

DESCRIPTION OF THE APPLICATION OF THE 2012 SGEI DECISION

Total SGEI government expenditure by legal basis (millions EUR)		
	2018	2019
TOTAL COMPENSATION FOR SERVICES OF General Economic Interest (1+2)	116 299 035	129 515 701
1) Total compensation granted on the basis of the SGEI Decision	116 299 035	129 515 701
2) Total compensation granted on the basis of the SGEI Decision		

Finland

1) Interest-subsidy loans for social housing production

Section (for example 1 - hospitals or 2b - childcare)

2 d) Social housing production

Clear and comprehensive description of how the respective services are organised in your Member State

Explanation of what kind of services in the respective sector have been defined as SGEI in your Member State. **Please list the contents of the services entrusted as SGEI** as clearly as possible.

Interest subsidy can be paid out of State funds for loans granted for the construction, acquisition or renovation of social rental, right-of-occupancy or partial-ownership dwellings. Such interest-subsidy loans always include collateral security by the State. The aim of interest-subsidy loans is to ensure the provision of reasonably-priced, high-quality housing for people who are unable to find suitable housing on the market due to solvency constraints.

The recipients of interest-subsidy loans have a public service obligation to produce and maintain housing with reasonable housing costs which meets the needs of residents selected on social grounds. In order to guarantee that State aid is only allocated for the benefit of residents, interest-subsidy loans are only granted to local authorities and other public corporations fulfilling a public service obligation as well as to private entities and to companies under their direct control. The conditions relating to the public service obligation that recipients of interest-subsidy loans must meet when carrying out their operations have been laid down in legislation. One of the requirements is that a corporation must engage in the construction and provision of rental or right-of-occupancy dwellings for residents selected on social grounds, with the objective of securing good and safe living conditions for residents at a reasonable cost. The possibilities of a corporation to take risks and to grant loans and lodge security have been restricted by law. A corporation may not enter as income for its owner anything other than a reasonable profit on the

funds invested by the owner in the corporation. In other respects, accrued assets must be used for the corporation and residents. A for-profit corporation may also establish a subsidiary that meets the above requirements and fulfils a public service obligation for which it receives an interest-subsidy loan. In this way, the aid scheme combines strict control of the allocation of aid with the opportunity for all operators to receive aid.

In addition, restrictions on the use and assignment of dwellings financed by subsidy-interest loans have been laid down in legislation. The rent or charges for use must be determined according to the absorption principle, i.e. the residents may only be charged rent corresponding to the amount needed to cover expenses arising from the financing of the dwellings and related premises and from sound real estate management. The dwellings must be assigned to households with the most acute need for housing: the criteria for tenant selection include the applicant household's need for housing, their financial means and income, with priority being given to applicants with the most urgent need for housing, the lowest income and the most modest means. In addition, the assignment of property and the assignment price are limited by law so that the assignor cannot earn a profit from the transaction.

Explanation of the (typical) **forms of entrustment**. If standardised templates for entrustments are used for a certain sector, please attach them.

The Finnish Act on interest subsidy for rental housing loans and right-of-occupancy housing loans (604/2001) provides for the general conditions for granting interest-subsidy loans and for the content of the public service obligation imposed on borrowers. In addition, right-of-occupancy housing is governed by the Right-of-Occupancy Housing Act (650/1990). The authority, the Housing Finance and Development Centre of Finland (ARA), that decides on accepting a loan as an interest-subsidy loan draws up a written decision for the borrower on all the interest-subsidy loans it approves, including details of the public service obligation imposed on the borrower and the compensation paid for it, together with the relevant terms and conditions. The decision includes a reference to the Commission's SGEI Decision. No interest subsidy is granted if the operator is paid other interest subsidy for the same purpose out of State funds or if the borrower has been granted a loan for the same purpose from State funds. Detailed provisions on all the conditions for the approval of an interest-subsidy loan and the payment of interest subsidies, as well as the parameters applied in the calculation, monitoring and adjustment of the amounts of subsidy are laid down in legislation and documents issued by authorities.

Average duration of the entrustment (in years) and the **proportion of entrustments that are longer than 10 years** (in %) per sector. Specify in which sectors SGEI were entrusted with a duration exceeding 10 years and explain how this duration is justified?

The restrictions on the operations of a corporation receiving an interest-subsidy loan and on the use and assignment of dwellings financed by such loans remain in effect for 30–40 years, depending on the purpose of the loan. In other words, the duration of the public service obligation imposed on the borrower ranges from 30 to 40 years, depending on the project. As stated in the Commission's SGEI Decision, a period of entrustment exceeding 10 years is justified in the area of social housing, where the significant investments required need to be amortised over a long period of time - several decades - in accordance with generally accepted accounting principles.

Explanation whether (typically) **exclusive or special rights** are assigned to the undertakings.

None are assigned.

Which **aid instruments** have been used (direct subsidies, guarantees, etc.)?

Interest subsidies and guarantees, possibly also direct grants (see below).

Typical **compensation mechanism** as regards the respective services and whether a methodology based on cost allocation or the net avoided cost methodology is used.

ARA selects housing projects eligible for interest-subsidy loans on the basis of the applications submitted to it and only approves an application if the applicant and the housing project meet the legislative requirements for granting interest subsidies. A condition for the approval of an interest-subsidy loan is that ARA approves the construction plans and costs before work starts. Thus a subsidy is paid only as required by the fulfilment of the undertaking's public service obligation. In addition, the borrower must follow competition and public procurement rules when implementing a subsidised project. New construction and renovation must be put out to tender, and contracts for interest-subsidy housing loans can only be awarded through competitive tendering. Interest subsidies are paid by another national authority, the State Treasury.

The amount of an interest-subsidy loan is not more than 95 per cent of the approved construction, purchase or renovation costs. The remaining costs are self-financed by the borrower. In addition, the borrower must always pay a certain percentage of the interest payable on the loan. In 2018 and 2019, the borrower's own remaining liability for the interest was 1.7-2.5 per cent, depending on the project. If the interest on the loan exceeds the amount of the borrower's own liability, a certain percentage of the excess is paid in interest subsidy to the credit institution that granted the loan. The amount of the payable interest subsidy is degressive. The interest charged by the lender on an interest-subsidy loan may not exceed the interest generally applied to loans with a similar risk and similar terms in each case. Interest subsidies are used entirely for the benefit of the residents, and the non-profit corporation or its owner receives no profit on them. According to the law, a non-profit corporation may only charge its tenants a reasonable profit on the corporation's self-financing and the corporation may only enter as income for its owner a reasonable profit on the funds invested by the owner in the corporation.

In 2018 and 2019, projects financed by interest-subsidy loans were also granted start-up grants in the Helsinki area for a fixed period of time. All provisions and restrictions applied to interest-subsidy loans, their recipients and projects for which loans have been granted also apply to these grants. The aim of the start-up grants has been to boost the production of ordinary rental dwellings in the Helsinki area, which has been lagging behind other regions in recent years, and to compensate for construction costs that are higher than elsewhere in Finland. The amount of the grant was EUR 10 000 per dwelling.

In addition, short-term interest-subsidy loans were granted in 2018 and 2019. Their content is similar to that described above: the rent of dwellings financed with short-term interest-subsidy loans must be determined according to the absorption principle, the residents must be selected on social grounds (there is a maximum euro income limit), there are limits on the non-profit corporation's operations and such a corporation may only enter as income for its owner a reasonable profit on the funds invested by the owner in the corporation. The amount of the interest-subsidy loan and the borrower's basic liability for the interest are as described above. However, the duration of the public service obligation for short-term interest-subsidy loans ranges between 10 and 30 years. Interest subsidy is paid on the loans and a State guarantee granted only for the duration of the public service obligation and the restrictions on the use and assignment of the dwellings.

In addition, a State guarantee (guaranteed loan) was in place in 2018 and 2019 for the construction of rental housing as a form of aid supplementing the interest-subsidy loan. The shortage of reasonably priced housing is a chronic problem in the largest growth regions in Finland. The supply of rental housing cannot meet demand. This in turn means higher rents, places low- and middle-income service-sector employees in a particularly difficult position on the housing market, and prevents employees from moving to areas where the need for labour is highest. Guaranteed loans have been an attempt to address this problem. Ultimately, the aim of these guaranteed loans is likewise to secure housing for people in a vulnerable position. Such housing can therefore also be considered social housing, although there is no obligation to apply criteria for tenant selection similar to those applied in the case of interest-subsidy loans. A guaranteed loan takes the form of collateral security and applies to loans used for the construction of new rental dwellings. Unlike with interest-subsidy loans, in the case of guaranteed loans the borrower is only required to be able to repay the loan and engage in its rental housing business, and the dwellings must be used as rental dwellings for the duration of the guarantee period - at least 20 years. There are no other use restrictions. However, the provisions on the obligation of borrowers to put their contracts and financing out to tender and comply with public procurement legislation also apply to guaranteed loans. Furthermore, the terms and conditions of the loan and the interest and other loan-related costs charged by the lender must be reasonable when compared with the terms and conditions, interest and the costs of loans generally granted for similar purposes. State guarantees are only in effect on condition that the lender administers the guaranteed loan and its collateral in accordance with the law and sound banking and recovery practices. Only a small number of guaranteed loans were approved in 2018-2019 compared to the number of interest-subsidy loans approved during the same period.

Typical **arrangements for avoiding and repaying any overcompensation.**

The interest-subsidy scheme is constructed so that State aid is channelled for the benefit of residents in the form of cheaper rents. This is mainly achieved through three complementary mechanisms: ensuring that subsidies are of the right amount, imposing obligations on corporations receiving interest-subsidy loans and applying restrictions on the use and assignment of dwellings financed through interest-subsidy loans. ARA guides and monitors the process by means of price-quality control, thereby ensuring that the dwellings are correctly located in terms of regional development and demand, that they are of high quality and that prices are estimated correctly. Price-quality control and other legislation are important in ensuring that housing costs remain reasonable and that residential areas become diverse and attractive.

Subsidy legislation and the terms and conditions of decisions taken by public authorities prevent the payment of excessive subsidies. ARA, the State Treasury and the local authorities ensure that the beneficiaries observe the conditions and restrictions laid down by law. Activities in breach of the provisions may lead to the termination of the subsidy payments, and excessive or unjustified subsidies may be recovered. Additionally, ARA may suspend the processing of other pending applications for State-subsidised housing production made by a non-compliant corporation or another corporation in the same group until the corporation has brought its activities into line with the provisions. In addition, ARA may prohibit a corporation from charging, as part of the rent, interest on its self-financing or from collecting revenue for a maximum period of four years. All data on subsidised projects is kept for 50 years. Checks by ARA have shown that, with just a few exceptions, the subsidies paid and the activities have complied with the law and the official decisions taken.

A short explanation of how **the transparency requirements** (see Article 7 of the 2012 SGEI Decision) for the aid above EUR 15 million to undertakings that also have activities outside the scope of the SGEI are being complied with. In your answer, please also include some relevant examples of information published for

this purpose (e.g. some links to websites or other references), indicate whether you have a central website on which you publish this information for all aid measures concerned in your Member State (and if so provide the link to this website), or alternatively explain if and how the publication takes place at the level granting the aid (e.g. central, regional or local level).

No aid amounts above EUR 15 million were granted in 2018-2019 or previously. Should such high amounts be granted, ARA would publish the relevant information on its website (www.ara.fi).

Amount of aid granted

Total amount of aid granted (in millions EUR). This includes all aid granted in your territory, including aid granted by regional and local authorities. **(A+B+C)**

2018	2019
Interest subsidies paid for the entire interest-subsidy loan portfolio (EUR mill.) 3.7	Interest subsidies paid for the entire interest-subsidy loan portfolio (EUR mill.) 3.1
Interest-subsidy loan portfolio covered by State guarantee (EUR mill.) 1 383	Interest-subsidy loan portfolio covered by State guarantee (EUR mill.) 1 409
Start-up grants (EUR mill.) 20	Start-up grants (EUR mill.) 20
Loan portfolio approved as short-term interest-subsidy loans (EUR mill.) 99	Loan portfolio approved as short-term interest-subsidy loans (EUR mill.) 182
Loan portfolio approved as guaranteed loans (EUR mill.) 97	Loan portfolio approved as guaranteed loans (EUR mill.) 69
Subsidies are granted only by the national central authority ARA.	Subsidies are granted only by the national central authority ARA.

Additional quantitative information (e.g. number of beneficiaries per sector, average aid amount, size of the undertakings)	
2018	2019
Number of dwellings financed by interest-subsidy loans 12 110	Number of dwellings financed by interest-subsidy loans 10 324
- new construction 7 946	- new construction 7 437
- renovation and acquisition 4 154	- renovation and acquisition 2 887
Number of borrowers (projects) 207	Number of borrowers (projects) 197
Number of dwellings financed by short-term interest-subsidy loans 730	Number of dwellings financed by short-term interest-subsidy loans 1 196
Number of borrowers (projects) 22	Number of borrowers (projects) 26
Number of dwellings financed with guaranteed loans 681	Number of dwellings financed with guaranteed loans 379
Number of borrowers (projects) 14	Number of borrowers (projects) 9

2) **Grants aimed at improving the housing conditions of special needs groups (the interest -subsidy loan referred to in section 1 is always a precondition)**

Section (for example 1 - hospitals or 2b - childcare)

2 d) Social housing production

Clear and comprehensive description of how the respective services are organised in your Member State

Explanation of what kind of services in the respective sector have been defined as SGEI in your Member State. **Please list the contents of the services entrusted as SGEI** as clearly as possible.

Grants aimed at improving the housing conditions of special needs groups may be provided for the construction, acquisition and renovation of rental dwellings financed by interest-subsidy loans and intended for persons from such groups. The following categories are considered special needs groups: the disabled, elderly persons with memory disorders or who are in poor health, the homeless, people recovering from mental health or intoxicant problems, students and young people in need of special support. The purpose of special needs grants is to enable the most vulnerable people to acquire accommodation that meets their needs. The grants are used to compensate for the special investment costs of providing common and service facilities in accommodation for special needs groups and other special solutions regarding space, facilities and equipment. The grant is specifically for accommodation and housing and none of it is allocated for care and nursing services for elderly or disabled residents in sheltered housing, for example.

A condition for receiving a grant is that an interest-subsidy loan referred to in section 1 has been approved for the same project. Consequently all the provisions on interest-subsidy lending, its beneficiaries and recipient projects, such as those relating to the criteria for selecting residents, the determination of the rent according to the absorption principle and the operating conditions of the corporation, also concern special needs projects receiving a grant and those implementing such projects. There is also a 20-year special-use restriction concerning projects receiving a grant, during which time the accommodation must be used for the special needs groups referred to in the grant decision.

Explanation of the (typical) **forms of entrustment**. If standardised templates for entrustments are used for a certain sector, please attach them.

The Finnish Act on Subsidies for Improving the Housing Conditions of Special Groups (1281/2004) and the Finnish Act on Interest Subsidy for Rental Housing Loans and Right of Occupancy Housing Loans (604/2001) lay down the general conditions for awarding grants and the content of the public service obligation imposed on beneficiaries. In addition, there are provisions on the general requirements for awarding grants in the Act on Discretionary Government Transfers (688/2001), which applies as a secondary Act to all grants granted from State resources in Finland. Detailed provisions on all the conditions for awarding and paying the grants and on the parameters used when calculating, monitoring and adjusting the amounts of aid are laid down in these Acts. The authority that decides on awarding grants, i.e. ARA, draws up a written decision for the beneficiary on all grants awarded, including details of the public service obligation imposed on the beneficiary and the compensation paid for it, together with the relevant terms and conditions.

Average duration of the entrustment (in years) and the **proportion of entrustments that are longer than 10 years** (in %) per sector. Specify in which sectors SGEI were entrusted with a duration exceeding 10 years and explain how this duration is justified?

Same as in point 1) Interest-subsidy loans for social housing production.

Explanation whether (typically) **exclusive or special rights** are assigned to the undertakings.

None are assigned.

Which **aid instruments** have been used (direct subsidies, guarantees, etc.)?

Direct grant.

Typical **compensation mechanism** as regards the respective services and whether a methodology based on cost allocation or the net avoided cost methodology is used.

The subsidy is granted and paid by ARA. A condition for the grant is that the rental accommodation is suitable for use by the special category concerned and that the persons in that category have a long-term need for accommodation in the locality concerned. ARA selects housing projects eligible for subsidy on the basis of the applications submitted to it and only approves an application if the applicant and the housing project meet the legislative requirements for granting the grant. In addition, the recipient must comply with competition and public procurement legislation when implementing a subsidised project. When awarding grants, ARA follows the same price-quality guidelines as for subsidised loans. A grant is paid only as required by the fulfilment of the undertaking's public service obligation. The amount of the grant is determined on a case-by-case basis and adjusted according to the additional costs that result from special solutions regarding space, facilities and equipment required for accommodating the special needs group. The maximum amounts of the grant (15-50% of the ARA-approved construction, procurement or renovation costs) are staggered in accordance with the needs of the target group. The largest grant (50%) is intended for the construction of dwellings for the long-term homeless suffering from substance abuse, mental health or other similar problems and for persons with intellectual disabilities in need of exceptional or expensive solutions regarding space, facilities or equipment. Grants are only awarded at the maximum rate permitted under the law if the estimated housing costs cannot be reduced to a reasonable level in any other way.

Typical **arrangements for avoiding and repaying any overcompensation**.

Same as in point 1) Interest-subsidy loans for social housing production.

A short explanation of how **the transparency requirements** (see Article 7 of the 2012 SGEI Decision) for the aid above EUR 15 million to undertakings that also have activities outside the scope of the SGEI are being complied with. In your answer, please also include some relevant examples of information published for this purpose (e.g. some links to websites or other references), indicate whether you have a central website on which you publish this information for all aid measures concerned in your Member State (and if so provide the link to this website), or alternatively explain if and how the publication takes place at the level granting the aid (e.g. central, regional or local level).

Same as in point 1) Interest-subsidy loans for social housing production.

Amount of aid granted

Total amount of aid granted (in millions EUR). This includes all aid granted in your territory, including aid granted by regional and local authorities. (A+B+C)

Grants (EUR mill.) 73	Grants (EUR mill.) 83
Additional quantitative information (e.g. number of beneficiaries per sector, average aid amount, size of the undertakings)	
2018	2019
Number of dwellings 3 523 - new construction 2 044 - renovation and acquisition 1 479 Beneficiaries (projects) 62	Number of dwellings 3 029 - new construction 2 213 - renovation and acquisition 816 Beneficiaries (projects) 60

3) Social housing loans granted by the State and the related supplementary subsidies

Section (for example 1 - hospitals or 2b - childcare)

2 d) Social housing production

Clear and comprehensive description of how the respective services are organised in your Member State

Explanation of what kind of services in the respective sector have been defined as SGEI in your Member State. Please list **the contents of the services entrusted as SGEI** as clearly as possible.

Loans were previously granted through State resources for the construction, acquisition and renovation of rental and right-of-occupancy dwellings. These loans, known as Arava loans, have not been granted since the 2000s, but the loan portfolio and housing stock financed using the loans still exist. Arava loans were granted to the same corporations as interest-subsidy loans today. Their recipients were subject to similar conditions for their operations, and dwellings for which Arava loans had been granted were subject to the same restrictions on use and assignment as those described in section 1.

Arava financing may be supplemented by additional subsidies awarded if the necessary legislative conditions are fulfilled. Only a small number of such subsidies are granted each year, mainly for under-occupied rental housing in peri-urban areas and for their owner corporations. Without these subsidies, the terms and conditions of Arava loans at the time they were granted would be unreasonably onerous for the rental housing corporations and under-occupation would lead to excessively high rents for the residents. In addition, grants may be awarded to ARA corporations for the retrofitting of lifts and for accessibility repairs.

Explanation of the (typical) **forms of entrustment**. If standardised templates for entrustments are used for a certain sector, please attach them.

Although Arava loans are no longer granted, the legislation concerning them remains in force on the basis of the current loan portfolio and housing stock. The Act on State-subsidised Housing Loans (Arava Act 1189/1993) and the Act on the Use, Assignment and Redemption of State-Subsidised (Arava) Rental Dwellings and Buildings (1190/1993) provide for the general conditions for granting Arava loans and for the content of the public service obligation imposed on borrowers. The supplementary subsidies relating to Arava loans, the pre-requisites for granting the subsidies and the conditions associated with the subsidies themselves are provided for in separate special laws. A decision in writing was issued to borrowers on the granting of Arava loans, including details of the public service obligation imposed on the borrower and the compensation paid for it, together with the relevant terms and conditions. Furthermore,

a specific official decision for beneficiaries is taken on supplementary subsidies relating to Arava loans. Detailed provisions on all the conditions for the approval and payment of Arava loans and the supplementary subsidies, as well as the parameters used in the calculation, monitoring and adjustment of the amounts of subsidy paid are laid down in legislation and documents issued by the authorities.

Average duration of the entrustment (in years) and the proportion of entrustments that are longer than 10 years (in %) per sector. Specify in which sectors SGEI were entrusted with a duration exceeding 10 years and explain how this duration is justified?

Same as in point 1) Interest-subsidy loans for social housing production.

Explanation whether (typically) **exclusive or special rights** are assigned to the undertakings.

None are assigned.

Which **aid instruments** have been used (direct subsidies, guarantees, etc.)?

Low interest rate, amendments to the loan terms and conditions, direct grant, composition (see below)

Typical **compensation mechanism** as regards the respective services and whether a methodology based on cost allocation or the net avoided cost methodology is used.

ARA selected the housing projects eligible for Arava loans on the basis of the applications submitted to it. The loan was paid by the State Treasury. The same authorities decide on the supplementary subsidies associated with Arava loans on the basis of the applications submitted and approve them if the applicant and the housing project meet the requirements laid down by law for granting the subsidy.

The amount of the Arava loan granted could not exceed 80% to 95% of the approved construction, acquisition and renovation costs, depending on the project in question. Approximately EUR 3.5 billion of the ARAVA loan portfolio remained in March 2020. The State aid element in Arava lending was the low interest rate charged compared with normal market rates. The supplementary subsidies associated with Arava lending are the following: making a temporary amendment to the loan terms and conditions, reducing the amount of Arava loan to be repaid (composition), and granting reorganisation aid to rental housing corporations and aid for the demolition of rental buildings. These supplementary subsidies are for rental property that has been under-occupied for a long period as a result of an unexpectedly dramatic fall in the population. Supplementary subsidies are paid only as required by the continued activities of the undertaking and the fulfilment of its public service obligation or by a controlled wind-down of the activities so as to protect the position of the residents.

Typical **arrangements for avoiding and repaying any overcompensation**.

Same as in point 1) Interest-subsidy loans for social housing production.

A short explanation of how **the transparency requirements** (see Article 7 of the 2012 SGEI Decision) for the aid above EUR 15 million to undertakings that also have activities outside the scope of the SGEI are being complied with. In your answer, please also include some relevant examples of information published for this purpose (e.g. some links to websites or other references), indicate whether you have a central website on which you publish this information for all aid measures concerned in your Member State (and if so provide the link to this website), or alternatively explain if and how the publication takes place at the level granting the aid (e.g. central, regional or local level).

Same as in point 1) Interest-subsidy loans for social housing production.

Amount of aid granted

Total amount of aid granted (in millions EUR). This includes all aid granted in your territory, including aid granted by regional and local authorities. **(A+B+C)**

2018	2019
Average interest rate on ARAVA loans 1.38%	Average interest rate on ARAVA loans 0.89%
Aid included in Arava loans in the form of low interest rates (EUR) 0	Aid included in Arava loans in the form of low interest rates (EUR) 0
Compositions reorganisation aid and demolition aid relating to Arava loans (EUR million) 5.9	Compositions reorganisation aid and demolition aid relating to Arava loans (EUR million) 9.6

Additional quantitative information (e.g. number of beneficiaries per sector, average aid amount, size of the undertakings)

2018	2019
Number of beneficiaries (projects) granted compositions, reorganisation aid and demolition aid relating to Arava loans	Number of beneficiaries (projects) granted compositions, reorganisation aid and demolition aid relating to Arava loans 71

4) Pilotage price support

Section (for example 1 - hospitals or 2b - childcare)

5 g) other sectors

Clear and comprehensive description of how the respective services are organised in your Member State

Explanation of what kind of services in the respective sector have been defined as SGEI in your Member State. Please list **the contents of the services entrusted as SGEI** as clearly as possible.

SGEI aid is granted for the organisation of pilotage services in the Saimaa Canal. Pilotage services in the Saimaa Canal and the Saimaa waterways are provided by the State-owned enterprise Finnpiilot Pilotage Ltd. The company mainly operates in sea areas but exceptionally also in the large inland water area of Saimaa. The purpose of the pilotage is to ensure safe access for vessels from the Saimaa waterways to the sea. Due to geographical conditions, fees would be higher than those charged for sea transport. Piloting assignments are considerably longer in the Saimaa area than in sea transport.

In the Saimaa Canal and the Saimaa waterways, a pilotage fee based on a reduced unit price is charged. The profits lost by Finnpiilot Pilotage Oy due to the reduced unit price are compensated for by an appropriation from the State budget. Owing to this price support, transport in the Saimaa Canal is subject to the same pilotage fees as sea transport, considering the volumes transported.

Explanation of the (typical) **forms of entrustment**. If standardised templates for entrustments are used for a certain sector, please attach them.

The entrustment and the payment of aid is confirmed every year separately by decision of the Ministry of Transport and Communications. The reduced unit price applied to pilotage in the Saimaa Canal and the related compensation paid to the pilotage company are also laid down in the Pilotage Act (940/2003).

Average duration of the entrustment (in years) and the **proportion of entrustments that are longer than 10 years** (in %) per sector. Specify in which sectors SGEI were entrusted with a duration exceeding 10 years and explain how this duration is justified?

The company is notified annually of the entrustment and the confirmation of the payment of aid. However, under legislation this arrangement is in force under further notice.

Explanation whether (typically) **exclusive or special rights** are assigned to the undertakings.

Pilotage is a special case, because this activity is carried out exclusively by the specialised State-owned company Finnpiilot Pilotage Oy. The exclusive right of Finnpiilot Pilotage Ltd is based on the Act on transforming the State pilotage enterprise into a limited liability company (1008/2010). Provisions on the supply of pilotage services and the related tasks and obligations are laid down in the Pilotage Act (940/2003). Provisions on compulsory pilotage in the Saimaa area are issued by Government Decree (246/2011).

Which **aid instruments** have been used (direct subsidies, guarantees, etc.)?

Aid is paid in arrears as a direct grant on the basis of the costs incurred. The aid may not exceed the operating deficit.

Typical **compensation mechanism** as regards the respective services and whether a methodology based on cost allocation or the net avoided cost methodology is used.

Compensation paid monthly in accordance with the cost allocation method.

Typical **arrangements for avoiding and repaying any overcompensation**.

Any overcompensation is offset once a year. Finnpiilot Pilotage Ltd keeps separate accounts for costs and revenues in the area. The ratio of aid to costs is compared annually and any overcompensation must be repaid to the State, if necessary.

A short explanation of how **the transparency requirements** (see Article 7 of the 2012 SGEI Decision) for the aid above EUR 15 million to undertakings that also have activities outside the scope of the SGEI are being complied with. In your answer, please also include some relevant examples of information published for this purpose (e.g. some links to websites or other references), indicate whether you have a central website on which you publish this information for all aid measures concerned in your Member State (and if so provide the link to this website), or alternatively explain if and how the publication takes place at the level granting the aid (e.g. central, regional or local level).

Amount of aid granted	
Total amount of aid granted (in millions EUR) . This includes all aid granted in your territory, including aid granted by regional and local authorities. (A+B+C)	
2018	2019

3 478 170	3 950 906
A: Total amount of aid granted (in millions EUR) paid by national central authorities	
2018	2019
3 478 170	3 950 906
B: Total amount of aid granted (EUR million) paid by regional authorities	
2018	2019
C: Total amount of aid granted (EUR million) paid by local authorities	
2018	2019
Share of expenditure per aid instrument (direct subsidy, guarantees etc.)(if available)	
2018	2019
direct grant 3 478 170	direct grant 3 950 906
Additional quantitative information (e.g. number of beneficiaries per sector, average aid amount, size of the undertakings)	
2018	2019

5) Support for the news and current affairs activities of public interest channels

Section (for example 1 - hospitals or 2b - childcare)

5 e) culture

Clear and comprehensive description of how the respective services are organised in your Member State

Explanation of what kind of services in the respective sector have been defined as SGEI in your Member State. Please list **the contents of the services entrusted as SGEI** as clearly as possible.

SGEI aid was granted for the news and current affairs activities of public interest channels. The purpose of this aid is to ensure the preservation of alternative news sources on television and promote diverse news activities. The aid provides an incentive to maintain news activities, expand existing activities or start new ones, to apply for a programme licence in the public interest and make sure channels of public interest are available throughout Finland. At the time the aid was granted, there were no public interest channels, and the availability and amount of commercial news and current affairs programmes had been guaranteed only on market terms. In other words, the aim is to promote the diversity of news activities.

Aid may be granted on application to cover the costs of producing a service of general economic interest. The aid would be conditional on holding a programme licence for TV broadcasting in the public interest.

Organising large-scale commercial news and current affairs broadcasting on linear television is labour-intensive and therefore a rather costly type of programming. TV news broadcasts have been reduced markedly in recent years. Obtaining a public interest programme licence and organising news and current affairs broadcasting on the proposed scale is considered risky. In 2017-2018, it could not be assumed that the then-current level of news and current affairs activities would be maintained or that, in addition to existing operators, other operators offering TV news and current affairs content on commercial media would enter the market, at least without sufficient incentives.

Explanation of the (typical) **forms of entrustment**. If standardised templates for entrustments are used for a certain sector, please attach them.

The entrustment and the payment of aid were confirmed for 2018-19 separately by decision of the Ministry of Transport and Communications. In addition, the aid is provided for in the Government Decree on support for news and current affairs activities of public interest channels (657/2017).

Average duration of the entrustment (in years) and the **proportion of entrustments that are longer than 10 years** (in %) per sector. Specify in which sectors SGEI were entrusted with a duration exceeding 10 years and explain how this duration is justified?

The company was notified of the entrustment and the confirmation of the payment of aid for the years 2018-2019. The arrangement ended on 31 December 2019. The Government Decree expired likewise on 31 December 2019.

Explanation whether (typically) **exclusive or special rights** are assigned to the undertakings.

No.

Which aid instruments have been used (direct subsidies, guarantees, etc.)?

Aid is paid in arrears as a direct grant on the basis of the costs incurred.

Typical **compensation mechanism** as regards the respective services and whether a methodology based on cost allocation or the net avoided cost methodology is used.

Compensation is paid in accordance with the cost allocation method.

Typical arrangements for avoiding and repaying any overcompensation.

Grants are paid annually on application against actual paid costs. In the application and reporting, the applicant must separate in the accounts the costs and revenues associated with the SGEI and those of other services.

A short explanation of how **the transparency requirements** (see Article 7 of the 2012 SGEI Decision) for the aid above EUR 15 million to undertakings that also have activities outside the scope of the SGEI are being complied with. In your answer, please also include some relevant examples of information published for this purpose (e.g. some links to websites or other references), indicate whether you have a central website on which you publish this information for all aid measures concerned in your Member State (and if so

provide the link to this website), or alternatively explain if and how the publication takes place at the level granting the aid (e.g. central, regional or local level).

Amount of aid granted	
Total amount of aid granted (in millions EUR). This includes all aid granted in your territory, including aid granted by regional and local authorities. (A+B+C)	
2018	2019
1 597 953	1 402 047
A: Total amount of aid granted (in millions EUR) paid by national central authorities	
2018	2019
1 597 953	1 402 047
B: Total amount of aid granted (EUR million) paid by regional authorities	
2018	2019
C: Total amount of aid granted (EUR million) paid by local authorities	
2018	2019
Share of expenditure per aid instrument (direct subsidy, guarantees etc.)(if available)	
2018	2019
direct grant 1 597 953 euros	direct grant 1 402 047 euros
Additional quantitative information (e.g. number of beneficiaries per sector, average aid amount, size of the undertakings)	
2018	2019

6) Support for national news agency activities

Section (for example 1 - hospitals or 2b - childcare)

5 e) culture

Clear and comprehensive description of how the respective services are organised in your Member State

Explanation of what kind of services in the respective sector have been defined as SGEI in your Member State. Please list **the contents of the services entrusted as SGEI** as clearly as possible.

SGEI aid was granted to support national news agency activities. The service obligation included the basic tasks of a national news agency: the acquisition and dissemination of news materials for the media, including the provision of a 24-hour news service, a news planning service, a telegraphic service and a national and regional alerting service in Finland. The aid was paid as compensation for the provision of services subject to the service obligation.

The purpose of the aid is, by supporting the activities of national news agencies, to ensure the continued availability of a socially important 24-hour news service and thereby support the diversity of news activities and high-quality and diverse dissemination of information. The grant would also make the activities of national news agencies more financially sustainable and help reform their activities.

A 24-hour news service plays an important role in Finland, at least for smaller regional media and news operators, for whom replacing national news monitoring and other services would be significantly more difficult than for large media outlets, owing to a lack of resources. The above-mentioned news service is thus important also for the diversity of media content and operators.

As regards aid for national news agency activities, it has been considered necessary to ensure the continuity of smaller media operators, in particular, and of activities essential to the transmission of reliable news. If the current news agency activities were to cease, a similar service would not be available or would be very difficult to replace, especially for smaller media operators and newspapers. This would weaken, in different areas, the operating conditions of media, which is currently undergoing structural change, by reducing the availability of national news and news monitoring.

Explanation of the (typical) **forms of entrustment**. If standardised templates for entrustments are used for a certain sector, please attach them.

The entrustment and the payment of aid were confirmed for 1 February 2019 to 31 January 2020 separately by decision of the Ministry of Transport and Communications. In addition, the aid is provided for in the Government Decree on support for national news agency operations (792/2018).

Average duration of the entrustment (in years) and the proportion of entrustments that are longer than 10 years (in %) per sector. Specify in which sectors SGEI were entrusted with a duration exceeding 10 years and explain how this duration is justified?

The company was notified of the entrustment and the confirmation of the payment of aid from 1 February 2019 to 31 January 2020. The arrangement ended on 31 January 2020. The Government Decree likewise expires on 1 July 2020.

Explanation whether (typically) **exclusive or special rights** are assigned to the undertakings.

No.

Which **aid instruments** have been used (direct subsidies, guarantees, etc.)?

The aid is paid as a direct subsidy.

Typical **compensation mechanism** as regards the respective services and whether a methodology based on cost allocation or the net avoided cost methodology is used.

Compensation is paid in accordance with the cost allocation method.

Typical arrangements for avoiding and repaying any overcompensation.

In the application and reporting, the applicant must separate in the accounts the costs and revenues associated with the SGEI and those of the other services.

A short explanation of how **the transparency requirements** (see Article 7 of the 2012 SGEI Decision) for the aid above EUR 15 million to undertakings that also have activities outside the scope of the SGEI are being complied with. In your answer, please also include some relevant examples of information published for this purpose (e.g. some links to websites or other references), indicate whether you have a central website on which you publish this information for all aid measures concerned in your Member State (and if so provide the link to this website), or alternatively explain if and how the publication takes place at the level granting the aid (e.g. central, regional or local level).

Amount of aid granted	
Total amount of aid granted (in millions EUR). This includes all aid granted in your territory, including aid granted by regional and local authorities. (A+B+C)	
2018	2019
	1 500 000
A: Total amount of aid granted (in millions EUR) paid by national central authorities	
2018	2019
	1 500 000
B: Total amount of aid granted (EUR million) paid by regional authorities	
2018	2019
C: Total amount of aid granted (EUR million) paid by local authorities	
2018	2019
Share of expenditure per aid instrument (direct subsidy, guarantees etc.)(if available)	
2018	2019
	direct grant 1 500 000 euros
Additional quantitative information (e.g. number of beneficiaries per sector, average aid amount, size of the undertakings)	
2018	2019

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7) Establishment of forest-tree seed orchards

Section (for example 1 - hospitals or 2b - childcare)

5 g) other sectors

Clear and comprehensive description of how the respective services are organised in your Member State

Explanation of what kind of services in the respective sector have been defined as SGEI in your Member State. Please list **the contents of the services entrusted as SGEI** as clearly as possible.

If there is a market failure but the public authority wants to secure access in all circumstances to a service that is important for citizens, the State aid rules relating to SGEI may be applied under certain conditions. The Ministry has considered that the establishment of forest-tree seed orchards can be considered an SGEI.

About 60% of Finland's productive forest land is owned by private individuals. There are a total of about 632 000 forest owners in Finland, including shareholders of co-operative holdings and holdings of at least two hectares. In other words, nearly 12% of the population are forest owners. Forests owned by private citizens are passed on from generation to generation; therefore the term 'family forestry' is used in Finland. The State owns 26%, public limited companies, such as the forest industry, 9% and other operators 5% of the productive forest land.

Forest land accounts for 86% of Finland's land area. Finland's forests contain a total of 2 464 million cubic metres of wood. The annual growth rate of trees is 110 million cubic metres per year, which is higher than the removal rate for all tree species. Forestry plays an important role in Finland's economy. The forestry sector in Finland directly employs around 65 000 people, and 20% of Finland's export earnings come from the forestry industry.

Altogether 87% of forest industry raw materials comes from Finnish forests, while 13% is imported from abroad. In recent years, the forestry industry has invested significantly in Finland, and therefore it is important to secure access to raw materials and good forest growth. Forests are also a major carbon sink.

Under section 5a of the Finnish Forest Act (1093/1996), the renewal of a forest must be ensured after regeneration cutting Finnish forestry has been based on this idea for over a century. Regeneration may be done through farming or natural regeneration. About 120 000 hectares of forest are regenerated each year, mostly by planting or seeding. Forest owners' access to forest reproductive material must be ensured, so that they can fulfil their legal obligation to regenerate forests. It is possible to affect the yield of a new forest easily and durably by selecting the right crop material. The high durability, quality and yield of bred seeds, i.e. seeds from seed-producing crops, and of seedlings grown from them provide added value both to the forest owner and to the entire forest industry during the rotation period.

Forest tree breeding has been practised in Finland since the 1940s. The Natural Resources Institute Finland (Luonnonvarakeskus) operates under the Ministry of Agriculture and Forestry and is responsible for forest tree breeding as a social service, i.e. a public authority activity, serving forest owners, producers of bred seeds and forestry as a whole. Forest tree breeding is carried out in accordance with the Metsänjalostus 2050 programme for long-term forest tree breeding (Metla Work Report No 71). The breeding programme lays down ways of ensuring that breeding benefits are accumulated and the rich natural genetic variation of

forest trees is preserved from one generations of trees to the next. Trees that are bred in Finland include pine, spruce and white birch, aspen, common alder and Siberian larch.

At present, forest breeding is only possible by establishing seed orchards. In the future, it might be possible to produce part of the spruce seedlings using the vegetative method. However, it will not replace the need for seed orchards in the coming decades.

Forest tree seedling production requires seeds of exceptional quality in terms of their germination and other characteristics. Tree nurseries have developed their activities so as to enable mechanical single-seed sowing. The high germination rate and even quality of seeds from orchards make it possible to use cost-efficient production methods in nurseries. With the exception of the northernmost parts of Finland, all seeds to be sown in nurseries in future should ideally be produced in seed orchards. Likewise the aim is also for most of the seeds to be sown in forests in Southern and Central Finland to be produced in seed orchards.

Most of the seeds used in Finland, and consequently the seedlings grown from them, are of Finnish origin. In 2016, nurseries produced a total of more than 158 million forest tree seedlings for the domestic market. The corresponding figure in 2019 was 174 million plants. In 2016 nurseries sowed 895 kg of spruce seeds, 438 kg of pine seeds and 21 kg of birch seeds. In addition, more than 4 000 kg of pine seeds were sown in forests. For climatic reasons, only seeds and seedlings of Swedish and Baltic origin can be used in Finland, in addition to those of Finnish origin. For example, material of central European origin does not thrive in Finland's northern conditions. There is relatively little trade in seeds and seedlings of foreign origin in Finland. In 2016 most seedling imports - about 4 million - came from Sweden. A few tens of thousands of seedlings were imported from Estonia and Latvia. About 39 kg of seeds were imported from Sweden. The import of seeds and seedlings always entails a phytosanitary risk.

As an independent business, seed growing in Finland has been found to be very risky (Ahtikoski, A. 2000 and 2010). This is reflected in the large variations in the internal rate of return within a range considered relevant by forest breeding experts. The investments at the start-up stage are significant, and it takes about 12 years for pine and about 18 years for spruce before revenue can be expected from the sale of seeds. Besides, there is significant annual variation in seed crop yields as a result, among other things, of Finland's harsh northern weather conditions. This means it is a high-risk, long-term activity that ties down capital. Consequently it cannot be carried out on market terms, nor has there been any desire to do so in Finland. It is not possible to pass all the production costs of bred seeds on in the sales price, as this would lift the price excessively. This in turn would make forest owners switch to unbred seed from forest stands, which does not have similar favourable characteristics relating to growth, quality and adaptation to climate change. In addition, seeds from stands might not be suitable for single-seed sowing in nurseries. In other words, in the conditions prevailing in Finland, the only incentive for pursuing seed growing is sufficient State aid enabling good commercial performance. Without aid, not enough seed orchards would be established in Finland to cover the need for forest tree seeds.

The operating environment in Finland is fundamentally different from that in Sweden, for example, where large landowners, among others, have established seed orchards (Rosvall et al. 2011). They themselves enjoy the benefits of breeding, as they grow the seeds on their own land. In Finland, on the other hand, these benefits do not go to the undertakings growing seeds but to a large number of mostly small private forest owners.

From the European Union's perspective on State aid, seed growing and the related marketing and sale of seeds are economic activities. An economic activity is defined broadly in the case-law of the Court of Justice as covering the supply of goods and services on the market in any form of organisation or financing. The activity covered by this SGEI scheme consists of the production of bred forest-tree seeds that, after collection and treatment, are sold to forestry operators, i.e. mainly forest nurseries, forest management associations and other forest service undertakings, and from there to forest owners.

The establishment of seed orchards and the grant provided for it are subject to the Commission's SGEI Decision (2012/21/EU). That Commission Decision applies in the case of compensation of up to EUR 15 million per year for the provision of SGEIs in sectors other than transport and infrastructure. Support for the establishment of seed orchards varies yearly, but the annual compensation is well below EUR 15 million; EUR 440 000 was earmarked for these activities in the 2018 and 2019 State budget.

Explanation of the (typical) **forms of entrustment**. If standardised templates for entrustments are used for a certain sector, please attach them.

The entrustment was notified by Ministry of Agriculture and Forestry Decision No 1877/04.04.02.00/2017 (enclosed). It contains the actual decision on issuing the service obligation and on its duration, as well as the conditions for providing the service. The Decision also includes information on the remuneration for the provision of the SGEI as well as on monitoring and reporting.

Average duration of the entrustment (in years) and the **proportion of entrustments that are longer than 10 years** (in %) per sector. Specify in which sectors SGEI were entrusted with a duration exceeding 10 years and explain how this duration is justified?

The duration of the entrustment is five years (1 January 2018 to 31 December 2022).

Explanation whether (typically) **exclusive or special rights** are assigned to the undertakings.

The SGEI provider has not been granted an exclusive or special right to establish seed orchards.

Which **aid instruments** have been used (direct subsidies, guarantees, etc.)?

In accordance with the application, aid is granted as a direct subsidy under the SGEI scheme for the establishment of seed orchards.

Typical **compensation mechanism** as regards the respective services and whether a methodology based on cost allocation or the net avoided cost methodology is used.

In order to determine the level of compensation, the commercial viability of establishing seed orchards has been analysed separately. The analysis showed that this activity involves a very high uncontrolled risk because of fluctuations in biological factors and costs. There must be sufficient State aid for seed growing that enables good commercial performance. The commercial viability analysis has been published in the memo of the working group in charge of assessing the need for forest-tree seeds (working group memo of the Ministry of Agriculture and Forestry 2011:6). In the analysis, the viability of new seed orchards to be established for pine, spruce and white birch was assessed by examining seed growing as a business separate from other breeding and processing (Luenberger 1995, Salvatore 2009). An internal rate of return has been determined for this business, in other words the calculation shows the calculation rate where the present value of revenue from seed growing is equal to the present value of the costs of seed growing (Kuuluvainen & Valsta 2009). This calculation rate is determined separately for the different levels of

State aid. The results show quite clearly that seed growing as an independent form of business is highly risky. This is reflected in the large variations in the internal rate of return within a range considered relevant by forest breeding experts.

The level of risk is further increased by the fact that when seed orchards are established, it is not possible to know precisely when the orchards will start producing crops and thereby revenue. The unproductive juvenile phase following establishment lasts for 12 to 18 years, depending on the tree species. During this time the service provider manages the seed orchards at his own expense, without aid and without an SGEI obligation. Moreover, it is not possible to know exactly how much seed the orchard will produce during its life cycle.

On the basis of the commercial viability assessment, the Ministry of Agriculture and Forestry has considered that a compensation level of 75% to 85% of the establishment costs is appropriate, depending on the tree species. At these levels of aid, operations remain profitable for the service provider without the amount of compensation exceeding the amount necessary to cover the net costs incurred in discharging the public service obligations, including a reasonable profit.

Typical arrangements for avoiding and repaying any overcompensation.

According to the Decision, the compensation may not exceed what is necessary to cover the costs incurred in discharging the public service obligations; The Ministry also monitors that the service obligation is not over-compensated. As regards the establishment of forest-tree seed orchards, only the costs of the establishment work are reimbursed, and only in part. This work includes, among other things, restoration of the land to be used for the seed orchard (e.g. land clearing, drainage), the production of grafts, planting and initial management, as well as protection against possible damage. However, costs relating to the purchase of land are not considered establishment costs. The purchase of land is an important investment for the operator. The amount of the compensation will therefore never exceed the costs of seed growing. The SGEI provider will not earn revenue from the orchard he has established until 12 to 18 years after its establishment. The service provider does not receive any aid during the juvenile phase.

The Ministry monitors annually the fulfilment of the service obligation and the use of the compensation paid for it in the form of State aid. The SGEI provider must submit an annual report to the Ministry on the progress of the establishment of the orchards and the use of the subsidy. The Ministry also has the right to ask the SGEI provider to provide annual data on the seed orchards covered by the service obligation, including the quantities of seeds collected in the orchards, the quantities of seeds marketed and the sales prices of the seeds. If an SGEI provider starts overpricing the seeds, the Ministry may adjust the compensation for fulfilling the service obligation accordingly or recover compensation already paid.

The conditions for monitoring the use of State aid paid for fulfilling a service obligation, suspending payment and recovery are detailed annually in the aid decision.

A short explanation of how **the transparency requirements** (see Article 7 of the 2012 SGEI Decision) for the aid above EUR 15 million to undertakings that also have activities outside the scope of the SGEI are being complied with. In your answer, please also include some relevant examples of information published for this purpose (e.g. some links to websites or other references), indicate whether you have a central website on which you publish this information for all aid measures concerned in your Member State (and if so provide the link to this website), or alternatively explain if and how the publication takes place at the level granting the aid (e.g. central, regional or local level).

This SGEI scheme is not subject to the transparency requirement. However, aid decisions are public and available upon request.

Amount of aid granted

Total amount of aid granted (in millions EUR). This includes all aid granted in your territory, including aid granted by regional and local authorities. **(A+B+C)**

Amount of aid granted	
Total amount of aid granted (in millions EUR). This includes all aid granted in your territory, including aid granted by regional and local authorities. (A+B+C)	
2018	2019
0.4 million EUR The aid has been granted in the form of a direct grant following an application.	0.38 million EUR The aid has been granted in the form of a direct grant following an application.
A: Total amount of aid granted (in millions EUR) paid by national central authorities	
2018	2019
0.4 million EUR	0.38 million EUR
B: Total amount of aid granted (EUR million) paid by regional authorities	
2018	2019
C: Total amount of aid granted (EUR million) paid by local authorities	
2018	2019
Share of expenditure per aid instrument (direct subsidy, guarantees etc.)(if available)	
2018	2019
Additional quantitative information (e.g. number of beneficiaries per sector, average aid amount, size of the undertakings)	
2018	2019
The beneficiary is one SME. The average aid is 0.39 million EUR per year.	The beneficiary is one SME. The average aid is 0.39 million EUR per year.

8) General support services for victims of crime

Section (for example 1 - hospitals or 2b - childcare)

5 g) other sectors

Clear and comprehensive description of how the respective services are organised in your Member State

Explanation of what kind of services in the respective sector have been defined as SGEI in your Member State. Please list **the contents of the services entrusted as SGEI** as clearly as possible.

The content of the services and the obligation to provide them are specified in the Ministry of Justice's decision on the entrustment. The services consist of general victim support services for victims of crime and their family members pursuant to Article 8(1) and 9(1) of Directive 2012/29/EU of the European Parliament and of the Council establishing minimum standards on the rights, support and protection of victims of crime ('the Victims Directive').

The victim support services must provide, as a minimum:

- a) information, advice and support relevant to the rights of victims including on accessing national compensation schemes for criminal injuries, and on their role in criminal proceedings including preparation for attendance at the trial;
- b) information about or direct referral to any relevant specialist support services in place;
- c) emotional and, where available, psychological support;
- d) advice relating to financial and practical issues arising from the crime;
- e) unless otherwise provided by other public or private services, advice relating to the risk and prevention of secondary and repeat victimisation, of intimidation and of retaliation.

The general victim support services aimed at all crime victims must act in the interests of the victims, be free of charge, confidential and accessible, in accordance with the victims' needs, before, during and for an appropriate time after criminal proceedings. Family members must have the opportunity to access victim support services in accordance with their needs and the degree of harm suffered as a result of the criminal offence committed against the victim.

Services shall be provided on an equal basis, in a non-discriminatory manner and in accordance with the victims' individual needs. The services must be available in both of Finland's official languages, Finnish and Swedish. Access to victim support services should not be dependent on the formal complaint of a victim (Article 8(5)). The objectives (Article 1), the definitions (Article 2) and cooperation and coordination of services (Article 26) of the Victims Directive must be taken into account when fulfilling the obligation.

The service obligation does not cover forms of support for witnesses and specific groups, as such support does not belong to general support services under the Victims Directive.

Advocacy that promotes the victims' interests, such as training, the production of material and communications may be considered an activity closely linked to the provision of support services.

Explanation of the (typical) **forms of entrustment**. If standardised templates for entrustments are used for a certain sector, please attach them.

The entrustment was notified on 21 December 2017 by decision of the Ministry of Justice.

Average duration of the entrustment (in years) and the **proportion of entrustments that are longer than 10 years** (in %) per sector. Specify in which sectors SGEI were entrusted with a duration exceeding 10 years and explain how this duration is justified?

The duration of the entrustment is 10 years (2018-27).

Explanation whether (typically) **exclusive or special rights** are assigned to the undertakings.

This is the first time that the production and supply of these support services are entrusted as SGEI. Performance of the service obligation has been entrusted to a non-governmental organisation (NGO).

Which **aid instruments** have been used (direct subsidies, guarantees, etc.)?

State aid.

Typical **compensation mechanism** as regards the respective services and whether a methodology based on cost allocation or the net avoided cost methodology is used.

As referred to in the entrustment decision, the compensation is granted as State aid for the activities of Victim Support Finland (Rikosuhripäivystys) and it is subject to the Act on Discretionary Government Transfers (688/2001). In order for the compensation to be paid, an application must be submitted annually to the Ministry of Justice, indicating the amount of subsidy requested for performing the service obligation and the corresponding action plan. The amount of compensation, the payment date and the conditions relating to the use of State aid are specified each year in a discretionary Government transfer decision based on the budget approved by Parliament. The overall level of compensation will depend on Parliament's budget decision. When determining the level of compensation, account is taken of indicators reflecting the costs of organising high-quality support services, such as the number of service points, person-years and volunteers. In addition, attention is paid to key indicators related to the use of the service, such as the number of customers (victims and their family members) being counselled by a support person and of customers using national telephone, online and mobile services.

The entrustment decision presents the parameters for calculating, monitoring and reviewing the compensation. The calculation and content of the compensation follow the principles set out in Article 5 of the Commission Decision (2012/21/EU). The Ministry of Justice pays compensation for discharging the service obligation covering the full net costs of providing the service. The compensation must not exceed what is necessary to cover the costs incurred in discharging the service obligations.

Typical **arrangements for avoiding and repaying any overcompensation**.

The entrustment decision lays down arrangements for avoiding and repaying any overcompensation. Costs must be calculated on the basis of the general accounting principles, having regard to the factors referred to in Article 5 of the Commission Decision (2012/21/EU). Article 6 of the Decision provides for the monitoring of overcompensation. The Act on Discretionary Government Transfers (688/2001) applies to the use, monitoring, repayment and recovery of State aid.

Only costs relating to the provision of the service obligation may be taken into account. Any revenue earned by the service provider for providing the service must be deducted from the costs. For the service obligation, it is necessary to have separate accounts if the service provider has activities other than those specified in the obligation. In that case, a distinction and separation must be made between the expenditure incurred and revenue earned from the provision of services under the service obligation and

the provision of other services. All the variable costs associated with providing the service as well as a proportional share of the fixed costs common to the service under the service obligation and other activities may be considered as the costs of the service obligation.

The recipient of the compensation (MIELI Mental Health Finland, formerly The Finnish Association for Mental Health) must submit an annual report to the Ministry of Justice on how it has fulfilled the service obligation and used the subsidy. Any overcompensation must be repaid to the Ministry of Justice, if the annual statement of accounts shows that the compensation paid exceeds the annual costs incurred in providing the service. Where the overcompensation does not exceed 10% of the annual amount of the compensation, it may be carried over to the following year and deducted from the amount of the compensation for that year. Guidelines on the repayment of compensation are included in the discretionary Government transfer decision concerning the service obligation.

The Ministry of Justice monitors the use of State aid in its capacity as the authority responsible for State aid. In order to avoid overcompensation, the necessary interim checks are carried out every three years during and after the end of the entrustment. The Ministry of Justice is entitled to audit the beneficiary's activities to the extent necessary to verify that the subsidy is being used correctly and adequately and to obtain from the beneficiary the documents and other material necessary for such verification. The beneficiary is obliged to assist with the audit also in other respects.

In order to monitor State aid and prevent the payment of overcompensation, the Ministry of Justice will carry out i an interim audit in 2020 of the beneficiary's activities under the public service obligation relating to the first entrustment. The purpose is to ensure that State aid is being used according to the discretionary Government transfer decision by auditing the beneficiary's activities and the expenditure devoted to the various projects and recorded in the accounts. In addition, the audit will examine the beneficiary's financial management processes and administration and identify any potential risks.

A short explanation of how **the transparency requirements** (see Article 7 of the 2012 SGEI Decision) for the aid above EUR 15 million to undertakings that also have activities outside the scope of the SGEI are being complied with. In your answer, please also include some relevant examples of information published for this purpose (e.g. some links to websites or other references), indicate whether you have a central website on which you publish this information for all aid measures concerned in your Member State (and if so provide the link to this website), or alternatively explain if and how the publication takes place at the level granting the aid (e.g. central, regional or local level).

Amount of aid granted

Total amount of aid granted (in millions EUR). This includes all aid granted in your territory, including aid granted by regional and local authorities. **(A+B+C)**

2018	2019
Total compensation granted on the basis of the SGEI Decision 3.950 million EUR	Total compensation granted on the basis of the SGEI Decision 4.072 million EUR

A: Total amount of aid granted (in millions EUR) paid by national central authorities

2018	2019

B: Total amount of aid granted (EUR million) paid by regional authorities

2018	2019

C: Total amount of aid granted (EUR million) paid by local authorities

2018	2019
Share of expenditure per aid instrument (direct subsidy, guarantees etc.)(if available)	
2018	2019
Additional quantitative information (e.g. number of beneficiaries per sector, average aid amount, size of the undertakings)	
2018	2019

COMPLAINTS BY THIRD PARTIES

There have been no major complaints by third parties in Finland during the reporting period.

OTHER ISSUES

While it is possible to carry out overcompensation checks on the establishment of forest-tree seed orchards, it will take a long time before the actual expenditure relating to the sales and processing of seeds and the actual sales revenue is known. For now, this expenditure and revenue must be estimated and discounted to the present day.

Concerning the general support services for crime victims, it was difficult to draw up an entrustment decision under Article 4 for the production and supply of general victim support services under the Victims Directive. No suitable template existed. Defining precise parameters for calculating, monitoring and reviewing the compensation was considered impossible as regards the services, and therefore the parameters are described rather broadly in the entrustment decision. It was also necessary to keep in mind the possible impact of Parliament's budget decision on the compensation level (State aid budget line).

Decision In your Member State		Total amount for whole Member State	
		2018	2019
	Hospitals providing medical care, including, where applicable emergency services		
	Healthcare and long-term care		
	Care, children		
	Access and reintegration into the labour market		
	Access and reintegration into the labour market		
	Social housing	€ 105 841 000.00	€ 117 1
	Care and social inclusion of vulnerable groups		
	Other social services		
	Air or maritime links	€ 1 031 912.00	€ 1 0
	Airports and ports		
), less than EUR 15 ar	Postal services		
	Energy		
	Waste collection		
	Water supply		
	Culture	€ 1 597 953.00	€ 2 9
	Financial services		
	Other	€ 7 828 170.00	€ 8 4

SGEI Framework in your Member State	Total amount for whole Member State	
	2018	2019
Postal services		
Energy		
Waste collection		
Water supply		
Air or maritime links		
Airports and ports		
Culture		
Financial services		
Other		

Electronic signature of a document

Case:

Ref. VN/13239/2020

VN; Country report under the Commission's SGEI Decision for the period 2018-2019

Document:

VN/13239/2020-TEM-17

SGEI Cover Note for the Commission 2018-2019

Signatures:

Signed by	Date of signature	Certificate issued by
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Åland

1) Social housing

Section (for example 1, hospitals or 2b, childcare)
2(d) Social housing
Clear and comprehensive description of how the respective services are organised in your Member State
Explanation of what kind of services in the respective sector have been defined as SGEI in your Member State. Please list the contents of the services entrusted as SGEI as clearly as possible.
<p>The Provincial Government grants aid for the construction of rental housing and for maintaining the acceptable standard of these properties. Through the support scheme, it also grants interest rate support for loans granted by credit institutions and a guarantee from the province as partial security for the loan.</p> <p>The support is granted against a commitment to keep the properties as rental housing for a long period – between 10 and 45 years depending on the form of support. The Provincial Government grants aid for new construction in areas where it is required and where there is a need for housing for the most vulnerable groups on the housing market.</p> <p>The Provincial Government's interest rate support is designed to provide borrowers with stable cost developments for the capital and thus to enable them to maintain the charges to the tenants at a stable level.</p> <p>If a service provider breaches the terms of the support, it is obliged to repay the support received, with interest, for the entire funding period.</p>
Explanation of the (typical) forms of entrustment . If standardised templates for entrustments are used for a certain sector, please attach them.
<p>The service is entrusted on application and by decision of the Provincial Government. The service providers that receive support may be natural or legal persons whose place of origin is a municipality in Åland. The forms of support used in the period 2016-17 are listed under the question 'Which aid instruments have been used (direct subsidies, guarantees, etc.)?' below.</p> <p>The services are regulated in accordance with the following acts and decisions:</p> <ul style="list-style-type: none">- Act of Åland (1999:40) on housing production- Act of Åland (1982:14) on support for housing production- Act of Åland (1982:13) on support for housing improvements

<ul style="list-style-type: none"> - Decision of the Åland Provincial Government (17 January 2002) on rules for approving mortgages for rental housing, and corresponding older rules. - Decision of the Åland Provincial Government (7 July 2008) on mortgages for rental housing - Decision of the Åland Provincial Government (8 July 2019) on mortgage guarantees - Decision of the Åland Provincial Government (16 October 2018) on interest rate support for the production of rental housing, and corresponding older rules.
<p>Average duration of the entrustment (in years) and the proportion (as a%) of entrustments that are longer than 10 years per sector. Specify in which sectors SGEI were entrusted with a duration exceeding 10 years and explain how this duration is justified.</p>
<p>The support is granted against a commitment to keep the properties as rental housing for a long period – between 10 and 45 years depending on the form of support. In the period 2018-19, the duration of the support was longer than 10 years.</p>
<p>Explanation as to whether (typically) exclusive or special rights are assigned to the undertakings.</p>
<p>No special rights are assigned apart from the possibility for beneficiaries in areas with a weak housing market to postpone payment of loan instalments, or in exceptional cases to capitalise the interest on the loan.</p>
<p>Which aid instruments have been used (direct subsidies, guarantees, etc.)?</p>
<p>Aid is primarily granted for investments in real estate. The aid is granted/has been granted under four support schemes:</p> <ol style="list-style-type: none"> 1. Mortgages for the production of rental housing (no longer granted) 2. Interest rate support for the production of rental housing 3. Guarantees for the production of new rental housing 4. Support for owners of property with rental housing mortgages who are in financial difficulties <p>1. <u>Mortgages for the production of rental housing</u></p> <p>The mortgages have been granted for the production of rental housing regardless of the principal's legal form. The properties are rented to the public with priority given to vulnerable groups on the housing market. The mortgages have been granted with a term of 35-45 years at lower interest rates than market rates. During the term of the loan, the principal is obliged to keep the properties as rental housing. Rents are regulated at a level that corresponds to cost price, which includes operating costs, equity costs and a reasonable return on equity. The rents are decided by the Provincial Government following an application by the property owner. The properties' design and rents are subject to approval</p>

by the Provincial Government. The rental housing is allocated in order of priority, with an assessment of the applicants' housing need. The most important target groups are vulnerable groups on the housing market such as the homeless, disabled, recent immigrants, families with children and the elderly. Only once the needs of these groups have been met are the properties rented out to the general population. The last mortgage was granted in 2012.

2. Interest rate support for the production of rental housing

Interest rate support can be granted on the same basis as the mortgages under point 1 and has the same conditions as the mortgages issued after 2002. The interest rate support runs for a term of 35 years if granted prior to 2009 and 10–30 years if granted from 2009 onwards. Interest rate support loans can be granted regardless of the principal's legal form. During the term of the loan, the principal is obliged to keep the properties as rental housing.

3. Guarantees for the production of new rental housing

Guarantees have been given for loans granted interest rate support (see point 2) for the production of rental housing. Guarantees are granted on 20-50% of the production value, with the lowest percentage in Mariehamn and the highest percentage in the archipelago municipalities. The security for the guarantee is a second charge mortgage on the property, but within 95% of the market value. A one-off fee is charged for the guarantee, amounting to a maximum of 1.0% of the guarantee amount.

Guarantees for construction in the archipelago do not incur a fee.

4. Support for owners of property with rental housing mortgages who are in financial difficulties

This form of support is used to a very limited extent and the amounts are low. The support that has been granted has targeted service providers for housing on very weak housing markets in the archipelago. The housing market is weak in the sense that the demand for rental housing varies greatly over time and the range of rental properties available is small and essentially limited to those undertakings that received mortgages from the Provincial Government before these stopped being granted in 2012. The undertakings that own the rental properties are also very small (owners of 5-10 homes) and thus very sensitive to changes in demand on the housing market.

Information on the typical **compensation mechanism** for the respective services. Please state also whether a cost allocation method or the net avoided cost method has been used.

The maximum amount permitted for an interest rate support loan is 90% of the total project cost. If the project cost is less than the original budget, the loan is reduced proportionately.

Rents are regulated at a level that corresponds to cost price, which includes operating costs, equity costs and a reasonable return on equity. Rent levels are initially set by the Provincial Government following an

<p>application by the property owner, and the owner is then free to raise the rents in line with the consumer price index. The interest rate support is paid out as half the interest, but so that the customer's interest rate is always above 2.0% and the Provincial Government's rate is no higher than 3.0%. In this way, the service provider can supply rental properties at lower rents for a long period of time. The support scheme is designed so that the service provider can supply rental housing to the most vulnerable people on the housing market for a reasonable rent over a long period of time. The support essentially constitutes the difference between the rent on an unregulated market and the rent of the subsidised housing. The funding does not therefore exceed what is required to cover the net costs in order to meet the obligation to supply rental housing at lower rents than on the free market.</p>	
<p>Typical arrangements for avoiding and repaying any overcompensation.</p>	
<p>The granting of support and its amount are regulated in law and subsidiary rules and handled by a single authority, which means that, in practice, excessive support or overcompensation cannot occur. Channelling all public support through one authority avoids the possibility of cross-subsidisation. The interest rate support is linked to the actual interest rate and to the credit balance, which means that the risk of overcompensation is extremely low.</p>	
<p>A short explanation of how the transparency requirements (see Article 7 of the 2012 SGEI Decision) for the aid above EUR 15 million to undertakings that also have activities outside the scope of the SGEI are being complied with. In your answer, please also include some relevant examples of information published for this purpose (e.g. some links to websites or other references), indicate whether you have a central website on which you publish this information for all aid measures concerned in your Member State (and if so provide the link to this website), or alternatively explain if and how publication takes place at the level granting the aid (e.g. central, regional or local level).</p>	
<p>The forms of support that are available for social housing cannot exceed EUR 15 million under current legislation and conditions.</p>	
<p>Amount of aid granted</p>	
<p>Total amount of aid granted (in millions EUR). This includes all aid granted in your territory, including aid granted by regional and local authorities. (A+B+C)</p>	
2018	2019
i) Interest rate support loans EUR 2.7 million	i) Interest rate support loans EUR 1.2 million
ii) Provincial Government guarantees EUR 0.5 million	ii) Provincial Government guarantees EUR 0.27 million

iii) New homes 14 units	iii) New homes 12 units
iv) New properties 1 unit	iv) New properties 1 unit
v) Support (EUR 1 000) for undertakings with mortgages on rental properties that are in particular financial difficulties EUR 0	v) Support (EUR 1 000) for undertakings with mortgages on rental properties that are in particular financial difficulties EUR 0
vi) Interest rate support paid out (EUR 1 000) in the course of the year (including interest rate support for older interest rate support loans, see below) 41.0	vi) Interest rate support paid out (EUR 1 000) in the course of the year (including interest rate support for older interest rate support loans, see below) 5.0
	vii) Current loans (1 June 2020) - Provincial Government loans EUR 43.3 million - Interest rate support loans EUR 55.0 million

2) Air or maritime links to islands (Article 2(1)(d))

Section (for example 1, hospitals or 2b, childcare)
3) Air or maritime links to islands with average annual traffic not exceeding the limit set in Article 2(1)(d)
Clear and comprehensive description of how the respective services are organised in your Member State
Explanation of what kind of services in the respective sector have been defined as SGEI in your Member State. Please list the contents of the services entrusted as SGEI as clearly as possible.
<p>Air services</p> <p>The Provincial Government maintains air services on the route Mariehamn (MHQ)–Stockholm/Arlanda (ARN) in accordance with its public service obligations.</p> <p>Ferry services</p> <p>The Provincial Government maintains services on certain routes in the Åland archipelago. Free-moving ferry services are entirely provided by private contractors, which maintain services in accordance with a timetable set by the Provincial Government.</p> <p>Four ferry routes out of a total of six are operated by the Provincial Government itself; the rest are privately operated. The busiest ferry route has an annual timetable, one of the less used routes has a</p>

summer timetable, and the remaining routes are operated as needed, without a timetable.
Explanation of the (typical) forms of entrustment . If standardised templates for entrustments are used for a certain sector, please attach them.
Air and ferry services Public procurement, open tender.
Explanation of the (typical) duration of the entrustment and the range of durations of the entrustments. Please also specify the proportion of entrustments that are longer than 10 years.
Four (4) years. No entrustments are longer than ten (10) years.
Explanation as to whether (typically) exclusive or special rights are assigned to the undertakings.
The Åland Provincial Government limits access to the Mariehamn–Arlanda route to a single airline. As NextJet AB went bankrupt in 2018, the service was first operated by the Danish airline DAT and until the end of the contractual period it is operated by Air Large European Aviation Project Ab ‘Air Leap’ for the four (4) year tender (contractual period 2016-2020).
Which aid instruments have been used (direct subsidies, guarantees, etc.)?
Explanation of the (typical) compensation mechanism as regards the respective services, including the aid instrument (direct subsidy, guarantee, etc.) used. Please state also whether a cost allocation method or the net avoided cost method has been used.
Monthly compensation in accordance with a contract.
Explanation of the (typical) arrangements for avoiding and repaying any overcompensation.
Comparison with market prices for equivalent routes, if such exist. Follow-up of the contract and invoicing of the airline. The air services contract contains a clause limiting overcompensation if the passenger volume exceeds a certain number of passengers.
A short explanation of how the transparency requirements (see Article 7 of the 2012 SGEI Decision) for the aid above 15 million euro to undertakings that also have activities outside the scope of the SGEI are being complied with. In your answer please also include some relevant examples of information published for this purpose (e.g. some links to websites or other references), indicate whether you have a central website on which you publish this information for all aid measures concerned in your Member State (and if so provide the link to this website), or alternatively explain if and how the publication takes place at the level granting the aid (e.g. central, regional or local level).

Amount of aid granted	
Total amount of aid granted. This includes all aid paid in your territory, including aid paid by regional and local authorities.	
2018	2019
Air services (agreed monthly payment) 2018 (12 months) EUR 1 031 912 Ferry services The compensation paid in accordance with the contract is not regarded as aid.	Air services (agreed monthly payment) 2019 (12 months) EUR 1 035 748 Ferry services The compensation paid in accordance with the contract is not regarded as aid.

1. DIFFICULTIES WITH THE APPLICATION OF THE SGEI DECISION OR SGEI FRAMEWORK (ÅLAND)

Bankruptcy of NextJet AB in mid-May 2018. Air services were re-introduced between Mariehamn and Stockholm (Arlanda) only after an interruption of around two weeks without any problems or other difficulties. Cooperation between the airlines and the official receiver worked well. An external party submitted a complaint regarding how the transfer of the contract was handled, but the Supreme Administrative Court has not yet ruled on the matter.

2. INTERESTED PARTIES' COMMENTS (ÅLAND)

Cooperation was smooth until the bankruptcy of NextJet AB on 16 May 2018. The airline's financial difficulties were already well-known in 2017, and were solved temporarily by the issue of new share rights. Initially and from around two weeks after the bankruptcy, DAT (Danish Air Transport AS) operated air services between Mariehamn and Stockholm (Arlanda), with Air Large European Aviation Project Ab 'Air Leap' taking over from 24 October 2018.

3. OTHER (ÅLAND)

The air services contract, with the renewed services obligation, entered into force on 1 March 2016 and expires on 29 February 2020. Any new contract concluded after that will require, in addition to a political decision by the Provincial Government, a renewal of the service obligation.

In 2017 NextJet Ab succeeded in increasing the number of passengers on the MHQ-ARN route by 14% compared to 2016, while its successors DAT and Air Leap transported significantly fewer passengers on

the route in 2018, mainly due to the bankruptcy. There has since been some increase in air services, but nowhere near the 2017 passenger numbers.