



**Expert evaluation network
delivering policy analysis on the
performance of Cohesion policy 2007-2013
Year 2 – 2012**

**Task 2: Country Report on Achievements of
Cohesion policy**

Finland

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Seppo Laakso

Päivi Kilpeläinen

Tamás Lahdelma

Urban Research TA Ltd

**A report to the European Commission
Directorate-General Regional and Urban Policy**

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List of abbreviations

- AIR Annual Implementation Report
- COCO Regional Cohesion and Competitiveness Programme
- FEI Financial Engineering Instrument
- OP Operational Programme
- TE Centre Regional Employment and Economic Development Centre

EXECUTIVE SUMMARY

The economy of Finland experienced recovery from the recession of 2009 up until mid-2011 when growth slowed down. The financial crisis in the Eurozone has created uncertainty and adversely affected exports. Regional development has been affected by structural changes in core industries, mainly in Southern Finland. There has been convergence between regions with respect to employment and unemployment since 2007.

The objectives and priorities have remained much the same in regional ERDF programmes in spite of the changes in the economic environment. A significant change was made in Eastern Finland where the allocation of direct grants for SMEs was cut due to reduced demand and shifted to innovation, accessibility and environmental projects.

The implementation of ERDF programmes varies between regions and priorities. Commitments relative to the total funding available vary between regional programmes from 66% to 79% at end-2011. Implementation rates are significantly lower, varying between 35% and 46%. In some priorities, there is a real problem of implementation: the rate was only 19% in the thematic cooperation development priority of Southern Finland.

The projects are estimated to have created significant numbers of new jobs (15,400 actual plus 9,400 planned), new enterprises (1,500 actual plus 3,900 planned) and R&D jobs (1,600 actual) by end 2011. Two thirds of new jobs and new enterprises have been created in Eastern and Northern Finland. However, the programmes have been less successful in creating jobs for women (32% of the total) and enterprises for women (28% of the total).

According to regional development indicators the trend in Eastern and Northern Finland (the most disadvantaged regions) has been positive since 2005, in terms of the number of jobs and enterprises, GDP, and unemployment and employment rates. Experts in regional economics point to the problems of verifying the role of the ERDF in development but they agree that ERDF programmes have had a significant effect on employment and SME development in regions.

The coordinating Ministry has organised thematic evaluations of ERDF, which are being carried out over the 2009-2013 period as an integrated process covering all of the four programmes for mainland Finland. The evaluation is made up of two parts, the first in 2009-2011 (completed in 2011), and the second in 2011-2013 (in progress). The second phase consists of three themes: functionality of the administrative system; the role of the ERDF in entrepreneurship, networking and international competitiveness and the role of the ERDF in the development of regional knowledge systems, specifying indicators for expertise, innovation and networking activities.

ERDF programmes in the next programming period should be more focused than in the present period. There is agreement among regional development experts that support to SMEs and innovation activities should be a priority. There are conflicting views about the role of Finnvera, the official Export Credit Agency, in the ERDF. There is also no common view of which policy areas should be given less weight or dropped completely.

1. THE SOCIO-ECONOMIC CONTEXT

Main points from previous country report:

- The regions of Finland differ markedly in industrial structure and economic development because of geographical and historical influences.
- The concentration of production and population in the Helsinki region and other major urban areas in Finland has continued while population in Eastern Finland as a whole and in remote rural areas elsewhere has declined over several decades.
- The recession in 2009 and recovery in 2010-2011 were export-driven and consequently, export-oriented regions experienced stronger fluctuations to both directions than domestic market oriented regions.
- The decline of the telecommunication sector has especially affected urban regions which are national ICT centres while structural change in the forestry industry has cut jobs in industrial towns in South-Eastern Finland but also in other locations.

Table 1 - Main characteristics of the regions in Finland

	Uusimaa-Helsinki	Rest of Southern F.	Western F.	Eastern F.	Northern F	Åland
Share of country's population (%)	28.5	21.5	25.3	12.1	12.0	0.5
Population growth 2006-2011 (% p.a.)	1.1	0.2	0.4	-0.4	0.4	1.0
GDP per head (country=100)	135	97	90	76	88	122
Regional structure and specialisms	metropolis; services & high tech industry	semi-urban; basic industry	semi-urban; basic industry	rural; agriculture & forest industry	sparsely populated; tourism & ICT	small region; agriculture & shipping

Recent economic trends in Finland

The economy of Finland began to recover in the two years following the recession in 2009 when GDP declined by 8.5% (GDP growth was 3.3% in 2010 and 2.7% in 2011). The level of GDP in 2008, however, had not been reached by 2012. Growth slowed down in the second half of 2011 and the latest forecasts¹ vary between -0.5% and 1.5% for growth in 2012 and between 1% and 2% for 2013. The financial crisis in the Eurozone has created uncertainty and reduced exports. However, the Nordic banks which dominate the banking sector in Finland have largely remained unaffected by the financial crisis. While public debt and the budget deficit have remained well below the Eurozone average, debt has increased from 2009 on. The government has reacted by cutting expenditure and increasing certain taxes to balance the budget. The major expenditure cuts concern grants to municipalities and military expenditure. While the regional targeting of grants to municipalities is relatively neutral, cuts in military spending hit hard the regions where garrisons are to be closed. There will also be minor cuts in the Government co-financing of ERDF and domestic regional policy.

¹ Ministry of Finance; The Research Institute of Finnish Economy ETLA; Pellervo Economic Research PTT; Labour Institute for Economic Research PT (all forecasts from September 2012).

Employment² increased by 0.7% in 2011 after declining by 3.0% in 2009 and 0.5% in 2010. The unemployment rate fell to 7.9% in 2011 from 8.5% in 2010, the peak rate after the recession. Youth unemployment declined from 21.5% in 2009 to 20.1% in 2011 and the decline has continued in 2012. However, the level is still high and it remains a problem.

Recent regional developments

Regional economic developments of the past few years have been affected by the recession in 2009 and the recovery in 2010-2011. Another factor has been the structural changes taking place in two of the core industries, paper and telecommunications. The paper industry has had to adapt to global changes caused by the decline in paper consumption, over-capacity and the shift of production to developing countries. Consequently, several plant closures have taken place causing major shocks in the regions concerned, typically small or middle-sized urban manufacturing regions. The effects have been most severe in South-Eastern Finland which has one of the largest concentrations of the paper and pulp industry in Europe. In the telecommunications industry the rapid decline of the Nokia cluster since 2008 has affected high-tech centres, primarily in Helsinki, Salo in West-Southern Finland, Tampere in Western Finland and Oulu in Northern Finland, all of which were the growth poles of the country from the mid-1990s to 2008. On the other hand, Eastern Finland which is less dependent on those core industries has avoided strong structural shocks. On the contrary, the rapid growth in Russians coming to shop and in leisure tourists from 2010 on has stimulated the economy of South-Eastern and Eastern Finland. The new growth of the mining industry has given a stimulus to some regions in Northern and Eastern Finland while creating severe environmental conflicts at the same time.

The gap in GDP per head in Eastern Finland relative to the national average diminished while the relative position of Southern Finland (outside Uusimaa-Helsinki) and Northern Finland worsened from 2006 to 2009 (Annex Figure A). The GDP figures of 2010 are not yet available but statistics on the turnover of enterprises (Statistics Finland) indicates that Southern Finland (outside Uusimaa-Helsinki) performed worse in 2010 than other regions while there were no significant differences between the other regions. According to initial data for 2011, the trend has continued.

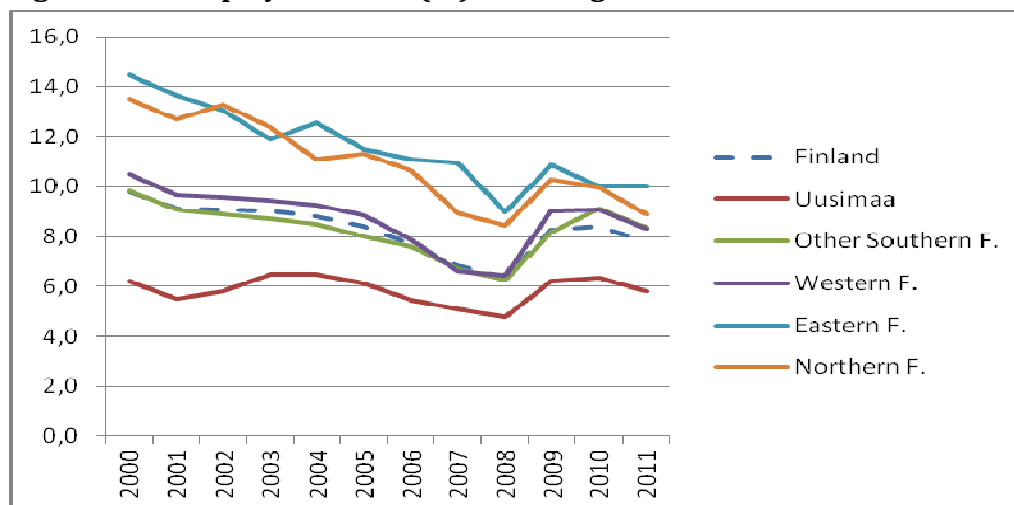
The regional unemployment (Figure 1) and employment rates (Annex Figure B) have converged over the past few years. The difference in unemployment rates between Eastern Finland, the region with highest rate, and the national average, declined from 3.4 percentage points in 2006 to 2.2 percentage points in 2011. In Northern Finland, the gap narrowed from 2.9 percentage points to 1.1 percentage points. The opposite change occurred in Uusimaa-Helsinki, the region with the lowest rate, and in the rest of Southern Finland and Western Finland where rates have been close to the national average. The convergence has partly been caused by demographic factors since in Eastern Finland working-age population has declined while in Uusimaa-Helsinki it has grown because of immigration.

The population decline in Eastern Finland slowed down from -0.5% in 2006 to -0.2% in 2011 due a change in net migration. In Northern Finland population growth increased from 0.3% in 2006 to 0.5% in 2011 and same occurred in Western Finland (Annex Figure C). Nevertheless,

² Source of employment and unemployment data: Statistics Finland, Labour force survey.

the basic general trend continues with population in Uusimaa-Helsinki growing and in Eastern Finland declining (Annex Figure D).

Figure 1 - Unemployment rate (%) in the regions of mainland Finland



Source: Statistics Finland, Labour force survey.

2. THE REGIONAL DEVELOPMENT POLICY PURSUED, THE EU CONTRIBUTION TO THIS AND POLICY ACHIEVEMENTS OVER THE PERIOD

THE REGIONAL DEVELOPMENT POLICY PURSUED

Main points from previous country reports:

- According to the targets, national regional development is complemented and supported by the EU regional and structural policy and rural development policy. The regional development targets of the Government³ can be summarised in the form of three general policy guidelines: (1) strengthening the competitiveness and vitality of regions. (2) promoting the welfare of the population. (3) securing a good living environment and a sustainable regional structure. Compared with the targets (2007) of the previous Government, the new targets do not refer to the vitality of all regions.
- Finland has been allocated EUR 1,596 million under the Competitiveness and Employment objective of which the share of ERDF is EUR 977 million for the period.
- There are five regional ERDF programmes, one for each NUTS 2 region.
- The main priorities in the four regional ERDF programmes of mainland Finland are:
 1. support to enterprises
 2. promoting innovation, networking and strengthening knowledge structures
 3. regional accessibility and the environment
 In addition there are two special priorities:
 4. a priority for major urban regions in Southern and Western Finland

³ The Government's decision on national regional development targets for the period 2011–2015 (15 Dec. 2011).

5. a priority for thematic cooperation between regions within the OP area in Southern Finland, supporting selected core industrial clusters, innovation and learning environments, international attractiveness and innovativeness in welfare services.
- In Åland ERDF funding is used for one priority only, entrepreneurship and innovation.
 - Finland participates in six programmes under the Territorial Cooperation Objective and is responsible for the administration of the Central Baltic Interreg IVA programme.
 - There were no changes in the programmes in 2010.

Stability of priorities and allocation in ERDF programmes

The objectives and priorities have remained unchanged in regional ERDF programmes in spite of the changes in the economic environment. However, some changes were made to programmes in 2011.

The Government has decided to cut the state financing of the ERDF and ESF programmes by EUR 30 million in 2012 and 2013. For the ERDF programmes, the plan is to compensate for the cut by increasing the share of municipalities. However, Government grants to municipalities will be cut, too. According to programme managers there is a risk that municipalities will be unable to compensate sufficiently.

Venture capital for SMEs has been co-financed by the ERDF instrument since August 2011 when Finnvera established a new fund *Aloitusrahasto Vera Oy* - Seed Fund Vera Ltd. It is the only ERDF co-financed venture capital fund in the present programmes. Aloitusrahasto Vera makes ERDF co-financed venture capital investments in business start-ups and early-stage innovative enterprises. The requirements for receiving financing are innovativeness and growth potential. The total asset (ERDF and the State) of the fund is around EUR 17.5 million, though assets are intended to increase to EUR 30 million. The funding is distributed between regions as follows: Southern Finland - EUR 2 million, Western Finland - EUR 7.5 million, Eastern Finland - EUR 5 million and Northern Finland - EUR 3 million. (Policy Paper 2012 on Financial Engineering Instruments (FEIs))

In Southern Finland a minor change was made by adding three new areas of small scale improvement in transport infrastructure to the priorities Regional accessibility and the environment and Development of major urban regions: national roads, regional and local roads and cycle tracks. The allocation to these three areas totals 2.5% of funding for the whole period. It will be financed by reducing the allocation to the promotion of biodiversity and nature protection, other assistance to improve cultural services and mechanisms for improving good policy and programme design, monitoring and evaluation⁴. The change is justified by the slow implementation of these (Southern Finland, AIR 2011).

The most significant change to the ERDF programme was made in Eastern Finland. The demand for direct grants for SMEs (priority Support to enterprises) is significantly lower than originally anticipated and implementation is lagging. Low demand is due to the reduced investment activity of SMEs in Eastern Finland since the 2009 recession, especially in wood and metal

⁴ Programme evaluations are normally financed by technical support.

manufacturing. On the other hand, the other two priorities (Promoting innovation, networking and strengthening knowledge structures and Regional accessibility and the environment) have progressed rapidly. Consequently, it was decided to shift EUR 21.6 million from the priority Support to enterprises to these two other priorities (with EUR 10 million going to the first and EUR 11.6 million to the second). The targets for new job and new enterprise creation were adjusted accordingly. According to the programme manager, there may be need for additional shifts for the same reason in the future.

Western Finland and Northern Finland made no changes to the ERDF programme in 2011.

The implementation of Central Baltic Interreg IVA programme has proceeded well and no programme changes were made in 2011.

Abrupt structural change areas

Several regions in Finland have faced sudden shocks due to closure of manufacturing plants and other establishments of major export companies. The closures were not expected by the regions concerned despite the fact that the structural changes linked to globalisation have been evident for a long time. Another shock will be caused by the closure of several garrisons in 2013 and 2014 due to cuts in military expenditure. According to Government policy, the regions concerned can be classified as an 'abrupt' structural change area. A plan to tackle the crisis in the area or sector is jointly drawn up by the municipalities, the business community, the regional council and the regional Employment and Economic Development Centre (TE Centre) in the area. In September 2012, there were 18 regions with the status of abrupt structural change areas. The industries in which closures have taken place are: paper & wood (8 closures), metal (4), telecommunications (2) and defence (5). In addition, ship building with plants in five main locations in the coastal regions has the status of an abrupt industry. Abrupt areas are most concentrated in Southern Finland (with 10 closures) and least concentrated in Northern Finland (with 2), while Western Finland (7) and Eastern Finland (4) are in between.

ERDF and ESF funds are used to support action in these regions in addition to national financing from the Government. Regional ERDF programmes include a reserve of about 5% for support to these regions and the EUR 11 million went to them in 2011.

National regional policy instruments

The Regional Cohesion and Competitiveness Programme (COCO) was the Government's special national programme for regional policy for the programming period 2010–2013. It was initiated to continue the Regional Centre Programmes of the period 2002–2010. However, the Government (nominated in June 2011) decided to end the COCO programme at the end of 2011 as part of cutting the finance for national regional development. The heterogeneity of the programme regions, lack of focus and poor results were criticised in the evaluations undertaken by Valtakari (2011). However, according to Tervo (2012) the short life of COCO is an indication of the lack of a long-term approach and predictability in the present Finnish regional policy. The end of COCO underlines the increased importance and stability of Cohesion policy programmes.

The main national instrument of regional innovation policy, the Centre of Expertise Programme, still continues. Under the programme, 13 national Competence Clusters, which will be implemented by 21 Centres of Expertise, have been designated for the years 2007–2013.

In addition, there are measures and a small amount of resources for urban, rural and island policy.

Other policy changes

The Government has decided to introduce a special tax reduction for R&D investment made by enterprises from 2013. The wage costs of R&D staff will entitle an enterprise to make an extra reduction from corporation tax within stated limits. The objective is to provide support to SMEs of all sizes and in all industries in undertaking R&D. The reduction is intended to assist SMEs with R&D activity but not enough resources to apply for R&D grants from public funds or ERDF programmes. The decline in tax revenue however will be compensated by a cutback in direct support to R&D. This measure has no immediate effects on ERDF programmes allocating a significant share of finance for R&D projects to SMEs. However, the policy may affect discussion of the role of R&D support in the next programme period.

There is also a policy change underway in transport. According to critics⁵, the traditional transport investment policy has been dominated by a hierarchical and complicated planning system and car-oriented high-cost infrastructure investment, ignoring among other things the need to reduce carbon dioxide emissions. This policy has led to a growing list of potential transport projects, many of them including motorways, but not enough money to finance them at a time when the existing infrastructure needs renovation. The new approach should be based on smart, innovative solutions and cost efficiency, including measures to influence the demand for transport and the choice of transport modes, more efficient use of the existing transport infrastructure and services; and implementing small cost-efficient improvements to eliminate bottlenecks. Only after these measures have been carried out will investment in new infrastructure take place. These ideas for the most part were included in the Transport Policy Report of the Government in 2011. The new approach does not have immediate implications for ERDF programmes where the focus of transport projects is already on eliminating bottlenecks rather than building motorways. However, there is undoubtedly an effect on the discussion of the role of transport infrastructure projects in the next programming period.

Youth employment

Youth (15-24) unemployment is considered as part of regional development in the AIRs of Southern Finland and Western Finland. In Southern Finland there are significant differences between areas, the extremes being Kymenlaakso in South-Eastern Finland with significantly higher youth unemployment rates and Uusimaa-Helsinki with significantly lower rates than the national average (20% in 2011). In Western Finland the youth unemployment rate is systematically higher than the national average and the differences between areas are small. In both regions youth unemployment declined in 2011. In the AIRs of Eastern Finland and Northern Finland youth unemployment is not dealt with specifically, in spite of the fact that in both regions youth unemployment rates are higher than the national average.

The Government has introduced special measures to reduce youth unemployment and school drop-outs. These are an important focus of the ESF programme in mainland Finland. The new 'Youth Guarantee' measure, co-financed by the ESF, will provide a job or a place on an education or training course within 3 months of becoming unemployed for all 15-24 year olds and for 25-

⁵ "Liikennerevoluutio" ("Transport Revolution") by Kostiainen & Linkama (eds.) 2011.

29 year olds who have finished their studies. ERDF programmes, on the other hand, include no specific measure for reducing unemployment of young people. However, there is a strong focus on direct support to SMEs and according to the indicators this has been successful in creating new jobs. Consequently, the programmes are likely to have had a positive effect on youth employment in the programme regions. Unfortunately, there is no data available on the new jobs taken up by young people.

Support to SMEs unable to obtain finance because of the credit crunch

The European banking crisis has not affected the Nordic Banks which dominate Finnish financial markets as much as in most other Eurozone countries. According to the regular SME barometers⁶, the availability and cost of finance from banks or other financial institutions to SMEs has not changed significantly during the credit crunch in the EU. However, the demand for finance has declined since 2011 due to uncertain market prospects. In addition, the share of banks in the provision of finance to SMEs has been declining for several years while the share of special financiers, like Finnvera, and various venture capital funds has increased. However, there is no indication that this change is directly linked to the credit crunch.

Nevertheless, shortage of guarantees required to obtain loans from the market is a permanent problem for many expanding SMEs needing finance for investment. Finnvera's (the official Export Credit Agency of Finland) loans and guarantees are designed to cope with this type of market failure. Subsidised loans and guarantees are central measures in ERDF programmes (Policy Paper 2012 on FEIs). It should be noted that neither the policy nor the allocation of resources of Finnvera has been changed due to the credit crunch. The creation of the new venture capital fund in August 2011 was also not directly linked to the on-going crisis in the Eurozone.

POLICY IMPLEMENTATION⁷

Main points from previous country report:

- All regions were catching up with programme implementation despite the delay in the start of the programmes and the economic recession in 2009-2010.
- The decision of the Government to increase the sums for commitments and expenditure for the years 2010 and 2011 at the cost of later years to speed up the realisation of programmes has also positively affected catching up.
- Private funding was lagging behind in all regions and in most priority areas.
- The delay in the start-up of programmes still had some effect on the implementation rate. Another reason was the recession which affected private co-financing in all regions and in all priority areas.

⁶ Suomen Yrittäjät (Federation of Finnish Enterprises) publishes the barometer twice a year.

⁷ The indicators used in this section come from the AIR for 2011, which relate to the situation up to the end of 2011. A more up-to-date view of the aggregate position (though not of the situation in the different policy areas) is presented in the Synthesis Report for 2012 of the Expert evaluation network delivering policy analysis on the performance of Cohesion policy 2007-2013 which is based on data for payments from the ERDF and Cohesion Fund up to the end of 2012, i.e. after the present report was completed.

Commitments and implementation of regional ERDF programmes

Commitments relative to the total allocation of ERDF financing for the whole period (commitment rates) at end-2011 vary from 66% in Western Finland (end-2010: 50%), 70% in Southern (end-2010: 51%), 65% in Eastern Finland (end-2010: 56%) and 79% in Northern (end-2010: 59%) (Annex Tables Ba and Bb). All programmes are well under way despite the delay in their start-up and the economic recession in 2009. The decision of the Government to increase public national co-financing for commitments and expenditure for the years 2010 and 2011 at the cost of later years to speed up the realisation of programmes has also increased the rate of implementation (payments relative to the total available for 2007-2013).

In Southern Finland the commitment rate was highest (90%) for the priority “urban development” while rates for other priorities were around 63-76%. In Western Finland there are no significant differences in commitment rates between priorities (all 62-67%). In Eastern and Northern Finland the rate was highest (East 85%, North 110%) for the priority “accessibility and environment” while rates for other priorities were around 50-69%. (Figure 2)

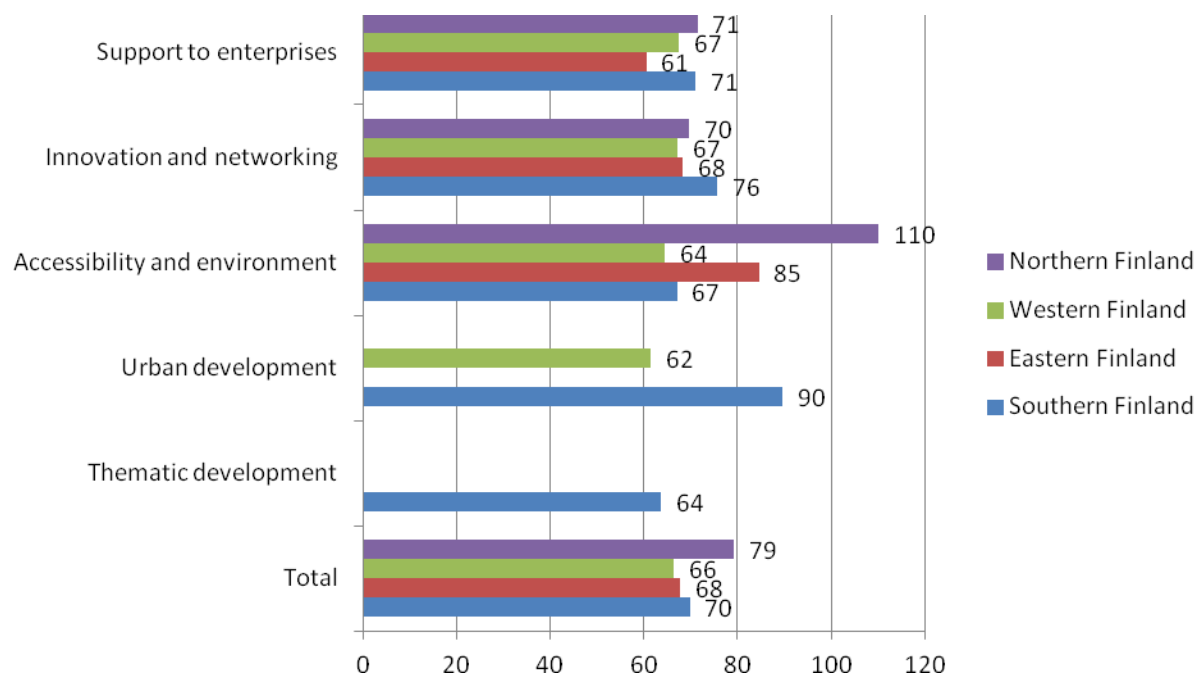
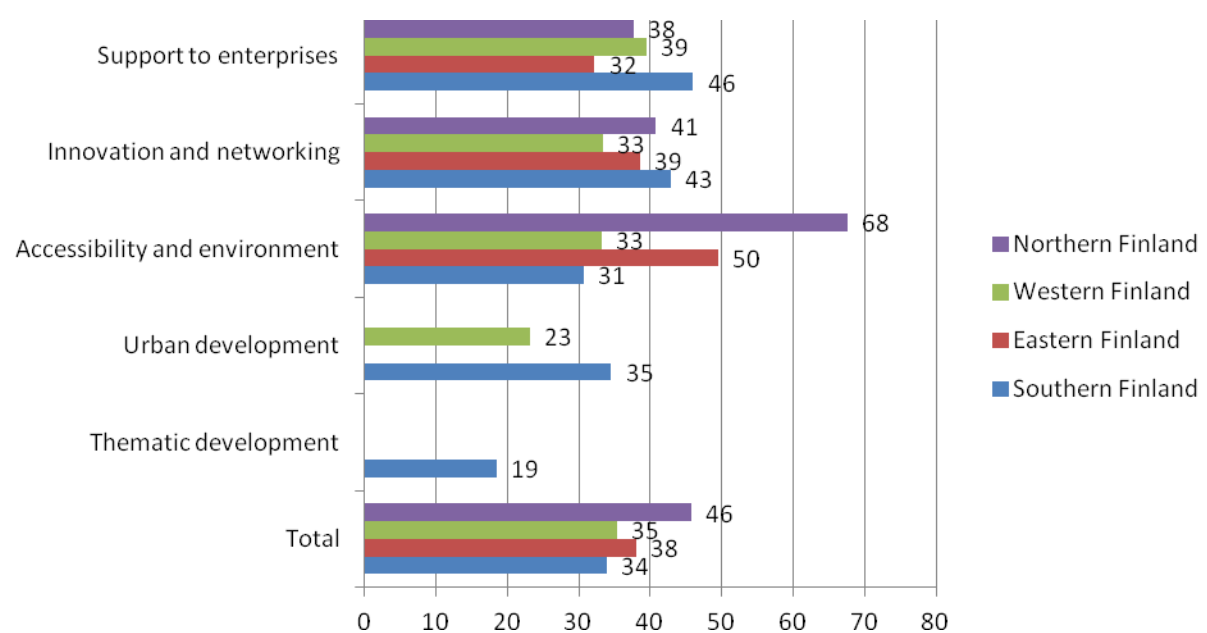
Implementation rates were still rather low at the end of 2011 (Figure 3 and Annex Table C). By the end of 2011, in comparison with the national average, implementation rates were low in Southern, Western and Eastern Finland (South 34%, West 35%, East 38%). The situation was better in Northern Finland (North 46%). The implementation rate was highest for the priority “support to enterprises” in Southern and Western Finland. In Eastern and Northern Finland the rate was highest for the priority “accessibility and environment”.

In Southern Finland the implementation rate was only 19% in the priority for thematic cooperation between regions within the OP area. The projects are typically large cross-regional joint projects and this makes their launching and administration laborious and slow. According to the programme manager the problems will be solved and the implementation speeded up.

In **Western Finland** the low implementation rate for the priority “urban development” is the result of the slow start. In addition it was a new priority and it was affected most by the economic recession, especially when Government grants to municipalities were cut. The priority “support to enterprises” which previously had a high commitment rate now has a low one. Applications for funding tend to arrive at an uneven rate and most of them are not complete, leading to delays while supplementary information is provided.

In **Eastern Finland** the priority “support to enterprises” has proceeded more slowly than other priorities since 2009. Low demand is due to the reduced investment activity of SMEs in the region since the 2009 recession, especially in wood and metal manufacturing. The Monitoring Committee decided to shift 21.6 million from the priority “support to enterprises” to the priority “innovation and networking” (EUR 10 million) and “accessibility and environment” (EUR 11.6 million). Funding has been used in particular for the priority “accessibility and environment” (development of the enterprise environment). According to the programme manager, there may be a need for additional shifts for the same reason during the rest of the period.

In **Northern Finland** implementation of the programme was focused in the early stages on the priority “accessibility and environment”. The priorities “support to enterprises” and “innovation and network” were started more slowly. The former was affected by the economic recession (mainly in Lapland and Central Ostrobothnia) but has recovered during 2011.

Figure 2 - Commitment rate⁸(%) by region and priority 31.12.2011**Figure 3 - Implementation rate⁹ (%) by region and priority 31.12.2011**

The Central Baltic Interreg IVA programme

2011 was in many ways a successful year for the Programme. During the year, the Programme managed to commit all its funding. In order to ensure an as high as possible spending rate, the Monitoring Committee has allowed over-commitment of up to 10% of the funding available for (sub-)programmes. This option was used for several priorities and several (sub-)programmes.

⁸ Source of data: Employment and Economic Development Department

⁹ Source of data: The Ministry of Employment and the Economy

ACHIEVEMENTS OF THE PROGRAMMES SO FAR

Findings from recent evaluations

Support to enterprises: Karjalainen et al. (2011) show that the rates of support vary between regions, support being highest in the most disadvantaged regions. In all regions the majority of support is allocated to industrial SMEs, which are typically metal, machinery and wood producing firms, to tourism (especially in Northern and Eastern Finland) and to business service SMEs. The biggest impact of support is on improving competitiveness and productivity. However, the majority of development measures funded from support for investment and R&D would have been undertaken in some form without ERDF funding. Deadweight was found to be larger in Southern and Western Finland than in the Eastern and Northern regions where rates of support are higher and the possibilities of obtaining alternative financing more limited.

The interim report of the ongoing evaluation of support to enterprises (Pekkala et al., 2012) has examined how development grants have affected the operation of enterprises. The study is based on interviews with 80 beneficiary enterprises. According to the report support has had especially positive effects on the operation of start-ups and enterprises seeking to expand internationally. For start-ups the most significant effect of support is to accelerate the initial phase of business creation. According to the evaluators, the achievement of stimulating effects of this kind is the most important function of business assistance. The evaluators' view is that a more efficient use of the support could lead to further improvements in the upcoming programme. The support system has also been successful in reaching enterprises that are actively seeking to expand their business in international markets. According to the evaluators, support has made it possible to intensify and create a better basis for firms to launch internationalisation initiatives.

Innovation, networking and strengthening knowledge systems: Ahvenharju et al. (2011) show that the funding stimulated cooperation between different organisations especially well and so programmes were considered to have made a valuable contribution to the emergence and maintenance of collaborative networks. Although the impact of funding was assessed to be very positive for the emergence of knowledge and cooperation networks, project managers and others responsible for the projects noted that more attention should be paid to the commercialisation of research results and to the generation of businesses making use of high skills.

Regional accessibility and environment: The evaluation by Terävä et al. (2011) indicates that the development aims relating to environmental risk management and biodiversity were being best achieved, though, these were not priorities. Tourist-related development aims were also being achieved relatively well as compared with other targets. The development target for welfare services seemed to be particularly challenging and limited progress had been made despite its perceived significance for improving the quality of the business environment. In Eastern and Northern Finland, the emphasis is on the transport system (especially the rail network in Eastern Finland), energy infrastructure, the information society and tourism. In Southern and Western Finland, there is more weight given to environmental protection, cultural activities and, especially in the Southern region, rural-urban relations.

Environmental impacts and sustainable development: The evaluation of the cross-cutting themes of (Vaahtera et al. 2011) showed that these are often perceived from a very narrow perspective: Sustainable development is associated with environmental issues and equal opportunities with gender issues. The evaluators also noted that assessment of environmental impacts often lacked the necessary expertise and monitoring indicators do not make it possible to verify such impacts. According to the evaluators, current procedures are successful in filtering-out projects which could have significantly negative environmental impacts. However, procedures cannot be seen as actively encouraging the realisation of projects with positive environmental effects. In general these incentives come from outside the ERDF programmes. Environmental issues influenced projects, but they rarely play a key role.

The Central Baltic INTERREG IV A Programme 2007–2013 is aimed at increasing co-operation across the borders of the Central Baltic Sea region. The overall conclusion of the evaluation of the programme is that the projects approved during 2010-2011 continue the programme's achievement of its strategy and most of the programme objectives will be met¹⁰. Most of the available funds have been committed.

Core indicators

The core indicators can be classified into two main categories:

- First, there are those relating to the contribution of the ERDF to new jobs (and jobs for women), new enterprises (and enterprises run by women) and new R&D jobs. They are all closely linked to the main objectives of the programmes which concern employment and competitive business.
- Secondly, there are indicators which measure the share of resources allocated to projects promoting defined objectives: the Lisbon strategy, the Baltic Sea strategy, equal opportunities and environmentally friendliness. These indicators measure only the allocation and not the results of projects.

The Central Baltic INTERREG IV A programme has its own financial targets and monitoring system including numerous qualitative and quantitative indicators to be achieved by 2015. However, the indicator system of the programme has no indicators of impact.

Comments on the indicators

Last year's report noted that the monitoring system for new jobs and enterprises created has been improved since the previous programming period. However, there are still reliability problems concerning the figures for projects based on subsidized loans for SMEs, managed by Finnvera. Finnvera's steering system includes only projected achievements even for completed projects.¹¹

The number of projects supported by Finnvera is large and the cost per project is low. However, deadweight is estimated to be much larger for Finnvera support than for direct grants. It is also worth noting that in practice enterprises have often also received other EU or national support in the start-up or growth phase of the enterprise, but jobs and enterprises created are realised in concrete terms only with the Finnvera loan or guarantee. A large part of the enterprises and

¹⁰ Evaluation of the Central Baltic INTERREG IV A Programme 2007-2013

¹¹ It is estimated that the planned figures are about 20% higher than those realised.

jobs created are therefore recorded by Finnvera's steering system, although in practice the process is also directly or indirectly supported by other measures.

As noted in last year's report, the picture of progress with respect to new enterprises and new jobs depends on whether projected achievements of Finnvera projects are included in or excluded from the figures. The targets for new enterprises and new jobs include Finnvera projects, so in the following the outcomes are presented both with and without the Finnvera figures.

Main programme outcomes

The target number of new enterprises¹² to be created during the programming period 2007-13 is 900 in Southern Finland, 1,500 in Northern Finland and 2,000 in Eastern and Western Finland.¹³ If only completed projects are considered the rates of creation are quite low, 23% in total at end-2011 (17% end-2010), varying from only 11% in Western Finland to 52% in Northern Finland. Low rates result partly from Finnvera's important role in supporting enterprise start-ups. If the projected figures of Finnvera are included, the rate of creation is very high, 84% in total at end-2011 (71% end-2010). The rate is lowest in Western Finland, 58%, while the target for new enterprises created has already been achieved in Northern Finland.¹⁴

The share of new enterprises run by women¹⁵ has declined to 28% at end-2011 from 32% at end-2010 when only completed projects are considered. Targets vary slightly by region, from 38% in Southern and Northern, 39% in Eastern to 40% in Western Finland. The rates of realisation are 31% in Western, 32% in Eastern, 20% in Southern and 28% in Northern Finland. The rates have declined in all regions, except Western Finland. The rates have also declined if Finnvera's figures are included. The rate is 38% at end-2011 in total (40% at end-2011), varying from 36% in Southern to 40% in Western Finland.

The target for the **number of new jobs created** is in total 38,200 of which 4,200 are in Southern, 9,800 in Western, 11,000 in Northern and 13,200 in Eastern Finland.¹⁶

The number of jobs created without Finnvera projects was 15,400 in total at end-2011, 40% of the target. This represents major progress from end-2010 when the rate of creation was 27%. In Eastern Finland the number of jobs created so far is 4,200, 32% of the target as compared with 20% at end-2010. The jobs created relative to the target was lowest in Western Finland, 28% at end-2011 (19% end-2010). It was much higher in Northern Finland, 52% (35%) and in Southern Finland, 65% (47%).

Again, if the projected figures of Finnvera are included the rates of job creation are much higher: 65% in total at end-2011, varying from 93% in Southern, 70% in Northern, 64% in Eastern to 49% in Western Finland.

¹² The number of new enterprises and the share founded by women, the number of new jobs and the share going to women and the number of new R&D jobs are indicators related to the main policy area of enterprise support and RTDI.

¹³ In 2010 the total number of enterprise establishments was 170,000 in Southern Finland, 39,000 in Northern Finland, 93,000 in Western Finland and 40,000 in Eastern Finland.

¹⁴ According to the sectoral distribution of projects aiming at creating new enterprises the most common sectors of activity of start-ups are metal industry, business services and information technology.

¹⁵ Women's shares are shares of the total number of realised enterprises/jobs.

¹⁶ In 2010 the number of jobs was 1,239,000 in Southern Finland, 566,000 in Western Finland, 256,000 in Northern Finland and 249,000 in Eastern Finland.

The share of new jobs created going to women is below the target set (38-40%) in all regions. The main reason is that a disproportionate number of 'male-dominated' industrial firms have applied for, and obtained, enterprise support.¹⁷ Accordingly, the share of new jobs taken by women varied between 29% and 34% across the four regions. Including the figures of Finnvera projects does not essentially change the picture.

The target for new **R&D jobs**¹⁸ is 150 in Western Finland, 290 in Southern Finland, 800 in Eastern Finland and 1,000 in Northern Finland. The target seems to be especially ambitious in Eastern Finland, where only 34% of the target had been reached by the end of 2011, though this was significantly above the proportion at the end of 2010 (23%).¹⁹ Progress was also made in Northern Finland (from 44% of the target to 58%). The target has been greatly exceeded in Western Finland, where 430 new R&D jobs had been created by the end of 2011 against a target of only 150. The target has also been exceeded in Southern Finland. In total, 73% of the target had been reached at end-2011 (49% end-2010).

Since the previous programming period there have been changes in the support system which are also reflected in the core indicators. Support to enterprises is no longer granted for investment alone but the activities supported must also contain to some extent R&D or other development activities. The focus has therefore been shifted to the promotion of knowledge, innovation and other business development. Previously the measurement of achievements was clearer – investing increased capacity causing demand for services and labour. Now it is emphasised that innovation and development activities have a more indirect effect on the competitiveness and employment of enterprises and the effects can be verified only with a delay. The focus of support to enterprises on innovation, R&D and other development activities shows in that the number of R&D jobs has increased faster than expected in Southern and in Western Finland. The target for new R&D jobs has already been achieved and exceeded in both regions.

The realisation rates for projects supporting the **Lisbon strategy** lag behind the target in all regions except Western Finland²⁰, though the share of expenditure going to such projects has increased steadily in all regions as programmes have proceeded. The target for the share of ERDF funding allocated to **environmentally-friendly** projects has been clearly exceeded in all regions²¹, while the allocation of resources for projects promoting **equal opportunities** was on target in all the regions at the end of 2011.²²

¹⁷ This was also the view of programme managers when asked on the low shares of jobs going to women.

¹⁸ The indicator of R&D jobs is based only on actual achievements of completed projects.

¹⁹ The programme manager of Eastern Finland estimates that the target is too high despite the fact that there have been lots of investments in the development of innovation environments in the region and that the effects of these investments on the number of R&D jobs show only in the long term.

²⁰ According to the programme manager of Western Finland special attention was paid to the matter among the programme authorities of the region.

²¹ It is hard to estimate whether the target was set too low, because the reasoning for the level of the target has not been documented. However, it can be assumed that the set target level reflects the achievements of the previous programming period.

²² The rate for projects supporting the Lisbon strategy is an indicator related to the main policy area of enterprise support and RTDI, the share of funding allocated to environmentally-friendly projects is related to environmental policy and the allocation of resources for projects supporting equal opportunities is related to the main policy area of human resources.

Table 2 - Main physical indicators and achievements in the ERDF of mainland Finland

Policy area	Main indicators	Outcomes and results at the end of 2011 (actual achievements of completed projects)
Enterprise support	No. of new jobs and the share going to women; No. of new enterprises and the share founded by women;	15,400 new jobs created (40% of the target for the whole period); Women's share of new jobs was 32%; 1,500 new enterprises founded (23% of the target); 28% of new enterprises founded by women;
RTDI	No. of new R&D jobs.	1,600 new R&D jobs created (73% of the target).

Central Baltic INTERREG IV A programme

The Central Baltic INTERREG IV A programme²³ had committed all of its funding by the end of 2011 (75% at the end of 2010). To ensure as high a spending rate as possible, the Monitoring Committee allowed an over-commitment of (sub-)programme funds of up to 10% to counteract the money likely to be unspent on projects. This option was used for several priorities and several (sub-)programmes. The programme has numerous output indicators, which for the most part have already been achieved, indicating that the targets were set too low. However, it is not possible to assess the tangible achievements of the programme since the indicator system lacks impact indicators.

3. EFFECTS OF INTERVENTION

Main points from previous country report:

- The employment effects of ERDF programmes are important. The majority of new jobs result from direct support to enterprises.
- It was estimated that ERDF has contributed significantly to raising the employment rate in Eastern Finland and Northern Finland by the end of 2010.
- Studies on enterprise support indicate that direct support for investment or R&D leads to an increase in firm level employment while the deadweight effect is large; however, it is smaller in disadvantaged regions (like Eastern Finland).
- There is evidence of the positive effects of support to innovative environments and the clustering and networking of firms on competitiveness at regional and firm level. However, there is only weak qualitative evidence of the effects of projects supported in ERDF programmes.
- There is also evidence of the relation between accessibility and competitiveness of regions. The effects of the on-going infrastructure projects supported by ERDF will be realised only in the long run after the projects have been completed.

Regional development and the contribution of ERDF

All programmes specified objectives for regional effectiveness and a set of macro level regional indicators relating to these objectives were included in OP reports (2007). The indicators vary to some degree between the programmes and the target values for years 2009 and 2013 have

²³ The main policy area of the programme is territorial development.

not been defined by any uniform criteria. All programmes point out that the contribution of the ERDF programme on effectiveness cannot be verified exactly during or after the programme. However, most effectiveness indicators are the usual ones used to assess the effect on regional development.

In Eastern Finland, which is the most disadvantaged region, the effectiveness indicators relate to: number of jobs, number of enterprise establishments relative to population, the unemployment rate, the employment rate, GDP and the growth in GDP relative to the national rate, the share of exports²⁴ in the turnover of enterprises, R&D expenditure relative to GDP and education levels. In addition, there is an indicator for carbon dioxide emissions of manufacturing and the energy sector. There are no indicators for accessibility, population change, net migration, youth employment or the core industries. The reason for the target levels set is not documented in the OP. However, it can be deduced that if the targets were reached by 2013 the gap between Eastern Finland and the whole country would narrow with respect to all indicators, assuming that national trends continued as over the period 2005-2010.

When the values for the indicators are considered at the end of 2011 (some at the end of 2010 or 2009) it can be noted that developments in the region have been positive according to all indicators since 2005, despite the drawbacks caused by the recession in 2009. There is a realistic possibility of reaching the target with respect to the number of jobs, number of enterprises and GDP level. Reaching the targets for unemployment and employment rates will be challenging but still possible while it is not realistic to expect the targets for GDP growth²⁵, R&D and education levels to be reached.

In the programmes for Northern, Southern and Western Finland the indicator lists are much the same but there are some exceptions. In Northern Finland the realisation of the targets so far is similar to that in Eastern Finland while in Southern and Western Finland economic developments have been slower than planned.

The number of jobs, number of enterprises and R&D expenditure are the most evident indicators in which ERDF programmes can contribute directly, through support of SMEs and innovation activities. Jobs created are also expected to affect employment and unemployment rates. There is a weak indirect link to GDP and GDP growth through support to SMEs while there is no clear connection between the ERDF and education levels.

An indicative calculation of the new jobs created by ERDF support was made in 2011 country report and updated for this 2012 report. The calculation takes account of the estimated deadweight effect and of assumed indirect multiplier effects. According to the updated calculation, the average annual net increase of jobs from ERDF support is 0.6% of the total number of people employed in Eastern Finland and 0.5% in Northern Finland though 0.2% in Western Finland and 0.1% in Southern Finland over the period 2007-2011. According to a similar calculation of the net increase in the number of enterprises due to ERDF support, the annual net effect varies from 0.5 % in Eastern Finland to 0.0 % in Southern Finland. The conclusion is that ERDF has made a significant contribution to jobs and employment as well as to enterprise numbers especially in Eastern Finland.

²⁴ Monitoring data for export has not been available during the programme period.

²⁵ The targets for GDP level and growth rate are not in balance.

However, the experts of regional economics interviewed point out the problems with this analysis. First, in the absence of ERDF programmes there would probably be other interventions based on national policy, as there were before EU Cohesion policy was introduced in Finland. Second, ERDF constitutes only a part of all public interventions in the regions, while sector policies (transport, agriculture, industry, labour, education etc.) and national programmes (e.g. the Expertise Centre Programme) also have an effect which varies in time and between regions. Third, economic processes, like the structural changes in the paper and telecommunications industries, the recession of 2009 and the financial crisis from 2011 on, have affected regions differently.

Nevertheless, the experts agree that ERDF programmes have had a significant effect on regional development in terms of employment and SMEs. They point out also the importance of the qualitative effects of the programmes at regional level, such as the learning process from the adoption of regional policies, the knowledge accumulated and the networking between participants within and between regions.

They stress also that in Finland the serious scientific research on the effects of Cohesion policy is still to be undertaken.

4. EVALUATIONS AND GOOD PRACTICE IN EVALUATION

Summary of the evaluation strategy

- According to the evaluation plan for the period 2007-2013 the objective is to produce information for administrators and various partners connected with the programmes on the implementation and the results and effects of interventions.
- Evaluations of ERDF are carried out during 2009-2013 as an integrated process covering all the four programmes of mainland Finland (Etelä-Suomi, Itä-Suomi, Länsi-Suomi and Pohjois-Suomi).
- The evaluation of mainland Finland is being carried out in two parts, the first part in 2009-2011 (completed in 2011), the second part in 2011-2013 (in progress).
- In addition some thematic evaluations have been made or are being made in regions, mainly organised by the regional councils.
- The main results and recommendations of the completed and ongoing evaluations are considered at the meetings of steering committees and summarised in AIRs.

Evaluations in the present period

The evaluations of mainland Finland in 2009-2011 (reports published in June 2011) consisted of four themes:

- Support to enterprises
- Support to innovation and networking and transfer of knowledge
- Support for accessibility and environment
- Environmental effects and sustainable development.

Thematic seminars for regional stakeholders and administrators were organised during the projects in each programme region to discuss with the results with the evaluators and give feedback. Some of these seminars gave rise to discussion about the implementation of the

programmes as well as the contents and role of the evaluations. The evaluations have not led to changes in the allocation of funding but may have influenced practices (e.g. project selection) in the implementation of programmes. They may also have had an impact on the discussion of the priorities and strategy for the next programming period.

The second part of evaluation of the mainland Finland programmes started in 2011 and covers the period 2011-2013. It consists of three themes:

- Functionality of the administrative system
- Role of the ERDF in entrepreneurship, networking and international competitiveness
- Role of the ERDF in the development of regional knowledge environments; specifying indicators for expertise, innovation and networking activities.

A mid-term evaluation was carried out on the **Central Baltic Interreg IVa Programme 2007-2013** which was completed and published in November 2010. The evaluation covers the strategy and objectives, connection of the programme with the Baltic Sea strategy, effects of the recession, analysis of indicators, administrative structures, project generation and programme communication.

A comprehensive **evaluation of Finnvera** was published in June 2012 (Heinonen et al. 2012). The evaluation was commissioned by the Ministry of Employment and the Economy which is responsible for governing Finnvera. The evaluation did not focus on ERDF co-financed activities as such but was aimed at assessing the regional effects of Finnvera. The study included 1) an assessment of the strategy and objectives of the Ministry as regards Finnvera, 2) an analysis of the activities of Finnvera on the financial market, and 3) an evaluation of the effectiveness of the support provided by Finnvera. The summary of the results and conclusions of the evaluation were included in the national report of Financial Engineering (Policy Paper 2012 on FEIs).

Initial results from the 2011–2013 evaluations

The initial results are based on interim reports from ongoing evaluation projects.

Theme 1: Functionality of the administrative system

In terms of management culture, the Finnish model is a mixture of a centralised and decentralised model; the Ministries have major responsibility and importance as the Managing Authority while programme implementation is largely decentralised to local and regional authorities. As a rule, the project implementers were satisfied with cooperation between the different authorities. The project participants (customers) mainly consider the cooperation between regional, national and EU authorities to be effective.

There was quite a lot of general and specific criticism about the effectiveness of information systems in view of materials submitted electronically and in printed form and the reliability or availability of the systems. Some system problems can be solved by developing them further, while others may also require changes in procedures, such as introducing electronic signatures in the EURA2007 system.

Customers feel that the payment process is not reasonable. There are major differences between financing authorities in the making of payments. There are also major differences between the participants for various and not traceable to any particular factor. From the

customers' point of view, other specific problems in addition to time are the complexity of the payment forms (specific to each authority), the number of instalments and the employment of shorter payment intervals in large-scale projects.

Management practices and procedures are not consistent in different ERDF programmes. Different practices are used at least in project selection (different criteria and scoring practices) and payments (negotiability of installments, required vouchers, eligibility interpretations). There are also regional differences in application periods and routines an inconsistency.

According to customers, there is inconsistency in communication concerning the actions required by the management at the various project stages. In addition, stakeholders and authorities feel that there have been differences in communication between the ERDF programme content functions and verification activities with regard to detail.

Based on their long experience of ERDF project management and related adaptation, the project applicants were of the opinion that the time required by management tasks connected with project application and implementation is relatively short as compared with other countries or national financing instruments.

In summary, considering the strong criticism towards the administration of EU programmes in the previous programming periods, results of the evaluation are relatively positive. It can be concluded that the administration system has been improved and both the programme authorities and customers have learned to cope with the system.

Theme 2: Role of ERDF in entrepreneurship, networking and international competitiveness

The objective was to analyse how direct development grants (for investment, R&D or other development) have influenced the behaviour of different types of SME. The analysis was based on 80 firm level interviews and detailed case studies. However, the size and type of data limits the possibility of drawing general conclusions for all ERDF programmes. Analysis of the data is still in progress and all the results and conclusions are preliminary:

- development grants have had positive effects especially on business start-ups
- there have been significant positive effect on firms aiming for international growth
- development grants lead to a faster business start-up starting process.

Theme 3: Role of ERDF in the development of regional knowledge environments; specifying indicators for expertise, innovation and networking activities

The initial report of the evaluation consisted of three parts:

- Qualitative analysis of the final reports of completed projects on innovation and networking
- Pilot project on the analysis of networking projects
- Analysis of regional (NUTS 3 level) innovation and expertise profiles.

According to the analysis of the final reports of projects, there are significant differences between NUTS 3 regions even within the same programme regions (NUTS 2) with respect to thematic focus. This seems to reflect differences in industrial structure and variations between regions in the importance attached to regional strategies and plans. The final reports were

found to be very heterogeneous and difficult to compare. Using them as them as a data source in addition to monitoring indicators is challenging.

The pilot study on the impact of networking and clustering projects found evidence of a relationship between participation in a networking project and business success:

- Firms participating in the projects were in average faster growing, more productive and more profitable than the firms in the reference group.
- The majority of firms taking part in the projects were not satisfied with the added-value to the firm.
- Firms with a central position in the network were more satisfied with the projects than average.
- There was also weak evidence of the positive relationship between a central position and the growth rate of firms.

As an initial conclusion the networking projects seem to benefit those firms which are already well networked while for the majority of firms the additional value of the projects is limited. To be successful a networking project should attract several well networked firms with a central position in an industry cluster. The focus of projects on small regions, which is typical in present ERDF programmes, limits the possibility of developing successful networks.

The next step in the theme 3 will be a critical study and the development of indicators for networking and innovation activities.

An evaluation of the Päijät-Häme region

The Regional Council of Päijät-Häme region (NUTS 3) made a thematic evaluation²⁶ of the development of the region in the 1995-2010 period and the implementation and results of EU programmes (ERDF since 2007). Päijät-Häme is part of the ERDF programme region of Southern Finland. The population of the region is 202 000 and the main centre of the region, the city of Lahti, is located 100 kilometers from Helsinki towards the North-East. The region is a multi-industry manufacturing area which was hit exceptionally hard in the economic crisis of the 1990s and was forced into radical structural change after this. The accessibility of Päijät-Häme was improved when the highway from Helsinki to Lahti was finished in 1999, the direct railway link from Helsinki to Lahti was completed in 2006 and the rapid train link between Helsinki and St. Petersburg (with a stop in Lahti) was started in 2010.

The focus of the evaluation was on the success of the strategy based on three “peaks” and the effect of the ERDF on this. The three peaks consist of three areas of specialization of the region: (1) environmental business (clean-tech), (2) design and (3) practice-oriented innovation activities. According to the evaluation the region has benefitted significantly from ERDF finance. One of the conclusions is that the development of the region would have been very different without EU resources. The ERDF has made it possible to support controlled structural change in general and the three peaks strategy especially. In the environmental business, the ERDF has supported R&D and knowledge creation, though the business would have grown even without the ERDF. The effect of ERDF is less evident in design than in the other two peaks, but in the present programme period, the ERDF has become more important. Innovation activities focused

²⁶ Päijät-Häme Regional Council 2011.

on the developments of various smart applications in both manufacturing and services have been based mainly on ERDF support. This peak would not have developed without this.

The authors suggest the evaluation of the Päijät-Häme Region as a good practice case for the following reasons: it has a clear focus on the strategy of the region; it is based on an in-depth study and analysis of the projects co-financed and its conclusions on the strategy of the region and improving the implementation of the ERDF are presented clearly and are well reasoned.

5. FURTHER REMARKS - NEW CHALLENGES FOR POLICY

Main points from previous country report:

- It is widely agreed that there is a need to continue a programme based regional policy in Finland in the future, with the same kind of objectives and strategies as in the present period.
- However, it is argued that the system should be more focused and flexible than in the current period.
- There is need to guarantee the special position of remote and sparsely populated regions.
- The integration of national and EU regional and structural policies must be further improved.
- Direct enterprise grants involve inefficiency because of large deadweight effects and concentration on a small group of established firms.
- The strict allocation of resources between regions and priorities tends to lead to local governments generating projects simply to spend the funding available. The programme structure of the next period should be modified to take this into account.

The end of the present programming period

It can be expected that there will be no major problems in the implementation of the remaining part of the present programmes provided that the EU financial crisis is solved and the EU economy starts to recover. In any case changes may be needed in the allocation of funding between priorities in some regions.

There has been convergence between regions in the indicators of regional development, especially in respect of employment and unemployment. An important reason for this may be that the closure of plants and other establishments in recent years have hit Southern Finland hardest instead of the most disadvantaged regions. However, the ERDF has made a significant contribution to creating new jobs and new enterprises especially in Eastern and Northern Finland.

Conclusions for the next programme period

According to the initiative of the Ministry of Employment and the Economy there will be only one operational programme in the period 2014-2020, including both the ERDF and ESF. A regional plan will be formulated for two regions, Eastern and Northern Finland together, and Southern and Western Finland together. This proposal is in line with the conclusion regarded the structure of programmes in the national report for 2011 (the last bullet point above).

It has been suggested²⁷ that the main priorities covering both ERDF and ESF of the next programme period will be

- improving the competitiveness of SMEs
- promoting low-carbon economy in all sectors
- increasing employment
- supporting life-long learning and social cohesion
- improving competitiveness of regions through innovation, expertise and applied research
- improving the quality of the environment and the sustainable use of natural resources.

The four regional managers of the present ERDF programmes and three regional development experts were asked in the interviews to specify their thematic priorities for the next programme period.

All interviewees agreed that the programmes in the next period should be more focused than the ones in the present period. However, there were differences in views concerning which themes should be dropped or given less weight and which more weight.

The experts would increase the weight of support to SMEs in nearly all forms: direct grants, subsidised loans and venture capital while there is some disagreement about the weight of loan guarantees. On the other hand, the managers would keep the weight of direct grants at the present level or reduce it but drop the subsidised loans and guarantees provided by Finnvera. The principal reason is that in their view the operation of Finnvera, the official Export Credit Agency, does not conform to the administrative rules and the operational principles of the ERDF. They consider that Finnvera should continue to provide loans and guarantees without ERDF co-financing. Instead, most of the managers believe that the provision of venture capital by Finnvera (started in 2011) should continue to be co-financed by the ERDF. The managers and experts agree that innovation and networking activities (in other forms than grants to SMEs) should be given more weight.

All agreed that the weight of investment in transport should be reduced or dropped completely, or at least support should be limited to eliminating bottlenecks and making small scale improvements. Projects for environmental protection should also be given less weight or dropped. The managers pointed out that transport and environmental protection are important but they should be financed solely from national sources. However, the weight of measures to reduce carbon emissions, especially the R&D relating to achieving this, should be increased (though one expert considered that it should be dropped). There was no agreement on support to tourism, urban and rural development or social investment. The experts would drop out most of the support to these areas or at least reduce the weight, while there were conflicting views among the managers.

The authors share the views of the experts and managers on the need to strengthen the focus of programmes.

²⁷ The Government's minister group of administration and regional developments, Sept. 2012.

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INTERVIEWS

Heikki Eskelinen. Professor. University of Eastern Finland.

Seppo Haukka. Programme manager of Western Finland.

Kristiina Karppi. Manager of regional development. Centre for Economic Development, Transport and the Environment in Pirkanmaa region.

Mari Kuparinen. Programme manager of Southern Finland.

Tuija Puumala. Programme manager of Northern Finland.

Hannu Tervo. Professor. University of Jyväskylä Business School.

Eero Vilhu. Programme manager of Eastern Finland.

ANNEX 1 - EVALUATION GRID FOR EXAMPLES OF GOOD PRACTICE IN EVALUATION

Evaluation Grid A - ERDF evaluation of project activities in Päijät-Häme region

BASIC INFORMATION	
Country: Finland	
Policy area: ERDF evaluation of project activities in Päijät-Häme region	
Title of evaluation and full reference: Kolmen kärjen älykkään erikoistumisen hyökkäystaktiikka – Päijät-Hämeen EAKR -hanketoiminnan arviointi (Three peak smart specialisation attack tactics – evaluation of ERDF project activities in Päijät-Häme region). Päijät-Häme Regional Council. 2011.	
Intervention period covered : 1995-2010	
Timing of the evaluation : 2011	
Budget : EUR -	
Evaluator: External evaluator: Susinno Ltd	
Method: Process analysis: analysis of the project ; questionnaire study: among the project manager ; interview study: among the project key person and customers ; autoetnografical research in groups	
Main objectives and main findings: From the perspective of evaluation Päijät-Häme region has benefited considerably from the Cohesion policy and the ERDF funding, especially in terms of innovation.	
Appraisal: The evaluation approach is new. It integrates successfully with several different theories as reference framework: evolutionary economics, systems theory, complex economics and self-renewal capacity. The evaluation focuses on the ERDF funding, which will be examined from the perspective of these different theories.	
CHECK LIST	
Score each item listed below from 0 to 2 as follows: 0: No; 1: Yes, but not fully; 2: Yes	
Report	
Are the objectives, methods and findings of the evaluation clearly set out?	2
Are the findings and recommendations clearly supported by the analysis?	2
Are the methods used suitable given the objectives of the valuation and have they been well applied?	2
Are the quantitative and qualitative data used reliable and suitable for the purpose of the evaluation?	2
Are the potential effects of other factors (e.g. the economic situation) on the outcome fully taken into account?	1
Is a serious attempt made to distinguish the effects of the intervention from these other factors?	2

ANNEX 2 - TABLES

See Excel Tables 1 -4:

Excel Table 1 – Regional disparities and trends

Excel Table 2 – Macro-economic developments

Excel Table 3 - Financial allocation by main policy area

Excel Table 3cbc - Financial allocation by main policy area – cross border cooperation

Excel Table 4 - Commitments by main policy area (by end-2011)

Excel Table 4cbc - Commitments by main policy area (by end-2011) – cross border cooperation

Annex Table A - Broad policy areas and correspondence with fields of intervention (FOI)

Policy area		Code	Priority themes
1. Enterprise environment	RTDI and linked activities	01	R&TD activities in research centres
		02	R&TD infrastructure and centres of competence in a specific technology
		05	Advanced support services for firms and groups of firms
		07	Investment in firms directly linked to research and innovation (...)
		74	Developing human potential in the field of research and innovation, in particular through post-graduate studies ...
	Innovation support for SMEs	03	Technology transfer and improvement of cooperation networks ...
		04	Assistance to R&TD, particularly in SMEs (including access to R&TD services in research centres)
		06	Assistance to SMEs for the promotion of environmentally-friendly products and production processes (...)
		09	Other measures to stimulate research and innovation and entrepreneurship in SMEs
		14	Services and applications for SMEs (e-commerce, education and training, networking, etc.)
		15	Other measures for improving access to and efficient use of ICT by SMEs
	ICT and related services	11	Information and communication technologies (...)
		12	Information and communication technologies (TEN-ICT)
		13	Services and applications for citizens (e-health, e-government, e-learning, e-inclusion, etc.)
	Other investment in firms	08	Other investment in firms
	2. Human resources	Education and training	62
63			Design and dissemination of innovative and more productive ways of organising work
64			Development of special services for employment, training and support in connection with restructuring of sectors ...
72			Design, introduction and implementing of reforms in education and training systems ...

Policy area		Code	Priority themes
	Labour market policies	73	Measures to increase participation in education and training throughout the life-cycle ...
		65	Modernisation and strengthening labour market institutions
		66	Implementing active and preventive measures on the labour market
		67	Measures encouraging active ageing and prolonging working lives
		68	Support for self-employment and business start-up
		69	Measures to improve access to employment and increase sustainable participation and progress of women ...
		70	Specific action to increase migrants' participation in employment ...
		71	Pathways to integration and re-entry into employment for disadvantaged people ...
		80	Promoting the partnerships, pacts and initiatives through the networking of relevant stakeholders
3. Transport	Rail	16	Railways
		17	Railways (TEN-T)
		18	Mobile rail assets
		19	Mobile rail assets (TEN-T)
	Road	20	Motorways
		21	Motorways (TEN-T)
		22	National roads
		23	Regional/local roads
	Other transport	24	Cycle tracks
		25	Urban transport
		26	Multimodal transport
		27	Multimodal transport (TEN-T)
		28	Intelligent transport systems
		29	Airports
30		Ports	
31		Inland waterways (regional and local)	
32	Inland waterways (TEN-T)		
4. Environment and energy	Energy infrastructure	33	Electricity
		34	Electricity (TEN-E)
		35	Natural gas
		36	Natural gas (TEN-E)
		37	Petroleum products
		38	Petroleum products (TEN-E)
		39	Renewable energy: wind
		40	Renewable energy: solar
		41	Renewable energy: biomass
		42	Renewable energy: hydroelectric, geothermal and other
		43	Energy efficiency, co-generation, energy management
	Environment and risk prevention	44	Management of household and industrial waste
		45	Management and distribution of water (drink water)
		46	Water treatment (waste water)
		47	Air quality

Policy area		Code	Priority themes
		48	Integrated prevention and pollution control
		49	Mitigation and adaptation to climate change
		50	Rehabilitation of industrial sites and contaminated land
		51	Promotion of biodiversity and nature protection (including Natura 2000)
		52	Promotion of clean urban transport
		53	Risk prevention (...)
		54	Other measures to preserve the environment and prevent risks
5. Territorial development	Social Infrastructure	10	Telephone infrastructure (including broadband networks)
		75	Education infrastructure
		76	Health infrastructure
		77	Childcare infrastructure
		78	Housing infrastructure
		79	Other social infrastructure
	Tourism and culture	55	Promotion of natural assets
		56	Protection and development of natural heritage
		57	Other assistance to improve tourist services
		58	Protection and preservation of the cultural heritage
		59	Development of cultural infrastructure
		60	Other assistance to improve cultural services
	Planning and rehabilitation	61	Integrated projects for urban and rural regeneration
	Other	82	Compensation of any additional costs due to accessibility deficit and territorial fragmentation
		83	Specific action addressed to compensate additional costs due to size market factors
6. Technical assistance		84	Support to compensate additional costs due to climate conditions and relief difficulties
		81	Mechanisms for improving good policy and programme design, monitoring and evaluation ...
		85	Preparation, implementation, monitoring and inspection
		86	Evaluation and studies; information and communication

Annex Table Ba - Commitment rate of ERDF (%) by region and priority 31.12.2011

	Southern	Western	Eastern	Northern	Åland
Support to enterprises	66.2	62.5	50	66.4	
Support to enterprises, including Finnvera	71	67.4	60.5	71.4	
Innovation and networking	75.6	67.2	68.3	69.7	
Accessibility and environment	67.1	64.4	84.6	110.1	
Urban regions	89.7	61.5			
Thematic development	63.3				
Entrepreneurship and innovation					
Total	69.8	66.4	65.1	79.2	

Annex Table Bb - Commitment rate of ERDF (%) by region and priority 31.12.2010

	Southern	Western	Eastern	Northern	Åland
Support to enterprises	59.4	52.3	45.8	55.2	
Innovation and networking	59.2	49.6	58.3	51.2	
Accessibility and environment	46.8	45.7	76.5	81.1	
Urban regions	65.7	44.7			
Thematic development	39.2				
Entrepreneurship and innovation					33.5
Total	51.3	49.7	55.5	59.2	

Annex Table C - Implementation rate of ERDF (%) by region and priority 31.12.2011

	Southern	Western	Eastern	Northern	Åland
Support to enterprises	46.0	39.4	32.2	37.7	
Innovation and networking	42.9	33.4	38.6	40.8	
Accessibility and environment	30.7	33.2	49.5	67.6	
Urban regions	34.5	23.1			
Thematic development	18.5				
Entrepreneurship and innovation					
Total	33.9	35.3	38.0	45.7	

Annex Table D - Core indicators at the end of 2011

		Target 2007-2013	EURA actual	TUKI2000 actual	Total actual	Realisation actual, %	Finnvera planned	Grand total actual+planned	Realisation actual+planned, %
Etelä-Suomi	New jobs	4,200	1,324	1,387	2,711	65	1,213	3,924	93
	-women	1,575 (38%)	323	472	795	29	414	1,209	31
	New enterprises	920	173	43	216	24	612	828	90
	-women	247 (27%)	35	9	44	20	253	297	36
	New R&D jobs	290	215	124	339	117			
	-women		56	42	98				
Länsi-Suomi	New jobs	9,800	852	1,928	2,780	28	2,016	4,796	49
	-women	3,920 (40%)	247	580	827	30	676	1,503	31
	New enterprises	2,000	127	94	221	11	930	1,151	58
	-women	720 (36%)	40	29	69	31	395	464	40
	New R&D jobs	150	285	143	428	285			
	-women		87	33	120				
Itä-Suomi	New jobs	13,230	1,306	2,943	4,249	32	4,229	8,478	64
	-women	5,210 (39%)	493	967	1,460	34	1,103	2,563	30
	New enterprises	2,020	138	152	290	14	1,615	1,905	94
	-women	710 (35%)	38	54	92	32	613	705	37
	New R&D jobs	800	115	159	274	34			
	-women		48	59	107				
Pohjois-Suomi	New jobs	11,000	2,329	3,376	5,705	52	1,959	7,664	70
	-women	4,200 (38%)	900	1,009	1,909	34	599	2,508	33
	New enterprises	1,500	564	217	781	52	749	1,530	102
	-women	630 (42%)	163	57	220	28	352	572	37
	New R&D jobs	1,000	488	96	584	58			
	-women		106	21	127				
In total	New jobs	38,230	5,811	9,634	15,445	40	9,417	24,862	65
	-women	14,905 (39%)	1,963	3,028	4,991	32	2,792	7,783	31
	New enterprises	6,440	1,002	506	1,508	23	3,906	5,414	84
	-women	2,307 (36%)	276	149	425	28	1,613	2,038	38
	New R&D jobs	2,240	1,103	522	1,625	73			
	-women		297	155	452				

EURA and TUKI2000 figures include achievements only from finished projects. Achievements from ongoing projects are not included.

Finnvera figures are based on planning phase data.

Women's shares are shares from the total number of realised jobs/enterprises and not from the target.

Source: Ministry of Employment and the Economy

Annex Table E - Core indicators at the end of 2010

		Target 2007-2013	EURA actual	TUKI2000 actual	Total actual	Realisation actual, %	Finnvera planned	Grand total actual+planned	Realisation actual+planned, %
Etelä-Suomi	New jobs	4,200	987	969	1,956	47	1,122	3,078	73
	-women	1,575 (38%)	231	320	551	28	394	945	31
	New enterprises	920	121	36	157	17	566	723	79
	-women	247 (27%)	26	8	34	22	240	274	38
	New R&D jobs	290	173	55	228	79			
-women		47	15	62					
Länsi-Suomi	New jobs	9,800	498	1,338	1,836	19	1,824	3,660	37
	-women	3,920 (40%)	139	387	526	29	613	1,139	31
	New enterprises	2,000	96	65	161	8	810	971	49
	-women	720 (36%)	32	22	54	34	350	404	42
	New R&D jobs	150	145	106	251	167			
-women		36	26	62					
Itä-Suomi	New jobs	13,230	1,065	1,600	2,665	20	3,912	6,577	50
	-women	5,210 (39%)	683	575	1,258	47	1,042	2,300	35
	New enterprises	2,020	116	87	203	10	1,396	1,599	79
	-women	710 (35%)	64	34	98	48	555	653	41
	New R&D jobs	800	97	83	180	23			
-women		43	26	69					
Pohjois-Suomi	New jobs	11,000	1,806	1,993	3,799	35	1,782	5,581	51
	-women	4,200 (38%)	719	592	1 311	35	558	1,869	33
	New enterprises	1,500	449	142	591	39	674	1,265	84
	-women	630 (42%)	127	39	166	28	333	499	39
	New R&D jobs	1,000	390	54	444	44			
-women		84	10	94					
In total	New jobs	38,230	4,356	5,900	10,256	27	8,640	18,896	49
	-women	14,905 (39%)	1,772	1,874	3,646	36	2,607	6,253	33
	New enterprises	6,440	782	330	1,112	17	3,446	4,558	71

		Target 2007-2013	EURA actual	TUKI2000 actual	Total actual	Realisation actual, %	Finnvera planned	Grand total actual+planned	Realisation actual+planned, %
	-women	2,307 (36%)	249	103	352	32	1,478	1,830	40
	New R&D jobs	2,240	805	298	1,103	49			
	-women		210	77	287				

EURA and TUKI2000 figures include achievements only from finished projects. Achievements from ongoing projects are not included.

Finnvera figures are based on planning phase data.

Women's shares are shares from the total number of realised jobs/enterprises and not from the target.

Source: Ministry of Employment and the Economy

Annex Table F – Evaluations

Title and date of completion	Policy area and scope (*)	Main objective and focus (*)	Method used (*)	Main findings	Full reference or link to publication
ERDF programme evaluations of mainland Finland in 2009-2011. Completed in June 2011.	9	1+3	4	<p>Consists of 4 themes and reports:</p> <p>Support to enterprises: good results in terms of new jobs and new enterprises; high dead weight.</p> <p>Support to innovation and networking and transfer of knowledge: firms participating not satisfied with the additional value; poor indicators.</p> <p>Support for accessibility and environment: Transport projects important for accessibility in Eastern Finland (railway connections) and Northern Finland (tourism regions).</p> <p>Environmental effects and sustainable development: Concepts and criteria for environmental effects and sustainability are still unclear and ambiguous and they should be defined more clearly.</p>	<p>Karjalainen J & Kiuru P & Valtakari M & Haila K & Uusikylä P & Kytölä L: EAKR –toimenpideohjelmien ja kansallisen rakennerahastostrategian 2007-2013 arviointi vuosina 2007-2010. Teema 1. Yritystoiminnan edistäminen. Loppuraportti. 2011.</p> <p>Ahvenharju S & Halonen M & Hjelt M & Pathan A & Pursula T & Vaahtera A & Nikula N & Kotilainen M & Kaseva H: EAKR –toimenpideohjelmien ja kansallisen rakennerahastostrategian 2007-2013 arviointi vuosina 2007-2010. Teema 2. Innovaatiotoiminnan ja verkostoitumisen edistäminen ja osaamisrakenteiden vahvistaminen. Loppuraportti. 2011</p> <p>Terävä E & Vuorela M & Lähteenmäki-Smith K & Laakso S & Kilpeläinen P & Kytölä L & Kahila P. EAKR –toimenpideohjelmien ja kansallisen rakennerahastostrategian 2007-2013 arviointi vuosina 2007-2010. Teema 3. Alueiden saavutettavuuden ja toimintaympäristön parantaminen. Loppuraportti. 2011.</p> <p>Vaahtera A & Halonen M & Ahvenharju S & Hjelt M & Pathan A & Pursula T: EAKR –toimenpideohjelmien ja kansallisen rakennerahastostrategian 2007-2013 arviointi vuosina 2007-2010. Teema 4. Ympäristövaikutukset ja kestävä kehitys. Loppuraportti. 2011</p>
ERDF programme evaluations of mainland Finland in	9	1+3	3+4	<p>Consists of 3 themes and reports:</p> <p>Functionality of the administrative system: Administration system has been improved from the previous periods and both the programme authorities and customers have learned to cope</p>	Ramboll Management Consulting: EAKR –toimenpideohjelmien ja kansallisen rakennerahastokauden 2007-2013 arviointi vuosina 2011-2013. Väli­raportti.

2012-2013. Will be Completed in 2014.				<p>with the system.</p> <p>Role of the ERDF in entrepreneurship, networking and international competitiveness: Development grants have had positive effects on business start-ups and on firms aiming for international growth.</p> <p>Regional knowledge environments and innovation & networking activities: Firms taking part in the projects not satisfied with the added-value to the firm. Positive relationship between a central position in network and the growth rate.</p>	
Evaluation of Finnvera Plc. Completed in June 2012.	2	1+3	3+4	<p>This is an evaluation of Finnvera, the official Export Credit Agency (ECA) of Finland, acting as a financier and administrator of certain enterprise support projects co-financed by ERDF (<u>Not</u> a programme evaluation).</p> <p>Finnvera addresses market failure and the schemes perform well. However, the regional impact of Finnvera is unclear. Because of changes in the global business environment, support in the form of financing enterprises is no longer efficient.</p>	<p>Heinonen, J. & Smallridge, D. & Laaksonen, E. & Stenholm, D. & Claes, W. Evaluation of Finnvera Plc. Final Report. Publications of the Ministry of Employment and the Economy, Innovation 28/2012.</p> <p>http://www.tem.fi/files/33486/TEMjul_28_2012_web.pdf</p>
Evaluation of the Päijät- Häme region. Completed in 2011.	1+2+3	3	4	<p>An evaluation of ERDF project activities, results and effects in Päijät-Häme region. Päijät-Häme region has benefited considerably from the Cohesion policy and the ERDF funding, especially in terms of innovation.</p>	<p>Kolmen kärjen älykkään erikoistumisen hyökkäystaktiikka – Päijät-Hämeen EAKR -hanketoiminnan arviointi (Three peak smart specialisation attack tactics – evaluation of ERDF project activities in Päijät-Häme region). Päijät-Häme Regional Council. 2011.</p> <p>http://www.paijat-hame.fi/easydata/customers/paijathame/files/ph_liitto/tehtavat/eu-ohjelmat/eakr-susinno2.pdf</p>

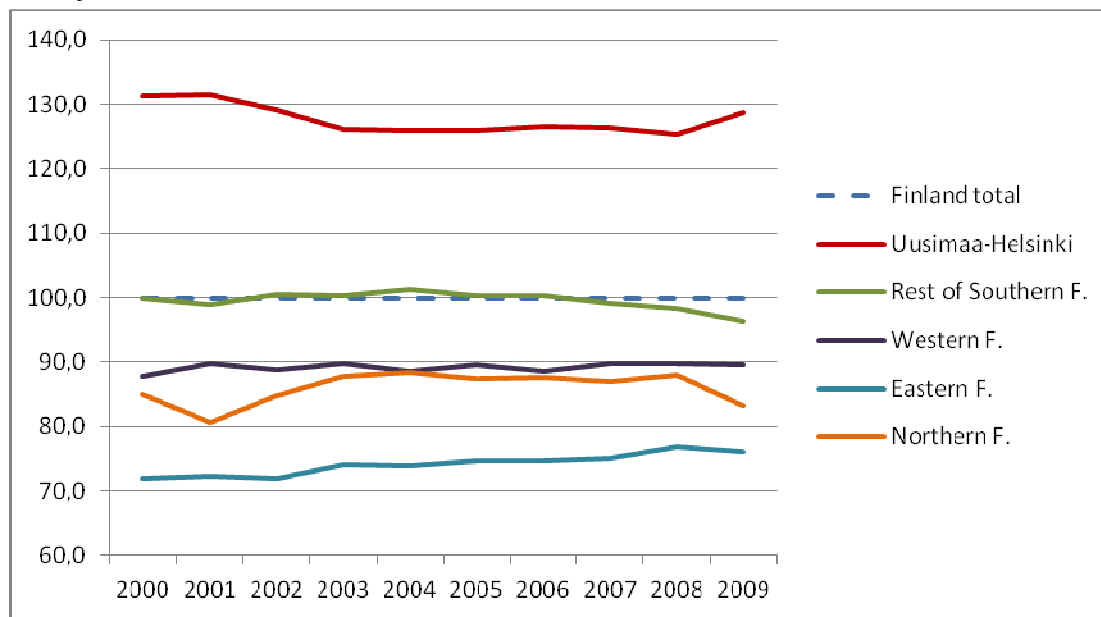
Note: (*) Legend

Policy area and scope: 1. RTDI; 2. Enterprise support and ICT; 3. Human Resources (ERDF only); 4. Transport; 5. Environment; 6. Energy; 7. Territorial development (urban areas, tourism, rural development, cultural heritage, health, public security, local development); 8. Capacity and institution building; 9. Multi-area (e.g. evaluations of programmes, mid-term evaluations); 10. Transversal aspects (e.g. gender or equal opportunities, sustainable development, employment)

Main objective and focus: 1. assess the arrangements and procedures for managing or administering programmes; 2. support monitoring, or check the progress made in implementing programmes, such as many mid-term evaluations; 3. assess the outcome or effects of programmes in terms of the results achieved and their contribution to attaining socio-economic policy objectives

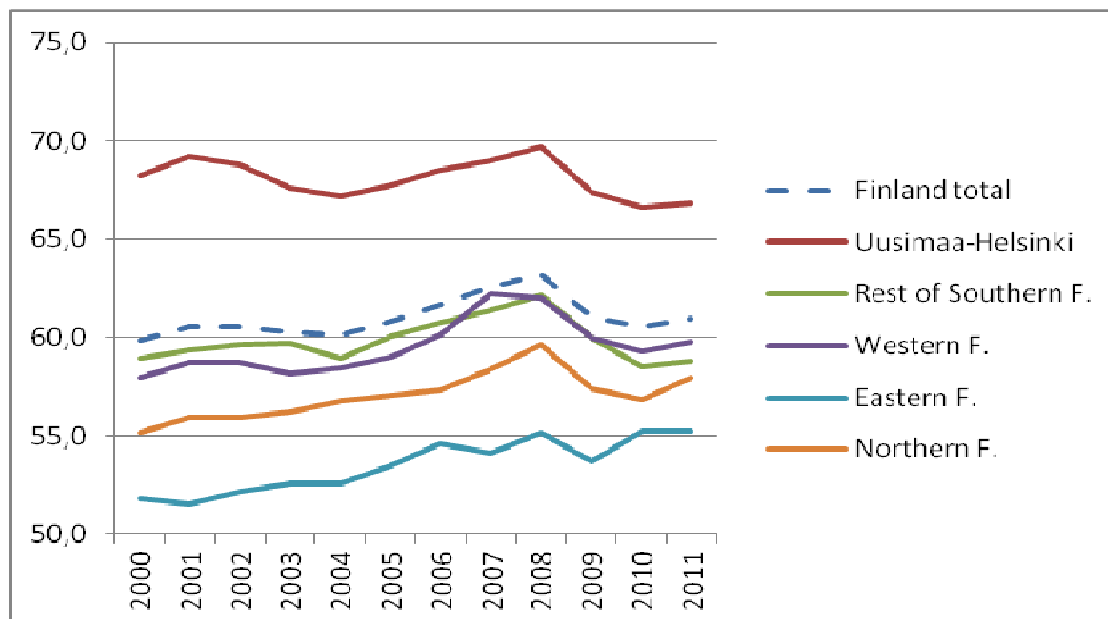
Method used: 1. Counterfactual; 2. Cost-benefit analysis; 3. Other quantitative; 4. Qualitative

Annex Figure A - GDP per capita by region in Finland 2000-2009, index (Finland total =100)

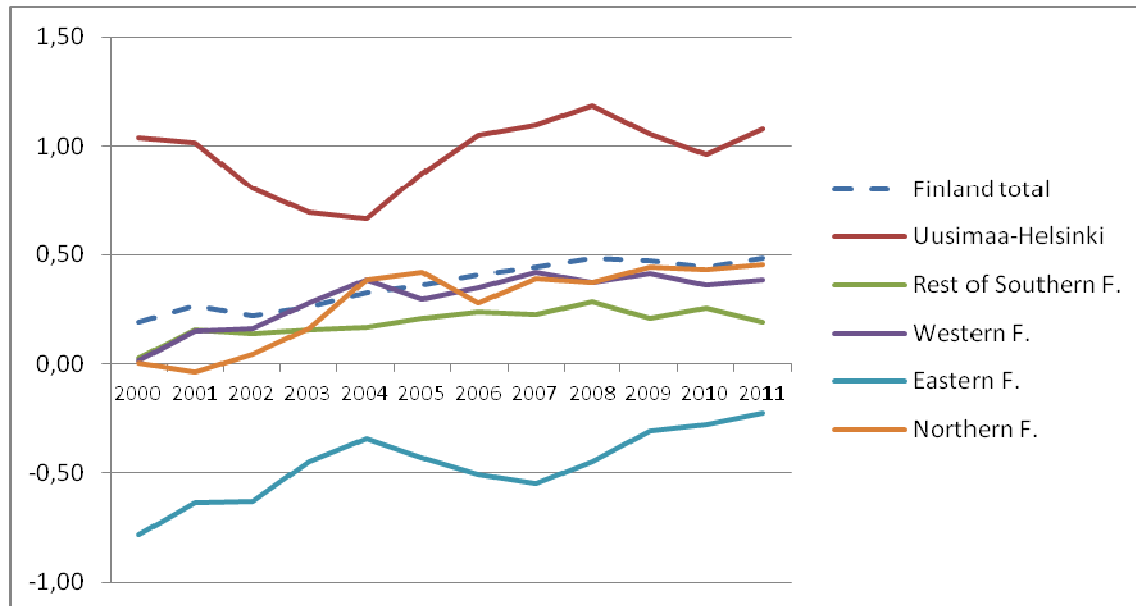


Source: Statistics Finland

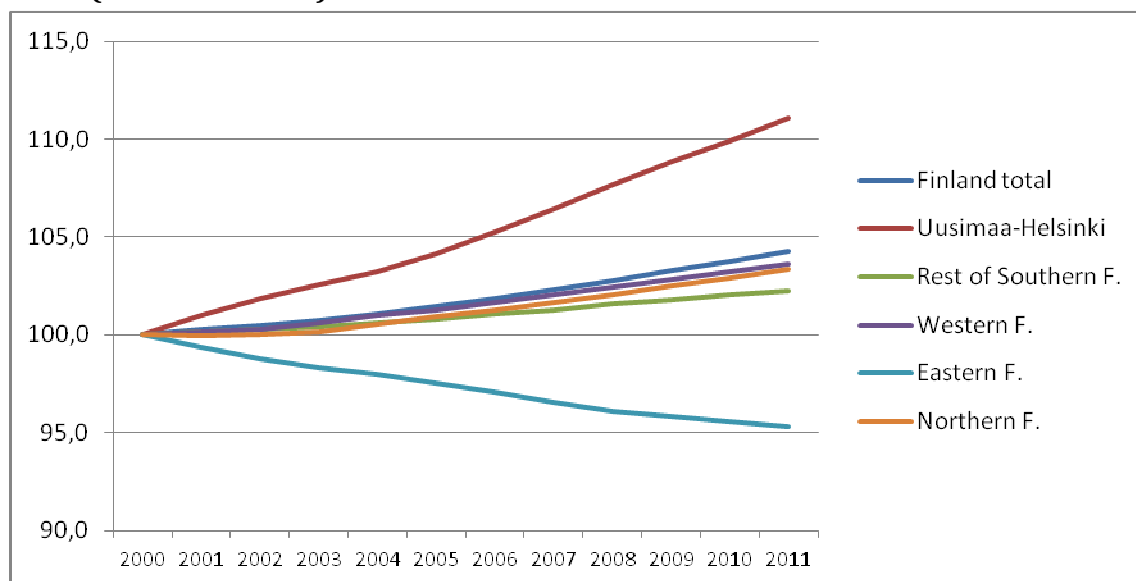
Annex Figure B - Employment rate (%) of the adult population (15-74 years) by region in Finland 2000-2011



Source: Statistics Finland

Annex Figure C - Population change (% of population) by region in Finland 2000-2011

Source: Statistics Finland

Annex Figure D - Population relative to year 2000 by region in Finland 2000-2011, index (Year 2000 =100)

Source: Statistics Finland