

Informal Government meeting on the 2021–2024 General Government Fiscal Plan, minutes 8 April 2020

Costs incurred by the authorities in managing the COVID-19 situation

The authorities will be reimbursed the exceptional costs arising from the management of the coronavirus epidemic. The reimbursement will cover the actual amounts of expenditure, and the corresponding appropriations will be included in the 2020 supplementary budget proposals.

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The 2020 government budget session will consider the future and current use of the central government's revenue from gambling proceeds within the context of central government revenue and expenditure in general. In 2020, the appropriations required to fully compensate for the decline in revenue will be included in the supplementary budget proposal.

Action plan for the wellbeing of children and young people

The restrictions placed on education, teaching and recreational activities to slow down the spread of the COVID-19 epidemic will have a negative impact on the learning outcomes, wellbeing and equality of children and young people. The Government is implementing a comprehensive action plan to mitigate the impact. The appropriations for the action plan will be included in the third supplementary budget proposal for 2020.

Liberal adult education and basic education in the arts

The Government is prepared to compensate for the net losses in liberal adult education and basic education in the arts caused by the COVID-19 epidemic, insofar as they have not been dealt with in the second supplementary budget. The increases in appropriations will be included in the third supplementary budget proposal for 2020.

Act on the Financing of Education and Culture

The Act on the Financing of Education and Culture Activities and the Act on Liberal Adult Education will be amended so that the reduction in the volume and costs of activities resulting from the COVID-19 epidemic will not have a lowering effect on the level and distribution of funding in the coming years.

Further preparation of economic policy, sustainability of public finances and climate objectives

The Government is committed to securing the resources required to deal with the COVID-19 crisis and its economic and social consequences.

During 2020, the Government will decide on measures stimulus measures aimed at mitigating the damage caused by the coronavirus crisis to the Finnish economy and employment. In the next supplementary budget proposal, to be published in May, the Government will propose measures that will support the rapid recovery of the economy and will be continued as required by the economic situation. The Government will begin the activation of the exceptional situation mechanism, as described in the Government Programme.

Alongside the stimulus measures, it will also be necessary to decide on structural measures to return Finland after the crisis to a path of sustainable growth, high employment and sustainable public finances. As previously outlined by the Government, it is preparing a roadmap that will

determine the potential of various measures to reduce the sustainability gap. The first stage in this process will be implemented in connection with the submission of the May 2020 supplementary budget proposal. A balance between short- and long-term measures is necessary to safeguard the Nordic welfare society.

Strengthening the sustainability of public finances will be implemented in a way that secures the services and benefits of the welfare state and their sustainable financing. The Government is committed to ensuring that the burden caused by the crisis is shared in a socially and economically just and ecologically sustainable way and fairly between the generations. An economic policy package will be outlined in the government budget session in August 2020. At this stage, measures that strengthen the sustainability of public finances and employment, taking into account the changes in the economic environment, will be identified.

Economic stimulus measures and measures to strengthen the sustainability of public finances will be planned and selected also to support the Government's carbon neutrality goal, the move away from fossil fuels, and the transition to a carbon-free circular economy in line with the Government Programme. The Government is committed to acting a way that results in Finland being carbon-neutral in 2035 and carbon-negative quickly thereafter. This will ensure the long-term sustainability of the economy and competitiveness, reduce risks and create sustainable jobs throughout Finland.

In the August 2020 government budget session, the Government will outline the implementation of a sustainable taxation roadmap in accordance with earlier policies. In the same context, the first stage of energy tax reform will be decided as outlined earlier. In addition, the budget session will review the progress of the tax measures to support growth and investment which were outlined in 2019.

Support for local government finances during the COVID-19 crisis

Coronavirus will impact local government finances particularly through growth in healthcare expenditure and a reduction in tax and fee income. The central government will participate in compensating the municipalities for expenditure caused by coronavirus. The purpose of supporting the municipalities is to safeguard conditions for the provision of basic public services and to alleviate the challenges to local government finances due to the state of emergency.

The effects of the coronavirus crisis on local government finances will depend on the scale and duration of the pandemic. Assessments of the effect will become clearer during the year. Decision-making on assistance and support to municipalities therefore needs to be phased. The Ministry of Finance will closely monitor the advance of the state of emergency in order to decide on additional measures.

The municipalities are diverse and the effects of the crisis on different municipalities will be different. There are also significant differences in the municipalities' financial situations. The support package for municipalities will accordingly consist of various measures.

At the first stage, the Government has decided in the second supplementary budget proposal for 2020 to compensate municipalities for estimated temporary tax losses in 2020 as a result of tax payment deferrals.

At the second stage

- The central government will compensate hospital districts directly with a discretionary government transfer for the additional costs caused by the coronavirus crisis (e.g. intensive care).
- The municipalities' corporation tax apportionment will be increased for a fixed period to the end of 2020.
- The central government transfer for basic public services will be increased for a fixed period to the end of 2020.
- Discretionary increases will be made in central government transfers.

The scale of the measures directed at municipalities in the second stage will total at least EUR 1 billion. The measures under the second stage will be implemented in a third supplementary budget for 2020.

In addition, in the Government will assess in future supplementary budgets and in the August 2020 government budget session the effects of the coronavirus crisis on the municipalities and will commit, as the impact assessments become clearer, to supplement significantly the package of measures for municipalities, if necessary. Measures for 2021 will be decided as part of the 2021 budget process.

The effects of the coronavirus situation on the procedure for municipalities in crisis and on the municipalities' deficit coverage obligation will also be taken into consideration.

In addition to direct crisis support measures, the Government will review by the 2020 budget session the outlook for the future of local government finances and the tasks and obligations of local government.