

# Conclusions and recommendations of the National Audit Office

## Security of supply and safeguarding it during the Covid-19 pandemic

The audit was targeted at security of supply and safeguarding it during the Covid-19 pandemic. From the perspective of central government finances and the national economy, it is important that society can function as normally as possible under pandemic conditions.

## Pandemic risk management has been successful, although Finland has prepared mainly for other kinds of crises through security of supply

Various measures related to the Covid-19 pandemic had to be taken in the sectors of security of supply at which the audit was targeted. However, from the perspective of security of supply, Finland seems to have succeeded well overall in curbing the pandemic. The pandemic has differed completely from the type of crisis for which Finland's security of supply has been built over the past decades. The public sector has been primarily preparing for military threats and smaller-scale, short-term crises, such as major accidents or disasters. On the other hand, the description of an influenza pandemic presented in *National risk assessment 2018*, for example, has a high resemblance with the current Covid-19 pandemic. Despite the risk assessment, Finland had not prepared particularly concrete pandemic management measures in advance. The high demand for various types of protective equipment and the long duration of the crisis have been significant issues that had not been anticipated.

## The costs of security of supply are not monitored systematically, and the pandemic may continue to cause additional costs in the coming years

Security of supply and preparedness for crises fall under the responsibility of many central government authorities, the rest of the public sector, the private sector, and citizens. It is therefore not possible to present the total costs of developing and maintaining security of supply accurately. Central government does not carry out systematic monitoring of even the costs of implementing the objectives set by the Government for security of supply or the costs of implementing *Security Strategy for Society* and the related measures associated with security of supply. The operating expenses of the key actor, the National Emergency Supply Agency, are covered by revenues from the tax-like strategic stockpile fee and the return on the strategic investments of the National Emergency Supply Fund.

The adaptation measures taken during the pandemic may also continue to cause significant additional costs in the coming years. In healthcare, the adequacy of personnel needed for intensive care, tracing, and sampling was ensured by reducing non-urgent care. The resulting healthcare backlog may have wide-ranging consequences for health and finances. When future security of supply is planned, special attention should be paid to the adequacy of personnel. The extensive cost impacts of personnel transfers should be examined as carefully as possible in order to avoid the same errors that were made at the beginning of the Covid-19 crisis. As regards ensuring the adequacy of personnel in crisis situations, there should also be alternatives to the introduction of the Emergency Powers Act.

## In addition to material risks, the spotlight has turned to personnel risks

Security of supply is usually associated with the stockpiling of various critical supplies or materials and to ensuring their availability. During the Covid-19 pandemic, the spotlight has turned to risks associated with the personnel and human resources in the key sectors. Ensuring the personnel's health security has been a focus area in all sectors of security of supply. Problems following the spreading of infections at workplaces have so far remained isolated cases in Finland; for example, there have been no significant disruptions in industrial production, primary production, or logistics. For example, access to foreign seasonal labour, which is critical for primary production, was secured through measures taken by the authorities and the private sector, and cooperation between them.

As regards material risks, it is important to keep in mind that the backbone of security of material supply is formed by functional transport and logistics chains. Logistics chains play a key role for security of supply not only in pandemics but also in other crises, as no country is fully self-sufficient. The mobility of goods and people are a prerequisite for material and economic security of supply.

## The National Emergency Supply Fund is needed particularly in projects and crises requiring rapid funding

In the early stages of the pandemic, the funds of the National Emergency Supply Fund were used to support maritime transport, for example. Otherwise, the fund has financed both measures requiring rapid response and longer-term development projects. Despite some problems, the support system where the National Emergency Supply Agency acts as the first response while central government authorities organize long-term support measures has demonstrated its effectiveness during the pandemic.

It is important to examine the position and operations of the National Emergency Supply Agency and the National Emergency Supply Fund, both in legislation and as a whole, and to consider the fact that off-budget funds reduce Parliament's budgetary powers. On the other hand, the use of a fund is justified if it is appropriate to achieve more flexible and rapid funding in exceptional circumstances. The National Emergency Supply Fund is such a source for funding and enables the National Emergency Supply Agency to respond rapidly.

## Legislation enables sufficient operating capability for the authorities but does not solve procurement problems when demand exceeds supply

From the perspective of security of supply, legislation has largely enabled sufficient operating capability for the authorities in the management of the Covid-19 pandemic. During the pandemic, the EU state aid provisions have made it possible to provide companies with the necessary support related to security of supply. The most significant subsidies have been related to safeguarding the operating conditions of air transport and maritime transport, and thereby the necessary freight transport. One practical challenge in approving government subsidies has been the fact that the EU's state aid provisions do not recognize the concept of security of supply.

At the outbreak of the pandemic, the problem was that the demand for protective equipment significantly exceeded their supply. An international competition emerged for the equipment available on the global market. Cooperation between different countries did not work. At the outbreak of the pandemic, the National Emergency Supply Agency and the hospital districts, for example, made significant direct purchases on the basis of the urgency criterion referred to in the Act on Public Procurement. The problem at the beginning of the pandemic was that the criteria for direct procurement did not apply to a situation where the required products were not available through normal procurement channels. In the early stages of the pandemic, the division of responsibilities between the hospital districts and the National Emergency Supply Agency in the procurement of healthcare materials was also unclear.

The shortcomings in the contract-based preparedness of healthcare and social welfare were highlighted during the pandemic. In future, more attention should therefore be paid to the role and responsibilities that private service providers have in preparedness. Another alternative to contract-based preparedness is to impose obligations in legislation on companies that have an important role in security of supply. Contract-based preparedness can be utilized not only in healthcare and social welfare but also in other sectors.

As a rule, the legislation on obligatory stockpiling of pharmaceuticals has been effective during the Covid-19 pandemic, and sufficient quantities of pharmaceuticals have been available. However, there is no legislation in Finland on the stockpiling of medical devices and dispensary equipment. Thus, legislation concerning their obligatory stockpiling should be considered.

## The pandemic has raised the appreciation of security of supply work and highlighted the importance of developing an emergency supply organization

Measures to improve security of supply had already been taken before the Covid-19 pandemic. As a result of the pandemic, the development projects have been partly reassessed, for example at the National Emergency Supply Agency. The pandemic has accelerated the development of various sectors of security of supply. As the pandemic crisis is still ongoing, it is natural that the development

measures are aimed at correcting problems identified during it. However, it is important to consider security of supply as a whole as well as Finland's strengths in terms of preparedness. Finland will not have sufficient resources in the future, either, to prepare specifically for any kind of crisis. Instead, measures related to security of supply should be planned in such a manner that they make it possible to respond to as many kinds of exceptional situations as possible. Nevertheless, the situation in Finland is good if compared with other countries, as there is a strong foundation for further development of security of supply.

## Work to get a situational picture of the different sectors should be continued even after the pandemic

The National Emergency Supply Organization is divided into different sectors and pools. During the pandemic, they have, under the leadership of the National Emergency Supply Agency, focused especially on work related to getting a situational picture of the different sectors. Before the pandemic, Finland did not have a national overview of the availability of medical supplies within its borders. In the spring of 2020, for example, the collection of information needed for getting a situational picture in healthcare was entrusted to the five hospital districts operating a university hospital.

In all sectors, the situational picture work has improved during the pandemic. It is important that the situational picture is shared with all those who need it in their work. Similarly, those who produce the situational picture in practice should receive feedback on their work as well as development proposals. During the audit, it appeared sensible to continue for instance the work for getting sector-specific situational pictures and its development even after the pandemic. The update rate of the situational pictures can be flexibly changed according to need. After the pandemic, however, further development of the situational awareness work should be coordinated nationally in order to avoid duplication of work.

The sector and pool activities of the National Emergency Supply Organization will continue to be developed after the pandemic. In this work, it is essential to motivate the companies involved to carry out work that is effective in view of the whole. Although the National Emergency Supply Organization operates in a networked manner, it needs concrete support and initiatives in its work from both the National Emergency Supply Agency and the ministries and other authorities steering the different sectors. In its strategy work, the National Emergency Supply Agency has recognized the importance of finding a balance between preparedness and agile response. This is a good starting point for post-pandemic work.

## Recommendations of the National Audit Office

1. The Government should ensure that the role of the National Emergency Supply Fund is safeguarded in financing both rapid first response measures and longer-term development of security of supply. It is necessary to monitor the sustainability of the financial basis of the National Emergency Supply Fund.
2. The capacity of the National Emergency Supply Agency to carry out key procurements in the event of a crisis should be improved so that, if necessary, it can sufficiently rapidly arrange the human and competence resources needed to carry out the procurements. This is the responsibility of the National Emergency Supply Agency and the Ministry of Employment and the Economy, which is in charge of steering the National Emergency Supply Agency.
3. The National Emergency Supply Agency should clarify the pools' role and responsibility in the management of emergencies and create contract-based or corresponding operating models in order to get access to the expertise in companies in crisis situations.
4. The responsible ministries should ensure that the effects of the Covid-19 pandemic on the management of crises and emergencies and related legislation are systematically reviewed and that the areas of development identified on the basis of them are implemented in legislation and practices.
5. The Government, the responsible ministries, and the National Emergency Supply Agency should review the processes related to the production of sector-specific situational pictures and ensure that good practices developed during the pandemic, to get situational pictures, for example, will also be utilized in normal conditions.
6. Systematic consideration of contract-based preparedness should be promoted in the preparation of all procurements in such a manner that conditions related to preparedness are included in such procurement contracts where they are considered to be relevant when the procurement is planned. The development of contract-based preparedness requires cross-administrative cooperation, and at least the Ministry of Social Affairs and Health, the Ministry of Employment and the Economy, and the Ministry of Finance, which is responsible for the Procurement Finland programme, should participate in the work.
7. When functions of the public administration are outsourced, the contracts to be concluded should also take the obligations related to security of supply more systematically into account.