



MINISTRY OF FINANCE

# 2015 Draft Budgetary Plan



Corrected for technical errors, 7 November 2014

26c/2014

Economic outlook and economic policy





MINISTRY OF FINANCE

---

# 2015 Draft Budgetary Plan



441 729  
Print product

---

MINISTRY OF FINANCE

PO Box 28 (Snellmaninkatu 1 A) FI-00023 GOVERNMENT

FINLAND

Tel. +358 295 16001

Internet: [www.financeministry.fi](http://www.financeministry.fi)

Layout: Anitta Heiskanen

Juvenes Print – Finland University Print Ltd.

## Description page

<b>Publisher and date</b>	Ministry of Finance, October 2014	
<b>Author(s)</b>	Economiccs Department	
<b>Title of publication</b>	2015 Draft Budgetary Plan	
<b>Parts of publication/ other versions released</b>	The publication 's language versions: Finnish: Vuoden 2015 alustava talousarviosuunnitelma (26a/2014) Swedish: Utkas till budgetplan 2015 (26b/2014)	
<b>Publication series and number</b>	Ministry of Finance publications 26c/2014	
<b>Distribution and sale</b>	The publication can be accessed in pdf-format at <a href="http://www.vm.fi/julkaisut">www.vm.fi/julkaisut</a> . There are also instructions for ordering a printed version of the publication.	
<b>Printed by</b>	Juvenes Print - Finlands University Print Ltd.	
<b>ISBN</b> 978-952-251-613-8 (nid.) <b>ISSN</b> 1459-3394 (nid.) <b>ISBN</b> 978-952-251-614-5 (PDF) <b>ISSN</b> 1797-9714 (PDF)	<b>No. of pages</b> 28	<b>Language</b> English
<b>Abstract</b> <p>According to the Regulation (EU) No 473/2013 of the European Parliament and of the Council on common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of the Member States in the euro area, euro area Member States will submit their draft budgetary plans (DBPs) for the forthcoming year to the Commission by 15 October. The DBPs are a part of the coordinated surveillance exercise that takes place in the autumn. The DBP should allow the identification of sources of possible discrepancies from the budgetary strategy in the most recent Stability Programme. The draft budgetary plan contains information on macroeconomic forecasts, budgetary targets, expenditure and revenue projections under the no-policy-change scenario, expenditure and revenue targets, discretionary measures included in the draft budget, Union's strategy for growth and jobs targets and Country Specific Recommendations, comparison between DBP and the most recent Stability Programme as well as a methodological annex. Finland's draft budgetary plan for year 2015 is based on the central Government's 2015 draft budget submitted to Parliament on 15 September 2014, which for the most part is founded upon the spring 2014 spending limits decision, on the 2014 supplementary budgets and on the 2015 basic public services review.</p>		



The Draft Budgetary Plan presents an assessment of the development of Finland's general government finances in 2014 and 2015, an assessment of the implementation of the medium-term objective, and the measures that this may require.

According to a forecast of the Economics Department of the Ministry of Finance, the balance of general government finances will be -2.7% of GDP in 2014 and -2.4% of GDP in 2015.

General government debt will rise to 59.6% of GDP in 2014 and to 61.2% of GDP in 2015. In assessing the breach of the reference value, the following should be taken into account:<sup>1</sup>

- Solidarity operations: According to the Commission's 2014 spring forecast, the cumulative impact of solidarity operations in 2015 will be 2.3% of GDP in 2015, which would mean a debt ratio of 58.9%.
- The weak economic situation: According to the assessment presented in the Draft Budgetary Plan, cyclically adjusted debt will be 56.9% of GDP in 2015.

Taking into account the impact of these factors, the debt ratio would remain in both cases below the 60% reference value in 2015.

The 2013 Stability Programme set a medium-term objective of -0.5% of GDP for the structural budgetary position of the general government. The objective is in accordance with both the Stability and Growth Pact and national legislation, and it was approved by the Council in June 2013. The same Stability Programme included an assessment that the medium-term objective will be achieved in 2014.<sup>2</sup>

In Finland's Draft Budgetary Plan of October 2013, the structural budgetary position was estimated to be -0.7% of GDP in 2013 and 2014, in other words the budgetary position was in line with the medium-term objective. The Stability Programme of spring 2014 considered that the medium-term objective was achieved in 2013 and that the budgetary position would remain within the objective in 2014. According to the Stability Programme, the structural budgetary position in 2015 would be stronger than the objective.<sup>3</sup>

The structural budgetary position is now estimated to be weaker than shown in the Stability Programme. According to the Economic Survey<sup>4</sup> published on 15 September 2014 by the Economics Department of the Ministry of Finance, the structural deficit is expected to

<sup>1</sup> The Commission's reports of 15 November 2013 and 2 June 2014, prepared in accordance with Article 126(3), considered for these two reasons that Finland meets the debt criterion.

<sup>2</sup> The medium-term objective is considered to be achieved if the structural balance deviates from the objective by less than 0.25% of GDP. If the structural balance deviates from the medium-term objective or the adjustment path towards it by 0.5% or more, this is a significant deviation.

<sup>3</sup> The medium-term objective is considered to be achieved if the structural balance deviates from the objective by less than 0.25% of GDP. If the structural balance deviates from the medium-term objective or the adjustment path towards it by 0.5% or more, this is a significant deviation.

<sup>4</sup> [http://vm.fi/vm/en/04\\_publications\\_and\\_documents/01\\_publications/02\\_economic\\_surveys/20140915Econom/TK\\_taitto\\_syksy2014\\_eng\\_NETTI.pdf](http://vm.fi/vm/en/04_publications_and_documents/01_publications/02_economic_surveys/20140915Econom/TK_taitto_syksy2014_eng_NETTI.pdf)

be 1.2% in 2014 and 1.3% in 2015. The structural balance will weaken in both years, which means that the desired adjustment towards the medium-term objective will not be achieved in line with the forecast.

### **The Government's assessment of the significant deviation jeopardising the achievement of the medium-term objective for the structural budgetary position of the general government and the measures to be taken as a result of the assessment**

Pursuant of Section 3(1) of the FIPO Act (869/2012), enacted to implement the Fiscal Compact, the Government will initiate the measures it deems necessary to correct budgetary stability and sustainability if the structural budgetary position of the general government deviates significantly in a manner that jeopardises the achievement of the medium-term objective. A Government decision in principle relating to this was approved on 2 October 2014.<sup>5</sup>

### **The reasons for the weakening of the structural budgetary position and an overall assessment of the significant deviation in terms of the preventive arm of the Stability and Growth Pact**

Three factors independent of Government actions have contributed to the weakening of the structural budgetary position from April, namely

- A slowing of growth of potential output between the forecasts of April and September: Potential output growth in 2014-18 calculated in accordance with the EU's jointly agreed methodology is slower in the September assessment than in the spring assessment. As, at the same time, the assessment of GDP growth is weaker than in April, the output gap will remain nearly the same compared with the April forecast. This means that the weakening of the nominal budgetary position compared with March is directly reflected in the structural budgetary position.<sup>6</sup>
- A weakening of the nominal budgetary position of the general government: Particularly due to the lowered estimates for economic growth and property income, the nominal budgetary position has weakened by around one percentage point.
- The ESA 2010 statistics reform: In EU contexts, national accounts interest expenditure, which is greater than the previously used EDP interest expenditure, will be used from now on. This means that the structural budgetary position is 0.3 percentage points weaker than the assessment presented in the Stability Programme, which was based on EDP interest expenditure.

<sup>5</sup> [www.vnk.fi](http://www.vnk.fi)

<sup>6</sup> The development of potential output has been estimated using the methodology jointly agreed in the EU. The method produces in Finland's case a difficult to accept estimate, according to which the weakening of the general government budgetary position compared with the previous forecast is structural in its entirety. The Commission's calculations relating to Finland will be based on this method.



When assessing the fulfilment of the requirements of the preventive arm of the Stability and Growth Pact, progress in achieving the medium-term objective and adherence to the expenditure rule are examined. On the basis of calculations made for the Draft Budgetary Plan, it is expected that Finland will adhere to the expenditure rule in both 2014 and 2015.<sup>7</sup>

In the situation, in which, according to the economic forecast, one of the indicators of the preventive arm shows a significant deviation (structural balance) and one does not (expenditure rule), a comprehensive assessment of the existence of the significant deviation is made.

For 2014, the comprehensive assessment will take into account the ESA 2010 statistics reform, implemented in 2014. According to the assessment presented in the Draft Budgetary Plan, taking the statistics reform into account would keep the structural balance below the significant deviation limit. This would mean that Finland would not deviate significantly from the requirements of the preventive arm of the Stability and Growth Pact.

Under the Stability and Growth Pact, it is possible to deviate from the medium-term objective or the adjustment path towards it in two cases:

- exceptional circumstances prevailing in the Member State
- the Member State is implementing major structural reforms.

### *Exceptional circumstances*

Exceptional circumstances that allow a deviation from the medium-term objective or the adjustment path towards it are defined under the Stability and Growth Pact

- as an unusual event outside the control of the Member State concerned, that has a major impact on the financial position of the general government, or
- a period of severe economic downturn.

Under the Stability and Growth Pact, taking exceptional circumstances into account must not endanger fiscal sustainability in the medium-term.

It is possible that the exceptional circumstances referred to by the Stability and Growth Pact will prevail in Finland in 2014. Exceptional circumstances may arise if

- 2014 economic growth proves to be weaker than now expected and is negative
- The effects of the conflict between Ukraine and Russia deteriorate, in which case it might constitute an unusual event that has a significant unfavourable impact on the financial position of the general government.

---

<sup>7</sup> In the expenditure rule calculations, it is assumed when calculating the expenditure rule for 2014 that Finland was within the medium-term objective in 2013, which means that the expenditure rule was 0.8 and Finland's growth of expenditure according to the expenditure rule was clearly lower than this. For 2015 it is assumed that Finland will not be within the medium-term objective in 2014, in which case a tighter expenditure rule (-0.1) would be used. In this case, too, Finland will adhere to the expenditure rule.

### *Major structural reforms*

Under the Stability and Growth Pact, the Commission and the Council shall take into account major structural reforms (for example health, pension and labour market reforms) that have direct long-term positive budgetary effects, including by raising potential growth, and therefore have a direct positive impact on the long-term sustainability of public finances when they define the adjustment path to the medium-term objective or allow a temporary deviation from the medium-term objective for a Member State that has already reached it. One condition is that an appropriate safety margin with respect to the 3% deficit set for the nominal deficit is preserved and that the budgetary position is expected to return to the medium-term objective within the programme period. The reforms must be approved and sufficiently precisely defined.

On 29 August 2013, the Government of Prime Minister Jyrki Katainen decided on a Structural Policy Programme aimed at strengthening conditions for economic growth and bridging the sustainability gap in general government finances. The Government specified the details of the programme in November 2013 and March 2014. The Government of Prime Minister Alexander Stubb has committed to implementing the programme and has adopted the programme in the summer 2014 budget negotiations such that the programme can be implemented as previously agreed. The measures of the Structural Policy Programme are directed at:

- **Balancing local government finances:** A reduction of municipalities' duties and obligations will be ensured, particularly in the administrative branches of the Ministry of Education and Culture and the Ministry of Social Affairs and Health. Government proposals on legislative changes reducing municipalities' duties and obligations will be submitted to Parliament so that Parliament has the opportunity to discuss them during the autumn session. Moreover, other measures not requiring legislation will be implemented without delay. Steps will be taken to ensure that a local government budgetary framework is introduced in 2015 as part of the General Government Fiscal Plan.
- **Productivity of public services provision:** A key instrument in this is the social and health care reform and the budgetary framework system for social and health care services to be implemented in connection with it. The system will help ensure that the development of public social and health care expenditure adheres to an expenditure ceiling in which the target set for service system productivity growth will be realised.
- **Extending working careers and, in this, the pension solution in particular:** It is necessary to implement the working career and pension solution, negotiated by labour market organisations, that realises the target both to raise the expected retirement age and reduce the sustainability gap.
- **Reducing structural unemployment:** There will be investment in enhanced labour policy measures, including enhanced employment services at an earlier stage of

unemployment, increasing job offers, systematic sanctions for refusing work or activation measures, and directing employment service activities more strongly to take the needs of businesses into account. The Government will submit a proposal on employment service centres that supports these measures. Options to develop the labour policy administration will be explored.

- Raising output potential: Housing market activity will be improved by, among other things, ensuring the implementation of the negotiated result achieved on 25 August 2014 with the municipalities of Greater Helsinki to increase by around 25% the planning of land for residential development in 2016–2019. A Metropolitan Authority will be established, particularly to resolve land use, housing and transport problems in the metropolitan area. The Metropolitan Authority will be launched in connection with the 2017 local government elections. Digitalisation will be continued by ensuring the implementation of the National Service Channel. Investment permit procedures will be made more efficient. The Programme for Promoting Healthy Competition will be effectively implemented.

The programme of the Government formed after the parliamentary elections to be held in spring 2015 will have to reassess the situation and the possible need for new measures.



## 1. Macroeconomic forecasts<sup>1</sup>

**Table 0.i) Basic assumptions**

	2013	2014	2015
3-month Euribor	0.2	0.3	0.4
Long-term interest rate (10-year government bonds)	1.9	1.5	1.6
USD/€ exchange rate	1.3	1.4	1.3
Nominal effective exchange rate	3.1	2.3	0.0
World GDP growth (excl. The EU)	3.6	3.9	4.2
EU-27 GDP growth	0.1	1.6	2.0
Growth of relevant foreign markets	1.2	1.6	4.3
World trade growth	2.7	3.2	4.7
Oil prices. (Brent. USD/barrel)	109	108	105

**Table 1a. Macroeconomic prospects**

	2013 level	2013	2014	2015
		change, %		
<b>1. Real GDP</b>	186.8	-1.2	0.0	1.2
Of which				
1.1. Attributable to the estimated impact of aggregated budgetary measures on				
<b>2. Potential GDP</b>	192.1	0.0	0.0	0.4
contributions:				
- labour				
- capital				
- total factor productivity				
<b>3. Nominal GDP</b>	201.3	1.1	1.3	2.6
<b>Components of real GDP</b>				
<b>4. Private final consumption expenditure</b>	111.0	-0.7	0.0	0.3
<b>5. Government final consumption</b>	50.2	1.5	0.2	0.4
<b>6. Gross fixed capital formation</b>	42.6	-4.8	-3.6	2.4
<b>7. Changes in inventories and net acquisition of valuables (% of GDP)</b>	0.4	0.2	0.0	0.1
<b>8. Exports of goods and services</b>	76.9	-1.7	0.4	4.0
<b>9. Imports of goods and services</b>	78.8	-2.5	-0.9	3.2
<b>Contributions to real GDP growth, % points</b>	0.0	0.0	0.0	0.0
<b>10. Final domestic demand</b>	203.9	-1.1	-0.7	0.8
<b>11. Changes in inventories and net acquisition of valuables</b>	0.4	-0.4	0.3	0.1
<b>12. External balance of goods and services</b>	-1.9	0.3	0.5	0.3

<sup>1</sup> The forecast presented in the draft budgetary plan, which was also used as the basis for the central government's budget proposal, has been prepared in the Economics Department of the Ministry of Finance. The forecast is independent and the regulatory and other changes that formally guarantee its independence are currently being prepared. The draft budgetary plan is based on the data available on 8 August 2014 and Government's budget proposal submitted to the Parliament on 15 September 2014.

**Table 1b. Price developments**

	2013	2014	2015
	change, %		
1. GDP deflator	2.4	1.3	1.4
2. Private consumption deflator	2.6	1.3	1.4
3. HICP	2.2	1.3	1.3
4. Public consumption deflator	1.7	1.5	1.5
5. Investment deflator	1.1	1.1	1.5
6. Export price deflator	-0.8	-0.6	1.4
7. Import price deflator	-1.1	-0.5	1.3

**Table 1c. Labour market developments**

	2013 level	2013	2014	2015
		change, %		
1. Employment, 1 000 persons	2 457	-1.1	-0.4	0.3
2. Employment, 1 000 000 hours worked	4 188	-1.9	-0.5	0.6
3. Unemployment rate (%)	207	8.2	8.6	8.5
4. Labour productivity, persons	76.2	-0.1	0.4	0.9
5. Labour productivity, hours worked	45.2	0.7	0.5	0.6
6. Compensation of employees	81.3	0.5	0.9	1.7
7. Compensation per employee	32.7	1.6	1.3	1.4

**Table 1d. Sectoral balances**

	2013	2014	2015
	% of GDP		
1. Net lending/borrowing vis-à-vis the rest of the world	-2.1	-1.4	-1.1
of which:	0.0	0.0	0.0
- Balance on goods and services	-1.0	-0.5	-0.2
- Balance of primary incomes and transfers	-1.2	-1.0	-1.0
- Capital account	0.1	0.1	0.1
2. Net lending/borrowing of the private sector	-0.1	0.6	0.7
3. Net lending/borrowing of general government	-2.3	-2.7	-2.4
4. Statistical discrepancy	0.3	0.3	0.3

## 2. Budgetary Targets

**Table 2a. General government budgetary targets broken down by subsector**

Net lending (+) / net borrowing (-) by sub-sector	2014	2015
	% of GDP	
1. General government	-2.7	-2.4
2. Central government	-3.4	-2.6
3. -	-	-
4. Local government	-0.8	-1.1
5. Social security funds	1.5	1.3
6. Interest expenditure	1.3	1.3
7. Primary balance	-1.4	-1.1
8. One-off and other temporary measures	0.0	0.0
9. Real GDP growth (%)	0.0	1.2
10. Potential GDP growth (%)	0.0	0.4
contributions:		
- labour		
- capital		
- total factor productivity		
11. Output gap	-2.7	-1.9
12. Cyclical budgetary component	-1.5	-1.1
13. Cyclically-adjusted balance	-1.1	-1.3
14. Cyclically-adjusted primary balance	-0.2	-0.3
15. Structural balance	-1.2	-1.3

**Table 2b. General Government debt developments**

	2014	2015
	% of GDP	
<b>1. Gross debt</b>	<b>59.6</b>	<b>61.2</b>
<b>2. Change in gross debt ratio</b>	<b>3.7</b>	<b>1.6</b>
<b>Contributions to changes in gross debt</b>		
<b>3. Primary balance</b>	<b>-1.4</b>	<b>-1.1</b>
<b>4. Interest expenditure</b>	<b>1.3</b>	<b>1.3</b>
<b>5. Stock-flow adjustment</b>	<b>1.0</b>	<b>-0.7</b>
of which:		
- Differences between cash and accruals		
- Net accumulation of financial assets <sup>3</sup>		
of which:		
- privatisation proceeds		
- Valuation effects and other		
<b>p.m.: Implicit interest rate on debt</b>	<b>2.3</b>	<b>2.2</b>
Other relevant variables		
6. Liquid financial assets		
7. Net financial debt		
8. Debt amortization (existing bonds) since the end of the previous year		
9. Percentage of debt denominated in foreign currency		
10. Average maturity		

**Table 2c. Contingent liabilities**

	2013	2014
	% of GDP	
Central government guarantees	16.5	
of which: linked to the financial sector	0.5	



### 3. Expenditure and Revenue Projections under the no-policy change scenario

**Table 3. General government expenditure and revenue projections at unchanged policies broken down by main components**

General government	2014	2015
	% of GDP	
<b>1. Total revenue at unchanged policies</b>	55.5	55.0
<b>Of which</b>		
1.1. Taxes on production and imports	14.4	14.2
1.2. Current taxes on income, wealth, etc	16.6	16.4
1.3. Capital taxes	0.2	0.3
1.4. Social contributions	12.8	12.7
1.5. Property income	3.4	3.5
1.6. Other	8.0	8.0
p.m.: Tax burden	43.7	44.2
<b>2. Total expenditure at unchanged policies</b>	58.7	59.0
<b>Of which</b>		
2.1. Compensation of employees	14.4	14.2
2.2. Intermediate consumption	11.7	11.9
2.3. Social payments	22.7	22.9
of which Unemployment benefits	2.2	2.1
2.4. Interest expenditure	1.3	1.3
2.5. Subsidies	1.4	1.4
2.6. Gross fixed capital formation	4.1	4.1
2.7. Capital transfers	0.3	0.3
2.8. Other	2.8	2.9

## 4. Expenditure and Revenue targets

**Table 4a. General government expenditure and revenue targets, broken down by main components**

General government	2014	2015
	% of GDP	
1. Total revenue target	55.8	55.8
Of which		
1.1. Taxes on production and imports	14.7	14.7
1.2. Current taxes on income, wealth, etc	16.4	16.3
1.3. Capital taxes	0.2	0.3
1.4. Social contributions	13.1	13.1
1.5. Property income	3.4	3.5
1.6. Other	8.0	8.0
p.m.: Tax burden	44.7	44.5
2. Total expenditure target	58.5	58.2
Of which		
2.1. Compensation of employees	14.3	14.0
2.2. Intermediate consumption	11.7	11.8
2.3. Social payments	22.6	22.6
of which Unemployment benefits	2.2	2.1
2.4. Interest expenditure	1.3	1.3
2.5. Subsidies	1.4	1.3
2.6. Gross fixed capital formation	4.1	4.0
2.7. Capital transfers	0.3	0.3
2.8. Other	2.8	2.8

**Table 4b. Amounts to be excluded from the expenditure benchmark**

	2013 EUR million	2013	2014	2015
		% of GDP		
1. Expenditure on EU programmes fully matched by EU funds revenue	1 209	0.6	0.4	0.6
2. Cyclical unemployment benefit expenditure	584	0.3	0.4	0.3
3. Effect of discretionary revenue measures	1 456	0.7	0.3	0.4
4. Revenue increases mandated by law	440	0.2	0.0	0.0

## 5. Description of discretionary measures included in the draft budget

**Table 5a. Discretionary measures taken by General Government**

List of measures	Detailed description	Target	Accounting principle	Adoption in status	Budgetary impact			
					2014	2015	2016	2017
					of GDP %			
Personal income tax	Personal income tax		accrual	partly decided**	0.3	0.0	0.1	0.0
Corporate income tax	Corporate income tax		accrual	partly decided**	-0.4	0.0	0.0	0.0
Indirect taxes	Indirect taxes		accrual	partly decided**	0.2	0.2	0.1	0.0
Contributions	Contributions		accrual	proposal***	0.3	0.1	0.1	0.1
Expenditure measures, total	Expenditure measures, total		accrual, cash-based	partly decided**	-0.2	-0.9	-0.1	-0.1

\* Many of the discretionary measures do not pass a size criterion (at least 0,05% of the GDP). Therefore the measures are combined and merely the aggregate effect of measures is reported. Some of the measures are temporary but most of them are permanent.

\*\*Parliament will confirm during fall 2014

\*\*\*Ministry of Social Affairs and Health will confirm during fall 2014

**Table 5b. Discretionary measures taken by Central Government**

List of measures	Detailed description	Target	Accounting principle	Adoption in status	Budgetary impact			
					2014	2015	2016	2017
					of GDP %			
Personal income tax	Personal income tax		accrual	partly decided**	0.3	0.0	0.1	0.0
Corporate income tax	Corporate income tax		accrual	partly decided**	-0.4	0.0	0.0	0.0
Indirect taxes	Indirect taxes		accrual	partly decided**	0.2	0.2	0.1	0.0
Expenditure measures, total	Expenditure measures, total		accrual, cash-based	partly decided**	-0.2	-0.9	-0.1	-0.1

\* Many of the discretionary measures do not pass a size criterion (at least 0,05% of the GDP). Therefore the measures are combined and merely the aggregate effect of measures is reported. Some of the measures are temporary but most of them are permanent.

\*\*Parliament will confirm during fall 2014

## 6. Indications on how measures of the Draft Budgetary Plan address Country-Specific Recommendations (CSR) and the targets set by the Union's Strategy for Growth and Jobs

### 6a: Country-Specific Recommendations

CSR number	Measures	Description of direct relevance
<p>CSR1: Reinforce the budgetary measures for 2014 in the light of the emerging gap relative to the medium-term objective. In 2015 and thereafter respect the medium-term objective as planned, and ensure that the debt criterion is fulfilled, while pursuing a growth-friendly fiscal policy. Implement rapidly the reforms set out in the Structural Policy Programme and Government's spending limits and fiscal plan for 2015–18 in order to reduce the fiscal sustainability gap and strengthen conditions for growth.</p>	<p>According to the Government Programme (24 June 2014), implementing the Structural Policy Programme in the manner decided in August 2013 will be ensured as previously agreed through further decisions made, if necessary, in the budget session of summer 2014. On 28 August 2014, the Government decided to strengthen the implementation of Structural Policy Programme (<a href="http://valtioneuvosto.fi/tiedostot/julkinen/pdf/2014/budjettineuvottelut-2014/rakennepoliittinen-ohjelma/government-decision-280814.pdf">http://valtioneuvosto.fi/tiedostot/julkinen/pdf/2014/budjettineuvottelut-2014/rakennepoliittinen-ohjelma/government-decision-280814.pdf</a>)</p> <p>The Government will launch a programme of housing and infrastructure construction. The central government and the municipalities of Greater Helsinki have reached an agreement by which the Greater Helsinki municipalities' planning target will be raised by 25% compared with the current letter of intent on land use, housing and transport. In return, the central government will support the City Rail Loop and the Western Metro extension as far as Kivenlahti. In addition, the central government will contribute to the planning costs of the Tampere light rail project.</p> <p>To support employment and growth, the 2015 Budget will, among other things, allocate a supplementary appropriation for transport and infrastructure projects, and increase investments in innovation funding and venture capital investment activity.</p> <p>The social partners reached in September 2014 an agreement on the pension reform to be implemented from 2017. The legislative process will start according to the Government's decisions.</p> <p>During the parliamentary term, the Government has implemented adjustment measures totalling EUR 5.9 billion in general government finances (2.8% of GDP).</p>	<p>The Government's measures correspond directly with the CSR in terms of a growth-friendly fiscal policy and reducing the sustainability gap.</p>
<p>CSR2: Ensure effective implementation of the ongoing administrative reforms concerning municipal structure and social and health care services, in order to increase cost-effectiveness in the provision of public services.</p>	<p>The Government decided on 28 August 2014 that a budgetary framework system implementing the cost management of public social and health care services will be prepared to support the conciliation work of the parliamentary social and health care group.</p>	<p>The measure corresponds directly with the CSR in terms of administrative reforms concerning social and health care services.</p>
<p>CSR3: Improve the use of the full labour force potential in the labour market, including by improving the employment rate and the employability of older workers, reducing early exit pathways and aligning statutory retirement age or pension benefits to changes in life expectancy. Improve the labour-market prospects of young people and the long-term unemployed, with a particular focus on vocational education and targeted activation measures.</p>	<p>The social partners reached in September 2014 an agreement on the pension reform to be implemented from 2017. The legislative process will start according to the Government's decisions</p>	<p>The measures correspond directly with the CSR.</p>

## 6b: Targets set by the Union's Strategy for Growth and Jobs

No significant changes after spring 2014,

see: [http://ec.europa.eu/europe2020/pdf/csr2014/nrp2014\\_finland\\_en.pdf](http://ec.europa.eu/europe2020/pdf/csr2014/nrp2014_finland_en.pdf)

## 7. Divergence from latest SP

**Table 7. Divergence from latest SP**

	2013	2014	2015
	% of GDP		
Target general government net lending/net borrowing			
Stability Programme	-2.0	-2.0	-1.1
Draft Budgetary Plan	-2.3	-2.7	-2.4
Difference *	-0.3	-0.6	-1.3
General government net lending projection at unchanged policies			
Stability Programme	-2.0	-2.4	-2.9
Draft Budgetary Plan	-2.3	-3.2	-4.0
Difference *	-0.3	-0.8	-1.1

\* The difference is explained by the implementation of the ESA2010 and a method change in the calculation of fiscal balance at unchanged policy



## Annex: Methodological aspects

The macro forecast is based on expert views, Ministry of Finance DSGE model (see e.g. Economic Survey, autumn 2013, p. 15, and Economic Survey, spring 2013, p. 19), a short-term factory model and various partial models.

The public finance forecast is based on among other things the short-term macro forecast as well as medium-term calculations, budget proposals, spending limit decisions, tax base forecasts and discretionary tax measures and detailed tax revenue estimates derived from them, the basic public service programme and decisions on social security contributions and benefits.









MINISTRY OF FINANCE  
Snellmaninkatu 1 A  
PO BOX 28, 00023 Government  
Tel. +358 295 160 01  
Fax 09 160 33123  
[www.financeministry.fi](http://www.financeministry.fi)

26c/2014  
Ministry of Finance publications  
October 2014

ISSN 1459-3394 (print)  
ISBN 978-952-251-613-8 (print)  
ISSN 1797-9714 (pdf)  
ISBN 978-952-251-614-5 (pdf)

MINISTRY OF FINANCE  
PUBLICATIONS

Budget issues

Public management

Local government

Governance and  
accountability

Financial markets

Economic outlook  
and economic policy

Office for the Government  
as Employer

Tax issues