

Finnish Practice of Evaluating State Aid

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Workshop on Evaluation in the Field of State Aid
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Agenda

- Legal framework
- Evaluations of the past
- Collection of data
- Examples of recent evaluations/studies
- Effect on the policy



The law on general conditions of the state aids (1997) stipulates

- Aid schemes must be temporary
- The authority (ministry) in charge must follow whether the targets are realised
- Effectiveness and efficiency of aid schemes must be evaluated regularly
- Evaluation is the basis for decisions about
 - is there still need for the aid
 - if yes, should the scheme be updated



Evaluations of the past

- are numerous
- typical method has been
 - interviewing beneficiaries and granting authority
 - and analysing data (investment, employment) in benefiting firms
- typical conclusions have been
 - the aid instrument is still needed
 - recommendations for corrections and simplifications in administrative procedures



Collection of data

- During last 10 years Statistics of Finland has built a database which
 - covers the main aid instruments (investment, R&D, regional, employment)
 - covers total population of beneficiaries and other firms (not a sample)
 - aid data can be combined with firm level data on production, turnover, investment, R&D, employment etc.
 - strict quality control; open to researchers
- Large size of the data allow of picking up reference groups and using advanced econometric methods



Results of recent evaluations/studies

- Reference especially to studies from the years 2011 and 2013; focus not only on a single aid scheme but aids across the board (assigned to the ETLA-research institute)
- Findings as follows:
 - “Regular customers”
 - the aid granting agencies favour the firms, which have received subsidy earlier
 - the “regular customers” are also customers of several agencies
 - may block the entry of start ups, diminish competition, slow down change of industrial structure





Impact on productivity

- labour productivity of the beneficiary firms and the whole industry branch decreased
 - aid slows down structural change within branches
 - all aids (investment, employment and R&D) have the same effect





Failure in the financial markets (study 2005)

- failure is a rare case
 - concerns start ups and especially those in new technologies



Effect on the policy

- Decisions made so far bring about in the course of next few years:
 - increase of the aids with externality effect (renewable energy incentives in particular; investment aid, feed-in tariff)
 - slight cuts in rest of state aids
 - limitations of recurrent subsidising (of regular customers)



Thank you

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