General Government Fiscal Plan for 2025-2028

Economic Policy

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Abstract

The purpose of the General Government Fiscal Plan is to support decision-making related to general government finances as well as achieving the targets set for the general government finances. 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.

The General Government Fiscal Plan also includes Finland's Stability Programme, and it meets the EU's requirement for a medium-term fiscal plan.

The General Government Fiscal Plan 2025–2028 covers, among other things, the economic policy line of Prime Minister Orpo's Government and the economic challenges. The General Government Fiscal Plan also includes the central government spending limits decision. Ministries must prepare their budget proposals in accordance with the decisions made in the context of the General Government Fiscal Plan.

Publication was updated on 30th April 2024, p. 50 & p. 86.

Keywords economic policy, general government fiscal plans, stability programmes, decisions on spending limits

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Julkisen talouden suunnitelma vuosille 2025–2028

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Tiivistelmä

Julkisen talouden suunnitelman tarkoituksena on tukea julkista taloutta koskevaa päätöksentekoa sekä julkiselle taloudelle asetettujen tavoitteiden saavuttamista. Suunnitelma sisältää valtion, hyvinvointialueiden ja kuntien taloutta sekä lakisääteisiä työeläkelaitoksia ja muita sosiaaliturvarahastoja koskevat osat. Valtioneuvosto laatii julkisen talouden suunnitelman vaalikaudeksi ja tarkistaa sen vuosittain seuraavaksi neljäksi vuodeksi huhtikuun loppuun mennessä.

Julkisen talouden suunnitelma sisältää samalla Suomen vakausohjelman sekä vastaa EU:n vaatimukseen keskipitkän aikavälin budjettisuunnitelmasta.

Julkisen talouden suunnitelmassa vuosille 2025–2028 käsitellään mm. pääministeri Orpon hallituksen talouspolitiikan linjaa ja talouden haasteita. Julkisen talouden suunnitelma sisältää myös valtiontalouden kehyspäätöksen. Ministeriöiden tulee laatia talousarvioehdotuksensa noudattaen julkisen talouden suunnitelman yhteydessä tehtyjä ratkaisuja.

Julkaisu on päivitetty 30.4.2024, s. 50 & s. 86.

Asiasanat	talouspolitiikka, julkisen talouden suunnitelmat, vakausohjelmat, kehyspäätökset		
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Plan för de offentliga finanserna 2025–2028

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Referat

Syftet med planen för de offentliga finanserna är att stödja det beslutsfattande som gäller de offentliga finanserna och de mål som ställts för de offentliga finanserna. I planen ingår delar som gäller statsfinanserna, välfärdsområdenas och kommunernas ekonomi samt lagstadgade arbetspensionsanstalter och övriga socialskyddsfonder. Statsrådet gör upp en plan för de offentliga finanserna för valperioden och justerar årligen före utgången av april planen för de följande fyra åren.

Planen för de offentliga finanserna innehåller Finlands stabilitetsprogram samtidigt som den uppfyller EU:s krav på en budgetplan på medellång sikt.

I planen för de offentliga finanserna för 2025–2028 behandlas bland annat utmaningarna inom ekonomin och den ekonomisk-politiska linjen för statsminister Orpos regering. Planen för de offentliga finanserna innehåller även ett rambeslut för statsfinanserna. Ministerierna ska göra upp sina budgetförslag med iakttagande av de beslut som fattats i anslutning till planen för de offentliga finanserna.

Publikation uppdaterades den 30 april 2024, s. 50 & s. 86.

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Contents

General Government Fiscal Plan 2025–2028

In accordance with Article 4 of Regulation 473/13, the General Government Fiscal Plan is based on independent macroeconomic and fiscal forecasts produced by the Economics Department of the Ministry of Finance. The General Government Fiscal Plan also includes Finland's Stability Programme, and it meets the EU's requirement for a medium-term fiscal plan. 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:

Summary

Economic challenges and the economic policy line

The Ministry of Finance expects that economic growth will be close to zero in 2024. The economy is expected to recover to 1.6% growth in 2025, but economic growth is projected to remain in the 1–1.5% range in the period 2026–2028. A structural problem of the Finnish economy is weak productivity growth. Production-related investments and research and development activity are relatively low and the level of education of young people is lower than in other advanced industrialised countries. Although the employment rate has risen significantly in recent years, the unemployment rate remains high and there will be a shortage of skilled labour as the economy picks up.

Over the last 15 years, the general government debt ratio has risen significantly. Without measures to strengthen general government finances, the debt ratio will also continue rise in the coming years. The debt ratio will be increased by growth in expenditure related to population ageing, in addition to which a rise in the level of debt together with higher interest rates will increase central government debt servicing expenditure significantly. In next few years, general government finances will also be burdened by a number of substantial security-related procurement items.

The priorities of the Government's economic policy are economic stability, employment, economic growth and safeguarding welfare services. The Government's goal is to stabilise the general government debt ratio by 2027. A longer-term goal is to balance general government finances and set the debt ratio on a downward path towards to the level of the other Nordic countries.

For more details see Chapter 1: Economic challenges and the economic policy line.

Objectives and rules steering the management of general government finances

In accordance with existing EU and domestic fiscal policy legislation, the General Government Fiscal Plan confirms the validity of the Medium-Term Objective (structural budgetary balance of -0.5% in ratio to GDP) and sets multiannual targets for the budgetary balance of general government finances, as a whole as well as a target for each subsector of general government finances. In addition, multiannual targets corresponding to the budgetary targets for general government finances are presented for general government debt and general government expenditure in ratio to GDP at market prices. Both EU and national fiscal policy legislation is being reformed. The Government is committed to strengthening national fiscal rules to make them more strongly supportive of debt sustainability.

The Government is committed to keeping the general government deficit below 3.5% in 2024. To avoid triggering the EU's excessive deficit procedure, the Government will implement additional measures necessary to balance general government finances as part of the spring 2024 supplementary budget process.

For more details see Chapter 2: Objectives and rules steering the management of general government finances.

Economic fundamentals

Rising prices and interest rates have reduced household consumption and investment. The Finnish economy will not grow in 2024 after last year's 1% decline. GDP will grow by 1.6% in 2025 and 1.5% in 2026. Employment will fall slightly in 2024, but will increase from 2025 as a result of demand growth and employment measures.

In the medium term, economic output is projected to grow moderately. In 2027, GDP is projected to grow by c. 1.3% and in 2028 by c. 1.1%. GDP growth will be supported by, among other things, growth of private investment, which is expected to recover due to decreasing market interest rates as well as green transition investments. The positive development of the labour market is expected to continue in the medium term.

The general government finances deteriorated in 2023 after a short-lived improvement and will continue to weaken in 2024, when the financial balance is expected according to an independent forecast to be more than -3½% in ratio to GDP. In 2024, the economic situation continues to be subdued, growth of tax revenues is sluggish and income from social security contributions is shrinking. On the other hand, tax revenue growth will pick up in 2025 and the adopted adjustment measures will already increase tax revenue from the end of 2024. Expenditure will be increased by, among other things, growth in interest expenditure and benefit expenditure. The financial balance will improve over the spending limits period. The Government Programme measures to strengthen general government finances and the adjustment measures decided by the Government in the spring spending limits discussion will improve the financial balance of general government finances and slow down accumulation of debt. Borrowing will also be slowed down by channelling benefit expenditure savings resulting from Government measures from social security funds to elsewhere in general government finances. Accumulation of debt will continue, however, and the general government debt ratio will rise to nearly 85% in 2028.

For more details see Chapter 3: Economic fundamentals.

Government liabilities and risks

The largest component areas of central government liabilities are central government debt, pension liabilities and central government guarantees. Pension liabilities amounted to EUR 101 billion at the end of 2023. The largest growth over the last 10 years has been in the amount of central government debt and central government guarantees. Outstanding central government debt stood at EUR 156.2 billion as at the end of 2023, while the outstanding portfolio of central government guarantees was EUR 67.0 billion.

For more details see Chapter 4: Government liabilities and risks.

Central government finances

In its Government Programme, Prime Minister Orpo's Government has committed to the spending limits procedure for central government expenditure. The central government spending limits system is a key instrument of the Government's fiscal policy steering and the foundation of a credible economic policy.

On-budget expenditure in 2025 is expected to be c. EUR 87.6 billion, which is c. EUR 0.3 billion less than in the actual budget for 2024. The decrease in expenditure is explained by reforms and expenditure savings in accordance with

Prime Minister Petteri Orpo's Government Programme (c. EUR 0.5 billion) as well as the additional savings outlined in this General Government Fiscal Plan (EUR 1.2 billion) and the channelling solution for savings in off-budget entities (EUR 0.5 billion). On the other hand, the appropriation level will be increased compared with 2024 by the ex-post revision of funding for wellbeing services counties (EUR 1.5 billion) as well as statutory and contractual index adjustments for 2025 (EUR 1.3 billion).

In the spending limits period, on-budget expenditure is expected to be, on average, EUR 86.7 billion at the 2025 price level. In 2028, on-budget expenditure is expected to be EUR 85.9 billion (at the 2025 price level), which is c. EUR 1.7 billion less than projected expenditure for 2025.

In 2025, on-budget revenue is expected to be EUR 76.9 billion. The share of actual on-budget revenue accounted for by tax revenue will be c. 90% on average across the spending limits period. At the end of the spending limits period, on-budget revenue is expected to total EUR 84 billion. Tax revenue is projected to grow in the spending limits period on average by 3.7% per year.

The central government on-budget deficit is expected to average EUR 8.5 billion in the period 2025–2028 and to decrease towards the end of the spending limits period and be 7.0 billion in 2028.

For more details see Chapter 5: Central government finances.

Finances of the wellbeing services counties

The wellbeing services counties finance their activities mainly with universal central government universal funding. At the national level, central government funding will total c. EUR 26.2 billion in 2025. Compared with the previous General Government Fiscal Plan, the level of funding will increase by c. EUR 1.8 billion in 2025. The large increase is explained particularly by the statutory ex-post revision amounting to EUR 1.46 billion, which will be added for the first time to 2025 funding.

Funding is also affected by rising costs, the anticipated increase in the need for services, and changes to tasks. The growth in the need for services will increase funding by EUR 29.4 million in 2025, EUR 37.0 million in 2026, EUR 38.7 million in 2027 and EUR 74.0 million in 2028 relative to the autumn 2023 spending limits decision. The index adjustment of the funding of the wellbeing services counties for

2025 will be 2.762%, which will increase the amount of funding in 2025 compared with the autumn 2023 spending limits decision by a total of c. EUR 740 million, of which the ex-post revision will account for c. EUR 74 million.

At the end of the spending limits period in 2028, central government funding will be c. EUR 25.2 billion. Funding will be reduced during the spending limits period particularly by the estimated reduction in the amount of the ex-post revision in the period 2026–2028. In addition, funding will be affected by the changes to legislation on health and social services tasks agreed in the Government Programme and in the General Government Fiscal Plan.

For more details see Chapter 6: Finances of the wellbeing services counties.

Municipal finances

In 2025, c. EUR 5.5 billion will be allocated to central government grants and transfers to municipalities, of which imputed central government transfers will be c. EUR 4.5 billion, compensation to municipalities for tax criteria changes EUR 0.5 billion and other central government grants and transfers EUR 0.5 billion. At the end of the spending limits period in 2028, central government transfers and grants to municipalities will be c. EUR 5.6 billion. Relative to the autumn 2023 General Government Fiscal Plan, central government transfers will be reduced by the update to the health and social services reform transfer calculation made in November 2023 on the basis of 2022 completed taxation data, which will result in a reduction in the central government transfer for basic public services both permanently and temporarily in 2025–2027. Imputed central government transfers will also be reduced by the reduction in the age cohorts of children and young people. The decisions in the 2024 spring General Government Fiscal Plan will result in a net increase in central government transfers. In contrast, compensation to municipalities for tax criteria changes will decrease as a result of tax decisions.

The central government transfer to municipalities for basic public services will be EUR 3.2 billion in 2025 and EUR 3.3 billion in 2028. The level of the central government transfer in 2025 will decrease by EUR 178 million from the autumn 2023 General Government Fiscal Plan. An increase of EUR 277 million will be allocated to the central government transfer to cushion the reduction in the central government transfer related to the revision, made in November 2023, of the health and social services reform transfer calculation.

For more details see Chapter 7: Municipal finances.

Earnings-related pension funds and other social security funds

The surplus of the earnings-related pension funds has declined significantly since the early 2000s as pension expenditure has increased. The increase in pension expenditure is driven by the growing number of people of retirement age. At the beginning of the 2000s, the surplus was at its highest level, c. 4% of GDP, while in recent years the surplus has been around 1% of GDP. Although pension expenditure exceeds contribution income, the sector will also remain in surplus in the coming years, as the prefunding of the earnings-related pension sector will keep property income at a reasonably high level. The surplus of the earnings-related pension funds in the next few years will be just over 1% of GDP.

The other social security funds sector was slightly in surplus in 2023, but the financial position of the sector is expected to decline into deficit from 2024. In 2024, the contribution income of the sector will be decreased by the reduction in the unemployment insurance contribution by 1.4 percentage points. Moreover, expenditure will be reduced particularly by the savings measures of Prime Minister Orpo's Government directed at social benefits and from 2025 also by the additional adjustment measures decided on in spring 2024. In 2025–2028, in the solution channelling savings from social security funds, it is assumed that unemployment insurance contributions will decrease and, at the same time, health insurance contributions will increase, as government contributions to the sector's expenditure fall. The financial balance of the social security funds sector may fluctuate slightly on an annual basis, with the buffer funds providing flexibility.

For more details see Chapter 8: Earnings-related pension funds and other social security funds.

1 Economic challenges and the economic policy line

Economic challenges

The economic policy of Prime Minister Orpo's Government is based on the current state of the Finnish economy according to an independent forecast of the Ministry of Finance. Last year, the Finnish economy was in recession and GDP volume contracted by 1.0%. The Ministry of Finance considers that economic growth will be close to zero in 2024. The economic situation has been weakened by rising prices and interest rates, which have reduced private consumption and construction. In addition, the decline in world trade has reduced exports. The economy is expected to recover in 2025 and grow faster than potential output in the next few years. Private consumption will return to growth, as slowing inflation, falling interest rates and rising incomes boost household purchasing power. Income growth will be maintained by improving employment as output recovers and employment measures increase the labour supply. In addition, investment will grow as construction recovers after a sharp decline and investments related to the energy transition and security increase.

A structural problem of the Finnish economy is weak productivity growth. Productivity growth will be slowed by the relatively low level of production-related investments and research and development activity as well as the level of education of young people, which is lower than in other advanced industrialised countries. Although the employment rate has risen significantly in recent years, the unemployment rate remains high and there will be a shortage of skilled labour as the economy grows.

Over the last 15 years or so, the general government debt ratio has risen significantly. The deterioration in the dependency ratio has led to public sector expenditure growing faster than revenue, creating a large structural deficit in general government finances. Expenditure related to population ageing will continue to grow in the coming years and decades. In addition to this, a rise in the level of debt together with higher interest rates will increase central government debt servicing expenditure significantly. In next few years, general government finances will also be burdened by a number of substantial security-related procurement items.

Due to weak economic development and the growing expenditure and needs described above, the deficits of general government are deep and they are projected to remain so. The EUR 6 billion package to strengthen general government finances adopted in the Government Programme will no longer curb deficit development sufficiently, nor will it be sufficient to stabilise debt accumulation. Without additional measures, the general government deficit would be repeatedly above 3% of GDP over the spending limits period and the debt would already approach 90% of GDP by the end of the spending limits period.

Economic policy line

The objective of Prime Minister Orpo's Government is to improve the standard of living of Finns, turn the Finnish economy on to a sustainable growth path and reverse the trend of indebtedness, which jeopardises wellbeing. The Government will improve the opportunities for Finns to build their futures through education, work and entrepreneurship. Stable economic development creates security and supports family formation. The Government aims to increase household purchasing power and take the impact on everyday costs into account in its decisions. A further objective of the Government is a Finland where the funding of the most important services of the welfare society is secured for future generations. To achieve these objectives, the Government will implement ambitious growth-boosting reforms and take the necessary action to balance general government finances.

The priorities of the Government's economic policy are economic stability, employment, economic growth and safeguarding welfare services. The Government is committed to balancing general government finances in order to ensure the wellbeing of the people and the sustainable development of the economy. The Government's employment and growth measures, together with direct adjustment measures, will create the conditions for balanced general government finances in 2031.

The permanent structural imbalance between expenditure and revenue in general government finances is an acute problem. The general government debt ratio, which is severely in deficit, has diverged significantly from that of the other Nordic countries. The Government's goal is to stabilise the general government debt ratio by 2027. A longer-term goal is to balance general government finances and set the debt ratio on a downward path towards the level of the other Nordic countries.

Accelerating economic and employment growth is the most important means of stabilising general government finances. A credible economic policy also requires direct savings measures. The aim is to implement such measures in a way that acknowledges the situation of the most vulnerable groups. Given the high tax burden by international standards and the need to safeguard the conditions for economic growth, balancing will not be implemented by increasing the overall tax rate.

To increase the purchasing power and wellbeing of Finns, a key objective of the Government will be to strengthen the conditions for economic growth. Economic growth will be boosted by improving fair competition, making significant investments in RDI, boosting knowledge and competence, and developing the labour market. The Government also aims to enhance Finland's competitiveness and the conditions for entrepreneurship.

During its term, the Government will make substantial one-off investments to support growth. The Government will finance a EUR 4 billion package of one-off investments with central government property income, liquidating the over-capitalisations of state-owned unlisted companies, and making revenue recognitions from the National Housing Fund without jeopardising the Fund's current level of activity.

To boost investment, the Government has also decided on a new growth package, as part of which the Government will, among other things, prepare for the introduction of a fixed-term tax credit facilitated by the EU's Temporary Crisis and Transition Framework for large industrial investments that support the transition to a net-zero economy, such as battery and hydrogen projects and a fossil-free steel industry. The Government will also strengthen the new Tesi Group's opportunities to promote investment by reallocating to it central government investment assets totalling EUR 300 million for direct investments.

The Government also aims through tax policy to strengthen purchasing power, economic growth, employment and self-employment. The Government will ensure a stable operating environment for entrepreneurship and investment through a predictable and stable regulatory framework as well as through taxation. The overall tax rate will not be increased by Government decisions.

Work creates wellbeing. Employment is created by profitable business activity. The goal is to increase the number of employed people by 100,000 through employment and growth measures. Growth in employment through the targeted

100,000 new people in work would strengthen public finances by more than EUR 2 billion. In the longer term, the Government aims is to raise the employment rate to 80%.

Fiscal policy line

The fiscal policy of Prime Minister Orpo's Government aims to strengthen general government finances and reverse the trend of Finland's indebtedness. To ensure this, the general government debt ratio will be stabilised and thereafter set it on a lasting downward path, viewed over more than one parliamentary term. The long-term objective is to reach Nordic levels of economic growth and debt-to-GDP ratio. This will require determined action to strengthen general government finances and support economic growth over a number of parliamentary terms. It is matter of ensuring intergenerational justice.

The Government commits to implement the set of measures adopted in the Government Programme, which will strengthen general government finances by a net EUR 6 billion at the 2027 level. As part of the set of measures, general government expenditure will be adjusted through the Government's decisions by an estimated net c. EUR 4 billion at the 2027 level. In addition, the structural policy measures decided on in the Government Programme aim to strengthen general government finances by c. EUR 2 billion at the 2027 level.

The significant uncertainty of the economy has highlighted the need to monitor actively the achievement of the Government's key objectives and, if necessary, to react with new measures in order to achieve the objectives. The EUR 6 billion set of measures adopted in the Government Programme is no longer sufficient on its own to ensure the stabilisation of the general government debt ratio by 2027, given the deteriorating current state of general government finances. Compliance with EU fiscal rules also requires new measures to strengthen general government finances on top of those already decided.

The Government has therefore decided on a new set of measures, which will strengthen general government finances by c. EUR 3 billion from 2025. Of the set of measures, expenditure savings will account for c. EUR 1.6 billion at the 2028 level[1]. The gross static effect of the tax measures will be to strengthen general government finances by c. EUR 1.8 billion at the 2028 level. When the dynamic effects of tax reductions also are taken into account, the tax measures will strengthen general government finances by c. EUR 1.5 billion at the 2028 level. In addition, provisions in the central government spending limits for unforeseen expenditure needs and supplementary budgets will be reduced.

The expenditure savings will curb growth of healthcare and social welfare costs and improve conditions for wellbeing services counties facing labour shortages to provide statutory services. The minimum staffing level in 24-hour residential care for older people will be lowered and the stricter requirements recently introduced regarding the maximum waiting times for access to care will be revoked. In addition, certain services will be excluded from the scope of public service provision and client fees will be increased. Saving measures will also be targeted at, among other things, central government operating expenditure, discretionary government transfers to non-profit organisations, funding for vocational education and training (reducing the accumulation of education and training for the same people), funding allocated to transport projects, and official development assistance and business subsidies. Savings already decided on in the Government Programme will also be brought forward.

The most significant tax measure in terms of its revenue impact is the increase in the general value-added tax rate (including the tax on insurance premiums) from 24% to 25.5%. Value-added tax on sweets, excise duty on tobacco products, excise duty on soft drinks, tax on strong alcoholic beverages and motor vehicle tax on electric vehicles and plug-in-hybrid vehicles will be increased. In addition, taxation of pension income will be increased, the tax credit for household expenses will be reduced and no index adjustment will be made in earned income taxation in 2025 to the two highest income tax brackets.

General government finances will be taken into account as a whole in the sets of measures, in order to avoid partial optimisation between the subsectors (central government, municipalities, wellbeing services counties, social security funds). The savings in the social security funds resulting from the Government's measures will be fully channelled to the debt-accumulating sectors in order to reverse the trend in debt accumulation.

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1 The sum includes in addition to the expenditure savings increases in income from resuming the full rate of fairway dues and increased revenue remittance from Metsähallitus.

The Government will monitor actively in the budget and government spending limits discussions the implementation of the Government Programme's EUR 6 billion set of measures and the new c. EUR 3 billion set of measures to strengthen general government finances, and will react with alternative measures if the measures threaten to fall short of the targeted level. The Government will also continue to monitor regularly the implementation of the goal of stabilising the debt ratio.

The Government undertakes to re-examine the measures in the Government Programme if the impact assessments of the measures change significantly from those made in the Government Programme or if their implementation would jeopardise the achievement of the targets set or the sets of measures adopted for general government finances. The Government also takes seriously the risks to central government finances associated with guarantee commitments.

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 achieving the targets set for the general government finances. The plan contains sections related to central government finances, wellbeing services county finances, municipal 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.

The General Government Fiscal Plan and its Stability Programme (Annex 6) have been prepared in accordance with current EU and domestic fiscal policy legislation. The EU's new fiscal policy legislation should enter into force in late April/early May and it will be presented in more detail in the Stability Programme.

National fiscal policy legislation is being reformed. The Government is committed to strengthening national fiscal rules to make them more strongly supportive of debt sustainability. The starting point of the reform work is to stabilise the general government debt ratio and set it on a lasting downward path. The preparation will take into account the need to ensure the widest possible parliamentary commitment and goal-setting, viewed over more than one parliamentary term. When reforming national fiscal policy legislation, the changes made to the EU's fiscal policy legislation will be taken into account. National legislation must be amended by the end of 2025 at the latest.

In July 2023, the Council adopted country-specific recommendations, and the framework conditions they impose on the fiscal policy goalsetting of the Government are discussed in the Stability Programme. Finland will prepare its first fiscal-structural plan under the new EU legislation in autumn 2024.

Medium-Term Objective

The Government confirms the validity of the Medium-Term Objective (MTO) of -0.5% of GDP for the structural budgetary balance of general government finances, set pursuant to section 2 of the Fiscal Policy Act (869/2012)[2]. This is the minimum level to which Finland has committed in the Fiscal Compact[3].

The MTO will be removed from the EU's new fiscal rules, which will be taken into account when amending national fiscal policy legislation. The current MTO will remain valid for as long as it is part of national fiscal policy legislation. Compliance with the EU's fiscal rules is assessed in the Stability Programme, 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 budgetary position in ratio to GDP at market prices for the whole of general government finances as well as a target 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. 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.

The fiscal policy goal of Prime Minister Orpo's Government is to stabilise the general government debt ratio and thereafter put it on a lasting downward path, viewed over more than one parliamentary term. The Government is committed to keeping the general government deficit below 3.5% in 2024. To avoid triggering the EU's excessive deficit procedure, the Government will implement necessary additional measures as part of the spring 2024 supplementary budget process. The government will, among other things, implement an increase in the general

2 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.

3 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.

value-added tax rate to 25.5% from 1 September 2024 at the latest. The second supplementary budget proposal for 2024 will be submitted in May 2024. Furthermore, in addition to the EUR 6 billion set of measures already adopted in the Government Programme, on 16 April 2024 the Government decided on a new set of measures to strengthen general government finances by c. EUR 3 billion, which will contribute to bringing the general government deficit below 3% of GDP by 2025. The following table shows the multiannual targets for general government finances consistent with these Government fiscal policy targets for the development of the debt and deficit. With this target-setting, the MTO (a general government structural budgetary balance of -0.5%) will not be reached until after 2028.

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

	2024	2025	2026	2027	2028
Nominal budgetary position of general government	-3.4	-2.7	1.9	-1.3	-0.9
General government expenditure	56.5	56.1	55.0	54.4	53.9
General government gross debt	80.8	82.3	82.4	81.9	81.9

The nominal budgetary targets by sector[4] for general government finances for 2027 are:

- central government deficit a maximum of 2½% in ratio to GDP,
- budgetary position of the municipal administration close to balance or slightly in deficit
- budgetary position of wellbeing services counties close to balance,
- surplus of earnings-related pension funds c. 1½% in ratio to GDP and
- the financial position of other social security funds close to balance

The Ministerial Committee on Economic Policy will monitor the implementation of the economic objectives of the Government Programme. The Government will next reassess the situation with regard to general government finances and the

4 In this review, the wellbeing services counties include Helsinki's health, social and rescue services, deviating from the national accounts sector classification, in which they are classified in municipal administration.

sufficiency of measures decided to strengthen general government finances in autumn 2024 when preparing the 2025 budget proposal as well as the first national medium-term fiscal-structural plan.

The Stability Programme (Appendix 6) sets out the Government's planned development of general government finances consistent with the above targets and assesses compliance with EU fiscal rules. Section 3.2 presents an estimate of how the fiscal policy targets set by Prime Minister Orpo'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.

Central government spending limits

The Government is committed to the spending limits procedure for central government expenditure. The central government spending limits system is a key instrument of the Government's fiscal policy steering and the foundation of a credible economic policy. The Government Programme entries and other measures will be implemented within the limits allowed by the parliamentary term spending limits.

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

The spending limits procedure sets a ceiling for c. 85% 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. 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. The central government spending limits are discussed in chapter 5.

3 Economic fundamentals

3.1 Economic outlook

Economic outlook for 2024–2026

Rising prices and interest rates have reduced investment and household consumption. The Finnish economy will not grow in 2024 after last year's 1% decline. Slowing inflation and a downward turn in interest rates, combined with moderately good household income growth, will increase household disposable income and consumption. Investment will also start to grow in 2025. Government adjustment measures will reduce domestic demand, increase prices and weaken economic growth in 2025 and 2026.

GDP will grow by 1.6% in 2025 and 1.5% in 2026. Employment will fall slightly in 2024, but will increase from 2025 as a result of demand growth and employment measures. In 2026, the employment rate of 15–64 year olds will be 74.5% and the unemployment rate 6.7%.

Medium-term outlook

In the medium term, economic output is projected to grow moderately. In 2027, GDP is expected to grow by c. 1.3% and in 2028 by c. 1.1%. GDP growth will be supported by, among other things, growth of private investment, which is expected to recover due to decreasing market interest rates as well as green transition investments.

The positive development of the labour market is expected to continue in the medium term. The employment rate (15–64 year olds) is projected to increase moderately in 2026 and 2027. The employment rate will rise to 75.3% in 2027 and 76.1% in 2028. In addition to the economic conditions, the positive development of employment will influenced by the employment measures of the Government's structural policy. The unemployment rate, on the other hand, is expected to fall. The unemployment rate is projected to be 6.2% in 2028.

The contraction of the working age population and the weak development of hours worked per worker will reduce the growth impact of labour input on economic output. The overall impact of labour input will start to reduce output towards the end of the period under review, as the rise in the participation rate and the decline in structural unemployment fade, and the trend in the working age population starts to reduce labour input.

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 only c. 0.5% 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 effect of the capital stock on output growth will be c. 0.5% per year.

Table 2. Trends in the national economy

	2022	2023	2024*	2025*	2026*	2027*	2028*
GDP value, EUR billion	267.7	277.6	282.2	292.4	303.6	314.4	324.6
GDP, change in volume, %	1.3	-1.0	0.0	1.6	1.5	1.3	1.1
Unemployment rate, %	6.8	7.2	7.4	7.2	6.7	6.3	6.2
Employment rate, %	73.8	73.6	73.2	73.6	74.5	75.3	76.1
Consumer Price Index, change %	7.1	6.2	1.9	1.3	1.4	1.8	2.0
Long-term interest rate, 10 years, %	1.7	3.0	2.8	2.7	2.7	2.7	2.7

3.2 Outlook for general government finances

The general government finances deteriorated in 2023 after a short-lived improvement. The deficit was 2.5% of GDP, i.e. EUR 7.0 billion. General government debt ratio was 75.8%. General government tax revenue and social security contributions grew slowly, but expenditure growth was rapid. Consumption expenditure, social benefits and interest expenditure, in particular, grew rapidly.

According to the independent forecast, the general government financial balance will deteriorate further in 2024 and the budgetary deficit will settle at 3½% of GDP. The economic situation continues to be subdued, growth of tax revenues is sluggish and income from social security contributions is shrinking. Expenditure will be increased by, among other things, growth in interest expenditure and benefit expenditure. On the other hand, tax revenue will be increased by the decision to increase value-added tax in the latter part of the year.

The financial balance will strengthen in 2025 to less than 3% and in the 2027–2028 to less than 2% of GDP. The adjustment measures of the Government Programme and decided on by the Government in the spring spending limits discussion will improve the general government financial balance and slow down accumulation of debt. The impact of the measures of spending limits discussion will mainly be evident from 2025. Borrowing will also be slowed down by channelling benefit expenditure savings resulting from Government measures from social security funds to elsewhere in general government finances. Accumulation of debt will continue, however, and the general government debt ratio will rise to 84.4% in 2028.

Without the additional measures decided on in the spending limits discussion, general government finances would remain very weak in the outlook period. The deficit would remain above 3% of GDP for several years. Moreover, debt would also grow very quickly, with the debt ratio approaching 90% by 2028.

General government is the subsector of general government most in deficit. Due to the adjustment measures of Prime Minister Orpo's Government, the financial balance of central government will improve but remain in deficit throughout the forecast period. The improvement in the budgetary position will be slowed by previous measures that increase expenditure, slow economic growth and rising interest expenditure. Central government expenditure will also be increased by, among other things, the F35 fighter project as well as additional expenditure on national defence, immigration and security of supply due to Russia's war of aggression.

Local government expenditure grew very rapidly in 2023. The financial balance of the municipal administration deteriorated in 2023 to nearly EUR 1.4 billion in deficit. Consumption expenditure, in particular, rose sharply. The situation for the municipal administration will become even bleaker in the coming years, as expenditure increases and the economy develops sluggishly.

The first year of operation of the wellbeing services counties was challenging and the financial balance of the counties was significantly in deficit. Expenditure will continue to grow rapidly. On the other hand, the wellbeing services counties' own adjustment measures will slow down expenditure growth and the ex-post revision of central government funding will increase the counties' revenues. The changes to tasks and the adjustment measures decided on by the Government in spring 2024 will reduce central government funding for the wellbeing services counties in line with the reduction in expenditure but, on the other hand, the changes may ease the wellbeing services counties' expenditure pressures as the need for personnel decreases.

The surplus declared by the earnings-related pension funds in the next few years will be just over 1% of GDP. Pension expenditure will increase, but growth in the property income of earnings-related pension funds will, on the other hand, be moderate. The financial position of the other social security funds will be strengthened during the outlook period by an improvement in the unemployment situation and cuts to social benefits. The unemployment insurance contribution, on the other hand, was reduced substantially from the beginning of 2024. The other social security funds will be close to balance during the outlook period.

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

	2023	2024	2025	2026	2027	2028
Taxes and social security contributions	41.9	41.2	41.6	41.7	41.8	41.7
General government expenditure	55.6	56.5	56.1	55.3	54.8	54.5
General government net lending	-2.5	-3.5	-2.8	-2.2	-1.9	-1.7
– Central government	-3.0	-3.2	-3.2	-2.7	-2.5	-2.2
– Municipal administration	-0.5	-0.5	-0.6	-0.6	-0.7	-0.6
– Wellbeing services counties	-0.6	-0.6	-0.1	-0.1	-0.2	-0.4
– Earnings-related pension funds	1.1	1.1	1.4	1.4	1.6	1.6

	2023	2024	2025	2026	2027	2028
– Other social security funds	0.4	-0.3	-0.3	-0.2	-0.1	-0.1
Primary balance	-1.4	-2.3	-1.3	-0.7	-0.3	0.0
Structural balance	-1.4	-2.1	-1.9	-1.8	-1.7	-1.8
General government gross debt	75.8	80.9	82.8	83.4	83.7	84.4
Central government debt	56.3	59.9	61.4	61.8	62.0	62.1

Compliance with fiscal policy rules and objectives according to the independent forecast

Although the Government has decided on new adjustment measures, according to the independent forecast, the fiscal policy goals of Prime Minister Orpo's Government are only partly being achieved. According to the Ministry of Finance forecast, the general government deficit will, however, decrease towards the end of the parliamentary term and will be 1.9% in ratio to GDP in 2027. The debt-to-GDP ratio will be 80.9% in 2024 and will rise to 83.7% in 2027. In its Government Programme, Prime Minister Orpo's Government set as an objective the stabilisation of the general government debt ratio and putting it on a lasting downward path, viewed over more than one parliamentary term, and improving the budgetary position of general government finances so that the general government deficit will be a maximum of 1% of GDP in 2027. The debt ratio is increased by the deficits of the central government, the municipal administration and the wellbeing services counties and slowing economic growth.

According to the forecast, the central government would be on track to achieve the budgetary balance set for it of 2½% in ratio to GDP. The municipal administration, in particular, is falling short of the budgetary position target set for it. According to the forecast, the municipal administration deficit will be 0.7% in ratio to GDP at the end of the parliamentary term, whereas according to its targets, it should be close to balance or slightly in deficit. According to the forecast, the deficit of the wellbeing services counties will be 0.2% in ratio to GDP at the end of the parliamentary term, while according to the targets, it should be close to balance. The surplus of the earnings-related pension funds would exceed the 1.5% surplus target set for it. According to the forecast, the surplus of earnings-related pension funds will be 1.6% in ratio GDP in 2027. The other social security funds should, according to the target, be close to balance at the end of the parliamentary term. According to the forecast, the deficit of the other social security funds will be 0.1% in ratio to GDP in 2027.

In the light of the forecast, the multiannual targets for the nominal budgetary position of general government and for general government debt and expenditure in ratio to GDP will not be achieved without additional measures (see Stability Programme Table A).

Based on the forecast, the debt criterion of the Stability and Growth Pact will not be met during the outlook period. The deficit criterion will be met from 2025 as the impact of the Government's adjustment measures intensifies. 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 position is assessed in the Stability Programme (Appendix 6). According to the independent forecast of the Ministry of Finance, the MTO is not being reached (see Table A).

3.3 Sustainability of public finances

Finland's economic growth has been slow since the financial crisis of 2008. The economy has suffered particularly from a structural shift in industry, which has hindered economic recovery from the recession that followed the financial crisis. In addition, productivity growth has been slow due to a low level of investments. Economic growth is expected to remain sluggish in the coming decades, as productivity growth will remain subdued while the labour force declines.

General government debt is increasing due to slow economic growth and recent crises and as well as the ageing of the population. The increase in pension expenditure, among other things, explains the fact that general government finances were not able reach a surplus despite the positive employment situation in recent times. Ageing of the population will continue to weigh on general government finances in the coming years. Ageing of the population increases public expenditure while simultaneously decreasing the revenue base of general government finances. The growth in the number of older people will increase healthcare and long-term care expenditure in particular. The simultaneous shrinking of the working-age population will stunt economic growth and thus reduce general government revenue.

In the independent forecast, the debt ratio will rise to just over 84% by the end of the current parliamentary term and, in the long-term pressure projection for general government finances, to just under 85% in 2031 after two parliamentary terms. A growing debt ratio will increase interest expenditure, which in turn will increase the central government deficit and further accelerate accumulation of debt. The longer-term projection is subject to uncertainty about the expected development of the economy, which can be examined on the basis of historical fluctuations in economic data. Taking into account, based on Finland's economic history, possible weaker and more favourable development trends than the baseline scenario of the forecast, it can be estimated that at the end of the current parliamentary term, the general government debt ratio will be between 76% and 91% with a probability of around 50%, and after two parliamentary terms, between 74% and 95% with a probability of around 50%.

Finland's population is ageing rapidly, as new age cohorts are smaller than previous ones due to a declining birth rate, and people are generally living longer now than before. Rapid ageing of the population will continue over the next few decades unless the birth rate goes up or immigration increases substantially. Since 2010, the dependency ratio has deteriorated from around 50 dependants (under 15 and over 65 years of age) to over 60 dependants per 100 people of working age. The dependency ratio is expected to continue to decline. According to the population projections of Statistics Finland published in 2021, there will be more than 80 dependants per 100 people of working age in Finland in 2070.

In general government finances, a substantial sustainability gap prevails, i.e. general government revenue will not be sufficient to cover expenditure in the long term. Without effective measures to slow expenditure growth or expand the revenue base, the current overall tax rate will not be sufficient to finance expenditure in the future. A permanent imbalance between general government revenue and expenditure threatens to result in an uncontrollable increase in the debt ratio in the long term. To avoid this, general government finances should be strengthened, for example through structural reforms that improve employment and economic growth, without increasing government expenditure.

The Ministry of Finance estimates the sustainability gap to be c. 2.0% of GDP, i.e. c. EUR 6.5 billion at the 2028 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 the means to overcome them.

The sustainability gap calculations estimate how the ageing of the population will affect the outlook in general government finances in the coming decades. In addition to the ageing of the population, there are many other factors putting pressure on general government finances due to, for example, preparations related to the new more uncertain security environment, climate change, and renovation and repair needs of public infrastructure. These factors are not included in the sustainability gap analysis, however.

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. An unambiguous assessment of the risks related to liabilities is difficult, and therefore, in the interests of clarity, the analysis in the table below uses the nominal values of 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 2010–2021, the central government has received annual dividend income of between EUR 0.8 billion and EUR 2.0 billion from its shareholdings. The central government's dividend income was c. EUR 1.36 billion in 2022 and EUR 1.48 billion in 2023.

Table 4. Summary of government liabilities and risks, EUR billion

	2017	2018	2019	2020	2021	2022	2023
Assets							
Central government real assets	57.9	58.7	59.4	58.6	60.9	64.4	
% of GDP	25.6	25.1	24.8	24.6	24.3	24.1	
Central government financial assets[1]	77.5	79.6	89.2	106.9	103.3	93.2	93.5
% of GDP	34.2	34.1	37.2	44.9	41.2	34.8	33.7[2]
– of which							
Central government liquid assets	3	2.1	2.3	7.6	4.8	3.7	8.5
Solidium Oy	8.6	6.8	7.5	7.6	9.0	7.9	7.1
Other shareholdings in listed companies	15.2	15.5	19	26	25	19.7	17.9
Housing Fund of Finland receivables	4.6	4.2	3.7	3.2	2.8	2.4	2.1
Liabilities							
Central government debt	105.8	105	106.4	124.8	128.7	141.6	156.2
% of GDP	46.8	44.9	44.3	52.4	51.3	52.9	56.2[2]
Municipal debt	24.3	26.6	29.9	31.9	32.9	34.6	29.2
% of GDP	10.7	11.4	12.5	13.4	13.1	12.9	10.5[2]
Debt of wellbeing services counties							6.3
% of GDP							2.3[2]
Central government guarantees[3]	52.3	56.6	60.2	61.7	64.2	68.5	67.0
% of GDP	23.1	24.2	25.1	25.9	25.6	25.6	24.1[2]
– Finnvera	27.7	30.3	32.6	31.6	32.1	35.1	31.9
– Student loans	2.7	3.4	4	4.5	5	5.5	6.1
– EFSF	7	7	7	6.8	6.6	6.7	6.7
– Bank of Finland	0.4	0.5	0.6	0.6	0.8	0.8	0.9
– Government funds	13.8	14.6	15.5	16.5	17.7	18.6	19.9

	2017	2018	2019	2020	2021	2022	2023
– COVID-19 support measures[4]				1	1.4	1.4	1.0
– Other	0.6	0.8	0.5	0.7	0.7	0.5	0.5
Capital liabilities	17.9	17.9	17.9	18.2	19.4	19.4	19.3
% of GDP	7.9	7.6	7.4	7.6	7.7	7.3	6.9[2]
Other liabilities	128.3	127.6	130	132.9	134.3	147.2	189.3
% of GDP	56.8	54.4	54.1	55.9	53.6	55.0	68.1[2]
– On-budget accounting[5 6]	125.5	124.7	127.2	131.6	131.5	143.8	185.6
– Off-budget entities	1.6	1.7	1.7	1.8	2	2.4	2.3
– State enterprises	1.2	1.2	1.1	0.9	0.8	1.0	1.4

1) Time series updated to correspond to changed statistics compilation.
2) Preliminary information
3) Government guarantees are presented in more detail in Appendix 12 of the central government final annual accounts.
4) Includes guarantees for shipping companies critical for security of supply, for Finnair and for loans from the EU's SURE instrument and the EIB's COVID-19 Guarantee Fund, and also the COVID-19 vaccine guarantee.
5) Includes pension liabilities. Pension liabilities at the end of 2023 were EUR 101.0 billion.
6) In the notes to the central government final accounts for 2023, information on central government liabilities in the pension schemes for entrepreneurs, agricultural entrepreneurs, seafarers and Kela employees has been added, as well as the central government liability for pensions accrued during the care of children under three years of age and studies.

The largest component areas of central government liabilities are central government debt, pension liabilities and central government guarantees. Pension liabilities amounted to EUR 101 billion at the end of 2023. The greatest growth in the past 10 years has been in the amount of central government debt and central government guarantees; central government debt stood at EUR 156.2 billion and the current central government guarantee portfolio at EUR 67.0 billion at the end of 2023.

The guarantee portfolio issued by Finnvera and central government funds, in particular, has been rising for a long time now. The growth in Finnvera guarantees has focused on export guarantees and Finnvera's acquisition of funds. At the end of 2023, export guarantees totalled EUR 18.5 billion, of which drawn down guarantees amounted to EUR 14.1 billion. In export financing, it is typical for guarantee liabilities to be concentrated in certain sectors and large exposures of single clients.

Of the EUR 19.9 billion stock of guarantees issued by funds, the majority (EUR 19.8 billion) consists of guarantees issued via the National Housing Fund. 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 18.1 billion had been allocated at the end of 2023. Guarantees allocated to housing loans of private individuals totalled EUR 1.7 billion at the end of 2023. 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 central government interest subsidies, which, as the result of a significant rise in interest rates, involves the risk of an increase in the central government's payment obligation. In 2022, interest subsidy costs in housing financing were only c. EUR 1.7 million, but in 2023 were already EUR 92.4 million. A projection simulation shows that if the interest rate on the loan portfolio were to increase to 5%, the annual cost would be c. EUR 339 million. This estimate is further augmented by the increase in the volume of the portfolio of interest-subsidy loans, which has been in the order of c. EUR 1 billion in recent years. At the end of 2023, the housing financing interest subsidy loan portfolio amounted to c. EUR 21.7 billion.

Guarantee liabilities granted as a result of the coronavirus pandemic and Russia invasion of Ukraine remain in force in the spending limits period, although the liabilities related to the coronavirus pandemic are expected to gradually decline.

According to monitoring of central government guarantee liabilities, EUR 25.3 million was collected in guarantee fees and EUR 116.5 million was paid out in guarantee compensations in 2023. Recovered payments amounted to EUR 90.1 million, meaning that net guarantee expenditure in 2023 was EUR 1.2 million. This figure includes both on-budget finances and off-budget entities. Items in Finnvera accounts are no longer included insofar as they are not liabilities for on-budget finances.

Table 5. Guarantee fees, guarantee compensations and recovered payments in on-budget finances and off-budget entities 2020–2023, EUR million

	2020	2021	2022	2023
Guarantee fees	18.1	25.3	17.8	25.3
Guarantee compensations paid	51.2	77.2	79.0	116.5
Recovery	27.7	33.4	37.5	90.1
Expenditure, net	5.3	18.6	23.7	1.2

If the rules on collecting guarantee fees remain unchanged, the guarantee fee revenue trend depends principally on new guarantees granted, because a guarantee fee is principally collected as a non-recurring payment when the guarantee is drawn down. Guarantee fees are not collected at all for a significant percentage of new guarantees. According to Prime Minister Orpo's Government Programme, guarantees will, as a rule, always be subject to an appropriate guarantee fee, and collection of guarantee fees will also be introduced comprehensively in housing financing. The trend in the number of guarantee compensations depends on how the guarantee portfolio develops and on risk trends among counterparties. General economic trends and external shocks also have an impact on the risk of guarantee compensations being realised, because typically at economically weak times there is a higher than normal volume of guarantee losses.

In connection with the coronavirus pandemic, the European Union has adopted a decision on the Recovery and Resilience Facility and its financing as part of a new Own Resources Decision. Borrowing under the Recovery and Resilience Facility 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 c. EUR 13 billion. Finland's payments, to be realised after 2027, relate to the Recovery and Resilience Facility's support in the form of grants, of which Finland's share is estimated to total EUR 6.6 billion.

Contingent liabilities also include capital liabilities payable on demand to international financial institutions, which totalled c. EUR 19.3 billion at the end of 2023. 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).

The loan and financial liabilities transferred from the municipalities to the wellbeing services counties from the beginning of 2023 are discussed in Chapter 6.

Risks related to general government 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 extensively impacted society as a whole, and the related support measures rapidly increased both central government debt and guarantee liabilities. Russia's invasion of Ukraine and consequent changes on the energy market have also required extraordinary financial input from the central government, in the form of both internal support measures and additional investments in national defence and security. In crisis situations, the risk of the realisation of outstanding guarantee liabilities also generally increases. Tax revenues also typically decline in conditions of poor economic development or crises.

An acceleration of inflation and rising interest rates emerged as a new external threat to central government finances in 2022. Rising interest rates have increased and will continue to increase interest expenditure on central government debt. The interest expenditure on central government debt was EUR 0.8 billion in 2022 and EUR 2.3 billion in 2023. Interest expenditure is expected to continue to rise in the current year and subsequent years. Interest expenditure is estimated to be EUR 3–4 billion per year during the spending limits period. A general rise in interest rates also means an increase in central government support for interest-subsidy loans and possibly an increase in risks for government-guaranteed loans. In addition to all of the above, the development of the liability items portfolio also has a bearing on central government risk. Elevated interest rates bring increased pressure to limit borrowing and the volume of contingent liabilities.

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 manoeuvre for measures in crisis situations. Since the 2010s, however, a prolonged period of uninterrupted, non-cyclical increase in liabilities has reduced the risk-bearing capacity of general government finances and the scope for financial intervention in downturns and crises.

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 spending limits for the parliamentary term 2024–2027 were confirmed in the Government's first spending limits decision on 9 October 2019. 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 procedure sets a ceiling for c. 85% 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 finances of the National Housing Fund and the Development Fund of Agriculture and Forestry, however, are included within the spending limits system insofar as the Budget justifications take a position on the levels of their expenditure.

The spending limits also cover supplementary budgets, and a certain portion of the spending limits, the so-called supplementary budget provision, has been reserved for them. 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 the spending limits even after supplementary budgets, the difference can be used the following year on one-off expenditure items without reference to the spending limits.

In this spending limits decision, the Government will implement additional adjustment measures that will lower the level of spending limits expenditure relative to the spending limits decision made by the Government on 9 October 2023 by EUR 1,133 million in 2025, EUR 1,316 million in 2026 and EUR 1,179 million in 2027. For this reason, the Government has decided on a discretionary basis to lower the parliamentary term expenditure ceiling by EUR 430 million in 2025, EUR 612 million in 2026 and EUR 492 million in 2027. In addition, the Government has decided to decrease the supplementary budget provision by EUR 100 million per year and the unallocated reserve by EUR 197 million in 2025, EUR 175 million in 2026 and EUR 331 million in 2027. Changes in criteria directed at expenditure outside the spending limits will also will reduce expenditure by EUR 84 million in 2025, EUR 107 million in 2026 and EUR 115 million in 2027. These changes in criteria and discretionary changes are not taken into account as structural corrections that increase the spending limits level, so the measures in question correspondingly reduce central government on-budget expenditure.

Table 6. Impact on central government spending limits of saving decisions made in spring 2024 (at 2025 prices)

	2025	2026	2027
Impact of additional measures on central government expenditure	-1 216	-1 423	-1 295
– of which savings on expenditure within the spending limits	-1 133	-1 316	-1 179
– of which changes in criteria and discretionary changes directed at expenditure outside the spending limits, which are included within the spending limits[1]	-84	-107	-115
Discretionary lowering of the expenditure ceiling through savings directed at spending limits expenditure	-430	-612	-492

1) In line with the Government Programme, the spending limits will not be increased with regard to these, as the measures are designed to strengthen public finances.

The fixed-term investment programme of EUR 4 billion under the Government Programme will be considered as a structural adjustment to the spending limits, meaning that the spending limits for the parliamentary term will be increased in line with expenditure. The General Government Fiscal Plan includes EUR 7 million per year in new investment programme appropriations for 2025–2027, which is taken into account as a factor increasing the spending limits.

New and temporary defence materiel, civilian material and humanitarian aid intended for supporting Ukraine due to the Russian war of aggression will be covered outside the spending limits. The aforementioned expenditure based on bilateral or multilateral agreements will be considered as a structural adjustment to the spending limits, meaning that the spending limits for the parliamentary term will be increased in line with expenditure. The General Government Fiscal Plan includes, as new expenditure, compensation to the Defence Forces for the materiel delivered to Ukraine (19th support package). Of the cost of the support package, a total of EUR 28 million will be allocated to 2025–2027. In addition, the contribution to the European Peace Facility (EPF) included in support for Ukraine exceeds the previous provision by EUR 2.1 million.

Table 7. Parliamentary term spending limits for 2025–2027 (at 2025 prices), EUR million

	2025	2026	2027
Spending limits decision 9 October 2023	76 584	76 076	75 601
Price and cost level adjustments	1 626	1 610	1 594
Structural adjustments	-745	-482	-595
Discretionary lowering of expenditure ceiling	-430	-612	-492
Reduction of unallocated reserve	-197	-175	-331
Reduction of supplementary budget provision	-100	-100	-100
Adjusted parliamentary term expenditure ceiling (incl. supplementary budget provision)	**76 738**	**76 317**	**75 676**

5.2 Development of on-budget expenditure and the spending limits

Development of on-budget expenditure in 2025–2028

On-budget expenditure in 2025 is expected to be c. EUR 87.6 billion, which is c. EUR 0.3 billion less than in the actual budget for 2024. The decrease in expenditure is explained by reforms and expenditure savings in accordance with Prime Minister Petteri Orpo's Government Programme (c. EUR 0.5 billion) as well as the additional savings outlined in this General Government Fiscal Plan (EUR 1.2 billion) and the channelling of savings in off-budget entities arising from the measures of the Government Programme (EUR 0.5 billion). On the other hand, the appropriation level will be increased compared with 2024 by the ex-post revision of funding for wellbeing services counties (EUR 1.5 billion) as well as statutory and contractual index adjustments for 2025 (EUR 1.3 billion).

In the spending limits period, on-budget expenditure is expected to be, on average, EUR 86.7 billion at the 2025 price level. In 2028, on-budget expenditure is expected to be EUR 85.9 billion (at the 2025 price level), which is around c. EUR 1.7 billion less than projected expenditure for 2025. The decrease in the level of expenditure is primarily due to the gradually reducing impact on expenditure of the reforms and expenditure savings in line with Prime Minister Orpo's Government Programme.

Expenditure outside the spending limits

Some on-budget expenditure falls outside the spending limits. According to the spending limits outlined in Prime Minister Orpo's Government Programme, the following were classified as outside the spending limits in accordance with the spending limits rules: expenditure that changes with the economic cycle, i.e. expenditure on unemployment security, housing allowance, basic social assistance and pay security. Expenditure effects generated by changes to the criteria for these items will nevertheless be included in the spending limits. Also falling outside the spending limits are, among other things, interest expenditure on central government debt, value-added tax expenditure, financial investment expenditure, and expenditure where the central government acts as a technical intermediary for an external funding contribution.

Expenditure outside the spending limits is expected to be c. EUR 11.4 billion in 2025, which is c. EUR 1.4 billion less than budgeted for 2024. Expenditure will be lowered by a reduction in cyclical expenditure. In addition, of expenditure outside the spending limits, financial investment expenditure and value-added tax appropriations as well as compensation to municipalities for tax changes, among other things, will decrease.

The total level of expenditure outside the spending limits will be EUR 11.3 billion on average in the spending limits period. From 2025, expenditure outside the spending limits will be reduced by the fact that the entry into force of the reform of employment and economic development services (TE services) will transfer a total of c. EUR 391 million from the main title of the Ministry of Social Affairs and Health to central government transfers to municipalities for basic public services. Interest expenditure on central government debt is estimated at EUR 3.2 billion in 2024, rising gradually to EUR 4.1 billion by 2028. Expenditure financed by EU Recovery and Resilience Facility funds will gradually decrease in the early years of the spending limits period, and will end in 2026.

Table 8. Expenditure outside the spending limits, EUR billion

	2024 (SB)	2025	2026	2027	2028
Cyclical expenditure	4.8	4.1	3.7	3.6	3.5
Compensation to municipalities for tax criteria changes	0.0	-0.3	-0.3	-0.2	-0.2
Expenditure corresponding to EU revenue	1.5	1.4	1.4	1.3	1.3
Interest expenditure	3.2	3.1	3.3	3.6	4.1
Financial investment expenditure	0.3	0.2	0.2	0.2	0.2
Technical pass-through items	0.4	0.4	0.4	0.4	0.5
VAT appropriations	1.6	1.5	1.6	1.8	1.6
Transfer to State Television and Radio Fund	0.6	0.6	0.6	0.6	0.6
Expenditure financed by EU RFF funds	0.5	0.4	0.2	0.0	0.0
Total	**12.8**	**11.4**	**11.1**	**11.3**	**11.6**

Price and cost-level adjustments, and structural adjustments

Statutory and contractual index adjustments will increase total expenditure in the 2025–2028 spending limits by c. EUR 1.3 billion compared to the autumn 2023 spending limits decision, taking into account the impact of the transition to the 2025 price and cost level. If index adjustments made to expenditure outside the spending limits are also included, the total impact is c. EUR 1.4 billion per year.

Based on expenditure other than statutorily or contractually index-adjusted expenditure, the price correction made to the spending limits level will increase the spending limits level by more than EUR 0.2 billion in the period 2025–2027.

On the other hand, the spending limits level will, depending on the year, fall by c. EUR 0.5–0.7 billion in the spending limits period due to structural adjustments. Structural adjustments include, for example, the effects of the channelling of savings in social security funds and technical changes caused by the revision of the health and social services reform transfer calculation (which for 2024 were made in connection with the supplementary budget). In addition, timing changes have been made in, for example, financing of the Defence Forces Squadron 2020 project, construction of the fence on the eastern border, European Peace Facility contributions, preparation for rising R&D expenditure, and implementation of the Innovation and Skills in Finland 2021–2017 structural fund programme. Structural as well as price and cost level adjustments are described in more detail in Appendix 2. Taking into account the level of expenditure included in the spending limits in this central government spending limits decision, EUR 250/206/322 million remains as an unallocated reserve for the period 2025–2027.

Table 9. Central government spending limits by administrative branch and estimate of expenditure outside the spending limits in 2025–2028, EUR million at 2025 prices and costs

	2025	2026	2027	2028
23. Prime Minister's Office	**240**	**235**	**234**	**222**
Spending limits expenditure	218	213	212	200
Expenditure outside the spending limits	23	23	23	23
24. Ministry for Foreign Affairs	**1 158**	**1 136**	**1 162**	**1 119**
Spending limits expenditure	1 065	1 048	1 073	1 030
Expenditure outside the spending limits	94	89	89	89
25. Ministry of Justice	**1 186**	**1 198**	**1 196**	**1 176**

	2025	2026	2027	2028
Spending limits expenditure	1 134	1 147	1 144	1 124
Expenditure outside the spending limits	52	52	52	52
26. Ministry of the Interior	**2 172**	**1 868**	**1 851**	**1 873**
Spending limits expenditure	1 924	1 675	1 684	1 670
Expenditure outside the spending limits	248	193	166	203
27. Ministry of Defence	**6 246**	**6 102**	**6 283**	**5 979**
Spending limits expenditure	5 786	5 508	5 506	5 372
Expenditure outside the spending limits	460	594	777	607
28. Ministry of Finance	**40 238**	**40 869**	**40 892**	**40 672**
Spending limits expenditure	39 967	40 536	40 464	40 199
Expenditure outside the spending limits	271	334	427	473
29. Ministry of Education and Culture	**8 453**	**8 557**	**8 537**	**8 512**
Spending limits expenditure	8 398	8 516	8 501	8 476
Expenditure outside the spending limits	56	41	36	36
30. Ministry of Agriculture and Forestry	**2 599**	**2 525**	**2 577**	**2 528**
Spending limits expenditure	1 648	1 591	1 616	1 589
Expenditure outside the spending limits	951	933	961	939
31. Ministry of Transport and Communications	**3 271**	**3 201**	**3 117**	**3 088**
Spending limits expenditure	2 191	2 130	2 088	2 064
Expenditure outside the spending limits	1 080	1 071	1 029	1 023
32. Ministry of Economic Affairs and Employment	**3 578**	**3 322**	**2 506**	**2 409**
Spending limits expenditure	2 675	2 548	2 026	1 932
Expenditure outside the spending limits	903	773	480	477
33. Ministry of Social Affairs and Health	**14 919**	**14 212**	**13 938**	**13 889**
Spending limits expenditure	10 781	10 499	10 358	10 343
Expenditure outside the spending limits	4 139	3 713	3 580	3 546
35. Ministry of the Environment	**244**	**255**	**242**	**221**
Spending limits expenditure	225	240	230	208
Expenditure outside the spending limits	19	15	12	12

	2025	2026	2027	2028
36. Interest on central government debt	**3 107**	**3 255**	**3 633**	**4 068**
Spending limits expenditure	-	-	-	-
Expenditure outside the spending limits	3 107	3 255	3 633	4 068
Main titles, total	**87 605**	**86 905**	**86 330**	**85 918**
Administrative branch spending limits expenditure, total1	**76 188**	**75 811**	**75 054**	**74 360**
Expenditure outside the spending limits, total	11 417	11 095	11 276	11 558
Parliamentary term expenditure ceiling1	**76 738**	**76 317**	**75 676**	**-**
– Administrative branch spending limits expenditure, total	76 188	75 811	75 054	-
– Supplementary budget provision	300	300	300	-
– Unallocated reserve	250	206	322	-

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

5.3 Definitions of policy in budget finances 2025–2028

Additional adjustment measures

Of the set of measures strengthening general government finances decided on by the Government, the amount of savings impacting expenditure is EUR 1.2 billion in 2025, rising to EUR 1.4 billion at the end of the spending limits period. Due to the difficult situation of the general government finances, the adjustment measures have been targeted broadly at all administrative branches.

As part of additional savings measures, the obligations of the wellbeing services counties will be scaled back and the skills shortage alleviated. The minimum staff level for 24-hour residential care will be reduced, the stricter requirements recently introduced regarding the maximum waiting times for access to care will be revoked and certain services will be excluded from the scope of public service provision. Funding for vocational education and training will be reduced. The reduction will be targeted, in particular, at vocational education and training for adults who have already completed a vocational qualification or a tertiary degree. Students will be returned to within the scope of the student housing supplement instead of the general housing allowance as of 1 August 2025. The benefit savings of the set of measures will be targeted at, among other things, housing allowance for pensioners, reimbursements for medicines, sickness allowance, and national pensions of people residing abroad. Business subsidies will be cut by, among other things, decreasing Business Finland's budget authority for grants other than RDI grants. Significant other savings will be allocated to, for example, development assistance and the project provision for unspecified transport projects. In addition, certain savings decided on in the Government Programme will be brought forward.

Savings allocated broadly to different administrative branches will be targeted at central government operating expenditure (see section Central government operating expenditure savings and productivity programmes below) and at discretionary government transfers. The discretionary government transfers savings among the additional measures, totalling EUR 76 million, will be divided among the administrative branches as follows: Ministry for Foreign Affairs EUR 1 million, the Ministry of Justice EUR 3.5 million, the Ministry of Defence EUR 2 million, the Ministry of Education and Culture EUR 25 million, the Ministry of Agriculture and Forestry EUR 13.7 million, the Ministry of Economic Affairs and Employment EUR 0.7 million and the Ministry of Social Affairs and Health EUR 30 million. With regard to the discretionary government transfer savings, allocations to items will be included in later budget processes. Also, membership fees and funding contributions to international organisations in different administrative branches will be reduced by decreasing non-compulsory and non-essential membership fees and funding contributions. The total amount of the saving targeted at membership fees and funding contributions will be EUR 5 million, of which the main part (EUR 4 million) will be allocated to the administrative branch of the Ministry for Foreign Affairs.

The savings measures are described in more detail in the specific administrative branch texts.

Savings and appropriations outlined in the Government Programme

The Government Programme (Annex B) contains measures aimed at achieving a net adjustment in general government finances of EUR 4 billion at the 2027 level. In addition to savings, the package includes expenditure increases, as well as revenue-raising measures.

The central government spending limits decision for 2025-–2028 takes into account the savings and expenditure increases outlined in the above-mentioned Annex to the Government Programme insofar as the impact is on the central government on-budget finances. Relative to the Government Programme, the impact assessments of the measures were further specified to some extent in the autumn 2023 General Government Fiscal Plan, as was the allocation between the different sectors of central government finances of the affects of the measures. Since then, these assessments of have been further refined to a limited extent. While further refinement of the impact assessments is still possible, the Government is committed to the set of measures outlined in the Annex to the Government Programme.

The above-mentioned expenditure policies of the Government Programme will enter into effect gradually during the parliamentary term. In 2027, the measures will have a net saving impact of c. EUR 2.1 billion on the central government finances (at the 2024 price level). Taking into account the nominal impact of index savings, the impact will be c. EUR 2.5 billion. The figures do not include the impact on tax revenue of savings directed at benefits. The set of measures are described at the level of general government finances as a whole in chapter 9.

Central government operating expenditure savings and productivity programmes

The Government will implement a productivity programme for central government, which aims to achieve a saving of c. EUR 390 million from 2027. Operating expenditure savings totalling c. EUR 240 million were decided on in the Government Programme. In addition, the Government decided in connection with the spring 2024 spending limits discussion to reduce operating expenditure by c. EUR 150 million per year and to bring forward a saving of EUR 50 million agreed earlier to 2025.

The implementation of the productivity programme will ensure comprehensive access to services. Implementation will also harness the potential of digitalisation to improve the efficiency of the public sector, for example by making digital communications the primary channel for communications by public authorities. As part of the productivity programme, a public sector premises programme will be launched, aimed at, among other things, rationalising the costs of public sector premises.

The above entities will cover part of the targeted saving of c. EUR 390 million, but the main emphasis in the implementation of productivity programmes will be on the administrative branches' own measures. As of autumn 2023, implementation has been prepared by a working group led by the Ministry of Finance, in which all ministries are represented. On 6 February 2024, the Ministerial Committee on Economic Policy outlined the implementation principles to be followed in the preparation and implementation. Savings targeted at operational expenditure will likely have to be sought through reductions of personnel and through improving the efficiency of operational units. The number of central government employees has increased steadily in recent years. The number of on-budget employees grew by c. 12%, i.e. c. 8,500 people, from 2017 to 2023.

The savings agreed in the Government Programme have now been allocated to the agencies' operating expenditure items for 2025–2028, based on the ministries' own preparations. The additional savings decided on in spring 2024 as well as the bringing forward of earlier savings have been budgeted in a centralised item by main title. The ministries will prepare the reductions to agencies' duties and obligations that will take place through the additional saving allocated to their administrative branches as part of the productivity programmes they are preparing, which, in turn, will be part of the preparation of the 2025 budget proposal.

Table 10. Savings of the central government productivity programme by main title, EUR million

Main title	2025	2026	2027	2028
Parliament	2	2	2	2
Office of the President of the Republic of Finland	0.5	0.7	0.9	0.9
Prime Minister's Office	7.9	9.9	16.9	16.9
Ministry for Foreign Affairs	9.1	9.1	9.1	9.1
Ministry of Justice	17.9	15.4	25.7	25.7
Ministry of the Interior	27.3	24.1	27.6	27.6
Ministry of Defence	20.8	20.6	20.6	20.6
Ministry of Finance	77.7	69.8	93.0	93.0
Ministry of Education and Culture	29.8	26.1	32.4	32.4
Ministry of Agriculture and Forestry	15.0	17.7	26.5	26.5
Ministry of Transport and Communications	20.4	20.5	27.4	27.4
Ministry of Economic Affairs and Employment	24.7	26.9	40.5	40.5
Ministry of Social Affairs and Health	29.3	32.7	56.6	56.6
Ministry of the Environment	4.9	5.5	9.4	9.4
Total[1]	**292**	**285.4**	**393**	**393**

1) The total figures include a saving of c. EUR 4.5 million unallocated to the administrative branches.
* The numbers in the table have been corrected after publication on 25 April so that they reflect the governments' decision on the General Government Fiscal Plan.

Investment programme included in the Government Programme

The Government Programme includes a EUR 4 billion package of one-off investments, which will be funded by central government property income, liquidating the over-capitalisations of state-owned unlisted companies, and making revenue recognitions from the National Housing Fund without jeopardising the Fund's current level of activity. Expenditure under the investment programme will be included in budget proposals and taken into account within the limits of revenue secured in general government fiscal plans. Compared with the previous General Government Fiscal Plan, there are no changes in the revenue recognition estimates for the financing of the investment programme. Expenditure according to the investment programme includes EUR 7 million more per year in 2025–2027 than in the previous General Government Fiscal Plan.

Research and development funding

According to Statistics Finland's latest statistics, research and development expenditure in Finland totalled EUR 7.9 billion in 2022 and accounted for 3% of GDP. Companies accounted for 68% of R&D expenditure. In the period 2020–2022, companies' share of R&D expenditure also averaged 68%.

Under the Act on Research and Development Funding in 2024–2030, the total amount of authorisations and appropriations for R&D in the central government budget will increase by 2030 to 1.2% of GDP. Central government R&D funding should accordingly total c. EUR 4.3 billion in 2030, representing an increase of c. EUR 2.0 billion in total R&D funding in the 2023 budget. In other words, R&D funding in the central government budget should be increased by c. EUR 280 million year on year. Central government R&D funding for 2024 is expected to be EUR 2.6 billion in the 2024 budget.

Based on decisions made earlier, the amount of central government R&D funding is expected to be EUR 2.7 billion in 2025. To meet the statutory funding level in 2025, R&D funding should be increased by c. EUR 210 million. Central government R&D funding should be EUR 3.2 billion in the 2026 budget, EUR 3.5 billion in 2027 and EUR 3.8 billion in 2028.

Table 11. R&D funding under the Act on Research and Development Funding in 2025–2028, EUR billion

	2025	2026	2027	2028
Level as per Act on R&D Funding	2.91	3.19	3.47	3.75
Funding decided earlier	2.37	2.39	2.41	2.46
Decisions of 2024 BP	0.33	0.35	0.27	0.19
Decisions of GGFP 2025–2028	0.19	0.37	0.59	0.56
Funding to be decided later	0.02	0.09	0.20	0.54

Decisions on R&D funding have taken into account the policies of the multiannual R&D funding plan, prepared under the guidance of the Research and Innovation Council. In line with the plan, R&D investments will aim to boost sustainable economic growth and strengthen competitiveness and productivity growth.

Business Finland's authorisation for R&D funding will be increased by EUR 85 million in 2025, EUR 200 million in 2026 and EUR 360 million from 2027. The funding will be allocated particularly to support companies' R&D activities and to cooperation between companies and researchers. In addition, provision will be made with funding of EUR 250 million for the replacement of the EuroHPC LUMI supercomputer with a new supercomputer.

The research project authorisation of the Academy of Finland will be increased by EUR 15 million in 2025–2026 and by EUR 45 million from 2027. The Academy of Finland's thematic research infrastructure calls will be allocated a permanent authorisation increase of EUR 15 million per year. In addition, new funding for shared research infrastructures (including testing platforms) will be created for the Academy of Finland, to which an authorisation of EUR 20 million in 2026 and EUR 50 million from 2027 will be allocated. A total of EUR 40 million will be allocated to a fixed-term post-doc programme for research institutions. The funding will enable the recruitment of a total of 85 post-doc researchers for three years.

An increase of EUR 15 million in 2025, EUR 20 million in 2026 and EUR 25 million from 2027 will allocated to higher education institutions and government research organisations for national co-funding of R&D projects funded by the EU. A permanent increase of EUR 5 million will be made in central government funding to healthcare units for university-level research and for university-level research in social work. An annual increase of EUR 4 million will be made for bioeconomy research and development. Permanent increases will total EUR 504 million at the 2028 level.

Table 12. Increase in R&D funding (GGFP 2025–2028), EUR million

Permanent increases in funding	2025	2026	2027	2028
Business Finland, grants to businesses	45	130	230	230
Business Finland, grants for research	40	70	130	130
Academy of Finland, increasing research project funding	15	15	45	45
Academy of Finland, thematic research infrastructure calls	15	15	15	15
Academy of Finland, shared research infrastructures (incl. testing platforms)		20	50	50
EU co-funding for higher education institutions and research organisations	15	20	25	25
Central government funding to health care units for university-level research and for university-level research in social work	5	5	5	5
Supporting bioeconomy R&D activities	4	4	4	4
Fixed-term funding				
Replacement of EuroHPC LUMI with new supercomputer (2026–2028, total EUR 250 million)	50	75	75	50
Post-doc programme for research institutions (2025–2029, total EUR million)	4.9	13.3	13.3	8.4
Total	**194**	**367**	**592**	**562**

All of the increases for 2025–2028 specified in the Act on Research and Development Funding are not allocated by administrative branch or by budget item in this General Government Fiscal Plan, but there is a spending limits provision in place to allow for further decisions, amounting to EUR 10 million in 2025, EUR 50 million in 2026, EUR 100 million in 2027 and EUR 300 million in 2028. The spending limits provision is lower than the increase in R&D funding required in the Act, because the increase concerns available R&D funding (authorisations and appropriations), while the provision only considers the appropriation needs of each year, which will be realised with delayed effect with regard to authorisations. Further decisions on the allocation of R&D funding in 2025–2027 will be made at a later stage in the context of future budgets and General Government Fiscal Plans.

In addition, tax revenue estimates include the deduction for R&D cooperation currently in force (2021–2027) and the combined deduction for R&D that entered into force in 2023.

Recovery and Resilience Plan investments during the spending limits period, including REPowerEU

Implementation of the Recovery and Resilience Plan will continue during the spending limits period, ending in 2026. The General Government Fiscal Plan includes EUR 352 million in 2025 and EUR 190 million in 2026 of expenditure in accordance with Finland's Recovery and Resilience Plan. Estimated revenue from the EU with regard to payments is EUR 467 million in 2025 and EUR 316 million in 2026.

In autumn 2023, Finland supplemented its Recovery and Resilience Plan with REPowerEU funding, and the EU Economic and Financial Affairs Council approved the supplement in December 2023. The Recovery and Resilience Plan is part of the Sustainable Growth Programme for Finland (SGP), which will boost reforms and investments. Funding for the plan comes mainly from the EU Recovery and Resilience Facility.

5.3.1 Policy outlines for the administrative branches

Prime Minister's Office

The annual appropriations of the main title of the Prime Minister's Office will average EUR 233 million in 2025–2028. The operating expenditure appropriations of the Prime Minister's Office will average approximately EUR 149 million in the spending limits period.

In accordance with the government premises plan, the intention is to carry out renovation and new construction projects on government premises in the Government Palace block and neighbouring blocks between 2023 and 2028. The resulting increase in rent expenditure will be realised later, as the construction project is completed. The modernisation of government premises will generate inevitable costs from planning, relocation and furniture procurement, which will mainly arise towards the end of the construction project.

Principal changes and decisions

In line with the Government Programme, a total appropriation of EUR 4.8 million will be transferred from ministries' operating expenditure to joint government activities and projects.

An appropriation of EUR 0.7 million will be transferred from the main title of the Ministry for Foreign Affairs for the preparation of EU court cases in the Prime Minister's Office. From the operating expenditure of the Ministry for Foreign Affairs, EUR 0.2 million will be transferred to Europe Information activities and annual funding of EUR 0.4 million to grants for civil society organisations.

The appropriations for the truth and reconciliation process of deaf people will be transferred to the administrative branch of the Ministry of Justice.

In addition, savings are allocated to the operating expenditure of the administrative branch, and the broader entity formed by these savings is examined in section 5.3.

Ministry for Foreign Affairs

The annual appropriations of the main title of the Ministry of Foreign Affairs will be c. EUR 1.1 billion in the spending limits period. At the end of the spending limits period, the breakdown of main title appropriations will be as follows: foreign affairs administration 24%; crisis management 7%; official development assistance 60%; and other expenditure 9%. The key objectives of Finland's foreign and security policy are safeguarding Finland's independence and territorial integrity, preventing Finland's entry into military conflict, and ensuring the security and wellbeing of the Finland and its people. Finland's foreign and security policy is based on the rule of law, human rights, equality and democracy.

An annual appropriation of c. EUR 244 million is allocated to the operating expenditure of the Ministry for Foreign Affairs. During the spending limits period, a reform of the foreign affairs administration will be implemented, based on the Government Programme.

Finland will hold the Chair of the Organisation for Security and Co-operation in Europe (OSCE) in 2025 and the Presidency of the Nordic Council of Ministers in 2026. In addition, Finland is a candidate for a seat on the UN Security Council for the term 2029–2030. A total of EUR 14.5 million in 2025–2026 has been earmarked to cover expenditure related to Finland's term as Chair of the OSCE.

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 appropriations take into account the operations in which Finland will participate during the spending limits period. The civilian crisis management appropriations will be c. EUR 19 million per year in the spending limits period. A total of EUR 3.9 million per year is allocated to peace mediation.

Historically, Finland has been committed, in line with the UN recommendation, to development funding of 0.7% of GNI, although the target has not been reached. In the current economic situation, however, savings will be directed at official development assistance during the parliamentary term. These will be implemented gradually, aiming to take into account commitments made. The level of appropriations for official development assistance will increase during the spending limits period from EUR 534 million to EUR 551 million. An allocation of EUR 70 million per year will be made to official development assistance in the form of loans and investments, EUR 2.9 million per year to support democracy and rule of law, and EUR 5 million per year to increase the capital of Finnfund. Ukraine will be Finland's largest official development assistance destination during the parliamentary term. At the end of the spending limits period, it is estimated that official development assistance appropriations will decrease to 0.35% of GNI.

A total of EUR 1.6 million per year is allocated to Baltic Sea, Barents and Arctic Region cooperation. In the selection of projects to be implemented with the appropriations, emphasis will be on Finland's national interests, including the utilisation of Finnish expertise and know-how in the implementation of the projects.

Principle new decisions and changes

A sum of EUR 5 million is allocated in 2025 to increase the capital of the CMI Peace Fund, based on the Finnish Innovation Fund Sitra's decision to donate EUR 10 million. The corresponding revenue has been budgeted to the revenue item 12.24.99 of the Ministry for Foreign Affairs.

An appropriation of EUR 0.5 million per year has been allocated to help people in need. The various crisis situations around the world that require the consular services of the Ministry for Foreign Affairs have increased significantly in recent years. The appropriation has been increased to prepare for these crises abroad.

An allocation of EUR 47.9 million per year had been made to the Support for Ukraine item, representing a decrease of EUR 10.1 million compared with the previous spending limits decision. The decrease is due to the transfer of funding to increase the capital of the European Bank for Reconstruction and Development (EBRD). On the EBRD's side, the capital increase is tied to continued support for Ukraine during the war and to funding the reconstruction of Ukraine.

The appropriations for membership fees and funding contributions take into account the European Peace Facility EPF's support for Ukraine. Based on EPF decisions, Finland's contributions are expected to be c. EUR 42–44 million per year in 2025–2027. This represents an increase of c. EUR 24 million per year compared with the previous spending limits decision.

As part of the Government's additional adjustment measures, an annual reduction of EUR 50 million will be made in appropriation for official development assistance. In addition, EUR 10 million will be reallocated within the item annually to development assistance channelled through civil society organisations. The saving allocated to official development assistance included in the Government Programme will be brought forward by EUR 45 million in 2025 and EUR 30 million in 2026. The increase in the capital of Finnfund will be halved such that in the future it will amount to EUR 5 million per year.

A permanent saving of EUR 2 million will be allocated to the Ministry for Foreign Affairs buildings item. In addition, savings are allocated to the operating expenditure of the administrative branch, to discretionary government transfers granted and to memberships fees and funding contributions to international organisations, and the broader entity formed by these savings is examined in section 5.3.

Ministry of Justice

The annual appropriations of the main title of the Ministry of Justice will be c. EUR 1.2 billion in the spending limits period, of which c. EUR 3.5–23 million is for election costs, depending on which elections are held in each year. The appropriations of the main title mostly consist of operating expenditure of administration of justice (83% on average in the spending limits period).

The breakdown of appropriations of the main title of the Ministry of Justice will be as follows: courts 30.6%, enforcement of sentences 24.6%, legal services 15.3%, the Ministry and administration 13.1%, payment default entries and enforcement 9.3%, prosecutors 5.3%, and election costs 0.8%.

The vision is to achieve a transparent, active and safe society where everyone can feel included and where everyone can trust that their rights will be respected.

Principle new decisions and changes

Savings are allocated to the operating expenditure of the administrative branch of the Ministry of Justice, and the broader entity formed by these savings is examined in section 5.3.

Ministry of the Interior

The appropriation level of the main title of the Ministry of the Interior will be c. EUR 2.2 billion in 2025, decreasing to c. EUR 1.9 billion in 2028. At the end of the spending limits period, the breakdown of appropriations of the main title will be as follows: administration 12%; Police 58%; Border Guard 18%; rescue services and emergency response centres 6%; and immigration costs 7%.

The change in Finland’s security environment, the situation and the identified risks require sufficient resources for the security authorities in order to be able to prepare for unexpected changes and crises proactively and purposefully.

Principle new decisions and changes

An appropriation of EUR 2.6 million is allocated to the Police for an ICT modernisation programme. In addition, as part of the set of measures related to children and young people, an annual increase of EUR 2 million will be allocated to the implementation of the programme to combat youth and gang crime.

An annual increase of EUR 1 million is earmarked for strengthening the operational capacity of the Finnish Security Intelligence Service.

Funding is allocated to the Police, the Border Guard, rescue services and emergency response centres for the deployment of the VIRVE 2.0 mobile broadband network.

To accelerate the construction of the fence on the eastern border, it is proposed that the Border Guard's investment item be reduced by EUR 74 million with regard to the appropriation earmarked for 2025. It is proposed that a corresponding amount be added to the item in the first supplementary budget proposal for 2024. The overall funding requirement of the project will not change as a result of this change in timing.

An annual EUR 1 million is allocated to rescue services' special expenditure arising from rescEU capability transports.

The appropriation allocated to Helsinki Rescue School will be increased by EUR 1 million from 2025 to increase the number of rescue trainees.

The appropriation allocated from 2025 to the reception of refugees and asylum seekers will be reduced by EUR 37.3 million and the appropriation allocated to subsidies paid to reception clients correspondingly by EUR 12.9 million, due to changes in the migration forecast.

The estimated appropriation earmarked for expenditure arising from transportation related to removals from the country and collection will be reduced by EUR 3 million per year.

In addition, savings are allocated to the operating expenditure of the administrative branch, and the broader entity formed by these savings is examined in section 5.3.

Ministry of Defence

The appropriation level of the administrative branch of the Ministry of Defence will be EUR 6.2 billion in 2025, and it will decrease by EUR 267 million to EUR 6.0 billion in 2028. The changes are mainly due to annual variations in the funding for the F-35A fighter aircraft project and in defence materiel procurements.

A general increase in appropriations consistent with the change in the security environment is included as a permanent element in dimensioning the operating expenditure of the Defence Forces. For 2025–2027, the dimensioning of defence materiel procurements includes a general increase in appropriations consistent with the change in the security environment, to improve the defence capability. The spending limits include EUR 1.1 billion to fund the replacement procurement for materiel support delivered to Ukraine. In the spending limits period, appropriations within spending limits expenditure include funding for the fighter aircraft project totalling EUR 6.4 billion and funding for the Squadron 2020 project totalling

EUR 568 million. In the spending limits period, projects for the main weapon systems of sea and air defence will be implemented, replacing the Navy's ageing combat vessel fleet and the performance capability of the Air Force's Hornet fighter fleet.

The level of military crisis management equipment and administration expenditure will be, adjusted for cost increases, c. EUR 70 million per year. The EUMAM Ukraine training mission, launched as a new mission in 2023, and other ongoing missions will continue, with the exception of the UN mission in Mali. The personnel complement of crisis management missions will be around 450 in the spending limits period. The largest missions are in Lebanon, Iraq and Kosovo.

According to established practice, cost-level adjustments will be made annually to the Defence Forces' operating expenditure appropriations (excluding personnel expenditure) and to defence materiel procurement and military crisis management equipment and administration expenditure appropriations (excluding personnel expenditure). In addition, purchasing power corrections will be made to the uncommitted part of the order authorisation as well as to other available deferrable appropriations for multirole fighter aircraft procurement.

Military integration related to Finland's NATO membership will continue. Preparations are under way to serve as part of NATO's regional plan and to participate in NATO peacetime tasks and preparedness obligations. The costs of membership have been taken into account in the spending limits in relation to, among other things, Finland's share of NATO's military budget, participation in NATO's security investment program and NATO's DIANA initiative. Expenditure in the spending limits period will be increased by additional spending on the staffing needs of the administrative branch.

Principle new decisions and changes

Due to the change in the operating environment, the order authorisations granted for the improvement of defence capability (PVPAR order authorisation) and for the replacement procurement of the materiel support given to Ukraine (UKR2023 order authorisation) will expire in 2027 and 2028.

As part of the set of measures adopted to strengthen general government finances, the productivity appropriation of EUR 2.9 million of the Ministry of Defence will be removed. In addition, savings are allocated to the operating expenditure of the administrative branch and to granted discretionary government transfers, and the broader entity formed by these savings is examined in section 5.3.

Ministry of Finance

The annual appropriation level of the main title of the Ministry of Finance will be c. EUR 40.7 billion during the spending limits period. A very significant proportion of the expenditure of the main title consists of funding for the wellbeing services counties (EUR 26.2 billion in 2025) and the central government transfer to municipalities for basic public services (EUR 3.2 billion in 2025). 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: Municipal finances.

The operating expenditure of the Tax Administration will decrease in the spending limits period from EUR 417 million to EUR 400 million. In addition, an appropriation of EUR 34.0–40.1 million per year will be allocated for the implementation of a positive credit information register and for the operation of the National Incomes Register. An annual c. EUR 185–197 million will be allocated in the spending limits period to the operating expenditure of Customs. The comprehensive reform of customs clearance systems is scheduled to be completed during the spending limits period, and the ending of investment funding will reduce operating expenditure at the end of the spending limits period.

An annual EUR 33.4–37.0 million will be allocated in the spending limits period to the operating expenditure of the State Treasury. The annual operating expenditure of Statistics Finland during the spending limits period will be EUR 52.0–54.1 million. An annual increase of EUR 1.7 million will be allocated during the spending limits period to putting the data room activities of Statistics Finland and the Government Institute for Economic Research (VATT) on a permanent basis. The operating expenditure of the Digital and Population Data Services Agency (DVV) will be EUR 50.8–57.0 million per year.

An overview of the centralised funding earmarked for key information system and information management projects as well as other productivity projects in the administrative branches is discussed in section 5.3.2.

The annual appropriation for pensions and compensation in the main title of the Ministry of Finance will be EUR 6.1 billion, of which compensation will be EUR 41 million. The State Pension Fund and revenue recognised therefrom in the central government budget are discussed in section 5.6.

The estimate of Finland's EU membership contribution has been updated relative to the revised spending limits of autumn 2023. The contribution is expected to be around c. EUR 2.6 billion at the beginning of the spending limits period and to rise to EUR 3.0 billion in 2028. There is uncertainty as to the amount of Finland's EU membership contribution. There are pressures to expand the Multiannual Financial Framework (MFF) due to, among other things, ongoing crises (such as Russia's invasion of Ukraine), interest expenditure of the Recovery and Resilience Facility, and EU administration expenditure.

Principle new decisions and changes

In the spending limits period, a total of EUR 7.8 million will be allocated to the operating expenditure of the State Treasury from the appropriation earmarked for promoting central government productivity, specifically for the development and implementation of the system of discretionary government transfers.

The appropriation levels for productivity promotion and public administration ICT steering and development will be reduced by a total of EUR 26.4 million in the spending limits period.

A total of EUR 40.4 million will be allocated in the spending limits period for the capital increase of the European Bank for Reconstruction and Development (EBRD).

In addition, savings are allocated to the operating expenditure of the administrative branch, and the broader entity formed by these savings is examined in section 5.3.

Ministry of Education and Culture

The appropriation level of the main title of the Ministry of Education and Culture will average c. EUR 8.5 billion per year during the spending limits period. Of the appropriations, c. EUR 950 million will be allocated at the beginning of the spending limits period to early childhood education and care as well as preschool and basic education, c. EUR 1.4 billion to upper secondary education, c. EUR 3.9 billion to higher education and research, c. EUR 1.1 billion to financial aid to students, c. EUR 580 million to arts and culture, and c. EUR 235 million to sport and exercise, and youth work.

In order to secure the operating potential of the Ministry of Education and Culture and of the agencies in its administrative branch, and in order to improve the effectiveness of the cultural administration, the Ministry has launched the Educational and Cultural Administration 2030 development project, the goal of which is to clarify the agency structure within the administrative branch, reduce overlapping administration and make the guidance and direction of agencies more effective.

Primary and lower secondary education will be strengthened by a total of EUR 100 million in 2025, EUR 150 million in 2026 and EUR 200 million from 2027. In addition, EUR 3.5 million will be allocated from 2025 onwards to preparatory education.

Funding models for vocational education and training and upper secondary education will be reformed to encourage the provision of high-quality, relevant education in a cost-effective way that ensures accessibility to education across the country. The Government will strengthen learning support and study guidance in vocational education and training and upper secondary education, including preparatory education for programmes leading to a qualification (TUVA). Additional permanent funding of EUR 20 million will be allocated for this purpose from 2025.

In higher education institutions, opportunities for continuous learning will be increased and obstacles to increasing private financing removed. The goal is to increase the number of young adults with higher education degrees to as close to 50% as possible by 2030.

The indexation of student grants will be frozen for 2025–2027. The Government will launch a comprehensive reform of financial aid to students.

Principle new decisions and changes

The gradual reduction in the level of discretionary government transfers, as outlined in the Government Programme and the first General Government Fiscal Plan of the parliamentary term, will be brought forward and the level of overall savings increased. The level of the discretionary government transfers in the Ministry of Education and Culture will be reduced by a total of EUR 75 million in 2025 and EUR 150 million from 2026. In addition, savings are allocated to the operating expenditure of the administrative branch as well as to memberships fees and funding contributions to international organisations, and the broader entity formed by these savings is examined in section 5.3.

The legislation on basic education in art will be reformed and the implementation of the new legislation will be prepared so that it can be introduced from the beginning of 2026.

The conditions for employment of women with an immigrant background will be improved by creating a new operating model for education, to which EUR 5 million will be allocated annually.

As part of the set of measures related to children and young people, funding for school and educational institution youth work will be increased by EUR 1 million per year.

Free learning material referred to in Act on Compulsory Education will be restricted to the end of the calendar year in which a student reaches 18 years of age.

Funding of vocational education and training will be reduced by EUR 100 million from 2025. The accumulation of vocational education and training for the same people will be reduced and a reduction in funding will be targeted, in particular, at vocational education and training for adults who have already completed a vocational qualification or a tertiary degree. Funding or student places for education of young people completing their comprehensive school education or education of those without an initial vocational qualification will not be reduced.

Students will be returned to within the scope of the student housing supplement instead of the general housing allowance as of 1 August 2025. The right to transport aid for students will be restricted to students in free education.

The appropriation level for private copying will be reduced, based on a lower amount of copying, to EUR 5.5 million from 2025.

As part of the R&D funding package, the Academy of Finland's authorisation will be gradually increased. The authorisation will rise by a total of EUR 110 million by 2027. Funding totalling EUR 250 million will be allocated for the replacement of the EuroHPC LUMI supercomputer with a new supercomputer.

Ministry of Agriculture and Forestry

Annual appropriations of the main title of the Ministry of Agriculture and Forestry will average c. EUR 2.6 billion in the spending limits period. The breakdown of the appropriations at the beginning of the spending limits period is as follows: rural development 16%; agriculture and food economy 70%; natural resources economy 7%; and classes of the main title 7%. Most (c. 90%) of the appropriations for rural development and for the agriculture and food economy relate to the implementation of Finland's CAP Strategic Plan for 2023–2027, adopted at the beginning of 2023. The main objectives of Finland's CAP Strategic Plan are to ensure active food production, promote climate and environment-smart agriculture, and strengthen the viability of a countryside capable of renewing itself. In the spending limits decision, EU and national appropriations have been allocated in accordance with the projected progress of the funding plan and payouts in the CAP Strategic Plan, taking into account the adjustment measures of the Government Programme. In connection with the implementation of the Government Programme savings in regional and local rural development, appropriation transfers will be made between certain items. In 2028, the EU Funding Period 2028–2034 begins, with regard to which national and EU funding will be decided later. The average annual level of appropriations for 2023–2027 has been used as the technical basis for dimensioning the 2028 budget support items.

The purpose of measures funded with rural development appropriations is to leverage the potential of rural areas and to improve their viability in sustainable ways. Rural development goals will be supported with, among other things, rural business subsidies, R&D projects and advisory services for farms. The annual appropriation for rural development in the spending limits period will be, on average, c. EUR 465 million.

Appropriations for the agriculture and food economy are intended to ensure supply security in a food system with overall sustainability, to improve sustainable and competitive growth in the bioeconomy and in food-based businesses and to responsibly secure the health, wellbeing and safety of humans, animals and plants. The annual appropriation for the agriculture and food economy in the spending limits period will be, on average, EUR 1,729 million.

The purpose of the national resources economy is to ensure the sustainable management and use of renewable natural resources and related risk management. Appropriations allocated to fisheries, game, forestry and water economy and to general natural resource use are used to safeguard security of supply, replace use of non-renewable raw materials and energy, create potential for competitive business operations based on sustainable use of natural resources, while coordinating the needs of the use and protection of natural resources, and fostering wellbeing through recreational enjoyment of the natural environment. The annual appropriations for the natural resources economy in the spending limits period will be, on average, c. EUR 177 million.

Annual appropriations for managing the public administration duties of Metsähallitus will be, on average, c. EUR 6.8 million.

Reliable and widely accessible geographical, property and apartment information facilitates new business and secures ownership and a national collateral system. Annual appropriations for surveying and for recording housing shares in the spending limits period will be, on average, c. EUR 48 million.

RDI activities and advisory services in the administrative branch proactively support the effectiveness of administration and the competitiveness of businesses. The appropriation for administration and research in the spending limits period will be, on average, c. EUR 132 million.

Principle new decisions and changes

An annual EUR 10 million will be allocated from 2025 to promote security of supply and exports of the agriculture, food and bioeconomy sector.

In the spending limits period, on average, an increase of c. EUR 7 million per year will be allocated in the administrative branch to R&D activities, of which EUR 4 million will be allocated to support bioeconomy R&D activities and an average of c. EUR 3 million to the post-doc programme of research institutions.

In addition, savings are allocated to the operating expenditure of the administrative branch, to discretionary government transfers granted and to memberships fees and funding contributions to international organisations, and the broader entity formed by these savings is examined in section 5.3.

Ministry of Transport and Communications

The annual appropriations of the main title of the Ministry of Transport and Communications will be c. EUR 3.2 billion on average in the spending limits period. The level of appropriations will fall from c. EUR 3.3 billion in 2025 to c. EUR 3.1 billion in 2028. The change is due to the adjustment measures of the Government Programme and to front-loaded increases for the investment programme. Funding under the Sustainable Growth Programme for Finland (SGP) for the development and verification phase of the Digirail project and for cybersecurity projects will end during the spending limits period, which will reduce the level of appropriations to a small extent. Operating expenditure of administrative branch agencies and joint expenditure for the administrative branch will increase compared with the previous spending limits decision. Joint expenditure for the administrative branch will be increased by the development of value-added tax expenditure due to transport infrastructure projects initiated with investment programme funding under the Government Programme and additional expenditure on basic transport infrastructure maintenance.

Most of the appropriations in the main title will be used for maintenance and development of transport and communication networks, which account for around 53% Transport and communication services account for 27% and operating expenditure of administrative branch agencies and joint expenditure for the administrative branch around 20%.

Appropriations for basic transport infrastructure maintenance will be EUR 1.285 billion per year in the spending limits period.

An appropriation of EUR 609.1 million will be earmarked for the annual transfer to the State Television and Radio Fund. The funding is outside the spending limits. The amount of funding will be revised annually to reflect changes in cost levels. The State Television and Radio Fund covers the costs of the public service broadcaster, Finnish Broadcasting Company YLE. In accordance with the Government Programme, a parliamentary working group will assess YLE's funding, its relationship to commercial media, the need to amend the Act on the Finnish Broadcasting Company and to more clearly define YLE's duties.

Principle new decisions and changes

Funding for transport development projects will be allocated in line with the investment programme of the Government Programme, among other things, and Connecting Europe Facility (CEF) support amounting to around EUR 80 million be received over the whole spending limits period in line with decisions already taken by the Commission.

As part of additional adjustment measures, a saving amounting to EUR 30 million related to transport infrastructure network development projects will be brought forward to start from 2025. In addition, the provision available for unspecified projects related to the development of the transport infrastructure network will be reduced by EUR 50 million in 2026 and by EUR 55 million in 2027 and 2028. After the changes, EUR 318.3 million in 2025, EUR 285.4 million in 2026, EUR 269.6 million in 2027 and EUR 247.9 million in 2028 will be allocated to development projects.

In addition, savings are allocated to the operating expenditure of the administrative branch, and the broader entity formed by these savings is examined in section 5.3.

Ministry of Economic Affairs and Employment

The appropriations of the main title of the Ministry of Economic Affairs and Employment will total EUR 3.6 billion in 2025, declining to EUR 2.4 billion in 2028. This change is due mainly to the termination of funding under the Recovery and Resilience Plan. The appropriations also take into account measures in accordance with the Government Programme. At the end of the spending limits period, the breakdown of the appropriations of the main title will be as follows: administration 27%; renewal and low carbon 43%; employment and entrepreneurship 17%; special funding for businesses 7%; and integration and international expertise 6%.

Appropriations allocated to administration will decline during the spending limits period from EUR 709 million to EUR 645 million. Appropriations allocated to renewal and low carbon will be EUR 1.5 billion in 2025 and will decline to EUR 1.0 billion in 2028. In addition to the termination of the Recovery and Resilience Plan, the appropriation requirement will be reduced by the expiry of the electrification subsidy for energy-intensive industries in 2026 and a reduction in renewable energy production subsidies. On the other hand, the appropriation level will be raised by an increase in R&D funding.

Central government research and development expenditure will be gradually increased to 1.2% of GDP by 2030. The authorisation to support research, development and innovation activity will be EUR 531 million in 2025, EUR 644 million in 2027 and EUR 804 million from 2027. The energy subsidy authorisation will be EUR 14.1 million in 2025–2028. The estimated appropriation level of the renewable energy production subsidy will be EUR 291 million in 2025, decreasing to EUR 155 million in 2028 due to the withdrawal of wind power capacity from the subsidy scheme.

Employment and entrepreneurship appropriations will decrease from EUR 679 million to EUR 411 million. Annual funding in EU Structural Fund programmes will decrease gradually during the spending limits period, from EUR 619 million in 2024 to EUR 372 million in 2028, as funding from the Just Transition Fund decreases.

Appropriations for special financing for businesses will be EUR 183 million in 2025 and EUR 175 million in 2028. The mainly consist of interest subsidies and hedging expenditure for export credits, and loss compensation paid out by Finnvera. Loss compensation paid out by Finnvera will be, on average, EUR 48 million per year.

Annual appropriations for integration and international expertise will be EUR 503 million in 2025 and will decline to EUR 144 million at the end of the spending limits period. The annual appropriation requirement will be impacted particularly by the transfer of persons under temporary protection to become municipal residents and be covered by integration benefits. In accordance with the Government Programme, the number of quota refugees will be 500 persons per year in 2025–2028. The payment period for the notional compensation payable to municipalities and wellbeing services counties will be reduced in the current compensation payable for three years to two years and in compensation payable for four years to three years from 2025. The economic impact of the change resulting from the reduction in the compensation period will mainly begin from 2027.

Principle new decisions and changes

The operating expenditure of the Patent and Registration Office will be reduced from 2027 by EUR 2.7 million due to the ending of temporary compensation for the introduction of EU unitary patent. A saving of EUR 0.5 million, similar to an operating expenditure saving, will be allocated to the activities of the Civilian Service Centre from 2025. Additional funding related to the research institutions' post-doc programme will be granted to the Geological Survey of Finland and VTT Technical Research Centre of Finland Ltd.

Business Finland's grant authorisations for R&D funding will be increased by EUR 85 million in 2025, EUR 200 million in 2026 and EUR 360 million from 2027. Grants authorisations for non-R&D activities, on the other hand, will be reduce by EUR 20 million from 2025. Business Finland's funding for tourism promotion will be reduced by EUR 2 million per year. National co-funding to higher education institutions and research organisations for EU R&D projects will be increased by EUR 15 million in 2025, EUR 20 million in 2026 and EUR 25 million from 2027.

The annual EUR 5 million discretionary government transfers to Työkanava Oy will be revoked. The regional transport subsidy will be reduced by EUR 1 million per year.

Compensation payable to municipalities for promoting integration will be reduced. The reimbursement period for costs incurred for social assistance will be shortened from three years to one year, resulting in a saving of EUR 58 million in 2025, which will decrease to EUR 16 million in 2028. The price level for integration training will be revised, which will have a saving impact of EUR 8.4 million in 2025 and EUR 3.6 million in 2028. In addition, a reduction in the number of integration tasks will be prepared so that the notional compensation can be reduced. In addition to these changes, appropriations for the promotion of integration will be increased by EUR 59 million in 2025, EUR 43 million in 2026 and EUR 9 million in 2027 and will be reduced by EUR 132 million in 2028. The changes result from an updated estimate of the number of refugees under temporary protection in their home municipality and covered by compensation, as well as the Ministry of the Interior's new immigration assumptions.

In addition, savings are allocated to the operating expenditure of the administrative branch, to discretionary government transfers granted and to memberships fees and funding contributions to international organisations, and the broader entity formed by these savings is examined in section 5.3.

Ministry of Social Affairs and Health

The appropriation level of the main title of the Ministry of Social Affairs and Health will be c. EUR 14.9 billion at the beginning of the spending limits period, decreasing to c. EUR 13.9 billion at the end of the spending limits period. Compared with the previous spending limits decision, the appropriation level will fall by c. EUR 750 million at the beginning of the spending limits period and by c. EUR 1.3 billion at the end of the spending limits period. The appropriation level will be impacted by, among other things, the economic development of the Ministry of Finance's macroeconomic forecast, discretionary changes made by Parliament, and reforms included in Prime Minister Orpo's Government Programme that were not taken into account in the Government's first spending limits decision. In addition, the level of appropriations will be affected by the new savings decisions taken.

Of the administrative branch appropriations, c. 35% will be allocated to pension expenditure, c. 28% to offsetting family and housing costs and to basic social assistance, c. 11% to health insurance, c. 10% to unemployment security, c. 2% to support for health and social welfare, and c. 2% to grants for the promotion of health and social wellbeing. Between 0.3% and 0.8% of the main title appropriations will be allocated to each of the other classes of the main title.

The activities and finances of the wellbeing services counties are discussed as a whole in Chapter 6: Finances of the wellbeing services counties.

Principle new decisions and changes

Instead of reducing the family leave allowance and increased 16-day parental allowance, a saving of EUR 23.5 million in the central government transfer for healthcare insurance has been taken into account as a compensatory measure from 2025.

From the appropriation earmarked in accordance with the Government Programme for promoting social justice, EUR 13.8 million will be allocated in 2025–2027 to the programme for eliminating hepatitis C, EUR 10.9 million to preventing drug-related deaths among young people and EUR 7.5 million to improve the situation of young people suffering with violence. Part of the discretionary government transfers for these development projects will probably be allocated to wellbeing services counties. Social justice measures will largely end in 2027, but so that the EUR 3 million annual support for food aid organisations and the celiac allowance for under-18s will remain permanent.

Students will be returned to within the scope of the student housing supplement instead of the general housing allowance as of 1 August 2025. The estimated net saving from the change will rise to EUR 57 million by 2028. The amount of the housing allowance will be specified in more detail in connection with the preparation of the 2025 budget proposal.

An annual EUR 10 million will be allocated to the continuing education for those in working life. In question is a system replacing the adult education benefit, particularly meeting the education needs of special needs teachers and registered nurses.

The calendar year initial deductible in health insurance compensation will be increased from EUR 50 to EUR 70 and, in addition, the deductible will be linked to the national pension index.

In addition changes will be made to the reimbursement scheme for medicines, for example related to the reference price system for medicines. The changes will result in a saving of EUR 50 million in general government finances from 2025. In addition, a EUR 10 million additional saving will be allocated to the scheme from 2027.

The age limit for the national pension and the rehabilitation allowance will be raised from the current 16 to 18 years. The age limit will also be raised in disability benefit legislation, in which case so that recipients of the care allowance for pensioners under 18 years of age will become recipients of disability benefit for those under 18. The savings impact of the change will be an estimated EUR 5.5 million in 2025, EUR 31 million in 2016 and EUR 45.8 million from 2027.

Sickness allowance expenditure will be reduced by changing the sickness allowance calculation formula from 2025, resulting in a total net saving of EUR 60 million. At the same time, a broader reform of the sickness allowance system will be launched.

The conditions for determining the pensioner's housing allowance will be changed so that the saving in benefit expenditure will be EUR 12.5 million in 2025 and EUR 25 million from 2026. The changes will be targeted at the wealthiest recipients of the allowance.

Benefits under the National Insurance Act will no longer be paid abroad in the future. The savings impact of the change will be c. EUR 38 million per year.

The child maintenance allowance will be reformed so that the level of the allowance will be reviewed at regular intervals on the basis of parental income data. The savings impact of the change will be an estimated EUR 1 million in 2025, EUR 3 million in 2026, EUR 5 million in 2027 and EUR 8 million from 2028.

In unemployment security, the active-period increase elements will be withdrawn. The increase element payable in labour market support and basic daily allowance for the period of employment promotion services is currently 5.29 euro/day. The change will strengthen general government finances by just over EUR 24 million per year.

Means testing of labour market support will be changed so that parental income will influence more than at present the amount of labour market support of those living with parents. The change will strengthen general government finances by c. EUR 3 million per year.

The maximum waiting time for access to care in primary health care will be laid down in law at 3 months and maximum waiting time for access to care in oral health care at 6 months. Due to the legislative change, the funding for student healthcare for higher education students will be reduced by EUR 1.1 million and the funding for prison healthcare will be reduced by EUR 0.9 million from 2025. In addition, a general increase of c. EUR 800,000 will be allocated from 2025 to the operating expenditure of the Prison Healthcare Unit due to an increase in the number of prisoners and the expansion of Vantaa Prison. An annual additional appropriation of c. EUR 3.2 million will be provided for the costs of health services acquired outside the Prison Healthcare Unit.

In accordance with the Government Programme, the responsibility for funding patient transportations in the context of prehospital emergency medical services will be transferred entirely to the wellbeing services counties from 2026. The transfer will be made in cost-neutral manner from the central government perspective by reducing the central government's responsibility for funding healthcare insurance. A general increase of EUR 1.5 million will be made from 2026 to the expenditure of the Helicopter Medical Emergency Service to compensate for the removal of transport compensation for patient transportations in the context of prehospital emergency medical services. In addition, due to the change in the value-added tax rate, EUR 1.3 million for 2025 and EUR 1.4 million for 2026–2028 will be allocated to expenditure.

As part of the set of measures related to children and young people, a general increase of EUR 1 million will be allocated to shelter services and a total of EUR 1 million per year from 2025 will be allocated to the launch of a hybrid model in child welfare and to chat services in low-threshold mental health.

A total of EUR 3 million will be allocated for the spending limits period to a fixed-term development project for Swedish-language services in the wellbeing services counties of East Uusimaa and West Uusimaa. The project will be funded under the investment programme of Prime Minister Orpo's Government Programme.

In addition, savings will be allocated to the operating expenditure of the administrative branch, to discretionary government transfers granted and to memberships fees and funding contributions to international organisations, and the broader entity formed by these savings is examined in section 5.3.

Ministry of the Environment

The overall level of the on-budget appropriations in the main title of the Ministry of the Environment will be EUR 244 million in 2025 and EUR 221 million in 2028. At the end of the spending limits period, the breakdown of appropriations will be as follows: environmental and nature protection expenditure 60%; housing and construction expenditure 6%; and operating expenditure 28%. The additional savings allocated to the operating expenditure of the main title of the Ministry of the Environment have not yet been divided between different items. The administrative branch of the Ministry of the Environment includes the National Housing Fund and the Oil Pollution Compensation Fund, which are funds outside the State budget. These funds are not included in the percentage figures. The Oil Pollution Compensation Fund will be wound down in 2024 as the Environmental Damage Fund will start up in 2025.

Nature protection appropriations will be directed, in particular, to the implementation of the METSO and Helmi programmes and to the objectives of the EU's biodiversity strategy. Broadly speaking, natural protection appropriations are projected to be c. EUR 94–95 million per year during the spending limits period in the administrative branch of the Ministry of the Environment. In protecting the Baltic Sea and other waterways, implementation of the waterway and marine management action plans will continue, with a particular focus on improving the state of the Archipelago Sea. An allocation of EUR 16.3 million per year will be made to water protection in the spending limits period.

An appropriation of EUR 1.8–2.4 million per year will be allocated in the spending limits period to prevention and clean-up of environmental damage, of which c. EUR 1.5 million per year will be used to prevent environmental damage at the Hiruta mine. An annual EUR 5.8 million will be allocated in the spending limits period to various areas of environmental expenditure, such as environmental research, environment restoration and the development of environmental tasks and the circular economy.

An annual EUR 27.2–34.1 million will be allocated to the Finnish Environment Institute.

An annual EUR 5.9–6.2 million will be allocated in the spending limits period to the operating expenditure of the Housing Finance and Development Centre of Finland. Appropriations of EUR 7.0–9.6 million per year have been earmarked for repair grants.

Various subsidies for housing construction will be granted from the National Housing Fund during the spending limits period. The level of the authorisation for granting interest-subsidised loans will be tailored to the economic situation in accordance with the Government Programme and a decision of the Ministerial Committee on Economic Policy. The authorisation for granting interest-subsidised loans will be EUR 1.75 billion in 2025, with the total authorisation being EUR 2 billion in 2026–2027. Housing companies in financial difficulties may be granted assistance from an annual appropriation of EUR 2.6 million. The authorisation for remissions related to demolition and remissions related to exemption from restrictions will total EUR 8 million per year, while the demolition subsidy authorisation will total EUR 5 million per year.

Appropriations in the administrative branch will be increased in the spending limits period particularly by the national contribution to the InvestEU loan guarantee programme, a total of EUR 45.7 million in the period 2025–2027.

An allocation of EUR 2 million will be made to housing advice. An appropriation of EUR 3.7 million per year will be allocated in transitional funding to the digitalisation of land use and construction for municipalities and regional councils in the period 2025–2026.

Principle new decisions and changes

Funding of EUR 4–5 million per year will be allocated in 2025–2027 to the programme to eradicate long-term homelessness, of which EUR 3.65–4.65 million will be programme funding. In addition, EUR 0.5–1.5 million per year will be allocated to the Finnish Environment Institute for the recruitment of 10 research doctors in connection with the research institutions' joint post-doc programme. The level of investment aid for special groups granted from the National Housing Fund will be lowered from EUR 43 million to EUR 15 million so that aid for funding of projects related to housing for the disabled will be secured.

In addition, savings are allocated to the operating expenditure of the administrative branch as well as to memberships fees and funding contributions to international organisations, and the broader entity formed by these savings is examined in section 5.3.

5.3.2 Administration and IT projects

Improving the efficiency of central government and other public sector activities

In accordance with the Government Programme, productivity programmes in the administrative branches will be prepared and implemented during the spending limits period. The key elements will be structural measures, increasing revenues, utilisation of digitalisation, more efficient use of facilities and reorganisation of tasks.

One of the key measures in the productivity programmes is making digital communications the primary channel for communications by public authorities. By moving primarily to digital services and enabling automation of decisions made by public authorities, savings and more efficient processes will be achieved. Valtori will be directed to prepare proposals for productivity measures for ICT not restricted to a given domain.

The set of operating expenditure savings in accordance with the Government Programme and the additional measures decided on in the spring spending limits discussion as well as the preparation of productivity programmes are described in more detail in section 5.3.

Financial and HR administration

The productivity of central government financial and HR administration will be improved by continuing the centralisation of tasks in the Government Shared Services Centre for Finance and HR (Palkeet Centre) as well as by harmonising operating practices and developing central government's shared financial and HR administration information systems.

Central government accounting will be revised, and extended final central government accounts will be prepared as outlined in the VALTIKE project. The goal is for the first extended final central government accounts to be prepared for 2025. During the spending limits period, a significant and necessary technology renewal (SAP system) of the Kieku information system will be implemented, including HR information systems, by 2027. The central government spending limits and budget IT system will also be upgraded during the spending limits period. Between 2024 and 2027, the statutory Hilma notification service for public procurements will be improved, with particular reference to basic-level tendering functions, the user experience of procurement units and tenderers, and facilitating leveraging of data.

The aim is to develop and boost the efficiency of central government HR functions by 304 person-years from the 2018 level by 2029. Palkeet will develop the accessibility and functionality of the Kieku information system in accordance with the Palkeet development roadmap towards cloud migration and level-raising.

Developing central government procurement

The productivity and effectiveness of public procurement will be improved by supporting and monitoring progress with the goals set for the public sector as a whole. The Procurement Finland programme has prepared a National Public Procurement Strategy, which drives procurement development. The goals of the strategy are largely formed from the perspective of promoting the implementation of the objectives of the Government Programme, with a particular emphasis on cost-effectiveness and increasing competition at the beginning of the parliamentary term. Development measures cover all public sector procurement. The wellbeing services counties will be supported in building and developing their procurement functions, particularly from the perspective of knowledge-based management and effectiveness, providing data in usable form to support the strategic management of procurement. The Procurement Finland programme also fosters improvements in competence and procurement productivity in the municipal sector. Hansel Oy, Valtori and Senate Properties include the goals of the National Public Procurement Strategy in centralised procurement and framework arrangements.

The implementation of the public procurement strategy is regularly measured with strategic effectiveness indicators and new development activities are steered on the basis of it. For Finland's public procurement there is an up-to-date situation status and national information architecture that supports the analysis and development of the effectiveness of procurement at the national level. One of the key measures is to improve the utilisation of data on public procurement and public sector purchases by putting in place the legislative framework for data collection and utilisation and by setting up a national public procurement data repository.

Joint networks of the public and private sectors support the exploitation of the potential and opportunities of public procurement and the sharing of best practices.

Central government premises investments

The steering of central government premises investments will be strengthened in the spending limits period by the introduction of a new steering model aimed at reducing the size and number of the premises investments of agencies and institutions and curbing the growth of central government premises costs. The Ministry of Finance will set up a preparation group on premises investments, which will be tasked with preparing criteria for prioritising investment projects as well as a steering model for central government premises investments by the end of June 2024. The level of the investment authorisation of Senate Group unincorporated state-owned enterprises as well as service and other operating objectives will be outlined in connection with the preparation of budget proposals.

The goal of the central government premises strategy is that premises support productive activity. Development of premises promotes efficient work and services and improves cost efficiency. The increase in teleworking and multi-location work is affecting the use of premises and reducing the need for premises. Utilisation rate measurements indicate that central government office premises are occupied by c. 25% of personnel. By the end of the decade, the goal is an extensive premises programme and sharing of premises, where personnel of different agencies can work in the same premises. Sharing will also be increased within the public sector, particularly at shared customer service points.

As part of the central government productivity programme, a public sector premises programme will be launched. The aim of the Public Premises Finland programme is to significantly improve the efficiency of public sector premises costs and to seek solutions to premises ownership issues between the central government, the wellbeing services counties and the municipalities. At the same time, the implementation of the central government premises programme will be enhanced and its objectives updated to reflect the way work is done post-pandemic.

The safety and operating reliability of government-owned properties and properties used by government authorities will be boosted so as to ensure continuity of critical operations of key central government authorities even in case of disruption or in extraordinary circumstances. Significant repairs and reinforcements will be carried out in the spending limits period to ensure supply of electricity, heat and water and to secure telecommunications links in critical government premises.

Renewal of central government service and premises network

The goal of the project is to gradually assemble the in-person services provided by government agencies in joint public governance service points, which will also provide a wide range of municipal and Kela services as well as, where applicable, services of wellbeing services counties. An additional goal is to reduce central government office space and renovation needs and increase shared use of premises. The reform is linked to the implementation of the Public Governance Strategy, the Regional Presence Strategy and the Central Government Premises Strategy. The reform is also linked to the Public Premises Finland programme. The intention is to implement the central government service and premises reform by 2030, with the goal of generating annual savings of EUR 50 million.

Reform of regional state administration

The aim of the reform of regional state administration is to streamline permitting processes and to make permitting and supervisory practices more uniform across regions. The approach will be cross-administrative. Primarily, this means that permitting, guidance and supervisory tasks will be brought under a new cross-administrative agency that will be established by merging the National Supervisory Authority for Welfare and Health (Valvira) and the Regional State Administrative Agencies and by incorporating, where appropriate, the tasks of the Centres for Economic Development, Transport and the Environment (ELY Centres) related to the environment. With regard to administration organised within the ELY Centres, the basic principle will be to organise regional state administration in a cross-administrative way through new Economic Development Centres that will built on more robust regions.

In the project, steps will be taken to ensure that the transition does not interfere with the smooth running of ongoing permitting and supervisory processes and, in the same context, the central government productivity programme and the need to adjust operational expenditure will be taken into account.

IT system projects

Projects and policies funded separately in each administrative branch are discussed to the necessary extent in section 5.3.1 and entities related to the wellbeing services counties in Chapter 6.

In addition, c. EUR 17–24 million per year has been allocated in the spending limits for 2025–2028 for key IT system and information management projects as well as other productivity projects in the administrative branches. Funding for projects has been committed through cooperation agreements as follows: c. EUR 12.2 million in 2025, c. EUR 4.7 million in 2026 and c. EUR 1.0 million in 2027. In addition to the agreements, EUR 2.1 million in 2025 and EUR 1.9 million per year in 2026–2028 is proposed for the development of discretionary government transfer activity.

Currently, the principal IT system projects of the spending limits period are: the National Police Board's ICT modernisation programme; the National Archive mass digitisation programme; the project to strengthen the legal protection of citizens through digitalisation of the Digital and Population Data Services Agency; the ARVO project to enhance the public administration duties of Metsähallitus; the project to improve productivity through digitalisation development for environmental permit and oversight procedures of the Ministry of the Environment; and the cloud and application services development project of the judicial administration.

In the spending limits period, cooperation agreements of the former kind will not be made and the financing of projects will be managed mainly by granting access and registration rights. The condition for funding to be granted will be a project plan that includes a cost-benefit analysis and commitment to the objectives presented in the plan. In the projects to be funded, the emphasis will be on speed of implementation and the savings achievable through the project. In addition, it will be required that the project plans are sufficiently detailed, for example 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 requires, as a rule, that the central government's joint Project Portfolio be used in the monitoring of projects.

In addition, a total of c. EUR 54 million in 2025–2028 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 2025–2028 for electronic identification.

5.4 On-budget revenue

In 2025, on-budget revenue is expected to be EUR 76.9 billion. The share of actual on-budget revenue accounted for by tax revenue will be around 90% on average across the spending limits period. At the end of the spending limits period, on-budget revenue is expected to total EUR 84.4 billion, of which tax revenue is expected to account for EUR 75.6 billion. Tax revenue is projected to grow in the spending limits period by, on average, 3.7% per year. The tax revenue estimate is based on the medium-term assessment of macroeconomic development according to the spring 2024 forecast of Ministry of Finance.

Tax criteria changes

Through its tax policy, the Prime Minister Orpo's Government will seek to boost the purchasing power of households, improve incentives for working and strengthen conditions for economic growth. The Government's tax policy will encourage work and self-employment, and support domestic ownership. Due to the serious situation of general government finances, the Government, in connection with the spring 2024 spending limits discussion, has decided on new tax measures to strengthen general government finances in addition to the tax measures included in the Government Programme. The measures have been selected so that are targeted fairly and have the least possible negative impact on economic growth. The Government has also decided to implement tax decisions the promote investment.

Many of the tax measures according to the Government Programme have already been implemented in 2024. During the spending limits period, the Government will continue to make index adjustments to earned income tax criteria in accordance with the Government Programme, except for 2025, when an index adjustment will not be made for the two highest income tax brackets of the central government income tax scale. The index adjustment of earned income tax criteria is also included, as a technical assumption, in the 2028 forecast. In addition, taxation of work will be gradually reduced, with a focus on low and middle income earners, and a child supplement will be made to the earned income deduction. The effectiveness of local income tax will be improved by abolishing the earned income allowance and by simultaneously increasing the earned income deduction. As part of the general government adjustment measures, the pension income allowance will be scaled back, but in such a way that the taxation of the smallest pensions will not increase, the tax subsidy for voluntary pension savings will be discontinued and the tax credit for household expenses will be reduced. The central government income tax revenue will be increased by insurance premium changes related to the channelling of employment fund savings to a debt accumulating sector.

The most significant single fiscal adjustment measure is the increase in the general valued-added tax rate and the insurance premium tax rate from 24% to 25.5%. In addition, the value-added tax rate on sweets will be increased from the current reduced rate of 14% to 25.5%, in line with the new standard valued-added tax rate. As decided in the Government Programme, goods currently subject to a reduced valued-added rate of 10%, other than newspapers and magazines, will be switched to a rate of 14%. Tax revenue will also be increased by the abolition of VAT relief for small businesses. The value-added tax rate for incontinence and sanitary pads and children's nappies, on the other hand, will be reduced in accordance with the Government Programme.

Tax revenue will also be increased in the spending limits period by an equalisation tax on large multinational enterprises based on an EU Council directive, the abolition of the employer tax deduction for training, reforming bonus practices in the financial sector, increases to the excise duties on tobacco and soft drinks and the mining mineral tax, index increases of the tax on strong alcoholic beverages, the gradual abolition of the car tax subsidy for camper vans and the introduction of a vignette charge. Tax revenue will also be increased by an amendment to the Excise Duty Act extending tax liability to distance selling of alcohol. The harmonisation of the tax treatment of rental income from agriculture and the raising of the upper limit of the equalisation provision for agriculture, which entered into force in 2024, will also increase tax revenue.

Tax criteria changes that will reduce tax revenue in the spending limits period include the extension of the deduction for donations to certain donations made by private individuals, raising the maximum deposit amount of the equity savings account, increasing the forest management tax credit, and reducing the late-payment interest period and increasing the payment period for inheritance tax.

In addition, during the spending limits period, there will be reductions in the basic motor vehicle tax, targeting the reduction at the older vehicle stock, and the CO2 component of the tax on transportation fuels. In addition, the validity of the tax subsidy for zero-emission, employer-subsidised cars will be extended by four years, and the motor vehicle tax on electric vehicles and plug-in-hybrid vehicles will be increased. The collection of fairway dues at full rate will be resumed.

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

	2025	2026	2027	2028
Index adjustment of earned income taxation	-652	-667	-645	-645
Increasing the earned income tax credit with a focus on low and middle income earners	-91	-91	-93	
Introduction of child supplement to earned income tax credit	-130			
Reduction of the pension income allowance	109			
Reduction of the tax credit for household expenses	95			
Discontinuation of subsidy for voluntary pension savings			43	
Extension of the deduction for donations made by private individuals		-10		
Replacing the earned income allowance with an earned income deduction	-430			
Reforming bonus practices in the financial sector	30			
Increasing the deposit cap on equity savings accounts to EUR 100,000	-5	-5	-5	
Increasing the equalisation provision for agriculture to EUR 25,000 in 2024			7	
Harmonising the tax treatment of rental income from agriculture	16			

	2025	2026	2027	2028
Increasing the forest management tax credit	-5	-5	-5	
Extending the tax subsidy for employer-subsidised electric vehicles for four years		-11		
Abolition of employer tax deduction for training	10			
Increasing the general VAT rate and the insurance premium tax rate from 24% to 25.5%.	1090			
Increasing the VAT rate on sweets from the reduced 14% rate to the general 25.5% rate	40			
Switching products and services (excluding newspapers and magazines) currently subject to a reduced VAT rate of 10% to a rate of 14%	205			
Switching incontinence and sanitary pads and children's nappies to a 14% VAT rate	-10			
Abolishing VAT relief for small businesses[1]	80			
Increasing excise duty on tobacco products	50	50	50	
Index increase of tax on strong alcoholic beverages	5	5	6	
Increasing excise duty on soft drinks	47	10		
Reducing the CO2 component of fuel taxation		-50	-50	
Increasing motor vehicle tax on electric vehicles and plug-in hybrid vehicles.		35		
Reducing the basic motor vehicle tax	-50			
Introducing a vignette charge		15		
Increasing the payment period for inheritance tax to 10 years and reducing late-payment interest		-20	1	
Equalisation tax on large multinational enterprises		20		
Increasing the level of the mining mineral tax		4	4	
Gradual abolition of car tax subsidy for camper vans	4	4	3	4
Resuming collection of fairway dues at full rate	36			

1) The full impact on VAT revenue of the abolition of VAT relief for small businesses is estimated to be EUR 80 million per year. The abolition of VAT relief for small businesses is also estimated to reduce tax revenue from earned income and capital income by c. EUR 17 million, and to reduce corporate tax revenue by just under EUR 4 million, in which case the total net impact of the abolition of VAT relief for small businesses is estimated to be about c. EUR 59 million per year.

Development of tax revenue 2025–2028

Revenue from **earned income and capital income tax** is expected to grow by an average c. 4.3% per year in the spending limits period. The earned income tax forecast is based on projections of the development of taxable earned income and capital income. Wage income is expected to grow by an average c. 4.1%, pension income by an average 2.8% and capital income by an average c. 3.5% per year. Revenue from earned income and capital income tax will also be affected by the Government Programme tax changes outlined above.

Corporate tax revenue is expected to grow in the spending limits period by an average c. 3% per year. The corporate tax revenue projection is based on trends in the projected operating surplus according to national accounts. In addition, corporate tax revenue will be impacted by tax criteria changes.

Value-added tax (VAT) revenue is projected to grow in 2025–2028 by an average 5.2% per year. The growth forecast is mainly based on estimates of the development of household consumption expenditure. VAT revenue is projected to grow in the spending limits period in line with the tax base. From 2025 onwards, VAT revenue will be increased by changes in tax rates and by the abolition of VAT relief for small businesses due to EU legislation.

Overall, revenue from **excise duties** is projected to decline in the spending limits period by an average 2.4% per year. The decline is explained particularly by the decrease in energy tax revenues, which will be 5% per year on average. Revenues from excise duties will be reduced by a decrease in taxable consumption and, in the case of energy taxation, by implemented tax reductions and, for example, an increase in the proportion of more lightly taxed renewable fuels.

Car tax revenue collected in connection with registration is projected to fall by an average 13% per year. 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. Revenue from **motor vehicle tax**, levied for the period of operation of the vehicle, is expected to decrease by an average 1.3% per year, mainly due to a fall in the average carbon dioxide emissions rating of the vehicle stock.

Revenue from **asset transfer tax** is expected to grow by an average c. 3% per year in the spending limits period. Under the Asset Transfer Tax Act, the central government is paid assets transfer tax on the transfer of ownership of real estate and securities. The asset transfer tax rate in the transfer of real estate is 3% The tax rate in the transfer of a security, for example a business share or a housing company share, is 1.5%.

Other on-budget revenue

The largest single item of miscellaneous revenue received by central government is transfers from the State Pension Fund to finance pension expenditure. During the spending limits period, the share of pension expenditure financed by the transfers will increase from 41% in 2024 to 45% in 2028, once the funding target set for the fund has been reached.

Miscellaneous revenue includes revenue received from the EU. The EU RRF is expected to generate EUR 0.54 billion per year on average in 2025–2026, which is c. EUR 0.2 billion more than estimated in the previous spending limits decision. Revenue take into account the revenue under the REPowerEU supplement, adopted by the EU in autumn 2023. In 2024–-2026, a total of EUR 800 million in additional revenue remittances will be made from the National Housing Fund to the central government budget to finance the investment programme outlined in the Government Programme. In 2025 the additional remittances will amount to EUR 200 million and in 2026 to EUR 100 million. Overall, central government miscellaneous revenue will be EUR 6.6 billion per year on average in 2025–2028, which is EUR 0.1 billion more than in the previous spending limits decision.

In 2025–2028, the dividend income received by the central government is projected to be EUR 1,150 million per year. Revenue from gaming is expected to be EUR 550 million in the spending limits period.

Table 14. Ministry of Finance estimate of ordinary on-budget revenue in 2024–2028, EUR billion

	2024 budgeted	2025	2026	2027	2028	2025–2028 average annual change, %
Total tax revenue	65.4	67.9	70.8	73.5	75.6	3.7
– taxes on earned and capital income	26.1	26.9	28.3	29.6	30.9	4.3
– corporate tax	5.9	5.6	6.1	6.4	6.6	2.9
– VAT	21.9	23.7	24.9	26.0	26.7	5.2
– excise duties	7.0	6.9	6.7	6.5	6.4	-2.4
– other tax revenue	4.5	4.8	4.9	4.9	5.0	2.5
Miscellaneous revenue	7.1	6.8	6.9	6.4	6.2	-3.6
Interest earned, income from share sales and profit recognised as income	2.5	2.1	2.1	2.1	2.1	-3.7
– Dividend income and proceeds from sales of shares	2.0	1.7	1.7	1.7	1.7	-4.0
Total revenue[1]	**75.1**	**76.9**	**79.9**	**82.1**	**84.0**	**2.8**

1) Also includes repayment of loans granted by central government.
* The numbers in the table have been corrected after publication on 25 April so that they reflect the governments' decision on the General Government Fiscal Plan.

5.5 Central government on-budget balance and debt

The central government on-budget deficit in 2025 is expected to be EUR 10.7 billion, which is EUR 2.2 billion less than that budgeted for 2024 (incl. first supplementary budget proposal). In 2025–2028, the deficit will be, on average, c. EUR 8½ billion and it will decreases towards the end of the spending limits period to c. EUR 7.0 billion in 2028. In 2025–2027, the deficit will be, on average, c. EUR 2½ billion smaller than in the autumn 2023 spending limits decision. The new adjustment measures decided on by the Government will reduce the deficit compared with the situation in autumn 2023.

With the slowdown in inflation, the rise in the general interest rates has come to a halt. However, annual interest expenditure is expected to rise from the EUR 3.1 billion projected for 2025 to EUR 4 billion by the end of the spending limits period.

The rise in general interest rates in recent years is being passed on with a lag into debt servicing expenditure. In the economic forecast of the Ministry of Finance, long-term interest rates are projected to remain nearly unchanged at c. 2.7% over the spending limits period, while short-term interest rates are projected to fall to 2% by the end of the spending limits period. In the spending limits period, the growth of interest expenditure will also be maintained by the large deficit in central government finances.

The amount of budgeted central government debt is projected to be c. EUR 180 billion at the end of 2025, i.e. c. 61.5% of GDP. Central government debt is expected to grow by EUR 34 billion in the period 2025–2028. At the end of 2027, central government debt is projected to be c. EUR 203 billion, i.e. 62.5% of GDP.

Table 15. Ministry of Finance estimate of on-budget balance in 2024–2028, EUR billion, at current prices

	B 2024 + SB	2025	2026	2027	2028
On-budget revenue estimate, total[1]	75.1	76.9	79.9	82.1	84.0
On-budget expenditure estimate, total, at current prices[2]	88.1	87.6	88.6	89.6	91.0
On-budget balance estimate	-12.9	-10.7	-8.6	-7.5	-7.0
Central government debt-to-GDP ratio, %	60	61½	62	62	62½

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 schemes sector in the national accounts) as well as the universities, university real estate companies, Business Finland Ltd, Business Finland Venture Capital Ltd, DigiFinland Ltd, Finlogic Ltd, Finnhems Ltd, FinnHEMS Flight Services Ltd, Fintraffic Vessel Traffic Services Ltd, Fintraffic Railway Ltd, Fintraffic

Road Ltd, Gasonia Ltd, Governia Ltd, Hansel Ltd, HAUS Finnish Institute of Public Management Ltd, Ilmastorahasto Ltd, Itla Children's Foundation, East Railway Ltd, Finnish National Gallery, Leijona Catering Ltd, Airport Rail Ltd, Traffic Management Company Fintraffic Ltd, West Railway Ltd, Senate Properties, Solidium Ltd, Finnish Minerals Group, Finnish Industry Investment Ltd, Tapio Ltd, VTT Technical Research Centre of Finland Ltd, Finnish Institute of Occupational Health, Finnish Broadcasting Company YLE and Finnish Student Health Service FSHS.

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 Pollution Compensation Fund. At the beginning of 2025, the new Environmental Damages Fund (EDF) will be launched, and the Oil Pollution Compensation Fund will cease operating.

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

Central government funding of the Finnish Broadcasting Company YLE is 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 level is c. EUR 609 million in the spending limits period 2025–2028.

The investment company Solidium Ltd 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 11 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 -6.9% in 2023. Solidium remitted to the Finnish State a profit distribution of over EUR 342 million for 2023. At the end of 2023, the net asset value of Solidium Ltd's holdings was c. EUR 7.1 billion.

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

The deficit of off-budget funds is expected to be, on average, EUR 280 million per year in the spending limits period, and excluding financial transactions the deficit will be, on average, EUR 530 million per year. This deficit is due, in particular, to increasing payouts from the State Pension Fund into the central government budget and increasing interest subsidy expenditure paid out of the State Housing Fund. In 2024–2026, a total of EUR 800 million additional revenue remittances will be made from the National Housing Fund to the central government budget to finance the investment programme outlined in the Government Programme. Other funds in deficit include the National Emergency Supply Fund, the State Guarantee Fund and the Development Fund of Agriculture and Forestry, on the strength of their liquid assets. The other funds are close to balance or slightly in surplus.

A significant proportion 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, and there are large annual fluctuations in this activity. 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.

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 income and fees will decline from 2023 to 2025 by an estimated total EUR 400 million, when the Resolution Fund and the Deposit Guarantee Fund included in the Financial Stability Fund reach in 2024 the target levels set for them. From 2025, the Resolution Fund and the Deposit Guarantee Funds will be replenished annually if the size of the funds falls below their target level, for example due to an increase in the amount of reimbursable deposits.

Transfers to the central government budget relate mainly to financing pension expenditure and to the above-mentioned additional transfer from the National Housing Fund. Of pensions paid up to 2023, 40% were covered by revenue remitted from the State Pension Fund. From 2024, revenue remitted will increase gradually by one percentage point per year until it is 45% as of 2028. The increase in the remittance percentage from 40% to 45% means that the budget transfer in 2028 will be c. 300 million higher than it would have been without the change in the law.

Pursuant to an act enacted in late 2022, the new Environmental Damages Fund will replace the Oil Pollution Compensation Fund as of 2025. The purpose of this reform is to ensure that operators will be collectively liable for funding the clean-up of environmental damage in a case where the actual party causing the damage is insolvent, bankrupt or unknown.

In the State Guarantee Fund's proactive funding calculation, provision has been made in 2026–2027 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 increased as a result of the coronavirus pandemic.

Table 16. Central government off-budget funds, EUR million

	2023	2024	2025	2026	2027	2028
Taxes and tax-like revenue, total	465	211	63	62	62	61
Miscellaneous revenue	107	172	195	190	186	182
Pension contributions	1 661	1 693	1 663	1 666	1 692	1 725
Interest earned and profit recognised as income	592	649	650	645	644	639
Transfers from budget	580	594	612	612	612	612
Revenue excluding financial transactions	3 405	3 319	3 183	3 175	3 197	3 219
Repayments of loans granted	1 701	151	280	1 705	471	212
Total revenue	5 105	3 469	3 463	4 880	3 667	3 431
Consumption expenditure	231	263	234	262	270	255
Current transfers	1 062	860	832	1 009	932	787
Interest expenditure	17	21	21	21	21	21
Transfers to budget	2 119	2 798	2 577	2 535	2 485	2 534
Other expenditure	24	25	25	25	25	25

	2023	2024	2025	2026	2027	2028
Expenditure excluding financial transactions	3 453	3 968	3 689	3 852	3 733	3 623
Loans granted and other financial investments	1 511	110	10	1 463	217	-19
Total expenditure	4 964	4 078	3 698	5 315	3 950	3 604
Net financial surplus or deficit	141	-609	-236	-435	-283	-173

State-owned enterprises

The central government has two state-owned enterprises, Metsähallitus and Senate Properties. Senate Properties is subject to the 2010 Act on Unincorporated State Enterprises (1062/1062/2010). Metsähallitus is not subject to the corresponding Act; it is subject to the Act on Metsähallitus (234/2016) and the Act on Limited Liability Companies in the Forest Sector (235/2016).

The task of Metsähallitus 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 manages c. 12.6 million hectares of state-owned land and water areas, with a balance sheet value of c. EUR 4.0 billion. Of this, the core capital subject to the yield requirement is c. EUR 2.6 billion. Metsähallitus' annual revenue remittance to the central government budget is estimated to rise gradually in the spending limits period from EUR 119 million to EUR 138 million. This estimate takes into account the policy outlined in the spring 2024 spending limits discussion on gradually increasing the revenue remittance.

Senate Group consists of Senate Properties and Defence Properties, the latter having 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. The level of the investment authorisation of the Senate Group will be outlined in connection with the preparation of budget proposals. Senate Group operates according to commercial principles. The Group's recognised revenue remitted to the central government budget will be EUR 20–30 million per year in 2025–2028. Profits from the Group's rental operations are estimated to decrease from EUR 20 million to EUR 15 million in the same period. The objective is for property sales to reach EUR 60–70 million per year in 2025–2028.

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.

Finland's revised Climate Change Act was designed to ensure that Finland will be carbon-neutral in 2035 at the latest. According to Prime Minister Orpo's Government Programme, Finland is committed to the objectives of the Climate Change Act.

Appropriations promoting carbon neutrality and the green transition in the General Government Fiscal Plan 2025–2028

The General Government Fiscal Plan includes appropriations that can be considered to promote carbon neutrality and the green transition. The appropriations will promote, among other things, the wellbeing of the environment and nature as well as biodiversity by acquiring nature reserves and through official development assistance. The aim is to reduce emissions by, among other things, 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, for the most part, 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.

The appropriations promoting carbon neutrality in the General Government Fiscal Plan have been grouped into key thematic entities relevant for the green transition. In the General Government Fiscal Plan, the goals related to carbon neutrality will be promoted with c. EUR 2.2 billion in 2025, decreasing to c. EUR 1.7 billion in 2028.

The level of appropriations in 2025 will be increased by funding in accordance with Finland's Recovery and Resilience Plan, which will end in 2026. About half of Finland's maximum allocation (EUR 1.82 billion) will be allocated to the green transition. With regard to the green transition, appropriation increases will be allocated at the beginning of the spending limits period particularly to investments for clean energy production. In addition, the level of appropriations for the renewable energy and energy efficiency package will be increased by the decisions taken on the basis of the guidelines of the Ministerial Working Group on Preparedness in spring 2022 regarding a set of measures to strengthen energy self-sufficiency and security of supply. With regard to transport, the level of appropriations for rail projects will higher at the beginning of the spending limits period.

The reduction in the level of appropriations promoting carbon neutrality over the framework period will result not only from the reduction in funding of the Recovery and Resilience Plan and as outlined by the Ministerial Working Group on Preparedness, but also to the reduction in the production subsidy for renewable energy due to the exclusion of eligible production units from the scope of the subsidy. The decrease in the annual funding of EU Structural Fund programmes in the spending limits period will also reduce the level of appropriations. Similarly, the adjustment measures for general government finances agreed in the Government Programme and the General Government Fiscal Plan will reduce development assistance expenditure, among other things. On the other hand, increases under the Act on R&D Funding will increase appropriations for the R&D theme in the spending limits period.

Table 17. Appropriations promoting carbon neutrality and the green transition in the General Government Fiscal Plan 2025–2028 (EUR million)

	2025	2026	2027	2028
Biodiversity, water protection and environmental protection	129.2	130.5	130.3	130.3
Renewable energy and energy efficiency	628.0	492.2	230.3	172.3

	2025	2026	2027	2028
The global dimension	200.0	197.3	204.5	204.5
Research and development	296.8	289.4	323.1	363.7
Transport	287.3	264.6	252.8	206.4
Agriculture, forestry and the land use sector	677.0	659.9	563.3	577.8
Total	**2 218**	**2 034**	**1 704**	**1 655**

Taxes

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

The General Government Fiscal Plan includes, as an energy tax change promoting carbon neutrality, the abolition of the tax refund for energy-intensive companies from 2025 onwards as well as the gradual abolition of the car tax subsidy for camper vans and, as an energy tax change slowing progress to carbon neutrality, reductions in transport fuel taxes in 2026–2027. In addition, the motor vehicle tax will be reduced from the beginning of 2025 for medium and high emission vehicles according to the NEDC measurement method and for the oldest cars for which no emission measurement data are available. The motor vehicle tax on electric vehicles and plug-in hybrids will be increased from the beginning of 2026 and at the same time the reduced taxable value for zero-emission employer-subsidised vehicles will be continued to the end of 2029. The increased household expenses tax credit for work to abandon oil-fired heating will continue up to the end of 2027 and the reduced taxable value for low-emission employer-subsidised vehicles will continue up to the end of 2025.

6 Finances of the wellbeing services counties

6.1 Financing of the wellbeing services counties and central government measures

The finances of the wellbeing services counties, the impact of central government measures and the central government financing of the wellbeing services counties are addressed as a whole in the General Government Fiscal Plan. Consideration of the finances of the wellbeing services counties will also include the City of Helsinki with regard to health, social and rescue services.

Central government funding for the wellbeing services counties

The wellbeing services counties will finance their activities mainly with central government universal funding. In addition, the wellbeing services counties will receive central government transfers, client fees and other operating income as well as financial income. At the national level, central government funding will total c. EUR 26.2 billion in 2025. Compared with the previous General Government Fiscal Plan, the level of funding will increase by c. EUR 1.8 billion in 2025. The large increase is explained by, in particular, the statutory ex-post revision amounting to EUR 1.46 billion, which will be added for the first time to 2025 funding.

Funding is also affected by rising costs, the anticipated increase in the need for services, and changes to tasks. With regard to changes to tasks, funding will change in line with the estimated cost impact. The growth in the need for services will increase funding by EUR 29.4 million in 2025, EUR 37.0 million in 2026, EUR 38.7 million in 2027 and EUR 274.0 million in 2028 relative to the autumn 2023 spending limits decision. The index adjustment for 2025 of the funding for the wellbeing services counties will be 2.72%, and it will increase the amount of funding in 2025 relative to the autumn 2023 spending limits decision by a total of EUR 740 million, of which ex-post control will account for EUR 74 million.

At the end of the spending limits period in 2028, central government funding will be c. EUR 25.2 billion. Funding will be reduced during the spending limits period particularly by the estimated reduction in the amount of the ex-post revision, described below, in the period 2026–2028. In addition, funding will be affected by the changes to legislation on health and social services tasks agreed in the Government Programme and the General Government Fiscal Plan.

Ex-post revision of central government funding, and spending limits provision

Pursuant to section 10 of the Act on the Funding of Wellbeing Services Counties (617/2021), the central government universal funding for wellbeing services counties will be subject to ex-post revision with a delay of two years to reflect actual costs nationwide[5]. The first ex-post revision will be made and applied to funding for 2025, based on outturn data for 2023.

The annual amount of the increase or decrease in funding made as the ex-post revision will depend on the amount and the sign of the difference between the funding and actual costs in the control year, the change in the difference compared with the previous year, and the amount of the ex-post revision already added to the funding. In the spending limits period, the amount of ex-post revision in funding will be the total amount of the additions and reductions made in all years.

The dimensioning of the ex-post revision included in the funding of the wellbeing services counties is, based, with regard to 2025, on the counties' 2023 financial statement estimate data and, with regard to subsequent years, on the counties' financial planning data. The amount of the ex-post revision to be taken into account in funding for 2025 is EUR 1.46 billion, of which EUR 73.6 million is due to the index revision for 2025 and EUR 30.2 million to the increase in the need for services taken into account in calculating the ex-post revision. The amount of the ex-post revision will be specified further in summer 2024 after the counties have reported their financial statement data. The amount of the ex-post revision to be taken into account in funding for 2026–2028 will be based on a calculation made on the basis of based on the counties' 2024 budget data and 2025–2026 financial plan data. As the aggregate result of the wellbeing services counties will improve from 2024 onwards according to the budgets and financial plans, the amount of the ex-post revision will decrease starting from 2026. According to the counties' budgets, the deficit will decrease to c. EUR 0.9 billion in 2024 at the national level.

5 The ex-post revision of costs will be made pursuant to section 10 of the Act on the Funding of Wellbeing Services Counties based on the change in the difference between imputed and actual costs. For the sake of simplicity, in the future this will be carried out on the basis of the result for the financial year and the change in the result.

In the financial plans, the finances of the wellbeing services counties will turn to surplus in 2025 and remain in surplus in 2026. Based on these, the amount of the ex-posy control would be c. EUR 959 million in 2026, c. EUR 392 million in 2027 and c. EUR -131 million in 2028. The amount of the ex-post control takes into account EUR 60.0 million per year in 2026–2028 as a price impact based on the 2025 index adjustment, and EUR 35.1 million in 2026, EUR 33.7 million in 2027 and EUR 27.6 million in 2028 due to an increase in the need for services. In accordance with the Government Programme, the intention is to introduce to the ex-post revision from 2026 a gradual increase in the wellbeing services counties' own risk.

The financial plans of the wellbeing services counties have been prepared in accordance with the Act on Wellbeing Services Counties (611/2021) in such a way that the finances are in balance or in surplus at the latest at the end of the year following the second budget. In some wellbeing services counties, the need for adjustment is considerable, and adjustment measures has not yet been specified with regard to the years of the financial plans. For this reason, the economic plans can be considered to be aspirational to some extent. Moreover, it has not been possible to verify the credibility of adjustment measures.

If the aggregate result of the wellbeing services counties does not improve as described above in line with the financial plans, the amount of ex-post revision will be higher in accordance with the Act on the Funding of Wellbeing Services Counties. For this reason, a spending limits provision is earmarked in the central government spending limits for a larger ex-post revision and similar unforeseen technical adjustment needs. This provision is not available to cover any other expenditure. The spending limits provision made in the autumn 2023 General Government Fiscal Plan has been transferred to the funding of the wellbeing services counties item in the General Government Fiscal Plan. The aggregate deficit of the wellbeing services counties in 2023 has risen higher than was projected in the autumn and higher than the deficit used to set the level of the spending limits provision of autumn General Government Fiscal Plan. For this reason, the amount of the spending limits provision has been increased by EUR 425 million within the framework of the spending limits. The amount of the spending limits provision will be EUR 35 million in 2025, EUR 437 million in 2026, EUR 924 million in 2027 and EUR 627 million in 2028. The spending limits provision made to the ex-post revision does not affect the obligation to cover deficits and therefore does not remove the wellbeing services counties' need to make adjustments. A basic principle of the Government is that the wellbeing services counties must curb cost increases and cover the deficits accumulated in their balance sheets within the statutory deadline.

If a wellbeing services county has not covered an accumulated deficit within the statutory deadline, the Ministry of Finance may initiate an evaluation procedure with regard to the wellbeing services county.

The General Government Fiscal Plan includes an annual EUR 1 million appropriation for additional funding of wellbeing services counties. This item will technically enable the handling of any additional financing needs that may arise during the year.

Table 18. Funding of the wellbeing services counties, certain government grants and central government transfers to wellbeing services counties, EUR million, spending limits years at 2025 price level

	2024	2025	2026	2027	2028
Central government financing[1]					
Ministry of Finance	24 614.9	26 152.4	25 917.9	25 515.1	25 212.7
Additional funding under the Act on the Funding of Wellbeing Services Counties[2]	1.0	1.0	1.0	1.0	1.0
Certain services compensated by the central government					
Ministry of the Interior	34.1	22.7	8.3	7.2	7.2
Ministry of Economic Affairs and Employment	198.5	327.3	297.0	175.7	92.5
Ministry of Social Affairs and Health	100.0	82.8	67.3	47.5	35.5
Central government transfers and other compensations					
Ministry of Justice	0.2	0.2	0.2	0.2	0.2
Ministry of the Interior	4.0	4.0	4.0	3.0	3.0
Ministry of Finance	100.0	0.0	0.0	0.0	0.0
Ministry of Economic Affairs and Employment	8.9	0.0	0.0	0.0	0.0

	2024	2025	2026	2027	2028
Ministry of Social Affairs and Health	256.5	236.0	204.2	204.2	201.5
Ministry of the Environment	0.0	3.0	3.0	3.0	3.0
Grand total	**25 318.1**	**26 829.4**	**26 502.9**	**25 956.9**	**25 556.6**

1) Includes new and expanded duties entering into force during the spending limits period and additions to the funding model. The funding for 2024 includes a non-recurring item of c. EUR 551 million for the ex-post correction of the 2023 funding of the wellbeing services counties.
2) EUR 1 million is in estimated appropriation item 28.89.32; the need for additional funding will be assessed on a case-by-case basis.

Changes to tasks affecting the operations and financing of the wellbeing services counties

In the spending limits period, the wellbeing services counties will be subject to changes to tasks, which will enter into force, contract or expand by stages in 2025 or thereafter. The measures in annexes B and D of Prime Minister Orpo's Government Programme were largely included in the autumn 2023 General Government Fiscal Plan. The changes to tasks affecting the funding of the wellbeing services counties are described in the table below. Compared with the autumn 2023 General Government Fiscal Plan, the funding of the wellbeing services counties will be affected by the following changes to tasks outlined in Government Programme and the General Government Fiscal Plan:

- transfer of funding responsibility for travel costs in the context of prehospital emergency medical services, EUR 130.1 million from 2026
- developing the effectiveness of the service system, which will reduce funding by EUR 50 million, increasing the net impact of the measure to EUR -108 million from 2028
- the prioritisation of digital services, which will reduce funding by EUR 2.7 million, increasing the net impact of the measure to EUR -8.1 million from 2028
- the minimum staffing level in 24-hour residential care for older people, which will be reduced and level laid down in law at 0.6 instead of the present 0.65. In addition, the 0.7 minimum staffing level, due to come into force from 2028, will be withdrawn. In 2025–2027, the measure will reduce funding by EUR 45 million per year and by EUR 119 million for 2028.

- a change in the maximum waiting times for access to care from 14 days to 3 months in primary healthcare and from 4 months to 6 months for oral healthcare. In addition the obligation to purchase services will be abolished. The measure will reduce funding by EUR 130 million from 2025.
- restricting the scope of the Act on Disability Services and Assistance so that it remains a special act. The savings impact in relation to the available EUR 100 million earmarked by the Government (General Government Fiscal Plan 2024–2027) will be EUR 70 million in 2025, EUR 65 million in 2026, EUR 60 million in 2027 and EUR 65 million in 2028.
- change in the qualification requirements for child welfare social workers so that people who have studied social work as a minor subject or have completed their studies at an open university can also act as substitutes for social workers. The measure will reduce funding by EUR 2 million per year in 2025–2028.
- limiting the range of social welfare services while ensuring the sustainability of the service system, addressing the challenges of staff availability and taking into account the state of public finances. The measure will reduce funding by EUR 100 million from 2026.
- an additional limitation of the range of specialised medical care services relative to what has already been agreed in the Government Programme. Certain treatments/procedures, such as aesthetic plastic surgery and sterilisations, will be excluded from the range of public services. The restrictions will not apply to fertility treatments and abortions. The measure will reduce funding by EUR 10 million in 2026, EUR 30 million in 2027 and EUR 70 million in 2028.
- further easing of the service obligation of the wellbeing services counties with regard to certificates and statements relative to what has been already agreed in the Government Programme, so that from 2025 age-related health checks for driving licences would no longer be offered in public healthcare within the responsibility of the wellbeing services counties. The measure will reduce funding by EUR 5 million from 2025.
- in addition to the above, client fees will be increased, which will reduce funding of the wellbeing services counties by EUR 100 million from 2025.

In addition, the savings target set out in the Government Programme for the division of responsibilities between hospitals and emergency departments has been reduced. In the General Government Fiscal Plan, these savings have been further outlined, focusing partly on the administrative branch of the Ministry of Social Affairs and Health and partly on the tasks and funding of the wellbeing services counties. The entry into force of the therapy guarantee for children and young people will be postponed by four months to 1 May 2025. The division of responsibilities in specialised medical care will be improved, which will reduce funding by EUR 25 million from 2026. The development of interpretation services and the deregulation of the treatment of eye diseases will reduce funding by a total of EUR 4 million from 2026. In addition, in connection with the preparation of changes to the funding model of the wellbeing services counties agreed in the Government Programme, transitional equalisations will be modified so that the one-off saving will be EUR 15 million in 2026 and EUR 20 million in 2027. The estimated savings impact of the changes to the funding model of Annex B to the Government Programme (incl. the decision on transitional equalisations) has been taken into account in the General Government Fiscal Plan in setting the level of the expenditure ceiling, as a so-called negative spending limits provision.

The net cost impact of the changes to tasks of Prime Minister Orpo's Government Programme and this General Government Fiscal Plan will be a net reduction of c. EUR 685 million in the expenditure of the wellbeing services counties in 2028. This change is mainly explained by the transfer to the wellbeing services counties of financial responsibility for patient transportation in the context of prehospital emergency medical services and by the changes to tasks outlined (and described above) in the General Government Fiscal Plan[6].

Discretionary government grants and other compensations paid to wellbeing services counties

Discretionary government grants totalling an estimated EUR 243 million will be allocated to the wellbeing services counties in 2025. The grants will gradually decrease by the end of the spending limits period, at which time the discretionary government grants and other compensations paid will total an estimated c. EUR 208 million. The majority of discretionary government grants and other compensations will be allocated from the main title of Ministry of Social Affairs and Health.

6 In total, the net cost impact of the tasks affecting this spending limits period assigned to the wellbeing services counties during Prime Minister Marin's government term and the new measures in Prime Minister Orpo's Government Programme will be to reduce expenditure by c. EUR 259 million in 2028.

The most significant single grant package concerns central government compensations to health and social services units for specialisation training for health and social services personnel, a total of EUR 108 million. Funding for the Sustainable Growth Programme of Finland will end in 2025, at which time the funding for Pillar 4, related to boosting access and increasing cost-effectiveness the health and social services, will be EUR 30 million. The measures aim, among other things, to reduce the backlog in treatment, rehabilitation and services in healthcare and social welfare caused by the coronavirus pandemic.

In the spending limits period, EUR 40 million per year will be allocated to central government funding for university-level research in healthcare and social work. This includes an increase of EUR 5 million per year.

The number of centres of excellence on social welfare will be reduced and, in addition, there will be a Swedish-language centre of excellence for the needs of the Swedish-speaking population. A reduction of EUR 1 million will be made in the funding of the said activities from 2025, at which time the funding will amount to EUR 1.3 million.

In 2024–2027, a total of c. EUR 2.7 million per year will be allocated to securing health and social services in the Sami language, to a Finnish Centre for Client and Patient Safety development project in in the Wellbeing Services County of Ostrobothnia, and to network-based expertise clusters to be established in connection with Porvoo and Raseborg Hospitals.

Other discretionary government grants of the Ministry of Social Affairs and Health are discussed in section 5.3.

Discretionary grants from the Fire Protection Fund, which falls within the administrative branch of the Ministry of the Interior, will be allocated to the wellbeing services counties, namely c. EUR 3–4 million annually in 2025–2028.

The Oil Pollution Compensation Fund will be wound down in 2025 as the Environmental Damage Fund starts up. Wellbeing services counties and the City of Helsinki may apply for discretionary grants to cover part of the cost of procuring equipment for combating environmental damage. Grants up to EUR 3 million per year may be granted from the Environmental Damage Fund from 2025.

Certain services compensated by central government

The central government pays wellbeing services counties statutory separate compensation for certain health and social services. The monetarily largest compensation packages are described below. Other separately compensated services include compensation for urgent care for persons without a registered domicile, compensation paid by the Defence Forces for services provided by wellbeing services counties, certain compensation related to health and social services and rehabilitation for prisoners, and compensation payable for rehabilitative work activities.

Compensation for services promoting integration will be paid to the wellbeing services counties as follows: an estimated EUR 327 million in 2025, EUR 297 million in 2026, EUR 176 million in 2027 and EUR 93 million in 2028. The level of appropriations is affected by the fact that some beneficiaries of temporary protection have applied for a municipality of origin, under which they will be transferred from the reception system to the compensation scheme under the Integration Act.

The health and social services provided for in the Reception Act are principally organised by the reception centres themselves. However, some services are outsourced from service providers, for example certain health and social services are provided by wellbeing services counties. The Finnish Immigration Service compensates wellbeing services counties for the costs incurred by providing these services. Compensations paid for reception services provided by wellbeing services counties are estimated to total c. EUR 23 million at the beginning of the spending limits period, decreasing to c. EUR 7 million at the end of the spending limits period. The amount of compensation depends on, among other things, trends in the number of persons within the reception system.

Around EUR 81 million per year at the beginning of the spending limits period and c. EUR 34 million at the end of the spending limits period will be allocated to services for combat veterans and war and military invalids that are subsidised by the central government (e.g. services provided at home).

6.2 Budget authority for borrowing and loan and financing agreement liabilities of the wellbeing services counties

Budget authority for borrowing of the wellbeing services counties

Each year, the Government decides for a wellbeing services county an imputed debt servicing capacity based on the capacity to raise long-term loans to fund investments (budget authority for borrowing), pursuant to section 15 of the Act on Wellbeing Services Counties. The Government decided on the budget authority for borrowing for 2024 at the beginning of June 2023. According to the decision, only the Wellbeing Services County of North Karelia had new budget authority for borrowing (EUR 139 million). With regard to other wellbeing services counties, this means that in 2024 it is possible to launch only a small amount of new investment projects or, alternatively, they must be covered with other financing instead of borrowing.

The wellbeing services counties and HUS Group may apply to change their budget authorities for borrowing. The Government will decide on changing the budget authority for borrowing if the investment is necessary for the continuity of the provision of services within the organisation responsibility of the wellbeing services county or for securing services required by law, and the investment requirement cannot be covered in any other way. By the beginning of 2024, 13 wellbeing services counties had applied for a change to their 2024 budget authority for borrowing. Based on decisions of the Government, 11 wellbeing services counties have been granted changes in budget authority for borrowing totalling EUR 1.957 billion. Two counties withdrew their applications. The wellbeing services counties of Kanta-Häme, North Savo and North Ostrobothnia were granted modified budget authority for borrowing for the second time. After the modifications, the total amount of budget authority for borrowing for 2024 was a total of EUR 2.096 billion.

The budget authorities for borrowing of the wellbeing services counties and HUS Group for 2025 will be determined by June 2024 at the latest. Based on the 2024 budgets reported to the State Treasury, only five wellbeing services counties would have a positive annual margin. The annual margin of these five counties will also likely to be small. On this basis, the imputed budget authorities for borrowing of the wellbeing services counties for 2025 are likely to be small, as in 2024, or to be zero. It is to be expected that this year, too, a number of additional budget authority for borrowing procedures will be launched. Due to the weak financial situation of the wellbeing services counties, the additional budget authority for borrowing procedure, which was intended to be exceptional in connection with the preparation of the reform of health, social and rescue services, is becoming a regularly repeated procedure.

The determination of budget authorities for borrowing is affected by, in addition to the annual margin and the loan portfolio, the budget authorities for borrowing of previous years and amount of them committed to unfinished projects that remains unused. For the purpose of calculating budget authorities for borrowing and assessing their adequacy, contracts corresponding to investments, i.e. long-term leases, which that affect the operating expenditure of the counties, instead of interest-bearing balance sheet debt, are treated as loans.

The investments of the wellbeing services counties affect the operating expenditure, depreciation and interest, on which the funding of the wellbeing services counties is based, and they are taken into account ex post when determining the level of central government funding. Budget authorities for borrowing do not therefore have a direct impact on central government finances; the impact on central government finances of the wellbeing services counties depends on the development of the factors listed above. The wellbeing services counties themselves are responsible for repaying the loans through their universal funding.

Loan and financing agreement liabilities of the wellbeing services counties

The central government does not have explicit responsibility for the loan and financial liabilities of the wellbeing services counties, nor will the liabilities will be entered into the central government financial statements. The central government may, however, be considered to have the ultimate implicit responsibility for safeguarding the services of the wellbeing services counties and accordingly also for the funding of the wellbeing services counties in accordance with principles laid down in legislation. Pursuant to section 3 of the Bankruptcy Act, the wellbeing services counties cannot be declared bankrupt, so in the event of possible payment difficulties, the discharging of the counties' loan liabilities will be secured, taking into account, among other things, the statutory evaluation procedure. The wellbeing services counties have, in addition, the right to receive additional funding from central government if the level of funding would otherwise jeopardise the organisation of the sufficient healthcare and social welfare services referred to in section 19, subsection 3 of the Constitution or of the rescue services related to the fundamental rights referred to in sections 7, 15 and 20 of the Constitution.

The 2023 financial statement estimate data of the wellbeing services counties and HUS Group were reported at the end of January 2024. According to estimate data, the total amount of loans in 2023 was EUR 5.81 billion, of which HUS Group accounts for around EUR 1 billion. The liabilities of the wellbeing services counties consist of, among other things, bonds, credit facilities, municipal paper, leasing agreements and other long-term rental agreement as well as derivative contracts related to financing agreements. In addition, the wellbeing services counties have guarantee liabilities related to financing agreements. In addition to the increase in the financial liabilities of the wellbeing services counties, it is necessary to take into account that the increased interest rate level also contributes an additional burden on the finances of the wellbeing services counties and also has an indirect impact on the central government in managing the financing package of the wellbeing services counties.

In connection with the General Government Fiscal Plan, it has been decided that the procedure for approving investment plans will be tightened so that the stabilisation goals for general government finances are not jeopardised. A working group related to this issue will be established. The Government's objective is to curb the investments of the wellbeing services counties and to contain the accumulation of debt and investment-related costs. Stricter steering will be implemented, however, so that the necessary investments can still be made. The need for stricter steering is highlighted in those wellbeing services counties where the criteria for the evaluation procedure are being or have been met.

6.3 Estimate of revenue and expenditure of the wellbeing services counties

This section contains a projection in accounting terms of the financial development of the wellbeing services counties. The forecast was prepared by the Economics Department of the Ministry of Finance. It is a big picture illustration covering all wellbeing services counties (including the health, social and rescue services of the City of Helsinki) and joint authorities for health and wellbeing.

The forecast is a pressure projection: in the forecast, expenditure increases in line with the growth in demand for services, changes to tasks and changes in prices. The forecast takes into account the wellbeing services counties' own adjustment measures, particularly for the current year. In the period 2025–2026, adjustment measures have been evaluated with caution, as the available information about them was not as precise. The amount of the adjustment measures is based on the information collected about them. As data become more specific, more attention will be paid to the adjustment measures. Central government funding has been estimated in the projection so that the amount of the ex-post revision of the counties' funding is equal to the amount of the provisions made in the General Government Fiscal Plan. If the ex-post funding would be in line with the revenue development estimated in the pressure projection, the central government funding should be EUR 0.4 billion higher in 2027 and EUR 1.4 billion higher in 2028 than is included in the pressure projection.

The result of the wellbeing services counties was clearly in deficit in 2023, and the counties' expenditure grew very quickly. In 2024, the result of the wellbeing services counties will improve slightly but will remain significantly in deficit. The result of the wellbeing services counties will be improved by the adjustment measures they take and, in addition, the increase in prices will slow down in 2024. The operating margin will deteriorate by around 2.6%, whereas in 2023 it can be estimated to have deteriorated by more than 11%. The estimated operating margin of the pressure projection in 2024 is close to the operating according to the aggregate budgets of the wellbeing services counties.

Table 19. Index of Wellbeing Services Counties and estimate of change in prices %

	2024	2025	2026	2027	2028
Index of Wellbeing Services Counties	2.53	2.72	2.80	2.62	2.70
Estimate of price level change in the forecast	3.0	4.3	3.9	3.4	2.9

In 2025, the result of the wellbeing services counties will improve to close to balance, as the ex-post revision increases central government funding. Expenditure growth will be slowed down by the changes to the tasks of wellbeing services counties decided on in the General Government Fiscal Plan. The operating margin will deteriorate by, on average, around 3.5% per year in the following years and the result will remain slightly in deficit throughout the spending limits period. In 2028, the result will deteriorate, as the amount estimated for the spending limits provision for the ex-post revision is projected to be smaller in 2028 than in the previous year.

The changes to the tasks of wellbeing services counties decided on in the General Government Fiscal Plan will have an equal impact on the amount of the counties' expenditure and on the amount of central government funding, as a result of which changes to tasks will not change the budgetary balance of the counties in the projection. The changes may, however, ease the expenditure pressures on the counties. In addition, the adjustment measures include increases in client fees.

The expenditure public finances the wellbeing services counties will be driven by a rapidly increase in prices in the forecast period. Personnel expenditure, in particular, will rise faster than the general earnings level due to large contractual increases and pay programmes. Inflation will slow down, but prices will continue to rise rapidly this year. Expenditure growth will be curbed by the discretionary measures decided on in Prime Minister Orpo's Government Programme and in the General Government Fiscal Plan and by the wellbeing services counties' own adjustment measures. The forecast takes into account own adjustment measures of the wellbeing services counties amounting to EUR 0.6 billion for 2024 and EUR 0.2 billion for 2025 and 2026. In their financial plans for 2025–2026, the wellbeing services counties present significantly larger adjustment measures. The investments of the wellbeing services counties remain at a high level in the forecast.

The revenue of the wellbeing services counties consists mainly of central government funding and fee income from clients. Central government funding will increase sharply in 2025, as it takes into account the counties' accumulated deficit from 2023 as an ex-post revision. The ex-post revision will increase central government funding by EUR 1.46 billion. The ex-post revision for the following years is estimated on the basis of the provision made in the General Government Fiscal Plan, not according to the cost development of the pressure projection[7]. If the counties' expenditure were to develop in line with the pressure projection presented here, the ex-post revision under the Act on the Funding of Wellbeing Services Counties would be EUR 0.1 billion lower in 2026, EUR 0.4 billion higher in 2027 and EUR 1.4 billion higher in 2028. The counties' fee income is expected to grow rapidly in 2024 and 2025 due to fee increases made as adjustment measures.

The loan portfolio of wellbeing services counties stood at c. EUR 5.8 billion at the end of 2023. The amount of debt will increase, to over EUR 10 billion, by 2028.

There are many risks associated with the forecast. The expenditure of the wellbeing services counties may be driven up, for example, by prices rising more rapidly than anticipated or by wage competition between wellbeing services counties for

7 In the general government finances forecast of the Economics Department, central government expenditure, including funding for the wellbeing services counties, is taken into account in accordance with the General Government Fiscal Plan.

personnel. On the other hand, expenditure may prove to be lower than projected if the wellbeing services counties are able to find savings and boost efficiency more than anticipated, particularly after 2024. In principle, the wellbeing services counties are expected to adapt their expenditure trends to the framework defined by central government funding. This is made apparent in the provisions on the finances of the wellbeing services counties with regard, for example, to the period within which a deficit must be covered. Personnel shortages may also limit expenditure growth, at least in the short term.

Table 20. Estimate of revenue and expenditure of the wellbeing services counties 2023–2028, EUR billion

	2023	2024	2025	2026	2027	2028
Operating expenses	28.2	29.3	30.3	31.3	32.3	33.2
change, %		3.8%	3.6 %	3.2 %	3.0 %	3.0 %
Operating income	4.2	4.6	4.9	4.8	4.7	4.7
change, %		11.1 %	5.2 %	-2.4 %	-1.4 %	0.2 %
Operating margin	-24.0	-24.6	-25.4	-26.5	-27.6	-28.5
change, %		2.6 %	3.3 %	4.3 %	3.8 %	3.4 %
Central government funding	23.2	24.1	26.2	27.1	27.9	28.0
of which by ex-post revision			1.5	1.4	1.4	0.5
Financial income and expenses	-0.0	-0.1	-0.1	-0.2	-0.2	-0.2
Annual margin	-0.8	-0.6	0.6	0.4	0.1	-0.7
Depreciation	0.5	0.6	0.6	0.6	0.7	0.7
Extraordinary items	-	-	-	-	-	-
Result for the financial year	-1.4	-1.2	-0.0	-0.2	-0.5	-1.5
Internal financing, adjustment items	0.2	0.0	0.0	0.0	0.0	0.0
Investment in fixed assets	1.0	1.1	1.0	1.0	0.9	0.8
Funding contributions and income from sales	-	-	-	-	-	-
Cash flow from operations and investments	-1.6	-1.7	-0.4	-0.5	-0.8	-1.5
Loan portfolio	5.8	7.0	7.4	7.9	8.7	10.3

6.4 Assessment of the sufficiency of wellbeing services counties funding

Under section 12 of the Act on Wellbeing Services Counties, the sufficiency of funding of the wellbeing services counties must be assessed in the General Government Fiscal Plan vis-à-vis the discharging of their tasks, both jointly and severally (financing principle)[8]. The assessment is preceded by the annual national report prepared by the Ministry of Social Affairs and Health on the basis of section 31 of the Act on Organising Healthcare and Social Welfare Services (612/2021), which assesses how well equality is realised in the organisation of healthcare and social welfare and whether the level of funding is sufficient.

According to the report[9] prepared by the Ministry of Social Affairs and Health in autumn 2023, it is currently premature to draw conclusions on the sufficiency or insufficiency of the funding of individual wellbeing services counties. There are statutory processes to ensure sufficient funding, such as additional funding for individual counties and the ex-post revision of the overall funding of the counties. In several points in its report, the Ministry has identified challenges related to the transformation programmes of the wellbeing services counties: the measures of the transformation programmes are not in all respects sufficiently detailed and closely monitored, nor in all respects realistically set up. There are fairly large differences between the counties in their target levels and opportunities to implement sufficiently ambitious transformation programmes, and the programmes are partly insufficient to meet the challenges of general government finances, the sufficiency of personnel, the equality of the population and the growth in the needs for services.

The sufficiency of central government funding allocated to the wellbeing services counties in the General Government Fiscal Plan requires that the counties are able to adjust their costs sufficiently in line with projected cost development. At the same time, opportunities for adjustment are impacted by the counties' obligation to safeguard statutory services. The need for adjustment is also partly driven by the obligation of the wellbeing services counties to cover accumulated deficits in

8 In analyses of the wellbeing services counties' funding and its sufficiency, costs mean net costs.

9 National report on the wellbeing services counties' responsibility for organising healthcare and social welfare 2023. Annual national report of the Ministry of Social Affairs and Health pursuant to section 31 of the Act on Organising Healthcare and Social Welfare Services (612/2021) (Ministry of Social Affairs and Health Reports and Memoranda 2024:1; https://julkaisut.valtioneuvosto.fi/handle/10024/165367).

their balance sheets within the statutory deadline. There follows an analysis of the wellbeing services counties' adjustment needs in relation to the deficit coverage obligation and the sufficiency of funding, based on the counties financial planning data and the county-specific pressure projection of the Ministry of Finance. The analysis has been carried out for the counties' financial plan years 2024–2026[10].

Development according the wellbeing services counties' 2024 budgets and 2025–2026 financial plans and fulfilment of the deficit coverage obligation

The analysis of the deficit coverage obligation is based on the net costs examination of the obligation to cover the deficit is based on the net costs (operating margin, depreciation, financial income and expenses) according to the wellbeing services counties' 2024 budgets and 2025–2026 financial plans of the welfare regions as well as the central government funding decided on in the General Government Fiscal Plan. In the counties' financial plans, the annual growth in costs is very moderate in 2024–2026. At the national level, costs will grow on average by 1.7 % in 2024, 1.6% in 2025 and 1.8% in 2026, but there are variations between wellbeing services counties in the development of costs – some counties have estimated that costs will even decrease in 2024–2026.

In the analysis, the costs according to the wellbeing services counties' budget and financial plan data have been reduced by EUR 353.6 million in 2025 and EUR 307.2 million due to the impact of the changes to tasks decided on in the General Government Fiscal Plan. The reduction has been made on the assumption that the changes to tasks will reduce the costs of the wellbeing services counties corresponding to the reduction in funding. At the national level, costs will increase on average by 1.7% in 2024, by only 0.2% in 2025 and by 2.0% in 2026. The development of costs varies, however, from county to county.

In examining the deficit coverage obligation, county-specific funding has been calculated as follows: The central government funding in 2025 according to the General Government Fiscal Plan for each wellbeing services county has been taken as the starting level. The funding based on the healthcare and social welfare tasks of each county has been increased for 2026 on the basis of the Finnish Institute for Health and Welfare's county-specific growth estimate of the need for services

10 A broader analysis of the financial outlook of the wellbeing services counties for 2024–2026 can be found here: https://vm.fi/en/finances-of-the-wellbeing-services-counties

and on the basis of the forecast for the index of wellbeing services counties of the Economics Department of the Ministry of Finance. Funding for rescue services has been increased by the index of wellbeing services counties. The funding takes into account county-specific transitional equalisations. The calculations take into account the ex-post revision and changes to tasks in accordance with the General Government Fiscal Plan.

The table below shows the result for the financial year for each wellbeing services county in 2023–2026 on the basis of the costs according to the counties' budgets and financial plans (from which has been deducted the impact on costs of the changes to tasks decided on in the General Government Fiscal Plan) and funding calculated as described above. The results of each wellbeing services county are presented in the table per capita. The table shows that the result of the wellbeing services counties at the national level will improve and turn to surplus in 2025. The turnaround of the result to surplus is due both to very moderate cost development in line with financial plans and to the EUR 1.46 billion ex-post revision to be added to funding in 2025. As a result of moderate cost development, the ex-post revision would decrease by c. EUR 0.5 billion in 2026 relative to the EUR 1.46 billion ex-post revision underlying the funding.

Table 21. Coverage of deficits with cost development according the wellbeing services counties' 2024 budgets and 2025–2026 financial plans, euro per capita

Wellbeing services county	2023	2024	2025	2026	Cumulative deficit/ surplus
Helsinki	44	-7	205	125	368
Vantaa-Kerava	-387	-351	117	214	-407
West Uusimaa	-222	-11	186	71	25
East Uusimaa	-362	-160	173	329	-19
Central Uusimaa	-333	-158	159	197	-135
Päijät-Häme	-243	-164	56	2	-349
Kymenlaakso	-254	-411	218	-100	-547
South Karelia	-243	-257	164	316	-20
Southwest Finland	-245	-173	160	305	47
Satakunta	-271	-268	293	348	101
Ostrobothnia	-248	-191	256	409	226
Pirkanmaa	-252	-44	282	238	224
Kanta-Häme	-392	-395	309	328	-150
South Ostrobothnia	-262	-187	181	181	-87
South Savo	-390	-379	173	104	-492
North Savo	-284	-149	268	221	55
North Karelia	-143	-93	63	-78	-250
Central Finland	-388	-184	230	370	28
Central Ostrobothnia	-336	28	136	39	-133
North Ostrobothnia	-202	-145	176	266	95
Kainuu	-278	-384	354	241	-67
Lapland	-532	-201	512	471	249
Whole country, EUR per capita	**-244**	**-155**	**209**	**209**	**19**
Whole country, EUR million	**-1 360**	**-864**	**1 165**	**1 162**	**104**

The table shows that, according to the calculation, the result of the wellbeing services counties will still be in surplus at the national level in 2026, but half of the wellbeing services counties will not be able to cover the deficit accumulated in the balance sheet by the end of 2026. At the national level, the cumulative surplus of the wellbeing services counties would be EUR 104 million in 2026.

In the preparation of the 2024 budgets and 2025–2026 financial plans, the wellbeing services counties have had available the funding calculation published by the Ministry of Finance on 10 October 2023, which took into account a EUR 700 million ex post control for 2025. A number of wellbeing services counties, however, have included in their financial plan central government funding that is higher than the aforementioned calculation. For example, the Wellbeing Services County of Vantaa and Kerava has estimated funding for 2025–2026 to be c. EUR 100 million more than in the Ministry of Finance's autumn calculation, and the Wellbeing Services County of Kymenlaakso EUR 100 million more in 2025. In these wellbeing services counties, the level of funding in the General Government Fiscal Plan has been overestimated also on the basis of the latest assessment of the ex-post revision. This also partly explains the fact that these counties will not be able, in the calculation according to the table above, to cover the deficit accumulated in the balance sheet by the end of 2026.

When examining the results of the county-specific calculation, it should be remembered that, according to section 115 of the Act on Wellbeing Services Counties, the financial plan must be prepared in such a way that it is in balance or in surplus at the latest at the end of the year following the second budget. It is possible that, for this reason, the cost trends of the financial plans are aspirational and not based on realistic assumptions. Therefore, based on the calculation, no direct conclusions can be drawn about the sustainability of adaptation measures. The effects of adjustment measures on conditions for organising the statutory tasks of the wellbeing services counties differ from county to county. This is affected by, among other things, the 2023 deficit and the resulting total amount of the required adjustment as well as the differences between wellbeing services counties in the availability and sufficiency of services before the reform. In addition, the wellbeing services counties' transformation programmes include the challenges described above in terms of their sufficiency and actual opportunities for implementation, which means that the cost effects are still uncertain.

Achieving moderate cost development will require substantial adjustment measures and is uncertain given the cost pressures and growing need for services in the next few years. Costs will be increased, particularly by wage settlements and the rise in the prices of goods and services. With reference to the forecast figures presented in chapter 6.3, the increase in the cost level will be particularly fast in 2025 and will exceed the index of wellbeing services counties in 2024–2026. Many wellbeing services counties are planning to adjustment their finances by reducing the use of temporary agency workers and purchases of services. This goal may prove to be challenging considering the wellbeing services counties' obligation to safeguard statutory services and the availability problems surrounding healthcare and social welfare personnel, which the policies of the General Government Fiscal Plan will partially alleviate.

Another important factor in assessing the fulfilment of the deficit coverage obligation is whether the rapid rise in costs in the 2023 transformation phase proves to be permanent. If the annual increase in costs were moderate enough, an average of 1.3 % in 2024–2026, the deficits would be covered by the end of 2026. If the increase in costs proves to be higher than this, the deficits accumulated in the balance sheet will not be covered by 2026.

County-specific estimate of cost development relative to the development of wellbeing services counties' budgets and financial plans

The need for adjustment to achieve the moderate cost development targeted by the wellbeing services counties can be illustrated by comparing the financial planning track with the Ministry of Finance's county-specific pressure projection. The pressure projection is based on the county-specific operating margin according to 2023 financial statement estimate data. It has been increased by the Finnish Institute for Health and Welfare's county-specific growth estimate of the need for services[11] and by the Economics Department's forecast of the increase in the wellbeing services counties' cost level. In addition, the wellbeing services counties' own adjustment measures in 2024–2026 have not been included in this pressure projection. Changes to tasks, on the other hand, have been included in accordance with the General Government Fiscal Plan. The pressure projection therefore describes the estimated cost development in accordance with demographic structure, projected cost development and known changes to tasks in a situation where the wellbeing services counties would not slow down expenditure growth at all with their own adjustment measures.

11 https://thl.fi/aiheet/sote-palvelujen-johtaminen/rahoitus-ja-kustannukset/hyvinvointialueiden-sote-palvelujen-tarveperustainen-rahoitus.

The table below shows the difference between the net costs according to the pressure projection and the wellbeing services counties' financial plans relative to the net costs of the pressure projection in 2024–2026. The higher the percentage shown in the table, the more the wellbeing services county would have to implement adjustment measures relative to the pressure projection in order for the cost development targeted in the General Government Fiscal Plan to be achieved. At the same time, it should be noted that, from the perspective of the deficit coverage obligation, the need for adjustment is determined from the difference between the funding received by the wellbeing services county and its costs.

Table 22. Difference between the net costs according to the pressure projection and the wellbeing services counties' financial plans relative to the pressure projection in 2024–2026.

Wellbeing services county	2024	2025	2026
Helsinki	0.5 %	0.1 %	1.3 %
Vantaa-Kerava	1.0 %	5.3 %	10.4 %
West Uusimaa	5.8 %	5.1 %	4.4 %
East Uusimaa	6.8 %	10.0 %	14.9 %
Central Uusimaa	6.0 %	10.4 %	13.9 %
Päijät-Häme	3.3 %	4.4 %	5.5 %
Kymenlaakso	-1.0 %	6.2 %	4.0 %
South Karelia	1.8 %	8.4 %	14.1 %
Southwest Finland	2.8 %	5.7 %	10.5 %
Satakunta	1.8 %	9.2 %	13.3 %
Ostrobothnia	3.1 %	9.0 %	14.3 %
Pirkanmaa	5.3 %	6.4 %	8.2 %
Kanta-Häme	2.4 %	13.2 %	15.8 %
South Ostrobothnia	3.4 %	8.2 %	10.9 %
South Savo	2.6 %	8.9 %	10.5 %
North Savo	5.7 %	10.5 %	12.2 %
North Karelia	2.7 %	2.2 %	2.0 %
Central Finland	6.2 %	11.6 %	16.7 %
Central Ostrobothnia	8.6 %	8.1 %	8.5 %

Wellbeing services county	2024	2025	2026
North Ostrobothnia	3.1 %	7.5 %	11.2 %
Kainuu	-0.3 %	10.1 %	10.1 %
Lapland	6.8 %	13.4 %	14.4 %
Total	**3.5 %**	**7.1 %**	**9.5 %**

In the pressure projection, costs will increase at the national level by, on average, 5.4% in 2024, 4.0% in 2025 and 4.8% in 2026. At the national level, the difference with regard to costs between the pressure projection and the wellbeing services counties' budgets and financial plans is c. EUR 5.5 billion in 2023–2026. According to a summary prepared by the Ministry of Finance, the wellbeing services counties will aim for adjustment and efficiency measures of c. 1.5 billion euros at the 2026 level, which is not sufficient, however, to close the above-mentioned EUR 5.5 billion difference within the said time limit. It is therefore more important than ever that all of the wellbeing services counties focus proactively on reforming their activities in order to align cost development with the central government funding framework and the growth in costs is sustainable in the long term. In a number of wellbeing services counties, indeed, additional measures are being prepared to adjust and improve the efficiency of finances and activities.

In the General Government Fiscal Plan, the ex-post revision included in the funding of wellbeing services counties is based on the costs according to counties' budgets and financial plans. It is recognised, however, that there is significant uncertainty concerning the financial plans as to whether the wellbeing services counties will be able to adjustment their finances as planned. In addition, the financial plans of some wellbeing services counties and sectors include entries on the risk that access to services may be delayed and statutory services may be jeopardised. On the other hand, the wellbeing services counties have recognised the need to take corrective action if appropriations were to be insufficient.

The analysis is simplified and does not take into account, among other things, the different starting situations of wellbeing services counties or possible differences in the development of the cost level. The greater the imputed need for adjustment in the table above, the more carefully the wellbeing services counties' decision-makers will have to evaluate adjustment measures in relation to residents' need for services. Based on the analysis, there is a risk that, in one or more wellbeing services counties, central government funding and tasks may not be reconciled during the spending limits period. This risk is influenced by perceptions of problems[12] with the 2023 funding base, the significant deficit in 2023, the starting points of the service system in the wellbeing services counties, the wellbeing services counties' statutory obligation to cover deficits in the financial planning period, the fact that the ex-post revision is based on the wellbeing services counties' financial planning data and the aforementioned uncertainties associated with this in relation to projected cost development, and the fact that the ex-post revision is not allocated to correspond to the costs incurred by each wellbeing services county. In addition, at least three wellbeing services counties have already highlighted in their 2024 budgets the risk of needing additional funding.

The General Government Fiscal Plan has prepared for risks with a spending limits provision. An appropriation technically enabling the handling of additional funding processes during the financial year has also been allocated to a separate item. In addition, the criteria of the evaluation procedure will be met in several wellbeing services counties during the spending limits period. The evaluation procedure assesses a wellbeing services county's capacity with regard to the organisation of health, social and rescue services to fulfil its tasks and to make a proposal on the measures necessary to improve the finances of the wellbeing services county and to safeguard the conditions for the organisation of health, social and rescue services.

12 Among other things, the matching of the transferred tasks and costs of the municipality-based system, the impact of the coronavirus pandemic on the service system, and price development.

7 Municipal finances

The section of the General Government Fiscal Plan related to municipal finances includes an examination of the impact of central government measures on municipal finances and the medium-term development prospects for municipal finances in municipal accounting terms. The examination of municipal finances presented here is supplemented by the Municipal Finances Programme, which is prepared separately in connection with the General Government Fiscal Plan.

7.1 Municipal finance policies

The Government sets as a target that the budgetary position of the municipal administration[13] according to national accounts will be close to balance or slightly in deficit by 2027. Achieving the target requires an improvement in the situation of municipal finances as, based on the general government finances pressure projection, the budgetary position of the municipal administration will be -0.7% of GDP in 2027.

According to the Government Programme, the central government undertakes to compensate municipalities for new functions and obligations imposed on them, and for any enlargement of such functions, either by financing them in full or by eliminating other obligations of these tasks, by financing them fully or by cancelling other obligations. Municipalities will be compensated for the impact on tax revenues of amendments to tax criteria made by the Government. Under the Act on Central Government Transfers to Municipalities for Basic Public Services, a central government transfer covering 100% of the costs will be allocated to new or extended duties and obligations. In order to receive full coverage, the impacts of any such new or extended duties and obligations on the municipal economy must

13 However, deviating from the sector classification of the national accounts, this municipal administration does not include Helsinki's health, social and rescue services, which are included in the wellbeing services counties subsector.

be realistically assessed. Because large numbers of municipal employees are retiring and the availability of labour varies greatly by sector and region, attention must also be paid to the personnel impacts of any changes to tasks and obligations.

Despite the health and social services reform, there is a structural imbalance in revenue and expenditure in municipal finances, which threatens to deepen in the next few years without new measures. Municipalities should be able to adjust both their service networks and their activities to meet the decreasing need for services as well as funding. Following the reduction in their range of tasks, municipalities have fewer opportunities to adjust expenditure, so there is a danger that the pressure to adjust will be more focused on tax rate increases. Divergence between municipalities is also increasingly reflected in divergence of the outlook and the future challenges facing municipalities. With the reduction in the age cohorts of children and young people, there has been an even greater need for cooperation between municipalities particularly in the organisation of educational services. Ensuring the availability of skilled labour also requires new ways of organising services. These trends and the deteriorating economic outlook highlight the importance of careful assessment of the need for investments.

According to Prime Minister Petteri Orpo's Government Programme, the system of municipal financing and central government transfers to municipalities will be overhauled to reflect the municipalities' new role and the situation following the completion of the health and social services reform and the reform of public employment and economic development services (TE services). The starting point for the reform is two goals: firstly, ensuring that municipalities of different sizes across Finland are able to organise statutory basic public services, taking into account the needs of municipalities with negative net migration and the demographic trends of different regions; and secondly, strengthening the conditions for municipalities and cities that are growing to invest in growth and address social problems. The intention is for a Government proposal to be submitted to Parliament in the spring session of 2025 and for the new legislation to enter into force on 1 January 2026.

In line with the Government Programme, the ongoing real estate tax reform will continue. The aim is to bring the taxation values of buildings and land more in line with their real current values. A Government proposal is planned to be submitted in spring 2024. The public sector premises programme is due to start in spring 2024. The program will implement Prime Minister Petteri Orpo's Government Programme entries records on the productivity and development of the use of premises. To strengthen the operating conditions of municipalities, the Government launched in autumn 2023 a programme aimed at reducing the scale of municipalities' activities and tasks and cutting detailed regulations governing how municipal activities and tasks should be carried.

New measures in the General Government Fiscal Plan are also directed at the municipalities. Their combined effect, however, is to strengthen municipal finances through an increase in the central government transfer and the channelling solution for savings.

7.2 Central government measures impacting municipal finances

Central government transfers and grants to municipalities will be c. EUR 5.5 billion in 2025. Imputed central government transfers will be c. EUR 4.5 billion, compensation for municipalities' tax losses EUR 0.5 billion and other central government grants EUR 0.5 billion. At the end of the spending limits period in 2028, central government transfers and grants will be c. EUR 5.6 billion, of which imputed central government transfers will be EUR 4.5 billion. Relative to the autumn 2023 General Government Fiscal Plan, central government transfers will be reduced by the update to the health and social services reform transfer calculation made in November 2023 on the basis of 2022 completed taxation data, which will result in a reduction in the central government transfer for basic public services both permanently and temporarily in 2025–2027. Imputed central government transfers will also be reduced by the reduction in the age cohorts of children and young people. The decisions in the 2024 spring General Government Fiscal Plan will result in a net increase in central government transfers. On the other hand, the compensation to municipalities for tax criteria changes will decrease as central government measures increase municipalities' tax revenue.

Table 23. Central government transfers and grants to municipalities and joint municipal authorities, EUR million, spending limits period at 2025 prices[1]

	2023 B +SBs	2024 B	2025	2026	2027	2028
Imputed central government transfers	**4 021**	**3 701**	**4 485**	**4 383**	**4 348**	**4 549**
Ministry of Finance	2 772	2 490	3 180	3 172	3 141	3 342
Ministry of Education and Culture	1 249	1 211	1 305	1 211	1 207	1 207
– of which joint municipal authorities	1 095	1 112	1 098	1 096	1 095	1 095
Central government compensation to municipalities for tax revenue losses arising from tax criteria changes	**851**	**848**	**541**	**569**	**610**	**643**
Discretionary government grants:	**588**	**631**	**511**	**512**	**492**	**430**
Ministry of Justice	11	32	0	0	12	0
Ministry of Finance	11	11	11	11	11	11
Ministry of Education and Culture	290	257	262	285	308	308
Ministry of Agriculture and Forestry	4	4	4	4	4	4
Ministry of Transport and Communication	44	31	31	31	31	31
Ministry of Economic Affairs and Employment	124	213	155	140	81	43
Ministry of Social Affairs and Health	74	57	32	26	30	20
Ministry of the Environment	30	25	15	15	14	13
Total central government transfers and grants	**5 460**	**5 180**	**5 537**	**5 465**	**5 450**	**5 622**

1) With regard to the Ministry of Education and Culture's central government transfers and grants, the proportion allocated to municipalities has been estimated notionally.

The central government transfer to municipalities for basic public services will be EUR 3.2 billion in 2025 and EUR 3.3 billion in 2028. The level of the central government transfer in 2025 will decrease by EUR 178 million from the autumn 2023 General Government Fiscal Plan. An increase of EUR 277 million will be allocated to the central government transfer, which will cushion the reduction in the central government transfer related to the revision, made in November 2023, of the health and social services reform transfer calculation.

The level of funding will be increased by the reform of public employment and economic development services (TE services), which will enter into force in 2025. As part of the reform, appropriations totalling EUR 874 million will be transferred from the main titles of the Ministry of Economic Affairs and Employment and the Ministry of Social Affairs and Health to the central government transfer to municipalities for basic public services. Compared with the previous General Government Fiscal Plan, these transfers have decreased based on adjustments by c. EUR 77 million.

As part of the new adjustment measures, the tasks and obligations of municipalities will be reduced or municipalities' fee income will be increased, so that general government finances will be strengthened by EUR 100 million from 2025. The content and targeting of the measures will be specified in further preparation. In connection with this entity, a reduction of EUR 25 million has been technically allocated to the central government transfer to municipalities for basic public services from 2025.

The level of the central government transfer for basic public services takes into, as new measures, the addition of three weekly lessons per year to primary and lower secondary education, for which EUR 8.6 million will be allocated in 2025 and EUR 20.6 million from 2026. The abolition of the municipalities' obligation to offer work to unemployed job-seekers aged 57 years and older will reduce the central government transfer by EUR 18.7 million in 2025, EUR 20.8 million in 2026 and EUR 23 million from 2027.

The level of the central government transfer also takes into account an estimate of the revision of the division of costs between central government and the municipalities, which will be made on the basis of data for 2023. This will reduce the central government transfer for basic public services by EUR 6.2 million. The estimate will be refined as the municipalities' financial statement data are finalised for the preparation of the State budget proposal. The index increase in 2025 (3.1%) will amount to EUR 75 million. In accordance with the Government Programme, a saving corresponding to a one percentage point increase will be made in the index adjustment of the central government transfer for basic public services in 2024–2027, which will reduce the transfer by EUR 23.9 million at the 2025 level. Nominally, the index saving will reduce the central government transfer by c. EUR 110 million at the 2027 level. Changes in population numbers and calculation factors, in particular the reduction of child age cohorts, will reduce the central government transfer by c. 9 million in 2025 and by c. EUR 85 million at the 2028 level.

Compensation for tax criteria changes will decrease by EUR 370 million compared with the previous General Government Fiscal Plan due to the elimination of the earned income allowance and tax adjustment measures. The elimination of the earned income allowance and the increase in the earned income deduction replacing it are estimated to increase municipal income tax revenue by EUR 340 million. This change will increase the actual revenue of the municipal income tax rate and will implement the Government Programme entry to narrow the gap between the nominal and effective tax rates of municipalities. Compensation for changes to tax criteria will be reduced by a corresponding amount.

The central government transfer to municipalities from the administrative branch of the Ministry of Education and Culture will be c. EUR 1.3 billion in 2025 and c. EUR 1.2 billion in 2028. The 2025 index increase (3.1%) will increase the central government transfers to municipalities and joint municipal authorities by an estimated EUR 26.8 million. An estimated EUR 16.5 million will be allocated to municipalities for the 2025 index increase (2.4%) for vocational education and training.

As part of the new adjustment measures, funding of vocational education and training will be reduced by a total of EUR 100 million from 2025. Of this, c. EUR 65 million is estimated to be allocated to municipalities.

The conditions for employment of women with an immigrant background will be improved by creating a new operating model for education. This will increase municipalities' funding and costs by EUR 1.4 million. As part of the set of measures related to children and young people, funding for school and educational institution youth work will be increased by EUR 1 million per year.

As a consequence of the Government Programme's channelling solution for savings allocated to off-budget entities, municipal finances are expected to strengthen by EUR 60–70 million.

7.3 Estimate of municipal finances expenditure, revenue and balance

Municipal finances expenditure in the spending limits period

Municipal finances operating expenditure will increase in 2025–2028 particularly due to rising prices. The need for services in education remains in the pressure projection on a downward trend due to the declining birth rate and smaller age cohorts, which will keep volume growth of operating expenditure negative. The only exception to this downward trend in operating expenditure volume will be 2025, when the municipalities will take over responsibility for organising public employment and economic development services, and at the same time municipalities' responsibility for financing unemployment benefits will be extended. The decline in the need for services in education and decreasing funding demand for education services and decreasing funding will challenge municipalities with falling child and young people age cohorts to adjustment their activities and service networks. In the projection, the decline in the need for services has, in the customary way, been slightly reduced, as in many municipalities the opportunities to adjustment the school network are limited.

The price index for basic public services, which describes the development of municipalities' costs, will increase on average by 3.1% per year in 2025–2028. Personnel expenditure forms the largest cost item in municipal finances, and therefore municipal sector pay settlements will have considerable significance for the cost development of municipal finances. In 2025–2027, earnings development in the municipal sector is projected to be slightly faster than in the economy as a whole, due to the pay system development programme agreed for the municipal sector. The weak availability of labour and strict qualification requirements adversely affect the organisation of services and the implementation of projects, but can also lead to a situation where it is even more difficult to produce services at reasonable cost.

The new adjustment measures decided on by the Government in the spring 2024 spending limits discussion will also affect the municipal sector. However, the net impact of Government decisions included in the projection is to strengthen municipal finances. Strengthening will be realised mainly through revenues, but also by cutting municipal expenditure. The reduction of municipalities' tasks and obligations is estimated to improve municipal finances by c. EUR 75 million by reducing expenditure by c. EUR 100 million as funding decreases by EUR 25 million. Savings will also be sought by reducing funding for vocational education and training, which is assumed to reduce expenditure correspondingly.

In 2025, public employment and economic development services will be transferred to the responsibility of the municipalities. The change will increase municipal operating expenditure by just over EUR 800 million in 2025. With the reform, the number of municipal personnel will increase by around 4,000 person-years, which will be reflected in 2025 as a sharp increase in personnel expenditure. The reform will expand municipalities' responsibility for financing unemployment benefits, which in turn will be reflected in a rise in the level of benefit expenditure in 2025. As a consequence of the reform, the employment development will have greater impact on municipal finances. New benefit expenditure will be influenced, in particular, by the development of unemployment, which is forecast to reach c. 6.6% in 2025–2028, as well as by changes in the National Pension Index, which determines the level of unemployment benefits. The Government has decided on, among other things, an index freeze for social benefits, such as labour market support, childcare allowances and the basic daily allowance, for the period 2024–2027.

There are significant differences in investment outlook between municipalities. In some municipalities, investments are expected to decline in the next few years, but investment pressures, particularly in large municipalities, will keep investments of municipal finances as a whole at a high level. The municipalities still have significant investment needs due to, among other things, the age of the building stock, migration and the green transition. Investment's share of GDP has been kept constant in the pressure projection for the remaining years of the period under review.

Municipal finances revenue in the spending limits period

In the pressure projection, operating income will grow on average by 1% per year in 2025–2028. Tax revenue remains the most significant source of revenue for the municipal administration, despite the fact that it was roughly halved as a result of the reform of health and social services. In the spring 2024 spending limits discussion, the Government decided to improve the effectiveness of local income tax by abolishing the earned income allowance applied to income and by correspondingly increasing the earned income deduction primarily applied to on central government tax. However, compensation to municipalities for changes in tax criteria will be reduced in line with the increase in local income tax revenue resulting from the change, which will reduce municipalities' central government transfers. Although tax revenue growth in 2025–2028 will remain at c. 4.2%, i.e. above the long-term average, this will mean significantly lower additional revenue for municipalities than in the past. On the other hand, rapidly growing health and social services expenditure has been transferred away from being a burden on municipal finances.

The central government transfer received by municipalities will increase by c. 12.4% in 2025. The organisation of TE services will become a new central government transfer task for municipalities, the funding of which will be allocated to municipalities as a 100% central government transfer through the central government transfer for basic public services. In addition, municipalities will be compensated through a permanent additional to the central government transfer for the increase in the funding responsibility for unemployment security. In the spring 2024 spending limits discussion, the Government decided to cushion the reductions in the central government transfers related to the health and social services reform transition by increasing central government transfers by just under EUR 300 million from 2025 in order to strengthen the budgetary position of municipal finances. The reduction in the central government transfer made to reconcile the municipalities' health and social services reform transfer calculation will increase, however, by just over EUR 150 million in 2025 compared with 2024. In addition, due to the abolition of the earned income allowance and the changes to tasks, the tax compensation received by municipalities will decrease by more than EUR 300 million compared with 2024. The growth in central government transfers will also be slowed by the one percentage point index freeze for 2024–2027, which the Government decided on earlier. When the share of retroactive reductions related to the health and social services reform transfer calculation is removed from central government transfers and the Government's indexation brake on central government transfers ends, central government transfers will increase in 2028 by c. 8.5% in 2028.

Municipal finances balance in the spending limits period

Based on the pressure projection, the imbalance between municipal revenue and expenditure, measured by cash flow from operations and investments, will increase to c. EUR -1.1 billion in 2024 and to c. EUR -1.6 billion in 2025. In 2026 and 2027, cash flow from operations and investments will continue to deteriorate slightly: to EUR -1.8 billion in 2026 and to EUR -2.0 billion in 2027. When the retroactive health and social services reform cuts are made to central government transfers and the index brake during the parliamentary term are removed, the cash flow from operations and investments will be EUR -1.8 billion in 2028. The annual margins will not be sufficient to cover depreciation and new investments in the spending limits period. A significant imbalance of revenue and expenditure means tax increases and strict budget discipline in the municipal finances in the coming years. In the municipal field following the health and social services reform, financial room for manoeuvre has narrowed considerably and the importance of proactive planning of the service network and consideration of investment needs are underlined. Problems with the availability of skilled labour, the efficient use of premises, urbanisation, falling birth rates and the green transition call for new ways of organising services, with an emphasis on cooperation between municipalities.

In 2023, the municipal finances loan portfolio was c. EUR 19.6 billion. Negative cash flows from operations and investments increase the loan portfolio to EUR 26.8 billion at the end of the period under review.

Table 24. Development of municipal finances up to 2028, according to municipal accounts, EUR billion, at current prices

	2023	2024	2025	2026	2027	2028
Result itemisation						
1. Operating margin	-14.1	-14.3	-15.7	-16.3	-16.9	-17.5
2. Tax revenue	14.6	13.8	14.5	15.1	15.7	16.3
3. Central government transfers, operational finances	3.7	3.4	3.8	3.8	3.9	4.2
4. Financial income and expenses, net	0.4	0.3	0.2	0.2	0.2	0.1
5. Annual margin	4.6	3.1	2.8	2.8	2.8	3.2
6. Depreciation	-2.7	-2.8	-2.9	-3.0	-3.1	-3.2
7. Extraordinary items, net	0.0	0.0	0.0	0.0	0.0	0.0
8. Result for the financial year	1.8	0.3	-0.2	-0.2	-0.3	-0.1
Funding						
9. Annual margin	4.6	3.1	2.8	2.8	2.8	3.2
10. Extraordinary items	0.0	0.0	0.0	0.0	0.0	0.0
11. Internal financing, adjustment items	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2
12. Internal financing, net	4.3	2.9	2.6	2.6	2.6	3.0
13. Investment in fixed assets	-4.7	-4.9	-5.0	-5.2	-5.4	-5.6
14. Funding contributions and income from sales	0.7	0.8	0.8	0.8	0.8	0.8

	2023	2024	2025	2026	2027	2028
15. Investments, net	-4.0	-4.1	-4.2	-4.4	-4.6	-4.8
16. Financial balance (internal financing – investment)	0.4	-1.1	-1.6	-1.8	-2.0	-1.8
17. Loan portfolio	19.6	20.5	21.9	23.5	25.3	26.8
18. Cash	6.6	6.6	6.5	6.4	6.3	6.2
19. Net debt (loans – cash)	13.0	13.9	15.4	17.1	18.9	20.6

8 Employment pension schemes and other social security funds

Earnings-related pension system

Finland's earnings-related pension system consists of a number of different pension acts. Pensions are generally determined by the same criteria, irrespective of the pension act, but the funding of expenditure varies between the different pension acts. Finland's earnings-related pension system is funded by annual earnings-related pension contributions as well as with prefunded pension assets and income from them. Earnings-related pension contributions are collected from employees and employers. In addition, the central government partly funds the pensions of central government employees, entrepreneurs, agricultural entrepreneurs and seafarers. Employees' pension contributions are the same irrespective of the pension act, and they also accrue under all pension acts in more or less the same way. The amount of starting old-age pensions is multiplied by the life expectancy coefficient. This is aimed at curbing rising pension costs and extending the time to retirement. Pensions paid out are increased annually by the Employee Pension Index, in which inflation has an 80% weight and change of earnings level a 20% weight.

All other private sector employees, except seafarers, are covered by the Employees' Pensions Act (TyEL). Employees covered by TyEL account for around 60% of the workforce. As a rule, TyEL pensions are financed in accordance with the principles of the pay-as-you-go system, i.e. pensions are financed by each year's earnings-related pension contributions. In addition to this, some of the pensions operate according to the partially prefunded principle, i.e. part of the paid earnings-related pension contributions is funded for future pensions and part is used for the current year's pensions. Earnings-related pension contributions must be at a level that can guarantee both the payment of pensions and funding required by legislation. The TyEL funding rate, i.e. the ratio of pension assets to pension liability, was c. 31.7% at the end of 2022. The real discount rate in the calculation is 2.5% up to 2031 and 3.5% from 2032.

The earnings-related pension system uses what is known as the EMU buffer, the purpose of which is, under certain conditions, to enable a reduction in earnings-related pension contributions during weak economic circumstances. Conversely, the buffer has been increased by collecting more contributions than would have been necessary in good economic circumstances. A target level corresponding to 2.5% of the annual private sector wage bill has been agreed for the EMU buffer. The EMU buffer has been used once to reduce earnings-related pension contributions, in 2020 due to the coronavirus pandemic. When the buffer is used, an agreement must be reached on a subsequent raising of pension contributions to allow the buffer to build up back to its original level. It was agreed to compensate in full for the 2020 contribution reduction by increasing the contributions in 2022–2025.

Entrepreneurs, agricultural entrepreneurs and seafarers have their own pension acts. For entrepreneurs and agricultural entrepreneurs, pensions are funded by contribution income, and excess portions from the central government budget. Approximately 9% of all those insured are covered by the Self-Employed Persons' Pensions Act (YEL). According to estimates, in 2024 the central government is responsible for c. 30% of YEL pensions and c. 86% of the pensions of agricultural entrepreneurs. The central government's share of seafarer pension expenditure is 29% and the remainder is funded by contributions.

The Public Sector Pensions Act (JuEL) covers persons employed by municipalities, wellbeing services counties, central government, the Evangelical Lutheran Church of Finland, the Social Insurance Institution of Finland (Kela) and the Bank of Finland. Just over 20% of those insured are covered by the pension scheme of Keva member organisations (municipalities and wellbeing services counties). With the pension contribution levied by Keva, the aim is to set the 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. Approximately 5% of those insured are covered by the central government pension system. The pension contributions levied from employees insured under the central government pension system and from central government employers are paid into the State Pension Fund (VER). Funds are transferred annually from the State Pension Fund to the central government budget to cover central government employees' pension expenditure. In 2024–2028, the funds transferred will grow by one percentage point per year from 41% to 45%. The remainder is covered directly from the State budget, from which central government pension expenditure is paid in full.

The increase in the number of people of retirement age has result in an increase in pension expenditure. Growth of pension expenditure has, moreover, reduced the surplus of the earnings-related pension funds. Although pension expenditure exceeds contribution income, property income will remain at a reasonably high level due to prefunding, and accordingly the sector will remain in surplus. However, the surplus has declined significantly since the beginning of the 2000s; at the beginning of the 2000s, the surplus was at its highest at around 4% in ratio to GDP, while in recent years the surplus has been around 1% in ratio to GDP. In the national accounts, private sector earnings-related pension funds are included in general government finances and their assets in general government finance assets.

In 2023, the surplus of the earnings-related pensions sector was c. 1.1% of GDP. Benefit expenditure increased significantly from the previous year, but there was also an increase in premium income, albeit more moderate than in expenditure. Property income, in particular, grew strongly in 2023. Although benefit expenditure will continue to grow in the coming years, the sector will nevertheless remain in surplus, particularly due to growth in property income. The surplus of the earnings-related pension funds in the next few years will be just over 1%.

Other social security funds

Other social security funds consist mainly of the Social Insurance Institution of Finland (Kela), which handles basic social security, and the Employment Fund and unemployment funds, which handle earnings-related unemployment security. Kela's activities are financed statutorily by the health insurance contributions of the insured and employers as well as by public sector contributions. Kela's benefit funds are the National Pension Insurance Fund, the National Health Insurance Fund and the General Fund for Social Security. In 2023, the total expenditure of the benefit funds was c. EUR 17.9 billion, of which c. EUR 16.6 billion consisted of benefits paid by Kela. Benefits paid by Kela increased by 1.8% from 2022. The benefits most paid by Kela were as follows: health insurance benefits (EUR 4.7 billion), pension benefits (EUR 2.6 billion), unemployment benefits (EUR 1.9 billion), general housing allowance (EUR 1.7 billion) and child benefits (EUR 1.3 billion). The central government's share of Kela's funding in 2023 was c. 71%, while insurance contributions accounted for c. 23% and municipalities for c. 4%. Other revenue accounted for c. 3% of the funding.

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 (c. 55%), central government contributions (c. 40%) and the membership fees of unemployment funds (c. 5%). Benefits paid from the unemployment funds amounted to just under EUR 1.9 billion in 2023. The Employment Fund has a cyclical buffer to smooth out the ratio of expenditure to income caused by cyclical fluctuations. A maximum amount of net assets and net debt has been set for the Employment Fund's cyclical buffer, which can be at most an amount corresponding to annual expenditure arising from an unemployment rate of 6%. The Employment Fund was significantly in surplus in 2023, and the surplus added EUR 763 million to the net assets of the cyclical buffer. At the end of 2023, the net assets of the Employment Fund's cyclical buffer amounted to c. EUR 2 billion.

The other social security funds sector was slightly in surplus in 2023, but the financial position of the sector is expected to decline into deficit from 2024. In 2024, the contribution income of the sector will be decreased by a reduction in the unemployment insurance contribution by 1.4 percentage points. Expenditure, on the other hand, will be reduced in particular by the savings measures of Prime Minister Orpo's Government directed gradually at social benefits as well as, from 2025, the additional adjustment measures decided on in the spring 2024 spending limits discussion. In 2025–2028, in the solution channelling savings from social security funds, it is assumed that unemployment insurance contributions will decrease and, at the same time, health insurance contributions will increase, as government contributions to the sector's expenditure fall. The financial balance of the social security funds sector may fluctuate slightly on an annual basis, with the buffer funds providing flexibility.

9 Summary of measures at the level of general government finances

Chapters 5–8 above address each subsector of general government finances separately. 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 analysis in chapter 9 excludes what are known as financial transactions, for example loans and share purchases.

The following table summarises the cumulative impact on general government finances of the decisions affecting revenue and expenditure of Prime Minister Orpo'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 published on 23 March 2023.

Adjustment of general government finances in accordance with the Government Programme

The Government Programme (Annex B) contains measures aimed at achieving a net adjustment in general government finances of EUR 4 billion at the 2027 level. In addition to savings, the package includes expenditure increases and revenue-raising measures.

In some respects, the impact assessments of the measures have been further specified since the Government Programme was finalised. In addition, the allocation of impacts between the different sectors of general government finances has been clarified. The estimates will be further refined during budget and spending limits preparation and the preparation of Government proposals, but the Government is committed to the set of measures outlined in Annex B to the Government Programme.

The above-mentioned expenditure policies of the Government Programme will strengthen general government finances in the table by a net c. EUR 1.0 billion at the 2024 level. At the end of the parliamentary term in 2027, the impact would be EUR 3.1 billion. This is an estimate based on current information. The table does not include wellbeing services counties' own development measures, for which the savings in the annex to the Government Programme amount to EUR 0.9 billion at the 2027 level. If this saving is taken into account, the strengthening of general government finances would be EUR 4.0 billion at the 2027 level. In addition, the reduction of central government transfers to municipalities for basic public services by one percentage point per year will not strengthen general government finances in the table, as strengthening general government finances as a whole by more than EUR 100 million, as targeted, will require municipalities to make their own adjustment measures. The impact on tax revenue of savings directed at benefit expenditure has been taken into account in the table. The impact of index savings is shown at nominal prices. The analysis does not include financial investments, which are subject to a saving of EUR 80 million at the 2027 level in the Government Programme. Within general government finances, the budgetary position of central government and the municipalities will be strengthened by the channelling of savings in the social security funds from the measures of the Government Programme to curb accumulation of debt.

As part of the adjustment measures in general government finances (in addition to the EUR 4 billion package mentioned above), the Government has outlined structural policy measures aimed at strengthening general government finances by c. EUR 2 billion at the 2027 level. This entity is not included in the table analysis.

Additional adjustment measures

In the spring 2024 General Government Fiscal Plan discussion, the Government decided on new adjustment measures to achieve the various targets. Of the new set of measures to strengthen general government finances decided on by the Government, savings account for c. EUR 1.3 billion at the 2025 level and EUR 1.6 billion at the 2028 level.

The savings allocated in the Government Programme to administration operating expenditure will be further increased and the obligations of the wellbeing services counties will also be reduced. Of business subsidies, the regional transport subsidy will be reduced and Business Finland's grant authorisation for non-R&D funding will also be decreased. Significant will also be allocated to, for example, development assistance and the project provision for unspecified transport projects.

In addition to the grant savings decided on in the Government Programme, new central government transfer savings will be made across all administrative branches. In addition, certain savings decided on in the Government Programme will be brought forward. These will be directed at, among other things, developing the transport infrastructure network, development assistance, the discretionary government transfers of the Ministry of Education and Culture and grants promoting health and social wellbeing.

The new tax decisions are described in the section on taxes.

Temporary investment programme included in the Government Programme

Appropriations totalling EUR 770 million have been allocated to the investment programme included in the Government Programme. To date, targeted measures mainly relate to the development of the transport infrastructure network and basic transport infrastructure maintenance.

The revenues that have been used to date to finance the investment programme are not revenues in the analysis according to the table. The table is presented in national accounts terms, in which case financial transactions do not strengthen general government finances. For this reason, in the table the investment programme weakens the budgetary position of general government finances.

Wellbeing services counties

The Government's decisions related to the tasks, expenditure and revenue of the wellbeing services (including statutory reforms and discretionary government grants and compensations payable to the wellbeing services counties) are included in a table in the section on the finances of the wellbeing services counties. It is possible that, in addition, some of the discretionary government grants for other development projects in the administrative branch of the Ministry of Social Affairs and Health will be allocated to the wellbeing services counties, but they have not been taken into account in this analysis.

The net cost impact of the changes to tasks outlined in Prime Minister Orpo's Government Programme and this General Government Fiscal Plan will be a reduction of c. EUR 685 million in the expenditure of the wellbeing services counties in 2028. In total, the net cost impact of the tasks affecting this spending limits period assigned to the wellbeing services counties during Prime Minister Marin's government term and the new measures in Prime Minister Orpo's Government Programme and this General Government Fiscal Plan will be a reduction of c. EUR 259 million in expenditure in 2028. This change is mainly explained by the transfer to the wellbeing services counties of funding responsibility for patient transportation in the context of prehospital emergency medical services and the new changes to tasks outlined in this General Government Fiscal Plan (and listed in section 6.1).

The section on social and health services in the table of adjustment measures in Annex B of the Government Programme contains a separate item on the wellbeing services counties' own development measures, for which the Ministry of Finance has estimated a savings potential at EUR 0.9 billion at the 2027 level. These measures seek to strengthen the finances of the wellbeing services counties by improving the efficiency of the counties' activities, reforming practices and increasing cooperation between counties. Each wellbeing services county will decide independently on its reform and structural adjustment measures, and the savings potential and implementation timetables will vary from county to county. The impact of these measures has not been taken into account in the financing of the wellbeing services counties in this General Government Fiscal Plan; the savings arising from the measures will be realised in the central government universal funding of the wellbeing services counties on the basis of the ex-post revision.

Discretionary government transfers and other compensation will also be paid to the wellbeing services counties. In 2024–2027, a total of c. EUR 2.7 million per year will be allocated to securing health and social services in the Sami language, to a Finnish Centre for Client and Patient Safety development project in in the Wellbeing Services County of Ostrobothnia, and to network-based expertise clusters to be established in connection with Porvoo and Raseborg Hospitals. In 2024–2028, a total of EUR 40 million per year, including an increase of EUR 5 million per year from 2025, will be allocated to central government funding related to R&D investments for university-level research in healthcare and social work. The level of funding for centres of excellence on social welfare will be reduced by EUR 1 million per year. The level of funding for shelters will be increased by EUR 1 million, which will also slightly increase the compensation payable to the wellbeing services counties.

The activities and finances of the wellbeing services counties are discussed as a whole in Chapter 6: Finances of the wellbeing services counties.

Tax criteria changes

Through its tax policy, the Prime Minister Orpo's Government will seek to boost the purchasing power of households, improve incentives for working and strengthen conditions for economic growth. The Government's tax policy will encourage work and self-employment, and support domestic ownership. In addition to the tax measures included in the Government Programme, many of which have already been implemented in 2024, due to the serious situation in general government finances, the Government will implement tax measures that strengthen general government finances. The Government has also decided to implement tax decisions the promote investment.

In accordance with the Government Programme, an index revision will be made to the earned income tax criteria, except for the year 2025, when no index adjustment will be made to the two highest income tax brackets of the central government tax scale. In 2024, the level of the index adjustment will be modified so that the share corresponding to the 0.2 percentage point reduction in the unemployment insurance contribution will be channelled to the central government to direct savings assigned to the Employment Fund to reverse the trend of central government debt. In addition, taxation of work will be gradually reduced during the parliamentary term, with a focus on low and middle income earners, and a child supplement will be made to the earned income deduction. The effectiveness of local income tax will be improved by abolishing the earned income allowance and by simultaneously increasing the earned income deduction.

The most significant fiscal adjustment measure is the increase in the general valued-added tax rate and the insurance premium tax rate from 24% to 25.5%. In addition, goods currently subject to a reduced valued-added rate of 10%, other than newspapers and magazines, will be switched to a rate of 14%, and the value-added tax rate on sweets will be increased from the current reduced rate of 14% to 25.5% in line with the new standard value-added tax rate.

A number of reductions will be made to taxation of transport in the spending limits period. Excise duty on transportation fuels will be reduced as of the beginning of 2024 to compensate for the average fuel price increase over the spending limits period arising from the upward trend in the distribution obligation under the Government Programme. In addition the CO2 component of the fuel tax as well as the basic motor vehicle tax will be reduced.

The tax rate applicable to ground areas was differentiated from the general real estate tax rate and its lower limit was raised to 1.3% from 2024. The increase will boost real estate tax revenues in the 245 municipalities in which the general real estate tax rate was lower than this in 2023.

At the turn of 2024, the asset transfer tax was amended by lowering the asset transfer tax rate for real estate, housing companies and other securities, and abolishing the tax exemption for first-time home buyers.

An equalisation tax on large multinational enterprises, based on an EU Council directive, was introduced from the beginning of 2024.

In addition, during the spending limits period, a number of smaller tax changes will be made to increase or reduce taxation, of which the most significant will be the reduction of the tax credit for household expenses and increases in the excise duty on tobacco products.

Changes in taxation and their impact assessments are discussed in more detail with regard to central government finances in section 5.4 and with regard to municipal finances in section 7.2.

Municipal finances

Prime Minister Orpo's Government Programme does not assign to municipalities new tasks or obligations. If new and extended tasks were to be assigned to municipalities, a full central government transfer would be allocated to them, and the municipalities would be fully compensated for tax criteria changes decided by central government.

The largest adjustment measure directly targeted by the Government at municipal finances is the saving corresponding to an increase of one percentage point made in 2024–2027 to the index adjustment of the central government transfer for basic public services. As a result of this, central government transfer to municipalities will gradually decrease and the impact will rise to c. EUR 111 million in 2027. The table assumes that municipalities will not immediately adjust their expenditure or raise their taxes as a result of the index cut. On the other hand, municipal finances will be strengthened by the increase in the lower limit of the ground area real estate tax rate from the beginning of 2024. This will increase municipalities' tax revenue by EUR 108 million per year. An increase of EUR 277 million will be allocated to the central government transfer to cushion the reduction in the central government transfer related to the revision, made in November 2023, of the health and social services reform transfer calculation. As part of the new adjustment measures of spring 2024, the tasks and obligations of municipalities will be reduced or municipalities' fee income will be increased, so that general government finances will be strengthened by EUR 100 million from 2025. Nearly all of the other Government measures directly affecting municipalities are assumed to have an equal impact on municipalities' revenues and expenditures.

In addition to the measures mentioned above, index freezes and savings of social security benefits will also affect municipal finances in different directions. They will directly reduce municipalities' expenditure but will, on the other hand, reduce tax receipts, as the analysis excludes the impact on tax revenue of the employment growth intended by the reforms.

As a result of Government decisions, compensation to municipalities for tax criteria changes will decrease by c. EUR 370 million due to the elimination of the earned income allowance and tax adjustment measures. Correspondingly, these measures will increase the municipalities' tax revenue.

In addition, the reduction in unemployment insurance contributions and other social security contributions implemented at the beginning of 2024 will increase municipalities' tax revenue and will reduce the contribution burden on municipal employers by c. EUR 300 million per year. In 2025, the impact will increase by a further c. EUR 60–70 million through the solution channelling savings in social security funds. In total, Government measures are estimated to strengthen municipal finances by c. EUR 0.6 billion per year on average in the spending limits period.

Municipal finances as a whole are discussed in Chapter 7. Municipal finances.

Social security funds

The expenditure and revenue of the social security funds will be significantly affected by measures decided on in the Government Programme. They will reduce benefit expenditure by c. EUR 0.5 billion at the 2024 level and c. EUR 1.4 billion at the 2027 level. The contributions of the central government and the municipalities to the social security funds will decrease by c. EUR 0.3 billion in 2024 and by c. EUR 0.9 billion in 2027. The adjustment measures decided on in the spring spending limits discussion will reduce benefit expenditure from 2025. In 2025, benefit expenditure will decrease by c. EUR 0.2 billion and in 2027 by c. EUR 0.5 billion.

The reduction of unemployment insurance contributions in 2024 and the channelling of benefit savings to the central government and the municipal administration will have a significant impact on social security contributions. The reduction in the unemployment insurance contribution in 2024 will reduce contribution revenue by c. EUR 1.4 billion. In addition, health insurance contributions will decrease by nearly c. EUR 0.9 billion in 2024. In 2025, unemployment insurance contributions will decrease by c. EUR 0.8 billion and health insurance contributions will increase by EUR 0.8 billion. Part of the change will result from the channelling solution for savings in social security funds. As a result of the solution, the social security contributions received by other social security funds will decline and the central government's contributions will decrease. In 2026, earnings-related insurance contributions of the insured will decrease, according to assumptions, by c. EUR 0.3 billion.

Changes in social security contributions also affect earned income tax receipts, corporate tax receipts and the contribution burden on public sector employers. The table also estimates their impact on central and local municipal finances. The calculations take into account the impact on social security fund contributions and on central government funding contributions of the channelling solution resulting from the savings of the Government Programme.

Table 25. Total impact on general government finances of decisions on revenue and expenditure, cumulative, EUR billion

	2023	2024	2025	2026	2027	2028
Impact on central government appropriations, Government Programme Annex B (including National Housing Fund)	0.0	0.7	1.9	2.4	3.1	3.2
Investment programme	0.0	-0.4	-0.1	-0.1	-0.1	-0.1
Additional savings of spring 2024, net			1.2	1.4	1.3	1.4
Other decisions increasing central government appropriations	-0.1	-0.2	-0.4	-0.5	-0.5	-0.7
Other decisions decreasing central government appropriations	0.0	0.0	0.0	0.0	0.0	0.0
Compensation to municipalities for tax criteria changes	0.0	0.0	0.4	0.4	0.4	0.4
Estimated impact on tax revenue of Government Programme Annex B benefit expenditure savings	0.0	-0.2	-0.3	-0.4	-0.4	-0.4
Decisions increasing central government tax revenue	0.0	0.9	2.4	2.6	2.7	2.7
Decisions decreasing central government tax revenue (excluding Index of Wage and Salary Earnings / Consumer Price Index adjustments of earned income taxation)	0.0	-0.6	-1.2	-1.4	-1.6	-1.6
Other decisions increasing central government revenue	0.0	0.0	0.0	0.0	0.0	0.0
Impact of changes in social security contributions on tax revenue and employer costs	0.0	0.6	0.7	0.7	0.7	0.7
Net impact on the budgetary position of central government finances	**-0.1**	**1.0**	**4.6**	**5.1**	**5.6**	**5.7**
Government measures increasing wellbeing services counties revenues (Government Programme Annex B)	0.0	0.0	0.0	0.1	0.1	0.1
Government measures increasing wellbeing services counties revenue (other)	0.0	0.0	0.0	0.0	0.0	0.0

	2023	2024	2025	2026	2027	2028
Government measures decreasing wellbeing services counties revenues (Government Programme Annex B)	0.0	-0.0	-0.1	-0.4	-0.6	-0.7
Government measures increasing wellbeing services counties expenditure (Government Programme Annex B)	0.0	0.0	0.0	-0.1	-0.1	-0.1
Government measures increasing wellbeing services counties expenditure (other)	0.0	0.0	0.0	0.0	0.0	0.0
Government measures decreasing wellbeing services counties expenditure (Government Programme Annex B)	0.0	0.0	0.1	0.4	0.6	0.7
Net impact on budgetary position of wellbeing services counties	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Government measures impacting municipalities’ revenues (Government Programme Annex B)	0.0	0.0	-0.2	-0.2	-0.2	-0.2
Government measures impacting municipalities’ expenditure (Government Programme Annex B)	0.0	0.0	0.0	0.0	0.0	0.0
Government measures impacting municipalities’ revenues (additional measures 2024)	0.0	0.0	-0.1	-0.1	-0.1	-0.1
Government measures impacting municipalities’ expenditure (additional measures 2024)	0.0	0.0	0.2	0.2	0.2	0.2
Net impact of central government measures on municipalities’ tax revenue	0.0	0.1	0.5	0.5	0.5	0.5
Compensation to municipalities for tax criteria changes	0.0	0.0	-0.4	-0.4	-0.4	-0.4
Impact of other government measures on municipal finances	0.0	0.0	0.3	0.3	0.3	0.3
Impact of changes in social security contributions on tax revenue and employer costs	0.0	0.3	0.4	0.3	0.4	0.4
Net impact on budgetary position of municipalities	**0.0**	**0.4**	**0.7**	**0.7**	**0.6**	**0.6**
Impact of the Government Programme on social security funds expenditure	0.0	0.7	1.4	1.8	2.0	2.0

	2023	2024	2025	2026	2027	2028
Impact of spring 2024 additional measures on expenditure			0.2	0.4	0.5	0.5
Impact of the Government Programme on social security funds revenue (estimate)	0.0	-0.3	-1.0	-1.2	-1.3	-1.3
Impact of spring 2024 additional measures on revenue			-0.2	-0.4	-0.5	-0.5
Changes in social security contributions	0.0	-2.3	-2.3	-2.4	-2.4	-2.5
Net impact on financial position of social security funds	**0.0**	**-1.8**	**-1.9**	**-1.8**	**-1.8**	**-1.8**
Net impact on general government budgetary position	**-0.1**	**-0.4**	**3.4**	**3.9**	**4.4**	**4.5**
as % of total production	0.0%	-0.1%	1.2%	1.3%	1.4%	1.4%

10 Estimate of general government revenue and expenditure

Table 26. Central government according to the national accounts, EUR billion

	2023*	2024**	2025**	2026**	2027**	2028**
Direct taxes	32.8	32.9	33.9	35.8	37.4	38.9
Taxes on production and imports	35.5	36.6	38.8	39.7	40.9	41.6
Social security contributions	0.0	0.0	0.0	0.0	0.0	0.0
Taxes and social security contributions, total[1]	69.4	70.4	73.7	76.5	79.4	81.6
Revenue from sales and fees	4.6	4.7	4.7	4.8	4.8	4.9
Property income	2.9	3.3	2.9	2.8	2.7	2.8
Other income	4.4	4.2	4.3	4.2	4.0	4.1
Total revenue	81.3	82.6	85.6	88.3	90.9	93.4
Compensation of employees and intermediate consumption	17.5	17.9	17.8	18.2	18.7	19.2
Property expenditure	2.4	2.5	3.3	3.5	3.9	4.3
Subsidies	2.4	2.5	2.4	2.5	2.4	2.4
Social security benefits and allowances	5.2	5.4	5.4	5.4	5.5	5.6
Other income transfers	55.8	57.1	58.7	59.7	60.6	61.3
to other general government bodies	49.6	51.2	52.9	53.6	54.5	55.1
Gross fixed capital formation	4.6	5.4	6.9	6.8	7.3	7.2
Other expenditure	1.7	0.8	0.5	0.4	0.4	0.4
Total expenditure	89.5	91.7	94.9	96.5	98.9	100.4
Consumption expenditure	18.1	18.5	18.4	19.1	19.7	20.4
Net lending (+) / net borrowing (-)	-8.2	-9.1	-9.3	-8.2	-8.0	-7.1

1) Includes gift and inheritance tax

Table 27. Municipal administration according to national accounts, EUR billion

	2023*	2024**	2025**	2026**	2027**	2028**
Taxes and social security contributions	13.1	13.7	14.5	15.1	15.7	16.3
of which municipal income tax	9.0	9.6	10.4	10.8	11.2	11.7
corporate tax	2.0	1.7	1.7	1.8	1.9	2.0
real estate tax	2.1	2.4	2.4	2.5	2.5	2.6
Revenue from sales and fees	7.2	7.3	7.4	7.5	7.6	7.8
Income transfers from central government	8.4	8.3	8.7	8.8	8.9	9.3
Other revenue	1.9	2.1	2.1	2.1	2.1	2.2
Total revenue	30.6	31.3	32.7	33.5	34.4	35.5
Compensation of employees and intermediate consumption	23.5	23.9	24.7	25.4	26.2	26.8
Social assistance and benefits in kind	0.9	0.9	1.2	1.3	1.3	1.4
Other income transfers	1.7	1.7	2.1	2.1	2.1	2.1
Property expenditure	0.6	0.8	0.8	0.9	0.9	1.0
Gross fixed capital formation	5.2	5.4	5.6	5.8	6.0	6.2
Other expenditure	0.0	-0.1	-0.1	-0.1	-0.1	-0.1
Total expenditure	32.0	32.7	34.4	35.4	36.5	37.5
Consumption expenditure	21.1	21.6	22.8	23.7	24.6	25.4
Net lending (+) / net borrowing (-)	-1.4	-1.3	-1.7	-1.9	-2.1	-2.0

Table 28. Wellbeing services counties

	2023*	2024**	2025**	2026**	2027**	2028**
Revenue from sales and fees	6.3	6.5	6.8	7.0	7.2	7.4
Central government funding	25.7	26.6	28.7	29.6	30.2	30.2
Other revenue	0.2	0.2	0.2	0.3	0.3	0.3
Total revenue	32.2	33.3	35.8	36.8	37.6	37.9
Compensation of employees and intermediate consumption	26.2	27.1	27.9	28.7	29.5	30.3
Social benefits and benefits in kind	6.0	6.3	6.6	6.9	7.2	7.5
Investments	1.4	1.3	1.3	1.2	1.1	1.0
Property expenditure	0.1	0.2	0.2	0.2	0.3	0.3
Other expenditure	0.1	0.1	0.1	0.1	0.1	0.1
Total expenditure	33.8	34.9	36.1	37.1	38.2	39.2
Consumption expenditure	26.4	27.4	28.3	29.2	30.1	31.1
Net lending (+) / net borrowing (-)	-1.6	-1.6	-0.3	-0.3	-0.5	-1.3

Table 29. Earnings-related pension funds

	2023*	2024**	2025**	2026**	2027**	2028**
Property income	5.4	6.8	7.7	8.1	8.5	8.7
Social security contributions	26.6	27.3	28.3	29.2	30.4	31.5
of which paid by employers	18.0	18.4	19.1	20.0	20.8	21.6
of which paid by the insured	8.6	8.8	9.1	9.2	9.6	9.9
Income and capital transfers from general government	2.9	3.1	3.1	3.3	3.5	3.7
Other revenue	0.9	0.9	0.9	0.9	1.0	1.0
Total revenue	35.8	38.0	40.1	41.5	43.3	44.9
Compensation of employees and intermediate consumption	1.2	1.2	1.2	1.2	1.3	1.3
Social security benefits and allowances	29.1	31.2	32.1	33.0	34.1	35.3
Other expenditure	2.5	2.7	2.8	2.9	3.0	3.1
Total expenditure	32.7	35.0	36.1	37.2	38.3	39.7
Consumption expenditure	0.5	0.5	0.5	0.5	0.6	0.6
Net lending (+) / net borrowing (-)	3.0	3.0	4.0	4.3	4.9	5.2

Table 30. Other social security funds

	2023*	2024**	2025**	2026**	2027**	2028**
Property income	0.1	0.1	0.1	0.1	0.1	0.1
Social security contributions	7.1	5.0	5.3	5.7	5.9	6.0
of which paid by employers	3.0	2.0	2.4	2.6	2.7	2.8
of which paid by the insured	4.1	3.0	2.9	3.1	3.2	3.3
Income and capital transfers from general government	14.0	14.6	13.9	13.5	13.5	13.5
Other revenue	0.1	0.1	0.1	0.1	0.1	0.1
Total revenue	21.3	19.9	19.4	19.5	19.6	19.8
Compensation of employees and intermediate consumption	0.9	0.9	0.9	0.9	0.9	0.9
Social security benefits and allowances	17.9	18.4	17.8	17.5	17.4	17.6
Other expenditure	1.5	1.5	1.5	1.6	1.6	1.7
Total expenditure	20.2	20.9	20.2	20.0	19.9	20.2
Consumption expenditure	3.8	3.8	3.9	3.8	3.9	4.0
Net lending (+) / net borrowing (-)	1.1	-1.0	-0.8	-0.5	-0.4	-0.4

Table 31. General government budgetary position and debt in ratio to GDP, broken down into core sectors and units outside the core sectors[1]

	2021	2022	2023	2024	2025	2026	2027	2028
General government total								
Budgetary position relative to GDP	-2.8	-0.5	-2.5	-3.5	-2.8	-2.2	-1.9	-1.7
Debt relative to GDP	72.6	73.5	75.8	80.9	82.8	83.4	83.7	84.4
Core sectors, total								
Budgetary position relative to GDP	-2.6	-0.5	-2.3	-3.2	-2.4	-1.9	-1.7	-1.5
Debt relative to GDP	70.4	71.5	73.7	78.4	80.0	80.4	80.6	81.2
Units outside core sectors, total								
Budgetary position relative to GDP	-0.2	0.0	-0.2	-0.3	-0.4	-0.3	-0.2	-0.2
Debt relative to GDP	2.1	2.0	2.2	2.5	2.8	3.0	3.1	3.2

1) Statistics Finland publishes the general government units on its website: https://www.stat.fi/meta/luokitukset/_linkki/soveltamisp.html

General government fiscal forecast under unchanged policies

Table 32. Revenue and expenditure under unchanged policies

	2023*	2023*	2024**	2025**	2026**	2027**	2028**
	level, EUR billion	% of GDP					
Total revenue under unchanged policies	147.4	53.1	53.0	53.3	53.1	52.9	52.7
Total expenditure under unchanged policies	154.4	55.6	56.5	56.1	55.3	54.8	54.5

Minister of Finance
Riikka Purra

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Mika Niemelä

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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.

Table 33. Projections and assumptions used

	2022	2023	2024*	2025*	2026*	2027*	2028*
GDP, change in volume, %	1.3	-1.0	0.0	1.6	1.5	1.3	1.1
GDP, change in price	5.4	4.8	1.7	2.0	2.3	2.2	2.2
GDP value, EUR million	267 687	277 625	282 204	292 428	303 635	314 374	324 618
GNI value, EUR million	270 178	277 131	284 129	294 353	305 560	315 899	326 143
Consumer Price Index, change %	7.1	6.2	1.9	1.3	1.4	1.8	2.0
Index of Wage and Salary Earnings, change %	2.4	4.2	3.5	3.3	3.1	3.0	3.0
Building Cost Index, change %	8.2	3.0	-1.1	0.5	0.8	2.4	2.4
Basic Price Index for Domestic Supply, change %	20.3	-2.2	-1.0	0.9	1.2	1.2	1.3
Unemployment rate, %	6.8	7.2	7.4	7.2	6.7	6.3	6.2
Wage bill, change %	6.6	4.9	2.7	4.0	4.3	4.1	3.9
Short-term interest rate, 3 months, %	0.3	3.4	3.6	2.7	2.2	2.0	2.0
Long-term interest rate, 10 years, %	1.7	3.0	2.8	2.7	2.7	2.7	2.7
TyEL Index	2691	2874	3037	3086	3137	3191	3256
National Pension Index (KEL)	1674	1805	1911	1938	1961	1988	2024

	2022	2023	2024*	2025*	2026*	2027*	2028*
Price index of basic public services, forecast	3.7	4.5	2.1	3.1	3.4	3.2	2.7
Change in cost level used in Budget Proposal (Index of Central Government Transfers to Local Government)	2.5	3.8	2.2	3.1	3.4	3.2	2.7
– index adjustment	0.0	0.0					
University index (forecast used in budgeting)	6.1	3.7	2.5	2.5	2.5	2.5	2.5
Vocational education and training index	7.3	3.0	2.2	2.4	2.4	2.4	0.0
YLE Index	4.0	4.9	3.0	2.6	2.5	2.6	0.0
HVA Index		3.52	2.53	2.72	2.80	2.62	2.70
Unemployment insurance contributions							
– employer, on average	1.51	1.54	0.82	0.43	0.43	0.43	0.43
– employee	1.50	1.50	0.79	0.40	0.40	0.40	0.40
TyEL contribution	24.9	24.8	24.8	24.8	24.4	24.4	24.4
– employer	17.4	17.4	17.3	17.3	17.3	17.3	17.3
– employee aged 53 yrs or under	7.15	7.15	7.15	7.15	7.15	7.15	7.15
– employee aged over 53	8.65	8.65	8.65	8.65	7.15	7.15	7.15
– wage coefficient	1.501	1.558	1.637	1.674	1.725	1.770	1.819
Health insurance contributions of the insured							
– employees' daily allowance contribution	1.18	1.36	1.01	0.78	0.85	0.82	0.81
– employees' and entrepreneurs' medical care contribution	0.53	0.60	0.51	0.95	0.99	0.99	0.94
– pensioners' medical care contribution	1.50	1.57	1.48	1.50	1.54	1.54	1.49

	2022	2023	2024*	2025*	2026*	2027*	2028*
Central government employer contributions	18.5	18.6	18.2	18.8	19.1	19.0	19.0
– health insurance contribution	1.34	1.53	1.16	1.73	1.80	1.76	1.76
– pension contribution (under Central Government Employees' Pensions Act)	17.12	17.11	17.08	17.08	17.25	17.25	17.25
Municipalities' employer contributions	24.3	24.0	22.5	22.6	23.0	23.0	23.0
– health insurance contribution	1.34	1.53	1.16	1.73	1.80	1.76	1.76
– other social insurance contributions	0.7	0.7	0.7	0.7	0.7	0.7	0.7
– unemployment insurance contribution	1.97	1.91	1.01	0.53	0.53	0.53	0.53
– pension contribution (under Local Government Employees' Pensions Act)	20.3	19.8	19.6	19.6	20.0	20.0	20.0

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

Structural changes

Structural changes included in the spending limits decision decrease the 2025–2027 spending limits level by, depending on the year, c. EUR 0.5–0.7 billion compared with the Government's first, autumn 2023 spending limits decision The table below provides a more detailed description of the structural changes that have taken place since the autumn 2023 spending limits decision and their impact on the spending limits level of the parliamentary term in 2025–2027.

Table 34. Structural changes in the spending limits, EUR million

Item	Matter	2024[1]	2025	2026	2027
BP 2024, GGFP 2025–2028					
27.10.18	New defence materiel aid to Ukraine. Expenditure outside the spending limits framework in accordance with the spending limits rules.	20.7	3	8	17
28.89.31	Technical change. Revision of transfer made from municipalities' tax revenue.	-295.2	-295.2	-295.2	-295.2

Item	Matter	2024[1]	2025	2026	2027
28.90.30	Technical change. Equalisation of revenue and costs transferred from municipalities to wellbeing services counties in connection with the health and social services reform with regard to 2023. Retroactive transfer already included in the spending limits will be neutralised with regard to 2024–2025 and rescheduled for 2025–2027.	111.9	37.3	-74.6	-74.6
28.90.30	Technical change. Equalisation of revenue and costs transferred from municipalities to wellbeing services counties in connection with the health and social services reform with regard to 2023 has been revised following completion of 2022 taxation. Equalisation of revenue and costs transferred from municipalities to wellbeing services counties is scheduled for 2025–2027.		-92.3	-92.3	-92.3
28.90.30	Technical change. The effects on municipalities' central government transfers of the revision of the health and social services reform transfer calculation will be alleviated: The reduction to the central government transfer for 2024 caused by the completion of taxation is carried over to 2025–2027.	192	-64	-64	-64
SBP 2024, GGFP 2025–2028					
26.20.70	Timing change in construction of the eastern border fence.	74	-74		
GGFP 2025–2028					
24.90.66	Timing change in contribution to European Peace Facility (EPF).		-45.4	24.0	21.3

Item	Matter	2024[1]	2025	2026	2027
24.90.66	Increase in contribution to European Peace Facility (EPF). The new aid to Ukraine is expenditure outside the spending limits in accordance with the spending limits rules.				2.1
26.30.20	Appropriation increase related to RescEU project for CBRN reserve. Pass-through item, reimbursement received ex-post from the EU Commission, entered in item 12.39.10.		1	1	1
27.10.18	Timing change in funding of Finnish Defence Forces Squadron 2020 project. Remainder of increase is scheduled for 2028–2029.	-307.0	44.4	130.5	80.6
27.10.18	Timing change in UKR 2023 order authorisation. Corresponding increase for 2028.		-6.6		
28.89.31	Technical change. Impact of additional measures outlined in spring 2024 on demand for wellbeing services counties' services.			-3.4	-7.9
28.90.30	Technical change. The impact on the central government transfer to municipalities for basic public services of the abolition of the municipalities' obligation, included in the Government Programme, to offer work (unemployed job-seekers aged 57 years and older). The impact of reducing the central government transfer must be taken into account as a factor reducing the expenditure ceiling for the saving to be realised in central government finances.		-18.7	-20.8	-23.0
28.99.99 and 29.80.89	Timing change in the payment of capital for the Finnish Architecture and Design Museum Foundation (as part of the reduction of the spending limits provision).		18	-18	

Item	Matter	2024[1]	2025	2026	2027
28.99.99 and 33.10.57	Technical change. Spending limits provision reducing spending limits expenditure related to the comprehensive reform of social assistance is reduced and transferred as a saving to an item outside the spending limits. The spending limits level is raised correspondingly so that the measure is cost neutral.			20	35
28.99.99	Timing change in preparation for rising R&D expenditure. Corresponding growth by 2028.		3.8	-63.1	-104.6
29.70.55 and 33.10.54	Technical change. Return of students to within student housing allowance and removal of students from scope of general living allowance. The transfer will reduce the non-spending limits item 33.10.54 and will increase the appropriations of spending limits item 29.70.55		161	357	350
30.01.05	Timing change in the operating expenditure of the Natural Resources Institute (related to agri-environmental monitoring i.e. CAP plan). Corresponding increase allocated to next parliamentary term.				-2.3
31.10.77	Appropriation corresponding to EU CEF support for transport infrastructure projects. Pass-through item, reimbursement received ex-post, entered in item 12.31.10.		9.5	26.3	35.1
31.10.77	Planning for the development of the Riihimäki-Tampere main line. Project is part of investment programme included in the Government Programme. The spending limits level is raised in line with expenditure.		6	6	6
32.01.41	Timing change in quantum computer payments.	-0.5	0.5		
32.20.41	Timing change in energy subsidy payments.		5.5	-10.9	

Item	Matter	2024[1]	2025	2026	2027
32.30.40	Timing change in of authorisation transferred from external border programmes.	3.2			-3.2
32.30.42	Timing change in payments of companies' development project subsidies.		1	2	
32.30.64	Timing change within the Structural Fund authorisation for period 2021–2027.		32.9	73.7	26.6
33.10.57	Savings impact of change is housing expenses eligible in social assistance is smaller than previously estimated. Criterion change in item outside spending limits.		-7	-7	-7
33.10.60	Technical change. Kela operating expenses will decrease due to off-budget entities' channelling solution.		-17	-17	-17
33.30.60	Technical change. Central government contributions for health insurance will decrease due to off-budget entities' channelling solution.		-450	-465	-480
33.60.36	Network-based expertise clusters in Porvoo and Raseborg Project is part of investment programme included in the Government Programme. The spending limits level is raised in line with expenditure.		1	1	1
	Total	**-**	**-745.2**	**-481.7**	**-595.3**

1) For 2024, some of the changes have already been taken into account in the supplementary budget or supplementary budget proposal and some will be taken into account later in connection with supplementary budgets. In addition, for 2024, only those changes that will have an impact in 2025–2027 are included.

Price and cost level adjustments

The central government spending limits for 2025–2028 are expressed in price and cost levels for 2025. Some of the expenditure, such as official development assistance 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 c. EUR 1.6 billion for 2025, taking into account the impact of transferring to the 2025 price and cost level. The impact of index freezes and brakes is not included in the above figures.

Table 35. Adjustments to 2025 price and cost levels, EUR million

		Adjustment to appropriation and expenditure ceiling		Adjustment to expenditure ceiling
Spending limits expenditure classified by economic nature	Index used for calculation	Statutory index adjustment	Agreement-based price adjustment	Cost adjustment of other spending limits expenditure
15–17 Pensions	Employment pension index (TyEL)	90.3		
18–19 Defence materiel acquisitions	Predictive increase 1.5%[1]		204.2	
01 and 20 Other index-linked expenditure of the Defence Forces	Predictive increase 1.5%[2]		82.0	
01–14 Wages as well as social security and pension contributions	Agreement increases		-	
Transport infrastructure expenditure	Consumer Price Index (KHI)			24.6

		Adjustment to appropriation and expenditure ceiling		Adjustment to expenditure ceiling
Spending limits expenditure classified by economic nature	Index used for calculation	Statutory index adjustment	Agreement-based price adjustment	Cost adjustment of other spending limits expenditure
01–14, 20–28 Other operating expenses and consumption expenditure	Consumer Price Index (KHI)			37.3
30-39 Central government aid to municipalities and joint municipal authorities etc. indexed on a statutory basis	Index of Central Government Transfers to Local Government (VOS)	88.6		
31 Funding of wellbeing services counties	Index of Wellbeing Services Counties (HVA)	674.2		
30–39 Other central government aid to municipalities and joint municipal authorities	Consumer Price Index (KHI)			23.0
30 Central government funding for vocational education and training	Vocational education and training index	24.8		
40–49 Central government aid to trade and industry	Consumer Price Index (KHI)			41.8
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)	26.7		

		Adjustment to appropriation and expenditure ceiling		Adjustment to expenditure ceiling
Spending limits expenditure classified by economic nature	Index used for calculation	Statutory index adjustment	Agreement-based price adjustment	Cost adjustment of other spending limits expenditure
51–52 Central government funding for the Evangelical-Lutheran Church of Finland and grant to the Orthodox Church of Finland	Consumer Price Index (KHI)	0.4		
56 Central government funding for the activities of national art institutions	Index of Wage and Salary Earnings (2/3) and Consumer Price Index (1/3)	1.7		
50–59 Non-indexed central government aid to households	Consumer Price Index (KHI)			
50 Central government funding for universities and universities of applied sciences	University Index	71.2		
50–59 Other central government aid to households and non-profit-making organisations	Consumer Price Index (KHI)			55.5
60 Transfers to off-budget central government funds	Consumer Price Index (KHI)			7.3
60 Transfers to Social Insurance Institution of Finland	National Pension Index (KEL)	47.3		
60 Central government transfer for expenditure arising from the Health Insurance Act	Consumer Price Index (KHI)	-		29.5
61–65 Central government funding contributions corresponding to EU Structural Fund contributions and other domestic transfers	Included in programme spending limits			

		Adjustment to appropriation and expenditure ceiling		Adjustment to expenditure ceiling
Spending limits expenditure classified by economic nature	Index used for calculation	Statutory index adjustment	Agreement-based price adjustment	Cost adjustment of other spending limits expenditure
66–68 Transfers abroad	At current prices			
69 Transfers to the EU	At current prices			
70-79 Real investments	Consumer Price Index (KHI)			3.0
90–99 Other expenditure	Consumer Price Index (KHI)			17.2
Supplementary budget provision and unallocated reserve	Consumer Price Index (KHI)			7.7
Total in 2025		**1 025.2**	**286.2**	**246.9**

1) A predictive 1.5% price- and cost-level adjustment will be made to the appropriation levels for defence materiel procurement. In addition, a predictive 1.5% cost level adjustment will be made to the uncommitted portion of the 2021 order authorisation for multirole fighter aircraft. A purchasing power adjustment of 1.5% will be made to the unused portion of other funding for the acquisition of multirole fighters, which will be subsequently revised according to actual figures with a combination of indices (Building Cost Index 70% and Producer Price Index for Services 30%). The index expenditure of the Squadron 2020 project will be adjusted later in accordance with actual figures of the indices specified in agreements. The indices for the multirole fighters will be processed in accordance with the Government's procurement decision. The level of other appropriations for other defence materiel procurement will be revised ex-post to correspond with the change in price level indicated by the C28 sub-index (Manufacturing of other machinery and equipment) of the Industrial Producer Price Index (months total/annual change).

2) 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) and military crisis management equipment and administration expenditure. The level of these appropriations will be adjusted ex-post in line with the change in the price level as indicated by the Consumer Price Index (annual average of the change in the index).

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

Table 36. Factors affecting general government budgetary position, according to national accounts, % GDP[1]

	2024	2025	2026	2027
General government budgetary position, autumn 2023	-3.2	-3.4	-3.0	-2.8
Central government:				
Impact of revised statistical basis on revenue and expenditure estimates	0.4	0.4	0.4	0.4
Impact of revised macroeconomic forecast on revenue and expenditure estimates	-0.3	-0.4	-0.4	-0.5
Impact of discretionary measures on revenue and expenditure estimates	0.1	1.0	1.2	1.1
Impact of other factors*	0.1	-0.1	-0.1	-0.1
Local government:				
Impact of revised statistical basis on revenue and expenditure estimates	-0.7	-0.7	-0.7	-0.7
Impact of revised macroeconomic forecast on revenue and expenditure estimates	-0.1	-0.1	-0.1	-0.2
Impact of discretionary measures on revenue and expenditure estimates	0.4	0.4	0.4	0.1
Impact of other factors	0.0	0.3	0.4	0.7
Earnings-related pension funds:				
Impact of revised statistical basis on revenue and expenditure estimates	0.0	0.0	0.0	0.0
Impact of revised macroeconomic forecast on revenue and expenditure estimates	-0.1	-0.1	0.0	0.1

	2024	2025	2026	2027
Impact of discretionary measures on revenue and expenditure estimates	0.0	0.0	0.0	0.0
Impact of other factors	0.1	0.1	0.0	0.1
Other social security funds:				
Impact of revised statistical basis on revenue and expenditure estimates	0.0	0.0	0.0	0.0
Impact of revised macroeconomic forecast on revenue and expenditure estimates	0.0	0.0	0.0	0.0
Impact of discretionary measures on revenue and expenditure estimates	0.0	-0.3	-0.2	-0.2
Impact of other factors	-0.2	-0.1	-0.1	-0.1
General government budgetary position, spring 2024	-3.5	-2.8	-2.2	-1.9

1) Due to rounding, the figures do not necessarily add up to the 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 2024–2026, on the spring 2024 independent economic outlook forecast of the Economics Department of the Ministry of Finance. The years 2027 and 2028 have been estimated 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 Orpo's Government, the 2024 budget approved by the Government in autumn 2023, the General Government Fiscal Plan for 2025–2028 and the supplementary budgets for 2023 and 2024.

According to the baseline scenario, Finland's economy will grow on average by 1.1% per year in 2014–2028. The international risks of the forecast are down-side. Developments may occur in Russia's war of aggression against Ukraine that will have significant and fast-spreading economic impacts. Rapidly rising interest rates have caused problems and heightened uncertainty on the financial markets.

Growth may be weaker than estimated if the recovery in the euro area is weaker than expected and demand from the global economy is weaker than forecast. There are still many risks to global economic development, both in terms of the impact of past crises and exceptionally large economic policy measures, and the realisation of negative risks related to geopolitics and the environment.

In the domestic economy, rising interest rates and weakening employment may have a larger-than-expected negative impact on economic development. The negative impact on demand of the Government's adjustment measures may also be larger than expected. On the other hand, households could afford to spend more, which may materialise if the overall economic outlook brightens. There are big risks in both directions related to the realisation of investments. With regard to general government finances, it has been assumed that unemployment insurance contributions will change in 2025 due to Government Programme measures in accordance with the solution channelling savings in off-budget entities. If it is decided to change contributions in different ways, this will affect the budgetary position of general government.

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 2024–2028. The unemployment rate would increase significantly compared with the baseline scenario. The general government deficit would be deep throughout the outlook period and the debt ratio would grow to nearly 95%. General government finances would be more vulnerable than before to various negative shocks.

Faster growth than the baseline scenario would be sufficient to set the general government debt ratio on to a downward path in 2026. The general government budgetary position would be balanced by the end of 2027. 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 a rise in the level of interest rates on Finland's entire general government budgetary position is to both increase and reduce the deficit. General government interest expenditure was very low in the early years of the decade, but it began to rise rapidly in 2023. On the other hand, the interest income received by earnings-related pension funds included in general government finances is also expected to grow. 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 c. EUR 0.5 billion in 2024, and by 2028 interest expenditure would increase by nearly EUR 2 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 general government debt ratio would increase, however, as the surplus produced by the earnings-related pension providers cannot be used to cover deficits in other sectors.

Table 37. Sensitivity analysis

Baseline scenario	2022	2023	2024	2025	2026	2027	2028
GDP, change, %	1.3	-1.0	0.0	1.6	1.5	1.3	1.1
Unemployment rate, %	6.8	7.2	7.4	7.1	6.6	6.3	6.1
Budgetary position, % of GDP	-0.5	-2.5	-3.5	-2.8	-2.2	-1.9	-1.7
Public debt, % of GDP	73.5	75.8	80.9	82.8	83.4	83.7	84.4
Slow growth							
GDP, change, %	1.3	-1.0	-1.0	0.6	0.5	0.3	0.1
Unemployment rate, %	6.8	7.2	7.4	7.2	7.1	7.0	7.0
Budgetary position, % of GDP	-0.5	-3.0	-4.1	-4.0	-4.0	-4.3	-4.8
Public debt, % of GDP	73.5	75.3	82.1	85.5	88.1	90.9	94.5
Rapid growth							
GDP, change, %	1.3	-1.0	1.0	2.6	2.5	2.3	2.1
Unemployment rate, %	6.8	7.2	7.0	6.4	5.9	5.4	5.0
Budgetary position, % of GDP	-0.5	-2.5	-3.0	-1.6	-0.4	0.4	1.3
Public debt, % of GDP	73.5	75.8	79.7	80.1	78.7	76.7	74.7
Change in interest expenditure, if interest rate level rises by 1 percentage point, % of GDP			0.3	0.4	0.5	0.5	0.6
Change in interest revenue, if interest rate level rises by 1 percentage point, % of GDP			0.5	0.5	0.5	0.5	0.5
Change in deficit, if interest rate level rises by 1 percentage point, % of GDP			0.2	0.1	0.0	-0.1	-0.1
Change in borrowing requirement, if interest rat level rises by 1 percentage point, % of GDP			0.0	0.1	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 winter forecast with regard to GDP change and inflation. Other forecasts are compared with the Commission's autumn forecast.

Table 38. Comparison with the Commission's previous forecast

	Commission forecast			Ministry of Finance forecast		
	2023	2024	2025	2023	2024	2025
GDP, change, %[1]	-0.4	0.6	1.6	-1.0	0.0	1.6
Consumer Price Index, change, %[1]	4.3	1.4	1.5	6.3	1.9	1.3
Unemployment rate,%[2]	7.0	7.2	6.9	7.2	7.4	7.2
General government budgetary position, % of GDP[2]	-2.4	-3.2	-3.4	-2.5	-3.7	-2.8
Structural balance, % GDP[2]	-1.5	-2.2	-2.5	-1.4	-2.2	-1.9
General government debt, % of GDP[2]	74.3	76.9	79.1	75.8	80.9	82.8

1) Commission's winter forecast 2024
2) Autumn 2023 forecast

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 EU's fiscal rules are being reformed, so the Stability Programme is presented here in a concise form and, exceptionally, only up to 2026. Finland will prepare the first medium-term fiscal-structural plan in accordance with the new fiscal rules in the autumn 2024. The EU's new fiscal rules are presented below in a text box.

The figures[14] in the Stability Programme tables are outturn data[15] for 2023. A target scenario for general government finances based on the Government's targets and independent forecast is presented for 2024–2026.

Fiscal policy objectives

Medium-Term Objective

The Government maintains Finland's Medium-Term Objective (MTO) of -0.5% of GDP for the structural budgetary position of general government finances unchanged. This is the minimum level to which Finland has committed in the Fiscal Compact[16].

The MTO will be removed from the EU's new fiscal rules, which will be taken into account when amending national fiscal policy legislation. The current MTO will be remain valid for as long as it is part of national fiscal policy legislation.

14 Under Article 4(4) of Regulation 473/13, "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(2a) of Regulation 1466/97, "the stability programme shall be based on the most likely macrofiscal scenario or on a more prudent scenario".

15 Data are based on the national accounts published by Statistics Finland on 15 March 2024.

16 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.

Other fiscal policy targets

The fiscal policy goal of Prime Minister Orpo's Government is to stabilise the general government debt ratio and thereafter set it on a lasting downward path, viewed over more than one parliamentary term. The Government is committed to keeping the general government deficit below 3.5% in 2024. To avoid triggering the EU's excessive deficit procedure, the Government will implement additional measures necessary to balance general government finances as part of the spring 2024 supplementary budget process. The government will, among other things, implement an increase in the general value-added tax rate to 25.5% from 1 September 2024 at the latest. The second supplementary budget proposal for 2024 will be submitted in May 2024. Furthermore, on 16 April 2024 the Government has decided on, in addition to the EUR 6 billion set of measures adopted in the Government Programme, a new set of measures that will strengthen general government finances by c. EUR 3 billion. Taking this into account, the general government deficit will fall below 3% of GDP in 2025 The following table shows the multiannual targets for general government finances consistent with these Government plans.

Table 39. Multiannual targets for general government finances, in ratio to GDP (%)

	2024	2025	2026
Nominal budgetary position of general government	-3.4	-2.7	-1.9
General government expenditure	56.5	56.1	55.0
General government gross debt	80.8	82.3	82.4

The Ministerial Committee on Economic Policy will monitor the implementation of the economic objectives of the Government Programme. To achieve the economic policy objectives, the Government will ensure progress on the adjustment measures agreed in the Government Programme and decide on new alternative savings, if necessary. The Government will intensively monitor the implementation of the savings measures decided on in the Government Programme for the wellbeing services counties. The Government will next reassess the situation with regard to general government finances and the sufficiency of measures decided to strengthen general government finances in autumn 2024 when preparing the 2025 budget proposal as well as the first national medium-term fiscal-structural plan.

Government measures to achieve the fiscal policy targets

In addition to the measures adopted in the Government Programme, on 16 April 2024 the Government has decided on additional measures that will strengthen general government finances by c. EUR 3 billion to achieve the fiscal policy targets. In euro terms, the largest individual savings measures are the reduction in central government operating expenditure, the reduction of municipalities' tasks and obligations, and the decrease in funding for vocational education and training. In addition, growth of healthcare and social welfare costs will be curbed and conditions improved for wellbeing services counties facing labour shortages to provide statutory services. The most significant of the measures are the reduction of the minimum staffing level in 24-hour residential care for older people, the abolition of the tightening of the maximum waiting times for access to care in primary healthcare and oral health care (returning the maximum waiting time to the situation in 2022), the increase in client fees and the exclusion of some social welfare and specialised medical care services from public service provision.

Among the tax measures, the most significant are increasing the general value-added tax rate and the insurance premium tax rate to 25.5%, increasing the taxation of pension income, reducing the tax credit for household expenses and increasing nuisance and health taxes such as the value-added tax rate on sweets and the excise duty on tobacco products.

Reform of fiscal rules

An essential element of the reform of the EU's fiscal rules is the preparation of medium-term fiscal-structural plans. Finland's first plan will be prepared in autumn 2024.

National fiscal rules and related legislation will be strengthened to make them more strongly supportive of debt sustainability. Work on the reform of the legislation has been launched by a Ministry of Finance working group and it will be discussed by the Ministerial Committee on Economic Policy. The starting point of the reform work is to stabilise the general government debt ratio and set it on a lasting downward path. The preparation will take into account the need to ensure the widest possible parliamentary commitment and goal-setting, viewed over more than one parliamentary term. Changes made to the EU's fiscal governance framework are due to enter into force in spring 2024, which will need to be taken into account in the reform of national fiscal policy legislation. National legislation must be amended by the end of 2025 at the latest.

Compliance with the Treaty deficit and debt criteria

Deficit criterion

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 significantly and continuously to a level close to the reference value or if the excess over the reference value is exceptional, temporary and minor. Fulfilment of the deficit criterion is assessed on the basis of outturn data or the Government's plans.

In its Communication on the country-specific recommendations published on 24 May 2023, the Commission stated its intention to propose to the Council the launch of deficit-based excessive deficit procedures in spring 2024 on the basis of the outturn data for 2023, in line with existing legislation. The Commission reiterated its intention in its Communication[17] of 21 November 2023 on the assessment of the autumn draft budgetary plans.

Finland's general government deficit was 2.5% of GDP in 2023. The Government is committed to keeping the general government deficit below 3.5% in 2024. This commitment constitutes the plan for 2024 intended by EU legislation. The measures decided in the General Government Fiscal Plan for 2025 are sufficient to bring the general government deficit below 3.0% in 2025 and keep it there.

For 2024, the Ministry of Finance estimates that the deficit planned by the Government will exceed the 3% reference value but remain close to it. As the deficit will fall significantly below 3.0% in 2025, the Ministry of Finance estimates that the excess over the deficit reference value will be temporary. The excess over the deficit value is also exceptional, as economic growth will be negative in 2024. In addition, the excess over the deficit reference value is explained by, for example, increased costs related to security, including support for Ukraine. As the excess of the deficit reference value is therefore small, temporary and exceptional, according to the Ministry of Finances' estimate the deficit criterion can be considered to be met in the spring of 2024. However, based on the independent forecast and taking into account the deficit projected for 2024, the risk of Finland being placed in an excessive deficit procedure in spring 2025 on the basis of a breach of the deficit criterion cannot be excluded.

17 https://economy-finance.ec.europa.eu/document/download/8a8414a2-8284-49af-8a9e-82c6b904afab_en?filename=com_2023_900_en.pdf

Debt criterion

According to the Treaty, the debt criterion is considered to be met, notwithstanding a breach of the 60% reference value, if the debt ratio is sufficiently diminishing and approaching the reference value at a satisfactory pace. Compliance with the debt criterion is only assessed on the basis of outturn data. In spring 2023, the Commission stated that it will not launch excessive deficit procedures based on a breach of the debt criterion. The assessment of the debt criterion and the triggering of the excessive deficit procedure will change substantially under the new EU fiscal rules, which are set out in a text box below.

The general government debt ratio has remained above the 60% reference value since 2013 and was 75.8% of GDP in 2023. The main reasons for the increase in the debt ratio in recent years include defence procurements decided earlier, weak tax revenue growth due to sluggish economic growth, expenditure related to the coronavirus and security situations as well as expenditure related to preparedness, increased age-related expenditure and rising debt servicing expenditure. The Government's prime objective for general government finances is to stabilise the debt ratio, which is being pursued with the now decided significant additional measures.

Compliance with the preventive arm of the Stability and Growth Pact and other fiscal policy recommendations

Finland is still within the preventive arm of the Stability and Growth Pact and is subject to the requirements of the preventive arm. These requirements will change, however, in spring 2024. The Stability Programme examines compliance with the country-specific recommendations for general government finances in 2023 and 2024.

In the country-specific recommendations adopted by the Council in July 2022, with regard to general government finances, Finland was given the following guidance: "take action in 2023 to ensure that the growth of nationally-financed current expenditure is in line with an overall neutral policy stance, taking into account continued temporary and targeted support to households and firms most vulnerable to energy price hikes and to people fleeing Ukraine. Stand ready to adjust current spending to the evolving situation. Expand public investment for the green and digital transition and for energy security, including by making use of the RRF, REPowerEU and other EU funds. For the period beyond 2023, pursue a fiscal policy aimed at achieving prudent medium-term fiscal positions".

In the assessment of the Ministry of Finance, the following should be taken into account when assessing compliance with the country-specific recommendation with regard to general government finances:

- Based on the independent forecast, the fiscal policy stance was slightly expansive in 2023. The lightly expansionary fiscal policy was due to, for example, measures to promote preparedness as well as targeted and temporary measures to support households and businesses following the rise in energy prices. In addition, people fleeing the war in Ukraine were provided with targeted aid. In the assessment of the Ministry of Finance, Finland broadly complied with the recommendation it received regarding the fiscal policy stance for 2023
- The fiscal policy goal of Prime Minister Orpo's Government is to stabilise the general government debt ratio and thereafter set it on a lasting downward path, viewed over more than one parliamentary term. In addition to the EUR 6 billion set of measures adopted in the Government Programme, the Government has decided on a new set of measures that will strengthen general government finances by c. EUR 3 billion. The Government is committed to keeping the general government deficit below 3.5% in 2024. The measures decided in the General Government Fiscal Plan for 2025 are sufficient to bring the general government deficit below 3.0% in 2025 and to keep it there. According to the Ministry of Finance's assessment, Finland will comply with the recommendation it received to pursue, for the period beyond 2023, a fiscal policy aimed at achieving prudent medium-term fiscal positions.

The Ministry of Finance considers that Finland has complied with the country-specific recommendation on general government finances for 2023, also taking into account the General Escape Clause of the Stability and Growth Pact in force in 2020–2023.

In the country-specific recommendations adopted by the Council in July 2023, with regard to general government finances, Finland was given the following guidance: "take action in 2023 and 2024 to: wind down the emergency energy support measures in force, using the related savings to reduce the government deficit, as soon as possible in 2023 and 2024. Should renewed energy price increases necessitate new or continued support measures, ensure that such support measures are targeted at protecting vulnerable households and firms, are fiscally affordable, and preserve incentives for energy savings. Ensure prudent fiscal policy, in particular by limiting the nominal increase in nationally financed net primary expenditure in 2024 to not more than 2.2%. Preserve nationally financed public investment and ensure the effective absorption of grants under the Facility and of other Union funds, in particular to foster the green and digital transitions. For the period beyond 2024, continue to pursue a medium-term fiscal strategy of gradual and sustainable consolidation, combined with investments and reforms conducive to higher sustainable growth, in order to achieve a prudent medium-term fiscal position. Pursue the reform of the social security system in order to increase the efficiency of the social benefits system, which would improve incentives to work and also support the long-term sustainability of public finances".

In the assessment of the Ministry of Finance, the following should be taken into account when assessing compliance with the country-specific recommendation with regard to general government finances:

- According to the Ministry of Finance's current assessment, despite the Government Programme's extensive set of measures, the growth of nationally financed net primary expenditure will exceed in 2024 the 2.2% recommended by the Council. However, in line with the recommendation, general government expenditure growth will be constrained in 2024 and the main measures will relate to, as outlined above, the package of housing benefits, changes to unemployment benefits, freezing of indexation increases of benefits, the reduction of the funding level for transport infrastructure projects and the reduction of official development assistance funding. Therefore, according to the Ministry of Finance's assessment, there will be divergence in 2024 from the recommendation given on the increase in net primary expenditure, but that expenditure growth will be curbed after autumn 2023, as urged by the Eurogroup in its statement. The Commission's assessment of the draft budget plan estimated net primary expenditure growth to be 4.4%, but the updated target path, based on the additional measures taken by the government, will see expenditure growth slow to 4.0%.
- All energy support measures decided for 2022 and 2023 ended on schedule and no new measures are planned.
- During the period, the Government will implement a large, one-off investment programme of EUR 4 billion, a significant part of which will be allocated to support economic growth, infrastructure projects and rail transport. In addition, funds from the investment package will be allocated to Clean Energy Finland key projects, effectiveness investments in social and health services, reducing waiting times for access to primary healthcare, and industrial policy targets. The investment package is expected to promote the green transition,

regional competitiveness, energy self-sufficiency and the modernisation of the rail network. At the same time, the investment package will maintain public investments and promote sustainable economic growth in a situation where an effort is made to limit growth in general government expenditure.

- In addition to the investments set out in the Government Programme, the Government has on 16 April 2024 decided on new growth measures to reverse the weakened growth and investment outlook. These include, for example, the introduction of a tax credit for large clean transition investments. As part of the growth package, the Government will also strengthen the new Tesi Group's opportunities to promote investment by reallocating to it central government investment assets totalling EUR 300 million for direct investments. Productivity growth will also be supported by, among other things, by additional investments in research and development under the R&D Funding Act.
- According to the target scenario of the Stability Programme, the general government deficit will start to decrease after 2024. The significant set of measures in the Government Programme, together with the additional measures, will ensure that, after 2024, Finland continues to pursue a medium-term fiscal strategy of gradual and sustainable consolidation, combined with investments and reforms to promote stronger sustainable growth, in order to achieve a prudent medium-term fiscal position.

The EU's new fiscal rules

Changes to EU's fiscal rules are currently being finalised and are expected to enter into force in April–May. When reforming national fiscal policy legislation, the changes made to the EU's fiscal governance framework will also be taken into account. National legislation must be amended by the end of 2025 at the latest. Through the amendments made, the Fiscal Compact will become part of European Union law.

The Treaty reference values for the general government deficit (3% of GDP) and general government debt (60% of GDP) will remain unchanged in the reform.

Preventive arm

At the centre of the reform are national medium-term fiscal-structural plans, including an adjustment path for general government nominal net primary expenditure[18] over a period of at least four years as well as structural reforms and investments. It would be possible for Member States to apply for in the plan an additional three-year adjustment period by committing to significant growth-promoting structural reforms and investments. In the future, fiscal surveillance would largely focus on monitoring compliance with a general government net expenditure path adopted by the Council for the Member State.

Under the reformed rules, the Commission will prepare a net expenditure reference trajectory for Member States whose public debt exceeds 60% or deficit 3% of GDP, for a minimum of four and a maximum of seven years. The Commission will deliver reference trajectories by 21 June 2024 at the latest for the preparation of the first fiscal-structural plans. Otherwise, the Commission will provide a reference trajectory for Member States by 15 January of the year in which Member States are required to submit their national medium-term fiscal structural plans.

Member States will then prepare their fiscal-structural plans and, before submitting the plan, engage in a technical dialogue with the Commission to ensure that the plan meets the requirements set for it. The net expenditure path presented in the plan may deviate from the Commission's reference trajectory for duly justified reasons. Member States' plans and the net expenditure paths they contain are approved by the Council on the basis of the Commission's assessments of them. Implementation of the plans will be monitored on the basis of annual progress reports.

An understanding of the requirements for net expenditure growth by the Commission for Finland can be obtained from the country-specific recommendations approved by the Council in July 2023. These state that the nominal increase in Finland's nationally financed net primary expenditure in 2024 should not be more than 2.2% According to the Commission, this corresponds to an annual improvement in the structural budget balance of at least 0.3% of GDP. The adjustment is proportioned according to the sustainability of the

18 'net primary expenditure' means general government expenditure excluding interest expenditure, discretionary revenue measures, expenditure resulting from Union programmes, fully covered by revenue from Union funds, national expenditure resulting from the co-funding of programmes covered by Union funding, and cyclical components of unemployment benefit expenditure, as well as one-off and other temporary measures.

Member States' general government finances and is presented as a change in net primary expenditure in the spirit of the reformed regulatory framework. Since the recommendation given last year, the overall economic picture has changed and the development of general government finances has been weaker than expected. In spring 2024, Finland moved to the highest medium-term risk category in the Commission's annual debt sustainability report[19]. As a result of these factors, the requirements for net expenditure growth will likely tighten.

A special feature of Finland's general government finances is the divergence of the public sector's deficit and debt trends. This was discussed in more detail in the Stability Programme published in autumn 2023. Subsequently, through changes made to assumptions in the new 2024 ageing report, the debt sustainability analysis underlying the reference trajectory prepared by the Commission also takes into account a stock-flow adjustment for Finland for a longer period into the future. As a result of this methodological change, the Commission conducts its debt sustainability analysis in the same way as the Ministry of Finance and, for example, the IMF. To put it simply, it can be stated that the Commission's previous methodology assumed that the surplus of the earnings-related pension funds would reduce public debt.

Corrective arm

The excessive deficit procedure based on a breach of the deficit criterion remains almost unaltered in the change. Instead, the excessive deficit procedure based on a breach of the debt criterion will be triggered in the future if a Member State deviates from the net expenditure path approved by the Council. Deviations from the net expenditure path will be monitored using a control account set up by the Commission for each Member State. The so-called 1/20 rule, which has been applied to debt reduction to date is removed from the regulatory framework and a sufficient debt reduction is determined through compliance with the net expenditure path approved by the Council. Several of the changes to the corrective arm are based on its alignment with the new preventive arm.

19 Debt Sustainability Monitor 2023: https://economy-finance.ec.europa.eu/document/download/e3a23fba-1402-4cc9-b571-7473b5e7842a_en?filename=ip271_en.pdf

Budgetary Framework Directive

The changes to the Directive are largely based on its alignment with the preventive part, and the Directive aims to further strengthen the multiannual perspective in national budgetary planning. A further goal of changes to the Directive is, among other things, to extend the provisions relating to independent fiscal institutions and to clarify reporting requirements, including those related to contingent liabilities. The requirement for a national fiscal rule already included in the Directive has been implemented in Finland by incorporating the medium-term objective (MTO) for the structural budgetary balance previously included in the preventive arm into national legislation. The new preventive arm will no longer be based on setting or monitoring this medium-term target, so this issue will be considered when domestic fiscal policy legislation is amended.

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

In the Government's assessment, Finland has broadly complied with the preventive arm of the Stability and Growth Pact and the fiscal policy recommendations it received in 2023.

Pursuant to 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 2023

According to the country-specific recommendations adopted in summer 2023, Finland should in 2024

- 1. wind down the emergency energy support measures in force, using the related savings to reduce the government deficit, as soon as possible in 2023 and 2024. Should renewed energy price increases necessitate new or continued support measures, ensure that such support measures are targeted at protecting vulnerable households and firms, are fiscally affordable, and preserve incentives for energy savings. Ensure prudent fiscal policy, in particular by limiting the nominal increase in nationally financed net primary expenditure in 2024 to not more than 2.2%. Preserve nationally financed public investment and ensure the effective absorption of grants under the Facility and of other Union funds, in particular to foster the green and digital transitions. For the period beyond 2024, continue to pursue a medium-term fiscal strategy of gradual and sustainable consolidation, combined with investments and reforms conducive to higher sustainable growth, in order to achieve a prudent medium-term fiscal position. Pursue the reform of the social security system in order to increase the efficiency of the social benefits system, which would improve incentives to work and also support the long-term sustainability of public finances

- 2. proceed with the steady implementation of its revised recovery and resilience plan and swiftly finalise the REPowerEU chapter with a view to rapidly starting its implementation. Proceed with the swift implementation of cohesion policy programmes, in close complementarity and synergy with the Recovery and Resilience Plan
- 3. address labour and skills shortages by reskilling and upskilling the workforce and widening the higher education offer, in particular for the study fields most in demand in the labour market

Progress in the fiscal policy recommendation adopted in 2023 has been assessed above. Progress made in the other country-specific recommendations given to Finland has been discussed in the National Reform Programme.

Comparison with other forecasts, and sensitivity analysis

For a comparison between the targets set by the Government and the Commission's latest general government finances forecast, see table B below and the sensitivity analysis in Appendix 4 to the General Government Fiscal Plan. The Commission's most recent GDP, inflation and general government finances figures are from November 2023. Unlike the Commission's spring forecast, the Ministry of Finance had access to fresh preliminary data from 2024.

Finland's Recovery and Resilience Plan

Finland submitted its Recovery and Resilience Plan (RRP) to the Commission on 27 May 2021. The Commission gave its assessment of Finland's plan and made a proposal for a Council implementing decision on the plan on 4 October 2021. The Council formally approved the plan on 29 October 2021. Finland has modified its plan on two occasions: a modification based on a reduced allocation was approved by the Council on 14 March 2023 and a modification based on the addition of the REPowerEU-chapter on 8 December 2023.

Tables 1–3

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

	2022	2023	2024	2025	2026
Structural balance					
– target			-2.0	-1.8	-1.4
– forecast	-0.4	-1.4	-2.1	-1.9	-1.8
General government net lending					
– target			-3.4	-2.7	-1.9
– forecast	-0.5	-2.5	-3.5	-2.8	-2.2
General government gross debt					
– target			80.8	82.3	82.4
– forecast	73.5	75.8	80.9	82.8	83.4
General government expenditure					
– target			56.5	56.1	55.0
– forecast	53.6	55.6	56.5	56.1	55.3

Table B. Comparison with the Commission's previous forecast

	Commission forecast			Ministry of Finance forecast		
	2023	2024	2025	2023	2024	2025
GDP, change, %	-0.4	0.6	1.6	-1.0	0.0	1.6
Consumer Price Index, change, %[1]	4.3	1.4	1.5	7.2	4.3	1.3
Unemployment rate,%[2]	7	7.2	6.9	6.8	7.2	7.4
General government budgetary position, % of GDP[2]	-2.4	-3.2	-3.4	-2.5	-3.5	-2.8
Structural balance, % GDP[2]	-1.5	-2.2	-2.5	-1.4	-3.5	-2.8
General government debt, % of GDP[2]	74.3	76.9	79.1	75.8	80.9	82.8

1) Commission's winter forecast 2024
2) Autumn 2023 forecast

Table 1a. Macroeconomic outlook

	2023	2022	2023	2024	2025	2026
	EUR billion	Annual change				
1. Real GDP	231.2	1.3	-1.0	0.0	1.6	1.5
2. GDP at current prices	277.6	6.8	3.7	1.6	3.6	3.8
Components of real GDP						
3. Private consumption expenditure	123.7	1.8	0.4	0.6	1.6	1.5
4. General government consumption expenditure	58.9	-1.0	4.5	0.0	-0.9	0.1
5. Capital formation	51.4	2.5	-4.2	0.0	5.4	2.6
6. Changes in inventories and net acquisition of valuables (% of GDP)	0.0	0.0	0.0	0.0	0.0	0.0
7. Exports of goods and services	91.3	3.6	-1.7	0.0	3.6	3.1
8. Imports of goods and services	91.0	8.4	-7.1	0.8	4.1	2.8
Imputed impact on GDP growth						
9. Domestic end product demand	244.6	1.3	0.3	0.3	1.9	1.4
10. Change in inventories and net acquisition of valuables	0.0	1.9	-3.9	0.0	0.0	0.0
11. External balance of goods and services	0.3	-1.9	2.6	-0.3	-0.2	0.1

Table 1b. Development of price indices

	2023	2023	2024	2025	2026
	Annual change				
1. GDP deflator	5.4	4.8	1.7	2.0	2.3
2. Private consumption deflator	6.2	4.4	1.7	1.7	1.9
3. Harmonised Index of Consumer Prices	7.2	4.3	1.3	1.9	2.0
4. Public consumption deflator	5.3	4.1	2.6	3.6	3.4
5. Investment deflator	6.5	4.7	0.3	0.8	1.9
6. Export price deflator	18.6	-4.8	-1.5	1.6	1.8
7. Import price deflator	19.4	-3.3	-1.8	1.5	1.8

Table 1c. Labour market trends

	2023	2022	2023	2024	2025	2026
	level					
	2 628	2.5	0.3	-0.5	0.6	1.1
1. Employment, 1,000 persons	430	2.6	-0.5	-1.3	0.3	0.9
2. Employment, 1,000 working hours	204	6.8	7.2	7.4	7.2	6.7
3. Unemployment rate (%)	88.0	-1.1	-1.4	0.5	1.0	0.4
4. Labour productivity, persons	537.9	-1.2	-0.6	1.3	1.3	0.6
5. Labour productivity, hours worked	131.5	6.7	4.7	2.0	4.2	4.4
6. Compensation of employees	50.1	4.1	4.3	2.5	3.5	3.2
7. Compensation of employees per employee	2 628	2.5	0.3	-0.5	0.6	1.1

Table 2a. General government outlook

	2023	2022	2023	2024	2025	2026
	EUR million	% of GDP				
Net lending by subsector (EDP B.9)						
1. General government total	-7 020	-0.5	-2.5	-3.4	-2.7	-1.9
2. Central government	-8 221	-1.6	-3.0	-3.1	-3.1	-2.5
3. Regional government		0.0	0.0	0.0	0.0	0.0
4. Local government	-2 982	-0.2	-1.1	-1.0	-0.7	-0.7
5. Social security funds	4 180	1.2	1.5	0.7	1.1	1.3
General government (S13)						
6. Total revenue	147 404	53.0	53.1	53.0	53.4	53.2
7. Total expenditure	154 425	53.6	55.6	56.5	56.1	55.0
8. Net lending	-7 020	-0.5	-2.5	-3.4	-2.7	-1.9
9. Interest expenditure	3 113	0.6	1.1	1.2	1.5	1.5
10. Primary balance	-3 907	0.1	-1.4	-2.2	-1.2	-0.4
11. Non-recurring measures	0	0.0	0.0	0.0	0.0	0.0
Revenue categories						
12. Tax revenue (12=12a+12b+12c)	82 460	31.0	29.7	29.8	30.2	30.2
12a. Taxes on production and imports	35 468	13.6	12.8	13.0	13.3	13.1
12b. Income tax	45 822	17.1	16.5	16.5	16.6	16.8
12c. Taxes on capital income	1 170	0.3	0.4	0.3	0.3	0.3
13. Social security contributions	21 050	12.0	12.2	11.4	11.5	11.6
14. Property income	10 202	2.8	3.7	4.3	4.3	4.2
15. Other revenue (15=16-12-13-14)	33 692	7.2	7.6	7.4	7.4	7.1
16. = 6. Total income	147 404	53.0	53.1	53.0	53.4	53.2
of which: Tax burden (D2+D.5+D.61+D.91-D.995)	103 807	43.3	42.0	41.4	41.8	41.8
Expenditure categories						
17. Compensation of employees + intermediate consumption	69 244	23.9	24.9	25.1	24.7	24.4

	2023	2022	2023	2024	2025	2026
	EUR million	% of GDP				
17a. Compensation of employees (i.e. wages + employer's social security contributions)	35 699	12.4	12.9	12.9	12.8	12.8
17b. Intermediate consumption	33 545	11.4	12.1	12.2	12.0	11.7
18. Social transfers (18=18a+18b)	59 036	20.8	21.3	22.0	21.5	21.0
of which unemployment benefits	4 080	1.5	1.6	1.5	1.4	1.3
18a. Social transfers in kind	9 382	3.1	3.4	3.5	3.5	3.5
18b. Monetary social benefits	49 654	17.7	17.9	18.6	18.0	17.5
19. = 9. Interest expenditure	3 113	0.6	1.1	1.2	1.5	1.5
20. Subsidies	2 785	1.1	1.0	1.0	1.0	1.0
21. Gross fixed capital formation	11 208	4.2	4.0	4.3	4.8	4.7
22. Capital transfers	1 340	0.5	0.5	0.2	0.1	0.0
23. Other expenditure (23 = 24-17-18-19-20-21)	7 699	2.6	2.8	2.6	2.5	2.5
24. 7. Total expenditure	154 425	53.6	55.6	56.5	56.1	55.0
of which: Public consumption	69 903	24.0	25.2	25.5	25.3	25.1

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

	2023	2022	2023	2024	2025	2026
	EUR million					
1. Total revenue with unchanged policies	141 142	53.0	53.1	53.0	53.3	53.1
2. Total expenditure with unchanged policies	143 418	53.6	55.6	56.5	56.1	55.3

Table 2c. Expenditure outside the expenditure benchmark, % GDP

	2023 EUR million	2022	2023	2024	2025	2026
1. Expenditure on EU programmes fully matched by EU funds revenue	995	0.3	0.4	0.4	0.4	0.3
1a. of which investments fully matched by EU funds revenue	211	0.1	0.1	0.0	0.0	0.0
2. Cyclical unemployment benefit expenditure	430	0.1	0.2	0.2	0.1	0.1
3. Revenue impacts of discretionary measures	-697	-0.1	-0.3	-0.6	0.5	0.1
4. Expenditure funded with earmarked revenue	68	0.0	0.0	0.0	0.0	0.0

Tables 4–9

Table 4. General government debt trends, % of GDP

	2022	2023	2024	2025	2026
1. Gross debt, % of GDP	73.5	75.8	80.8	82.3	82.4
2. Change in gross debt, % points	0.9	2.3	5.0	1.5	0.1
Contributions to changes in gross debt, % points					
3. Primary balance	-0.1	1.4	2.2	1.2	0.4
4. Interest expenditure	0.6	1.1	1.2	1.5	1.5
5. Stock-flow adjustment items	0.4	-0.2	1.5	-1.2	-1.8
of which:					
– Differences between cash-based and accrual-based statistics	1.3	0.3	0.7	0.1	0.0
– Net acquisition of financial assets	3.0	0.9	0.9	1.3	1.4
– of which: privatisation proceeds					
– Other (incl. impacts of GDP growth)	-3.8	-1.4	-0.1	-2.6	-3.2
Implicit interest rate on debt (= embedded interest payments per the previous year's level of debt * 100)	0.8	1.6	1.7	1.9	1.9
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)	12.0				
9. Percentage of foreign currency loans	0				
10. Average maturity of government debts	7.6				

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

	2022	2023	2024	2025	2026
1. Real GDP, % change	1.3	-1.0	0.0	1.6	1.5
2. General government financial balance	-0.5	-2.5	-3.4	-2.7	-1.9
3. Interest expenditure	0.6	1.1	1.2	1.5	1.5
4. Non-recurring 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	0.9	0.7	0.5	0.6	0.7
contributions:					
– labour input	0.4	0.3	0.1	0.0	0.0
– capital input	0.5	0.3	0.3	0.4	0.5
– total factor productivity	0.0	0.1	0.1	0.2	0.2
6. Production gap	-0.3	-2.0	-2.5	-1.5	-0.7
7. Financial balance cyclical component	-0.2	-1.2	-1.5	-0.9	-0.4
8. Cyclically-adjusted financial balance (2-7)	-0.4	-1.4	-2.0	-1.8	-1.4
9. Cyclically-adjusted primary surplus (8+3)	0.2	-0.2	-0.7	-0.3	0.0
10. Structural balance (8-4)	-0.4	-1.4	-2.0	-1.8	-1.4

Table 6. Divergence from previous Stability Programme

	2022	2023	2024	2025	2026
GDP growth (%)					
SP-2023 – autumn	1.6	0.0	1.2	1.8	1.7
SP-2024 – spring	1.3	-1.0	0.0	1.6	1.5
Difference, % points	-0.3	-1.1	-1.2	-0.1	-0.1
General government balance, % GDP					
SP-2023 – autumn	-0.8	-2.4	-3.2	-2.4	-1.6
SP-2024 – spring	-0.5	-2.5	-3.4	-2.7	-1.9
Difference, % points*	0.3	-0.1	-0.2	-0.2	-0.3
General government gross debt, % of GDP					
SP-2023 – autumn	72.9	74.2	76.8	77.6	77.7
SP-2024 – spring	73.5	75.8	80.8	82.3	82.4
Difference, % points*	0.6	1.7	4.0	4.7	4.6

Table 8. Background assumptions of the projection[1]

	2022	2023	2024	2025	2026
3-month EURIBOR	0.3	3.4	3.6	2.7	2.2
Long-term interest rate (10 years)	1.7	3.0	2.8	2.7	2.7
USD/EUR exchange rate	1.05	1.08	1.08	1.08	1.08
Nominal effective exchange rate					
World GDP growth (excluding the EU)					
EU-28 GDP growth					
GDP growth in key export markets	4.3	-3.7	2.6	4.0	2.9
World trade growth	3.7	-3.1	3.0	4.4	3.4
Oil prices (USD/barrel)	98.7	82.0	80.3	76.3	73.3

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.

Table 9. Impact of the Recovery and Resilience Facility (RRF) on Stability Programme's forecasts – grants

	2021	2022	2023	2024	2025	2026
Revenue from RRF grants (% of GDP)						
RRF grants included in revenue forecasts	0.01	0.05	0.07	0.20	0.19	0.12
RRF grant payment from the EU	0.00	0.10	0.08	0.20	0.15	0.19
Expenditure financed by RRF grants (% of GDP)						
Employee compensations D.1	0.00	0.02	0.01	0.03	0.03	0.02
Intermediate consumption P.2	0.00	0.01	0.02	0.03	0.03	0.02
Social security contributions D.62 + D.632						
Interest expenditure D.41						
Subsidies D.3.	0.00	0.01	0.02	0.02	0.02	0.02
Other income transfers D.7						
TOTAL EXPENDITURE	0.01	0.05	0.07	0.20	0.19	0.12
Gross fixed capital formation P.51g	0.00	0.00	0.00	0.04	0.04	0.02
Capital transfers D.9	0.00	0.01	0.01	0.09	0.07	0.05
Investments and capital transfers, total	0.00	0.01	0.02	0.13	0.11	0.06
Other expenditure financed by RRF grants (% of GDP)[1]						
Lost tax revenues						
Other measures affecting revenue						
Financial transactions						

1) Expenditure that has no effect on national accounts expenditure.

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