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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 compliance with the Medium-Term Objective set for the structural budgetary position of 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 2023-2026 covers, among other things, the economic policy line of Prime Minister Marin'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.

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Julkisen talouden suunnitelma vuosille 2023–2026

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Tiivistelmä

Julkisen talouden suunnitelman tarkoituksena on tukea julkista taloutta koskevaa päätöksentekoa sekä julkisen talouden rakenteelliselle rahoitusasemalle asetetun keskipitkän aikavälin tavoitteen noudattamista. 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 2023-2026 käsitellään mm. pääministeri Marinin hallituksen talouspolitiikan linjaa ja talouden haasteita. Julkisen talouden suunnitelma sisältää myös valtiontalouden kehyspäätöksen. Ministeriöiden tulee laatia talousarvioehdotuksensa noudattaen julkisen talouden suunnitelman yhteydessä tehtyjä ratkaisuja.

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Plan för de offentliga finanserna för 2023–2026

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Syftet med planen för de offentliga finanserna är att stödja det beslutsfattande som gäller den offentliga ekonomin samt iakttagandet av det medelfristiga målet för det strukturella saldot i 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 2023–2026 behandlas bland annat utmaningarna inom ekonomin och den ekonomisk-politiska linjen för statsminister Marins 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.

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GENERAL GOVERNMENT FISCAL PLAN 2023–2026

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

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

1 Economic challenges and the economic policy line

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

- given normal global and related domestic economic circumstances, the employment rate will be raised to 75% and the number of people in employment will increase by a minimum of 60,000 by the end of 2023
- given normal global economic circumstances, Finland's general government finances will be in balance in 2023
- the Government's decisions will decrease inequality and narrow the income gaps
- the Government's decisions will put Finland on a path towards achieving carbon neutrality by 2035.

The coronavirus crisis has created a need to specify further the objectives of the Government Programme related to general government finances and employment development. In spring 2021, in its economic sustainability roadmap, the Government set as objectives:

- to achieve a reversal in the upward trend of the public debt ratio in the mid-2020s
- to raise the employment rate to 75% in the middle of decade and through the Government's employment measures to increase the number of people in employment by 80,000 by the end of the decade.

General government finances have been weakened over the last decade by population ageing and a slowdown in economic growth. Without measures to strengthen general government finances, the debt burden will continue to grow. General government expenditure will be increased by growth in the number of older people, which will increase long-term care expenditure in particular, but also spending on pensions and health. At the same time, the contraction of the working age population will adversely impact economic growth potential and the funding base of general government finances. For these reasons, there is a long-term sustainability gap in general government finances, which the Ministry of Finance estimates to be approximately 2.5% in ratio to GDP, i.e. approximately EUR 7 billion at the 2026 level.

Roadmap to economic growth and sustainability

To achieve the goals set by the Government in the sustainability roadmap, the following potential sets of measures have been identified from the perspective of strengthening general government finances:

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

In the roadmap to economic growth and sustainability, the Government has assessed the potential to strengthen general government finances with regard to each set of measures and will make decisions on the measures separately.

The Government is committed to a long-term approach in its work to raise the employment rate through decisions that will bring an estimated 80,000 new jobs. The higher employment rate is the most important individual element in the revenue base of the Government Programme. Most recently, on 11 February 2022, the Government made decisions on employment measures that will strengthen general government finances by EUR 110 million. In total, including the latest decisions, the Government has to date decided on measures to boost employment that, estimated at the 2029 level, will strengthen public finances by EUR 560 million taking into account the costs arising from the measures and the savings from the strengthening of employment. The most significant sets of measures are abolishing the additional days in unemployment security, the Nordic employment service model, the funding reform related to the transfer of employment and business services to the municipalities, the euroisation of the employment security condition, and the extension of compulsory education.

Finland's goal is to increase research and development expenditure to 4% of GDP by 2030 in accordance with the Government Programme, the National Roadmap for Research, Development and Innovation (RDI Roadmap) and the Parliamentary RDI Working Group. The total amount of central government R&D investments in 2023 has been increased by EUR 344 million compared with the previous General Government Fiscal Plan and tax revenue estimates have taken into account the additional deduction for R&D activities, the tax revenue-reducing effect of which is estimated to be EUR 100 million per year.

On 1 July 2021, 21 wellbeing services counties were established in Finland, to which the organisation of health, social and rescue services, which is currently the responsibility of the municipalities and joint municipal authorities, as well as the costs thereof, will be transferred on 1 January 2023. The wellbeing services counties will finance their activities mainly with central government funding.

Objective: carbon-neutrality in 2035

According to the Government Programme, Finland will be carbon neutral in 2035 and carbon negative quickly soon after. The Government is committed to decide on the additional measures necessary to achieve carbon neutrality by 2035. Based on an adequacy analysis of climate measures, the plan, decisions or implementation fall short of emission reductions by approximately 11 Mt. In addition, additional measures must be decided by which to implement the Government's policy of strengthening carbon sinks by 3 million tonnes.

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

The intensified geopolitical situation and the increase in energy prices have highlighted the importance of security of delivery and supply and the cost-efficiency of the energy system alongside the climate perspective. Withdrawal from fossil fuels and increasing the proportion of renewable energy can contribute to achieving climate goals, reduce dependence on fossil fuel imports and protect against price shocks.

The Government has decided on significant measures for the green transition as part of the Sustainable Growth Programme for Finland as well as within the spending limits exceptions outlined after the launch of Russia's war of aggression. In order to strengthen energy self-sufficiency and security of supply, a set of measures has been decided with the aim of significantly accelerating the withdrawal from fossil energy and supporting the introduction of new technologies. The General Government Fiscal Plan also includes increases for licensing and other administrative procedures and for digitalisation in order to accelerate green transition investments. A large part of this expenditure will be allocated to the current year, but increases of EUR 1.2 billion will be allocated to the above-mentioned entities later in the spending limits period.

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

Fiscal policy line

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

In February 2022, Russia's invasion of Ukraine cast a shadow over the global economy. The uncertainty associated with the war is undermining consumer and business confidence and accelerating inflation in a situation where the energy sector is in turmoil. In Finland, inflation has risen to nearly 5% in the early months of 2022, largely due to an increase in energy prices.

The effects of Russia's war of aggression also extend to Finland's public finances. The slowdown in economic growth will weaken tax revenue growth in the medium term. At the same time, the war of aggression launched by Russia and the rise in geopolitical tensions reinforce the need for preparedness, which will create spending pressures in the short term. The Government is responding to these acute expenditure pressures to a large extent in its supplementary budget proposal, but in some respects the impact of preparedness will extend to the General Government Fiscal Plan for 2023–2026.

The General Government Fiscal Plan allocates significant expenditure to national defence, cyber and border security, and to assist those fleeing the war in Ukraine. During the spending limits period, the operating costs of the Defence Forces will be allocated an annual increase of approximately EUR 130–200 million, and an increase totalling approximately EUR 1.5 billion for defence materiel procurement. Provision of EUR 163 million will be made for the acquisition of new surveillance aircraft for the Border Guard and significant increases will be allocated to the Border Guard's operating expenditure. A number of separate measures will be taken to improve cyber security and reinforce the functioning of society's critical information systems. Approximately EUR 0.8-0.3 billion per year will be earmarked in the spending limits period for additional immigration expenditure.

In accordance with decisions already made in the Government Programme, the Government has allocated permanent additional expenditure to, among other things, social security as well as health and social services, early childhood education, education and research, environmental protection and climate policy measures. Permanent additional expenditure in accordance with the Government Programme that was allocated at the beginning of the parliamentary term will be approximately EUR 1.4 billion at the 2023 level compared with spring 2019 technical General Government Fiscal Plan. The permanent additional expenditure will be covered mainly by discretionary permanent additional revenue and reallocations as well as by decisions increasing the number of people in employment.

Permanent additional expenditure other than the above-mentioned increases in accordance with the Government Program will be approximately EUR 0.8 billion at the 2023 level and approximately EUR 1.6 billion at the 2026 level. The additional expenditure includes, for example, these two components: Under the new funding model adopted at the parliamentary level for non-profit activities financed by proceeds from profits on gambling activities, the expenditure in question will be transferred to expenditure within the spending limits from 2023 onwards, regardless of the source of funding. To reach the amount of funding adopted at the parliamentary level, appropriation increases have been allocated for the spending limits period. An increase in the ratio of R&D expenditure to GDP to 4% by 2030 has been adopted at the parliamentary level. In connection with this, the total amount of central government R&D investments has been increased.

The EUR 370 million package of permanent savings decided on in last spring's General Government Fiscal Plan will be implemented by lowering the spending limits level and by allocating the savings, with regard to approximately EUR 328 million to the administrative branches.

In its General Government Fiscal Plan for 2023–2026, the Government decided on exceptions to the spending limits in the serious and significantly altered security policy situation affecting the whole of Europe. For example, essential expenditure increases in national defence, border security and cyber security directly related to the situation will be included within the exceptions to the spending limits. (See section 5.1 for details.)

With its tax solutions, the Government has sought to promote both climate goals and to strengthen economic growth. R&D activity will be supported by the additional deduction that enters into effect in 2023 Investment will be encouraged through the temporary accelerated depreciation of movable fixed assets. The Government will strengthen the tax base and increase indirect taxes. In 2023, the tobacco tax will be increased and the tax subsidy for paraffinic diesel will be abolished. To compensate for changes in indirect taxes, the earned income taxation of those on low and middle incomes was eased at the beginning of 2020. With the establishment of the wellbeing services counties, local government tax revenue will be transferred to central government as the municipalities' cost and task burden is reduced. Through the reform, central government tax revenue will increase by EUR 14.6 billion in 2023. In connection with the transfer of tax revenue, taxation of earned income will be reduced by EUR 0.3 billion, so that the reform would not lead to higher taxes for any income group.

In the light of the April 2022 forecast, the general government deficit will again fall below the EU Treaty 3% deficit reference value in 2023. In addition, the general government structural balance with improve by 0.2 percentage points in 2022. Objectives related to the general government budgetary position are presented in Chapter 2.

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

2 Objectives and rules steering the management of general government finances

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

Exceptional circumstances

The General Escape Clause of the Stability and Growth Pact activated in March 2020 will remain in force in 2022. In its Communication on Fiscal Guidance 2023[1], published on 2 March 2022, the Commission stated that the validity of the General Escape Clause would end as planned in 2023, but given the prevailing uncertainty, this will be assessed further on the basis of the Commission's spring forecast. The General Escape Clause, as well as unusual events encountered by individual countries, permits Member States to depart temporarily from the adjustment path towards the MTO, provided that this does not endanger fiscal sustainability in the medium term.

In the General Government Fiscal Plans of 2020 and 2021, it was considered that the validity of the General Escape Clause also refers to the existence of exceptional circumstances pursuant to domestic fiscal policy legislation (Fiscal Policy Act, 869/2012[2] and the Decree on the General Government Fiscal Plan, 120/2014), which meant that the setting of multiannual and sectoral targets does not need to result in the achievement of

1 Commission Communication 2 March 2022 https://ec.europa.eu/info/sites/default/files/economy-finance/com_2022_85_1_en_act_en.pdf

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.

the MTO.[3] The exceptional circumstances can be considered to be continuing in 2022. With regard to 2023, the existence of exceptional circumstances cannot be ruled out at this time. Even if the General Escape Clause were no longer to be in force in 2023, it is possible, with regard to Finland, that an unusual event could be considered to exist over which Finland has no control and which has a significant impact on its general government budgetary position.[4]

The need to amend fiscal policy legislation with regard to the definition of exceptional circumstances has been assessed during the current year in connection with an update of the Decree of the General Government Fiscal Plan. The updated decree is due to be adopted by the end of April. It will include a transitional provision according to which the amended section 3 will be applied for the first time to the General Government Fiscal Plan for 2023–2026.

Medium-Term Objective

The Government confirms the validity of the Medium-Term Objective of -0.5% in ratio to GDP for the structural budgetary balance of general government finances, set in autumn 2019 pursuant to section 2 of the Fiscal Policy Act (869/2012). This is the minimum level to which Finland has committed in the Fiscal Compact[5]. The requirements related to the MTO are described and its achievement is assessed in the Stability Programme (see Appendix 6), which also presents the Government's assessment under the Fiscal Policy Act of progress towards the MTO.

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

4 Pursuant to Article 5(1) of Regulation (EC) No 1466/97, Member States may be permitted to deviate from the adjustment path towards their medium-term budgetary objective due to an unusual event beyond the Member State's control and which has a major impact on the general government budgetary position or in a severe economic downturn for the euro area or the EU as a whole, provided that this does not endanger fiscal sustainability in the medium term.

5 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

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

In the light of the prevailing economic uncertainty and taking into account, on the one hand, the existence of exceptional circumstances in 2022 and, on the other hand, the fact that 2023 is the last year of the parliamentary term, the 2020 nominal deficit target set for the whole of general government finances in spring 2021 remains unchanged. This target setting may be considered to be in line with the fiscal policy recommendations adopted by the Council for Finland in June 2021 and the fiscal guidance issued by the Commission in March 2022, according to which the fiscal policy stance should support growth in 2022 and be neutral in 2023, taking into account the use of the Recovery and Resilience Facility. The target respects the Treaty's deficit reference value of 3% of GDP. As 2023 is the last year of the parliamentary term , the targets for the later years of the Stability Programme are based on the so-called unchanged policy and presented in accordance with the independent forecast. Using a nominal deficit for 2023 as a basis for target setting is also supported by uncertainties related to assessing the structural balance in the context of a strong swing in economic conditions. EU recommendations or guidance, moreover, did not contain any numerical specification of the structural balance, such as before the crisis.

Multiannual targets for the whole of general government finances for 2022–2025 are presented in Table 1 and the targets are discussed in more detail in Appendix 6 Stability Programme.

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

	2022	2023	2024	2025
Nominal budgetary position of general government	-2.2	-1.7	-1.4	-1.8
General government expenditure	54.1	53.6	53.0	53.1
General government gross debt	66.2	66.9	68.0	69.1

The nominal budgetary targets by sector for general government finances for 2023 remain unchanged, except for central government finances:

- central government deficit of approximately 2¼% in ratio to GDP
- local government deficit of approximately ½% in ratio to GDP
- budgetary position of wellbeing services counties close to balance
- surplus of earnings-related pension funds approximately 1% in ratio to GDP
- the financial position of other social security funds close to balance

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

Central Government Spending Limits

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

The spending limits procedure sets a ceiling for approximately 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. Alongside the supplementary budget provision, there remains between the parliamentary term expenditure ceiling and the administrative branch-specific expenditure ceilings an unallocated reserve to be allocated later. Measures in the Government Programme and others will be implemented insofar as this is possible within the framework of the spending limits.

The spending limits for the parliamentary term 2020–2023 were confirmed as part of the Government's first General Government Fiscal Plan on 7 October 2019. As a result of the coronavirus crisis, among other things, the overall picture of the Finnish economy and of the country's fiscal policy requirements diverged significantly in the first half of the parliamentary term from what the situation was in autumn 2019. Deviations from the original spending limits decision were decided, for example, as part of the decisions of the mid-term policy review, when the Government decided to increase the expenditure ceiling for the parliamentary term, by EUR 900 million for 2022 and by EUR 500 million for 2023. The need to increase the expenditure ceiling for 2023 was reduced by the fact that spending limits expenditure amounting to EUR 370 million was permanently reallocated from 2023.

In its General Government Fiscal Plan for 2023–2026, the Government decided on exceptions to the spending limits in the serious and significantly altered security policy situation affecting the whole of Europe. For example, essential expenditure increases in national defence, border security and cyber security directly related to the situation will be included within the exceptions to the spending limits. (See section 5.1 for details.)

The Ministry of Finance has established a project to develop steering of general government, taking into account the experiences of the past and previous parliamentary terms as well as work on reforming EU regulations and its impact on the national framework.

The central government spending limits rules are discussed in Section 5.1.

3 Economic fundamentals

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

3.1 Economic outlook

Economic outlook for 2022–2024

Gross domestic product (GDP) is expected to grow by 1.5% in 2022 and 1.7% in 2023. In response to Russia's invasion of Ukraine, the EU, the United States and other Western countries have imposed economic sanctions on Russia. As a result of the imposed sanctions, Finland's foreign trade with Russia will practically come to an end, which will cut Finland's economic growth most through exports and industrial production. As a result of rising energy prices, inflation will accelerate to 4% in 2022, but the rise in prices will moderate in the following years. Rising consumer prices will weaken the purchasing power of households, which will slow private consumption and GDP growth. Increased uncertainty will shift investments to the future.

The forecast assumes that the existing sanctions will remain in place on both sides. A key economic assumption is that the availability of raw materials and energy from Russia to Europe will be disrupted but not suspended. Coronavirus is not disappearing and a rise in number of infections may also take place in the future. The forecast does not, however, assume new restrictions to prevent the spread of coronavirus that would have economic effects.

Medium-term outlook

Economic growth will slow as the economy approaches its normal capacity following the coronavirus pandemic. Economic growth is expected to be just over 1% in 2025 and 2026. The economic restructuring and demographic changes that have been under way for years will also affect the longer-term growth outlook of the economy.

The contraction of the working age population will reduce labour input. The overall impact of labour input will start to reduce output after the middle of the decade, as the increase in the participation rate and the decline in structural unemployment fade.

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

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

In addition to labour input and total factor productivity, long-term production conditions for the economy will be influenced by the capital stock. The coronavirus pandemic did not cause much of a slowdown in investment, and the effect of the capital stock on output growth will be approximately half of one per cent per year.

Table 2. Trends in the national economy

	2020	2021	2022	2023	2024	2025	2026
GDP value, EUR billion	238.0	252.9	265.4	275.9	285.0	293.8	303.2
GDP, change in volume, %	-2.3	3.5	1.5	1.7	1.5	1.3	1.2
Unemployment rate, %	7.7	7.7	7.2	6.8	6.6	6.5	6.4
Employment rate, %	70.7	72.2	73.0	73.6	74.0	74.3	74.5
Consumer Price Index, change %	0.3	2.2	4.0	2.1	1.7	1.9	1.9
Long-term interest rate, 10 years, %	-0.2	-0.1	0.4	0.6	0.7	0.8	0.9

3.2 Outlook for general government finances

The general government deficit decreased sharply in 2021. General government finances were strengthened, in particular, by the rapid growth in revenue from taxes and social security contributions generated by economic growth and improved employment. In addition, the easing of the economic downturn reduced the need for recovery and support measures.

Economic growth will slow in 2022, but general government finances will improve further in the wake of the upturn. Many tax bases will grow moderately and the number of support measures taken due to the coronavirus pandemic will continue to decrease. Nevertheless, the improvement in the general government budgetary position will halt and the deficit will start to grow again. General government expenditure and revenue are structurally unbalanced due to, among other things, population ageing, and therefore in the longer term general government finances are not on a sustainable base.

The growth of the general government debt ratio temporarily reversed in 2021. Strong GDP growth had a favourable impact on the development of the debt ratio. The decline in the debt ratio came to a halt last year and will start to rise again in 2022. The general government debt ratio is at a higher level than before the coronavirus pandemic.

The central government budgetary position clearly improved in 2021. Cyclical fluctuations are reflected most clearly in central government finances, particularly due to the high cyclical sensitivity of tax revenue. In 2022–2023, central government finances will be strengthened by the reduction of coronavirus support measures and the ending in 2023 of the fixed-term measures of the parliamentary term. The deficit will remain significant, however, as the war in Ukraine will also increase the need for preparedness in Finland and therefore expenditure on national military defence, border security and cyber security, in turn, will increase central government spending. Later, the deficit will increase as tax revenue growth slows and due to acquisitions of fighter aircraft[6]. The forecast assumes that the new fighter aircraft will be delivered to Finland from 2025 onwards.

The budgetary position of local government weakened slightly in 2021, but was still only slightly in deficit. Consumption expenditure, in particular, rose sharply. In 2023, the structure of Finland's public sector will change when responsibility for the organisation of health, social and rescue services is transferred from the municipalities to the wellbeing

6 The acquisitions will be recorded in the national accounts deficit on an accrual basis, i.e. at the time of delivery. The financing of the acquisitions will be visible in central government debt from 2022.

services counties. This will alleviate the municipalities' structural expenditure pressures due to population ageing but, even so, local government finances will remain in deficit in the pressure projection. The wellbeing services counties will start operating slightly in deficit. The deficit is due to large-scale investments.

The surplus of the earnings-related pension funds has recovered to close to 1% of GDP due to strong development of contribution and property income. The surplus will remain rather modest in the coming years, however, as pension expenditure growth continues and the historically still relatively low level of interest rates slows growth of the earnings-related pension funds' property income. The financial position of other social security funds was slightly in surplus in 2021. The financial position of other social security funds will be strengthened during the spending limits period by the easing of the unemployment situation and the social security funds will remain slightly in surplus.

The most significant risks to general government finances are linked to general economic development. Russia's invasion of Ukraine and the effects of the ensuing sanctions and price pressures will be reflected in general government finances through both general economic development and the preparedness required by the situation. Potential new waves of the coronavirus as well as the accumulated care backlog could also strain general government finances.

General government contingent liabilities and a significant increase in guarantees, in particular, pose a risk to general government finances. The concentration of guarantee liabilities in certain sectors and businesses increases the risks associated with guarantee liabilities. A major triggering of liabilities would increase public spending and further accelerate growth in the debt ratio. Moreover, a potential faster-than-expected rise in interest rates would also increase the risk of additional general government debt. The higher the debt ratio has risen during the period of low interest rates, the more rising interest rates will start to increase debt servicing costs over the longer term.

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

	2020	2021	2022	2023	2024	2025	2026
Taxes and social security contributions	41.8	42.7	42.1	41.7	41.4	41.3	41.0
General government expenditure	57.1	54.9	54.1	53.6	53.0	53.1	52.8
General government net lending	-5.5	-2.6	-2.2	-1.7	-1.4	-1.8	-1.8
– Central government	-5.5	-3.2	-2.9	-2.4	-2.2	-2.6	-2.6
– Local government	-0.1	-0.3	-0.6	-0.5	-0.4	-0.4	-0.5
– Wellbeing services counties				-0.2	-0.2	-0.2	-0.2
– Earnings-related pension funds	0.1	0.9	1.2	1.2	1.2	1.2	1.2
– Other social security funds	-0.1	0.1	0.0	0.2	0.2	0.2	0.2
Primary balance	-4.8	-2.1	-1.7	-1.2	-1.0	-1.3	-1.4
Structural balance	-3.5	-1.9	-1.6	-1.4	-1.3	-1.7	-1.8
General government gross debt	69.0	65.8	66.2	66.9	68.0	69.1	69.9
Central government debt1	52.5	50.9	51.4	52.2	53.2	54.0	54.6

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

Compliance with fiscal policy rules and objectives

In the light of the Ministry of Finance's independent forecast, the multiannual targets for the nominal budgetary position of general government and for general government debt and expenditure in ratio to GDP will largely be achieved (see Stability Programme Table A in Appendix 6). Many of the sectoral targets set for 2023 will be met in the light of the forecast. The local government budgetary position will reach the target (approximately ½% in deficit) and the wellbeing services counties' budgetary position will be close to balance in line with the target. The earnings-related pension funds are expected to exceed slightly the targeted 1% surplus and the other social security funds will be slightly in surplus and therefore close to balance in line with the target. The central government deficit will slightly exceed its target for 2023. General government debt-to-GDP will grow throughout the forecast period and, according to the long-term estimate based on the forecast, also throughout the 2020s. In the coming years, the debt ratio will be increased particularly by the central government and local government primary deficits and declining economic growth. Compliance with the deficit and debt criteria of the Stability and Growth Pact as well as progress towards the MTO set for the structural budgetary balance is assessed in the Stability Programme (Appendix 6).

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

The general government budgetary position will improve slightly in 2022, but will remain in deficit. The central government core sector, on-budget finances, will be the sector of general government finances most in deficit. Local government will continue to run a slight deficit. The surplus of social security funds will improve further in 2022. The combined deficit of units outside the core sectors will be approximately 0.2% in ratio to GDP.

The general government debt-to-GDP ratio will level off in the following years, but will continue to grow thereafter. Most of the debt is central government on-budget debt. The municipalities and joint municipal authorities also have a significant amount of debt. Of the units outside the core sectors, the debt burden is mainly borne by real-estate companies and a few other units. The debt carried by units outside the core sectors will grow slowly by an amount corresponding to the deficit produced by these units annually. For a list of units in the general government subsectors, see Statistics Finland's website[7].

7 https://www.tilastokeskus.fi/meta/luokitukset/_linkki/soveltamisp.html

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

	2020	2021	2022	2023	2024	2025	2026
General government, total							
Budgetary position in ratio to GDP	-5.5	-2.6	-2.2	-1.7	-1.4	-1.8	-1.8
Debt in ratio to GDP	69.0	65.8	66.2	66.9	68.0	69.1	69.9
Core sectors, total							
Budgetary position in ratio to GDP	-5.3	-2.3	-2.0	-1.5	-1.2	-1.6	-1.6
Debt in ratio to GDP	66.5	63.7	63.9	64.6	65.5	66.4	67.1
Units outside core sectors, total							
Budgetary position in ratio to GDP	-0.3	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2
Debt in ratio to GDP	2.5	2.1	2.2	2.4	2.5	2.6	2.7

3.3 Economic restructuring, population ageing and fiscal sustainability

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

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

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

The Ministry of Finance estimates the sustainability gap to be approximately 2.5% in ratio to GDP, i.e. approximately EUR 7 billion at the 2026 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.

4 Government liabilities and risks

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

Table 5 shows a summary of central government assets and nominal values of certain specifiable liabilities. Assessing the risks related to liabilities unambiguously is difficult, and therefore the nominal values of liabilities have been used in this examination in the interests of clarity. 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 dividend income of between EUR 0.8 and 2.0 billion from its shareholdings annually. In 2021, the central government's dividend income was approximately EUR 1.7 billion.

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

	2014	2015	2016	2017	2018	2019	2020	2021
Assets								
Central government real assets	57.5	56.7	56.8	57.9	58.7	57.4	58.4	
% GDP	27.8	26.8	26.1	25.6	25.1	23.9	24.5	
Central government financial assets	67.6	69.6	70.5	70.9	73.3	81.5	98.4	92.2
% GDP	32.7	32.9	32.4	31.3	31.4	34	41.3	36.5
– of which								
Central government liquid assets	3.1	4.4	3.1	3	2.1	2.3	7.6	4.8
Solidium	7.6	6.8	7.8	8.6	6.8	7.5	7.6	9.0
Other shareholdings in listed companies	10.9	10.2	11.5	15.2	15.5	19	26	25
Housing Fund of Finland receivables	6.4	5.9	5.2	4.6	4.2	3.7	3.2	2.8
Liabilities								
Central government debt	95.1	99.8	102.3	105.8	105	106.4	124.8	128.7
% GDP	46	47.2	47	46.8	44.9	44.3	52.4	50.9[1]
Municipal debt	16.8	18	19	19.2	21.0	23.8	25.8	26.1
% GDP	8.1	8.5	8.7	8.5	9.0	9.9	10.8	10.3[1]
Central government guarantees[2]	39.2	44.2	46.1	52.3	56.6	60.2	61.7	64.2
% GDP	18.9	20.9	21.2	23.1	24.2	25.1	25.9	25.4[1]
– Finnvera	17.5	22.6	22.6	27.7	30.3	32.6	31.6	32.1
– Student loans	1.8	2	2.3	2.7	3.4	4	4.5	5
– EFSF	6.6	6.2	6.3	7	7	7	6.8	6.6
– Bank of Finland	0.6	0.5	0.6	0.4	0.5	0.6	0.6	0.8
– Government funds	11.8	12.3	13.2	13.8	14.6	15.5	16.5	17.7
– COVID 19 support measures[3]							1	1.4
– Other	0.9	0.6	1.1	0.6	0.8	0.5	0.7	0.7
Capital liabilities	17.2	17.8	18	17.9	17.9	17.9	18.2	19.4
% GDP	8.3	8.4	8.3	7.9	7.6	7.4	7.7	7.7[1]
Other liabilities	132.9	130.8	129.5	128.3	127.6	130	132.9	134.3
% GDP	64.2	61.9	59.5	56.8	54.4	54.1	55.9	53.1[1]
– Budget accounting[4]	130.4	128.3	126.9	125.5	124.7	127.2	131.6	131.5
– Off-budget entities	0.7	0.9	1.2	1.6	1.7	1.7	1.8	2
– State enterprises	1.8	1.6	1.4	1.2	1.2	1.1	0.9	0.8

1) Preliminary data

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

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

4) Includes pension liabilities. Pension liabilities at the end of 2021 were EUR 93.3 billion.

The largest subareas of central government liabilities are central government debt, pension liabilities and central government guarantees. Pension liabilities amounted to EUR 93.3 billion at the end of 2021. The largest growth over the last 10 years has been in the amount of central government debt and central government guarantees. Central government debt has increased from EUR 75.2 billion in 2010 to EUR 128.7 billion in 2021. The outstanding stock of central government guarantees has increased from EUR 23.2 billion in 2010 to EUR 64.2 billion at the end of 2021.

The stock of guarantees issued by Finnvera and central government funds, in particular, has been rising for a long time now. Of the EUR 17.7 billion stock of guarantees issued by funds, the majority consists of guarantees issued via the National Housing Fund, the total amount of which stood at EUR 17.5 billion at the end of 2021. The growth in Finnvera guarantees has focused on export guarantees and Finnvera's acquisition of funds. At the end of 2021, export guarantees totalled EUR 19.5 billion, of which drawn guarantees amounted to EUR 12.1 billion. In export financing, it is typical for guarantee liabilities to be concentrated in certain sectors and large exposures of single clients. The effects of the coronavirus pandemic have increased the risks particularly related to the shipping industry, in connection with which Finnvera entered credit loss provisions in the 2020 financial statements, which it has not yet been possible to reverse. In 2021, the total amount of outstanding guarantees related to Finnvera increased by EUR 0.5 billion.

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 15.6 billion had been allocated at the end of 2021. Guarantees allocated to housing loans of private individuals totalled EUR 1.9 billion at the end of 2021. 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, when interest rates rise, involves the risk of an increase in the central government's payment obligation.

In 2020–2021, new guarantee liabilities arose in connection with coronavirus pandemic support measures, for example guarantees provided to shipping companies critical for security of supply and to Finnair as well as a COVID-19 vaccination guarantee, a guarantee provided for loans taken by the European Commission for the European instrument for temporary Support to mitigate Unemployment Risks in an Emergency (SURE), and a guarantee provided for the European Investment Bank's COVID-19 Guarantee Fund.

In connection with the coronavirus pandemic, the European Union has adopted a decision on the recovery facility and its financing as part of a new Own Resources Decision. Borrowing under the recovery 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 approximately EUR 13 billion. Finland's payments, to be realised after 2027, relate to the recovery facility's support in the form of grants, of which Finland's share is estimated to total EUR 6.6 billion. The entry into force of the recovery instrument as part of the Own Resources Decision requires the approval of the national decision-making bodies of all Member States.

Contingent liabilities also include capital liabilities payable on demand to international financial institutions, which totalled approximately EUR 19.4 billion at the end of 2021. 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 to be transferred from the municipalities to the responsibility of wellbeing services counties from the beginning of 2023 are discussed in Chapter 6.

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

The warfare in Ukraine launched by Russia in February 2022 is bringing new and unpredictable threats and risks to the development of the economy and central government finances.

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.

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

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

The spending limits system sets a ceiling for approximately 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 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 that specified in the spending limits after supplementary budgets, the difference may be used for one-off expenditure in the following year without reference to the spending limits.

The spending limits for the parliamentary term 2020–2023 were confirmed as part of the Government's first General Government Fiscal Plan on 7 October 2019. In spring 2021, the overall picture of the Finnish economy and of the country's financial policy requirements diverged significantly from the autumn 2019 situation when the spending limits for the parliamentary term were set. As part of the decisions of the spring 2021 mid-term policy review, the Government decided to increase the spending limits for 2022 by EUR 900 million and for the 2023 by EUR 500 million. The need to increase the spending limits for 2023 is reduced by the fact that spending limits expenditure amounting to EUR 370 million will be permanently reallocated from 2023.

At the time of preparation of this General Government Fiscal Plan, there is a war in Europe. In this serious and substantially altered security policy situation affecting the whole of Europe, the Government will make the following exceptions to the spending limits:

Essential expenditure increases in national defence, border security and cyber security directly related to the situation will be covered by funds outside the spending limits.

Similarly, aid to Ukraine, assistance to Ukrainians fleeing the war and the immediate effects of war-related sanctions on central government activities will be covered by funds outside the spending limits.

Fixed-term measures necessary for security of supply in 2022 and 2023, particularly investments that both boost domestic energy production and help harness new technologies replacing fossil energy, will also be funded outside the spending limits. Similarly, any individual measures carried out in 2022 as a result of the sudden rise in energy prices will be covered by funds outside the spending limits during the transition period for adaptation.

Also at the European Union level, attention will be paid to measures to support Ukraine as a result of Russia's invasion, to help refugees fleeing the war, and to other consequences of the war. The rising energy prices also give rise to concern at the EU level. National measures will be implemented taking into account EU policies and measures.

The above-mentioned spending limits exceptions will be taken into account as a structural adjustment of the spending limits level, i.e. the spending limits of the parliamentary term will be increased accordingly, in which case the expenditure in question will be covered by funds outside the spending limits. The structural correction is EUR 1,998 million for 2023 (EUR 54 million for cyber security, EUR 996 million for border security and national defence, EUR 723 million for immigration, EUR 217 million for measures to support security of supply / green transition, EUR 8 million for measures taken due the rise in energy prices).

Of the EUR 370 million in permanent savings outlined last spring, EUR 100 million was allocated to entities of the administrative branch of the Ministry of Defence, the administrative branch of the Ministry of the Interior and R&D expenditure for which additional expenditure has been decided on in the General Government Fiscal Plan 2023–2026. Therefore, to compensate for these savings, the Government outlined a EUR 100 million reallocation package of which, at the 2023 level, a proportion corresponding to the release of the R&D savings will be redistributed (EUR 58 million) to other appropriation items. In addition, the parliamentary term spending limits level will be lowered by EUR 42 million for 2023, in which case the Government's room for manoeuvre for new expenditure-incurring increases will be correspondingly reduced.

Under the new funding adopted at parliamentary level for non-profit activities financed by proceeds from profits on gambling activities, the aforementioned expenditure will be transferred to expenditure within the spending limits from 2023 onwards, regardless of the source of funding and deviating from the spending limits rules outlined in the Government Programme. The parliamentary-term spending limits will be raised with regard to whole level, not only for the parts currently financed by proceeds from profits on gambling activities. In the General Government Fiscal Plan, the level of funding for 2023 (EUR 990 million) corresponds to the level of funding for 2024 adopted at parliamentary level.

In addition, due to the coronavirus situation, the following exceptions have been made to the parliamentary term spending limits:

– The spending limits did not limit expenditure in 2020. The Government policy on this was outlined in connection with the supplementary budget proposal for 2020.
– The 2021 budget proposal introduced a supplementary spending limits provision for one-off and fiscal policy mandatory spending needs arising from the coronavirus situation. The provision, which was initially EUR 500 million, was increased in the third supplementary budget proposal by EUR 1 350 million to a total of EUR 1 850 million.
– Due to the Omicron variant, the coronavirus situation was also difficult at the beginning of 2022. In its statements, Parliament had also required that the central government pay reasonable compensation to the businesses and traders subject to COVID-19 restrictions imposed under public law. In the context of the first supplementary budget proposal for 2022, the Government decided that compensation payable to operators for the period of COVID-19 restrictions imposed under public law and temporary changes to unemployment security will be covered as expenditure outside the spending limits in

2022, as will costs arising from the restrictive measures and compensation for such measures.

– Direct costs related to coronavirus, such as expenditure related to testing and the expansion of testing capacity, tracing of transmission chains, quarantines, treatment of patients, health security of those travelling and a vaccine against the virus, will be reimbursed as expenditure outside the spending limits in the years 2021–2023.
– The spring 2020 spending limits decision exceptionally classified two business funding expenditure items as outside the spending limits: The estimate of loss compensation expenditure related to the increase in Finnvera plc's domestic funding authorisations, as well as the impacts on appropriations for subsequent years of the increases in authorisations for granting aid to SMEs (only the first and second supplementary budgets for 2020).
– The exceptional situation mechanism has been applied in 2021 and 2022, enabling EUR 500 million per year for one-off expenditure. The possibility of the exceptional situation mechanism was already included in the spending limits rules of the Government Programme.

Table. Parliamentary term spending limits for 2023 (at 2023 prices), EUR million

	2023
Spending limits decision 12 May 2021	65 011
Price- and cost-level adjustments	1 831
Structural adjustments	2 094
Adjusted parliamentary term expenditure ceiling (incl. supplementary budget provision)	68 936

5.2 Development of on-budget expenditure and the spending limits

Development of on-budget expenditure in 2023–2026

On-budget expenditure in 2023 is expected to be approximately EUR 79.7 billion, which is approximately EUR 14.1 billion more than that budgeted for 2022 (incl. first supplementary budget). The increase in expenditure is due, above all, to the health and social services reform, which will change the structure of public expenditure. As a consequence of the reform, the level of on-budget expenditure will rise from 2023 by approximately EUR 13.9 billion. In addition, comparison is complicated by the fact that the expenditure increases decided on as a result of Russia's invasion of Ukraine will be reflected in the 2023 expenditure estimates, but will not be taken into account in the 2022 expenditure estimates until the second supplementary budget. Excluding these factors, the on-budget expenditure would decrease in 2023 because, among other things, expenditure related to the coronavirus pandemic and unemployment will decline and some of the fixed expenditure increases decided on by the Government will come to an end.

In 2023–2026, on-budget expenditure is expected to be, on average, approximately EUR 80.0 billion at the 2023 price level. From 2023 to 2026, on-budget expenditure will increase by a total of approximately EUR 280 million. On the one hand, funding for the wellbeing services counties will increase by approximately EUR 1.7 billion, R&D investments by over EUR 400 million and EU membership fees by approximately EUR 350 million. On the other hand, the level of expenditure will decrease by more than EUR 1.2 billion from 2023 to 2026, as the additional expenditure decided on due to Russia's invasion of Ukraine is frontloaded. In addition, expenditure outside the spending limits, the development of which is described in more detail in the next section, will decline.

Expenditure outside the spending limits

Expenditure outside the spending limits is expected to be approximately EUR 11.0 billion in 2022, which is nearly EUR 1.2 billion less than that budgeted for 2022 (incl. first supplementary budget). Expenditure outside the spending limits will decrease by approximately EUR 700 million due to a structural change, when expenditure previously financed by proceeds from profits on gambling activities is transferred to within the spending limits. In addition, tax compensations outside the spending limits to municipalities will decline by approximately EUR 450 million as a technical issue related to the health and social services reform. Otherwise, of expenditure outside the spending limits, cyclical expenditure will be significantly reduced, as will expenditure related to the coronavirus pandemic and the EU's Recovery and Resilience Facility (RFF). Interest expenditure on debt, on the other hand, is expected to increase significantly in 2023.

In 2023–2026, expenditure outside the spending limits will decrease by an average of over 2% per year. The decrease is explained particularly by a reduction of more than EUR 540 million in expenditure financed from the RFF from 2023 to 2026. In addition, cyclical expenditure is expected to decline to some extent. The other changes roughly cancel each other out.

In 2023–2025, expenditure outside the spending limits will be, on average, approximately EUR 230 million higher than in the previous spending limits decision. Expenditure outside the spending limits will be increased particularly by the fact that, compared with the previous spending limits decision, interest expenditure is expected to grow, on average, by approximately EUR 760 million per year. Expenditure outside the spending limits will, on the other hand, be reduced by a structural change by which expenditure previously financed by proceeds from profits from gambling activities is transferred to within the spending limits.

Table. Expenditure outside the spending limits, EUR billion at the 2023 price and cost levels (2022 at current prices)[8]

	2022	2023	2024	2025	2026
Cyclical expenditure	5.0	4.7	4.6	4.6	4.5
Compensation to municipalities for tax criteria changes	0.7	0.2	0.3	0.3	0.3
Expenditure corresponding to EU revenue	1.3	1.4	1.2	1.3	1.3
Expenditure corresponding to proceeds from profits on gambling activities	0.7	0.0	0.0	0.0	0.0
Interest expenditure	0.5	1.1	1.2	1.2	1.1
Financial investment expenditure	0.5	0.3	0.3	0.3	0.3
Technical pass-through items	0.3	0.3	0.4	0.4	0.4
VAT appropriations	1.7	1.8	1.7	1.8	1.7
Transfer to State Television and Radio Fund	0.6	0.6	0.6	0.6	0.6
Exceptional situation effects and coronavirus-related health security	0.2	0.1	0.0	0.0	0.0
Expenditure financed by EU RFF funds	0.7	0.6	0.4	0.2	0.1
Total	12.1	11.0	10.8	10.5	10.3

8 The table does not include the new spending limits exceptions, which were made in the serious and substantially altered security policy situation affecting the whole of Europe. The expenditure in question has been budgeted in a number of items, and the entities handled as a structural correction to the spending limits, see Appendix 2.

Price and cost-level adjustments and structural changes

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

Table 6. Table 6. Central government spending limits by administrative branch and estimate of expenditure outside the spending limits in 2023–2026, EUR million at 2023 prices and costs

	2023	2024	2025	2026
23. Prime Minister's Office	199	199	200	200
Estimate of expenditure outside spending limits	25	25	25	25
Total	**224**	**224**	**224**	**224**
24. Ministry for Foreign Affairs	1 141	1 164	1 207	1 243
Estimate of expenditure outside spending limits	158	156	154	154
Total	**1 299**	**1 321**	**1 361**	**1 397**
25. Ministry of Justice	1 016	1 051	1 012	1 012
Estimate of expenditure outside spending limits	51	52	52	52
Total	**1 067**	**1 103**	**1 063**	**1 063**
26. Ministry of the Interior	2 127	1 647	1 476	1 477
Estimate of expenditure outside spending limits	163	165	158	157
Total	**2 290**	**1 812**	**1 635**	**1 634**
27. Ministry of Defence	4 843	4 778	4 883	4 478
Estimate of expenditure outside spending limits	847	700	745	733
Total	**5 690**	**5 478**	**5 628**	**5 211**
28. Ministry of Finance	33 960	35 512	35 822	36 281
Estimate of expenditure outside spending limits	729	776	825	853
Total	**34 689**	**36 289**	**36 647**	**37 133**
29. Ministry of Education and Culture	7 435	7 313	7 287	7 306
Estimate of expenditure outside spending limits	99	80	54	42
Total	**7 534**	**7 393**	**7 341**	**7 348**
30. Ministry of Agriculture and Forestry	1 687	1 642	1 635	1 632
Estimate of expenditure outside spending limits	1 005	933	929	927
Total	**2 692**	**2 575**	**2 565**	**2 559**
31. Ministry of Transport and Communications	2 208	2 191	2 166	2 160
Estimate of expenditure outside spending limits	1 037	1 081	1 080	1 080
Total	**3 245**	**3 272**	**3 246**	**3 239**
32. Ministry of Economic Affairs and Employment	2 702	2 710	2 643	2 525
Estimate of expenditure outside spending limits	1 001	836	737	660
Total	**3 703**	**3 546**	**3 380**	**3 184**

	2023	2024	2025	2026
33. Ministry of Social Affairs and Health	10 853	10 864	10 878	10 940
Estimate of expenditure outside spending limits	4 796	4 713	4 602	4 502
Total	**15 649**	**15 577**	**15 480**	**15 442**
35. Ministry of the Environment	283	204	204	204
Estimate of expenditure outside spending limits	35	12	12	12
Total	**318**	**216**	**216**	**216**
36. Interest on central government debt	-	-	-	-
Estimate of expenditure outside spending limits	1 085	1 210	1 159	1 135
Total	**1 085**	**1 210**	**1 159**	**1 135**
Administrative branch spending limits, total[1]	**68 614**	**69 441**	**69 577**	**69 600**
Estimate of expenditure outside spending limits, total	11 047	10 754	10 547	10 340
Main titles, total	**79 660**	**80 195**	**80 124**	**79 940**
Parliamentary term expenditure ceiling	**68 936**	**-**	**-**	**-**
Administrative branch spending limits, total[1]	68 614	69 441	69 577	69 600
Supplementary budget provision	100	-	-	-
Unallocated reserve	222	-	-	-

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

5.3 Definitions of policy in budget finances 2023–2026

Changes in appropriations following Russia's invasion of Ukraine

The security environment of Finland and Europe has changed with the war of aggression launched by Russia. The General Government Fiscal Plan allocates significant expenditure to national defence, cyber and border security, and to assist those fleeing the war in Ukraine.

During the spending limits period, the operating costs of the Defence Forces will be allocated an annual increase of approximately EUR 130–200 million, and an increase totalling approximately EUR 1.5 billion for defence materiel procurement. Provision of EUR 163 million will be made for the acquisition of new surveillance aircraft for the Border Guard and significant increases will be allocated to the Border Guard's operating expenditure. A number of separate measures will be taken to improve cyber security and reinforce the functioning of society's critical information systems. The annual additional funding for improving cyber security will be approximately EUR 40–56 million in the spending limits period, and will be distributed to a number of different administrative branches. The largest entities are the improvement of the joint basic infrastructure of public administration, the expansion of processing environments for classified material, the enhancement of the operational capacity of the security authorities, and the development of some key systems of Kela's benefit systems. The funding includes various equipment purchases and additional staff.

As of 7 April, approximately 17,000 Ukrainian citizens have applied for international protection in Finland following Russia's invasion. Approximately EUR 0.8-0.3 billion per year will be earmarked for additional immigration expenditure in the spending limits period, e.g. reception costs and support paid to customers as well as the operating costs of the Finnish Immigration Service, preparatory education for basic education, and early childhood education. In addition, an appropriation is earmarked for integration training, central government compensation for integration, benefit expenditure, and Ministry of Justice expenditure related to the legal protection and family reunification of asylum seekers. There is a great deal of uncertainty associated with expenditure. The appropriation requirement is dependent on, among other things, the actual number of arrivals and their employment. The appropriation requirement is based on an estimate according to which 60,000 applications for temporary protection and 6,000 asylum applications would be submitted in 2022. Between 2023 and 2026, the number of asylum applications is estimated to 5,000-5,500 per year.

Measures to strengthen self-sufficiency, withdraw from fossil energy, and boost investment as well as agricultural measures

To prepare for the effects of Russia's invasion of Ukraine, the Ministerial Working Group on Preparedness has outlined a set of measures for 2022–2023 to strengthen energy self-sufficiency and security of supply, with the aim of significantly accelerating withdrawal from fossil energy and supporting the introduction of new technologies (green transition).

Measures include accelerating energy investments, phasing out fossil fuels in transport, and heating solutions for low-rise housing and other residential buildings.

In order to alleviate the cost crisis for agriculture exacerbated by the attack and to ensure security of supply, measures have been decided on to increase support for domestic food production in the acute situation. The package includes fast-acting forms of aid to support the liquidity of farms, as well as measures to accelerate the growth of energy self-sufficiency and the transition away from fossil production inputs.

The above-mentioned set of measures for the spending limits period is as follows:

- Investment aid, for example EUR 7.5 million for advanced biogas digestate processing technologies
- Energy investments of rural enterprises (biogas investments) EUR 10 million
- Additional funding for the nutrient recycling pilot programme EUR 6 million
- Support for wetland cultivation EUR 30 million
- Condition surveys of roads and bridges and activation measures EUR 2.5 million
- Private road grants to ensure security of supply and the availability of domestic wood EUR 10 million
- Support for the acquisition of fully electric vehicles EUR 3.5 million
- Support for the acquisition of electric and gas-driven vans EUR 1.5 million
- Support for the acquisition of electric and gas-driven lorries EUR 1 million
- ELY Centre resources required for processing grants for relinquishing oil heating in low-rise housing EUR 3 million
- Energy subsidy, EUR 100 million authorisation in 2023
- Hydrogen projects, EUR 100 million authorisation in 2023
- Battery strategy investments EUR 25 million authorisation in 2023
- Support for public distribution infrastructure for transport electricity and gas EUR 6.5 million euros
- Improving nutrient and energy self-sufficiency through nutrient recycling, investment support EUR 18 million
- Improving nutrient and energy self-sufficiency through nutrient recycling: R&D contribution EUR 12 million
- Support for private charging infrastructure for housing corporations EUR 10 million
- Grants to encourage relinquishment of oil and gas heating in residential buildings and connection to district heating EUR 32 million

The appropriation impact of these measures in the spending limits period will be EUR 204 million in 2023, EUR 140 million in 2024, EUR 115 million in 2025 and EUR 45 million in 2026, and they have been taken into account in the central government spending limits decision as expenditure outside the spending limits. With regard to the packages budgeted with the authorisations, the application impacts will be spread over a number of years.

Research and development funding

Finland's goal is to increase research and development expenditure to 4% of GDP by 2030 in accordance with the Government Programme, the National Roadmap for Research, Development and Innovation (RDI Roadmap) and the Parliamentary RDI Working Group. The total amount of state R&D investments in 2023 will be increased by EUR 344 million compared with the previous spending limits. The impact on appropriations of the increase will be approximately EUR 50 million in 2023, rising to approximately EUR 212 million by 2026. In addition, the tax revenue estimates take into account the additional deduction for R&D activities, the revenue-reducing effect of which will be EUR 100 million (see section 5.4). A total of EUR 12 million in 2023 is allocated to the R&D package for nutrient recycling (which is part of the above-mentioned agricultural measures).

Business Finland's RDI grant authorisation will be permanently increased by EUR 63 million, in addition to which a one-off EUR 60 million increase allocated to business driver funding will be made to authorisations for 2023, and an authorisation of EUR 10 million introduced for a new regional RDI funding instrument.

The Academy of Finland's research project authorisation will be permanently increased by EUR 146.5 million, in addition to which a one-off authorisation of EUR 10 million will be allocated in 2023 for the national co-financing of EuroHPC activities. The grant authorisation for strategic research will be increased by EUR 25 million compared with the previous spending limits, and EUR 7.5 million in 2023, EUR 12 million in 2024 and EUR 15 million from 2025 allocated to the financing of CSC's research infrastructure. A permanent increase of EUR 5 million will be allocated to strengthen the R&D activities of the universities of applied sciences. In addition, a permanent increase of EUR 5 million will be allocated to the administrative branch of the Ministry of Social Affairs and Health for central government funding to health care units for university-level research and for university-level research in social work from 2023.

In order to increase R&D expenditure to 4% of GDP, as adopted at parliamentary level, and to increase the central government investment required by this, an appropriation totalling EUR 50 million in 2024, EUR 150 million in 2025 and EUR 300 million in 2026 has been allocated to the level of spending limits expenditure. The allocation of funding will be outlined at a later stage in the context of future budgets and General Government Fiscal Plans, at which time the impact of the measures on authorisations and appropriations will also be reviewed.

Proceeds from profits on gambling activities

Under the new funding model adopted at parliamentary level for non-profit activities financed by proceeds from profits on gambling activities, the aforementioned expenditure will be transferred to expenditure within the spending limits from 2023 onwards, regardless of the source of funding and deviating from the spending limits rules outlined in the Government Programme. The parliamentary spending limits will be raised with regard to whole level, not only for the parts currently financed by proceeds from profits on gambling activities.

From 2024, in accordance with policy adopted at parliamentary level, the intention is to break the link between the revenue recognised by Veikkaus Oy and the purposes provided for in the Lotteries Act for the ministries awarding grants (Ministry of Justice, Ministry of Social Affairs and Health, Ministry of Agriculture and Forestry). From 2024 onwards, funding for non-profit activities has therefore been transferred in its entirety to be funded universally. The funding model and its effects on the budgeting of administrative branches will be specified further into their final form as preparation of the Government's proposal on the reform progresses.

According to the policy adopted at parliamentary level, the total level of funding allocated to grant activities for 2024 will be EUR 990 million and it is based on the ten-year real average of government grant funding in 2013–2022, plus funding allocated to veterans in 2022. In 2025 and 2026, the annual reduction in funding for veterans has been taken into account in determining the overall level of funding.

In the General Government Fiscal Plan, the level of funding for 2023 corresponds to the level of funding adopted for 2024. In its previous General Government Fiscal Plan for 2022–2025, the Government already decided to compensate beneficiaries for the decline in proceeds from profits on gambling activities in 2023 with a total of EUR 305 million. To reach the funding level of EUR 990 million, additional compensation of approximately EUR 38 million will now be allocated for this purpose. In the administrative branch of the Ministry of Social Affairs and Health, EUR 50 million of the compensation will be implemented by releasing unallocated proceeds.

Reallocation of spending limits expenditure from 2023

Of the EUR 370 million in permanent savings outlined in last spring's General Government Fiscal Plan, EUR 100 million was allocated to the administrative branch of the Ministry of Defence, the administrative branch of the Ministry of the Interior and R&D expenditure for which additional expenditure has been decided on in the General Government Fiscal Plan 2023–2026. The Government has decided that the EUR 370 million savings package will be implemented by lowering the spending limits level with regard to savings allocated in the previous General Government Fiscal Plan to the administrative branches of the Ministry of Defence and the Ministry of Interior (EUR 42 million) and by allocating the rest of the savings (EUR 328 million) to administrative branches. By administrative branch, the savings are allocated as follows:

- Prime Minister's Office EUR 2 million
- Ministry for Foreign Affairs EUR 40 million
- Ministry of Finance EUR 48 million
- Ministry of Agriculture and Forestry EUR 40 million
- Ministry of Transport and Communications EUR 127 million
- Ministry of Economic Affairs and Employment EUR 29.5 million
- Ministry of the Environment EUR 6.5 million
- Other, total EUR 35 million (EUR 20 million travel saving brought by digitalisation, EUR 10 million in office premises saving and a reduction of housing counselling provision by EUR 5 million).

Employment measures

On 11 February 2022, the Government made decisions on employment measures that will strengthen general government finances by EUR 110 million. The impact of the measures on central government expenditure during the spending limits period has been taken into account. The largest increase in expenditure relates to the 50% increase in the income limit for student financial aid permanently from 1 January 2023, which will have the effect of increasing expenditure by EUR 23.9 million in 2026. Restricting the right of the largest economic entities to 100% wage subsidy from 1 January 2023 will, on the other hand, reduce the appropriation for public employment and business services by EUR 10 million from 2023.

Sustainable Growth Programme for Finland

On 27 May 2021, Finland submitted to the Commission, for the utilisation of the EU's Recovery and Resilience Facility (RRF) funding, the National Recovery and Resilience Plan (RRP), which is part of the Sustainable Growth Programme for Finland. On 14 October 2021, the Commission gave its assessment of Finland's plan, and the implementing decision was adopted by the EU Council in October 2021.

In the plan submitted by Finland, the total amount of the investment proposals was EUR 2.084 billion, in addition to which a EUR 10 million increase was submitted to the Commission later for monitoring and audit costs in connection with the plan.

The General Government Fiscal Plan for 2023–2026 includes item-specific appropriations for the RRP in accordance with the overall appropriations of the RRP, but taking into account timing changes, and their consequent appropriation impacts, of authorisations decided in connection with the preparation of the 2022 budget proposal. Information on Finland's final allocation will be confirmed in July 2022, after which a decision will be made on a possible reduction in the appropriations for investment measures compared with those presented in the plan. Payments from the EU to the Finland will be based on the progress of the national plan and the achievement of the milestones and targets presented in it.

The General Government Fiscal Plan includes EUR 619 million in 2023, EUR 421 million in 2024, EUR 197 million in 2025 and EUR 75 million in 2026 of expenditure included in the National Recovery and Resilience Plan. Estimated revenue from the EU with regard to payments is EUR 0.5 billion in 2023 and EUR 0.4 billion annually in 2024–2026.

New central government collective agreement

An negotiated outcome on a central government collective agreement for the period 1 March 2022 to 29 February 2024 was reached on 28 February 2022 . The increase in appropriations for the new agreement is EUR 83 million, which has been taken into account in the General Government Fiscal Plan.

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 224 million in 2023–2026. In the planning period, the operating expenditure appropriations of the Prime Minister's Office will average EUR 138 million per year.

The change in the security environment in Europe requires the strengthening of the Government's crisis management and cyber security. The Prime Minister's Office is allocated EUR 1.0 million for the overall management of the Government and the crisis management included therein, and an average EUR 2.7 million per for the Government's preparedness for cyber security threats.

In accordance with the Government's premises plan, the intention is to carry out renovation and modernisation projects on Government premises in the Government Palace block and neighbouring blocks in 2023–2028. The rental costs related to the project for 2023–2026 have been taken into account in the operating expenditure of the Prime Minister's Office.

An appropriation of EUR 0.8 million in 2023 is allocated to the Prime Minister's Office for the investment arising from the renovation of the State Guest House as well as a permanent increase of EUR 0.99 million from 2026 onwards for rent after the renovation.

An annual EUR 0.45 million is earmarked for ongoing service expenditure for the meeting technology of the Foreign Service diplomatic mission network as well as for the funding of other changes and possible small investments.

Finland's contribution to the European Centre of Excellence for Countering Hybrid Threats will rise by EUR 0.12 million per year.

Ministry for Foreign Affairs

The annual appropriations of the main title of the Ministry of Foreign Affairs will be EUR 1.3–1.4 billion in the spending limits period.

Finland's foreign and security policy is based on good bilateral relations, cooperation and influence in the European Union as well as multilateral cooperation built on the rules-based international order and international law. The objectives of Finland's foreign and security policy are strengthening Finland's international position, safeguarding Finland's independence and territorial integrity, improving Finland's security and wellbeing and ensuring that Finnish society functions efficiently.

The activities of the Foreign Service rely on a comprehensive network of diplomatic missions abroad. During the parliamentary term, the goal has been to strengthen the network of diplomatic missions with regard to activities in critical areas. Strengthening the handling of immigration issues in the Ministry and diplomatic missions will continue, with a particular focus on work-based migration.

Finland will hold the Chair of the Barents Euro-Arctic Council (BEAC) in 2021–2023, the Presidency of Council of the Baltic Sea States (CBSS) in 2024–2025, the Chair of the OSCE in 2025 and Presidency of the Nordic Council of Ministers in 2026. In addition, Finland is a member of the UN Human Rights Council in 2022–2024 and is a candidate for a seat on the UN Security Council in 2029–2030. A total of EUR 21.5 million in 2023–2026 has been earmarked to cover expenditure related to the OSCE Chairmanship.

The Government's long-term goal is to allocate, in line with the UN commitments, 0.7% of GNI for development cooperation work. The level of appropriations for actual development cooperation will rise to nearly EUR 800 million in 2026. In the spending limits period, annual development cooperation appropriations will be approximately 0.45% of GNI.

The appropriations for crisis management take into account the policy outlines of the Government Programme, the Government Report on Finnish Foreign and Security Policy (2020), the National Strategy for Civilian Crisis Management (2014) and the Peace Mediation Action Programme (2011). In the spending limits period, the military crisis management appropriations will be EUR 53 million per year in the main title of the Ministry for Foreign Affairs. The operations in which Finland is participating are taken into account in the appropriations. The civilian crisis management appropriations will be approximately EUR 19 million per year in the spending limits period, which will enable a level of approximately 150 experts.

An appropriation of approximately EUR 3.0 million per year is allocated to Baltic Sea, Barents and Arctic Region cooperation in 2023–2026. Participating in regional cooperation is an important way for Finland to promote stability, security, sustainable development and economic cooperation opportunities in the Baltic Sea, Barents and Arctic Region.

Ministry of Justice

The level of appropriations of the main title of the Ministry of Justice will be approximately EUR 1.1 billion per year in the spending limits period.

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

In accordance with the Government Programme, a comprehensive reform of legislation governing sexual offences will be implemented, based on the principle of physical integrity and the right to sexual self-determination. Through the reform, new criminal cases would open to investigation by the police and the examination of the prosecutor and the courts. The tightening of punishment scales and the number of criminal cases estimated in the proposal would increase the number of prisoners. An appropriation of EUR 1.87 million in 2023 and a permanent increase of EUR 6.03 million from 2024 are allocated to the administrative branch of the Ministry of Justice for the reform of legislation governing sexual offences.

In accordance with the Government Programme, sufficient resources for the administration of justice will be ensured and measures will be taken to shorten the total length of judicial proceedings. An annual general increase of EUR 4 million corresponding to the increase in 2022 will be made to shorten prosecution and judicial proceedings. The general increase of EUR 0.45 million will be made for the operating expenditure of the Finnish Prosecution Service and a general increase EUR 3.55 million for the operating expenditure of other courts of law. An annual appropriation of EUR 3 million is allocated for 2023–2026 for shortening the proceedings for environmental, land use and construction cases in the administrative courts. To improve the legal security of asylum seekers, the resources of the Supreme Administrative Court will be strengthened annually by EUR 1 million and the resources of other courts of law by EUR 2.5 million. In addition, the impact of the wellbeing services counties, amounting to EUR 2.5 million in 2023, is also taken into account in the appropriations of the courts of law. In addition, an additional annual EUR 12 million will be allocated to securing the administration of justice.

A total of EUR 14.8 million will be allocated to the reform of the election information system in 2023–2026

The goal of Finland's strategy to promote financial literacy is that as many people as possible understand the importance of financial literacy and act in a sustainable way in their own finances. An annual additional appropriation of EUR 1.0 million corresponding to the appropriation in 2022 is earmarked for activities aimed at promoting financial literacy.

The security of prisons will be ensured and the special needs of female prisoners will be better taken into account. An annual increase of EUR 2 million is allocated to the operating costs of the Criminal Sanctions Agency.

Ministry of the Interior

The appropriations the main title of the Ministry of the Interior will be approximately EUR 2.29 billion in 2023, from which the level of appropriations will decrease in the spending limits period to EUR 1.81 billion in 2024 and to EUR 1.63 billion from 2025. Appropriations arising from the invasion of Ukraine and the deteriorating security environment have been increased, particularly for immigration and border security.

The objective is a safe and secure Finland built on the rule of law, strengthening a sense of security, and ensuring the operational capacity of the security authorities. In the spending limits period, preparations are also being made for additional appropriations in line with the implementation of the Government Report on Internal Security.

The Ministry of the Interior will be allocated permanent resources for the steering of the rescue services of the wellbeing services counties as well as for the steering of civilian intelligence activities and the supervision of legality of the Finnish Security Intelligence Service.

The development of Finland's crisis management policy will be continued in order to increase the effectiveness of operations. The present expenditure ceiling will be maintained in order to secure the number of experts and the resources for crisis management training (target 150 experts).

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

The Police appropriation level will secure the operational activities of the Police and ensure that the target of 7,500 person-years set for the Police is maintained. Compared with the previous spending limits decision, the appropriation for the operating expenditure of the Police will be increased by EUR 31.2 million in 2023, EUR 30.5 million in 2024 and EUR 28.9 million from 2025. In their activities, the Police will aim, in particular, to reduce offences against physical integrity and life or health, particularly offences against children as well as intimate partner violence and crimes most harmful to society. Community policing, control of heavy-vehicle traffic and measures to combat the shadow economy and economic crime will be continued. An appropriation of EUR 6.85 million is earmarked for the further development and implementation of the Multi-Agency Field Commanding System (KEJO) for the Police, rescue services, health and social services, the Border Guard, the Defence Forces and Customs.

The development of the activities of the Finnish Security and Intelligence Service into a national intelligence service will be continued as intended. The appropriation targeted for this work will finance the maintenance of performance capabilities and the transfer to new premises. The effective and appropriate application of the new intelligence legislation will be ensured. Due to the altered security situation, an increase of approximately EUR 5 million will be made to the appropriation level.

Planned funding for 2026 will be increased for the acquisition of two new offshore patrol vessels for the Border Guard. Significant additional resources will be allocated to increase the number of border guards and strengthen operational performance capabilities. An appropriation of EUR 163 million will be allocated to the procurement of surveillance aircraft and EUR 27 million for a technical surveillance system.

Rescue services will be reformed as part of the establishment of the wellbeing services counties. The reform will strengthen central government steering of rescue services, which will enable the provision of more uniform and more equal rescue services throughout the country. The reform will develop rescue services as a nationwide system.

In accordance with the Government Programme, the operations and capacity of the Emergency Response Centre Administration will be secured. An increase of approximately EUR 6.0 million in 2023, EUR 6.4 million in 2024 and EUR 3.5 million from 2025 will be allocated to the activities of the Emergency Response Centre Administration for, among other things, modernisation of the emergency messaging system and ensuring the level of the centre's activities.

A total of approximately EUR 592 million will be targeted in the spending limits period for the reception of refugees and asylum seekers arriving from Ukraine, and EUR 118 million in the spending limits period is correspondingly targeted for allowance to customers arriving from Ukraine. The resources of the Finnish Immigration Service will be increased in 2023 for the processing of applications arising from this.

Ministry of Defence

The appropriation level of the administrative branch of the Ministry of Defence will increase to approximately EUR 5.7 billion in 2023, and it will decrease by approximately EUR 479 million. to EUR 5.2 billion in 2026. The change in Finland's military operating environment requires long-term strengthening of defence capabilities as well as rapid additional short- and medium-term resourcing of the Defence Forces' appropriations. The effects of Russia's invasion of Ukraine will be long-lasting, and the security situation will remain tense and unpredictable. Spending limits appropriations include a total of EUR 4.8 billion for the share of the Air Force fighter project in 2023–2026 and a total of EUR 648 million for the Navy's Squadron 2020 project. These projects are in the implementation phase during the spending limits period. The previously front-loaded funding profile for the multirole fighter procurement has been changed to reflect the procurement decision. The declining level of funding of the Squadron 2020 project has been taken into account in the spending limits years 2024–2026.

Finland will maintain its credible national defence and ensure that sufficient resources are available for it. General conscription, a trained reserve, the defence of the entire country and a strong will for national defence will continue to be the foundation of Finland's defence. Finland's defence is developed in a long-term, systematic manner as a single entity. The maintenance and development priorities are maintaining defence capability and developing material readiness; implementing strategic projects and launching the introduction of new capabilities; maintaining national defence and other parts of the defence system during the implementation of strategic projects; and developing local defence and local forces. Development of defence ensures the ability to oversee all operating environments – land, sea, air, the cyber and information environment, and space. The resourcing of defence is examined in relation to changes in the operating environment and possible situation developments.

The level of military crisis management equipment and administrative expenditure will remain nearly at its current level in the spending limits period, i.e. at an annual level of approximately EUR 60 million. In addition to ongoing operations, Finland will strengthen its participation in international military crisis management, including UN operations and operations in Africa.

Voluntary National Defence Training is particularly supportive of local defence and is therefore significant addition to developing the performance capability of the Defence Forces. The annual discretionary government transfer intended to support national defence organisations will be increased by approximately EUR 3.2 million to a total of approximately EUR 8 million in order to meet the need for citizens to become more involved in voluntary national defence work and training.

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.

Ministry of Finance

The annual appropriation level of the main title of the Ministry of Finance will grow during the spending limits period from EUR 34.7 billion to approximately EUR 37.1 billion. From 2023 onwards, the appropriation level will be raised, in particular, by funding for the wellbeing services counties and Joint County Authority HUS related to the health and social services reform.

The annual operating expenses of the Tax Administration will be EUR 389–394 million. An appropriation of EUR 89 million will be allocated in 2023–2026 for the implementation and operation of a positive credit information register in accordance with the Government Programme and for the operation of the National Incomes Register. This amount does not include funding for the implementation and operation of the positive credit information register in 2024–2026, for which provision has been reserved, but the exact appropriation requirements for which are still to be specified.

An annual EUR 185–170 million is allocated 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.

Approximately EUR 7 million will be reserved to the Ministry of Finance in the spending limits period for the development of digital identity.

A total of EUR 8.8 million will be earmarked in the spending limits period for the piloting of data analysis activities during 2023–2025 and for the municipalities' spatial data project.

An appropriation of EUR 8 million will be allocated in 2023–2026 to the operating expenditure of the Digital and Population Data Services Agency for the development programme Strengthening Citizens' Legal Security through Digitalisation. Part of the project's funding may be estimated through the productivity item. A total of EUR 3.7 million will be allocated in 2023–2024 to the accelerated registration of foreigners and a total of EUR 6 million will be allocated in 2023–2025 to the health and social services sector for Suomi.fi services support.

To improve cyber security and strengthen the operation of society's critical information systems, approximately EUR 15 million will be allocated in the spending limits period to the administrative branch. The aforementioned includes the purchase in 2023 of information security services for centralised public administration from the Government ICT Centre Valtori (approximately EUR 5.5 million). Provision for funding these services from 2024 has also been made, and the intention is allocate the funding to agencies in question in connection with the technical spending limits decision.

The appropriation level for pensions and compensation in the main title of the Ministry of Finance will be EUR 5.2 billion annually, of which compensation will be EUR 37 million.

Finland's EU membership contribution is expected to rise from EUR 2.5 billion at the beginning of the spending limits period to EUR 2.7 billion in 2026.

Support for wellbeing services counties

Central government funding for the wellbeing services counties will be approximately EUR 21.4 billion in 2023. Compared to the previous General Government Fiscal Plan, the level of funding for the wellbeing services counties will increase by approximately EUR 315 million in 2023. The increase is primarily explained by an increase of approximately EUR 600 million in the costs of the health, social and rescue services being transferred from the municipalities to the wellbeing services counties. A total of EUR 21.2 billion in costs at the 2022 level related to health, social and rescue services will be transferred from the municipalities and joint municipal authorities. In addition to the change in the estimate of costs to be transferred, the level of funding for the wellbeing services counties will be increased by an index adjustment, a change in the growth estimate of the need for services, and funding for new and expanding tasks.

In accordance with the section 37 of the Act on the Funding of the Wellbeing Services Counties (617/2021), half of the January 2023 payment instalment for the funding of the wellbeing services counties in 2023 will be paid to the wellbeing services counties on 1 December 2022. As a result, approximately EUR 880 million has been deducted from the funding for the wellbeing services counties in 2023.

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

Support for municipalities

The central government transfer for municipalities' basic public services will be approximately EUR 2.7 billion in 2023. Compared with the spring 2021 General Government Fiscal Plan, the level of the central government transfer will rise by approximately EUR 400 million. The change is mainly explained by an adjustment (approximately EUR 344 million) to the expenditure level of the central government transfer included in the previous General Government Fiscal Plan. The level of the central government transfer will also be raised by an index increase in 2023 of 2.5%, and the resulting increase in the central government transfer will be approximately EUR 59 million. In addition, the central government transfer will be increased by approximately EUR 22 million in 2023 by a change in the municipalities' financial contribution to the basic social assistance (actual figure for 2021). On the other hand, the central government transfer will be reduced by the reallocations of the EUR 370 million package agreed by the Government.

The level of the central government transfer also takes into account a revised estimate of the central government transfer to be transferred to the wellbeing services counties, as a result of which central government transfer to be transferred to the wellbeing services counties will be approximately EUR 15 million more than in the previous General Government Fiscal Plan. From 2023, a total of approximately EUR 5.36 billion will be transferred from the central government transfer for basic public services to the financing of the wellbeing services counties in relation to the reform of health, social and rescue services, see Chapter 6 for more details.

As a result of the health and social services reform, an approximately EUR 22.5 million reduction related to the financial contribution for the Helicopter Emergency Medical Service, previously allocated to the central government transfer for the municipalities' basic public services, will be discontinued from 2023.

In 2023, compensation for tax revenue losses of EUR 806 million will be allocated to municipalities, including an increase of EUR 12 million compared with the previous General Government Fiscal Plan. The level of compensation takes into account a revised estimate of compensation to be transferred to the funding of the wellbeing services counties. In connection with the health and social services reform, a total of approximately EUR 1.94 billion in compensation for tax revenue losses payable to the municipalities will be transferred from 2023 to the financing of the wellbeing services counties. The amount of compensation for tax revenue losses transferred to the financing of the wellbeing services counties will increase by EUR 104 million compared to the previous General Government Fiscal Plan.

For more comprehensive information on basic public services organised by the municipalities and their funding, see Chapter 7. Local government finances.

Ministry of Education and Culture

The annual appropriation level of the main title of the Ministry of Education and Culture will average EUR 7.4 billion during the spending limits period.

Expenditure by the Ministry of Education and Culture and its administrative branch agencies has increased in recent years and, despite adjustment measures, operating expenditure has been in deficit. The Ministry of Education and Culture has launched a project to ensure the quality and availability of administrative branch services. Adjusting the administration expenditure of the administrative branch towards the future level of appropriations will also require a reform of the administrative branch agency structure in order to increase productivity. In addition, an appropriation increase of EUR 0.5 million in 2023 and an increase of EUR 0.8 million from 2024 will be allocated during the spending limits period to safeguard the operating conditions of the Ministry.

In accordance with earlier decisions, an annual EUR 15 million in permanent funding will be allocated to the support model for early childhood education. During the spending limits period, an additional EUR 1 million will be allocated for the maintenance of the quality assessment system and learning outcomes assessment system for pre-primary and basic education and early childhood education. Preparations are being made for the establishment of an operating model for engaged school community work.

In accordance with earlier decisions, EUR 102 million in 2023 and EUR 129 million per year from 2024 will be reserved for the extension of compulsory education and the implementation of free upper secondary education. The strengthening of student welfare services will be continued.

An appropriation of EUR 50 million per year from 2023 will be allocated to reinforce the funding base for vocational education and training.

In 2023–2024, in accordance with earlier decisions, EUR 5 million per year will be allocated to a pilot for the reform of training compensation in apprenticeships. To meet the change in minimum staffing level for care personnel, EUR 30 million in 2023 and EUR 16,5 million in 2024 will be allocated to the education and training of new practical nurses.

With regard to study grants, student's personal income limits will be raised by 50% from 2023, which will increase the appropriation level by EUR 23.9 million by 2026.

An appropriation of EUR 5.8 million will be allocated in 2024 for equipping and furnishing the new premises of the National Museum of Finland. An appropriation of EUR 80,000 in 2025 and EUR 270,000 in 2026 will be allocated to the rent increase arising from the centralisation of the operations of the Finnish Heritage Agency.

The central government has reserved EUR 14.4 million in the spending limits period to fund the European Capital of Culture 2026 project.

The appropriation level for compensation for private copying will be increased by EUR 4 million to EUR 11 million in 2023–2026.

The implementation of the Report on Sports Policy will be carried out in line with the previous spending limits decision. In accordance with earlier decisions, an annual increase of EUR 2 million is allocated in the spending limits period to support young people's workshop activities.

Under the new funding model adopted at parliamentary level for non-profit activities financed by proceeds from profits on gambling activities, the aforementioned expenditure will be transferred to expenditure within the spending limits from 2023 onwards, regardless of the source of funding and deviating from the spending limits rules outlined in the Government Programme. In the administrative branch of the Ministry of Education and Culture, compensation of EUR 20.2 million will be allocated in 2023 to beneficiaries of proceeds from gambling activities, in addition to the EUR 118.3 million already decided. In addition, as part of the compensation package, the lottery tax will be reduced, the effect of which in the main title of education and culture will be EUR 42.4 million.

Funding under the Sustainable Growth Programme for Finland from the main title of the Ministry of Education and Culture will be allocated in 2023–2026 to the Academy of Finland's research authorisation for implementing local and national infrastructures, to R&D activity supporting the green transition and to boosting key sectors and strengthening competence, to increasing starting places in tertiary education, to reforming lifelong learning and implementing the lifelong learning digitalisation programme, and to structural support for culture and arts.

As part of the central government's R&D package, the Academy of Finland's research project authorisation will be increased by EUR 146.5 million from 2023 In addition, an authorisation of EUR 10 million will be allocated in 2023 for the national co-financing of EuroHPC activities. The Strategic Research Council (SRC) authorisation will be increased by EUR 25 million compared with the previous spending limits. Allocations of EUR 7.5 million in 2023, EUR 12 million in 2024 and EUR 15 million per year from 2025 will be made to the funding of the CSC's research infrastructure. An allocation of EUR 5 million will be made from 2023 to strengthen the R&D activities of the universities of applied sciences.

In order to help refugees arriving from Ukraine, EUR 60 million in 2023 will be reserved to compensate municipalities for the costs arising from organising early childhood education, and EUR 120 million in 2023 and EUR 48 million in 2024 for preparatory education for basic education. In addition, EUR 2.5 million per year in the spending limits period will be reserved for Finnish and Swedish language education as well as EUR 5 million in 2023, EUR 4 million in 2024 and EUR 3 million in 2025 for integration training. There is a high uncertainty associated with the expenditure allocated to helping Ukrainian refugees. The appropriation requirement depends on, among other things, the number of arrivals and their age and need for services. The appropriations will be revised in the budget process.

Ministry of Agriculture and Forestry

Annual appropriations of the main title of the Ministry of Agriculture and Forestry will average approximately EUR 2.6 billion in the spending limits period.

Measures in accordance with the Government Programme will be continued in the spending limits period, the most significant of which relate to climate policy measures of the land-use sector, climate-resilient food policy, safeguarding biodiversity, water management, flood protection and reducing loading of waterways. As part of the Government's expenditure on security of supply and energy self-sufficiency, appropriations aimed at reducing dependence on fossil energy and other imported inputs will be allocated for 2023.

The reallocations of spending limits expenditure agreed by the Government will reduce the appropriation level of the administrative branch of the Ministry of Agriculture and Forestry by EUR 40 million from 2023. The savings will be allocated to a number of expenditure items. The savings will have no effect on the level of farmer support allocated to food production.

An agriculture and rural development support system for 2023–2027 in line with Finland's CAP plan will be introduced from the beginning of 2023. The support system has been prepared taking into account the objectives of the EU's Common Agricultural and Rural Policy, the priorities of the Government Programme, and the most efficient and appropriate allocation of available funding. The European Commission's approval of Finland's CAP plan is expected during the autumn 2022.

Annual funding of EUR 1.5 million per year will be allocated to additional tasks in accordance with the new Climate Act.

The development of the Residential and Commercial Property Information System apartment will continue. During the spending limits period, strategic development projects will focus on digital services.

Research in the administrative branch of the Ministry of Agriculture and Forestry will be strengthened, particularly in the themes supporting climate policy in the land use sector. Active participation in the preparation of the implementation of the EU's Research Framework Programme will continue, and opportunities utilised for international research cooperation.

Ministry of Transport and Communications

The appropriations of the main title of the Ministry of Transport and Communications will average EUR 3.3 billion per year in the spending limits period 2023–2026.

Appropriations in accordance with the EU's Recovery and Resilience Plan will be allocated to the operating expenditure of the Ministry of Transport and Communications: EUR 1 million per year in 2023–2025 for cyber security exercises and a total of EUR 2 million in 2023–2024 for cyber security research. In addition, as part of the cyber security package, the Ministry will be allocated additional funding of EUR 3.4 million for 2023–2025 and EUR 0.4 million for 2026.

An increase, amounting to approximately EUR 8.1 million in 2023 and approximately EUR 9.8 million in 2026, will be allocated to the operating expenditure item of the Finnish Transport and Communications Agency in all years of the spending limits period. Of the agency's annual additional funding, approximately EUR 4 million is an increase for improving cyber security.

The Finnish Meteorological Institute will be allocated EUR 0.25 million for the establishment of space situational awareness.

In transport infrastructure maintenance, priority will be given to measures required to ensure the daily functioning of the transport network as well as halting and reducing the growth of the repair debt. Maintenance and development of the transport network will be enhanced by, among other things, better utilisation of information, using new methods of surveying the condition of the network, and the full introduction of information modelling. Transport network planning will be developed in accordance with the National Transport System Plan (Transport 12) by taking into account the impacts of digitalisation and automation on the transport system and traffic volumes of the future.

Grants for private roads will be increased by EUR 10 million in 2023 to ensure security of supply.

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

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

A total of EUR 6 million related to the Government's energy self-sufficiency and security of supply package will be allocated in 2023 to procurement and conversion subsidies for electric vehicles, of which EUR 1.5 million for vans and EUR 1 million for lorries in accordance with the guidelines of the logistics sector support package. The remaining EUR 3.5 million will be allocated to passenger cars. In addition, EUR 2.5 million will be allocated from the EU Recovery and Resilience Plan, of which part will be allocated to an electricity vehicle procurement subsidy for cars and lorries and part to conversion aid for cars, lorries and vans.

An annual appropriation of EUR 15 million will be allocated to fixed-term distribution support for newspapers.

The transfer to the State Television and Radio Fund will be EUR 569 million per year in the spending limits period.

In addition to the EUR 110 million decided on the 2022–2025, the administrative branch is allocated an annual saving of EUR 17 million, a more detailed allocation of which will be decided in connection with the 2023 Budget.

Ministry of Economic Affairs and Employment

The appropriations of the main title of the Ministry of Economic Affairs and Employment will total EUR 3.7 billion in 2023, declining in the spending limits period to EUR 3.2 billion in 2026.

The operating expenditure of Centres for Economic Development, Transport and the Environment (ELY Centres) will be permanently increased by EUR 4.5 million from 2023. Of the increase, EUR 1.2 million will arise from the implementation of the Climate Act with regard to the land use sector and adaptation, EUR 1.7 million from the monitoring required by the CAP27 reform and EUR 1.575 million from additional tasks due to the reform of the Nature Conservation Act. In addition, operating expenditure will be increased on a fixed-term basis by EUR 1.6 million in 2023 and 2024 for contract processing related to environmental agreements as well as EUR 4.1 million in 2023–2025 to increase resources for environmental permit procedures.

EUR 2.1 million will be transferred to the operating expenses of the Employment and Economic Development (TE) Offices for expenditure arising from the continuation of municipal employment pilot projects.

The operating expenditure of the Finnish Safety and Chemicals Agency will be increased by EUR 0.98 million from 2023 for market surveillance tasks under the Environmental Protection and End-of-Life Vehicles Directives and to ensure efficient licensing.

An appropriation of EUR 10.7 million in 2023 and EUR 7.7 million in 2024 will be transferred on a one-off basis to the item 'Development of digitalisation' from the operating expenditure of administrative branch agencies. The transfers will finance key administrative branch information system reforms promoting digitalisation as well as digitalisation projects for the development of digital services. In addition, a one-off transfer of EUR 20 million will be made in 2023–2024 from public employment and business services to finance the TE-DIGI project. A one-off EUR 1.5 million will be allocated in 2023 to the development of the Licensing and supervision project.

Business Finland's operating expenditure will be increased by approximately EUR 30 million on a one-off basis in the spending limits period for the implementation of the EU's Recovery and Resilience Plan.

A transfer of EUR 1.9 million will be made to the item 'Promoting energy efficiency and use of renewable energy' from energy subsidies to the continuation of regional energy information and advice as well as information and advice on the EU's tightening energy efficiency target for 2030.

The authorisation to support research, development and innovation activity will be EUR 474 million in 2023 and EUR 380 million in the following years. As part of the central government's R&D funding package, a permanent increase of EUR 63 million will be made in the authorisation and a one-off increase of EUR 60 million made in 2023 for funding of business driver activities. Of the increase in the authorisation, EUR 34 million will arise in 2023 from the implementation of the EU's Recovery and Resilience Plan.

The energy subsidy grant authorisation will be EUR 315 million in 2023 and EUR 28 million in 2024–2026. The 2023 authorisation includes EUR 62 million of funding from the Sustainable Growth Programme for Finland for investments in energy infrastructures, new energy technology, low-carbon hydrogen and the electrification and low-carbonisation of industry. The 2023 authorisation will be increased by EUR 225 million for expenditure to strengthen energy self-sufficiency and security of supply.

The estimated appropriation level for the renewable energy production subsidy will be approximately EUR 310 million in 2023, decreasing by EUR 46 million during the spending limits period due to withdrawn wind power capacity.

The subsidy for the electrification of energy-intensive companies will be EUR 150 million per year, including an increase of EUR 28–37 million per year compared with the previous General Government Fiscal Plan due to an increase in the price of emission allowances.

An appropriation of EUR 12.9 million has been allocated to support for public EV charging infrastructure and gas refuelling network, of which EUR 6.4 million in 2023 is funding under the EU's Recovery and Resilience Plan.

As part of employment measures, changes required by EU state aid regulations will be made to the wage subsidy and the right of the largest economic entities to use a 100% wage subsidy would be restricted, reducing the need for public employment and business services by EUR 10 million from 2023.

Appropriations will be allocated to promote the employment of people over 55 years old. From 2023, change security training as well as support for the return to work of those over 55 years old will be introduced. In addition, subsidies paid for wage costs during the period of municipalities' obligatory employment would be budgeted for the item. These are currently part of wage subsidy expenditure. For the above-mentioned purposes, a total of EUR 58.5 million will be allocated in 2023 and 2024 as well as EUR 60.6 million in 2025 and EUR 62.8 million in 2026. The increase in expenditure from 2025 is due to the removal of additional days, which will gradually increase obligatory employment expenditure in 2025–2029. The change security training (EUR 22 million) is financed by the Employment Fund, the revenue from which has been taken into account in revenue item 12.32.99 of the main title of the Ministry of Economic Affairs and Employment. The remaining part of financing for the package is a transfer from appropriation items 32.30.51, 33.20.50 and 33.20.52.

The estimated appropriation for EU Structural Funds has been increased by EUR 68 million in 2023, EUR 26 million in 2024, EUR 36 million in 2025 and EUR 36 million in 2026, due to rebudgeting payments for authorisations released for the 2014–2020 programme period, REACT-EU funding and based on revised calculations for the 2021–2027 programme period. The Structural Fund grant authorisation will be EUR 531.9 million in 2023, EUR 389.5 million in 2024, EUR 386.5 million in 2025 and EUR 381.5 million in 2026.

Finnvera's loss compensation will be on average EUR 66 million per year. The appropriation allocated to loss compensation has been reduced by EUR 126 million in 2023 and EUR 112 million in years 2024–2026 as result of a decrease in loss compensation provisions, which had increased due to the coronavirus pandemic.

An appropriation of EUR 5.9 million will be allocated at the beginning of the spending limits period to the integration of immigrants and the promotion of work-based immigration, and this will gradually increase to EUR 18.6 million in 2026. Funding for immigrant counselling and advice points and for the municipalities' multidisciplinary centres of expertise will be continued. An appropriation of EUR 1.7 million in 2024 and EUR 10.7 million from 2025 will be allocated for additional proposals for the comprehensive reform of the Integration Act.

The annual appropriations earmarked for central government compensation for integration will be approximately EUR 170–190 million during the spending limits period. This is approximately EUR 20–45 million more than in the previous spending limits decision. The appropriation requirement will be increased by, in particular, the increase in the estimated number of asylum seekers. In addition, the appropriation requirement will be increased by the increase in the refugee quota for 2022 to 1,500 persons and the costs associated with people evacuated from Afghanistan, the combined annual impact of which will be approximately EUR 4–10 million.

Ministry of Social Affairs and Health

The appropriation level of the main title of the Ministry of Social Affairs and Health will be EUR 15.6 billion at the beginning of the spending limits period, falling to EUR 15.4 billion at the end of the spending limits period. Compared with the previous spending limits decision, the appropriation level will rise by EUR 200 million at the beginning of the spending limits period and approximately EUR 300 million at the end of the spending limits period. The appropriation level is impacted by cyclical factors as well as, among other things, cyber security development measures.

An appropriation increase totalling EUR 4 million will be allocated in the spending limits period to the Ministry of Social Affairs and Health for the steering of the wellbeing services counties as well as an appropriation increase of EUR 2 million for the preparation of the social security reform.

An additional appropriation totalling EUR 32 million is allocated in the spending limits period to the continuity and development of national electronic client information system services in healthcare and social welfare. Of the increase, approximately EUR 16 million arises from measures aimed at improving cyber security.

An increase totalling EUR 2 million is allocated in the spending limits period to the Social and Health Data Permit Authority (Findata) to secure and develop the authority's activities. An allocation of EUR 2.2 million is made as a permanent appropriation level.

The linear model for partial disability pension will be introduced at the beginning of 2025. In the model, the disability pension would gradually decrease as earnings exceed the protected component. The model is expected to increase the central government-funded expenditure of the Social Insurance Institution of Finland (Kela) by approximately EUR 8 million.

The rehabilitation needs of long-term recipients of sickness allowance will be investigated more intensively. In the future, rehabilitation needs will also be clarified when sickness allowance has been paid for 150 and 230 days. It is estimated that there will be approximately 500 new recipients of a rehabilitation decision per year, which will increase annual costs by EUR 0.5 million.

A monthly protected component of EUR 300 has been introduced in the conscript's allowance. The impact on benefit expenditure will be EUR 0.3 million per year.

As part of the Government's employment measures, copyright compensation conciliation will be abolished when the right to unemployment security is assessed. This will increase the central government's unemployment security costs by an estimated EUR 1 million.

Approximately EUR 510 million per year will be allocated to Kela's operating expenditure. Approximately EUR 55 million of the additional funding is included for the development of benefit systems and e-services as part of the cyber security package.

The level of the front-line veterans' rehabilitation appropriation has again been set such that the level of the annual appropriation available for rehabilitation secures for veterans the provision of services to the elderly. Due to a reduction in the number of veterans, the appropriation requirement will fall from EUR 156.8 million at the beginning of the spending limits period to EUR 122.8 million at the end of the spending limits period.

From the EU's Recovery and Resilience Plan funding, EUR 110 million in 2023, EUR 90 million in 2024 and EUR 30 million in 2025 will be allocated to reducing the health and social services care, rehabilitation and service backlog, and to speed up access to care. In addition, RRP funding of EUR 8.5 million in 2023 and EUR 6.5 million in 2024 will be allocated for work ability support services as well as measures to strengthen mental health and work ability.

A general increase of EUR 5 million is allocated from 2023 to central government funding for health care units' university-level research and for university-level research in social work as well as an EUR 96 million annual appropriation to central government reimbursement for specialised training of healthcare and social welfare personnel.

A total of EUR 24.6 million will be allocated to the financing of shelters. An annual appropriation of EUR 2.8 million will be allocated in 2023–2025 for the consolidation of the Children's Advocacy Centre operating model.

A discretionary government transfer of EUR 36.6 million per year will be allocated to the administration and flight operations expenditure of FinnHEMS Oy, the Helicopter Emergency Medical Service.

An appropriation of EUR 1 million will be allocated in 2023 to the Finnish Student Health Service to improve the maximum waiting time for access to care as well as to strengthen mental health services in order to improve students' coping and study ability.

Under the new funding model adopted at parliamentary level for non-profit activities financed by proceeds from profits on gambling activities, the aforementioned expenditure will be transferred to expenditure within the spending limits from 2023 onwards, regardless of the source of funding and deviating from the spending limits rules outlined in the Government Programme. An appropriation of EUR 47.6 million in accordance with the spring 2021 spending limits decision and an additional EUR 16.7 million for 2023 will be allocated as so-called budget compensation to grants for communities and foundations to promote health and social wellbeing.

A supplementary appropriation will be allocated to administrative branch agencies and institutions in the spending limits period, aimed at strengthening, for example, resources for management, preparedness and capabilities of the wellbeing services counties. Certain additions have been taken into account in the spending limits period, for example EUR 5.6 million for national quality register activities, a total of approximately EUR 1.8 to Valvira for supervision tasks, a total of approximately EUR 4.5 million to the Finnish Institute for Health and Welfare to detect cyber attacks and incidents as well as infrastructure modernisation, and a total of approximately EUR 2 million to Findata for securing statutory core activities.

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

Ministry of the Environment

The overall level of the appropriations of the main title of the Ministry of the Environment will be EUR 318 million in 2023 and EUR 216 million per year in 2024–2026. Alongside central government on-budget appropriations, 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.

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, approximately EUR 98 million per year in appropriations will be allocated to nature conservation during the spending limits period. In the protection of the Baltic Sea and inland waters, the implementation of the waterways and marine management action programmes as well as the nutrient recycling programme will be continued. A total of EU 6 million of EU funding will be allocated to gypsum treatment of arable land and nutrient recycling. In addition, as part of the agricultural security of supply package, EUR 30 million will be allocated to nutrient recycling in 2023.

In the administrative branch of the Ministry of the Environment, EUR 0.5 million per year will be allocated in the spending limits period to the implementation of the Climate Act. An appropriation is earmarked for a change in the role of municipalities under the Climate Act: additional funding of EUR 3 million per year will be allocated in the spending limits period to climate measures. Approximately EUR 2.3 million per year will be allocated in the spending limits period to prevention and clean-up of environmental damage, of which EUR 0.9 million per year will be used to prevent environmental damage at the Hitura mine. An appropriation EUR 0.68 million in 2023 and EUR 0.17 million per year in subsequent years is earmarked for implementation tasks related to the establishment of the Environmental Damage Fund. Maintenance of the Materiaalitori will be funded with EUR 0.11 million per year in 2023–2025, during which time the possibility of funding maintenance with fee income will be re-evaluated. Approximately EUR 0.7 million in 2023 and EUR 0.6 million per year in 2024–2026 will be added to the official resources required for the implementation of the Waste Act. A total of EUR 1.05 million in additional funding is earmarked for the implementation of the waste and product information system in EUR 2023–2025. The monitoring and loading information system is being prepared for development primarily through productivity financing. An annual allocation of EUR 0.3 million will be made in the spending limits period for the establishment of a demolition material waste register. Funding of EUR 2.3 million will be allocated in 2023 to the built environment information system.

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

Older people's ability to live at home, building inspections and the retro-fitting of lifts will be supported with repair grants, to which will be allocated from the National Housing Fund and the Budget a total of EUR 16.1 million in 2023. From 2024, EUR 14.6 million will be earmarked for the repair grants and this will be financed entirely from the Budget. An annual appropriation of EUR 4.3 million will be allocated to prepare for the placement of housing counselling on a statutory basis. A total of EUR 70 million in energy grants will be allocated in 2023 from the National Housing Fund to promote energy efficiency and the transition to low-temperature district heating.

Allocations of EUR 11 million in 2023 will be made to support the EV charging infrastructure in residential buildings and of EUR 1.5 million in 2023 at workplaces. Part of the appropriations will be funded from the EU's RRF. An allocation totalling EUR 41.8 million from both EU funding and national funding will be made in 2023 to grants for relinquishing fossil oil-fired heating in low-rise housing. The grants will be extended to cover the relinquishment of natural gas as a heating solution and it will also be possible to receive a grant when switching to district heating. EU funding of EUR 2 million will be allocated in 2023 to the low-carbon built environment programme.

5.3.2. Central government key information system projects and administration

Key information system projects

Due to Russia's war of aggression, additional expenditure is allocated in the General Government Fiscal Plan for, among other things, cyber security. These appropriation increases are discussed in section 5.3. and by administrative sector in section 5.3.1.

In the spending limits, approximately EUR 10 million has been allocated in 2023–2026 for key information system and information management projects as well as other productivity projects in the administrative branches.

The key information system projects under way include the Government Transfer Activities' development and digitalisation project, the modernisation of the Legal Register Centre's case management system, the Finnish Food Authority's project 'Development of electronic transactions in the food chain' and information systems for the CAP 27 reform. Administrative branch-specific projects and policies are also discussed in section 5.3.1 and entities related to the wellbeing services counties in Chapter 6.

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

In addition, a total of approximately EUR 74 million in 2023–2026 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 2023–2026 for electronic identification.

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) and by developing operating practices and central government's shared financial and HR administration information systems. Ministries, agencies and institutions will continue changes supporting the productivity development of financial and HR services as well as increasing the use of services provided by Palkeet Centre. In addition, the Ministry of Finance will designate the employees' advice service as a basic service through decree issued in 2023.

Development and automation of the Palkeet Centre's production processes will be continued by, among other things, expanding the use of robotic process automation and introducing new services. The benefits of the Handi solution, which has been introduced in all central government agencies and institutions, will be realised by enhancing the ordering and invoicing process. Agencies and Palkeet Centre will continue goal-oriented development of central government HR administration. The aim is to boost the efficiency of central government HR functions by 304 person-years from the 2018 level by 2029. Palkeet will further develop the accessibility and functionality of the Kieku information system in preparation for an upgrade in accordance with the Palkeet development roadmap. During the spending limits period, a significant and necessary technology renewal (SAP system) of the Kieku information system will be implemented. The Kieku system will be updated in accordance with the system architecture development plan. In addition, the central government recruitment service platform and human resources research service will be modernised.

Developing central government procurement

The Procurement Finland programme has prepared a National Public Procurement Strategy, which drives the development of central government procurement. Development measures cover all public sector procurement. Ministries, agencies and unincorporated state-owned enterprises implement action plans prepared in the administrative branches. The administrative branches recognise the significance and role of the public procurement strategy in the implementation of the goals of the Government Programme utilise performance management as a steering mechanism, where applicable. The objectives of the public procurement strategy also apply to the new wellbeing services counties. The wellbeing services counties will be supported in building and developing procurement, particularly from the perspective of knowledge-based management and development of effectiveness, providing data to support the strategic management of procurement.

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

Procurement units assess their own competence with a common public sector competence assessment tool, which enables the systematic development of competence in support of the organisation's strategic objectives. 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. 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 central government's new real estate and premises strategies were adopted as government resolutions in December 2021. The real estate strategy based on the management and administration of the central government's real estate assets in an efficient, sustainable manner that safeguards the overall interest of the state, which takes into account, among other things, cultural heritage and overall security. The sale of state property is subject to transparent and non-discriminatory procedures. The real estate assets for sale are mainly assets released from the state's own operating needs. State's real estate actors set goals to reduce their climate burden and adapt to climate change.

The goal of the premises strategy is that the premises support productive activity. Development of the premises promotes efficient work and services and improves cost efficiency. Social, ecological and economic sustainability is ensured in spatial solutions.

The increase in teleworking and multi-location work is affecting the use of premises and the need for premises. By the end of the decade, the goal is extensive 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.

The programme aimed at improving the efficiency of central government premises use, decided on in an earlier parliamentary term, will be continued according to plan until 2029 with a target total cost saving of EUR 150 million. In line with the premises strategy, the goal is also to reduce premises costs where possible. In the spending limits period, the level of premises investments will be increased, moreover, by a number of large renovation and new construction projects, such as construction required by the procurement of new multirole fighter aircraft and premises projects for the security authorities.

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

Coordinating services and premises project package

The central government's regional presence, the services and premises network reform, multi-location working and the premises strategy will be promoted in line with the goals of the Government Programme as a single strategic project package. The reforms will partly implement the Public Governance Strategy as well as regional presence legislation and the government resolution on the central government premises strategy. The guiding principles of the services and premises network reform include the primacy of digital service channels whenever possible, combining the visiting services of different central government authorities into shared public sector customer service points in cooperation with Kela and the municipalities, more flexible arrangement of service provision corresponding to actual customer needs in terms of time and place, and strengthening opportunities for flexible and multi-location working, for example by increasing shared premises intended for teleworking in different parts of Finland. The changes aim to strengthen the availability and accessibility of services while safeguarding citizens' fundamental and language rights. The Government will confirm its policy outlines in a statutory plan to be submitted for approval in spring 2022 on the criteria for the availability of central government services and the location of functions.

Savings in administrative expenditure

As part of the solutions of the mid-term policy review, savings will be made in travel and premises expenditure in all administrative branches. The saving in travel expenditure will be an annual EUR 20 million and the annual saving in premises expenditure will be EUR 10 million. The aforementioned savings package is also discussed in Section 5.3.

Based on the digitalisation and productivity development of central government functions, all central government operating expenditure has been reduced as of 2020. In 2023, the reduction in operating expenditure will be EUR 73 million. The reductions will not be continued after 2023.

5.4 On-budget revenue

In 2023, on-budget revenue is expected to be EUR 72.2 billion. The share of actual on-budget revenue accounted for by tax revenue will rise to 90% at the end of the spending limits period. The tax revenue estimate is based on a medium-term assessment of macroeconomic development. The tax criteria changes announced in the Government Programme revenue have been taken into account in the tax revenue estimates. Actual on-budget revenue as well as tax revenue will be increased by the establishment of the wellbeing services counties in 2023. Central government tax revenues will grow in 2023–2026 by an estimated nearly 3% per year, excluding the effects of the establishment of the wellbeing services counties.

Tax criteria changes

The most of the tax policy measures of Prime Minister Marin's Government Programme have already been implemented at this stage of the parliamentary term, but some are yet to implemented in 2023. In addition, the Government has made tax criteria changes outside the Government Programme, such as the introduction of accelerated depreciation of movable fixed assets for 2020–2025.

The most significant change in tax criteria affecting tax revenue will be the health and social services reform, which enters into force in 2023. In connection with the reform, responsibility for organising health, social and rescue services will be transferred from the municipalities to the wellbeing services counties, and responsibility for financing the services from the municipalities to the central government. The municipalities' revenue will be reduced by decreasing, commensurately with the transferred costs, central government transfers, compensation for tax revenue losses, the municipalities' share of corporate tax revenue, and municipal income tax. The central government's share of corporate tax revenue will grow and central government earned income taxation will be increased to correspond with the reduction of municipal income tax. In total, municipal tax revenues will be cut in 2023 by approximately EUR 14.9 billion and central government tax revenues will be increased by approximately EUR 14.6 billion. To ensure that taxation on earned income does not increase as a result of the health and social services tax reform, central government taxation on earned income will be reduced by approximately EUR 0.3 billion. In order to alleviate the economic situation during the coronavirus pandemic, a temporary easing of tax payment arrangements was implemented, as a result of which tax receipts will be shifted from 2020 and 2021 to 2022 and 2023. The measure is expected to increase central government tax revenue by a total of approximately EUR 130 million in 2023.

Other tax criteria changes included in the General Government Fiscal Plan are, among others, an additional deduction for R&D activities and an increased earned income tax credit for elderly, both of which will take effect from 2023.

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

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

	2023	2024	2025	2026
Index adjustment of earned income taxation	-388	-403	-419	-434
Increased earned income tax credit for elderly	-78			
Fixed-term increase of the household expenses tax credit for household, care and nursing work (2022–2023)	-40[1]			
Abolition of solidarity tax		-103		
Abolition of the disability credit in central government taxation	11			
Impact of health and social services reform on earned and capital income tax revenue	13 688			
Health and social services reform tax reduction in central government earned income taxation	-297			
Capital gains tax	25			
Additional deduction for R&D activities	-100			
Ending of accelerated depreciation of movable fixed assets (2020–2025)				397
Impact of health and social services reform on central government corporate tax revenue	854			
Increase in tax on tobacco	59			
Elimination of tax expenditure for paraffinic diesel	43			
Lottery tax reduction (2022–2023)	16	73		
Taxation of gains on real estate investments	15			
Mining tax	10			
Impact on tax receipts of tax payment arrangements	130			

[1)] Fixed-term, ends in 2024.

Development of tax revenue 2023–2026

The **earned and capital income tax** base is estimated to have grown by 4.9% in 2021. In 2022, the tax base is expected to grow by 2.5% and from 2023 by an average of 3.1% per year during the spending limits period. Wage income is expected to grow by 3.6% in 2022 and 3.3% in 2023, after which wage income growth will slow slightly as employment growth decelerates, and will be 3.0% at the end of the spending limits period. Pension income will grow in the spending limits period slightly faster than wage income as the number of those of pensionable age grows and the pension system matures. Capital income is estimated to have grown by 17.2% in 2021. In 2022, capital income is projected to decline by 2.8% as a result of the uncertainty caused by the war in Ukraine. In 2023, capital income is expected to grow by 2.8% and thereafter in the spending limits period by 2.7% per year. The entries in Prime Minister Marin's Government Programme, including the tax reform associated with the health and social services reform in 2023 and other known tax criteria changes, have been taken into account in the earned and capital income tax revenue estimate. The Government has decided that an increased earned income tax credit for elderly will take effect in 2023. The tax revenues for the spending limits period will also be impacted by fixed-term changes that took effect earlier. The tax revenue estimates for 2024–2026 include, as a technical assumption, an index adjustment of earned income taxation.

Corporate tax revenue as a whole is expected to increase in 2022–2025, mainly in line with the operating surplus according to national accounts, on average by 4.9% per year. The entries in Prime Minister Marin's Government Programme, including the tax reform associated with the health and social services reform in 2023 and other known tax criteria changes, have been taken into account in the corporate tax revenue estimate. The tax revenue estimate includes, from 2023, the additional deduction for research and development expenses from 2023, the tax revenue-reducing impact of which is estimated, at this stage, to EUR 100 million on an annual basis. In addition to the aforementioned changes, it has been decided to further tighten the interest deduction limitation rule. The tax revenue-increasing effects of this change are estimated, at this stage, to be small. The provisions of the proposed directive to introduce a global minimum level of taxation for large corporate groups are expected to increase tax revenues over the spending limits period. There is as yet no estimate of the magnitude of its impact.

Value-added tax (VAT) revenue is projected to grow on average by 3.0% in 2023–2026. VAT revenue will grow in 2023 by an estimated 3.1%. Thereafter, tax revenue is forecast to grow by 2–4% per year. The VAT revenue growth forecast is mainly based on estimates of the development of household consumption expenditure. The easing of payment arrangements related to certain taxes due in 2020 and 2021 is expected to increase central government VAT revenue by EUR 105 million in 2023.

Overall, revenue from **excise duties** is projected to decline in 2023–2026 by an average of 1.6% per year. The decline is explained by the decrease in energy tax revenues, which is on average 3% per year. Revenue from excise duties in the spending limits period will be boosted by increases in tobacco tax and the elimination of the tax subsidy on paraffinic diesel. The revenue from excise duties will also be increased by the temporary reduction of the distribution obligation.

Revenues from excise duties will be reduced by a decrease in taxable consumption and, in the case of energy taxation also by, for example, an increase in the proportion of more lightly taxed biofuels and electricity.

Car tax revenue is projected to fall by an average of 14.3% 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. The amount of car tax depends on the general retail sales value of the car as well as on the car's carbon dioxide emissions rating, so an increase in the share of sales accounted for by low-emission vehicles lowers the average car tax.

The **motor vehicle tax** consists of a basic tax, levied on the basis of carbon dioxide emissions, and a propelling force tax, levied for cars, vans and lorries that use some other fuel than petrol. Motor vehicle tax revenue is expected to decrease by an average of 3.5% per year, mainly due to a fall in the average carbon dioxide emissions rating of the vehicle stock.

Lottery tax revenues accrue mainly from lotteries organised by a single operator. Beneficiaries will be compensated for the decline in proceeds from profits on gambling activities by lowering the lottery tax in 2023. As a result, the tax revenue of EUR 58 million is expected to accrue in 2023 and thereafter EUR 140–150 million per year.

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 the current 40% to 43% (HE 1/2022) once the funding target set for the fund has been reached. Miscellaneous revenue includes revenue received from the EU. During the spending limits period, the EU's Recovery and Resilience Facility is assumed to generate funds averaging nearly EUR 0.4 billion per year in 2023–2026, i.e. a total of EUR 1.5 billion.

For 2022, budgeted property income includes dividends, returns of capital and proceeds from sales of property, amounting to approximately EUR 2.4 billion. Of this, dividends are projected to account for approximately EUR 1.4 billion. Budgeted property income includes proceeds from sales of property amounting to approximately EUR 1 billion in 2022 and EUR 0.4 billion in 2023. Sales of property relate to the financing of future-oriented investments implemented earlier and a general reduction in the general borrowing requirement. Implementation of sales is affected by the prevailing market situation. Compared with 2022, dividend income is expected to decline and to be approximately EUR 1 billion per year during the spending limits period.

Table 8. Ministry of Finance estimate of ordinary on-budget revenue in 2022–2026, EUR billion

	2022	2023	2024	2025	2026	2023–2026
	budgeted					average annual change, %
Total tax revenue	48.7	63.8	66.5	68.5	70.4	9.7
– taxes on earned and capital income	10.9	24.0	25.9	26.9	27.9	32.6
– corporate tax	3.8	5.6	6.0	6.2	6.5	8.0
– value-added tax	21.5	22.0	22.5	23.3	24.1	3.0
– excise duties	7.5	7.4	7.3	7.1	6.9	-1.6
– other tax revenue	5.0	4.8	4.9	5.0	5.0	0.9
Miscellaneous revenue	6.4	6.5	6.3	6.5	6.6	0.8
Interest earned, income from share sales and profit recognised as income	2.7	1.7	1.3	1.3	1.3	-14.9
– Dividend income and proceeds from sales of shares	2.4	1.4	1.0	1.0	1.0	-17.3
Total revenue[1]	57.9	72.2	74.3	76.4	78.4	7.8

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

5.5 Central government on-budget balance and debt

Central government on-budget balance and debt

The central government on-budget deficit is projected to be approximately EUR 7.5 billion in 2023, which is EUR 0.1 billion less than in 2022 (incl. second supplementary budget proposal). In the spending limits period, the deficit will peak in 2024, when it will be EUR 7.6 billion.

The health and social services reform will change the structure of public expenditure, increasing the level of central government on-budget expenditure significantly from 2023. The funding of the wellbeing services counties will consist of transfers from central government funding for the municipalities and from the municipalities' tax revenue. As a result, in 2023 both government expenditure and revenue will increase significantly compared with 2022.

In 2023–2026, the on-budget deficit will average EUR 7.2 billion, whereas annual deficit in the previous spending limits decision was, on average, EUR 7.6 billion. Compared with the previous spending limits decision, the deficit will be, on average, EUR 0.4 billion smaller per year. The deficit is reduced by, in particular, increased tax revenue estimates, as tax revenue estimates for 2023–2025 are, on average, EUR 3.5 billion higher than in the previous spending limits decision. In particular, the revenue estimates for earned and capital income taxes, VAT and corporate tax have been raised compared with the previous spending limits decision. The change is explained by better-than-expected economic development.

Central government debt is projected to be approximately EUR 144 billion in 2023, which is approximately 52% in ratio to GDP. Central government debt is expected to grow in the spending limits period by, on average, EUR 7.2 billion, i.e. 4.9% per year. In 2026, central government debt is projected to be approximately EUR 165 billion, which is approximately 54.5% in ratio to GDP.

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

Table 9. Ministry of Finance estimate of on-budget balance in 2022–2026, EUR billion, at current prices

	B+SB 2022	2023	2024	2025	2026
On-budget revenue estimate, total[1]	57.9	72.2	74.3	76.4	78.4
On-budget expenditure estimate, total, at current prices[2]	65.6	79.7	81.9	83.5	85.1
On-budget balance estimate	-7.6	-7.5	-7.6	-7.1	-6.7
Central government debt-to-GDP ratio, %	51½	52	53	54	54½

1) Including repayment of loans granted by central government.

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

5.6 Off-budget central government finances

Central government in the national accounts

In the national accounts, the central government sector includes, alongside central government on-budget finances, the central government funds that are external to budget finances (excluding the State Pension Fund, which is placed under the earnings-related pension fund sector in the national accounts) as well as the universities, university real estate companies, Business Finland Ltd, Business Finland Venture Capital Ltd, DigiFinland Ltd, Finlogic Ltd, Finnhems Ltd, Fintraffic Meriliikenteenohjaus Ltd, Fintraffic Raide Oy, Fintraffic Tie Ltd, Gasonia Ltd, Governia Ltd, Hansel Oy, HAUS Finnish Institute of Public Management Ltd, Ilmastorahasto Ltd, Itla Children's Foundation, Finnish National Gallery, Leijona Catering Ltd, Liikenteenohjausyhtiö Fintraffic Ltd, the Counties' Service Centre for Facilities and Real Estate Management, Senate Properties, Solidium Ltd, Finnish Minerals Group, Finnish Industry Investment Ltd, Finnish Rail Ltd, Tapio Oy, VTT Technical Research Centre of Finland Ltd, Turku One Hour Train 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. Overall funding of universities comprises appropriations allocated to universities in the budget and supplementary funding, which includes income from paid services, donations and sponsoring. Since 2013, central government funding of the Finnish Broadcasting Company Yle has been based on a transfer of appropriations covered by the public broadcasting tax to the State Television and Radio Fund, which passes them on to YLE. The appropriation, which is outside the spending limits, will amount to approximately EUR 569 million in the spending limits period 2023—2026.

The investment company Solidium Oy is a limited company wholly owned by the central government whose task is to strengthen and stabilise Finnish ownership in companies of national importance. The company's equity portfolio consists of 12 listed companies in which Solidium has a minority interest. Solidium's Board of Directors makes investment decisions independently on the basis of analyses and proposals prepared by management. Solidium's return on shareholdings was 33.5% in calendar year 2021. Solidium distributed to the Finnish state a dividend totalling EUR 368 million for financial year 2020–2021 and a return of capital, financed through sales of shares, of EUR 500 million. The dividend distribution was exceptionally large, as in addition to the dividends for 2021 (EUR 200 million), dividends deferred from 202 (EUR 168 million) were also paid. In addition, all of Solidium's SSAB AB shares, i.e. shares values at approximately EUR 271 million, were transferred to the Finnish state as a return of capital. During the period under review, all of the Finnish state's shares in Anora Group Plc, i.e. shares valued at approximately EUR 143 million, were transferred to Solidium. At the end of last year, the value of Solidium Oy's holdings was approximately EUR 9.3 billion.

During 2021, Finnish Rail Ltd and Turku One Hour Train Ltd were founded, and Nordic Railways Ltd was placed in liquidation.

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

Off-budget funds

Pension contributions collected by the State Pension Fund form one of the most significant revenue items of the funds. Other tax-like revenue includes, for example, strategic stockpile fees levied on fuel as well as Financial Stability Fund contributions collected from banks. Tax-like income and fees will decline from 2023 to 2025 by an estimated total EUR 500 million, when the Resolution Fund and the Deposit Guarantee Fund included in the Financial Stability Fund reach the target levels set for them, after which banks will no longer be charged contributions to the fund.

Transfers to the central government budget relate mainly to financing pension expenditure. Of pensions paid up to 2023, 40% are covered by revenue remitted from the State Pension Fund. From 2024, revenue remitted will gradually increase by one percentage point per year until it is 45% from 2028. At the level of 2026, this means an increase in the budget transfer of approximately EUR 150 million.

Most of the loans granted by funds and income received from their repayment relate to the activities of the National Nuclear Waste Management Fund. Those with a duty to dispose of waste have the right to receive loans against securing collateral for a fixed period. The National Housing Fund has no longer granted new loans since 2007, as a result of which the decrease in repayments of loans granted by the Fund has continued. The deficit of off-budget funds is expected to be, on average, approximately EUR 300 million per year in the spending limits period and excluding financial transactions the deficit will be, on average, approximately EUR 590 million per year.

In 2022–2023, EUR 4 million per year will be transferred to the Oil Pollution Compensation Fund from the central government budget to cover costs arising from oil spill protection maintenance and possible oil spills. Since the capital limit of the Oil Pollution Compensation Fund has been exceeded, collection of the oil protection fee has been discontinued, and due to problems related to EU law, the collection of the fee is not expected to resume. Instead, according to a Government proposal under preparation, the Oil Pollution Compensation Fund would be abolished and its tasks transferred to an Environmental Damage Fund to be established.

In the State Guarantee Fund's proactive funding calculation, provision has been made in 2023 and 2024 to cover any loss-making separate result that may arise from Finnvera's export guarantee and special financing activities. The riskiness of Finnvera's state-guaranteed export guarantee and special guarantee stock has increased as a result of the coronavirus pandemic.

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

	2021	2022	2023	2024	2025	2026
Taxes and tax-like revenue, total	460	521	520	200	61	61
Miscellaneous revenue	98	113	108	103	102	104
Pension contributions	1 547	1 583	1 571	1 574	1 572	1 558
Interest earned and profit recognised as income	615	416	418	421	420	418
Transfers from budget	948	569	573	569	569	569
Revenue excluding financial transactions	3 668	3 202	3 190	2 867	2 723	2 710
Repayments of loans granted	1 978	1 964	1 893	1 861	1 858	1 863
Total revenue	5 645	5 166	5 083	4 728	4 581	4 572
Consumption expenditure	177	224	222	216	209	200
Current transfers	1 109	1 178	1 209	1 098	1 046	899
Interest expenditure	16	17	17	17	17	17
Transfers to budget	1 943	1 999	2 078	2 133	2 185	2 238
Other expenditure	20	28	12	10	10	10
Expenditure excluding financial transactions	3 265	3 446	3 538	3 473	3 467	3 364
Loans granted and other financial investments	1 637	1 920	1 555	1 570	1 580	1 603
Total expenditure	4 902	5 366	5 093	5 049	5 047	4 967
Net financial surplus or deficit	743	-200	-10	-315	-465	-395

State-owned enterprises

Metsähallitus is a state-owned enterprise whose task is to use, manage and protect the unbuilt land and water assets directly owned by the state. Metsähallitus engages in business operations and attends to statutory public administrative duties funded out of the State budget. Metsähallitus engages in forestry and other market-based business operations through the subsidiaries it owns. The forestry operations of Metsähallitus have been incorporated into a wholly state-owned company Metsähallitus Forestry Ltd. Metsähallitus remits amounts recognised as revenue to the central government from rights of use compensation and dividends. It manages approximately 12.6 million hectares of state-owned land and water areas, with a balance sheet value of approximately EUR 3.9 billion. Of this, the core capital subject to the yield requirement is approximately EUR 2.6 billion. The recognised revenue received from Metsähallitus will vary between EUR 105 million and EUR 120 million in 2023–2026, which corresponds to the level of previous years.

Senate Group consists of Senate Properties, and Defence Properties, which started operating at the beginning of 2021. Senate Group's task is to provide work environment solutions in keeping with the goals of the Government Premises Strategy for its customers and to improve central government organisations' performance. Senate Group's business is based on developing work environments and real estate assets, letting premises and providing premises services for its customers. Services may also be provided to organisations whose activities are funded mainly with appropriations included in the State budget. Senate Group operates according to commercial principles. The Group's recognised revenue remitted to the central government budget will be EUR 38 million per year in 2023–2026. The Group's income from letting activity is expected to remain at EUR 18 million. The objective is for property sales to reach EUR 100 million per year in 2023–2026.

5.7 Sustainable development

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

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

A carbon-neutral Finland in the General Government Fiscal Plan 2023–2026

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

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

In the General Government Fiscal Plan, the goals related to carbon neutrality will be promoted with a total of approximately EUR 2.7 billion in 2023, declining to approximately EUR 2.1 billion in 2026.

The level of appropriations in 2023 will be raised significantly by funding in accordance with Finland's Recovery and Resilience Plan. In the light of current forecasts, Finland's maximum allocation is estimated to be EUR 2.085 billion, of which around half will be allocated to the green transition. With regard to the green transition, appropriation increases will be allocated to, among other things, investments for clean energy production, low-emission innovations, construction industry environmental solutions and support for the EV charging infrastructure, raising the appropriation level for 2023.

In addition, the level of appropriations for 2023 will be increased by the decisions taken on the basis of the guidelines of the Ministerial Working Group on Preparedness, regarding a set of measures to strengthen energy self-sufficiency and security of supply, which aims to accelerate significantly withdrawal from fossil energy and support the introduction of new technologies. The increases are wide-ranging, focusing on transport, energy, housing and long-term agricultural measures.

In order to accelerate green transition investments, the General Government Fiscal Plan for 2023–2026 includes increases totalling EUR 36.8 million for licensing and other administrative procedures, and digitalisation. The figures in the table below do not include operating expenditure and therefore these increases do not appear in the table.

In addition to a decline in RRP funding and a decrease in funding outlined by the Ministerial Working Group of Preparedness, a reduction in the production subsidy for renewable energy, among other things, will contribute during the spending limits period to lowering the level of appropriations promoting carbon neutrality. On the other hand, due to the new Structural Fund period, a growing proportion of Structural Fund finance will be allocated to low carbon.

Compared with the previous General Government Fiscal Plan, the level of appropriations promoting carbon neutrality has increased significantly, particularly because RRP measures had not yet been taken into account in the table figures, as the national plan had not yet been finalised last spring. In addition, measures to strengthen energy self-sufficiency and security of supply will be weighted towards the early part of the spending limits period.

Table 11. A carbon-neutral Finland, key measures in 2023–2026 (EUR million)

	2023	2024	2025	2026
3.1 Carbon-neutral Finland that protects biodiversity	1 083	948	785	626
3.2 Globally influential Finland	364	366	361	408
3.4 Dynamic and thriving Finland	296	286	278	271
3.4.1 Transport network development and maintenance	254	220	204	197
3.4.2 Measures promoting sustainable development of agriculture	718	615	614	614
Total	2 716	2 435	2 242	2 116

Taxes

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

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

Most of the tax policy measures of the Government Programme have already been implemented in the early years of the parliamentary term. The General Government Fiscal Plan, however, includes some changes to energy taxation that can be considered to promote carbon neutrality. These include the elimination in 2023 of the tax subsidy for paraffinic diesel, which had been reduced in previous years, and the continuation of the phased elimination of the tax rebate for energy-intensive companies in 2023–2025.

In addition, the taxation value of low-emission company cars has been reduced for 2023–2025.

Reducing the biofuels distribution obligation (by 7.5 percentage points) in accordance with the policy of the Ministerial Working Group on Preparedness will increase energy tax revenue by EUR 74 million in 2023 and by EUR 12 million in 2024.

Environmentally harmful subsidies are examined more closely in Chapter 6 of the general strategy and outlook of the 2022 budget proposal.

6 Finances of the wellbeing services counties

6.1 Financing of the wellbeing services counties and central government measures

Finances of the wellbeing services counties

The finances of the wellbeing services counties, the transfer of responsibility for organising health, social and rescue services, and the central government financing of the wellbeing services counties are addressed as a whole in the General Government Fiscal Plan. A budgetary target has also been set for the wellbeing services counties (see Chapter 2). This General Government Fiscal Plan also takes into account the key effects of the reform on central government and local government finances. The transfer of responsibility for organising health, social and rescue services as well as changes to the financing system will be implemented on 1 January 2023.

On 1 July 2021, 21 wellbeing services counties were established in Finland. The organisation of health, social and rescue services, which is currently the responsibility of the municipalities and joint municipal authorities, as well as the costs thereof, will be transferred to the wellbeing services counties on 1 January 2023. The activities of the wellbeing services counties will be managed by county councils, which became operational on 1 March 2022. In addition, as of 1 January 2023, a new Joint County Authority HUS will be responsible for organising specialised medical care in the Province of Uusimaa. As adopted in legislation, exceptionally the City of Helsinki will be responsible as a municipality for organising health, social and rescue services from 2023. In this section, consideration of the finances of the wellbeing services counties will also include the City of Helsinki with regard to health, social and rescue services.

Table 12. Funding of the wellbeing services counties, discretionary government grants to be transferred and modification and preparation costs of the reform, EUR million, spending limits years at 2023 price level

	Budget 2022	2023	2024	2025	2026
Central government universal funding[1]					
Ministry of Finance	880.5	21 444.8	22 675.3	22 923.5	23 149.0
Modification and preparation costs					
Ministry of Justice[2]	13.3				
Ministry of Finance (ICT modification costs)	175.3	4.2	104.2	0.0	0.0
Ministry of Finance (other preparatory funding)[3]	202.9	0.0	0.0	0.0	0.0
Several main titles	8.3	9.4	4.6	4.0	4.0
Discretionary government grants					
Ministry of the Interior		4.0	4.0	3.0	3.0
Ministry of Economic Affairs and Employment		10.0	10.0	10.0	10.0
Ministry of Social Affairs and Health		423.5	372.8	294.3	253.5
All, total	1 280.3	21 895.9	23 170.9	23 234.8	23 419.5

1) Includes costs of health, social and rescue services to be transferred from the municipalities as well as new tasks taking effect during the spending limits period. The figures also include spending limits provisions from 2024 related to the extension of the maximum waiting time for access to care

2) During the spending limits period, preparation has been made for county and municipal elections and the election information system needs for these elections with the following costs: EUR 0.85 million in 2024 and EUR 6.34 million in 2025.

3) The item appropriation takes into account an increase of EUR 155.75 million made in the 2022 supplementary budget.

Funding of the wellbeing services counties

The wellbeing services counties will finance their activities mainly with central government funding and they have no right to levy taxes. The universal funding of the wellbeing services counties will total approximately EUR 22.3 billion at the 2023 level, of which approximately EUR 880 million will be paid to the counties in December 2022. In addition, the wellbeing services counties will receive customer fees and other operating income as well as financial income.

The funding of the wellbeing services counties and related transfers were already included in the previous General Government Fiscal Plan. In this General Government Fiscal Plan, the amount of funding has been revised in line with the municipalities' 2022 budget data and the latest forecasts. Compared with the previous General Government Fiscal Plan, an increase of EUR 599 million has been taken into account in the level of funding. A total of EUR 21.2 billion in costs at the 2022 level related to health, social and rescue services will be transferred from the municipalities and joint municipal authorities.

Compared to the previous General Government Fiscal Plan, the level of funding for wellbeing services counties will increase by approximately EUR 315 million in 2023. The increase is explained by, among other things, the above-mentioned change in the estimate of costs to be transferred from the municipalities, an index increase, and funding related to new and expanding tasks. In accordance with the Act on the Funding of the Wellbeing Services Counties, half of the January payment instalment for the wellbeing services counties' 2023 funding will be paid on 1 December 2022. As a result, approximately EUR 880 million of the wellbeing services counties' 2023 funding has been brought forward to 2022 compared with the previous General Government Fiscal Plan.

Calculations related to the costs to be transferred will be revised during 2023 on the basis of the municipalities' municipal financial statements for 2022. From 2024, the funding of the wellbeing services counties will be adjusted to correspond to the municipalities' and joint municipal authorities' final costs to be transferred for 2022.

The funding of the wellbeing services counties consists mainly of transfers to be made from the municipalities' central government transfer for basic public services (approximately EUR 5.36 billion) and from compensation for municipalities' tax revenue losses (approximately EUR 1.94 billion), as well as an increase corresponding to an increase in central government income taxes and corporate tax as a result of tax criteria changes related to the reform. With the reduction in the municipalities' tasks and financing requirement, the municipalities' local income tax percentage will decrease by 12.64 percentage points and the municipalities' corporate tax apportionment will dimish, and the corresponding tax revenue will be collected as central government tax revenue. Changes in taxation will be implemented so that earned income taxation does not increase as a consequence of the reform. The transfer of funding from the municipalities' tax revenue will be approximately EUR 13.93 billion, of which the proportion accounted for by local income tax will be approximately EUR 13.11 billion and by corporate tax approximately EUR 0.82 billion.

The above-mentioned revised estimates have been taken into account as an increase in the funding of the wellbeing services counties. Compared with the previous General Government Fiscal Plan, the transfer from the municipalities' central government transfer for basic public services will increase by approximately EUR 15 million, the transfer from compensation for municipalities' tax revenue losses by approximately EUR 104 million and the transfer from local government income tax and corporate tax by approximately EUR 479 million. For more comprehensive information on basic public services organised by the municipalities and their funding, see Chapter 7. Local government finances.

The level of imputed funding for health and social services granted by central government to the wellbeing services counties will be increased annually from 2023 at the national level, taking into account the projected increase in the need for services, the increase in the cost level and changes in tasks. The level of funding will also be revised ex post to correspond at the national level to actual costs according to financial statements for the funding of the next financial year. Based on the estimated annual growth in the population's need for health and social services, the funding share will be increased, due to transition stage costs, among other things, by 0.2 percentage points in 2023–2029. The increase in the need for services (including the 0.2 percentage points increase) will be fully taken into account in 2023 and 2024. From 2025, 80% of the increase in the need for services will be taken into account. The growth in the need for services is estimated to increase funding in the spending limits period by approximately EUR 253 million in 2023, EUR 269 million in 2024, EUR 226 million in 2025 and EUR 225 million in 2026, i.e. the level of funding due to the growth in the need for services will increase by approximately EUR 1 billion at the 2026 level. The index adjustment for 2023 of the funding for the wellbeing services counties will be 2.48%, and it will increase the amount of funding by EUR 533 million.

From 2023, a separate estimated appropriation item will also be added to the State budget, which will technically enable for the budgeting of any additional financing needs that may arise during the year.

Modification and preparation costs

In the spending limits period, the health and social services reform will give rise to significant modification costs, and funding for them has been centralised principally in the main title of the Ministry of Finance.

The largest modification cost items due to the reform are estimated to result from the ICT package, which includes the costs of implementing the legislation as well as the costs of developing operations that support the objectives of the reform. The central government will allocate a separate appropriation (item 28.70.05) to essential one-off ICT modification costs arising from the reform. The wellbeing services counties will finance the costs of broader ICT development and maintenance in accordance with autonomous decision-making from universal financing (item 28.89.31) and within the framework of their borrowing capacity.

In the first supplementary budget of 2022, an appropriation of EUR 96 million was appointed for ICT modification costs was transferred from the spending limits to preparation costs of the wellbeing services counties. Provision is made in the General Government Fiscal Plan such that the EUR 100 million authorisation granted for ICT modification costs will impact appropriations in the spending limits period. In addition, a total of EUR 8.4 million has been earmarked in 2023–2024 for improving the IT.management and the information management of the rescue services.

Modification costs on a smaller scale will arise to the operational expenditure of various ministries and agencies. Forward provision has been made for the modification costs and other needs of agencies, as follows: EUR 9.4 million in 2023, EUR 4.6 million in 2024, EUR 4 million in 2025 and EUR 4 million in 2025.

In connection with the health and social services reform, and partly independent of it, there will be in the wellbeing services significant wage harmonisation costs, the cost impact and timing of which will depend on, among other things, the remuneration systems to be formulated for the wellbeing services counties. Increased wage costs resulting from wage harmonisation will be covered within the framework of the wellbeing services counties' funding model, and ultimately they will be taken into account through an ex post cost-level revision of the funding. A 0.2 percentage points increase made in 2023–2029 to the funding of the wellbeing services counties for the estimated annual growth in the need for services may cover, among other things, the costs of wage harmonisation.

Statutory reforms and other measures affecting the wellbeing services counties' activities and funding

The wellbeing services counties will be subject both to discretionary reforms that have entered into force before the transfer of organisational responsibility and to reforms will enter into force during 2023 and thereafter. The reforms in force in 2022 will impact the new costs of the municipalities' health, social and rescue services in 2022 and therefore the total amount of the transfer calculation, i.e. the universal financing of the wellbeing services counties.

The estimated cost of the permanent discretionary reforms to be transferred to the wellbeing services counties as well as those that entered into force in 2019–2022 is approximately EUR 195 million at the 2022 level. The largest of these are the minimum staffing level in services for the elderly (EUR 96.5 million), the customer fee reform in healthcare and social welfare (EUR 45.0 million), and the extension of after-care in child welfare (EUR 36.0 million). These reforms will have the effect of increasing the total amount of the transfer calculation, either increasing costs or reducing customer fees.

In 2023, the reforms will increase the funding of the wellbeing services counties compared with 2022 by approximately EUR 260 million on a net basis (i.e. reductions included). In 2026, when all the discretionary changes adopted in the current parliamentary term are in force, the net cost impact on the financing of wellbeing services counties will be approximately EUR 610 million per year.

Funding for the wellbeing services counties will be increased due to amendments to the Student Welfare Act, by EUR 8.6 million in 2023 and EUR 20.8 million from 2024. The total increase in central government funding due to changes caused by the Act will be EUR 29.2 million at the 2024 level. Screenings for colorectal and cervical cancer will be extended to new age groups, for which reason an increase of EUR 1.75 million will be made for 2025 and EUR 2.05 million for 2026. The total increase in central government funding due to legislative changes will be EUR 12.05 million at the 2026 level.

Funding for the wellbeing services counties will be increased in 2023 by reforms which are scheduled to partly enter into force in 2023. An example of such a reform is the minimum staffing level provided by the Act on Care Services for Older Persons. The transition period for the entry into force of the Act will end on 1 April 2023, when the minimum staffing level (at least 0.7 employees per customer) will fully enter into force. Appropriations of EUR 224.7 million in 2023 and EUR 265.8 million from 2024 have been allocated to the tightening of the minimum staffing level. The calculation is based on the assumption that the obligation has brought about for the municipalities in 2022 costs commensurate with the impact assessment of the Government proposal, and which will be transferred to the funding of the wellbeing services counties as part of the transfer calculation. In addition, in accordance with the Government Programme, the minimum staffing level in child welfare will be strengthened further in 2024. Appropriations of EUR 9 million in 2023 and EUR 21.7 million from 2024 have been allocated to the gradual tightening of the minimum staffing level.

Reforms in preparation

In parallel with the reform of health, social and rescue services, other reforms are being prepared for 2023, in connection with which additional funding has been reserved in the spending limits and which, when they enter into force, will affect the universal financing of the wellbeing services counties. With regard to the administrative branch of the Ministry of Social Affairs and Health, these include the development of home and informal care (EUR 44.8 million), the comprehensive reform of disability services (EUR 22 million) and the reform of legislation related to mental health and substance abuse services (EUR 18 million).

The Government will continue the implementation of the seven-day maximum waiting time for access to care. A total of EUR 95 million has been reserved for 2023 to improve the maximum waiting time for access to care. The appropriation provision will increase to EUR 130 million in the spending limits period. The details will be specified in connection with the preparation of the Government proposal.

Other changes

The funding of the wellbeing services counties will be reduced by reduction items agreed earlier, totalling EUR 40 million, related to digitalisation, purchased services and competitive tendering. The funding of the wellbeing services counties takes into account, as a reduction, the EUR 1.1 million change in customer fees arising from care alarm services in home care.

Discretionary government grants to the wellbeing services counties

With regard to the main title of the Ministry of Social Affairs and Health, discretionary government grants totalling approximately EUR 423.5 million will be transferred to the wellbeing services counties in 2023. The grants will gradually decrease by the end of the spending limits period, at which time they will total EUR 261.5 million. The most significant single grant package under the responsibility of Ministry of Social Affairs and Health is related to Pillar 4 of the Sustainable Growth Programme for Finland. The total funding for the pillar in the programme period is EUR 400 million in 2021–2026, of which approximately EUR 310 million will be allocated to municipalities in 2022 and further to the wellbeing services counties from 2023. The aim of the measures is, among other things, to dismantle the backlog in treatment, rehabilitation and services in healthcare and social welfare caused by the coronavirus pandemic, promote faster access to care, promote the implementation of the health and social services reform, strengthen prevention and early identification of problems, and reinforce the knowledge base supporting cost-effectiveness and effectiveness-based guidance, and adopt digital solutions. In addition, the Ministry of Social Affairs and Health is responsible for preparing certain aspects of Pillar 3 for which a total of EUR 25.5 million has been granted for the programme period, of which an estimated half will be allocated to the wellbeing services counties. The aim of the Pillar 3 investments is to accelerate the increase in the employment rate in accordance with the Government Programme.

Wage subsidies are currently granted for tasks that will be transferred to the responsibility of the wellbeing services counties from 2023. As a rough estimate, approximately one third of the municipalities' current wage subsidies could be allocated in future to the wellbeing services counties. In the main titles of the Ministry of Economic Affairs and Employment and the Ministry of Social Affairs and Health, an estimated total of EUR 35 million in grants related to wage subsidies will be transferred to the wellbeing services counties in 2023.

Grants made from the Fire Protection Fund will be transferred from the administrative branch of the Ministry of the Interior to the wellbeing services counties. The Government proposal HE 56/2021 proposes to amend the Act on the Fire Protection Fund so that from the beginning of 2023 the fund can make general and special grants to rescue organisations and similar entities as well as special grants to municipalities, wellbeing services counties and contract fire departments. Fire Protection Fund grants will also continue to be discretionary in the future. The grants to be made from the fund will amount to approximately EUR 4 million at the beginning of the spending limits period and approximately EUR 3 million at the end of the spending limits period.

Responsibilities for oil and ship chemical spill prevention and response were transferred in 2019 to the administrative branch of the Ministry of the Interior, and the spill prevention and response became a rescue activity provided for in the Rescue Act. The municipal rescue services have the right to receive compensation from the Oil Pollution Compensation Fund for the costs of equipment procurement and maintaining preparedness in accordance with the oil spill prevention and response plan (part of the rescue services plan). When the rescue services becomes part of the activities of the wellbeing services counties, which are funded from the State budget, there is no longer be any justification for the above-mentioned compensation grants from the Oil Pollution Compensation Fund. The Oil Pollution Compensation Fund will, however, compensate the wellbeing services counties' rescue services for costs incurred in oil spill prevention and response in situations where the costs cannot be recovered from the party responsible for the spill. Compensation will totals approximately EUR 0.3 million per year. A legislative project is currently under way in the Ministry of the Environment with the aim of reforming secondary liability systems for environmental damage, i.e. also the Oil Pollution Compensation Fund. The draft legislation proposes the provision of a discretionary grant to regional authorities for the procurement of equipment to prevent and respond to environmental damage.

6.2 Investments and borrowing capacity of the wellbeing services counties

The wellbeing services counties must prepare an annual investment plan for investments to be launched during the next four financial years and for the agreements corresponding to the investments as well as their financing. An investment plan proposal must be submitted to the Ministry of Finance, the Ministry of Social Affairs and Health and the Ministry of the Interior by the end of the calendar year. A decision on the approval or non-approval of the proposal for an investment plan will be made pursuit section 26 of the Act on the Organisation of Social Welfare and Health Care and section 11 of the Act on the Organisation of Rescue Services.

In addition to a traditional investment made on the balance sheet, it is also possible to acquire premises through various leasing models, such as real estate leases and cooperation models, such as life cycle models. These are equivalent to investments in regulations on investment guidance and investment planning. The Government decides for a wellbeing services county an imputed debt service capacity based the capacity raise long-term loans to fund investments (borrowing capacity), pursuant to section 15 of the Act on Wellbeing Services Counties. In addition to long-term loans, investments can be financed with internal financing, accumulated cash assets and income from the disposal of fixed assets. The calculation of borrowing capacity is based on the annual margin according to the budget of the wellbeing services county, which can be adjusted with financial monitoring data. The investment plan must not conflict with the borrowing capacity referred to in section 15.

The marginal conditions of general government finances are taken into account in the financing, investments and the borrowing capacity of the wellbeing services counties. The Government's decision on the borrowing authority is based on the General Government Fiscal Plan and the imputed borrowing capacity of the wellbeing services county. If the budgetary position of general government finances, central government finances or the wellbeing services county deteriorates significantly and exceptionally, the borrowing capacity of the wellbeing services county may be set lower than the imputed borrowing authority.

The Government will decide on changing the borrowing capacity 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. A decision on changing the borrowing capacity may be made on the application of the wellbeing services county or on the initiative of the Ministry of Finance, the Ministry of Social Affairs and Health or the Ministry of the Interior. The assessment is based on an overall assessment based on information on the finances and activities of the wellbeing services county.

The task of the Counties' Service Centre for Facilities and Real Estate Management (Maakuntien tilakeskus Oy), which acts as the national centre of expertise in facilities and real estate management, is to maintain the wellbeing services counties' joint facilities information system and related services, and to report annually to the wellbeing services counties and the Government on investment decisions on facilities made by the wellbeing services counties and their effects on the finances of the wellbeing services counties. The ministries have the right to obtain from the Service Centre the information they deem necessary for the steering, financing and supervision of the wellbeing services counties.

Information on the investments and borrowing capacity of the wellbeing services counties

The wellbeing services counties, the City of Helsinki and Joint County Authority HUS must submit a proposal for the first investment plan – in accordance with the Act on the Wellbeing Services Counties – to the Ministry of Finance, the Ministry of Social Affairs and Health and the Ministry of the Interior no later than 1 October 2022. The first investment plan covers the financial years 2023–2026. Investment plan data on the wellbeing services counties' investments for 2023–2026 were therefore not available when this General Government Fiscal Plan was prepared in spring 2022. The data are also not presented in the budgets and financial plans of the hospital districts or special care districts, as these joint municipal authorities will cease to operate at the end of 2022.

The first investment plans and borrowing capacities of the wellbeing services counties will be decided in accordance with section 61 of the Implementation Act. The borrowing capacities of the wellbeing services counties for 2023 will be determined on the basis of the financial statements data for 2021 and the budget data for 2022 of the joint municipal authorities of the hospital districts and special care districts being transferred to the wellbeing services counties. The borrowing capacity of Joint County Authority HUS will be determined using corresponding information. It will not be possible to make the decision on borrowing capacities until May 2023, after the financial statement data of the hospital districts and special care districts have been received.

The Government proposal (HE 241/2020) on the reform of health, social and rescue services states that, based on financial data from hospital districts for 2019 and 2020, six wellbeing services counties are expected to have a weak debt service capacity. Estimates of central government funding for the wellbeing services counties and of the debt items to be transferred to the wellbeing services counties have been updated. The perception that in some wellbeing services counties the borrowing capacity would be small or there would be no borrowing capacity at all has become stronger. This is due to the fact investments have already been made in counties that, on the other hand, reduce these counties' need for large investments in the near future.

According to budget data provided by the joint municipal authorities, the projected loan stock of the joint municipal authorities of hospital districts and special care districts will be approximately EUR 5.1 billion at the end of 2022. According to this loan amount and estimated central government funding, the 2023 borrowing capacity for the wellbeing services counties would be approximately EUR 3.1 billion. The borrowing capacity would apply to the amount of all of the investment projects to be launched during the year, even if they would be spread over several years. Drawdowns of the long-term loans corresponding to the 2023 borrowing capacity will therefore be partly scheduled for later years.

Through a survey conducted in 2022, the Service Centre has collected data on the facilities investments of hospital districts and special care districts. According to the survey, the amount for the projects to be launched in 2023–2026 is approximately EUR 2.2 billion. Part of the expenditure for projects to be launched in 2021–2022 will also be in years after the starting year.

6.3 Loan and financing agreement responsibilities of the wellbeing services counties

On 1 January 2023, the current hospital districts and special care districts for individuals with intellectual disability, and their assets, debts and commitments, will be transferred to the wellbeing services counties, pursuant to chapter 4 of the Act on the Implementation of the Reform of Health, Social and Rescue Services (616/2021). The movable property, agreements and responsibilities of the municipalities related to the organisation of health, social and rescue services will also be transferred to the wellbeing services counties. No later than 30 April 2022, the wellbeing services counties must notify creditors and parties to agreements of the debts, liabilities and agreements transferred to their responsibility. The amounts of loan and financial liabilities may change by the time of transfer due to new drawdowns and repayments.

In loan and financing agreements, a change means a change of debtor. In an order issued in January 2022, the Financial Supervisory Authority has classified receivables from the wellbeing services counties as belonging to the corresponding zero risk category as receivables from the central government, municipalities and joint municipal authorities.

Loan and other financing agreement liabilities of the wellbeing services counties are significant in monetary terms. Based on advance data surveys, the liabilities to be transferred are in the order of approximately EUR 5 billion. Responsibilities may consist of, among other things, bonds, credit facilities, municipal paper, leasing agreements and derivative contracts related to financing agreements, which may include interest rate swaps, interest rate floor agreements, interest rate cap agreements and currency swaps. In addition, guarantee liabilities related to the financing agreements will be transferred to the responsibility of the wellbeing services counties.

From 2023, in addition to the loan liabilities to be transferred to the wellbeing services counties, new loan and financial liabilities may also arise, taking into account restrictions imposed by statutes.

In accordance with the policy adopted by the Ministerial Committee on Economic Policy on 1 March 2022, the central government will not provide government guarantees for the loan and financial liabilities to be transferred to the wellbeing services counties. In principle, guarantees will, moreover, not be provided for new loans that may be taken at a later date. The funding of the wellbeing services counties will be based on central government funding and borrowing within the statutory framework as well as customer fees, other operating income and financial income. Ultimately, the central government must safeguard the availability of basic public services for which the wellbeing services counties are responsible.

The central government will not have explicit responsibility for the loan and financial liabilities of the wellbeing services counties, nor will the liabilities will be entered into Annex 12 Guarantee liabilities of the central government financial statements. The central government may 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 statutory principles. 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.

6.4 Estimate of revenue and expenditure of the wellbeing services counties

This section gives a projection of the financial development of the wellbeing services counties. The forecast has been prepared by the Economics Department of the Ministry of Finance.

The result of the wellbeing services counties is expected to be close to balance in 2023–2026. Due to the high level of investments, the cash flow from operations and investments is negative and the wellbeing services counties are indebted. The forecast does not make assumptions about possible additional funding or ex-post revisions.

Expenditure of the wellbeing services counties consists mainly of the costs of providing services, i.e. personnel costs and expenditure on the purchase of goods and services. The forecast, expenditure growth is assumed to result from growth in the need for services and a rise in the level of costs. The operating margin of the wellbeing services counties is estimated to deteriorate by slightly less than 4% annually. In the first years of operation, resources will be used to some extent for temporary transition costs, and reducing these costs will slow down expenditure growth.

Investment expenditure of the wellbeing services counties is expected to be higher than normal at the start of operations, when it will be approximately EUR 0.9 billion. This is due to the many large projects under way. The investment forecast will be revised when the wellbeing services counties prepare their first investment plans.

The operating income of the wellbeing services counties will grow more slowly than expenditure, as the amount of separate central government funding is expected to decrease. The central government's universal funding will be growing at an average annual rate of just under 4%. The instalment of approximately EUR 0.9 billion to be paid at the end of 2022 will be entered in the accounts of the wellbeing services counties as income for 2023.

It is estimated that approximately EUR 5 billion in loans and liabilities will be transferred to the wellbeing services counties at the beginning of 2023. In the coming years, the amount of debt will increase to close to EUR 8 billion.

Table 13. Estimate of revenue and expenditure of the wellbeing services counties 2023–2026, EUR billion

	2023	2024	2025	2026
Operating expenses	25.2	25.9	26.8	27.7
change, %		2.7%	3.3%	3.4%
Operating income	3.3	3.1	3.1	3.1
change, %		-5.7%	-0.8%	0.6%
Operating margin	-22.0	-22.9	-23.7	-24.6
change, %		4.0%	3.8%	3.8%
Central government funding	22.2	23.1	23.9	24.8
Financial income and expenses	-0.0	-0.0	-0.0	-0.1
Annual margin	0.2	0.2	0.1	0.1
Depreciation and amortisation	0.3	0.4	0.4	0.4
Extraordinary items	-	-	-	-
Profit/loss for the financial period	-0.1	-0.2	-0.3	-0.3
Current income adjustments	-	-	-	-
Investment in fixed assets	0.9	0.9	0.8	0.8
Funding contributions and sales gains	-	-	-	-
Cash flow from operations and investments	-0.7	-0.6	-0.7	-0.7
Loan stock	5.7	6.3	7.0	7.7

7 Local government finances

7.1 Local government finance policies

In its first General Government Fiscal Plan in autumn 2019, the Government set as a target that the budgetary position of local government must be approximately ½% of GDP in deficit in 2023. Budgetary targets were not set or followed in the exceptional General Government Fiscal Plan of spring 2020. According to the budgetary target for local government set by the Government in the spring 2022 General Government Fiscal Plan, the deficit can be at most approximately ½% of GDP in 2023. According to the pressure projection, the budgetary position of local government (excluding the wellbeing services counties and the health, social and rescue services of the City of Helsinki) will be ½% in deficit in 2023.

In accordance with the Government Programme, any measures that will result in an increase or decrease in the number of tasks or obligations for municipalities and any changes in the tax criteria that will affect local government finances will be compensated in net terms with a 100% modification of the central government transfers and/or the corresponding fixed appropriation, or by removing other tasks or obligations. In accordance with the Government Programme, the municipalities will be compensated for changes made to tax criteria (see section 7.2 for more detail).

The Government Decree on the General Government Fiscal Plan (120/2014) requires that the General Government Fiscal Plan set a maximum monetary limit consistent with the local government budgetary target for the change in local government expenditure arising from central government measures. However, the provision on the limit for local government is scheduled to be repealed in connection with an update of the Decree of the General Government Fiscal Plan in spring 2022. A key factor contributing to this is that the significance of the expenditure limit provision with regard to the implementation of the municipalities' financing principle will be substantially less due to the current 100% financing of central government transfer tasks than at the time when the provision was enacted in 2014. According to the Act on Central Government Transfers to Local Government for Basic Public Services, in new and extended central government transfer tasks the central government transfer is 100%, which has improved the implementation of the financing principle at the level of local government finances as a whole. The budgetary position of local government will not change, as the central government will bear the full financing responsibility for new or extended tasks and obligations via central government transfers to local government.

Through the health and social services reform, a large part of the municipalities' central government transfer tasks will be transferred to wellbeing services counties. In addition, many of the extensions of tasks and obligations outlined during the parliamentary term period will be allocated to the wellbeing services counties in the future. Through the reform, the significant upward pressure on expenditure due to population ageing will eliminated from local government finances. There remains, however, a structural imbalance in revenue and expenditure in the local government finances. The central government cannot through its own measures alone ensure the achievement of the local government budgetary position. Municipalities have wide-ranging autonomy, so their own productivity-enhancing reforms and measures to strengthen economic vitality are also highly significant.

7.2 Central government measures impacting local government finances

Central government transfers and grants to local government will be approximately EUR 5.4 billion in 2023 (Table 14). Imputed central government transfers will be EUR 4.0 billion, compensation for municipalities' tax losses EUR 0.8 billion and other central government aid EUR 0.6 billion. At the end of the spending limits central government transfers and grants will be approximately EUR 5.3 billion, of which imputed central government transfers will be EUR 3.9 billion. Central government transfers and grants to local government will be impacted by the ending of fixed-term increases of the Government Programme and, in particular, the health and social services reform, which will reduce the central government transfer for basic public services and compensation for tax revenue losses. In addition, some of the discretionary government transfers allocated to municipalities will be allocated to the wellbeing services counties in the future.

The central government transfer to local government for basic public services will be EUR 2.7 billion in 2023. This reflects a decrease of approximately EUR 5.3 billion compared with the previous year's actual budget as a result of the health and social services reform. In the reform, the central government transfer to local government for basic public services will be transferred to the financing of the wellbeing services counties, and compensation for tax revenue losses will be reduced correspondingly for the central government transfer tasks transferred. In addition, the municipalities' local government income tax and corporate task revenue will be reduced so that the total amount of revenue transferred corresponds to the total cost of the transferred tasks at the national level. The effects of the health and social services reform were already taken into account in the previous General Government Fiscal Plan, and in this General Government Fiscal Plan the effects are revised in accordance with the updated transfer calculation. The transfer calculation of the reform is described in more detail in Chapter 6. Finances of the Wellbeing Services Counties.

The level of appropriations for the central government transfer to local government for basic public services will be adjusted by EUR 344 million compared with the previous General Government Fiscal Plan. In addition, the revision of the transfer related to the health and social services reform will reduce the central government transfer by EUR 14.9 million compared with the previous estimate. The index increase in 2023 (2.5%) will increase the central government transfer by EUR 59 million. Amendments related to the Student Welfare Act, the regional cooperation groups for student welfare, and the student welfare plans will increase the central government transfer by EUR 0.33 million. The revision of the division of costs between the central and local government will not be taken into account in 2023 because, according to a transitional provision made in the Act on Central Government Transfers to Local Government for Basic Public Services in connection with the health and social services reform, the next revision of the division of costs will only take place in connection with the 2025 State budget. As part of the EUR 370 million reallocations agreed by the Government, the level of central government transfers to municipalities will be lowered by EUR 24 million and the level of discretionary merger grants by EUR 9 million from 2023. In addition, no funding will be allocated in 2023 to promoting the digitalisation of municipalities. The reallocations will be reduced by the central government transfer for basic public services by EUR 43 million in 2023 and EUR 33 million from 2024.

The estimate of the effects of the health and social services reform on local government ICT costs has been revised. On the basis of a study by the Ministry of Finance, there are differences in the situations of municipalities, but the estimated savings at the national level will exceed the estimated modification costs in 2023–2025. As a result, municipalities will not be allocated funding for ICT modification costs. In addition, in connection with the health and social services reform, municipalities may incur costs from the vacating of properties from 2026 or 2027, but it is not possible to provide an monetary estimate for this.

Compensation for municipalities' tax revenue losses will be EUR 806 million in 2023 and EUR 880 in 2026. The revision of the transfer related to the health and social services reform has been taken into account in determining the amount compensation. Compared to the actual budget for 2022, compensation for tax revenue losses will decrease by approximately EUR 1.8 billion due to the transfer to the financing of the wellbeing services counties.

The estimate of central government transfers granted to municipalities from administrative branch of the Ministry of Education and Culture and of funding for vocational education and training is approximately EUR 1.3 billion in 2023 and EUR 1.1–1.2 billion in 2024–2026. The index adjustment in 2023 will increase central government transfers to municipalities and funding for vocational education and training by a total of approximately EUR 34 million. A revision of the division of costs between central and local government will also not be carried out in the administrative branch of the Ministry of Education and Culture in 2023. In line with the Government policy adopted in connection with the General Government Fiscal Plan for 2021–2024, the Act on the Funding of Education and Culture and the Act on Liberal Adult Education will be amended so that the reduction in the volume and costs of activities due to the coronavirus pandemic will not contribute to lowering the level and distribution of funding in future years. The funding base for vocational education and training will be reinforced and it is estimated that EUR 37 million will be allocated to municipalities annually from 2023.

In accordance with previous decisions, an annual EUR 15 million in permanent funding will be allocated to the support model for early childhood education. In accordance with earlier decisions, EUR 102 million in 2023 and EUR 129 million per year from 2024 will be earmarked for the extension of compulsory education and the implementation of free upper secondary education.

Provision has been made in the General Government Fiscal Plan to compensate municipalities for costs incurred from refugees in temporary protection, for example in connection with accommodation, early childhood education and preparatory education for basic education as well as integration. Expenditure is subject to high uncertainty and is dependent on, for example the actual number of arrivals. It is estimated that 60,000 applications for temporary protection and 6,000 asylum applications would be submitted in 2022. Between 2023 and 2026, the number of asylum applications is estimated to 5,000-5,500 per year.

In the administrative branch of the Ministry of Economic Affairs and Employment, funding for and the Economy, funding for the activities of municipalities' competence centres and guidance and counselling services for immigrants will be continued. Some of the additional investments in the comprehensive reform of the Integration Act will be allocated to municipalities. The grant to support the sustainable growth and vitality of the regions (Talent Hub operating model) will be reduced by EUR 2 million, and thereafter the level will be EUR 1 million per year.

Local government pilots for employment under way from 1 March 2021 to 30 June 2023. In February 2022, the Government submitted a proposal to Parliament (HE 17/2022) proposing that the validity of the Municipal Experiments Act be extended until

31 December 2024. The Government is preparing the transfer of public employment and business services to the municipalities, and the intention is to implement the transfer during 2024. The actual effects of the reform will be included in the General Government Fiscal Plan at the stage when a Government proposal on the reform has been submitted to Parliament.

Table 14. Central government transfers and grants to municipalities and joint municipal authorities, EUR million, spending limits period at 2023 prices

	2021	2022	2023	2024	2025	2026
Imputed central government transfers	**8 755**	**9 099**	**3 988**	**3 929**	**3 880**	**3 889**
Ministry of Finance, central government transfer for basic public services	7 698	7 983	2 706	2 736	2 746	2 756
Ministry of Education and Culture [1]	1 057	1 115	1 282	1 192	1 134	1 132
– of which joint municipal authorities	1 036	1 053	1 058	1 052	1 040	1 040
Central government compensation to municipalities for tax revenue losses arising from tax criteria changes	**2 360**	**2 648**	**806**	**836**	**870**	**880**
Other central government transfers and grants by administrative branch, total	**2 880**	**1 285**	**565**	**546**	**520**	**511**
Ministry of Justice	1	11	11	32	-	-
Ministry of Finance	20	30	11	11	11	11
Ministry of Education and Culture	286	234	213	177	173	173
Ministry of Agriculture and Forestry	4	4	4	4	4	4
Ministry of Transport and Communication	42	45	41	41	41	41
Ministry of Economic Affairs and Employment	234	208	171	191	201	201
Ministry of Social Affairs and Health [2]	2 232	695	71	71	71	71
Ministry of the Environment	62	57	42	18	18	9
Central government transfers and grants, total	**13 995**	**13 031**	**5 359**	**5 310**	**5 270**	**5 280**

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

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

The combined effect of central government measures on local government finances will be close to neutral during the spending limits period. The key reforms of the Government Programme affecting municipalities have already been carried out in previous years. A large part of the years of the spending limits period are technical spending limits years of the next parliamentary term, to which no discretionary measures are directed. A full central government transfer will be allocated to municipalities' new and extended tasks, and the municipalities will be compensated in full for tax criteria changes decided by the Government. There will be a small reduction in central government transfers as part of the reallocations decided by the Government.

Tax criteria changes

Municipalities are compensated on a net basis for the impact of tax criteria changes on local government tax revenue. In the case of corporate tax, compensation takes place within the tax system by changing the apportionment. In connection with the establishment of the wellbeing services counties and the related health and social services tax reform, there will be significant changes in local government tax revenue as local income tax revenue and corporate tax revenue will decrease.

Table 15. Annual impact on local government tax revenue of the main tax criteria changes, EUR million

	2023	2024	2025	2026
Index adjustment of earned income taxation[1]	-30	-31	-32	-34
Limitation of right to deduct interest on mortgage loans	1	0	0	0
Increased earned income tax credit elderly	-2	0	0	0
Extension of household expenses tax credit with regard to relinquishing oil-fired heating as well as fixed-term increase for household, care and nursing work	11	1	0	0
Extensions of transport-related fringe benefits from employment	0	-2	-3	11,5
Easing co-payment in travel expenses deduction on return to work from family leave	-1	0	0	0
Abolition of disability deduction in local government taxation	11	0	0	0
Increases in one-off depreciation of movable fixed assets and residual expenditure limits	15	2	1	12
Tax incentive for personnel offerings	-1	0	0	0
Mining tax	15	0	0	0
Impact of health and social services reform on local income tax revenue	-13 985	0	0	0
Impact of health and social services reform on municipalities' corporate tax revenue	-854	0	0	0

[1)] Technical assumption for 2024–2026

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

Local government expenditure in the spending limits period

2023 will be very exceptional in local government finances in terms of the development of both expenditure and revenue, because the costs of the municipalities' activities will decrease as a result of the health and social services reform and around half of operating expenditure will be transferred away from the municipalities. The calculations related to the health and social services reform have been updated in accordance with the latest information. The costs to be transferred and the revenues to be transferred from the municipalities have increased since the spring 2021 calculations. Purchases take into account the costs arising to the municipalities from maintaining healthcare and social welfare properties, the level of which has been assumed to be approximately EUR 700 million. The decline in operating expenditure is estimated to be 54% in 2023. In addition to the removal of health, social and rescue services, the decline in operating expenses will be accelerated by the end of the parliamentary term, as a result of which several fixed-term measures will end. On the other hand, additional expenditure will arise from immigration, for example in relation to early childhood education, preparatory education for basic education, and integration.

In 2024–2026, local government operating expenditure will grow on average by 2.3% per year. The increase in operating expenditure will be mainly due to price rises. The price index for basic public services, which describes the development of local government costs, will increase on average by 2.6% per year. After the health and social services reform, most of the costs remaining to local government finances will arise from early childhood education and general education. The fall in the birth rate throughout the 2010s is being translated, however, into a decline in the need for general education services (including early childhood education). In order for the decline in the need for services to be realised as cost savings, the municipalities must be prepared to adjust their service production as the need for services changes. In small municipalities, the school network in many places has already been reduced such that it is not possible to reduce it further without stopping the service altogether. For this reason, the decline in the need for services has been tempered in the projection.

An estimated EUR 950 million of investments will be transferred from local government finances to the wellbeing services counties. The fastest growth phase of investment is estimated to be already past, but investment pressures from growth centres and the nationwide repair backlog will keep investment high. It is possible, however, that investments will be delayed or even suspended due to the uncertainty and high prices caused by Russia's invasion and the resulting sanctions.

Local government revenue in the spending limits period

In 2023, the transfer of health, social and rescue services to the responsibility of the wellbeing services counties will also impact local government funding. The revenue of the municipalities will be reduced at the national level corresponding to the amount of financial responsibility transferred from them. Local government operating income is expected to decrease by approximately 30% in 2023. The decline in operating income will be slowed by the rental income received by the municipalities from healthcare and social welfare properties, which is assumed in the projection to be EUR 700 million in 2023. In addition, provision has been made in the General Government Fiscal Plan to compensate municipalities for costs arising from the immigration of those fleeing the war in Ukraine.

To ensure that the overall tax rate does not increase, municipal income tax percentages will be reduced equally among the municipalities in the year the reform enters into force. In addition, the corporate tax apportionment will be reduced by one third and the central government apportionment will be correspondingly increased. As the municipalities will continue to be the sole recipient of real estate tax, its weighting as a source of revenue for the municipalities will increase. The projection also includes the mining tax, the introduction of which is estimated to increase municipal tax revenues by approximately EUR 15 million per year from 2023. Municipal tax revenues are estimated to decrease by 48% in 2023. In 2023, the tax receipts of the municipalities will be exceptionally higher than normal, as local income tax and corporate tax revenues will still be accrued and settled for previous tax years in accordance with higher tax apportionments.

The funding of tasks transferred to the wellbeing services counties will also be deducted from central government transfers to municipalities. In addition to the funding transferred to the wellbeing services counties, central government transfers to municipalities will be reduced by EUR 24 million permanent adjustment from 2023, which is part of the Government's mid-term policy revenue decision to reduce spending limits expenditure. Central government transfers to municipalities are expected to decrease by 65% in 2023. Central government transfers to municipalities will grow in 2024–2026 on average by 1.7% per year, which is largely explained by index revisions.

In the pressure projection, operating income will grow on average by 1.5% per year in 2024–2026. Tax revenues will decrease by 5.6% in 2024, due to the fact that the impact of the health and social services reform will be reflected in the municipalities' tax revenues with a delay, as the tax year's taxes accrue over a number of calendar years. Tax funding will grow on average by 2.1% per year in 2025–2026.

Structural imbalance between local government expenditure and revenue will remain

Throughout the period under review 2022–2026, local government expenditure will remain slightly higher than revenue, with the exception of 2023, when the impact of the health and social services reform in cutting local government tax revenue will not yet be fully reflected in local income tax and corporate tax revenue. In the pressure projection, the annual margin will be sufficient to cover depreciation in all of the years under review. The situation of local government finances will be eased through the health and social services reform as the fastest growing expenditure is transferred away from the municipalities' responsibility. This does not mean, however, that the structural problems of local government finances will be completely overcome. In local government finances, the need for structural reforms to increase productivity and efficiency will remain even after the health and social services reform, as there is a structural imbalance between expenditure and revenue. As health, social and rescue services as transferred to the wellbeing services counties, the opportunities for municipalities to balance their finances by adjusting expenditure will narrow. At the same time, however, investment needs remain substantial due, among other things, to migration and the age of the building stock.

In 2023, an estimated EUR 5.1 billion will be transferred from local government loans through the health and social services reform. Thereafter, the rate of growth of the local government loan stock will slow significantly compared with the average growth rate of the last decade. The local government loan stock will grow EUR 21.4 billion at the end of the period under review. Interest rates have remained exceptionally low for a long time, but the interest rate environment is expected to normalise in the next few years from the unusual situation that has prevailed for several years in which nominal interest rates have been negative. This will also tighten local government finances.

Table 16. Development of local government finances up to 2026 according to local government accounts, EUR billion, at current prices

	2021	2022	2023	2024	2025	2026
Profit/loss itemisation						
1. Operating margin	-31.8	-33.2	-12.8	-13.1	-13.4	-13.9
2. Tax revenue	25.5	26.1	13.7	12.9	13.2	13.5
3. Central government transfers, operational finances	10.1	10.8	3.8	3.8	3.9	4.0
4. Financial income and expenses, net	0.5	0.4	0.5	0.5	0.4	0.4
5. Annual margin	4.4	4.1	5.1	4.1	4.0	4.0
6. Depreciation and amortisation	-3.1	-3.1	-2.9	-3.0	-3.1	-3.2
7. Extraordinary items, net	0.1	0.1	0.1	0.1	0.1	0.1
8. Profit/loss for the financial period	1.4	1.1	2.3	1.2	1.1	0.9
Funding						
9. Annual margin	4.4	4.1	5.1	4.1	4.0	4.0
10. Extraordinary items	0.1	0.1	0.1	0.1	0.1	0.1
11. Current income adjustments	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7
12. Internal financing, net	3.8	3.6	4.6	3.6	3.5	3.5
13. Investment in fixed assets	-5.3	-5.7	-4.6	-4.7	-4.9	-5.0
14. Funding contributions and sales gains	1.2	1.9	1.1	1.1	1.1	1.1
15. Investments, net	-4.1	-3.8	-3.5	-3.7	-3.8	-4.0
16. Financial balance (internal financing - investment)	-0.3	-0.2	1.1	-0.1	-0.3	-0.5
17. Loan stock	24.2	25.3	19.4	19.9	20.6	21.4
18. Cash	8.2	8.2	7.9	7.9	7.9	7.9
19. Net debt (loan stock - cash assets)	16.0	17.1	11.6	12.1	12.7	13.6

8 Earnings-related pension funds and other social security funds

Earnings-related pension system

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

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

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

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

Employees insured under the state employee's pension system (approximately 6% of those insured) and central government employers pay their pension contributions into the State Pension Fund. Funds are transferred annually from the State Pension Fund to the central government budget to cover state employees' pension expenditure. The transferred amount is currently 40% of the expenditure arising from central government pensions, and the remainder of the pension expenditure is covered directly from the central government budget. From 2024, revenue remitted will increase by one percentage point per year until it is 45% from 2028 (HE 1/2022).

Due to the prefunding of pensions, the earnings-related pension sector has been significantly in surplus historically. Demographic change is increasing pension expenditure, which has been reflected in a reduction in the surplus. Due to prefunding, however, the property income of the pension funds is substantial, so they will nominally not have to sell off assets even if pension expenditure exceeds contributions. Overall, the surplus of the earnings-related pension funds has declined from an average of just over 3% in ratio to GDP in the first decade of the 2000s to 0.9% in ratio to GDP in 2021. In the national accounts, private sector earnings-related pension funds are also included in general government finances and their assets in general government finance assets.

The surplus of the earnings-related pension sector improved in 2021 by approximately 0.9% in ratio to GDP when the temporary contribution reduction ended and as the wage bill grew. The sector's property income again returned to modest growth in 2021. In the following years, the surplus of the sector will improve when a temporary contribution increase comes into effect and property income grows. The surplus of the sector is just over 1% in ratio to GDP. In 2022–2025, the employer's earnings-related pension contribution will be higher in order to compensate for the reduction in 2020.

Other social security funds

Other social security funds include other public sector entities with social security duties, such as the Social Insurance Institution of Finland (Kela) and units handling the earnings-related unemployment insurance system. Kela's activities are financed statutorily by the health insurance contributions of the insured and employers as well as by public sector contributions. The central government's share of Kela's funding in 2021 was approximately 72%, while insurance contributions accounted for approximately 23% and municipalities for approximately 5%. In 2021, Kela's expenditure totalled approximately EUR 16.7 billion. Kela's benefit funds are the National Pension Insurance Fund, the National Health Insurance Fund and the General Fund for Social Security.

The earnings-related unemployment insurance system is managed by the Employment Fund and unemployment funds. Earnings-related unemployment expenditure is financed from unemployment insurance contributions collected from employees and employers (approximately 55%), central government contributions (approximately 40%) and the membership fees of unemployment funds (approximately 5%). In 2021, the benefits paid by unemployment funds totalled EUR 2.5 billion. The Employment Fund has a cyclical buffer whose net debt or net assets must be at most an amount corresponding to annual expenditure arising from an unemployment rate of 6%.

The financial position of other social security funds improved in 2021 to slightly in surplus as the economy grew. The financial position of the sector will be in surplus in 2022. The sector will be slightly in surplus in the medium term, but the financial balance may vary slightly on an annual basis, with the buffer funds providing flexibility. In the 2000s, the other social security funds have deviated from balance by at most 0.4% in ratio to GDP annually.

9 Summary of measures at the level of general government finances

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

9.1 Extent and timing of measures

The following table summarises the cumulative impact on general government finances in 2019–2026 of the decisions affecting revenue and expenditure of Prime Minister Marin's Government. Measures weakening the general government balance are presented with a minus sign and strengthening measures with a plus sign. The impacts have been presented in relation to the final General Government Fiscal Plan of the previous parliamentary term, i.e. the so-called technical General Government Fiscal Plan adopted on 4 April 2019. In addition to the discretionary measures taken into account in the table, the Government aims to increase the employment rate and the number of people in employment through reforms that strengthen employment. In addition, measures improving general government productivity and cost-effectiveness will be implemented.

Measures related to the coronavirus situation

During 2020–2022, the Government has decided on many fixed-term and targeted measures to mitigate the health and economic effects of the coronavirus as well as measures to stimulate the economy. In terms of central government on-budget appropriations, this means discretionary additional expenditure totalling approximately EUR 16.4 billion in 2020–2026. Of budget appropriations, financial investments are not, as a rule, include in the figures of the table below, because they mainly do not affect the central government budgetary position according to the national accounts.

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

Businesses have been heavily supported with grants and other direct subsidies. The ability of businesses to cope with the exceptional conditions has also been supported by increasing guarantee and loan authorisations and by improving businesses' liquidity with many support measures. Efforts have been made to support the situation of those who have been laid off and made unemployed, for example by removing the waiting period for unemployment security and streamlining the payment of unemployment security. In addition, other extensions of social security include introducing support for those absent from work with no pay due to the coronavirus epidemic.

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

Local government finances have also been supported substantially as a result of the crisis, for example with comprehensive central government transfers. The support measures have offset the reduction in tax revenues, thereby underpinning the provision of basic public services. In addition, central government transfers to local government have been increased with additional funding for services supporting the wellbeing of children, young people and families. Efforts have also been made to alleviate harm caused to the elderly by the exceptional circumstances by increasing central government transfers to ensure the functioning of services for the elderly.

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

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

During the coronavirus pandemic, economic situation has been alleviated by the easing of tax payment arrangements for 2020 and 2021. The arrangement has made possible the deferral of payment of tax, and as a result, tax revenue of approximately EUR 0.2 billion will be transferred to 2023. The central government will compensate municipalities for tax revenue losses. The temporary arrangements related to self-employed people's social security benefits and businesses' social security contributions will also leave social security funds in a weaker financial position. There follows more detailed information about the decisions made.

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

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

Government's permanent additional expenditure

Permanent additional expenditure in accordance with the Government Programme will be approximately EUR 1.4 billion compared with spring 2019 technical General Government Fiscal Plan. Permanent additional expenditure is allocated to, among other things, strengthening competence and social justice and to climate policy measures. A small part of the additional expenditure will be financed such that central government on-budget expenditure and revenue are reallocated, for example, by lowering the level of certain deferrable appropriations.

Permanent additional expenditure other than the above-mentioned increases in accordance with the Government Programme will be approximately EUR 0.8 billion at the 2023 level and approximately EUR 1.6 billion at the 2026 level. This includes, as new measures, the funding level of the so-called Veikkaus package adopted at parliamentary level as well as the appropriation impacts of the R&D funding package.

A total of EUR 370 million of permanent savings was decided on in last spring's General Government Fiscal Plan. The package will be implemented by lowering the expenditure level and allocating savings of EUR 328 million by administrative branch. Savings totalling EUR 42 million allocated in the previous General Government Fiscal Plan to the Ministry of Defence and the Ministry of the Interior will be implemented by lowering the expenditure level.

Changes decided on due to the war of aggression launched by Russia

The General Government Fiscal Plan allocates significant expenditure to national defence, cyber and border security, measures supporting security of supply / green transition, and to assist those fleeing the war in Ukraine. Of the expenditure, an estimated EUR 0.2 billion is a permanent increase in expenditure, and this is also included in the totals presented above. (See section 5.3 for more detail)

Fixed-term future-oriented investments in 2020–2022

The Government has allocated for 2020–2022 a total of approximately EUR 2.0 billion to one-off future-oriented investments. Of the package, approximately EUR 0.7 billion has been allocated to the Ministry of Education and Culture for, among other things, education and training measures. The second largest appropriation, EUR 0.4 billion, has been allocated to the Ministry of Economic Affairs and Employment for, among other things, support for renewal and low carbon.

In addition, investments totalling over EUR 200 million will be allocated from the National Housing Fund in 2020–2022. In accordance with the Government Programme, the intention is to finance future-oriented investments mainly through property income so that they do not lead to an increase in the debt burden in 2023.

Wellbeing services counties

The municipalities' responsibility for organising health, social and rescue services will be transferred to the wellbeing services counties at the beginning of 2023. The Government's expenditure and revenue decisions related to the tasks of the wellbeing services counties (including statutory reforms, discretionary government transfers to be transferred to the wellbeing services counties, modification and preparation costs related to the reform, and a fixed-term increase of 0.2% made for the estimate for the need for services pursuant to section 36 of the Act of the Funding of the Wellbeing Services Counties) are included in a table in the section on the finances of 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

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

During the parliamentary term, taxation will be increased by measures mainly directed at indirect taxes on, for example, tobacco, alcoholic beverages, soft drinks, and transport, machinery and heating fuels. As part of phased elimination of the tax rebate system for energy-intensive companies, electricity tax has been reduced to the EU minimum for category II. Most of the tax policy measures of the Government Programme have already been implemented in the early years of the parliamentary term. It is assumed that annual index adjustments will be made to earned income tax criteria, so that taxation does not increase as the general level of earnings rises. With the establishment of the wellbeing services counties, local government tax revenue will be transferred to central government as local government tasks are reduced. In connection with the transfer of tax revenue, taxation of earned income will be reduced on an annual level by EUR 297 million in 2023, so that the reform does not lead to higher taxes for any income group. Taxation will be used to promote R&D expenditure and investment. R&D activity will be supported by the additional deduction that enters into effect from 2023. Investment will be encouraged through the temporary accelerated depreciation of movable fixed assets. The Government will reinforce the tax base and increase indirect taxes.

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

Social security contributions

Unemployment insurance contributions were increased from the beginning of 2022, after which they will remain unchanged. Health insurance contributions decreased from the beginning of 2022. In 2023, they are expected to increase slightly again.

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

Improving public sector productivity and cost-effectiveness

In the preparation of the Government Programme, it was estimated that the general government balance could be improved through public sector productivity measures by just under EUR 300 million by the end of the parliamentary term. Achieving this target will require significant measures to improve productivity in all administrative branches and cross-administratively.

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

Table 17. Total impact on general government finances of decisions on revenue and expenditure, cumulative, EUR billion

	2019	2020	2021	2022	2023	2024	2025	2026
Decisions lowering central government appropriations	0.0	0.1	0.1	0.2	0.6	0.5	0.5	0.5
Decisions increasing central government appropriations	-0.4	-1.3	-2.4	-2.7	-2.7	-2.9	-2.9	-3.0
Future-oriented investments (incl. National Housing Fund)	0.0	-0.8	-0.9	-0.6	0.0	0.0	0.0	0.0
Increases in appropriations due to the coronavirus situation	0.0	-8.4	-4.9	-0.8	-0.1	0.0	0.0	0.0
Increases in appropriations under spending limits exceptions (Russia's invasion of Ukraine)					-2.0	-1.2	-1.0	-0.8
Compensation to municipalities for tax criteria changes	0.0	-0.4	-0.2	-0.3	0.1	0.0	0.0	0.0
Decisions increasing central government tax revenue	0.0	0.5	0.8	1.0	1.2	1.2	1.2	1.2
Decisions lowering central government tax revenue (excl. Index of Wage and Salary Earnings/Consumer Price Index adjustments)	0.0	-0.7	-1.1	-0.7	-1.0	-1.0	-1.0	-0.7
Other decisions increasing central government revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Impact on central government budgetary position, net	**-0.4**	**-11.0**	**-8.5**	**-3.8**	**-4.0**	**-3.4**	**-3.2**	**-2.7**

	2019	2020	2021	2022	2023	2024	2025	2026
Government measures increasing revenue of wellbeing services counties					0.4	0.5	0.5	0.5
Government measures increasing expenditure of wellbeing services counties					-0.4	-0.5	-0.5	-0.5
Impact on budgetary position of wellbeing services counties, net					**0.0**	**0.0**	**0.0**	**0.0**
Government measures increasing local government revenue	0.2	2.6	1.0	0.6	0.6	0.4	0.4	0.3
Government measures increasing local government expenditure	0.0	-0.9	-0.7	-0.6	-0.6	-0.4	-0.3	-0.3
Net impact of future-oriented investments on local government finances	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impact of central government measures on local government tax revenue (excl. Index of Wage and Salary Earnings/Consumer Price Index adjustments)	0.0	-0.4	-0.2	-0.3	0.1	0.0	0.0	0.0
Compensation to municipalities for tax criteria changes	0.0	0.4	0.2	0.3	-0.1	0.0	0.0	0.0
Impact of other central government measures on local government finances[1]	0.0	0.5	0.6	0.0	0.1	0.1	0.1	0.1
Increases of municipalities' tax percentages	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Impact on local government budgetary position, net	**0.2**	**2.2**	**1.0**	**0.1**	**0.2**	**0.2**	**0.2**	**0.2**
Changes in social security contributions (incl. temporary lowering of TyEL contribution)	-0.5	-0.8	1.5	-0.1	0.5	-0.2	0.0	-0.3
Changes in expenditure	0.0	0.6	0.0	0.0	0.0	0.0	0.0	0.0
Impact on social security funds' balance, net	**-0.5**	**-0.2**	**1.4**	**-0.1**	**0.5**	**-0.2**	**0.0**	**-0.3**
Impact on general government balance, net	**-0,7**	**-9,0**	**-6,0**	**-3,8**	**-3,3**	**-3,4**	**-2,9**	**-2,8**
In ratio to GDP	-0,3 %	-3,8 %	-2,4 %	-1,4 %	-1,2 %	-1,2 %	-1,0 %	-0,9 %

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

9.2 Measures directed at general government expenditure

The table below presents the annual net change in general government expenditure in 2019–2026 from measures decided by Prime Minister Marin's Government[1)]. The review does not contain so-called financial investment expenditure, which in turn is not included in general government expenditure in reviews according to the national accounts.

General government expenditure grew significantly in 2020, mainly due to coronavirus-related measures, but also as a result of permanent additional expenditure and one-off future-oriented investments. Expenditure will correspondingly decrease in 2021 and 2022. In 2023, general government expenditure (compared to 2022) will be boosted, in particular, by expenditure increases related to Russia's invasion of Ukraine and the introduction of the spending limits exceptions.

Expenditure on transfers to households increased in 2020 through benefit improvements decided by the Government and fixed-term benefit changes related to the coronavirus situation. Expenditure on transfers to business and industry increased, particularly in 2020, when aid was paid to businesses due to the coronavirus situation, but will decline from 2022, due to a change related to the energy tax rebate scheme. Other transfers will increase at the end of the spending limits period due to the new R&D funding package.

Real investment also takes into account increases allocated to basic transport infrastructure maintenance – both additional investments decided by the Government and the general increase proposed by the parliamentary working group that had already been taken into account in the technical General Government Fiscal Plan from 2022.

Table 18. Measures affecting general government expenditure, annual change, net, EUR billion

	2019	2020	2021	2022	2023	2024	2025	2026
Consumption expenditure	0.1	2.4	1.1	-1.8	0.9	-0.6	-0.3	-0.1
Expenditure on transfers to business and industry	0.0	2.8	-1.6	-0.5	-0.4	0.1	0.0	-0.2
Expenditure on transfers to households	0.0	1.3	-0.6	-0.3	0.0	0.1	0.0	0.0
Other transfers	0.0	1.1	-0.2	-0.3	-0.1	0.0	0.1	0.2
Real investment[1]	0.1	0.5	0.0	-0.1	0.0	-0.2	0.0	0.0
Other expenditure	0.0	0.2	0.5	-0.8	0.0	0.0	0.0	0.0
Total	**0.2**	**8.4**	**-0.8**	**-3.7**	**0.5**	**-0.6**	**-0.3**	**-0.1**
Discretionary measures of the previous parliamentary term	-0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0

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

9.3 Measures directed at general government revenue

The table below presents information on the timing of discretionary measures affecting general government revenue in 2020–2026, as annual net changes. Net change refers to the combined impact of measures that increase and decrease revenue. The table also takes into account changes in taxation criteria decided in the previous parliamentary term, index adjustments made to earned income taxation, and one-off factors affecting changes in the timing of taxation. Earned income tax will be reduced by annual index adjustment and by the abolition of the solidarity tax from the beginning of 2024. Corporate tax receipts will be increased at the end of the spending limits period by the ending of fixed-term accelerated depreciation of movable fixed assets.

In addition to tax criteria changes, the table presents the estimated impact on tax revenue of payment arrangements related to the coronavirus situation. The situation of businesses in payment difficulties due to the coronavirus epidemic was eased by making temporary changes to tax payment arrangements and lowering the interest rate on late payment of taxes. As a result of this measure, an estimated nearly EUR 0.7 billion of tax revenue will be transferred from 2020 and 2021 to 2021–2023. Most of the deferral of tax payment concerns VAT.

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

Table 19. Measures affecting general government revenue, annual change, net, EUR billion

	2020	2021	2022	2023	2024	2025	2026
Taxes on earned income	-0.5	-0.4	-0.7	-0.7	-0.5	-0.5	-0.4
Taxes on capital income	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Corporate taxes	-0.2	0.0	0.1	-0.1	0.1	0.0	0.3
Other direct taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0
VAT	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other indirect taxes	0.3	-0.1	0.0	0.2	0.0	0.0	0.0
Social security contributions from employers	-1.0	1.3	0.1	0.2	-0.1	0.0	0.0
Social security contributions from the insured	0.1	0.2	-0.2	0.3	-0.1	0.0	-0.3
Payment arrangements related to tax payment deferral	-0.8	0.2	0.3	0.2	0.0	0.0	0.0
Total	**-2.0**	**1.2**	**-0.4**	**0.1**	**-0.6**	**-0.5**	**-0.4**

10 Estimate of general government revenue and expenditure

Table 20. Central government according to the national accounts, EUR billion

	2021*	2022**	2023**	2024**	2025**	2026**
Current taxes	16.2	17.2	32.1	33.2	34.3	35.6
Taxes on production and imports	34.8	36.0	36.9	37.3	38.1	38.8
Social security contributions	0.0	0.0	0.0	0.0	0.0	0.0
Taxes and social security contributions, total 2)	51.8	54.0	69.9	71.3	73.2	75.3
Other revenue 3)	9.6	9.8	9.9	9.9	9.8	9.8
of which interest income	0.1	0.2	0.2	0.2	0.2	0.2
Total revenue	61.4	63.9	79.8	81.2	83.0	85.1
Consumption expenditure	15.6	17.3	17.6	17.8	18.1	18.5
Subsidies and other transfers	46.9	46.2	60.6	62.0	63.1	64.6
to general government	32.6	32.9	47.5	48.6	49.7	51.0
Interest expenditure	1.1	1.2	1.1	1.1	1.0	1.0
Capital expenditure 4)	5.9	6.8	7.0	6.7	8.5	8.6
Total expenditure	69.5	71.5	86.3	87.5	90.7	92.8
Net lending (+) / net borrowing (-)	-8.1	-7.6	-6.5	-6.4	-7.7	-7.8

Table 21. Local government according to the national accounts, EUR billion

	2021*	2022**	2023**	2024**	2025**	2026**
Taxes and social security contributions	25.8	26.1	12.2	12.8	13.2	13.5
of which municipal income tax	20.8	21.4	8.4	9.0	9.2	9.5
corporate tax	3.0	2.6	1.8	1.7	1.8	1.8
real estate tax	2.0	2.1	2.1	2.1	2.2	2.2
Other revenue 2)	23.5	24.2	13.9	14.2	14.5	14.9
of which interest income	0.2	0.2	0.2	0.2	0.2	0.2
of which transfers from central government	17.6	18.0	7.9	8.1	8.2	8.3
Total revenue	49.3	50.3	26.1	27.1	27.7	28.4
Consumption expenditure	41.3	42.5	19.8	20.3	20.9	21.5
of which compensation of employees	23.4	23.8	12.3	12.5	12.8	13.2
Income transfers	2.7	2.7	2.0	2.0	2.1	2.1
of which social security benefits and allowances	0.7	0.7	0.0	0.0	0.0	0.0
subsidies and other transfers	1.9	1.9	1.8	1.8	1.8	1.8
interest expenditure	0.1	0.2	0.2	0.2	0.3	0.3
Capital expenditure 3)	6.1	6.5	5.7	5.8	6.0	6.2
Total expenditure	50.1	51.8	27.5	28.2	28.9	29.8
Net lending (+) / net borrowing (-)	-0.8	-1.5	-1.4	-1.1	-1.2	-1.4

Table 22. Wellbeing services counties

	2021*	2022**	2023**	2024**	2025**	2026**
Central government funding			24.5	25.1	25.8	26.7
Other revenue			2.6	2.7	2.8	2.9
Total revenue			27.1	27.8	28.6	29.6
Consumption expenditure			23.7	24.3	25.1	26.1
Income transfers and other expenditure			0.8	0.8	0.8	0.9
Investments			1.1	1.1	1.0	1.0
Total expenditure			27.7	28.4	29.2	30.3
Net lending (+) / net borrowing (-)			-0.6	-0.6	-0.7	-0.7

Table 23. Earnings-related pension funds

	2021*	2022**	2023**	2024**	2025**	2026**
Investment income	3.7	4.8	5.7	6.2	6.7	7.3
Social security contributions	24.1	25.2	26.1	26.9	27.6	28.1
of which paid by employers	16.2	17.1	17.6	18.2	18.7	19.3
of which paid by the insured	7.9	8.2	8.4	8.7	8.9	8.9
Income and capital transfers from general government	2.8	2.7	2.8	2.9	3.0	3.1
Other revenue	0.3	0.3	0.3	0.3	0.3	0.3
Total revenue	30.9	33.1	34.9	36.3	37.6	38.8
Consumption expenditure	0.6	0.7	0.7	0.7	0.7	0.7
Social security benefits and allowances	25.9	27.0	28.6	29.8	30.8	31.8
Other expenditure	2.2	2.3	2.4	2.5	2.6	2.7
Total expenditure	28.7	30.0	31.7	32.9	34.0	35.2
Net lending (+) / net borrowing (-)	2.2	3.1	3.2	3.3	3.6	3.6

Table 24. Other social security funds

	2021*	2022**	2023**	2024**	2025**	2026**
Investment income	0.0	0.0	0.0	0.0	0.1	0.1
Social security contributions	6.4	6.2	6.9	7.0	7.2	7.4
of which paid by employers	2.6	2.6	2.9	2.9	3.0	3.1
of which paid by the insured	3.7	3.6	4.0	4.1	4.2	4.3
Income and capital transfers from general government	13.9	13.7	13.6	14.0	14.2	14.4
Other revenue	0.1	0.0	0.0	0.0	0.0	0.0
Total revenue	20.4	20.0	20.6	21.0	21.5	21.9
Consumption expenditure	3.4	3.5	3.5	3.6	3.8	3.9
Social security benefits and allowances	15.4	15.2	15.2	15.5	15.7	15.9
Other expenditure	1.4	1.2	1.2	1.3	1.3	1.4
Total expenditure	20.2	20.0	20.0	20.4	20.8	21.2
Net lending (+) / net borrowing (-)	0.2	0.0	0.7	0.6	0.7	0.7

General government fiscal forecast under unchanged policies

Table 25. Revenue and expenditure under unchanged policies

	2021*	2021*	2022**	2023**	2024**	2025**	2026**
	level, EUR billion	% GDP					
Total revenue under unchanged policies	132.4	52.4	51.9	52.0	51.5	51.3	51.0
Total expenditure under unchanged policies	139.0	54.9	54.1	53.6	53.0	53.1	52.8

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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. Forecasts and assumptions used

	2020	2021	2022	2023	2024	2025	2026
GDP, change in volume, %	-2.3	3.5	1.5	1.7	1.5	1.3	1.2
GDP, change in price	1.6	2.7	3.4	2.2	1.8	1.8	2.0
GDP, value, EUR million	237 995	252 934	265 418	275 851	284 979	293 803	303 179
GNI, value, EUR million	242 030	257 217	268 896	279 024	287 797	296 789	306 165
Consumer Price Index, change %	0.3	2.2	4.0	2.1	1.7	1.9	1.9
Index of Wage and Salary Earnings, change %	1.9	2.3	2.6	2.5	2.6	2.7	2.8
Building Cost Index, change %	-0.3	5.5	7.1	2.3	2.3	2.4	2.4
Basic Price Index for Domestic Supply, change %	-3.3	9.0	14.4	2.2	2.3	2.3	2.5
Unemployment rate, %	7.7	7.7	7.2	6.8	6.6	6.5	6.4
Wage bill, change %	-0.3	5.0	3.6	3.3	3.1	2.9	3.1
Short-term interest rate, 3 months, %	-0.4	-0.5	-0.4	0.1	0.3	0.3	0.4
Long-term interest rate, 10 years, %	-0.2	-0.1	0.4	0.6	0.7	0.8	0.9
TyEL Index	2617	2631	2691	2791	2852	2901	2961
National Pension Index (KEL)	1633	1639	1674	1741	1778	1804	1838
Price index of basic public services, forecast	0.9	2.6	3.2	2.5	2.4	2.5	2.8
Change in cost level used in Budget Proposal (Index of Central Government Transfers to Local Government)	2.4	2.4	2.5	2.5	2.4	2.5	2.8
– index adjustment	0.0						
Index of Central Government Transfers to Local Government without freezing in 2016—2019	2.4	2.4	2.5	2.5	2.4	2.5	2.8

	2020	2021	2022	2023	2024	2025	2026
University Index (forecast used in budgeting)	0.8	3.3	4.6	2.4	2.4	2.5	2.6
Vocational education and training index	0.5	3.8	5.5	2.4	2.4	2.5	2.6
YLE Index	1.4	2.3	3.1	2.4	2.3	2.4	2.5
HVA Index				2.48	2.29	2.47	2.70
Unemployment insurance contributions							
– employer, average	1.26	1.43	1.51	1.51	1.51	1.51	1.51
– employee	1.25	1.40	1.50	1.50	1.50	1.50	1.50
TyEL contribution	22.7	24.4	24.9	24.9	24.9	24.9	24.4
– employer	15.2	17.0	17.4	17.4	17.4	17.4	17.3
– employee aged 53 yrs and under	7.15	7.15	7.15	7.15	7.15	7.15	7.15
– employee over 53 yrs	8.65	8.65	8.65	8.65	8.65	8.65	7.15
– wage coefficient	1.446	1.465	1.501	1.544	1.581	1.619	1.660
Health insurance contributions of the insured							
– employees' daily allowance contribution	1.18	1.36	1.18	1.38	1.31	1.32	1.31
– wage earners' and entrepreneurs' medical care contribution	0.68	0.68	0.53	0.58	0.57	0.58	0.59
– pensioners' medical care contribution	1.65	1.65	1.50	1.55	1.54	1.55	1.56
Central government employer contributions	18.0	18.2	18.5	18.7	18.6	18.6	18.7
– health insurance contribution	1.34	1.53	1.34	1.56	1.47	1.49	1.47
– pension contribution (under Central Government Employees' Pensions Act [VaEL])	16.69	16.68	17.13	17.13	17.13	17.13	17.25
Local government employer contributions	24.5	24.7	24.3	24.5	24.4	24.4	24.8
– health insurance contribution	1.34	1.53	1.34	1.56	1.47	1.49	1.47
– other social insurance contributions	0.7	0.7	0.7	0.7	0.7	0.7	0.7
– unemployment insurance contribution	1.63	1.83	1.97	1.90	1.90	1.90	1.90
– pension contribution (under Local Government Employees' Pensions Act [KuEL])	20.8	20.6	20.3	20.3	20.3	20.3	20.8

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

Structural changes

As a result of structural changes made in the fourth supplementary budget for 2021, the 2022 Budget and supplementary budget, and these spending limits, the level of the spending limits for 2023 will increase by EUR 2,094 million compared with the spending limits decision of 12 May 2021.

The table below presents a more detailed description of structural changes that took place after the previous spending limits decision and their impact on the expenditure ceiling of the parliamentary term.

Table. Structural changes in the spending limits, EUR million

Item	Matter	2021	2022	2023
SBP 3 2021				
23.01.26	Re-budgeting of the 2019 appropriation.	1.4		
24.30.66, 33.70.20	Finland's COVID-19 vaccine donations. Spending limits correction made so donations would not burden spending limits.	10.0		
27.10.18	Timing change in annual shares of other defence materiel procurement	-81.5	36.3	
30.10.64	Re-budgeting related to Rural Development Programme for Mainland Finland.	54.0		
30.40.22	Partial rebudgeting of funding for Bio-innovation Programme	0.7		
30.40.62	Rebudgeting related to funding EMFF 2014-2020 programme period.	6.9		
31.10.77	Appropriation matching EU TEN support. Pass-through item.	2.2		
32.30.30, 32.40.43	Cancellation EUR 169 million from appropriation budgeted in 2020 for cost support for sole entrepreneurs. A corresponding increase is made to item 32.40.43 cost support for business.	168.9		

Item	Matter	2021	2022	2023
33.20.50, 33.20.52	Increasing protected component of unemployment security for period 1 July–30 September 2021. Criterion change in items outside spending limits.	-13.0		
33.20.52	Right of entrepreneurs to labour market support in period 1 July–30 September 2021. Criterion change in items outside spending limits.	-48.0		
	Spending limits reserve for one-off and fiscal policy mandatory spending needs arising from the coronavirus situation.	1 350.0		
BP 2022				
28.89.31	Timing change in the financing of wellbeing services counties		880.5	-880.5
32.20.46	Timing change in shipbuilding innovation support payments.		-2.8	
	Spending limits timing change for funding to speed up access to care.		-50.0	50.0
SBP 4 2021				
24.01.74	Rebudgeting related to two premises projects.	3.0		
24.30.66, 33.70.20	Finland's COVID-19 vaccine donations. Spending limits correction made so donations would not burden spending limits.	12.6		
26.20.70	Rebudgeting related to harmonisation of two helicopters and their spare parts inventory.	1.0		
27.10.01	Timing change related to development of Air Force bases (SBP3 2021).	-11.8		11.8
27.10.01	Rebudgeting related to delays in maintenance procurement.	6.4		
28.70.05	Budgeting for re-use of funding, earmarked for preparation of health and social services reform and productivity measures, which was budgeted earlier and remained unused.	22.6		
28.90.32	Rebudgeting related to the completion of projects started in 2019.	7.0		
29.80.50	Rebudgeting of grant made for the administration and care of the Paimio Sanatorium.	1.5		
30.10.63	Rebudgeting related to funding of rural development in sparsely populated areas (HAMA).	3.5		

Item	Matter	2021	2022	2023
31.10.77	Rebudgeting related to planning of Helsinki-Tampere main line.	8.4		
31.10.78	Rebudgeting related to Fennovoima' road link and the Tampere Rantaväylä	7.6		
31.20.52	Rebudgeting of appropriation for procurement and conversion support.	7.1		
32.20.45	Timing change in LNG terminal project support payments.	-5.5	5.5	
32.30.51	Partial rebudgeting of 2020 appropriation due to a delay in appropriation payments.	20.0		
32.30.64	Timing change due to delay in start of EU programming period 2021–2027.	-48.5		
33.03.25	Rebudgeting related to delay in projects establishing national centres of excellence.	3.0		
33.20.50, 33.20.52	Extension of unemployment security COVID exemptions until 30 November 2021. Criterion change in items outside spending limits.	-9.0		
33.20.52	Right of entrepreneurs to labour market support continued until 30 November 2021. Criterion change in items outside spending limits.	-20.0		
	Reduction of expenditure level corresponding to compensation for the decrease in gambling revenues, administrative branches Ministry of Agriculture and Forestry (EUR 1.6 million) and Ministry of Social Affairs and Health (EUR 17.2 million).	-18.8		
BP 2022, supplement				
31.10.77	Appropriation matching EU CEF support. Pass-through item, corresponding revenue in item 12.31.10.		1.3	
31.10.77	Timing change in use of project reserve for transport projects.		-8.8	8.8
32.01.41	Timing change in quantum computer payments.		1.3	
35.10.20	Rebudgeting related to mitigating environmental damage at Hitura mine.		1.0	0.9
SB 2022				
28.89.30	Timing change related to costs of establishing wellbeing services counties, e.g. ICT modification costs.		96.0	-96.0

Item	Matter	2021	2022	2023
28.70.05, 28.89.30	Cancellation of 2021 appropriation from item 28.70.05 and rebudgeting for implementation of health and social services reform to item 28.89.30.		2.8	
33.20.50, 33.20.52	Unemployment benefit payable for waiting period from 1 January to 28 February 2022 Criterion change in items outside spending limits.		-5.6	
33.20.52	Right of entrepreneurs to labour market support in period 1 January–28 February 2022. Criterion change in items outside spending limits.		-24.4	
	Separately restricted expenditure arising from coronavirus situation covered as expenditure outside spending limits in 2022. Corresponding structural adjustment to spending limits level made to expenditure. Expenditure is detailed in the general strategy and outlook of the supplementary budget proposal. (SBP EUR 304 million, supplementary proposal EUR 30 million)		334.0	
GGFP 2023–2026				
26.10.02	Timing change in ICT equipment expenditure due to modification delay.			-15.5
27.10.18	Expenditure timing changes included in third supplementary budget for 2021.			20.4
27.10.19	Change in accordance with procurement decision in the payment profile of multi-purpose fighters.			-518.9
28.89.31	Technical change. Transfer of funding from municipalities' tax revenue to wellbeing services counties. Revision of transfer made in GGFP 2022–2025.			479.5
28.89.31, 28.90.35	Technical change. Transfer of municipalities' tax revenue compensation outside the spending limits to the wellbeing services counties. Revision of transfer made in GGFP 2022–2025.			39.1
32.20.46	Timing change in shipbuilding innovation support payments.			2.6
32.30.42	Change in payment schedule due to transfer of authorisation (SBP supplement 2022).			0.8
32.30.55	Change security training funded by an annual transfer from Employment Fund. Pass-through item, corresponding revenue in item 12.32.99.			22.0

Item	Matter	2021	2022	2023
32.30.55, 33.20.50, 33.20.52	Technical transfer of wage subsidies of obligatory employed to new item of Ministry of Economic Affairs and Employment. Transfer from outside spending limits to item included in spending limits.			25.7
32.30.64	Payments of rebudgeting (SBP 4 2021) of released Programming period 2021–2020 authorisations.			3.7
33.20.50, 33.20.52	Abolition of copyright compensation conciliation in unemployment security, criterion change in items outside spending limits.			-1.0
33.20.50, 33.20.52	Amendment of the provisions on studies of Unemployment Security Act. Criterion change in items outside spending limits.			-5.0
	Under the new funding model adopted at parliamentary level for non-profit activities financed by proceeds from profits on gambling activities, this expenditure will be transferred to expenditure within the spending limits from 2023 onwards, regardless of the source of funding and deviating from the spending limits rules outlined in the Government Programme. The parliamentary spending limits will be raised with regard to whole level, not only for the parts currently financed by proceeds from profits on gambling activities. In the General Government Fiscal Plan, the level of funding for 2023 (EUR 990 million) corresponds to the level of funding for 2024 outlined at parliamentary level.			990.0
	In the serious and substantially altered security policy situation affecting the whole of Europe, the Government will make exceptions to the spending limits. Restricted expenditure will be covered as expenditure outside the spending limits and a corresponding structural adjustment to spending limits level will be made to expenditure. 2023, a total of EUR 1,997.8 million: Cyber security EUR 54.2 million, Border security and national defence EUR 995.8 million, Immigration EUR 722.7 million, Measures supporting security of supply / green transition EUR 217.1 million, Measures taken due to rise in energy prices EUR 8.0 million.			1 997.8
	Reduction in spending limits level related to outlined permanent saving of EUR 370 million.			-42.0
Total		1 441.6	1 267.1	2 094.1

Price- and cost-level adjustments

The central government spending limits for 2023–2026 are expressed in price and cost levels for 2023. Some of the expenditure, such as development aid expenditure and national financing contributions corresponding to EU Structural Fund contributions, are estimated at current prices, in which case they include an estimate of the impact on the appropriation of the rise in prices in the spending limits period. In other respects, the expenditure level will be revised annually according to the estimated rise in costs and prices.

Price- and cost-level adjustments compared with the previous spending limits decision total EUR 1,734 million for 2023, taking into account the impact of transferring to the 2023 price and cost level. The impact of transferring to the 2022 price and cost level has also been revised after the previous spending limits decision. For this reason, the figure for price- and cost-level revisions in the table in Section 5.1 is different from EUR 1,734 million.

Table. Adjustments to 2023 price and cost levels compared with the spending limits decision of 12 May 2021, EUR million

		Adjustment of appropriation and spending limits level		Adjustment to spending limits level
Spending limits expenditure according to classification of economic nature	**Index used in calculation**	**Statutory index adjustment**	**Contractual adjustment**	**Other cost adjustments to spending limits expenditure**
15-17 Pensions	Employee Pension Index (TyEL)	186.3		
18-19 Defence materiel acquisitions	Predictive increase 1.5%		148.9[1]	
01-14 Wages and social security contributions	Increases under agreements		157.9	
Transport infrastructure expenditure	Building Cost Index (RKI)			43.4
01-14, 20-28 Other operating expenses and consumption	Consumer Price Index (KHI)			70.5
30-39 Imputed central government aid to municipalities and joint municipal authorities etc.	Index of Central Government Transfers to Local Government (VOS)	83.1		
31 Funding of wellbeing services counties	Wellbeing Services Counties Index (HVA)	532.9		

		Adjustment of appropriation and spending limits level		Adjustment to spending limits level
Spending limits expenditure according to classification of economic nature	Index used in calculation	Statutory index adjustment	Contractual adjustment	Other cost adjustments to spending limits expenditure
30-39 Other central government aid to municipalities and joint municipal authorities	Index of Central Government Transfers to Local Government (VOS)			20.7
30 Central government funding for vocational education and training	Vocational education and training index	21.8		
40-49 Central government aid to trade and industry	Consumer Price Index (KHI)			52.4
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)	70.0		
51-52 Central government funding to Evangelical Lutheran Church and grant to Orthodox Church	Consumer Price Index (KHI)	2.6		
50-59 Non-indexed central government aid to households	National Pension Index (KEL)			68.8
50 Central government funding for universities and universities of applied sciences	University Index	62.0		
50-59 Other central government aid to households and non-profit-making organisations	Consumer Price Index (KHI)			24.8
60 Transfers to off-budget central government funds	Consumer Price Index (KHI)			9.6
60 Transfers to Social Insurance Institution of Finland	National Pension Index (KEL)	152.0		
60 Central government transfer for expenditure arising from the Health Insurance Act	National Pension Index (KEL)	14.5		78.2

		Adjustment of appropriation and spending limits level		Adjustment to spending limits level
Spending limits expenditure according to classification of economic nature	Index used in calculation	Statutory index adjustment	Contractual adjustment	Other cost adjustments to spending limits expenditure
61-65 Central government funding contributions corresponding to EU Structural Fund contributions and other domestic transfers	Included in programme spending limits			
66-68 Transfers abroad	At current prices			
69 Transfers to the EU	EU GDP Price Index			
70-79 Real investments	Building Cost Index (RKI)			0.9
90-99 Other expenditure	Consumer Price Index (KHI)			1.6
Supplementary budget provision and unallocated reserve	Consumer Price Index (KHI)			5.3
Total in 2023		1 125.2	232.3	376.2

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

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

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

	2022	2023	2024	2025
General government balance, spring 2021	-2.9	-2.2	-1.7	-1.6
Central government:				
Impact of revised statistical basis on revenue and expenditure estimates	1.8	1.8	1.8	1.8
Impact of revised macroeconomic forecast on revenue and expenditure estimates	-0.3	-0.2	-0.2	-0.1
Impact of discretionary measures on revenue and expenditure estimates	-1.2	-1.0	-0.9	-0.8
Impact of other factors*	-0.3	-0.7	-1.0	-1.6
Local government:				
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	-0.1	-0.1
Impact of discretionary measures on revenue and expenditure estimates	0.1	0.0	0.0	0.0
Impact of other factors	0.3	0.1	0.1	0.0
Earnings-related pension funds:				
Impact of revised statistical basis on revenue and expenditure estimates	-0.1	0.0	0.0	0.0
Impact of revised macroeconomic forecast on revenue and expenditure estimates	0.0	-0.1	-0.1	-0.1
Impact of discretionary measures on revenue and expenditure estimates	0.0	0.0	0.0	0.0
Impact of other factors	0.5	0.6	0.7	0.7

	2022	2023	2024	2025
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	-0.1	0.0	0.0
Impact of discretionary measures on revenue and expenditure estimates	0.1	0.1	0.0	0.1
Impact of other factors	0.0	0.1	0.1	0.1
General government balance, spring 2022	-2.2	-1.7	-1.4	-1.8

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

APPENDIX 4 Economic development risks and their impact on public finances

The baseline scenario of the General Government Fiscal Plan is based, with respect to 2022–2024, on the April 2022 independent economic outlook forecast of the Economics Department of the Ministry of Finance. The years 2025 and 2023 have been taken into account in the scenario based on, among other things, the growth estimate for potential output. In addition to the economic outlook forecast, the baseline scenario's general government budgetary position is based on the Government Programme of Prime Minister Marin's Government, the General Government Fiscal Plan for 2021–2023 adopted by the Government in September 2019, the General Government Fiscal Plan for 2021–2024 adopted by the Government in April 2020, the General Government Fiscal Plan for 2022–2025 adopted by the Government in April 2021, the General Government Fiscal Plan for 2023–2026 as well as the 2020, 2021 and 2022 State budgets and supplementary budgets.

According to the baseline scenario, Finland's economy will grow on average by 1.4% per year in 2022–2026. The *international* risks of the forecast are down-side and high. The main risk is an escalation of the war situation or international relations and a serious disruption of international trade.

The domestic risks are related to the consequences of the war launched by Russia. The wider isolation of Russia and greater countermeasures could erode confidence and further accelerate inflation. In addition, there is still a risk of an acceleration of the covid-19 epidemic and a resultant increase in restrictive measures. There is also a risk that inflation will continue to rise rapidly for a longer period.

The uncertain outlook for the investment environment may result in investments being postponed or their implementation prevented. Higher than assumed private investment, possibly catalysed by the RRF can be viewed as a positive risk. There is a positive risk associated with green investment projects in the energy sector if independence from Russian fossil fuels is sought to a faster schedule. There is also a positive risk that Russia's warfare in Ukraine will end and a ceasefire or peace will be achieved, and possibly at least some of the sanctions lifted.

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 2022–2026. The unemployment rate would increase by one percentage point compared with the baseline scenario. The general government deficit would be deep throughout the outlook period and the debt ratio would grow to over 80%. General government finances would be more vulnerable than before to various negative shocks.

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

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

As a rough estimate, a rise in the level of interest rates by one percentage point would increase general government interest expenditure by approximately EUR 0.5 billion in 2022, and by 2026 interest expenditure would increase by slightly less than EUR 1.5 billion. A rise in interest rates would correspondingly increase the interest income of the earnings-related pension funds as well as the municipalities and central government. The public debt-to-GDP ratio would increase, however, as the surplus produced by the earnings-related pension providers cannot be used to cover deficits in other sectors.

Table. Sensitivity analysis

Baseline scenario	2021	2022	2023	2024	2025	2026
GDP, change, %	3.5	1.5	1.7	1.5	1.3	1.2
Unemployment rate, %	7.7	7.2	6.8	6.6	6.5	6.4
Budgetary position, % GDP	-2.6	-2.2	-1.7	-1.4	-1.8	-1.8
Public debt, % GDP	65.8	66.2	66.9	68.0	69.1	69.9
Slow growth – 1 month longer restrictive measures						
GDP, change, %	3.5	0.5	0.7	0.5	0.3	0.2
Unemployment rate, %	7.7	7.7	7.5	7.4	7.4	7.3
Budgetary position, % GDP	-2.6	-2.7	-2.7	-3.0	-3.8	-4.4
Public debt, % GDP	65.8	67.2	69.4	72.3	75.6	79.0
Fast growth – 1 month shorter restrictive measures						
GDP, change, %	3.5	2.5	2.7	2.5	2.3	2.2
Unemployment rate, %	7.7	6.7	6.2	5.7	5.2	4.8
Budgetary position, % GDP	-2.6	-1.7	-0.7	0.1	0.2	0.7
Public debt, % GDP	65.8	65.2	64.5	63.9	62.7	61.0
Change in interest expenditure, if level of interest rates rises 1 pp, % GDP	0.0	0.2	0.3	0.3	0.4	0.4
Change in interest income, if level of interest rates rises 1 pp, % GDP	0.0	0.4	0.4	0.4	0.4	0.4
Change in deficit, if level of interest rates rises 1 pp, % GDP	0.0	0.2	0.1	0.0	0.0	0.0
Change in borrowing requirement, if level of interest rates rises 1 pp, % GDP	0.0	0.1	0.1	0.2	0.2	0.2

APPENDIX 5 Comparison with Commission's latest forecast

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

Table. Comparison with the Commission's previous forecast

	Commission's forecast			Ministry of Finance's forecast		
	2021	2022	2023	2021	2022	2023
GDP, change, %[1]	3.5	3	2	3.5	1.5	1.7
Consumer Price Index, change %[1]	2.1	2.6	1.9	0.3	1.4	1.5
Unemployment rate, %[2]	7.7	6.9	6.5	7.7	7.2	6.8
General government balance, % GDP[2]	-3.8	-2.4	-1.1	-2.6	-2.2	-1.7
Structural balance, % GDP[2]	-2.8	-2	-1.1	-1.9	-1.6	-1.4
General government debt, % GDP[2]	71.2	71.2	71	65.8	66.2	66.9

1) Commission's winter forecast, February 2022

2) Commission's autumn forecast, November 2021

Appendix 6 Stability Programme

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

The data in the Stability Programme tables are actual data for the year 2021[9]. A target scenario for general government finances, based on the independent macroeconomic forecast of the Economics Department of the Ministry of Finance and the objectives of the Government Programme, the Sustainable Growth Programme for Finland, Government negotiations on the General Government Fiscal Plan and decisions made in other contexts, is presented for 2022—2023. As the independent forecast has this time been able to take into account all the measures decided by the Government in its negotiations on the General Government Fiscal Plan and other known measures, the target scenario and the independent forecast are consistent on this occasion. Parliamentary elections will be held in spring 2023, so next spring's Stability Programme will be based on unchanged policy and the actual Stability Programme will be in autumn 2023.

Fiscal policy objectives

Exceptional circumstances

The General Escape Clause of the Stability and Growth Pact was activated in March 2020 and will remain in effect in 2022. In its Communication on Fiscal Guidance 2023[10], published on 2 March 2022, the Commission stated that the validity of the General Escape Clause would end as planned in 2023, but given the prevailing uncertainty, this will be further assessed on the basis of the Commission's spring forecast. The General Escape Clause, as well as unusual events encountered by individual countries, permits Member States to temporarily depart from the adjustment path towards the MTO, provided that this does not endanger fiscal sustainability in the medium term.

9 Data are based on the national accounts published by Statistics Finland on 15 March 2022.

10 Communication on fiscal policy guidance 2023, https://ec.europa.eu/info/sites/default/files/economy-finance/com_2022_85_1_en_act_en.pdf

In the 2020 and 2021 General Government Fiscal Plans, the General Escape Clause is also considered to refer to the existence of exceptional circumstances pursuant to domestic fiscal policy legislation (Fiscal Policy Act, 869/2012[11] and the Decree on the General Government Fiscal Plan, 120/2014), which meant that the setting of multiannual and sectoral targets does not need to result in the achievement of the MTO[12]. The exceptional circumstances can be considered to be continuing in 2022. With regard to 2023, the existence of exceptional circumstances cannot be ruled out at this time. Even if the General Escape Clause were no longer to be in force in 2023, it is possible, with regard to Finland, that an unusual event could be considered to exist over which Finland has no control and which has a significant impact on its general government budgetary position[13].

Medium-Term Objective

As stated in chapter 2, the Government confirms that the Medium-Term Objective (MTO) remains -0.5% in ratio to GDP for the structural budgetary position of the general government, as set in the autumn 2019 Stability Programme. This is the minimum level to which Finland has committed in the Fiscal Compact[14].

Other fiscal policy targets

Multiannual targets for the general government deficit, debt and expenditure are presented in Table 1. Their setting is discussed in more detail in Chapter 2 of this General Government Fiscal Plan. They are broadly in line with the target scenario presented in the Stability Programme.

11 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.

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

13 Pursuant to Article 5(1) of Regulation (EC) No 1466/97, Member States may be permitted to deviate from the adjustment path towards their medium-term budgetary objective due to an unusual event beyond the Member State's control and which has a major impact on the general government budgetary position or in a severe economic downturn for the euro area or the EU as a whole, provided that this does not endanger fiscal sustainability in the medium term.

14 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.

Table 26. Table 1. Multiannual targets for general government finances, in ratio to GDP (%)

	2022	2023	2024	2025
Nominal budgetary position of general government	-2.2	-1.7	-1.4	-1.8
General government expenditure	54.1	53.6	53.0	53.1
General government gross debt	66.2	66.9	68.0	69.1

Government measures to achieve the fiscal policy targets

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

In February 2022, Russia's invasion of Ukraine cast a shadow over the global economy. The effects of Russia's war of aggression also extend to Finland's public finances. The slowdown in economic growth will weaken tax revenue growth in the medium term. At the same time, the war of aggression launched by Russia and the rise in geopolitical tensions reinforce the need for preparedness, which will create spending pressures in the short term. The Government is responding to these acute expenditure pressures to a large extent in its supplementary budget proposal, but in some respects the impact of preparedness will extend to the General Government Fiscal Plan for 2023–2026.

The General Government Fiscal Plan allocates significant expenditure to national defence, cyber and border security, and to assist those fleeing the war in Ukraine. During the spending limits period, the operating costs of the Defence Forces will be allocated an annual increase of approximately EUR 130–150 million and there will also be an increase totalling approximately EUR 1.5 billion for defence materiel procurement. Provision of EUR 163 million will be made for the acquisition of new surveillance aircraft for the Border Guard and significant increases will be allocated to the Border Guard's operating expenditure. A number of separate measures will be taken to improve cyber security and reinforce the functioning of society's critical information systems. Approximately EUR 0.3-0.8 billion per year will be earmarked in the spending limits period for additional immigration expenditure.

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

Additional expenditure other than the above-mentioned increases in accordance with the Government Programme will be approximately EUR 0.5 billion at the 2023 level and approximately EUR 1.3 billion at the 2026 level. The additional expenditure programme consists of two components: Under the new funding model outlined at parliamentary level for non-profit activities financed by proceeds from profits on gambling activities, this expenditure will be transferred to expenditure within the spending limits from 2023 onwards, regardless of the source of funding. To reach the amount of funding agreed at the parliamentary level, appropriation increases have been allocated for the spending limits period. An increase in the ratio of R&D expenditure to GDP to 4% by 2030 has been adopted at the parliamentary level. In connection with this, the total amount of central government R&D investments has been increased.

The EUR 370 million package of permanent savings decided on in last spring's General Government Fiscal Plan will be implemented by lowering the spending limits level and by allocating the savings, with regard to approximately EUR 328 million, by administrative branch.

In its General Government Fiscal Plan for 2023–2026, the Government decided on exceptions to the spending limits in the serious and significantly altered security policy situation affecting the whole of Europe. Essential expenditure increases in national defence, border security and cyber security directly related to the situation will be included within the exceptions to the spending limits.

With its tax solutions, the Government has sought to promote both climate goals and to strengthen economic growth. R&D activity will be supported by the additional deduction that enters into effect from 2030. Investment will be encouraged through the temporary accelerated depreciation of movable fixed assets. The Government will reinforce the tax base and increase indirect taxes. In 2023, the tobacco tax will be increased and the tax subsidy for paraffinic diesel will be abolished. To compensate for changes in indirect taxes, the earned income taxation of those on low and middle incomes was eased at the beginning of 2020. With the establishment of the wellbeing services counties, local government tax revenue will be transferred to central government as the municipalities' cost and task burden is reduced. Through the reform, central government tax revenue will increase by EUR 14.6 billion in 2023. In connection with the transfer of tax revenue, taxation of earned income will be reduced by EUR 0.3 billion, so that the reform would not lead to higher taxes for any income group.

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

Compliance with the Treaty deficit and debt criteria

In its Communication on Fiscal Guidance, the Commission stated that it did not intend to open new excessive deficit procedures in spring 2022 due to the exceptional uncertainty caused by both the pandemic and the geopolitical situation. The Commission will reassess the need to open procedures in autumn 2022.

The Commission emphasises in its communication, however, that Member States with deficits above the 3% of GDP deficit reference value in 2023 should outline policy measures to bring the deficit below the reference value, so that this will be taken into account as part of the assessment of the fulfilment of the deficit criterion. According to the Commission, with regard to Member States with a debt ratio above the 60% of GDP reference value, the Commission will consider, when assessing the fulfilment of the debt criterion, that compliance with the debt reduction benchmark would imply a too demanding frontloaded fiscal effort that risks to jeopardise growth. Therefore, in the view of the Commission, requiring compliance with the debt reduction benchmark is not warranted under the current exceptional economic conditions. The Commission will, however, continue to monitor debt and deficit developments.

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.

Finland's general government deficit was 2.6% of GDP in 2021. As late as spring 2021, a Commission report under Article 126 (3) considered that the deficit criterion would be breached in 2021. According to the independent forecast, the deficit will decline in 2022 and remain below the reference value throughout the Stability Programme period: 1.7%

in 2023, 1.4% in 2024 and 1.8% in 2025. The excess over the reference value in 2020 was therefore exceptional and temporary. According to the Ministry of Finance's assessment, Finland is in compliance with the deficit criterion.

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

Finland's general government debt decreased to 65.8% of GDP in 2021 from 69.5% of GDP in 2020. According to the Ministry of Finance's assessment, Finland could be considered to comply with the debt criterion in 2021, taking into account the economic conditions, but there are also uncertainties related to this calculation.[15] In its spring 2021 report, the Commission considered that the debt criterion will be breached in 2021 but, as noted above, the Commission has already stated that compliance with the debt reduction benchmark is not warranted under the current exceptional economic conditions. According to the independent forecast, the debt ratio will increase to 66.2% of GDP in 2022, 66.9% in 2023, 68.0% in 2024 and 69.1% in 2025.

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

Finland remains in the preventive arm of the Stability and Growth Pact and is subject to the requirements of the preventive arm that relate to progress towards the MTO. The achievement of the MTO or progress towards it are assessed with the aid of two pillars, the structural balance and the expenditure benchmark, appraising them in relation to the requirements specified in the country-specific recommendations.

Taking into account the validity of the General Escape Clause of the Stability and Growth Pact in 2021 and 2022 and the Council's fiscal policy recommendations in 2020 and 2021 (which did not contain any numerical fiscal policy recommendations in terms of the structural balance or the expenditure benchmark), the Ministry of Finance's assessment concludes that it is not meaningful to examine the structural balance or the expenditure benchmark in 2021 or in 2022 or on a cumulative basis in 2020–2021 or 2021–2022 in this context. It is also worth noting that assessing the structural balance is subject to uncertainties in conditions of major economic change, where the assessment of the output gap is difficult and any appraisal of the economic situation will likely be revised in future forecasts.

15 According to the Ministry of Finance's assessment, the debt reduction rule is met in the cyclically-adjusted form.

According to the Country-Specific Recommendations adopted in summer 2020, Finland should in 2020 and 2021 "take all necessary measures, in line with the General Escape Clause of the Stability and Growth Pact, to address the COVID-19 pandemic, sustain the economy and support the ensuing recovery; when economic conditions allow, pursue fiscal policies aimed at achieving prudent medium-term fiscal positions and ensuring debt sustainability, while enhancing investment".

In the assessment of the Ministry of Finance, Finland has complied with these recommendations in 2020–2021. In its assessment of the spring Stability Programme, the Commission considered that Finland has complied with the Council recommendations in 2020 and 2021.

The Commission did not make any Country-Specific Recommendations in spring 2021. Instead, fiscal policy recommendations were made in the assessment of the Stability Programme. These recommendations, adopted by the Council in June 2021, instructed Finland to take the following actions:

1) in 2022, maintain a supportive fiscal stance, including the impulse provided by the Recovery and Resilience Facility, and preserve nationally financed investment;

2) when economic conditions allow, pursue a fiscal policy aimed at achieving prudent medium-term fiscal positions and ensuring fiscal sustainability in the medium term; at the same time, enhance investment to boost growth potential;

3) Pay particular attention to the composition of public finances, both on the revenue and expenditure sides of the budget, and to the quality of budgetary measures, to ensure a sustainable and inclusive recovery; prioritise sustainable and growth enhancing investment, notably supporting the green and digital transition; give priority to fiscal structural reforms that will help provide financing for public policy priorities and contribute to the long-term sustainability of public finances, including by strengthening the coverage, adequacy, and sustainability of health and social protection systems for all.

According to the Ministry of Finance's assessment, in 2022 Finland will comply with the recommendations adopted for it by the Council in June 2021, maintaining a supportive fiscal stance, even though most of the support measures implemented during the pandemic will be withdrawn. Finland will allocate a significant part of its Recovery and Resilience Plan to promote the twin transition.

The general government deficit exceeded the 3% benchmark in 2020, but recovered significantly to below the benchmark in 2021, and the effects of the pandemic on long-term indebtedness and sustainability remained moderate.

In the Government's sustainability roadmap, key measures to strengthen the sustainability of general government finances include increasing employment and reducing unemployment, improving the conditions for economic growth, increasing the productivity and cost-effectiveness of public administration, and reforming healthcare and social welfare[16].

In Finland, gross capital formation in Finland is at a historically high level. According to the Draft Budgetary Plan[17], it was 4.9% of GDP in 2021 and is projected to remain at nearly the same level, 4.8%, in 2022. Sustainable investments supporting growth are prioritised in the National Recovery and Resilience Plan. Of the plan's allocation, 50% is directed at green transition measures and 27% at promoting digitalisation.

Finland is therefore responding well in 2022 to the fiscal policy recommendations it has received.

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

The Government endorses the above assessment of progress towards the MTO. According to the Government's assessment, Finland has complied with the Country-Specific Recommendation on general government finances that it received in 2021. Pursuant of section 3, subsection 1 of the Fiscal Policy Act (869/2012), the Government will initiate the measures it deems necessary to correct budgetary stability and sustainability if the structural balance of the general government, in the Government's assessment, deviates significantly in a manner that jeopardises the achievement of the MTO. The Government will assess this in connection with the monitoring and overall assessment of the state of public finances or as the European Union draws attention to this matter in its statement on Finland's Stability Programme.

Assessment of progress on the Country-Specific Recommendations of 2020

According to the Country-Specific Recommendations adopted in summer 2020, Finland should in 2020 and 2021

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16 Legislation on the reform of health, social and rescue services entered into force on 1 July 2021 and responsibility for the organisation of the services will be transferred to new wellbeing services counties on 1 January 2023. The reform is expected to ensure equal and high-quality services, improve their accessibility, meet the challenges of population ageing and declining birth rates, and curb rising costs.

17 http://urn.fi/URN:ISBN:978-952-367-725-8

1. in line with the general escape clause of the Stability and Growth Pact, take all necessary measures to address the COVID-19 pandemic, sustain the economy and support the ensuing recovery; when economic conditions allow, pursue fiscal policies aimed at achieving prudent medium-term fiscal positions and ensuring debt sustainability, while enhancing investment; address shortages of health workers to strengthen the resilience of the health system and improve access to social and health services;
2. strengthen measures to support employment and bolster active labour market policies;
3. take measures to provide liquidity to the real economy, in particular to small and medium-sized enterprises; front-load mature public investment projects and promote private investment to foster the economic recovery; focus investment on the green and digital transition, in particular on clean and efficient production and use of energy, sustainable and efficient infrastructure as well as research and innovation;
4. ensure effective supervision and enforcement of the anti-money-laundering framework.

Progress in the fiscal policy recommendation adopted in 2020 has been assessed above. Progress made in the other country-specific recommendations given to Finland has been discussed in the National Reform Programme (EU2020 programme).

Comparison with other forecasts, and sensitivity analysis

For a comparison between the targets set by the Government and the Commission's latest public finance forecast, see the table below and the sensitivity analysis in Appendix 4 to the General Government Fiscal Plan. The Commission's most recent GDP and inflation figures are from February 2022 and the public finance figures from November 2021. Unlike the Commission's winter forecast, the Ministry of Finance had access to fresh preliminary data from 2021.

Tables 1.–3.

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

	2021	2022	2023	2024	2025
Structural balance					
– target			-1.4	-1.3	-1.7
– forecast	-1.9	-1.6	-1.4	-1.3	-1.7
General government net lending					
– target			-1.7	-1.4	-1.8
– forecast	-2.6	-2.2	-1.7	-1.4	-1.8
General government gross debt					
– target			66.9	68.0	69.1
– forecast	65.8	66.2	66.9	68.0	69.1
General government expenditure					
– target			53.6	53.0	53.1
– forecast	54.9	54.1	53.6	53.0	53.1

Table B. Comparison with the Commission's previous forecast

	Commission's forecast			Ministry of Finance's forecast		
	2021	2022	2023	2021	2022	2023
GDP, change, %[1]	3.5	3	2	3.5	1.5	1.7
Consumer Price Index, change %[1]	2.1	2.6	1.9	0.3	1.4	1.5
Unemployment rate, %[2]	7.7	6.9	6.5	7.7	7.2	6.8
General government balance, % GDP[2]	-3.8	-2.4	-1.1	-2.6	-2.2	-1.7
Structural balance, % GDP[2]	-2.8	-2	-1.1	-1.9	-1.6	-1.4
General government debt, % GDP[2]	71.2	71.2	71	65.8	66.2	66.9

1) Commission's winter forecast, February 2022

2) Commission's autumn forecast, November 2021

Table 1a. Macroeconomic prospects

	2021	2021	2022	2023	2024	2025
	EUR billion			Annual change		
1. Real GDP	232.1	3.5	1.5	1.7	1.5	1.3
2. GDP at current prices	252.9	6.3	4.9	3.9	3.3	3.1
Components of real GDP						
3. Private consumption expenditure	120.4	3.1	2.0	1.7	1.5	1.5
4. Government final expenditure	56.1	3.2	2.2	-1.8	-0.2	0.1
5. Gross fixed final consumption	52.8	1.2	1.4	2.4	2.0	4.4
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	88.7	4.7	2.0	4.4	5.1	4.2
8. Imports of goods and services	89.3	5.3	2.0	3.0	4.6	5.5
Imputed impact on GDP growth, % points						
9. Final domestic demand	231.9	2.7	1.5	1.1	1.2	1.9
10. Change in inventories and net acquisition of valuables	0.0	1.0	0.0	0.0	0.0	0.0
11. External balance of goods and services	-0.5	-0.2	0.0	0.6	0.2	-0.6

Table 1b. Development of price indices

	2021	2022	2023	2024	2025
			Annual change		
1. GDP deflator	2.7	3.4	2.2	1.8	1.8
2. Private consumption deflator	2.0	3.8	2.1	1.7	1.8
3. Harmonised Index of Consumer Prices	2.1	4.2	2.3	1.8	1.9
4. Public consumption deflator	2.1	3.2	2.5	2.5	2.5
5. Investment deflator	1.4	3.2	2.0	1.8	1.7
6. Export price deflator	10.6	14.5	1.9	2.3	2.2
7. Import price deflator	9.9	15.0	1.9	2.4	2.2

Table 1c. Labour market development

	2021	2021	2022	2023	2024	2025
			level			
1. Employment, 1,000 persons	2 553	2.4	1.0	0.8	0.5	0.4
2. Employment, 1,000 working hours	419 970	1.3	1.3	0.7	0.4	0.2
3. Unemployment rate (%)	212	7.7	7.2	6.8	6.6	6.5
4. Labour productivity, persons	93.1	1.1	0.5	0.9	1.0	0.9
5. Labour productivity, hours worked	552.7	2.1	0.2	1.0	1.0	1.1
6. Compensation of employees	117.3	6.1	4.0	3.5	3.0	2.9
7. Compensation of employees per employee	45.9	3.7	3.0	2.7	2.5	2.6

Table 1d. Sectoral balances, % GDP

	2020	2021	2022	2023	2024	2025
1. Finland's net lending/borrowing vis-à-vis the rest of the world	0.8	0.8	0.0	0.2	0.4	0.0
of which:						
– Balance of goods and services	0.2	0.2	-0.2	0.1	0.4	-0.2
– Factor income and transfer balance	0.5	0.5	0.2	0.0	-0.1	0.0
– Capital transfers, net	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
2. Private sector net lending	6.2	4.2	2.3	1.8	2.0	2.0
3. Public sector net lending	-5.5	-2.6	-2.2	-1.7	-1.4	-1.8
4. Statistical discrepancy	-0.1	0.8	0.8	0.7	0.7	0.7

Table 2a. General government prospects

	2021	2021	2022	2023	2024	2025
	EUR million			% GDP		
Net lending by subsector (EDP B.9)						
1. General government, total	-6 528	-2.6	-2.2	-1.7	-1.4	-1.8
2. Central government	-8 104	-3.2	-2.9	-2.4	-2.2	-2.6
3. County government		0.0	0.0	-0.2	-0.2	-0.2
4. Local government	-844	-0.3	-0.6	-0.5	-0.4	-0.4
5. Social security funds	2 420	1.0	1.2	1.4	1.4	1.5
General government (S13)						
6. Total revenue	138 962	52.4	51.9	52.0	51.5	51.3
7. Total expenditure	138 962	54.9	54.1	53.6	53.0	53.1
8. Net lending	0	-2.6	-2.2	-1.7	-1.4	-1.8
9. Interest expenditure	1 227	0.5	0.5	0.5	0.5	0.4
10. Primary balance	-5 301	-2.1	-1.7	-1.2	-1.0	-1.3

	2021	2021	2022	2023	2024	2025
	EUR million			% GDP		
11. One-off measures	0	0.0	0.0	0.0	0.0	0.0
Revenue categories						
12. Tax revenue (12=12a+12b+12c)	77 567	30.7	30.2	29.8	29.5	29.4
12a. Taxes on production and imports	34 791	13.8	13.6	13.4	13.1	13.0
12b. Income tax expense	41 950	16.6	16.3	16.1	16.1	16.1
12c. Taxes on capital income	826	0.3	0.3	0.3	0.3	0.3
13. Social security contributions	30 507	12.1	11.9	12.0	11.9	11.9
14. Property income	6 988	2.8	3.0	3.2	3.3	3.4
15. Other revenue (15=16-12-13-14)	23 900	6.9	6.9	7.0	6.8	6.7
16. = 6. Total income	138 962	52.4	51.9	52.0	51.5	51.3
of which: Tax burden (D2+D.5+D.61+D.91-D.995)	108 074	42.7	42.1	41.7	41.4	41.3
Expenditure categories						
17. Compensation of employees + intermediate consumption	60 063	23.7	23.7	23.6	23.2	23.0
17a. Compensation of employees (i.e. wages + employer's social security contributions)	31 812	12.6	12.5	12.4	12.2	12.1
17b. Intermediate consumption	28 251	11.2	11.2	11.2	11.0	10.9
18. Social transfers (18=18a+18b)	54 789	21.7	21.2	21.1	21.1	21.0
of which unemployment benefits	4 371	2.0	1.7	1.6	1.5	1.5
18a. Social transfers in kind	8 241	3.3	3.3	3.2	3.2	3.3
18b. Monetary social benefits	46 548	18.4	17.9	17.9	17.8	17.7
19. = 9. Interest expenditure	1 227	0.5	0.5	0.5	0.5	0.4
20. Subsidies	4 024	1.6	1.2	1.0	1.0	1.0
21. Gross fixed capital formation	10 479	4.1	4.4	4.6	4.4	4.9
22. Capital transfers	1 204	0.5	0.6	0.4	0.3	0.3
23. Other expenditure (23 = 24 -17-18-19-20-21)	7 176	2.8	2.6	2.5	2.4	2.4
24. = 7. Total expenditure	138 962	54.9	54.1	53.6	53.0	53.1
of which: Public consumption	60 913	24.1	24.1	23.7	23.4	23.3

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

	2021	2021	2022	2023	2024	2025
	EUR million					
1. Total revenue under unchanged policies	138 962	52.4	51.9	52.0	51.5	51.3
2. Total expenditure under unchanged policies	138 962	54.9	54.1	53.6	53.0	53.1

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

	2021	2021	2022	2023	2024	2025
	EUR million					
1. Expenditure on EU programmes fully matched by EU funds revenue	545	0.2	0.4	0.4	0.3	0.3
1a. of which investment fully matched by EU funds revenue	100	0.0	0.2	0.2	0.1	0.1
2. Cyclical unemployment benefit expenditure	636	0.3	0.2	0.1	0.1	0.1
3. Effect of discretionary revenue measures	1 551	0.6	0.0	0.1	0.0	0.0
4. Revenue increases mandated by law	77	0.0	0.0	0.0	0.0	0.0

Tables 4.–9.

Table 4. Development of general government debt, % GDP

	2021	2022	2023	2024	2025
1. Gross debt, % GDP	65.8	66.2	66.9	68.0	69.1
2. Change in the gross debt ratio, pp	-3.2	0.4	0.7	1.1	1.0
Contributions to changes in gross debt, pp					
3. Primary balance	2.1	1.7	1.2	1.0	1.3
4. Interest expenditure	0.5	0.5	0.5	0.5	0.4
5. Stock-flow adjustment items	-5.8	-1.8	-0.9	-0.3	-0.8
of which:					
– Differences between cash-based and accrual-based statistics	0.1	0.3	0.6	0.6	-0.1
– Net acquisition of financial assets	0.1	0.8	1.1	1.2	1.3
– of which: privatisation proceeds	-0.2	-0.4	-0.1	0.0	0.0
–– Other (incl. impacts of GDP growth)	-5.9	-2.9	-2.5	-2.1	-1.9
Implicit interest rate on debt (= embedded interest payments per the previous year's level of debt * 100)	0.7	0.8	0.7	0.7	0.7
Other relevant variables					
6. Liquid financial assets (AF1, AF2, AF3, AF5)	115.1				
7. Net financial liability (7=1-6)	-49.3				
8. Central government write-offs (existing bonds)	13.8				
9. Shares of foreign currency denominated loans	0				
10. Average maturity of government debts	7.4				

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

	2021	2022	2023	2024	2025
1. Real GDP, % change	3.5	1.5	1.7	1.5	1.3
2. General government financial balance	-2.6	-2.2	-1.7	-1.4	-1.8
3. Interest expenditure	0.5	0.5	0.5	0.5	0.4
4. One-off measures	0.0	0.0	0.0	0.0	0.0
one-off measures affecting general government revenue					
one-off measures affecting general government expenditure					
5. Potential GDP, change %	1.2	1.3	1.2	1.2	1.1
contributions:					
– labour input	0.6	0.6	0.6	0.7	0.7
– invested capital	0.3	0.4	0.2	0.1	0.0
– total factor productivity	0.4	0.4	0.4	0.4	0.4
6. Production gap	-1.2	-1.0	-0.5	-0.3	-0.1
7. Financial balance cyclical component	-0.7	-0.6	-0.3	-0.2	-0.1
8. Cyclically-adjusted balance (2-7)	-1.9	-1.6	-1.4	-1.3	-1.7
9. Cyclically-adjusted primary balance (8+3)	-1.4	-1.1	-0.9	-0.8	-1.3
10. Structural balance (8-4)	-1.9	-1.6	-1.4	-1.3	-1.7

Table 6. Divergence from previous Stability Programme

	2020	2021	2022	2023	2024
GDP growth (%)					
SP-2021 May	2.6	2.5	1.5	1.4	
SP-2022 April	3.5	1.5	1.7	1.5	1.3
Difference, pp	0.9	-1.0	0.2	0.1	
General government balance, % GDP					
SP-2021 May	-4.7	-2.9	-2.2	-1.7	
SP-2020 April	-2.6	-2.2	-1.7	-1.4	-1.8
Difference, pp*	2.1	0.7	0.5	0.3	
General government gross debt, % GDP					
SP-2021 May	71.6	72.4	73.9	74.7	
SP-2022 April	65.8	66.2	66.9	68.0	69.1
Difference, pp*	-5.8	-6.2	-7.0	-6.7	

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

	2007	2010	2020	2030	2040	2050	2060
Total expenditure	46.6	53.9	57.1	52.7	54.9	56.2	58.6
Of which: age-related expenditure			31.2	29.7	29.6	29.3	30.1
Total revenue	51.7	51.4	51.2	51.5	53.0	54.3	56.4

Table 7a. Contingent liabilities, % of GDP

	2020	2021
Central government guarantees	25.6	25.1
of which: linked to financial sector	4.3	4.3

Table 8. Underlying assumptions of forecast[1]

	2020	2021	2022	2023
3-month EURIBOR	-0.5	-0.4	0.1	0.3
Long-term interest rate (10 years)	-0.1	0.4	0.6	0.7
USD/EUR exchange rate	1.2	1.1	1.1	1.1
Nominal effective exchange rate	1.4	-0.9	-0.1	
World GDP growth (excluding the EU)	6.3	3.4	3.2	3.1
EU-28 GDP growth	5.2	3.2	2.2	1.8
GDP growth of relevant foreign markets	11.6	5.2	4.3	5.0
World trade growth	10.8	4.6	4.3	4.6
Oil prices (USD/barrel)	70.7	99.2	89.7	81.6

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

	2020	2021	2022	2023	2024	2025	2026
RRF grants included in revenue forecasts		0.01	0.24	0.23	0.15	0.08	0.04
RRF grant payment from the EU		0.11	0.13	0.19	0.15	0.14	0.14
Expenditure financed by RRF grants (% of GDP)							
Employee compensations D.1		0.00	0.05	0.02	0.01	0.01	0.01
Intermediate consumption P.2		0.00	0.05	0.04	0.02	0.01	0.00
Social security contributions D.62 + D.632							
Interest expenditure D.41							
Subsidies D.3.		0.00	0.02	0.03	0.02	0.02	0.01
Other income transfers D.7							
TOTAL EXPENDITURE		0.01	0.24	0.23	0.15	0.08	0.04
Gross fixed capital formation P.51g		0.02	0.06	0.03	0.02	0.01	0.00
Capital transfers D.9		0.02	0.06	0.03	0.02	0.01	0.00
Investments and capital transfers, total		0.04	0.12	0.07	0.04	0.01	0.00
Other expenditure financed by RRF grants (% of GDP)							
Lost tax revenues							
Other measures affecting revenue							
Financial transactions							

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

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