

Conclusions and recommendations of the National Audit Office

Promoting the growth and competitiveness of regional trade and industry

The audit examined whether the implementation of the regional development decision 2020–2023 has provided sufficient operating conditions for trade and industry. The audit also examined how the changes in the operating environment have affected the implementation of the decision and the operating conditions for trade and industry in different regions.

In addition, the audit examined the preparation and implementation of the regional stimulus measures taken as a result of the Covid-19 crisis as well as the consistency of the grounds and regional variation in the business development aid decisions targeted at the tourism industries. The impact of a targeted regional measure (EU-funded tourism project) on the promotion of tourism in the Cap of the North area was assessed in a case study.

The purpose of the audit was to produce new information about the preparation and implementation of the Government's regional development decisions, and about the impacts of changes in the operating environment on their implementation.

Significant fluctuations in the national funding complicate the targeting and implementation of regional development

The regional development decision 2020–2023 has been prepared and implemented as planned. However, significant fluctuations in the national regional development funding and inadequate effectiveness indicators in the implementation plan of the regional development decision hamper the targeting of regional development activities and the monitoring of effectiveness. The objectives in the current regional development decision have been set for 2030, whereas the funding is usually negotiated on per government term. The implementation of the national regional development objectives and the dialogue with regions and towns on the details of contractual activities would require more consistent and long-term resource planning.

Regional stimulus measures taken as a result of Covid-19 have indirectly supported the objectives and implementation of the regional development decision

The regional development decision emphasizes that it is essential for Finland's competitiveness and the vitality of the regions to have an operating environment that encourages innovation and entrepreneurship across Finland. The policy lines and implementation of the decision are also reflected in the explanations and contexts of the items on regional development in class 32.30 (Employment and entrepreneurship) under the main title of the Ministry of Economic Affairs and Employment in the state budget.

The Covid-19 crisis doubled the appropriations for regional support from 2020 onwards compared with the previous years. In 2020, nearly EUR 680 million was allocated to regional development. Part of the appropriations will be used with delay.

In autumn 2020, the regions were granted recovery funding. The objective was to reform the economic structure so that it builds on competence and innovation and is internationally oriented. Another condition for the funding was that the measures should accelerate digitalization and support the building of a carbon-neutral and sustainable society. Based on the audit, regional stimulus measures have also indirectly supported the objectives and implementation of the regional development decision.

The use of the recovery package of over EUR 100 million required the drawing up of regional survival plans. The survival plans are mainly policy lines of a very general nature. They highlight the focus areas and cross-cutting themes of the regional development decision: digitalization and sustainable development. On the other hand, the plans of only a few regions mention increased inclusion and wellbeing, and preventing inequality.

The content or quality of the plans was not assessed as part of the funding process, and thus they had no significance in the regional distribution of the funding. In addition to the computational model, expediency consideration was also partly used in the allocation of funding.

There were regional and sectoral variations in the business development aid granted to the tourism industries due to the Covid-19 epidemic

The audit focused on the business development aid granted by Business Finland and the Centres for Economic Development, Transport and the Environment (ELY Centres) to companies in the tourism industries that had suffered from the Covid-19 crisis in spring 2020. The audit was targeted at the business development aid granted for accommodation and food business, leisure and sports equipment rental business, programme services, and tour operators, which totalled nearly

EUR 120 million. Business Finland granted around EUR 84 million and ELY Centres EUR 35 million in business development aid.

There was regional variation in the aid decisions concerning companies in the tourism industries. There was more regional variation in the aid decisions taken by Business Finland than in those taken by the ELY Centres. The grounds for the aid decisions were not consistent in all respects, and the applicants were not treated in a completely equal manner regionally. In addition, the materials of Business Finland revealed individual cases where similar or even identical applications had been processed differently in different regions. However, the deviations observed were relatively small in relation to the number of decisions analysed. According to Business Finland, the region where the company was based was not used as an assessment or funding criterion for the aid application. In addition, the audit did not assess the quality of the applications.

However, the most commonly used grounds for rejection were in line with the criteria, i.e. the aid applications did not meet the conditions set. The grounds for rejection were related to, for example, investments and the operational expenditure for the company's own staff. Mentioning home delivery of food in the application increased the likelihood of the application being rejected, whereas mentioning an online store increased the likelihood of it being approved. Mentioning a cross-cutting theme of the regional development decision (digitalization or sustainable development) in the application increased the likelihood of it being approved, both in the case of applications addressed to Business Finland and those addressed to the ELY Centres. This was the case although the themes had not been set as a prerequisite for the aid in the granting conditions or in the decision-making grounds.

A regional tourism project did not promote tourism

The results of a regional tourism project carried out in 2015–2022 to promote international tourism were assessed in a case study. The tourism project was part of the European territorial cooperation (ETC) programmes during the 2014–2020 programming period. The audit analysed statistically the main objective of the project, i.e. increasing the number of tourists by ten per cent, based on the overnight stays of international tourists.

In the analysis of the regional tourism statistics, no reliable evidence was found that the Visit Arctic Europe project would have increased the number of overnight stays of foreign tourists in the Cap of the North area, i.e. Northern Finland, Northern Sweden, and Northern Norway. In Finland, for example, it is not possible to distinguish the impact of the project from the long-term trend, which in Lapland differs from the development in the rest of the country on the basis of both regional and municipal-level statistics. However, the results of the case study cannot be generalized to apply to the results of the ETC programme as a whole.

Recommendations of the National Audit Office

The ministries responsible for the activities in the focus areas defined in the regional development decision, particularly the Ministry of Economic Affairs and Employment, should

1. set more comprehensive effectiveness indicators in the future implementation plan of the regional development decision to enable assessment of the effectiveness of the measures taken in the focus areas,
2. through consistent resource planning, ensure that the activities are long-term and effective based on the objectives set for regional development activities.