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GENERAL GOVERNMENT FISCAL PLAN 2022–2025

The General Government Fiscal Plan also includes Finland's Stability Programme, and it meets the EU's requirement for a medium-term fiscal plan. In accordance with Article 4 of Regulation 473/2013, the General Government Fiscal Plan is based on independent macroeconomic and fiscal forecasts produced by the Economics Department of the Ministry of Finance. Specific information related to the Stability Programme is presented in Appendix 6.

The Government has today, following preparatory consideration of the matter in the Ministerial Finance Committee and pursuant to section 2 of the Decree on the General Government Fiscal Plan (120/2014), section 1 of the Budget Decree (1243/1992) and the Government's decision issued on 24 April 2003 on the principles of formulating central government spending limits proposals, budget proposals and operating and financial plans, issued the following General Government Fiscal Plan and the Decision on Central Government Spending Limits included within it:

1. Economic challenges and the economic policy line

The aim of the economic policy of Prime Minister Marin's Government Programme is to increase wellbeing and prosperity. This means ecologically and socially sustainable economic growth, high employment and sustainable public finances. In the Government Programme, the Government set as its key economic policy objectives:

— given normal global and related domestic economic circumstances, the employment rate will be raised to 75% and the number of people in employment will increase by a minimum of 60,000 by the end of 2023

— given normal global economic circumstances, Finland's general government finances will be in balance in 2023

— the Government's decisions will decrease inequality and narrow the income gaps

— the Government's decisions will put Finland on a path towards achieving carbonneutrality by 2035.

The coronavirus crisis has created a need to specify further the objectives of the Government Programme related to general government finances and employment development. In its economic sustainability roadmap, the Government set as objectives:

— to achieve a reversal in the upward trend of the public debt ratio in the mid-2020s

— to raise the employment rate to 75% in the middle of decade and through the Government's employment measures to increase the number of people in employment by 80,000 by the end of the decade.

General government finances have been weakened over the last decade by population ageing and a slowdown in economic growth. Without measures to strengthen general government finances, the debt burden will continue to grow even after the coronavirus crisis. General government expenditure will be increased by growth in the number of older people, which will increase long-term care expenditure in particular, but also spending on pensions and health. At the same time, the contraction of the working age population will adversely impact economic growth potential and the funding base of general government finances. For these reasons, there is a long-term sustainability gap in general government finances, which the Ministry of Finance estimates to be approximately 3% in ratio to GDP, i.e. approximately EUR 8 billion at the 2025 level.

Economic sustainability roadmap

In its economic sustainability roadmap, the Government has decided on measures to strengthen the sustainability of general government finances. In the roadmap, the Government also further specified further objectives set in the Government Programme. The Government aims to achieve a reversal in the upward trend in the debt ratio in the middle of the decade. The debt ratio will turn to downward thend if the general government finances strengthens by approximately EUR 2–2.5 billion in net terms. The Government is also committed to a long-term approach in its work to raise the employment rate through decisions that will bring an estimated 80,000 new jobs by the end of the decade. The objective is that the employment rate will be 75% in the middle of the decade and at a good Nordic level by the end of the decade.

The roadmap identifies the following sets of measures to strengthen the sustainability of general government finances:

— increasing employment and reducing unemployment
— reinforcing the conditions for economic growth
— increasing public sector productivity, and measures to support cost-effectiveness
— reform of health and social services

In the economic sustainability roadmap, the Government has assessed the potential to strengthen general government finances with regard to each set of measures and will make decisions on the measures separately. If the structural reforms and growth-boosting reforms being prepared are not sufficient to strengthen general government finances as intended, the Government is committed to taking new measures or also resorting to measures that have a rapid impact on general government revenue and expenditure.

Employment

The Government's fiscal and growth policies aim for a situation in which insufficient demand for labour does not restrict growth in employment. Therefore, not only an active fiscal policy correctly scaled to the macroeconomic situation is required, but also reforms that strengthen the supply of labour.

To achieve the employment target, the Government decided in its mid-term policy review on measures aimed at achieving 40,000–44,500 new jobs. The most significant measures include the transfer of employment and business services to the municipalities as well as a funding model created in connection with the transfer, which will incentivise municipalities to develop their activities to promote employment, the extension of the work ability programme, the reform of the wage subsidy and the reform of lifelong learning. According to a preliminary estimate of the Ministry of Finance, the measures will strengthen general government finances by approximately EUR 150 million. In addition, decisions on employment measures that will strengthen general government finances by EUR 110 million will be made before the end of the parliamentary term.

The Government has already made decisions on structural measures to boost employment, which the Ministry of Finance estimates will have a combined impact of approximately 31,000–33,000 new jobs by 2029. The most significant single measures are the extension of compulsory education, abolishing additional days in unemployment security, the Nordic employment service model, lowering early childhood education fees, local government pilots on employment, the wage subsidy reform and measures to boost the employment of people with partial work ability. Estimated at the level of 2029, the Ministry of Finance estimates that the employment measures would strengthen general government finances by approximately EUR 300 million, also taking into account the costs of the measures.

Conditions for economic growth

The Government has decided to strengthen the conditions for economic growth through permanent and temporary economic, fiscal, business and growth policy measures outlined in the Government Programme (permanent additional expenditure and one-off future-oriented investments). In addition, temporary measures have been decided on to mitigate the effects of the coronavirus situation. By supporting aggregate demand in the economy, increased public spending has prevented output from contracting, businesses from going bankrupt, employment from declining, skills and competence from being lost, and production capacity from being destroyed. In this way, the Government has sought to prevent a blow to the economy that would undermine long-term economic growth potential. According to a macroeconomic assessment, the Government's economic policy for 2020–2021 will maintain employment for several tens of thousands of people. The impact of temporary measures on economic output and employment will decline as the measures mature. Part of the impact will be very long-term.

Sustained strengthening of general government finances through measures supporting economic growth will require a better economic performance that at present. The Government has prepared a package of measures to support growth. The measures will secure long-term R&D funding, strengthen Finland as an investment environment, increase the investment capacity of companies and strengthen domestic ownership, and ensure the supply of skilled labour by accelerating work-based immigration.

The Government's objective is to raise Finland's R&D expenditure to 4% in ratio to GDP by 2030 and to increase work-based immigration cumulatively by at least 50,000 people by 2030. Increasing public R&D expenditure to meet the R&D expenditure target would increase public debt and increase the need to strengthen general government finances to around EUR 4 billion, as required by the target to achieve a reversal in the upward trend in the debt ratio.

A foundation for growth measures is created by the EU's one-off recovery package (Next Generation EU) and particularly its Recovery and Resilience Facility (RRF), funding from which will be used to implement the Sustainable Growth Programme for Finland. Through the Sustainable Growth Programme for Finland, the Government will support growth that is ecologically, socially and economically sustainable in line with the aims of the Government Programme. Finland's final RRF plan will be submitted to the European Commission in May 2021. The goal is to boost competitiveness, investments and reforms, research, development and innovation, and to raise skill levels while ensuring quicker access to care and reducing greenhouse gas emissions. The plan has four key elements: 1) a green transition will support structural adjustment of the economy and underpin a carbon-neutral welfare society, 2) digitalisation and a digital economy will strengthen productivity and make services available to all, 3) raising the employment rate and skill levels will accelerate sustainable growth, and 4) access to health and social services will be improved and their cost-effectiveness enhanced.

Public sector cost-effectiveness and the health and social services reform

The aim of measures to improve public sector productivity and cost-effectiveness is to create conditions for the strategic development of the cost-effectiveness of the entire public sector. A further goal is to develop health and social services processes even before the entry into force of the health and social services reform. Efforts will also be made to improve public sector cost-effectiveness and productivity by improving the efficiency of local and central government premises management and procurement, and by utilising digitalisation. A centre of expertise established in the Ministry of Finance will promote cost-effectiveness work in collaboration with other actors and will report regularly on the implementation of measures to improve cost-effectiveness to a political steering group on public sector reform.

A legislative proposal on the reform of health, social and rescue services was submitted to Parliament on 8 December 2020. The Government's goal is to implement the reform so that it enters into force on 1 January 2023.

Objective: carbon-neutrality in 2035

According to the Government Programme, Finland will be carbon neutral in 2035 and carbon negative quickly soon after. The Government is committed to decide on the additional measures necessary to achieve carbon neutrality by 2035. Based on an adequacy analysis of climate measures, the plan, decisions or implementation falls short of emission reductions by 11 Mt.

For the effectiveness of climate policy, and due to pressures on general government finances, measures must be effective and cost-efficient. At the same time, care must be taken to ensure that they do not give rise to unreasonable implications for different population groups. Achieving carbon neutrality also requires additional investment in low-emission technologies and solutions.

Chapter 5.7 examines the package of measures to promote carbon neutrality included in the General Government Fiscal Plan.

Fiscal policy line

Prime Minister Marin's Government will implement an active and responsible fiscal policy that is scaled as required by economic conditions. Fiscal policy has been strongly stimulative in the recession. The Government has decided on comprehensive measures to safeguard jobs and livelihoods and to ease the financial pressure on businesses facing difficulties caused by the coronavirus pandemic.

At the same time, measures according to the Government Programme (permanent additional expenditure and future-oriented investments), the introduction for 2021–2022 of the exceptional situation mechanism in line with the Government Programme, the increase in central government spending limits level decided by the Government in its mid-term policy review, and the implementation of the Sustainable Growth Programme for Finland will support economic activity in the spending limits period. The fiscal policy line is structured such that the level of expenditure will gradually decrease from the exceptionally high level of 2020–2021. This is supported by the Government decision on permanent reallocations of expenditure amounting to EUR 370 million from 2023 onwards. In addition, tax decisions strengthening central government finances by EUR 100–150 million will be decided in connection with the autumn 2021 budget session. In the light of the Ministry of Finance's May 2021 forecast, the general government deficit will again fall below the EU Treaty 3% deficit reference value in 2022. In addition, the general government structural balance with improve by one half of one percentage point in 2023. Objectives related to the general government budgetary position are presented in Chapter 2.

In accordance with decisions already made in the Government Programme, the Government will allocate permanent additional expenditure to, among other things, social security as well as health and social services, early childhood education, education and research, environmental protection and climate policy measures. Permanent additional expenditure in accordance with the Government Programme will be approximately EUR 1.4 billion compared with spring 2019 technical General Government Fiscal Plan. The permanent additional expenditure will be covered mainly by discretionary permanent additional revenue and reallocations as well as by decisions increasing the number of people in employment.

The aim is also to promote climate goals through taxation decisions. The Government will strengthen the tax base and increase indirect taxes. To compensate for changes in indirect taxes, the earned income taxation of those on low and middle incomes was eased at the beginning of 2020.

The Government has allocated a total of approximately EUR 2.0 billion to one-off future-oriented investments. A total of approximately EUR 1.4 billion for 2020–2022 was allocated to future-oriented investments in the October 2019 General Government Fiscal Plan and the 2020 Budget. The supplement to the 2021 budget proposal included a further EUR 356 million in future-oriented investments and EUR 303 million is allocated in this General Government Fiscal Plan to future-oriented investments for 2022. In addition, investments totalling over EUR 200 million will be allocated from the National Housing Fund in 2020–2022. In accordance with the Government Programme, the intention is to finance future-oriented investments mainly through property income so that they do not lead to an increase in the debt burden in 2023.

The Government will continuously monitor the economic situation and the achievement of economic policy targets, and will react as required by the situation. The Government is committed to reviewing the measures in the Government Programme should their implementation jeopardise the achievement of the targets set for general government finances.

2. Objectives and rules steering the management of general government finances

The purpose of the General Government Fiscal Plan is to support decision-making related to general government finances as well as compliance with the Medium-Term Objective (MTO) set for the general government structural budgetary position. The plan contains sections related to central government finances, wellbeing services county finances, local government finances, statutory earnings-related pension funds and other social security funds. The Government prepares the General Government Fiscal Plan for the parliamentary term and revises it annually for the following four years by the end of April.

Exceptional circumstances

The General Escape Clause of the Stability and Growth Pact activated in March 2020 will remain in force in 2021 and probably also in 2022. The General Escape Clause permits Member States to depart temporarily from the adjustment path towards the medium-term budgetary objective, provided that this does not endanger fiscal sustainability in the medium term. The validity of the General Escape Clause is also considered to refer to the existence of exceptional circumstances pursuant to domestic fiscal policy legislation (Fiscal Policy Act, 869/2012[1] and the Decree on the General Government Fiscal Plan, 120/2014), which means that the setting of multiannual and sectoral targets does not need to result in the achievement of the Medium-Term Objective.[2]

The need to amend fiscal policy legislation with regard to the definition of exceptional circumstances will be assessed during the current year in connection with an update of the Decree of the General Government Fiscal Plan.

Medium-Term Objective

Pursuant to section 2 of the Fiscal Policy Act (869/2012), in autumn 2019 the Government set a Medium-Term Objective of -0.5% in ratio to GDP for the structural budgetary balance of general government finances. This is the minimum level to which Finland has committed in the Fiscal Compact[3]. The requirements related to the MTO are described and its achievement is assessed in the Stability Programme (see Appendix 6), which also presents the Government's assessment under the Fiscal Policy Act of progress towards the MTO.

Other fiscal policy targets

Pursuant to section 3 of the Government Decree on the General Government Fiscal Plan (120/2014), the General Government Fiscal Plan shall set multiannual budgetary targets for debt and expenditure in ratio to GDP at market prices for the whole of general government finances as well as separately for each subsector of general government. The budgetary targets shall be set such that they shall, taking into account the Ministry of Finance forecast, result at least in the achievement of the target set for the structural budgetary balance of general government. It is possible to deviate from this if exceptional circumstances prevail. In addition, multiannual targets corresponding to the budgetary targets for general government finances shall be presented for general government debt and general government expenditure in ratio to GDP at market prices.

As Finland exceeded in 2020 the Treaty deficit reference value, 3% in ratio to GDP, target setting has been primarily based on efforts to bring the nominal deficit below the 3% deficit reference value in 2022, thus avoiding insofar as possible the Excessive Deficit Procedure (EDP). Initiating the EDP is also possible while the General Escape Clause is in force. When the validity of the General Escape Clause and the exceptions it permits in targeting setting expire – according to current estimates in 2023 – target setting will return to the achievement of the MTO. According to the Stability and Growth Pact and domestic legislation the structural balance should be improved by 0.5% percentage points in ratio to GDP in 2023. Multiannual targets for the whole of general government finances for 2021–2023 are presented in Table 1 and the targets are discussed in more detail in Appendix 6 Stability Programme.

Table 1. Multiannual targets for general government finances in ratio to GDP (%)

	2021	2022	2023	2024
Nominal budgetary position of general government	-4.7	-2.9	-2.1	-1.7

[1] The Act on the Implementation of the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union (EMU) and provisions of a legislative nature as well as requirements concerning multi-annual budgetary frameworks.

[2] The National Audit Office of Finland has also stated that it is justified to interpret that the flexibility created in EU procedures is also included in national requirements. (Separate report of the National Audit Office to Parliament: Fiscal policy monitoring report 2020.)

[3] The Treaty on Stability, Coordination and Governance in the Economic and Monetary Union, as well as the Act on requirements related to multi-annual budgetary frameworks, which came into force on 1 January 2013.

	2021	2022	2023	2024
General government expenditure	56.3	54.0	53.1	52.3
General government gross debt	71.6	72.4	73.9	74.7

The nominal budgetary targets by sector for general government finances for 2023 are:

— central government deficit of approximately 2¼% in ratio to GDP

— local government deficit of approximately ½% in ratio to GDP

— budgetary position of wellbeing services counties close to balance

— surplus of earnings-related pension funds approximately 1% in ratio to GDP

— the financial position of other social security funds close to balance

Chapter 3.2 presents an estimate of how the fiscal policy targets set by Prime Minister Marin's Government will be realised in the light of the independent forecast of the Economics Department of the Ministry of Finance. The measures decided on by the Government to achieve the targets are described by subsector in Chapters 5–8. Chapter 9 examines the overall impact of the measures on general government finances. Compliance with the Stability and Growth Pact is assessed in Appendix 6 Stability Programme.

Central Government Spending Limits

The Government is committed to the central government spending limits system, which restricts the level of expenditure budgeted in the State budget. The expenditure benchmark ensures a responsible, long-term central government spending policy that promotes economic stability. The purpose of the spending limits system is to limit the total amount of expenditure incurred by the taxpayer.

The spending limits system sets a ceiling for approximately 80% of central government budget expenditure. Expenditure that changes according to cyclical conditions and automatic stabilisers, central government debt interest expenditure and financial investments remain outside the central government spending limits. In the annual spending limits decisions, spending limits are allocated to the administrative branches, but only the overall expenditure ceiling for the parliamentary term is binding. Alongside the supplementary budget provision, there remains between the parliamentary term expenditure ceiling and the administrative branch-specific expenditure ceilings an unallocated reserve to be allocated later. Measures in the Government Programme and others will be implemented insofar as this is possible within the framework of the spending limits.

As a result of, for example, the coronavirus crisis, the overall picture of the Finnish economy and of the country's financial policy requirements diverges significantly from the autumn 2019 situation when the spending limits for the parliamentary term were set. The Government has pursued an exceptionally expansionary fiscal policy that has underpinned growth and employment, and temporarily raised spending in areas that fall within the expenditure ceiling. Regarding the parliamentary term spending limits, the Government is in a situation where the room for manoeuvre within the spending limits does not allow the inclusion of unforeseen changes in expenditure and the implementation of all the reforms considered necessary by the Government.

Consequently, as part of the solutions determined in the mid-term policy review, the Government has decided that the parliamentary term spending limits will be raised for 2022–2023. The expenditure line will gradually descend towards the end of the parliamentary term and will continue on this path after the parliamentary term is over. The expenditure ceiling will be raised by EUR 900 million for 2022 and by EUR 500 million for 2023.

In addition, the exceptional situation mechanism included in the spending limits rules under the Government Programme is available in 2021 and 2022, allowing an annual EUR 500 million for one-off expenditure. The purpose of the mechanism is to contribute to safeguarding the ability of economic policy to respond as required by the economic situation. In May 2020, the Ministerial Committee on Economic Policy supported the Government in introducing an exceptional situation mechanism, as a result of which the level of the spending limits will be temporarily EUR 500 million higher in 2021–2022 than originally budgeted.

Direct coronavirus-related costs, i.e. health security costs (such as expenditure on testing and vaccination), will be covered as expenditure outside the spending limits in each of the years 2021–2023.

The central government spending limits are discussed in Chapter 5.

Limit on local government expenditure set by central government measures

The Government Decree on the General Government Fiscal Plan requires that the Government set in the General Government Fiscal Plan a maximum monetary limit consistent with the local government budgetary target for the change in expenditure in local government finances resulting from central government measures. In 2023, health, social and rescue services will be transferred to the wellbeing services counties, at which time the range of tasks of the municipalities will decline significantly and many of the extensions of tasks and obligations outlined during the parliamentary term will be allocated to the wellbeing services counties. Due to the establishment of the wellbeing services counties, monitoring of the limit on local government expenditure set by central government measures will no longer be appropriate in 2023. Guidance mechanisms for the municipalities and wellbeing services counties will be assessed during the current year, for example in connection with the updating of the Decree on the General Government Fiscal Plan.

In accordance with current legislation, a central government transfer covering 100% of costs will be allocated to municipalities' new or extended tasks and obligations. Exceeding the expenditure limit will not therefore weaken the budgetary position of local government, as the central government will bear full financial responsibility for new tasks and obligations in central government transfers to local government.

The impact of central government measures on local government finances is discussed in Chapter 7.

3. Economic fundamentals

In accordance with Article 4 of Regulation 473/2013, the General Government Fiscal Plan is based on independent macroeconomic and fiscal forecasts produced by the Economics Department of the Ministry of Finance. This Chapter discusses the macroeconomic and public finance outlook based on the independent forecast. For a more detailed forecast, see the Ministry of Finance's Economic Survey.

3.1. Economic outlook

Economic outlook for 2021–2023

Gross domestic product is expected to grow by 2.6% in 2021, 2.5% in 2022 and 1.5% in 2023. Economic growth will remain slow as a result of the coronavirus epidemic in early 2021, but will begin to accelerate gradually over the summer.

The forecast is based on the assumption that the incidence of cases related to the coronavirus epidemic will fall to a low level by summer 2021 as a result of restrictions, the advance of the vaccination programme and seasonal variation in the course of the disease. A stable epidemic situation will enable the relaxation and lifting of restrictions.

Private consumption will grow more quickly than purchasing power as savings are released into consumption. Exports and investment will recover due to the improved growth outlook for the global economy, but a decline in residential construction investment will slow investment growth in 2021.

Driven by economic activity, the number of people in employment is forecast to turn to growth, but the slow recovery of services will dampen growth in the number of the employed. The number of the employed will not reach the 2019 level until 2023, and the employment rate will rise to around 73% in 2023.

With increased earnings and improved employment, the sum of wages and salaries is expected to grow at an annual rate of over 3%. Pay increases will be gradually passed on, particularly into the price of services. In addition, the improvement in economic activity will accelerate inflation closer to 2% per year.

Medium-term outlook

Economic growth is expected to be just over 1% in 2024 and 2025. The economic restructuring and demographic changes that have been under way for years will also affect the longer-term growth outlook of the economy.

The contraction of the working age population will reduce labour input, although structural unemployment and participation rates will improve.

Total factor productivity growth has been a key source of economic growth in recent decades, but its development will continue to be weak by historical standards. There have been both cyclical and structural factors underlying the weaker growth. The output of high-productivity sectors has declined significantly, and services have become more predominant in the overall structure of the economy.

Total factor productivity is expected to grow by just under 1% in the medium term, whereas annual growth exceeded 2% on average in the early 2000s. Productivity growth will, however, be slightly faster than the 2010s average.

In addition to labour input and total factor productivity, long-term production conditions for the economy will be influenced by the capital stock. The investment rate declined temporarily due to the pandemic, but it is slowly recovering, boosting capital stock and economic growth.

Table 2. Trends in the national economy

	2019	2020	2021	2022	2023	2024	2025
GDP value, EUR billion	240.3	237.5	247.8	258.3	267.1	275.6	284.2
GDP, change in volume, %	1.3	-2.8	2.6	2.5	1.5	1.4	1.2
Unemployment rate, %	6.7	7.8	7.8	7.2	6.9	6.7	6.5
Employment rate, %	72.5	71.6	71.7	72.6	73.2	73.6	73.8
Consumer Price Index, change %	1.0	0.3	1.4	1.5	1.7	1.7	1.8
Long-term interest rate, 10 years, %	0.1	-0.2	-0.2	-0.1	-0.1	0.0	0.1

3.2. Outlook for general government finances

The general government deficit increased considerably in 2020 due to the coronavirus situation. General government finances were weakened by the economic downturn and the many support measures taken as a result of the coronavirus epidemic. The economy will recover in 2021, but the general government deficit will continue to be large. Discretionary fiscal policy will also support growth this year. Economic growth in the next few years will strengthen general government finances, but public finances will remain more in deficit than before the crisis. In general government finances, there will be a structural imbalance between expenditure and revenue.

Public debt grew strongly during 2020. The debt ratio rose to a level nearly 10 percentage points higher than before the crisis. In the coming years, the growth of the debt ratio will slow down, but it will continue to rise to over 75% by the middle of the decade. The growth of the debt ratio is also expected to continue after 2025.

The forecast for general government finances includes Recovery and Resilience Facility (RRF) expenditure. The additional expenditure is neutral in terms of the general government budgetary position, because revenue corresponding to expenditure has been assumed in the forecast.

The central government has borne most of the costs of the support measures decided due to the coronavirus situation. The central government has supported municipalities and social security funds to alleviate the adverse effects of the epidemic. Of the general government subsectors, the central government was the most in deficit last year. The active fiscal policy implemented by the central government revived the economy in 2020 and will also maintain economic activity in 2021. Boosted by economic growth, the central government deficit will decline slightly, but will remain high.

The budgetary position of local government turned to surplus in 2020. This was largely due to the central government's extensive support measures and partly from the resulting savings. In 2022, local government deficit will grow again. In 2023, the structure of Finland's public sector will change when the organisation of health, social and rescue services is transferred from the municipalities to the responsibility of the wellbeing services counties. This will alleviate the municipalities' structural expenditure pressures due to population ageing. The wellbeing services counties will start operating slightly in deficit. The deficit is due to large-scale investments.

The surplus of the earnings-related pension funds decreased significantly in 2020 due to the temporary reduction of the earnings-related pension contribution, and lower contribution and property income. The financial position of the earnings-related pension funds will improve, but the surplus will remain rather modest as pension expenditure growth continues and the very low level of interest rates slows growth of the earnings-related pension funds' property income.

Other social security funds turned to deficit in 2020. The financial position was adversely impacted by extensive lay-offs, rising unemployment and temporary extensions made to unemployment security. The situation of other social security funds will be eased in 2021 by an increase in unemployment insurance contributions and a decrease in the number of those laid off. In the outlook period, unemployment will also fall, which will strengthen other social security funds.

The general government expenditure ratio, i.e. expenditure in ratio to GDP, rose sharply in 2020. The expenditure ratio will fall in the outlook period as fixed-term support measures end and unemployment expenditure declines. The tax rate, i.e. the ratio of taxes and tax-like payments to GDP, fell last year and will rise again this year as tax revenues grow faster than GDP as the economy recovers from recession. The outlook period includes both tax increases and tax cuts, but indirect tax revenues, in particular, will grow more slowly than GDP, so the tax rate will fall.

The most significant risks to general government finances continue to be linked to general economic development. New waves of the epidemic as well as a possible re-tightening of containment measures could slow the economic recovery and adversely affect general government finances, both through slower economic growth and possible new support measures.

General government contingent liabilities and a significant increase in guarantees, in particular, pose a risk to general government finances. The concentration of guarantee liabilities in certain sectors and businesses increases the risks associated with guarantee liabilities. Guarantee authorisations have also increased in 2020 as part of support measures for businesses. A major triggering of liabilities would increase public spending and further accelerate the increase in the debt ratio.

Table 3. Key figures for general government finances according to national accounts, % GDP

	2019	2020	2021	2022	2023	2024	2025
Taxes and social security contributions	42.2	41.7	42.3	41.6	41.2	41.1	40.9
General government expenditure	53.2	56.7	56.3	54.0	53.1	52.3	51.9
General government net lending	-1.0	-5.4	-4.7	-2.9	-2.2	-1.7	-1.6
— Central government	-1.1	-5.6	-5.0	-2.9	-2.3	-1.9	-1.8
— Local government	-1.3	0.1	-0.3	-0.8	-0.6	-0.4	-0.4
— Wellbeing services counties					-0.2	-0.2	-0.2
— Earnings-related pension funds	1.1	0.2	0.6	0.8	0.8	0.7	0.8
— Other social security funds	0.3	-0.1	0.0	0.0	0.1	0.1	0.1
Primary balance	-0.2	-4.8	-4.2	-2.5	-1.8	-1.4	-1.4
Structural balance	-1.3	-3.4	-3.5	-2.4	-1.8	-1.6	-1.6
General government gross debt	59.5	69.2	71.6	72.4	73.9	74.8	75.6
Central government debt[1]	44.3	52.6	55.3	56.1	57.6	58.4	59.0

[1)] The Ministry of Finance Economics Department's estimate of central government debt differs from the estimate based on the budget due to, among other things, updated revenue forecasts.

Compliance with fiscal policy rules and objectives

In the light of the Ministry of Finance's independent forecast, the multiannual targets for the nominal budgetary position of general government and for general government debt and expenditure in ratio to GDP will largely be achieved (see Stability Programme Table A Appendix 6). According to the forecast, the general government deficit will be only slightly higher in 2023 than the target presented in Table 1.

Many of the sectoral targets set for 2023 will also be met in the light of the forecast. The central government deficit will be line with the set target (approximately 2¼%), and the local government budgetary position will almost reach the target (approximately ½% in deficit). The budgetary position of the wellbeing services counties will also be close to balance, in line with the target. The earnings-related pension funds are expected to fall slightly short of the targeted 1% surplus, but other social security funds will be slightly in surplus and therefore close to balance, in line with the target.

According to the forecast and the long-term estimate based on it, the public debt-to-GDP ratio will rise throughout the 2020s. The debt ratio will be increased particularly by the central and local government primary deficits and, in the calculations, by gradually rising debt service costs in the late 2020s.

Compliance with the deficit and debt criteria of the Stability and Growth Pact as well as progress towards the MTO set for the structural budgetary balance is assessed in the Stability Programme (Appendix 6).

General government budgetary position and debt, broken down into the budgetary position and debt of core sector units and units outside the core sectors

The general government budgetary position will remain significantly in deficit in 2021. The central government core sector, on-budget finances, will the most in deficit. The central government will also remain deeply in deficit in 2022–2025. The local government core sector, the municipalities and joint municipal authorities (incl. wellbeing services counties from 2023), will return to deficit after the exceptional year 2020. The financial position of the social security funds will improve in 2021 and the sector will be slightly in surplus thereafter. The combined deficit of units outside the core sectors will be approximately 0.2% in ratio to GDP. General government consolidated EDP debt in ratio to GDP will increase rapidly in 2021, but more slowly in the following years. Most of the debt is central government on-budget debt. The municipalities and joint municipal authorities also have a significant amount of debt. Of the units outside the core sectors, the debt burden is mainly borne by real-estate companies and a few other units. The debt carried by units outside the core sectors will grow slowly by an amount corresponding to the deficit produced by these units annually. For a list of units in the general government subsectors, see Statistics Finland's website[4].

Table 4. General government budgetary position and debt in ratio to GDP, broken down into core sectors and units outside the core sectors (%)

	2019	2020	2021	2022	2023	2024	2025
General government, total							
Budgetary position in ratio to GDP	-1.0	-5.4	-4.7	-2.9	-2.2	-1.7	-1.6
Debt in ratio to GDP	59.5	69.2	71.6	72.4	73.9	74.9	75.6
Core sectors, total							
Budgetary position in ratio to GDP	-0.6	-5.2	-4.5	-2.7	-2.0	-1.5	-1.4
Debt in ratio to GDP	57.0	66.7	69.0	69.7	71.1	71.9	72.6
Units outside core sectors, total							
Budgetary position in ratio to GDP	-0.4	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2
Debt in ratio to GDP	2.4	2.5	2.6	2.7	2.8	2.9	3.0

[4] https://www.tilastokeskus.fi/meta/luokitukset/_linkki/soveltamisp.html

3.3. Economic restructuring, population ageing and fiscal sustainability

Since the 2008 financial crisis, Finland's economy has been affected by industrial restructuring, which has weakened potential for economic growth. GDP did not exceed the level preceding the financial crisis until 2017. Finland's productivity growth is still weak, and growth potential in the coming years will be constrained by the declining number of the working-age population. In addition to slow economic growth, the rapid increase in the number of pensioners has contributed to the weak state of general government finances. The increase in pension expenditure, among other things, explains the fact that general government finances were not able to climb into surplus during the economic upswing that preceded the coronavirus crisis.

The retirement of the baby boomers is only a beginning to the demographic challenges that Finland faces in the coming decades. Since 2010, the dependency ratio has deteriorated from approximately 50 dependants (under 15 and over 65 years of age) to over 60 dependants per 100 people of working age. According to population forecasts, the deterioration of the dependency ratio will continue for at least the next 50 years; in 2070, it is projected that there will be over 80 dependants per 100 people of working age in Finland.

In public finances, a substantial sustainability gap prevails, i.e. general government revenue will not be sufficient to cover expenditure in the long term. The growth in the number of elderly people will increase healthcare and long-term care expenditure in particular. Without effective measures to slow expenditure growth, the current overall tax rate will not be sufficient to finance expenditure in the future. At the same time, the working-age population, which finances with taxes welfare services and social security, will shrink. A permanent imbalance between general government revenue and expenditure therefore threatens to result in an unmanageable increase in the debt burden in the long term. To avoid this, public finances should be strengthened through, for example, structural reforms that improve employment or curb growth of public expenditure in the future.

The Ministry of Finance estimates the sustainability gap to be approximately 3% in ratio to GDP, i.e. approximately EUR 8 billion at the 2025 level. There is significant uncertainty associated within the sustainability gap estimate, and it is sensitive to the assumptions used about future development. Notwithstanding the uncertainty, the calculation offers a coherent way of examining the challenges facing general government finances and means to overcome them.

4. Government liabilities and risks

Government liabilities can be divided into direct liabilities and contingent liabilities whereby, for example, a liability to pay arises through a government guarantee. Government financial liabilities and associated risks may emanate from decentralised sources within central government on-budget accounting, central government funds and unincorporated state-owned enterprises. The central government may also be subject to implicit liabilities for securing the continuity of certain functions of society, even though there is no law or agreement legally binding the government to such liability. In certain crisis situations, an implicit central government liability may materialise, for example, within the municipalities, state-owned companies or the financial markets, or from external threats that extensively affect the normal functioning of society, such as the coronavirus pandemic that began in 2020. The additional healthcare costs associated with pandemic prevention and the impact of restrictions on business activity have had to be partially offset by state support measures.

Table 5 shows a summary of central government assets and nominal values of certain specifiable liabilities. Data on central government real and financial assets are based on financial accounting. Regarding financial assets, the table also shows certain key publicly quoted shareholdings. In addition to these, the central government owns either in full or in part several other companies, which are valued on the basis of book value.

In central government financial assets, values of corporate shareholdings may fluctuate significantly due to economic conditions. In 2010–2020, the central government has received dividend income of between EUR 0.8 and 2.0 billion from its shareholdings annually. In 2020, the central government's dividend income was approximately EUR 1.1 billion.

Table 5. Summary of government liabilities and risks, EUR billion

	2014	2015	2016	2017	2018	2019	2020
Assets							
Central government real assets	57.5	56.7	56.8	57.9	58.7	57.9	
% GDP	*27.8*	*26.8*	*26.1*	*25.6*	*25.1*	24.1	
Central government financial assets	67.6	69.6	70.5	70.9	73.3	81.8	98.8
% GDP	*32.7*	*32.9*	*32.4*	*31.3*	*31.3*	*34.0*	*41.7*[1]
— of which							
Central government liquid assets	3.1	4.4	3.1	3.0	2.1	2.3	7.6
Solidium	7.6	6.8	7.8	8.6	6.8	7.5	7.6
Other shareholdings in listed companies	10.9	10.2	11.5	15.2	15.5	19.0	26.0
National Housing Fund receivables	6.4	5.9	5.2	4.6	4.2	3.7	3.2
Liabilities							
Central government debt	95.1	99.8	102.3	105.8	105.0	106.4	124.8
% GDP	*46.0*	*47.2*	*47.0*	*46.8*	*44.9*	*44.3*	*52.6*[1)]
Municipal debt	16.8	18.0	19.0	19.2	20.1	23.5	24.6
% GDP	*8.1*	*8.5*	*8.7*	*8.5*	*8.6*	*9.8*	*10.4*[1)]
Central government guarantees[2]	39.2	44.2	46.1	52.3	56.6	60.2	62.0
% GDP	*18.9*	*20.9*	*21.2*	*23.1*	*24.2*	*25.1*	*26.1*[1)]
— Finnvera	17.5	22.6	22.6	27.7	30.3	32.6	31.6
— Student loans	1.8	2.0	2.3	2.7	3.4	4.0	4.5
— EFSF	6.6	6.2	6.3	7.0	7.0	7.0	6.8
— Bank of Finland	0.6	0.5	0.6	0.4	0.5	0.6	0.6
— Government funds	11.8	12.3	13.2	13.8	14.6	15.5	16.5
— COVID-19 support measures[3]							1.4
— Other	0.9	0.6	1.1	0.6	0.8	0.5	0.7
Capital liabilities	17.2	17.8	18.0	17.9	17.9	17.9	18.2
% GDP	*8.3*	*8.4*	*8.3*	*7.9*	*7.6*	*7.4*	*7.7*[1)]

	2014	2015	2016	2017	2018	2019	2020
Other liabilities	132.9	130.8	129.5	128.3	127.6	130.0	134.5
% GDP	*64.2*	*61.9*	*59.5*	*56.8*	*54.4*	*54.1*	*56.7*[1)]
— Budget accounting[4]	130.4	128.3	126.9	125.5	124.7	127.2	131.6
— Off-budget entities	0.7	0.9	1.2	1.6	1.7	1.7	1.8
— State enterprises	1.8	1.6	1.4	1.2	1.2	1.1	1.1

[1)] Preliminary information

[2)] Government guarantees are presented in more detail in Appendix 12 of the central government final annual accounts.

[3)] Includes guarantees for shipping companies critical for security of supply, Finnair and loans from the EU's SURE instrument and the EIB's COVID-19 Guarantee Fund.

[4)] Includes pension liabilities. Pension liabilities at the end of 2020 were EUR 93.1 billion.

The largest subareas of central government liabilities are central government debt, pension liabilities and central government guarantees. Pension liabilities amounted to EUR 93.1 billion at the end of 2020. The largest growth over the last 10 years has been in the amount of government debt and government guarantees. Central government debt has increased from EUR 54 billion in 2008 to EUR 124.8 billion in 2020. The outstanding stock of central government guarantees has increased from EUR 23.2 billion in 2010 to EUR 62 billion at the end of 2020.

The stock of guarantees issued by Finnvera and central government funds, in particular, has been rising for a long time now. Of the EUR 16.5 billion stock of guarantees issued by funds, the majority consists of guarantees issued via the National Housing Fund, the total amount of which stood at EUR 16.4 billion at the end of 2020. The growth in Finnvera guarantees has focused on export guarantees and Finnvera's acquisition of funds. At the end of 2020, export guarantees totalled EUR 19.5 billion, of which drawn guarantees amounted to EUR 11.8 billion. In export financing, it is typical for guarantee liabilities to be concentrated in certain sectors and large exposures of single clients. The effects of the coronavirus pandemic have increased the risks particularly related to the shipping industry, in connection with which Finnvera entered credit loss provisions in the 2020 financial statements. In 2020, the total amount of outstanding Finnvera guarantees decreased by just under EUR 1 billion, even though Finnvera guarantee authorisations were increased for export financing and acquisition of funds at the beginning of 2020 and for domestic financing as part of the coronavirus pandemic support measures.

In the growth of the National Housing Fund's guarantees, particularly prominent is financing for government-guaranteed rental and right-of-occupancy housing, to which guarantees totalling EUR 14.4 billion had been allocated at the end of 2020. Guarantees allocated to housing loans of private individuals totalled EUR 1.96 billion at the end of 2020. In the financing of rental and right-of-occupancy housing, a key risk relates to government-subsidised and government-guaranteed properties located in areas of declining population, where occupancy rates and property values are falling. In addition to guarantee liabilities, a significant proportion of government-guaranteed housing financing includes government interest subsidies, which, when interest rates rise, increase the central government's payment obligation.

In 2020, new guarantee liabilities arose in connection with coronavirus pandemic support measures, e.g. guarantees provided to shipping companies critical for security of supply and to Finnair as well as a guarantee provided for loans taken by the European Commission for the European instrument for temporary Support to mitigate Unemployment Risks in an Emergency (SURE), and a guarantee provided for the European Investment Bank's COVID-19 Guarantee Fund.

In connection with the coronavirus pandemic, the European Union has adopted a decision on the recovery instrument Next Generation EU and its financing as part of a new Own Resources Decision. Borrowing under the recovery instrument would increase the European Union's liabilities by a total of EUR 750 billion (expressed at 2018 prices). Of this, Finland's notional share is estimated to be approximately EUR 13 billion. Finland's payments, to be realised after 2027, relate to the recovery instrument's support in the form of grants, of which Finland's share is estimated to total EUR 6.6 billion. The entry into force of the recovery instrument as part of the Own Resources Decision requires the approval of the national decision-making bodies of all Member States.

On an international scale, Finland's public sector guarantee liabilities are at a high level. Different reporting practices, among other reasons, make it difficult to compare the nominal values of guarantees between countries. Nevertheless, according to data collected by Eurostat, Finland's general government guarantees-to-GDP ratio was the highest among the EU Member States in 2019. Finland also has the highest level of government guarantees in the EU countries, and the second fastest growth of government guarantees in the EU area in 2014–2019 was recorded in Finland.

Contingent liabilities also include capital liabilities totalling approximately EUR 18.2 billion payable on demand to international financial institutions. Most of the capital liabilities since 2012 have consisted of a capital liability of EUR 11.1 billion related to the European Stability Mechanism (ESM).

Risks related to public sector activities are linked in many ways to general economic development. In an exceptionally difficult economic situation, the fiscal position may weaken due to a number of different factors simultaneously. Risks related to macroeconomic development, public debt, public sector holdings, granted guarantees and other public sector liabilities are correlated. In normal business cycle conditions, typically only some of the risks are realised, but in the event of a more extensive external shock the risks to central government finances may be considerable. The exceptional situation caused by the coronavirus pandemic has extensively impacted society as a whole, and the related support measures have rapidly increased both central government debt and guarantee liabilities. In the crisis situation, the risk of the realisation of outstanding guarantee liabilities has also increased. At the same time, tax revenues have also decreased.

Costs arising from the realisation of central government liabilities may impose a significant burden on the economy. This highlights the importance of careful assessment and management of the risks associated with binding financial decisions of central government and the management and monitoring of liabilities. Long-term preparations must be made for surprising shocks to the economy as a whole, so that in economic upswings central government liabilities can be reduced, providing room for manoeuvres for measures in crisis situations.

Central government financial liabilities and associated risks are discussed in more detail in the Overview of Central Government Risks and Liabilities, published by the Ministry of Finance.

5. Central government finances

5.1. Central government spending limits

The Government is committed to the central government spending limits system, which restricts the level of expenditure budgeted in the State budget. The central government spending limits system is based on a real, binding overall expenditure ceiling set for the duration of the parliamentary term, to which only the required price- and cost-level adjustments and structural corrections are made. The spending limits system is based on ex ante examination, i.e. it restricts the level of expenditure budgeted in the State budget.

The purpose of the expenditure benchmark is to limit the total amount of expenditure incurred by the taxpayer and to ensure a responsible, long-term central government spending policy that promotes economic stability.

The spending limits system sets a ceiling for approximately 80% of central government budget expenditure. Expenditure that changes according to cyclical conditions and automatic stabilisers, such as unemployment security expenditure, pay security, housing allowance and social assistance expenditure, is not included in the central government spending limits. Expenditure effects generated by changes in the criteria for these items are included within the spending limits, however. Debt interest payments, value-added tax expenditure, financial investment expenditure and expenditure corresponding to technically transmitted payments by central government are also excluded from the spending limits. The spending limits, moreover, do not include central government off-budget funds nor other off-budget central government accounts.

The spending limits also cover supplementary budgets, for which a certain portion of the spending limits, the so-called supplementary budget provision, has been reserved. The annual spending limits decision also sets administrative branch-specific expenditure ceilings, but only the overall expenditure ceiling for the parliamentary term is binding. Reallocations may be made between administrative branches. Alongside the supplementary budget provision, there remains between the parliamentary term expenditure ceiling and the administrative branch-specific expenditure ceilings an unallocated reserve to be allocated later. If the level of expenditure falls below that specified in the spending limits after supplementary budgets, the difference may be used for one-off expenditure in the following year without reference to the spending limits.

The spending limits for the parliamentary term 2020–2023 were confirmed as part of the Government's first General Government Fiscal Plan on 7 October 2019. As a result of, for example, the coronavirus crisis, the overall picture of the Finnish economy and of the country's financial policy requirements diverges significantly from the autumn 2019 situation when the spending limits for the parliamentary term were set. As part of the solutions determined in the mid-term policy review, the Government has decided that the parliamentary term spending limits will be raised for 2022–2023. The expenditure line will gradually descend towards the end of the parliamentary term and will continue on this path after the parliamentary term is over. The expenditure ceiling will be raised by EUR 900 million for 2022 and by EUR 500 million for 2023. The need to increase the spending limits for 2023 is reduced by the fact that spending limits expenditure amounting to EUR 370 million will be permanently reallocated from 2023.

Direct costs related to coronavirus, such as expenditure related to testing and the expansion of testing capacity, tracing of transmission chains, quarantines, treatment of patients, health security of those travelling and a vaccine against the virus, will be reimbursed as expenditure outside the spending limits in the years 2021–2023.

The exceptional situation mechanism included in the spending limits rules according to the Government Programme will be applied in 2021 and 2022, enabling EUR 500 million per year for one-off expenditure. Furthermore, due to the uncertainty associated with situation, an additional EUR 500 million has been reserved for 2021 to be used for one-off expenditure needs arising from coronavirus that are mandatory in terms of fiscal policy. If there is less expenditure than was reserved within the spending limits, the difference will not be used to increase other expenditure.

As an exception to the spending limits rules, two expenditure entities were classified as outside the spending limits in connection with the spring 2020 General Government Fiscal Plan. Finnvera's domestic financing authorisations were raised to EUR 12 billion, as a result of which the estimate of loss compensation expenditure under item 32.40.47 was raised significantly. In addition, the SME support-granting authorisations financed from items 32.20.40 and 32.30.42 were raised significantly in the supplementary budgets for 2020. As a result of the high uncertainty of the situation that prevailed in spring 2020 and the implementation of the Emergency Powers Act, it was decided to classify the share of expenditure related to the increase of authorisations as outside the spending limits as a deliberate exception to the Government's spending limit rules. With regard to support for SMEs, the spending limits exception applies only to increased support-granting authorisations in the first and second supplementary budgets for 2020. The estimate for the appropriation impacts of the above-mentioned spending limits exceptions is EUR 176 million in 2022 and EUR 155 million in 2023.

After the spring 2020 General Government Fiscal Plan, of the spending limits provision for future-oriented investments, there remained EUR 824 million for 2021 and EUR 830 million for 2022. In connection with the 2021 budget proposal, the intended use of the provision was extended to be a provision for future-oriented investments and other items with structural and cyclical policy implications. The provision for 2021 (EUR 824 million) was used in connection with the budget proposal and the amendment to the budget proposal. Of the provision for 2022 (EUR 830 million), EUR 49 million was transferred to 2021 as a timing change in connection with the amendment to the budget proposal for 2021. Moreover, in connection with the 2021 supplementary budget proposal, EUR 56 million was transferred to 2021 as a timing change. The remainder of the provision for 2022 has been released in the connection with the General Government Fiscal Plan for 2022–2025: part has been used for 2022 future-oriented investments and other 2022 expenditure and part has been transferred as a timing change to cover 2023 expenditure.

Parliamentary term spending limits for 2022–2023 (at 2022 prices), EUR million

	2022	2023
Spending limits decision 16 April 2020	50 471	49 254
Price- and cost-level adjustments	806	793
Structural adjustments	67	14 463
of which: Exceptional situation mechanism	500	
Raising expenditure ceiling	900	500
Adjusted parliamentary term expenditure ceiling (incl. supplementary budget provision)	52 243	65 011

5.2. Development of on-budget expenditure and the spending limits

Development of on-budget expenditure in 2022–2025

On-budget expenditure in 2022 is expected to be approximately EUR 63.8 billion, which is approximately EUR 2.1 billion less than that budgeted for 2021 (incl. second supplementary budget proposal), taking the change in price level into account. The fall in the level of expenditure compared with the previous year is due, in particular, to a decrease in expenditure arising from the coronavirus situation.

The health and social services reform will change the structure of public expenditure. As a consequence of the structural change brought by reform, the level of on-budget expenditure level will rise from 2023 by approximately EUR 13.4 billion. In 2023–2025, on-budget expenditure is expected to be, on average, approximately EUR 75 billion and in 2025 on-budget expenditure will be approximately EUR 74.4 billion at the 2022 price level. It is worth noting that calculations related to the health and social services reform are still preliminary and that they will be specified further in connection with the General Government Fiscal Plan 2023-2026.

Excluding the above-mentioned structural change for the health and social services reform, on-budget expenditure will average EUR 62.1 billion at the 2022 price level in the spending limits period and will decrease by an average of 1.5%, or EUR 926 million per year, in 2023–2025. The decrease in the overall level of expenditure is explained, in particular, by the fact that the level of spending limits expenditure will be exceptionally high at the beginning of the period, from which it will gradually fall. Expenditure outside the spending limits external will also decrease in the spending limits period.

The development of on-budget expenditures in 2022–2025 will be affected by, among other things, the ending of one-off future-oriented investments and stimulus measures, but also by other factors such as the timing of the expenditure impacts of Defence Forces' procurement. In 2025, overall on-budget expenditure, excluding structural impact of the health and social services reform, will be an estimated EUR 61 billion at the 2022 price level, which is approximately EUR 2.8 billion less than in 2022.

Expenditure outside the spending limits

Expenditure outside the spending limits is expected to be approximately EUR 12.0 billion in 2022, which is approximately EUR 2.2 billion less than that budgeted for 2021 (incl. second supplementary budget proposal). The most significant differences arise from health security expenditure arising from the coronavirus situation, which has been budgeted at approximately EUR 1.7 billion for 2021, but only EUR 50 million for 2022. Financial investments and expenditure corresponding to proceeds from profits on gambling activities will also decline. On the other hand, compensation to municipalities for tax criteria changes as well as value-added tax expenditure will grow compared with 2021.

In 2023–2025, expenditure outside the spending limits will decrease by an average of 6% per year. In 2023, expenditure outside the spending limits will be approximately EUR 11.2 billion, and in 2025 EUR 10.1 billion. The decrease is explained, in particular, by a decline in cyclical expenditure by EUR 255 million, a reduction in VAT by EUR 234 million and a fall in government interest expenditure by EUR 147 million in 2025 compared with 2023. The decline in cyclical expenditure is mainly due to a projected fall in the unemployment rate. The decrease in VAT appropriations is particularly due to a reduction in appropriations related to fighter procurement and a decline in interest expenditure following a lowering of interest rate assumptions.

Expenditure outside the spending limits will be, on average, EUR 11.2 billion in 2022–2024, which is EUR 500 million less than in the previous spending limits decision. Due to the health and social services reform, compensation outside the spending limits for tax criteria changes will decrease by EUR 441 million in 2022–2024 from the previous spending limits decision. In addition, there will be a significant difference in expenditure corresponding to proceeds from profits on gambling activities, which will decrease on average by EUR 294 million, in central government interest expenditure, which will fall on average by EUR 361 million, and in cyclical expenditure, which will decline on average by EUR 128 million in 2022–2024 compared with the previous spending limits decision. Correspondingly, as a new item compared with the previous spending limits decision, the overall level of expenditure outside the spending limits will be increased by the EU's Recovery and Resilience Facility (RRF).

Expenditure outside the spending limits, EUR billion

	2022	2023	2024	2025
Cyclical expenditure	5.1	4.8	4.7	4.6
Compensation to municipalities for tax criteria changes	0.6	0.2	0.2	0.2
Expenditure corresponding to EU revenue	1.3	1.3	1.2	1.3
Expenditure corresponding to proceeds from profits on gambling activities	0.7	0.7	0.6	0.6
Interest expenditure	0.6	0.5	0.4	0.3
Financial investment expenditure	0.5	0.3	0.3	0.3
Technical pass-through items	0.3	0.4	0.4	0.4
VAT appropriations	1.7	1.7	1.6	1.5
Transfer to State Television and Radio Fund	0.6	0.6	0.6	0.6
Exceptional situation effects and coronavirus-related health security	0.2	0.2	0.1	0.1
Expenditure financed by EU RFF funds	0.5	0.5	0.4	0.3
Total	**12.0**	**11.2**	**10.4**	**10.1**

Price and cost-level adjustments and structural changes

The Government Programme states that in addition to structural adjustments, the overall spending limits level will be revised to reflect changes in price levels. For a more detailed description of price- and cost-level adjustments as well as structural adjustments, see Appendix 2.

Table 6. Central government spending limits by administrative branch and estimate of expenditure outside the spending limits in 2022–2025, EUR million at 2022 prices and costs

	2022	2023	2024	2025
23. Prime Minister's Office	197	193	193	193
Estimate of expenditure outside spending limits	25	25	25	25
Total	**221**	**217**	**218**	**218**
24. Ministry for Foreign Affairs	1 150	1 128	1 152	1 189
Estimate of expenditure outside spending limits	154	154	154	154
Total	**1 304**	**1 282**	**1 305**	**1 343**
25. Ministry of Justice	970	969	1 002	963
Estimate of expenditure outside spending limits	50	51	52	52
Total	**1 020**	**1 020**	**1 054**	**1 015**
26. Ministry of the Interior	1 382	1 378	1 378	1 368
Estimate of expenditure outside spending limits	155	154	154	154
Total	**1 537**	**1 531**	**1 532**	**1 522**
27. Ministry of Defence	4 355	4 364	3 892	3 677
Estimate of expenditure outside spending limits	724	736	627	577
Total	**5 079**	**5 100**	**4 519**	**4 254**
28. Ministry Of Finance	19 269	33 207	33 476	34 337
Estimate of expenditure outside spending limits	1 607	1 142	1 052	979
Total	**20 876**	**34 350**	**34 528**	**34 689**
29. Ministry of Education and Culture	6 923	6 640	6 508	6 468
Estimate of expenditure outside spending limits	640	573	573	573
Total	**7 079**	**7 027**	**6 861**	**6 835**

	2022	2023	2024	2025
30. Ministry of Agriculture and Forestry	1 645	1 592	1 599	1 595
Estimate of expenditure outside spending limits	1 054	1 037	961	951
Total	**2 699**	**2 629**	**2 560**	**2 545**
31. Ministry of Transport and Communications	2 471	2 162	2 171	2 148
Estimate of expenditure outside spending limits	1 028	1 058	988	984
Total	**3 499**	**3 220**	**3 159**	**3 132**
32. Ministry of Economic Affairs and Employment	2 497	2 497	2 422	2 347
Estimate of expenditure outside spending limits	747	738	684	716
Total	**3 244**	**2 236**	**3 106**	**3 063**
33. Ministry of Social Affairs and Health	10 480	10 260	10 236	10 287
Estimate of expenditure outside spending limits	5 459	5 185	4 905	4 830
Total	**15 939**	**15 445**	**15 142**	**15 117**
35. Ministry of the Environment	240	197	196	196
Estimate of expenditure outside spending limits	12	12	12	12
Total	**253**	**209**	**209**	**209**
36. Interest on central government debt	-	-	-	-
Estimate of expenditure outside spending limits	551	467	378	320
Total	**551**	467	378	320
Administrative branch spending limits, total[1]	**51 727**	**64 7433**	**64 388**	**64 305**
Estimate of expenditure outside spending limits, total	12 039	11 161	10 359	10 132
Main titles, total	**63 766**	**75 903**	**74 748**	**74 437**
Parliamentary term expenditure ceiling	**52 243**	**65 011**	**-**	**-**
— Administrative branch spending limits, total[1]	51 727	64 743	64 388	64 305
— supplementary budget provision	300	100	-	-
— Unallocated reserve	216	168	-	-

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

5.3. Definitions of policy in budget finances 2022–2025

Finland's National Recovery and Resilience Plan

On 15 March 2021, Finland submitted to the Commission a preliminary National Recovery and Resilience Plan, which outlines the use in Finland of the EU's Recovery and Resilience Facility (RRF) funding. The final plan will be submitted to the Commission in May 2021. The Commission will assess Finland's plan and it will likely be approved in the EU Council in late summer 2021.

In the light of current forecasts, Finland's maximum allocation is expected to be EUR 2.085 billion. Finland's maximum allocation will not be confirmed, however, until summer 2022. The Sustainable Growth Programme will be implemented within the framework of Finland maximum allocation. The implementation of the programme is also conditional on the EU Council's approval.

In the General Government Fiscal Plan for 2022–2025, financial allocations to the Sustainable Growth Programme for Finland have been treated as a separate expenditure entity due to the uncertainties still associated with the issue. The entity will be unwound into the appropriate expenditure items later in connection with budget proposals. The General Government Fiscal Plan has taken the Recovery and Resilience Plan into account as follows: in central government expenditure, EUR 522 million in 2022, EUR 522 million in 2023, EUR 417 million in 2024 and EUR 313 million in 2025, and correspondingly in central government revenue, EUR 272 million in 2022, EUR 454 million in 2023, EUR 454 million in 2024 and EUR 363 million in 2025.

Once Finland has submitted the final plan to the Commission, Finland may at the same time apply for an advance payment of 13%. The intention is to take into account a corresponding level of investments in the third supplementary budget for 2021. The remaining payments will be based on the progress of the national plans, once it is shown that the proposed objectives have been realised.

Appropriations related to the coronavirus situation and the supplementary budgets decided in 2020

Due to the coronavirus situation, the Government has decided on significant measures in the supplementary budgets for 2020, among other things to boost economic recovery. The measures will also have ripple effects for the spending limits period.

The ripple effects attributed to the spending limits period will total approximately EUR 900 million, weighted towards 2022 and 2023. Most of the effects were already included in the previous spending limits decision. Of this amount, approximately EUR 733 million will be allocated to the administrative branch of the Ministry of Economic Affairs and Employment including, among other things, payment for business development projects as direct subsidies and loans as well as an estimate of loss compensation payable to Finnvera.

In the administrative branch of the Ministry of Transport and Communications, the impact increasing the level of appropriations in the supplementary budgets for 2020 is approximately EUR 99 million in spending limits period, directed at transport infrastructure projects. In the administrative branch of the Ministry of Education and Culture, the supplementary budgets for 2020 will increase the research appropriations of the Academy of Finland by approximately EUR 26 million in 2022 and 2023.

Chapter 9 examines the effects of measures related to the coronavirus situation in more detail at the level of general government finances overall.

Increases in appropriations related to the implementation of the Government's economic sustainability roadmap

The spending limits decision includes new additional appropriations related to the implementation of the economic sustainability roadmap and employment measures. An additional EUR 70 million from 2023 is allocated to the administrative branch of the Ministry of Economic Affairs and Employment for the implementation of the Nordic employment service model. The estimated impact of the Nordic employment service model on the level of benefit expenditure has also been taken into account in the spending limits decision.

An additional annual EUR 5 million is allocated to the integration education and training of immigrants. An annual EUR 10 million is allocated to a discretionary government transfer for a special assignment company to be founded to promote the employment of people with partial work ability. In 2022–2024, EUR 5 million per year is allocated to a pilot for the reform of training compensation in apprenticeships. In connection with work-based immigration, an additional EUR 2.7 million is allocated in 2022 and 2023 to establishing the Work in Finland structure.

Costs related to the health and social services reform are discussed in full in Chapter 6. Finances of the wellbeing services counties.

Proceeds from profits on gambling activities

Compared with recent years, Veikkaus Oy's revenue recognition is expected to fall significant short of its previous levels. This trend is partly due to measures aimed at combating problem gambling as well as a decline in Veikkaus Oy's market share, resulting from intensifying competition in digital gambling. At the end of the spending limits period, revenue recognition is expected to total EUR 624 million. In accordance with the Lotteries Act, Veikkaus' revenues are allocated between the Ministry of Education and Culture (53%), the Ministry of Agriculture and Forestry (4%) and the Ministry of Social Affairs and Health (43%).

With regard to 2022 and 2023, beneficiaries will be compensated for the decline in proceeds from profits on gambling activities in 2022 and 2023. The compensation will be EUR 330 million in 2022 and EUR 305 million in 2023. The effect of lowering the lottery tax in this context will be approximately EUR 80 million per year.

The administrative branch of the Ministry of Education and Culture is allocated a total of EUR 174 million in 2022 and a total of EUR 161 million in 2023 to compensate for a reduction in proceeds from profits on gambling activities.

In the administrative branch of the Ministry of Social Affairs and Health, the compensation totals approximately EUR 143 million in 2022 and EUR 132 million in 2023. This takes into account the use of unallocated proceeds amounting to EUR 50 million per year.

The administrative branch of the Ministry of Agriculture and Forestry is allocated a total of EUR 13 million in 2022 and a total of EUR 12 million in 2023 to compensate for a reduction in proceeds from profits on gambling activities.

Reallocation of spending limits expenditure from 2023

In connection with raising the expenditure ceiling, the Government decided on a reallocation of expenditure in which some spending limits expenditure will be permanently reduced by EUR 370 million from 2023. The allocation of this item by administrative branch is presented in the table below. Each administrative branch has itself prepared a preliminary allocation of its own savings. The final allocation will be made in connection with the General Government Fiscal Plan for 2023–2026. Insofar as a saving concerns expenditure that is determined via authorisation budgeting, the savings will be realised in full only after 2023.

Reallocation of spending limits expenditure from 2023, EUR million

	2023
Prime Minister's Office	2
Ministry for Foreign Affairs	35
Ministry of Justice	-
Ministry of the Interior	7
Ministry of Defence	35
Ministry of Finance1	5
Ministry of Finance2	24
Ministry of Education and Culture1	-
Ministry of Education and Culture2	35
Ministry of Agriculture and Forestry	35
Ministry of Transport and Communication	110
Ministry of Economic Affairs and Employment1	10

	2023
Ministry of Economic Affairs and Employment2	32
Ministry of Social Affairs and Health1	-
Ministry of Social Affairs and Health2	-
Ministry of the Environment	5
Travel saving	20
Premises saving	10
Housing consultation	5
Total	**370**

As part of the EUR 370 million package, EUR 20 million is a saving in travel expenditure. The saving is based on the fact that due to the coronavirus situation, the central government's travel expenditure has declined significantly from the level before the beginning of the coronavirus situation. It is assumed that with the change in operating practices and the introduction of digital solutions, the travel expenditure of central government personnel will remain permanently lower than previously. The related EUR 20 million saving has for the time being been allocated by administrative branch on the basis a notional travel expense saving based on operating expenditure (see table). The allocation will be further specified in connection with the General Government Fiscal Plan for 2023–2026.

Savings in travel expenditure from 2023, EUR million

	2023
Prime Minister's Office	0.3
Ministry for Foreign Affairs	2
Ministry of Justice	2
Ministry of the Interior	2
Ministry of Defence	2
Ministry of Finance	3
Ministry of Education and Culture	1
Ministry of Agriculture and Forestry	1
Ministry of Transport and Communication	2
Ministry of Economic Affairs and Employment	3
Ministry of Social Affairs and Health	1
Ministry of the Environment	1
Total	**20**

As part of the reallocations, a permanent saving of EUR 10 million, which can be considered to result from new operating practices, will be made to office rental expenditure. After further preparation, the allocation of the saving will be decided in connection with the General Government Fiscal Plan 2023–2026.

One-off future-oriented investments

The Government has allocated for 2020–2022 a total of approximately EUR 2.0 billion to one-off future-oriented investments. The future-oriented investments for 2022 total EUR 478 million, of which EUR 175 million has been allocated in the autumn 2019 spending limits decision and EUR 303 million in this spending limits decision.

One-off future-oriented investments for 2022 by administrative branch total, EUR million

Administrative branch	GGFP 2020–2023	GGFP 2022–2025
Ministry for Foreign Affairs		12.0
Ministry of Justice	3.0	0.3
Ministry of Education and Culture	120.0	129.5
Ministry of Agriculture and Forestry	19.1	10.2
Ministry of Transport and Communication		26.0
Ministry of Economic Affairs and Employment	7.2	59.0
Ministry of Social Affairs and Health	26.0	29.5
Ministry of the Environment		36.7
Total	**175.3**	**303.1**

EU Multiannual Financial Framework 2021–2027

In November 2020, the Council and the European Parliament reached a preliminary political agreement on the Union's financial framework for 2021–2027, a new recovery instrument for the recovery of the economies of EU Member States after the coronavirus pandemic, and a new financing system for the EU, i.e. the Own Resources Decision. Finally, at a meeting in December 2020, the European Council agreed on the final outstanding issues of the recovery package with regard to conditionality.

The Council decision on the European Union's own resources system was also adopted on 14 December 2020, after which it was sent for ratification by the national decision-making bodies of the Member States. Ratification is expected to last the whole of the first half of 2021.

Finland's EU payments and EU funding directed at the different administrative branches will be discussed in the administrative branch-specific texts in Chapter 5.3.1.

5.3.1. Policy outlines for the administrative branches

Prime Minister's Office

The annual appropriation level of the main title of the Prime Minister's Office will be EUR 217–221 million in the spending limits period.

The operating expenditure appropriations of the Prime Minister's Office will average approximately EUR 132 million in the spending limits period.

A total of EUR 910,000 has been allocated in 2022 for the implementation of a grave memorial to President Koivisto. The 2021 Budget previously allocated EUR 500,000 to related project and organisational costs and to the costs of the design competition.

A sum of EUR 85,000 is earmarked in 2022 for the coordination of the 100th anniversary celebrations of Åland's autonomy and EUR 105,000 per year to strengthen the activities of the Finnish Council of Regulatory Impact Analysis.

A total of EUR 400,000 is allocated annually for the renewal of Government communications technology equipment and the expansion of its use. A sum of EUR 569,000 is allocated in 2022 and EUR 294,000 from 2023 for facility improvements to the Government's joint premises.

Ministry for Foreign Affairs

The annual appropriations of the main title of the Ministry for Foreign Affairs will rise in the spending limits period from EUR 1.30 billion to EUR 1.34 billion. The appropriations for 2022 include EUR 12 million for the funding of the Government's one-off future-oriented investments, directed at Foreign Service operating expenditure, the building construction item, peace mediation and cooperation in the Baltic Sea, Barents and Arctic region.

Through its foreign and security policy, Finland produces security, responds to global challenges and works for a secure and just world, viewing security from a broad perspective. The objectives of Finland's foreign and security policy are strengthening Finland's international position, safeguarding its independence and territorial integrity, improving the security and wellbeing of Finland and its people, and ensuring that Finnish society functions efficiently.

The activities of the Foreign Service rely on a comprehensive network of diplomatic missions abroad. In 2022, the intention is to strengthen the network of diplomatic missions with two new diplomatic missions. To boost conditions for Finnish exports in a global economy transformed by the coronavirus pandemic and in intensified international competition, the network of diplomatic missions will be strengthened with 20 Team Finland experts in 2021–2023. Strengthening the handling of immigration issues in the Ministry and diplomatic missions will continue, with a particular focus on work-based migration.

Finland will hold the Presidency of the Nordic Council in 2022, the Chair of the Barents Euro-Arctic Council (BEAC) in 2021–2023 and the Presidency of the Council of the Baltic Sea States (CBSS) in 2024–2025.

The Government's long-term goal is to allocate, in line with the UN commitments, 0.7% of GNI for development cooperation work. The level of appropriations for actual development cooperation will rise to approximately EUR 760 million in 2025. In the spending limits period, the average level of development cooperation appropriations will be approximately 0.46% of GNI. From the actual development cooperation appropriations, the appropriations budgeted for the European Development Fund have been transferred to funding contributions under the new EU financial framework for the NDICI instrument in the main title of the Ministry of Finance and for the European Peace Facility in item 24.90.66 of main title of the Ministry of Foreign Affairs. The transfers take into account the funding contributions still to be paid from the European Development Fund in 2022–2025. A total of approximately EUR 130 million per year is allocated to financial investment expenditure on development cooperation. As part of the Government's reallocations, the level of development cooperation appropriations has been reduced by EUR 35 million from 2023.

The appropriations for crisis management take into account the policy outlines of the Government Programme, the Government Report on Finnish Foreign and Security Policy (2020), the National Strategy for Civilian Crisis Management (2014) and the Peace Mediation Action Programme (2011). In the spending limits period, the military crisis management appropriations will be EUR 53 million per year in the main title of the Ministry for Foreign Affairs. The operations in which Finland is participating are taken into account in the appropriations. The civilian crisis management appropriations will rise to EUR 19.4 million in 2023, which have been scaled to a level of 150 specialists, in line with the Government Programme.

Peace mediation is a part of comprehensive crisis management and an increasing priority of Finland's foreign policy. A sum of EUR 4.5 million in 2022 and EUR 2 million per year in 2023–2025 is allocated to peace mediation.

An appropriation of EUR 4.8 million in 2022 and EUR 3 million annually in 2023–2025 is allocated to Baltic Sea, Barents and Arctic region cooperation. Participating in regional cooperation is an important way for Finland to promote stability, security, sustainable development and economic cooperation opportunities in the Baltic Sea, Barents and Arctic Region.

Ministry of Justice

The annual appropriations of the main title of the Ministry of Justice will be approximately EUR 1 billion in the spending limits period.

The goal is for Finland to be an open and active society and a secure state governed by the rule of law, where fundamental and human rights and due process are implemented equitably.

In accordance with the Government Programme, sufficient resources for the administration of justice will be ensured and measures will be taken to shorten the total length of judicial proceedings. To implement proportionality in the conduct of criminal proceedings, the resources of courts of law, legal aid and public guardianship districts, the Finnish Prosecution Service and the Criminal Sanctions Agency will be increased annually by a total of EUR 2.8 million. To streamline legal proceedings by increasing the provision of videoconferencing equipment, an annual increase of EUR 1.8 million is allocated in the spending limits period for the courts of law, the Finnish Prosecution Service and the Criminal Sanctions Agency.

Due to the ageing of the population, the need for public guardianship services is significant. The EUR 1.9 million of annual additional funding allocated to public guardianship, based on an increase in guardianship clients, will be continued in the spending limits period.

The need for financial and debt counselling services is still relevant. The additional annual appropriation of EUR 0.6 million allocated to securing financial and debt counselling activities will be continued in the spending limits period.

Ministry of the Interior

The annual appropriations of the main title of the Ministry of the Interior will be just over EUR 1.5 billion in the spending limits period.

The objective is a safe and secure Finland built on the rule of law, strengthening a sense of security, and ensuring the operational capacity of the security authorities. In the administrative branch of the Ministry of the Interior, particular attention will be paid to improving the safety and security of people, preparing for new security threats, and fostering a sense of security. The Government will safeguard the implementation of fundamental and human rights and tackle violations of people's rights.

The development of Finland's crisis management policy will be continued in order to increase the effectiveness of operations. The increased expenditure ceiling will be maintained in order to secure the number of experts as well as resources for crisis management training.

Cooperation will be continued between the Police, Customs and the Border Guard (PCB cooperation). Administrative cooperation between the security authorities will be developed and deepened.

In their activities, the Police will aim, in particular, to reduce offences against physical integrity and life or health, especially offences against children as well as intimate partner violence and crimes most harmful to society. Prevention of radicalisation will be continued in cooperation with authorities and organisations. Community policing, control of heavy-vehicle traffic and measures to combat the shadow economy and economic crime will be continued. The Police appropriation level will secure the operational activities of the Police and the achievement of the target of 7,500 additional person-years set for the Police in the Government Programme. Additional funding will be provided for the rental impact of Police premises projects under the Senate Properties' investment framework.

The development of the activities of the Finnish Security and Intelligence Service into a national intelligence service will be continued as intended. The appropriation earmarked for this work will finance the maintenance of performance capabilities, ICT systems to support operations, and the transfer to new premises in 2024. The effective and appropriate application of the new intelligence legislation will be ensured.

The performance capacity of the Border Guard will be secured in a changing environment, and its operating expenditure in the spending limits period will be on a higher level than previous years in accordance with earlier spending limits decisions. The premises in Immola, Ivalo and Onttola will be refurbished and modernised during the spending limits period. The strength of Finnish forces reserved for the permanent forces of the European Border and Coast Guard Agency will be further increased in 2024 and 2025.

Rescue services will be reformed as part of the health, social and rescue services reform, according to which the organisation of rescue services will be transferred from the municipalities and joint municipal authorities to the wellbeing services counties and City of Helsinki. The reform will strengthen central government steering of rescue services, which will enable the provision of more uniform and more equal rescue services throughout the country. The activities and finances of the wellbeing services counties are discussed as a whole in Chapter 6. Finances of the wellbeing services counties.

In accordance with the Government Programme, the operations and capacity of the Emergency Response Centre Administration will be secured. To secure the activities of the Emergency Response Centre Administration, an annual appropriation of EUR 4.7 million is allocated to maintain and develop the Emergency Response Centre Information System (ERICA).

The priorities of the Finnish Immigration Service's activities include processing applications within the processing times prescribed in law and the Government Programme as well as increasing work-based immigration. Efficient entry processes are a prerequisite for the internationalisation of Finland's business and innovation activities and for attracting investments to Finland. Applications for asylum will be processed in an individual procedure that guarantees due process, with the aim of processing applications within six months. Work on the development of permit processes and the system for processing foreigners' affairs will continue.

The number of quota refugees for Finland is assumed to be 850 persons per year throughout the spending limits period. Any level deviating from this will be decided on in the budget formulation process. The appropriation earmarked for reception activities has been reduced based on a revised needs estimate.

Ministry of Defence

The appropriation level of the administrative branch of the Ministry of Defence will be approximately EUR 5 billion in 2022 and 2023. The appropriation level will fall to EUR 4.5 billion in 2025 and to

EUR 4.3 billion in 2025. The change is due to changes in the annual shares of funding for the Defence Forces' multirole fighter aircraft project (HX).

Finland maintains a strong and credible national defence capability, which consists of the military capabilities of the defence system as well as national cooperation between authorities and international defence cooperation. Finland's defence capability is based on general conscription, a trained reserve, the defence of the entire country and a strong will for national defence. The primary goal is to form a preventive threshold for the use and threat of military force. The scaling of resources for defence will be in line with the Defence Policy Report of 2017.

In the spending limits period, projects for the main weapon systems of sea and air defence will be implemented in which the Navy's ageing combat vessel fleet and the performance capability of the Air Force's Hornet fighter fleet will be replaced. Spending limits appropriations include estimated funding of the HX project, totalling EUR 4.8 billion (EUR 1.5 billion/year in 2022–2023, EUR 1.0 billion in 2024 and EUR 0.8 billion in 2025), and expenditure of the Squadron 2020 project, totalling EUR 811 million (excluding index adjustments).

According to established practice, cost-level adjustments will be made annually to defence materiel procurement appropriations, multirole fighter aircraft procurement appropriations, defence force operating expenditure appropriations (excluding personnel expenditure) and military crisis management appropriations (excluding personnel expenditure). In addition, a purchasing power correction will be made annually to multirole fighter aircraft procurement with regard to the uncommitted part of its order authorisation and to other available deferrable appropriations for multirole fighter aircraft procurement.

Ministry of Finance

The annual appropriation level of the main title of the Ministry of Finance will grow during the spending limits period from EUR 20.9 billion to EUR 34.7 billion. From 2023 onwards, the appropriation level will be raised, in particular, by new financing, related to the health and social services reform, of the wellbeing services counties and the joint county authority for the Hospital District of Helsinki and Uusimaa, which will be approximately EUR 21.1 billion at the 2023 level.

A total of EUR 53.6 million is allocated in 2022–2025 to Customs operating expenditure for the continuation of the comprehensive modernisation of customs clearance systems and an annual increase of EUR 3.5 million allocated for costs resulting from the amendment to the VAT Directive. An appropriation of EUR 29.2 million is allocated in 2022–2024 to the implementation of a positive credit information register in accordance with the Government Programme. An annual increase of EUR 3 million is allocated to increasing the amount of electronic identification.

The level of the investment authorisation of the Senate Group will be outlined in connection with the preparation of budgets proposals.

The appropriation level for pensions and compensation in the main title of the Ministry of Finance will be EUR 5.3 billion annually.

The spending limits estimate for Finland's EU contributions is based on the agreement on the future financial framework and the own resources system reached by EU bodies on 10 November 2020. The membership contribution is expected to rise from EUR 2.5 billion at the beginning of the spending limits period to EUR 2.7 billion in 2025. At the beginning of the spending limits period, the membership contribution will be over EUR 200 million higher than forecast last spring. Towards the end of the review period, however, the difference will decrease significantly.

Support for municipalities and wellbeing services counties

The central government transfer to local government for basic public services will be EUR 7.9 billion in 2022. The change compared with the spring 2020 spending limits decision is approximately EUR 550 million. The largest changes in the central government transfer to municipalities for basic public services arise from an index increase (EUR 165 million) and an increase in the central government transfer (EUR 246 million). To improve the predictability of local government finances, the division of costs adjustment procedure will be revised, but the impact on central government transfers of the division of costs adjustment for 2020 is not taken into account. In addition, due to a clarification of calculation factors, central government transfers will be increased by approximately EUR 43 million. From 2023, approximately EUR 5.3 billion will be transferred from the central government transfer for basic public services to the financing of the wellbeing services counties related to the health and social services reform (for more detail, see Chapter 6 Finances of the wellbeing services counties). It is worth noting that calculations related to the health and social services reform are still preliminary and they will be specified further in connection with the General Government Fiscal Plan 2023–2026.

Parliament approved in 2020 an amendment to the Act on Care Services for Older Persons related to changing the minimum staffing level of long-term care personnel. In connection with this, the central government transfer for basic public services will be increased at the 2022 level by approximately EUR 97 million, which is EUR 61.5 million higher than in the previous spending limits decision. Overall, central government funding for the said task will be approximately EUR 266 million at the 2024 level.

The development of basic public services will continue in 2022. Then, in accordance with the Government Programme, the central government transfer to local government will include EUR 10 million for extending the national screening programme and EUR 4.8 million for improving the minimum staffing level in child protection services. In connection with supporting the quality and equality of early childhood education, the central government transfer to municipalities for basic public services will be increased by approximately EUR 6 million in 2022 and by EUR 6.3 million from 2023 onwards.

The healthcare and social welfare reforms according to the Government Programme, scheduled for 2023–2024, will be reflected in the funding of the wellbeing services counties.

Parliament has approved an amendment to the Municipal Structures Act enabling discretionary merger grants to be paid to municipalities. In this context, EUR 10 million will be transferred from the central government transfer for basic public services to municipality merger grants. In previous spending limits decisions, EUR 10 million has already been transferred from the item central government transfer for basic public services to discretionary merger grants for municipalities in crisis.

In 2022, municipalities will be paid EUR 2,601 million in compensation for tax revenue losses, which is a EUR 241 million increase at the 2021 level. In 2023, compensation amounting to approximately EUR 1.8 billion will be transferred in connection with the health and social services reform to the funding of the wellbeing services counties.

The spending limits decision includes ICT modification costs for 2022–2025 related to the health and social services reform. A total of approximately EUR 410 million is allocated to ICT modification costs. Modification costs arising from the adaptation of municipalities' ICT functions will be addressed in connection with the preparation of the General Government Fiscal Plan for 2023–2026 in spring 2022. The starting point is that modification costs arising to municipalities from the health and social services reform will be compensated for via the system of central government transfers to local government for basic public services.

The activities and finances of the wellbeing services counties are discussed as a whole in Chapter 6. Finances of the wellbeing services counties. For more comprehensive information on basic public services organised by the municipalities and their funding, see Chapter 7. Local government finances.

Ministry of Education and Culture

The appropriation level of the main title of the Ministry of Education and Culture will average approximately EUR 7 billion per year during the spending limits period.

The implementation of the quality and equality programme for basic education and early childhood education will be continued in the spending limits period in line with earlier decisions. The quality and equality programme in basic education will be allocated EUR 60 million and the quality and equality programme in early childhood education a total of EUR 80 million in 2022, taking into account an increase of EUR 30 million included in the Government's future-oriented investments. A support model suitable for early childhood education will be developed and EUR 15 million in permanent funding from 2022 has been earmarked for the support.

In the spending limits period, an additional EUR 5 million per year will be allocated in liberal adult education to integration education and training of immigrants.

The implementation of the extension of compulsory education and the free provision of upper secondary education will be continued. To the reform will be allocated EUR 65 million in 2022, EUR 102 million in 2023 and EUR 129 million from 2024. The strengthening of pupil and student welfare services will be continued.

As part of the Government's future-oriented investments, EUR 10 million will be allocated in 2020 to the quality and accessibility programme in general upper secondary education.

The implementation of the reform of vocational education and training will be continued. As part of the Government's future-oriented investments, EUR 70 million of additional funding will be allocated in 2022 to the hiring of teachers and counsellors. In 2022–2024, EUR 5 million per year is allocated to a pilot for the reform of training compensation in apprenticeships. To meet the change in minimum staffing level for care personnel, EUR 43 million in 2022, EUR 30 million in 2023 and EUR 16.5 million in 2024 will be allocated to the education and training of new practical nurses.

Based on a donation of the Finnish Innovation Fund Sitra, universities will be capitalised with EUR 67 million in 2022. The capitalisation will be implemented on the basis of universities' research effectiveness and acquisition of funds.

The system of central government transfers for the performing arts will be reformed and, in addition to increases already implemented in accordance with earlier decisions, additional funding of EUR 7 million will be allocated to the reform from 2022.

As part of the Government's future-oriented investments, EUR 15 million of central government co-funding will be allocated in 2022 to the capitalisation of a fund to support the creative industries and cultural activities, provided that corresponding funding is obtained from other sources.

A total of EUR 1.9 million is allocated in the spending limits period to the project preparation and design as well as the operational groundwork and start-up of the Architecture and Design Museum.

The central government has earmarked a maximum of EUR 7 million to fund the European Capital of Culture 2026 project, of which EUR 5 million is allocated in the spending limits period.

The implementation of the Report on Sports Policy will be carried out in line with the previous spending limits decision. In accordance with earlier decisions, an annual increase of EUR 2 million is allocated in the spending limits period to support young people's workshop activities. As part of the Government's future-oriented investments, EUR 4.5 million is allocated in 2022 to expanding outreach youth work.

As part of the mid-term policy review's reallocations, the authorisation for strategic research funding will be permanently reduced compared with the previous spending limits decision by EUR 25 million and the Academy of Finland's grant authorisation for research projects by EUR 10 million from 2023. The grant authorisation of the Academy of Finland will also reduced by the decline in the estimated proceeds from profits on gambling activities and by the ending of fixed-term compensation in 2024. Compensation for the decline in the proceeds from profits on gambling activities is discussed in Chapter 5.3.

Ministry of Agriculture and Forestry

Annual appropriations of the main title of the Ministry of Agriculture and Forestry will vary between EUR 2.5 billion and EUR 2.7 billion in the spending limits period.

Measures in accordance with the Government Programme will be continued in the spending limits period, the most significant of which relate to climate policy measures of the land-use sector, climate-resilient food policy, safeguarding biodiversity, water management, flood protection and reducing loading of waterways.

The reallocations of spending limits expenditure agreed in the Government's mid-term policy review will reduce the appropriation level of the administrative branch of the Ministry of Agriculture and Forestry by EUR 35 million from 2023. The savings will be allocated to a number of expenditure items. The savings will have no effect on the level of farmer support.

On 21 July 2020, European Council reached an agreement on the EU's future financial framework for 2021–2027 and on recovery funding which, with regard to the European Agricultural Fund for Rural Development, is scheduled for 2021–2022. The amount of funding under the EU financial framework for agriculture and rural areas will increase by approximately EUR 157 million. Finland's share of EU recovery funds is expected to be total approximately EUR 208 million at current prices.

In connection with the negotiations on the draft proposal for 2020, the Government decided to set aside for the funding period 2021–2027 a total of EUR 7,788 million for national funding of agriculture and rural development. Of this, EUR 65 million is funding from the Agricultural Development Fund based on earlier decisions. Decisions taken at EU and national level can ensure that the level of funding for agriculture and rural development is maintained at least at the current level.

During the transitional period 2021–2022, it is possible to continue the implementation of funding period 2014–2020 measures with funding period 2021–2027 appropriations. The reformed Agricultural and Rural Development Policy will be introduced after the transition period from 2023. The Ministry of Agriculture and Forestry is preparing a CAP plan based on Finland's national needs for 2023–2027. A proposal on the support schemes to be introduced will be prepared taking into account the objectives of the EU's Common Agricultural and Rural Policy, the priorities of the Government Programme, and the most efficient and appropriate allocation of available funding. Due to the preparatory situation, the EU and national appropriations for all support items are at this stage technically budgeted as an annual allocation for 2023–2025.

Due to the delayed timetable at the EU level, it has not been possible in the spending limits to take into account the actual appropriation needs of Finland's operational programme for the funding period 2021–2027, to be financed as part of the European Maritime and Fisheries Fund. The European Parliament and the Council have not yet adopted the regulation on the European Maritime and Fisheries Fund for 2021–2027. Moreover, the EU funding contributions of different Members States to the Operational Programme of the European Maritime and Fisheries Fund for 2021–2027 have not been adopted. At this stage, an appropriation matching the level of the funding period 2014–2020 has been technically budgeted in the spending limits.

The implementation of the spatial data report will be continued and the Residential and Commercial Property Information System further developed. During the spending limits period, strategic development projects will focus on digital services.

Ministry of Transport and Communications

The appropriations of the administrative branch of the Ministry of Transport and Communications will average EUR 3.25 billion per year in the spending limits period.

In transport infrastructure maintenance, priority will be given to measures required to ensure the daily functioning of the transport network as well as halting and reducing the growth of the repair debt. Maintenance and development of the transport network will be enhanced by, among other things, better utilisation of information, using new methods of surveying the condition of the network, and the full introduction of information modelling. Transport network planning will be developed by taking into account the impacts of digitalisation and automation on the transport system and traffic volumes of the future.

The administrative branch of the Ministry of Transport and Communications serves society by facilitating an operating environment for new digital services. An effective market environment will be created for digital services in transport and communications, such that new business opportunities and exports arise and the range of services grows. New services and earnings logic, transport automation and changing customer needs require new kinds of flexible online services.

Utilisation of digitalisation will be promoted by streamlining and reforming regulation, and by creating a framework for developing and automating transport services.

The annual appropriation for basic transport infrastructure maintenance will be approximately EUR 1.3 billion in the spending limits period. The objective is to halt and reduce growth of the repair debt. The scaling of the appropriations for basic transport infrastructure takes into account the bringing forward from 2022 to 2021 of EUR 50 million, to be presented in the third supplementary budget for 2021. The annual appropriation for the development of the transport infrastructure network will average EUR 344 million. The appropriation takes into account a EUR 110 million saving, allocated to the administrative branch, from 2023 onwards.

A sum of EUR 20 million per year will be allocated from public passenger transport support to climate-based measures.

The transfer to the State Television and Radio Fund will be EUR 555.2 million per year in the spending limits period.

Ministry of Economic Affairs and Employment

The appropriation level of the main title of Ministry of Economic Affairs and Employment will total EUR 3.2 billion in 2022. The main title appropriations will decrease during the spending limits period to EUR 3.1 billion in 2025.

Appropriations allocated to administration will rise during the spending limits period from EUR 815 million to EUR 850 million. A permanent increase of EUR 70 million will be made from 2023 for the operational expenditure of the Employment and Economic Development (TE) Offices for the implementation of the Nordic employment service model.

Low-threshold services to improve mental wellbeing of young people will be established in Ohjaamo centres. The establishment of the activities will be funded by a EUR 2.5 million appropriation transfer from the public employment and business services item to the operating expenditure of the TE Offices.

Numerous revisions to operating expenditure will be made in the administrative branch of the Ministry of Economic Affairs and Employment. A total of EUR 2.725 million is allocated in 2022 and 2023 to the operating expenditure of the TE Offices and Business Finland for the establishment of the Work in Finland structure to promote work-based immigration. From 2023, the operating expenditure of the Centres for Economic Development, Transport and the Environment (ELY Centres) will be increased by EUR 1 million to put on a permanent basis tasks related to promoting integration of immigrants and work-based immigration, which will accelerate the integration and employment of immigrants. A sum of EUR 160,000 is allocated from 2023 to the operating expenditure of the ELY Centres for additional tasks, related to monitoring and reporting of producer responsibility, arising from the amendment of the Waste Act.

As part of the Government's future-oriented investments, Business Finland's operating expenditure will be increased by EUR 0.5 million in 2022 for tasks related to granting the production incentive for the audio-visual industry. A one-off increase of EUR 9.5 million will be made to Business Finland's grant authorisations for the audio-visual production incentive.

The operating expenditure of the Finnish Competition and Consumer Authority will be increased by EUR 0.65 million from 2023 for the implementation of the EU Consumer Protection Cooperation Regulation. The operating expenditure of the Finnish Patent and Registration Office will be increased by EUR 2.2–3.2 million per year, which is due to coverage of the cost-equivalence deficit in association matters and income compensation for the Trade Register's free information service. A sum of EUR 0.33 million per year will be transferred permanently from 2022 to the operating expenditure of the Finnish Safety and Chemicals Agency for environmental protection market supervision tasks.

In addition, a further EUR 0.79–1.09 million per year is allocated to the operating expenditure of Finnish Energy Authority. Of the increase, EUR 0.69 million arises from additional tasks included in the Government proposal related to the implementation of the electricity market regulations and power reserve of the Clean Energy Package, increased supervision of electricity and natural gas resellers and data hubs, and increased registry tasks. An appropriation of EUR 0.1 million in 2022 and EUR 0.4 million from 2023 is allocated to the implementation of the provisions of the Electricity Market Directive and the financing of energy network positioning services. Electricity and natural gas network charges are to be increased in 2022, the estimated increase in revenue being EUR 1.09 million.

Appropriations allocated to renewal and low-carbon solutions will decline in the spending limits period from EUR 1,053 million to EUR 809 million, due to the removal of one-off increases. The authorisation to support research, development and innovation activity will be reduced by EUR 23 million from 2023. In addition, the energy subsidy authorisation will be reduced by EUR 5 million from 2023.

The annual level of the estimated appropriation for the renewable energy production subsidy will be approximately EUR 310 million in 2022–2024 and approximately EUR 291 million in 2025. The appropriation has been increased by EUR 23.7 million in 2022, EUR 24.9 million in 2023–2024 and EUR 7.3 million in 2025. The increase is due to an increase in the production estimate of wind turbines.

The Government has decided to introduce a subsidy for the electrification of energy-intensive companies. It was decided that the aid intensity for the electrification subsidy will be 25% and the ceiling EUR 150 million per year. Investments will account for 50% of the electrification subsidy. Allocations of EUR 87 million in 2022, EUR 113 million in 2023, EUR 119 million in 2024 and EUR 122 million in 2025 has been made for the electrification subsidy.

An annual EUR 10 million is allocated to a discretionary government transfer payable to a special assignment company to be founded to promote the employment of people with partial work ability. An appropriation of EUR 10 million is allocated to support the adjustment of the peat industry to rapid structural change and a just transition. As part of the Government's future-oriented investments, a total of EUR 23 million is allocated in 2022 to fund the sustainable growth and vitality in the regions, for example to fund contractual activity, and EUR 4 million to the activities of the KEINO competence centre for innovative procurement. In addition, forward provision is made for abrupt structural change situations, with an appropriation of EUR 18 million.

The estimated appropriation for EU Structural Funds has been increased by EUR 36.4 million in 2022, EUR 198.5 million in 2023, EUR 116.2 million in 2024 and EUR 161.1 million in 2025, due to an updating of the co-financing ratio and a change of payment schedules for the 2014–2020 programme period and based on revised calculations for the 2021–2027 programme period.

An appropriation of EUR 8.5 million is allocated in 2022 to integration and to promoting work-based immigration. In 2023, the appropriation will decrease to EUR 3.9 million when fixed-term increases allocated to immigrant counselling and advice points as well as the expansion of municipalities' multidisciplinary centres of expertise come to an end. The processing of work-based residence permits will be accelerated and streamlined by developing foreigners legislation and permit procedures.

The annual appropriations earmarked for central government compensation for integration will be approximately EUR 150 million during the spending limits period. Compared with the previous spending limits decision, the annual appropriations are approximately EUR 25–30 million lower, which is due to, among other things, updated assessments for asylum seekers receiving a residence permit.

Ministry of Social Affairs and Health

The appropriation level of the administrative branch of the Ministry of Social Affairs and Health will fall during the spending limits period from EUR 15.9 billion to EUR 15.1 billion. Compared with the previous spending limits decision, the appropriation level will rise by EUR 200 million at the beginning of the spending limits period and fall by approximately EUR 90 million at the end of the spending limits period. The appropriation level is impacted by cyclical factors and development measures.

Preparation and coordination work for the International Gender Equality Prize was transferred from the Prime Minister's Office to the Ministry of Social Affairs and Health from 2020. In connection with this, an appropriation of EUR 0.5 million in 2023 and 2025 is earmarked for the prize, which is awarded every other year, and its preparation.

An additional appropriation totalling EUR 49.8 million is allocated in the spending limits period to securing the continuity of national electronic client information system services in healthcare and social welfare, and for service development. This includes, among other things, the development of Kanta services and the renewal of information provision as well as a return of capital from DigiFinland Oy amounting to EUR 15 million in 2022 and 2023.

An increase totalling EUR 2.8 million is allocated in the spending limits period to the Social and Health Data Permit Authority (Findata) to secure and develop the authority's activities.

In the linear model for partial disability pension, the partial disability pension and earned income will be reconciled so that the pension decreases gradually after earnings exceed the protected component. It is proposed that the linear model for partial disability pension be introduced at the beginning of 2023. The model is expected to increase the central government-funded expenditure of the Social Insurance Institution of Finland (Kela) by approximately EUR 8 million from 2023.

The estimated entry into force of the survivors' pension reform would be at the beginning of 2022. The reform would increase central government expenditure by EUR 0.3 million in the year of entry into force and by EUR 1.0 million at the end of the spending limits period.

A reform of family leave is intended to enter into force on 1 August 2022. The reform is estimated to increase general government expenditure by approximately EUR 80 million per year. The reform is estimated to increase central government benefit expenditure by EUR 1 million in the year of entry into force and by EUR 8.5 million at the end of the spending limits period. In addition, the implementation of the reform will result in modification needs to Kela's benefit systems, which will increase the central government's contribution to the costs of implementation by EUR 2.3 million in 2022.

Approximately EUR 483 million is allocated to Kela's operating costs, which takes into account the changes required by the implementation of the above-mentioned reform of family leave.

Due to a reduction in the number of veterans, the appropriation requirement for services and benefits will fall from approximately EUR 196 million at the beginning of the spending limits period to approximately EUR 123 million at the end of the spending limits period. The appropriations take into account a reform that entered into force on 1 November 2019 whereby all war veterans receive the same services provided at home as disabled war veterans.

An appropriation of EUR 132.9 million is allocated in 2022 for developing the service structure of healthcare and social welfare. Of this, EUR 3 million is allocated as an increase to the project Effective rehabilitation in healthcare and social welfare. The objective of the development projects is, for example, to improve accessibility. Development projects will focus on:

— Securing access to basic public services
— Improving home care and informal care for the elderly
— Preparing a national cross-sectoral mental health strategy
— Developing family services
— Developing rehabilitation.

An appropriation of EUR 1.5 million is allocated in 2022 to funding the healthcare growth strategy. An appropriation of EUR 15 million is allocated in 2022 to the programme to address child and family services and EUR 3 million to care services for mothers with substance abuse problems.

The Support the Farmer project, which supports the coping in work of agricultural entrepreneurs, will continue until 2022, at which time an appropriation of EUR 2.0 million will be allocated to it.

An appropriation of EUR 50 million in 2022 and EUR 35 million in 2023 is allocated to the acquisition of coronavirus vaccines.

Compensation for the decline in the proceeds from profits on gambling activities is discussed in Chapter 5.3.

Impact of measures on the finances of municipalities and wellbeing services counties

From 2023, funding of health and social services will be transferred to a new item 28.89.31 Funding of Wellbeing services counties and the joint county authority for the Hospital District of Helsinki and Uusimaa – funding of health, social and rescue services.

Central government transfers and grants to municipalities and joint municipal authorities in the main title of the Ministry of Social Affairs and Health will be approximately EUR 720 million in 2022 and will decrease by the end of the spending limits period to slightly more than EUR 463 million.

The activities and finances of the wellbeing services counties are discussed as a whole in Chapter 6. Finances of the wellbeing services counties. For more comprehensive information on basic public services organised by the municipalities and their funding, see Chapter 7. Local government finances.

Ministry of the Environment

The overall level of the appropriations of the main title of the Ministry of the Environment will decrease during the spending limits period from EUR 253 million to EUR 209 million. Alongside central government on-budget appropriations, the administrative branch of the Ministry of the Environment includes the National Housing Fund and the Oil Protection Fund, which are funds outside the State budget.

Forward provision is made from the National Housing Fund to allocate up to EUR 25 million per year in 2022–2023 to public utility grants related to land use, housing and transport (MAL) agreements and up to EUR 39 million per year in 2022–2023 to start-up grants intended for state-subsidised housing construction. Investment grants for special groups amounting to EUR 90 million per year will be made from the National Housing Fund to support the improvement of housing supply for the most vulnerable groups.

Older people’s ability to live at home, building inspections and the retro-fitting of lifts will be supported with repair grants, to which will be allocated from the National Housing Fund and the budget a total of EUR 36.5 million in 2022 and EUR 20.95 million in 2023–2025. From 2024, the repair grants will be financed entirely from the budget. A total of EUR 1.7 million per year will be allocated to architectural heritage grants in the spending limits period. A suburban development programme will be financed with EUR 8 million in 2022 from the National Housing Fund. A appropriation of EUR 40 million is allocated in 2022 to energy grants for housing corporations. A sum of EUR 10 million in 2022 is allocated to supporting the renovation of state-subsidised ARA housing to be make it more suitable for older people. The Housing Finance and Development Centre of Finland is allocated an annual additional appropriation of EUR 0.175 million for additional obligations arising from right-of-occupancy legislation.

In accordance with an earlier decision, a total of EUR 1.8 million is allocated in 2022 and 2023 in the administrative branch of Ministry of the Environment for implementing a strategic circular economy promotion programme under preparation. This appropriation is intended to cover development work and projects aimed at promoting the circular economy. An appropriation of EUR 4 million per year in 2022 and 2023 will be transferred from the budget to the Oil Protection Fund to finance the statutory obligations of rescue departments. An annual EUR 0.32 million is allocated to the Finnish Environment Institute and EUR 0.24 million to the Finnish Safety and Chemicals Agency for the implementation of the Waste Act and fulfilling the supervision, reporting and monitoring obligations of EU statutes.

A total of EUR 2.13 million per year is allocated to grants for organisations. In the protection of the Baltic Sea and inland waters, the implementation of the waterways and marine management action programmes as well as the nutrient recycling programme will be continued and resources again directed at reducing loading of nutrients and harmful substances and protecting groundwaters. The waterways protection enhancement programme, launched in 2019, will be continued and a total of EUR 30 million will be allocated to its implementation in 2022 and 2023. According to the Government Programme, Finland will achieve the goals of the UN Convention on Biological Diversity, i.e. to halt the loss of biodiversity. For this reason, it has been decided to increase funding for nature conservation significantly during the parliamentary term. The increase in appropriations in the administrative branch of the Ministry of the Environment will be approximately EUR 51 million per year compared with the spring 2019 technical spending limits decision.

5.3.2. Central government joint information system projects and administration

Key information system projects

In the spending limits, approximately EUR 43 million has been allocated in 2022 and approximately EUR 10 million in 2023–2025 for key information system and information management projects as well as other productivity projects in the administrative branches.

The key information system projects under way include the Government Transfer Activities' development and digitalisation project, the Legal Register Centre's information system for the authorities, the ERP and document management system of administrative and special courts of law, the Prosecution Service and general courts of law, and the upgrading of the Digital and Population Data Services Agency's population information system. Administrative branch-specific projects and policies are discussed more extensively in section 5.3.1 and entities related to the health and social services reform in Chapter 6.

The planned funding will be incorporated into annual budgets provided that the project plans are sufficiently detailed with respect to costs arising and costs saved, project feasibility, and funding of a continuous service. Furthermore, in those projects where an opinion of the Ministry of Finance under the Act on Information Management in Public Administration (906/2019) and the Government Decree (1301/2019) is required, the opinion must not contain statements preventing the advance of the project or significantly slowing its advance. The Ministry of Finance will conclude a cooperation agreement with respect to projects receiving funding with each relevant ministry. The Ministry of Finance requires, as a rule, that the central government's joint Project Portfolio be used in the monitoring of projects.

The Government Programme’s digitalisation projects, such as the development of digital identity and an electronic identification solution, will be continued in the spending limits period. In addition, a total of approximately EUR 55 million in 2023–2025 has been allocated in the spending limits for the development and phased introduction of a new communications service solution to replace the present government agency radio network VIRVE as well as EUR 8 million per year in 2022–2025 for electronic identification.

Financial and HR administration

The productivity of central government financial and HR administration will be improved by continuing the voluntary centralisation of tasks in the Government Shared Services Centre for Finance and HR (Palkeet Centre) and by developing operating practices and central government’s shared financial and HR administration information system. Ministries, agencies and institutions will continue the implementation of changes supporting the productivity development of financial and HR services as well as increasing the use of the services provided by Palkeet Centre.

Financial and HR administration operating practices will be enhanced by taking into use new services and by automating existing Palkeet Centre services. Development and automation of production processes will be continued by, among other things, expanding the use of robotic process automation. The benefits of the Handi solution, which has been introduced in all central government agencies and institutions, will be realised by enhancing the ordering and invoicing process. Agencies and Palkeet Centre will continue development of central government HR administration. The aim is to boost the efficiency of HR functions by 304 person-years by 2029. Palkeet will further develop the accessibility and functionality of the Kieku information system in preparation for an upgrade in accordance with the Palkeet development roadmap. During the spending limits period, a significant and necessary technology renewal (SAP system) of the Kieku information system will be implemented. The Kieku system will be updated in accordance with the system architecture development plan.

Developing central government procurement

The national public procurement strategy prepared in the Procurement Finland programme will drive the development of central government procurement. Development measures will be directed more extensively to cover all public sector procurement. The ministries will prepare for their administrative branches an action plan on how the goals of the strategy will be promoted in the procurement of the entire administrative branch. Procurement will also be included in agencies’ performance management.

Hansel Oy, Valtori and Senate Properties will include the goals of the national procurement strategy in centralised procurement and framework arrangements.

Coordinating services and premises project package

The central government’s regional presence, the services and premises network reform, multi-location working and the premises strategy will be promoted in line with the goals of the Government Programme as a single strategic project package. The reforms will partly implement the Public Governance Strategy and regional presence legislation. The guiding principles of the services and premises network reform include the primacy of digital service channels whenever possible, combining the services of different authorities into the same customer packages in cooperation with the municipalities, more flexible arrangement of service provision corresponding to actual customer needs in terms of time and place, and strengthening opportunities for flexible and multi-location working, for example by increasing joint use premises intended for teleworking in different parts of Finland. The changes aim to strengthen the availability and accessibility of services while safeguarding citizens’ fundamental and language rights. To take advantage of the new operating practices brought about by the coronavirus situation, the

Government will issue a resolution on regional presence and multi-location working at the beginning of 2022.

The public procurement strategy, the services and premises network project and Public Governance Strategy projects will be cleared for funding from, for example, the productivity appropriations item, in a manner to be agreed separately.

Central government premises investments

In central government premises, the objective is zero tolerance of indoor air problems. Senate Properties' investments will focus particularly on those related to indoor air conditions. Joint use of premises and, for example, the central government carbon neutrality objective will be supported by updating the central government's real estate and premises strategies during 2021. The reform of the premises strategy will also take into account the impact of increased teleworking. Senate Properties' absorption-principle rental system will be extended in the spending limits period to the agency level, so that costs and rents arising from agencies' premises correspond better to each other than at present.

The programme aimed at improving the efficiency of central government premises use, decided on in an earlier parliamentary term, will be continued according to plan until 2029 with a target total cost saving of EUR 150 million. In the spending limits period, the level of premises investments will be increased, moreover, by a number of large renovation and new construction projects, such as construction required by the procurement of new multirole fighter aircraft, a new building for the Finnish Security Intelligence Service and repairs to the police building network.

Impact of digitalisation and productivity on central government operating expenditure

Through digitalisation of central government activities and improved productivity, all operating expenditure of the central government will be reduced by 0.5% annually from 2020. This figure will be based on each administrative branch's operating expenditure, from which expenditure on premises would be deducted (a target of 0.3% applies to the administrative branches of the Ministry of Justice, the Ministry of the Interior and the Ministry of Defence as well as the operating expenditure of Customs). The reduction in central government operating expenditure will increase from EUR 18 million in 2020 to EUR 73 million in 2023. The reductions will not be continued after 2023.

Other savings in administrative expenditure

As part of the solutions of the mid-term policy review, savings will be made in travel and premises expenditure in all administrative branches. The saving in travel expenditure will be an annual EUR 20 million in 2023–2025 and the annual saving in premises expenditure will be EUR 10 million in 2023–2025. The above-mentioned savings package is discussed in more detail in Chapter 5.3.

5.4. On-budget revenue

In 2022, on-budget revenue is expected to be EUR 56.2 billion. The share of actual on-budget revenue accounted for by tax revenue will rise to 90% at the end of the spending limits period. The tax revenue estimate is based on a medium-term assessment of macroeconomic development. A slowdown in economic growth towards the end of the spending limits period will also be reflected in tax revenue. Tax revenue growth will be fastest at the beginning of the review period, but will only be just over 2% at the end of the spending limits period. The tax criteria changes announced in the Government Programme revenue have been taken into account in the tax revenue estimates. Actual on-budget revenue as well as tax revenue will be increased by the establishment of the wellbeing services counties in 2023. Without the impact of the reform, central government tax revenues would increase by an average of 2.7% per year in 2021–2025.

Tax criteria changes

The tax policy measures of Prime Minister Marin’s Government Programme have already been implemented to a large extent in the first years of the parliamentary term. Changes in indirect taxation, for example, have been mainly implemented before the start of the spending limits period now at hand. Some of the measures will be implemented gradually during the parliamentary term.

The most significant change in tax criteria affecting tax revenue will be the health and social services reform, which enters into force in 2023. In connection with the reform, responsibility for organising health, social and rescue services will be transferred from the municipalities to the wellbeing services counties, and responsibility for financing the services from the municipalities to the central government. The municipalities’ revenue will be reduced by decreasing central government transfers and the municipalities’ share of corporate tax revenue and municipal income tax commensurately with the transferred costs. The central government’s share of corporate tax revenue will grow and central government earned income taxation will be increased to correspond with the reduction of municipal income tax. Overall, according to the current estimate, approximately EUR 14.2 billion in annual tax revenue will be transferred from the municipalities to the central government. The easing of tax payment arrangements will transfer tax revenue from 2020 and 2021 to 2022 and 2023. The measure is expected to increase central government tax revenue by a total of approximately EUR 305 million in 2022 and approximately EUR 90 million in 2023.

The table below presents an estimate of the impact of the key tax criteria changes on central government tax revenue on an annual basis. The impact of tax criteria changes on cash-based tax revenues of each year depends on the precise timing of the changes and the magnitude of the time delay in tax accrual. The impact of tax criteria changes on the cash accrual of central government revenue will therefore be smaller than the annual level estimate in the year of entry into force. In accordance with the Government Programme, the municipalities will be compensated for the tax revenue impact of changes made by the Government to tax criteria.

Table 7. Annual impact on central government tax revenue of the main tax criteria changes and the easing of tax payment arrangements, EUR million

	2022	2023	2024	2025
Index adjustment of earned income taxation	-223	-450	-450	-450
Extension of household expenses tax credit with regard to relinquishing oil-fired heating	6	1		
Extensions of transport-related fringe benefits from employment[1]	-6.5	-10	-11.5	-15.5
Impact of health and social services reform on earned and capital income tax revenue		13 225		
Impact of health and social services reform on corporate tax revenue		690		
Accelerated depreciation of movable fixed assets 2020–2023	6	16	283	-36
Increases in one-off depreciation and residual expenditure limits	9	5		
Increase in tax on tobacco (technical assumption)	50	50		
Transfer of mining activity to category I electricity tax (technical assumption)	10			

	2022	2023	2024	2025
Elimination of tax expenditure for paraffinic diesel	44	43		
Heat pumps and data centres generating heat for district heating networks to category II electricity tax	-7			
Recycling industry to category II electricity tax	-2			
Extending tax-exempt use of peat to all plants and raising tax-exemption limit[2]	-7			
Lottery tax reduction (2022–2023)	-89		89	
Impact on tax revenue of easing of tax payment arrangements	305	90		

[1] Includes decisions made earlier

[2] The measure reduces energy tax refund appropriation by EUR 1 million, so the net impact is EUR - 6 million.

Development of tax revenue 2022–2025

The **earned and capital income** tax base is expected grow by less than 1% in 2020 due to the coronavirus situation. In 2021, the tax base is expected to grow by 2.8% and from 2022 by an average of 2.9% per year during the spending limits period. Tax base growth will slow towards the end of the spending limits period. Wage income is expected to grow by 3.0% in 2021 and 3.7% in 2022, after which wage income growth will slow slightly each year, and will be 2.7% in 2025. Pension income will grow in the spending limits period slightly faster than wage income as the number of those of pensionable age grows and the pension system matures. Capital income is expected to grow by 7.5% in 2021 and from 2022 by an average of 2.8% per year during the spending limits period. The tax criteria changes presented in Prime Minister Marin’s Government Programme, including the tax reform associated with the health and social services reform in 2023 and other known tax criteria changes, have been taken into account in the earned and capital income tax revenue estimate. The tax revenue estimates for 2024–2025 include, as a technical assumption, an index adjustment of earned income tax criteria. In the mid-term policy review, the Government decided to decrease the taxable value of low-emission company cars by EUR 85 per month in 2022–2025. The Government also decided to increase the household expenses tax credit with regard to the relinquishment of oil-fired heating for 2022–2027.

Corporate tax revenue as a whole is expected to increase in 2022–2025, mainly in line with the operating surplus according to national accounts, on average by 4.7% per year. The tax criteria changes presented in Prime Minister Marin’s Government Programme, including the tax reform associated with the health and social services reform in 2023 and other known tax criteria changes, have been taken into account in the corporate tax revenue estimate. In the spending limits period, corporate tax revenue will be reduced by the additional deduction for research and development, effective in tax years 2021–2025. In the middle of the spending limits period, tax revenue will be increased by the ending of the temporary accelerated depreciation of movable fixed assets, which will be in effect in 2020–2023. The impact of the amendment based on the ATAD II Directive on the taxation of cross-border reverse hybrid entities, which will come into force in 2022, is estimated at this stage to be limited. Changes in macroeconomic development may result in significant changes in corporate tax receipts.

Value-added tax (VAT) revenue is projected to grow in 2022–2025 by an average of 2.6% per year. VAT revenue will grow in 2022 by an estimated 3.7%. Thereafter, tax revenue is forecast to grow by 1–3% per year. The VAT revenue forecast is mainly based on estimates of growth in household consumption expenditure. The easing of tax pay arrangements related to certain taxes due in 2020 and 2021 is expected to increase central government VAT tax revenue by EUR 277 million in 2022 and EUR 78 million in 2023.

Overall, revenue from **excise duties** is projected to grow in 2022–2025 by an average of around 1.1% per year. The tax revenue growth is explained by the one-off reduction of tax revenue in 2021 due to the deferral of the due date for tax payment. Excluding the deferral of the due date, the revenue from excise duties is estimated to decrease by an average of 0.9% per year. Revenue from excise duties in the spending limits period will be boosted by increases in tobacco tax and the elimination of the tax expenditure on paraffinic diesel. Revenue from excise duties will be lowered by a reduction in fuel consumption and an increase in the proportion of more lightly taxed biofuels through the biofuels distribution obligation. The transfer of the recycling industry to category II electricity tax II, the extension of the tax-exempt use of peat to all plants and the raising of the tax exemption limit will reduce energy tax revenue slightly from the beginning of 2022.

Car tax revenue is projected to fall by an average of 2.8% per year. In the spending limits period, the number of new passenger cars sold is projected to recover from the low level of 2020, such that at the end of the review period 119,000 new cars will be sold. The reduction in car tax revenue will be mainly due to the expected growth in the spending limits period of the share of sales accounted for by electric vehicles and charging hybrids. The amount of car tax depends on the general retail sales value of the car as well as on the car's carbon dioxide emissions rating, so an increase in the share of sales accounted for by low-emission vehicles lowers the average tax revenue.

The **motor vehicle tax** consists of a basic tax, levied on the basis of carbon dioxide emissions, and a propelling force tax, levied for cars, vans and trucks that use some other fuel than petrol. Motor vehicle tax revenue is expected to decrease by an average of 1.6% per year, mainly due to a fall in the average carbon dioxide emissions rating of the vehicle stock.

Lottery tax revenues accrue mainly from lotteries organised by a single operator. Beneficiaries will be compensated for the decline in proceeds from profits on gambling activities by lowering the lottery tax in 2022 and 2023. As a result, tax revenue of EUR 66-70 million is expected to accrue annually in these years and approximately EUR 150 million per year at the end of the spending limits period.

Other on-budget revenue

Miscellaneous revenue received by central government will be weakened by a fall in the proceeds from gambling activities due to a decline in Veikkaus Oy's market share and measures to reduce harm related to gambling. At the end of the review period, revenue received from gambling activities will be approximately EUR 300 million lower compared with the previous prevailing level. Miscellaneous revenue will be increased by revenue received from the EU. During the spending limits period, the EU's RRF is assumed to generate funds averaging nearly EUR 0.4 billion per year, i.e. a total of EUR 1.5 billion.

Estimated dividend income for each year is just over EUR 1 billion. In 2022–2023, the central government borrowing requirement will be reduced by selling central government property amounting to EUR 400 million. In addition, in accordance with the Government Programme, future-oriented investments will be funded by proceeds from the sale of shares. The revenue requirements related to future-oriented investments will total EUR 2.0 billion and will be spread evenly over the period 2021–2022.

Table 8. Ministry of Finance estimate of ordinary on-budget revenue in 2021–2025, EUR billion

	2021 budgeted	2022	2023	2024	2025	2022—2025 average annual change, %
Total tax revenue	45.3	47.2	60.5	63.0	64.7	9.3
— taxes on earned and capital income	9.9	10.2	22.4	24.0	24.9	25.8
— corporate tax	3.4	3.9	4.5	5.0	5.2	12.7
— value-added tax	20.2	20.9	21.2	21.7	22.3	2.5
— excise duties	6.9	7.4	7.4	7.3	7.2	1.1
— other tax revenue	4.9	4.9	5.0	5.1	5.2	0.5
Miscellaneous revenue	5.8	6.0	6.1	6.1	6.1	1.4
Interest earned, income from share sales and profit recognised as income	2.7	2.7	1.7	1.3	1.3	-16.7
— Dividend income and proceeds from sales of shares	2.4	2.4	1.4	1.0	1.0	-19.3
Total revenue[1]	53.9	56.2	68.4	70.6	72.3	7.6

1) Also includes repayment of loans granted by central government.

5.5. Central government on-budget balance and debt

Central government on-budget balance and debt

The central government on-budget deficit is projected to be approximately EUR 7.6 billion in 2022, which is EUR 4.4 billion less than in 2021 (incl. second supplementary budget proposal). In 2022, expenditure caused by the coronavirus situation will decline and tax revenue will recover by approximately EUR 1.9 billion. These factors will improve the balance of general government finances compared with the previous year. In the spending limits period, the deficit will peak in 2023, when it will be EUR 8.9 billion.

The health and social services reform will change the structure of public expenditure, increasing the level of central government on-budget expenditure significantly from 2023. The funding of the wellbeing services counties will consist of transfers from central government funding for the municipalities and from the municipalities' tax revenue. Due to a delay in the settlement of tax revenues, the effects of the above-mentioned change in tax criteria will not be fully reflected in 2023, the year the reform enters into effect, which will temporarily increase on-budget deficit in 2023. The preliminary estimate for the 2023 deficit, excluding the impact of the health and social services reform, is approximately EUR 7.6 billion.

In 2022–2025, the on-budget deficit will average EUR 7.6 billion, whereas in the previous spending limits decision it was, on average, EUR 7.3 billion. Compared with the previous spending limits decision, the deficit will be on average EUR 0.3 billion larger per year due, among other things, to the aforementioned health and social services reform.

Central government debt is projected to be approximately EUR 145 billion in 2022, which is approximately 56% in ratio to GDP. Central government debt is expected to grow in the spending limits period by, on average, EUR 7.6 billion, i.e. 5.2% per year. Central government debt is projected to be approximately EUR 167 billion in 2025, which is approximately 59% in ratio to GDP.

The central government and general government balance and debt outlook from the perspective of the national accounts is examined in Chapter 3.2.

Table 9. Ministry of Finance estimate of on-budget balance in 2021–2025, EUR billion, at current prices

	B+SBP P2 2021	2022	2023	2024	2025
On-budget revenue estimate, total[1]	53.9	56.2	68.4	70.6	72.3
On-budget expenditure estimate, total, at current prices[2]	65.9	63.8	77.3	77.7	79.0
On-budget balance estimate	-12.0	-7.6	-8.9	-7.1	-6.7
Central government debt-to-GDP ratio, %	55	56	57½	58	59

1) Also includes repayment of loans granted by central government.

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

5.6. Off-budget central government finances

Central government in the national accounts

In the national accounts, the central government sector includes, alongside central government on-budget finances, the central government funds that are external to budget finances (excluding the State Pension Fund, which is placed under the earnings-related pension fund sector in the national accounts) as well as the universities, university real estate companies, Business Finland Oy, Business Finland Venture Capital Oy, DigiFinland Oy, Finnhems Oy, Fintraffic Meriliikenteenohjaus Oy, Fintraffic Raide Oy, Fintraffic Tie Oy, Gasonia Oy, Governia Oy, Hansel Oy, HAUS Finnish Institute of Public Management Ltd, Ilmastorahasto Oy, Leijona Catering Oy, Liikenteenohjausyhtiö Fintraffic Oy, the Counties' Service Centre for Facilities and Real Estate Management Maakuntien tilakeskus Oy, Pohjolan Rautatiet Oy, Senate Properties, Solidium Oy, Suomen kaasuverkko Oy, Suomi Malmijalostus Oy, Finnish Industry Investment Ltd, Tapio Oy, VTT Technical Research Centre of Finland Ltd, Finnish Institute of Occupational Health and the Finnish Broadcasting Company Yle.

In the national accounts, the central government has ten off-budget funds. The central government funds are the National Housing Fund, the Development Fund of Agriculture and Forestry, the National Nuclear Waste Management Fund, the National Emergency Supply Fund, the State Guarantee Fund, the Financial Stability Fund, the State Television and Radio Fund, the Agricultural Intervention Fund, the Fire Protection Fund and the Oil Protection Fund.

Overall funding of universities comprises appropriations allocated to universities in the budget and supplementary funding, which includes income from paid services, donations and sponsoring.

Since 2013, central government funding of the Finnish Broadcasting Company Yle has been based on a transfer of appropriations covered by the public broadcasting tax to the State Television and Radio Fund, which passes them on to YLE. The appropriation, which is outside the spending limits, will amount to approximately EUR 555 million in the spending limits period 2022—2025.

The investment company Solidium Oy is a limited company wholly owned by the central government whose task is to strengthen and stabilise Finnish ownership in companies of national importance. The company's equity portfolio consists of 12 listed companies in which Solidium has a minority interest. Solidium's Board of Directors makes investment decisions independently on the basis of analyses and proposals prepared by management. Solidium's return on shareholdings was 5.6% in calendar year 2020.

In 2020, no revenue recognised by Solidium was remitted to central government. At the end of last year, the value of Solidium Oy's holdings was EUR 7.8 billion.

Founded in 2016, the State Business Development Company Vake Oy changed at the end of 2020 to Ilmastorahasto Oy, whose operations are focused on combating climate change, advancing low-carbon industry and promoting digitalisation.

Sotedigi Oy and Maakuntien ICT-palvelukeskus Oy merged to form DigiFinland in autumn 2020. The central government special assignment company will develop national client and patient information system solutions as well as other new digital solutions for healthcare and social welfare.

In other respects, state ownership policy is the responsibility of the Government Ownership Steering Department of the Prime Minister's Office, in which the ownership steering of companies operating on a commercial basis is centralised. The department's responsibilities also include preparing general policy on state holdings and ownership steering practices and coordinating ministerial cooperation on ownership steering.

Off-budget funds

Pension contributions collected by the State Pension Fund form one of the most significant revenue items of the funds. Other tax-like revenue includes, for example, strategic stockpile fees levied on fuel as well as Financial Stability Fund contributions collected from banks. Tax-like revenue and fees will decline at the end of the spending limits period when the Crisis Resolution Fund included in the Financial Stability Fund reaches the target level set for it in 2024, as a result of which the stability contributions charged from banks will be abolished.

Transfers to the central government budget relate mainly to financing pension expenditure. Of pensions paid, 40% are covered by revenue remitted from the State Pension Fund. Most of the loans granted by funds and income received from their repayment relate to the activities of the National Nuclear Waste Management Fund. Those with a duty to dispose of waste have the right to receive loans against securing collateral for a fixed period. The National Housing Fund has no longer granted new loans since 2007, as a result of which the decrease in repayments of loans granted by the Fund has continued. Without financial transactions, the budgetary position of off-budget funds would remain slightly in deficit in the medium term.

In 2022–2023, EUR 4 million per year will be transferred to the Oil Protection Fund from the central government budget to cover costs arising from oil spill protection maintenance and possible oil spills. Since the capital limit of the Oil Protection Fund has been exceeded, collection of the oil protection fee has been discontinued. The budget transfer will temporarily cover the statutory obligations of the fund. In the State Guarantee Fund's proactive funding calculation, provision has been made in 2022 and 2023 to cover any loss-making separate result that may arise from Finnvera's export guarantee and special financing activities. The riskiness of Finnvera's state-guaranteed export guarantee and special guarantee stock has increased as a result of the coronavirus pandemic.

Table 10. Central government off-budget funds, EUR million

	2020	2021	2022	2023	2024	2025
Taxes and tax-like revenue, total	408	469	469	470	190	63
Miscellaneous revenue	185	107	89	79	68	60
Pension contributions	1 500	1 506	1 530	1 524	1 530	1 553

	2020	2021	2022	2023	2024	2025
Interest earned and profit recognised as income	707	425	421	418	414	414
Transfers from budget	701	544	548	548	544	544
Revenue excluding financial transactions	3 501	3 051	3 057	3 038	2 746	2 633
Repayments of loans granted	1 884	1 979	2 339	1 866	1 843	1 842
Total revenue	**5 385**	**5 030**	**5 396**	**4 904**	**4 589**	**4 475**
Consumption expenditure	332	178	130	128	125	110
Current transfers	1 109	1 112	1 343	1 395	760	827
Interest expenditure	18	17	18	18	18	19
Transfers to budget	1 937	1 947	1 988	1 994	2 053	2 082
Other expenditure	20	20	20	18	16	15
Expenditure excluding financial transactions	3 417	3 274	3 500	3 552	2 972	3 054
Loans granted and other financial investments	1 601	1 966	1 525	1 535	1 550	1 570
Total expenditure	**5 018**	**5 240**	**5 025**	**5 087**	**4 522**	**4 624**
Net financial surplus or deficit	**367**	**-210**	**372**	**-183**	**67**	**-149**

State-owned enterprises

Metsähallitus is a state-owned enterprise whose task is to use, manage and protect the unbuilt land and water assets directly owned by the state. Metsähallitus engages in business operations and attends to statutory public administrative duties funded out of the State budget. Metsähallitus engages in forestry and other market-based business operations through the subsidiaries it owns. The forestry operations of Metsähallitus have been incorporated into a wholly state-owned company Metsähallitus Forestry Ltd. Metsähallitus remits amounts recognised as revenue to the central government from rights of use compensation and dividends. It manages approximately 12.5 million hectares of state-owned land and water areas, with a balance sheet value of approximately EUR 3.8 billion. Of this, the core capital subject to the yield requirement is approximately EUR 2.6 billion. In the spending limits period, the recognised revenue received from Metsähallitus is projected to decline slightly from the levels recorded in recent years, such that at the end of the spending limits period the recognised revenue remitted to central government will be an estimated EUR 114 million per year.

Senate Group consists of Senate Properties, and Defence Properties, which started operating at the beginning of 2021. Senate Group's task is to provide work environment solutions in keeping with the goals of the Government Premises Strategy for its customers and to improve central government organisations' performance. Senate Group's business is based on developing work environments and real estate assets, letting premises and providing premises services for its customers. Services may also be provided to organisations whose activities are funded mainly with appropriations included in the State budget. Senate Group operates according to commercial principles. The Group's recognised revenue remitted to the central government budget will amount to EUR 35 million per year in 2022–2025. The Group's income from letting activity is expected to remain at EUR 20 million. Property sales will amount in total to EUR 360 million in 2022–2025.

5.7. Sustainable development

The global 2030 Agenda for Sustainable Development sets common goals for sustainable development for all UN member states. Agenda 2030 strives for sustainable development in terms of the economy, human wellbeing and the environment.

The aim of Prime Minister Marin's Government Programme is to transform Finland into a socially, economically and ecologically sustainable society by 2030.

A carbon-neutral Finland in the General Government Fiscal Plan 2022–2025

The General Government Fiscal Plan includes appropriations that can be considered to promote the Government Programme's carbon neutrality targets. The appropriations will promote, among other things, the wellbeing of the environment and nature as well as biodiversity by acquiring nature reserves and through development cooperation appropriations. The aim is to reduce emissions by, for example, supporting renewable energy and promoting public transport. Research, development and innovation projects will promote bioeconomy solutions and develop Finland towards a low-carbon society. EU greening support, environmental compensation and promotion of organic production have a significant role in developing agriculture in an environmentally sustainable direction. The appropriations are allocated, in particular, to the administrative branches of the Ministry of Economic Affairs and Employment, the Ministry of Agriculture and Forestry, the Ministry of Transport and Communications, the Ministry of the Environment and the Ministry for Foreign Affairs.

A breakdown of strategic themes according to the Government Programme has been used in classifying the appropriations in the General Government Fiscal Plan that promote carbon neutrality.

In the General Government Fiscal Plan, the goals related to carbon neutrality will be promoted with a total of approximately EUR 2 billion in 2022, declining to approximately EUR 1.7 billion in 2025.

The 2022 appropriations level will be increased by grants for the Western Metro and certain other fixed-term rail projects. Fixed-term future-oriented investments in accordance with the Government Programme will end in 2022. In the strategic theme Carbon-neutral Finland that protects biodiversity, a reduction in the production subsidy for renewable energy, among other things, will contribute during the spending limits period to decreasing the level of appropriations. In addition, savings from 2023 decided on in the General Government Fiscal Plan will be partly seen in appropriations promoting carbon neutrality.

Compared with the previous General Government Fiscal Plan, the level of appropriations promoting carbon neutrality has risen, particularly in the early years of the spending limits period, due to the payment impact of stimulus measures decided in 2020. Certain volume changes have also occurred. On the other hand, in the case of appropriations for agriculture, an assessment involving more precise criteria has been made, which has led to a reduction in the amount of expenditure affecting carbon neutrality in particular. In the CAP planning period starting in 2023, at least 30% of the EAFRD share must be allocated to environmental and climate measures. The estimate will be specified further at a later date. In addition, some of the measures funded earlier will become statutory through ecosystems, and funding will no longer be granted to them.

Finland's National Recovery and Resilience Plan

In spring 2021, Finland will submit to the Commission a National Recovery and Resilience Plan, outlining the use of EU Recovery and Resilience Facility (RRF) funding in Finland. In the light of current forecasts, Finland's maximum allocation is estimated to be EUR 2.085 billion, of which around half will be allocated to the green transition. Planned green transition investments include clean energy production, circular economy solutions and low-emission innovations, environmental solutions in construction, support for the charging infrastructure for electric vehicles, and nature-based solutions, such as gypsum treatment of arable land. The measures of the plan have not, however, been taken into account in the figures of the table below

Table 11. A carbon-neutral Finland, key measures in 2022–2025 (EUR million)

	2022	2023	2024	2025
3.1 Carbon-neutral Finland that protects biodiversity	683	672	651	599
3.2 Globally influential Finland	277	274	281	291
3.4 Dynamic and thriving Finland	220	220	216	224
3.4.1 Transport network development and maintenance	215	181	179	173
3.4.2 Measures promoting sustainable development of agriculture	608	431	390	389
Total	**2 003**	**1 778**	**1 717**	**1 675**

Taxes

There are a number of taxes that may be considered as promoting the goals of carbon neutrality. These include, in particular, energy taxes, motor vehicle tax, car tax, excise duty on certain beverage packagings and waste tax. Although these may as a whole be considered to be taxes in accordance with carbon neutrality objectives, they may also include individual tax structures that are contrary to the objectives.

In accordance with the Government Programme, a tax reform for sustainable development will be prepared in 2020–2023, aimed at promoting movement towards carbon neutrality. The tax reform for sustainable development will consist of a reform of energy taxation, a reform of transport taxation, promotion of the circular economy by tax means, and a study of emissions-based consumption taxation.

The General Government Fiscal Plan includes changes to energy taxation that can be considered to promote carbon neutrality. These include continuing the phased elimination of the tax expenditure for paraffinic diesel in 2022 and 2023, continuing the phased elimination of the tax rebate system for energy-intensive companies in 2022–2025, moving heat pumps and data centres that produce heat for the district heating network to category II electricity tax in 2022, and moving mining activities to category I electricity tax and removing such activities from the scope of energy-tax rebates. In addition, the recycling industry will be transferred to category II electricity tax.

From the beginning of 2022, a price floor mechanism will be introduced for peat, the limit of the tax-exempt use of peat will be extended to all plants, and the tax-exemption limit raised to 10,000 megawatt hours. The Government will decide on emission reductions corresponding to the increase in emissions due to the tax changes for peat in connection with the adoption of the KAISU plan and the Climate and Energy Strategy in the 2021 budget session.

In addition to the energy tax changes, the household expenses tax credit with regard to the relinquishment of oil-fired heating will be raised in 2022–2027. In addition to the earlier decision to reduce the taxable value of all-electric cars, the taxable value of low-emission company cars will also be reduced in 2022–2025.

Environmentally harmful subsidies are examined more closely in Chapter 6 of the general strategy and outlook of the 2021 budget proposal.

6. Finances of the wellbeing services counties

The proposal under consideration in Parliament for legislation on the establishment of the wellbeing services counties and the reform of the organisation of health, social and rescue services, as well as central government funding for the wellbeing services counties and the finances of the wellbeing services counties are covered as a whole in the General Government Fiscal Plan. A budgetary target has also been set for the wellbeing services counties (see Chapter 2).

This General Government Fiscal Plan also aims to take into account the key effects of the reform on central government and local government finances. It is worth noting that calculations related to the health and social services reform are still preliminary and they will be specified further in connection with the General Government Fiscal Plan 2023–2026.

Preparation of the reform

The Government's proposal on the organisation of health, social and rescue services (241/2020 vp) was submitted to Parliament on 8 December 2020. Under the proposal, 21 wellbeing services counties would be formed in Finland, to which would be transferred the organisation of health, social and rescue services, which is currently the responsibility of the municipalities and joint municipal authorities, as well as the costs thereof. In addition, the City of Helsinki would be responsible for organising health, social and rescue services in the city.

The laws related to the reform would enter into force in stages. The implementation act establishing the wellbeing services counties is intended to enter into force on 1 July 2021. The organisational tasks would be transferred to the wellbeing services counties on 1 January 2023. In the first stage, the counties' provisional governance and, after the county elections in early 2022, the counties would prepare the organisation of their tasks and activities as well as the transfers of personnel and assets in collaboration with the municipalities and joint municipal authorities.

Funding of the wellbeing services counties

When their activities begin and organisational responsibility is transferred, the wellbeing services counties will have no right to levy taxes, and they will mainly finance their activities with central government funding. The universal funding of the wellbeing services counties will total approximately EUR 21.1 billion at the 2023 level. The funding includes financing for the health, social and rescue services tasks to be transferred from the municipalities and joint municipal authorities.

The funding of the wellbeing services counties will mainly consist of transfers made from the items central government transfer for basic public services (around EUR 5.3 billion) and compensation for municipalities' tax revenue losses (around EUR 1.8 billion) as well as an additional amount corresponding to the increase in the central government's income tax and corporate tax revenue due to the tax criteria changes of the reform. The transfer of funding from the municipalities' tax revenue will be approximately EUR 13.4 billion, of which the proportion accounted for by local income tax will be approximately EUR 12.8 billion and by corporate tax approximately EUR 0.7 billion.

The level of funding for health and social services granted by central government to the wellbeing services counties will be increased annually at the national level, taking into account the projected increase in the need for services, the increase in the cost level and changes in tasks. Thereafter, funding will be adjusted at a national level to reflect actual costs. The estimated annual growth in the need for services will be increased, due to transition stage costs, among other things, by 0.2 percentage points in 2023–2029. The growth in the need for services (including an increase of 0.2 percentage points) would be taken into account in full in 2023 and 2024. From 2025, 80% of the growth in the need for services and the 0.2 percentage point increase would be taken into account. On a preliminary basis, the cost estimate for growth in the need for services in the spending limits period is EUR 249 million in 2023, EUR 500 million in 2024 and EUR 710 million in 2025.

As stated above, the reduction in funding for the municipalities in connection with the health and social services will be an estimated EUR 7.1 billion from 2023, when responsibility for organising health, social and rescue services is transferred from the municipalities to the wellbeing services counties and the joint county authority for the Hospital District of Helsinki and Uusimaa. With the reduction in the municipalities' tasks and financing requirement, the municipalities local income tax percentages and the municipalities' corporate tax apportionment will decrease, and the corresponding tax revenue will be collected as central government tax revenue. Changes in taxation will therefore be implemented so that earned income taxation does not increase as a consequence of the reform. For more comprehensive information on basic public services organised by the municipalities and their funding, see Chapter 7. Local government finances.

Funding the preparation and implementation of wellbeing services counties

The health and social services reform will give rise to significant modification costs and the said costs have been centralised principally in the main title of the Ministry of Finance.

Approximately EUR 47 million in 2022 has been allocated for the start-up of the activities of the wellbeing services counties and the joint county authority for the Hospital District of Helsinki and Uusimaa.

The largest modification cost items due to the reform are estimated to result from the ICT package, which includes the costs of implementing the legislation as well as the costs of developing operations that support the objectives of the reform. In the spending limits period, the following funding has been allocated to the wellbeing services counties for ICT modification costs: EUR 175.3 million in 2022, EUR 99.9 million in 2023, EUR 90 million in 2024 and EUR 45.2 million in 2025.

Municipalities are also expected to incur ICT modification costs, but to date it has not been possible to estimate them with sufficient accuracy. Modification costs arising from the adaptation of municipalities' ICT functions will be addressed in connection with the preparation of the General Government Fiscal Plan for 2023–2026 in spring 2022.

In the spending limits period, forward provision has been made for the following costs associated with county elections and election information system needs: EUR 13.3 million in 2022, EUR 0.38 million in 2023, EUR 0.52 million in 2024 and EUR 4.47 million in 2025.

Modification costs on a smaller scale will arise to the operational expenditure of various ministries and agencies. Forward provision has been made for the modification costs of agencies, as follows: EUR 6.1 million in 2022, EUR 7.1 million in 2023, EUR 4.1 million in 2024 and EUR 4.1 million in 2025.

In connection with the health and social services reform, and partly independent of it, there will be in the wellbeing services significant wage harmonisation costs, the cost impact and timing of which will depend on, among other things, the remuneration system built for the wellbeing services counties. Increased wage costs resulting from wage harmonisation will be covered within the framework of the wellbeing services counties' funding model, and ultimately they will become, through a cost-level revision, part of the funding of the wellbeing services counties. The estimated annual growth in the need for services will be increased, due to transition stage costs, among other things, by 0.2 percentage points in 2023–2029, which is expected to cover the costs of wage harmonisation. No separate funding for wage harmonisation has been allocated in the spending limits.

Other changes affecting the wellbeing services counties

In parallel with the health and social services reform, other reforms are being prepared for 2023 to which additional funding has been allocated in the spending limits. These include the development of home and informal care (EUR 45 million), the comprehensive reform of disability services (EUR 22 million) and the national mental health strategy (EUR 18 million). In addition, funding of the wellbeing services counties will be increased in 2023 by reforms such as a minimum staffing level of 0.7 employees per client in accordance with the Act on Care Services for Older Persons, the partial entry into force of which is scheduled for 2023. In addition, in line with Government policy, the care guarantee in basic health care will be tightened during 2023 and, in line with the Government Programme, the minimum staffing level in child protection services will be strengthened further in 2024.

Cuts in healthcare insurance for private doctors' fees and for examinations and care are expected to increase demand for public services by EUR 10 million, which will be compensated for in full. The funding for wellbeing services counties will be reduced by deduction items, totalling EUR 40 million, related to digitalisation, purchased services and competitive tendering.

7. Local government finances

7.1. Local government finance policies

In its first General Government Fiscal Plan in autumn 2019, the Government set as a target that the budgetary position of local government can be at most ½% of GDP in deficit in 2023. Budgetary targets were not set or followed in the exceptional General Government Fiscal Plan of spring 2020. The target set by the Government for the budgetary position of local government in this General Government Fiscal Plan is the same as in autumn 2019, i.e. the deficit can be at most ½% in 2023. According to current pressure projections, the budgetary position of local government will be 0.6% in deficit in 2023.

In accordance with the Government Programme, any measures that will result in an increase or decrease in the number of tasks or obligations for municipalities and any changes in the tax criteria that will affect local government finances will be compensated in net terms with a 100% modification of the central government transfers and/or the corresponding fixed appropriation, or by removing other tasks or obligations.

Limit on local government expenditure set by central government measures

The Government Decree on the General Government Fiscal Plan (120/2014) requires that the General Government Fiscal Plan set a maximum monetary limit consistent with the local government budgetary target for the change in local government operating expenditure arising from central government measures. The limit for local government expenditure set by central government measures only includes discretionary measures impacting operating expenditure. In autumn 2019, the Government decided that its measures will have the net effect in 2023 of increasing local government operating expenditure by a maximum of EUR 520 million compared with the spring 2019 technical General Government Fiscal Plan.

The General Government Fiscal Plan for 2021–2024, prepared in spring 2020, stated that the limit for local government expenditure set by central government measures has been exceeded. In 2023, health, social and rescue services will be transferred to the wellbeing services counties, at which time the municipalities' range of tasks will decline significantly and many of the extensions of tasks and obligations outlined during the parliamentary term will therefore be allocated to the wellbeing services counties. Due to the establishment of the wellbeing services counties, monitoring of the limit on local government expenditure set by central government measures will no longer be appropriate in 2023.

Guidance mechanisms for the municipalities and wellbeing services counties will be assessed during the current year in connection with the updating of the Decree on the General Government Fiscal Plan.

A key factor is that, in accordance with current legislation, a central government transfer covering 100% of the costs will be allocated to municipalities' new or extended tasks and obligations. Therefore the budgetary position of local government will not change, as the central government will bear the full financing responsibility for new or extended tasks and obligations in central government transfers to local government. The effects of new and extended tasks on local government finances will be assessed realistically, however, to ensure that the corresponding increase in the central government transfer fully meets the increase in costs caused by tasks. Chapter 7.2 describes the new and extended tasks and obligations of local government.

Other measures impacting local government finances

The municipalities will be compensated for changes made to tax criteria (see Chapter 7.2 for more detail).

The state of local government finances has been weak for years now. The imbalance between local government revenue and expenditure is particularly due to structural challenges posed by population ageing. The above-mentioned reform of health, social and rescue services will reduce the expenditure pressure on local government finances as a result of population ageing, but it will not remove the need for other structural reforms that increase productivity and efficiency. When the coronavirus crisis recedes, securing the long-term sustainability of local government finances will become even more important.

Municipalities have wide-ranging autonomy, and the balancing of local government finances cannot be ensured by central government measures alone. Therefore, the municipalities also have great responsibility for balancing their finances, for example by implementing structural reforms and improving productivity.

7.2. Central government measures impacting local government finances

Central government transfers and local government tasks in the spending limits period

Central government transfers and grants to local government in 2022 will be EUR 13.1 billion, of which the central government transfer to local government for basic public services will be EUR 7.9 billion. In 2022, the level of the central government transfer for basic public services will be nearly EUR 240 million higher than in the actual budget of the previous year. The comparison must take into account, however, that the 2021 central government transfers included a one-off increase of EUR 300 million. The impact of the index increase will be EUR 165 million in 2022.

At the end of the spending limits period in 2025, central government transfers and grants to local government will be EUR 4.7 billion, of which the central government transfer to local government will be EUR 2.3 billion. The reduction of the central government transfer for basic public services is due to the health and social services reform to be implemented in 2023. In the reform, the central government transfer for basic public services as well as local income tax and corporate tax revenue will be transferred to the funding of the wellbeing services counties, such that the total amount to be transferred corresponds to the total amount of the cost of tasks. It is worth noting that calculations related to the health and social services reform are still preliminary and they will be specified further in connection with the General Government Fiscal Plan 2023–2026.

To improve the predictability of local government finances, the division of costs adjustment procedure will be revised. The revision to the calculation method will be done to ensure that large annual fluctuations due to the division of costs adjustment can be minimised. The change in the calculation method will be specified further in the Act on Central Government Transfers to Local Government for Basic Public Services in autumn 2021. In connection with the 2022 Budget, a revision of the division of costs between central and local government made on the basis of the difference between the actual costs for 2019 and the imputed costs on which the central government transfer is based would EUR 562 million using the aforementioned calculation method. In the year in question, imputed costs grew very moderately due to savings measures in accordance with Prime Minister Sipilä's Government Programme, which ultimately did not, however, yield the expected amount of savings. In the same year, the municipalities' actual costs grew faster than in previous years and the difference between imputed and actual costs increased.

Due to the fact that local government finances have been supported very strongly in 2020 and direct costs due to coronavirus will also be compensated for in 2021, the impact on central government transfers of the revision of the division of costs stated above is not taken into account. The level of central government transfers to local government for basic public services will be raised by approximately EUR 246 million in 2022. At the level of 2023, the increase is approximately EUR 50 million. This also takes into account a permanent EUR 24 million adjustment starting in 2023, which is part of the Government's reallocations totalling EUR 370 million.

In 2022, reforms in accordance with the Government Programme will continue. As new measures, central government transfers will be allocated for extending the national screening programme EUR 10 million and for child protection services EUR 4.8 million. In addition, an increase in the central government transfer for basic public services of EUR 6.25 million and EUR 8.8 million via the Ministry of Education and Culture will be allocated in 2022 to support the reform of early childhood education. From 2023, a total of EUR 15 million will be allocated to support early childhood education as part of central government transfer for basic public services. The Act on Care Services for Older Persons was amended on 1 August 2020 such that the minimum staffing level in 24-hour care units will rise gradually in 2020–2023, and after the end of the transition period on 1 April 2023, units must have at least 0.7 employees per client. In connection with this, EUR 96.5 million is allocated in 2022 to central government transfers for basic public services. The annual cost of the reform is estimated to be EUR 265.8 million in 2024. From 2023, however, the municipalities will no longer be responsible for the implementation of health and social services; they will have been transferred to the wellbeing services counties.

Compensation for municipalities' tax revenue losses will be approximately EUR 2.6 billion in 2022 and in 2025 approximately EUR 800 million. The decrease is due to the fact that in 2023 compensation of approximately EUR 1.8 billion will be transferred to the funding of the wellbeing services counties. In spring 2021, the Government has proposed the temporary lowering of the interest rate of late payments for tax subject to payment arrangements, which will reduce municipalities' tax revenue in 2021. In 2022–2023, municipalities' tax revenue would correspondingly increase. The tax revenue losses arising to municipalities from the payment arrangements are intended to be compensated on a net basis. It is intended that a separate proposal will be given on this during 2021 after more precise information has been obtained on the amount of tax revenue associated with the new relaxed payment arrangements.

Central government transfers for education and culture will be approximately EUR 1.1 billion during the spending limits period. The 2022 index increase will be 2.2% and the consequent increase in central government transfers and vocational education and training funding will total approximately EUR 28.9 million. The revision of the division of costs between central and local government will increase the central government transfer by EUR 12.1 million.

The extension of compulsory education will be applied one age cohort at a time from 1 August 2021 and will apply for the first time to students leaving basic education in spring 2021. Allocations of EUR 22 million in 2021, EUR 65 million in 2022, EUR 107 million in 2023 and EUR 129 million from 2024 onwards will be made for the extension of compulsory education. To strengthen pupil and student welfare services in basic and upper secondary education, EUR 20 million is allocated in 2022 and EUR 29 million in 2023. The effects of local government finances of the measure will be further specified as preparation progresses.

The quality and equality programme for basic education will be allocated EUR 60 million and the quality and equality programme for early childhood education EUR 80 million in 2022. With regard to early childhood education, a three-tier support model will be developed and the provision of pre-primary education over a two-year period will be piloted. An appropriation of EUR 9 million is allocated on a one-off basis in 2022 to the quality and equality programme for general upper secondary education. An appropriation of EUR 51.8 million is allocated in 2022 to hire teachers and counsellors in vocational education and training and for education and counselling support activities.

An additional EUR 1.4 million annually will be allocated to integration education and training for immigrants throughout the spending limits period and EUR 3.7 million annually in 2022–2024 to a pilot for the reform of the grounds for assessment of training compensation in apprenticeships. Resources for the expansion of outreach youth work will be strengthened on a one-off basis with an EUR 4.5 million increase in 2022. In addition, municipalities will be compensated with regard to activities previously funded by proceeds from profits on gambling activities with EUR 6.6 million in 2022 and EUR 5.9 million in 2023 and for the impact of the reduction in lottery tax with EUR 2.1 million in 2021–2022.

An allocation of EUR 2 million is made in 2022 and EUR 12 million in 2023–2024 to lifelong learning and skills development and to improving the literacy and basic skills of those on family leave, of which EUR 1.4 million in 2022 and EUR 5.6 million in 2023–2024 is estimated to be allocated to local government finances. An appropriation of EUR 2.5 million is allocated to the activities of competence centres for immigrants in 2022.

Due to the enactment of the binding minimum staffing level in long-term care, additional funding of EUR 43 million in 2022, EUR 30 million in 2023 and EUR 16.5 million in 2024 is allocated to training of practical nurses. Of this, EUR 30 million in 2022, EUR 21 million in 2023 and EUR 11.5 million in 2024 is estimated to be allocated to local government finances.

An annual allocation of EUR 4.5 million in 2022–2025 is made for measures supporting physical activity and elite sport, of which an estimated EUR 0.9 million is allocated to municipalities.

Preparations are under way for the entry into force of the structural reform of health and social services as well as the health and social services centres by developing the service structure. Appropriations totalling EUR 132.9 million are allocated to the purpose in 2022. Most of the appropriations are allocated to the development of measures related to the health and social services centres of the future, developing services for older people, the national mental health strategy, developing rehabilitation and improving accessibility to basic public services, before their transfer to become permanent expenditure of the future wellbeing services counties. In accordance with the Government Programme, a national mental health strategy will be prepared utilising previous preparatory work with the objective of ensuring faster access to care and timely, quality services. To realise the objective, a total of EUR 50 million is allocated for 2021–2022 and EUR 18 million for 2023 as part of the funding of the wellbeing services counties. The health and social services reform and associated modification costs are discussed in Chapter 6. Finances of wellbeing services counties.

In line with the Government Programme, it is the intention to increase the municipalities' responsibility for public employment and business services. As a first measure, local government pilots on employment began on 1 March 2021 and will end on 30 June 2023. Personnel resources and the right to decide on the use of employment appropriations will be transferred from central government to the management of the municipalities. The Government decided in the mid-term policy review to continue preparation for the transfer of public employment and business services to the municipalities. The intention is to prepare a Government proposal so that the tasks would be transferred during 2024. The financial implications of the transfer will be specified further as preparation progresses and will only be included in the General Government Fiscal Plan later.

The role of the municipalities in integration will be strengthened by awarding grants amounting to EUR 6 million in 2022 for municipalities' competence centres and guidance and counselling services for immigrants. In addition, EUR 3.3 million will be allocated to integration in 2022–2023, EUR 2.7 million in 2024 and EUR 1.1 million in 2025.

In the administrative branch of the Ministry of Economic Affairs and Employment, a total of EUR 38 million of the funding earmarked for future-oriented investments will be allocated in 2022 to support regional development goals. The funding will be allocated, in particular, to measures supporting sustainable growth and economic reform in the regions (EUR 24 million), central government contractual cooperation with cities and regions (EUR 7.7 million), anticipation and management of structural changes, and independent development in the regions (EUR 6.3 million).

In the administrative branch of the Ministry of the Environment, grants amounting to EUR 3 million will be allocated in 2022 to eliminating homelessness. Land use, housing and transport (MAL) agreements have been entered into and the associated concrete measures relate to 2020–2023. To support housing production, the central government will allocate public utility services grants to MAL agreement areas amounting to EUR 25 million per year, and a further EUR 39 million per year in 2020–2023 will be allocated to the overall authorisation for start-up grants. Of these, 70% is expected to be allocated to municipal companies.

The Ministry of Transport and Communications will assist rail transport projects in urban regions in accordance with MAL agreements with total of EUR 154 million, of which EUR 60.6 million will be allocated in 2022–2025.

Table 12. Central government transfers to municipalities and joint municipal authorities, EUR million, spending limits period at 2022 prices

	2020	2020 B+SBs	2021 B	2022	2023	2024	2025
Imputed central government transfers	**8 106**	**9 701**	**8 754**	**9 052**	**3 370**	**3 408**	**3 403**
Ministry of Finance, central government transfer for basic public services	7 074	8 652	7 697	7 934	2 282	2 312	2 322
Ministry of Education and Culture [1]	1 032	1 049	1 057	1 118	1 088	1 096	1 081
— of which joint municipal authorities	1 041	1 478	1 522	1 541	1 488	1 483	1 467
Central government compensation to municipalities for tax revenue losses arising from tax criteria changes	**2 269**	**2 383**	**2 360**	**2 601**	**794**	**793**	**806**

	2020	2020 B+SBs	2021 B	2022	2023	2024	2025
Other central government transfers by administrative branch, total	**1 101**	**2 304**	**2 924**	**1 401**	**554**	**518**	**486**
Ministry of Justice	-	-	1	11	11	32	-
Ministry of Finance	40	420	37	253	30	20	20
Ministry of Education and Culture	238	405	285	205	157	159	161
Ministry of Agriculture and Forestry	6	7	6	6	6	6	6
Ministry of Transport and Communication	43	243	43	43	43	43	43
Ministry of Economic Affairs and Employment	196	230	247	204	158	160	159
Ministry of Social Affairs and Health [2]	517	900	2 243	565	88	88	88
Ministry of the Environment	57	94	57	52	32	11	10
Central government transfers, total	**11 419**	**14 388**	**14 037**	**13 054**	**4 718**	**4 719**	**4 696**

[1)] The municipalities' imputed share is estimated from the total funding of the administrative branch of the Ministry of Education and Culture (including private).

[2)] With the health and social services reform, most of the central government transfers and grants of the administrative branch of the Ministry of Social Affairs and Health will be transferred to the wellbeing services counties in 2023.

Tax criteria changes

The municipalities will be compensated for changes in tax criteria. The fixed-term increase in the corporate tax apportionment will expire at the end of 2021. In connection with the establishment of the wellbeing services counties, there will be significant changes in local government tax revenue as local income tax revenue and corporate tax revenue will decrease.

Table 13. Annual impact on local government tax revenue of the main tax criteria changes, EUR million

	2022	2023	2024	2025
Index adjustment of earned income taxation[1]	-173	-8	-8	-8
Extension of household expenses tax credit with regard to relinquishing oil-fired heating	-2	1	0	0
Extensions of transport-related fringe benefits from employment[2]	-6	-0.5	-2.5	-2
Impact of health and social services reform on local income tax revenue	0	-13 460	0	0
Impact of health and social services reform on corporate tax revenue	0	-690	0	0
Accelerated depreciation of movable fixed assets	1	1	13	-2

[1)] Technical assumption for 2024–2025

[2)] Includes decisions made earlier

7.3. Estimate of local government finances: expenditure, revenue and balance

Local government expenditure in the spending limits period

Growth in local government operating expenditure is expected to slow to 2.4% in 2022, as the additional expenditure allocated to managing the coronavirus situation mostly comes to an end. It is probable, however, that a care and services backlog, whose size cannot be estimated yet, will be transferred from the current year to 2022. The projection has taken into account the planned funding from the EU Recover and Resilience Facility for clearing the care backlog as well as the corresponding costs.

2023 will be very exceptional in local government finances in terms of the development of both expenditure and revenue, because the costs of the municipalities' activities will decrease as a result of the health and social services reform and around half of operating expenditure will be transferred away from the municipalities. Purchases take into account the costs arising to the municipalities from maintaining healthcare and social welfare properties, the level of which has been assumed to be approximately EUR 700 million. The decline in operating expenditure is estimated to be 54.4% in 2023. In addition to the transfer of health, social and rescue services, operating expenditure will be reduced by the ending of future-oriented investments.

In 2024–2025, the operating expenditure of local government finances will increase by 1.6% per year. The increase in operating expenditure in 2023–2025 will be mainly due to price rises. The price index for basic public services, which describes the development of local government costs, will increase on average by 2.3% in the years of the spending limits period. After the health and social services reform, most of the costs remaining to local government finances will arise from early childhood education and general education. The fall in the birth rate in the 2010s has been translated into a decline in the need for early childhood education and general education services. In order for the decline in the need for services to be realised as cost savings, the municipalities must be prepared to adjust their service production as the need for services changes. In small municipalities, the school network in many places has already been reduced such that it is not possible to reduce it further without stopping the service altogether. For this reason, the decline in the need for services has been tempered in the projection. In the future, securing high-quality education at a reasonable cost will require cooperation between municipalities as well as new kinds of solutions.

Local government investments are at a fairly high level relative to their historical development. With the establishment of the wellbeing services counties, an estimated EUR 950 million of investments will be transferred from local government finances. Although the fastest growth phase of investment is considered to be already past, it is assumed that investment will remain high throughout the spending limits period. Local government investment pressures will remain substantial due to, among other things, the age of the building stock and population migration.

Local government revenue in the spending limits period

Local government operating revenue will decrease by 8.3% in 2022. The most significant contribution to the collapse of operating revenue comes from the ending of funding budgeted for coronavirus testing and other coronavirus grants. The disruptions caused by the coronavirus situation to fee and sales income are expected to end, but the reform of client fees in healthcare and social welfare will reduce fee income by approximately EUR 45 million. An increase corresponding to this will be made in the central government transfer to local government for basic public services.

Growth in the tax revenue received by municipalities is expected to slow to 1.2% in 2022. Growth will be slowed, in particular, by the end of the fixed-term increase in the corporate tax revenue apportionment. Central government transfers to local government will increase by 5.2%, on the other hand, due to extensions of tasks in accordance with the Government Programme, an increase in the level of central government transfers and index adjustments.

In 2023, the transfer of health, social and rescue services to the responsibility of the wellbeing services counties will also impact local government funding. When funding responsibility is transferred from local to central government, central government revenue will have to be increased and the municipalities' revenue at the same time reduced commensurately with the transferred funding responsibility. Local government operating revenue is expected to decrease by approximately 32.0% in 2023. The decline in operating income will be slowed by the rental income received by the municipalities from healthcare and social welfare properties, which is assumed in the projection to be EUR 700 million in 2023.

To ensure that the overall tax rate does not increase, municipal income tax percentages will be reduced equally among the municipalities in the year the reform enters into force. In addition, the corporate tax apportionment will be reduced by one third and the central government apportionment will be correspondingly increased. The funding of tasks transferred to the wellbeing services counties will be deducted from central government transfers to municipalities. Municipal tax revenues are estimated to decrease by 47.2% and central government transfers by 70.3% in 2023.

Operating revenue will grow in 2024–2025 on average by 1.1% per year. In 2024, tax revenue will decline by 4.4%, as a consequence of the fact that municipalities' tax receipts for 2023 will be partly impacted by taxes assessed at the higher local income tax rates of earlier tax years. The phenomenon will also be evident on the corporate tax side. Central government transfers will increase in 2024 by approximately 2.8%, mainly due to index adjustments. In 2025, tax revenue will grow by 2.0% and central government transfers by 2.2%.

Local government expenditure will remain higher than revenue throughout the spending limits period. Local government finances are burdened by structural problems that will be eased through the health and social services reform as the fastest growing expenditure is transferred away from the municipalities' responsibility. Even so, according to the pressure projection, the cash flow from local government activities and investments will be approximately EUR 1.0 billion in the negative in 2024–2025.

In 2023, an estimated EUR 4.6 billion will be transferred from local government loans through the health and social services reform. Thereafter, the rate of growth of the local government loan stock will slow significantly compared with the average growth rate of the last decade.

Table 14. Development of local government finances up to 2025 according to local government accounts, EUR billion, at current prices

	2020	2021	2022	2023	2024	2025
Profit/loss itemisation						
1. Operating margin	-30.8	-31.2	-33.0	-12.9	-13.1	-13.3
2. Tax revenue	23.9	25.1	25.4	13.4	12.8	13.1
3. Central government transfers, operational finances	11.0	10.0	10.5	3.1	3.2	3.3
4. Financial income and expenses, net	0.4	0.4	0.4	0.4	0.4	0.4
5. Annual margin	4.6	4.4	3.3	4.1	3.4	3.5
6. Depreciation and amortisation	-3.0	-3.1	-3.2	-3.0	-3.1	-3.2
7. Extraordinary items, net	0.1	0.1	0.1	0.1	0.1	0.1
8. Profit/loss for the financial period	1.6	1.4	0.2	1.2	0.4	0.3
Funding						
9. Annual margin	4.6	4.4	3.3	4.1	3.4	3.5
10. Extraordinary items	0.1	0.1	0.1	0.1	0.1	0.1
11. Current income adjustments	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4
12. Internal financing, net	4.2	4.0	2.9	3.8	3.0	3.1

	2020	2021	2022	2023	2024	2025
13. Investment in fixed assets	-5.7	-5.7	-5.7	-4.8	-4.9	-5.0
14. Funding contributions and sales gains	1.0	0.9	0.9	0.9	0.9	0.9
15. Investments, net	-4.7	-4.8	-4.8	-3.9	-4.0	-4.1
16. Financial balance (internal financing - investment)	-0.5	-0.7	-1.9	-0.2	-0.9	-1.0
17. Loan stock	23.5	24.2	26.0	21.5	22.4	23.4
18. Cash	7.9	7.9	7.9	7.4	7.4	7.4
19. Net debt (loan stock - cash assets)	15.6	16.3	18.1	14.2	15.1	16.0

8. Earnings-related pension funds and other social security funds

Earnings-related pension system

Finland's earnings-related pension system consists of a number of different pension acts, under which pensions are generally determined by the same criteria, however. The funding of pension expenditure varies by pension act, as a result of which the financing criteria of the earnings-related pension sector cannot be described by a single rule. The financing criteria can be examined, however, by looking at the most significant pension acts separately. Finland's earnings-related pension system is partly funded, as some of the financing of pensions comes from prefunded pension assets and the income from them. Pensions are financed, however, mainly by annual pension contributions from employees and employers. In addition, part of the pensions of central government employees and entrepreneurs, agricultural entrepreneurs and seafarers is financed from the central government budget. Employees' pension contributions are the same under all pension acts. Pensions accrue under all pension acts in more or less the same way from earnings during entire working careers. Starting old-age pensions are reduced by a life expectancy coefficient that takes the increase in life expectancy into account. Pensions paid out are increased annually by the Earnings-related Pension Index, in which inflation has an 80% weight and change of earnings level a 20% weight.

The private sector Employees' Pensions Act (TyEL) covers around of the labour force. Of TyEL earnings-related pension contributions, part are prefunded individually and the remainder go to finance current pensions in a pay-as-you-go system. Pension contributions must be at a level that guarantees the payment of pensions and the funding required by law. The TyEL system's funding rate, i.e. the ratio of pension assets to pension liability, was approximately 30.6% at the end of 2017 (based on a 2.5% real discount rate up to 2028 and 3.5% from 2029). The labour market organisations have agreed on the TyEL system's EMU buffer. An amount corresponding to 2.5% of the annual private sector wage bill has been agreed as the target for the EMU buffer. The idea of the buffer is, under certain conditions, to enable a temporary reduction in earnings-related pension contributions during weak economic conditions. When applying the buffer, a later increase in earnings-related pension contributions must be correspondingly agreed, allowing the buffer to return to its former level. The reduction allowed by the buffer was applied in 2020, with the employer's contribution reduced by 2.6% from 1 May 2020 until the end of the year. The contribution will be correspondingly increased for 2022–2025, so that the buffer can accrue to its former level.

The pension expenditure of entrepreneurs (approximately 9% of those insured), agricultural entrepreneurs and seafarers is financed from contributions and the portion exceeding this from the central government budget.

Just over 20% of those insured are covered under the local government pensions system. In the local government pension system, the aim is to set pension contributions at a level ensuring that the pension system is on a sustainable foundation and the level of pension contributions will remain stable in the future.

Employees insured under the state employee's pension system (approximately 6% of those insured) and central government employers pay their pension contributions into the State Pension Fund. Funds are transferred annually from the State Pension Fund to the central government budget to cover state employees' pension expenditure. The transferred amount is currently 40% of the expenditure arising from central government pensions, because the remainder of the pension expenditure is covered directly from the central government budget.

Due to the prefunding of pensions, the earnings-related pension sector has shown a significant surplus historically. Demographic change is increasing pension expenditure, which has been reflected in a reduction in the surplus. Due to prefunding, however, the property income of the pension funds is substantial, so they will nominally not have to sell off assets even if pension expenditure exceeds contributions. Overall, the surplus of the earnings-related pension funds has declined from an average of just over 3% in ratio to GDP in the first decade of the 2000s to 0.2% in ratio to GDP in 2020. In the national accounts, private sector earnings-related pension funds are also included in general government finances and their assets in general government finance assets.

The surplus of the earnings-related pension sector will improve in 2021 by approximately 0.6% in ratio to GDP when the temporary contribution reduction ends and the wage bill grows. The sector's property income will also start to grow again in 2021. In the following years, the surplus of the sector will improve when a temporary contribution increase comes into effect. In 2022–2025, the employer's earnings-related pension contribution will be increased to compensate for the reduction in 2020.

Other social security funds

Other social security funds include other public sector entities with social security duties, such as the Social Insurance Institution of Finland (Kela) and units handling the earnings-related unemployment insurance system. Kela's activities are financed statutorily by the health insurance contributions of the insured and employers as well as by public sector contributions. The central government's share of Kela's funding in 2019 was approximately 77%, while insurance contributions accounted for approximately 16% and municipalities for approximately 5%. In 2020 the costs of Kela's benefit funds totalled approximately EUR 16.4 billion. Kela's benefit funds are the National Pension Insurance Fund, the National Health Insurance Fund and the General Fund for Social Security.

The earnings-related unemployment insurance system is managed by the Employment Fund and unemployment funds. Earnings-related unemployment expenditure is financed from unemployment insurance contributions collected from employees and employers (approximately 55%), central government contributions (approximately 40%) and the membership fees of funds (approximately 5%). In 2021, the benefits paid by unemployment funds totalled approximately EUR 2.7 billion. The Employment Fund has a cyclical buffer whose net debt or net assets must be at most an amount corresponding to annual expenditure arising from an unemployment rate of 6%.

The financial balance of other social security funds turned to deficit in 2020 due to the rapid growth of unemployment expenditure caused by the coronavirus crisis. Central government support for the Employment Fund improved the financial position of the sector. In 2021, the sector will return to close to balance due to, among other things, an increase in the unemployment insurance contribution. In the following years, as unemployment falls, the financial balance of the sector will improve slightly into surplus. The sector will be nearly in balance in the medium term, but the financial balance may vary slightly on an annual basis, with the buffer funds providing flexibility. In the 2000s, the other social security funds have deviated from balance by at most 0.4% in ratio to GDP annually.

9. Summary of measures at the level of general government finances

Chapters 5–8 above address separately each subsector of general government finances. Chapter 9 aims to provide a concise review of the Government's discretionary measures and their impact on general government finances as a whole. The Chapter 9 review does not take into account so-called financial transactions.

9.1. Extent and timing of measures

The following table summarises the cumulative impact on general government finances in 2019–2025 of the decisions affecting revenue and expenditure of Prime Minister Marin's Government. Measures weakening the general government balance are presented with a minus sign and strengthening measures with a plus sign. The impacts have been presented in relation to the final General Government Fiscal Plan of the previous parliamentary term, i.e. the so-called technical General Government Fiscal Plan adopted on 4 April 2019. In addition to the discretionary measures taken into account in the table, the Government aims to increase the employment rate and the number of people in employment through reforms that strengthen employment. In addition, measures improving general government productivity and cost-effectiveness will be implemented.

Measures related to the coronavirus situation

During 2020 and 2021, the Government has decided on many fixed-term and targeted measures to mitigate the health and economic effects of the coronavirus as well as measures to stimulate the economy. In terms of central government on-budget appropriations, this means discretionary expenditure totalling approximately EUR 14.8 billion in 2020–2025 (including the 2021 second supplementary proposal). Of budget appropriations, financial investments are not, as a rule, include in the figures of the table below, because they mainly do not affect the central government budgetary position according to the national accounts.

The largest items consist of business support measures as well as healthcare and social welfare resources and equipment purchases. Temporary extensions have also been made to unemployment security and other social benefits.

Businesses have been heavily supported with grants and other direct subsidies. The ability of businesses to cope with the exceptional conditions has also been supported by increasing guarantee and loan authorisations and by improving businesses' liquidity with many support measures. Efforts have been made to support the situation of those who have been laid off or made unemployed, for example by removing the waiting period for unemployment security and streamlining the payment of unemployment security. In addition, other social security has also been extended by introducing support for those who have to been away from work unpaid due to the epidemic.

The Government has allocated additional expenditure to, for example, hospital districts, and for testing, vaccine research and vaccines. The situation has also required additional resources for the Police and border control.

Local government finances have also been heavily supported due to the crisis with, for example, comprehensive central government transfers. Support measures have offset the reduction in tax revenue and have therefore supported the organisation of basic public services. In addition, central government transfers to local government have been increased with additional funding for services supporting the wellbeing of children, young people and families. Efforts have also been made to alleviate harm caused to the elderly by the exceptional circumstances by increasing central government transfers to ensure the functioning of services for the elderly.

The harmful effects of the exceptional conditions in spring 2020 and of distance learning on the wellbeing and education of children and young people have been alleviated by increasing expenditure on, among other things, early childhood education, basic and upper secondary education, careers and guidance counselling, and youth work. Support has also been given to the organisation of public transport following a decline in ticket revenue due to the coronavirus situation.

The economy will be restored through public investments, such as infrastructure projects, and by increasing expenditure on research, development and innovation activity, tertiary education, skills development and employment services. In selecting measures to stimulate the economy, one objective has been to take the Government's environmental and climate goals into account.

The easing of tax payment arrangements weakened central government finances by just under EUR 0.8 billion in 2020, because the central government compensated the municipalities for tax revenue losses, and will correspondingly strengthen central government finances in 2021–2023. The temporary arrangements related to self-employed people's social security benefits and businesses' social security contributions will also leave social security funds in a weaker financial position. There follows more detailed information about the decisions made.

The interest rate on late payments calculated for taxes included in tax payment arrangements was temporarily reduced from 7% to 2½% both in spring 2020 and again in spring 2021. With regard to VAT, the relief also applied to the settlements for January–March 2020. At the same time, the Tax Administration eased the terms of the payment arrangement procedure. It should be noted that the effects of these measures are not reflected in the table presented below, because the table follows recognition practices according to the national accounts.

The private sector earnings-related pension contribution was reduced for 1 May–31 December 2020. The funding was covered from the earnings-related pension system's EMU buffer. The buffer will accumulate again by increasing the earnings-related pension contribution for 2022–2025.

Government's permanent additional expenditure

Permanent additional expenditure in accordance with the Government Programme will be approximately EUR 1.4 billion compared with spring 2019 technical General Government Fiscal Plan. Permanent additional expenditure is allocated to, among other things, strengthening competence and social justice and to climate policy measures.

A small part of the additional expenditure will be financed such that central government on-budget expenditure and revenue are reallocated, for example, by lowering the level of certain deferrable appropriations.

The General Government Fiscal Plan includes new permanent expenditure for, among other things, an increase in the need for services related to the health and social services reform (for more detail, see Chapter 6) and employment measures (for more detail, see Chapter 5.3.1).

Fixed-term future-oriented investments in 2020–2022

The Government has allocated a total of approximately EUR 2.0 billion to one-off future-oriented investments. A total of approximately EUR 1.4 billion for 2020–2022 was allocated to future-oriented investments in the October 2019 General Government Fiscal Plan and the 2020 Budget. The supplement to the 2021 budget proposal included a further EUR 356 million in future-oriented investments and EUR 303 million is allocated in this General Government Fiscal Plan to future-oriented investments for 2022. In addition, investments totalling over EUR 200 million will be allocated from the National Housing Fund in 2020–2022. In accordance with the Government Programme, the intention is to finance future-oriented investments mainly through property income so that they do not lead to an increase in the debt burden in 2023.

Wellbeing services counties

The wellbeing services counties are scheduled to start operating at the beginning of 2023. The Government's expenditure and revenue decisions related to the tasks of the wellbeing services counties are included in a table in the central government finances section. In connection with the reform, tax revenues will be transferred from local to central government, and the central government will mainly fund the activities of the wellbeing services counties.

Funding for the start-up of activities, ICT modification costs and other expenses is allocated for the preparation and implementation of the wellbeing services counties. In addition, taxation will be reduced in connection with the reform by a total of approximately EUR 185 million.

Tax criteria changes

Prime Minister Marin's Government Programme pays particular attention to pressures for change due to technological advances and climate change. Technological advances include robotisation, digitalisation, the platform economy and artificial intelligence. The aim is to secure Finland's tax base in an internationalising and digitalising economy. In addition, the Government Programme seeks to promote employment and encourage entrepreneurship.

During the parliamentary term, taxation will be increased by measures mainly directed at indirect taxes on, for example, tobacco, alcoholic beverages, soft drinks, and transport, machinery and heating fuels. As part of phased elimination of the tax rebate system for energy-intensive companies, electricity tax has been reduced to the EU minimum for category II. Most of the tax policy measures of the Government Programme have already been implemented in the early years of the parliamentary term. It is assumed that annual index adjustments will be made to earned income tax criteria, so that taxation does not increase as the general level of earnings rises. With the establishment of the wellbeing services counties, local government tax revenue will be transferred to central government as local government tasks are reduced. In connection with the transfer of tax revenue, taxation of earned income will be reduced on an annual level by EUR 185 million in 2023, so that the reform does not lead to higher taxes for any income group.

In accordance with the Government Programme, the municipalities will be compensated for the tax revenue impact of changes made to tax criteria. Taxation changes are discussed in more detail for central government finances in chapter 5.4, for local government finances in chapter 7.2 and for general government finances as a whole in chapter 9.3.

Social security contributions

Unemployment insurance contributions were increased from the beginning of 2021, after which they will remain unchanged.

The private sector employer's earnings-related pension contribution was reduced in 2020. In 2021, the contribution will rise to its normal level. The reduction in the contribution will be compensated for by raising the earnings-related pension contribution for 2022–2025.

Improving public sector productivity and cost-effectiveness

In the preparation of the Government Programme, it was estimated that the general government balance could be improved through public sector productivity measures by just under EUR 300 million by the end of the parliamentary term. Achieving this target will require significant measures to improve productivity in all administrative branches and cross-administratively. Public sector cost-effectiveness will be improved through, for example, increasing the effectiveness, availability, accessibility and timeliness of services. Measures to promote productivity will be targeted at, for example, public sector premises issues, procurement, and the development of local government activities and structures. A prerequisite for these development measures is large-scale utilisation of ICT. In the healthcare and social welfare sector, efforts will be made to identify new practices and expand nationally practices already shown to be cost-effective.

In addition, the Government will continue productivity-promotion measures already launched in the previous parliamentary term, such as developing digitalisation and productivity in central government activities, the central government premises efficiency improvement programme, and the incentive scheme for digitalisation in municipalities. These are explained in more detail in Chapter 5.3.2.

Table 15. Total impact on general government finances of decisions on revenue and expenditure, cumulative, EUR billion

	2019	2020	2021	2022	2023	2024	2025
Decisions lowering central government appropriations	0.0	0.1	0.1	0.2	0.7	0.6	0.6
Decisions increasing central government appropriations	-0.4	-1.3	-2.1	-2.3	-2.6	-2.6	-2.6
Future-oriented investments (incl. National Housing Fund)	0.0	-0.8	-0.9	-0.6	0.0	0.0	0.0
Increases in appropriations due to the coronavirus situation	0.0	-8.5	-4.0	-0.4	-0.3	-0.2	-0.1
Compensation to municipalities for tax criteria changes	0.0	-0.4	-0.1	0.0	0.0	0.0	0.0
Decisions increasing central government tax revenue	0.0	0.5	0.8	1.0	1.2	1.3	1.3
Decisions lowering central government tax revenue (excl. Index of Wage and Salary Earnings/Consumer Price Index adjustments)	0.0	-0.7	-1.1	-0.5	-0.7	-0.8	-0.9
Other decisions increasing central government revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Impact on central government budgetary position, net	**-0.4**	**-11.1**	**-7.3**	**-2.6**	**-1.7**	**-1.7**	**-1.7**
Government measures increasing local government revenue	0.2	2.6	1.0	0.6	0.3	0.2	0.2
Government measures increasing local government expenditure	0.0	-0.9	-0.7	-0.6	-0.4	-0.3	-0.2

	2019	2020	2021	2022	2023	2024	2025
Net impact of future-oriented investments on local government finances	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impact of central government measures on local government tax revenue (excl. Index of Wage and Salary Earnings/Consumer Price Index adjustments)	0.0	-0.4	-0.1	0.0	0.0	0.0	0.0
Compensation to municipalities for tax criteria changes	0.0	0.4	0.1	0.0	0.0	0.0	0.0
Impact of other central government measures on local government finances[1]	0.0	0.5	0.6	0.0	0.1	0.1	0.1
Increases of municipalities' tax percentages	0.0	0.1	0.1	0.1	0.1	0.1	0.1
Impact on local government budgetary position, net	**0.2**	**2.2**	**1.0**	**0.1**	**0.2**	**0.2**	**0.2**
Changes in social security contributions (incl. temporary lowering of TyEL contribution)	-0.5	-1.3	0.4	0.1	0.3	0.4	0.4
Changes in expenditure	0.0	0.6	0.0	0.0	0.0	0.0	0.0
Impact on social security funds' balance, net	**-0.5**	**-0.7**	**0.3**	**0.1**	**0.3**	**0.4**	**0.4**
Impact on general government balance, net	**-0.7**	**-9.5**	**-5.9**	**-2.4**	**-1.3**	**-1.1**	**-1.2**
In ratio to GDP	-0.3%	-4.0%	-2.4%	-0.9%	-0.5%	-0.4%	-0.4%

1) Does not include impacts on local government finances of transport projects co-funded by central and local government.

9.2. Measures directed at general government expenditure

The table below presents the annual net change in general government expenditure in 2019–2025 from measures decided by Prime Minister Marin's Government. The review does not contain so-called financial investment expenditure, which in turn is not included in general government figures in reviews according to the national accounts.

General government expenditure grew significantly in 2020, mainly due to coronavirus-related measures, but also as a result of permanent additional expenditure and one-off future-oriented investments. Expenditure will correspondingly decrease gradually towards the end of the parliamentary term.

Expenditure on transfers to households increased in 2020 through benefit improvements decided by the Government and fixed-term benefit changes related to the coronavirus situation. Expenditure on transfers to business and industry increased, particularly in 2020, when aid was paid to businesses due to the coronavirus situation, but will decline from 2022, due to a change related to the energy tax rebate scheme. Real investment also takes into account increases allocated to basic transport infrastructure maintenance – both additional investments decided by the Government and the general increase proposed by the parliamentary working group that had already been taken into account in the technical General Government Fiscal Plan from 2022.

Table 16. Measures affecting general government expenditure, annual change, net, EUR billion

	2019	2020	2021	2022	2023	2024	2025
Consumption expenditure	0.1	2.4	0.5	-1.4	-0.4	0.2	0.1
Expenditure on transfers to business and industry	0.0	2.8	-1.9	-0.5	-0.1	0.0	0.0
Expenditure on transfers to households	0.0	1.3	-0.6	-0.1	-0.1	-0.1	0.0
Other transfers	0.0	1.1	-0.3	-0.5	-0.2	-0.1	0.0
Real investment[1]	0.1	0.5	-0.1	0.0	0.0	0.0	0.0
Other expenditure	0.0	0.2	0.5	-0.8	0.0	0.0	0.0
Total	**0.2**	**8.4**	**-1.9**	**-3.3**	**-0.9**	**0.1**	**0.0**
Discretionary measures of the previous parliamentary term	-0.5	0.0	0.0	0.0	0.0	0.0	0.0

[1)] Does not include impacts on local government finances of transport projects co-funded by central and local government.

9.3. Measures directed at general government revenue

The table below presents information on the timing of discretionary measures affecting general government revenue in 2020–2025, as annual net changes. Net change refers to the combined impact of measures that increase and decrease revenue. The table also takes into account changes in taxation criteria decided in the previous parliamentary term, index adjustments made to earned income tax criteria, and one-off factors affecting changes in the timing of taxation.

In addition to tax criteria changes, the table presents the estimated impact on tax revenue of payment arrangements related to the coronavirus situation. The situation of businesses in payment difficulties due to the coronavirus epidemic was eased by making temporary changes to tax payment arrangements and lowering the interest rate on late payment of taxes. As a result of this measure, an estimated nearly EUR 0.9 billion of tax revenue is transferred from 2020 and 2021 to 2021–2023. Most of the deferral of tax payment concerns VAT.

Changes related to taxation decided by Prime Minister Marin's Government will be spread over the entire parliamentary term. Tightening of indirect taxation will increase tax revenue, but annual index adjustments made to earned income will, on the other hand, reduce tax revenue. The figures presented in the General Government Fiscal Plan reflect the measures on which decisions have been made and their estimated financial effects. Planned measures are not included.

Table 17. Measures affecting general government revenue, annual change, net, EUR billion

	2020	2021	2022	2023	2024	2025
Taxes on earned income	-0.5	-0.4	-0.4	-0.7	-0.5	-0.5
Taxes on capital income	0.0	0.0	0.0	0.0	0.0	0.0
Corporate taxes	-0.2	0.0	0.0	0.0	0.4	0.0
Other direct taxes	0.0	0.0	0.0	0.0	0.0	0.0
VAT	0.0	0.0	0.0	0.0	0.0	0.0
Other indirect taxes	0.3	0.0	0.1	0.2	0.0	0.0
Social security contributions from employers	-1.1	1.3	0.1	0.1	0.0	0.0
Social security contributions from the insured	0.4	0.3	-0.4	0.2	0.0	0.0
Payment arrangements related to tax payment deferral	-0.8	0.2	0.4	0.1	0.0	0.0
Total	-1.8	1.4	-0.2	0.0	-0.1	-0.5

10. Estimate of general government revenue and expenditure

Table 18. Central government according to the national accounts, EUR billion

	2020*	2021**	2022**	2023**	2024**	2025**
Current taxes	13.2	14.1	15.2	29.3	30.3	31.3
Taxes on production and imports	32.9	34.5	35.0	35.7	36.3	37.0
Social security contributions	0.0	0.0	0.0	0.0	0.0	0.0
Taxes and social security contributions, total 2)	46.9	49.5	51.1	65.9	67.5	69.2
Other revenue 3)	9.3	9.2	9.8	9.9	9.8	9.6
of which interest income	0.1	0.1	0.2	0.2	0.2	0.3
Total revenue	56.2	58.7	60.9	75.7	77.3	78.8
Consumption expenditure	15.7	16.5	16.7	16.5	16.7	16.9
Subsidies and other transfers	47.5	47.2	45.1	59.1	60.1	61.2
to general government	33.1	32.9	32.1	46.0	47.0	47.9
Interest expenditure	1.5	1.1	0.9	0.7	0.6	0.4
Capital expenditure 4)	4.9	6.3	5.7	5.4	5.3	5.6
Total expenditure	69.6	71.1	68.4	81.8	82.6	84.1
Net lending (+) / net borrowing (-)	-13.4	-12.4	-7.4	-6.0	-5.3	-5.2

Table 19. Local government according to the national accounts, EUR billion

	2020*	2021**	2022**	2023**	2024**	2025**
Taxes and social security contributions	24.5	25.1	25.4	12.1	12.8	13.1
of which municipal income tax	20.5	20.6	21.3	8.7	9.3	9.6
corporate tax	2.1	2.6	2.0	1.4	1.4	1.5
real estate tax	2.0	2.0	2.0	2.1	2.1	2.1
Other revenue 2)	23.2	23.8	23.4	13.3	13.6	13.9
of which interest income	0.2	0.2	0.2	0.2	0.2	0.2
of which transfers from central government	17.5	18.0	17.3	7.5	7.6	7.6
Total revenue	47.7	48.9	48.8	25.4	26.3	27.0
Consumption expenditure	38.5	40.4	41.4	19.3	19.8	20.3
of which compensation of employees	22.3	23.0	24.0	12.3	12.6	12.9
Income transfers	2.6	2.7	2.8	2.1	2.1	2.2
of which social security benefits and allowances	0.8	0.8	0.8	0.2	0.2	0.2
subsidies and other transfers	1.8	1.8	1.8	1.8	1.8	1.8
interest expenditure	0.1	0.1	0.1	0.1	0.1	0.2
Capital expenditure 3)	6.4	6.6	6.6	5.5	5.6	5.7
Total expenditure	47.5	49.7	50.9	26.9	27.5	28.2
Net lending (+) / net borrowing (-)	0.2	-0.8	-2.0	-1.5	-1.2	-1.2

Table 20. Wellbeing services counties

	2020*	2021**	2022**	2023**	2024**	2025**
Central government funding				23.7	24.5	25.2
Other revenue				2.8	2.8	2.9
Total revenue				26.4	27.3	28.1
Consumption expenditure				22.8	23.7	24.5
Income transfers and other expenditure				0.7	0.7	0.7
Capital expenditure				1.2	1.1	1.1
Total expenditure				27.0	27.9	28.7
Net lending (+) / net borrowing (-)				-0.6	-0.6	-0.6

Table 21. Earnings-related pension funds

	2020*	2021**	2022**	2023**	2024**	2025**
Investment income	3.5	3.7	4.1	4.4	4.7	5.0
Social security contributions	22.0	23.7	24.9	25.7	26.4	27.2
of which paid by employers	14.3	15.8	16.7	17.2	17.7	18.2
of which paid by the insured	7.7	7.9	8.2	8.5	8.7	8.9
Income and capital transfers from general government	2.8	2.7	2.6	2.7	2.8	2.9
Other revenue	0.4	0.4	0.4	0.4	0.4	0.4
Total revenue	28.7	30.5	32.0	33.2	34.2	35.5
Consumption expenditure	0.7	0.7	0.7	0.7	0.7	0.8
Social security benefits and allowances	25.3	26.0	27.0	28.0	29.0	30.0
Other expenditure	2.2	2.3	2.4	2.4	2.5	2.5
Total expenditure	28.2	29.0	30.0	31.1	32.2	33.3
Net lending (+) / net borrowing (-)	0.4	1.5	2.0	2.1	2.0	2.2

Table 22. Other social security funds

	2020*	2021**	2022**	2023**	2024**	2025**
Investment income	0.0	0.0	0.0	0.0	0.1	0.1
Social security contributions	5.6	6.4	6.0	6.5	6.8	6.9
of which paid by employers	2.2	2.6	2.5	2.7	2.8	2.8
of which paid by the insured	3.4	3.8	3.5	3.8	4.0	4.1
Income and capital transfers from general government	14.4	13.8	13.6	13.5	13.6	13.7
Other revenue	0.1	0.1	0.0	0.0	0.0	0.0
Total revenue	20.1	20.3	19.7	20.1	20.4	20.7
Consumption expenditure	3.2	3.4	3.5	3.5	3.6	3.7
Social security benefits and allowances	15.7	15.5	15.1	15.1	15.3	15.5
Other expenditure	1.4	1.3	1.2	1.2	1.2	1.3
Total expenditure	20.3	20.3	19.8	19.8	20.1	20.4
Net lending (+) / net borrowing (-)	-0.2	0.0	0.0	0.3	0.3	0.3

General government fiscal forecast under unchanged policies

Table 23. Revenue and expenditure under unchanged policies

	2020* level, EUR billion	2020*	2021**	2022**	2023**	2024**	2025**
		% GDP					
Total revenue under unchanged policies	121.7	51.2	51.6	51.1	50.9	50.6	50.3
Total expenditure under unchanged policies	134.6	56.7	56.3	54.0	53.1	52.3	51.9

Minister of Finance	Matti Vanhanen
Director General of the Budget Department	Sami Yläoutinen

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APPENDIX 1 Forecasts and assumptions used in the calculation

The expenditure and revenue estimates of the General Government Fiscal Plan as well as the price- and cost-level adjustments are based on the independent forecast of the Ministry of Finance's Economics Department given below.

Forecasts and assumptions used

	2019	2020	2021	2022	2023	2024	2025
GDP, change in volume, %	1.3	-2.8	2.6	2.5	1.5	1.4	1.2
GDP, change in price	1.5	1.7	1.7	1.7	1.9	1.8	1.9
GDP, value, EUR million	240 261	237 467	247 804	258 302	267 072	275 626	284 167
GNI, value, EUR million	241 399	240 061	249 298	259 496	268 166	276 720	285 261
Consumer Price Index, change %	1.0	0.3	1.4	1.5	1.7	1.7	1.8
Index of Wage and Salary Earnings, change %	2.1	1.8	2.7	2.5	2.5	2.5	2.5
Building Cost Index, change %	1.0	-0.3	1.7	1.8	2.1	2.3	2.4
Basic Price Index for Domestic Supply, change %	1.0	-3.3	2.7	1.9	2.2	2.2	2.3
Unemployment rate, %	6.7	7.8	7.8	7.2	6.9	6.7	6.5
Wage bill, change %	3.5	-0.4	3.0	3.7	3.1	2.8	2.7
Short-term interest rate, 3 months, %	-0.4	-0.4	-0.5	-0.5	-0.4	-0.4	-0.3
Long-term interest rate, 10 years, %	0.1	-0.2	-0.2	-0.1	-0.1	0.0	0.1
TyEL Index	2585	2617	2631	2675	2718	2769	2820
National Pension Index (KEL)	1617	1633	1639	1662	1685	1714	1743
Price index of basic public services, forecast	1.3	0.7	2.5	2.2	2.3	2.3	2.3
Change in cost level used in Budget Proposal (Index of Central Government Transfers to Local Government)	0.0	2.4	2.4	2.2	2.3	2.3	2.3
— index adjustment	0.0	0.0					
Index of Central Government Transfers to Local Government without freezing in 2016–2019	1.3	2.4	2.4	2.2	2.3	2.3	2.3
University index (forecast used in budgeting)	1.7	0.7	2.4	2.2	2.3	2.3	2.3
Vocational education and training index	1.7	0.4	2.5	2.2	2.3	2.3	2.3
YLE Index	1.7	1.3	2.3	2.2	2.2	2.2	2.3
Unemployment insurance contributions							
— employer, average	1.50	1.26	1.43	1.43	1.43	1.43	1.43
— employee	1.50	1.25	1.40	1.40	1.40	1.40	1.40

	2019	2020	2021	2022	2023	2024	2025
TyEL contribution	24.4	22.7	24.4	24.8	24.8	24.8	24.9
— employer	17.4	15.2	17.0	17.4	17.4	17.4	17.5
— employee aged 53 yrs and under	6.75	7.15	7.15	7.15	7.15	7.15	7.15
— employee over 53 yrs	8.25	8.65	8.65	8.65	8.65	8.65	8.65
— wage coefficient	1.417	1.446	1.465	1.501	1.535	1.571	1.608
Health insurance contributions of the insured							
— employees' daily allowance contribution	1.54	1.18	1.36	1.19	1.28	1.31	1.30
— wage earners' and entrepreneurs' medical care contribution	0.00	0.68	0.68	0.49	0.58	0.59	0.59
— pensioners' medical care contribution	1.61	1.65	1.65	1.46	1.55	1.56	1.56
Central government employer contributions	17.9	18.0	18.2	18.4	18.5	18.6	18.6
— health insurance contribution	0.77	1.34	1.53	1.35	1.44	1.48	1.45
— pension contribution (under Central Government Employees' Pensions Act [VaEL])	17.10	16.69	16.69	17.09	17.09	17.09	17.19
Local government employer contributions	24.6	24.5	24.8	24.6	24.6	24.7	24.6
— health insurance contribution	0.77	1.34	1.53	1.35	1.44	1.48	1.45
— other social insurance contributions	0.7	0.7	0.7	0.7	0.7	0.7	0.7
— unemployment insurance contribution	1.96	1.63	1.83	1.83	1.77	1.77	1.77
— pension contribution (under Local Government Employees' Pensions Act [KuEL])	21.2	20.8	20.7	20.7	20.7	20.7	20.7

APPENDIX 2 Price- and cost-level adjustments under the central government spending limits

Structural changes

As a result of structural changes made in the fourth supplementary budget for 2020, the 2021 Budget and supplementary budget, and these spending limits, the level of the spending limits for 2022 will increase by EUR 67 million compared with the spending limits decision of 16 April 2020.

The table below presents a more detailed description of structural changes that took place after the previous spending limits decision and their impact on the expenditure ceiling of the parliamentary term. In 2020, the spending limits for the parliamentary term were exceptionally not in force. The table presents for 2020 only those structural changes arising from structural changes directed at other years.

Structural changes in the spending limits, EUR million

Item	Matter	2020	2021	2022	2023
SBP 4 2020					
27.10.18	Timing change in message network productisation	1.2	-1.2		
31.10.20	Depreciation and capital costs of traffic management and management assets redeemed by the Liikenteenohjausyhtiö Traffic Management Finland (TMFG) from the Transport Infrastructure Agency (2020–2037). Pass-through item, corresponding revenue accrues to item 12.31.30 in 2020–2023.	2.7	2.7	8.1	8.3
32.01.03	Timing change in ONNI project	1.5		-1.5	
BP 2021					
24.30.66	Joint development cooperation projects. Pass-through item, corresponding revenue in item 12.24.99.		1.9		
30.70.40	Timing change in implementation of farm-based land consolidation projects under way.		1.0	-1.0	
31.10.30	Timing change in discretionary government transfers for Western Metro and Tampere tramway phase 2.		-21.3	16.3	1.6
32.20.41	Timing change in allocation of energy subsidy grant authorisation.			6.0	6.0
32.20.45	Timing change related to investment support payments.	-5.5	5.5		
32.20.49	Rebudgeting related to three investment projects.		4.2		
33.20.50, 33.20.52	Extension of unemployment security to 31 December 2020 and extension of start-up grant period. Criterion change in items outside spending limits.		-10.5	-1.9	
33.10.54	Increase in study places in upper secondary education related to minimum staffing level under the Act on Care Services for Older Persons, as well as increase in tertiary education student places (SB IV 2020). Impact on housing allowance, criterion change in item outside spending limits.		-20.0	-24.2	-12.0
	Exceptional situation mechanism.		500.0		
	Spending limits reserve for one-off and fiscal policy mandatory spending needs arising from the coronavirus situation.		500.0		
BP 2021, supplement					

Item	Matter	2020	2021	2022	2023
28.70.05, 28.89.90	Budgeting for re-use of funding, earmarked for preparation of health and social services reform, which was budgeted earlier and remained unused.		16.9		
29.20.30, 29.20.35	Timing change related to distribution of year-specific costs of extending compulsory education.		4.8		-4.8
31.10.20	Rebudgeting related to hydrographic charting procurement.		1.4		
31.10.77	Appropriation matching EU TEN support. Pass-through item, corresponding revenue in item 12.31.10.		1.5		
31.10.77, 31.10.79	Changing Hailuoto Fixed Link project from a life cycle project to be financed during construction.	-4.0	-3.0	17.0	20.0
32.20.46	Timing change in shipbuilding innovation support payments.		-8.1		
32.30.31	Timing change in support for food and beverage entrepreneurs.	-10.0	10.0		
13.03.01, 33.01.25	Budgeting of DigiFinland Oy recognised capital to corresponding expenditure.		20.0		
32.30.51, 33.20.50, 33.20.52	Criterion change in items outside spending limits. Acquiring studies leading to tertiary education degree on certain conditions as labour market training.		-0.4		
33.20.50, 33.20.52	Criterion change in items outside spending limits. Increasing protected component of unemployment security from EUR 300 to EUR 500 per month.		-8.7		
33.20.52	Criterion change in items outside spending limits. Right of entrepreneurs to unemployment security.		-47.7		
	Timing change in use of provision for future-oriented investments and other items with structural and cyclical policy implications.		49.3	-49.3	
SBP 2021					
32.40.43, 29.80.01, 29.80.05	Of the appropriation granted in 2020 to support business costs, EUR 20 million is cancelled. A corresponding increase is made to items 29.80.01 and 29.80.50.		20.0		
32.20.49	Timing change in investment project payments.		6.8		
33.20.50, 33.20.52	Criterion change in items outside spending limits. Increasing protected component of unemployment security for period 1 April–30 June 2021.		-13.0		
33.20.52	Criterion change in items outside spending limits. Right of entrepreneurs to labour market support in period 1 April–30 June 2021.		-48.0		
	Timing change in use of provision for future-oriented investments and other items with structural and cyclical policy implications.		55.7	-55.7	
GGFP 2022–2025					
27.10.18	Timing change in annual contributions for Squadron 2020 project		-190.0	-8.0	52.0
13.03.01, 26.30.01, 28.70.01, 33.01.35	Budgeting of DigiFinland Oy recognised capital to corresponding expenditure.			22.0	21.0
28.70.05, 28.89.90	Budgeting for re-use of funding, earmarked for preparation of health and social services reform, which was budgeted earlier and remained unused.			52.4	3.9
28.40.01, 11.19.09	Shift to net-budgeting with regard to payment of Regional State Administrative Agencies.			-0.9	-0.9

Item	Matter	2020	2021	2022	2023
28.89.31	Technical change. Transfer of funding from municipalities' tax revenue to wellbeing services counties.				13 449.0
28.89.31, 28.90.35	Technical change. Transfer of municipalities' tax revenue compensation outside the spending limits to the wellbeing services counties.				514.2
28.91.41	Further specification of effects of removing energy tax rebate system (ns. energy taxes).			-45.0	50.0
32.01.02, 32.30.51	Timing change in payments for SMEs recruitment support trial		-12.1	12.1	
32.20.46	Timing change in shipbuilding innovation support payments.			-2.6	4.5
33.10.54, 33.10.57, 33.20.50, 33.20.52	Effects of family leave reform in items outside the spending limits				-0.8
33.10.54, 33.10.57, 33.20.50, 33.20.52	Effects of Nordic employment service model on items outside the spending limits			-10.3	-15.3
	Exceptional situation mechanism			500.0	
	Timing change in use of provision for future-oriented investments and other items with structural and cyclical policy implications.			-366.8	366.8
Total		-14.1	817.8	66.8	14 463.4

Price- and cost-level adjustments

The central government spending limits for 2022–2025 are expressed in price and cost levels for 2022. Some of the expenditure, such as development aid expenditure and national financing contributions corresponding to EU Structural Fund contributions, are estimated at current prices, in which case they include an estimate of the impact on the appropriation of the rise in prices in the spending limits period. In other respects, the expenditure level will be revised annually according to the estimated rise in costs and prices.

Price- and cost-level adjustments compared with the previous spending limits decision total EUR 856 million for 2022, taking into account the impact of transferring to the 2022 price and cost level.

Adjustments to 2022 price and cost levels compared with the spending limits decision of 16 April 2020, EUR million

		Adjustment to appropriation and spending limits level		Adjustment to spending limits level
Spending limits expenditure according to classification of economic nature	Index used in calculation	Statutory index adjustment	Contractual adjustment	Other cost adjustments to spending limits expenditure
15-17 Pensions	Employee Pension Index (TyEL)	81.8		
18-19 Defence materiel acquisitions	Predictive increase 1.5%		34.5 [1]	

Spending limits expenditure according to classification of economic nature	Index used in calculation	Adjustment to appropriation and spending limits level: Statutory index adjustment	Adjustment to appropriation and spending limits level: Contractual adjustment	Adjustment to spending limits level: Other cost adjustments to spending limits expenditure
01-14 Wages and social security contributions	Increases under agreements		157.9	
Transport infrastructure expenditure	Building Cost Index (RKI)			35.2
01-14, 20-28 Other operating expenses and consumption	Consumer Price Index (KHI)			51.9
30-39 Imputed central government aid to municipalities and joint municipal authorities etc.	Index of Central Government Transfers to Local Government (VOS)	185.4		
30-39 Other central government aid to municipalities and joint municipal authorities	Index of Central Government Transfers to Local Government (VOS)			22.5
30 Central government funding for vocational education and training	Vocational education and training index	18.7		
40-49 Central government aid to trade and industry	Consumer Price Index (KHI)			37.9
50-59 Central government aid to households and non-profit-making organisations indexed on a statutory basis	National Pension Index (KEL), Employee Pension Index (TyEL), Consumer Price Index (KHI)	32.3		
51-52 Central government funding to Evangelical Lutheran Church and grant to Orthodox Church	Consumer Price Index (KHI)	1.8		
50-59 Non-indexed central government aid to households	National Pension Index (KEL)			24.1
50 Central government funding for universities and universities of applied sciences	University Index	37.8		
50-59 Other central government aid to households and non-profit-making organisations	Consumer Price Index (KHI)			17.7
60 Transfers to off-budget central government funds	Consumer Price Index (KHI)			6.7
60 Transfers to Social Insurance Institution of Finland	National Pension Index (KEL)	53.1		
60 Central government transfer for expenditure arising from the Health Insurance Act	National Pension Index (KEL)	3.4		26.3
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 GDP Price Index			

Spending limits expenditure according to classification of economic nature	Index used in calculation	Adjustment to appropriation and spending limits level: Statutory index adjustment	Adjustment to appropriation and spending limits level: Contractual adjustment	Adjustment to spending limits level: Other cost adjustments to spending limits expenditure
70-79 Real investments	Building Cost Index (RKI)			0.6
90-99 Other expenditure	Consumer Price Index (KHI)			1.3
Supplementary budget provision and unallocated reserve	Consumer Price Index (KHI)			6.8
Total in 2022		433.0	192.5	231.0

[1)] A predictive 1.5% price- and cost-level adjustment will be made to the appropriation levels for the Defence Forces' operating expenditure (excl. payroll expenditure), defence materiel procurement, multirole fighter aircraft procurement, military crisis management equipment and administration expenditure. The index expenditure of the Squadron 2020 project and multirole fighter aircraft procurement will be adjusted later in accordance with actual figures of the indices specified in agreements. The level of other appropriations will be revised later to correspond with the change in prices (annual average index change) indicated by the Consumer Price Index in terms of the Defence Forces' operating expenditure and military crisis management equipment and administrative expenditure as well as the change (months total/annual change) of the C28 sub-index (Manufacturing of other machinery and equipment) of the Industrial Producer Price Index for defence materiel procurement.

APPENDIX 3 Changes in the forecasts for general government finances compared with the previous General Government Fiscal Plan

Factors affecting general government budgetary position, according to national accounts, % GDP[1]

	2021	2022	2023	2024
General government balance, spring 2020	-4.0	-4.1	-3.8	-3.7
Central government:				
Impact of revised statistical basis on revenue and expenditure estimates	-0.2	0.0	0.0	0.0
Impact of revised macroeconomic forecast on revenue and expenditure estimates	0.4	0.7	0.9	1.0
Impact of discretionary measures on revenue and expenditure estimates	-2.4	-0.4	-0.3	0.0
Impact of other factors	0.1	0.1	0.1	0.0
Local government:				
Impact of revised statistical basis on revenue and expenditure estimates	0.1	0.1	0.1	0.1
Impact of revised macroeconomic forecast on revenue and expenditure estimates	0.1	0.2	0.3	0.4
Impact of discretionary measures on revenue and expenditure estimates	1.0	0.3	0.3	0.3
Impact of other factors	-0.2	-0.1	0.0	-0.2
Earnings-related pension funds:				
Impact of revised statistical basis on revenue and expenditure estimates	0.2	0.2	0.2	0.2
Impact of revised macroeconomic forecast on revenue and expenditure estimates	0.1	0.1	0.2	0.2
Impact of discretionary measures on revenue and expenditure estimates	0.0	0.0	0.0	0.0
Impact of other factors	0.0	0.1	0.0	-0.1
Other social security funds:				
Impact of revised statistical basis on revenue and expenditure estimates	0.2	0.2	0.2	0.2
Impact of revised macroeconomic forecast on revenue and expenditure estimates	0.1	0.1	0.2	0.2
Impact of discretionary measures on revenue and expenditure estimates	0.1	0.0	0.1	0.1
Impact of other factors	-0.4	-0.2	-0.3	-0.3
General government balance, spring 2021	-4.6	-2.5	-2.0	-1.7

[1] Due to rounding, the figures do not necessarily add up to totals.

APPENDIX 4 Economic development risks and their impact on public finances

The baseline scenario of the General Government Fiscal Plan is based, with respect to 2021–2023, on the April 2021 independent economic outlook forecast of the Economics Department of the Ministry of Finance. The years 2024 and 2025 have been taken into account in the scenario based on, among other things, the growth estimate for potential output. In addition to the economic outlook forecast, the baseline scenario's general government budgetary position is based on the Government Programme of Prime Minister Marin's Government, the General Government Fiscal Plan for 2021–2023 adopted by the Government in September 2019, the General Government Fiscal Plan for 2021–2024 adopted by the Government in April 2020, the General Government Fiscal Plan for 2022–2025 adopted by the Government in April 2021 as well as the 2020 and 2021 State budgets and supplementary budgets.

According to the baseline scenario, Finland's economy will grow on average by 1.8% per year in 2021–2025. The *international risks* of the forecast are down-side and high. The main risk is a deterioration of the epidemic situation and a weakening of international demand.

The *domestic* risks are related to the management of the epidemic. Economic growth may be slower than projected if coronavirus cases pick up again in the autumn and this results in widespread restrictive measures. A prolongation of the epidemic would particularly affect private consumption. The uncertain outlook for the investment environment may result in investments being postponed or their implementation prevented. Higher than assumed private investment, possibly catalysed by the RRF can be viewed as a positive risk.

The figures in the table below show the impact on unemployment and on the general government budgetary position and debt of economic growth that is either slower or faster than the baseline. The calculations are simplified and based on the assumption that annual output growth will deviate by one percentage point in either direction from the baseline scenario in the outlook period.

In the slower growth scenario, GDP growth would be more sluggish in 2021–2025. The unemployment rate would remain broadly unchanged compared with the baseline scenario. The general government deficit would be substantial throughout the outlook period and the debt ratio would grow to over 80%. General government finances would be more vulnerable than before to various negative shocks.

Faster growth than the baseline scenario of one percentage point would be sufficient to set the general government debt ratio on to a steeply downward path in the programme period. The general government balance would improve into surplus. The unemployment rate would fall fairly rapidly. A precondition for more favourable economic growth than in the baseline scenario is buoyant activity in the international economy as well as higher than anticipated economic growth in the industrialised countries.

The impact of the *low level of interest rates* on Finland's general government budgetary position is to both increase and reduce the deficit. The exceptionally low level of interest rates means that general government interest expenditure has fallen to just under 1% in ratio to GDP. On the other hand, the interest income received by earnings-related pension funds included in general government finances has declined significantly. The property income of the earnings-related pension funds also depends on the allocation of their holdings.

As a rough estimate, a rise in the level of interest rates by one percentage point would increase general government interest expenditure by approximately EUR 0.5 billion in 2021, and by 2025 interest expenditure would increase by slightly less than EUR 1.5 billion. A rise in interest rates would correspondingly increase the interest income of the earnings-related pension funds as well as the municipalities and central government. The public debt-to-GDP ratio would increase, however, as the surplus produced by the earnings-related pension providers cannot be used to cover deficits in other sectors.

Sensitivity analysis

Baseline scenario	2020	2021	2022	2023	2024	2025
GDP, change, %	-2.8	2.6	2.5	1.5	1.4	1.2
Unemployment rate, %	7.8	7.8	7.2	6.9	6.7	6.5
Budgetary position, % GDP	-5.4	-4.7	-2.9	-2.2	-1.7	-1.6
Public debt, % GDP	69.2	71.6	72.4	73.9	74.8	75.6
Slow growth – 1 month longer restrictive measures						
GDP, change, %	-2.8	1.6	1.5	0.5	0.4	0.2
Unemployment rate, %	7.8	8.2	7.9	7.8	7.8	7.7
Budgetary position, % GDP	-5.4	-5.2	-3.9	-3.7	-3.7	-4.1
Public debt, % GDP	69.2	72.6	74.9	78.3	81.4	84.8
Fast growth – 1 month shorter restrictive measures						
GDP, change, %	-2.8	3.6	3.5	2.5	2.4	2.2
Unemployment rate, %	7.8	7.3	6.6	6.1	5.6	5.2
Budgetary position, % GDP	-5.4	-4.2	-1.9	-0.6	0.3	0.9
Public debt, % GDP	69.2	70.5	70.0	69.6	68.4	66.6
Change in interest expenditure, if level of interest rates rises 1 pp, % GDP	0	0.2	0.4	0.4	0.4	0.5
Change in interest income, if level of interest rates rises 1 pp, % GDP	0	0.4	0.4	0.4	0.4	0.4
Change deficit, if level of interest rates rises 1 pp, % GDP	0	0.2	0.1	0.0	0.0	-0.1
Change in borrowing requirement, if level of interest rates rises 1 pp, % GDP	0	0.0	0.2	0.2	0.2	0.3

APPENDIX 5 Comparison with Commission's latest forecast

The table below compares the forecast of Finland's Ministry of Finance with the Commission's interim winter forecast with regard to GDP change and inflation. Other forecasts are compared with the Commission's autumn forecast.

Comparison with the Commission's previous forecast

	Commission's forecast			Ministry of Finance's forecast			
	2020	2021	2022	2020	2021	2022	2023
GDP, change, %[1]	-3.1	2.8	2	-2.8	2.6	2.5	1.5
Consumer Price Index, change %[1]	0.4	1.2	1.2	0.3	1.4	1.5	1.7
Unemployment rate, %[2]	7.9	7.7	7.4	7.8	7.8	7.2	6.9
General government balance, % GDP[2]	-7.6	-4.8	-3.4	-5.4	-4.7	-2.9	-2.2
Structural balance, % GDP[2]	-5.3	-3.5	-2.7	-3.4	-3.5	-2.4	-1.8
General government debt, % GDP[2]	69.8	71.8	72.5	69.2	71.3	72.4	73.9

1) Commission's winter forecast, February 2021

2) Commission's autumn forecast November 2020

APPENDIX 6 Stability Programme

Finland's Stability Programme is part of the General Government Fiscal Plan, which meets the EU's requirement for a medium-term fiscal plan (Regulation (EU) No. 473/2013 of the European Parliament and of the Council).

The data[5] in the Stability Programme tables are actual data[6] with respect to 2020, and the data for 2021–2022 are based on the independent forecast of the Economics Department of the Ministry of Finance. A target scenario for general government finances, based on the independent macroeconomic forecast and the objectives of the Government Programme, the Sustainable Growth Programme for Finland, Government negotiations on the General Government Fiscal Plan and decisions made in other contexts, is presented for 2023. The target scenario takes into account those measures decided by the Government in its negotiations on the General Government Fiscal Plan that have not been specified with sufficient precision so that they could be taken into account in the independent forecast of the Ministry of Finance and the General Government Fiscal Plan. The measures will be further specified in future budget proposals and in General Government Fiscal Plan to be presented next year. As parliamentary elections will be held in Finland in spring 2023, the data for 2024 are based on unchanged policy and are in line with the independent forecast of the Ministry of Finance.

Fiscal policy objectives

Medium-Term Objective

The Medium-Term Objective (MTO) for the structural balance has been set at -0.5% of GDP in the September 2019 Stability Programme[7]. This is the minimum level, which Finland has committed to in the Fiscal Compact[8]. The next review of the MTO, which takes place every three years, will be in 2022.

Other fiscal policy targets

As agreed by the Commission and the Member States, the Spring 2020 Stability Programme was more concise than usual in terms of content and did not set multiannual or sectoral targets for general government finances. The Spring 2021 Stability and Convergence Programmes are prepared in their normal format.

The General Escape Clause of the Stability and Growth Pact activated in March 2020 will remain in force in 2021 and probably also in 2022. This permits Member States to depart temporarily from the adjustment path towards the Medium-Term Objective, provided that this does not endanger fiscal sustainability in the medium term. The exceptional circumstances pursuant to domestic fiscal policy legislation (Fiscal Policy Act, 869/2012 and the Decree on the General Government Fiscal Plan,

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[5] Under Article 4 of Regulation 473/2013, "national medium-term fiscal plans and draft budgets shall be based on independent macroeconomic forecasts, and shall indicate whether the budgetary forecasts have been produced or endorsed by an independent body", whereas under Article 3 of Regulation 1466/97, "the stability programme shall be based on the most likely macrofiscal scenario or on a more prudent scenario".

[6] Data are based on the national accounts published by Statistics Finland on 15 March 2021.

[7] General Government Fiscal Plan 2020–2023. October 2019.

[8] The Treaty on Stability, Coordination and Governance in the Economic and Monetary Union, as well as the Act on requirements related to multiannual budgetary frameworks, which came into force on 1 January 2013.

120/2014) are also considered to apply, which means that the setting of multiannual and sectoral targets does not need to result in the achievement of the MTO.[9]

As Finland exceeded in 2020 the Treaty deficit reference value, 3% in ratio to GDP, target setting has been primarily based on efforts to bring the nominal deficit below the 3% deficit reference value in 2022, thus avoiding insofar as possible the excessive deficit procedure (EDP). Initiating the EDP is also possible while the General Escape Clause is in force. When the General Escape Clause is deactivated – according to current estimates in 2023 – target setting will return to the achievement of the MTO. According to the Stability and Growth Pact and domestic legislation the structural balance should therefore be improved by 0.5 percentage points in 2023. Achievement of the MTO will be outside the period of the Stability Programme and the Government term, and target setting related to it is likely to be assessed in the first General Government Fiscal Plan/Stability Programme of the next Government.

Multiannual targets for the general government deficit, debt and expenditure are presented in Table 1.

Table 1. Multiannual targets for general government finances, in ratio to GDP (%)

	2021	2022	2023	2024
Nominal budgetary position of general government	-4.7	-2.9	-2.1	-1.7
General government expenditure	56.3	54.0	53.1	52.3
General government gross debt	71.6	72.4	73.9	74.7

Government measures to achieve the fiscal policy targets

The Government will implement an active and responsible fiscal policy, scaled as required by economic conditions. Fiscal policy has been strongly expansive in the recession. The Government has decided on comprehensive measures to safeguard jobs and livelihoods and to ease the financial pressure on businesses facing difficulties caused by the coronavirus pandemic.

At the same time, measures according to the Government Programme (permanent additional expenditure and future-oriented investments), the introduction for 2021–2022 of the exceptional situation mechanism in line with the Government Programme, the increase in central government spending limits level decided by the Government in its mid-term policy review session, and the implementation of the Sustainable Growth Programme for Finland will support economic activity in the spending limits period. The fiscal policy line is structured such that the level of expenditure will gradually decrease from the exceptionally high level of 2020–2021. This is supported by the Government decision on permanent reallocations of expenditure amounting to EUR 370 million from 2023 onwards. In addition, tax decisions strengthening central government finances by EUR 100–150 million will be decided in connection with the autumn 2021 budget session.

It is a Government objective for the employment rate to be 75% in the middle of the decade. The Government is committed to a long-term approach in its work to raise the employment rate through decisions that will bring an estimated 80,000 new jobs. Decisions were already made by the Government at an earlier date on measures designed to bring 31,000–33,000 new jobs. The measures decided in the mid-term policy review are aimed at achieving 40,000–44 500 new jobs. Decisions on employment

[9] The National Audit Office of Finland has also stated that it is justified to interpret that the flexibility created in EU procedures is also included in national requirements. Separate report of the National Audit Office to Parliament: Fiscal policy monitoring report 2020. (vtv.fi)

measures that will strengthen general government finances by EUR 110 million will be made before the end of the Government term.

The Government's economic and fiscal policy are described in more detail in Chapter 1. The measures affecting general government revenue and expenditure, which have been taken into account in the independent forecast and the General Government Fiscal Plan, are presented in Chapter 9.

The target scenario of Stability Programme for 2023 also takes into account tax measures to be specified in connection with the autumn budget session, which will strengthen general government finances by EUR 100 million, and one third of the employment measures to be specified by the end of Government term, which will strengthen general government finances by EUR 110 million.

The Government will continuously monitor the economic situation and the achievement of economic policy targets, and will react as required by the situation. The Government is committed to reviewing the measures in the Government Programme should their implementation jeopardise the achievement of the targets set for general government finances.

Compliance with the Treaty deficit and debt criteria

According to the Treaty, the deficit criterion is considered to be complied with, notwithstanding a breach of the 3% reference value, if the deficit in ratio to GDP has decreased substantiallyand continuously and reached a level that comes close to the reference value or if the excess over the reference value is exceptional, temporary and minor.

In 2020, the general government deficit was 5.4% of GDP. According to the independent forecast, the deficit will decrease to 4.7% of GDP in 2021 and to 2.9% of GDP in 2022. In 2023–2024 deficit will decrease further according to the Stability Programme target scenario and the independent forecast. The excess over the reference value will therefore be exceptional and temporary, but not minor. According to the Ministry of Finance's assessment, Finland will breach the deficit criterion, as will nearly all the EU countries. The Government aims to bring the deficit below the deficit reference value and meet the deficit criterion from 2022 onwards.

The Treaty debt criterion is considered to be met, despite the 60% reference value being exceeded, if the debt ratio is sufficiently diminishing and approaching the reference value at a satisfactory pace.

The general government debt ratio rose in 2020 to 69.2% of GDP and, according to the independent forecast, will continue to rise in 2021 to approximately 71.6% of GDP and further to 72.4% in 2022. According to the Stability Programme target scenario and the independent forecast, the general government debt ratio will not return to a declining path in the period of the Stability Programme. Thus the Ministry of Finance considers that the debt criterion will be breached from 2020 onwards.

The Commission identified breaches of both the deficit and debt criteria in its report under Article 126(3) of the TFEU in spring 2020. At that time, however, the Commission decided not to initiate the excessive deficit procedure for any of the Member States. The Commission will also prepare a corresponding report in spring 2021. Initiation of the excessive deficit procedure on the basis of a breach of the deficit and/or debt criterion is possible.

Compliance with the preventive arm of the Stability and Growth Pact

Finland is currently within the preventive arm of the Stability and Growth Pact and is subject to the requirements of the preventive arm that relate to progress towards the MTO. The achievement of the

MTO or progress towards it are assessed with the aid of two pillars, the structural balance and the expenditure benchmark, appraising them in relation to the requirements specified in the Country-Specific Recommendations.

In the assessment of the Ministry of Finance, Finland has complied with the Country-Specific Recommendation issued to it in 2020.

The Country-Specific Recommendations adopted in summer 2020 did not provide numerical requirements. Instead, the Country-Specific Recommendation to nearly all Member States was to "in line with the General Escape Clause of the Stability and Growth Pact, take all necessary measures to address the COVID-19 pandemic, sustain the economy and support the ensuing recovery; when economic conditions allow, pursue fiscal policies aimed at achieving prudent medium-term fiscal positions and ensuring debt sustainability, while enhancing investment".[10]

The format of the Country-Specific Recommendations to be published in May is still unclear. On 3 March, the European Commission published the Communication "One year since the outbreak of COVID: fiscal policy response", in which the Commission sets out its intentions for fiscal policy coordination at the EU level in spring 2021. The Communication addresses, on the one hand, the circumstances in which the Commission could deactivate the General Escape Clause of the Stability and Growth Pact activated in spring 2020 and, on the other hand, what kind of country-specific fiscal guidance can be expected in the spring Country-Specific Recommendations.

According to the Communication, the guidance provided in the Country-Specific Recommendations will be mainly qualitative, but may include some numerical elements. In the guidance, countries would be divided into two groups:

— Countries with low sustainability risk: should maintain a supportive fiscal policy in 2022, taking into account the impact of the RRF.
— Countries with high debt levels: should pursue prudent fiscal policies, while preserving nationally-financed investment and using RRF grants to fund additional high-quality investment projects.

If sustainability risks are assessed on the basis of the S1 indicator, the Ministry of Finance considers that Finland would belong to the latter group of countries, as Finland's sustainability risks, based on the S1 indicator, are at a medium level, not low.

As the exact form of the Country-Specific Recommendations is unclear, the Ministry of Finance considers that a preliminary assessment of compliance with the preventive arm for 2022 is not possible at this point. According to the current assessment, however, the General Escape Clause will still be in force in 2022, so at that time there will still be no return to normal progress towards the MTO.

In 2023, assuming a return to normal and on the basis of the Stability and Growth Pact and domestic fiscal policy legislation, it can be assumed that the structural balance should improve at that time by 0.5% of GDP. The Stability Programme target scenario and the independent forecast suggest that the improvement in the structural balance would be in line with this, but it should be noted, however, that the assessment of the structural balance is subject to uncertainties in the context of strong economic

[10] The recommendationrecommendationrecommendationCountry-Specific Recommendation adopted in summer 2020 therefore replaced the 2019 recommendationrecommendationrecommendationCountry-Specific Recommendation "to ensure that the nominal growth rate of net primary government expenditure does not exceed 1.9% in 2020, corresponding to an annual structural adjustment of 0.5% of GDP".

changes. Estimating the output gap is difficult and it is likely that the assessment of the macroeconomic situation will change in later forecasts as a fuller picture of economic development is obtained.

In any case, the achievement of the MTO will be outside the Government term/Stability Programme period.

Government's assessment of progress towards the Medium-Term Objective

According to the Government's assessment, Finland has complied with the Country-Specific Recommendation on general government finances that it received in 2020. Pursuant of section 3, subsection 1 of the Fiscal Policy Act (869/2012), the Government will initiate the measures it deems necessary to correct budgetary stability and sustainability if the structural balance of the general government, in the Government's assessment, deviates significantly in a manner that jeopardises the achievement of the MTO. The Government will assess this in connection with the monitoring and overall assessment of the state of public finances or as the European Union draws attention to this matter in its statement on Finland's Stability Programme.

Assessment of progress on the Country-Specific Recommendations of 2020

As assessed above, Finland has complied with the recommendation on general government finances it received in July 2020. Progress made in the other Country-Specific Recommendations given to Finland in 2020 will be discussed in the National Reform Programme, which will be appended to the National Recovery and Resilience Plan to be published in May 2021.

Comparison with other forecasts, and sensitivity analysis

For a comparison between the targets set by the Government and the Commission's latest public finance forecast, see the table below and the sensitivity analysis in Appendix 4 to the General Government Fiscal Plan. The Commission's most recent GDP and inflation figures are from February 2021 and the public finance figures from November 2020.

Tables 1–3

Table A. General government structural balance, net lending, expenditure and gross debt. Target scenario and Ministry of Finance spring forecast, in ratio to GDP.

	2020	2021	2022	2023	2024
Structural balance					
— target				-1.8	-1.5
— forecast	-3.4	-3.5	-2.4	-1.8	-1.6
General government net lending					
— target				-2.1	-1.7
— forecast	-5.4	-4.7	-2.9	-2.2	-1.7
General government gross debt					
— target				73.9	74.7
— forecast	69.2	71.6	72.4	73.9	74.8
General government expenditure					
— target				53.1	52.3
— forecast	56.7	56.3	54.0	53.1	52.3

Table B. Comparison with the Commission's previous forecast

	Commission's forecast			Ministry of Finance's forecast			
	2020	2021	2022	2020	2021	2022	2023
GDP, change, %[1]	-3.1	2.8	2	-2.8	2.6	2.5	1.5
Consumer Price Index, change %[1]	0.4	1.2	1.2	0.3	1.4	1.5	1.7
Unemployment rate, %[2]	7.9	7.7	7.4	7.8	7.8	7.2	6.9
General government balance, % GDP[2]	-7.6	-4.8	-3.4	-5.4	-4.7	-2.9	-2.1
Structural balance, % GDP[2]	-5.3	-3.5	-2.7	-3.4	-3.5	-2.4	-1.8
General government debt, % GDP[2]	69.8	71.8	72.5	69.2	71.6	72.4	73.9

1) Commission's winter forecast, February 2021

2) Commission's autumn forecast, November 2020

Table 1a. Macroeconomic prospects

	2020 EUR billion	2020	2021	2022	2023	2024
1. Real GDP	229.5	-2.8	2.6	2.5	1.5	1.4
2. GDP at current prices	247.8	-1.2	4.4	4.2	3.4	3.2
Components of real GDP						
3. Private consumption expenditure	119.9	-4.9	3.5	2.9	1.6	1.6
4. Government final expenditure	56.6	2.3	2.3	0.0	-1.5	0.1
5. Gross fixed final consumption	50.8	-3.1	-0.2	3.5	2.8	2.1
6. Changes in inventories and net acquisition of valuables (% of GDP)	0.1	0.0	0.0	0.0	0.0	0.0
7. Exports of goods and services	89.6	-6.6	4.6	4.7	3.7	2.2
8. Imports of goods and services	88.1	-6.6	4.1	3.8	3.1	2.2
Imputed impact in GDP growth, % points						
9. Final domestic demand	227.3	-2.8	2.3	2.3	1.1	1.3
10. Change in inventories and net acquisition of valuables	0.1	0.0	0.1	-0.2	0.1	0.0
11. External balance of goods and services	1.4	0.0	0.2	0.4	0.2	0.1

Table 1b. Development of price indices

	2020	2021	2022	2023	2024
1. GDP deflator	1.7	1.7	1.7	1.9	1.8
2. Private consumption deflator	0.4	1.4	1.5	1.7	1.7
3. Harmonised Index of Consumer Prices	0.4	1.5	1.7	1.9	1.8
4. Public consumption deflator					
5. Investment deflator					
6. Export price deflator	-4.6	1.8	1.8	1.6	1.6
7. Import price deflator	-5.3	2.0	1.9	1.7	1.6

Table 1c. Labour market development

	2020 level	2020	2021	2022	2023	2024
1. Employment, 1,000 persons	2 528	-1.5	0.1	1.2	0.6	0.4
2. Employment, 1,000 working hours						
3. Unemployment rate (%)	213	7.8	7.8	7.2	6.9	6.7
4. Labour productivity, persons	88.5	-1.3	2.5	1.3	0.9	0.9
5. Labour productivity, hours worked						
6. Compensation of employees	110.2	-1.6	4.4	3.8	3.2	2.8
7. Compensation of employees per employee	43.6	-0.1	4.4	2.6	2.5	2.4

Table 1d. Sectoral balances, % GDP

	2019	2020	2021	2022	2023	2024
1. Finland's net lending/borrowing vis-à-vis the rest of the world	0.4	0.2	0.4	0.6	0.6	0.6
of which:						
— Balance of goods and services						
— Factor income and transfer balance						
— Capital transfers, net						
2. Private sector net lending						
3. Public sector net lending						
4. Statistical discrepancy	0.5	0.5	0.5	0.5	0.4	0.4

Table 2a. General government prospects, % GDP

	2020 EUR million	2020	2021	2022	2023	2024
Net lending by subsector (EDP B.9)						
1. General government, total	-12 924	-5.4	-4.7	-2.9	-2.1	-1.7
2. Central government	-13 370	-5.6	-5.0	-2.9	-2.2	-1.9
3. County government					-0.2	-0.2
4. Local government	175	0.1	-0.3	-0.8	-0.6	-0.4
5. Social security funds	271	0.1	0.6	0.8	0.9	0.9
General government (S13)						
6. Total revenue	125 240	51.2	51.6	51.1	51.0	50.7
7. Total expenditure	127 974	56.7	56.3	54.0	53.1	52.3
8. Net lending	-2 734	-5.4	-4.7	-2.9	-2.1	-1.7
9. Interest expenditure	2 063	0.7	0.5	0.4	0.3	0.3
10. Primary balance	-671	-4.8	-4.2	-2.5	-1.8	-1.4
11. One-off measures	0	0.0	0.0	0.0	0.0	0.0
Revenue categories						
12. Tax revenue (12=12a+12b+12c)	71 412	30.1	30.1	29.6	29.3	29.2
12a. Taxes on production and imports	32 889	13.8	13.9	13.6	13.4	13.2
12b. Income tax expense	37 726	15.9	15.8	15.7	15.6	15.6
12c. Taxes on capital income	797	0.3	0.4	0.3	0.3	0.3
13. Social security contributions	27 612	11.6	12.2	12.0	12.0	12.0
14. Property income	6 468	2.7	2.6	2.8	2.8	2.9
15. Other revenue (15=16-12-13-14)	16 184	6.8	6.7	6.7	6.8	6.6

	2020 EUR million	2020	2021	2022	2023	2024
16. = 6. Total revenue	121 676	51.2	51.6	51.1	51.0	50.7
of which: Tax burden (D2+D.5+D.61+D.91-D.995)	99 321	41.9	42.4	41.8	41.4	41.3
Expenditure categories						
17. Compensation of employees + intermediate consumption	57 262	24.1	24.2	23.7	23.3	23.0
17a. Compensation of employees (i.e. wages + employer's social security contributions)						
17b. Intermediate consumption						
18. Social transfers (18=18a+18b)	53 557	22.6	22.0	21.5	21.3	21.2
of which unemployment benefits	5 799	2.4	2.1	1.8	1.7	1.7
18a. Social transfers in kind						
18b. Monetary social benefits						
19. = 9. Interest expenditure	1 611	0.7	0.5	0.4	0.3	0.3
20. Subsidies	4 184	1.8	1.7	1.1	1.1	1.1
21. Gross fixed capital formation	10 877	4.6	4.6	4.4	4.2	4.1
22. Capital transfers	564	0.2	0.6	0.3	0.3	0.3
23. Other expenditure (23 = 24 -17-18-19-20-21)	6 545	2.8	2.8	2.6	2.5	2.4
24. = 7. Total expenditure	134 600	56.7	56.3	54.0	53.1	52.3
of which: Public consumption	58 110	24.5	24.6	24.1	23.5	23.4

Table 2b. Revenue and expenditure under unchanged policies, % GDP

	2020 EUR million	2020	2021	2022	2023	2024
1. Total revenue under unchanged policies	121 676	51.2	51.6	51.1	50.9	50.6
2. Total expenditure under unchanged policies	134 600	56.7	56.3	54.0	53.1	52.3

Table 2c. Amounts to be excluded from the expenditure benchmark, % GDP

	2020 EUR million	2020	2021	2022	2023	2024
1. Expenditure on EU programmes fully matched by EU funds revenue	492	0.2	0.2	0.2	0.2	0.2
1a. of which investment fully matched by EU funds revenue	104	0.0	0.0	0.0	0.0	0.0
2. Cyclical unemployment benefit expenditure	632	0.3	0.3	0.2	0.1	0.1
3. Effect of discretionary revenue measures	-726	-0.3	0.7	-0.1	0.0	0.1
4. Revenue increases mandated by law	77	0.0	0.0	0.0	0.0	0.0

Tables 4–8

Table 4. Development of general government debt, % GDP

	2020	2021	2022	2023	2024
1. Gross debt, % GDP	69.2	71.6	72.4	73.9	74.7
2. Change in the gross debt ratio, pp	9.7	2.4	0.8	1.4	0.9
Contributions to changes in gross debt, pp					
3. Primary balance	4.8	4.2	2.5	1.8	1.4
4. Interest expenditure	0.7	0.5	0.4	0.3	0.3
5. Stock-flow adjustment items	4.3	-2.3	-2.1	-0.7	-0.8
of which:					
— Differences between cash-based and accrual-based statistics					
— Net acquisition of financial assets					
— of which: privatisation proceeds					
— Other (incl. impacts of GDP growth)					
Implicit interest rate on debt	1.1	0.8	0.6	0.5	0.4
Other relevant variables					
6. Liquid financial assets (AF1, AF2, AF3, AF5)					
7. Net financial liability (7=1-6)					
8. Central government write-offs (existing bonds)					
9. Shares of foreign currency denominated loans					
10. Average maturity of government debts					

Table 5. Cyclical impact on the general government balance, % GDP

	2020	2021	2022	2023	2024
1. Real GDP, % change	-2.8	2.6	2.5	1.5	1.4
2. General government financial balance	-5.4	-4.7	-2.9	-2.1	-1.7
3. Interest expenditure	0.7	0.5	0.4	0.3	0.3
4. One-off measures	0.0	0.0	0.0	0.0	0.0
one-off measures affecting general government revenue					
one-off measures affecting general government expenditure					
5. Potential GDP, change %					
contributions:					
— labour input					
— invested capital					
— total factor productivity					
6. Production gap					
7. Financial balance cyclical component					
8. Cyclically-adjusted balance (2-7)					
9. Cyclically-adjusted primary balance (8+3)					
10. Structural balance (8-4)	-3.4	-3.5	-2.4	-1.8	-1.5

Table 6. Divergence from previous Stability Programme

	2020	2021	2022	2023	2024
GDP growth (%)					
SP-2020 April	-5.5	1.3	1.3		
SP-2021 May	-2.8	2.6	2.5	1.5	1.4
Difference, pp					
General government balance, % GDP					
SP-2020 April	-7.2	-4.0	-4.1		
SP-2021 May	-5.4	-4.7	-2.9	-2.1	-1.7
Difference, pp*					
General government gross debt, % GDP					
SP-2020 April	69.1	71.5	73.8		
SP-2021 May	69.2	71.6	72.4	73.9	74.7
Difference, pp*					

Table 7. Long-term sustainability of general government finances, % GDP

	2007	2010	2020	2030	2040	2050	2060
Total expenditure	46.6	53.9	56.7	53.0	55.6	56.9	59.5
of which: age-related expenditure			31.2	30.6	30.6	30.3	31.2
Total revenue	51.7	51.4	51.2	50.5	51.7	52.8	54.4

Table 7a. Contingent liabilities, % of GDP

	2020	2021
Central government guarantees	36.2	
of which: linked to financial sector	12.4	

Table 8. Underlying assumptions of forecast[1]

	2020	2021	2022	2023
3-month EURIBOR	-0.4	-0.5	-0.5	-0.4
Long-term interest rate (10 years)	-0.2	-0.2	-0.1	-0.1
USD/EUR exchange rate	1.1	1.2	1.2	1.2
Nominal effective exchange rate	2.7	1.7	0.0	
World GDP growth (excluding the EU)	-3.4	5.2	3.8	
EU-28 GDP growth	-6.3	3.7	3.9	
GDP growth of relevant foreign markets	-7.1	6.0	4.1	3.8
World trade growth	-5.5	6.6	4.5	4.3
Oil prices (USD/barrel)	43.4	61.8	58.3	55.9

1) No specific underlying assumptions were defined for the medium-term computations. Instead, they are based on general assessments of developments in the operating environment.