



**EVALUATION OF THE MAIN ACHIEVEMENTS OF COHESION POLICY
PROGRAMMES AND PROJECTS OVER THE LONGER TERM IN 15
SELECTED REGIONS**

(FROM 1989-1993 PROGRAMMING PERIOD TO THE PRESENT)

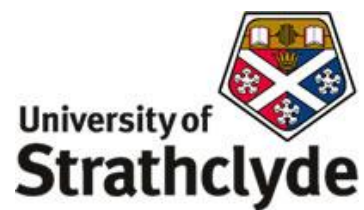
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Case Study Itä-Suomi (Eastern Finland)

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PREFACE

This report presents findings of the Itä-Suomi (Eastern Finland) case study forming part of the project 'Evaluation of the Main Achievements of Cohesion Policy Programmes over the Longer Term in 15 Selected Regions (from 1989-93 Programming Period to the present', which is co-ordinated by the European Policies Research Centre (University of Strathclyde) and the London School of Economics.

The person in charge, and responsible author of this study, Dr Timo Lautanen, Research Director of the Spatia Centre for Regional Research, died in a traffic accident on 22 September 2012. This report has been written by a group of his colleagues at the Karelian Institute, University of Eastern Finland. Of the authors, researchers Timo Hirvonen and Pasi Saukkonen have actively participated in earlier stages of the project, whereas the contributions of Professor Heikki Eskelinen and researcher Matti Fritsch focused on its reporting stage. The research team is grateful for all those stakeholders and experts who provided assistance and supported this work in these difficult and unforeseen circumstances.

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LIST OF ABBREVIATIONS

CAP: Common Agricultural Policy
EAFRD: European Agricultural Fund for Rural Development
EAGGF: European Agricultural Guidance and Guarantee Fund
ERDF: European Regional Development Fund
ESF: European Social Fund
EU: European Union
FIFG: Financial Instrument for Fisheries Guidance
GDP: Gross Domestic Product
HE: Higher Education
ICT: information and communication technologies
INTERREG: initiative that aims to stimulate cooperation between regions in the European Union
LAU: Local Administrative Unit
LEADER: European Leader Association for Rural Development
NUTS: Nomenclature of Territorial Units for Statistics
OECD: Organisation for Economic Co-operation and Development
PISA: Programme for International Student Assessment
R&D: Research and development
SME: Small and Medium Enterprises
SPD: Single Programming Document

EXECUTIVE SUMMARY

The regional development context

Itä-Suomi is characterised by a number of territorial specificities, such as vast forests, its location at the external border of the European Union, sparse population, and long distances between its few and small urban centres. The region also represents an archetypal example of regional development problems in Finland, as it faces a collection of regional development challenges that include population decline and ageing, high reliance on the primary sector, high representation of small companies, a non-diversified industrial base and a lack of export-oriented firms. This has to be seen against the fact that Itä-Suomi has not been able to participate in and benefit from the wider Finnish movement towards knowledge-based industrial restructuring and growth during the 'boom years' of the 1990s. Although performing relatively well in a European context, economic performance in Itä-Suomi has continuously lagged behind the Finnish average, and in fact the GDP per capita divergence between Itä-Suomi and Finland as a whole is now greater than at the beginning of the 1990s.

The relevance of ERDF programmes for Itä-Suomi

Itä-Suomi has been eligible for ERDF funding since Finnish accession to the EU in 1995. From 1995 to 1999, it was designated as an Objective 6 region, and a small part of it (three LAU 1 regions in Northern Savo) as an Objective 5b region (Itä-Suomi accounted for approximately 56 percent of the population in the Objective 6 region, but only 12 percent of the population of the Objective 5b region). From 2000 to 2006, Itä-Suomi was designated as an Objective 1 region. Currently, Itä-Suomi is a phasing-in region under the Regional Competitiveness and Employment Objective.

The commencement of ERDF support in Finland (1995) took place in a situation when it was uncertain how and when the country would recover from the severe recession that hit during the early 1990s and implied substantial changes in regional policy in Finland. Objective 6 was introduced specifically for sparsely populated regions in Finland and Sweden. The programme focused on the renewal and diversification of Itä-Suomi's industrial structure. A second theme was the strengthening of the economic base and service provision for the rural population. Overall, the Objective 6 programme was a combination of support to business development, upgrading of human resources and expertise, and various measures targeting agriculture and rural development. Objective 5b was implemented in rural regions, including three (NUTS 4) sub-regions of North Savo in Itä-Suomi. At the core of the (in Itä-Suomi, geographically much smaller) Objective 5b programme was the diversification of the industrial and employment base, as well as the reduction of unemployment levels, by promoting the development prerequisites of firms and farms, by increasing the small-scale utilisation of natural resources, and strengthening expertise.

During the 2000-2006 programme period, the strategy increasingly focused on developing and utilising regional strengths and competence structures in the spirit of a knowledge-based society. The 2000-2006 programme focused specifically on supporting already-existing firms and promoting their growth. The specific goals included the support of firms in their development projects, the creation of growth-oriented operational environments, and the provision of incentives to engage in innovative activities. Secondly, the 2000-2006 programme aimed at the diversification of business activities in knowledge-based fields in which Itä-Suomi already had some competitive advantage.

Thirdly, the programme focused on the removal of obstacles to development, the promotion of employment opportunities, and the prevention of social exclusion.

In the current period, the overall strategy has evolved in such a way that the focus is now on the regeneration of entrepreneurial activity and innovation systems supporting competitiveness, and a significant amount of attention and funding has been targeted at competitive and leading-edge companies. Measures for their support included the development of a well-functioning innovation system and operational environment. Focal areas identified in the 2007-2013 programme were forestry-related industries, material technology, information and communication technology, recreation and tourism, welfare, the environment, energy production, mining and the food sector.

The effectiveness of ERDF spending

Gauging the effectiveness of ERDF spending across the three programme periods implemented in Itä-Suomi is difficult, in particular for the early periods. This is due to the fact that the monitoring system and databases were slow to develop and produce reliable evidence. On the one hand, reported achievements can provide a positively skewed picture of the actual achievements, since it is difficult to distinguish between direct effects of the ERDF interventions and other (non-cofinanced) measures supporting firms located in the region or the development of the economy as a whole. On the other hand, longer-term and indirect results of the ERDF programmes may not be visible in the short-term-oriented final and evaluation reports. Overall, Itä-Suomi has not been able to catch up with national averages in terms of GDP per capita, despite significant ERDF spending over a period of about 15 years. However, the region has been able to reduce the gap in terms of unemployment levels.

According to the information provided by the implementation reports, the 1995-1999 programmes (Objectives 5b and 6) by far exceeded the job creation targets. For example, double the amounts of jobs were created as a result of the Objective 6 programme, and the Objective 5b programme resulted in more than four times the targeted amount of new jobs. The overstatement of effects was a result of the lack of precise definition in the main indicators and the fact that assessments were based on the information and estimates provided by project applicants during the application process.

For the 2000-2006 period, reported achievements were verified by the funding authorities. Based on the evolution of the key indicators, the goals of the programme were reached and the initial expectations were exceeded. However, the programme fell short of achieving the targeted amount of new business (70 percent of target value). The Objective 1 final implementation report provides relatively detailed definitions of the different indicators. This and the smaller discrepancy between targets and reported achievements indicates that the figures have become more reliable as compared to the first programme period.

The 2007-2013 programme period has seen implementation of a new monitoring system, EURA2007. The indicator on 'safeguarded jobs' has been taken off the list of indicators and the calculation of employment figures has been corrected and refined. The number of indicators used has been reduced and their content has been defined in more exact terms as compared to previous programme periods. Specific attention is paid to projects that contribute to the goals of the Lisbon Strategy and gender equality, that have positive environmental effects, and that have an impact on

research and development activities. The monitoring data concerning the core indicators for the 2007-2013 period indicate that the programme is still a long way off its targets and that it will indeed be difficult to achieve them within the programme timeframe. At the end of 2011, for example, only 32 percent of the targeted number of new jobs had been realised. During programme preparation, it was estimated that 90 percent of the new jobs would be created under Priority 1 (Promotion of business activity). However, as a result of the recession, demand for funding support in this Priority has been weak. The situation in terms of newly-created businesses is even worse.

Complementarities between funds and between ERDF programmes and domestic policy

ERDF and ESF programmes appear to have complemented each other well. Synergies between ESF and ERDF programmes manifested most concretely in the promotion of entrepreneurship, the development of innovative activities and the strengthening of competence structures. It is also noteworthy that an increasing number of actors have learnt about the basic nature, features and requirements of both programmes; and they have utilised them in a flexible way.

Finland's accession to the EU had led to a reassessment of national regional policy, including its funding volumes and mechanisms. Innovation-oriented policies received a more prominent role, and funding was reallocated to sectors that were seen as promising in these respects. It is thus not very surprising that the complementarities between ERDF-funded projects implemented in Itä-Suomi and national regional policy were strongest in the field of innovation policy. Several national policy programmes, such as the Centres of Excellence Programme (OSKE), the Regional Centre Programme (AKO) and the Cohesion and Competitiveness Programme (KOKO) have been implemented during Finland's membership. Of these programmes, OSKE has been the most closely integrated into ERDF policy throughout the whole period since 1995, and the experience and results from this interconnectivity have been the most positive during the current programme period (2007-2013).

The utility of ERDF programmes

Overall, ERDF programming in Itä-Suomi has enabled the region to retain its relative position in socio-economic terms vis-à-vis the national performance. There has been a positive process of convergence in terms of unemployment levels towards national averages after the turn of the millennium, in which Cohesion policy certainly played a role. An ageing population - and thus a decreasing labour supply - has, however, also contributed to this development.

ERDF programmes have helped to support companies in the region, but did not manage to significantly increase the numbers of growth-oriented companies aiming at global markets. In relation to firms' 'institutional thinness' and lack of innovative capacity, ERDF projects have played an important role in creating new innovation and R&D environments and consolidating already existing ones. It remains, however, to be seen whether these efforts trickle down to the private sector and turn out to be sufficient drivers in the regeneration of the regional economy. Progress in the modernisation of the region's production structures towards export-oriented high technology sectors, i.e. one of Itä-Suomi's specific regional needs, has so far been rather slow.

The ERDF programmes' role in improving infrastructural endowment in Itä-Suomi has not been very important, as infrastructure was not high on the list of priorities. However, ERDF's contribution was important in speeding up certain strategic infrastructure projects.

What learning has taken place?

In a wider regional development context, the adoption of a programme-based approach represented a comprehensive change in Finnish regional development policy. The ERDF programmes' contribution to the consolidation of the programme-based approach in Finnish regional development practice, integrating a number of new actors and organisations into processes of making and implementing regional development strategies, should not be underestimated. This aspect represents a key ERDF-related learning in Itä-Suomi

A key challenge of the programme-based regional policy approach has been the collaboration between the four regional councils in drawing up a common (NUTS 2) programme strategy and the subsequent implementation of this at the lower regional (NUTS 3) level. This process has been developed and refined over the three programme periods.

Against the background of the strong relevance of the enterprise development theme in Itä-Suomi, there has been a growing appreciation of the fact that it is important to react to impulses from industry and commerce, i.e. to focus on a demand-driven approach. In order to achieve this, mechanisms are needed that integrate entrepreneurs and business actors into programme preparation and implementation. However, the general scarcity of competing entrepreneurial actors means that a switch from project-driven to demand-driven activities is difficult to achieve in Itä-Suomi.

1. INTRODUCTION

The case study region of Itä-Suomi (Eastern Finland), characterised by vast forests, lakes and a sparse population, comprises the following four NUTS 3 regions: Etelä-Savo (South Savo), Pohjois-Savo (North Savo), Pohjois-Karjala (North Karelia) and Kainuu. Itä-Suomi is not a well-established institutional or functional region, but was defined purely for the administration of Structural Funds at the time of Finland's EU accession. The four NUTS 3 regions formed the Itä-Suomi NUTS 2 region until the end of 2011, but are currently part of the Pohjois- ja Itä-Suomi (Northern and Eastern Finland) NUTS 2 region. Being located at the north-eastern edge of the European Union, this region is, in a European context, characterised by geographical peripherality, including physical remoteness from both the national and European economic cores ('double periphery'), low population densities, long distances between the few urban centres and low accessibility. In addition, the region has suffered from socio-economic problems related to negative demographic development, relatively low income levels, and unemployment rates that are higher than the national average. The region is also characterised by a reliance on the public sector as a provider of employment opportunities. In addition to a vast labyrinth of lakes and rivers, the physical geography of the region is dominated by extensive forests, exploitation of which serves the Finnish forest industry that has long been one of the main pillars of the country's economy.

The impacts of forest-based industrialisation since the 19th century are still discernible in the internal division of labour and spatial structure in the eastern part of Finland. The more northern area (the region of eastern Finland, as it is delineated in the present case study) was more dependent on forestry, whereas the bulk of the large-scale pulp and paper industries was located in the south-eastern regions. In terms of the settlement pattern, typical characteristics have been very thinly but relatively comprehensively populated rural areas, small industrial communities in logistically favourable locations, medium-sized towns for large-scale pulp and paper industries, transport junctions, and harbour towns on the Gulf of Finland (outside the case study region). Most of eastern Finland is located around and along Lake Saimaa, which is connected to the Baltic Sea by the Saimaa Canal (which was originally built in the 1850s in the autonomous Grand Duchy of Finland within the Russian Empire, and which currently runs through Russian territory and is used by Finland under a leasing agreement).

In eastern Finland, as well as Finland as a whole, the interplay between industrialisation and urbanisation was influenced by the fact that forest industries provided rural inhabitants - both forest owners (family farmers) and workers - with additional incomes. In these conditions, industrial restructuring and modernisation occurred relatively late in a European context. In eastern Finland, the so-called Great Move from the countryside, largely as a result of the mechanisation of agriculture and forestry, took place in the 1960s and early 1970s. As a reaction to this spatial-economic change (or 'accelerated modernisation', as it is sometimes called), specific regional policy was introduced in Finland 1966. In its early stages, the main purpose of this policy was to support the industrial diversification of more peripheral regions, primarily eastern and northern Finland. Somewhat later, this domestic regional policy had to cope with another problem, industrial decline, when several towns faced job losses in forest-based industries, for example. Overall, in its early years regional policy incentives and other targeted measures contributed to a Finnish variant of rural industrialisation and branch plant industries in towns and municipal centres. In addition, the construction of the educational, health and social services cushioned the spatial-economic changes in peripheral areas such as eastern Finland even more. This was largely due to

the fact that these welfare state activities were organised within the municipalities according to national criteria in the unitary state. The setting up of a comprehensive network of regional universities and polytechnics was also of particular importance, as they contributed to the socio-economic and cultural development in their host regions to a significant extent. Overall, in the decades preceding Finland's EU membership, the redistributive and balancing impact of this 'large regional policy' was much greater than that of the incentives and other regionally earmarked measures or 'small regional policy'.

A key factor in the development of the case study region at hand has been its location at the Russian border (Eskelinen *et al.*, 2013). Over a longer period of time, there are clearly visible, distinct phases in the development of Finnish-Russian relations. Until the October Revolution and Finland's independence in 1917, the neighbouring Russia and the metropolis of St. Petersburg were of major importance as an export market and a source of investment capital. When this significant connection was cut off completely, eastern Finland became a cul-de-sac region, suffering from its location close to the closed border, and the shifting of the border westwards as a result of the Second World War further aggravated the situation. The regional capital and second city of Finland, Vyborg, was left on the Soviet side, key infrastructure was cut off, and the inhabitants of the former Finnish territory had to be evacuated and resettled, many of them into rural areas in eastern Finland. Even if political and economic connections were reorganised between Finland and the Soviet Union in post-war years, the border remained virtually closed, and all interactions, mostly bilateral barter trade including large construction projects, were orchestrated through the capitals, Helsinki and Moscow. It is against this historical background that the collapse of the Soviet Union and the subsequent gradual opening of the border between Finland and the newly founded Russian Federation have been seen as providing a window of opportunity for eastern Finland. Cross-border interaction and cooperation in general are assumed to provide new resources for development. In 2011, the number of travellers through the two checkpoints on the Finnish-Russian border in Eastern Finland (Värtsilä in North Karelia and Vartiuss in Kainuu) was more than 1.4 million (www.raja.fi).

Regional administration in Finland was rather weak until the early 1990s and merely consisted of decentralised offices of the national government, resulting in the traditionally bipolar Finnish governance structure of strong municipalities and a strong central state. This was changed quite significantly by Finland's accession to the European Union in 1995. In order to fulfil requirements for the distribution of the Structural Funds, Finland established 20 (now 19) regional councils, which are conditioned, however, by national institutions and interests (Kettunen and Kungla, 2005: 358). Prior to its accession to the European Union, Finland experienced a severe recession in the early 1990s as a result of economic mismanagement as well as the collapse of the Soviet Union and the ensuing disappearance of one of Finland's main markets. The government reacted with austerity measures that were particularly felt in regions with a higher reliance on the public sector as a source of employment and income, e.g. Itä-Suomi. But during and after the recession, Finland performed a rapid transition to a knowledge economy, one of the prime examples of which was the success story of Nokia. However, Itä-Suomi's participation in this longer period of growth was more limited than that of, for example, southern or western Finland, and it continued to rely on the public sector and more traditional industries.

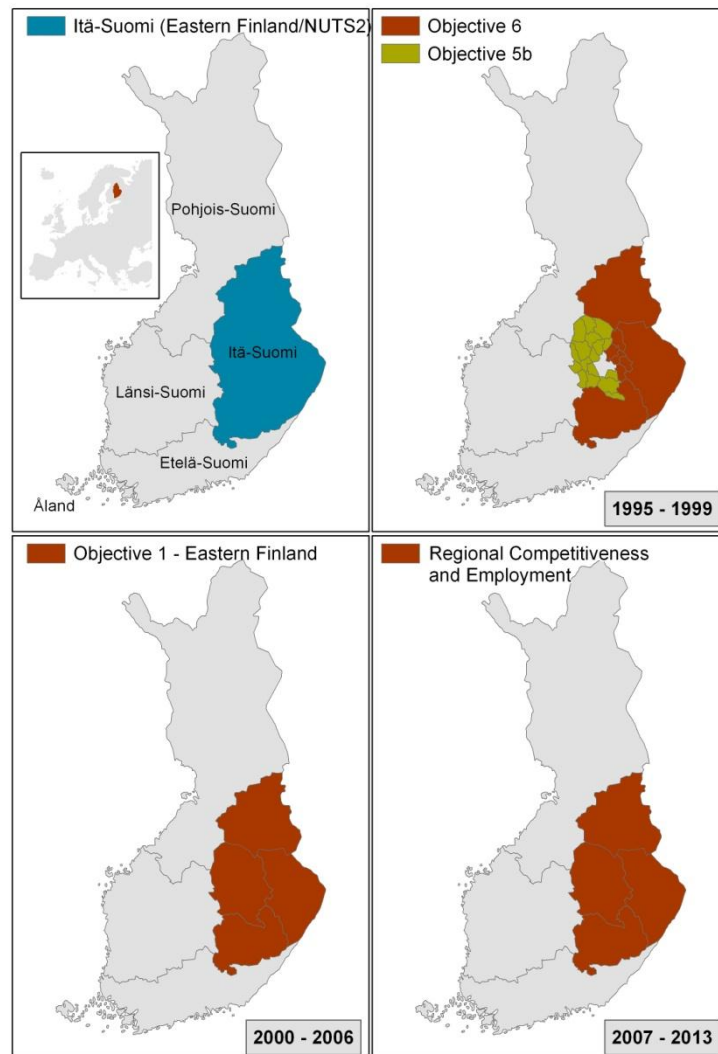
In terms of regional development strategy in Finland, the mid-1990s was clearly a turning point. The wider Finnish movement towards a knowledge and innovation economy also coincided with a

re-orientation in regional policy from cohesion to competitiveness and from a focus on entire larger regions towards urban centres as engines for growth (Antikainen and Vartiainen, 2005; Jauhiainen, 2008). The prime example of this new approach was the Centre of Expertise Programme established in 1994 to promote innovation-driven development. In its first programme period up until 1999, this programme focused on eight functional urban areas, of which only one (Kuopio) is situated in the case study region of Itä-Suomi (Joensuu was included as a location of the nationwide sub-programme of the so-called network-based centres, established in 1995). The Centre of Expertise Programme was reorganised for the 1999-2006 period, and its current variant, structured in terms of so-called competence clusters, runs from 2007 to 2013. In line with the new regional policy paradigm, reflecting the reorientation towards competitiveness and urban areas in Finnish regional development policy, the government also launched the Regional Centre Programme in 2001, which had the basic goal of supporting the development of a polycentric urban system in Finland. This programme was reorganised in 2009 and eventually suspended at the beginning of 2012. However, this does not imply that the main strategy of regional development policy had changed from the approach introduced in the mid-1990s.

With Finland's EU accession in 1995, the Structural Funds programme started to be utilised as a source of funding for pursuing regional development goals in Itä-Suomi. However, even if the above-outlined reorientation of the Finnish regional development strategy and the country's membership of the EU coincide, the introduction of the ERDF programmes did not reflect this in a straightforward way. In the initial setting for the 1995-1999 period, the impacts of the severe economic crisis, the uncertainties related to agriculture, and the status and characteristics of much of Itä-Suomi as part of the northern sparsely-populated areas (Objective 6) were given considerable attention.

During the 1995-1999 programme period, the Structural Funds utilised in Itä-Suomi were split into Objective 5b and Objective 6. In the 2000-2006 programme period, Objective 6 was removed and the region of Itä-Suomi was included into the single integrated Objective 1 programme. This status changed again for the current period, when this region (NUTS 2 until this year) was designated a phasing-in region (see Figure 1).

Figure 1: Eastern Finland (NUTS 2 until 2011) in ERDF programmes in different periods.



During the 1995-1999 programme period, Itä-Suomi formed part of a geographically much wider (Objective 6 and 5b) programme area: Itä-Suomi accounted for approximately 56 per cent of the population in the Objective 6 region, but only 12 per cent of the population in the Objective 5b region.

This case study of Itä-Suomi is presented in seven chapters. Chapter 2 investigates the needs of this region since Finland's accession in 1995. The relevance of the ERDF programmes in relation to these needs is analysed in Chapter 3. Chapter 4 focuses on Structural Funds expenditure (its volumes and allocation) in order to assess the changes in the ERDF strategy and orientation. Chapter 5 summarises the achievements of the ERDF programmes from two perspectives: first, according to the results included in official documents and, second, based on data collection, especially interviews conducted as part of this case study. In Chapter 6, the effectiveness and utility of the programmes are considered. Finally, Chapter 7 summarises the lessons from the findings for the programme period from 2014 onwards.

The analysis is based on reviews of programme documentation, relevant research literature, interviews with policy actors and stakeholders and an online survey. Subject to availability, programming documents, annual and final implementation reports, and evaluations have been collected for each of the programme periods. Interviews were held, mainly on a face-to-face basis, with 27 individuals involved in the programmes. These interviewees were selected to provide coverage across the whole period from 1995 onwards and include, for example, regional and municipal managers, beneficiaries as well as national and EU officials (see Annex IV). Interviews typically lasted for one-and-a-half hours and focused on the relevance of programmes to regional needs and a detailed discussion of their achievements. An online survey was also undertaken resulting in 107 responses from a list of 412 email addresses, including interviewees but also a wider set of regional and local-level political party representatives, local authorities, firms, third-sector organisations and trade unions (see Annex VII). Finally, a workshop was held with a group of key individuals (28 persons) to discuss the initial findings and to explore some of the issues emerging.

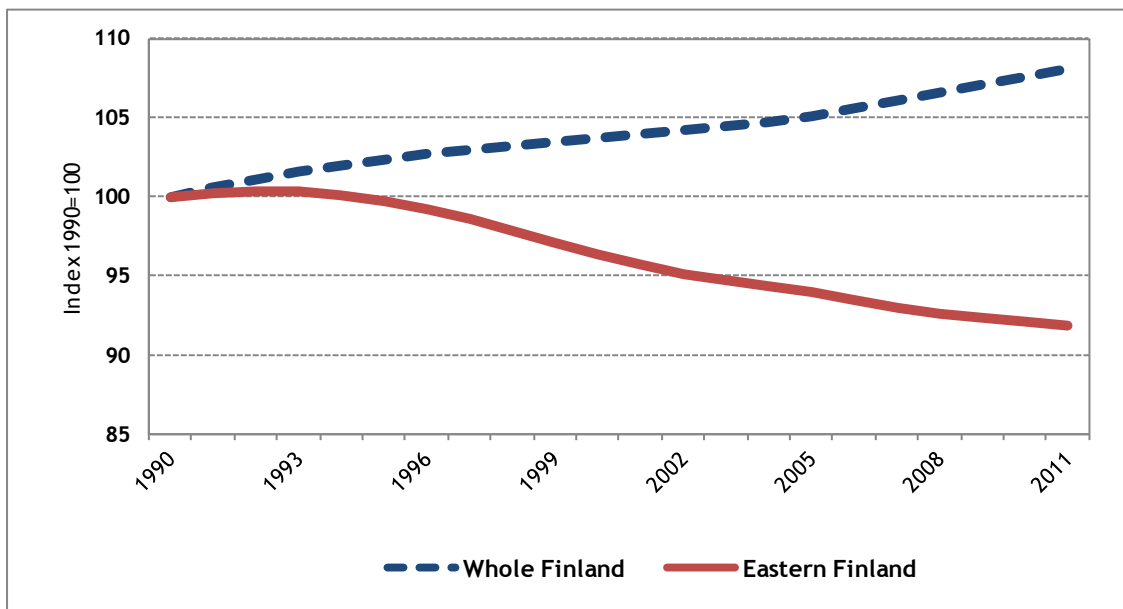
2. REGIONAL CONTEXT AND ANALYSIS OF NEEDS

In an EU context, Itä-Suomi is characterised by important territorial specificities that condition the wider development framework for the region. It is a large, mainly rural, region that is sparsely populated: its surface area is almost as large as that of Scotland, covering approximately 70,000 square kilometres, but with around an eighth of the population.

Demographic trends

In a European Union comparison, its average population density is extremely low, distances between urban centres are long, and accessibility is also low. This region has around 650,000 inhabitants, and thus its average population density is less than 10 persons per km². Overall, the four regions comprising Itä-Suomi (NUTS 2 until the end of 2011) currently account for about 12 percent of the total Finnish population. This share has been declining for a long time - it was 21 percent in 1880 and 18 percent in 1950. For its trend in the recent past, see Figure 2.

Figure 2: Population change in Itä-Suomi as compared to the Finnish average, 1995-2011



Source: Statistics Finland.

One of the main analytical arguments in the debate on development strategies for northern sparsely populated areas (NSPA) such as Itä-Suomi has been that ‘average population density’ is not a good indicator for describing the spatial characteristics of these regions (Gloersen *et al.*, 2006). Instead, attention should be paid to market potential, for instance, measured by the number of inhabitants in a commuting region. Seen from this perspective, Itä-Suomi is largely a collection of ‘urban islands’ of some size, and their relative share of the total population has grown. The functional urban areas of the four regional capitals (Joensuu, Kajaani, Kuopio and Mikkeli), currently account for more than half of the total population of this region. This implies that Itä-Suomi is not as rural as it may seem when looking at the average density, but its urban centres are small and located far away from each other.

The total population of the Finnish case study region in 2011 was approximately eight percent, lower than in 1995. Migration has played an important role in this decline and also in the internal

regional differentiation of Itä-Suomi. The main trends have been quite stable for decades: rural areas are losing population, and more recently also smaller urban communities have increasingly been doing so. Recently, migration from abroad, particularly from Russia, has compensated part of the population loss resulting from internal migration and natural population change in areas located close to the border.

Ageing has become a major item of policy concern in Itä-Suomi in the recent past. Fuelled by out-migration of mostly young people, demographic ageing is threatening to further undermine the regions' development prospects. In 2010, the (total) dependency ratio (the number of people aged 0-14 and those aged 65 and over divided by the number of people aged 15-64) was in Finland, on average, 51 (EU27 = 55), whereas it varies in Eastern Finland on the NUTS 3 level (4 regions) between 53 and 55. In two-thirds of the municipalities (LAU2), mostly small and rural ones, this ratio was between 60 and 74 (Roto, 2012).

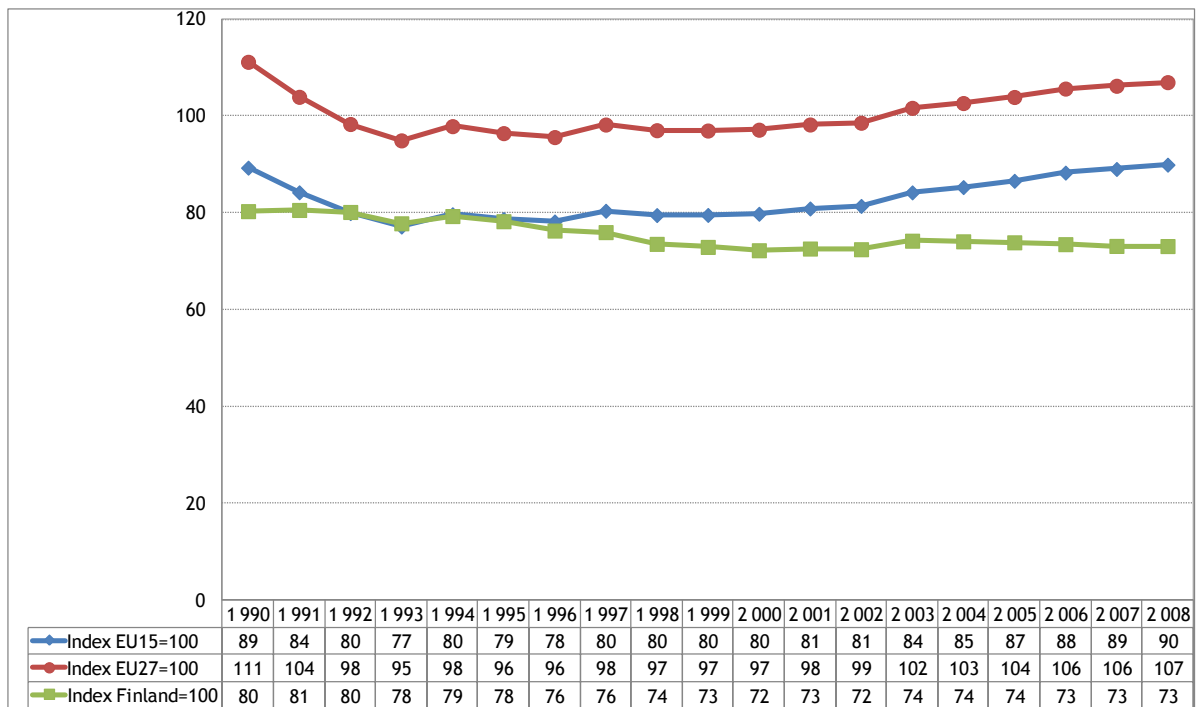
Economic trends

Economic performance in Itä-Suomi has been continuously lagging behind the Finnish average. During the last two decades, different periods of change are discernible in this respect. A deep recession hit the Finnish regions to about the same degree in the early 1990s, whereas the ICT-led boom was a spatially concentrated phenomenon largely bypassing Itä-Suomi and leading to increasing regional disparities in the late 1990s. Overall, cyclical fluctuations seem to matter - a phase of growth tends to increase disparities, whereas a downturn implies more balanced regional development. For the GDP per capita for Itä-Suomi in comparison to the EU15, EU27 and Finland, see Figure 3.

The GDP index per capita for Itä-Suomi was 77.6 in 1995, 71.5 in 2000, and 74.5 in 2009 (Finland = 100). Thus, the disparity in comparison to the Finnish average is currently higher than in the mid-1990s, but this is mainly the result of the fast economic growth in the core regions of Finland in the last years of the past millennium. Due to the fact that Finland as a whole performed well compared to the EU15/EU27, the GDP index for Itä-Suomi has in fact improved in relation to these countries from 1995 to 2008.

With regard to the unemployment rate, the trend is somewhat different. The disparity between the national average and that of Itä-Suomi is currently somewhat smaller than it was in the mid-1990s (see Figure 4). The unemployment rate has decreased the most in the northern part of Itä-Suomi, Kainuu, from 27 percent in 1995 to 14.8 percent in 2010 (Statistics Finland). Between 1995 and 2007, the unemployment rate for Itä-Suomi was approximately two-to-four percentage points higher than those of the EU15/EU27. In 2010 and 2011, this disparity in unemployment levels between Itä-Suomi and rest of the EU basically disappeared.

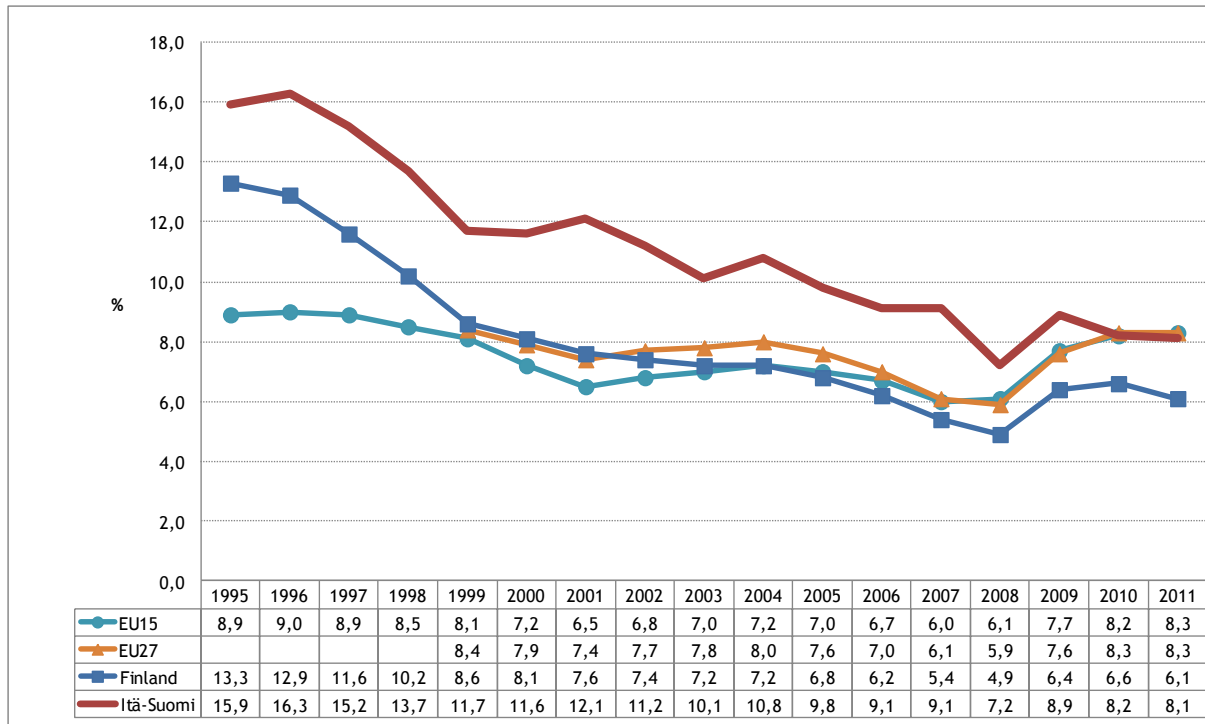
Figure 3: GDP per capita in Itä-Suomi, 1995-2009*



Source: Eurostat.

* Finland = 100, EU27 = 100, EU15 = 100.

Figure 4: Unemployment rate in Finland and in Itä-Suomi, Finland, EU27 and EU15, 1995-2010 (percentage)



Source: Eurostat.

Resources for economic restructuring and regeneration

In international comparison, the educational level of the Finnish population is relatively high. However, the position of Itä-Suomi in the regional division of labour is reflected in the fact that the relative share of people with an intermediate-level degree in Itä-Suomi is higher than the Finnish average (43 v. 39 percent in 2010), but the setting is the reverse in the case of people with a high-level (university or polytechnic) degree (23 v. 28 percent in 2010). Overall, Itä-Suomi has a relatively comprehensive network of different educational institutions, and according to the PISA/OECD comparisons the disparities found among schools across the different regions as well as between the urban and rural areas of Finland have proved relatively unimportant.

In R&D activities, Finland also scores high in international comparison, but regional differences are substantial. In 1995, the share of R&D spending in GDP was 2.6 percent in Finland, whereas the respective share in Itä-Suomi was only 1.1 percent. This relative difference has been persistent since then, and figures for 2009 are 4.5 and 1.9 respectively. This disparity is mainly due to the fact that R&D activity by the private sector is low in Itä-Suomi.

The economic structure of Itä-Suomi is characterised by a comparatively high degree of reliance on agriculture and forestry, although the share of employment in the primary sector has decreased from 13 percent in 1995 to 8 percent in 2010. This compares to a national average of 4 percent in 2010. The role of the public sector as a provider of employment is important in this region. With regard to the industrial sector, the most important branches are the forestry-related sector, the production of machinery, and food products. On the negative side, there are relatively few medium-sized and large high-technology firms and relatively fewer export-oriented businesses located in Itä-Suomi as compared to the rest of the country, which results in a narrow industrial base. The effects of restructuring have been most severely felt in the forestry-related industries, which have suffered from significant reductions in jobs in recent years.

Itä-Suomi's company structure is characterised by an 'overrepresentation' of small and micro-businesses. In 2012, 92 percent of private companies employed fewer than 10 persons. Only 0.6 percent of the companies in Itä-Suomi had more than 250 employees (Statistics Finland business register). It could be argued that one of the basic problems in Itä-Suomi is the lack of an entrepreneurial tradition. With regard to micro-business, entrepreneurs also face difficulties in finding suitable people to continue their business after their retirement.

To summarise, despite the relatively good performance of Itä-Suomi in an EU context in terms of the development of GDP per capita and unemployment levels, as well as the existence of a relatively well-developed educational and physical infrastructure, this northern, rural and sparsely populated region faces a 'syndrome' or collection of challenges in terms of population decline and ageing, high reliance on the primary sector, overrepresentation of small companies, a non-diversified industrial base and a lack of export-oriented firms. Therefore, a number of specific needs can be identified as relevant for potential ERDF intervention. These include the diversification of the business structure and promotion of the high-technology sector, which over the medium-to-long term provides employment opportunities and contributes to the reversing of negative demographic and migration trends. This has to be seen against the fact that Itä-Suomi has not been able to participate in and benefit from the wider Finnish move towards knowledge-based

industrial restructuring and growth, rendering it a 'problem-region' within the Finnish regional development context.

3. PROGRAMME EVOLUTION AND RELEVANCE

3.1 Explicit and implicit strategies and their evolution

Itä-Suomi has been eligible for ERDF funding since Finnish accession to the EU in 1995. From 1995 to 1999, it was designated as an Objective 6 region and a small part of it (three LAU 1 regions in Northern Savo) as an Objective 5b region. From 2000 to 2006, Itä-Suomi was designated as an Objective 1 region. Currently, Itä-Suomi is a phasing-in region under the Regional Competitiveness and Employment Objective. During the 1995-1999 and 2000-2006 programme periods, Itä-Suomi also received ERDF support via the LEADER and INTERREG Community Initiatives. During the 1995-1999 period, limited amounts of funding were also received through the URBAN Community Initiative. INTERREG IIA and INTERREG IIIA focused on the support of cross-border cooperation between Finland and Russia. In Itä-Suomi, this particularly involved cooperation with the neighbouring Republic of Karelia, a federal subject of the Russian Federation. This type of cooperation played an important role in the development of linkages and interaction across this formerly closed border (see Cronberg, 2003). In addition, INTERREG IIB and IIIB projects, within the Northern Periphery Programme, have supported collaborative actions between Europe's northernmost regions that are generally characterised by sparsity of population and low levels of accessibility. URBAN projects were carried out in the City of Joensuu (Lapintie *et al.*, 1999).

Finnish regional policy legislation underwent a major reform at the preparatory stage of the country's membership. In institutional terms, the establishment of regional councils at an intermediate (NUTS 3) level represented a step towards meeting the principles (such as subsidiarity) of EU policy. Regional councils are local authority organisations (then 20 and currently 19) that have general responsibility for regional development, including the preparation, coordination and control of regional development programmes. Yet, this institutional change has not eliminated the tension between the regional level and the State-bound governmental organisations, which have also undergone several organisational changes since the mid-1990s. In brief, it can be concluded that the regional planning functions of the regional councils are 'filtered by the institutions and interest constellations at the national level' (Kettunen & Kungla, 2005: 358). In general, this setting is reflected in cooperation between regional councils and State-bound organisations (currently the Centre for Economic Development, Transport and the Environment), and it is concretised in, for instance, the decisions on how much of EU Cohesion policy support is earmarked for the priorities that are decided at the national level.

The regional development plans and regional strategic programmes prepared by the regional councils are the key documents that formed the basis for the preparation and contents of ERDF programmes in Itä-Suomi throughout the case study period since 1995. Both these documents, 'grand plans', aim at an inter-sectoral integration and coordination of the use of resources from different sources. Of the Structural Funds, the ERDF is linked more tightly to the implementation of regional development plans, whereas the ESF has been more under national control. This division of labour has, however, become less clear-cut since the first programme period. The role of the EAGGF in the implementation of regional development plans and strategic programmes has remained somewhat unfocused.

As already mentioned above, in 1995-1999 Itä-Suomi formed part of a geographically much wider (Objectives 6 and 5b) programme area: Itä-Suomi accounted for approximately 56 percent of the

population in the Objective 6 region, but only 12 percent of the population of the Objective 5b region. As a result, the strategies of these programmes were not necessarily focused on the aims and priorities of this particular region, but represented a compromise in a wider geographical and functional context (see also Katajamäki, 2002). In the 2000-2006 and 2007-2013 periods, Itä-Suomi formed its own programme region, and this variant of the MAUP (modifiable area unit problem) has no longer been relevant at the level of the whole region.

The commencement of Cohesion policy in Finland took place in a situation when it was uncertain how and when the country would recover from the severe recession that hit during the early 1990s. Against this background, special emphasis was placed on reducing disparities in incomes and unemployment. The other topical concern at that time was agriculture, the future of which was seen as uncertain in the Common Market. During the next programme period, 2000-2006, the national context and agenda had changed to a major degree, and the strategy increasingly focused on developing and utilising regional strengths and competence structures in the spirit of a knowledge-based society. In the current period, the overall strategy has evolved in the way that the focus is on the regeneration of entrepreneurial activity and innovation systems supporting competitiveness.

Table 1: Priorities in different programme periods, Itä-Suomi 1995-2013

	1995-1999		2000-2006	2007-2013
Priority Axis Num.	Objective 6	Objective 5b	Objective 1 Itä-Suomi	Regional Competitiveness and Employment Objective, Itä-Suomi
1	Business development and company competitiveness	Enterprise promotion	Developing business and improving its operating environment	Promotion of business activity
2	Development of human resources and expertise	Diversification of the primary sector	Strengthening expertise and improving labour capabilities	Promotion of innovation activity and networking, and reinforcing knowledge structures
3	Agriculture, forestry, fisheries, rural development and environment	Raising the know-how level	Developing rural areas	Improving regional accessibility and operational environments
4	Technical assistance	Development of rural communities	Developing structures and a good environment	Technical assistance
5		Technical assistance	Technical assistance	

The preparation of the current 2007-13 programme was influenced by the National Structural Funds Strategy that conditioned the parallel preparation of the regional programmes. The aim was to strengthen the congruence between the regional development strategies and the Lisbon targets. However, as stated in the programme's ex-ante evaluation (Juntunen *et al.*, 2006), the aims of the Itä-Suomi programme represent a compromise that takes into account the objectives of the four

regional programmes, which results in the objectives of the Itä-Suomi programme remaining rather broad.

3.1.1. Learning the new policy regime, 1995-99

In addition to the impact on regional institutions and governance, the introduction of EU Cohesion policy (Objectives 6, 5b, and 2) implied substantial changes in regional policy in Finland. Objective 6 was introduced specifically for sparsely-populated regions in Finland and Sweden. It represented a novel approach to Cohesion policy in the sense that the criterion for delineating the target area was not socio-economic, but spatial (8 persons/sq.km). Objective 5b was implemented in rural regions, including three (NUTS 4) sub-regions of North Savo in Itä-Suomi. However, in Itä-Suomi these do not differ visibly from the Objective 6 regions in terms of spatial-economic and social characteristics. In general, the relative similarity of the regions in Itä-Suomi also resulted in the four regional councils (NUTS 3) identifying and targeting the same key activities or 'clusters', i.e. forest sector, food production and tourism.

Eight ministries and the regional councils of the Objective 6 regions prepared the SPD, which included priorities that covered a wider spectrum than the earlier national regional policy. The document emphasised the need to renew and diversify Itä-Suomi's industrial structure. A second focal area was the strengthening of the economic base and service provision for the rural population. Overall, the SPD was a combination of support to business development, upgrading of human resources and expertise, and various measures targeting agriculture and rural development. ERDF and ESF support was targeted at all three of these priorities. Agriculture and rural support measures also received support from the EAGGF. The share of ERDF was approximately 37 percent of the total financial commitment of the EU.

Due to its very limited geographical coverage, the role of the Objective 5b programme was relatively small. With regard to the strategic priorities, and compared to the Objective 6 programme, it placed more emphasis on rural development, especially for supporting the diversification of primary production. At the core of the Objective 5b programme was the diversification of the industrial and employment base, as well as the reduction of unemployment levels, by promoting the development prerequisites of firms and farms, by increasing the small-scale utilisation of natural resources, and by strengthening expertise.

3.1.2 Turning the focus to competence structures, 2000-2006

The 2000-2006 programme period differed from the first one in institutional terms and also in terms of its strategy. The four regions of Itä-Suomi prepared a joint Objective 1 programme and, in contrast to the previous period, the focus was on upgrading the region's strengths. A major share of the funding was allocated to the priorities 'Developing business and improving its operating environment' and 'Strengthening expertise and improving labour capabilities', which also facilitated the combination of ERDF and ESF support.

The 2000-2006 programme focused specifically on supporting already-existing firms and promoting their growth. The specific goals included the support of firms in their development projects, the creation of growth-oriented operational environments, and the provision of incentives to engage in innovative activities. Secondly, the 2000-2006 programme aimed at the diversification of business

activities in knowledge-based fields in which Itä-Suomi already had some competitive advantages. Thirdly, the programme focused on the removal of obstacles to development, the promotion of employment opportunities, and the prevention of social exclusion.

In general, the policy approach changed from supporting individual firms to a more network-type one in line with national doctrine. In addition, the focus on competence structures had implications for the geographical coverage of the ERDF policy. The potential for development was mainly found in the largest towns, and their roles as the engines for development in Itä-Suomi was identified and increasingly accepted in this predominantly rural region. This reflected the changes that were proceeding in the policy regime at the national level.

Even if several important lessons were learnt during the first programme period, the running of the programme was not as streamlined and straightforward as could be assumed from what was stated above. In practice, the four regions had their quotas for implementing their individual, own programmes, which nevertheless had to be in line with the general goals set out in the joint Itä-Suomi programme. On the positive side, a better coordination between ERDF and ESF support was achieved, for instance in developing infrastructure and human resources in knowledge and learning environments (such as science parks) and other key environments of regional regeneration.

3.1.3 Upgrading competitiveness through innovation, 2007-2013

Finland was one of the first movers in implementing a systematic innovation policy in the frame of the national innovation system from the early 1990s onwards and, as already mentioned, this approach soon made inroads into regional development policy. Yet, it was not until the current 2007-2013 programme period that it received a key role in Structural Funds policy in Itä-Suomi. The two main priorities - the promotion of business activity and the promotion of innovation activity and networking and strengthening of skill structures - clearly reflect this orientation. Interestingly, the regional dimension in the Finnish national innovation system was subjected to criticism at the same time ([IFNIS, 2009](#)).

In the Regional Competitiveness and Employment programme for Itä-Suomi, the focus is on competitive and leading-edge companies. Measures for their support include the development of a well-functioning innovation system and operational environment. Focal areas identified in the 2007-2013 programme include forestry-related industries, material technology, information and communication technology, recreation and tourism, welfare, the environment, energy production, mining and the food sector.

The 2007-2013 programme was prepared before a major institutional reshuffle of the ministries, which caused delays and uncertainties at the beginning of the period. Also, the share of ERDF-funding reserved by the Ministry of Employment and the Economy for alleviating structural problems in localities suffering from major job cuts divided opinions in Itä-Suomi. At a regional level, the professionalisation of policy actors and the agreements on flagship projects have supported the implementation of the programme, but on the other hand they may have excluded less-experienced innovative actors from participating in ERDF projects. Another important novel aspect was the shift from implementing the programmes of individual eastern Finnish regions towards better and proactive coordination within a larger eastern Finnish (Itä-Suomi) context. This

trend has been supported by institutional changes in the region, such as the merger of the University of Joensuu and the University of Kuopio into the University of Itä-Suomi.

Despite policy-learning processes and better coordination between the four NUTS 3 regions, the formulation of targets has been conditioned by the heterogeneity of Itä-Suomi. In this geographically-wide region, different actors are attempting to incorporate their specific interests into the programme, and therefore it is not regarded as constructive to set out strictly-defined targets. On the other hand, it facilitates flexibility in the implementation of the programme. For instance, it was possible to react to the impacts of the 2008 financial crisis within the frame of the programme.

3.2 Relevance of the programmes to regional needs

During the first programme period of 1995-1999, the ERDF programme aimed at alleviating the consequences of the deep recession from the previous years. In hindsight, it can be argued that this strategy was not sufficiently proactive to support the structural change processes necessary for the renewal of the production structure in Itä-Suomi. The subsequent 2000-2006 period brought about a change towards a more proactive approach, placing increasing emphasis on urban-oriented growth potential (knowledge, innovation) rather than just addressing problems confronting mature or declining industries in the region. This strategy receives even more emphasis in the current 2007-2013 period. Table 2 presents a detailed account of the evolution of the setting, i.e. regional needs vis-à-vis strategic response, as explicated in the programmes.

Table 2: Comparison of regional needs and programme responses

	Regional need	Response	Project focus
1995-1999	High unemployment, low accessibility, underdeveloped industrial structure	Recovery from recession, modernising the periphery	Support to business development (starting firms, investments in enterprise)
2000-2006	Structural unemployment and social exclusion, non-diversified regional economy, outmigration of educated work force, thin entrepreneurial tradition	Promoting the knowledge-based economy	Knowledge infrastructure
2007-2013	Few start-ups and narrow industrial base, low R&D investments in business sector, lack of enterprise networking, strongly ageing population, limited internationalisation	Creating innovative environments	Network of firms, joint laboratories

In general, the correspondence between regional needs and programme priorities has been improved over time by the increased contribution of local stakeholders and authorities and the improvement of utilisation of available evaluations. However, reconciling four NUTS 3-level programmes with each other in the frame of one NUTS 2-level programme has been a standing concern in the geographically large region of Itä-Suomi. Table 3 presents a summary of the needs and imputed objectives.

Table 3: Needs and imputed objectives for eight thematic axes

Thematic axis	1995-99		2000-06		2007-13	
	Needs	Imputed objectives	Needs	Imputed objectives	Needs	Imputed objectives
Enterprise	++	5	++	5	++	5
Structural adjustment	++	4	++	4	++	4
Innovation	+	3	+	4	++	5
Environmental sustainability	-	2	=	3	+	4
Labour market	++	2	++	1	++	1
Social cohesion	=	1	=	1	=	1
Spatial cohesion	=	2	=	2	=	2
Infrastructure	+	3	+	2	=	3

Needs Scale (evaluation of the region at the start of the period)

- ++ Very high need: the region is highly deprived on this axis
- + High need: the region is somewhat deprived on this axis
- = Average need: the region is around the national mean on this axis
- Low need: the region is above the national mean on this axis
- Very low need: the region is already a European frontrunner on this axis

Imputed Objectives

- 5 Very high effort, this axis is a central aspect of the regional development strategy
- 4 High effort, this axis is an important element in the regional development strategy
- 3 Average effort, this axis is included in the regional development strategy but not particularly important
- 2 Low effort: this axis is only marginally considered in the regional development strategy
- 1 No effort at all on this axis

In general, the assessments on the relevance of past policy - and its desirable future orientation - are largely conditioned by the interpretations concerning the geographical specificities of Itä-Suomi. To the extent that these specificities, in particular the sparse settlement structure and very low accessibility, are seen as binding and relatively permanent constraints for the development of new (leading-edge) economic activities, the justification for promoting activities in rural areas is undermined, and the rationale for setting the focus on the main urban centres (Kuopio, Joensuu, Mikkeli, Kajaani) is strengthened. The alternative line of argumentation derives from the view that even sparsely-populated rural areas may have specific resources (territorial capital) for development, and accessibility can be improved by tailor-made solutions (in line with the needs of particular economic sectors). Consequently, policy support, including ERDF, should apply a geographically more comprehensive approach. Of these argumentation lines, the first one has gained more ground in Finnish policy practice, which is also visible in the eastern part of the country, whereas the latter one resonates with the current territorial development discourse in an EU context. In addition, it is backed by the Lisbon Treaty (2009), which recognises the specificity of northern sparsely-populated regions.

4. EXPENDITURE ANALYSIS

4.1 Financial allocations

ERDF funding in terms of nominal total programme expenditure for Itä-Suomi has increased in successive programme periods (see Table 4). The largest increase was from the initial 1995-1999 period to the 2000-2006 period. The lower financial endowment of the first programme period was mainly due to the fact that one of the eastern Finnish regions, Pohjois-Savo, at that time belonged mostly to the Objective 5b programme area that was allocated lower levels of funding. In addition, the largest and socio-economically most diverse urban region of Kuopio was not part of either of the two EU funding programmes at the time. From 2000 onwards, all eastern Finnish NUTS 3 regions (*maakunnat*) belonged to a single programme area that has seen no significant changes in its geographical extent to this day.

Table 4 presents the funding allocations for EU programmes implemented in Itä-Suomi over time. Comparisons between different funding periods are possible only to a limited extent and should be treated with caution for a number of reasons. First, the initial 1995-1999 programme period was shorter in duration as compared to the other programmes. Second, the internal structure of the programmes and their strategic emphases were different. The 1995-1999 and 2000-2006 periods included ESF, EAGGF and FIGF funding, whereas the 2007-2013 ERDF programme was separated from these funding instruments. The European Social Fund (ESF) in Itä-Suomi enjoys a special status as it is the only Finnish region that has its own funding allocations independently from national allocations. With regard to rural development, a national rural development strategy was developed and is being implemented through the Mainland-Finland and Åland Islands rural development programmes. Third, it should be emphasised that the Objective 5b and Objective 6 programmes (1995-1999) also included other vast northern and western Finnish areas, in addition to the eastern Finnish NUTS 3 regions. In Objectives 5b and 6, ERDF funding was divided between the individual NUTS 3 regions on the basis of population numbers.

Table 4: EU funding allocations 1995-2006 and ERDF funding allocations 2007-2013 for Itä-Suomi (million Euros, current prices)

Programme	EU fund					National public financing	Private financing	Programme Total cost, €m
	ERDF	ESF	EAGGF	FIGF	Total			
1995-1999								
Objective 6*	107	62	120	2	291	293	238	822
Objective 5b*	12	4	8	0	24	33	33	90
2000-2006								
Objective 1 Itä-Suomi	329	189	129	6	654	654	1353	2664
2007-2013								
Regional competitiveness and employment - Itä-Suomi	365				365	365	787	1517

* Itä-Suomi's share of allocations has been calculated on the basis of the region's share of the population of all eligible areas. Itä-Suomi's share of population in the Objective 6 area has been approximately 56 percent, whereas its share in the Objective 5b area has been about 12 percent.

In Table 5, the allocation of ERDF funding and actual funds spent are compared. In addition, total programme allocations and total programme expenditure are presented. The first programme period's Objective 5b and Objective 6 programmes' total expenditure (spending) was significantly more than was initially allocated (120-140 percent). In the Objective 6 programme, ERDF funding was spent as planned, but higher than intended private funding in Priority 1 (Business development and company competitiveness) lifted the total funding above the allocated amount. In Objective 5b, a higher share of private funding also resulted in higher total programme expenditure, despite a lower spend of allocated ERDF funds. In the Objective 1 (2000-2006) programme period, ERDF funds were spent as allocated, but private funding was below the planned amount. In the current 2007-2013 period, spending is currently below target and has to be accelerated in order to reach the spending target. This is, firstly, a result of the fact that the programme started with a delay of about one year. Secondly, the financial crisis and slowing growth in the global economy resulted in decreasing levels of business development and related needs for funding support. This has been reacted to by reallocations between the different priorities, i.e. funds were transferred from business support to the promotion of innovative activities and networking, to the strengthening of expertise structures, and to the improvement of accessibility and the operational environment. At the end of 2011, 68 percent of public financing had been committed and 35 percent had been spent.

Table 5: Itä-Suomi ERDF programme allocations and expenditure 1996-2013

Programme	Period	€ ERDF allocated	€ ERDF spent	€ ERDF Spend as % of allocation	€ Programme total cost, allocated	€ Programme total cost, spent	€ Programme total cost spent as % of allocation
1995-1999							
Objective 6*	1995-1999	107	106	99	822	982	119
Objective 5b*	1995-1999	12	10	83	90	125	139
2000-2006							
Objective 1 Itä-Suomi	2000-2006	330	330	100	2664	2289	86

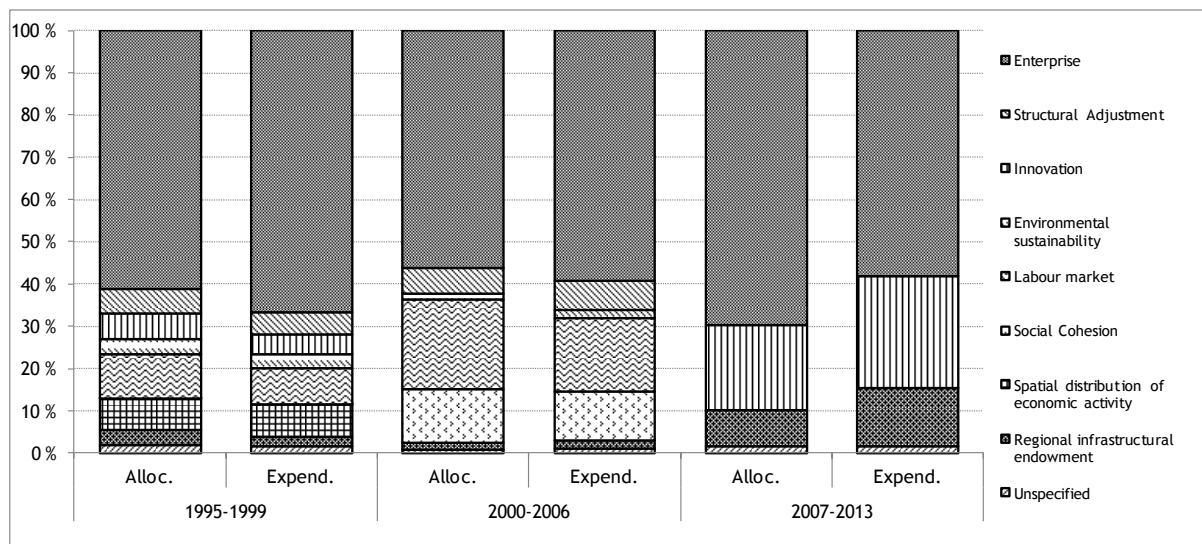
* Itä-Suomi's share of allocations has been calculated on the basis of the region's share of the population of all eligible areas. Itä-Suomi's share of population in the Objective 6 area has been approximately 56 percent, whereas its share in the Objective 5b area has been about 12 percent.

4.2 Expenditure compared with allocations

Allocations and expenditure for the different programmes can also be examined against the eight thematic axes used in this study. Measures used to implement the various priorities have been allocated to one of the different thematic axes on the basis of their main goals and focus. The resulting classification should be interpreted with caution, as in several cases it has been difficult to clearly assign a measure, including the amount of funding allocated. In other words, there is some overlap between the thematic axes. Enterprise support, for example, also entails research, development and innovation activities. Structural adjustment represents a cross-cutting theme that is also influenced by other thematic actions. Figure 5 presents the allocation and actual expenditure of funds by thematic axis. With the exception of the current 2007-2013 programme, the calculation included all funding sources, i.e. ERDF, ESF, EAGGF and FIFG. The creation and

development of new enterprise and entrepreneurial activity has been a central area of emphasis throughout all programme periods. As can be seen from Figure 5, expenditure within the ‘enterprise’ theme has, in fact, been higher than its initial allocation. The current 2007-2013 programme period is an exception to this, because the global recession has resulted in a reduced demand for business support funding. The structural adjustment theme appears to have played a stronger role during the 1995-1999 and 2000-2006 periods. This aim is especially visible in the Objective 5b programme, which had the goals of supporting development in rural areas and areas characterised by a reliance on the primary sector and of maintaining the viability of the regions as the Finnish farming sector integrated into the Common Agricultural Policy of the European Union. The promotion of innovation activity has come increasingly to the fore over the current 2007-2013 programme period, as is reflected in the programme’s Priority 2 Promotion of innovation activity and networking, and reinforcing knowledge structures. In addition, this priority has thus far been allocated more funds than initially planned (as of 31 December 2011). Measures related to the labour market, i.e. in relation to youth employment, long-term unemployment and skills shortages, are predominantly implemented through the European Social Fund (ESF).

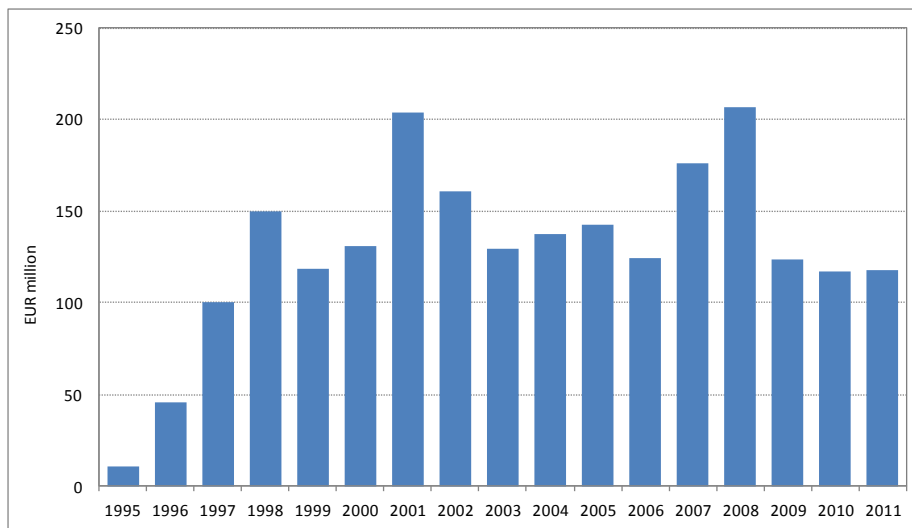
Figure 5: Allocation and expenditure by thematic axes across regional programmes (% , all sources of funding for 1995-2006, ERDF only for 2007-2013)



Source: authors’ analysis of programme documentation. Analysis was undertaken by allocating each measure (priorities for 2007-2013 period) to one of the thematic axes. For the 1995-1999 programme period, funding allocations to measures were calculated on the basis of the allocation for the entire programme area.

Overall, ERDF funding has remained stable over time. Changes from one programme period to the next have resulted in implementation delays. However, since it was possible to use funding beyond the confinements of the respective programme period timeframe, relatively stable levels of expenditure were achieved across the years (see Figure 6).

Figure 6: Annual expenditure of the Itä-Suomi ERDF programme, 1995-2011*



* Includes only ERDF-funded measures, expenditure calculated in Euros and deflated to 2000 prices. Itä-Suomi's share of allocations has been calculated on the basis of the region's share of the population of all eligible areas. Itä-Suomi's share of population in the Objective 6 area has been approximately 56 percent, whereas its share in the Objective 5b area has been about 12 percent.

Overall, the analysis of expenditure across the eastern Finnish programme periods shows the increase in available funding and thus expenditure during the initial 1995-1999 period. Since 2000, levels of expenditure have stabilised, with peaks visible in the second years of each programme period. In terms of allocation and expenditure by thematic axes, the eastern Finnish programmes are characterised by a relatively low importance of the infrastructure theme, whereas support for enterprise and business has been a central area of emphasis throughout all programme periods, with its allocations growing. Innovation has become a key area in the current Regional Competitiveness and Employment Objective (2007-2013). However, caution should be exercised when drawing conclusions on the basis of a comparison between expenditure levels in different thematic axes, as it was difficult to assign specific measures to specific themes owing to significant overlap between some of the thematic axes.

5. ACHIEVEMENTS ANALYSIS

The aim of this chapter is to shed light on the achievements of the eastern Finnish ERDF programmes, at both programme and thematic levels, as they have been documented in relevant programme reports. This analysis has been supplemented by findings from the individual interviews and the workshop carried out in late September 2012. After the programme-based and thematic-based analyses, the chapter turns to the synergies between different ERDF programmes as well as the interplay between ERDF programmes and domestic (Finnish) regional policy.

5.1 Reported & actual achievements

Finland entered the Structural Funds system at a relatively late stage compared to some long-standing members of the European Union. However, despite the opportunity to learn from the experiences of other countries with regard to monitoring practices, Finland's adoption of a Structural Funds monitoring system was not free of difficulties. As a consequence, it has to be borne in mind that information from this source and the derived programme monitoring documents can be, to some extent, misleading. On the one hand, reported results can provide a positively skewed picture of the actual results, since it is difficult to distinguish between direct effects of ERDF intervention and other regional development measures. On the other hand, longer term and indirect results of the programme may not be visible in the short-term-oriented final and evaluation reports.

The main indicators used to monitor the results and achievements brought about by ERDF funding have not changed to any significant extent over the course of the three programme periods. With regard to the 1995-1999 programme period, assessment of the results was based on the information and estimates provided by the project applicants during the application process. One of the key problems with the implementation of the Objective 6 programme was that funding and projects were allocated through several ministries. Also, there was no joint monitoring system/database in use, as each ministry stored its monitoring data in its own system. Consequently, it was necessary to gather information from a variety of different sources/databases, which, in turn, made it difficult to gain a holistic picture of the results achieved through the programmes. From 1998 onwards, the internet-based and integrated FIMOS 2000 monitoring system was developed and adopted at the initiative of the Ministry of the Interior. In autumn 1998, the FIMOS 2000 system was also adopted by the regional councils, the Finnish Environment Centres and the Ministry of Transport. After the first programme period (1995-1999), the monitoring data, consisting of the reported results from the applicants that were verified by the funding authorities, were gathered entirely from electronic sources. In addition to the verification of project results, it was seen as increasingly necessary to evaluate programme results on the basis of functional or horizontal considerations. This includes, for example, the question whether a programme has managed to create or promote new collaborative networks and whether it has succeeded in improving the general level of regional development action as well as in bringing new actors to the table. Nevertheless, qualitative aspects such as processes of learning in strategy-making and planning, as well as those of internationalisation, still do not receive enough attention in the monitoring and evaluation system.

5.1.1 Programme-level achievements

The 1995-1999 programmes reflect the learning processes that EU membership and involvement in EU funding instruments and programmes brought about. In other words, the exposure to EU funding instruments has had a significant influence on Finnish regional development policy. The EU-induced shift to programme-based regional development policy contributed to a more strategic outlook in regional development and stronger inter-sectoral cooperation as compared to earlier nationally-based practices. As mentioned above, however, the adoption of the new practices as well as their evaluation and monitoring turned out to be less than straightforward. Despite practical difficulties in data collection, aggregate data on, for example, new jobs, safeguarded jobs, newly established businesses and participation in EU-funded activities/measures were produced. These results presented in the final implementation reports should, however, be treated with caution as ‘data gathered were unreliable, especially in respect of the project results’ (Katajamäki, 2002: 7). For example, ‘new jobs’ and ‘safeguarded jobs’ were not explicitly defined for the purpose of data collection and, as such, were prone to different and often overly optimistic interpretations at the project level. Consequently, it is difficult to determine the extent to which the early programmes reached their goals.

Table 6: Main result indicators for the entire Objective 6 programme* (1995-1999)

Indicator	Target (A)	Result (B)	B:A as %
Jobs created	10,500	21,013	200
Jobs safeguarded	18,731	62,125	332
No. of new businesses set up	2,410	3,772	157
People involved in ESF measures	101,500	137,947	136

Source: Final Implementation Report. *During the 1995-1999 programme period, Itä-Suomi formed part of a much geographically wider (Objective 6) programme area. Itä-Suomi accounted for approximately 56 percent of the population of this region.

The Objective 6 programme (including areas not covered by this case study) resulted in the creation of about 21,000 jobs and the safeguarding of about 60,000 jobs (see Table 6; for further details on results by measure, see Annex III). The figures presented above provide a clearly exaggerated picture of the actual results achieved. Indeed, the ex-post evaluation of the Objective 6 programme (Katajamäki, 2002) concludes that more realistic percentage figures are between 10 and 20 percent of those reported. This would result in the more probable numbers of about 3,000 jobs created and 9,000 jobs safeguarded. The ex-post evaluation report for the Objective 5b programme also appears to overstate the achievements. According to the report, and with regard to the combined indicators of new and safeguarded jobs, the Objective 5b results exceeded the set targets by a factor of five (see Table 7). The report also emphasises that the measures carried out as part of the programme merely contributed to the safeguarding rather than the actual creation of jobs. If new jobs were created, they were mostly limited to the projects’ duration. In addition, the majority of new jobs would have been created without Objective 5b interventions. According to the evaluation report, the programme diversified and strengthened businesses and the entrepreneurial

base in the region, but the target set in terms of ‘new companies’ created was not reached (70 percent).

Table 7: Main result indicators for the entire 5b programme (1995-1999)*

Indicator	Target (A)	Result (B)	B:A as %
Jobs created and jobs safeguarded	22,000	102,120	464
New businesses set up	6,000	4,208	70
People involved in ESF measures	15,900	73,319	461

Source: Final Implementation Report. During the 1995-1999 programme period, Itä-Suomi formed part of a much geographically wider (Objective 5b) programme area. Itä-Suomi accounted for approximately 12 percent of the population of this area.

The reporting for the **2000-2006 programme** reflects the wider learning process that had taken place since the initiation of EU-funded programmes in Finland since 1995. The final report of this programme period, for example, also paid attention to qualitative and horizontal aspects (such as internationalisation, environmental impacts, and participation according to gender) in terms of programme results. However, the decentralised nature and limited integration between the different monitoring systems/databases also continued to be a problem in the second EU programme period implemented in Finland (Net Effect, 2003). The FIMOS 2000 database, into which it was planned to feed data from other databases in use, proved to be a problematic and under-funded investment. Indicators for the Objective 1 programme were gathered at programme level as well as at priority level. Key indicators did not change from the previous period and included ‘jobs created’, ‘safeguarded jobs’, ‘new businesses set up’ and ‘persons involved in ESF measures’. Based on the development of the key indicators, the goals of the programme were reached and the initial expectations were even exceeded (see Table 8). The Objective 1 final implementation report provided relatively detailed definitions of the different indicators and the smaller discrepancy between the targets and the actual results indicates that the figures have become more reliable as compared to the first programme period.

Table 8: Main result indicators for the Objective 1 Itä-Suomi programme (2000-2006)

Indicator		Target (A)	Result (B)	B:A as %
Jobs created	Men	16,464	19,991	121
	Women	9,466	10,798	114
	Total	25,930	30,789	119
Jobs safeguarded	Men	26,025	28,533	110
	Women	15,225	16,492	108
	Total	41,250	45,025	109
New businesses set up	Men	2,695	4,500	167
	Women	1,460	2,475	170
	Total	4,155	6,975	168
People involved in ESF measures	Men	66,000	78,039	118
	Women	66,000	95,826	145
	Total	132,000	173,865	132

Source: Final Implementation Report.

In terms of its monitoring system, the **2007-2013 programme** could already build on the experience gained during the preceding programme period. In previous evaluations, the informational value of the numerical indicators was generally seen as being low. In particular, the definitions of indicators such as ‘new’, ‘renewed’ and ‘safeguarded’ were critically received. In addition, key recommendations put forward in the evaluations were to integrate the various monitoring systems into a coherent whole and to focus on the reliability of the results presented. During the 2007-2013 programme, the new EURA2007 monitoring system was implemented. ‘Renewed jobs’ was taken off the list of indicators and the calculation of employment figures was corrected and refined. All in all, the number of indicators used has been reduced and their content has been defined in more exact terms as compared to previous programme periods. The core indicators during the 2007-2013 programme are employment numbers (women, men, R&D jobs) as well as new businesses set up. In addition, specific attention is being paid to projects that contribute to the goals of the Lisbon Strategy and gender equality, that have positive environmental effects and that have an impact on research and development activities (for targets and results, see Appendix III).

The monitoring data concerning the core indicators for the 2007-2013 period indicate that the programme is still a long way off its targets and that it will indeed be difficult to achieve them within the programme timeframe (see Table 9). At the end of 2011, for example, only 32 percent of the targeted number of new jobs had been realised. This could result from the improved monitoring system that produces more realistic estimates of the achievements. During programme preparation, it was estimated that 90 percent of the new jobs would be created under Priority 1 (Promotion of business activity). However, as a result of the recession, demand for funding support in this Priority has been weak. The situation in terms of newly-created businesses is even worse.

Table 9: Main result indicators for the 2007-2013 programme

	Target 2007-2013 (A)	Result 31.12.2011 (B)	B:A as percent
Jobs created	13,230	4,249	32
..of which women	5,210	1,460	28
New businesses set up	2,020	290	14
..by women	710	92	13
New jobs in research and development	800	274	34

Source: Annual Implementation Report 2011.

5.1.2 Analysis by theme

(i) Enterprise development

National development funding to enterprise was reduced around the same time as ERDF support became available. Against this background, all three ERDF programmes have defined the

development of enterprise as a key priority, although through different types of measures. In all three programme periods, over half of the total funding was allocated to enterprise development. ERDF funding to enterprise development has been targeted particularly at the region's areas of focus, such as forestry, material technology, tourism, measurement technology, energy and environmental technology, as well as in welfare sectors and the pharmaceutical industry.

The bulk of the ERDF funding to enterprise has been allocated as investment aid. Direct support for research and product development has been allocated only to a small extent as a result of the fact that companies in Itä-Suomi are generally small and unable to utilise the available R&D funding. Direct financial aid for enterprise has mainly supported firm competitiveness through raising productivity, expanding production capacities or improving product quality. According to the interim evaluation report of the Objective 1 programme (2000-2006), three-out-of-four firms support measures would have taken place without the availability of ERDF funding. Added value has, however, been achieved as result of the fact that through ERDF support firms have been able to bring forward and/or expand their investment plans.

In addition to direct investment and R&D aid, enterprise has been supported through more generic firms support funded by ERDF money. These projects have supported firms in becoming increasingly aware of their own development needs and have highlighted the need for systematic and continuous support in order to remain competitive. The effects of such projects have also been felt beyond the enterprise sector as, for example, they have also supported cooperation between companies and educational institutions and promoted the development of business support services.

The other ERDF-funded actions aiming to develop entrepreneurial activities have largely focused on improving business services (business support services, business incubators) and promoting networking both between firms and between them and other relevant stakeholders. With regard to business services, inter-municipal cooperation has become increasingly important, and local development companies are currently key actors in this field in Itä-Suomi. ERDF funding has strengthened the role of both local development companies and other business support organisations, such as technology centres, in developing regional partnerships and networking activities, but the mechanisms which have led to this can be - and are - interpreted in different ways. These local development companies are either seen as specific achievements of ERDF funding per se, or their increasing role can be interpreted as a side effect of the process in which these companies have taken active roles in the implementation of regional development as a result of their participation in ERDF activities. At the end of the day, this question concerns additionality, i.e., how the division of labour between ERDF policy and municipal policy towards businesses is seen.

As mentioned above, ERDF projects have been active in promoting networking and cooperation. During the case study period, this activity became more focused. In the first (1995-99) and second (2000-06) programme periods, there was a shift in outlook from supporting individual firms to supporting inter-firm cooperation and inter-sectoral clusters, and in the third period considerable effort has been devoted to creating partnerships that include not only firms but also educational and research organisations. Typically, these are organised on a local, regional (NUTS 4) or Itä-Suomi (NUTS 2) level. A typical example of such networking activities is the Eastwood programme, which focused on the wood-products sector and has been implemented between 2008 and 2011 (see

Annex I). In addition to 240 firms, the programme had participation from other actors, such as municipalities, expert organisations, educational institutions, and representatives of other projects. The programme resulted in development projects and measures worth approximately €13 million. A concrete result was the birth of 20 collaborative groups of businesses that, with the help of experts, developed joint business strategies tailored to the needs of the companies involved. By contrast, partnerships in a national context are less common, and the existing ones concern either RDI projects or are linked to specific national development programmes. Even if great emphasis is placed on internationalisation in the ERDF strategies, international partnerships and networking are not as common in the real-world projects for developing and supporting businesses.

(ii) Structural adjustment

The ERDF Programmes for Itä-Suomi include both proactive and reactive aspects in relation to structural changes in the economy of this region. The emphasis between these two approaches has been influenced by, among others, economic cycles and the overall patterns of change in the Finnish economy. Looking at the projects according to their themes, promoting adjustment to structural changes appears to have played a more important role than would have been expected on the basis of the content of the programme documents. The policy context in the 1995-99 period was conditioned by the direct repercussions of Finland's recent EU membership. In this context, one of the most profound aspects was the change in the operational environment of the Finnish agricultural sector as a result of its integration into EU policy. During the subsequent periods, 2000-06 and 2007-13, this proactive vs. reactive setting has been linked to the division of labour between the ERDF and ESF programmes. The former programme has been used to promote the adjustment to structural changes, whereas the latter one has focused on alleviating their abrupt and harmful effects.

Regional development and agriculture were important issues during Finnish EU membership negotiations. EU membership received lower popular support in the more peripheral parts of the country where the primary sector was relatively more important and which have been the traditional receiver of national regional policy support. Of the four NUTS 3 regions in Itä-Suomi, only one (Etelä-Savo) voted for membership in the accession referendum held in October 1994.

The setting outlined above is clearly visible and reflected in the 1995-1999 ERDF programme. The forecasted accelerated decline of agriculture along with its potential side-impacts on forestry was seen to call for the following three types of measures. First, the need to diversify the industrial base and create new jobs was emphasised. Second, it was argued that these new jobs could be generated through the internal restructuring of the primary sector, i.e., through specialisation, investment in quality production, a shift towards organic farming, and the development of pluriactive farming. Third, a growing number of jobs in the service sector and technology-based, leading-edge industries were also seen as an important priority.

In the second and third programme periods, 2000-2006 and 2007-2013, these policy priorities have been updated and slightly re-focused. In addition to agriculture, attention has been devoted to the erosion of the public sector (a major source of employment) and the ageing of population as important features of structural changes in Itä-Suomi. In addition, the following drivers and trends have been identified and accepted as factors in the region's development dynamics: (i) the development of rural areas is less dependent on agriculture and forestry as mining and bio-energy

production create new jobs, (ii) employment in manufacturing is not growing any more, and several industrial sectors have become increasingly vulnerable, and (iii) new entrepreneurial activity largely originates from the centres of competence in urban areas.

The first of these claims derives from the finding that the adaptation of Finnish agriculture to the CAP went more smoothly than had been expected. This was, however, not so much due to Structural Funds support but to the so-called long-term support for farms located in central and northern Finland (Article 142/Finland's Act of Accession to the EU) granted as part of the Finnish accession. Notwithstanding the fact that the trend of agricultural employment was on a continuous decline after accession, farming continued, no longer in the form of traditional family farms, but instead as larger-scale businesses. This change has been reflected in policy-making. Now that farming is no longer the way of living for a majority but is an entrepreneurial activity run by a small minority, rural development is seen in a different light. Instead of the fate of agriculture, the polarisation of rural areas is the main policy concern when commuting, agriculture and new economic activities increasingly concentrate in the urban fringes around the regional centres, and remote rural areas are thinning out, in many cases facing complete depopulation. In rural development policy, this trend has turned attention from agriculture to possible measures promoting rural partnerships. However, the decline of remote areas has continued. This is not because of a lack of ERDF or other sources of support, but in many cases there seems to be a genuine shortage of effective measures and capable organisations and actors. Given these constraints, relatively few development activities in comparison to the needs have been implemented in remote rural regions. In the 1995-99 programme period, most of these focused on wood industry and tourism, which were then seen to have potential for development. Since then, the assessment of future prospects has changed, resulting in a wider spectrum of activities including mining and forest-based bio-energy. Seen from a current perspective, developments and achievements in these sectors have had their own dynamics, in which ERDF funding has only played a subordinate and facilitating role. For instance, ERDF funding (in the form of INTERREG) has been used to develop the physical infrastructure at border-crossing points from Russia, which, in turn, facilitated increasing flows of Russian travellers to Finland.

In contrast to the overall trends in Finland, the number of manufacturing jobs in Itä-Suomi increased for a long time after the recession in the early 1990s until around the middle of the 2000-06 programme period. Different incidents contributed to this trend, including some major investments in large-scale forest industries, and the expansion of subcontractors linked to the escalating telecom industries. ERDF support was actively utilised particularly in promoting industrial activities that were seen as parts of the so-called key clusters and spearhead industries. However, this policy context changed rapidly, reflected in, for instance, the 2007-2013 ERDF programme:

The effects of processes of globalisation are also visible in recent developments in Itä-Suomi. News about large-scale transfers of jobs and employment to low-wage countries and the shut-down of production facilities in Itä-Suomi reach us every day. Communities dependent on forest industries live under constant threat as investments in the region have been scarce. Increases in production are mostly the result of increasing levels of efficiency in production.

This gloomy scenario of an industrial decline actually came true in several communities and towns in Itä-Suomi during the first years of the 2007-13 programme. In response to several major industrial closures in eastern Finland and elsewhere, the government launched special measures in 2007 to supporting 'abrupt structural change areas'. In 2007-11, the EU Structural Funds programmes (extra funding from the so-called flexibility reserve, which is five percent of the annual framework) contributed €85 million (ERDF €52 million, ESF €33 million) to tackle this problem. Of the 13 NUTS 4 regions in Itä-Suomi, five regions (Keski-Karjala, Joensuu, Varkaus, Koillis-Savo and Kajaani, comprising 39 percent of the total population) received support as areas of abrupt structural change in the 2007-2012 period. About half of this support was funded from the ERDF. According to the econometric analysis conducted by the National Audit Office (2012), these measures have decreased unemployment by approximately 150-200 persons in each area of 'abrupt structural change'. Slightly less than half of this decrease (approximately 50-75/ NUTS 4 regions) resulted from new jobs in the firms that received support. The rest of the positive impact was due to other factors, such as municipal infrastructure projects, retirement, and the recruitment of unemployed into educational measures. The support measures primarily decreased male unemployment. It has not been possible to draw conclusions on the impact of the support measures in preventing long-term unemployment.

It is well known that entrepreneurial activity is to a major extent initiated in towns, and this has been the case in Itä-Suomi for a long time. However, the interpretation that this process is related to or even dependent upon the particular characteristics of urban milieus as seedbeds of specific competence is a relatively novel approach. In comparison with the respective national paradigm shift, this recognition arrived later in Itä-Suomi. Nevertheless, it is now clearly the backbone of the strategy of the 2007-13 Structural Funds programme - though it remains unclear how different policy actors actually interpret the concept 'competence', and how they see the mechanisms through which it induces industrial growth. In practice, this approach is concretised in ERDF measures aimed at strengthening the 'competence structures' of the region during the current programme period. The interim evaluation of the programme states that:

...through the development of educational and competence structures, we were able to respond to the strategic challenges in all regions (maakunnat) of the programme area. In addition, and on the basis of the programme's priorities, the preconditions for the birth of new enterprises and the relocation of new businesses to the area have been put into place.

These achievements are discussed in connection with the theme 'innovation' and in evaluating the utility of the EDRF programmes in Chapter 6.

(iii) Innovation

ERDF funding for innovation has been used mainly to support enterprise and R&D activities, and to a lesser extent to promote a knowledge society. Most research and development projects have been carried out by polytechnics and universities for the simple reason that there are only a few other R&D units existing in Itä-Suomi. For this reason - and also influenced by the dominant doctrine of Finnish national innovation policy - these projects have typically originated in academic circles, and hence their practical and demand-oriented connections have been relatively weak. On the other hand, these projects have complemented the supply of higher education and upgraded

public R&D infrastructure, and have thus contributed to the development of new local innovative environments. These include, for instance, laboratories in the fields of paper and environmental technology (Kajaani) and medical technology (Kuopio). These laboratories create possibilities for technology transfer and networking between educational and research institutes and enterprise, and thus they are considered to be one of the most important achievements of ERDF support in Itä-Suomi. New learning and research environments improved expertise, increased interaction between educational institutions and businesses, and resulted in educational opportunities and new forms of collaboration (Salinto, 2011). The roles of polytechnics and universities have been quite clearly differentiated in the sense that the former focus on cooperation with firms, and the latter are seen as seedbeds of research-based centres of competence. Compared with polytechnics and universities, the participation of other educational units such as vocational schools was limited in the early stages of this activity. Partly on account of the results of evaluations, more attention has been devoted to strengthening their role in this networking; nevertheless, the majority of these projects are run by polytechnics and universities.

The requirements of the Structural Funds, especially those concerning private funding, have supported the creation of partnerships with firms in Itä-Suomi. On the other hand, the rules concerning regions eligible for support have in some cases posed a serious constraint on inter-firm networking in (NUTS 2) Itä-Suomi, where many niche-type industrial sectors comprise only a few firms. The promotion of innovation activities commonly presupposes networking across a wider geographical area, i.e. across Finland and in a wider world.

The dominant role of research and educational institutes in promoting innovation activity has resulted in the number of enterprise-driven projects being smaller than expected in the preparatory stages of ERDF policy. This implies that the number of genuinely risky projects has remained small. There has been a low participation of firms in innovation-oriented projects. In part this has been due to the fact that many firms in this region are not growth-oriented and operate in low-tech sectors where prospects for innovation are small. Nevertheless, other factors also played a role, such as the demanding nature of ERDF regulations for small firms; the fact that research and HE institutions have tended to utilise ERDF support to upgrade and develop their own research infrastructure (which has not meant necessarily seeking close cooperation with firms), and the fact that small firms tend to become involved in innovation projects too late in the process and are thus not able to inform the project proposal to any significant degree (i.e. a research organisation designs a project, and then invites private partners at the stage when there is no time to incorporate their interests in the proposal) (Net Effect, 2003; Ponnikas *et al.*, 2005).

(iv) Environmental sustainability

A number of ERDF projects focusing on the environmental theme in Itä-Suomi in fact revolve around investments into basic infrastructure. Sewage water treatment projects have been part of all programme periods. In addition, many projects dealing with the protection of water bodies have been implemented. A large proportion of dwellings in rural areas in Itä-Suomi are not connected to the main water and sewage system, and are thus dependent on individual, small-scale water and sewage systems. Accordingly, ERDF funding has been used to improve and extend water/sewage networks in rural areas. The monitoring system indicates that 65 water and sewerage projects were implemented during the 2000-2006 period, for example. A typical example is the Pilkko-Huhmarinen project, which was implemented between 2008 and 2010 and had the aim to improve

and secure utilities at North Karelia's largest holiday village. Seven months after the construction of a new sewer, the positive effects were already evident. Maintenance hours could be reduced and a weekly transfer of sludge by truck to the nearest dump site became unnecessary. Contamination of nearby water bodies disappeared almost completely, which resulted in growing attractiveness of the area. The relatively large-scale investments have also prepared the ground for further investments in the water and sewage system in the surrounding areas.

The theme of environmental protection has also been taken on board in other tourism development projects. Opinions on the effectiveness and impacts of environmental projects vary significantly. There is a general consensus that positive effects are of an indirect nature and manifest over a longer time, for example, by making the region more attractive. Critical comments on the effectiveness of environmental projects are rare, and they are generally similar to criticisms addressed at other cross-cutting, or horizontal, project and programme goals.

Seen in its entirety, the environmental dimension is regarded positively in Structural Funds projects in Itä-Suomi. The environmental selection criteria are perceived as working sufficiently well, i.e. filtering out project proposals that would result in environmentally negative effects. However, the notion of 'environmentally positive' is seen as being not sufficiently defined and open to different interpretations. As a consequence, the majority of ERDF projects are classified as 'environmentally neutral', which indicates that current practices do not effectively steer projects and their activities into an environmentally positive direction. There is, however, a general consensus that one of the most important results of the Structural Funds projects as regards sustainable development has been the fact that environmental considerations have gradually become common practice among project implementers and activities. This change in mindset has developed and progressed significantly in Itä-Suomi during the three periods of ERDF programmes, with actors increasingly aiming for environmentally positive project activities and results. Thus, there is clear evidence that the ERDF programmes have positively affected environmental awareness in eastern Finland.

(v) Social cohesion

Social cohesion has mainly been the target of ESF-funded projects. In these projects, aspects of long-term unemployment and young people in danger of social marginalisation, including their integration into the labour market, have been focal areas. Within these projects, the so-called 'workshop approach' was developed, which included courses and on-the-job training aimed at improving the employability and skills of young people. In terms of social cohesion, ERDF-funded projects have been indirectly relevant through their support for setting up businesses in the social sector, promoting the accessibility of social and welfare services, the development of services aimed at the elderly (primarily through new technologies) and supporting the elderly to participate in the knowledge society. The ERDF-funded 'Ruori' project was implemented between 2008 and 2010, which had the goal of improving health and encouraging healthy lifestyles among the elderly. The target group of the project was over-65s living in their own home. Introducing the concept of 'welfare clinic for the elderly', the project resulted in the setting-up of 10 welfare clinics that have since become a lasting component of the services for the elderly.

Against the background of an accelerating ageing of the eastern Finnish population, the availability of a skilled labour force has also been the focus of many ERDF-funded business support projects. Attitudes and opinions regarding future demand for labour and suitable measures to increase the

availability of a skilled work force in Itä-Suomi vary; and they are conditioned by the wider economic situation in the region. The first programme period (1995-1999) was characterised by a slow economic recovery from the recession of the early 1990s. At the time, and as a result of high unemployment rates, the availability of a workforce was not a topical issue in regional development documents and plans in Itä-Suomi. During the second programme period (2000-2006), the general attitude towards the issue changed alongside decreasing levels of unemployment as a result of economic recovery. To some extent, ERDF-funded projects dealing with forecasting and future scenarios of ageing and workforce availability also brought the issue to wider attention in the debates on regional development. This provided an impetus for the implementation of additional projects that dealt with the promotion of immigration as well as the development of work skills among immigrants. In the context of the current 2007-2013 programme, the debate on the availability of and demand for a skilled workforce has again been updated. The current focus is on labour shortage in specific fields, particularly in the social and healthcare sector. It can be assumed that part of this recent change in mindset is the result of the enduring higher-than-anticipated levels of unemployment in eastern Finland.

(vi) Infrastructure

In terms of accessibility, Itä-Suomi is far below the European averages. On the other hand, the vast geographic extent of the region implies that the overall position of the region cannot be upgraded to a major extent in this respect, but the measures for improving accessibility must be selective. Given this, investments in basic transport infrastructure have not played a particularly important role in ERDF programmes. The focus in ERDF-funded investments in this thematic area has been on intra-regional connections, particularly improving access to the main logistical centres, airports, border-crossing points and tourism resorts. With regard to the centre/periphery connections (that is, from southern Finland to Itä-Suomi), the only major ERDF-supported project concerned the refit of the easternmost railway line (see below). In addition to transport infrastructure, attention in infrastructure policies has been devoted to strengthening communications infrastructure by supporting investments in broadband connections.

In this respect, the current Itä-Suomi ERDF programme is different from other 'phasing-in' regional programmes. Within these programmes, the EU regulations allow for, and indeed result in, significantly higher resources to be targeted at the improvement of infrastructure and levels of accessibility as compared to the case of Itä-Suomi. The approach taken in Itä-Suomi is linked to national transport policy practices and the traditional division of labour between the State and the regions, where basic transport infrastructure is seen to be an integral element of welfare state provision and as such should be part of and covered by State funding. This is also reflected in the fact that, in addition to basic road construction, the Itä-Suomi ERDF programme has funded preparatory projects that have resulted in implementation plans, which have subsequently been used to advantageously position eastern Finnish infrastructural projects on national transport policy programmes and agendas. Bearing in mind the concomitant scaling-down of national funding for transport infrastructure, it appears that the division of labour between the State and the regions is fading away as a result of both regional and national initiatives. This, for example, means that the State increasingly expects the regions to contribute funding to the maintenance and renewal of the basic infrastructure. At the same time, the continuing deterioration of transport networks has prompted regions to develop their own measures to improve their transport connections.

Although infrastructure development, in its various manifestations, has been emphasised and treated differently in different programmes and programme periods, three general thematic aspects can be identified, as follows.

1. The main roads have been developed selectively, focusing particularly on strategically important segments. Generally, these infrastructure investments have accompanied other development projects, such as mining projects and the extension of border-crossing points. In 2011, more than 10 million crossings were registered on the Finnish-Russian border, of which 1.4 million were on the Niirala/Värtsilä crossing point located in the case study region. The development of this border-crossing point has been supported by the ERDF through INTERREG projects. The measures have resulted in increasing traffic safety and capacity, improved storage and loading facilities, and have supported land-use planning of the border crossing and adjacent areas. Overall, the ERDF-funded projects have facilitated increasing cross-border flows and growth of trade and transit traffic between Finland and Russia.

2. In terms of rail transport, a number of small, specific projects have been carried out. In addition, one large, strategic project entity was implemented that involved the removal of level crossings along the so-called Karelian railroad (Karjalan rata). This 326 kilometre line connects the easternmost region of Finland with the south-eastern part of the country, and further on to Russia and Helsinki. A large-scale maintenance and refit project is being implemented with ERDF funding to remove level crossings and thus reduce the travelling time between Helsinki and Joensuu by approximately 20 percent, to three-and-a-half hours. Positive effects are also achieved for rail freight, as axle weight limitations will be removed. The key aim, and anticipated result, of this activity is to make traffic flows on this track more effective and to significantly reduce travel times; public funding of over €14 million was allocated in the 2007-2013 period, making the project one of the most significant and longest-running ones in ERDF history in Itä-Suomi

3. In terms of the knowledge society and ICT, ERDF funding has been used to implement local projects that have complemented the investments carried out as part of the national broadband strategy. The key beneficiaries of these projects have mostly been the municipalities. In the same context, ERDF programmes have also supported the development of network services and content.

(vii) *Spatial cohesion*

The debate on the allocation of ERDF support in Itä-Suomi has been heated at times, and spiced with political passion. Between the four regions (*maakunnat*, NUTS 3), this issue was solved during the preparatory stage of the first programme period by allocating the funding on a per-capita basis. This practice has eased political tensions between the regions in their lobbying activities, and it has had positive implications for their cooperation in the implementation of Structural Funds programmes. However, it has also been criticised by the ‘underdogs’ in regional development (the weakest rural regions) that would prefer funds allocation in accordance with existing problems and needs. On their part, the more successful, and, typically, more urban regions emphasise growth potential as the criterion, and they would rather focus on growth-oriented high-tech firms and RDI activity.

The actual allocation of ERDF funding between different types of regions has not been analysed in detail in the case of Itä-Suomi. The mainstream view is that the largest urban centres have

received the most, but, with the exception of the support given to education and research (located mostly in these places), empirical evidence is scarce and to some extent contradictory. For instance, the findings about the distribution of financial aid to firms vary according to the variables used in the assessment. In Pohjois-Savo, during the 2000-06 programme period calculation, for instance, 37 percent of the total financial aid was allocated to the largest urban region (NUTS 4 Kuopio), which was not entitled to ERDF support in the 1995-99 programme period. However, on a per-capita basis, its quota (€154) was in fact lowest among the five NUTS 4 regions, and the smallest region, Sisä-Savo, received the most aid per inhabitant (€266).

From a long-term perspective, it is evident that regional development policies, including ERDF support, have not inhibited the continuing concentration of people and economic activities in urban areas as well as the decline of population in rural and remote areas within Itä-Suomi. These processes seem to follow a path-dependent trajectory into the foreseeable future and the ERDF-funded policies increasingly contribute to this trend, particularly as rural development has not been a priority in its own right since 2007. This is implicitly the case when a more-focused thematic allocation of funding is emphasised, resulting in a smaller number of targets, each of which receives higher support. Explicitly, an urban-based policy approach appears to gain more ground, and this promotes the development of the main FUAs (functional urban areas) of Itä-Suomi.

5.1.3 Institutional factors affecting achievements

As mentioned above, the regional dimension in Finnish governance has been strengthened over the course of the three programme periods, partly also as a result of EU requirements. At the same time, the switch to a programme-based approach in regional development policy took place. Regional councils were established in the preparatory stage of the EU accession from 1994. The municipality-based institutional structure has remained the same throughout the period examined (Itä-Suomi comprises four such (NUTS 3) regions), whereas the State-bound administration has undergone important reforms at the regional level. The traditional province (*lääni*) structure was reorganised in 1997 (reducing the number of these organisations from 11 to 5), and the system of TE (Employment and Industry) centres, also having important tasks in ERDF policy, was established following a different regional division. In 2010, the provinces were removed altogether, and the State regional administration was organised in terms of State Regional Administrative Agencies (six plus the autonomous region of Åland).

The regional councils (NUTS 3 level) have a coordinating role in the preparation of regional strategic programmes, which are drawn up for the medium-term to direct and coordinate regional development work. They outline targets, key projects and measures as well as various available sources of finance, such as the EU and national ministries. Annual implementation plans specify the content of these umbrella programmes. Regional Cooperation Groups (MYRs) consisting of representatives of the regional councils play a key role in this strategic goal-setting and coordination process at the level of NUTS 3 regions.

At NUTS 2 level, i.e. Itä-Suomi, the decisions on coordinated funding are prepared as a cooperation process between representatives of regional councils, managing and funding authorities, and monitoring committees. At the national level, the ministries (as managing authorities) are responsible for this coordination process. The experience from the two first programme periods (1995-1999 and 2000-2006) revealed some problems and flaws in the coordination process outlined

above. As a result, a national Structural Funds advisory board was established in 2007 to promote cooperation and synergies between the different ministries. The advisory board is responsible for reconciling Structural Funds operations at the national government level, and it coordinates Structural Funds procedures with nationally-funded policies. The following account reviews these two aspects in relation to Structural Funds policies in Itä-Suomi.

At the project level, project preparation and selection processes have changed towards increasing and proactive engagement of the programme secretariats. Nowadays, a collaborative, consultative and iterative process is preferred from the outset. There is an aim to make project applications as 'ready' as possible, so that they reflect the programme objectives to the highest possible extent. In this respect, the guidance provided by the secretariats is playing an increasingly important role.

5.2 Complementarities and synergies

There are two basic mechanisms through which the contribution of the Structural Funds to the development of Itä-Suomi has been important. The first one is linked to the programme-based approach, which promotes cooperation and interaction between actors. The second one is simply money: a significant share of resources available to regional development policy in Itä-Suomi comes from the Structural Funds. In the 2007-2013 programme period, complementarities between different sources of funding are co-ordinated by the National Structural Funds Strategy (see Table 10).

Table 10: Estimated contributions of different funding organisations in Finland 2007-2013

Theme	EU Programmes * € million	Domestic State Funding € million	Total €million	Share of the EU programmes of the total funding, %
1. Upgrading SMEs' competitiveness (ERDF)	108	110	218	50%
2. R&D activities (ERDF)	57	385	442	13%
3. Development of Competence Structures (ERDF)	24	32	56	43%
4. Upgrading regional preconditions for industrial activities (ERDF)	46	163	209	22%
5. Measures for supporting employment and education (ESF)	202	540	742	27%
6. Measures in rural development programme for mainland Finland (EAFRD)	947	393	1,340	71%
7. Development of fishing as an occupation (EFF)	13	5	18	72%
Themes 1-7 total	1,397	1,628	3,025	46%
ERDF themes 1-4 total	235	690	925	25%

Source: Rakennerahastostrategia 2007.

* EU programmes include both EU and national funding.

Although the figures in Table 10 are approximate, the main conclusion is clear. ERDF contributes to four of the seven themes of the national regional development strategy, and its average

contribution to these themes is 25 percent. The overall contribution of ESF to national regional development is slightly smaller. In absolute terms, the most substantial amounts of the Structural Funds are channelled to the theme of 'Upgrading SMEs' competitiveness', whereas R&D activities are funded mainly from domestic sources.

The share of Structural Funds in the total funding for regional development is higher in Itä-Suomi than the Finnish average. According to the Structural Funds programme for Itä-Suomi, the ERDF share of total regional development funding in Itä-Suomi is approximately 45 percent. In addition, the distribution by themes is different. For instance, the relatively high share of the primary sectors, the low number of high-tech firms and the scarcity of competence structures in Itä-Suomi imply that domestic funding for R&D and the development of competence structures is to a major degree allocated to other parts of Finland.

5.2.1. Complementarity between ERDF-funded programmes

The targets of the ERDF and ESF programmes in Itä-Suomi have largely complemented each other throughout the three programme periods. The resulting synergies manifested most concretely in the promotion of entrepreneurship, the development of innovative activities and the strengthening of competence structures. For example, the establishment of the clean-room training centre in Kuopio represents a case in point for synergies between ESF and ERDF funding. The physical infrastructure of the centre was put in place by utilising ERDF funding (Objective 1), whereas the development of know-how and training of the employed labour force was funded from the ESF programme (see Annex I). The need for coordination has been most evident in cases where support has been sought from ERDF priorities for ESF-type activities. Opposite cases have been uncommon due to that fact that, in practice, ESF support has not been available for the purpose of implementing ERDF-type activities. The need for coordination between the ERDF and EAGFF programmes has also emerged, particularly regarding the promotion of entrepreneurship in rural areas. In general, reconciliation and coordination between these programmes have been less successful than between ERDF and ESF.

Even though ERDF and ESF are closely interlinked with each other in Itä-Suomi in terms of their targets, this has resulted neither in an overlap nor double-funding to any considerable degree. Potential problems have generally already been identified during the project application processes, which offered the opportunity to guide the applicants to a more suitable funding source. Understandably, learning processes related to the coordination and assistance of applicants have taken time, and as a result practices have generally worked better during the 2000-2006 period than in the first programme period. The customer-oriented approach has also become increasingly important in the current programme, guiding applicants and their provision with tailor-made services or 'service paths'. However, significant challenges and problems remain in terms of institutional conditions, i.e. funding decisions are prepared and made by several largely independent bodies. This multiplicity and relative independence of funding organisations weakens the role of the MYR (regional cooperation group) in coordinating decision-making. It also limits the genuine 'regionally-based' (NUTS 3, *maakunta*) development policy in Finland.

An unforeseen consequence of the trend towards more coordinated decision-making as outlined above is that formal selection criteria have gradually lost their importance as a guiding mechanism in the implementation of the programmes. Instead, the provision of information and guidance for

potential applicants already at early stages of the application process has played an increasingly significant role. This type of 'early intervention' has become routine, and it has resulted in a decreasing number of negative funding decisions. More experienced applicants, in particular, are able to prepare project proposals that are well in line with the targets and rules of programmes from the outset and therefore rarely receive negative funding decisions. Support to enterprise is a case in point, where almost all the applications without *formal* problems have been accepted.

Seen in their entirety, the ERDF and ESF programmes appear to have complemented each other well. It is also noteworthy that an increasing number of actors have learnt about the basic nature, features and requirements of both programmes; and they have utilised them in a flexible way. This is linked to the practice that a growing share of Structural Funds in Itä-Suomi has been allocated to relatively larger projects that utilised both ERDF and ESF funding. Typical examples were projects that aimed at developing the R&D capacity in educational and research organisations, which were designed in a way to facilitate trickle-down effects to enterprises (see, for example, the SIB-labs case presented in Annex 1). ERDF has, for example, been utilised for the construction and development of infrastructure facilities, i.e. equipment and instruments, whereas ESF funding has been used to train staff. This arrangement has become very common in Itä-Suomi - dozens of laboratories have been established by means of combining ERDF and ESF support in specific fields of expertise. Currently, this is a key approach in innovation policy in Itä-Suomi.

5.2.2. Complementarity in relation to national regional policy

Finland's accession to the EU led to a reassessment of national regional policy, including its funding volumes and mechanisms. Innovation-oriented policies received a more prominent role, and funding was reallocated to sectors that were seen as promising in this respect. This reorientation in national regional policy was not 'downloaded' from Europe, but it reflected the overall Finnish move towards a knowledge-based society, which happened prior to the EU's move in a similar direction with the Lisbon Agenda. At the same time, national support to firms was cut back, although the Structural Funds largely compensated for this. The questions regarding the extent to which these changes were linked to Finland's EU membership and how they should be explained in relation to the principle of additionality are open to various interpretations.

In Itä-Suomi, ERDF-funded projects have been utilised in the implementation of national regional policy most clearly in the field of innovation policy. Several national policy programmes, such as the Centres of Excellence Programme (OSKE), the Regional Centre Programme (AKO) and the Cohesion and Competitiveness Programme (KOKO), have been implemented during Finland's membership. Of these programmes, OSKE has been the most closely integrated into ERDF policy throughout the whole period since 1995, and the experience and results of the interconnectivity have been the most positive during the current programme period (2007-2013).

6. ASSESSMENT OF ACHIEVEMENTS AGAINST OBJECTIVES AND NEEDS (EFFECTIVENESS AND UTILITY)

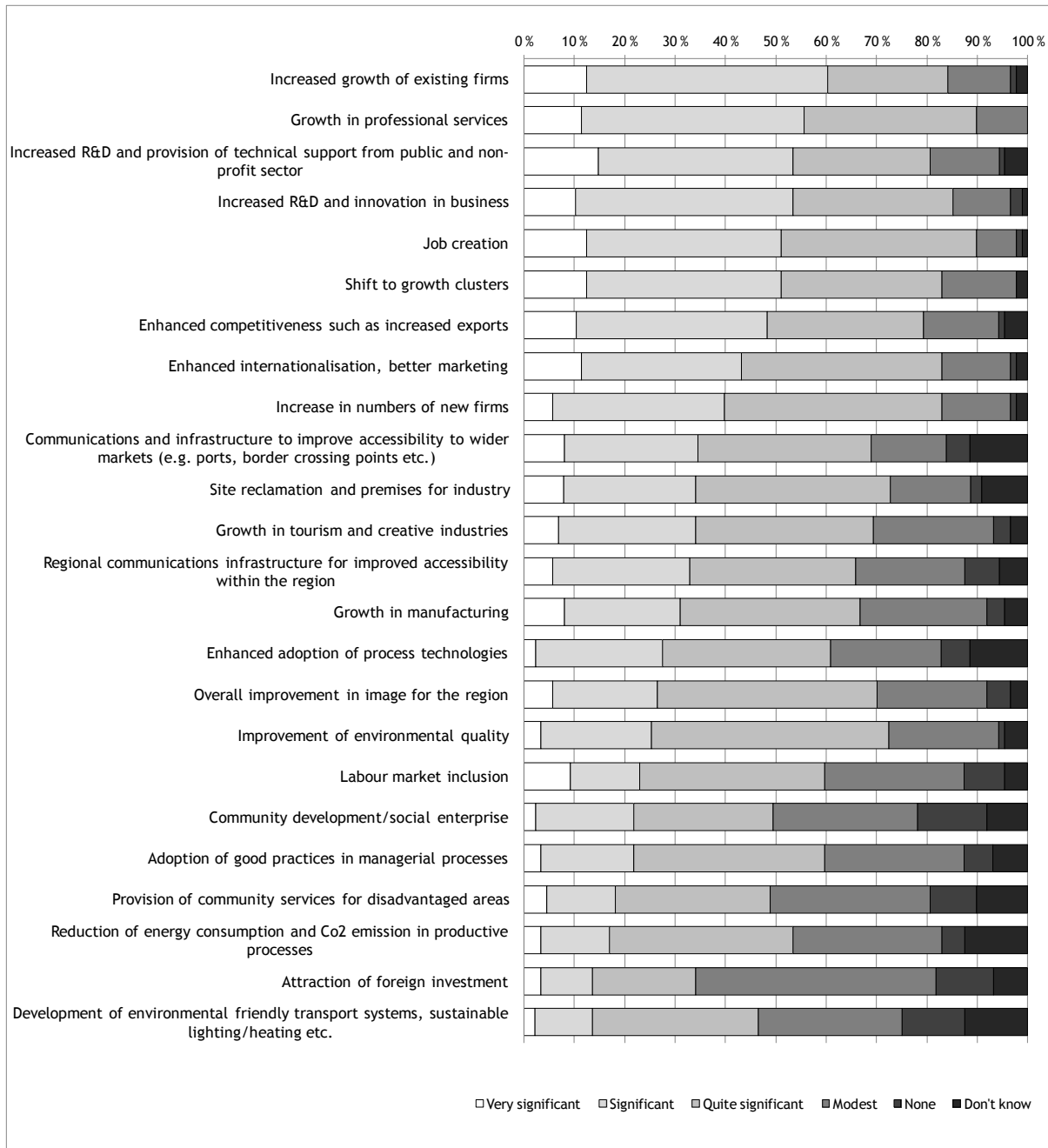
6.1 Overall achievements of ERDF programmes measured against programme objectives (effectiveness)

The development of entrepreneurial activity has been the main focus of ERDF activities throughout the case study period. ERDF measures have supported the birth of new firms and have also contributed to the upgrading of activities in existing firms. During the 1995-1999 and 2000-2006 programme periods, a key objective was to diversify the industrial base in order to compensate for job losses in other sectors. Since then, increasing emphasis has been placed on the development of knowledge-based firms and entrepreneurship, including the competence structures and networks that support them. Figure 7 presents the levels of achievements of ERDF programmes in different fields of activities as assessed by key actors and stakeholders in Itä-Suomi.

According to the findings, the highest levels of achievements were reached in the following fields: 'increased growth of existing firms', 'growth in professional services', 'increased R&D', 'provision of technical support from public and non-profit sector', 'increased R&D and innovation in business', 'job creation' and 'shift to growth clusters'. The lowest levels of achievements were identified, for example, in the fields of 'development of environmentally friendly transport systems, sustainable lighting and heating, etc.', 'attraction of foreign investment', 'reduction of energy consumption and CO² emissions in production' and 'provision of community services for disadvantaged areas'. However, monitoring indicators do not provide conclusive evidence on the results of ERDF support.

During the 1995-1999 period, the number of newly established firms only reached approximately two-thirds of the target in both the Objective 6 and Objective 5b programme areas. In addition, the net birth rate of new firms in Itä-Suomi was lower than the Finnish average. According to the ex-post evaluation of the Objective 6 programme, this was due to 'unrealistically positive expectations' and 'the weak performance of the regional economy of Itä-Suomi'. In a wider context, this can be seen as part of the exclusion of Itä-Suomi from the rapid growth of the knowledge-based economy in Finland.

Figure 7: ‘Could you please assess the extent to which the ERDF programmes delivered achievements in the fields outlined below (across the entire period, i.e. 1995 to date)?’ *



Source: Survey results. * n=87-88.

During the 2000-2006 programme period, the number of newly established firms exceeded the target. According to the evaluations, this was the result of successful measures such as business incubators and the availability of loans. The experience from the current 2007-2013 programme period, impacted by the global economic recession, is much worse. For instance, only 10 percent of the expected number of new firms had been reached by the end of 2011 as a result of Priority 1, which focused on providing new jobs. Notwithstanding this unsatisfactory result, the development of private-sector employment has been more positive in Itä-Suomi than in Finland as a whole in recent years. This suggests that ERDF support in Itä-Suomi has most likely advanced and expanded

investments in recent years. In addition, ERDF-funded advisory services have had a positive impact on enterprise and entrepreneurship.

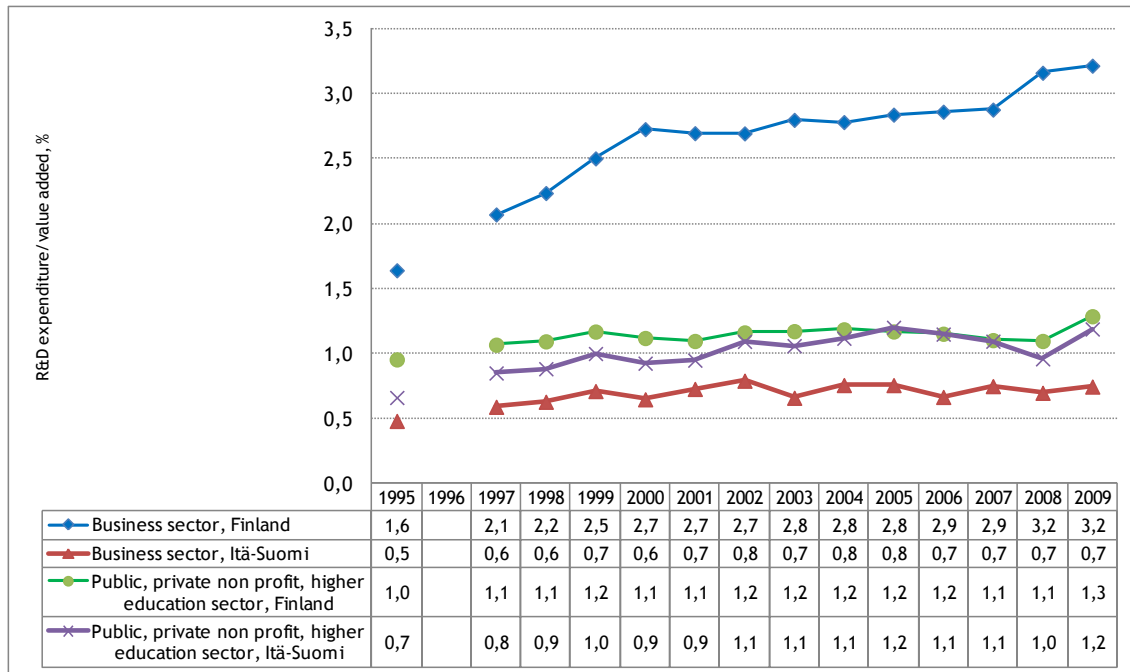
The evaluations of ERDF activity in Itä-Suomi have paid attention to the fact that the bulk of measures have not focused on new entrepreneurship, but supported existing firms and their investments. This means that the potential contribution of ERDF support has not been fully utilised in renewing the industrial base of the region. However, this focus on supporting the growth of existing firms may have contributed positively to job creation. This conclusion is supported by a study of the National Audit Office (2006), according to which ERDF support allocated to enterprise during the 2000-2006 programme period had a small but statistically significant and relatively sustained impact on employment levels, whereas the impact on turnover was statistically not significant, and only transitory.

The promotion of innovation activity is part of the wider 'development of competence' theme, which has been the second most important target (also in terms of resource allocation) in the ERDF programmes in Itä-Suomi. Understandably, the dividing line between the promotion of entrepreneurship and innovation is not unambiguous. In addition, it is worth noting that ERDF activities related to the innovation theme have been implemented in close cooperation with ESF programmes and have been linked to the relevant domestic programmes, such as the Centre of Expertise Programme (see Section 5.2). The main indicators for the 1995-1999 and 2000-2006 programme periods do not cover innovation-related measures. In the current 2007-2013 period, the volume of R&D is monitored and regarded as an important target, i.e. it should receive an allocation of 35 percent of ERDF funding. By the end of 2011, the actual allocation was 26 percent, which means that the target had so far not been reached. In general, the important role of educational and research organisations and low levels of firm participation have been typical features of ERDF-funded innovation-related measures. This is not necessarily a feature exclusive to Itä-Suomi, but it reflects the innovation paradigm that has prevailed in Finland, i.e. centres of excellence and large corporations are seen as key drivers in creating innovation by largely relying on 'technology-push' mechanisms. However, this predominant recipe for innovation leaves scope for more practical innovation activity driven by the private sector. Thus far, ERDF programmes have not played a significant role in this field in Itä-Suomi, and the low number of research-oriented companies has constrained it. The main exceptions are the initiatives under the Innovative Actions Programme, which focused on applying new technologies in food production and marketing (2002-2004) and welfare technology (2002-2004 and 2006-2008), even though the latter also had important public sector partners. The role of ERDF in supporting innovation structures of a practical, demand-oriented nature is bound to grow in importance in the forthcoming programme period. This is due to the strategic orientations of Finnish national innovation policy introduced in 2006. According to this policy, national funding is concentrated on a few themes under the title 'breakthrough innovations of global importance' (so-called SHOK, Strategic Centre for Science, Technology and Innovation). In order to support this line of policy, funding is increasingly regionally focused on a few urban areas, including the capital city and four or five other main centres. In practice, this means that this mainstream approach in innovation policy may bypass Itä-Suomi.

In 2010, the total R&D funding in Itä-Suomi was €297 million. This accounts for approximately 4.3 percent of the total R&D in Finland, whereas the respective share of the population is 12 percent. Not surprisingly, these development gaps have received considerable attention in the evaluations of the achievements of Cohesion policy programmes in recent years, particularly for the reason that

the development of competence structures and R&D activities have been growing in importance as key targets in ERDF programmes since their initiation in the mid-1990s. Figure 8 describes the trends of private and public R&D funding in Itä-Suomi and in Finland between the years 1995 and 2011.

Figure 8: Private and public R&D in Finland and Itä-Suomi, 1995-2011 (% of GDP)



Source: Statistics Finland.

The basic message is rather clear-cut. Public R&D in Itä-Suomi shows positive development in comparison to the national average, but the private sector has not been able to keep pace, i.e. ERDF programmes have not been able to facilitate their increasing participation in R&D activities. Given the fact that R&D is identified as a key factor in the growth of productivity, and thus competitiveness, it can be argued that low levels of private R&D participation are an important constraint on industrial development in Itä-Suomi. This assessment is endorsed by a recent study on the Finnish national innovation system which indicates that productivity growth has been fastest in the regions where enterprise structure has changed the most (see Ottaviano *et al.*, 2009). In Finland, this type of ‘creative destruction’ has been fastest in major urban regions and in the southern part of the country, and most sluggish in eastern and northern Finland. This emphasises the fundamental questions about the role of ERDF support in R&D: to what extent has the ERDF supported structural changes that contribute to productivity growth, and - notwithstanding all the efforts - has its role actually remained passive in relation to this need?

With regard to the infrastructure theme, programme evaluations have paid relatively little attention to the results of ERDF-funded investments in basic transport infrastructure. This stems from the fact that infrastructure investments have been carried out mainly as part of the national infrastructure development policy, and the investments that actually have had significant impacts on the levels of accessibility of Itä-Suomi have taken place outside the region, e.g. the (non-ERDF funded) Helsinki-Lahti railway and motorway connection, the economic and social effects of which will only be felt in the long run. Overall, the achievements of ERDF-funded transport (and also ICT)

infrastructure investments implemented in Itä-Suomi have generally been assessed as relatively positive (see Figure 7).

In terms of structural change and associated adjustments, the initial focus of the ERDF programmes (specifically Objectives 5b and 6) mainly concerned the agricultural sector, which was seen as uncompetitive in a European context, and rural development. Structural adjustment of the agricultural sector to the new conditions of EU membership was less problematic than expected, a result of the above-mentioned long-term support granted to northern and eastern Finnish farms under Article 142. The added value and effectiveness of ERDF-funded projects to this adjustment process is difficult to assess, but they have certainly contributed to the overall positive development. During the 2000-2006 and 2007-2013 programme periods, the focus shifted to structural change in the processing and manufacturing sector. In the short term at least, support to areas of 'abrupt structural change', co-ordinated by the national level and co-funded by the ERDF, had positive effects in terms of cushioning job losses.

With regard to spatial cohesion, it is evident that regional development policies, including ERDF support, have not restrained the continuing concentration of people and economic activities in urban areas as well as the decline of population in rural and remote areas within Itä-Suomi, but this was not one of the explicit aims of the programmes. On the contrary, it can be argued that over time the urban-based approach in policy-making, which is also supported in national policy, appears to hold and even gain ground. This promotes the development of Itä-Suomi's main functional urban areas and, to some extent, overlooks rural and sparsely populated areas.

Table 11 summarises the targets and achievements of the three ERDF programmes in Itä-Suomi.

Table 11: Achievements compared with imputed objectives for eight thematic axes

Thematic axis	1994-99		2000-06		2007-13	
	Imputed objectives	Achievements	Imputed objectives	Achievements	Imputed objectives	Achievements
Enterprise	++	2	++	3	++	2
Structural adjustment	+	4	+	3	+	3
Innovation	=	3	+	4	++	3
Environmental sustainability	-	3	=	3	+	3
Labour market	-	3	--	3	--	3
Social cohesions	--	3	--	3	--	3
Spatial cohesion	-	2	-	3	-	3
Infrastructure	=	3	-	3	=	3

Objectives scale, start of period

- ++ Very high effort, this axis is a central aspect of the regional development strategy
- + High effort, this axis is an important element in the regional development strategy
- = Average effort, this axis is included in the regional development strategy but is not particularly important
- Low effort: this axis is only marginally considered in the regional development strategy
- No effort at all on this axis

Achievements scale, end of period with respect to beginning of period

- 5 Very high achievement, the results for this axis are considerably above expectations given the effort put in it and ex-ante conditions
- 4 High achievement, the results for this axis are above expectations given the effort put in it and ex-ante conditions
- 3 Average achievement, the results for this axis are those which could be expected given the effort put in it and ex-ante conditions
- 2 Negative achievement, the results for this axis are below expectations given the effort put in it and ex-ante conditions
- 1 Very negative achievement, the results for this axis are considerably below expectations or even nil

6.2 Overall contribution of ERDF programmes to regional development (utility)

The development challenges in Itä-Suomi are closely related to the region's syndrome of peripherality, in which several factors (low levels of accessibility, sparsity of population, dominance of primary production and late modernisation, location on the EU's external border, out-migration) come together. In addition, the deep recession that Finland experienced during the early 1990s elevated unemployment to unprecedented levels. As such, the deployment of Cohesion policy in the mid-1990s was complicated by fact that the general economic climate had aggravated the structural problems in Itä-Suomi.

When judging the contribution of ERDF programmes to regional development, it is important to pay attention to the rapid structural changes that took place in the Finnish economy as a result of the burgeoning ITC sector during the mid- to late 1990s. This development trajectory, however, did not to any significant extent took place and affected Itä-Suomi, which resulted in the situation that the gap between region's income levels (GDP/capita) and national averages started to grow in the initial years of ERDF intervention. This growing gap, however, should not be taken as an indication that Cohesion policy in Itä-Suomi has failed. With regard to the entire period of ERDF programme in

Itä-Suomi, it can be argued that Cohesion policy has contributed to the fact that the region has been able to retain its relative position in socio-economic terms. At the same time, there has been a positive process of convergence in terms of unemployment levels towards national averages after the turn of the millennium, in which Cohesion policy certainly played a role. An ageing population - and thus a decreasing labour supply - has, however, also contributed to this development.

The key aim of ERDF programmes in Itä-Suomi has been to positively influence structural economic change by supporting the development of new and growth-oriented firms and their innovation potential. The expected positive effects of investment support to increase businesses' profitability and growth have come to fruition only partly. ERDF programmes have helped to sustain companies in the region, but did not manage to significantly increase the numbers of growth-oriented companies aiming at global markets. In relation to 'institutional thinness' and lack of innovative capacity, ERDF projects have played an important role in creating new innovation and R&D environments and consolidating the already existing ones. This has provided the necessary preconditions for the growth of novel and specialised R&D intensive fields of industry. This has been mainly implemented through the activities of research and educational organisations. It remains, however, to be seen whether these efforts trickle down to the private sector and turn out to be sufficient drivers in the regeneration of the regional economy. This innovation-oriented strategy, which in fact emphasises the role of larger urban centres in Cohesion policy, has been increasingly accepted by the stakeholders and policy-makers involved. As a result of Itä-Suomi's large surface area, this strategic choice, which is perceived as largely inevitable, is problematic in relation to spatial cohesion in the region.

The ERDF programmes' role in improving infrastructural endowment in Itä-Suomi has not been very important, as infrastructure was not high on the list of priorities. Nevertheless, the contribution of the ERDF was most important in speeding up certain strategic infrastructure projects. A case in point is, for example, the development of border crossing stations and related infrastructure on the Finnish-Russian border.

Promoting structural change through the support of growth-oriented firms and the development of innovative environments for new businesses is a time-consuming endeavour. According to the results from the survey carried out, experts and stakeholders in Itä-Suomi hold the view that ERDF contribution to regional development has increased over the course of the three programme periods (see Figure 9).

Table 12: Needs compared with achievements for eight thematic axes

Thematic axis	1995-99		2000-06		2007-13	
	Needs	Achievements	Needs	Achievements	Needs	Achievements
Enterprise	++	2	++	3	++	2
Structural adjustment	++	4	++	3	++	3
Innovation	+	3	+	4	++	3
Environmental sustainability	-	3	=	3	+	3
Labour market	++	3	++	3	++	3
Social cohesion	=	3	=	3	=	3
Spatial cohesion	=	2	=	3	=	3
Infrastructure	+	3	+	3	=	3

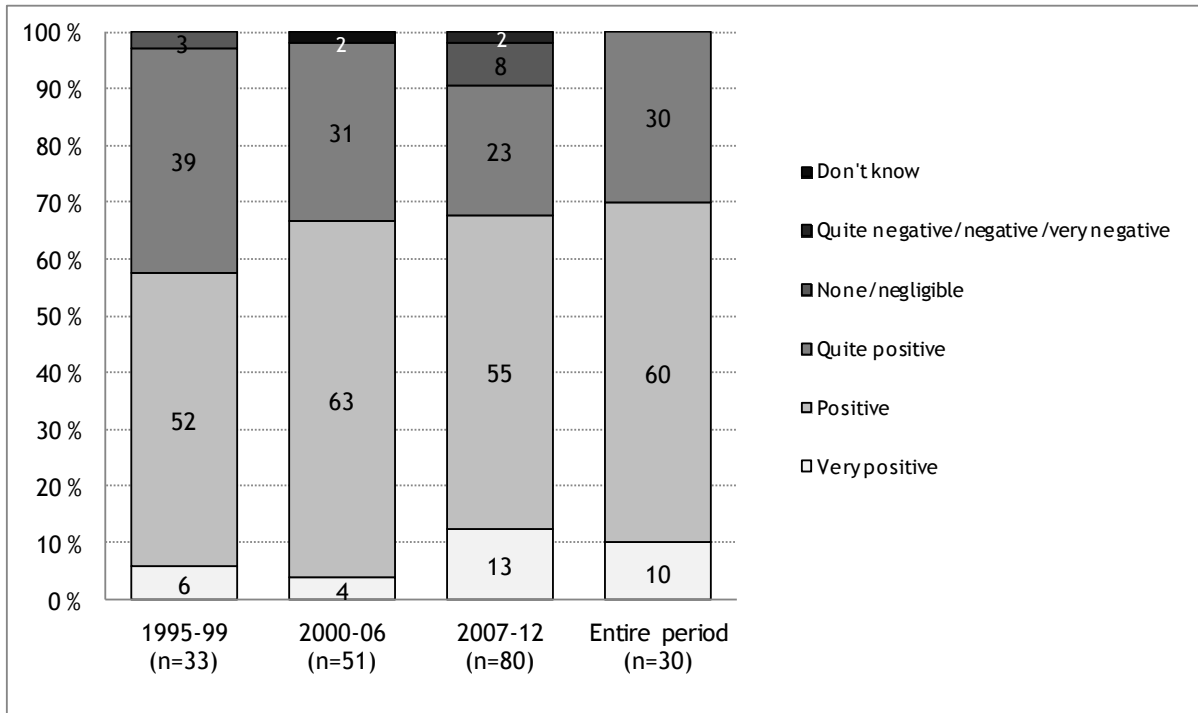
Needs Scale (evaluation of the region at the start of the period)

- ++ Very high need: the region is highly deprived on this axis
- + High need: the region is somewhat deprived on this axis
- = Average need: the region is around the national mean on this axis
- Low need: the region is above the national mean on this axis
- Very low need: the region is already a European frontrunner on this axis

Achievements scale, end of period with respect to beginning of period

- 5 Very high achievement, the results for this axis are considerably above expectations given the effort put in it and ex-ante conditions
- 4 High achievement, the results for this axis are above expectations given the effort put in it and ex-ante conditions
- 3 Average achievement, the results for this axis are those which could be expected given the effort put in it and ex-ante conditions
- 2 Negative achievement, the results for this axis are below expectations given the effort put in it and ex-ante conditions
- 1 Very negative achievement, the results for this axis are considerably below expectations or even nil

Figure 9: ‘On the whole, could you assess the impact of ERDF programmes? For current programmes, please assess the level of impact which you anticipate they will have.’* (Includes only respondents that were involved in the respective programme period or in all periods (survey results).



6.3 Key elements of success and failure

6.3.1 Good practices and successes

Overall, a considerable learning process in new approaches to regional development has taken place in Itä-Suomi since 1995. The adoption of new practices and the establishment of required institutional structures was a particularly important aspect during the first programme period. The introduction of programme-based regional development policy, initiated in Finland in the early 1990s, was something entirely new and represented a watershed in regional policy practice and a shift away from the traditional supervision of interests of individual regions towards the national government. Moreover, the introduction of EU Cohesion policy obliged the four (NUTS 3) regions in Itä-Suomi to co-operate with each other, which had not been a prevailing practice during the earlier administrative structure and policy regime. Thus, inter-regional cooperation in Itä-Suomi can be seen, at least partly, as a result of EU Cohesion policy. Higher levels of collaboration within the eastern Finnish framework has also supported increasing cooperation with other sparsely populated regions in northern Europe (Sweden, Norway, Scotland), which, in turn, provided the basis for these regions to jointly position themselves in a European Union territorial context.

The division between ERDF and ESF programmes has functioned well. The former has served as a tool for implementing regional development strategies, whereas the latter has been utilised by State-level organisations. In terms of content, the two instruments have complemented each other, for instance in the creation of innovative milieus: ERDF projects have focused on the procurement of equipment and physical infrastructure, whereas ESF support has been used for strengthening human resources through training. Yet, the question of whether this approach will lead to sustained growth of enterprise in specific and specialised sectors is still open.

During the first years of ERDF policy, the majority of projects were small. Since then, the average size of projects has grown, and they have been selected more clearly according to the strategic targets of the programmes. The funding organisations see this change as positive, in the sense that projects have become more effective under their strategic guidance. Several actors implementing projects share this interpretation.

With regard to project implementation, projects that have been supported from the very beginning by several organisations or actors willing to invest their own resources into them have turned out to be more successful. Typical examples include the institutionalised cooperation structures between the universities, polytechnics and firms in the largest cities of Itä-Suomi, notwithstanding that their long-term impacts remain uncertain. The decentralised network of higher education and research institutes has been a necessary prerequisite in this scenario. Common agreements on so-called ‘spearhead projects’ are also seen as good practice. Such an agreement includes a list of projects prioritised by the key policy actors, such as local development companies and universities, and a tentative plan for their preparation and funding. Early coordination and exchange between project applicants and programme secretariats during the application process has resulted in projects more in line with the programmes’ objectives.

6.3.2 Bad practices and failings

The deployment of the ERDF programmes and adoption of the programme-based approach has not been without its share of bad practices and failings in Itä-Suomi.

Particularly during the earlier periods, the division of labour between top-down central government administration and bottom-up (municipality-based) regional administration in preparing and implementing the programmes has been characterised by tensions and ambiguities, and these problems still exist today to some extent.

The introduction of the institutional structures and management routines for ERDF policy deployment in Itä-Suomi has been a relatively tedious process, and the specific rules and requirements of the national administration have increased the bureaucratic burden. Reducing the administrative burden was identified by the experts and stakeholders as one of the most important factors for the future development of ERDF programmes (see Annex VII and Figure 9). From the point of view of beneficiaries such as firms, various sources of support form a complex web where decision-making is slow and lacking interconnections, in contrast to the ‘over-one-desk’ principle; many support services are also overlapping. There are also cases in which the rules have been applied in different ways in different regions (NUTS 3, *maakunta*), which may have made the availability and quality of business support territorially uneven. Consistent with standard economics, it has also been argued that continued ERDF support for key actors can potentially result in subsidising mechanisms that reduce the cost of their marketed services and goods. This could result in an unfair competitive advantage for these key actors, particularly in the field of business services, and may result in unintended effects, such as unreasonably low price level and crowding-out of non-ERDF subsidised (private) businesses. This view is also supported by the result of a survey carried out by the Federation of Finnish Enterprises (Suomen Yrittäjät, 2007). Until recently, ERDF programmes have not provided firms with venture capital. However, this situation changed in 2011 when the European Regional Development Fund granted Finnvera (a specialised

financing company owned by the State of Finland) €17.5 million for venture capital investments in start-up enterprises.

An ongoing shift in emphasis has been that ERDF policy has increasingly focused on larger projects, as evident in the current programme period (2007-2013). Indisputably, the utilisation of economies of scale has provided some benefits, but it has also resulted in some disappointments, e.g. the funding frame of a larger project is often broad, which can result in the need for re-allocations and, thus, inefficient uses of the available resources.

With regard to project administration, it is unfortunately not uncommon for steering groups to include members who are not really committed to the project. Also, the aspect of lasting impacts and continuity of project work has been an item of criticism for the reason that it is often difficult to assess whether a particular project has led to permanent results, for example within five years after project completion. Particularly regarding firms, the evaluation criteria for permanence and continuity should be clarified.

Despite all efforts, failures cannot - and perhaps should not - be entirely avoided in regional development policy. In Itä-Suomi, this fact of life has unfortunately not been fully accepted and utilised, as many ERDF projects have avoided risks and focused on supporting existing organisations and practices.

7. CONCLUSIONS

The following section presents the overall conclusions concerning the case study of Itä-Suomi. In particular, it provides answers to the key questions put forward in this evaluation's terms of references.

7.1 EQ1: To what extent did the programmes address regional needs and problems over time?

EQ1a: What were the initial regional needs and problems and what has been their evolution?

Itä-Suomi has for a long time been an archetypical example of a problem region in the Finnish and Nordic context. This region has lost population as a result of long-term and on-going out-migration, and has lagged behind the national averages in terms of conventional indicators of socio-economic development such as GDP per capita and unemployment rate. In 1995, the region had a GDP per capita equal of 77.6 percent of the Finnish average, an unemployment rate of 27 percent and a share of R&D spending of 1.1 percent against a national average of 2.6. Whilst unemployment rate improved over the period to date (unemployment reduced to 14.8 percent in 2010), the GDP per capita index declined (74.5 percent in 2009), largely due to the good performance of the rest of the country. An improving performance in R&D expenditure did not result in catching up with the rest of Finnish regions (in 2009 R&D expenditure in Itä-Suomi had risen to 1.9 percent, against a rising national value of 4.5 percent).

Over the three programme periods covered in this study, problems have remained largely stable, reflecting the region's peripherality:

- weak accessibility in both Finnish and EU contexts;
- low population density;
- non-diversified production structure and a primary sector that has constantly played a relatively important role.

Needs and problems have also continued to remain similar across the four NUTS3 regions that compose Itä-Suomi. The special concern for and treatment of northern and eastern Finland is also reflected in the territorial specificities related to the sparsity of population as recognised by the European Union in the Lisbon Treaty of 2009 (Article 174).

The gap between Itä-Suomi's GDP per capita and the national average grew until the first years of the new millennium, but has since remained approximately at the same level. The evolution of the unemployment rate followed initially a similar pattern to that of GDP per capita; more recently, however, the gap between Itä-Suomi's and national rates has decreased. Particularly in recent years, the challenges related to the ageing population have risen to the forefront of the debate in Itä-Suomi, owing to the acuteness of the situation in a national context. Demographic change and ageing have also resulted in a declining labour force as a consequence of the increasing numbers of people leaving the labour market due to retirement. This, to some extent, has a positive impact on unemployment levels, but also negative effects on the availability of a skilled workforce, and more generally it undermines the future development prospects of the region. Although structural change in Itä-Suomi has progressed, especially in its largest urban centres, the region has failed to

converge towards the national averages in terms knowledge-based and export-oriented business development.

The spatial concentration of economic activities and population in the largest centres has continued, both in Itä-Suomi as a whole and in its four sub-regions (NUTS3). The flip side of the coin, i.e. the thinning-out of population in rural areas, has also continued. Since 1995, these processes have not changed to any significant extent. The most important change has been the gradual opening of the Russian border, although a lack of border crossings and relatively strict border regime still pose obstacles to interaction and functional cross-border integration.

EQ1b: What was the strategy of ERDF programmes of each programme period? What has been their evolution?

With regard to the evolution of ERDF strategies, the first programme period (1995-1999) emphasised the reduction of disparities in incomes and unemployment within the conditions of the recovery phase that followed the severe recession during the early 1990s. During the next programme period, 2000-2006, the strategy increasingly focused on developing and utilising regional strengths and competence structures in the spirit of a knowledge-based society. In the current period, this focus is further strengthened by emphasising innovation and entrepreneurial activity supporting the competitiveness of the region.

On a general level, the regional development strategy for Itä-Suomi has shifted its focus towards the proactive promotion of structural change. During the first programme period, considerable attention was devoted to agricultural and rural areas. Starting with the second period, the focus shifted towards the support of innovation and knowledge-based businesses. This period also aimed at supporting sectors in which Itä-Suomi already had some inherent competitive advantages. In the 2007-2013 programme period, the key focus is on developing business environments, specifically a well-functioning innovation system and operational environment.

This change in approach raises the status of regional centres regarding the allocation of ERDF funds. A comprehensive NUTS 2-based strategy facilitates the concentration of development activities based on specialisation and networking. However, in the spatial conditions of Itä-Suomi, these processes take place within individual urban centres or NUTS 3 regions rather than within the region (NUTS 2) as a whole. The forestry sector/cluster (cellulose, paper, sawed-wood production and related industries) used to provide the main industrial base for the entire region. However, current regional development strategies do not aim at offering a single substitute for this traditional sector but rather intend to maintain a diversified approach.

EQ1c: What were the priorities and objectives of ERDF programmes in each programming period? What has been their evolution? Were the objectives SMART?

The main objectives of the Objective 5b and 6 programmes (1995-1999) were to promote business activities and the diversification of the regional economic structure - mostly through the support to individual companies - as well as to promote rural development. The objectives of the second programme period, i.e. the Objective 1 Itä-Suomi programme (2000-2006), included enterprise support and improving the operational environment of firms, as well as strengthening expertise and labour capabilities. The 2007-2013 programme's objectives are similar to those of the second

period and include the promotion of business activities, innovation and networking (innovative environments and competence structures), together with the development of attractive working and living environments.

Overall, the objectives of all three ERDF programmes in Itä-Suomi were **generic rather than specific**. The general nature of the objectives derives from the fact that the ERDF programmes for Itä-Suomi were prepared on the basis of individual and, to some extent, differentiated NUTS 3-based strategies. The programmes strategy thus represent a consolidation of pre-existing individual programmes, integrated into an overall NUTS 2-level strategy at a later stage (this approach helps reducing inter-regional competition between the individual NUTS 3 regions for funding, as compared to the earlier lobbying-based system).

The general nature of the objectives results in difficulties when translating programme goals into **measurable** targets. Illustrative examples are the main indicators of new businesses set up and new jobs created, which are in principle measurable but in practice can be difficult to define. As a consequence, the figures presented as 'results' in the programmes monitoring systems and reports are open to different interpretations and can sometimes be misleading. In addition, some of the most important outcomes of the ERDF programmes have been the emergence of new working and operational methods and the creation of new inter-linkages between actors during the preparation and implementation phases of programmes and individual projects. These types of impacts, however, are difficult to measure and are often overlooked in evaluations and monitoring activities.

Another key difficulty in determining the relevance of objectives is that development targets are often set unrealistically high and are overly optimistic and, thus, not **attainable** in practice. The objectives contained in the different priorities can be deemed **relevant** in the sense that they increasingly aspire to create and develop new fields of entrepreneurial activity in the region. Besides, at least during the current programme period, the preparation and implementation of ERDF programmes in Itä-Suomi have supported flexible arrangements that have ensured that programme objectives can be considered as **timely**.

EQ1d: What has ERDF support been spent on in each programme period? Have there been significant transfers from initial allocations of ERDF resources to other priorities in any period?

The promotion of entrepreneurial activities and the support to firms have been the most important goals for ERDF across all programme periods. During the first and second programme periods the relative share of funding has been approximately 80 per cent. The most important change in spending has been the increased share of development of expertise, know-how and innovation, reflecting the turn towards a knowledge-based approach. This priority has become the second most important funding target in the current period, accounting for approximately one-fourth of the expenditure. Infrastructure has not been important among the priorities - its share of the allocation has been well below 10 percent - in the three programme periods. This has to be seen against the division of labour between national infrastructure development policy and infrastructure development as part of EU Cohesion policy (administrated through the regions).

In the Objective 6 and Objective 1 programmes (1995-1999 and 2000-2006), ERDF funding was spent as allocated. Payments in the current programme are well behind schedule and, as a result of the global financial crisis, funding has been re-allocated from direct support to businesses to the development and strengthening of the innovation, networking and knowledge structures.

7.2 EQ2: To what extent do ERDF achievements meet regional objectives and needs in each programming period and across all periods?

The main regional objectives of ERDF programmes in Itä-Suomi, especially during the two most recent programme periods, were to promote business activities, to develop innovative operational environments for companies and, to a much lesser extent, to develop the infrastructure within the region.

In terms of promotion of business activity, the ERDF programmes have had good results in increasing networking activities between existing firms and utilisation of expert knowledge. However, the attraction of foreign investment as a result of ERDF support has remained at very low levels. The development of private-sector employment has been more positive in Itä-Suomi than in Finland as a whole in recent years, although start-up rates of new companies have varied across the different programme periods. This indicates that, overall, ERDF business support in Itä-Suomi has advanced and expanded investments in recent years. In a more indirect fashion, ERDF-funded advisory services have also had a positive impact on enterprise and entrepreneurship.

The promotion of innovation and innovative environments, including the strengthening of expertise and labour capabilities, has been the second most important objective (also in terms of resource allocation) in the ERDF programmes in Itä-Suomi. These measures have been implemented in close cooperation with ESF programmes and have also been linked to the relevant domestic development programmes. The actual achievements have been mixed. Although public R&D in Itä-Suomi has shown a positive trend, ERDF programmes have not been able to facilitate any major increase in private R&D activities. Nevertheless, ERDF support has promoted the instigation of knowledge-intensive industries, for example in pharmaceutical sector and nanotechnology fields.

Infrastructure investments in Itä-Suomi have been mainly carried out as part of the national infrastructure development policy, and the role of ERDF in this sphere has been limited. Nevertheless, the achievements realised by the ERDF-funded transport and ICT infrastructure investments have been relatively positive.

The overall progress in achieving the objectives of ERDF programmes in Itä-Suomi has been satisfactory and even good in some respects. However, the ERDF programmes have not resulted in large-scale, transformational change in the region, i.e. in bringing the region's socio-economic performance on par with national averages. In fact, the development gap between Itä-Suomi and the rest of Finland in GDP per capita and unemployment has remained largely the same over the 1995-2012 period. This, however, should not be seen as a failure of ERDF intervention, but as a result largely of exogenous factors, such as the rapid recovery from the economic recession, induced by the high-technology sector, and the subsequent rapid economic growth which occurred in other Finnish regions in the 1990s.

When contrasted with regional needs, the achievements gained through the intervention of the ERDF have not been able to slow down urban-rural divide in socio-economic development conditions, i.e. the continuing concentration of people and economic activities in urban areas and the decline of population in rural and remote areas. However, this development trajectory is nowadays largely accepted as inevitable by many stakeholders and policy-makers.

EQ2a: What are the reported achievements of each programming period?

The main indicators used to monitor the achievements brought about by ERDF support have not changed to any significant extent over the course of the three programme periods. During the first and second programme period, the indicators of ‘jobs created’, ‘jobs safeguarded’ and ‘people participating in ESF-funded measures’ were the most important. During the 2007-2013 programme, ‘jobs safeguarded’ was taken off the list of indicators and their number was reduced; their content was also defined in more exact terms as compared to previous programme periods.

The reporting for the first programme period suffered from the lack of precise definitions of the main indicators and from the fact that assessments were based on the information and estimates provided by project applicants during the application process. Thus, whilst the official monitoring system of the Objective 6 programme stated that the programme resulted in the creation of about 21,000 jobs and the safeguarding of about 60,000 jobs, the ex-post evaluation of the programme concluded on good grounds that in reality the actual figures were around 10 to 20 percent of the reported values (the actual figures are obviously closer to the latter than the former, i.e. between 2,000 and 4,000 new jobs and 6,000 to 12,000 safeguarded jobs).

The main indicators for the Objective 1 (2000-2006) programme did not change from the previous period and included ‘jobs created’, ‘jobs safeguarded’, ‘new businesses set up’ and ‘persons involved in ESF measures’. Almost 31,000 new jobs were created and approximately 45,000 jobs were safeguarded. New businesses set up were reported to number 7,000, against an original target of 4,000. 30 percent more people became involved in ESF measures than were originally anticipated (174,000 people). For the 2000-2006 period, reported results were verified by the funding authorities. The Objective 1 final implementation report provided relatively detailed definitions of the different indicators, and the smaller discrepancy between the targets and the actual results indicates that the figures had become more reliable in comparison with the first programme period.

A new monitoring system was implemented for the current programme period: ‘EURA2007’. The indicator on ‘safeguarded jobs’ has been eliminated, indicators were rationalised and better defined, and the calculation of employment figures has been further refined. Specific attention is paid to projects which contribute to the goals of the Lisbon Strategy and gender equality, which have positive environmental effects, and which have an impact on research and development activities. The monitoring data concerning the core indicators for the 2007-2013 period indicate that the programme is still a long way off its target. At the end of 2011, 4,200 new jobs had been created, which accounts for a third of the targeted amount of jobs for the entire programme period. Also with regard to new R&D jobs, only a third of the targeted 800 new jobs had been created by the end of 2011. Only 290 new businesses were created within the same time frame, against an original goal of 2,020 businesses for the entire period.

EQ2b: To what extent were objectives achieved in each programming period?

According to the information provided by the implementation reports, the 1995-1999 programmes (Objectives 5b and 6) considerably exceeded the job creation targets. For example, double the amounts of forecasted jobs were created as a result of the Objective 6 programme, and the Objective 5b programme resulted in more than four times the targeted amount. However, and as has been mentioned above, one must bear in mind the problems related to the monitoring system and its indicators, which skewed the picture to a significant extent.

Based on key indicators 'jobs created', 'jobs safeguarded', 'new businesses set up' and 'persons involved in ESF measures', the objectives of the Objective 1 programme (2000-2006) were reached and initial expectations were even exceeded. The number of 'jobs created' was approximately 20 per cent higher than anticipated. Thus, the goals of the programme were reached and even exceeded. However, the programme fell short of achieving the targeted amount of new businesses (achieving only 70 percent of the forecasted value).

With regard to the current programme period, it is clear that it will be difficult to achieve the set objectives within the programme timeframe since the programme is still a long way off its targets. As of 2011, for example, only a third of the targeted amount of jobs and only 15 per cent of the targeted amount of new businesses were created.

EQ2c: To what extent were the needs met in each programme period? To what extent can observed changes in regional needs and problems be imputed to ERDF programmes over time?

The ERDF programmes in Itä-Suomi have targeted those regional needs that were considered to be pertinent to be addressed through regional development programmes: The region's relative sparse spatial structure, peripheral location and low levels of accessibility have been somewhat treated as a given, that cannot be influenced to any significant extent. Thus, Itä-Suomi's three ERDF programmes mainly responded to the region's needs regarding the modernisation as well as diversification of economic and production structures. Priorities and measures, as well as their achievements, were significantly influenced by the rapid structural change in the wider Finnish economy. The implementation of the first programme period was guided by the identified long-term challenges of the economy in Itä-Suomi and the impact of Finland's economic crisis of the early 1990s. Subsequently, priorities and measures were more directly aimed at the modernisation of economic and production structures. Over the course of the programme periods, increasing attention has been paid to the development of the high technology sector, which obviously emphasises and prioritises larger urban as centres for, and drivers of, economic activity.

Generally, ERDF priorities and their achievements have met the regional problems and needs, but they have not been able to significantly improve Itä-Suomi's standing in the wider context of the national Finnish economic performance.

The fact that in terms of GDP per capita Itä-Suomi has not been able to catch up to national averages has been the result of external forces rather than a failure of regional policy programmes. In particular, the shift towards, and success of, the ICT sector in other parts of Finland has been a reason for this development. During the 2000-2006 and 2007-2013 programme periods, Itä-Suomi's relative position compared to national averages has been rather stable. Progress in the

modernisation of the region's production structures towards export-oriented high technology sectors, i.e. Itä-Suomi's specific regional need, has been rather slow, however. The INTERREG programme (ERDF) has successfully contributed to cross-border co-operation during the 1995-1999 and 2000-2006 programme periods.

EQ2d: What have been the complementarities and synergies of ERDF interventions with ESF, EAGGF/EAFRD, and domestic regional policy intervention?

ERDF and ESF were interlinked to a significant extent in Itä-Suomi, particularly during the more recent programme periods. In this context, an important example from the region has been the establishment of common laboratory infrastructure for various firms to use. Here, ERDF has been utilised to finance the construction of the physical infrastructure, whereas ESF has been relied on to train employees and students. However, with reference to support to rural businesses, the division of labour between ERDF and EAGGF/EAFRD has been unclear, and the need for better coordination has been widely recognised.

Concerning complementarities between domestic regional policy and the ERDF programmes, it should be noted that national innovation policy, particularly in relation to its main instrument 'The Centre of Expertise Programme', has benefited to a significant extent from ERDF support. However, national funding earmarked for regional development has decreased during the period when ERDF funding has been available.

EQ2e: What has been the overall contribution of ERDF programmes to regional development?

The adoption of a programme-based approach represented a comprehensive change in Finnish regional development policy. This switch was performed prior to the implementation of the first ERDF programme. Nonetheless, the ERDF programmes have contributed to the consolidation of the programme-based approach in Finnish regional development practice and have integrated a number of new actors and organisations into processes of designing and implementing regional development strategies. This new operational model has also contributed to the strengthening and diversification of international links between Itä-Suomi and the wider world. The stakeholders that were interviewed as part of this research emphasised that there is no going back to the lobbying-based approach in regional development policy. Nevertheless, a number of them drew attention to the growing internal divisions within the region, referring mostly to the relationship between larger urban centres and rural areas. It can be expected that the creation of a knowledge- and competence-based economy in the urban centres of Itä-Suomi, i.e. concentrating resources in these areas, will continue to have only a small (positive) effect on the surrounding rural and sparsely populated areas. The resulting urban-rural dichotomy can only be solved by concentrating on new production sectors that are also relevant to, and have a demand in, rural areas.

A division of labour between the four NUTS 3 regions (*maakunnat*) is not seen as a problem; in fact, regional specialisation is actively promoted via the ERDF programmes. This also marks a departure from the conceptualisation of Itä-Suomi as a region united by its dependence on - and as a location for - forestry-based industries.

Itä-Suomi has a long tradition as a region typified by structural problems. This prevailing picture also has an impact on the region's development, as it can influence young people's decisions on

whether to move away. In a similar fashion, it can also influence the location decisions of private companies. There is no basis for arguing that the ERDF programme interventions have managed to alter this picture entirely. In domestic policy discourses, ERDF support is mainly seen as a continuation of domestic regional development policy, not as a process of Europeanisation or internationalisation. However, the changes that the ERDF programmes brought about (for example, raising the status of science parks or improving preconditions for cultural or environmental tourism) have contributed to the (post)modernisation of Itä-Suomi and provided individuals with broader and greater employment opportunities than would have been the case without the ERDF programmes.

The debate on the wider status and 'territorial position' of Itä-Suomi as a receiver of ERDF support has continued across the different programme periods and currently concerns the preparation of the next programme period (2014-2020). Generally, the Europeanisation of Finnish regional development policy through ERDF programmes has influenced the way in which regional policy actors position their region in international, mostly European, contexts, and how they define and present the region's territorial specificities. The European Union appears to pay closer attention to the potential effects of the region's spatial structure on economic development than does the domestic Finnish debate. This is tightly linked to the intense EU debate on territorial capacities, i.e. endogenous and regionally specific development resources as factors of economic development and international competitiveness.

7.3 EQ3: What are the main lessons learnt on the effectiveness and utility of ERDF interventions?

Cohesion policy has firmly established the programme-based approach to regional development in Itä-Suomi as well as in Finland as a whole. In Itä-Suomi, the key positive impact of, and lesson learnt from, the programme-based regional policy has been the intensified collaboration between the four regional councils. In practice, this has entailed the drawing up of a common NUTS 2-level programme strategy, to be implemented separately at the lower regional (NUTS 3) level. This process has been developed and refined over the three programme periods, so much so that today that regional actors involved in the design and implementation of programmes stress the need to apply a genuinely regional rather than a nationally-guided (i.e. ministries') approach. This tension between regional and national (ministerial) approaches has proven rather persistent. Disagreements concern whether there is a need for additional, nationally co-ordinated ERDF activities, supplementing the regional activities. This also includes the question of how large of a share of ERDF funding should be earmarked for ministry-driven programmes. This tension also highlights the need for better co-ordination between regional and national regional development programmes and strategies.

Further, stakeholders and policy-makers have learnt from the three programme periods that financial risks have to be taken. Highly innovative projects require controlled risk-taking. In this context, it is important to react to impulses from industry and commerce, i.e. to focus on a demand-driven approach. In order to achieve this, mechanisms are needed that integrate entrepreneurs and business actors into programme preparation and implementation. The scarcity of firms with high innovation and growth potential, however, makes this policy approach difficult to apply in practice.

A particular lesson from ERDF programmes in Itä-Suomi is that it is difficult to attract new businesses and entrepreneurs to the region with public subsidies. The provision of seed funding, however, has proven essential in promoting the development of local/regional companies, e.g. new start-ups, investments, product development projects, etc. In this context, stakeholders show an awareness of the challenge to decouple ERDF funding from the basic funding of companies and other assisted organisations. The ‘professionalisation’ of project-related activities is a double-edged sword: professional and experienced actors such as the local development companies are important and needed, but they might evolved into a self-referential ‘club’, which tends to exclude other and new actors from programme activities.

Further lessons relate to the territorial and thematic coverage of the programmes, notably that the region’s largest city, Kuopio, should have been part of the programme area from the start and that processes of specialisation should have been integrated in the strategies much earlier. In addition, internationalisation is still not receiving the attention it merits.

EQ3a: What are the main good/bad practices?

The implementation of the Structural Funds in Itä-Suomi has cemented the programme-based approach in regional development policy in the region. The introduction of EU Cohesion policy also significantly increased inter-regional co-operation between NUTS 3 regions (maakunta) in Itä-Suomi, which had been rather limited prior to EU membership.

On a wider scale, Cohesion policy also contributed to enhanced co-operation between sparsely populated regions (NSPA) within northern Europe (Finland, Sweden, Norway and Scotland). Moreover, ERDF support has resulted in long-lasting collaborative structures, for example, between universities and private companies, with networks continuing to exist well beyond the normal project timeframes and integrating funding from a variety of sources.

The division of labour between ERDF and ESF programmes has improved over time and is now functioning well. The former has served as a tool for implementing regional development strategies, whereas the latter has been utilised by State-level organisations.

Within the individual NUTS 3 regions (maakunta), key actors, such as universities, polytechnics, local development companies etc., have been able to create institutionalised co-operation structures and jointly utilise ERDF support within the framework of spearhead projects. Early coordination and exchange between project applicants and programme secretariats during the application process has also contributed to an increased coherence between projects and programme objectives.

The implementation of Cohesion policy is often perceived as an administrative burden; Itä-Suomi is no exception in this regard. However, rather than the administrative demands posed by the European Union, it is the domestic bureaucracy resulting from the complicated (and sometimes strained) relationship between central government ministries and regional/local organisations that is often identified as a problem.

Particularly during the earlier periods, the division of labour between top-down central government administration and bottom-up (municipality-based) regional administrations in preparing and implementing the programmes has been characterised by tensions and ambiguities. This problem

has not yet disappeared. It also highlights the need for better regional-national steering of ERDF programmes, i.e. closer integration with national development programmes and strategies. In addition, there has been some policy incoherence in ERDF practices among the NUTS 3 regions in Itä-Suomi leading to undesirable heterogeneities, such as inconsistencies in the availability and quality of business services within the Itä-Suomi programme area.

Although emphasis has shifted towards the implementation of larger projects in order to exploit economies of scale, stakeholders identify some problems connected with this approach. Larger projects are not necessarily effective economically and don't always result in fruitful integration of separate measures and activities, as they are often artificial amalgamations of smaller ones without functional synergies and sufficient partners commitment. They, thus, can be weakly focused on concrete goals, and complex to manage and implement.

EQ3b: What conclusions can be drawn for improving ERDF programme design, implementation, results-based management, achievements?

On the basis of the above discussion, the following recommendations for the implementation of future ERDF programmes can be made. ERDF programme implementation in Finland is characterised by some tension between the aims of regional actors and those of the ministries. This tension has in fact been created by the influence of the EU's mode of governance, which has strengthened the role of the regional level within a Finnish setting that has been, and still is, characterised by strong influence at the national level. Understandably, regional actors involved in the design and implementation of programmes frequently call for genuinely regional rather than nationally-guided approaches. Since this reflects a clash between EU and Finnish modes of governance to some extent, it cannot be anticipated that this tension will be negated in the foreseeable future. Awareness of this issue among policy makers at all levels of governance, including at the level of the Commission, would be valuable in the context of future programme design and implementation. On a practical level, stronger dialogue between regional and national actors on how ERDF funds are earmarked, and better co-ordination of national and regional activities, could reduce the negative effects of this tension.

One of the key characteristics of Itä-Suomi is its sparse population, distributed over a vast area. As compared to other regions in EU, this naturally reduces the number of capable actors and organisations that can and want to implement ERDF-funded projects. Over the course of the three programme periods, ERDF funding has contributed to the creation of a new set and network of strong (mostly public) actors and organisations whose main goal it is to implement ERDF projects for the benefit of the regional economy; local development companies are a key example. This leads to the recommendation that the development of a 'self-referential local elite' should be avoided. Such an occurrence could potentially exclude new and inexperienced actors, both public and private, from programme activities. The programme design should increasingly encourage and incentivise new project actors to participate. It is important to more closely involve entrepreneurs and business actors in programme preparation and implementation.

The above aspect also relates to the perceived bureaucratic burden, which is in fact often domestically induced and remains a problem which should be addressed at all levels of Cohesion policy governance. Experienced actors are aware of and know how to deal with administrative challenges which might present a challenge to inexperienced actors. Administrative flexibility

should also be a key goal for future programme design, at least in regions that can put trust in the existing national/regional checks and supervisions.

With regard to achievements; increasing emphasis should be placed on the qualitative evaluation of project results, i.e. to determine what they have really achieved for the regional economy and how long their effects have lasted. Although progress has been made in terms of the accuracy of quantitative indicators the meaningfulness of some of them remains questionable.

8. ANNEX I - ANALYSIS OF PROJECT SAMPLES

8.1 Project: SIB-labs - Infrastructure unit

Summary description

The idea behind the SIB-labs infrastructure unit grew out of the perceived need to bring together a number of projects implemented after the year 2000 with the goal of strengthening expertise in high-technology sectors in eastern Finland (biomaterials, materials technology, photonics, and spectral colour research). The individual projects had the general aim of promoting business activities in the high-technology sector and supporting the industries' product development by making knowledge and expertise acquired in basic research available to companies for utilisation in their product development and manufacturing processes. Via the individual projects, a number of research units were created and developed, such as the Infotonics Centre, the Special Material Research Centre (SMARC) and the BioMater Centre. From 2011 onwards, these units were organised into the SIB-labs infrastructure unit within the University of Eastern Finland. The unit also includes the Digitisation Centre (Digitarium), which was established in 2010.

The unit was created from funds provided by several mutually complementary investment and development projects (ERDF, ESF) during the 2000-2006 and 2007-2013 programme periods. In addition, private companies and other local actors have contributed to the funding. The total funding utilised for the setting up of the umbrella unit amounted to over €14 million.

Underlying problem and context

The thinking behind the SIB-labs infrastructure unit was rooted in the great expectations placed on the universities as engines for development in their regions, particularly as providers of expertise and know-how potentially to be utilised in production by regional and local companies. A fundamental problem for the universities, however, was the scarcity of resources for basic research and the resultant low prospects for the development of a robust knowledge base. Thus, the project's aim was to support the production of basic scientific knowledge that could subsequently be transferred to industry and business.

Detailed description

The unit is based on mutually complementary investment and development projects (ERDF and ESF) that have been implemented within a cooperation network of local businesses and institutes of higher education. EU funds have been directed at strengthening both the physical capacity and the knowledge base. The multidisciplinary network of experts that has emerged in the area operates in a synergetic manner, even though the Structural Fund activities directed the funds based on areas and centres of excellence. Investments in the strengthening of expertise have enabled deeper international cooperation, for example within the 7th Framework Programme and other specific programmes of the EU.

The SIB-labs infrastructure unit is based on a number of projects implemented after 2000. From 2000 to 2007, the Special Material Research Centre (SMARC) was created (Tekes/ERDF). The operational environment for the Centre of Excellence in Chemistry was developed further between 2008 and 2010, utilising funding from the Eastern Finnish Regional State Government, the Regional

Council of North Karelia and the City of Joensuu. During the same period, the SMARC Innovations project was launched to support the development in expertise in special materials in North Karelia. This project was funded by the Eastern Finnish Regional State Government, the ESF programme, the North Karelian Centre for Economic Development, Transport and the Environment, the City of Joensuu and the Regional Development Company of Joensuu Region (JOSEK).

The project to launch the InFotonics Centre Joensuu was implemented from 2003 to 2006. Sources of funding were the ERDF/Finnish Funding Agency for Technology and Innovation (North Karelia), the Regional Council of North Karelia, the City of Joensuu, JOSEK and local companies. From 2008 to 2009, the activities and services of the InFotonics Centre Joensuu were developed further with ERDF and ESF funds. In 2009, equipment was procured and training organised for the colour research and photonics laboratories (ERDF, ESF).

Biomaterial research in the BioMater Centre started with donated funds in 2001. A dedicated development project was subsequently implemented from 2002 to 2004 with ERDF/Finnish Funding Agency for Technology and Innovation (North Karelia) funding. From 2005 to 2007, the Centre's equipment was expanded and updated to meet the requirements of the researchers and companies involved. In 2009, the NANOTEM project was launched and continues through to 2012 (ERDF, ESF).

The Digitalium Digitisation Centre, a joint project between the Finnish Museum of Natural History and the University of Eastern Finland, was established in 2010 after a preparation period of two years. The project received a total of €1.7 million of ESF and ERDF funding for the initial phase, which lasts until second half of 2013. During this phase, employees will be trained in digitisation techniques and the necessary infrastructure will be put in place. At the same time, the organisational structure for the longer-term activities will be decided upon.

Outputs and achievements

As a result of the activities within the individual projects, units specialising in innovation and R&D in the high-technology sector have been set up and developed further. Their activities have now been pooled under the umbrella of the University of Eastern Finland's SIB-labs infrastructure unit.

The Special Material Research Centre 'SMARC Innovations' is based on the long-term expertise in the physical and materials chemistry laboratories. A core strategy has been to engage in high-level materials research and to promote technology transfer. The aim of the project has been to increase the competitiveness of the region by providing a versatile interface between scientific research and industry. The collaboration by project has taken place on several levels, including provision of analysis services and contract research, generation of new project initiatives with national and international industrial and academic partners, participation in networks in the field of materials research, organisation of training courses for industry, and the implementation of strategic research. The InFotonics Centre Joensuu is an optics research and business service centre that combines expertise in photonics and information technology. The core expertise concentrates on wave-optical engineering and spectral colour research, an area in which the centre has become a global leader. The InFotonics Centre provides an interface between industry and the University of Eastern Finland in the commercialisation of high-technology optical research. The InFotonics Centre has established an active cooperation network with the most highly-esteemed laboratories and institutes in the field.

The BioMater Centre located at the Kuopio Campus is active in the development of the equipment, teaching, methodology and research involved in biomaterials research as well as in the utilisation of know-how for industrial applications. The role of the Digitisation Centre (Digitarium) is to serve as a centre of expertise in all aspects of digitisation in natural sciences, such as the coordination of digitisation activities, keeping the archives of the digital records, and the dissemination of digital knowledge on biodiversity for end-users. The Digitisation Centre particularly produces services for the Finnish Museum of Natural History, but also for other customers.

Value-added

The activities within the different units has generated new business activity, such as spin-off companies and entirely new types of business activity partly based on the plastics and metals industry and associated with tasks such as the utilisation of composite materials. The fields of materials and precision technology and diffractive optics constitute strategically important interface sectors for other fields in the technology industry. The foundation for the areas of expertise is located in its top-of-the-range hi-tech infrastructure and knowledge-intensive research and development activity.

SIB-labs bring together the expertise of the University of Eastern Finland in biomaterials, materials science, photonics and spectral colour research. The cornerstones of operation rely on long-term expertise in basic research in the field of natural sciences and intense cooperation with internationally recognised research organisations. The unit assists companies to develop products and tests novel ideas.

Conclusions

The transfer of knowledge and expertise into production processes of companies has been driven forward by setting up a variety of service and infrastructure units. Based on three units that were set up at the beginning of the 2000s, activities are now organised under the SIB-labs umbrella. Since 2010, this also includes the Digitisation Centre Digitarium. ERDF and ESF funding has been instrumental in the procurement of equipment and the development of training curricula. Investment and training projects implemented within the SIB-labs unit's framework have contributed to a strengthening of already existing expertise, but have particularly enabled the transfer of knowledge and expertise into production processes.

8.2 Project: Clean room training centre

Summary description

The clean room training centre was established as a result of a number of projects that had the basic goals of regionally promoting business development, improving the operational environment and increasing knowledge. The idea behind the clean room training centre was to serve the needs of businesses active in the fields of pharmaceuticals, laboratory work and maintenance. Continuing education and degree programmes were designed in order to develop know-how and skills of current and future clean room employees and thus to contribute to the competitiveness of the companies involved. An additional goal was to intensify collaboration between businesses and educational institutions in order to better integrate the needs of companies into the planning and implementation of educational curricula.

The construction of the clean room training centre was financed from investment and development funds (ERDF and ESF) during the 2000-2006 and 2007-2013 programme periods. The project was implemented by the Savo Municipal Educational Consortium, with the key partners being the University of Eastern Finland and Savonia University of Applied Sciences, as well as the companies benefiting from the facilities. The project's funding amounted to over €2 million.

Underlying problem and context

The need for continuing education for employment in clean room facilities satisfying good manufacturing practises (GMP) emerged around the year 2005, when local businesses active in the field started to recruit a growing number of employees. Realising that the need was widespread, the local vocational school looked into the possibilities of constructing the required facilities and initiating training courses. The facilities were also designed to serve R&D as well as business incubator activities. Thus, the project was created as a result of the industry's specific requirements and needs, which must be seen in the context of the rapid development of equipment and working practices in this sector.

Detailed description

The establishment of the clean room training centre is the result of four sub-projects. Between 2006 and 2007, the physical infrastructure was put into place through the 'GMP norms conforming research and training facilities' project. The project was part-financed by the Eastern Finland Objective 1 programme's Priority 1: 'Developing business and improving its operating environment'. The actual clean room facilities, the air conditioning equipment room and training facilities were designed and contracted to serve the needs of a variety of users and business fields such as pharmaceuticals, the food industry, ICT, optics and the automotive industries.

In parallel to the above-mentioned infrastructural project, the 'GMP norm conforming clean room training' project was carried out, part-financed by the ESF Priority 2: 'Development of know-how and the employed labour force'. In addition, an ERDF-funded (Priority 1) project entitled 'Research, development and business incubator project for clean room technologies' was implemented from 2006 to 2007.

The projects described above found continuation in the 'Clean room research and training centre' project, which was implemented from 2008 to 2011 and part-financed by the ESF programme (Priority 3: 'Development of know-how, innovation and services systems that promote the functioning of the labour market'). The project resulted in a training programme (covering both initial certification and continuing education) for working in clean rooms, expert workshops and seminars, and the development of web-based learning environments. In addition, the project participated in the development and productisation of working methods, educational materials and products related to clean room technologies.

Outputs and achievements

The project resulted in the establishment of clean room facilities in eastern Finland that conform to the highest GMP standards and, in terms of education and training, are the only ones of this kind in Europe. In its entirety, the clean room training centre comprises the clean rooms (64 square metres) as well as the air-conditioning equipment room and training facilities (200 square metres in

total). The facilities and working methods have been tested in collaboration with businesses that are active in the field, and they have proven to be effective from both educational and business points of view.

The most important outcome of the project in terms of training and education has been the ‘clean room certificate’, which prepares employees for work in clean rooms and has been completed by almost 200 students as well as almost 300 employees of different companies. In the future, the certificate may also be exported to, and marketed in, other countries. At the moment, the clean room training centre is one of the most important training facilities in Finland in this field.

Value-added

The project created a clean room training programme and required facilities that serve the educational needs of the industry and business as well as the needs of degree/certificate-based educational institutions.

The project has contributed positively to the competitiveness of the region and its industry. From the local labour market perspective, the training opportunities brought about by the project have contributed to a more diversified local workforce, which in turn improves opportunities for local recruitment. The cooperation between educational institutions, the industry and other relevant actors has resulted in a better match between educational contents and real-life needs.

Conclusions

The project was a response to the actual educational and developmental needs identified at the actor level. North Savo is home to one of Finland’s few pharmaceutical and biotechnology clusters, and this project has contributed to its development in terms of improving both competitiveness and development opportunities.

8.3 Project: EASTWOOD - growth and development programme for wood-based manufacturing and construction

Summary description

The basic goal of the Eastwood development programme is to raise the levels of competitiveness of service providers and production companies in the field of wood-based manufacturing and construction through the development of expertise and innovation systems and the initiation of inter-regional macro-projects, as well as through the wider improvement of the sector’s public image. The Eastwood programme’s mode of operation is based on the aim of activating companies to engage in long-term business strategies. It has been financed through the Itä-Suomi ERDF programme for the periods 2008-2011 and 2011-2014. Total funding has amounted to approximately €2.6 million.

Underlying problem and context

The Finnish forest industry is currently going through a period of structural change. Both mechanical/chemical wood-processing industries and the energy and fibre sector are competing for wood raw materials in the market. The recruitment of a skilled workforce is also increasingly

difficult, which limits development in the sector. As a consequence, the eastern Finnish wood-based manufacturing and construction sector has to engage in processes of proactive restructuring and networking in order to succeed in the future.

The experiences from earlier EU programme periods have shown that wood-based manufacturing and construction is characterised by small-scale projects with limited impact and a wider lack of initiative of private businesses in terms of project initiation. The public image of the sector also has considerable scope for improvement. There is a clear need for change reorientation among the individual companies, but the lack of time and resources does not allow for efficient and effective investment in development work.

Detailed description

The Eastwood development programme was initiated in 2008. Its work was targeted at service providers and production companies in the field of wood-based manufacturing and construction that were motivated to grow and develop in future, regardless of their size. Funding for the programme was received from the Regional Competitiveness and Employment Programme (Priority 2: 'Promotion of innovation activity and networking, and reinforcing knowledge structures'). The programme was implemented as a collaboration between all regions included in the Itä-Suomi ERDF programme area (Kainuu, North Savo, South Savo, North Karelia).

The Eastwood project had a number of aims including: (i) to raise levels of competitiveness and revenue of companies active in the wood-based sector, (ii) to raise levels of expertise and added value in the field, (iii) to improve the public image of this field of business, (iv) to increasingly coordinate research and training activities, (v) to use the available resources more efficiently, and (vi) to provide the prerequisites and a stable operating environment for companies involved in the field. Within the programme, regional experts (Heads of Development) brought together 'groups of companies' in order to elaborate on common goals and share information and knowledge.

The Eastwood programme continues in modified form from 2011 to 2014. The project has redefined its role by taking into account the increasing attention being paid to wood materials in construction. This has to be seen against the background that the entire chain of actors involved in wood construction projects - real estate developers, construction firms, surveyors, etc. - require new knowledge and skills in this regard. The geographical scope of the current programme is limited to the companies and their service providers (companies, construction businesses and municipalities) in the South Savo and North Savo regions. In addition, there is collaboration with similar projects in the North Karelia region.

Outputs and achievements

From 2008 to 2011, a total of 240 companies participated in joint events, information procurement and company groups. In addition, development projects and measures for individual companies were implemented (worth a total of over €13 million, excluding investments). The most common measures were related to internationalisation, development and financing plans, identification of potential business partners and building up collaborative networks. The individual companies also learned to make use of services offered by local development companies and financing organisations. In addition to the companies, the programme also involved over 60 other interested

parties, such as municipalities, academic institutions and expert organisations. All in all, over 70 cooperation partners were involved.

The high number of participating companies gave them a good opportunity to network domestically as well as internationally. The cooperation also resulted in new products. The Eastwood programme has also succeeded in highlighting eastern Finnish wood-based production and construction know-how and expertise at the national level. It prepared the businesses involved in the field to operate in an increasingly international and quickly changing operational environment.

Value-added

In the growth and development programme, an experimental approach was implemented that included cooperation between development organisations of several regions. In practice, this inter-regional cooperation has resulted in more diverse ‘groups of companies’ cooperating and sharing knowledge as well as more ambitious development targets. Utilising the ‘group of companies’ approach turned out to be a fast and efficient method for them to network and collaborate on certain issues. The Eastwood programme has also been in close contact with regional and sub-regional public development actors, which contributes to the identification of and engagement with future challenges.

The Eastwood programme’s approach is systematic in the way that it aims to activate companies to engage in long-term and sustainable development work. The regional experts (Heads of Development) employed by the programme play a key role in this by surveying and mapping the needs of the companies in relation to external expertise, support and funding.

Conclusions

The Eastwood growth and development programme is active in one of the key economic sectors of Itä-Suomi, the wood- and forest-based industry. The programme aims to ensure sustained growth and competitiveness among service providers and production companies in the field of wood-based manufacturing and construction.

With the help of the Eastwood programme, specific development needs of companies can be identified. If required, subsequent support is agreed upon by the entrepreneurs, their peers and selected experts. One of the key principle goals of the Eastwood project is to facilitate networking activities between companies to enable them to form alliances with other actors, not only within their own region but also nationally and internationally.

9. ANNEX II - STRUCTURE OF PROGRAMMES 1995-2013 IN ITÄ-SUOMI

Structure of Objective 6 programme and payments (million Euros)

Itä-Suomi's share of payments has been calculated on the basis of the region's population number in relation to the population number of the entire programme areas. Itä-Suomi's share of population in the Objective 6 area has been approximately 56 percent. Allocations to priorities and measures for Itä-Suomi have been calculated on the basis of the allocations for the entire programme area.

Priority axis	Measure number	Measure name	EU Funding source	Payments (M€)						
				ERDF	ESF	EAGGF	FIFG	National publ.	Private	Total payments
1. Business development and company competitiveness				81	10	0	0	96	324	512
	1.1	The creation of new business activity to develop and diversify the areas economic structure (ERDF)	ERDF	48	0	0	0	49	275	372
	1.2	Development and investment by existing companies and by businesses newly locating in the area (ERDF)	ERDF							
	1.3	Improvement in operating environment for business (ERDF)	ERDF	26	0	0	0	27	23	75
	1.4	Promoting the establishment of companies and entrepreneurship (ESF)	ESF							
	1.5	Personnel development to underpin the competitiveness of SMEs in key sectors and support investment (ESF)	ESF	0	10	0	0	10	17	37
	1.6	Development of telecommunications network services (ERDF)	ERDF	6	0	0	0	7	1	15
	1.7	Encouraging the use of bioenergy and other renewable sources of energy and development of energy infrastructure and networks (ERDF)	ERDF	2	0	0	0	3	8	13
2. Development of human resources and expertise				11	43	0	0	61	21	136
	2.1	Investments in higher education and training establishments and R&D activities required to develop expertise	ERDF	11	0	0	0	12	1	24
	2.2	Research, technology and training supporting development of key sectors	ESF							
	2.3	Development of cooperation and networking to promote expertise	ESF	0	12	0	0	13	3	27
	2.4	Pathways to employment and prevention of exclusion	ESF							
	2.5	Integration of young people into the labour market	ESF	0	24	0	0	27	10	61
	2.6	Vocational training and retraining, guidance and advice	ESF							
	2.7	Anticipation of changes in labour markets and development of expertise systems	ESF	0	5	0	0	5	7	17
	2.8	Human resources action aimed at the development of the information society and distance working	ESF	0	3	0	0	3	1	7
3. Agriculture, forestry, fisheries, rural development and the environment				12	5	118	2	145	40	322
	3.1	Improvement of the efficiency of agriculture: investment aid to agricultural holdings and back-up measures to assist agricultural holdings	EAGGF	0	0	9	0	9	0	19
	3.2	Establishment aid for young farmers	EAGGF	0	0	3	0	3	0	6
	3.3	Compensatory allowances for mountain and hill farming in less favoured areas	EAGGF	0	0	84		86	0	170
	3.4	Development of processing and marketing of agricultural products	EAGGF	0	0	2	0	1	6	8
	3.5	Establishing producer groups for agricultural and horticultural products	EAGGF	0	0	0	0	0	0	0
	3.6	Training to encourage structural adjustment in agriculture	EAGGF							
	3.9	Rural development package - ESF	ESF	0	5	0	0	6	3	14
	3.7	Development of the structure of the fisheries sector	FIFG	0	0	0	2	2	3	6
	3.8	Rural development package - ERDF	ERDF	6	0	0	0	8	2	16
	3.10	Rural development package - EAGGF	EAGGF	0	0	21	0	22	27	70
	3.11	Management and protection of the environment	ERDF	6	0	0	0	7	0	13
4. Technical assistance				2	1	2	0	6	0	11
	4.1	Technical assistance	ERDF	2	0	0	0	2	0	4
	4.2	Technical assistance	ESF	0	1	0	0	1	0	3
	4.3	Technical assistance	EAGGF	0	0	2	0	2	0	4
	4.4	Technical assistance	FIFG	0	0	0	0	0	0	0
TOTAL				106	60	120	2	308	386	982

Structure of Objective 5b programme and payments (million Euros, constant prices year 2000)

Itä-Suomi's share of payments has been calculated on the basis of the region's population number in relation to the population number of the entire programme areas. Itä-Suomi's share of population in the Objective 5b area has been approximately 12 percent. Allocations to priorities and measures for Itä-Suomi have been calculated on the basis of the allocations for the entire programme area.

Priority axis	Measure number	Measure name	EU Funding source	Payments (M€)						
				ERDF	ESF	EAGGF	FIFG	National publ.	Private	Total payments
1. Enterprise promotion				7	0	0	0	9	43	58
	1.1	The creation of new business activity	ERDF							
	1.2	Development and investment by existing companies	ERDF	4	0	0	0	5	39	48
	1.3	Diversification of primary production	ERDF	2	0	0	0	3	2	7
	1.4	Encouraging the use of bioenergy and other renewable sources of energy	ERDF	0,4	0	0	0	0,4	2	3
2. Diversification of the primary sector					0,1	7		13	18	39
	2.1	Development of diversified rural businesses	EAGGF	0	0	3	0	5	7	15
	2.2	Promotion of forestry and wood biomass for energy	EAGGF							
	2.3	Small-scale mechanically-supported wood processing on farms	EAGGF	0	0	2	0	3	6	11
	2.4	Development of rural villages and tourism	EAGGF	0	0	2	0	4	4	11
	2.5	Development of technology utilised on farms	EAGGF	0	0	0,3	0	1	0,5	1
	2.6	Provision of education related the development of rural villages and tourism	ESF	0	0,1	0	0	0,2	0,1	0,5
3. Raising the know-how level				0	4	0	0	6	5	15
	3.1	Development of educational structures and labour force's know-how	ESF							
	3.2	Utilising knowledge from research and development organisations	ESF	0	4	0	0	6	5	15
	3.3	Promotion of SME business activities through the development of know-how	ESF							
4. Development of rural communities				5	0	0	0	7	1,5	13
	4.1	Development of transport infrastructure	ERDF	1	0	0	0	1	0,0	3
	4.2	Development of communications infrastructure	ERDF	1	0	0	0	1	0,2	1
	4.3	Protection and improvement of the environment	ERDF	1	0	0	0	2	0,2	3
	4.4	Improvement of waste and water treatment	ERDF	1	0	0	0	2	0,9	4
	4.5	Re-use of empty buildings	ERDF	0,4	0	0	0	1	0,1	1
	4.6	Reorganisation of services	ERDF	0,3	0	0	0	0	0,1	1
5. Technical assistance				0,2	0,1	0,2	0,0	0,5	0,0	1,0
	5.1	Technical assistance	EAGGF	0	0	0,2	0	0,2	0	0,3
	5.2	Technical assistance	ERDF	0,2	0	0	0	0,3	0,0	0,5
	5.3	Technical assistance	ESF	0	0,1	0	0	0,1	0	0,1
Total				12	4	8	0	36	66	125

Structure of Objective 1 Itä-Suomi programme and payments (million Euros, constant prices year 2000)

Priority axis	Measure number	Measure name	EU Funding source	Payments (M€)						
				ERDF	ESF	EAGGF	FIFG	National publ.	Private	Total payments
1. Developing business and improving its operating environment				229	0	0	0	238	589	1 055
	1.1	Promoting business	ERDF	139	0	0	0	139	542	819
	1.2	Improving the operating environment for business	ERDF	90	0	0	0	99	47	236
2. Strengthening expertise and improving labour capabilities				0	184	0	0	186	67	437
	2.1	Developing training systems and improving the quality and effectiveness of education	ESF	0	46	0	0	46	7	99
	2.2	Developing expertise and increasing the competence of the workforce	ESF	0	66	0	0	67	47	181
	2.3	Promoting the functionality of the labour market and employability	ESF	0	45	0	0	46	10	102
	2.4	Promoting equality in working life	ESF	0	26	0	0	27	3	55
3. Developing rural areas				0	0	127	6	134	288	555
	3.1	Adapting and developing rural areas	EAGGF	0	0	61	0	62	74	197
	3.2	Forestry measures	EAGGF	0	0	11	0	11	22	44
	3.3	Training	EAGGF	0	0	5	0	5	2	12
	3.4	Investment in agriculture	EAGGF	0	0	36	0	36	177	250
	3.5	Start-up support for young farmers	EAGGF	0	0	13	0	13	0	26
	3.6	Developing fishing as a livelihood	EAGGF	0	0	0	6	6	13	25
4. Developing structures and a good environment				94	0	0	0	106	16	216
	4.1	Developing the structures of expertise and training	ERDF	49	0	0	0	53	7	109
	4.2	Developing the internal and external network	ERDF	21	0	0	0	25	0	46
	4.3	Managing the natural and built environment	ERDF	17	0	0	0	22	8	48
	4.4	Developing the structures of everyday life	ERDF	6	0	0	0	6	1	13
5. Technical assistance				7	4	3	0,0	13	0,0	26
	5.1	Technical support	ERDF	7	0	0	0	7	0	13
	5.2	Technical support	ESF	0	4	0	0	4	0	8
	5.3	Technical support	EAGGF	0	0	3	0	3	0	5
	5.4	Technical support	FIFG	0	0	0	0	0	0	0
Total				330	188	129	6	677	960	2 289

Structure of Regional competitiveness and employment objective/OP Eastern Finland ERDF programme and payments 31.12.2011 (million Euros, constant prices year 2000)

Priority axis	EU Funding source	Payments (M€)						
		ERDF + national	ESF	EAGGF	FIFG	Other public	Private	Total payments
1. Promotion of business activity	ERDF	92	0	0	0	2	218	312
2. Promotion of innovation activity and networking, and reinforcing knowledge structures	ERDF	93	0	0	0	13	36	141
3. Improving regional accessibility and operational environments	ERDF	46	0	0	0	22	5	74
4. Technical assistance	ERDF	10	0	0	0	0	0	10
Total		241	0	0	0	37	259	537

10. ANNEX III: REPORTED ACHIEVEMENTS

Regional Programmes 1995-1999

This Annex presents main physical indicators, as well as the targets and actual achieved values by priority (objective 5b) and by measure (Objective 6, Objective 1 Itä-Suomi and Regional Competitiveness and Employment Objective Itä-Suomi).

Objective 6 programme: Target values and achieved values for the entire Objective 6 area

	New jobs			Safeguarded jobs			New business set up			People involved in ESF measures		
	Target (A)	Result (B)	B:A as %	Target (A)	Result (B)	B:A as %	Target (A)	Result (B)	B:A as %	Target (A)	Result (B)	B:A as %
Pr1												
1.1	1 800	1 545	85	600	869	145	820	531	65			
1.2	4 950	5 228	106	13 850	14 718	106	540	79	15			
1.3	-	3 126		-	5 175		-	327				
1.4	2 000	1 911	96	-	5 838		1 000	700	70	6 500	14 080	217
1.5	1 000	895	90	-	9 103		-	58		16 600	23 803	143
1.6	-	161		-	908		-	41				
1.7	30	49	163	95	106	112	-	4				
Total	9 780	12 915	132	14 545	36 717	252	2 360	1 740	74	23 100	37 883	164
	New jobs			Safeguarded jobs			New business set up			People involved in ESF measures		
	Target (A)	Result (B)	B:A as %	Target (A)	Result (B)	B:A as %	Target (A)	Result (B)	B:A as %	Target (A)	Result (B)	B:A as %
Pr2												
2.1	-	535		-	146		-	76		-	-	-
2.2	-	123		-	150		-	6		11 400	8 508	75
2.3	-	493		-	2 602		-	79		13 800	18 173	132
2.4	-	1 380		-	456		-	308		7 400	11 226	152
2.5	500	137	27	-	32		50	15	30	4 000	5 409	135
2.6	-	622		1500	3 991	266	-	26		7 300	13 624	187
2.7	-	102		-	124		-	6		1 700	3 693	217
2.8	-	153		-	389		-	20		3 500	12 828	367
Total	500	3 545	710	1 500	7 890	526	50	536	1 072	49 100	73 461	150
	New jobs			Safeguarded jobs			New business set up			People involved in ESF measures		
	Target (A)	Result (B)	B:A as %	Target (A)	Result (B)	B:A as %	Target (A)	Result (B)	B:A as %	Target (A)	Result (B)	B:A as %
Pr3												
3.1	-	-	-		725		-	-	-	-	-	-
3.2	-	-	-		728		-	-	-	-	-	-
3.3	-	-	-				-	-	-	-	-	-
3.4	-	?	-	2 351	?		-	-	-	-	-	-
3.5	-	-	-				-	-	-	-	-	-
3.6	50	36	72	300	1 940	647	-	13	-	1 300	7 959	612
3.7	-	69	-		391		-	-	-	-	-	-
3.8	-	535	-		547		-	151	-	-	-	-
3.9	-	1 085	-		2 255		-	254	-	28 000	18 644	67
3.10	-	2 822	-		10 866		-	1 078	-	-	-	-
3.11	170	6	4	35	66	189	-	-	-	-	-	-
Total	220	4 553	76	2 686	17 518	836	0	1 496	0	29 300	26 603	679

Source: Final Implementation Report. During the 1995-1999 programme period, Itä-Suomi formed part of a geographically much wider (Objective 6) programme area: Itä-Suomi accounted for approximately 56 per cent of the population in the Objective 6 region.

Objective 5b Programme: Target values and achieved values for the entire Objective 5b area

	New and safeguarded jobs			New businesses set up			People involved in ESF measures		
	Target (A)	Result (B)	B:A as %	Target (A)	Result (B)	B:A as %	Target (A)	Result (B)	B:A as %
PR1	11 500	29 467	256	2 200	780	36	-		
PR2	7 000	56 326	805	3 000	2 618	87	1 200	6 835	570
PR3	2 700	14 603	541	550	685	125	14 700	66 484	452
PR4	800	1 712	214	250	125	50	-		
PR5	-	12							
Total	22 000	102 120	464	6 000	4 208	70	15 900	73 319	461

Source: Final Implementation Report. During the 1995-1999 programme period, Itä-Suomi formed part of a geographically much wider (Objective 5b) programme area: Itä-Suomi accounted for approximately 12 per cent of the population in the Objective 5b region.

Regional Operational Programme 2000-2006 (Objective 1 Itä-Suomi)

PR1		Target (A)	Result (B)	B:A as %	PR1		Target (A)	Result (B)	B:A as %		
1.1	Jobs created	Men	12000	10038	84	2.2	Jobs created	Men	1250	2451	196
		Women	5800	4677	81			Women	1250	1617	129
		Total	17800	14715	83			Total	2500	4070	163
	Jobs safeguarded	Men	11000	3943	36		Jobs safeguarded	Men	1250	2451	196
		Women	5000	1765	35			Women	1250	1617	129
		Total	16000	5708	36			Total	7700	8102	105
	New businesses set up	Men	1000	1213	121		New businesses set up	Men	650	1575	242
		Women	600	631	105			Women	350	970	277
		Total	1600	1844	115			Total	1000	2545	255
	People involved in ESF measures	Men	-	-	-		People involved in ESF measures	Men	31000	42811	138
		Women	-	-	-			Women	31000	40510	131
		Total	-	-	-			Total	62000	83321	134
PR1		Target (A)	Result (B)	B:A as %	PR1		Target (A)	Result (B)	B:A as %		
1.2	Jobs created	Men	600	3349	558	2.3	Jobs created	Men	500	691	138
		Women	400	1494	374			Women	500	483	97
		Total	1000	4843	484			Total	1000	1174	117
	Jobs safeguarded	Men	600	3349	558		Jobs safeguarded	Men	200	574	287
		Women	400	1494	374			Women	200	628	314
		Total	3000	7184	239			Total	400	1202	301
	New businesses set up	Men	50	537	1074		New businesses set up	Men	40	43	108
		Women	50	182	364			Women	20	34	170
		Total	100	719	719			Total	60	77	128
	People involved in ESF measures	Men	-	-	-		People involved in ESF measures	Men	7000	11149	159
		Women	-	-	-			Women	7000	12290	176
		Total	-	-	-			Total	14000	23439	167
PR1		Target (A)	Result (B)	B:A as %	PR1		Target (A)	Result (B)	B:A as %		
2.1	Jobs created	Men	300	413	138	2.4	Jobs created	Men	60	126	210
		Women	300	249	83			Women	60	219	365
		Total	600	662	110			Total	120	345	288
	Jobs safeguarded	Men	400	463	116		Jobs safeguarded	Men	50	792	1584
		Women	400	341	85			Women	50	182	364
		Total	800	804	101			Total	100	974	974
	New businesses set up	Men	90	102	113		New businesses set up	Men	15	61	407
		Women	30	29	97			Women	10	78	780
		Total	120	131	109			Total	25	139	556
	People involved in ESF measures	Men	22000	15698	71		People involved in ESF measures	Men	6000	7319	122
		Women	22000	25487	116			Women	6000	17152	286
		Total	44000	41185	94			Total	12000	24471	204

Evaluation of the main achievements of Cohesion policy programmes and projects over the longer term in 15 selected regions: Itä-Suomi Case Study

PR1		Target (A)	Result (B)	B:A as %	PR1		Target (A)	Result (B)	B:A as %		
3.1	Jobs created	Men	1100	1670	152	3.4	Jobs created	Men	130	177	136
		Women	960	1512	158			Women	80	118	148
		Total	2060	3182	154			Total	210	295	140
	Jobs safeguarded	Men	4000	7566	189		Jobs safeguarded	Men	1200	2115	176
		Women	4000	6287	157			Women	1200	1371	114
		Total	8000	13853	173			Total	2400	3486	145
	New businesses set up	Men	570	794	139		New businesses set up	Men	-	-	-
		Women	400	509	127			Women	-	-	-
		Total	970	1303	134			Total	-	-	-
	People involved in ESF measures	Men	-	-	-		People involved in ESF measures	Men	-	-	-
Women		-	-	-	Women	-		-	-		
Total		-	-	-	Total	-		-	-		
PR1		Target (A)	Result (B)	B:A as %	PR1		Target (A)	Result (B)	B:A as %		
3.2	Jobs created	Men	484	602	124	3.5	Jobs created	Men	-	-	-
		Women	106	77	73			Women	-	-	-
		Total	590	679	115			Total	-	-	-
	Jobs safeguarded	Men	400	906	227		Jobs safeguarded	Men	1125	737	66
		Women	50	103	206			Women	1075	165	15
		Total	450	1009	224			Total	2200	908	41
	New businesses set up	Men	-	-	-		New businesses set up	Men	-	-	-
		Women	-	-	-			Women	-	-	-
		Total	280	115	41			Total	-	-	-
	People involved in ESF measures	Men	-	-	-		People involved in ESF measures	Men	-	-	-
Women		-	-	-	Women	-		-	-		
Total		-	-	-	Total	-		-	-		
PR1		Target (A)	Result (B)	B:A as %	PR1		Target (A)	Result (B)	B:A as %		
3.3	Jobs created	Men	-	-	-	3.6	Jobs created	Men	40	81	203
		Women	-	-	-			Women	10	34	340
		Total	-	-	-			Total	50	115	230
	Jobs safeguarded	Men	-	-	-		Jobs safeguarded	Men	150	302	201
		Women	-	-	-			Women	50	180	360
		Total	-	-	-			Total	200	482	241
	New businesses set up	Men	-	-	-		New businesses set up	Men	-	-	-
		Women	-	-	-			Women	-	-	-
		Total	-	-	-			Total	-	-	-
	People involved in ESF measures	Men	-	-	-		People involved in ESF measures	Men	-	-	-
Women		-	-	-	Women	-		-	-		
Total		-	-	-	Total	-		-	-		

PR1		Target (A)	Result (B)	B:A as %	PR1		Target (A)	Result (B)	B:A as %		
4.1	Jobs created	Men	-	-	-	4.3	Jobs created	Men	-	-	-
		Women	-	-	-			Women	-	-	-
		Total	-	-	-			Total	-	-	-
	Jobs safeguarded	Men	-	-	-		Jobs safeguarded	Men	-	-	-
		Women	-	-	-			Women	-	-	-
		Total	-	-	-			Total	-	-	-
	New businesses set up	Men	-	-	-		New businesses set up	Men	-	-	-
		Women	-	-	-			Women	-	-	-
		Total	-	-	-			Total	-	-	-
	People involved in ESF measures	Men	-	-	-		People involved in ESF measures	Men	-	-	-
Women		-	-	-	Women	-		-	-		
Total		-	-	-	Total	-		-	-		
PR1		Target (A)	Result (B)	B:A as %	PR1		Target (A)	Result (B)	B:A as %		
4.2	Jobs created	Men	-	-	-	4.4	Jobs created	Men	-	-	-
		Women	-	-	-			Women	-	-	-
		Total	-	-	-			Total	-	-	-
	Jobs safeguarded	Men	-	-	-		Jobs safeguarded	Men	-	-	-
		Women	-	-	-			Women	-	-	-
		Total	-	-	-			Total	-	-	-
	New businesses set up	Men	-	-	-		New businesses set up	Men	-	-	-
		Women	-	-	-			Women	-	-	-
		Total	-	-	-			Total	-	-	-
	People involved in ESF measures	Men	-	-	-		People involved in ESF measures	Men	-	-	-
Women		-	-	-	Women	-		-	-		
Total		-	-	-	Total	-		-	-		

Source: Final Implementation Report.

Regional Operational Programme 2007-2013 (Regional Competitiveness and Employment Objective Eastern Finland)

PR1		Target 2007-2013	Result 31.12.2011	B:A as %
Jobs created	men	7 600	1 906	25
	women	4 900	916	19
	total	12 500	2 822	23
New businesses set up	men	1 200	95	8
	women	600	53	9
	total	1 800	148	8
R&D-jobs	men		73	
	women		25	
	total	500	98	20
PR2		Target 2007-2013	result 31.12.2011	(B:A as %)
Jobs created	men	400	826	207
	women	300	467	156
	total	700	1 293	185
New businesses set up	men	100	90	90
	women	100	34	34
	total	200	124	62
R&D-jobs	men		93	
	women		79	
	total	300	172	57
PR3		Target 2007-2013	result 31.12.2011	(B:A as %)
Jobs created	men	20	57	285
	women	10	77	770
	total	30	134	447
New businesses set up	men	10	13	130
	women	10	5	50
	total	20	18	90
R&D-jobs	men		1	
	women		3	
	total		4	

Other core indicators

	Target (share of ERDF funding)	Result 31.12.2011 (share of ERDF and national funding)
Projects serving the goals of the Lisbon strategy	85.7	82.1
Gender equality	11.0	12.3
Environmentally positive projects	20.0	38.4
R&D projects	35.0	26.2

11. ANNEX IV: LIST OF INTERVIEWEES

Name	Position	Place	Date	Form
Tarja Cronberg	MEP, former Director of the Regional council of North Karelia	Liperi	20.8.2012	Face-to-face
Pekka Jounila	1. EU DG Regio, current desk officer for Finland	Brussels	5.9.2012	Telephone
Elina Hakonen-Meddings	2. EU, former desk officer for Finland	Brussels	6.9.2012	Telephone
Kaisa-Leena Lintilä	Director (regional development), Ministry of Employment and the Economy (MA)	Helsinki	8.8.2012	Face-to-face
Johanna Osenius	Senior Inspector, Ministry for Employment and the Economy (MA)	Helsinki	8.8.2012	Face-to-face
Risto Poutiainen	Planning Director, Regional Council of North Karelia	Joensuu	30.8.2012	Face-to-face
Jarmo Kauppinen	Director of development, Joensuu Regional Development company JOSEK ltd	Joensuu	7.8.2012	Face-to-face
Soili Makkonen	Planning manager, University of Eastern Finland	Joensuu	10.8.2012	Face-to-face
Kalevi Pölönen	Leading technology expert, North Karelia Centre for Economic Development, Transport and the Environment	Joensuu	24.8.2012	Face-to-face
Pauli Vaittinen	Municipal manager, Polvijärvi municipality	Polvijärvi	21.8.2012	Face-to-face
Veli-Matti Karppinen	Executive director, Kainuun Nuotta-association	Kajaani	22.8.2012	Face-to-face
Pentti Malinen	Director (regional development), Kainuu region	Kajaani	22.8.2012	Face-to-face
Jorma Teittinen	Development manager, Kainuu region	Kajaani	22.8.2012	Face-to-face
Antti Toivanen	CEO, Kainuun Etu Oy	Kajaani	23.8.2012	Face-to-face
Eero Vilhu	Eastern Finland ERDF programme coordinator, Kainuu region	Kajaani	22.8.2012	Face-to-face
Vesa Virtanen	Manager, University of Oulu, Kajaani university consortium	Kajaani	23.8.2012	Face-to-face
Eila Valtanen	City Mayor, City of Kuhmo	Kuhmo	25.7.2012	Telephone
Jarmo Immonen	Regional manager, Confederation of	Kuopio	21.8.2012	Face-to-

	Finnish Industries			face
Timo Ollila	EU-coordinator, North Savo Centre for Economic Development, Transport and the Environment	Kuopio	23.8.2012	Telephone
Petteri Paronen	City Mayor, City of Kuopio	Kuopio	10.8.2012	Telephone
Timo Pylvänen	Chair, Kuopio Chamber of Commerce	Kuopio	20.8.2012	Face-to-face
Satu Vehreävesa	Director (regional development), Regional council of North Savo	Kuopio	21.8.2012	Face-to-face
Riitta Flinkkilä	Manager (projects), South Savo Vocational College	Mikkeli	13.8.2012	Face-to-face
Markku Kakriainen	CEO, South Savo Chamber of Commerce	Mikkeli	14.8.2012	Face-to-face
Riitta Koskinen	Director (regional development), Regional Council of South Savo	Mikkeli	13.8.2012	Face-to-face
Hanna Makkula	Programme manager (ERDF), Regional Council of South Savo	Mikkeli	13.8.2012	Face-to-face
Kati Torniainen	ESF coordinator, South Savo Centre for Economic Development, Transport and the Environment	Mikkeli	14.8.2012	Face-to-face

12. ANNEX V: OVERVIEW OF SOURCES USED FOR THE CASE STUDY

Programme name	OP	AIR	FIR	Spend (by measure & year)	Evaluation reports	Strategic interviews	Operational interviews	External interviews	Stakeholder/ Beneficiary interviews	Workshop
1995-1999 Objective 6	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
1995-1999 Objective 5b	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
2000-2006 Objective 1 Eastern Finland	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
2007-2013 Regional Competitiveness and Employment Objective Eastern	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

13. ANNEX VII: SUMMARY OF SURVEY RESULTS

This Annex presents the key results of the survey carried out in summer 2012. The survey was sent out to 412 persons. 106 completed surveys were received, which represents a response rate of 26 percent.

Table 1: Type of organisation the respondent represents (a respondent can represent several types of organisation)

Type of organisation	Number of respondents	Percentage
Trade union, third-sector organisation , regional development company	36	29
Regional Government Department/Agency	29	23
Firm	16	13
Political party	13	10
Local authority	12	10
Civil society organisation	6	5
Central Government Department/Agency	4	3
Other (typically educational institutes)	10	8
Total	126	100

Figure 1: Respondents’ participation in the ERDF programmes in different periods (n=92)

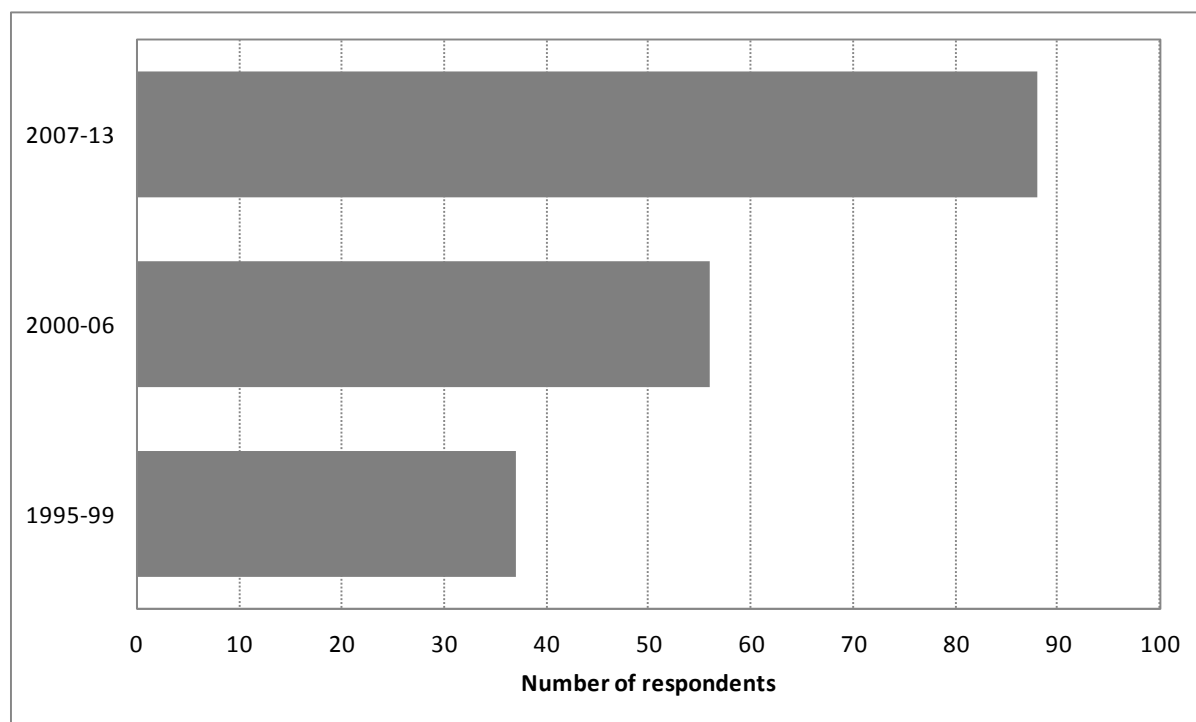


Figure 2: 'Could you please assess the extent to which the ERDF programmes delivered achievements in the fields outlined below (across the entire period, i.e. 1995 to date)?' (n=87-88)

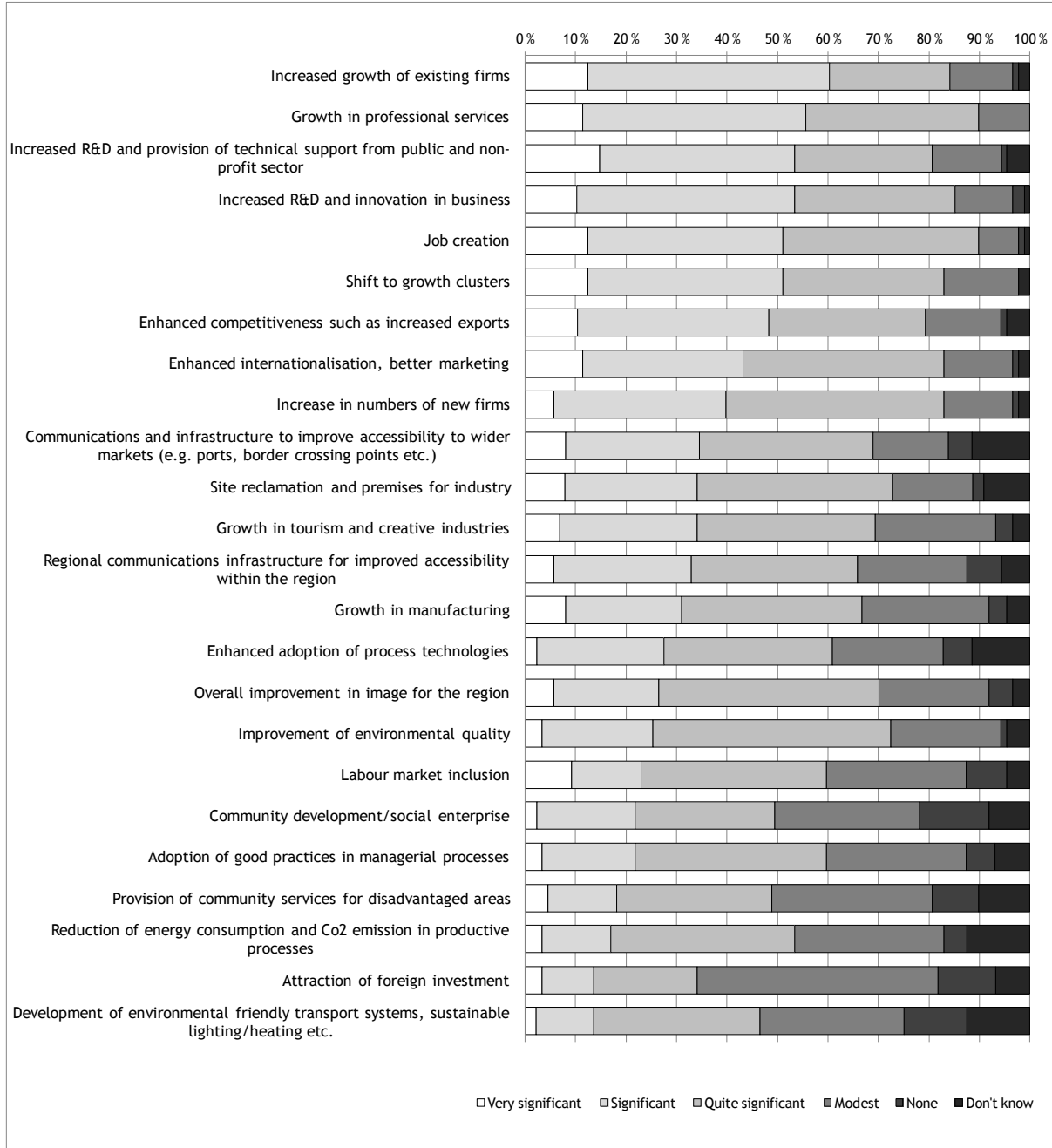


Figure 3: 'In your view, did the objectives of the ERDF programmes address regional needs?', (includes only respondents that were involved in the respective programme period or in all periods)

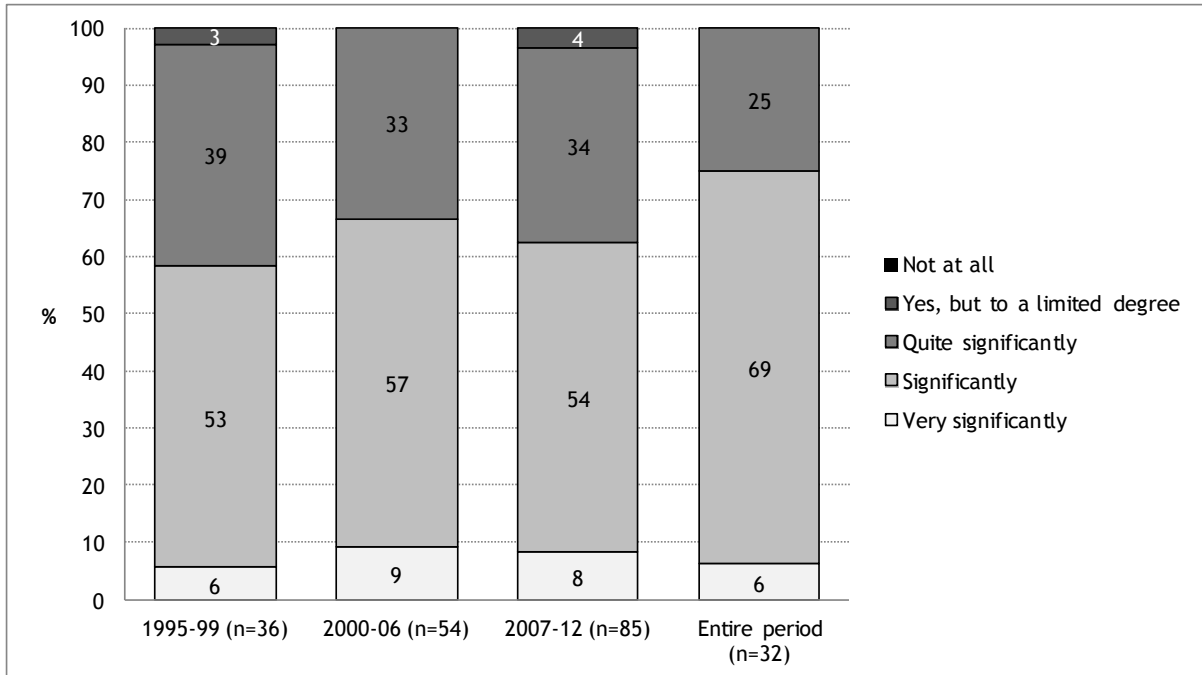


Figure 4: 'On the whole, could you assess the impact of ERDF programmes? For current programmes, please assess the level of impact which you anticipate they will have (includes only respondents that were involved in the respective programme period or in all periods)

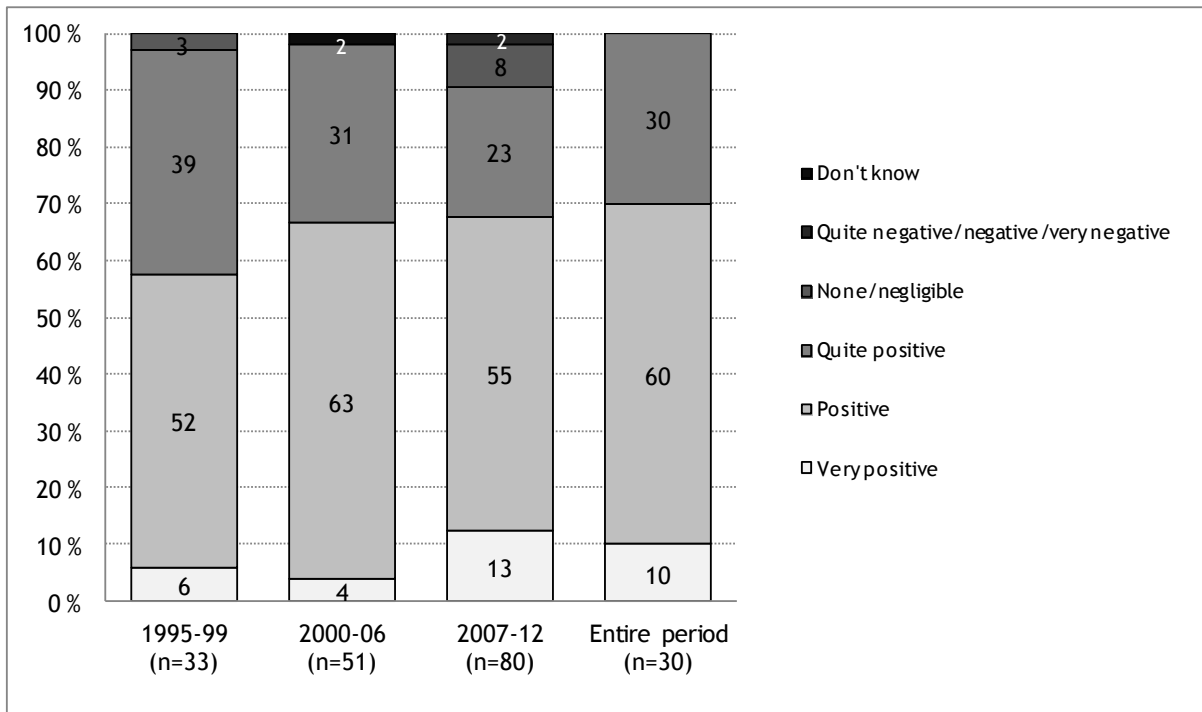


Figure 5: 'For the 1995-99 period, please rate the following statements.' (n=33, includes only respondents that were involved in the respective programme period)

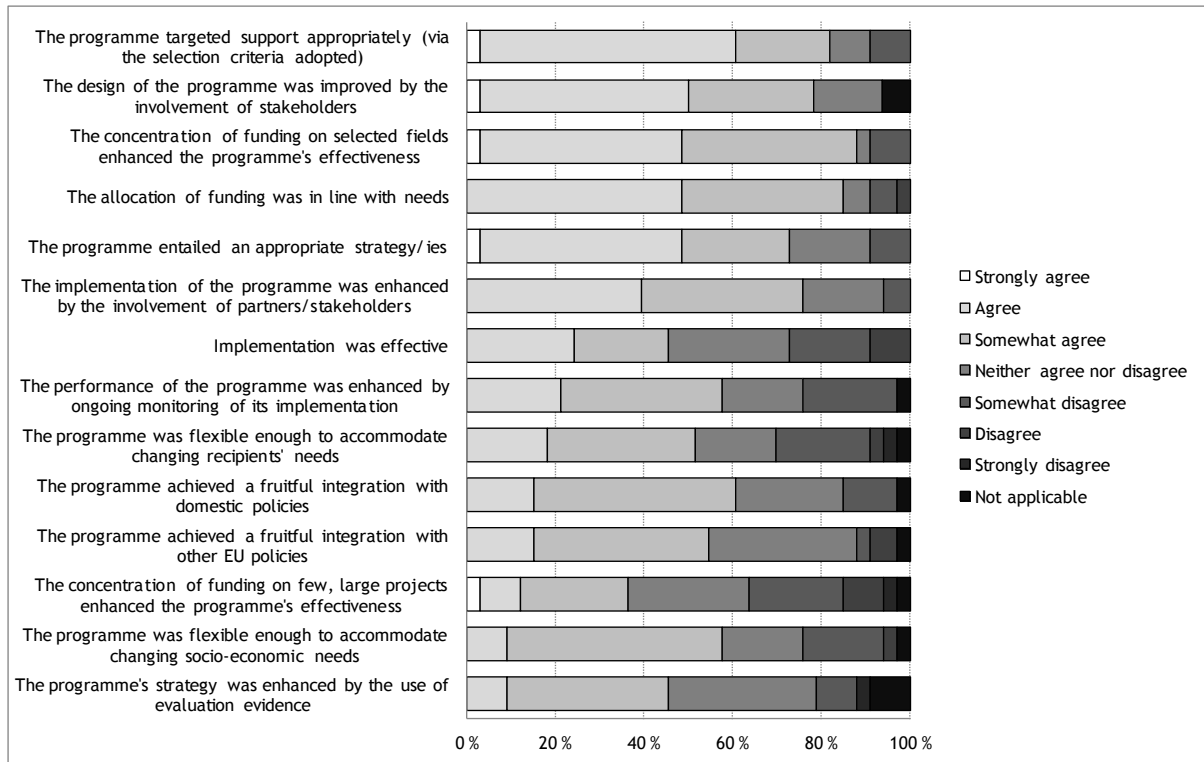


Figure 6: 'For the period 2000-06, please rate the following statements.' (n=50-51, includes only respondents that were involved in the respective programme period)

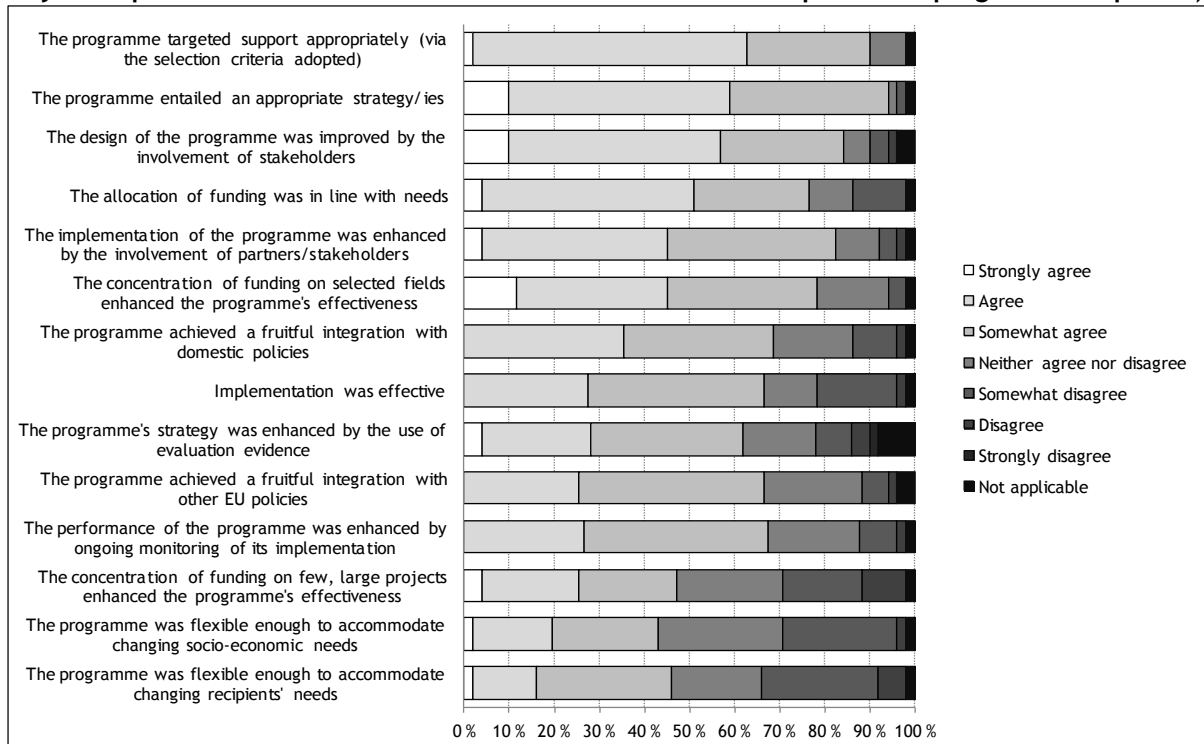


Figure 7: ‘For the 2007-13 period, please rate the following statements.’ (n=79-80, includes only respondents that were involved in the respective programme period)

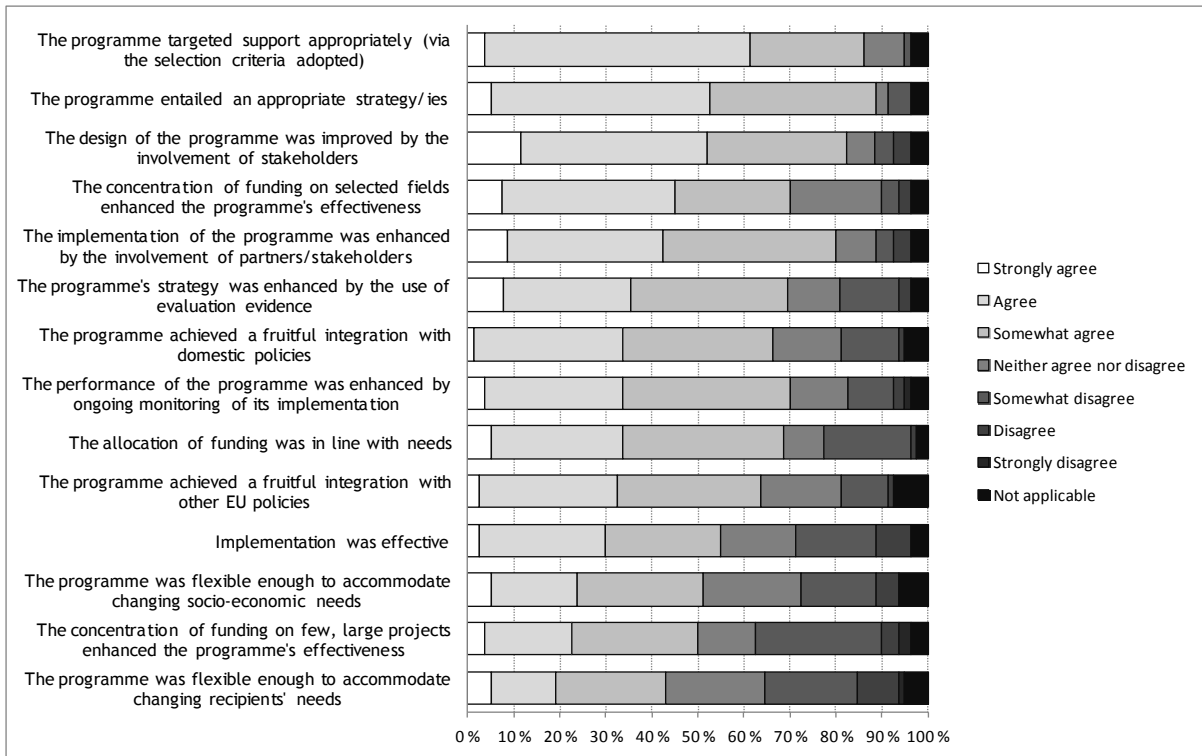


Figure 8: ‘For the entire period (i.e. 1995 to date), please rate the following statements’ (n=29-30, includes only respondents that were involved in all programme periods)

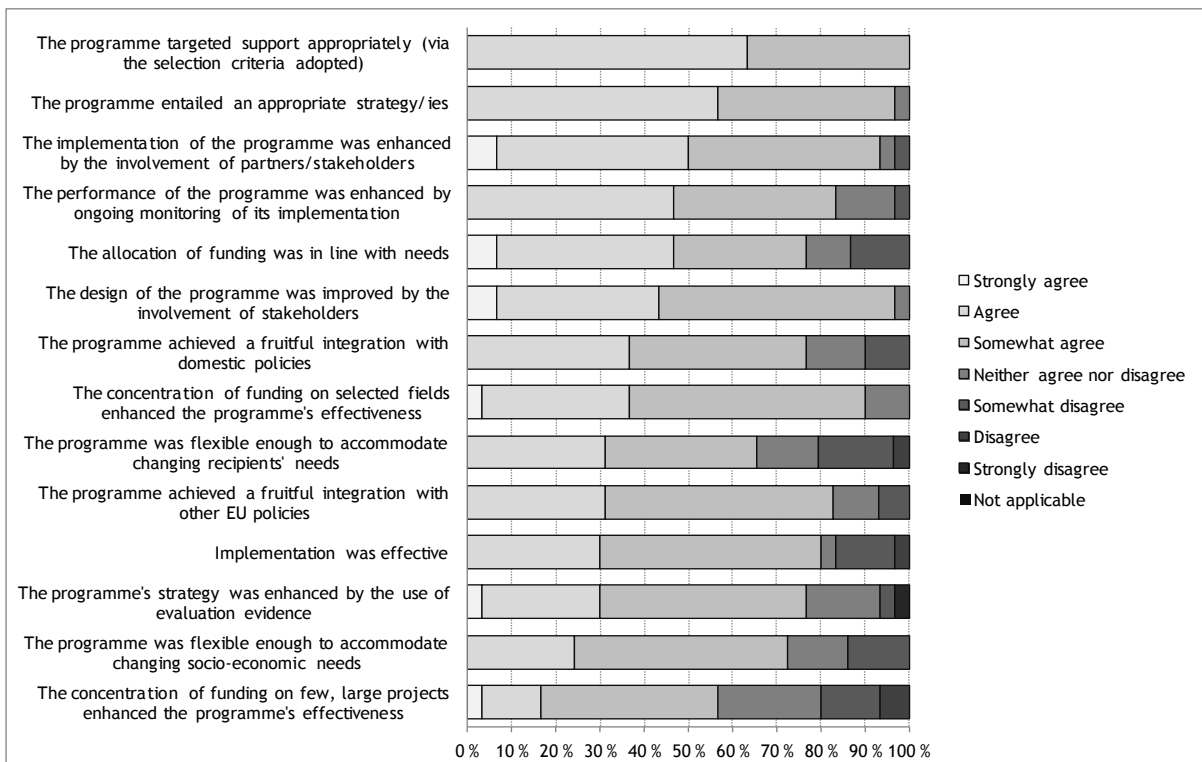
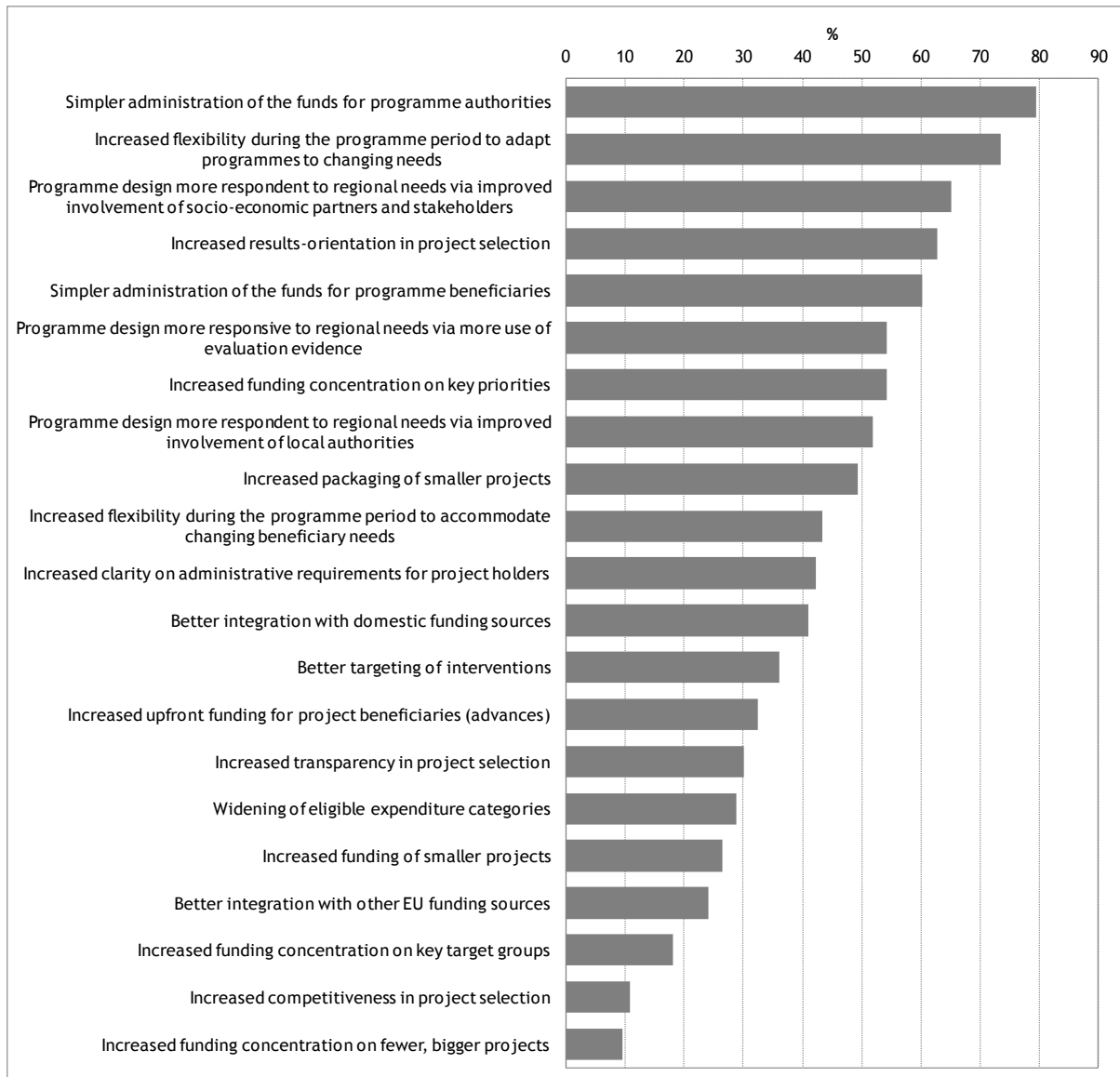


Figure 9: ‘Looking to the future, are there any aspects of ERDF design and implementation that would need to be improved to increase the extent to which support meets regional needs and enhance achievements?’ (n=88)



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