



PRIME MINISTER'S OFFICE  
FINLAND



# Finland, a land of solutions

Strategic Programme of  
Prime Minister Juha Sipilä's Government  
29 May 2015

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ANNEXES 1–7

# 1 FINLAND'S VISION FOR THE FUTURE: FINLAND 2025 – BUILT UP TOGETHER



**In 2025, Finland is an inventive, caring and safe country where we all can feel important. Our society is based on trust.**

In Finland, personal obligations and society's responsibilities are in an ethically sustainable balance. We share a strong feeling of community. Help and care are given to everyone in our society of many generations.

People have freedom and responsibility for their own and their families' lives. We trust each other. We respect each other. We find common solutions. We regulate less.

In public finance, revenues and expenditures are in balance. We maintain a healthy level of debt. Effort, work and economic activity are rewarded. Economic growth is based on good leadership, strong entrepreneurship and ownership, and utilisation of the whole country's resources.

Finland is open and international, rich in languages and cultures. Finland's competitiveness is built on high expertise, sustainable development and open-minded innovations based on experimentation and digitalisation. We encourage renewal, creativity and interest in new ideas. Failure is acceptable and we learn from our mistakes.

The public authorities make even difficult decisions together with Finnish people to ensure future wellbeing. An open and positive attitude towards each other and the surrounding world makes Finland a unique, good country.

## 2 CURRENT SITUATION

Despite its many strengths, Finland is in a spiral of decline. Unemployment is high. Economic growth has waned. Our competitiveness has deteriorated and is 10-15 per cent weaker than that of our key competitor countries. Exports are flagging. Our social security and job markets have been unable to reinvent themselves despite the requirements of changing forms of work, entrepreneurship and industrial structure. Expertise is not being converted into innovations, innovations are not commercialised. We are losing our expertise-based competitive edge.

Difficulties in making decisions on the structural changes needed to redeem the situation have shaken faith in the future. Entrepreneurship and creativity are inhibited by rigidities, which are also holding back initiative and participation. Due to excessive regulation and administration, Finland has lost its agility and competitiveness.

The security situation in Europe and the Baltic Sea region has deteriorated, primarily due to the Ukraine crisis. The freezing in relations between the European Union and Russia is impacting on the region's security and economy. Mutual interdependencies and new threats to security – such as cyber threats, hybrid impacts and the consequences of climate change – require a new type of preparedness and readiness from the whole of society.

Still, Finland is one of the world's best countries in which to live. We have rich linguistic and cultural heritage and we foster a bilingual Finland in accordance with our Constitution and values. We also retain numerous strengths on which to build our future.

Finland forms part of the European and Nordic community of values. We are active in exercising influence on the European and global scenes. Finland has a small, open economy whose success rests on exports of Finnish products and services. Finnish companies have opportunities to grow and succeed as an integral part of the European internal market and global economy. We also see major potential in renewable natural resources, the Arctic dimension and the mitigation of climate change.

Income differences are small in international terms. Finland is also a land of gender equality. Children's welfare is at a high level. We have a strong and varied skill base, good confidence capital and talent in practical problem-solving. The Finnish people are ready to accept even difficult decisions, if they are implemented in a fair manner with an eye to a better future.

We must set people's resources free to engage in creative activity, entrepreneurship and the creation of wellbeing. Finland must become a society founded on know-how, entrepreneurship, equality and caring.

The Government is capable of providing solutions that will bring reform and shore up faith.



# Finland's strengths, weaknesses, possibilities and threats

<p><b>STRENGTHS</b></p> <ul style="list-style-type: none"> <li>- Finland is a skilled, determined, egalitarian and solution-focused welfare society.</li> <li>- We have a strong, well-functioning democracy. We have trustworthy administration and effective institutions. These are sources of stability and internal security.</li> <li>- Finland has a clean environment and plentiful natural resources. We have a high level of education and technological expertise.</li> <li>- The Finnish people understand that a crisis calls for difficult decisions.</li> <li>- Finland has the capability and potential to invest in its renewal. Turning the public finances around and improving the nation's current account are the keys to national rejuvenation.</li> </ul>	<p><b>WEAKNESSES</b></p> <ul style="list-style-type: none"> <li>- Finland's economy and competitiveness are being held back by the ageing of the population and deterioration in the dependency ratio.</li> <li>- Declining competitiveness and falling risk-taking capacity are retarding investment and narrowing our production structure.</li> <li>- Finland's rigid structures, bureaucracy, over-regulation, standardisation and rigidities in the labour markets worsen the current situation.</li> <li>- This is leading to inequality between regions and people, to youth and long-term unemployment, and to inherited disadvantage.</li> <li>- Individual change-resistance, confrontational attitudes, the outsourcing of responsibility, apathy, inability to reform, lack of leadership and the erosion of trust in political decision-making is worsening Finland's overall situation.</li> </ul>
<p><b>POSSIBILITIES</b></p> <ul style="list-style-type: none"> <li>- Finland is a highly regarded, small and agile country which can provide solutions to the world's problems.</li> <li>- Global economic growth, internationalisation, free trade and technological development present Finland with opportunities.</li> <li>- We can capitalise on world trends such as urbanisation, demographic change, environmental awareness and technological development. The bioeconomy, clean technologies and digitalisation are our trump cards in this respect.</li> <li>- Being part of the EU's internal market and a neighbour of Russia represents opportunities for the Finnish economy. Finland's geographical position enables good connections with Asia and responsible exploitation of the Arctic regions.</li> </ul>	<p><b>THREATS</b></p> <ul style="list-style-type: none"> <li>- Instability is being created by changes in the international security environment, unfavourable developments in Russia and the return to power politics.</li> <li>- New kinds of security threats such as international terrorism, cyber threats, pandemics and cross-border crime are arising.</li> <li>- Europe is incapable of responding to intensifying international competition which is weakening is economic growth and leading to decline. International economic crises are having a particularly negative effect on Finland.</li> <li>- Differences in living standards, conflicts, humanitarian crises and population growth are fomenting divisions, migration and inequality.</li> <li>- Problems related to ecological sustainability, such as climate change, the overexploitation of natural resources and the pollution of environments such as the Baltic Sea are also presenting Finland with challenges.</li> </ul>

## 3 SUSTAINABLE GROWTH AND PUBLIC FINANCES

### Economic policy line

The Government's objective is to bring the Finnish economy to a path of sustainable growth and rising employment, and to secure the funding of public services and social security.

Rebalancing of public finances will start immediately. The fundamental problems of the Finnish economy are structural, due to weak growth and high unemployment. The Government will implement structural reforms, which will promote employment, entrepreneurship and economic growth. Conditions for business and incentives to work will be improved together with investments made in new opportunities for sustainable growth. Under the Government's economic programme, the GDP-to-debt ratio will level off by the end of the government term and living on debt will be brought to an end in 2021. The total tax rate will not increase.

The Government will seek to build a comprehensive social contract to support decisions aimed at boosting Finland's economic recovery and improving employment. When implemented, the social contract will strengthen trust between Finns, promote economic growth and support the creation of new jobs. Correspondingly, without these results, pressure to adjust public finances will be much greater whereby, in addition to the EUR 4 billion consolidation decisions, additional expenditure savings and tax increases amounting to around EUR 1.5 billion will be made. The Government has agreed on both packages.

To achieve sustainable public finances, the Government will decide on and implement an economic policy package consisting of, among others, the following measures:

- a tax policy supporting work and employment
- strengthening entrepreneurship and ownership as well as financing for business
- growth-promoting investments
- expenditure savings and structural reforms to strengthen public finances rapidly
- longer-term reforms to secure the sustainability of public finances
- employment-boosting reforms

### Strengthening businesses, entrepreneurship and ownership

Finland's economy and employment can be restored to growth only through entrepreneurship and work. Measures to improve competitiveness will strengthen exports and conditions for businesses operating in the domestic market.

To enhance the funding, equity capital and risk-taking capacity of businesses, the Government will implement measures that will impact the needs of start-ups, fast-growth companies, and change-of-generation businesses. Operating costs in industry will not be increased by the Government during the parliamentary term.

Structural reforms and Government measures aimed at reducing regulation and red tape will influence operating conditions for businesses significantly and extensively. Educational reform will take into account

the need for skills required in working life and will bring education and working life closer together. The relationship between higher education institutions and businesses in innovation activities will be tightened. For all businesses, it is important that competition be increased and public services opened to private competition.

## A tax policy supporting entrepreneurship, work and employment, and its funding

The Government's tax policy aims to boost growth, entrepreneurship, work and employment. The total tax rate will not rise during the government term and labour taxes will be eased. Taxation on earned income will not be increased. Reducing taxation of labour will support employment, economic growth and pay moderation by ensuring an increase in purchasing power. Social security and taxation will be coordinated to remove incentive traps.

The Government will ease taxation on earned income, focusing on the earned income deduction and those on low and medium incomes in order to encourage acceptance of work. In earned income taxation, an annual adjustment corresponding to rising earnings and inflation will be made. The highest income class of the central government income tax scale will continue in force until the end of the government term. The compensation percentage of the domestic work credit will be increased and care services for the elderly will be brought within the scope of the domestic work credit as applicable. A tax deduction for private individuals on donations given to higher education establishments will be introduced.

The Government will prepare for significant additional reductions in earned income taxation to support the social contract and moderate pay settlements, which will improve employment and competitiveness. The additional reduction of earned income taxation will apply to all income classes, focusing on pensioners and those on low and medium incomes.

The Government's objective is to make Finland more competitive also by reforming taxation of entrepreneurship, ownership and investment. The corporate income tax rate will be maintained at a competitive level. An entrepreneur deduction will be introduced for forms of company other than limited companies. Payment-based settlement of value-added tax will be facilitated for small companies. Succession will be promoted by easing inheritance tax, and other development needs will be assessed. The Government will study the possibility of a provision made from a company's taxable income to promote investment. The competitiveness of industry will be safeguarded by extending the removal of the rail goods transport tax and the halving of fairway dues by one year.

The easing of taxation on labour will be funded by increasing excise duties. The tobacco tax and the waste tax will be increased. Adoption of low-emission energy sources will be encouraged through taxation. The mortgage interest deduction will be reduced on an accelerated timetable so that the proportion eligible for the deduction is 25% in 2019. An annual tax will be set for registered boats and motor vehicles. The lower and upper limits of real-estate taxes will be raised moderately. The corporate tax base will be tightened taking into account the international operating environment and Finland's competitiveness, and active efforts will be made to combat the shadow economy.

Tax decisions are described in more detail in Annex 1.

## Investments in strategic priorities and reducing the repair debt

The Government will launch a reform programme to achieve the strategic objectives of the government term. By the end of 2018, EUR 1.6 billion will be invested on a one-off basis in key government projects and to reduce the repair debt. These investments will not increase central government spending in 2019.

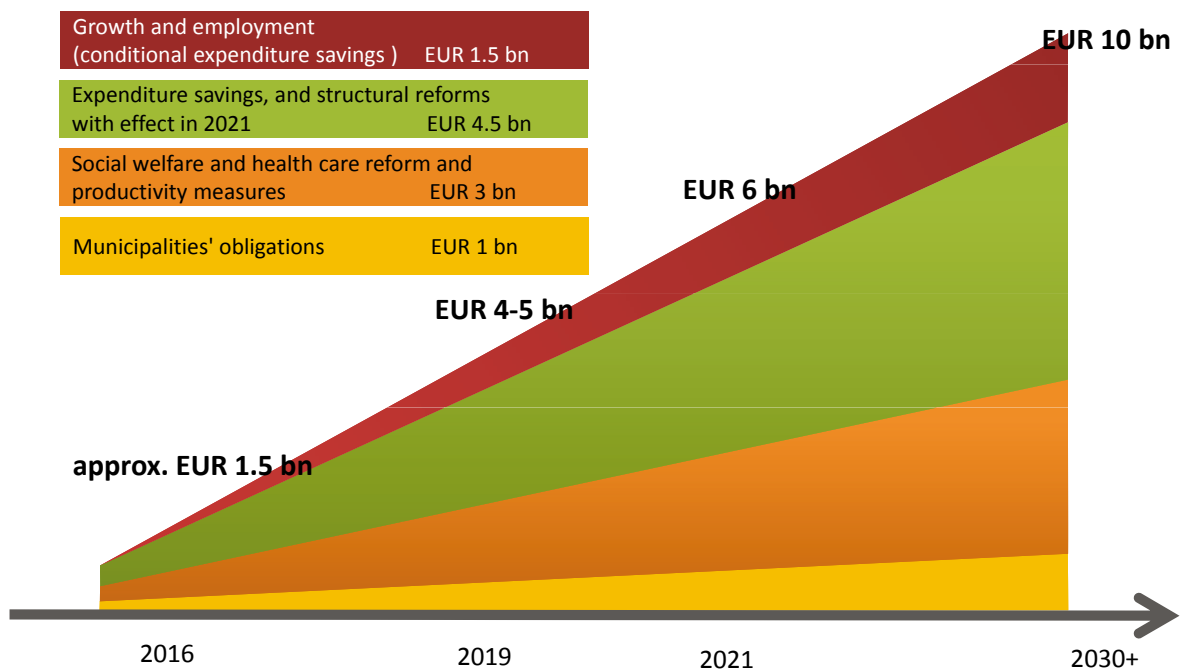
The strategic objectives are health and wellbeing, employment, competitiveness and growth, training and skills, the bioeconomy and clean technologies as well as changing operating practices, for example by promoting digitalisation and removing unnecessary regulation and bureaucracy.

Key government projects include reforming basic education with the aid of digital learning environments, a customer-oriented reform programme in child and family services, developing home care for the elderly, promoting the bioeconomy and clean solutions, reforming employment service activities, facilitating funding for SMEs, and promoting domestic and foreign investment. As part of this package, the Government will also launch a programme to reduce the repair debt of the transport network worth of approximately EUR 600 million.

The investments will be funded mainly with property income. In addition, the EU's Strategic Investment Fund and European Investment Bank instruments will be utilised to achieve these priority area objectives. In addition, higher education institutions and certain funds will be capitalised. This will be funded by selling central government assets.

## Expenditure savings and structural reforms to strengthen public finances

### Effectiveness of the government's austerity and structural reform programme



The Government is committed to making during the government term the decisions relating to the savings and structural reforms necessary to cover the entire EUR 10 billion sustainability gap. The Government will implement the decisions in accordance with its plan.

The Government has agreed on a consolidation programme, which will strengthen public finances. These measures will be directed very widely at different segments of society and will affect all Finns. At the same time, reallocations will be made to enhance informal care, to increase the guaranteed pension, for child welfare and to strengthen the internal and external security of society. In net terms, the measures will strengthen general government finances by around EUR 4 billion at 2019 prices.

Annex 6 presents the content of the measures and their effects on public finance in 2019. If the implementation in full of a savings measure allocated to an administrative branch proves to be impossible, a substitute saving will be made in the administrative branch in question.

Government's objective is that public finances will strengthen by a total of EUR 6 billion by 2021. In addition to immediate savings decisions amounting to EUR 4 billion, the Government has decided on EUR 1.5 billion of additional savings and tax increases (Annex 2), which be implemented if the social contract sought by the Government does not arise. The joint effect of these adjustment measures together with the employment-promoting measures decided by the Government will amount to EUR 6 billion by the year 2021.

In addition, the Government will implement measures with long-term impact, which will strengthen general government finances by EUR 4 billion on an annual basis. In this, the key measures will be the reform of social welfare and health care services and reducing municipalities' duties and obligations.

Central government accounting practices will be changed during the government term to improve transparency and openness so that Parliament will also consider asset items, i.e. the balance sheet, in connection with the draft budget and the financial statements.

The Government is committed to the central government spending limits procedure, which is outlined in Annex 5.

## 4 EMPLOYMENT AND COMPETITIVENESS

### Objectives and their assessment

Ten-year objective:

In Finland, doing work and providing work are always profitable. Finland is a competitive country in which entrepreneurship, ownership and investment are more profitable than at present.

Government-term objectives:

Safeguarding the funding of welfare services and social transfers has been implemented by reforms that improved incentivisation to work, the attractiveness of employment, the effectiveness of employment service activities, and competitiveness. The reforms increased the labour supply, entrepreneurship and the diversification of the business structure, and strengthened public finances by one billion euros. The employment rate has been increased to 72% and the number of people in employment has increased by 110,000. Investment exceeds depreciation, and labour input has grown.

Achievement of the objectives requires structural reforms, which the Government will primarily promote in dialogue with social partners.

### Agreeing a social contract

By no later than 30 July 2015, the Government will make a proposal to social partners on measures (social contract) to reduce unit labour costs by at least 5% as well as on change security and a related education model. Government expects social partners to commit comprehensively to a social contract by 21 August 2015.

If social partners accept the Government's proposal, and the measures are clearly having an effect in March 2017, the Government will withdraw the conditional expenditure savings and tax increases it had decided. In addition, the Government is prepared to support the above-mentioned contract with significant income tax reductions.

The net effect of the social contract and agreed pay settlements must strengthen the general government budgetary balance by at least half a percentage point of GDP at 2019, taking into account the tax reductions linked to them.

## Key projects for the government term

### Strengthening competitiveness by improving conditions for business and entrepreneurship

Business competitiveness and conditions for business activity will be strengthened by all decision-making. Industry's operating costs will not be increased by the Government during the government term. Market activity, free competition and opportunities for SMEs to participate in procurement processes will be promoted by reforming key legislation and removing sectoral regulation that prevents competition.

- As part of deregulation, shops' opening hours will be liberalised.
- For large industrial projects, a procedure accelerating licensing processes will be introduced and a notification procedure will be introduced for routine licence matters.
- The Team Finland network will be enhanced by tightening cooperation between actors and by supporting initiated growth projects to promote investment.
- The Government aims to strengthen the funding and equity capital position of businesses. The Government will promote the raising of additional capital for business financing, but based on market needs. The Government will promote the creation of mezzanine financing funds, utilising the EU's new growth fund instruments. The Government will establish in cooperation with pension institutions a FoF Growth III Fund when the investment period of the FoF Growth II Fund comes to an end. The Government is ready to relinquish part of the returns on its investments in favour of its fellow investors. Export financing elements and the level of funding will be set at least at the level of the main competitor countries.

### Incentive traps preventing acceptance of work will be removed and structural unemployment reduced

The Government will reform social and unemployment security in a manner that encourages rapid acceptance of work, shortens periods of unemployment, reduces structural unemployment and saves public resources.

- By 15 October 2015, the Government will prepare, in dialogue with social partners, a reform of unemployment security, including a tightening of the obligation to accept work as well as an obligation to participate in activation measures. Activation in line with current legislation will be applied to additional days of income security. The Government will commit, through income security reforms, to savings in unemployment security expenditure.
- The Government will create an inclusive social security model aimed at coordinating wage and social security as well as better support for redundant workers as soon as they become unemployed. The assessments and recommendations of an independent expert working group will be used to assist in this.
- The Government will critically evaluate all support schemes that direct people who are able to work into long absences from the labour market. The conditions of the job alternation leave system will be tightened by changing it to a means-tested system and/or by changing the employment history condition. If the actions of the Government and social partners to increase labour input prove to be insufficient, the job alternation leave system will be abolished completely.

## Local agreement will be promoted and barriers to employment removed

The Government will encourage social partners to adopt local agreement practices in workplaces and will ensure through legislative projects that conditions for local agreement are strengthened. The Government will implement reforms aimed at increasing the SMEs willingness to employ in particular, in order to create new jobs.

- The objective is that companies will be able more widely than at present to agree locally on improving competitiveness, strengthening employment, terms of employment such as pay, working hours, conditions for terminating employment, use of a working time bank, reduction of sick leave, and issues affecting wellbeing at work. The Government will initiate necessary reforms of working hours legislation and other labour legislation to support promotion of local agreement, ensure an equal position for employers in exceptional circumstances, and strengthen the position of personnel in companies' decision-making. The Government will appoint a rapporteur to prepare a proposal on developing local agreement by 15 October 2015.
- In keeping with promoting local agreement, the Government will implement reforms to lower the threshold to employment, increase companies' willingness to grow and improve the capacity of workers to adapt to changes. The Government will lengthen the probationary period, allow fixed-term employment relationships of less than a year without separate justification, ease the obligation to re-employ a worker in the event of redundancy, and develop change security.
- The impacts of sick leave and sickness risk of employees on employers will be reduced by including in annual leave of five weeks or longer a six-day personal contribution period for sickness during annual leave.

## Reform of employment service activities to support employment

The Government will prepare by the end of 2015 a proposal and necessary measures for the comprehensive reform of employment services. The objective of the reform is to ease labour market matching problems, remove deactivating measures, harmonise interpretations made at employment services and focus employment service resources on activation measures.

- The Employment and Economic Development Centres' role in employment service activities will be clarified. Public employment services' dialogue and cooperation with employer companies will be strengthened. The reform will activate the job seeker's own role in jobseeking, but will also ensure the effective enforcement of the sanctions outlined in current legislation.
- The transfer of employment services and resources, with respect to the least employable workers, to the municipalities by commuting area, in line with the Denmark model, will be explored. Resources and employment responsibility will be combined, which will make rapid employment financially attractive to the municipalities.
- The role of private employment services will be increased, particularly in services involving the most employable workers.
- In employment service activities, management and remuneration systems based on efficiency will be introduced, using the number of permanent employment relationships concluded as an indicator of their success.
- To ensure the effective targeting of employment service activation investments, sufficient resources will be ensured for academic effectiveness research.



## Housing construction will be increased

The Government will implement a wide-ranging programme to increase housing construction. The programme aims to strengthen economic growth and employment, renew the housing stock, respond to demand for housing, promote competition in the construction industry, increase choice in housing, and respond to changes in the structure of housing needs.

- The Government's housing policy lines will be implemented (Annex 4).

## 5 KNOWLEDGE AND EDUCATION

### Objectives and their assessment

Ten-year objective:

Finland is a country that encourages people to continuously learn something new. Skills and education levels in Finland have risen, promoting the renewal of Finnish society and equal opportunities. Finland is in the vanguard of education, skills and modern learning techniques.

Government-term objectives:

- Learning environments have been modernised and the opportunities offered by digitalisation and new pedagogical approaches are grasped in learning.
- The number of young people who have dropped out of education or working life has fallen. The drop-out rate in education has declined.
- Dialogue between educational institutions and working life is more active.
- The quality and effectiveness of research and innovation have begun to improve.
- Education and research have become more international and obstacles to education exports have been removed.

By early autumn, the Government will decide on detailed indicators to assess the materialisation of the set objectives.

### Key projects for the government term

#### New learning environments and digital materials to comprehensive schools

The learning methods and environments in basic education will be updated to meet the challenges posed by the latest developments. The future knowledge base will be emphasised. This project will aim to improve learning outcomes and reduce differences between them. Steps will be taken to improve the learning environments so that students enjoy being at school and to raise the level of emotional and physical wellbeing of children and young people.

- The introduction of digital learning environments will allow a wider range of learning styles.
- New pedagogical approaches will be introduced. Development programmes for teacher training and continuing professional education will be launched.
- Classroom discipline will be improved by ensuring that teachers can focus on their core task, which is teaching.
- The 'Schools on the Move' project will be expanded across the country to ensure one hour of physical activity each day.
- The provision of language studies will be increased and diversified. A regional experiment will be launched on beginning the study of the first foreign language in grade one and another regional experiment will be arranged to expand the range of languages in accordance with a resolution approved by Parliament.

## Reform of vocational upper secondary education

The status of vocational education in society will be improved. The funding system and structure of upper secondary education will be revamped by keeping the various educational paths open. A regionally comprehensive education network will be preserved and interaction will be enhanced between educational institutions and working life.

- Unnecessary overlaps in education will be eliminated. The barriers between vocational education for young people and adults will be removed and the provision of education, its funding and steering will be merged into a coherent package under the Ministry of Education and Culture.
- The financial and steering system of vocational upper secondary education will be formed into an integrated package.
- Education providers will be encouraged to intensify their activities.
- Learning in the workplace will be increased. Apprenticeship training will be reformed by easing the administrative and financial burden of employees.

## Acceleration of transition to working life

Measures will be sought that support earlier start of working life. Movement within and between different levels of education will be made as flexible as possible. Accelerated graduation and faster transition to working life will be encouraged.

- The entrance examination process to higher education institutions will be reformed.
- A third term will be introduced in higher education institutions.
- Cooperation between the upper secondary level and higher education will be increased.
- Qualification requirements in the public sector will be updated.

## Access to art and culture will be facilitated

Children and young people will be supported in becoming more active. Basic education in the arts and cultural activities will be increased. Greater recognition will be given to the wellbeing aspects of culture. Art exhibitions in public spaces and institutions will be promoted to bring culture closer to every Finnish citizen.

- Access to basic art education and children's culture, which is currently not available to all in every part of the country, will be improved.
- The principle of investing up to 1% of the construction costs of public buildings in the acquisition of artwork will be expanded in cooperation with the social welfare and health care sector in order to support the welfare impacts of the arts.

## Cooperation between higher education institutions and business life will be strengthened to bring innovations to the market

More effective use will be made of the resources of science and research. The effectiveness and commercialisation of research results will be strengthened. The profiles and respective responsibilities of higher education institutions and research institutes will be clarified and cooperation between them will be increased. Knowledge and expertise will be pooled in competitive centres of excellence.

- Higher education institutions and research institutes will be required to produce a proposal on their respective responsibilities and faculties' and research units' closer cooperation.

- Regional centres of excellence and powerful hubs representing specific fields will be provided with financial support.
- Account will be taken of the effectiveness and commercialisation of research results in the steering of public research, development and innovation funding, as well as in incentives channelled towards research institutes and higher education institutions.

### Youth guarantee towards community guarantee

Cooperation between the public, private and third sectors in efforts to support young people will be intensified. Young people's life management skills and employment will be supported by means of strengthening social welfare and health care services as a part of the youth guarantee. The best practices of municipalities will be gathered together and the most effective ones will be adopted across the country.

- The youth guarantee will be developed into a model in which responsibility for a young person in need of support is allocated to a single place.
- All comprehensive school graduates will be guaranteed a place in education, working life or rehabilitation.
- Outreach youth work and job seeker coaching activities as well as mental health services for young people will be strengthened.
- Pay subsidies for young people and the Sanssi card will be developed in order to make work more attractive.

## 6 WELLBEING AND HEALTH

### Objectives and their assessment

Ten-year objective:

People in Finland are healthier and in better control of their lives. They feel that they can have an influence, make choices and take responsibility. Social welfare and health care focus on prevention, ensuring that personnel are coping well and that the clinical pathway is smooth and information systems work well. Through reform, joint resources can be used to foster better health and wellbeing.

Government term objectives:

- Intersectoral health promotion and early support play a stronger role in decision-making, services and working life due to legislative changes and improved delivery. Differences in health and wellbeing have narrowed.
- Support is provided to people of all ages, to enable them to take responsibility for their own state of health and lifestyles. The public service promise is defined within the limits of society's economic capacity. People in a variety of life situations have greater choice.
- The wellbeing and individual resources of children and families have been enhanced.
- The focus has been placed on home services for older people. Informal care has been reinforced.
- Social welfare and health care reform has improved basic public services and information systems.
- Social protection has been overhauled to encourage participation and employment.
- Participation in organisations and voluntary activities has been facilitated and citizens' sense of involvement increased by cutting red tape.

By early autumn, the Government will decide on detailed indicators to assess the materialisation of the set objectives.

### Key projects for the government term

#### Services to be based on customer needs

An emphasis will be placed on early support, preventive methods and effective customer-oriented service chains across administrative boundaries. Use of practical expertise and people's involvement will be strengthened. Change will be based on partnerships between the state, municipalities, organisations, the private sector, parishes and actors in working life. The fulfilment of human rights will be strengthened. People will have opportunities to make their own choices.

- The public service promise will be defined and the cost and quality of services made transparent.
- National steering mechanisms will be stepped up for the more effective implementation of legislation.
- The use of electronic services will be enhanced in self care and counselling. The potential of health technology will be exploited more effectively.

- The Act on Public Contracts will be reformed to support national interests and citizens' wellbeing.
- A pilot study to extend the service voucher system will be initiated in cooperation with municipalities/joint municipal authorities. The municipalities/joint municipal authorities participating in the study will provide their residents with extensive opportunities to use service vouchers. The act on social welfare and health care service vouchers will be amended based on the necessary criteria relating to the pilot study.
- A basic income pilot study will be performed.
- The appropriate targeting of non-income-based transfers and social security transfers payable abroad will be examined as part of the reform of the social security system.

### Health and wellbeing will be fostered and inequalities reduced

Public health, active and healthy lifestyles and healthy eating habits will be promoted, together with taking responsibility for one's own life.

- Good practices and operating models that promote health and wellbeing will be implemented in cooperation with various organisations.
- A national programme to promote mental health and prevent loneliness/exclusion will be initiated.
- A comprehensive reform of rehabilitation systems will be implemented.
- A study will be performed on the position of single households in society.
- The effectiveness of substance abuse rehabilitation will be enhanced.

### Programme to address child and family services will be implemented

This reform will be based on the diversity of family life and various approaches to promoting children's interests. Parenthood and low threshold services will be enhanced. Services will be organised across administrative boundaries based on the needs of children and families. Schools and early childhood education will be developed in support of children's wellbeing. Children's interests and right to both a father and mother will be ensured in divorce cases.

- Management of child and family policies will cross administrative boundaries. An assessment of the effects of decisions on children and families will be introduced. The follow-up of population based budgeting and children's wellbeing will continue to be developed.
- Data protection legislation will be reformed to increase multi-professional cooperation.
- Appropriations will be allocated to ensure the availability of home services.
- Divorce-related services will be enhanced. Legislation on child custody and right of access will be reformed.
- Child protection will be reformed to have a greater focus on customers' needs and in order to reduce bureaucracy.
- Obligations to intervene in cases of bullying will be increased.
- Models for family-friendly workplaces will be put into practice.

### Home care for older people will be developed and informal care enhanced in all age groups

The implementation of the Act on Care Services for the Elderly will be ensured by increasing home care. Different kinds of housing will be developed. Informal carers will be supported. Community spirit and intergenerational ties will be increased.

- The division of responsibilities between those working within services for older people will be revamped.

- Short and long-term family care will be increased.
- The overall assessment of medical care will be strengthened.
- Services for veterans will be reformed to better meet their service needs.
- Resources will be allocated to informal care.
- The opportunities of working-age people to care for family members will be improved.

### Career opportunities for people with partial work ability

The social security system will be clarified to encourage and promote career opportunities for people with partial work ability. The employment opportunities of people with disabilities and people with partial work ability on the open labour market will be promoted. Various kinds of inclusion methods will be taken into account in efforts to activate people with reduced work ability who have difficulties in accessing employment.

- The know-how of those active in service systems and workplaces will be enhanced with regard to the services, methods and benefits available.
- The entrepreneurial prospects of people with disabilities will be improved.
- For example, the programme for people with partial work ability (OSKU) will be extended to support employment and working-life continuity. Job coaching will be increased.
- Customer-oriented service chains, referral for services and employer support will be ensured.
- Incentive traps relating to disability pension and earned income will be abolished.

## 7 BIOECONOMY AND CLEAN SOLUTIONS

### Objectives and their assessment

Ten-year objective:

Finland is a pioneer in the bioeconomy, a circular economy and cleantech. By developing, introducing and exporting sustainable solutions we have improved the balance of current accounts, increased our self-sufficiency, created new jobs, and achieved our climate objectives and a good ecological status for the Baltic Sea.

Government-term objectives:

- Finland has achieved the 2020 climate objectives already during the government term. Imported fossil fuel-based energy has been replaced by clean and renewable domestic energy.
- The growth of cleantech enterprises, the increase in the sustainable use of natural resources, pluriactive rural enterprises and an efficient circular economy have contributed to the creation of new jobs.
- Profitability of food production has improved and the trade balance has risen by 500 million euros.
- The administrative burden which has slowed down the renewal has been significantly reduced.

By early autumn, the Government will decide on detailed indicators to assess the materialisation of the set objectives.

### Key projects for the government term

#### Towards carbon-free, clean and renewable energy cost-efficiently

The use of emission-free, renewable energy will be increased in a sustainable way so that its share will rise to more than 50 per cent during the 2020s and the self-sufficiency in renewable energy to more than 55 per cent, also including peat. This will be based, in particular, on the growth in the supply of bioenergy and other emission-free renewable energy. The greatest opportunities will be achieved in increasing the production and technology of liquid biofuels and biogas.

- Aid for lowering the costs of the increase in renewable energy that is compatible with the EU guidelines will be based on technology neutrality and ranking of economic priorities.
- Meeting the sustainability criteria for biomass and fair burden sharing in the EU and international climate negotiations will be secured.
- A compensation system for the indirect impacts of emissions trading on electricity prices will be introduced, financed by means of the revenue from emissions trading.
- Coal will no longer be used in energy production and the use of imported oil for the domestic needs will be cut by half during the 2020s.
- The share of renewable transport fuels will be raised to 40 per cent by 2030.
- Industrial activities in the sector and their exports will be supported in the financing of both innovation and exports.



- The public sector will be encouraged to introduce carbon-neutral energy solutions.
- Incentives will be provided for replacing imported oil in heating by emission-free, renewable alternatives.
- Use of horse manure in energy production must be allowed.
- The introduction of new technologies will be promoted by pilot projects in the cleantech sector.

### Wood on the move and new products from forests

The use of wood will be diversified and increased by 15 million cubic metres a year, and its value added will be raised. The size of forest holdings will be increased, with entrepreneurial forestry and good forest management as the targets.

- Transfers of holdings to the next generation will be promoted, tax deductions for forests and entrepreneurs will be increased and the period of time that forest holdings are in the possession of decedents' estates will be shortened.
- The National Forest Strategy will be implemented.
- Red tape on construction that prevents the use of wood will be cut.
- Legislation on Metsähallitus will be reformed to meet the EU requirements and its management procedures will be clarified.
- Research and development activities will be boosted to create new products.
- Forest resources data and electronic services will be utilised more efficiently.
- Public investments will be targeted to basic road maintenance, the railway network and terminals.

### Breakthrough of a circular economy, getting waters into good condition

The growing opportunities offered by a circular economy will be utilised. The focus will be on achieving the best impact. Actions to promote a good ecological status of the Baltic Sea are taken in cooperation with domestic and international actors. The amounts of nutrients and organic material leaching to the waters will be reduced, while the nutrient and energy self-sufficiency of agriculture will be enhanced.

- The recovery of nutrients will be increased especially in areas that are sensitive with regard to the Baltic Sea and other waters so that at least 50 percent of the manure and community wastewater sludge will be covered by advanced processes by 2025.
- The recycling rate of municipal waste will be raised to at least 50 percent.
- The Wastewater Decree will be considerably moderated.
- The regulation targeted to the characteristics of recycling-based solutions will be moderated.
- Taking recyclable waste to landfills will be prohibited by law from 2025.
- The Waste Act will be amended so that the privileges given to municipalities in the Waste Act are restricted to residential waste, taking into account the special local features.

### Finnish food production will be profitable, trade balance on the rise

The profitability of agriculture will improve and the liquidity of farms will be reinforced. No new obligations that would cause costs will be laid down during the government term. The domestic use and export of our pure foodstuffs will be promoted.

- Inputs will be made in the profitable growth of agriculture through the Development Fund of Agriculture and Forestry.

- The profitability of agriculture will be improved by means of advance payments of support, loans, lowering the production costs and cutting red tape.
- The administrative burden will be reduced and the conditions, controls and sanctions associated with the support payments are moderated.
- In the context of the mid-term review of the Common Agricultural Policy, the payment schemes will be simplified in a way that encourages active farming and the controls will be increasingly risk-based.
- Farm relief services are reformed with the main focus on entrepreneurs.
- The protection of property is improved.
- The need for change in competition legislation will be assessed and, where necessary, measures will be taken within the framework of the EU competition legislation.
- Legislation on producer and sectoral organisations will be reformed.
- Internet marketing of domestic food will be increased and the Government Programmes on local and organic food will be continued.
- The visibility of the labelling showing the origin of food will be improved and the use of Finnish food in public procurement will be increased.

### Nature policy based on trust and fair means

The level of nature protection will be secured and the acceptance of nature protection actions by the local people and communities will be improved through open cooperation and participatory decision-making. National and international recreation and nature tourism will be increased. Sustainable growth will be promoted by means of water-related livelihoods and expertise (blue bioeconomy).

- The protection of forests and mires by voluntary means will be continued.
- A survey on the use of forests and water areas for recreation and tourism will be made with the aim to increase the impacts on well-being and related business.
- The salmon and sea trout strategy will be implemented to secure the salmon populations in the Baltic Sea.
- Opportunities for hunting and fishing that are part of the Finnish way of life will be secured.
- The protection of the Saimaa ringed seal will be secured together with the local population and stakeholders.
- A national park will be established in 2017 when celebrating the 100th anniversary of Finland's independence.
- Threatened species will be reassessed in the context of the updating of the Habitats and Birds Directives.
- The protection of threatened fish species will be intensified and the Fish Passage Strategy will be implemented.

## 8 DIGITALISATION, EXPERIMENTATION AND DEREGULATION

### Objectives and their assessment

Ten-year objective:

Finland has made a productivity leap in public services and the private sector by grasping the opportunities offered by digitalisation, dismantling unnecessary regulation and cutting red tape. The flexible renewal of Finnish society is supported by a management culture based on trust, interaction and experimentation.

Government term objectives:

User-based, one-stop-shop digital public services that improve productivity and efficiency have been developed with the help of determined management. Public decision-making has been innovative and created a favourable operating environment in Finland for digital services, Industrial Internet applications and new business models. People's everyday lives, business operations, agriculture, investments, construction, healthy competition and voluntary activities have been markedly facilitated by deregulation, the reduction of the administrative burden and improvements to permit processes. Bold steps have been taken to reform management and implementation by strengthening knowledge-based decision-making and openness and by making use of experiments and methods that encourage civic participation.

### Key projects for the government term

#### Public services will be digitalised

With the help of new operating methods, public services will become user-oriented and primarily digital to enable the leap in productivity necessary for the general government finances. In the development process, priority will be given to services where productivity gains are highest. Digitalisation will be a cross-cutting theme in the government strategy.

- Principles for the digitalisation of all public services will be established.
- Internal administrative processes will be digitalised and old processes dismantled.
- The public administration will undertake to ask people and businesses for the same information only once.
- People's right to decide about and monitor their personal information will be enhanced, while ensuring the smooth transfer of data between the authorities.
- Help will be given to people who are not used to or are unable to use digital services.
- The organisation of digitalisation-related change management will be strengthened within the Government.

## A growth environment will be created for digital business operations

Innovation and service platforms will be promoted in sectors where the public administration plays a role in terms of the functioning of the markets. Such sectors include mobility as a service, health care, learning and the Industrial Internet. The introduction of new technologies, digitalisation and new business concepts will be promoted by legislative means. With the help of open data and the better use of data resources, favourable conditions will be provided for new business ideas.

- An Internet of Things programme will be established to coordinate the ministries' activities.
- An objective is that the level of innovative procurement be 5 per cent of all public procurement.
- Research, development and innovation funding will continue to be allocated to promote the growth of digital services in both conventional sectors and new growth companies.

## Legal provisions will be improved

Legislative policy steering will be clarified with the aim of reducing the net number of regulations and increasing the use of alternative instruments. The aim is deregulation and the reduction of the administrative burden. No further national regulatory measures will be taken in connection with the implementation of EU regulations. One of the key themes of exercising influence within the EU will be less but better and lighter regulation.

- A body charged with the task of ensuring the high-quality impact assessment of legislation will be established within the Government.
- The provisions that most hinder people's everyday lives, business operations, agriculture, investments, construction, healthy competition or voluntary activities will be amended.
- Immediate measures will be taken to dismantle lower-level regulations and instructions that hinder people's lives or business activities.
- Permit and complaint processes will be made smoother and a public service promise will be made on such processes.
- The number of complaints between authorities will be minimised through advance negotiations, for example.

## A culture of experimentation will be introduced

Experimentation will aim at innovative solutions, improvements in services, the promotion of individual initiative and entrepreneurship, and the strengthening of regional and local decision-making and cooperation. Experiments will make use of citizen-driven operating practices.

- An experimentation programme, including extensive trials and several smaller experiments, will be implemented.
- Systematic experimentation will be introduced and a legal basis will be created to make the arrangement of experiments easier.
- Experimentation will reduce response times and improve anticipation during the process of solving social problems, and the Government's strategic aims will be promoted.

## Management and implementation will be improved

Government and central government management processes will be reconciled with the Government's strategy work. Knowledge-based management and implementation reaching across administrative branches will be strengthened.

- The Government will systematically use indicators in the follow-up of its strategic objectives and, if necessary, take corrective measures on the basis of the resulting information.
- Together with the OECD, the Government will develop criteria for use in the monitoring of its objectives.
- A programme will be launched to improve the quality of public sector management.
- Innovativeness and willingness to be of service will be highlighted as new virtues, alongside the traditional ones, of public servants.

## 9 STRUCTURAL REFORMS

The Government will strengthen the sustainability of public finances through the following structural reforms. The goal is for the implemented solutions to have economic effects totalling at least EUR 4 billion. Before the legislative proposals are submitted and implemented, the effects on sought through the reforms will be assessed.

### **Pension reform**

In early autumn 2015, the Government will submit to Parliament its proposal for the reform of earnings-related pension legislation, committing to an agreement reached on a tripartite basis. The legislative amendments will come into force on 1 January 2017.

### **Reform of social welfare and health care**

The objective of the reform of social welfare and health care services is to narrow health disparities and manage costs. The reform will be implemented with complete horizontal and vertical integration of services and by strengthening the capacity of service providers. This will have a significant impact on the sustainability gap in public finances. The aim is to create seamless service chains for the provision of key social welfare and health care services.

The Government will prepare a solution for the arrangement of social welfare and health care (SOTE) services based on autonomous areas larger than a municipality. There will be a maximum of 19 areas. The areas will be responsible for arranging social welfare and health care services in their area. The Government will reform the division of responsibilities of hospitals so that part of demanding specialised medical care is centralised in catchment areas under the direction of the Ministry of Social Affairs and Health. To safeguard democracy, the SOTE areas will be managed by elected councils.

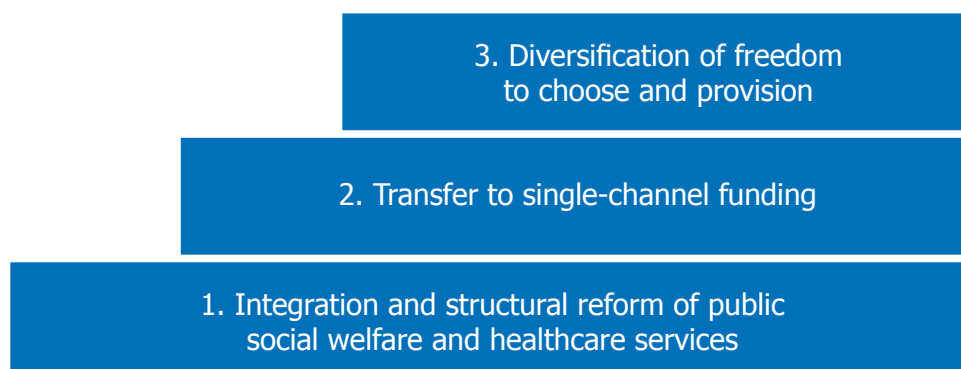
The SOTE areas will provide the services in their area or may use private or third sector service providers to provide services. In competitive tendering, competition neutrality between different providers will be emphasised. A scorecard will be prepared for assessing the efficiency and quality of service provision.

In the first stage of the preparation of the Social Welfare and Health Care Arrangements (SOTE) Act, local government and/or central government funding models will be explored as alternative funding options, taking into account the constraints of the Constitution. In the second stage, a single-channel funding model will be introduced, taking into account the position of occupational health care.

Details of a 'freedom to choose' model and the legislative changes required to implement the EU Patient Mobility Directive will be studied. The reform aims to strengthen basic services and ensure people's rapid access to care. If the evaluations highlight a need for changes to the law, they will be implemented by the end of the government term.

A parliamentary monitoring group will be established for the project. The social welfare and health care reform will include a budgetary framework system to implement effective cost management.

## Progress of SOTE solution in steps:



Social welfare and health care information systems will be integrated in the catchment areas, and the overall architecture will be developed and its implementation monitored on a national level to ensure the interoperability of the National Service Channel.

The Government will implement a rational pharmacotherapy implementation programme aimed at improving the implementation of comprehensive patient care, improving people's functional capacity, and creating conditions for cost-effective pharmacotherapy from the perspectives of the patient and society.

## Cutting local government costs

The Government will reduce local government costs by EUR 1 billion (Annex 3) by cutting statutory duties and the obligations guiding their implementation, on at least the following principles:

- By revising the principles of regulatory policy during 2015. Instead of regulation and supervision of obligations directed at service processes and resources, there will be a shift to steering and monitoring the results of service activity (e.g. customers' wellbeing and satisfaction).
- By easing qualification requirements, for example based on actual skills and suitability.
- By easing regulations that guide operating practices, for example by revising laws, decrees and various recommendations; by eliminating the link between housing and services; by removing regulatory barriers to the diverse use of premises; by combining reports, plans and programmes prescribed in municipalities' special legislation into a programme for implementation during the term of the municipal council; by reducing control and inspection obligations; by increasing matters falling within the scope of the notification procedure; by reviewing transport governed by special legislation.
- By creating conditions for the introduction of substantially more productive and more flexible function-specific and cross-administrative service process.

Proposals prepared in the ministries must be detailed and justified, and must contain the concrete measures necessary to ensure that the expected economic effects are achievable.

Concrete proposals for measures must be made in particular to reduce obligations relating to, among other things, the availability of services (deadlines, capacity), service provision resources (qualification requirements, personnel structure of production teams, group sizes, staff training, facilities), the internal official process of service provision (plans, information provision, official cooperation) and the external process of services (customer and stakeholder cooperation, consultation, information provision).

By the 2015 budget discussions, the Government will produce a detailed reform programme on duties and obligations to be removed and will submit the first concrete proposals. The process with its objectives and timetables will be continuous. The work is cross-administrative and calls for strong leadership.

The preparation of legislative amendments to increase municipalities' productivity will be done in cooperation with the municipalities. To ensure the successful implementation of the reforms, the Government will provide training in cooperation with municipal sector actors.

The Government will launch a free municipality trial with the aim of facilitating for municipalities the development of service provision and operating methods more freely and widely than at present.

A scorecard of the production costs of municipalities and other parts of the public sector will be implemented nationwide, which will make costs and quality transparent and comparable. The Government will promote the creation and exploitation of service innovations based on a statutory framework that enables experimenting. The use of service initiatives will be facilitated as a fixed-term experiment.

The Government will increase the mobility, joint use and utilisation of all official information by promoting the National Service Channel project and addressing data protection issues.

Municipalities' service charges will be liberalised.

The Government will not give the municipalities any new duties or obligations in the government term 2015–2019. The Government undertakes to keep in force the law safeguarding 100% of central government transfers to local government. If central government transfers to local government are cut, the Government will reduce municipal duties to the same extent.

The ministries' task is to prepare by the end of 2015 comprehensive and detailed proposals on the elimination of municipal duties and obligations. If necessary, the proposals to reduce local government spending will be compiled from the host of statutes that came into force during the last 15 years.

### **Regional administration reform**

With respect to the coordination of the central government's regional administration and provincial administration, a separate decision will be made aimed at simplifying the arrangement of public regional administration (central government, regions and municipalities). The primary solution is centralising functions in terms of duties and authority in clear autonomous areas.

### **Municipality of the future**

The point of departure for municipalities' activities is their local character. A municipality is a community of people.

The principal duty of the municipality of the future is to ensure opportunities for residents, businesses and communities to live and prosper.

The Government will promote a change in the role of the municipality of the future, from an arranger of services to increasingly a promoter of vitality, entrepreneurship and employment in its area. The



Government will increase municipalities' authority in issues relating to vitality and will strengthen local ownership, discretion and decision-making.

Municipalities can differ in terms of their administrative structures and operating models. The central government's local government policy is based on strong cooperation with the municipalities.

The Government will increase municipal residents' and local communities' own responsibility in responding to challenges.

The Government will encourage voluntary mergers of municipalities. The Local Government Structure Act's provisions on criteria for the obligation to make a study, deadlines and redundancy protection in a municipal merger situation will be repealed.

The Government and the Helsinki Metropolitan Area municipalities will conclude an agreement on how to promote the Metropolitan Area's international competitiveness, business policy and development as well as cooperation in the planning of land use, housing and transport, and the prevention of segregation.

The Government will support competitiveness based on metropolitan regions', growth corridors' and different areas' own strengths, for example, by developing contract-based cooperation with the central government.

The reform of the system of central government transfers to local government will continue as part of the municipalities' changing range of duties. The Government will balance municipalities' duties and the funding available for them.

### **Central administration reform**

The reform of the central administration's agency structure will continue immediately, based on the development principles adopted in the KEHU and VIRSU projects with respect to

- 1) clear structure and governance, national competence,
- 2) national competence,
- 3) customer perspective,
- 4) digital services,
- 5) capacity for change and risk management,
- 6) cooperation of public administration in customer service.

In the reform, particular attention will be paid to clarifying the management system as well as to overall management that crosses administrative sector boundaries. The Government will implement the reform adhering to good human resources policy.

Further preparatory work will be initiated immediately. Proposals for structural changes including implementation plans will be prepared by 31 December 2015.

## 10 EU POLICY

The most important task of the European Union is to safeguard peace, security, prosperity and the rule of law on our continent. Strengthening Europe's relatively weakened position requires from the Union strong functional capacity, unity and the trust of citizens. The Community method is the way of guaranteeing the stable and equitable functioning of the Union as well as ensuring democracy in EU decision-making. The Union must respect the principles of subsidiarity and proportionality; decisions must be made as close as possible to citizens. The European Commission must act transparently and consult with citizens.

EU membership is a political choice that connects Finland to the Western community of values. The Union must be reformed and its functioning improved, but the Government does not consider the amendment of Treaties to be an issue at this time. Finland respects common rules and expects other Member States to do the same. Finland is an active, pragmatic and result-oriented Member State. The Government will seek, in a constructively critical and cooperative way, to combine the national and joint European interest in Finland's EU policy.

### **Growth**

The priority of Finland's EU policy is the promotion of economic growth and jobs. Structural reforms aimed at improving competitiveness as well as research, development and innovation are essential in this. Free movement of persons, goods, services and capital is a cornerstone of the Union. The Government will pursue the deepening of the internal market, particularly with respect to services, capital markets and energy as well as digital services and goods. Finland will utilise the opportunities presented by the European Investment Plan. Promoting free trade improves Finnish export industry's access to market. Reaching agreement on the Trade and Investment Partnership between the EU and the USA is an important goal. In free trade agreements, the rule of law and food security must be secured as well as the right of Member States to non-discriminatory regulation to improve, among other things, environmental protection and consumer protection.

The European Union must focus on the most essential issues; it is not necessary to deepen integration in all policy areas. The Government will assess all EU regulation from the perspective of economic growth, competitiveness and jobs, and will also require a corresponding approach by EU institutions. Finland seeks less, but better and lighter, regulation than at present. Flexibilities for small and medium-sized enterprises should be fully utilised. The Government will not increase burdens detrimental to competitiveness in national implementation of EU acts, and will strengthen Finland's ability to assess the economic significance and legal aspects of EU regulation.

The Union must create conditions for developing Europe into a pioneer of clean technology and the bio- and circular economy. Regulation must promote the circulation and sustainable use of raw materials, and different sectors should not issue mutually conflicting regulations. The Government will ensure that opportunities for the versatile use of biomass resources in a sustainable manner are safeguarded in EU legislation. Use of advanced renewable transport fuels will be promoted.

The Government is committed to the market-oriented and cost-effective implementation of the 2030 Climate and Energy Package as well as to negotiations on an international climate agreement. The international competitiveness of industry and preventing carbon leakage are key starting points for

climate policy. An objective of the development of the Energy Union must be safeguarding the supply of affordable and sustainable energy to industry and consumers.

The focus of the EU financial framework must gradually shift to stronger support for economic growth, employment and skills. Conditions must be safeguarded for agriculture to be practised in a profitable way in all of the Union's Member States, and the Government will pay special attention to securing the future of Finnish food production. Finland's remote location and sparse population density must be taken into account in cohesion policy. The Union should not be granted the right to level taxes directly. In the next financial framework negotiations, tight budget discipline must be adhered to, as has been the case in the Member States. It must be ensured that Finland's net contribution is reasonable and fair, and that it takes into account Finland's economic situation.

### **Stability**

Finland is committed as a member of Economic and Monetary Union to promote the stability of the euro area. Finland's objective is a rule-based and effective euro area in which each Member State itself has primary responsibility for its own economic policies. Similarly, each Member State is itself responsible for its debts. The Government aims to restore the credibility of the no bail-out rule. EMU should not be developed through such deepening of economic coordination which would lead to an expansion of joint responsibility. The Government supports a strong banking union based on investor liability, and its development. To strengthen compliance with rules, economic policy coordination should be simplified, and Member States' ownership of economic policy must be ensured.

The Government is opposed to increasing Finland's liabilities in handling the euro crisis. The primary means to handle the financial problems of a euro country are the country's national measures to consolidate the economy and stabilise public finances. If these means are not enough, the secondary means is the implementation of investor liability. Bilateral credits do not belong in the Government's range of tools for handling the euro crisis. If the European Stability Mechanism must still be used, it should be done only within the framework of the mechanism's current capacity and capital structure. The Government will make decisions relating to euro area consolidation measures from the perspective of Finland's national interest.

### **Security**

The European Union must pursue its interests effectively, and defend democracy, international law and human rights in its neighbourhood and worldwide. The Union must bear its global responsibilities. The unity of the EU in its foreign policy is central to its international influence.

The EU is an important security community for Finland. Finland supports the strengthening of the EU's Common Security and Defence Policy and the reform of the Union's Security Strategy. There must be common means to combat terrorism, international crime and hybrid threats. Finland seeks to strengthen cooperation in capability development as well as to strengthen European defence industry and markets. The Government will promote the establishment of comprehensive and binding EU-wide security of supply arrangements.

In the EU's enlargement policy strict compliance with the criteria must be required. Developing EU's Neighbourhood Policy and the Eastern Partnership in particular is important for the stability of Europe.

The Union must act decisively to manage illegal migration flows in the Mediterranean area. Relocation of asylum seekers within the EU should be based on the voluntary participation of Member States. Development of Arctic cooperation should be elevated to a key priority of the EU's external relations, and EU input is required in promoting Northern projects. Within the EU and among countries of the Baltic Sea region, close cooperation must be continued to save the Baltic Sea and strengthen the economic development of the region.

## 11 FOREIGN, SECURITY AND DEFENCE POLICY

### Finland will strengthen its position in the weakened security situation

Foreign and security policy aims to strengthen Finland's international position, to secure Finland's independence and regional integrity as well as to improve the security and welfare of people in Finland. Taking note of global interdependencies, Finland will promote international stability, peace, democracy, human rights, the rule of law and equality.

The Government takes into account that the security situation in Europe and the Baltic Sea region has deteriorated, particularly as a result of the Ukraine crisis. Finland will pursue an active foreign policy, strengthen the national defence capability and deepen international security and defence policy cooperation.

The Nordic countries, the European Union – also as a security community, NATO partnership, the OSCE and the UN form the framework for Finland's international cooperation. In addition, Finland will maintain good bilateral relations with other countries.

The Government will contribute to the security and stability of the Nordic region and the Baltic Sea region and strengthen Nordic cooperation. Defence cooperation with Sweden will be intensified. Estonia and the other Baltic States are important partners for Finland both in the EU and bilaterally.

Finland will be active in making effective use of the Arctic region and in Arctic cooperation. In all activities in the Arctic region, the requirements set by sustainable development will be taken into consideration.

The improvement of relations between Russia and the EU would reinforce the security and economy of Europe as a whole. This cooperation must be based on respect for international law and international commitments.

Russia is an important neighbour for Finland. Finland complies with the European Union's common positions on Russia and also maintains diverse bilateral relations.

The Government will strengthen extensive trans-Atlantic cooperation at both bilateral and EU levels.

Finland preserves its national leeway in its foreign and security policy decisions.

Finland is a militarily non-allied state which is engaged in a practical partnership with NATO and it maintains the option to seek NATO membership.

The Government will prepare a Report on Finnish Security and Defence Policy and, in connection with its preparation, assess the effects of Finland's possible NATO membership. In addition, it will prepare a defence report defining defence policy guidelines for the maintenance, development and exercise of defence capability.

Finland's defence is based on general conscription and defence of the entire territory of the nation. Finland will ensure a credible defence in all circumstances. Finland will uphold its national technological know-

how related to a broad spectrum of key military capabilities, sufficient security of supply and the defence industry. The Government will raise the defence appropriations in accordance with the proposal of the parliamentary working group report on long-term defence challenges, published in 2014 (Puolustuksen pitkän aikavälin haasteet). The Government will decide on the replacement of the Navy's battle vessel capability and launch a project to replace the capability of Hornet aircraft.

The Government will make sure that a sufficient number of military refresher courses are organised. In addition, the preconditions for voluntary exercises and reservists' independent training will be secured.

The Government will specify legislation related to defence cooperation and international assistance so that it meets the needs of international cooperation.

Growing risks and new threats demand a new kind of preparedness and contingency planning. The Government will strengthen the comprehensive concept of security nationally, in the EU and in international cooperation. This applies, in particular, to new and large-scale threats, such as the defence against hybrid attacks, cyber attacks and terrorism. The Government will strengthen the internal foundations of external security. The Government will propose a statutory base for foreign intelligence and telecommunications intelligence. It will also draft more detailed legislation on the acquisition of land areas and properties significant from the point of view of comprehensive security as well as on dual nationality. In connection with that preparation, attention will be paid to the materialisation of fundamental and human rights.

Finland will continue active participation in international crisis management. The Government will stress the importance of coordination of military and civilian crisis management, development cooperation, humanitarian aid and mediation.

Finland will bear global responsibility and strengthen its security by promoting – in cooperation with international partners – sustainable development, peacebuilding and the status of women and girls in accordance with UN Security Council Resolution 1325. In all cooperation, the Government will emphasise human rights, democracy and good governance. In its international activities, the Government will pay special attention to the prevention of serious threats to humankind, such as climate change, poverty and shortage of food, water and energy.

In Finland's development policy, the Government will place greater emphasis on strengthening developing countries' own business activity and tax bases. The Government will take steps to improve effectiveness, productivity and measurability of development cooperation. In the longer term, the aim is to raise, in accordance with the UN goals, the level of Finland's development cooperation contribution to 0.7% of gross national income, even though savings will be directed at development funding during the term of government.

The Government will pay attention to the further development of external economic relations and, in international cooperation, promote an open, rules-based free trade and global economy. Strengthening of the WTO's operations and development of free trade with the EU's trans-Atlantic and Asian partners are key priorities. In external economic relations, the emphasis will be on the promotion of exports. Particular focus will be placed on the internationalisation of small and medium-sized companies and measures aimed at attracting investment to Finland, for example by promoting Team Finland services.

The Foreign Service will direct its resources specifically to countries of increasing political or economic importance for Finland. The network of diplomatic missions abroad will remain important for Finland.

## 12 JUSTICE AND HOME AFFAIRS AND MIGRATION POLICY

### Internal security

Finland will be the safest country in the world for living, working and entrepreneurship.

Measures will be taken to safeguard internal security, the sound administration of justice and the capacity of public authorities to function across the country.

The quality of services ensuring internal security and the sound administration of justice will be improved by means of digitalisation and new technologies. Customer-oriented reforms will be introduced while promoting regional equality. Services for non-urgent transactions will be primarily provided in digital form to increase access to public services independent of time and place. A comprehensive service point network will be further extended by promoting the establishment of Citizen's Offices, for example in cooperation with municipalities.

Rapid response in emergencies requires effectively functioning emergency response centres and shifting the focus of emergency activities from fixed offices to mobile units. Internal security relies on the operational capacity of police forces throughout the country. To address new threat scenarios and the tense security situation in Finland's neighbouring regions, border management and internal security resources must be reviewed and allocated in order to handle the new situation.

By the end of 2015, the Government will establish the resources, policies and legislative measures necessary for combating cyber crime. Efforts to further develop know-how and expertise based on cooperation between public authorities, educational institutions and businesses will be enhanced. Common situational awareness will be created of the security of information networks and communications, and reliable and secure exchange of information between different actors will be ensured.

National rescue authorities will further enhance the national direction, planning, guidance, supervision and coordination of rescue services. Command and coordination of actions by rescue and civilian authorities to combat wide-ranging threats will be clarified. Responsibility for operational command of environmental disasters at sea will be transferred to the Ministry of the Interior. The cost-effectiveness of rescue services and career paths in the sector will be improved by reforming the training system and further developing contract fire brigades.

By the end of May 2016, the Government will prepare a report on the internal security situation. The report will set out the objectives and indicators applicable to monitoring internal security and evaluate the duties and goals of the police. Preparation of the report will also comprehensively address the prerequisites of comprehensive security: cooperation procedures within different authorities and the key challenges of internal security in the near future.

### Justice

Effective legal safeguards are in place within the Finnish legal system, and punishments are consistent with a sense of justice.

Legal processes will be accelerated to enable courts to focus on their key functions. The duration of court proceedings will be reduced, for example by adding flexibility to provisions on the composition of courts, by developing the Supreme Administrative Court into a court with the powers to give preliminary rulings and by limiting the right of appeal, while respecting the constraints imposed by the Constitution and international conventions on human rights. To enhance the effectiveness of court procedures, legal fees will be raised, non-litigious cases removed from the courts and extra-judicial dispute settlement developed.

Digitalisation of court procedures will be promoted, for example by introducing electronic steering and document management systems within the prosecution service and general courts and by increasing video hearings.

The Government will review legislation to improve the status of victims in criminal proceedings. The punishments imposed for offences will be commensurate with the reprehensible nature of the acts. Provisions on first offenders and the scale of punishment for violent crime and aggravated child sexual abuse will be reviewed. Opportunities to enhance the effectiveness of conditional imprisonment, for example by imposing short prison sentences, community service or probationary liberty under supervision, will also be explored. Risk assessments of prisoners due for release will be extended and, when considering the release of prisoners, more attention will be paid to the danger they may pose to society.

## Migration policy

The Government will promote work-related migration that enhances employment in Finland, boosts public finances, improves the dependency ratio and contributes to the internationalisation of the economy. The whole of Europe is ageing and will have to deal with the resulting problem of public deficits. Immigrants enhance our innovation capacity and increase our know-how by bringing their cultural strengths to Finnish society. More and more young people are leaving Finland to study abroad, and we will have to compete for our own youth as well.

The Government will encourage open debate about migration policy but will not tolerate racism. We will promote a tolerant and humane national discussion culture. An independent study of the costs of migration and its impact on Finnish society will be conducted to enable facts-based discussion, better integration policies and better decision-making.

## Refugee policy

To participate in the international sharing of burdens, the number of quota refugees will be maintained at least at the same level. The central government will increase cooperation with municipalities and provide sufficient resources for that.



## EU affairs

We will be actively involved in EU-level discussions on migration policies, including social security and human trafficking. The Finnish residence-based social security system will be clarified as part of the social security reform.

## Non-EU and non-EEA migrants

Migration should be well managed. Procedures will be reviewed to speed up the processing of asylum applications, to ensure swift decisions and returns, and to prevent possible abuses. Participation in the activities of organisations designated as terrorist organisations by the UN or the EU will be criminalised.

Procedures will be reviewed to speed up removal from the country of those who have committed aggravated offences, those who pose a danger to public security, and any recidivists.

The Government welcomes work-related migration. As a general rule, testing for domestic availability of labour will continue as before. Availability testing for non-EU labour migration will be eased up when this supports employment and public finances, enables businesses to employ high skilled people more quickly, improves labour availability at regional level and for different sectors, and facilitates practical processes. Collective agreements will be respected.

Measures should be taken to enhance integration, for example by increasing language teaching that takes better account of prior language skills of those integrated into Finnish society, by improving support person services and by encouraging children to attend early childhood education. Family reunification criteria will be reviewed to comply with the EU Family Reunification Directive.

Tuition fees will be introduced for non-EU and non-EEA students, and those who have completed their studies will be encouraged to stay and work in Finland, for example with a tax deduction. The employment opportunities of foreign students who have studied in Finland will be promoted and their knowledge of the Finnish language emphasised.

Activities should be cross-sectoral, and exchange of information between the authorities should be enhanced. The Government will encourage different actors in society to increase contacts between native Finns and immigrants. The risk of social exclusion among young immigrants, in particular, will be identified and special attention paid to the integration of uneducated women staying at home.



# ANNEXES 1–7

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## ANNEX 1 The government's tax policy

### Key taxation objectives in the government term

1. Taxation provides encouragement to do work, to do business, to employ, to take risks, to own, and to invest in Finland. The overall tax rate will not rise during the government term.
2. Taxation is predictable and consistent. The general taxation policy line is agreed at the beginning of the government term and changes of policy that cause uncertainty are avoided during the government term.
3. In easing taxation, the focus is on low and medium incomes. Incentive traps will be eliminated. Taxation of earned income will not be increased at any income level.
4. Taxation will be developed so that entrepreneurship, ownership and investment are more profitable than at present. The taxation structure supports Finland's competitiveness and the key objectives set by the Government. The focus of taxation will shift from taxation on labour and business to 'sin taxes' in particular.
5. The basic principle of taxation is a broad tax base and low tax rates. Finland works actively to prevent international tax evasion.
6. Taxation procedures are customer-oriented, taking into account the consistency, predictability and legal certainty of taxation as well as access to information.

### Tax decisions and their impact on tax revenues

#### Taxation on labour

Item	EUR million
To ensure that taxation on labour does not increase, annual adjustments corresponding to the rise in earnings level and/or inflation will be made to earned income taxation.	-180 (2016 level)
The earned income deduction will be increased, focusing on low and medium incomes..	-450
The domestic work credit will be improved by increasing the compensation percentage and including suitable care services for the elderly within the scope of the domestic work credit.	-30
The solidarity tax will continue to the end of the government term.	+65
Tax deductibility of donations given to higher education institutions by private individuals – up to EUR 500,000, lower limit of donation EUR 850.	-5
To support moderate pay settlements, additional reductions of earned income taxation will be prepared. The reductions apply to all income classes and pensioners, focusing on low and medium incomes.	

#### Corporate taxation and taxation on ownership

Item	EUR million
The level of corporate income tax will be kept competitive.	
The deductibility of losses will be amended such that losses of an income source can in limited companies be deducted from the income of other income sources.	-10
A 5% entrepreneur deduction will be introduced for entrepreneurs and self-employed persons, those engaged in agriculture, forestry or reindeer husbandry, and business partnerships and deemed partnerships.	-130
Successions will be promoted by easing inheritance tax, and other development needs will be assessed.	-40
Successions of forest holdings will be facilitated and/or the forest deduction improved.	-20

Payment-based settlement of value-added tax will be introduced for small companies.	
Mining activity will be transferred back to electricity tax class II and within the scope of the energy tax ceiling.	-27
The capital transfer tax will be abolished in situations in which an entrepreneur or self-employed person or those engaged in agriculture and forestry transfers property to a partnership or limited company in a change of company form. The Tax Department will study neutrality requirements.	
A loss arising in the transfer of property will be made tax deductible from capital income with certain restrictions.	
Capital gains tax on shares and income tax will be amended such that the transfer of shares and share options of unlisted employer companies to key personnel is with certain conditions possible at a lower valuation than a private equity investor without tax consequences.	

### Increasing tax revenues

Item	EUR million
The focus of taxation will shift from taxation on labour and business to excise duties in particular.	
The deductibility of interest on home loans will be reduced on an accelerated timetable such that reduction is 10 percentage units per year. The deduction in 2016 is 55%, in 2017 45%, in 2018 35% and in 2019 25%	+150
The lower and upper limits of the real-estate tax will be raised moderately.	+100
The CO2 component of tax on fuels used for heating and by working machines will be increased.	+75
Combined production of electricity and heat will be steered towards lower emission levels by the removal in steps of the CO2 tax reduction. The Ministry of Finance and the Ministry of Employment and the Economy will prepare a model and timetable.	+90
The waste tax will be increased. Incineration of waste will not be subject to the tax.	+5
The tobacco tax will be increased gradually.	+270
The excise duty on sweets will be increased and the tax base broadened, taking into account competition effects and state subsidy statutes.	
The alcohol tax will be adjusted if increases in Estonia provide an opportunity to do so.	
The corporate tax base will be tightened and active efforts made to combat the shadow economy, taking into account the international operating environment and Finland's competitiveness. The goal is an increase in tax revenues of EUR 150 million.	+150
A fixed-term active tax amnesty will be introduced based on preparations by the Ministry of Finance.	

### Transport tax reform

Item	EUR million
The car tax will be lowered in favour of low-emission cars during the government term such that the tax revenue impact is around EUR 200 million at 2019 prices. The measure will be implemented in steps to avoid market distortions.	-200
The motor vehicle tax will be tightened.	+100
An annual tax will be imposed on registered boats and motor vehicles.	+50
A heavy transport road use fee (vignette) will be introduced. The cost will be compensated for with respect to commercial transport in accordance with the EU maximum.	
The removal of the rail goods transport tax and the halving of fairway dues will be extended by 1 year. EUR -55,8 million	

Tax changes requiring clarification:

- The EU will be petitioned to ensure that the VAT Directive would also allow the reduced tax rate to be applied to digital content.

- The introduction of a provision made from a company's taxable income to promote investment will be studied.
- To promote stock market listings, the opportunity for companies listing on the First North stock exchange to maintain in dividend taxation the tax status of unlisted companies will be explored.
- The tax treatment of the lump sum supplementary pension will be clarified.
- A study will be made on how to make the remittance into a company of copyright income more advantageous from a tax perspective.
- The tax treatment of foundations and associations will be clarified.
- A tax exemption for small dividend incomes up to EUR 500 will be explored.
- A study will be made during the government term on the taxation of capital income, the taxation of property, and the tax treatment of different forms of investment.

### **Other policy lines**

The municipalities will be compensated for the tax revenue impact of changes made by the Government to tax criteria.

To enhance the functioning of the Tax Administration, improve taxpayers' legal protection and access to information, and reduce the administrative burden, the Government will implement reforms of taxes collected by the Tax Administration, with the aim of harmonising and simplifying the taxation and tax collection procedure as well as the taxation appeals and sanctions system. In addition, electronic operating methods and taxation in real-time will be promoted.

Excise duty taxation, car taxation and the value-added taxation of imports will be transferred gradually to the Tax Administration for handling, to achieve cost and resource benefits and reduce the administrative burden on companies. The requirements for transferring to the Tax Administration the motor vehicle taxation duties of the Transport Safety and Security Agency will be investigated.

## ANNEX 2 Conditional further measures

### Expenditure cuts

Item	EUR million
Compensation for consultation with private doctor and dentist	-60
Child allowances	-120
Financial aid for students	-25
Adult education allowance. State's financial contribution will be replaced by a corresponding state-guaranteed loan.	-70
Index increases of TyEL- and YEL-linked benefits and earnings-related pensions will be halved in 2018 and 2019.	-272
Unemployment security	-120
Ending of job alternation leave	-40
Complete abolition of parental leave holiday accrual	-42
R&D and business subsidies	-40
National aid for agriculture	-30
University funding (separate funding of Aalto University)	-30
Reduction of infrastructure projects (new transport infrastructure projects)	-50
Passenger vessel subsidy	-20
Energy tax subsidy for industry	-40
<b>Total</b>	<b>-959</b>

### Tax increases

Item	EUR million
Income tax inflation adjustment not made in 2018	-234
Electricity tax increase	-60
Cancellation of halving of fairway dues and restoring rail goods transport tax in 2018 (EUR 42.5 million + EUR 13.3 million) EUR 55.8 million	
Removal of deductibility of interest on home loans	-100
Additional increase of excise duties on alcohol, tobacco and sweets	-60
<b>Total</b>	<b>-454</b>



## ANNEX 3 Cutting municipalities' costs by reducing duties and obligations

### Starting points

The Government is committed as part of the balancing of public finances to reduce municipalities' duties and obligations by EUR 1 billion. The Government will not give municipalities any new duties or obligations during the government term. If savings are made in central government transfers to local government, the Government will reduce municipalities' duties to the same extent.

### Reforming the steering of municipalities' duties

The continual fragmentation and excessive detail of the steering of municipalities' duties will be curtailed. A long-term reform of the steering of municipalities' duties will be launched, with the objective of

- in future, steering municipalities' duties, as a rule, through legislation and, if necessary, through supplementary decrees.
- discontinuing steering based on recommendations
- moving from steering of resources to steering of targeted results
- in supervision, moving from supervision of resources to supervision of the service result received by the customer, with the aid of performance indicators determined in municipalities' self-supervision
- moving from detailed steering to more relaxed steering

Detailed provisions and recommendations relating to the methods, resources and processes of providing municipal services will be largely repealed. If necessary, instead of sector- and service-specific steering, they will be steered with a general law (separate statute or Local Government Act).

### Municipalities' planned and future duties

The Government will re-assess the following municipal duties and obligations so that public spending does not increase:

- Act on Preventive Work Against Substance Abuse (Government proposal being examined)
- reducing the maximum number of days of rehabilitative employment service activity (Act will come into force at the beginning of July 2015)
- Social Welfare Client Documents Act
- Decree on Emergency Care with respect to oral health care
- reform of the Social Assistance Act
- Reform of disability legislation (coming into force in 2017)
- Act on the Qualification Requirements for Social Welfare (Act adopted but not signed)

### Promoting municipalities' freedom of action

An act will be passed enabling municipalities to decide at their discretion on the way that they arrange services according to the laws listed in the act. Municipalities will not be required to comply with the

obligations prescribed in the said laws or the decrees issued by virtue of them or the procedures for implementing services mentioned in recommendations.

The legislation to which the new act relates will cover, among others, the following acts:

Act of Private Roads	in its entirety
Real Estate Register Act	maintaining a real estate register
Act on Liberal Adult Education	in its entirety
Act on Basic Education in the Arts	in its entirety
Library Act	in its entirety
Youth Act	in its entirety
Museums Act	in its entirety
Sports Act	in its entirety
Outdoor Recreation Act	in its entirety
Municipal Cultural Activities Act	in its entirety
Theatres and Orchestras Act	in its entirety
Children's Day Care Act	play activities, other day care activities
Act on Social Lending	in its entirety
Act on Transferring Vehicles	in its entirety

It is expected that significant savings in public finances will be achieved through increasing freedom of action, utilising businesses and the third sector, and removing regulations.

### **Steering and supervision of municipalities**

The Government will review all local and central government steering and supervision processes directed at municipalities. Overlaps will be removed. Self-supervision will be developed and supervision outsourced.

The VIRSU project has identified overlaps in, for example, agricultural subsidy administration duties, food control and inspection, animal health and welfare supervision, implementation and monitoring of the Tobacco Act regulations, health protection, environmental control, deciding environmental and water permit applications, monitoring the state of the environment, and monitoring of the Waste Act and the Water Act.

In connection with the reform of the Land Use and Building Act, construction permit and control processes will be reassessed.

Central government supervision processes directed at municipalities will be reviewed. Supervision will be developed so that various guidance or corresponding directions of a recommended nature are not used as binding norms on municipalities. Recommendations and guidelines relating, for example, to housing service facilities as well as the investment guidelines of the Housing Finance and Development Centre of Finland (ARA) will be made more flexible.

The standardisation of service content will be discontinued and a move made to monitoring and measuring service results. In implementation, the results of experiments conducted in accordance with the Municipal Experiments Act will be utilised.

## **Increasing municipalities' fee income**

In official licensing and supervision activities, a move will be made towards cost recovery. Acts in which a move towards cost recovery could be made include, for example: the Act on Private Social Services, the Act of Private Health Care, the Health Protection Act, the Food Act, the Land Use and Building Act, the Land Extraction Act, the Environmental Protection Act, the Marine Environmental Protection Act, the Water Act and the Waste Act.

## **Qualification requirements for municipal personnel**

Detailed and narrow qualification requirements will be withdrawn. The skills of the person selected for a position will be emphasised. At the same time, a commitment will be made to lighten obligations relating to the personnel structure of services. Qualification requirements for positions that involve the exercising of public authority will be enacted in legislation. In other respects, legislative-level educational requirements will be abandoned unless there are particularly compelling reasons for not doing so. Qualification requirements will be revised so that for expert positions that require higher education the qualification requirement is, as a rule, a degree from higher education. Positions for which there are no qualification requirements prescribed in an act or decree will also be left outside regulatory control in future.

## **Transport services of the municipalities and the Social Insurance Institution of Finland (KELA)**

The Government will reform publicly subsidised (central government, municipalities, KELA) passenger transportation with the aim of achieving a 10% saving from 2017.

The reform will be implemented by utilising digitalisation and enabling new kinds of market-based and innovative service concepts by developing legislation. Legislation will be developed by implementing a comprehensive reform of personal, postal and goods transportation.

## **Abolishing municipalities' planning obligations**

The Government will expand, in accordance with the existing Municipal Experiments Act, the combination of individual service plans included in the integrated operating model for welfare to cover all municipalities and all individual care and service plans.

In accordance with the Local Government Act, a municipal strategy will replace municipalities' individual strategic and operational planning obligations.

## **Revision of deadlines**

The Government will review deadlines of non-urgent services and care in order to increase flexibility, but excluding licensing.

## ANNEX 4 Housing policy measures

To strengthen economic growth and employment, renew the housing stock, respond to demand for housing, increase competition in the construction industry and choice in housing, and because of the changes in the structure of housing needs, the Government will amend and abolish legal provisions on housing construction and promote long-term and economically sensible real-estate management. The legislative changes also aim to promote complementary construction and to significantly increase the supply of both housing and building sites. The reform will focus on market-based and state-subsidised housing production.

The Government's objective is that housing construction will better meet the demand by taking account of the current and future needs such as migration, the ageing population, the increase in the number of people living alone, economic development strategies of municipalities and economic and climate policy considerations. Another objective is to support and encourage citizens in arranging their own housing.

### **State-subsidised housing production**

Legislation on non-profit housing construction will be reformed by changing for each project the restrictive conditions. The non-profit requirement of owners of state-subsidised housing will be waived for new production.

To increase rental housing production, a new ten-year intermediate model will be generated that will be open to all those who fulfil the eligibility conditions and who are committed to them.

The selection of residents for rental housing of the Housing Finance and Development Centre of Finland (ARA) will be further developed to achieve a better balance by including income limits in means testing when selecting residents. Residents' income will be checked when they are moving to a dwelling subsidised by ARA or when moving from one dwelling to another. Exceptions to resident selection may be made in cases where public support does not lead to unhealthy competition for tenants with the private rental housing market.

Restrictions on the use and assignment of the current ARA housing stock will be eased if the capital freed up is used for housing production or renovation of the housing stock. The extent to which ARA-subsidised rental housing could be made available by acquiring privately financed rental dwellings will be explored. Investment subsidies by ARA to special groups will continue.

The age limit for entering into a savings agreement under the ASP savings and loan scheme will be lowered to 15 years. Work to reduce homelessness will continue with due regard given to proposals made by the 'housing first' working group (AUNE).

The right-of-occupancy housing system will be reformed as an independent system with respect to financing, resident selection and the application process.

Pension insurance companies may continue to use borrowed capital in housing investments until 2019.

## **Cooperation between local and central government**

Central government calls for a substantial increase in building sites and housing production, while respecting the principle of partnership in cooperation between central government and municipalities and in inter-municipal cooperation, if major infrastructure projects in growth centres and in their vicinity are implemented.

The Government will sign a letter of intent on coordinating land use, transport and housing and increasing housing production and growth with the largest urban regions. This must take into account diverse development of the housing market.

Better telework opportunities, reduction of traffic emissions and development of smart grids will facilitate living and working in the whole country. During the term of government, solutions will be sought for the problem of empty dwellings as a result of population decline.

## **Measures to increase production on building sites and reduce construction costs**

The Land Use and Building Act will be amended to enhance opportunities for construction. The decision-making procedure will be simplified, for example by revising appeal procedures. Construction in densely populated areas will be facilitated, for example by easing regulations on areas requiring planning. Decision making on deviating from plans will be transferred from centres for economic development, transport and the environment to municipalities. Furthermore, land use planning for projects and the environmental impact assessment procedure will be integrated.

To increase the authority and responsibility of municipalities over land use, the authority to implement the national land use guidelines will be clarified. Centres for economic development, transport and the environment will have a consulting role in planning and building. Their right of appeal against land use plan decisions will also be limited.

The ratification procedure for regional land use plans and joint local master plans at the Ministry of the Environment will be abandoned. All decisions on waterfront construction will be transferred to municipalities.

Binding processing times will be set for public authorities involved in the land use planning process, including environmental impact assessments.

For all construction and environmental matters, the right to appeal to the Supreme Administrative Court will be subject to obtaining leave to appeal. A binding deadline will be set for obtaining the decision on leave to appeal. Legal fees for land use and planning permission decisions will be raised. The possibility to appeal against planning decisions by filing an administrative appeal instead of a municipal appeal will be explored.

When planning land use and assigning building sites, municipalities should promote effective competition by drawing up land use plans suitable for various types of housing (single-family houses, terraced houses, blocks of flats).

Full accessibility will only be required for a certain number of flats on new housing sites.

Regional exemption policies will be introduced to facilitate renovation.

Decision making within housing companies concerning renovation, accessibility and complementary construction will be made smoother.

A simplified planning procedure will be introduced to facilitate complementary construction and make it easier to change the purpose of use of buildings.

Conversion of offices and business premises into flats will be promoted.

Refurbishing or renovating a building or changing its purpose of use will not bring obligations similar to those required for new construction, such as accessibility or acoustic insulation. To comply with energy efficiency requirements, flexibility and exceptions allowed by the Energy Efficiency Directive should be fully applied to regulation under the Directive.

Grading will be abandoned for trade in land use planning. Regulation on large retail units in city centres will be reduced.

Legislation on land use planning and the protection of buildings will be amended so that protection will not prevent measures ensuring access to residential buildings, such as subsequent installation of lifts.

Opportunities for construction in densely populated areas will be further enhanced, for example by extending the use of local master plans as grounds for building. Conversion of holiday homes into permanent residential use will be made easier.

The Land Use and Building Act will be amended to significantly extend the scope of the notification procedure to include small-scale landscaping and installation of such devices as solar panels and ground source heat pumps.

To promote wood construction especially, national and commonly acceptable construction standards and technical solutions approved in planning permission procedures across the country will be created.

Planning permission services for the public – both traditional and digital – will be provided according to the one-stop-shop principle.

Furthermore, a key project to review legal provisions on construction carried out by central government and municipalities will be launched with the aim of reducing other costs and bureaucracy, including the construction of civil defence shelters and parking spaces.

## ANNEX 5 The Government's spending limits rule

The Government is committed to a spending rule such that central government expenditure within the spending limits in 2019 will be EUR 1.2 billion smaller than in the central government spending limits decided on 2 April 2015 (at 2016 prices). Annual adjustments required by the change in price level will be made to the spending limits of the government term. An annual provision of EUR 300 million is made for supplementary budgets in the spending limits of the government term.

To achieve a spending limits solution of this scale, the Government is committed to the measures listed in the annexes to the Government Programme, which aim to strengthen general government finances by around EUR 4 billion in 2019 and, as part of this, to reduce permanent central government spending within the spending limits by a net EUR 0.65–1.7 billion in 2016–2019.

The spending limits will decrease by EUR 1.2 billion, even though the package of adjustment measures is EUR 4 billion. This is due to, among others, the following factors:

- an annual supplementary budget provision of EUR 300 million
- freezing of index increases will be realised in the spending limits later
- some impact assessments to be revised later are missing (e.g. structural reform of secondary education, effects of informal and foster care, changes in specialised health care)
- the savings will also affect local government finances and social insurance funds

The Government is committed to adhering to its set spending rule as well as to the central government spending limits decision in the first general government fiscal plan, which will be based on it. In connection with the first general government fiscal plan, provision for defence force vessel purchases from 2019 will be decided.

The Government is committed to implement during the government term the savings necessary to cover the entire EUR 10 billion sustainability gap. The effectiveness of the savings and structural reforms will be monitored annually in connection with the spending limits discussion.

The purpose of the spending rule is to limit the total amount of expenditure incurred by the taxpayer. When neutral changes are made in the Budget from this perspective, corresponding adjustments may be made in the spending limits of the government term.

Adjustments to the spending limits will ensure, if necessary, that the spending limits

- treat various taxation changes in the same way, if they have similar impact on public finances
- do not restrict rebudgeting of expenditure, changes to the timing of expenditure items nor refunds or compensation of revenue that prove to be unjustifiably large. If expenditure arising from the spending package under way is technically transferred to the next government term, the spending limits level will be correspondingly reduced.

If the level of expenditure falls below that specified in the spending limits after supplementary budgets, the difference, to a maximum of EUR 200 million, may be used for one-off expenditure in the following year without reference to the spending limits.

The following items are not included in the spending limits:

- unemployment security expenditure, social assistance expenditure, wage subsidy and housing allowance. However, expenditure effects generated by changes to the criteria for these items and by discretionary decisions affecting their level are included in the spending limits.
- interest expenditure on central government debt
- possible compensation payable to other tax recipients for tax changes decided by central government (including social insurance contributions)
- expenditure corresponding to technically transmitted payments and external funding contributions
- expenditure corresponding to the revenue from betting and lottery, totalisator betting and the transferred earnings from the Slot Machine Association
- financial investment expenditure
- appropriations for VAT expenditure

If economic growth proves to be faster than expected, the increased revenue and lower expenditure due to growth will be used in proportions decided by the Government to reduce indebtedness, ease taxation on work and business, and for one-off measures to boost growth.



## ANNEX 6 Immediate consolidation measures, 27.5.2015

EUR million	General government finances						Central government					Municipalities					Social security/employment pension contributions				
	2016	2017	2018	2019	2020	Iti*	2016	2017	2018	2019	2020	2016	2017	2018	2019	2020	2016	2017	2018	2019	2020
Education, science and culture	-178	-466	-511	-541	-556	-681	-137	-265	-291	-299	-302	-40	-200	-220	-243	-254	0	0	0	0	0
Social and health services	-71	-181	-281	-361	-451	-451	-22	-34	-47	-56	-66	-38	-135	-222	-294	-374	-11	-11	-11	-11	-11
Service charges, fines, etc.	-243	-322	-322	-322	-322	-322	-83	-98	-98	-98	-98	-160	-224	-224	-224	-224	0	0	0	0	0
Social benefits	-437	-710	-770	-800	-860	-920	-132	-303	-337	-348	-378	-71	-90	-116	-135	-165	-234	-317	-317	-317	-317
Agriculture and forestry	-29	-48	-60	-70	-70	-70	-29	-48	-60	-70	-70	0	0	0	0	0	0	0	0	0	0
Business and industry	-76	-145	-221	-315	-332	-266	-76	-145	-216	-307	-324	0	0	-5	-8	-8	0	0	0	0	0
Housing and the environment	-42	-55	-59	-59	-59	-84	-42	-55	-59	-59	-59	0	0	0	0	0	0	0	0	0	0
Transport	-15	-15	-15	-135	-135	-135	-15	-15	-15	-135	-135	0	0	0	0	0	0	0	0	0	0
Public order and security	48	48	28	3	3	3	48	48	28	3	3	0	0	0	0	0	0	0	0	0	0
Military defence	45	69	92	110	130	135	45	69	92	110	130	0	0	0	0	0	0	0	0	0	0
Foreign Service, development cooperation, etc.	-300	-300	-300	-300	-300	-300	-300	-300	-300	-300	-300	0	0	0	0	0	0	0	0	0	0
Administration and ICT expenses	-43	-81	-133	-176	-179	-179	-43	-81	-133	-176	-179	0	0	0	0	0	0	0	0	0	0
Index freezes	-70	-284	-621	-1.064	-1.094	-1.094	-124	-404	-780	-1227	-1.257	55	124	174	195	195	0	0	0	0	0
<b>TOTAL</b>	<b>-1.409</b>	<b>-2.489</b>	<b>-3.173</b>	<b>-4.030</b>	<b>-4.225</b>	<b>-4.364</b>	<b>-909</b>	<b>-1.631</b>	<b>-2.216</b>	<b>-2.961</b>	<b>-3.035</b>	<b>-255</b>	<b>-525</b>	<b>-614</b>	<b>-708</b>	<b>-829</b>	<b>-245</b>	<b>-328</b>	<b>-328</b>	<b>-328</b>	<b>-328</b>

\* Iti = long-term impact

NB: Financial investment expenditure is not included in the calculation, as it included in general government expenditure in the national accounts.

NB2: Some of the savings effects are a rough estimate and their impact assessment will be revised in the course of further preparation.

These are indicated with grey colour. The effects of these measures will be included in the general government fiscal plan as preparations and estimates become more detailed. The overall central government spending limits will be reduced accordingly.



				Impact on general government costs, total €m					Impact on central government costs, €m					Estimated impact on municipalities' funding contribution, €m					Estimated impact on social welfare and health care funds, €m						
Item	Measures that will be carried out (in brief)	Other (e.g. other key effects)	Timing (submission, entry into force etc. of Government proposal (GP))	2016	2017	2018	2019	2020	Iti*	2016	2017	2018	2019	2020	2016	2017	2018	2019	2020	2016	2017	2018	2019	2020	
<b>Upper secondary education</b>																									
Structural reforms	We commit to a general government savings level of €190m beginning in 2017. The actions could consist of many different measures. If the upper secondary education reforms produce more savings later on, they will be marked as entries fulfilling the target level of structural reforms in so far as the impacts are identified in the Ministry of Finance estimate. In addition, more substantial long-term structural savings will be sought through reformist restructuring.	It is difficult to divide the €190m savings between the municipalities and the central government before more detailed information about the practical implementation of the structural reforms or immediate savings measures are available. Therefore the very approximate allocation of funding contributions in the table is subject to changes.	From 2017 onwards		-190	-190	-190	-190	-190		-80	-80	-80	-80		-110	-110	-110	-110						
<b>Other measures concerning upper secondary education</b>																									
Apprenticeship (29.20.21, 29.30.32)	The additional funding reserved for support granted to the expansion of apprenticeship for young people will be withdrawn as from 2018. The withdrawal of the additional funding will not influence the basic funding of apprenticeship training.	In the decision on spending limits for 2014–17, additional funding was channelled to strengthen apprenticeship for young people through an initial period for apprenticeship training and by means of trial mechanisms for a flexible changeover from institutional vocational training to apprenticeship training while maintaining the unit price in apprenticeship training at the same level as in an education institution: furthermore, the objective was to diversify on-the-job learning practices in a joint effort by training providers and workplaces. The total value of the grants and transfers to these ends is €18.7m per year.	This does not require legislative amendments. The funding is meant to run for a fixed period of time, but it is included in the spending limits base. In connection with the decision on spending limits for 2014–17, a decision was made to review the continuation of the projects and funding in 2017.			-19	-19	-19	-19		-18,7	-18,7	-18,7												
Vocational upper secondary education (29.20.30, 29.30.31, 29.30.32)	Section 23b of the Act on Education and Culture Funding (1705/2009) will be amended so that the impact on the unit price of the savings decided during the previous electoral term and withdrawal of the guaranteed increase of write-offs concerning vocational education will materialise fully as is stated in the rationale of Government Proposal 304/2014.	The fixed-term guaranteed increase of write-offs concerning vocational education will end in 2015. However, the withdrawal of the increase on the unit price of basic vocational education will not materialise fully because of the reformulation of Section 23 of the Act on Education and Culture Funding that comes into force on 1 January 2016 and which states that the unit price is at least at the 2015 level.  The effect of the withdrawal of the guaranteed increase was already included in a government proposal in winter 2015, but was invalidated by oversight through some other government proposal.	This requires an amendment to Section 23 of the Act on Education and Culture Funding. Its entry into force is possible from 2016 onwards.	-39	-39	-39	-39	-39	-39	-16	-16	-16	-16	-16	-22	-22	-22	-22	-22						



				Impact on general government costs, total €m					Impact on central government costs, €m					Estimated impact on municipalities' funding contribution, €m					Estimated impact on social welfare and health care funds, €m						
Item	Measures that will be carried out (in brief)	Other (e.g. other key effects)	Timing (submission, entry into force etc. of Government proposal (GP))	2016	2017	2018	2019	2020	Iti*	2016	2017	2018	2019	2020	2016	2017	2018	2019	2020	2016	2017	2018	2019	2020	
<b>Research</b>																									
Academy of Finland	The budget authority of the Academy of Finland will be cut by EUR 10 million beginning in 2016.				-3	-5	-10	-10	-10		-3	-5	-10	-10											
		* long-term impact	<b>TOTAL</b>	<b>-178</b>	<b>-466</b>	<b>-511</b>	<b>-541</b>	<b>-556</b>	<b>-681</b>		<b>-137</b>	<b>-265</b>	<b>-291</b>	<b>-299</b>	<b>-302</b>	<b>-40</b>	<b>-200</b>	<b>-220</b>	<b>-243</b>	<b>-254</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Social and health services

				Impact on general government costs, total €m					Impact on central government costs, €m					Estimated impact on municipalities' funding contribution, €m					Estimated impact on social welfare and health care funds, €m						
Item	Measures that will be carried out (in brief)	Other (e.g. other key effects)	Timing (submission, entry into force etc. of Government proposal (GP))	2016	2017	2018	2019	2020	Iti*	2016	2017	2018	2019	2020	2016	2017	2018	2019	2020	2016	2017	2018	2019	2020	
<b>Working-age adults</b>																									
AURA rehabilitation	<p>The AURA rehabilitation programme will be abolished as of the beginning of 2016, i.e. before its initiation.</p> <p>The AURA rehabilitation is a new appropriation combining vocational rehabilitation programmes Aslak and TYK that was planned to start as of the beginning of 2016 with an annual budget of €20.6m. It was to be funded from health insurance. The central government's funding contribution was planned to be 44.9% and the share of the insured 55.1%.</p>		GP s2015	-21	-21	-21	-21	-21	-21	-9	-9	-9	-9	-9							-11	-11	-11	-11	-11

				Impact on general government costs, total €m					Impact on central government costs, €m					Estimated impact on municipalities' funding contribution, €m					Estimated impact on social welfare and health care funds, €m						
Item	Measures that will be carried out (in brief)	Other (e.g. other key effects)	Timing (submission, entry into force etc. of Government proposal (GP))	2016	2017	2018	2019	2020	Iti*	2016	2017	2018	2019	2020	2016	2017	2018	2019	2020	2016	2017	2018	2019	2020	
<b>Older people</b>																									
Adjustment of the staff-client ratio in services to older people	The quality recommendation to guarantee a good quality of life and improved services for older persons published by the Ministry of Social Affairs and Health and the Association of Finnish Local and Regional Authorities in 2013 will be reviewed so that the absolute minimum staffing level would be 0.40-0.50 care workers per client in sheltered housing with 24-hour assistance and in older people's homes (current ratio 0.50). In long-term care in health centre in-patient wards, the recommended ratio would remain at 0.60-0.70 care workers per client. Other quality recommendations relating to certain groups to be included in the staffing levels (persons in apprenticeship training, social and health care sector students and persons without vocational education in the social and health care sector) will be reviewed so that the persons in these groups could be included in the staffing level as care workers on more relaxed grounds than at present.	In sheltered housing with 24-hour assistance and in older people's homes, approximately half of the clients need a particularly high level of care and services, so the lower staffing level could be applied to a maximum of 50% of clients. If the calculated saving gained from a lowering by 0.1 percentage point would be approximately €200m per year, the potential annual saving gained through this measure would be approximately one half, €100m per year. In practice, the adjustment of the staffing level would take place gradually and would probably be slightly less than the highest potential amount.			-25	-50	-70	-70	-70		-6	-13	-19	-19		-19	-37	-51	-51						
<b>Bureaucracy</b>																									
Reduction of planning obligations in social and health care services	The following obligations relating to the drafting of a service plan will be changed so the plan will be drafted only if the service need of a social welfare and health care client so requires it: - plan on supporting the elderly population (Act on Care Services for the Elderly, Section 5) - plan on service, care, rehabilitation or other such social welfare plan (Act on Social Welfare Clients, Section 7) and - plan on examination, care, medical rehabilitation etc. (Act on the Status and Rights of Patients, Section 4a)	Social and health care services have many detailed obligations relating to client or patient rights and services. These take up a considerable amount of the staff's time and involve significant costs. An estimate of municipalities' savings is €5-15m annually. In addition, other corresponding local government planning obligations in different administrative branches should be assessed and obligations diminished.			-10	-10	-10	-10	-10		0	0	0	0	0	-10	-10	-10	-10						







				Impact on general government costs, total €m					Impact on central government costs, €m					Estimated impact on municipalities' funding contribution, €m					Estimated impact on social welfare and health care funds, €m					
Item	Measures that will be carried out (in brief)	Other (e.g. other key effects)	Timing (submission, entry into force etc. of Government proposal (GP))	2016	2017	2018	2019	2020	Iti*	2016	2017	2018	2019	2020	2016	2017	2018	2019	2020	2016	2017	2018	2019	2020
Fines and administrative penalties (12.39.01)	The Act 756/2010 will be amended to double the amount of fixed fines under the Act and raise their maximum amount from €115 to €230 and that of ancillary forfeiture of property from €1,000 to €2,000.  The need for an increase will be considered again in 2017.	The euro amounts of fixed fines were last reviewed more than 15 years ago. Even if they were doubled, they would still be low by general European standards.  Close to 300,000 fixed fines are imposed every year, most of them for traffic violations.		-20	-20	-20	-20	-20	-20	-20	-20	-20	-20	-20										
Unit fines (12.39.01)	The Act 808/2007 will be amended so that the amount of a unit fine under the Act is one thirtieth of the average monthly income of the person fined (currently one sixtieth), i.e. the amount of a unit fine would double. The minimum amount of a unit fine will be raised from €6 to €12. In further preparations, the requirement to double the amount may be reduced if part of the desired additional revenue can be obtained by increasing cost-effective camera enforcement, for example.			-48	-63	-63	-63	-63	-63	-63	-48	-63	-63	-63	-63									
Court fees and their scope of application (12.25.10)	Court fees (fees for court hearings and for handling petitionary matters) will be raised and their scope of application extended. As a result of the reform, revenues from court fees will cover at least 20% of the total expenditure of courts. It is estimated that the reform will bring additional revenues of €15 million annually. Most of the additional revenue would be obtained from fees for court hearings (c. €9m).	The legislative amendments will enter into force from the start of 2016 (the working group has already drawn up an amendment proposal for an Act on Court Fees and related provisions).		-15	-15	-15	-15	-15	-15	-15	-15	-15	-15	-15										
<b>TOTAL</b>				<b>-243</b>	<b>-322</b>	<b>-322</b>	<b>-322</b>	<b>-322</b>	<b>-322</b>	<b>-83</b>	<b>-98</b>	<b>-98</b>	<b>-98</b>	<b>-98</b>	<b>-160</b>	<b>-224</b>	<b>-224</b>	<b>-224</b>	<b>-224</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>







				Impact on general government costs, total €m						Impact on central government costs, €m					Estimated impact on municipalities' funding contribution, €m					Estimated impact on social welfare and health care funds, €m				
Item	Measures that will be carried out (in brief)	Other (e.g. other key effects)	Timing (submission, entry into force etc. of Government proposal (GP))	2016	2017	2018	2019	2020	Iti*	2016	2017	2018	2019	2020	2016	2017	2018	2019	2020	2016	2017	2018	2019	2020
Child welfare and home assistance for families with children	Increase			10	10	10	25	25	25	10	10	10	25	25										
Home care for the elderly, veterans, and reducing the degree of disability of disabled war veterans	Increase				10	10	10	10	10		10	10	10	10										
<b>Total</b>				<b>-437</b>	<b>-710</b>	<b>-770</b>	<b>-800</b>	<b>-860</b>	<b>-920</b>	<b>-131.9</b>	<b>-303.2</b>	<b>-336.9</b>	<b>-348.2</b>	<b>-378.2</b>	<b>-71.25</b>	<b>-90</b>	<b>-116.3</b>	<b>-135</b>	<b>-165</b>	<b>-233.8</b>	<b>-316.8</b>	<b>-316.8</b>	<b>-316.8</b>	<b>-316.8</b>

## Agriculture and forestry

				Impact on general government costs, total €m						Impact on central government costs, €m					Estimated impact on municipalities' funding contribution, €m					Estimated impact on social welfare and health care funds, €m				
Item	Measures that will be carried out (in brief)	Other (e.g. other key effects)	Timing (submission, entry into force etc. of Government proposal (GP))	2016	2017	2018	2019	2020	Iti*	2016	2017	2018	2019	2020	2016	2017	2018	2019	2020	2016	2017	2018	2019	2020
Structural changes	Merger of Natural Resources Institute Finland and Finnish Environment Institute, transfer to 3-tier management system for agricultural support, risk-based supervision of payments, abolition of early retirement aid (change in the scheme, significant savings in the 2020s)				-8	-18	-19	-19	-19		-8	-18	-19	-19										
National funding of the Rural Development Programme	Nature management fields, LFA, buffer zones, catch crops, project funds			-5	-16	-16	-23	-23	-23	-5	-16	-16	-23	-23										
Forestry	Forest Biodiversity Programme for Southern Finland Metso €3m, aid for energy use of small-diameter wood €12m (the rest of these funds in the budget item transferred to the financing of sustainable forestry)			-15	-15	-15	-15	-15	-15	-15	-15	-15	-15	-15										
Administration	Ministry, food chain, Finnish Food Safety Authority, Finnish Forestry Centre, cadastral surveys			-9	-9	-11	-13	-13	-13	-9	-9	-11	-13	-13										
<b>TOTAL</b>				<b>-29</b>	<b>-48</b>	<b>-60</b>	<b>-70</b>	<b>-70</b>	<b>-70</b>	<b>-29</b>	<b>-48</b>	<b>-60</b>	<b>-70</b>	<b>-70</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>



## Housing and the environment

				Impact on general government costs, total €m					Impact on central government costs, €m					Estimated impact on municipalities' funding contribution, €m					Estimated impact on social welfare and health care funds, €m					
Item	Measures that will be carried out (in brief)	Other (e.g. other key effects)	Timing (submission, entry into force etc. of Government proposal (GP))	2016	2017	2018	2019	2020	Iti*	2016	2017	2018	2019	2020	2016	2017	2018	2019	2020	2016	2017	2018	2019	2020
Cutting acquisition and compensation expenditure for nature conservation areas (35.10.63)	If possible, more decisions on mire conservation and other decisions on nature conservation areas will be made on land managed by Metsähallitus, and protection measures (land surveys, management plans) concerning the sites already allocated for nature conservation will be completed with a single appropriation of €8m. With respect to further measures carried out on state lands, acquisition and compensation appropriations for nature conservation areas will be reduced. A reward system that could be applied to valuable sites in terms of nature conservation will be created for land owners who are ready to commit voluntarily to nature protection on a permanent basis.	The measure will reduce funding needs for private nature conservation areas. More conservation decisions under the Forest Biodiversity Programme will be made on sites outside the forestry activities managed by Metsähallitus.  Net effect in the table.	GP 2015, entry into force 1.1.2016.	-12	-20	-20	-20	-20	-20	-12	-20	-20	-20	-20										
Investment grants	Activities, i.e. normal housing for students, young people and the elderly, targeted at population groups who are in good health will be excluded from the scope of high investment grants for special groups. Accessibility requirements in construction will be eased in housing for young people and students. The remaining grants will be used to safeguard housing for those in poor health and the homeless.		GP 2015, entry into force 1.1.2016.	-15	-15	-15	-15	-15	-15	-15	-15	-15	-15	-15										
Authorisations for right-of-occupancy housing	Authorisations for right-of-occupancy housing will be reduced by one third.	The value of the authorisations is currently €320m. The growth in the outstanding amount of state-guaranteed loans and interest expenditure will be curbed. Particularly in the long term, this measure is expected to reduce central government costs relating to rising interest expenditure and possible risks materialising from renovations.  There is no resident selection in this form of grant.  This is the potential saving, which has been calculated on the assumption that the interest rate is 4%.	GP 2015, entry into force 1.1.2016.						-25															





				Impact on general government costs, total €m					Impact on central government costs, €m					Estimated impact on municipalities' funding contribution, €m					Estimated impact on social welfare and health care funds, €m					
Item	Measures that will be carried out (in brief)	Other (e.g. other key effects)	Timing (submission, entry into force etc. of Government proposal (GP))	2016	2017	2018	2019	2020	Iti*	2016	2017	2018	2019	2020	2016	2017	2018	2019	2020	2016	2017	2018	2019	2020
	To reduce incentive traps, those difficult to employ will be given priority in rental dwellings funded by the state. If in a municipality there is a vacant state-funded dwelling which is lower-priced than a privately financed one, housing expenses will be reimbursed only in accordance with the rent of the state-funded dwelling.	This should be implemented together with the proposal for the selection of residents in ARA dwellings (priority given to people receiving social assistance and housing allowance). The potential saving may be marginal and difficult to calculate (there is no information about the reimbursement of current housing expenses of the target group and impact of the change is difficult to estimate); the greatest potential lies in the reduction of incentive traps. It is also estimated that this would mean extra work for Kela.																						
<b>TOTAL</b>				<b>-42</b>	<b>-55</b>	<b>-59</b>	<b>-59</b>	<b>-59</b>	<b>-84</b>	<b>-42</b>	<b>-55</b>	<b>-59</b>	<b>-59</b>	<b>-59</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Transport

				Impact on general government costs, total €m					Impact on central government costs, €m					Estimated impact on municipalities' funding contribution, €m					Estimated impact on social welfare and health care funds, €m					
Item	Measures that will be carried out (in brief)	Other (e.g. other key effects)	Timing (submission, entry into force etc. of Government proposal (GP))	2016	2017	2018	2019	2020	Iti*	2016	2017	2018	2019	2020	2016	2017	2018	2019	2020	2016	2017	2018	2019	2020
Basic transport infrastructure management (31.10.20)	An increase in the repair debt will be prevented by reallocating the financing of new projects to basic transport infrastructure management and basic improvement of private roads.		as of 2017	0	114	150	100	100	100	0	114	150	100	100										
Transport projects (31.10.77, 78, 79)	The provision for unnamed projects under transport infrastructure items will be reduced	The technical spending limits are scaled to €544m annually, which corresponds to the average level of appropriations allocated in 2012–2015. The spending limits will now allow unnamed projects as follows: 2016: €0m, 2017: €113.8m, 2018: €257m, 2019: €358.7m. A total of €729.5m for 2017–2019 is reserved for transport infrastructure projects under item 31.10.77 for new, unattached projects.		0	-114	-150	-220	-220	-220	0	-114	-150	-220	-220										
Public transport subsidies	Public transport subsidies will be reduced by €15m.		as of 2016	-15	-15	-15	-15	-15	-15	-15	-15	-15	-15	-15										
<b>TOTAL</b>				<b>-15</b>	<b>-15</b>	<b>-15</b>	<b>-135</b>	<b>-135</b>	<b>-135</b>	<b>-15</b>	<b>-15</b>	<b>-15</b>	<b>-135</b>	<b>-135</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>



## Military defence

				Impact on general government costs, total €m					Impact on central government costs, €m					Estimated impact on municipalities' funding contribution, €m					Estimated impact on social welfare and health care funds, €m						
Item	Measures that will be carried out (in brief)	Other (e.g. other key effects)	Timing (submission, entry into force etc. of Government proposal (GP))	2016	2017	2018	2019	2020	Iti*	2016	2017	2018	2019	2020	2016	2017	2018	2019	2020	2016	2017	2018	2019	2020	
Finnish Defence Forces catering services	Catering services for the Defence Forces will be opened up for competition in 2017.	In line with Section 6 of the Act on the Incorporation of Catering Services in the Defence Forces (16.12.2011/1287), there is a four-year protection period for staff (terminates at the end of 2015). The 2014 turnover was €66.2m and profit €3.5m. In order to create genuine competition, the call for tenders should be in parts, e.g. tenders are invited for one-third of the catering services in the DF on a yearly basis. Cost effect 0, -1, -3, -5, -5	2017	0	-1	-3	-5	-5		0	-1	-3	-5	-5											
Procurement of defence materiel (27.10.18)	The procurement process of defence materiel will be improved by making use of competitive opportunities and increasing joint procurement with other countries to achieve cost savings.  The Defence Forces will benefit from the gain made through the said improvement.	As large procurement projects are spread over many years, it may take a long time before the impact of international cooperation can be seen on cash flows.  Good opportunities for efficiency will be generated by the FDF Logistics Command, which became operational as of 1 January 2015. It is composed of the materiel commands of the Army, the Navy and the Air Force, the Centre for Military Medicine, the Häme Regiment's Logistics School and the Joint Systems Centre.			0	0	0	0	0		0	0	0	0											
Military crisis management (24.10.20 and 27.30.20)	Participation in military crisis-management operations will be cut down and more focus will be placed on crisis-management operations that are more meaningful and impactful from Finland's perspective.  Sufficient funding will be secured (e.g. 5 to 10% of the budget item) under the so-called funds in reserve.  The military crisis management expenditure allocated for the Ministry for Foreign Affairs will be merged with the deferrable appropriation of the Ministry of Defence.	According to current plans, as of 2017 Finland will take part in 9 operations with a total of 90 soldiers. The current spending limit would allow for an increase of 1 to 2 operations and 20 to 30 staff.  In the future, Finland will take part at the most in 5-7+1 military operations.	The savings sum is smaller in 2016 and will grow from 2017. The number of planned operations will decline from 2017. In spring 2016, for example, Finland will have a leadership role in operations in Lebanon.	-5	-10	-15	-15	-15	-15		-5	-10	-15	-15											
Supplementary appropriation of the Defence Forces	The final report of the parliamentary working group refers to a financing method introduced in the security and defence policy report. According to it, the defence administration has estimated that a further €50m will be needed in 2016 particularly to maintain military capability and, by year 2020, progressively €150m in addition to index increments.			50	80	110	130	150	150		50	80	110	130	150										
<b>TOTAL</b>				45	69	92	110	130	135		45	69	92	110	130	0	0	0	0	0	0	0	0	0	0







## ANNEX 7 Other measures

- The Government will appoint a parliamentary working group to evaluate the duties and funding of YLE.
- The reform of the Act on the Autonomy of Åland will continue, and the government proposal will be submitted to Parliament in spring 2018 at the latest.
- Streamlining the Wastewater Decree: Chapter 16 of the Environmental Protection Act will be amended to clarify wastewater treatment in densely populated areas and make it more effective. Municipal regulations on environmental protection and construction will continue to apply to areas sensitive to pollution, such as shores and groundwater areas. In other areas, the statutory deadlines for the modification of wastewater systems of residential properties built before 2004 will be abolished. The adequacy of the wastewater system of each of these properties will be inspected in connection with renovation work that is subject to planning permission. Any amendments necessary to the Water Services Act will be considered when amending the Environmental Protection Act. The mandate of the previously appointed working group of the Ministry of the Environment will be reviewed to comply with the amendments.
- Climate policy: The Government will contribute to the adoption of an ambitious and comprehensive international convention on climate change to limit global warming to two degrees. The convention must reduce the risk of carbon leakage from energy-intensive industries and generate new markets for clean technologies. Finland will achieve the climate objectives for 2020 for the share of renewable energy and emissions reductions by the end of the government term. Further preparations for the EU 2030 Climate and Energy Package will aim at ensuring an effective emissions trading system, increased and cost-effective renewable energy generation, and flexibility in the sharing of burdens outside the emissions trading scheme. Hi-tech renewable transport fuels will be promoted. All climate policies must take account of the competitiveness of Finnish export industries and ensure fair burden sharing.
- The third sentence of section 9(1) of the Act on Political Parties (10/1969) will be repealed (as amended in the Act amending the Act on Political Parties 683/2010)
- Further strategy work and preparations for the key projects will be based on the background notes drawn up by the working groups of the government formation talks.



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