

Abstract

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## The regional allocation of funds

A key goal of result management has been to improve the connection between operational objectives and appropriations and to link information concerning effectiveness more clearly to the targeting of funds. The present audit investigated how well these objectives have been achieved in the result management and financing systems in the state's regional administration.

The audit focused on selected transfers and investments earmarked for regional administration and sought to answer the following questions: (1) What is the relation between the dimensioning of funds on the one hand and objectives and service needs on the other? (2) What financing models are used in allocating funds? (3) To what extent is the dimensioning of funds based on result analysis? (4) Are the procedures followed in allocating funds appropriate?

The audit indicated that many problems regard individual appropriations, but common features were also observed. In many cases the problem was the lack of clear and transparent allocation criteria. Many regional authorities did not have a proper grasp of how allocations were determined. Nor could the ministries always show clearly on what grounds funds had been allocated regionally.

Another general problem was that no clear or regular connection could be found between stated allocation criteria and the actual allocation of funds: the allocation criteria presented by ministries did not necessarily correspond to the actual regional allocation of funds. Even more often the connection between result management and objectives was weak. In some cases there was no connection at all. In the opinion of the State Audit Office, the ministries should clarify the connection between the dimensioning of funds and result objectives and should pay more attention to the objective-based allocation of funds and the collection of information concerning effectiveness.

With regard to the allocation process the most common problems were laboriousness, poor compatibility with the result management system and timetable factors. These hampered the effective and appropriate use of funds.

Although many of the problems which came to light in the audit regarded individual appropriations, special features were observed for different ministries.

The allocation model which the Ministry of Labour uses to allocate employment aid funds was in many respects the most developed: as a financing model for regional administration it meets all the key formal requirements for a good result management system. The problem in this model, however, is that it has not succeeded in focusing funds where they can be used

most effectively. Consequently considerable funds have been left unused in some regions while in other regions additional funds have been needed.

Problems concerning the targeting of aid in the Ministry of the Environment's administrative sector were quite different. Allocation criteria were unclear both to the regional environment centres and to the ministry itself. The actual allocation of funds in some cases differed substantially from the criteria reported by the ministry. The State Audit Office has considered it important to clarify allocation criteria. A transparent allocation model should be created for the regional allocation of funds, taking into consideration the regions' different operating environments and needs.

In the Ministry of Education's administrative sector the audit focused on appropriations to aid sport facility projects and to develop workshops for young people. In both these cases the ministry had fairly clear allocation models on the basis of which regional shares were determined. The allocation of funds was transparent and allocation principles were as a rule well known in the state provincial offices. Result objectives had also been set for both appropriations. These were not connected to the dimensioning of funds, however.

In the Ministry of Agriculture and Forestry's administrative sector the audit focused on appropriations for the Employment and Economic Development Centres and regional environment centres. Problems in these areas were quite varied. The biggest problems concerned funds earmarked to promote fisheries, which mostly go to local fishing associations. Splitting funds between numerous fishing associations has hampered the effective use of funds. The allocation of funds based on the number of fishing associations has also tended to slow down consolidation, since regions which have consciously strived to consolidate fishing associations have lost out when funds have been allocated. The State Audit Office considers it important to change financing for fishing associations so that greater discretion can be used. The Employment and Economic Development Centres should also specify result objectives for fishing associations with regard to the use of funds.

In the Ministry of Trade and Industry's administrative sector the audit focused on funds appropriated to aid enterprises' investment and development projects. The audit indicated that the allocation process for aid to enterprises was for the most part effective with regard to criteria and procedures. The significance of purely national aid distributed under the budget item is quite minor in most regions. It has the greatest significance for Uusimaa, Pirkanmaa and Varsinais-Suomi. Nevertheless 15% of funds were allocated to eastern and northern Finland in 2002, for example. National aid has little significance for these areas, which receive large amounts of money from the European Regional Development Fund. Judging by the number of applications, many regions outside the EU's Objective areas could have used clearly more funds to aid enterprises.