

# **Study on the relevance and the effectiveness of ERDF and Cohesion Fund support to Regions with Specific Geographical Features – Islands, Mountainous and Sparsely Populated areas**

## **Second Intermediate Report**

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Study coordinated by ADE



This report has been prepared by ADE  
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## 2.3 Itä-Suomi

### 1. Identification

#### 1.1. Identification of NUTS2 area and corresponding NUTS3 region(s)

NUTS2: Eastern-Finland (Itä-Suomi, Östra Finland) - FI 13

NUTS3:

Southern Savonia (Etelä-Savo, Södra Savolax) (FI 131)

North Karelia (Pohjois-Karjala, Norra Karelen) (FI 133)

Kainuu (FI 134)

Northern Savonia (Pohjois-Savo, Norra Savolax) (FI 132)

Southern Savonia, North Karelia and Kainuu are defined as regions with geographical specific features.

#### 1.2. Identification of relevant programmes supported by ERDF or Cohesion funds

2000-2006:

Objective 1 program for Eastern Finland (NUTS2)

CCI no : 1999FI161DO002

2007-2013

Operational Programme, under Regional Competitiveness and Employment objective

CCI no: 2007FI162PO001

### 2. Regional features and Domestic Policy Responses

#### 2.1 Main characteristics of NUTS2 and 3 regions:

Eastern Finland covers an area of 85.000 km<sup>2</sup>. It has large drainage areas, water areas that cover 17,5 % of the total surface area. The area is sparsely populated with 8,2 persons per km<sup>2</sup>. The region shares a border with Russia of about 560 km.

There are in total 650.000 inhabitants in Itä Suomi area (2010). There are 82,000 inhabitants in Kainuu, 166.000 in North-Karelia and 155,000 in Southern Savonia. The largest centres in the area are Mikkeli, Kajaani, Joensuu and Kuopio.

Geographically, the region is a mosaic of forests and lakes, surrounded partly by majestic tree-covered hills and one third of all Finnish national forest resources are located there. The climate ranges from hot summer days to arctic winter conditions with temperatures dropping as low as -40 °C.

Actually, in spite of its relative remoteness from the rest of the EU, the location on the Russian border provides several advantages for Itä Suomi. For example, the St. Petersburg metropolitan area with a population of 6 million is relatively close which has a dynamic and growing economy; the region has high quality, versatile knowledge in research and product development; a range of energy and raw material reserves; a wide range of cultural events; and a growing tourism and services sector. All of these factors combined, provide

considerable development potentials, both in quality and in quantity, for the Itä Suomi region. The utilisation of that potential does, however, require many years of effort on both sides of the border in order to “lower the barriers”, including linguistic and cultural, legal, basic social structures and approaches, as well as a lack of infrastructure. These tend to inhibit or impede cooperation, trade and networking across the border.

The population of Eastern Finland is decreasing and ageing. Depopulation, which is mainly due to emigration, is slowing down and the net migration rate has dropped to one third since the late 1990s. There has been a drop particularly in the outflow to the Helsinki Metropolitan Area. The emigrants are mainly young (15- to 24-year-olds), which slows down natural demographic development and increases the relative proportion of older generations. There are substantial regional disparities in demographic trends. Population centres might actually be growing but at the same time depopulation is significant in peripheral rural areas.

The region is in many ways remote and difficult to access. Because of its location at the northern edge of the European Union, it is physically far from the European and global markets. The movement of people and goods is both expensive and time-consuming. The remote location compared to key European markets means considerable additional costs for freight traffic. Further costs are incurred by high investment and maintenance costs and the special demands for equipment due to the northern location. There is no sea link from Eastern Finland or any water transport during the midwinter months.

The accessibility of Eastern Finland from the Helsinki Metropolitan Area is relatively poorer in terms of travel time than what one would expect on the basis of the distance. Road traffic has slightly improved after the completion of the Lahti motorway, and railway traffic is increasing due to the Kerava–Lahti direct line and improvements to the Savo line. Nonetheless, the travel times are significantly longer than in, for example, regions close to the Ostrobothnia line.

These characteristics describe the situation in the whole of Eastern Finland. However differing from other NUTS3 areas, the Kainuu Region is defined as an abrupt structural change area, according to the Finnish Ministry of Employment and the Economy (2008). Kainuu is the northern most county in Itä Suomi Program 1 area. The county has a common border of 260 km with Russia. Kainuu has an international cargo and transport network to Russia through its border station at Vartiuss. Kainuu’s relative position weakened in comparison to the previous programming period (the Objective 6 programme), and this calls for measures during the next programming period. This recommendation has not been implemented because there was no consensus in interregional negotiations on waiving the population-based targeting of financing. According to the demographic forecast of Statistics Finland, Kainuu is predicted to be the Finnish region with the most significant drop in population. Depopulation poses particular challenges for service provision and competitiveness in areas with a reducing number of inhabitants.

The Kainuu Region has also gone through a Self-Governmental process experiment which was established in 2005 and will continue till 2012. The aim of the self-government

experiment is to gain experiences of the effects of the regional self-government enforcement on regional development work, basic services, citizen activity, the relationship between the regional and the state central government as well as the municipal and the state local government.

In summary, economic growth has been slower in Eastern Finland than elsewhere in Finland with the exception of the region of North Karelia.

## **2.2 Position, trends and dynamics**

### **• Population**

As the StatFin data shows Eastern Finland had a total population of 650.000 persons in 2010, which decreased by 30.000 inhabitants from 2000. The population of Finland on the other hand increased from 5,2 million to 5,3 million during the same period.

From all NUTS3 regions Kainuu is predicted to be the Finnish region with the most significant drop in population. Population in Kainuu has decreased constantly since 1980s. According to a prediction from the Finnish Statistics agency there will be decrease to 77.700 inhabitants by 2020 when the population in 2010 was 82.000.

Population density for Itä Suomi was 9,7 in 2000 and has decreased to 9,3 per sq.km by 2010. The population density of Finland increased from 17 to 17,7 in the same period. Eastern Savonia had an decrease from 11,9 to 11,0, Northern Karelia from 9,7 to 9,3 and Kainuu from 4,2 to 3,8.

### **• Economic growth**

Economic growth has increased in Itä Suomi relatively rapidly during the last few years, but it still remains lower than the Finnish national average. The eligible areas have high unemployment and lower GDP growth than the national average. The economy of these regions depends heavily on the public sector (35% of all jobs), as well as agriculture and forestry (14%). The share of industry and services is below the national average. There is no strong entrepreneurial tradition in the region, so business creation is minimal and SMEs are few and far apart.

Itä Suomi has a GDP of Euro25 600 while the national average in Finland is Euro34 000. In 2000 Eastern Finland had a GDP of Euro18.400 which was below the EU average of Euro19.400. In 2007 Eastern Finland's economy had improved, and the GDP was Euro25.600 which was above the EU27 average of Euro24.900. Southern Savonia has had the fastest total growth of GPD (1999-2007) with 58,4%, Northern Karelia with 47,9% and Kainuu with 46,7%.

The unemployment rate in Finland (2000-2010) decreased from 9,8% to 7,3% and in Eastern Finland from 14,1% to 9,5%. Regionally, the unemployment rate has decreased in Southern Savonia from 13,8% to 9,0%, in Northern Karelia from 15,1% to 11,6% and in Kainuu from 19,4 to 6,2% during the program period. Unemployment rate at EU-level changed from 9% to 10% between 2000 and 2010, so that Eastern Finland had still in 2007 an unemployment rate 0,5 percentage points below the EU27 average.

- **Economy structure**

Eastern Finland has experienced an 8,6% decrease in agriculture and fishing during 2000-2007 and an 8,5 % increase in services. Such development has occurred in the whole of Finland with 11 % decrease in agriculture and fishing and 12% increase in services.

The tourism sector has had a slight 2% decrease in Eastern Finland (2000-2007), but increase in the whole of Finland with 2%. H&R Science and Technology sector have had a slight decrease in Eastern Finland with 1% and 8% increase at the same time in the whole of Finland.

In the 21st century, the number of jobs in different industries has grown fastest in the services sector and decreased fastest in primary production. Also, the share of jobs in primary production decreased the most, whereas social and health services had the largest growth.

- **Accessibility; Tourism; ICT**

Eastern Finland is located by two south-north running high ways, high way 5 and 6, and several high ways running through it from east-west, connecting the counties from east-south Finland and St. Petersburg. The Lahti-Heinola highway has improved accessibility in main road network, but there are still some weaknesses in quality of service and traffic safety. Wider general road network serves sparsely populated housing and rural economies. Private roads are mainly used for forest and agriculture and for holiday housing.

All counties in Eastern Finland are connected by regular airline traffic. At Southern Savonia there is no regular airline working to Mikkeli and Varkaus. Eastern Finland has cargo traffic along Lake Saimaa till the Baltic Sea, which is closed in mid winter. The deep channel reaches Joensuu and Siilinjärvi, while the lower channel continues to Iisalmi and Nurmes.

As for railways, the Karelian line until Joensuu and the Savo line until Kuopio are part of the trunk network of high-speed passenger transport services. The aim is to expand the trunk network to Kainuu. In terms of freight traffic, the trunk network extends to Kontiomäki on the Savo line and to Uimaharju on the Karelian line. In addition, a number of less trafficked lines feed traffic into the main railway network, and the section from Pieksämäki to the direction of Jyväskylä is most heavily used.

The amount of households with broadband access was 63% in Finland (2007) and 52% in Eastern Finland.

In the tourism sector the number of bed places increased in Finland with 2% between 2000 and 2007 and decreased with 2% in Eastern Finland. At the same period the EU27 average number of bed places increased by 10%. All NUTS3 regions had a down shift in number of bed places during that period, except from Kainuu which had increase of 27%. Southern Savo decreased with 19% and Northern Karelia with 22%.

In summary, then, declining population and a high unemployment rate have been the region's main challenges for some years. In 2010, Eastern Finland had an unemployment



rate 0,5 percentage points above the EU27 average. Also, its population is ageing very fast. Slower economic growth than elsewhere in Finland weakens the potential to develop the area and improve its competitiveness. What's more intra-regional disparities are increasing within the region. The towns and the surrounding rural areas seem to cope better than the remote rural areas. Ageing of the population is an issue which is causing the underutilization of infrastructure in sparsely populated areas. That is why there is a need to find new solutions for the maintenance of infrastructure and public services. All counties of Itä Suomi have built or are currently building extensive broadband connections also to rural areas. The future aim is to focus on broadband work especially in connection with service provision.

### 2.3 Domestic Policy Responses

There is a national **Rural Policy Committee** for sparsely populated areas in Finland. The Rural Policy Committee is a cooperation body which aims to promote the well-being of the rural areas in various ways. The primary objective of rural policy is to improve the preconditions for living in the countryside. The rural areas must be diverse and viable in terms of industries, services and the population basis. The Rural Policy Committee is appointed by the Finnish Government. More than 500 persons from several ministries and other organisations participate in its work. The Rural policy Committee works under the Ministerial Group on Rural Policy, which functions as its steering group. The matters are prepared by the Secretariat of the Rural Policy Committee. Between 2005-2007 there were budgeting for different projects in total Euro 7.1 million.

Within the Rural Policy Committee there is a thematic sub-group for sparsely populated areas (2009-2011) which has its own policy programme. The sub-group group for sparsely populated areas supports for instance vital rural areas, entrepreneurship, accessibility and innovations.

There are some national programs in Finland that are not focused on any specific geographical characteristics, but also support regional development:

- Centre of Expertise Programme (OSKE)

The Centre of Expertise Programme is a fixed-term special programme coordinated by the Ministry of Employment and the Economy, in compliance with the Act on Regional Development. It targets local, regional and national resources at the utilisation of top-level expertise. The programme supports regional strengths, the specialisation of regions and cooperation between Centres of Expertise<sup>13</sup>.

- COCO (Regional Cohesion and Competitiveness -programme) during 2010-2013

The national COCO works nationwide as a strategic tool for supporting regional development and promoting coordination in order to meet the national development objectives defined under the Government's decision. The aim is to enhance the competitiveness of all regions while balancing regional development through supporting the interaction and networking of key operators in regional development. In 2010 the

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<sup>13</sup> See: (Homepage of The Centre of Expertise Programme <http://www.oske.net/en/>)

COCO-programme had a budget of Euro 20 million.

### 3. ERDF and CF Programme priorities and fields of intervention

For the 2000-06 programme, the total budget (EU + national public funding) was Euro 2.5 billion and for the period 2007-2013 it was Euro1.5 billion. Overall, total EU funding for previous period was Euro619.2 million and for the current period Euro365 million.

The contribution from the ERDF was Euro 309 million for the 2000-2006 programme period and Euro 365 million for the period 2007-2013 programme. During the previous period there were additionally Euro 310 million from other EU-funding (ESF and EAGFF), but during 2007-2013 EU-funding was based only on ERDF-funding.

The distribution of ERDF-financing is about to decrease towards the end of the programme period 2007-2013. In 2007 there was 44.7% national financing and the ERDF share was 65.3 %. By 2013, national financing will make up 58.3% and ERDF 38%. During the entire programming period 2007-2013, ERDF will account for 50% of public financing. The State and municipalities account for another 50 %.

Budget allocation by priority in the Objective 1 programme 2000-2006:

Total EU-funding (ERDF)	
1. Entrepreneurship – (Euro 218 million)	
2. Knowledge – Euro 180 million, (Euro 0)	
3. Rural areas – Euro 125 million, (Euro 0)	
4. Structures – (Euro 87 million)	
5. Technical Assistance - Euro 4,6 million, (Euro 4,6 million)	

*Source: European Commission, 2011.*

Budget allocation by priority in the OP 2007-2013:

Total EU-funding (ERDF)	
1. Promotion of business – Euro 0 (Euro 156 million)	
2. Promotion of innovation and networking and strengthening of knowledge structures - Euro 0 (Euro 131 million)	
3. Improvement of the accessibility of areas and the operating Environment – Euro 0 (Euro 63 million)	
4. Technical Assistance – Euro 0 (Euro 14 million)	

*Source: European Commission, 2011.*

Business or entrepreneurship is supported with Euro 218 million in a 2000-2006 program period and 62 million less in 2007-2013 program period. Innovation is also supported less in the current program, in total Euro 49 million less financing for that. In the first programme there is no financing allocated specifically to accessibility, but the latter program supports that with Euro 63 million. The previous programme focused on rural areas (Euro 125 million) and infrastructures (Euro 87 million), priorities that do not exist in the previous latter programme.

For the 2000-06 period, according to the SWECO analysis (2008) (see below) there was particularly significant investment in productive environment in Itä Suomi, slightly above the Finnish average. Also, a relatively larger investment in RTDI (25 per cent of total), significantly higher than all other reference territories; relatively larger investment in SMEs and craft sector (45 per cent of total) and relatively larger investment in Telecommunication infrastructure and Information society (6.6 per cent of total).

Territorial level (Nuts) Name Region eligibility SGF	EU	EU	EU	FI	FI13	FI131	FI133
		Mountains	Sparsely populated	Suomi	Itä-Suomi	Etelä-Savo	Pohjois-Karjala
	Obj. 1	Obj. 1	Obj. 1		Obj. 1	Obj. 1	Obj. 1
Fields of intervention		M	S			SP	SP
11 Agriculture	0.1%	0.1%	0.9%	2.3%	0.0%		
12 Forestry	0.0%				0.0%		
13 Promoting the adaptation and the development of rural areas	0.4%	0.3%	0.7%		0.0%		
14 Fisheries	0.1%	0.2%			0.0%		
15 Assisting large business organisations	5.8%	4.8%	3.4%		0.0%		
16 Assisting SMEs and the craft sector	9.6%	12.6%	19.2%	44.5%	45.8%	40.6%	47.0%
17 Tourism	2.9%	4.5%	3.7%	0.1%	0.0%		
18 Research, technological development and innovation (RTDI)	6.2%	4.1%	9.3%	14.5%	24.8%	21.2%	26.4%
21 Labour market policy	0.1%	0.0%			0.0%		
22 Social inclusion	0.1%	0.0%	0.0%		0.0%		
23 Developing education and vocational training	1.5%	0.8%	1.6%	8.7%	0.0%		
24 Workforce flexibility, entrepreneurial activity, innovation, ICT	0.0%	0.0%			0.0%		
25 Positive labour market actions for women					0.0%		
31 Transport infrastructure	34.0%	33.6%	39.1%	9.8%	14.1%	22.7%	8.4%
32 Telecommunication infrastructure and information society	3.2%	3.9%	4.9%	5.5%	6.6%	9.9%	6.9%
33 Energy infrastructure	1.0%	1.0%	0.3%		0.0%		
34 Environmental infrastructure	19.3%	17.3%	8.2%	6.7%	5.1%	3.0%	5.7%
35 Planning and rehabilitation	10.1%	10.7%	5.8%	5.9%	1.7%	0.5%	3.9%
36 Social and public health infrastructure	4.2%	4.6%	1.7%		0.0%		
41 Technical Assistance and innovative actions	1.4%	1.5%	1.2%	2.0%	1.9%	2.1%	1.8%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<i>Total 1 Productive environment</i>	<i>25.1%</i>	<i>26.7%</i>	<i>37.2%</i>	<i>61.3%</i>	<i>70.6%</i>	<i>61.8%</i>	<i>73.4%</i>
<i>Total 2 Human resources</i>	<i>1.8%</i>	<i>0.9%</i>	<i>1.6%</i>	<i>8.7%</i>	<i>0.0%</i>		
<i>Total 3 Basic infrastructure</i>	<i>71.7%</i>	<i>71.0%</i>	<i>60.0%</i>	<i>27.9%</i>	<i>27.5%</i>	<i>36.1%</i>	<i>24.9%</i>
<i>Total 4 Technical Assistance</i>	<i>1.4%</i>	<i>1.5%</i>	<i>1.2%</i>	<i>2.0%</i>	<i>1.9%</i>	<i>2.1%</i>	<i>1.8%</i>

Source: SWECO, 2008.

Overall, the financial commitments follow the general pattern of Objective 1 – Sparsely populated regions. The region is therefore a good example to represent this category of regions; indeed, it shows relatively higher investment in *SMEs and craft sector* and in *Telecommunication and Information Society*, as generally do the specific geographical features Objective 1 regions. In Eastern Finland there was a focus on assisting SMEs and the craft sector (45,8 %); telecommunication and infrastructure (6,6 %) and research (24,8 %).

During the previous programming period 2000–2006 (Final SDP document), the relative share of EU financing for environmental projects was monitored. This indicator was a successful one, and its monitoring will continue on the forthcoming programming period. The target level of the indicator is that 20% or one fifth of the financial framework for the ERDF operational programme is allocated to environmentally positive projects.

As regards the 2007-13 period, the main priority is overwhelming to support RTD and research centres (see below) and interestingly less focus is paid to investment in SMEs, which was an important priority in the previous period. Clearly, this highlights the focus of the region is about using ERDF to encourage research and innovation.

#### **Fields of intervention 2007-2013**

1. R&TD activities in research centres 90,7 %
2. R&TD infrastructure 6,9 %
3. Technology transfer and improvement of cooperation networks between SMEs 2,4 %

*Source: European Commission, 2011.*

#### **4. ERDF and Cohesion Fund strategies and relevance**

Discussions on geographical specificities such as long distances, accessibility, sparse settlement, the border with Russia and richness of natural resources can be found consistently in both OP documents.

There are not very big differences between the NUTS3 regions in terms of investments in the different sectors. However cluster investment in Southern-Savonia was focused on environment technology more than in the other counties, while North Karelia had the clearest focus on informatics and Kainuu relatively equivalent share between all clusters named above.

In the second programme period (2007-2013), additional budgeting was provided to compensate for any additional costs due to the problems of accessibility, territorial fragmentation and specific actions addressed to compensate additional costs due to size market factors. Moreover, additional funding (Euro 35/inhabitant/year) has been given by ERDF for the current period. In addition structural fund budgeting has been orientated to abrupt structural change areas such as Kainuu.

In summary, the priorities and strategy have not really changed between the two programming periods nor has the way in which the geographical specificities are dealt with. This is mainly because the issues stemming from being sparsely populated remain the challenge to overcome to improve economic development in the region.

#### **5. Quantitative results of the ERDF/CF programme**

The 2000-06 OP had an aim that by the year 2006 there would be 17 670 new companies in

the programme area. In practice, there were actually 10 500 new companies starting in the programme area by the year 2004. According to indicators there were 4180 new startups receiving support from the programme. The aim was to create 1460 new female entrepreneurs by 2006 and in total 1958 newly female owned companies were set up by 2004. The programme had in addition an aim to preserve 45 700 jobs, but only 24 661 of that was achieved. The unemployment rate in the region aimed to be 7,7 % by 2006, but in reality the employment rate remained stubbornly higher at 12,6 % in 2004. The employment rate target 62,4 % by 2006, but 60,9 % was the actual figure in 2004. Regional GDP goals were not achieved by 2003. The aim for Regional GDP was 80,4 % of the national average, but it remained at 73,3 % in 2003.

The aim for the current period is to increase the number of new jobs by 13 200 with 2000 new enterprises in the programme area. The unemployment rate should decrease from 16,4% (2005) to 9,5% by 2013 and the employment rate should increase from 57% (2003) to 62,6 % by the end of the programme period. Other indicators include share of exports in the turnover of enterprises is expected to be increased from 47,2 % to 53 %; development of R&D was 1,84 % in 2003, but the aim is to increase it's share to 4,0 %; educational attainment level should increase from 20,3 % (2004) to 28,5 % by the year 2013.

The priorities of the ERDF operational programme for Eastern Finland are defined from the viewpoint of improving regional competitiveness. The regional economic position of the region has improved since 2000 but it is still lagging behind the national level. The strengths of the region are its nature and natural resources and their utilisation, as well as the expertise of its universities, polytechnics, research institutes and high-technology enterprises.

From the viewpoint of business, Structural Funds in the period 2000–2006 have proven a success. In addition, to industry focusing on the utilisation of natural resources, Eastern Finland has witnessed the growth of new businesses in the metals, plastics and electronics sectors. New growth sectors have also been sought for in environmental technology, information technology, welfare technology and biotechnology based on high-quality regional knowledge.

In the service sector, the tourism industry is relatively strong. It is to be expected that the outcomes of investing in new knowledge-based growth sectors will become evident in the long term. New technological tools brought about by information society will diminish the disadvantages of long distances. Thus, a wider utilisation of new technology is one of the development priorities.

In 2008, specific provisions were also made for Kainuu as it experienced economical loss when an international and large scale company UPM-Kymmene removed its' factory from the area. This decreased Kainuu's employment when every tenth job disappeared. That is a

reason behind why the Ministry of Employment and Economics involved Kainuu as an abrupt structural change area<sup>14</sup>.

The update report of the Mid-term evaluation was completed in December 2005. According to this update report, the programme resources were effective in achieving the objectives discussed in the previous section. The absolute growth of added value was strongest in research and business services. There was moderate growth in added value in the other most supported sectors, as well. In addition, the ERDF programme did make a positive impact on living conditions of the population and regional attractiveness. The increase in the number of jobs helped to keep some of the younger, high educated people in the region. On the other hand, the impact in terms of ageing population, family formation and dependency ratios are still dominant. In absolute terms, most new jobs were created in the healthcare and social services, and in relative terms, in household services. The increase in added value, both in absolute and relative terms, was highest in the production of electrical equipment.

## **6. ERDF Governance and complementarities with other sources of funding**

The Managing and Certifying authority of the ERDF operational programme is the Ministry of the Interior, which is responsible for the implementation of these actions and responsibilities and for their possible delegation to other authorities.

The Regional Councils are responsible for the functioning of the regional development planning system and cooperation in their areas in accordance with the Regional Development Act. In each region, the Regional Council set up the Regional Management Committee. The Regional Management Committee and its secretariat are responsible for the implementation and monitoring of the OP, as well as its coordination with other development actions and programmes financed by the EU.

The content of the ERDF operational programme is strongly influenced by the regional strategic plans and the regional strategic programmes prepared by the regions. The regional strategic programme assembles and coordinates all programmes implemented in the region.

According to the document from Operational Programme (2006), in South Savo, the regional strategic programme was prepared under the guidance of the programme management group appointed by the Managing Board on four expert forums set up for this task. The programme management group had representatives of the regional municipalities, the regional administrative authorities, economic organisations and NGOs. The regional strategic programme was also prepared in subregional preparation seminars, to which representatives from municipalities, centres of expertise and regional centres were invited, and in stakeholder seminars for a large group of actors. Nearly a hundred people participated in these seminars. About 50 actors were asked to submit opinions on the programme draft. Citizens also had an opportunity to provide electronic feedback. About 90 policy-makers from the Assembly and Board of the Regional Council were committed to

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<sup>14</sup> See Ministry of Employment and the Economics in Finland  
[http://www.tem.fi/index.phtml?96107\\_m=92485&s=3407](http://www.tem.fi/index.phtml?96107_m=92485&s=3407)

this work, guiding and advising on the preparation during the different stages of the process.

In the Kainuu region the preparation of the ERDF programme for Eastern Finland was continued on the basis of the regional strategic programme. A strategy group appointed by the Kainuu Managing Board was a central cooperation body during the programme preparation. The strategy group had representatives from all key stakeholders, including all the municipalities of Kainuu, regional administrative authorities, social partners, economic organisations, educational, research and development organisations, and parties representing nature conservation, the unemployed and women's organisations. The strategy group has discussed different versions of the programme draft in four meetings. At the same time, the strategy group was working on the ESF programme section for Eastern Finland.

In North Karelia, the regional strategic programme was prepared under the guidance of the regional strategic programme group appointed by the Managing Board. Each clusterspecific regional group appointed by the Managing Board has set its objectives and mapped out the key development objectives for its field for the next few years. Those responsible for preparing the programme have had about 80 negotiations with enterprises, business organisations, employee organisations, municipalities, joint municipal authorities, educational units and knowledge clusters on the regional development needs and objectives for next few years.

In North Savo, the concrete preparation of the regional strategic programme was mainly carried out in working groups. Two new working groups were set up for the programming: a business working group with two subgroups, and a living environment and bioenergy working group. In addition, the existing six cluster groups, a transport system working group, a housing working group and an entrepreneurship group took part in the preparatory process. There were about 120 members in the cluster groups and the above-mentioned working groups, representing the different actors and subregions of the region. Also, the subregions reviewed their own development programmes and strategies in cooperation with the regional trade and industry, educational institutions and other parties having an impact on the development. The regional centre programmes of the subregions and the Centre of Expertise programme in the Kuopio area also play a significant part in the regional strategic programming. The launch of the programming was communicated to different regional actors and to cooperation partners with a "mandate letter in December 2005. The Regional Management Committee and its secretariat have been closely involved in the preparation phase.

In terms of complementarities with other funds, the ERDF and ESF financing is coordinated particularly by the Regional Management Committee and its secretariat. The annual regional management document lists the related annual EU funds and the national counterpart funds for each financial year.

Eastern Finland has a separate ESF financial framework, and its implementation is monitored. The ESF funding in Eastern Finland is discussed by the Regional Management Committees and included in the regional management documents. Itä-Suomi participates in

national measures at its discretion, following its own decisions. Decisions are made by the Regional Management Committees. There are common interfaces between the ERDF operational programme for Itä-Suomi and, particularly, the priority axis 1 of the ESF programme (development of work organisations, employed labour force and enterprises, and promotion of entrepreneurship) and its priority axis 3 (development of knowledge and service systems promoting the operation of the labour market).

The strengthening of the knowledge and innovation system is connected with ESF activities, particularly the development of knowledge and innovation systems and platforms as a whole. In addition, forecasting based on the development needs of training, the labour market and the economy will be supported under the ESF programme. In practice, precise interfaces can only be defined in the implementation stage of the programmes when the actual need for Fund-specific flexibility is better known. The opportunity for applying for ESF-type actions (up to 10%) from the ERDF programme is exploited mainly in projects supporting the innovation environments of the regions (priority axis 2).

## 7. Conclusion

The ERDF programmes are relevant to sparsely populated regions. They are based on an analysis of the geographical, demographical and economic situation of the region. Both demography and economy is in turn shaped because of the distinct geographical features of the region.

The initiation of large regional projects with EU programme funding is very important, and funding was increased during the Objective 1 programme. However in the 2007-2013 programming period the idea of covering all sectors in cluster initiatives has been abandoned, and instead it aims to support targeted sectors. In three regions, the new regional strategic programme and sectoral analyses were drawn up concurrently with the ERDF programme and, as a result, adequate specifications were given only at a later stage in the newest draft.

In technology and innovation policies, Eastern Finland's potential to exploit research and product development funds is weaker than on average due to its enterprise and knowledge structures. Thus, much more development work is needed on high-tech and innovative enterprises. Thus, EU support will be directed particularly to the improvement of knowledge in enterprises and to technology transfer in order to improve their potential for utilising high technology financing.

During the programme periods cooperation between different actors has become more intense and better focused. The positive and long-term outcome of the programme has been the strengthening of the knowledge infrastructure in all of the regions. The most successful measures have been the creation of enterprise networks, the development of distance and e-learning, the promotion of youth entrepreneurship, for example with the Into-talo approach, and the launch of common cluster-based development.

In the key sectors of Eastern Finland, the urban centres and rural areas have close functional interaction through the production, knowledge and service chains of the various sectors. In the new knowledge-based growth sectors, business reforms and new business



activities are mainly created by the knowledge clusters of the regional centres and other urban areas. Interactions chains help extend the development outcomes to rural areas.

The utilisation of bio-energy is also an opportunity for the rural areas and for the region. Interaction between rural and urban areas is promoted, for example, in the following areas: the development of knowledge systems, the provision of services, leisure activities and tourism, renewable energy sources and energy supply, and the cultural and natural environment.

Issues that are stressed in the 2007-2013 OP are that the strategy should have more concrete ideas on how its implementation can and will be monitored and evaluated. In terms of thematic, geographical and financial priorities, it should be remembered that the programme is not used to finance measures that can be carried out on market terms in these areas. A more tangible identification of challenges and problems would provide a better basis for thematic and geographical priorities (Mid-term evaluation 2006: 128).

It may be interesting to examine further, as emphasised in the 2007-2013 OP, how ERDF programming can consider issues related to the indicators and the monitoring system at an earlier stage. An earlier consideration would help specify objectives in relation to the regional characteristics. In the future, programming should consider issues related to the indicators and the monitoring system at an earlier stage. An earlier consideration helps specify objectives in relation to the regional needs. The underlying model can be used to link a problem or need with an efficient instrument, which is effective as regards the objective to be measured. At the same time, other factors that affect the objective can be taken into consideration, as well as the side effects of the measure, and its efficiency with the available resources.

Lastly, in terms of good practice examples, the eRegio project sought to bridge the broadband gap in North Karelia, a sparsely populated region in Itä-Suomi previously lacking wireless or fixed network access. Today, nearly 98% of households and businesses in the 14 municipalities concerned are eligible for highspeed Internet access, compared to only 74% when the project was launched in 2004. The new network enhances economic competitiveness by putting the region on an equal footing with urban areas.

The project started in 2004 with a study showing the extent of the broadband gap in rural areas, where telecommunications operators previously refused to invest without public subsidies. Working hand in hand with citizens, public administration, operators and investors, the municipalities turned to the regional authority for support and assistance in coordinating public procurement. A local telecom provider won the tender in most municipalities to build the wireless technology network and provide services for users, after agreeing to comply with EU state aid rules and committing to continue the service after the project ended. To spread the news about the new network and generate excitement among citizens, project managers used a wealth of communication tools including newspaper articles, village meetings and questionnaires.

The main focus of these development activities was to enhance the attractiveness, competitiveness and positive public image of the rural areas and the region as a whole –

and to stimulate economic growth. In coming years, the region plans to build a fibre-optic network covering the so-called 'white' and market failure areas as part of Finland's new national broadband strategy. Although this will bring huge challenges, authorities hope to draw on all the lessons learned from the eRegio project.