problem involved the inclusion of small innovative companies in the programme, for example. In future it would be good to consider whether it makes more sense to conduct purely company-driven projects in the Ministry of Trade and Industry's administrative sector rather than the Innovative Actions Programme. Furthermore, some of the selected projects were not innovative enough. On the other hand the people in charge of projects consider the financial instrument effective and suitable for the selected projects.

The Ministry of the Interior's role in implementing the Innovative Actions Programme is different from the role it plays in other regional programmes. The regions have applied directly to the Commission for programme approval, and one of the regional councils has served as the managing and paying authority in each region. This procedure has promoted the shifting of responsibility from central government to the regional level.

The Centre of Expertise Programme has been used mainly to support top projects in growth centres, but the Innovative Actions Programme has also made it possible for innovative projects in remote areas to join national and international networks and has thus increased operating possibilities and the development of human resour-

ces in remote areas. The Innovative Actions Programme has also helped to spread Centre of Expertise activities. Regional programmes have increased the regions' service networking and supported the regions' development policies more broadly as well. Regional development programmes tend to complement each other.

In the opinion of the State Audit Office, the value added by the Innovative Actions Programme to regional development programmes is difficult to measure at this time, since most of the projects were still under way when the audit was conducted. The Commission's objective of getting regional authorities to participate in the Innovative Actions Programme as actively as possible in the same way as the Objective 1 and 2 programmes, which are partially funded by the European Regional Development Fund, appear likely to succeed, however.

Although the concentration of business will continue, new programmes such as the Centre of Expertise Programme and the Innovative Actions Programme have been able to increase the regions' activities and economic role.

The second main question in the audit was: **What indicators were used in evaluating programme projects?**

The implementation of actions has been monitored in projects and reporting on the progress of projects has taken place every six months and in connection with payment. Reports have described the achievement of programme objectives. Results have been achieved through cooperation between individual projects and other regional actors and also through national and international networking. Nearly 80 percent of projects have involved national cooperation and 50 percent have involved international cooperation.

The audit indicated that in over half of projects indicators were not set or were only set after the project was under way. Some of the projects' objectives were also hard to measure, so measuring the implementation of objectives and verifying reported results may not always be possible or is difficult.

The indicators that were set in projects concerned investments, outputs and effectiveness. Key indicators of short-term effectiveness included the number of business contacts and actors, new development measures or the number of developed applications, the number of occasions and the amount of information supplied. In a few projects user satisfaction has also been tested, efficiency and changes in

work processes have been studied with the help of process analysis and developed equipment or operations have been measured with the help of technical analysis.

The impact of projects on the environment, jobs and the number of companies as well as companies' turnover will only become clear over the long term. Among qualitative results social innovations have proved difficult to measure. Social innovations are usually between companies and involve cooperation within networks, for example.

At the programme level regional networking has been hampered by differences between projects. Cooperation has only been developed between a few projects. In connection with the application process projects were combined, leading to cooperation between similar projects, but there has been practically no cooperation with other selected projects at the regional level. Otherwise projects have involved a lot of regional cooperation, so networking has promoted the spread of expertise between projects and regions and facilitated the achievement of projects' objectives.

One internal problem in projects has been the lack of a common language and understanding among different actors. This has hampered project management and reporting particularly in the early stage of projects.

Although the value created by projects for regional cooperation is difficult to measure, the State Audit Office believes that in achieving projects' objectives the significance of regional cooperation has been notable.

Comparing the results of different regions' programmes and projects on the basis of specific indicators does not appear to be warranted, since programmes and individual projects cannot be measured with uniform indicators. Comparing programme regions is problematic, since regions' policies and selected projects differ considerably. Some projects have been clearly more advanced than others in terms of technology or innovation capacity. These projects have also received more funding. This has increased differences in the results achieved by projects in favour of those that are more advanced.

In the opinion of the State Audit Office, it should be possible to evaluate different regions' programmes to see how each programme has promoted innovations, the sharing of information and learning processes between actors.

In general regional success has involved an element of competition between the regions. The Innovative Actions Programme has not led to competition between regions or programmes, but among indi-

vidual projects attention has been focused on innovative star projects such as the Octopus project in Northern Finland, which has also improved the region's competitiveness.

The third main question in the audit was: **What kind of continuity do projects have and have pilot projects been transferable to other regions?**

Problems concerning the transfer of results mentioned in earlier innovation studies concern projects' advantages in terms of location or other factors such as a large local customer, dependence on a supplier, an important local research centre or other local partner and other local resources.

The audit indicated that over half of the innovations that were developed or developable in projects concerned a delivery method, process or system. Nearly a third concerned services. Less than 14 per cent were purely technical products.

In the opinion of the State Audit Office, programme projects' results and innovations can be copied to a significant extent despite the nature of innovations, although the copying of results is only getting started. Copying and transferring results takes place mainly at the project or company level.

The Innovative Actions Programme has created a framework for conducting projects and testing results and has increased regional cooperation. In transferring or applying a programme, attention must be paid to regions' special characteristics. Selected projects should also differ sufficiently from each other and possibilities for cooperation should be created inside each region and with other projects in the programme.

In the opinion of the State Audit Office, in the future attention should be paid to the heterogeneity of projects in terms of size as well as innovation capacity. In preparing projects in future programmes different actors should be able to exchange views and market their expertise and innovative project models to possible project financiers. During the current programme period different forums have proved useful in expanding networks and sharing information concerning projects.

One problem in the Innovative Actions Programme has been the short duration of projects, which has weakened their effectiveness. Projects should be supported long enough to create more permanent expertise networks. Inside projects differences have also appeared

between actors in different fields with regard to courses of action and methods. These have slowed down otherwise fast-paced projects.

In the opinion of the State Audit Office, the Innovative Actions Programme, which is intended to be short-term, is basically justified. Project timetables have in many cases been too tight to achieve results, however. The start or implementation of some projects has lagged several months behind schedule. Compared with the duration of the programme, delays have been significant. The implementation of the programme has not been sufficiently efficient in every respect, since two-third of projects have not kept to planned timetables.

Problems in administering the programme that came to light in the audit included delays in processing and making payments, delays in project decisions and gaps in project information in the FIMOS monitoring system. In maintaining the monitoring system differences in practices were also observed between regional programmes. In the opinion of the State Audit Office, it is important to harmonize practices and to ensure that the information in the FIMOS monitoring system is reliable and up to date.

On the whole it is the opinion of the State Audit Office that the results of the programme, which has been characterized as a testing laboratory, provide a good starting point to spread the results achieved in projects. In copying the results of pilot projects it is key to productize and market results with the help of the cooperation networks created in programme projects and new cooperation networks.