

Conclusions and recommendations of the National Audit Office

Bioeconomy as a key Government project – additional funding for the Development Fund of Agriculture and Forestry (Makera)

The audit covered the EUR 90 million of additional funding for the Development Fund of Agriculture and Forestry (Makera), which is included in the bioeconomy and clean solutions priority area of the Government Programme of Prime Minister Sipilä's Government. According to the Government Programme action plan, the goal with the funding is to improve the profitability and competitiveness of agriculture in accordance with the objectives of the Bioeconomy Strategy. The audit was carried out to assess whether the central government has the prerequisites needed to control the achievement of the above-mentioned objective with Makera's additional funding. The audit revealed that separating the share of Makera's additional funding from other agricultural investment aids is not possible. Hence, the audit also covered the agricultural investment aid system in general.

Objectives laid down in the Bioeconomy Strategy cannot be separated in the allocation of Makera's aid

Makera's additional funding has been integrated with the planning and monitoring of other agricultural investment aids. The same regulations and instructions apply to the agricultural investment projects supported with Makera's additional funding as for investment projects supported with other funding sources. Therefore, the objectives according to the Bioeconomy Strategy cannot be separated in the allocation of Makera's aids, and the effects of the additional funding on the achievement of the Bioeconomy Strategy objectives cannot be assessed in more detail; instead, the additional funding mainly assist in the achievement of the general agricultural policy goals. The goal with agricultural investment aids is to achieve structural change investments that will maintain or improve the profitability and competitiveness of agriculture. Technically, retaining the investment aids granted by Makera from the additional funding at the planned level until 2020 is possible.

Advantageousness of different aid combinations to central government finances has not been systematically assessed

The agricultural administration has mainly justified the need for agricultural investment aids in the case of direct aids. The additional funding would also enable other investment aid types, such as government guarantees, subsidised interest rates for loans and other loan term reliefs. The advantageousness of the different forms of aid and their combinations to central government finances or society at large has not been systematically documented. Determining the optimal combination of aids and reporting it in compliance with the general financial assessment principles would be appropriate.

Regulations and instructions on aids are logical

The existing regulations and instructions on agricultural investment aids also apply to aids granted from Makera's additional funding. There are no regulations or instructions solely on the achievement of the Bioeconomy Strategy objectives with Makera's additional funding. The regulations and instructions comprehensively and logically cover the risks of projects. On the other hand, there is a fairly large number of regulations and instructions and these regulations and instructions are extensive and complex in nature, which means that a large amount of work and a great deal of administrative input are required to manage them and ensure compliance with them.

Effectiveness of supported investment projects is not being assessed with the current monitoring systems

The effectiveness goal with Makera's additional funding is the same as in the case of other agricultural investment aids: securing the profitability and competitiveness of agriculture. To achieve this goal, a specific structural change to be implemented through investments is required, and all agricultural investment projects for which aid is granted must implement such structural changes. Section 8 of the Government Decree on Structural Agricultural Aid (Valtioneuvoston asetus maatalouden rakennetuesta, 240/2015) states that the annual minimum entrepreneurial income objective of EUR 25,000 is in line with the general goal of securing profitability.

The agricultural administration does not monitor the effects of agricultural investment aids in the different projects. Statistics on the average or general development of the profitability and competitiveness of agriculture are available from the Natural Resources Institute Finland and from Statistics Finland. The agricultural administration has ordered or is about to order studies assessing the achievement of the agricultural policy effectiveness goals and the achievement of the effectiveness objectives of the current EU agriculture programme period. These statistics or studies do not offer an idea of the effectiveness of single agricultural investment aid projects, however.

Data included in the Hyrrä system that was introduced by the agricultural administration in 2015 is not used to assess how single investment projects have influenced the profitability or competitiveness of the recipients, nor is Hyrrä used to assess the effectiveness of Makera's additional funding.

Recommendations of the National Audit Office

The agricultural administration should

1. assess the financial profitability of all potential combinations of the agricultural investment aids also from the viewpoint of central government finances, and justify and document the selected aid combination with the help of a financial assessment, and
2. consider developing the Hyrrä system so that it could be used to assess the achievement of the project-specific effectiveness goals of the supported investment projects.