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Regional Development Act (602/2002)

Chapter 1 General provisions

Section 1 Purpose

- (1) The purpose of this Act is to create the preconditions for economic growth, industrial and business development, and a higher employment rate, that will guarantee regional competitiveness and well-being on a basis of competence and sustainable development. Further purposes are to reduce differences between regions in level of development, improve their people's living conditions, and promote balanced development among the regions.
- In achieving the purposes of the Act, attention shall be paid to regions' varying potential and need to develop their population, business and industry, and the regional structure. The objectives of the European Community's regional and structural policies shall also be taken into account.

Section 2 Scope of application

(1) This Act applies to development of the regions, the preparation and implementation of plans and programmes concerning regional development, and the coordination and monitoring of these plans and programmes. What is provided in the Act on the National Management of Structural Fund Programmes (1353/1999), hereinafter '*Structural Fund Act*', applies to the implementation of programmes co-financed from Structural Funds of the European Community and the management of corresponding national co-financing.

- (2) This Act applies when support is granted from a State appropriation in the Budget for projects related to regional development within the Ministry of the Interior's administrative sector. The Act also applies to support granted from European Community Structural Fund resources and corresponding national State funds, subject to the provisions of European Community law.
- (3) In the Ministry of the Interior's administrative sector, this Act also applies to support granted for use in projects related to regional development outside Finland.

Definitions

For the purposes of this Act:

1) *region* means the areas of a region as specified in the Division into Regions Act (1159/1997) or the areas of operation of State regional government authorities;

2) *regional Structural Fund programmes* means programmes related to European Community Structural Funds Objectives 1 and 2, Interreg and Urban Community Initiative programmes, and European Regional Development Fund programmes related to innovative actions and technical assistance measures;

3) *Structural Fund resources* means Structural Fund resources granted to Finland from the budget of the European Communities by the Commission of the European Communities;

4) *national public financial contribution* means the financial contribution made by the State, municipalities and other public entities corresponding to Structural Fund resources.

Section 4

Responsibility for regional development

- (1) The municipalities and the State are responsible for regional development as provided in this Act.
- (2) The Regional Council in each region is the regional development authority responsible for the management of functions related to regional

development. Regional Councils are joint municipal boards of which the municipalities in the region must be members.

Section 5 Planning regional development

- (1) A regional plan is drawn up by each Regional Council to indicate the desired regional development in the region. A regional strategic programme is drawn up for the future development of the region, outlining the aims of regional development. Regional Structural Fund programmes of the European Community are also drawn up for development of the regions.
- The competent ministry specifies the aims and measures of regional development for its administrative sector as part of its planning for that sector. The Government decides on national regional development targets. Special programmes can be drawn up for the attainment of these targets.
- (3) Implementation of the programmes referred to in subsections (1) and (2) above can be financed within appropriations indicated and authorizations granted for the purpose in the Budget.

Chapter 2 Authorities

Section 6 Functions of the Ministry of the Interior

(1) The Ministry of the Interior is responsible for the formulation of national targets for regional development in cooperation with other ministries and the Regional Councils. In addition, the Ministry of the Interior is responsible for coordinating, monitoring and evaluating the preparation and implementation of regional strategic programmes and other programmes in accordance with this Act, in cooperation with other ministries and the Regional Councils, taking note of the provisions of section 18.

- The Ministry of the Interior functions as the State aid authority referred to in the Act on Discretionary Government Transfers (688/2001) when granting the support referred to in Chapter 4.
- (3) If necessary, the Ministry of the Interior will provide the Regional Councils with instructions on the preparation of regional strategic programmes and other programmes in accordance with this Act, and on the grant, payment and supervision of support.

Section 7 Functions of Regional Councils

(1) Regional Councils:

1) are responsible for general development in their region, working in cooperation with State authorities;

2) are responsible for drawing up and approving the regional strategic programme forming part of regional planning;

3) draw up an annual regional strategic programme implementation plan based on the regional strategic programme in cooperation with the State authorities, municipalities and other parties involved in financing the regional strategic programmes, and themselves approve the regional strategic programme implementation plan;

4) are responsible for drawing up programme proposals for the region regarding regional Structural Fund programmes;

5) promote subregional and other cooperation by the municipalities and cooperation between regions and with bodies under public and private law important in terms of regional development;

6) monitor development in the region and its parts;

7) manage international matters and contacts related to their functions; and

8) perform other duties laid down for them in this Act.

(2) Regional Councils act as the State aid authority referred to in the Act on Discretionary Government Transfers when granting the support referred to in Chapter 4.

Regional development in different administrative sectors

- (1) Ministries specified by Government decision define regional development targets and measures for a fixed period, together with the principles for regional targeting and financing of the measures, taking account of the regions' development targets. The financing is decided on annually as far as possible.
- (2) Further provisions may be issued by Government decree on the content and timetable of the planning referred to in subsection (1), and on the procedure to be observed in it.

Chapter 3

Programme work

Section 9

National regional development targets

- The Government decides on national regional development targets for a fixed period.
- (2) The Government can decide to have special programmes drawn up in order to achieve the targets referred to in subsection (1) above.
- In their operations, State authorities take account of national regional development targets, promote their achievement and evaluate the effects of the action they take in terms of regional development.

Section 10

Regional strategic programmes

(1) Each Regional Council draws up a fixed-term regional strategic programme. This shall include development targets based on the region's potential and needs, the most important projects in terms of regional development, and other essential measures to achieve the targets and finance the planned programme. In the Lapland Region, the regional strategic programme shall include a section on Sami culture.

- When regional strategic programmes are drawn up, attention shall be paid to the regional plan, national regional development targets, regional development planning in various administrative sectors, and the other programmes concerning the regions referred to in this Act.
- Regional strategic programmes shall be drawn up jointly by State authorities, municipalities, bodies and organizations involved in regional development, and other similar parties. In the Lapland Region, the section on Sami culture is drawn up by the Sami Parliament. Regional strategic programmes shall be drawn up for four years at a time based on the term of the municipal council. They shall be approved by the Regional Council's highest decision-making body. If necessary, regional strategic programmes can be revised.
- (4) State authorities shall take regional strategic programmes into account in their operations, promote their implementation and evaluate the effects of their action on regional development.
- (5) Further provisions may be issued by Government decree on the procedure and timetable to be complied with when regional strategic programmes are drawn up.

Regional strategic programme implementation plan

- (1) Programme implementation plans are prepared annually under the Regional Council. They include a proposal for the most important projects and other measures in terms of implementation of the regional strategic programme and special programmes, together with an estimate of how they will be financed. The plans are produced jointly by the State authorities, municipalities and other parties involved in financing the regional strategic programme.
- (2) Further provisions can be issued by Government decree on the procedure and timetable to be complied with when implementation plans are drawn up.

Functions of Regional Management Committees

The Regional Management Committees referred to in section 17 of the Structural Fund Act coordinate implementation and financing of the regional strategic programme and special programmes referred to in section 14 of this Act. Regional Management Committees deal with the implementation plan referred to in section 11 above. The plan shall be approved by the Regional Council and the relevant State authorities.

Section 13

Regional Structural Fund programmes of the European Community

- The Regional Councils are responsible for drawing up proposals for regional Structural Fund programmes concerning their areas which are to be financed out of European Community Structural Funds. The programme proposals should cover the matters laid down in European Community law concerning the Community's Structural Funds. Proposals concerning programmes shall be worked on jointly by State authorities, municipalities and the other bodies under public and private law involved in programme implementation.
- (2) The Ministry of the Interior shall draw up programme proposals for consideration by the Government based on the proposals referred to in subsection (1) jointly with other ministries, Regional Councils, and other bodies and organizations involved in implementing the programmes. The Government decides whether to put forward programme proposals other than those concerning innovative actions of the European Regional Development Fund of the European Community for approval by the Commission of the European Communities. In other respects, what is provided in European Community law applies to programme proposals.
- (3) The provisions on the drafting and approval of proposals for programmes shall, where applicable, be complied with when making changes to programmes. The decision to change a programme complement is made by the Government if the change concerns an addition to State financing or co-financing that corresponds to Structural Fund financing.

Special programmes

- (1) Fixed-term special programmes that are coordinated with regional strategic programmes can be drawn up in order to achieve national regional development targets. The programmes shall be approved by the Government. Proposals concerning programmes can be drawn up by municipalities or other bodies under public law, foundations under public law, or bodies or foundations under private law.
- The special programmes referred to in subsection (1) above are: the Regional Centre Programme, Rural Policy Programme, Centre of Expertise Programme and the Island Development Programme. Section 15 lays down provisions on the targets of these programmes.
- (3) Under section 9, the Government can also make decisions on special programmes other than those referred to in subsection (2).
- (4) Further provisions on the content of special programmes and the procedure to be observed in drawing them up and approving them can be issued by Government decree.

Section 15 Aims of special programmes

- (1) The aim of the Regional Centre Programme is to further the strengths and specializations of regional centres and cooperation between them so as to reinforce the network covering all the regions. Regional centres comprise functionally homogeneous urban regions in terms of commuting, housing, service provision and demand.
- (2) The aim of the Rural Policy Programme is to revitalize and diversify occupations and safeguard and develop services in rural areas by coordinating measures in various administrative sectors that affect them.

- (3) The aim of the Centre of Expertise Programme is to improve the preconditions for the establishment and development of internationally competitive business and research operations calling for a high level of expertise. The Programme supports regional specializations and divisions of labour between centres of expertise.
- (5) The Island Development Programme is implemented to achieve the purposes of the Island Development Act (494/1981) in the island areas referred to in section 3 of the Act.

Section 16 Programme agreements

- (1) Programme agreements can be drawn up in order to implement the programmes referred to in this Act. These can agree on how programme measures and projects will be carried out. Programme agreements are drawn up jointly by the municipalities, State authorities and legal persons involved in regional development which are co-financing the programme. Programme agreements are made for a fixed term.
- (2) Further provisions on the procedure to be followed when programme agreements are drawn up can be issued by Government decree.

Section 17

Management committees

- (1) Management committees can be set up to prepare, coordinate and evaluate the special programmes referred to in this Act. The members of the committees shall represent the ministries and legal persons of substantial importance for regional development. The chairs and other members of the committees are appointed by the Government.
- Members of management committees perform the functions referred to in subsection (1) above subject to public liability. In the performance of these functions, the provisions of the Administrative Procedure Act (598/1982), the Act on Notice in Administrative Matters (232/1966), the Delivery of Documents to Court Act (74/1954) and the Language Act (148/1922) apply to management committees. In addition, the

provisions of the Act on the Openness of Government Activities (621/1999) also apply regarding the openness of management committee documents and activities.

 (3) Further provisions on the composition, modes of operation and functions of management committees can be issued by Government decree.

Section 18 Programme evaluation and monitoring

- (1) When programmes in accordance with this Act are drawn up they shall be evaluated as separately provided concerning such evaluation.
- (2) During or at the end of a programme period external evaluators shall evaluate each programme as referred to in this Act at least once. Evaluation of regional strategic programmes is the responsibility of the Regional Councils, that of regional development targets in different administrative sectors the responsibility of the relevant ministry, and that of the special programmes referred to in section 14 the responsibility of the competent ministries. Separate provisions shall be issued on the programmes referred to in section 13 above.
- (3) The authorities financing regional strategy programmes shall supply the Regional Councils with all information on programme monitoring that is needed for monitoring programme outcomes. The ministries are responsible for monitoring achievement of the targets referred to in section 8. The competent ministries are responsible for monitoring achievement of the targets of the special programmes.
- (4) Further provisions can be issued by Government decree concerning the indicators and procedures to be used in evaluation and monitoring.

Chapter 4 Support granted in the Ministry of the Interior's administrative sector

Section 19

Development projects

For the purposes of this Act, 'development project' means a fixed-term project based on a plan, in which fixed assets may not account for more than half of the project's total eligible costs.

Section 20

Regional development funds and regional allocation of appropriations

- For the purposes of this Act, 'regional development funds' means solely national appropriations intended for regional development which are included in the Budget.
- (2) Appropriations for the forms of support referred to in this Act are included in the Budget annually. The Government decides on the regional allocation of these appropriations. What is separately provided shall also be complied with in the allocation of Structural Fund resources and corresponding State resources to regional Structural Fund programmes.

Section 21

Application of the Act on Discretionary Government Transfers

The provisions of the Act on Discretionary Government Transfers apply to the support referred to in this Act unless otherwise provided in what follows.

Section 22

Recipients of support

- (1) Support can be granted to legal persons in public and private law and to natural persons.
- (2) Support can be granted to more than one recipient on a joint basis.

Section 23

Use of support

- Support can be granted within appropriations in the Budget for regional development projects and projects to promote cooperation in business and industry policy between municipalities in a region (*regional development aid*) and for the procurement of fixed assets to develop the infrastructure (*infrastructure investment aid*).
- (2) Regional Councils can also use regional development aid for their own development projects.
- (3) The Ministry of the Interior can spend some of the appropriation for regional development aid on regional development projects of national importance or affecting more than one region.
- (4) Support cannot be used as general operating assistance. It is provided in the form of financial aid. Further provisions on the purposes to which such financial aid can be put shall be issued by Government decree.

Section 24 General preconditions for granting support

- (1) The general precondition for granting support is that it is justified in terms of the targets set for use of financial aid. When support is granted for a project within a regional Structural Fund programme, a further precondition for granting it is that the project is in accordance with European Community law and the programme concerned.
- (2) The general precondition for granting support under the Interreg or Urban Community Initiative programme or the European Regional Development Fund programme of innovative actions, in addition to what is provided in subsection (1), is that the management committee set up to implement the programme has recommended financing of the project under section 21b of the Structural Fund Act.

Section 25 Eligible costs

 Support is granted for a project on the basis of the necessary and reasonable costs stated in a cost estimate approved by the body granting the support. Any income related to or directly deriving from the project is deducted from the project costs. When the eligibility of costs is evaluated, attention shall also be paid to European Community law concerning eligibility of costs for support, in addition to what is provided in this Act.

(2) Further provisions concerning eligible cost types and amounts shall be issued by Government decree.

Section 26

Amount of support

- (1) Support may not cover the full sum of the costs of a project. Applicants for support shall themselves contribute to these costs unless there is special reason to deviate from this principle. When support is granted from European Community Structural Fund resources, what European Community law provides and the regional Structural Fund programme concerning the project stipulates applies to the maximum amounts of co-financing from the Funds.
- (2) Support can only be granted for costs arising after support is applied for.
- (3) Further provisions concerning amounts of support shall be issued by Government decree.

Section 27

Applying for support

Support shall be applied for in writing from the Regional Council within whose area the operations that the applicant is proposing for support are mainly located. However, support under the Interreg programme should be applied for from the Regional Council exercising authority as the managing and paying authority and support under the European Regional Development Fund innovative action programme from the Regional Council specified in the programming document.

- In derogation of subsection (1) above, support should be applied for from the Ministry of the Interior when it acts as the body granting the support.
- (3) The application shall explain how the project relates to the programme, and provide enough correct information for support-granting purposes on the use to which the support will be put, and other facts that the party granting the support needs to decide on the application.
- (4) Further provisions on applications for support shall be issued by Government decree.

Granting support

- Each Regional Council decides on the grant of support as referred to in this Act within its own area. In addition, Regional Councils can decide on the grant of support for a supra-regional project extending into the area of another Regional Council. If the national public financial contribution for the project comes entirely from municipalities, the Regional Council can grant a project co-financing from European Community Structural Funds as infrastructure investment aid.
- (2) However, the Ministry of the Interior decides whether to grant the support referred to in section 23(3).

Section 29

Granting support under the Interreg or Urban Community Initiative programme or the European Regional Development Fund programme of innovative actions

If co-financing from Structural Fund resources in the Interreg
 Community Initiative programme or the European Regional
 Development Fund programme of innovative actions is granted in the
 form of support for a project for which the national public financial
 contribution comes mainly from a State authority other than the Ministry
 of the Interior, what is provided concerning support from national public

financial contribution applies to the grant of co-financing from Structural Fund resources, as applicable.

- In the Interreg Community Initiative programme, in derogation of section 28, the Regional Council acting as the managing and paying authority grants support payable from Structural Fund resources to an area within the Interreg Community Initiative programme. If the programme area extends into the territory of another European Union Member State, the Regional Council acting as the managing and paying authority grants the support payable from Structural Fund resources for use outside Finland. In derogation of section 28, it can also grant State co-financing corresponding to European Structural Fund resources for a project in an area referred to in the programming document if the Regional Councils in the programme area have so agreed in writing. In those Interreg Community Initiative programmes in which the managing and paying authority is in another Member State, the Regional Council in the programme area can grant a project State co-financing corresponding to Structural Fund resources if the Regional Councils in the programme area have so agreed in writing.
- In derogation of section 28, the Regional Council assigned in the (3)programming document concerning European Regional Development Fund innovative actions grants aid payable from Structural Fund resources to an area covered by the programme. It can also grant the project State co-financing corresponding to the Structural Fund resources if this has been agreed in the programming document.
- (4)In an Urban Community Initiative programme, support from State cofinancing that corresponds to Structural Fund resources in the Ministry of the Interior's administrative sector is granted by the Regional Council within whose area the Urban programme area lies.
- (5)Further provisions on the conditions and procedure to be observed when support is granted can be issued by Government decree.

Section 30 Control rights and performance of controls

(2)

- In addition to what the Act on Discretionary Government Transfers provides concerning control rights and the performance of controls in the case of projects for which support has been granted from European Community Structural Fund resources, the right of control in the case of a single project applies to projects and their financing in their entirety to the extent laid down in European Community law.
- (2) The provisions of European Community law apply to the control right of European Community bodies.

Section 31 Ministry of the Interior's control rights

- The Ministry of the Interior has the right to control the grant, payment, use and supervision of all support referred to in this Act. The provisions of section 30 apply, as appropriate, to the right of control.
- The provisions of the Structural Fund Act apply to the Ministry of the Interior's control rights as the managing and paying authority and within Interreg and Urban Community Initiative programmes.

Section 32

Recovery of support

 Regional Councils shall decide to order payment of financial aid to stop and financial aid already paid to be recovered if:

 incorrect or misleading information was given for purposes of granting, paying or supervising the financial aid, or the information given for purposes of granting, paying or supervising financing was concealed and the provision of incorrect or misleading information or concealment of information helped the party concerned to obtain the financing;
 the party concerned refused to provide information, documents or other material needed for payment or supervision of financial aid or,

when control was in progress, refused to carry out other duties required of the recipient of financing by law;

3) financial aid was used for a purpose other than that for which it was granted;

4) the recipient of financial aid has materially failed to comply with the terms stipulated in the aid decision; or5) the financial aid or part of it was granted or paid on incorrect grounds.

Regional Councils can decide to order payment of financial aid to cease or the aid to be partly or fully recovered if:

(2)

1) the recipient of the financial aid has not complied with the terms stipulated in the aid decision;

2) right of ownership or possession concerning property for the acquisition of which the financial aid was granted is transferred before five years have passed from the date of payment of the aid, or the recipient of the aid has ceased or materially reduced the operations for which the aid was granted; or

3) the recipient of the financial aid has become the object of a debt recovery procedure, been placed in liquidation, declared bankrupt or made the object of debt restructuring as referred to in the Act on Debt Restructuring in Companies (47/1993), or debt adjustment as referred to in the Act on the Adjustment of the Debts of a Private Individual (57/1993), unless otherwise provided regarding the purpose of the support.

(3) The provisions of subsections (1) and (2) on a Regional Council apply to the Ministry of the Interior when it decides on recovery related to the use of funding referred to in this Act.

> Section 33 Ministry of the Interior's right to recovery

The Ministry of the Interior can decide to order funding paid to a Regional Council from Structural Fund resources or comparable State resources, or paid solely from national State resources, or part of them, to be recovered if the regional development authority has used the funding for some purpose other than that for which it was granted, or has violated the legal provisions concerning use of the funding or the terms set in the decision to allocate the funding.

Section 34

If a state is required, within the liability of a Member State under legislation concerning European Community Structural Funds, to repay Structural Fund resources to the Commission of the European Communities, the Ministry of the Interior can decide to order the Regional Council to pay the Finnish State in full, plus costs, the amount that the State has paid the Commission. Payment is ordered if repayment of the resources was caused by the Regional Council's action or if the Regional Council is directly liable to the Commission for use of the resources according to the programming document.

Section 35

Increase in the amount to be recovered

If the recipient of the support has acted as provided in section 32(1), the amount to be recovered can be raised by up to 20 per cent or, if the action referred to in said subsection was particularly flagrant, by up to 100 per cent.

Section 36

Due date for recovery and period of limitation

What is provided in European Community law applies to the due date and period of limitation of recovery of Structural Fund resources and comparable State co-financing.

Chapter 5 Miscellaneous provisions

Section 37

Comment and consultation procedure

(1) The main way in which the programmes and plans referred to in this Act are reviewed or altered shall be that desired targets and actions are incorporated into them. Otherwise, what is provided in subsections (2)-(4) shall be observed.

- (2) State authorities shall ask the Regional Councils for an opinion on any plans and actions of significance for regional development that are not included in the regional strategic programme, and shall evaluate their effects on said development. This opinion and programmes affecting development of the region shall be taken into account in decision-making and other activities. If a State authority intends to act contrary to a Regional Council opinion, it shall justify such action, having first discussed the matter with the Regional Council.
- (3) Before a State authority takes a decision concerning State local or regional government bodies, their areas or places of operation, or the services available from the places of operation that may weaken the availability of customer services, or proposes the making of such a decision to the Government, it shall first ask the municipality that the matter relates to for an opinion. If the matter affects two or more municipalities, an opinion shall also be requested from the Regional Council. If the State authority intends to act contrary to the opinion, it shall negotiate with the municipality and Regional Council concerned. Otherwise, what is provided in subsection (2) applies.
- (4) Each ministry shall negotiate with the Ministry of the Interior regarding all actions with a substantial impact on regional development that have been prepared by central government authorities and public enterprises in their administrative sector.

Section 38 Division into regions

(1) In order to allocate and scale support measures related to regional development, 'development areas' is defined. The basis for this definition is the division into subregions, which in turn is based on the division into municipalities. When the division into subregions is decided on, attention is paid at least to commuting, use of services, cooperation between municipalities and transport connections. The division into subregions is ratified by the Ministry of the Interior after consulting the relevant municipalities and Regional Councils.

- The Government can declare the least developed areas in the country 'development areas' because of their level of development and development needs. Development areas are divided into support areas I, II and III on a subregional basis. The grounds for specifying and dividing up areas and for defining the subregions covered by support areas shall be laid down by Government decree.
- (3) Areas other than development areas can also be defined for targeting and scaling measures to support rural development. The division into municipalities is used as the basis for defining these areas. Provisions on the grounds for forming these areas and for allocating municipalities to the areas referred to in this subsection shall be issued by Government decree.
- (4) Having consulted the Island Committee referred to in section 14 of the Island Development Act, the Government can declare that a municipality specified as an island municipality under section 9 of said Act and the island part of any other municipality to which the Government has decided that the provisions on island municipalities shall apply, and an island and island group without any fixed road link with the mainland but with permanent settlement, is to belong to a support area I or II in a development area.

Maximum amounts of investment aid

The Aid to Business Act (1068/2000) lays down provisions on the maximum amounts of public investment aid that can be granted to enterprises in a development area.

Section 40 Appeal

 Decisions of Regional Councils acting as regional development authorities and referred to in this Act can be appealed as laid down concerning requests for rectification and municipal appeal in the Local Government Act (365/1995).

- (2) Decisions made under this Act by a Regional Management Committee can be appealed to an Administrative Court as laid down in the Local Government Act concerning appeal against a joint municipal board decision.
- (3) Decisions made by the Ministry of the Interior as the State aid authority cannot be appealed. Any party not satisfied with a State aid authority decision can request rectification within 30 days of being informed of the decision. Such requests should be addressed to the Ministry of the Interior. Decisions issued on requests for rectification can be appealed to an Administrative Court as provided in the Administrative Judicial Procedure Act (586/1996).

Chapter 6 Entry into force

Section 41

Entry into force

(1)	This Act enters into force on 1 January 2003.
(2)	Section 14(2) of this Act is valid up to the end of 2006.
(3)	Measures necessary for the implementation of this Act may be undertaken before it enters into force.
(4)	This Act repeals the Regional Development Act of 10 December 1993 (1135/1993), as amended.

Section 42

Transitional provision

The provisions of law in force when this Act enters into force apply to financial aid granted before said entry into force.