GOVERNMENT DECISION ON
CENTRAL GOVERNMENT SPENDING LIMITS FOR 2014—2017

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CENTRAL GOVERNMENT SPENDING LIMITS FOR 2014–2017

Following the preparatory discussions of the Government Finance Committee and with reference to Section 1 of the Decree on the State Budget (1243/1992) and the Government Decree issued on 24 April 2003 regarding the principles for the drafting of central government spending limits, budget proposals and action plans and budgets, the Government has announced its decision on the Central Government Spending Limits as follows:

1. Economic developments and fiscal policy

The uncertain international outlook will overshadow the Finnish economy throughout the budget planning period. However recent economic indicators suggest that the international economic downturn has ended, and there are signs of stabilisation in the financial markets, too. Nonetheless the situation in the euro area remains delicate and its tolerance of shocks is poor.

The risks to the development of the global economy are leaning to the downside, although less sharply than earlier. In the Finnish economy the main source of risk lies in how the real economy reacts to the international economic situation. Economic policy can help to remedy the situation: a predictable and transparent fiscal policy coupled with a clear tax structure with strong incentive effects provides a sound basis for economic growth.

Finland’s projected GDP growth for 2013 is 0.4%. This forecast assumes a cyclical upturn, but historically the growth prospects are low. According to the medium-term baseline scenario, average GDP growth over 2014–2017 will come in at 1.7%.

Government fiscal policy

The framework conditions for fiscal policy are demanding. The Finnish economy is going through a phase of protracted slow growth and suffering from the adverse effects of ongoing structural changes in production at the same time as population ageing is undermining the prospects of economic growth and driving up general government expenditure. Central and local government are accumulating debt and public finances are not on a sustainable basis in the long term.

The main economic and fiscal policy challenges facing the Government of Prime Minister Jyrki Katainen are to improve the conditions for economic growth and to secure adequate funding for the welfare state. The Government's principal policy objectives are laid down in the Government Programme. State budgets and central government spending limits are drawn up in line with these policy objectives.

The Government has set itself the targets of restoring balance in central government finances and achieving a substantial reduction in the central government debt to GDP ratio by the end of the parliamentary term. In order to reach these targets the Government has committed itself to adjust revenue and expenditure and to restructure the economy so as to facilitate stronger than predicted growth. The Government reviews the achievement of these targets on an annual basis. The Government has undertaken to put in place additional measures if the central government debt to GDP ratio does not start to decrease and if the central government deficit remains at over 1% of GDP in 2015.

In line with these principles, the Government has decided on a set of immediate measures designed to reduce central government expenditure and to increase revenue. The most significant of these measures are included in the Government Programme and in the spending limits decisions taken during the parliamentary term. The current spending limits decision entails further adjustments of around EUR 600 million on an annual level in 2015. Taxes will be increased on tobacco products, alcoholic beverages and sweets. On the other hand the corporate income tax rate will be significantly lowered, but at the same time taxes on dividends will be increased and certain tax subsidies will be discontinued or limited. Tax base changes and measures related to central government revenue are discussed in more detail in Chapter 4 below. The biggest expenditure savings will come from cuts to central government transfers to local government, cuts to compensations payable under the Sickness Insurance Act, the suspension of the indexation of central government transfers to local government in the administrative branch under the Ministry of Education and Culture, and the lowered level of development cooperation appropriations. On the other hand additional funds are allocated to supporting growing businesses, to compensating the costs incurred to industry from the entry into force of the EU sulphur directive in 2015, implementation of the ICT 2015 programme, incentives for labour market participation and the development of vocational and apprenticeship training.

The adjustment measures will be phased in by 2015. Combined with the effect of earlier decisions, they will improve central government's budgetary position by a net total of around EUR 5.2 billion at 2015 level.

The rising central government debt-to-GDP ratio will turn onto a downward path. The projected rate of economic growth together with the adjustment measures will narrow, but not close the sustainability gap in public finances. According to the Ministry of Finance's estimation general government should show a surplus of 3.5% of GDP in order to be in the position to fulfil its obligations in the long term, too.

It is not appropriate to try to strengthen public finances and to close the sustainability gap through immediate tax increases and expenditure cuts alone. These immediate adjustment measures must be complemented by reforms to economic structures, which will improve the framework conditions for economic growth.

The Government has stressed the importance of measures focused on growth and drivers of growth as a solution to the challenges facing public finances. These measures are based on the precept that Finland’s economic success depends on high employment, competitive production, high skills levels, equitable service provision and social justice as well as a universal and inclusive welfare system.

Economic assumptions underlying spending limits decision

The appropriation and revenue estimates and the price and cost level adjustments made for this spending limits decision are based on the March 2013 forecast supplied by the Ministry of Finance Economics Department for the Government’s spending limits discussions on 21 March 2013. The new decisions taken in the spending limits discussions, particularly those concerning taxation, are in turn reflected in the forecast. The new revised forecast is attached as Appendix 2. According to the forecast the central government debt-to-GDP ratio will start to decline during the parliamentary term in line with the Government Programme objective. The revised projections will be taken into account in the appropriation and revenue estimates and in the spending limits price and cost level adjustments in connection with drafting the 2014 budget proposal in summer 2013.

2. Spending limits for central government finances in 2014—2017

Committed to a long-term responsible expenditure policy designed to promote economic stability, the Finnish Government operates a spending limits system for central government finances. The current spending limits decision is a revised spending plan for 2014–2017 based on the earlier decision adopted by the Government on 4 April 2012.

In its first spending limits decision for the parliamentary term, dated 5 October 2011, the Government agreed on additional investments and expenditure cuts that would reduce the level of expenditure under the spending limits by a total of EUR 1.2 billion in 2015 compared to the March 2011 decision on spending limits. In the spring 2012 spending limits decision for 2013–2016, the Government adopted additional adjustment measures that lowered overall spending limits expenditure by a further EUR 1.2 billion at an annual level in 2015. As a consequence overall and annual spending limits adopted for the parliamentary term were revised downwards by the amount equivalent to the additional expenditure cuts (excluding savings from indexation suspensions, which lower the price level adjustment). Spending limits can be lowered (but not raised) mid-term without undermining the credibility of the system.

Under the current spending limits decision for 2014–2017 the Government introduces new expenditure cuts and on the other hand additional investments with a view to bolstering growth. The additional adjustments have a significant net effect on the overall level of spending limits expenditure. Overall the spending limits for the parliamentary term are further reduced by EUR 150 million for 2014 and by EUR 450 million for 2015.

Price and cost level adjustments and structural changes

The level of expenditure under the spending limits over the parliamentary term is adjusted annually to reflect structural changes in the spending limits as well as in price levels.

The April 2012 spending limits decision for 2013–2016 was made at 2013 price and cost levels. The 2014–2017 decision is compiled at 2014 price levels. Estimates for statutorily index-linked expenditure should be increased by a total of around EUR 530 million in line with the index forecasts for 2014. However the 2014 index increase takes account of the decision to freeze indexations of child benefits over the parliamentary term (approx. EUR 30 million in 2014) and the decision to suspend indexation of central government transfers in the administrative branch under the Ministry of Education and Culture (approx. EUR 54 million). In the 2013–2016 spending limits decision and the 2013 budget the Government chose to bring forward the indexation of certain benefits to 2013 with a view to boosting the purchasing power of low income earners. EUR 24 million of the increase was attributable to early statutory indexation under the spending limits. Therefore a corresponding increase of EUR 24 million was made to the 2013 spending limits, which is taken into account in the current spending limits decision as a factor lowering the statutory price adjustment. Statutory indexations therefore total EUR 423 million in 2014. The overall spending limits for the parliamentary term are revised accordingly.

The overall spending limits are also adjusted to reflect contractual indexations in the Defence Forces by approx. EUR 38 million. In addition spending limits expenditure that does not come under statutory or contractual indexation rules is adjusted to 2014 price and cost levels according to the weight structure of the relevant type of expenditure, i.e. each expenditure item is adjusted using the most appropriate index forecast (total adjustment EUR 223 million). The price and cost level adjustments for 2014 are examined more closely in Appendix 1.

Furthermore the 2014 spending limits level is adjusted to reflect the structural changes made to the spending limits. All the structural adjustments to the spending limits are detailed in Appendix 1.

Revised parliamentary term spending limits for 2014–2015 (at 2014 prices), EUR million

	2014	**2015**
Revised parliamentary term spending limits 4 April 2012, at 2013 prices	**42 319**	**42 007**
Reduction of spending limits level under adjustment package	-150	-450
2013–2014 adjustments to price and cost levels	673	695
2013–2014 structural changes	29	7
Revised parliamentary term spending limits	**42 871**	**42 259**

Development of spending limits expenditure 2014–2017

Spending limits expenditure in 2014 amounts to approx. EUR 42.5 billion, some EUR 100 million less than budgeted for 2013. During the budget planning period spending limits expenditure will fall by around EUR 0.8 billion from 2014 through to 2017. Average annual expenditure in the administrative branches is EUR 0.4 billion higher than under the April 2012 spending limits decision. The factor with the greatest upward effect is the change in price levels. Factors contributing to lower the figures include the new savings measures announced by the Government and the reduced estimates for EU fees, energy tax subsidy, renewable energy production subsidy and the Academy of Finland's revised budgeting procedures.

Overall, during the 2014–2017 budget planning period, administrative branch expenditure will decline in real terms by an average of just over 1½% a year, accounting for the effects of structural changes. Nominal expenditure in administrative branches will increase on average by around ½% a year.

Expenditure outside spending limits

The spending rule specifies the maximum level for around four-fifths of all budgeted expenditure. Items excluded from budget expenditure consist mainly of those that fluctuate with economic cycles as well as automatic fiscal stabilisers, interest payments, VAT expenditure, financial investment expenditure and expenditure corresponding to technically transmitted payments.

The following items are excluded from the spending limits:

— unemployment security expenditure, the central government contribution to the cost of basic social assistance, pay security and housing allowances; however expenditure effects from changes to the bases of these items are included in the spending limits
— central government debt interest payments
— any compensation payable to other tax revenue recipients as a result of tax changes made by central government (including social insurance contributions)
— expenditure corresponding to technically transmitted payments and external funding contributions
— expenditure corresponding to revenue from betting and lottery, totalisator betting and transferred earnings from the Slot Machine Association
— financial investment expenditure
— appropriations for VAT expenditure.

If annual revenue from the sale of shares exceeds EUR 400 million, a maximum of EUR 150 million of the excess can be spent on one-off infrastructure and skills investments aimed at promoting sustainable growth. Central government revenue from the auctioning of emissions rights can be allocated to one-off climate change and development cooperation expenditure items, spending limits notwithstanding.

If annual expenditure falls below the spending limits even after supplementary budgets, the difference, up to a maximum of EUR 200 million, can be spent in the following year on one-off expenditure items, spending limits notwithstanding.

If economic growth is faster than projected, the increased revenue and decreased expenditure will primarily be used to reduce central government debt. If the central government debt-to-GDP ratio falls clearly before 2015, no more than 30% of the improved fiscal position can be allocated to additional expenditure in line with the Government's strategic objectives.

It is estimated that expenditure outside the spending limits will reach about EUR 11.3 billion in 2014, which is some EUR 0.7 billion less than the non-spending limits expenditure budgeted for 2013, largely on account of reduced financial investment expenditure. Annual expenditure outside the spending limits varies over the budget planning period from around EUR 11.0 billion to around EUR 11.4 billion. Central government debt outlays will increase during the planning period, but on the other hand financial investment expenditure will fall with the removal of export refinancing appropriations from on-budget entities.

Cyclical expenditure such as unemployment security and housing allowances are some EUR 290–360 million higher than in the April 2012 spending limits decision. This is mainly due to the deteriorating cyclical outlook.

Financial investment expenditure will decrease in 2014 and increase in 2015 compared to the previous spending limits decision. This is chiefly due to the timing change made to the foreseen appropriation for export refinancing. Annual revenue from the bank tax is estimated at EUR 150 million. The corresponding deferrable appropriation is assumed to be an expenditure item outside the spending limits.

Estimated debt interest payments in 2014 are around EUR 1.8 billion, which is expected to rise to around EUR 2.4 billion by 2017. However since the estimated interest rate has fallen, this figure is some EUR 0.5–0.8 billion lower than in the April spending limits decision.

Central government spending limits by administrative branch and estimate of expenditure outside the spending limits in 2014–2017, EUR million at 2014 price and cost levels

Administrative branch	**2014 SL**	**2015 SL**	**2016 SL**	**2017 SL**
23. Prime Minister's Office	78	77	78	77
Estimate of expenditure outside spending limits	6	6	6	6
Total	**84**	**83**	**84**	**83**
24. Ministry for Foreign Affairs	1 252	1 194	1 230	1 273
Estimate of expenditure outside spending limits	28	28	28	28
Total	**1 280**	**1 222**	**1 258**	**1 301**
25. Ministry of Justice	833	820	802	797
Estimate of expenditure outside spending limits	55	55	55	55
Total	**888**	**875**	**857**	**852**
26. Ministry of the Interior	1 178	1 133	1 136	1 132
Estimate of expenditure outside spending limits	95	81	76	76
Total	**1 272**	**1 213**	**1 212**	**1 208**
27. Ministry of Defence	2 426	2 332	2 316	2 316
Estimate of expenditure outside spending limits	336	326	322	322
Total	**2 762**	**2 658**	**2 638**	**2 638**
28. Ministry of Finance	15 287	15 377	15 534	15 466
Estimate of expenditure outside spending limits	1 701	1 847	1 875	1 890
Total	**16 988**	**17 224**	**17 410**	**17 356**
29. Ministry of Education and Culture	5 989	5 917	5 985	5 951
Estimate of expenditure outside spending limits	569	623	576	579
Total	**6 558**	**6 539**	**6 561**	**6 530**
30. Ministry of Agriculture and Forestry	1 780	1 721	1 670	1 688
Estimate of expenditure outside spending limits	906	911	858	872
Total	**2 685**	**2 632**	**2 528**	**2 560**
31. Ministry of Transport and Communications	2 089	2 020	1 917	1 874
Estimate of expenditure outside spending limits	880	903	867	856
Total	**2 970**	**2 923**	**2 785**	**2 730**
32. Ministry of Employment and the Economy	2 412	2 339	2 161	2 212
Estimate of expenditure outside spending limits	931	870	365	420

Total	**3 343**	**3 208**	**2 527**	**2 632**
33. Ministry of Social Affairs and Health	8 718	8 513	8 520	8 485
Estimate of expenditure outside spending limits	3 897	3 852	3 817	3 775
Total	**12 615**	**12 365**	**12 337**	**12 260**
35. Ministry of the Environment	251	234	215	215
Estimate of expenditure outside spending limits	12	12	12	12
Total	**263**	**246**	**227**	**227**
36. Interest on central government debt	-	-	-	-
Estimate of expenditure outside spending limits	1 848	1 896	2 107	2 422
Total	**1 848**	**1 896**	**2 107**	**2 422**
Administrative branch spending limits, total[1]	**42 478**	**41 846**	**41 730**	**41 645**
Estimate of expenditure outside spending limits total	11 283	11 426	10 982	11 329
Main titles, total	**53 761**	**53 272**	**52 712**	**52 974**
Parliamentary term spending limits	**42 871**	**42 259**		
—Administrative branch spending limits, total[1]	42 478	41 846		
—Supplementary budget provision	200	200		
—Unallocated reserve	193	213		

1) Main titles 21 and 22 are included in the total.

3. Central government spending limits by administrative branch for 2014—2017

This spending limits decision for central government finances is based on an earlier decision issued on 4 April 2012. In preparing this decision the need for additional expenditure and tax adjustment has been ascertained in line with the Government Programme.

Compensation for costs arising from sulphur directive

The EU sulphur directive enters into force in 2015. In order to offset increasing transport costs, the Government has decided to launch a national action plan designed to lower business costs and to compensate for the adverse effects of the sulphur directive to Finnish competitiveness and to Finnish business and industry.

Energy subsidy authority under the main title of the Ministry of Employment and the Economy will be increased by EUR 18 million in 2013 and by EUR 90 million in 2014 in order to bolster development of the LNG infrastructure. Furthermore, authority to grant aid for business investment and development projects under the main title of the Ministry of Employment and the Economy will be increased by EUR 15 million in 2013. The corresponding appropriations have been added to the 2014–2017 spending limits.

Costs will also be compensated by lowering the windfall tax by EUR 120 million a year in 2014–2017, i.e. from EUR 170 million to EUR 50 million. In addition the Government will implement the policy recommendation of the ministerial working group on transport and communications regarding the phasing in of higher maximum dimensions and weights for heavy goods vehicles. Appropriations to the Ministry of Transport and Communications main title for basic transport infrastructure maintenance have been increased by EUR 15 million for 2014, by EUR 10 million for 2015 and by EUR 15 million for 2016 and 2017. Appropriations for transport infrastructure development projects will be increased by EUR 113 million in 2014 and by EUR 58 million in 2015. Funds will continue to be made available for regional transport subsidy: during the budget planning period appropriations will be increased by EUR 5 million.

ICT 2015

In response to the ICT 2015 working group's recommendations, the decision has been taken to set up a Cyber Security Centre and to create a comprehensive and coherent platform for electronic services delivery. Particular focus will be given to cost efficiency and to increasing opportunities for cross-border cooperation. The Government will continue to explore the feasibility of the Baltic Sea telecommunications cable project and is prepared to make funding decisions if necessary during 2013. A new research, development and innovation programme will be launched with Academy of Finland funding, and therefore the Academy's annual funding authority will be increased by EUR 10 million.

The Government will launch a major growth funding programme in order to strengthen the capital investment market and to support SME growth. The programme will be financed through both government and private investment. Taken together, investment in these funds may run into billions of euros. During the budget planning period annual capitalisations of EUR 30 million will be made into Finnish Industry Investment in order to start a new growth fund for growth-stage businesses. In 2014–2017, capital investments in Finnvera will be increased by EUR 5 million in order to support the growth of start-up businesses through direct investment. During the planning period annual investments of EUR 20 million will be made from the Finnish Funding Agency for Technology and Innovation (Tekes) lending authority to capitalise seed companies. From 2014, as part of the growth funding programme, Tekes will gradually take over responsibility for the provision of early-stage public development subsidies, including capital investment activities.

Open data

Free and open access to public data is one of the Government's key projects in its efforts to strengthen sustainable economic growth, employment and competitiveness. Furthermore by providing open access to the secondary use of public data the Government hopes to promote democracy and the engagement of civil society and to improve the productivity of public administration. The EU is also committed to facilitate the use of information held by the public sector and to remove price-based obstacles.

The biggest benefits from opening up public data to service and new business development and to data utilisation are gained when different genres of data can be combined. In order to achieve significant socio-economic benefits it is necessary that data are opened as broadly as possible and on a long-term basis. Access to public data will be promoted across the board, advancing in stages.

In Finland the opening of public data started with geographic information in 2012 and proceeded to weather, climate and marine data and climate models in early 2013. During the planning period the project will proceed to statistical datasets, corporate data, transport and communications data and airport observation data. The opening of these data will provide access to broader information sources for service innovations, business activities and grassroots civic activities. In addition it is important that offices and agencies continue to provide access to public data that can be opened without additional funding.

Combating the grey economy

Intensive efforts will be continued to combat the grey economy. Regional state administrative agencies will be granted EUR 0.28 million a year to step up the control of money laundering and terrorism. Each year over the planning period additional funds of EUR 2.2 million will be made available to the tax authorities for purposes of combating the grey economy.

Removal of incentive traps, action plan for people with partial working capacity and the reconciliation of work and family life

Steps will be taken to facilitate the employment of disabled employees with partial working capacity. These steps will include extending the maximum possible duration of partial sickness allowance, relaxing the eligibility criteria for vocational rehabilitation, and extending the Act on the suspension of disability pension. Partial sickness allowance allows employees to return to part-time employment following periods on sickness allowance. Eligibility is now extended to 150 days. The annual costs of these reforms are estimated at EUR 14.0 million, with central government covering EUR 2.0 million. In addition EUR 0.8 million has been earmarked in 2014–2016 for a pilot concept supporting the employment and continued employment of people with partial working capacity.

Local governments will be given an increased role and responsibility for the active management of long-term unemployment. In connection with the reassessment of local authorities' duties, part of the responsibility for financing labour market support for the long-term unemployed will be transferred to local governments from the beginning of 2015. This will reduce central government expenditure by EUR 150 million.

The reconciliation of work and family life will be promoted by the introduction of a new flexible care allowance for parents of children aged under three. In addition the maximum approved housing expenditures for housing allowance will be increased. The annual cost effects for central government will be around EUR 10 million from 2014.

Skills and the integration of immigrants

Steps will be taken to strengthen apprenticeship training for young people. Youth apprenticeship schemes are to include an initial period during which no employment contract is offered to the apprentice. This period is intended to lower the threshold for both employer and apprentice to enter into an apprenticeship agreement. Trial mechanisms will be put in place for a flexible changeover from institutional vocational training to apprenticeship training. On-the-job learning methods will be diversified in a joint effort by training providers and workplaces. Additional funds will be made available for the development of apprenticeship training and on-the-job learning: a total of EUR 17.8 million in 2014–2015 and EUR 22.7 million in 2016–2017.

The supply of vocational training will be aligned with demand in keeping with earlier decisions. In order to support implementation of the youth guarantee mechanism, these alignments will be spread out over a longer time period than previously planned. Therefore appropriations for initial vocational education will be increased by EUR 10 million in 2014–2015 and by EUR 14 million in 2016–2017.

Preparatory training courses for upper secondary education shall be provided for immigrants and foreign language speakers as from 1 August 2014. The focus will be on improving students' language and learning skills. Funded by central government, the training is expected to reach an estimated 1,000 students.

A centre of expertise or unit specialising in integration issues will be set up under the Ministry of Employment and the Economy with a view to supporting and promoting local knowledge and skills in the area of integration and employment. The centre will monitor and provide guidance for increasingly effective, long-term integration. It will compile and disseminate information about integration as well as best practices tested in projects, support the work done by organisations to promote rehabilitation and strengthen networks of international knowledge exchange and development. Two million euros will be allocated to the centre of expertise.

Housing policy

In sharp contrast to the situation in the rest of the country, the supply of building land in the metropolitan Helsinki area falls well short of demand. This is primarily reflected in housing prices, which follow simple supply and demand rules. Ultimately the situation is threatening to hamper the development of the region more generally.

The package of housing policy reforms announced in connection with the Government's mid-term review includes additional support for the development of reasonably priced rented accommodation in growth areas and for the improvement of the housing conditions of people with special needs. In order to increase state-subsidised residential housing development, steps will be taken to develop the interest subsidy system, and in the Helsinki region start-up assistance of no more than EUR 10 million will be granted for this purpose through to the end of 2015. The deductibility of the interest on interest-subsidy loans will be temporarily lowered to 1%. A maximum of EUR 15 million will be awarded in annual municipal engineering grants to municipalities bound by letters of intent through to the end of 2015. Authority to grant investment assistance for improving the housing conditions of people with special needs will be increased to EUR 120 million through to the end of 2015. Renovation grants will be primarily focused on the installation of lifts in existing buildings and on renovating the dwellings of older and disabled people so as to allow them to continue to live at home. The deductibility of interest-subsidised renovation loans will be temporarily lowered from 3.4% to 2.35%.

In order to support state-subsidised rented housing development and to diversify the range of rented housing options available, a new interest-subsidised loan mechanism will be introduced alongside the existing one. Loans will be available for terms of 20 years, but with smaller subsidised shares.

Implementation of the housing policy action plan will be continued together with local authorities. Operational appropriations for the Housing Finance and Development Centre will be increased by EUR 0.48 million in 2014–2017 with a view to developing rental income control. Set up for the development of housing and construction e-services, the SADe project (eServices and eAdministration) will be continued.

As part of the efforts to bolster the housing market in the metropolitan Helsinki region and to remove bottlenecks to growth, the State has reviewed its existing land ownerships in the area and in so doing set an example to the biggest landowners, i.e. local governments.

In keeping with the housing policy action plan the Ministry of Finance has coordinated an inventory of land areas suitable for state housing production in the metropolitan Helsinki region. Based on this inventory the total land area on which the state has no needs amounts to approx. 250 hectares. Negotiations are currently underway or land use agreements have been signed with local authorities on 113 hectares of this land. The total land area currently in state use but subject to changing state needs, or possibly suitable for housing development following planning revisions, amount to approx. 840 hectares. Negotiations are currently underway or land use agreements have been signed on 258 hectares of this land.

In order to promote the objectives of the action plan, ownership of some offices' and agencies' remaining real estate assets will be transferred, in accordance with the State Real Estate Strategy, to Senate Properties and the National Board of Forestry (Metsähallitus). The real estate assets administered by MTT Agrifood Research Finland as well as the Finnish Transport Agency's real estate assets not related to the transport infrastructure will be transferred to Senate Properties no later than 2015.

Senate Properties will begin to explore the potential for using these land areas for housing development. In cases where the land is not suitable for housing development, the company will assess possible other uses in accordance with the principles set out in the State Real Estate Strategy. Given the current imbalance between the supply and demand for housing and building land in the metropolitan Helsinki region, it is only appropriate that the state, in selling its land ownerships, should primarily seek to allocate the areas concerned to reasonably priced housing development. The objectives of the housing policy action plan will be reflected in the corporate governance of state enterprises and wholly-owned state companies.

3.1. General policy orientations for administrative branches

Prime Minister's Office

The level of PMO operating expenses during the budget planning period will be most significantly affected by the upgrading of access control, electronic crime reporting and video surveillance systems in connection with ministry renovation projects. Other significant expense items include the reform of central administration, central government ICT arrangements, including the introduction of a state security network, ensuring the proper operation of the Government situation centre and the 2015 Parliamentary elections, although it is too early to assess the budgetary effects of the latter. The Government has made provisions during the budget planning period to finance preparations of the centenary of Finnish independence in 2017. The exact level and spread of resources needed in 2014 will be determined in connection with drafting the 2014 budget proposal, and the necessary appropriations for subsequent years will be specified in the Government's spending limits decision in spring 2014.

Ministry for Foreign Affairs

Every effort will be made to maintain adequate coverage of the network of foreign missions so as to ensure political presence and to uphold service standards. In keeping with the Government Programme resources will be concentrated in countries and regions of growing economic and political importance. At the same time work will be continued to improve the structure and best practices of Finland's external representation.

The appropriations earmarked take account of the Security and Defence Policy Report (2012), the National Strategy for Civilian Crisis Management (2008) and the Peace Mediation Action Programme (2011). From 2014 onwards, the appropriations for military crisis management reflect the reduction in operational staff numbers and Finland's possible command role in the UNIFIL operation.

The Government is committed to increase the level of development cooperation appropriations as a proportion of GNI by allocating revenue from the auctioning of emissions rights to development cooperation and at the same time, as part of Finland's official development aid, to climate funding, as the revenue accrues. As part of central government's adjustment measures, appropriations for development cooperation will be reduced from 2015 by EUR 29 million at an annual level in 2015 as compared to the previous spending limits decision. Development cooperation appropriations for 2016 and 2017 have been determined in line with the 2015 GNI proportion, which means that the volume of appropriations for those years will be slightly higher than in 2015.

In line with the Government Programme Finland will step up its efforts to boost Northern Dimension cooperation. Funding for Baltic Sea, Barents region and Arctic region cooperation will be channelled is such a way as to promote EU and international funding into multilateral projects that support Finland's national interests in the country's neighbouring regions. Furthermore the appropriation will be used to support implementation of the Government's Russia Action Plan by promoting the development of forms of cooperation with Russia.

Ministry of Justice

The Ministry of Justice Advisory Board has drafted a proposal on a long-term Legal Protection Programme and on adjustments necessary in the judicial system in response to central government stringency. The principal reforms over the budget planning period are related to implementation of the Legal Protection Programme.

A reform programme will be launched from the beginning of April 2014 to restructure the courts of appeal and administrative courts. At the same time the reform of district courts will be continued. The number of trainee judges will be increased. Rules concerning the taking of evidence in the Code of Civil Procedure will be overhauled and the total review of the Criminal Investigation Act and the Coercive Measures Act will be put into effect. Steps will be taken to assess how the continued consideration procedure can be extended. Administrative judicial procedure will be developed based on the recommendations of the Administrative Judicial Procedure Committee. The so-called Follo model will be rolled out across the country with a view to achieving speedier resolutions of custodial disputes in a manner that is satisfactory to both the parents and the child concerned.

The prosecution service's and ordinary courts' resource planning and document management system will be introduced with a view to promoting more efficient working methods.

During the budget planning period a sustainable funding model will be prepared for crime victim services and especially for crime victim hotlines. This is crucial so that these services can be secured in accordance with the Government Programme and the Internal Security Programme.

During the budget planning period the prosecution service will takes steps to improve cooperation in pre-trial investigations, to promote the introduction of accelerated legal proceedings and to develop prosecutors' work procedures and practices. Based on the recommendations of a working group preparing the matter, the introduction of a plea bargaining system would reduce the workload of criminal investigators and prosecutors in the categories of cases that come under this procedure.

The criminal sanctions system will focus its efforts on the developing community sanctions. The Criminal Sanctions Agency's development and client data system is designed to significantly reduce agency workloads.

The Criminal Sanctions Agency's network of institutions and staff numbers will be aligned with overall spending limits based on the current adjustment plans. Renovation work will be completed at the Mikkeli and Helsinki prisons. In addition part of the necessary renovations at the Hämeenlinna Prison will be undertaken: during the budget planning period additional funding of EUR 5.2 million has been set aside for this purpose. After completion of this work there will still remain some dry cells at the Hämeenlinna Prison.

Linguistic rights shall be promoted on the basis of the national language strategy.

Ministry of the Interior

The national safety authorities' joint field command system will be acquired and commissioned. The overall costs of the project amount to EUR 19 million, EUR 15 million of which comes under the spending limits.

Additional funds of EUR 5.8 million are allocated to the safety network project to cover operational expenditure in 2014.

Every effort shall be made to maintain the current high standard of police services in emergency callouts as well as the efficiency of police operations in resolving crimes, in licence administration and in road safety work. The Ministry of the Interior will commence implementation of the next stage of restructuring police administration in order to readjust police finances by improving operational efficiency and by streamlining the police organisation. The Finnish Security Intelligence Service will be given an additional annual allocation of EUR 1.6 million to help step up its efforts to combat terrorism.

The Finnish Border Guard and other authorities working at national border posts expect to see a significant increase in cross-border traffic. To this end the Border Guard is working to develop its operations at border crossing points. Additional funds of EUR 10 million are allocated to the Finnish Border Guard at an annual level in 2017. Allocations of EUR 1.3 million in 2014 and EUR 0.3 million in 2015–2017 are earmarked for the development of the border crossing points in Imatra and Vaalimaa.

Emergency response operations will be streamlined at a national level and a new information system put into operational use.

It is estimated that the number of refugees and asylum seekers arriving in Finland will decrease over the budget planning period. In 2017 the estimated number of people seen by reception authorities will be around 3,500, with some 2,300 accommodated in reception centres. The figures at the beginning of 2013 were 3,900 and 2,700, respectively.

Ministry of Defence

In line with the Government Programme, the main focus during the early part of the budget planning period will be on implementation of the Defence Forces reform. Achieving the targets set for the reform is crucial to maintaining and further improving the country’s defence capability. The Defence Forces reform is also an integral part of the Government’s Effectiveness and Productivity Programme in the administrative branch under the Ministry of Defence.

The reform will create a Defence Force structure suited for both wartime and peacetime conditions, allowing for the cost-effective recruitment of troops in the event of war. During the planning period the focus in upgrading the Defence Forces’ capabilities in exceptional circumstances will be on developing regional troops and remote impact. Towards the end of the planning period the focus will be shifted towards updating the capabilities of operative troops. In practice the level of materiel acquisitions under the spending limits decision will require establishing clear priorities.

The Defence Administration will continue to implement necessary adjustments in order to achieve expenditure savings, to curb cost pressures and to finance the Defence Forces reform. Reservist training, military exercises and aviation and naval operations will be continued at reduced levels in 2014. One of the key aims of the Defence Forces reform is to restore training and military exercises to a level necessary for maintaining effective wartime troops. From the beginning of 2015 the number of flight hours, naval vessel days at sea, the number of reservists undergoing refresher training and the number of days spent by conscripts in military exercises will be restored to target levels.

Following implementation of the Defence Forces reform around one-third of the appropriations earmarked for military national defence will be spent on the Defence Forces’ material readiness, around one-third on fixed personnel expenditure and around one-third on other operational expenditure. This will require, among other things, that personnel and real estate expenditure growth is curbed.

The Defence Forces reform will ensure that the system of general conscription continues to work effectively and guarantee the provision of high quality training to a new generation of conscripts. In order to consolidate the system of general conscription, steps will be taken to ensure that the framework conditions are in place for the efficient operation of training units and to improve the socio-economic position of conscripts and women volunteers. For instance, conscript's allowances will be revised at regular intervals to reflect changes in costs of living, and from the beginning of 2014 all domestic travel will be free of charge.

Ministry of Finance

During the budget planning period the Ministry of Finance's operational funding challenges stem from the management of the euro crisis, preparations and implementation of the Local Government reform, and necessary renovation work on Ministry premises. In 2014 EUR 1.5 million and in 2015–2017 EUR 1 million is earmarked to cover the Ministry's operational expenditure.

New duties associated with the YLE tax mean that the number of Tax Administration person-years will increase by two in 2013 and by 11 in 2014. Therefore annual appropriations to the Tax Administration will be increased by EUR 0.65 million over the budget planning period. The number of person-years at the Finnish Communications Regulatory Authority (FICORA) will decrease as a result of the changes to YLE funding arrangements. Furthermore, due to the costs from the maintenance of data systems related to the YLE tax, annual appropriations for the Tax Administration's operational expenditure will be increased by EUR 0.4 million during the budget planning period. Appropriations for combating the grey economy will be increased by EUR 2.2 million each year.

Steps will be continued to reduce State Treasury operational expenditure: the target is to lower Treasury net spending to the level of the previous spending limits decision by the end of the budget planning period. Over the planning period the State Treasury will be allocated EUR 1–4 million a year from the administrative branch's productivity appropriations for purposes of operational adjustment. In addition new funds of EUR 4 million for 2014 and EUR 3 million for 2015 are set aside for financing necessary State Treasury operations.

Currently compiled by the Bank of Finland, the collection and publication of balance of payment statistics will be delegated to Statistics Finland. Therefore in 2014 Statistics Finland will receive an additional appropriation of EUR 0.7 million; a further EUR 1.4 million in 2015; EUR 2.0 million in 2016; and EUR 1.0 million in 2017. It is expected that this will be reflected in the Bank of Finland's profits as entered in on-budget finances.

Annual appropriations for Regional State Administrative Agencies' operational expenditure will be increased by EUR 1.7 million with a view to strengthening social and health care resources in the areas of monitoring and environmental permit management. An annual appropriation of EUR 0.28 million is allocated for purposes of combating money laundering and terrorism.

Central government pension expenditure projections have been revised among others for new, starting pensions. As a result pension expenditure will increase in all by some EUR 60 million over the budget planning period.

Indexation will increase central government transfers to local government by approx. EUR 175 million in 2014. On the other hand transfers will be reduced by cuts to transfers for the provision of basic public services. Development measures in the social and health care sector (including the Act on Care Services for the Elderly, the development of student care services and other areas of social and health care development) will increase central government transfers in 2014 by EUR 79 million and in 2015 by EUR 130 million.

The Local Government reform will supported by providing the necessary funding for municipal mergers and the necessary background surveys. In addition losses of central government transfers will be compensated in full from central government funds.

An action plan will be put in place in 2014–2017 in order to reduce the statutory functions of local authorities. The aim is to reduce the operational expenditure of local and joint municipal authorities by a total of EUR one billion at an annual level in 2017. Local government tax bases will be strengthened by allocating additional funds equivalent to the revenue from waste tax from the beginning of 2014. Local governments' tax bases will also be strengthened by the revision of real estate valuation criteria. Local governments will continue to receive an increased apportionment of corporate income tax revenue in 2014–2015. In line with Government policy local authorities will be supported at all stages of the Local Government reform. This support will be provided through concrete priority projects related to change management in municipal merger situations, data and information management and the formulation of plans aimed at the restoration of financial balance. In addition development projects will be conducted in the areas of local services and grassroots democracy. Funding of EUR 0.6 million for projects related to the Local Government reform will be collected in the form of appropriation transfers under the Ministry of Finance's main title. Municipal finances are discussed separately in Chapter 5 below (Basic Public Services Programme).

The European Union's current financial framework period runs though to the end of 2013. The European Council reached agreement on the overall spending level for the next financial framework period (2014–2020) on 8 February 2013, but discussions with the European Parliament are still ongoing. Payments to the European Union have been revised in the European Council in line with the overall spending level. The profile of payments has also been aligned with the European Council's agreement. Furthermore it is assumed that the decision on own resources will take retroactive effect in 2016, when three years' discounts will be payable retroactively to certain net payer countries. For these reasons Finland's payments have been revised downwards from the previous spending limits decision by some EUR 74 million in 2014, by EUR 135 million in 2015 and upwards by around EUR 40 million in 2016. At the same time, however, the appropriation for EU payments must take account of the rate of indexation and be increased annually by EUR 31.7–34.5 million. In 2017 it is estimated that an appropriation of EU 1.9 billion will be needed for EU payments.

The Ministry of Finance has various ongoing projects in its administrative branch to implement the Government's Effectiveness and Productivity Programme. These include the coordination of all information and communications functions across different branches under the same umbrella, and the information service interface project coordinated by the Tax Administration.

Ministry of Education and Culture

The Ministry of Education and Culture will continue to develop the network of education providers and educational institutions in the fields of vocational training, upper secondary education and tertiary education. At the same time steps will be taken to guarantee a student place for every comprehensive school leaver. Implementation of the young adults' skills programme will be continued through to 2016.

The Ministry will draft new day care provisions. The Government's proposal will be submitted to Parliament during the spring term 2014. Student bodies will be given a permanent status in primary level education.

Updated application and admission services for vocational training and for upper secondary and tertiary education as well as adult education application and information services will be fully rolled out.

The reform of funding arrangements for basic education, upper secondary education, vocational training and adult education will be aligned with the timetable of the central government transfers reform. Legislation concerning polytechnics will be revised from 1 January 2014 in order to expedite the restructuring of polytechnics and to enhance the quality standards and impact of polytechnic education. Following the timetable of the central government transfers reform, an assessment will be made to determine the proper way of transferring funding responsibility for polytechnics from local governments to central government and changing the legal status of polytechnics as independent legal entities. Central government has made provisions to support these reforms through financial investment in polytechnics in 2015.

Indexation of central government transfers to local government in the administrative branch under the Ministry of Education and Culture will be suspended in 2014.

To support the research, development and innovation programme and implementation of the ICT 2015 programme, the Academy of Finland's annual funding authority will be increased by EUR 10 million from 2014. In addition the Academy's authority will be subject to a one-off reduction of EUR 17 million in 2014. Budgeting of Academy of Finland research grants will be revised to be based on variable annual appropriations, and appropriations accrued to the Academy from previous years will be used to finance the Academy's existing commitments for 2013–2015. During these years the use of these transferred appropriations will reduce the need for new appropriations to finance authority for research project funding. In the future annual instalments of appropriations will become increasingly back-loaded, which is more consistent with the de facto use of appropriations.

Financial aid to students will be tied to the cost-of-living index from 1 August 2014.

The student financial aid system will be reformed in line with the Government Programme and the Government Structural Policy Report to support full-time study and the accelerated completion of studies. The current study loan allowance system will be replaced by a clearer compensation mechanism that will encourage timely degree completion and that guarantees study loan repayment. Income ceilings for parents of upper secondary students aged 18–19 who live independently will be raised by 30% as from 1 August 2014.

With effect from the beginning of 2014, the Finnish National Gallery will be funded from betting and lottery proceeds. The knock-on effects to other recipients of betting and lottery proceeds will be softened by a temporary liquidation of the fund. The Press Photo Archives will be established on a permanent basis. The National Audiovisual Archive and the Finnish Centre for Media Education & Audiovisual Media will be merged. In order to reduce the sustainability gap in public finances and to contain the growth of central government debt, cuts to central government transfers and subsidies to theatres, orchestras and museums will be continued beyond 2015 by making the temporary savings act a permanent law. The Sports Act will be revised.

It is estimated that revenue from betting and lotteries will increase annually by 1% over the planning period. Revenue from betting and lotteries will be used to finance the renovation of the Helsinki Olympic Stadium.

In response to a proposal by the Ministry of Education and Culture, the Government will in spring 2013 pass a resolution on the cross-sectoral development of creative economy. The aim of the resolution is to put in place various measures for the advancement and promotion of creative economy with a view to strengthening economic growth.

Ministry of Agriculture and Forestry

Agriculture, rural development and fisheries will be supported in line with national objectives and EU agricultural and fisheries policies, with funding coming from both EU and national sources. The EU’s common agricultural and fisheries policies and the EU’s structural programmes in these fields will be reformed from 2014. Many national support schemes will also be reformed from 2014. Preparations and implementation will proceed from the assumption that national funding available will be in line with the current spending limits and that EU funding will be at the highest possible level.

The Government Programme says that adequate structural support will be made available for agriculture. The performance, structure and position of the Agriculture and Forestry Development Fund was assessed in the summer of 2012. The spending limits do not include transfers to this fund.

Savings specified under the Government Programme include those in financial support for water supply and floodwater protection. In 2014–2015 annual savings will reach EUR 6 million and in 2016–2017 EUR 11 million. Appropriations earmarked for 2016 and 2017 will not be enough to finance the flood protection measures detailed in the risk management plans for major flood risk zones. Therefore additional funds will be allocated for these purposes in connection with the drafting of annual budget proposals.

Efforts to bolster competitiveness and profitability in forest-based businesses will be continued through initiatives under the National Forest Programme. Current expenditure savings make it necessary to revise existing forest economy support mechanisms: changes will be made both to the type of work supported, eligibility for support and the level of support provided. Subsidies for sustainable forestry, aid for the promotion of small-diameter energy wood and for implementation of the Forest Biodiversity Programme for Southern Finland (Metso) will be reduced by 21 million in 2014. By 2017 the savings will increase to EUR 33 million.

The National Forestry Board (Metsähallitus) has achieved the revenue targets laid down in the Government Programme. Metsähallitus will continue to work to improve its profitability in order to retain this level of performance. Metsähallitus will start up as a state enterprise under the new Act on Metsähallitus from the beginning of 2015.

The savings target set in the Government Programme for the National Land Survey of Finland is EUR 3.0 million for 2014 and EUR 4.3 million over the following years. Additional annual savings through the agency’s reorganisation will come to EUR 3 million from 2015. Savings will also be made through cuts to aid for cadastral survey proceedings and joint research and evaluation projects within the administrative branch.

Work is underway to explore ways in which to further of promote the development of branch-specific data systems and applications as well as geographic technology research. During the budget planning period the Ministry will also look into the option of transferring IT development functions from the Ministry's information services, research and development functions from the Finnish Geodetic Institute, functions related to the promotion of the shared use of National Land Survey of Finland geographic information, and possibly other agencies' branch-specific IT development functions to the new research and development centre for information and geographic information technology that will be starting up in 2015.

The organisation of the National Land Survey of Finland will be streamlined by adopting a single-tier national structure in 2014. This will help to increase process efficiency and productivity throughout the agency.

A Natural Resource Centre will be set up in the administrative branch under the Ministry of Agriculture and Forestry with a view to enhancing the impact and effectiveness of research. Starting on 1 January 2015, the Centre will be formed as a merger of MTT Agrifood Research Finland, the Finnish Game and Fisheries Research Institute and the Finnish Forest Research Institute (Metla) which will be closed down.

As part of the Government's Efficiency and Productivity Programme the Ministry will continue to delegate implementation functions and at the same time to facilitate cooperation between organisations in the administrative branch through more effective corporate governance, for instance. Work will be continued to develop electronic data services and methods of electronic data maintenance with a view to providing more efficient customer services, improving shared data and information use, and providing more up-to-date data and information. Key projects in the administrative branch include the pooling of branch-specific ICT functions and the pooling of statistical and information management functions in the administrative branch.

Ministry of Transport and Communications

Funding for basic transport infrastructure maintenance is allocated for purposes of the daily maintenance of transport networks. In accordance with the Transport Policy Report, EUR 100 million will be made available each year for minor investments and maintenance from 2016. Maintaining service standards across the key transport infrastructure is the overriding objective in all product groups except improvement. For improved logistic efficiency the maximum weights and dimensions of heavy goods vehicles will be increased. Access for these vehicles to the road network will be opened in stages by initially allocating additional funding to the routes that are most critical to business and industry. To this end it is proposed that additional appropriations of EUR 10–15 million be allocated for purposes of improving the load-bearing capacity of bridges and roads. From 2016 central government's development investments come to EUR 377 million per annum.

The projects specified in the Transport Policy Report will be launched during the Government's term in office, although they will not be completed until after the budget planning period. Increased appropriations for transport infrastructure projects amount to EUR 113 million in 2014 and to EUR 58 million in 2015. Out of these increases EUR 50 million will be allocated to the effective implementation of the projects concerned. The Helsinki railway yard improvement project will be postponed and started up in connection with the development of the new City Rail Loop. Construction of the Vaalimaa truck park will be incorporated as part of the E18 Hamina–Vaalimaa motorway project.

Following the funding reform of the Finnish Broadcasting Company YLE, annual revenue from the YLE tax and the corresponding funds transfer in 2013 are estimated at EUR 500 million. The annual funds transfer will subsequently be revised based on a composite index in which the consumer price index represents one-third and the index of wage and salary earnings two-thirds of total index weight. Based on current price and cost projections it is estimated that the need for appropriations and accordingly the revenue target for the YLE tax in 2014 will be EUR 512 million. The funds transfer will be included in the budget as an expenditure item outside the spending limits. This constitutes an exception to the spending limits rule set out in the Government Programme. The YLE funding reform will necessitate a transfer of 11 person-years from the Finnish Communications Regulatory Authority (FICORA) to Tax Administration from the beginning of 2014.

Priority projects under the Effectiveness and Productivity Programme in the Ministry of Transport and Communications administrative branch are the development of performance management and the publicly funded passenger transport reform. The aim of the latter project is to the improve efficiency of service provision and at the same time to raise quality standards. The project is expected to yield savings in public finances, or at least to curb expenditure that otherwise would continue to increase.

The working group on fair and intelligent transport will complete its mandate on 31 December 2013. The working group’s activities and future decision-making will be facilitated by launching experimental payment systems together with industry stakeholders.

The development of new transport policy approaches and practices will be expedited through broadly-based collaborative experiments in different areas of transport policy.

Ministry of Employment and the Economy

Funding for the operational expenditure of Centres for Economic Development, Transport and the Environment will be increased by EUR 5.6 million in 2014, rising further to EUR 9.1 million in 2015.

As outlined in the Government Programme, Finnvera’s risk-taking capacity will be reinforced. To this end the appropriation for Finnvera’s credit and guarantee loss commitments will be increased by EUR 1.2 million in 2014, by EUR 2 million in 2015 and by EUR 20.3 million in 2016–2017. Finnvera’s interest subsidy system will be discontinued from the beginning of 2014, and therefore the appropriation for 2014 will be reduced by EUR 10.2 million from the previous spending limits, and by EUR 10.4 million in 2015, by EUR 8.9 million in 2016 and by EUR 9.3 million in 2017. As part of the adjustment package Tekes authority to grant aid has been reduced by EUR 20 million over the budget planning period. This will bring appropriations savings of EUR 8.4 million in 2014, EUR 19.2 million in 2015, EUR 19.7 million in 2016 and EUR 20 million in 2017.

A new innovative urban environments programme will be launched in 2014, which will be administered by the Finnish Funding Agency for Technology and Innovation Tekes. Centres for Economic Development, Transport and the Environment will assume responsibility for supporting inventive activity from 2014.

In the field of employment and entrepreneurship policy, following the priorities specified in the Government Programme, appropriations will be allocated to promoting growth and employment, and particularly to creating jobs for the long-term unemployed and young people. Over the budget planning period the aim is to maintain an activity rate of over 30% as set out in the Government Programme. Appropriations for 2017 have been increased by EUR 7 million due to the new conditions set out in the working careers agreement regarding the previous employment of persons aged 60 or over. The estimated appropriation for pay security is raised by EUR 8 million in 2014, EUR 10 million in 2015 and EUR 12 million in 2016–2017. Compared to the previous spending limits decision appropriations for implementation of the workplace development strategy have been increased by EUR 1 million for 2014–2015.

The regional transport subsidy system will be continued and to this end annual appropriations of EUR 5 million have been added to the spending limits.

Formerly the responsibility of local authorities and labour inspectorates under Regional State Administrative Agencies, the Finnish Safety and Chemicals Agency (Tukes) will take charge of chemicals market supervision from 1 September 2013. An appropriation of EUR 0.4 million will be transferred to the Finnish Safety and Chemicals Agency.

The first year of the budget planning period marks the beginning of a new Structural Funds period (2014–2020). Total budget authority over this period comes to EUR 291 million. The spending limits do not include the 7% performance reserve that is allocated in 2019 based on the achievement of programme targets. Structural Funds payment appropriations come to EUR 570 million in 2014, EUR 461 million in 2015, EUR 212 million in 2016 and EUR 314 million in 2017. Payment appropriations have been increased by EUR 148 million in 2014 and by EUR 125 million in 2015 compared to the previous spending limits decision. This increase is due to delays in the payment schedules during the 2007–2013 programme period. The national appropriation for the new mainland Finland programme period is set at 50% for the whole country.

Authority to grant aid for the management of sudden structural change through business investment and development projects is increased by EUR 20 million across the whole budget planning period. Therefore appropriations have been increased by EUR 4 million in 2014, EUR 12 million in 2015, EUR 19 million in 2016 and EUR 20 million in 2017.

Energy subsidy authority has been increased by EUR 90 million in 2014 in order to expedite the development of the LNG infrastructure as included in the 2014 sulphur directive adaptation programme. Due to this increased authority the payment appropriations are increased by EUR 39 million in 2014, EUR 46 million in 2015 and EUR 18 million in 2016. Furthermore for adjustment purposes the authority under this item has been reduced by EUR 5 million per annum throughout the budget planning period.

Key measures under the Effectiveness and Productivity Programme during the budget planning period include the development of electronic operations and services at Centres for Economic Development, Transport and the Environment, the reform of the local authorities network under the National Board of Patents and Registration and the reorganisation of the Geological Survey of Finland’s measurement and sampling services.

Ministry of Social Affairs and Health

The level of appropriations for the administrative branch under the Ministry of Social Affairs and Health over the planning period is affected by cyclical as well as automatic factors, including changes in the unemployment rate, statutory indexations and demographic factors.

Basic security benefits were index-adjusted earlier than planned on 1 January 2013 in order to secure the purchasing power of low income earners. The adjustment was designed to compensate for the increase in the VAT rate. The earlier than scheduled adjustment will be taken into account in the 2014 indexation.

In keeping with the labour market confederations' agreement on the extension of work careers, the earnings-related unemployment allowance will be lowered by discontinuing the increased basic allowance. In addition, people taking part in employment promotion measures receive a daily allowance equivalent to the earnings-related component of transition assistance.

Under the new agreement on the extension of work careers, maximum eligibility for earnings-related daily allowance for people with less than three years of employment history will be reduced to 400 days, the condition regarding previous employment is reduced from 34 to 24 weeks, and refusal to participate in employment promotion activities will reduce eligibility to daily allowance by 100 days. These changes will take effect on 1 January 2014. In 2014 it is expected that these changes will be cost neutral for central government. The age limit for eligibility to additional benefit days will be increased by one year to people born in 1957 and later. This is projected to reduce earnings-related unemployment expenditure from 2015 onwards. Take together, the changes mentioned above will reduce central government expenditure by EUR 9.6 million from 2015.

Furthermore, under the agreement on the extension of work careers, the lower age limit for eligibility to early old age national pension will be raised to 63 years from 1 January 2014, which will reduce national pension expenditure by EUR 1 million in 2014 and by EUR 2 million in 2015–2017.

An appropriation of EUR 40 million is earmarked for the start-up costs of a new children's hospital providing public health care, with a view to construction in 2015–2016.

The EU's Patient Directive concerning the application of patients' rights in cross-border health care will be taken into account in national legislation with effect from 2014. Under this Directive patients are free to seek treatment in another EU country. The costs incurred to the patient will be compensated primarily in medical care reimbursements under medical care insurance. It is projected that in 2014, central government's share of these compensations will increase by EUR 2 million. For purposes of implementing this Directive a national contact point will be set up under the auspices of the Social Insurance Institution Kela, with EUR 0.7 million allocated to operating expenses in 2014.

The so-called Single Permit Directive obliges Member States to grant third-country workers from outside the European Union the same sets of social security rights as nationals of their own country, with the exception of social services and social assistance. It is estimated that the Directive will increase central government expenditure by EUR 5 million from 2014.

In order to safeguard the operation and liquidity of the National Archive of Health Information, EUR 4 million is allocated to the SII service funds. Central government's contribution will be compensated through revenues generated from user fees by 2022.

The development of adult education in line with the framework agreement will increase central government expenditure by EUR 0.4 million from 2014.

Reforms will be put in place from 2013 in order to ensure appropriate and adequate delivery of old-age services for war veterans. Appropriations for the rehabilitation of frontline veterans will be increased by EUR 6 million, and the degree of disability criterion for admission to long-term institutional care was lowered from 25 to 20% from the beginning of 2013. The cost effect totals an estimated EUR 9 million in 2014 and EUR 8 million in 2017.

It is projected that the need for central governments transfers to local government for the costs arising from basic income support provision will decrease by around EUR 47 million by the end of the planning period. Central government transfers for social and health care development projects undertaken by local authorities will amount to EUR 11.5 million in 2014 and to EUR 10.5 million a year in 2015–2017. An annual appropriation of EUR 30 million is earmarked for central government compensation of activities under the Act on Specialized Medical Care.

An appropriation of EUR 27 million is proposed for the Helicopter Medical Emergency Service in 2014. In line with an earlier decision in principle, separate central government transfers to local government for this purpose will be discontinued in 2017. Funding will subsequently be provided through central government transfers for local authorities' basic service provision.

Work shall be commenced immediately to draft an Act on social and health care provision. The Act will take effect at the beginning of 2015. The social and health care reform will be pursued in tandem with the Local Government reform, and social and health care services will be provided on a municipal basis.

Basic public services provided by local authorities and related central government transfers are addressed in a separate chapter below (5. Basic Public Services Programme).

Organisations and foundations will receive EUR 308 million in Finnish Slot Machine Association (RAY) grants in 2017. It is estimated that in 2014, the State Treasury will channel a total of EUR 92.3 million of RAY gaming revenues to war veterans. It is anticipated that this figure will fall to around EUR 85 million by the end of the planning period as the number of number of war veterans continues to dwindle.

From 2015, the administrative branch under the Ministry of Social Affairs and Health accounts for approx. EUR 233 million of the EUR 500 million net adjustment that it is be made through expenditure cuts in central government finances. This includes transferring responsibility for labour market subsidy payments to the long-term unemployed (EUR 150 million), savings in sectoral research activities (EUR 30 million) and savings in transport and other allowances under sickness insurance (EUR 50 million). Details are to be agreed separately, but the savings shall have full impact on central government's contribution.

Ministry of the Environment

Key areas of focus during the planning period will include measures to enhance the effectiveness of national and EU climate policy and to reach agreement on an international climate convention, to promote multilateral cooperation aimed at improving the state of the Baltic Sea, and to invest in measures designed to ensure environmental diversity and sustainability at home. In the built environment increasing focus will be given to the energy efficiency of building construction and land use and to securing the social and regional balance and stability of the housing market. Another priority is to ensure an adequate supply of land for residential development that supports a sound community structure in major growth centres.

From 2014 additional funding of EUR 1 million will be allocated for purposes of improving energy efficiency and for background research in preparation of the national implementation of energy efficiency directives.

In keeping with the Government Programme appropriations will be allocated to finance green economy projects, particularly with a view to improving production and consumption ecoefficiency as well as the efficiency of materials processing and recycling. Continued funding will be made available for the protection of the Baltic Sea and the Forest Biodiversity Programme for Southern Finland. Preparations will be launched for a national mire protection programme. Implementation of the water management programme will be continued. Steps will be taken to improve the level of oil spill recovery capacity by overhauling the oil recovery vessel Hylje and by equipping a new border guard vessels with recovery equipment for ice filled waters. EUR 12 million is allocated for the Hylje overhaul and EUR 1.5 million for the oil spill recovery equipment on the border guard vessels. Furthermore the appropriation allocated for the prevention of environmental damage is increased by EUR 0.6 million for 2014–2015 and by EUR 1.1 million for 2015–2016.

An allocation of EUR 2 million is earmarked for the budget planning period to reinforce the governance of environmental administration and to develop the performance of national functions. The appropriation will be used to improve and develop the performance of environmental functions by regional administration authorities.

3.2. Efficiency and Productivity Programme

The Efficiency and Productivity Programme is one of the Government’s tools in reducing the sustainability gap in public finances and in responding to the changes taking place in the labour market. These goals are being pursued by clarifying the role and functions of central government, by highlighting the need for structural reforms, and by introducing new approaches and practices that support the new role of central government. The programme will aim to improve the overall efficiency of central government by putting development programmes in place in different administrative branches and by monitoring their impact, the delivery of improved services and performance, and overall productivity, efficiency and economy.

The aspects monitored and evaluated in the programme are a) on-budget operational expenditure, b) person-years, c) the development and upgrading of skills and competencies (VMBaro index), d) motivation and work engagement (VMBaro index), e) management and interaction in the workplace (VMBaro index) and f) sickness absence days, which are monitored annually. Ministries assume responsibility for practical implementation within their respective administrative branches and produce the relevant follow-up data.

3.3. Central government ICT projects and expenditure

Savings in ICT expenditure

The Government Programme included expenditure savings of EUR 110 million at an annual level in 2015 through a public administration ICT reform. In the first stage administrative branches were to cut their ICT expenditure by EUR 30 million per annum from 2013. The current spending limits decision incorporates the second stage of the ICT expenditure savings: this will include a further reduction of EUR 20 million in ICT expenditure in 2014 and EUR 65 million from 2015. Administrative branches will account for EUR 20 million of these savings in 2014 and for EUR 45 million from 2015. In all, therefore, the public administration ICT reform will bring annual savings of EUR 95 million on an annual level in 2015.

Joint ICT projects

With the exception of the Defences Forces, government offices and agencies will introduce a new financial and personnel administration data system to replace existing systems. The first new systems were introduced in 2011 and roll-out will continue until the end of 2016. Projects costs, necessary data conversions and initial setup and installation will be centrally funded. System introduction in each office and agency and any necessary additional installations will be primarily funded from the corresponding units' operating expenditure budgets and where necessary from productivity savings in the administrative branches. Administrative branches and offices are expected to start preparations for the introduction of the new system well ahead of time, working closely with the State Treasury and the Finnish Government Shared Services Centre for Finance and HR, which are charged with providing the necessary support for systems start-up and other financial and HR development.

In the administrative branch under the Ministry of Finance the spending limits include an annual appropriation of EUR 60–80 million for purposes for information system and information management projects as well as other productivity projects. This reserve is earmarked for priority information system projects, which include the department of public prosecutions and general courts of law ERP and document management system, the joint public authorities' field information system, the Tax Administration's OTS software project and information system upgrade. In addition funding has been made available for smaller productivity projects, including the Police Department's online licence services, public authorities' information service interface, the Agency for Rural Affairs e-administration project and the management of water supply information. A total of some EUR 120 has been provisionally set aside for new ICT and productivity projects starting up during the planning period. Total provisions of approx. EUR 150 million have been made to finance new information system and productivity projects during the budget planning period. Proposed projects will only be incorporated in annual budgets on condition that the project plans are sufficiently detailed with respect to project feasibility as well as costs arising and costs saved, and that the Ministry of Finance expresses a favourable opinion on significant ICT projects as required by the Act on Information Management Governance in Public Administration (634/2011). The Ministry of Finance will sign an agreement of cooperation on productivity enhancing projects with each relevant ministry.

3.4. Central government's finance and HR services

The State Treasury has reviewed the development of productivity in central government's finance and HR administration. According to its findings productivity increased in key processes of government financial administration by about 6% and in human resources processes by 4–6% in 2008–2011. The Shared Services Centre for Finance and HR accounted for 11% of the total number of person-years in financial and human resources administration. Offices and agencies still account for the remaining 89% of all functions in financial and human resources administration. There was marked variation (4–20%) in the use of the services provided by the Shares Services Centre between administrative branches and accounting unit.

There is considerable scope to increase the use of the Shared Services Centre in different administrative branches and offices. During the planning period ministries are urged to take steps to delegate financial and HR administration functions to the Shared Services Centre in order to achieve the full benefits of the service centre concept and to increase the joint use of information systems and to improve process productivity.

4. Revenue estimates and central government balance

Over the budget planning period actual on-budget revenue is expected to increase on average by 3½% a year. Tax revenue growth is expected to come in at 3.9%. Tax revenues account for around 85% of actual on-budget revenues. In addition to central government decisions, the total tax burden is also affected by the level of municipal taxation and social security contributions. In 2017 on-budget revenues (excluding borrowing) are expected to reach EUR 54.1 billion.

The on-budget revenue estimates are based on medium-term projections for the Finnish economy, as updated in March 2013. It is expected that economic growth will remain sluggish over the medium term, and therefore tax base growth will also be slow. GDP growth is forecast to average 1.7% over the planning period, roughly the same rate as predicted in connection with the previous spending limits decision. However the starting position of the economy is weaker than predicted earlier as growth projections for 2012 and 2013 have been lowered to close to zero.

As well as taking account of the latest decisions made, the revenue estimates also incorporate the tax policy positions outlined in the Government Programme and other decisions taken by the Government, most of which have been put into effect in connection with the 2012 and 2013 budgets.

Significant policy revisions will be made to corporate income tax and capital income tax. With effect from 2014, the corporate income tax rate will be lowered by 4.5 percentage points to 20%. At the same time the structure of dividend income taxation will be significantly altered. Under the revised rules 85% of dividends from publicly listed companies will be treated as taxable income for private individuals as compared to the previous figure of 70%. In contrast to previous rules, dividends from other than publicly listed companies will be taxed in full as capital income. 25% of these dividends equivalent to an 8% annual yield on the mathematical share value will be subject to tax up to a limit of 150,000 euros.Under the new rules 85% of dividends exceeding this euro limit will be taxed as capital income.

Dividends exceeding the 8% annual yield will be taxed in the same way as dividends from publicly listed companies at 85%. In addition the tax progression limit will be revised downwards: instead of the previous threshold of EUR 50,000, capital income exceeding EUR 40,000 will now be taxed at 32%.

The spending limits decision also includes elements that will increase business taxes. These measures are designed to enlarge the tax base of corporate income tax. With effect from 2014, companies will no longer be able to deduct entertainment and representation expenses, and depreciations on long-term investments will be asset-specific. The R&D tax incentives introduced earlier by the Government for 2013–2015 as well as the increased depreciation allowances for production-related investments will be cancelled for 2015. Companies' right to deduct interest expenses will be further limited with effect from 2014. Other tax beneficiaries will be compensated for any losses in their tax revenue resulting from the corporate income tax changes by adjusting the apportionments of corporate income tax revenue.

In a static evaluation the reduction of the corporate income tax rate will translate into annual tax revenue losses of EUR 870 million. In some cases the restructuring of the corporate income tax and capital income tax system will encourage owners of unlisted companies to pay out salaries instead of dividends, which will shrink the corporate income tax base. When these behavioural changes are taken into account, it is estimated that revenue from corporate income tax will decrease by EUR 960 million rather than EUR 870 million. The Government expects that the reduction of the corporate income tax will influence choices of business form, business funding structures, the transfer of profits, the amount of investments and the allocation of investments. It is thought that a lighter corporate income tax rate will significantly contribute to boosting economic growth. As a result of these dynamic effects that will act to expand the tax base, and taking account of the structural changes to dividend taxation, the fiscal effect of the lowered corporate income tax rate is estimated at –EUR 480 million.

It is projected that corporate income tax revenue will increase by around 3% a year over the planning period. In 2013–2014 overall corporate income tax revenue will decrease because of temporary corporate tax reliefs, the R&D tax incentive and the cancellation of the increased depreciation allowances for production-related investments. Tax receipts are expected to grow at the same rate as the national accounts operating surplus, even though the level of corporate income tax revenue will fall significantly as a result of the decisions made. By tax beneficiary, it is expected that central government's corporate income tax receipts will increase faster than revenue overall, on average by around 5% a year, due to the expiry in 2016 of the temporary increase in the apportionment of corporate income tax to municipalities and parishes.

It is estimated that the changes made to dividend income taxation will increase revenue by a total of around EUR 390 million with the discontinuation of earned income dividends and with the increased taxable share of dividend income from 70% to 85%. The spending limits decision brings only few changes to taxes on earned income. Measures that will contribute to ease taxes include the EUR 10 million increase of the basic deduction in municipal taxation and the raising of the earned income deduction by EUR 60 million. The maximum amount of domestic help credit is increased from EUR 2,000 to EUR 2,400, which will cause tax revenue to shrink by EUR 25 million. While earned income tax revenue will decrease as a result of the discontinuation of earned income dividends, that will be offset as owners of unlisted companies move increasingly to pay out salaries instead of dividends. In 2015 the right to deduct interest on housing loans will be restricted by a further 5 percentage points and the right to deduct interest on student loan will be removed altogether.

During the planning period it is projected that revenue from earned income and capital income tax will increase on average by 6%, with earned income expected to grow on average by 3½% and capital income on average by 4½% a year. In line with the Government's earlier decisions this calculation assumes that tax bases will not be adjusted in 2013 and 2014 according to inflation or rising earnings levels. For 2015, tax bases will be revised in line with the Government Programme to reflect increased earnings or inflation, and for 2016 and 2017 it is assumed that adjustment will be made for inflation.

A new tax band for inheritances and gifts of over EUR 1 million will be applied in 2013–2015 as specified in the previous spending limits decision.

It is estimated that VAT revenue will increase by an annual average of around 3½% over the planning period. Projected tax revenue growth is derived from the estimated increase in household consumption expenditure.

The spending limits decision includes a number of excise duty hikes. It is projected that excise duty revenue will increase on average by 1.2% a year over the planning period. Following the tax hikes it is anticipated that revenue from tobacco tax will exceed earlier estimates by EUR 50 million and revenue from taxes on alcoholic beverages by EUR 125 million. With effect from 2014, taxes on tobacco products will be increased by around 10% and the excise duty on low alcohol content products (e.g. beer and ciders) by 15% and that on other alcoholic beverages by 10%. Increased taxes on soft drinks will generate additional revenue of EUR 55 million in 2014. In addition, taxes on sweets, ice cream and soft drinks will be increased by EUR 50 million in 2015, and at the same time a possible expansion of the tax base will be considered. Electricity tax will be increased by EUR 80 million from the beginning of 2014. The tax on transport fuels will be raised in two stages as set out in the Government Programme, with the second stage scheduled for 2014, when it is projected that tax revenue will increase by EUR 125 million. Revenue from car tax is expected to increase in line with the growth of household consumption expenditure, averaging just over 3% a year.

Annual revenue from the bank tax is expected to come in at EUR 150 million over the planning period. A windfall tax will be introduced in 2014, albeit at a considerably lower level than indicated in the Government Programme: rather than the EUR 170 million projected in the Government Programme, the target now is to achieve revenues of EUR 50 million.

It is estimated that the tax changes set out in the spending limits decision will slightly increase income differentials in the case of indirect taxes, but reduce those differentials in a static analysis of capital income tax. This estimate is based on projections by the Government Institute for Economic Research, according to which the tax changes overall will slightly reduce income differentials.

As regards other on-budget revenue, dividend revenue is expected to come in at around EUR 1 billion a year. Annual proceeds from the sale of state-owned shares are expected to generate on-budget revenue averaging around EUR 500 million. The estimate of central government interest revenue is lower than anticipated in the spring 2012 spending limits decision. This is mainly due to the lowered estimate for interest earned on central government savings because of lower underlying interest rates. Revenue estimates are also affected by changes in repayment schedules and conditions of loans granted to other governments.

Central government balance and debt

The projected development of central government on-budget balance is described in Appendix 3.

It is assumed that central government debt will climb to around EUR 96½ billion in 2014. The central government debt to GDP ratio will rise until 2014, and then turn onto a downward path. It is projected that central government debt in 2017 will stand at about EUR 105 billion, or about 45% of GDP.

It is anticipated that central government finances will, in national accounts terms, remain in deficit throughout the budget planning period. In 2014 it is estimated that the deficit will stand at 2.7% of GDP, improving from this level by around one percentage point during the planning period.

5. Basic Public Services Programme

According to the final accounts statistics for local and joint municipal authorities published by Statistics Finland in February, the annual margin of local government finances narrowed from EUR 2.5 billion in 2011 to EUR 1.7 billion in 2012. The outturn figures were also much weaker than projected. This weaker than projected performance was due to the faster than anticipated increase in operating expenditure and the marked slowdown of revenue from operations. Tax revenue growth was also slightly weaker than projected.

In 2012 operating expenditure growth slowed to 5%, but growth was nonetheless faster than anticipated. Wage and salary expenditure in the local government sector increased by close to 4%. According to preliminary data the index of wage and salary earnings increased by 3.5%. Wage and salary expenditure growth was also driven by changes in annual holiday rules and in entries for holiday pay.

Purchases increased by 6½%, a slightly slower rate than in previous years. By contrast benefits and allowances paid out increased more sharply than the long-term average, by 5%. One of the factors driving this trend was the increase in social assistance expenditure. Revenue from operations increased by no more than 2%. The operating margin decreased in all by more than 6%.

Tax revenue and central government transfers increased in all by 2½%. Tax revenue growth slowed to 1½%. Municipal tax revenue increased by 4%, but receipts from corporate income tax fell by almost one-quarter.

Central government transfers for operational finances increased by over 5% despite the cut of EUR 631 made under the Government Programme. Central government transfers were increased by the revision of cost apportionments, indexations, compensations of tax revenue losses and the increases made under the Government Programme.

The annual margin covered no more than 74% of depreciations. Investment in the local government sector increased by 8%, further accelerating the growth of local government debt. The combined debt of municipalities and joint municipal authorities increased by a record sum of EUR 1.6 billion. Provisional year-end figures put local government debt at EUR 13.9 billion, or 7.1% of GDP.

The immediate outlook for local government finances is deeply worrying. Weaker than projected performance in 2012 coupled with projections of slow economic growth in the coming years and cuts to central government transfers mean that without significant adjustment measures, local government finances will continue to remain in deficit. Over the outlook period balance will not be restored in municipal finances whatever the measure applied, since the annual margin in local government finances will not be enough even to cover depreciations.

The 2013–2017 projection for local government finances predicts an average annual increase of around 3% in tax revenue and central government transfers. Central government transfers are included in the calculation as they are entered in the March 2013 spending limits decision, and the tax revenue projection takes account of the Government's tax policy decisions. The local government tax base will be reinforced by the revision of real estate valuation criteria. The aim is to achieve an increase in local government tax revenue of approx. EUR 100 million from 2014.

It is estimated that operating expenditure will increase on average by 3.6% a year. Volume growth is projected to come in at around 1%, which corresponds to the estimated increase in the need for services resulting for population growth and population ageing. The projected increase in local government spending, then, is based on Ministry of Finance macroeconomic price and cost trend forecasts. Personnel numbers in the local government sector are expected to remain at the same level as in 2011, and it is assumed that the higher level of service needs, inferred from the underlying demographic trends, will materialise through increased purchases of services. The operating expenditure scenario is to some extent developed with a target level in mind, and it includes an assumption of a marked expenditure adjustment to actual outturn figures in recent years. In order to curb expenditure growth, local authorities will need to take proactive adjustment measures and ensure pay rises remain moderate. At the same time central government must refrain from imposing new duties and obligations and adding to the burden of responsibilities on local governments.

Although the forecast predicts slowing operating expenditure growth compared to the outturn in recent years, operating expenditure is still expected to increase more sharply than revenue. For this reason local government finances will continue to remain in deficit and deteriorate towards the end of the outlook period.

The forecast assumes that investment will remain at the same level as the latest annual outturn figures. The financial deficit shown by the stress calculation will drive up overall local government debt, and therefore the development scenario described above would increase local government debt by around EUR 2.7 billion a year. Gross local government debt to GDP would increase to 12% by the end of the outlook period.

Given the outlook for local government finances there is considerable pressure now to raise municipal income tax rates and at once to increase the overall tax rate. Interest rates have remained at an exceptionally low level in recent years, but in the medium term rising interest rates coupled with accelerating debt and higher bank margins are threatening to increase local governments' financing expenditure and therefore to undermine local government finances. In addition the pressures caused by population ageing on the national economy and on local government finances are increasing every year, which further underlines the need for increased productivity in the provision of basic public services.

In 2014, central government transfers to local government will total EUR 10.6 billion. The main part of this consists of imputed central government transfers, including equalisation items. Central government transfers in the administrative branch under the Ministry of Finance come to EUR 8.67 billion and in the administrative branch under the Ministry of Education and Culture to EUR 0.98 billion.

Indexation in 2014 will increase central government transfers for basic public services provision by EUR 175 million. The 2014 indexation for central government transfers to local government in the administrative branch under the Ministry of Education and Culture will be frozen.

The lowered level of central government transfers over the planning period takes account of the Government's decision in spring 2012 to reduce transfers in 2014 by EUR 250 million and in 2015–2017 by EUR 500 million. The March 2013 spending limits decision brought further reductions in central government transfers: these reductions amount to EUR 237 million in 2014, EUR 175 million in 2015, EUR 215 million in 2016 and EUR 265 million in 2017.

On the other hand central government transfers to local government will be increased by EUR 70 million with effect from 2014, the equivalent of the projected revenue from waste tax. Furthermore additional appropriations will be allocated during the planning period for grants for municipal mergers and compensation for losses of central government transfers as a result of mergers.

Discretionary subsidies to local governments will be reduced by EUR 10 million from 2015.

In order to offset the tax revenue losses incurred by local authorities, central government transfers will be increased in net terms by EUR 29.5 million in 2014 and by EUR 17.5 million from 2015 compared to the spring 2012 spending limits decision. This is in response to increases to the earned income deduction, basic deduction and domestic help credit and on the other hand to the removal of the student loan interest deduction and the further restriction by 5 percentage points of the interest deduction on housing loans.

Changes to the population age structure and increasing population numbers are projected to drive up social and health care expenditure by EUR 1,054 million over the planning period. Expenditure on preschool and basic education will decrease by an estimated EUR 11 million over the planning period.

Central government transfers for the local provision of basic public services will be progressively increased by EUR 130 million at an annual level in 2015 with a view to developing social welfare and health care services, taking account of the EUR 15 million decrease in central government transfers from 2015. In 2013 an appropriation of EUR 33 million, in 2014 EUR 54.5 million and in 2015 EUR 82 million will be allocated to central government transfers for the provision of basic services in order to support the functional capacity of older people and to develop social and health care services for older people.

The rate of central government transfers for the provision of basic services will be increased by 0.05 percentage points in 2013 because central government has undertaken to cover 54.3% of the costs incurred from implementation of the Act on Care Services for Older People. Implementation of the said Act will also be supported by drafting quality recommendations for home care services by 1 July 2013. The impact of these recommendations will be evaluated by the end of 2014. In addition, as part of the Government's commitment to developing informal care support services, central government transfers will be increased by EUR 10 million.

The spending framework also includes other social and health care development projects that are based on additional funding set aside for these purposes in connection with the Government Programme. An annual appropriation of EUR 13.1 million will be allocated to the development of student care services, and from 2014 EUR 1.5 million will be made available for implementation of legislation concerning the right to self-determination. From 2015 EUR 23.4 million will be made available for other social and health care development. Most of these latter funds will probably be allocated to implementation of the new Social Welfare Act.

The new flexible care allowance and hourly based day care, introduced with a view to facilitating the reconciliation of work and family life, will increase day care costs by EUR 36 million a year from 2014. EUR 11 million of this will be covered by central government transfers.

Local governments will take a greater role and more responsibility for the active management of long-term unemployment. With effect from the beginning of 2015, local governments will assume part of the financial responsibility for the payment of labour market subsidy to the long-term unemployed who have benefited from the subsidy for more than 300 days. This funding reform is designed to facilitate access for subsidy recipients' to labour market activation measures. It will be carried out as part of a reassessment of local government functions and a revision of responsibilities in the area of employment policy.

An appropriation of EUR 27 million is allocated to FinnHEMS, the helicopter operations management unit in 2014–2016. The central government funding formula for emergency services will be revised so that after a transition period, the necessary funds will be made available through central government transfers to local government. In keeping with an earlier decision in principle, separate discretionary government grants will be discontinued in 2017, and the necessary funds will be made available through the central government transfer system.

Discretionary government transfers for social and health care development projects in the local government sector will be reduced by EUR 2 million from 2014.

Work will be undertaken to draft provisions concerning student care services. Provisions concerning day care will be revised and cooperation between early childhood education and social welfare and health care will be increased.

The curricula for preschool and primary education and the general objectives, distribution of lesson hours and the framework curricula for upper secondary education will be revised. Provisions concerning preparatory training courses for immigrants will be incorporated into legislation with effect from 1 August 2014 in order to make it easier for immigrants to embark on upper secondary education. The Basic Education Act will be revised to include new regulations on participation and a peaceful learning environment at school.

In a bid to reduce long-term unemployment, a trial pilot programme has been launched that will run through to the end of the Government's term in office. Under this trial primary responsibility for employment management is transferred to the municipality or municipalities jointly no later than after 12 months of continuous unemployment. A total of 23 projects have been selected for inclusion in the trial, which involves 65 municipalities. During the 2104–2017 period, annual state grants of EUR 20 million have been allocated to the trial in 2014 and 2015.

Based on earlier decisions and with reference to the new Act on Local Government Structure, local governments will receive grants for municipal mergers and compensation for losses of central government transfers as a result of mergers. Grants for municipal mergers are estimated to total around EUR 14 million in 2014, EUR 53 million in 2015, EUR 41 million in 2016 and EUR 89 million in 2017. Compensation for transfer losses, then, are estimated at

EUR 15 million in 2014, EUR 51 million in 2015, EUR 59 million in 2016 and EUR 83 million in 2017. In addition appropriations of EUR 4 million in 2014, EUR 0.6 million in 2015 and EUR 0.5 million in 2016–2017 will be allocated for purposes of surveys and preparatory studies of municipal mergers as set out in the Act on Local Authority Boundaries.

In line with Government policy local authorities will be supported at all stages of the Local Government reform. This support will be provided through concrete priority projects related to change management in municipal merger situations, data and information management and the formulation of plans aimed at the restoration of financial balance. In addition development projects will be conducted in the areas of local services and grassroots democracy. Annual funding of EUR 600,000 for projects related to the Local Government reform will be collected in the form of appropriation transfers under the Ministry of Finance’s main title (items 28.01.01 and 28.90.20). The appropriation for project funding can be spent on hiring temporary personnel for supervisory and project roles in connection with the Local Government reform. The funds can be used to cover costs equivalent to two person-years, which do not have to fall within annual person-year targets.

Steps will be put in place to develop the macroeconomic governance of local governments. Aligned with preparations for the reform of the Local Government Act, the central government transfers system and financial policy provisions, measures will be undertaken to reinforce the basic services programme procedure and to develop a new spending limits framework for local government finances. The Ministry of Finance will appoint a working group to prepare the reform.

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APPENDIX 1 Structural changes and cost and price level adjustments to spending limits

Structural changes

As a result of structural changes made to the 2012 supplementary budgets, the 2013 Budget and to the current spending limits, the level of spending limits for 2014 will be about EUR 29 million higher than the limits specified in the April 2012 decision. Many of the spending limits adjustments are due to timing changes in project implementation or acquisition payments, or to the inclusion of flow-through funding in the spending limits.

The Table below provides a more detailed description of these structural changes and their impact on expenditure levels during the parliamentary term.

Budgetary structural changes compared with the spending limits decision of 4 April 2012, EUR 1,000

Item	Matter	2012	2013	2014	2015
Budget 2013					
24.30.66	Expenditure of EUR 8.91 million for joint projects with the UK, Norway, Luxembourg, the Netherlands and Germany (corresponding revenues on 12.24.99 flow-through item).		13 210		
29.40.50, 29.40.52	Technical adjustment: no need to revise spending limits level during the current parliamentary term due to revisions to universities' VAT compensation and university pharmacies' income tax and pharmacy payments' compensation.	-20 919	-20 919	-20 919	-20 919
31.10.35	Slower than projected progress and payments for Western Metro Extension.		-15 500		15 500
31.10.77	Postponement of rail and road projects.		-38 700	27 300	11 400
31.10.77	Finavia's contribution to costs arising from Ring Rail Line glycol problem (EUR 22.5 million credited in second 2012 supplementary budget, flow-through item).		7 500	15 000	
31.10.77	City of Joensuu contribution to Joensuu Project (EUR 1.6 million in 2013), City of Helsinki contribution to Inner Ring Road project (EUR 3.0 million in 2015) and adjustment to funding contribution for City Rail Loop project (– EUR 0.2 million in 2015).		1 600		2 800
31.10.78	City of Vantaa contribution to second phase of Outer Ring Road project.		10 000	15 000	15 000
32.60.01	Revised estimate for Energy Market Authority supervision fees, gross budgeting (corresponding revenues under item 11.19.10).		281	281	281
33.20.50, 51, 52	Revised cost estimate for improved standards of basic security (budget proposal 2012) in spending limits decision for 2013—2016 and in budget proposal 2013		-5 000	-5 000	-5 000
33.20.52	Structural adjustment made due to employment bonus trials for the long-term unemployed in 2013–2016 spending limits decision revised according to updated estimate (EUR 3.7 million instead of EUR 7.3 million).		3 600	3 600	3 600
33.20.51	Government proposal to amend Act on Unemployment Security and certain related Acts causes base change to expenditure on unemployment security basic allowance.		2 750	2 750	2 750

Item	Matter	2012	2013	2014	2015
33.20.52	Government proposal to amend Act on Unemployment Security and certain related Acts causes base change to expenditure on labour market support.		-5 500	-5 500	-5 500
33.60.35	Government proposal to amend Act on Unemployment Security and certain related Acts causes base change to expenditure on basic income support.		2 750	2 750	2 750
Third suppl budget proposal 2012					
27.10.18	Postponement of payments for defence materiel acquisitions from 2012 to current parliamentary term.	-98 867	93 577	4 710	580
Spending limits decision 2014—2017					
26.30.02	Bringing forward of transition assistance related to the emergency response centre reform from 2015 to 2014.			1 336	-1 336
29.99.24	Transfer of National Board of Antiquities items to Senate Properties (provision).			15 000	15 000
31.10.35	Timing change within parliamentary term related to progress of the Western Metro Extension project.			-12 613	12 613
31.10.77	Inclusion of contributions from outside funding partners to infrastructure network development items (to be credited later to the item 12.31.10).			15 000	13 500
31.10.77	Timing changes to certain transport projects within parliamentary term (e.g. Hamina bypass, Seinäjoki bypass, Ring Rail Line, Seinäjoki-Oulu 2nd stage, Ylivieska 2nd line).		-37 623	5 551	32 072
31.10.78	Budget authority for transport projects shall not include funding contributions from outside partners. Contributions by the cities of Turku, Tampere and Vantaa will be removed from the transport infrastructure project's item.			-25 000	-78 000
33.10.54	Increased maximum housing expenditures for housing allowances.			-10 000	-10 000
Total		-119 786	12 026	29 246	7 091

Adjustments to price and cost level

The central government spending limits for 2014–2017 are expressed in 2014 cost and price levels. Some of the expenditure items under the spending limits, such as development aid expenditure and national contributions corresponding to EU Structural Fund contributions, are included in the spending limits at current prices, in which case they include an estimate of how rising price levels over the spending limits period will impact the appropriation. In other respects the spending limits expenditure will be revised annually according to the estimated rise in cost and price levels. The parliamentary term spending limits are adjusted to the following year's price level in connection with each spending limits decision, and the price and cost level adjustment made is brought in line with the latest forecast data in connection with drafting the budget proposal.

The magnitude of the price adjustment varies annually depending on the development of price and cost levels. The price and cost level adjustments for 2014 presented in the following Table are based on the Ministry of Finance March 2013 price trend forecasts, which were available at the time of the government discussions on spending limits on 21 March 2013.

Based on the decisions made in connection with these discussions, the inflation forecast has subsequently been revised upwards. This will be taken into account when the price adjustment for 2014 is revised in connection with the drafting of the 2014 budget proposal.

The price and cost level adjustments compared with the previous spending limits decision (4 April 2012) come to EUR 673 million for 2014, taking account of the price and cost level adjustments made in connection with drafting the 2013 budget and the effect of the changeover to the 2014 price and cost level (including the decision to suspend the indexation of child allowances and central government transfers to the administrative branch under the Ministry of Education and Culture). In addition the effect of bringing forward certain benefit indexations to 2013 is taken into account. Because of this an early increase of EUR 24 million was made to the spending limits. This will accordingly be taken into account as a factor lowering the statutory price adjustment for 2014.

The adjustments take account of both statutory and contractual price adjustments, which are made to both the spending limits level and appropriations, as well as price adjustments to other spending limits expenditure, which are made to the overall level of spending limits and on a discretionary basis to appropriations.

Adjustment of spending limits decision to 2014 price and cost level, EUR million

		Adjustment to appropriation and spending limits level		Adjustment to spending limits level
limits expenditure according to classification of economic nature	Index used in Calculation	Statutory index adjustment	Contractual price adjustment	Other cost adjustments
15-17 Pensions	Employee Pension Index (TyEL)	97.5		
18-19 Defence materiel acquisitions	Predictive increase 1.5%[1]		37.7	
01-14 Wages and social security contributions	Agreement increases		-	
Transport infrastructure expenditure	Building Cost Index (RKI)			29.9
01-14, 20-28 Other operating expenses and consumption	Consumer Price Index (KHI)			23.9
30-39 Imputed central government aid to municipalities and joint municipal authorities	Index of Central Government (VOS)	175.3[2]		
30-39 Other central government aid to municipalities and joint municipal authorities	Index of Central Government (VOS)			20.8
40-49 Central government aid to trade and industry	Consumer Price Index (KHI)			65.0
50-59 Central government aid to households and non-profit organisations indexed on a statutory basis	National Pension Index (KEL)	25.1[3]		
50-59 Non-indexed central government aid to households	National Pension Index (KEL)			29.3

50 Central government funding for universities	University Index	41.4		
50-59 Other central government aid to households and non-profit organisations	Consumer Price Index (KHI)			15.9
60 Transfers to off-budget central government funds	Consumer Price Index (KHI)			0.8
60 Transfers to Social Insurance Institution of Finland	National Pension Index (KEL)	73.1		
60 Central government transfer for expenditure arising from the Sickness Insurance Act	KEL / Consumer Price Index (KHI)	2.8		26.5
61-65 Central government funding contributions corresponding to EU Structural Fund contributions and other domestic transfers	Included in programme spending limits			
66-68 Transfers abroad	At current prices			
69 Transfers to the EU	EU's GDP Price Index	31.8		
70-79 Real investments	Building Cost Index (RKI)			1.7
90-99 Other expenditure	Consumer Price Index (KHI)			1.0
Supplementary budget provision and unallocated reserve	Consumer Price Index (KHI)			8.4
Bringing forward statutory price adjustments for certain benefits and allowances to 2013	National Pension Index (KEL)	-24.0		
Total in 2014		**422.9**	**37.7**	**223.2**

[1] A predictive 1.5% price and cost level adjustment will be made to appropriation levels (excluding personnel expenses) for Defence Forces operating expenditure and defence materiel acquisitions. This adjustment will be revised later to correspond with the rise in price level indicated by the cost-of-living index in terms of Defence Forces operating expenditure and military crisis management equipment and administrative expenditure as well as the rise of the DK subindex of the industrial producer price index fleet in terms of defence materiel acquisitions.

[2] Takes account of the suspension of central government transfers indexation in 2014 (effect approx. EUR 54 million). Takes account of the decision to freeze indexation in the administrative branch under the Ministry of Education and Culture (effect approx. EUR 54 million).

[3] Takes account of the decision to freeze indexations of child allowances in 2013–2015 (effect in 2014 approx. EUR 30 million).

APPENDIX 2 Macroeconomic forecasts and assumptions for 2012—2017

The appropriation and revenue estimates and the price and cost level adjustments for this spending limits decisions are based on the Ministry of Finance Economics Department's March 2013 price trend forecasts, which were available at the time of the government discussions on spending limits on 21 March 2013. The new decisions made in connection with the spending limits discussions, particularly those concerning taxation, are reflected in the forecast. The revised projections will be taken into account in the estimated appropriations and revenues and in the spending limits price and cost level revisions in connection with drafting the 2014 budget proposal in summer 2013.

	2012	**2013**	**2014**	**2015**	**2016**	**2017**
GDP, change in volume	-0.2	0.4	1.6	2.1	1.7	1.6
GDP, change in price	2.8	2.5	2.3	2.2	2.2	2.2
GNI, value, EUR million	194 342	200 590	208 790	217 660	226 240	235 130
Consumer Price Index, change %	2.8	2.1	2.5	2.2	2.0	2.0
Index of Wage and Salary Earnings, change %	3.5	2.4	2.5	2.5	3.0	3.0
Building Cost Index, change %	2.4	1.8	2.0	2.2	2.5	2.5
Basic Price Index of Domestic Supply, change%	3.1	1.8	2.2	2.5	2.0	2.0
Unemployment rate, %	7.7	8.2	8.1	7.8	7.7	7.6
Wage bill, change %	3.2	1.9	2.8	3.2	3.2	3.3
Employee Pension Index (TyEL)	2 407	2 475	2 526	2 590	2 645	2 702
National Pension Index (KEL)	1 565	1 609	1 641	1 684	1 719	1 753
Index of Central Government Transfers to Local Government:						
Change in cost level, forecast	3.1	2.3	2.3	2.4	2.7	2.7
Change in cost level, budget proposal	3.7	3.0	2.4	2.4	2.7	2.7
— includes index adjustment	+0.6	+0.7	+0.1			
Actual change in cost level	3.2					
University Index	3.3	2.2	2.5	2.4	2.6	2.6
YLE Index			2.5	2.4	2.7	2.7
Unemployment insurance contributions						
— employer, average	2.32	2.32	2.22	2.22	2.22	2.22
— employee	0.60	0.60	0.50	0.50	0.50	0.50
Employee pension contributions (TyEL)	22.8	22.8	23.6	24.0	24.4	24.7
— employer	17.35	17.35	17.75	17.95	18.15	18.30
— employee aged 53 yrs and under	5.15	5.15	5.55	5.75	5.95	6.10
— employee over 53 yrs	6.5	6.50	7.05	7.30	7.55	7.75

— wage coefficient	1.291	1.327	1.358	1.388	1.419	1.456
Health insurance contributions for the insured						
— employees' daily allowance contribution	0.82	0.74	0.84	0.84	0.84	0.83
— wage earners' and entrepreneurs' medical care contribution	1.22	1.30	1.35	1.34	1.35	1.35
— pensioners' medical care contribution	1.39	1.47	1.52	1.51	1.52	1.52
Central government employer contributions	21.6	21.3	21.1	20.9	20.7	20.6
— health insurance contribution	2.12	2.04	2.14	2.14	2.14	2.13
— pension contribution (under Central Government Employees' Pensions Act)	19.48	19.29	18.93	18.75	18.58	18.45
Local government employer contributions	29.5	29.7	29.4	29.3	29.1	28.9
— health insurance contribution	2.12	2.04	2.14	2.14	2.14	2.13
— other social insurance contributions	0.7	0.7	0.7	0.7	0.7	0.7
— unemployment insurance contribution	3.06	3.06	2.92	2.92	2.93	2.93
— pension contribution (under Local Government Employees' Pensions Act)	23.6	23.9	23.6	23.5	23.3	23.1

APPENDIX 3 Ministry of Finance estimate of ordinary on-budget revenue in 2013–2017 and on-budget balance in 2013–2017

Ministry of Finance estimate of ordinary on-budget revenue in 2013–2017, EUR billion

	2013 B+SB	**2014**	**2015**	**2016**	**2017**	**2013—2017** average annual change, %
Total tax revenue	39.9	41.4	43.1	44.9	46.6	3.9
— taxes on earned and capital income	8.6	9.4	9.8	10.3	10.9	6.2
— corporate income tax	3.2	2.8	3.2	3.6	3.9	4.9
— value added tax	16.8	17.3	17.9	18.6	19.3	3.5
— excise duties	6.7	7.0	7.1	7.1	7.0	1.2
— other tax revenue	4.6	4.9	5.1	5.3	5.5	4.3
Miscellaneous revenue	4.9	5.1	5.0	5.2	5.1	0.7
Interest income, income from share sales and profit entered as income	1.9	2.0	2.1	2.1	2.1	1.7
— Dividend income and proceeds from sales of shares	1.4	1.5	1.5	1.5	1.5	0.6
Total revenue[1]	47.0	48.9	50.6	52.5	54.1	3.6

1) Including repayment of loans granted by central government.

Ministry of Finance estimate of ordinary on-budget balance in 2013–2017, EUR billion, at current prices

	2013	**2014**	**2015**	**2016**	**2017**
On-budget revenue estimate, total[1]	47.0	48.9	50.6	52.5	54.1
On-budget expenditure estimate, total, at current prices[2]	54.5	53.8	54.4	55.0	56.5
On-budget balance estimate	-7.5	-4.9	-3.8	-2.4	-2.3
Central government debt-to-GDP ratio, %	45.8	46.4	46.2	45.5	44.7

1) Including repayment of loans granted by central government.

2) Expenditure converted into current prices using the MoF central government expenditure price index projection, which provides a rough estimate of price trends over the planning period.

APPENDIX 4 Off-budget state funds

The state has 11 off-budget funds. Over the budget planning period it is estimated that their combined annual revenue will be around EUR 5.5 billion and expenditure around EUR 5 billion. The average annual net surplus of off-budget entities will thus stand at EUR 0.5 billion. In the national accounts, the State Pension Fund is classified under the earnings-related pension sector, while other off-budget funds come under the central government sector. Excluding the State Pension Fund, the average net surplus of off-budget funds is estimated at EUR 0.2–0.3 billion.

With effect from the beginning of 2013, a new YLE tax was introduced to cover the costs of the public service broadcaster, the Finnish Broadcasting Company YLE. Revenue from the YLE tax will be transferred to the State Television and Radio Fund. The amount of funds transferred will be revised annually to reflect changes in cost levels. The revisions will be based on a weighted index in which the consumer price index represents one-third and the index of wage and salary earnings two-thirds of total index weight. Based on projected cost trends for 2014, the annual appropriation transferred to the Television and Radio Fund will be EUR 512 million.

The temporary increase in the oil damage duty will be extended by three years in line with the target set out in the Government Programme. The increased duty is EUR 1.5 euros per tonne of oil and it will be applied in 2013–2015. The duty will be levied on all crude oil and oil products imported into and transited through Finland.

Off-budget state funds, EUR million (at 2014 price and cost level)

	2014	2015	2016	2017
Taxes and tax-like revenue total	89	89	73	74
Miscellaneous revenue	261	203	182	116
Pension contribution	1 663	1 699	1 739	1 780
Interest income and profit entered as income	563	624	630	618
Transfers from budget	516	516	516	516
Revenue excluding financial transactions	3 092	3 131	3 141	3 104
Repayments of loans granted	2 262	2 357	2 386	2 397
Total revenue	5 354	5 488	5 526	5 501
Consumption expenditure	198	173	117	89
Current transfers	825	850	892	892
Interest expenditure	29	28	22	17
Transfers to budget	1 856	1 905	1 978	2 013
Expenditure excluding financial transactions	2 908	2 957	3 009	3 011
Loans granted and other financial investment	1 981	2 003	2 015	2 017
Total expenditure	4 889	4 960	5 024	5 028
Net financial surplus	466	529	502	473

APPENDIX 5 Local government finances (municipalities and joint municipal authorities): development and outlook in 2011–2017, based on municipal accounts

Local government finances (municipalities and joint municipal authorities): development and outlook in 2011–2017, based on municipal accounts, EUR billion (at current prices)

	2011	2012	2013	2014	2015	2016	2017
Profit/loss itemisation							
1. Operating margin	**-24.26**	**-25.83**	**-26.79**	**-27.73**	**-28.89**	**-30.02**	**-31.19**
2. Tax receipts	19.07	19.33	20.18	21.04	21.80	22.48	23.42
3. Central government transfers, operational finances	7.66	8.07	8.26	8.22	8.45	8.63	8.78
4. Financial income and expenses, net	0.08	0.17	0.16	0.07	-0.05	-0.21	-0.38
5. Annual margin (=1.+2.+3.+4.)	**2.55**	**1.74**	**1.80**	**1.59**	**1.31**	**0.88**	**0.63**
6. Depreciation and amortisation	-2.23	-2.36	-2.65	-2.75	-2.85	-2.95	-3.05
7. Extraordinary items, net	0.12	0.27	0.17	0.17	0.17	0.17	0.17
8. Profit for the financial period	**0.44**	**-0.35**	**-0.68**	**-0.99**	**-1.37**	**-1.90**	**-2.25**
Financing							
9. Annual margin	**2.55**	**1.74**	**1.80**	**1.59**	**1.31**	**0.88**	**0.63**
10. Extraordinary items	0.12	0.27	0.17	0.17	0.17	0.17	0.17
11. Current income adjustments	-0.46	-0.47	-0.45	-0.45	-0.45	-0.45	-0.45
12. Current income, net (=9.+10.+11.)	**2.21**	**1.53**	**1.52**	**1.31**	**1.03**	**0.60**	**0.35**
13. Investment in fixed assets	-4.31	-4.68	-4.65	-4.65	-4.65	-4.65	-4.65
14. Financial contributions and sales gains	0.99	1.01	1.00	1.00	1.00	1.00	1.00
15. Investment, net (=13.+14.)	**-3.33**	**-3.68**	**-3.65**	**-3.65**	**-3.65**	**-3.65**	**-3.65**
16. Financial balance (=12.+15.)	**-1.11**	**-2.14**	**-2.13**	**-2.34**	**-2.62**	**-3.05**	**-3.30**
17. Outstanding loans[1]	12.30	13.91	16.11	18.51	21.16	24.26	27.56
18. Cash	4.54	4.32	4.29	4.25	4.18	4.13	4.03
19. Net debt (=17.-18.)	7.76	9.59	11.82	14.26	16.98	20.13	23.53

1) Outstanding loans are determined according to the development of the financial balance. For instance when the municipal tax rate increases (other factors being equal), the financial balance improves and the growth of outstanding loans slows.

APPENDIX 6 Central government transfers to local government within the basic public services budget analysis

Central government transfers and grants to local government within basic public services budget analysis, EUR million (budget planning period 2013–2017 at 2014 price levels)

	2012[1]	2013[1]	2014	2015	2016	2017
Imputed transfers including equalisation items within the system of central government transfers to local government						
Ministry of Finance	8 472	8 677	8 665	8 705	8 688	8 663
Ministry of Education and Culture[2]	1 017	979	978	951	952	934
— of which unit pricing for joint municipal authorities[3]	1 505	1 386	1 384	1 346	1 347	1 322
Total	**9 489**	**9 656**	**9 642**	**9 656**	**9 640**	**9 596**
Other government aid included in basic public services budget[4]						
Ministry of Finance	44	67	34	105	101	174
Ministry of Education and Culture	250	245	232	240	241	237
Ministry of Employment and the Economy	178	178	175	171	150	152
Ministry of Social Affairs and Health	537	547	525	497	489	489
Total	**1 045**	**1 037**	**965**	**1014**	**980**	**1 051**
Discretionary government grant for helicopter medical emergency service (33.60.40)[5]	22	24	27	27	27	0
Government aid included in basic public services budget analysis, total	**10 557**	**10 717**	**10 635**	**10 696**	**10 647**	**10 647**

1) Budgeted (budget and supplementary budgets)

2) Includes upper secondary education, vocational training, polytechnics and other minor central government transfers not included in the 2010 reform. Among central government transfers in the education and culture administrative branch, the share of education maintained by local authorities in 2012 is estimated at 41.2% and from 2013 at 40.2 %.

3) Unit price funding for joint municipal authorities is greater than the central government transfers received by local governments because most of the tasks remaining with the administrative branch under the Ministry of Education are maintained by a body other than a municipality. Therefore the per capita funding contribution for municipalities will be greater than the central government transfers received by them (‘maintainer system’).

4) EUR 40 million is earmarked from a discretionary government grant for start-up costs of a new children’s hospital providing public health care, with a view to construction in 2015–2016. Since central government funding would go to a foundation, this is not entered in the Table.

5) The funding model will be revised in 2017 so that central government funding will be allocated to local governments as part of central government transfers to local government.