RIO Country Report 2015: Finland

Chapter:

2. Recent Developments in Research and Innovation Policy and systems

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Abstract
The 2015 series of RIO Country Reports analyse and assess the policy and the national research and innovation system developments in relation to national policy priorities and the EU policy agenda with special focus on ERA and Innovation Union. The executive summaries of these reports put forward the main challenges of the research and innovation systems.
2. Recent Developments in Research and Innovation Policy and systems

2.1 National R&I strategy

The direction of Finnish research and innovation policy is set by the Government Programme and guided by the Research and Innovation Council (RIC). The current government of PM Juha Sipilä, nominated in May 2015, has announced its Strategic Government Programme for the period of 2015–2020, which includes five strategic target areas and under those are 26 Spearhead Projects for implementation. The five strategic objectives of the Programme are:

1. Improving employment and competitiveness;
2. Reforming knowledge and education;
3. Promoting welfare and health;
4. Facilitating the bioeconomy and clean solutions; and
5. Reforming ways of working through digitalisation, experimentation and deregulation.

The government has set specific goals and plans for these and will devise indicators to monitor their attainment. In June 2015, ministerial working groups were assigned to each of them. Many of these Spearhead Projects also include specific research and innovation objectives, with further budget allocations attached to them. The specific R&I contributions of Spearhead Projects have not been estimated.

The Research and Innovation Council (RIC) advises the government and its ministries on strategic issues (such as policy priorities and budget allocations, as well as on the evaluation and development of national innovation system as whole) and coordinates science and innovation policies across ministries, whereas the implementation of these policies is the responsibility of respective thematic ministries.

Ministers, industries, funding agencies and the research community are represented in the Council headed by the Prime Minister. In practice, the Council operates through the work of its two sub-committees (i.e. science policy and innovation policy) and with the help of a network of research coordinators representing each relevant ministry. The network of other relevant stakeholders is present, visible and well connected at the operational level.

According to the government decree, the RIC is appointed for the duration of each government term. The first task of each RIC is to advise the newly appointed government with an updated research and innovation policy review. In September 2015, the new government of PM Sipilä had not yet nominated its RIC members and therefore the Council was not yet operational. Hence, currently the latest and technically still valid RIC review dates back to 2014, to the time when RIC gave its advice and recommendations to the previous government (PM Stubb): Reformative Finland: Research and Innovation Policy Review 2015–2020. The recommendations focus on the most important development themes that are the radical renewing of the HEI system; boosting the utilisation and impact of the results of R&I activities; and strengthening new growth sources, intangible assets and entrepreneurship. Other major themes are: Extensive improvement of knowledge base, selective support to cutting edge knowledge creation, reform of the public research system and enhancement of horizontal cooperation, and sufficient and focused R&D funding.

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1 Government Decree on the Research and Innovation Council 1043/2008 (amendment 1028/2011)
The recommendations emphasise performance, quality and impacts, interaction and cooperation between different stakeholders, and internationalisation. The recommendations define that “internationalisation must be integrated in all R&D activities and decision making - it is not a separate task ... Finland will be proactive in the EU R&D policy. The target is that funding which will be received from the Horizon 2020 is 50% higher than the funding received from the 7th Framework programme.” H2020 is rather well aligned with national themes. government prepares an EU R&D strategy, which finds synergies across EU and national objectives. RIC points out knowledge areas and sectors, which are important for Finnish economy and wellbeing, including: ICT, especially mobile and software knowhow; clean solutions in energy, environment and material efficient technologies (cleantech), bio- and nanotechnologies, health and wellbeing, and arctic knowhow. The RIC recommendation, related to the radical renewing of the HEI system, refers to the need of rising the quality and internationalisation, reducing fragmentation, making strategic choices, focusing, building stronger and fewer units, and developing the HEI and PRO system as an entirety.

Concerning public funding the recommendation states that “real governmental R&D funding grew by 15 % during 2006–2010 but declined by 13 % during 2010–2014. Especially institutional funding for VTT and the funding mandate of Tekes have declined: real governmental R&D investments to build knowledge base and for the renewal of industries have dropped in four years by 35 %. At the same time governmental R&D funding for health care has decreased by 20 % and the funding for research in university hospitals has declined by 28 %”.

The RIC recommends increasing governmental funding in R&D during 2015–2020 by 2 % yearly in real value. By 2020 this means a €210m increase in real value compared to funding in 2015 level. 65 % of the increase should be allocated through competitive funding (Tekes €85m and the Academy of Finland €50m). Implementation of the recommendations for 2015–2020 starts in 2015 but the changes compared to the previous recommendations from 2010 are not that radical. The RIC recommendations are taken seriously - indeed most of the previous recommendations (in 2010) have already been implemented.

It is noteworthy that the new Sipilä government has introduced major changes to the Finnish research and innovation policy, which also deviate from the line and recommendations made in the RIC 2014 review. This, combined with the continuing decrease of private sector RDI investments, has quickly made the RIC 2014 review budget recommendations somewhat outdated.

In March 2016 (with an effect from April 1st), the Finnish Government approved an amendment to the degree of the Research and Innovation Council (RIC). According to the new amendment, the composition of the council will be reduced (the maximum number of ministers reduced from nine to four) and its tasks will be more strategic and pre-emptive than before. The council will be headed by the Prime Minister, and supported by the key research ministers; the Minister of Education, Science and Culture and Minister of Employment and the Economy. It is noteworthy that the Council Secretariat will cease to exist and the preparatory tasks will be assumed by the ministries, Tekes and the Academy of Finland. It is now anticipated that a new Council will soon be nominated and operational accordingly.  

The major R&I programmes in Finland are thematic and funded by the Academy of Finland, Tekes and by the industry led SHOK consortia. However, as stipulated in the new Government Programme, the SHOK and INKA programmes will be terminated, leaving the Academy and Tekes as the main programme funders. Policies promoting clusters and collaboration platforms will still be continued through other means and by transferring the lessons and practices from SHOK and INKA.

2 http://www.minedu.fi/OPM/Tiedotteet/2016/03/TIN.html?lang=fi
2.2 R&I policy initiatives

- Due to the severe economic situation in Finland, the PM Sipilä’s Strategic Government Programme introduced significant budget cuts to public expenditure from 2016 onwards, with direct impact on the allocations and implementation of the national R&I policy. The proposed reductions in Government R&D budget allocations for 2015–2016 were in total of €157m (-9.4%) and were distributed followingly (Government R&D funding in the state budget)

- Universities, -0.4%
- Public research organisations, -24%
- Academy of Finland, +3.9%
- Tekes, -23%
- University Hospitals’ research, -32%

The final R&D budget allocations are subject to change due to continuing negotiations, while the overall direction of significant cuts is evident. The proposed budget cuts imply several changes for Tekes in particular, including:

- Termination of the SHOK and INKA funding
- Less focus on large company projects and public research projects
- Shifting the budget balance from grants to loan instruments

At the same time, several of the 26 proposed government Spearhead Projects (see chapter 2.1) include activities relevant to research and innovation, which are largely in line with the overall R&I policy, but are in many ways more specific. These Projects have separate and significant dedicated budgets for their implementation (altogether €1.6b have been allocated to the Spearhead Projects in the budget proposal), which may show as an increase to the previously anticipated government budget allocations to R&I. However, the details of the government Spearhead Projects are still being planned and specific budget allocations are not available.

The new government is also committed to build and strengthen the cross-governmental Team Finland services for enhanced collaboration and investments supporting the internationalisation and growth of SMEs, with the help of Team Finland Growth Programmes. The total budget for various Growth Programmes is €51.3m for the period of 2015–2017. The key operator of the Growth Programmes is Finpro, while also Tekes and the Ministry for Foreign Affairs of Finland play an important role, among others. Currently there are several programmes running or being prepared and grouped under the following broad topics: (Growth Programmes)

- Bioeconomy (e.g. saw mills, bioprocessing, biomaterials, agro machinery)
- Cleantech (e.g. water, electricity and energy, cleantech & bioinvest)
- ICT and digitalisation (e.g. IoT, Big Data, Digital Africa)
- Life sciences and health (e.g. Finland care, digital hospitals)
- Foodstuffs
- Creative industries and design
- Teaching and learning
- Manufacturing and arctic competence
- Tourism

Cross-cutting themes (e.g. emerging markets, business intelligence)

Evaluations, consultations, foresight exercises

Governmental reviews, studies, evaluations and guidelines act as the instruments that guide and inform the science policy makers at the national level. Starting in 2015, the Prime Minister’s Office has played an active role in national foresight cooperation. In this, it is tasked with supporting foresight activities and networking. The Prime Minister’s Office and Sitra coordinate the national foresight network and support foresight activities and networking in Finland (Foresight.fi is the website of the National Foresight Network).

The Government Foresight Group appointed by the Prime Minister’s Office on 21 January 2015 is responsible for leading and coordinating national foresight efforts and for making this operation visible (PMO; National foresight cooperation). Once during each electoral period, the government submits to the Parliament a foresight report on long-term perspectives. The foresight report provides the government’s view on the chosen issues and associated policies. In 2013, the government Report on the Future was issued by the government. The report explores new directions for Finland. For the first time, a separate foresight phase was included in its preparation. This foresight phase was implemented in collaboration between the Prime Minister’s Office, Sitra, the Academy of Finland and Tekes, alongside a host of independent specialists and experts from research institutions, enterprises and NGOs. The government Foresight process itself was also evaluated in June 2013, with the intention to further develop the collaborative and open policy foresight approach for future governments (Ennakointihankkeen arviointi, Piirainen & Halme 2013). Based on the recommendations, among others, the Prime Minister’s Office published a Proposal for the National Foresight Approach in 2014 (National Foresight Approach).

In addition, several different types of foresight activities have been carried out for instance by the Parliamentary Committee for the Future, by the ministries, Tekes, the Academy of Finland, research institutes and universities. Foresight studies have often been done in association with research programmes of the Academy of Finland or Tekes programmes. During the last decade the foresight process has been done nationally together. Starting in 2014 the national foresight process integrates strategy work of several organisations: the Academy of Finland, Tekes, Sitra, VTT, Finnvera and Finpro. Many organisations (like Sitra and Tekes) have their own foresight processes related to the preparation of new programmes.

The Future Watch service of Team Finland produces information and views on the international business opportunities emerging in different countries within a time frame of 2–5 years. This service is coordinated by Tekes, which, in collaboration with the Ministry for Foreign Affairs and Finpro, collects and compiles information from various sources around the world. Information purchased from third parties is also used.

There is a very strong and systematic evaluation culture in Finland, and this is particularly true for the evaluation of government policies supporting research and innovation. Finland was ranked 1st in the World in the terms of evaluation culture by evaluation experts (Jacob S et al., 2015). Finnish Evaluation Society is a national voluntary organisation of evaluation professionals for the open dialogue on evaluation (SAYFES).

One of the most influential evaluations for research and innovation policy during recent years was the International Evaluation of Finnish Innovation System in 2009, and partly as a consequence of it all of the main actors, their activities, impacts and funding instruments have been evaluated. (See Annex 3). The evaluation has strongly guided the development of innovation policy in Finland.

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4 http://vnk.fi/en/foresight
It is a tradition that the rationale, performance and effectiveness of all key operators in the Finnish research and innovation system are independently evaluated in certain periods. Further to the evaluation of the whole innovation system, a number of institutional evaluations were launched, resulting eventually in further structural changes. The evaluations include, inter alia, the evaluation of VTT (2010), the evaluation of Tekes (2012), the evaluation of Finnvera (2012), the evaluation of the Academy of Finland (2013), the evaluation of the Strategic Centers for Science, Technology and Innovation, SHOKs (2013), the evaluation of FII (2013), the evaluation of OSKE (2013) and finally the evaluation of the RIC (2014). (For a full list, see Annex 3)

To follow through the implementation of recommendations made by these evaluations, the MEE commissioned in 2013 a Study on the Impacts of the Evaluations Made in 2009–2014 (in Finnish). In these evaluations a total of 157 recommendations were made. According to the study, 80 % of the recommendations went to operational execution phase (42 % completed, 41 % in progress), 7 % were deemed irrelevant, and 10 % were not put into practice. It seems that the culture of evaluations supporting evidence-based decision-making is working well.

The international evaluation of the activities of the Research and Innovation Council was published in March 2014. Based on the evaluation, the intention is to revamp the Council’s activities during 2015, while no specific progress or plans to that end have been reported yet.6

The funding agencies Academy of Finland and Tekes have a long history in conducting evaluations of their own funded activities. The Academy of Finland evaluates the state of science in Finland every second year. The state of scientific research in Finland 2014 7 reviews the overall state and the position of the Finnish research system, comparing it internationally. In the report the relative strengths of different scientific disciplines are discussed and areas in the need of further development identified. In a similar manner, Tekes evaluates all of its programmes and instruments (including mid-term and ex-post evaluations) and has integrated impact assessment into yearly strategy and management process (Saarnivaara V-P, Uusikylä P, 2014, Impact Evaluation - Finnish Experience)8. List of programme evaluations is included in Annex 3.

Considering the bigger picture of evaluations, there is no reliable macroeconomic model to measure the impact of R&I on economic growth. Such modelling is difficult due to the challenges in measuring indirect and spill-over effects, taking into account time delays, and in defining valid reference groups in counter-factual analyses. The same challenges are related to many evaluations made in Finland. Tekes has an impact (logical framework) model but it is a simplification of the complex path dependencies, and MEE launched in December 2015 a new impact model (logical framework) for business and innovation policy. It is based on the strategic targets and operational objectives of the government programme, and includes metrics and indicators for them.9

2.3 European Semester 2014 and 2015

In February 2015, the Commission published a series of country reports, analysing Member States’ economic policies and in May published country-specific recommendations 10 for each Member State. According to the report, Finland is experiencing macroeconomic imbalances, which require policy action and monitoring. In particular, risks related to weak export performance in a context of industrial restructuring deserve attention.

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6 National Reform Programme, 2015
While the decline in export market shares and manufacturing industries has largely come to an end, investment remains low and potential growth has declined. Private-sector debt has stabilised and does not appear to be a source of immediate concern, but its relatively high-level calls for close monitoring.

The key findings of Finland’s economy were:

- Following a steady deterioration from 2003 until 2011, the Finnish current account has stabilised at a small deficit.
- The rapid decline of some manufacturing industries (electronics and forest) has largely ended.
- The productivity of Finnish companies is in line with its Nordic peers and recently the growth in labour productivity started to accelerate.
- While public investment is relatively high, private investment is low.
- Private-sector debt does not appear to be a source of immediate concern, but it needs to be closely monitored.
- Finland’s debt-to-GDP ratio is on a rising trend and will exceed 60% in 2015.
- Recent labour market performance has been weak, but still compares favourably with the EU-average.
- The Finnish retail sector remains highly concentrated, being dominated by two local retail groups.

Finland does not, however, yet comply with the debt and the deficit criterion of the Stability and Growth Pact. The Economic and Financial Committee will therefore provide its opinion on the report after which a decision on whether to open the excessive deficit procedure is to follow.

According to the European Commission, Finland has made progress in addressing its 2014 country-specific recommendations. An important development is the agreement reached between the social partners regarding implementation of the pension reform from 2017. In addition, reforms of the social and healthcare sectors have been initiated to better control expenditure growth in these areas. Some steps to increase the growth-friendliness of the tax system have been taken. The government also took new measures to diversify the economy, notably by improving the business environment to strengthen investment in Finland and further facilitating smaller firms’ entry into export markets…” The Finnish government’s reported actions to this end, include, inter alia:

- For 2013-2014, the Finnish government introduced a fixed-term R&D tax incentive for companies. During its first year, over 600 companies used this benefit and received an average EUR 125,000 tax deduction. The government also decided on a fixed-term tax credit in 2013–2015 for private individuals to invest in start-up companies. However, during the first half year, utilisation of this incentive fell short of expectations.

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11 National Reform Programme, Finland, 2015.
12 Europe 2020 Strategy - Finlands National Programme, Spring 2015, Ministry of Finance, 12c/2015
The government has shifted the focus from direct grants to refundable forms of funding, such as loans, guarantees and equity investments. An increasing amount of innovation support is targeted at SMEs. The government’s objective has been to use business aid to restructure the economy and industry and to boost the internationalisation of companies.

In 2014 the government increased the funding of universities, the Academy of Finland and TEKES by 4%. R&D appropriations and authorisations for 2015 rose in the central government budget to €2b. The amount of R&D funding grew by nearly €50m from the previous year. Public research funding as a proportion of GDP is estimated to be 0.96%

€330m allocated to a fund programme in 2014-2017 in order to promote growth of private equity financing. €100m of this sum will be used to restructure the manufacturing industry in the target areas bioeconomy, cleantech, health and digitalisation. In addition, Tekes Venture Capital Ltd was founded to make investments totalling €20m per year in companies and in funds focusing on start-ups.

Finnish Industry Investment Ltd launched, in cooperation with pension insurance companies, the FoF Growth II Fund with a total investment capital of €130m. This is expected to catalyse a total of around one billion euros of investment at the portfolio company level.

Policy measures to increase the productivity of industry and services included the acceleration of industrial restructuring (e.g. ICT 2015 programme, cleantech, bioeconomy). Efforts towards this goal were made a) by raising the potential of ICT to increase productivity, b) by creating efficient e-services that facilitate the development and internationalisation of Finnish companies, c) by developing service sector productivity, e.g. with the aid of Tekes programmes.

The Team Finland network was established by bringing together services from the Ministry of Employment and the Economy, the Ministry for Foreign Affairs, the Ministry of Education and Culture, and publicly-funded organisations and international operating locations subordinate to these ministries (including Finland’s foreign missions, Finpro and Tekes operating locations, and culture and science institutions). The establishment of Team Finland has streamlined business internationalisation services and increased the joint initiatives and cooperation of the key Finnish parties of the innovation system. Around €50m was allocated in The Team Finland growth programme during the three years to promote tourism, internationalisation of companies and foreign investment.

The EU’s 2015 Country Specific Recommendations for Finland did not include specific measures for boosting research and innovation anymore. The recommendations included: to achieve a fiscal adjustment of at least 0.1 % of GDP towards the medium-term budgetary objective in 2015 and of 0.5 % of GDP in 2016; to continue efforts to reduce the fiscal sustainability gap and strengthen conditions for growth; adopt the agreed pension reform and pursue efforts to improve the employability of young people, older workers and the long-term unemployed, focusing particularly on developing job-relevant skills. Promote wage developments in line with productivity fully respecting the role of the social partners and in accordance with national practices.

The previous (2014) European Semester already reported numerous changes in the Finnish research and innovation system, which, to a large extent, are still being implemented in 2014-2015. One of those was the Finnish government’s decision on the
The principles of the comprehensive reform of central government research institutes and research funding in 2013.

The objective of the reform was to strengthen multidisciplinary, high-level and socially significant research, release resources from research support services and fixed structures into research activity and, by field of research, to organise research institutes into larger and stronger entities. According to the government, the key measures of the reform have advanced according to plan, including the merger of certain research institutes, the turning of the VTT Technical Research Centre of Finland into a wholly state-owned company, and the establishment of a new Strategic Research Council in connection with the Academy of Finland. Cooperation between research institutes and universities will be increased in accordance with a roadmap prepared in 2015.

The government has initiated major structural and instrument specific changes to address the challenges facing the Finnish economy. The Finnish National Reform Programme (NRP) is based on the Europe 2020 Strategy (Ministry of Finance 2012). The programme has recently been updated (Europe 2020 Strategy, Finland’s National Programme, Spring 2015). It defines that Finland’s national targets are raising the employment rate of the population aged 20–64 to 78 %, maintaining R&D expenditure at a minimum of 4 % of GDP, reaching the climate and energy targets agreed in the EU, keeping the proportion of people aged 30–34 having completed tertiary-level education at 42 %, decreasing the proportion of 18–24 year-old early school leavers below 8 %, and reducing the number of people living at the risk of poverty and social exclusion.

Even though both Finnish public and private investments in research, development and innovation continue to be high in international comparison, in absolute and relative terms (e.g. relative to GDP) they are steeply declining, and a critical issue of innovation efficiency remains. That is, how research is translated into innovations and new high-growth companies, and how the growth companies can penetrate fast growing export markets and strengthen international competitiveness. In the short term, Finland should increase its cost competitiveness, and in the long term, implement the new RIC recommendations, and propose further reforms, where relevant, based upon existing evaluations and foresight work.

The ICT 2015 working group was appointed already in 2012 to prepare a strategy to mitigate the effects of the sudden structural change in the ICT sector as well as to reform the information and communications technology sector and to increase its competitiveness. The strategy proposed by the working group is not an official governmental strategy but its implementation is followed by the government. The strategy is still valid and serves as an important basis for development.

The government approved the decrees related to the revision of the university funding model (MEC, 2014). Government appropriations will be directed especially on the basis of performance and quality. The new Universities Act (558/2009) and the use of the new funding model came into effect in 2013. Further development of the funding model is focused on measuring societal and economic impacts of universities and is intended to take force in 2017. The basic structure and emphases of the funding models will remain as before, but necessary adjustments will be made to criteria describing effectiveness, quality and internationality.

The reform of Finnish Universities of applied sciences (MEC 2014) was initiated as a part of the government Programme in 2011. The new Polytechnics Act came into effect in the beginning of 2014. The responsibility for polytechnic funding as a whole was transferred to the government, and polytechnics were made independent legal entities. The license to provide polytechnic education was revised, with new emphasis on quality and impact. The new funding model allocates 85 % of resources to education and 15 % to R&D. About 70% of funding is allocated based on the number of examines awarded, and 30 % based on performance indicators related to the quality, internationalisation, regional impacts and cooperation with working life.
The Council for Strategic Research and the Finnish Committee for Research Infrastructures (FIRI Committee) was established in 2014 and are operating under the Academy of Finland. A new Finland’s strategy and roadmap for research infrastructures 2014–2020 was also released (MEC, 2014). (See Chapter 4.2.1)

A regional innovation programme called Innovative Cities (INKA) was launched in 2014, replacing the previous National Centre of Expertise Programme and its Clusters (OSKE). However, already the next year (2015) the government of PM Sipilä decided to run down the INKA Programme as part of the overall budget cuts (see Chapter 2.1). Team Finland strategy was updated in 2014 (Prime Minister’s Office 2014). The MEE reorganised Finpro in 2014. Tekes Venture Capital Ltd was established in July 2014. Activities under Tekes Venture Capital were in effect moved from Finnvera to Tekes.

The mandate of Finnvera (Finnvera news 2015, in Finnish) was also enlarged. As a result, Finnvera can increase risk in its funding. The new mandate improves funding especially for start-ups and growth companies entering international markets and medium or large companies which have turnover up to €300m. Export guarantees are now available at domestic markets, too.

### 2.4 National and Regional Research and Innovation Strategies on Smart Specialisation

Finland is committed to the Europe 2020 strategy and its objectives and in order to reach these goals (smart, sustainable and inclusive growth), every region should formulate a Research and Innovation Strategy for Smart Specialisation (RIS3). This is a continuous process with the goal of strengthening the region's economy. In Finland, the RIS3 strategies of individual regions are set and overseen by the Regional Councils.

The principles of Smart Specialisation have traditionally been applied in Finland both on national and regional level, and a process is going on to further strengthen the specialisation. For multi-scientific, cross-technological, knowledge-integrated, problem-oriented research in a small economy, intensified cooperation between the actors is required. Although the need for specialisation is obvious, the processes to implement it have to combine both top-down and bottom-up approaches in order to avoid the risks involved in making poor choices in top-down policy. Smart specialisation in Finland is especially focused on the creating of knowledge base, lead markets initiatives and ecosystems development. Public funding for business R&I has to be flexible allowing risks in order to pursue good business ideas. This should not depend on the predominant field of strategic agendas.

The goal in the big picture in the Finnish research policy is to increase specialisation of universities and PROs, which means doing stronger strategic choices. The UNIFI (Universities Finland) is negotiating to agree priorities and focus areas among universities and the MEC and the Academy of Finland (€50m) support the process - by funding incentives, too. The already discussed reform of research institutes and research funding aims at creating the critical mass, reducing fragmentation, building knowledge hubs, and strengthening evidence based policy. Smart specialisation is also supported by competitive funding: about 60 % of Tekes funding and about 30 % of the Academy of Finland funding are focused on strategic choices. Under the RIS3 guidelines and frameworks, each region has its own way of designing, organising and implementing its RSI3 strategies. For example, in the Capital Region (Uusimaa), RIS3 strategy is implemented in the form of five main priorities and related priority portfolios, and their activities are organised on shared, thematic innovation platforms. The platforms are used to coordinate the progress and change processes as well as to promote active collaboration between and within the key actors and their stakeholder. It is also typical that the smart specialisation strategies are tightly coupled with other regional plans, regional strategic programmes and other plans of the provinces. Innovation is a common topic to all regions in Finland and the RIS3 objectives are not difficult to align with other regional objectives.
The current period of the EU Structural Funds (SF) 2014-2020 includes a range of innovative actions through smart specialisation. The activities included in the S3 strategies and funded under the Structural Funds, are typically complemented with other nationally and regionally funded innovation activities. Amongst the national level activities targeted towards the regions, the Innovative Cities (INKA) Programme formed one part. However, INKA is due to be terminated at the end of 2015, and the Growth Agreements was temporary. Although the government is planning to negotiate new Growth Agreements with the major cities.

To intensify cooperation and to ensure knowledge building on regions, the regional actors together with the national government and HEIs have jointly contributed to the establishment of six regional university centres in several non-university towns. The university centres gather the operations of several universities in one location in these towns. Cooperation between universities, polytechnics and research institutes is aimed to build stronger but fewer regional knowledge hubs to boost European SF interventions in RDI.

The Regional Innovation Scoreboard 2014 covers five regions in Finland: Itä-Suomi (FI13), Etelä-Suomi (FI18), Länsi-Suomi (FI19), Pohjois-Suomi (FI1A) and Åland (FI2). According to the scoreboard, Finland belongs to the performance group innovation leaders, with 3 regions (FI18, FI19, FI1A) being among the leaders and 2 (FI13, FI2) being among the followers. Åland (FI2) is quite a special case because it has a strong independent status in Finland. The state of Finland is not allowed by law to get involved in Åland’s policy (such as public R&D funding). According to RIS 2014 innovation growth performance is 2.5-15 % in Pohjois-Suomi (FI1A) and 0-2.5 % in other regions. According to the EU Funding typology, Etelä-Suomi (FI18) is the only FP leading absorber, whereas Itä-Suomi (FI13) and Pohjois-Suomi (FI1A) are SF leading users and Länsi-Suomi (FI19) SF low user. In early 2014, thirteen regions took part in the S3 Platform of the European Commission.
### 2.5 Main policy changes in the last five years

#### Main Changes in 2011
- The polytechnic reform (a government programme)

#### Main Changes in 2012
- The reform of research institutes and research funding (a Committee recommendation)
- New openings of Tekes programmes (continuing yearly)

#### Main Changes in 2013
- The new university funding model
- Open public data initiative (continuing yearly)
- European Regional Development Fund and European Social Fund measures combined and prepared for the programme period 2014–2020, launching the INKA programme,
- Growth agreements with 12 cities
- The R&D tax incentive for labour costs
- Tax incentive for business angels
- Streamlining public services for companies

#### Main Changes in 2014
- Research and Innovation Policy recommendation (RIC) 2015 - 2020
- The polytechnic reform (the new Polytechnic Act took force)
- The reform of research institutes and research funding implemented 2014–2017, including: Council of strategic research, Merging of PROs, Change of VTT’s legal status (starting 2015)
- The R&D tax incentive for labour costs was terminated
- Capital investments in universities continued (with one private € three public €)
- Open science and research roadmap 2014-2017
- Strategy and Roadmap for Research Infrastructure 2014-2020
- Updated strategy for Team Finland
- Enlargement of the Finnvera mandate
- Establishment of Tekes Venture Capital Ltd
- Reorganizing Finpro (privatizing the export consultancy and market entry unit)
- Launching the Smart Procurement programme and INKA Innovative cities programme

#### Main Changes in 2015
- New (PM Sipilä) government, its Strategic Programme and 26 Spearhead Projects
- Continuing revisions of the research system
- Launch of the Council for Strategic Research operations
- Continuing revisions in the university funding models
- Decisions to further cut government expenditure on RDI, particularly Tekes funding
- Decision to terminate INKA programme and special funding for SHOK programmes
- Further development of Team Finland activities (e.g. BEAM Programme)