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To: Carsten Pillath, Director-General, DGG-Economic Affairs and Competitiveness General Secretariat of the Council of the European Union

Subject: Finland's Stability Programme 2014

Delegations will find attached the fifth part of Finland's Stability Programme for 2014.

Ministry of Employment and the Economy

The appropriations of the main title of Ministry of Employment and the Economy total EUR 3.3 billion in 2015. During the spending limits period, the appropriations will decrease by EUR 853 million. The principle reason for the lowering of the level of main title's appropriations is the discontinuation of the export refinancing loans that were temporarily in use. In addition to export credit guarantees and interest equalisation, export funding implemented with public funds in the spending limits period is based on Finnvera plc's acquisition of funds, which replaces budget funding, and on the export credit funding financed by it.

The objective of business and innovation policy is to increase the number of innovative, fast-growing and internationalising companies. The growth funding programme launched during 2013 will continue, and for this purpose EUR 30 million per year in 2015—2017 has been earmarked for the capitalisation of Finnish Industry Investment Ltd. Similarly, Finnvera will be capitalised in accordance with earlier decisions with EUR 5 million in 2015—2017. In addition, in the spending limits period EUR 20 million per year has been earmarked for the venture capital investment activity, launched in 2014, of the Finnish Funding Agency for Innovation TEKES. Finnvera's compensation percentage outside national assisted areas will be raised to 55 per cent.

To boost internationalisation and exports of SMEs, a new funding instrument, which will support companies' acquisition of internationalisation consulting, will be introduced. An additional authorisation of EUR 10 million per year to support companies' investment and development projects has been earmarked for the new form of funding. Due to the increase in the authorisation, appropriations have been increased by EUR 3.5 million in 2015, EUR 9 million in 2016 and EUR 10 million in 2017—2018.

In employment and entrepreneurship policy, appropriations will be directed in accordance with the Government Programme to employment- and growth-promoting measures, particularly to improve the employment of the long-term unemployed and young people. The target activation rate is 30 per cent during the entire spending limits period. Due to increased pay security expenditure, the estimated appropriation has been increased by EUR 6 million per year. In addition to the adopted adjustment measures, the appropriation for public employment and business services takes into account a reduction of EUR 1.2 million in 2017 and 2018 resulting from a revision of the cost of employment obligations relating to 60 year-olds under the working careers agreement. A funding authorisation of EUR 4 million for employment-based transfers will be transferred from 2015 to business investment and development projects. The employment-based investment subsidy and employment promotion programme will be discontinued, but the employment-based investment subsidy will be partly replaced, however, by a business operating environment development subsidy. The regional transport subsidy will end in 2017.

Funding authorisations of the EU Structural Funds programming period 2014—2020 have been revised due, among other things, to a revision of funding for programming period 2014—2020 as a result of a price adjustment as well as a change in the performance reserve from 7 per cent to 6 per cent.

Ministry of Defence

Finland's defence capability will be developed, from the perspective of the country's military defence. The priorities of maintaining and developing defence capability in the spending limits period are completing the Defence Forces reform, responding to the long-term challenges of defence, and deepening and widening defence cooperation.

The Defence Forces reform will introduce a new emergency conditions troop structure, including operational, regional and local troops. The focus of the development of the Defence Forces performance capability will be on developing regional troops and remote impact. At the end of the spending limits period, the focus will shift to safeguarding the performance capability of operational troops.

The Defence Forces reform will create the foundation for the operating capacity and further development of the Defence Forces when building defence capability for the 2020s. The key objectives of the reform are restoring the defence system to the level required for effective operations as well as ensuring sufficient investment in materiel. To ensure adequate prevention and up-to-date defence capability, around one third of military defence appropriations should be used for materiel readiness, around one third on fixed personnel expenditure and around one third on other operating expenditure.

From the beginning of 2015, training and military exercises will be restored to the level required by wartime troop training requirements. The effectiveness of general military service will be promoted by ensuring framework conditions are in place for the efficient operation of training units.

A main challenge of the spending limits period key is preparing for the ageing of the materiel of key troops, which will take place in the 2020s.

Ministry of Finance

The Tax Administration will be allocated an additional EUR 2 million per year to combat the shadow economy also after 2015. The Tax Administration will also be allocated a supplementary appropriation of EUR 2.35 million in 2015 and EUR 0.25 million in 2016 for investment expenditure on various information systems. Moreover, additional funding as transfers from the administrative branch's productivity funding is proposed for investment expenditure on various information system projects: EUR 3.95 million in 2015, EUR 2.1 million in 2016, EUR 1.5 million in 2017 and EUR 0.7 million in 2018. To compensate for revenue losses arising from the opening up of public information resources, an annual increase of EUR 0.4 million as transfers and an annual supplementary appropriation of EUR 0.2 million are proposed for 2016–2018. In setting the level of the Tax Administration's operating expenditure, a reduction of EUR 0.5 million per year from 2016 due to the abolition of the forestry fee has been taken into account. Due to the reorganisation of premises in Turku, an additional EUR 1.5 million has been earmarked in operating expenditure for removal and furnishing expenses; at the same time, reductions in premises costs of EUR 0.8 million in 2015 and EUR 1.1 million from 2016 can be taken into account.

Additional funding of EUR 2.95 million for 2015 and EUR 3.4 million per year in 2016—2018 is allocated to Customs' operating expenditure to safeguard customs controls on the eastern border. To combat the illegal imports of alcohol by travellers, a supplementary appropriation of EUR 0.3 million in 2015 and a supplementary appropriation of EUR 0.35 million per year in 2016—2018 is allocated to Customs' operating expenditure.

It is proposed that the central government's damage compensation activities be centralised in the State Treasury, as a result of which it is further proposed that a total of EUR 0.43 million be transferred from administrative branches for the payment of compensation each year from 2015 as well as EUR 0.05 million for information system expenditure in 2015.

EUR 3 million per year will be allocated to the operating expenditure of the Government ICT Centre (Valtori). A separate appropriation public finances EUR 10 million per year will be allocated for Valtori's investment expenditure. Expenditure arising from Valtori's activities will be funded with fees collected from the agencies and institutions that are its customers. The operating expenditure appropriation is intended as buffer funding for unanticipated situations to even out fluctuations of customer-funded revenue and expenditure arising from activities.

Statistics Finland will be allocated a supplementary appropriation of EUR 0.15 in 2015 and EUR 0.4 million in 2016—2018 to continue the opening up of public information resources. Moreover, additional resource needs will arise to Statistics Finland from the implementation of obligatory requirements of EU statutes, as a result of which it is proposed that a supplementary appropriation of EUR 0.2 million per year during the spending limits period be allocated for Statistics Finland's operating expenditure.

The Economic Policy Council, established in 2014, will operate in connection with the Government Institute for Economic Research. The Council's role is to assess the Government's economic policy and fiscal decision-making and to enhance the quality, transparency and comprehensibility of its preparation. The EUR 0.1 million funding of the council's activities has been taken into account as a transfer from the appropriations of the administrative branch of the Prime Minister's Office.

The Population Register Centre will continue development of the personal data registration of the population register system. Together with the Building Information Development Project (RaKi) already under way, the project will ensure the life-cycle continuity of the population register system, and EUR 0.9 million will be allocated to it in 2015 from the productivity appropriation of the administrative branch.

An annual increase of EUR 0.4 million will be allocated to the operating expenditure of the Regional State Administrative Agencies for the increased resourcing of animal protection and food safety duties.

A total of EUR 0.9 million for 2015—2016 will be transferred from the productivity appropriation of the administrative branch to the Register Offices' operating expenditure for information system development projects.

Changes to central government pension expenditure forecasts, a change to the interest rate forecast and index adjustments will increase pension expenditure during the spending limits period by a total of around EUR 145 million.

2014 is the first year of the European Union's new financial framework period (2014—2020). The EU payments of the central government spending limits decision are based on the payment ceiling of the EU's financial framework. The spending limits decision is based on the assessment that the decision on the EU's own resources will come into force retrospectively in 2016, in which case three years' payment reductions would be payable retrospectively to certain net contributors (the Netherlands, Austria, Sweden, Germany and Denmark). The most significant change compared with the previous central government finances spending limits decision arises from the fact that the amount of customs revenue remitted to the EU is expected to decline substantially compared with the previous forecast. The decline in customs revenue must be covered by a GNI payment. The spending limits decision for 2015—2018 also includes the first estimate of the budget effects arising from the introduction of the new System of National Accounts (EKT-2010). The new accounts system is expected to come into use in the system of own resources retrospectively in 2016, after the entry into effect of the decision on own resources. For these reasons, Finland's payments compared with the previous spending limits decision have been revised upwards by around EUR 60 million in 2015, around EUR 176 million in 2016, around EUR 111 million in 2017 and around EUR 137 million in 2018. At the same time, it is necessary to make to the EU payment appropriation an annual increase signifying an index adjustment, EUR 32–36 million. In 2018 an appropriation of around EUR 2 billion is expected to be required for EU payments.

Central government transfers to local government

Indexation will increase central government transfers for municipalities' basic public services by around EUR 47 million in 2015. On the other hand, central government transfers will be reduced by cuts to transfers for basic public services. Development measures in the social and health care sector (including the Act on Care Services for the Elderly, the development of student care services and other areas of social and health care development) will increase central government transfers in 2015 by EUR 46.9 million compared with the 2014 level.

In connection with the funding reform of the universities of applied sciences, just over EUR 163 million annually from 2015 will be transferred from the central government funding appropriation for basic public services to the administrative branch of the Ministry of Education and Culture, to the discretionary government transfer appropriation for universities of applied sciences.

The minimum number of hours in basic education is proposed to be increased by three weekly lessons per year. In this context, the central government funding appropriation for basic public services will be increased by EUR 3.9 million in 2016 and EUR 9.4 million from 2017, such that half will be implemented from the administrative branch of the Ministry of Education and Culture.

In accordance with Government policy, municipalities will be supported at all stages of the local government reform. Local government reform will be supported by funding merger grants and studies. In addition, central government transfers losses will be compensated

in full from central government funds. The number of municipal mergers is expected to decrease to some extent in connection with the reform of social and health care provision. Municipalities will be supported with concrete spearhead projects relating, for example, to change management in municipal merger situations, information management, and the preparation of plans to balance local government finances. In addition, development projects relating to local services and local democracy will be implemented.

The central government transfer appropriation for basic public services has taken into account the impacts of proposals relating to the implementation of Structural Policy Programme. These are described in more detail in Section 5.3. Local government finances as a whole are discussed in Chapter 6 Steering of local government finances 2015—2018

Ministry of Education and Culture

To ensure the implementation of the youth guarantee and the provision of adequate vocational upper secondary education and training, the funding of vocational upper secondary education and training throughout Finland will be increased by EUR 5.2 million per year. In vocational education, student selection processes will be developed further and a new integrated package of preparatory education for vocational upper secondary education and training will be introduced. In addition, new models will be developed and introduced to implement education as a combination of institutional education and apprenticeship training.

Reformed application and selection services in vocational education and general upper secondary education as well as application and education information services in adult education will be introduced.

The Government decree on national targets and allocation of lesson hours in general upper secondary education as well as the criteria of the upper secondary curriculum will be revised. The gradual introduction of information and communications technology into the performance of the matriculation examination will be prepared, and comparability of test grades included in the examination over test thresholds and sittings will be ensured in order to facilitate the utilisation of the matriculation examination in student selections.

The effectiveness of the education system will be improved by steering those who have already completed a vocational qualification into adult education. The competence-based qualification system and operating models for young people's apprenticeship training will be developed. In addition, new specialisation training for people with a university-level qualification will be introduced.

Index increases based on the projected change in the central government transfer index will increase administrative branch's central government transfers by EUR 9.5 million, of which municipalities and joint municipal authorities will account for EUR 6.4 million in 2015. In addition, index adjustments based on the university index will increase central government funding of universities and universities of applied sciences by a total of EUR 16.6 million, taking the halving of the index adjustments into account.

Responsibility for the basic funding of universities of applied sciences will be transferred completely to central government from the beginning of 2015. All universities of applied

sciences will operate as independent legal entities, in the form of a limited company. The new tax status and financial consequences in respect of taxation will be taken into account in the funding of universities of applied sciences. Universities of applied sciences will be compensated for value-added tax expenditure arising from statutory duties and the annual setting of the appropriation will take into account the rise in cost level according to the university index. To support the reform, the central government is prepared to inject capital into the universities of applied sciences.

In connection with the comprehensive reform of central government research institutes and research funding, the National Consumer Research Centre and the National Research Institute of Legal Policy will be merged into the University of Helsinki from the beginning of 2015. The establishment of a funding instrument for strategic research in connection with the Academy of Finland will be implemented by amending the Act on the Academy of Finland and so that the Academy of Finland can make its first funding decisions from the funding instrument for strategic research in 2015. Around EUR 57 million will be available annually in grants for the funding of strategic research projects, taking into account the adopted adjustment measures and including administration costs.

The sustainability of cultural, sport and youth activities dependent of betting and lottery funding will be ensured. Conditions for municipalities' cultural activities will be promoted by developing production structures and by strengthening the local and regional availability of art education services and children's culture. The competence base of the creative economy will be enhanced by safeguarding the operating environment for artists.

Funds will be allocated for the central government funding contribution to the costs of establishing a project (library) marking the 100th anniversary of Finland's independence. The Hanasaari property of the Swedish-Finnish Cultural Foundation will be renovated.

Support will be given to the reform of sports organisations, local-level sports activities and measures promoting active lifestyles and health. Cooperation of administrative branches in promoting the effect impact of sports will be increased.

The Youth Act will be reformed. Outreach youth work included in the youth guarantee will be extended throughout Finland. Cooperation of young people's workshop activities with educational establishments will be ensured.

Ministry of Agriculture and Forestry

New support systems in accordance with the EU's Common Agriculture Policy for the development of agriculture and forestry in the funding period 2014—2020 will be introduced in 2015 and the funding required by them is included in the spending limits.

Adequate structural support for agriculture will be secured in accordance with the Government Programme. The annual requirement of the interest-subsidy loan authorisation for rural business activity is expected to remain at the 2014 level. Co-financed agricultural start-up and investment grants will be funded as part of the Rural Development Programme for Mainland Finland from the appropriation allocated in the budget. Wholly national grants will be funded from the Development Fund of Agriculture and Forestry (Makera). The 2015—2018 spending limits do not include a transfer to the Development Fund of Agriculture and Forestry.

The EU fisheries policy will also be reformed during the planning period. The preparation of the action programme for the 2014–2020 programming period of the European Maritime and Fisheries Fund is under way, and the funding contributions of the Member States are not yet known. Possible changes to appropriations as a result of the reform could not be taken into account in the now-approved spending limits.

The Forest Strategy 2025, which continues the National Forest Programme, will be prepared before the beginning of the spending limits period based on the policy outlines of the Forest Policy Report. Support systems will be revised taking into account EU guidelines on state aid in the agriculture and forestry sector and in rural areas.

The spending limits of the Ministry of Agriculture and Forestry include savings decisions made by the Government amounting to around EUR 210 million in the spending limits period. Of this expenditure saving, around 60 per cent is directed at agriculture. The Ministry of Agriculture and Forestry aims to increase administrative productivity and to improve the effectiveness of transfers to reduce the negative impact of the savings on the sector.

In 2015 the information technology development duties of the Information Centre of the Ministry of Agriculture and Forestry, the research and development duties of the Finnish Geodetic Institute, and the duties of the National Land Survey of Finland relating to promoting the joint use of location data will be centralised in the National Land Survey of Finland. To increase the research effectiveness and efficiency, a new entity, the Natural Resources Institute Finland, will be founded in the administrative branch as of 1 January 2015. It will be formed from MTT Agrifood Research Finland, the Finnish Game and Fisheries Research Institute (RKTL) and the Finnish Forest Research Institute (METLA), which will accordingly be abolished. In addition, the statistical services of the Information Centre of the Ministry of Agriculture and Forestry (TIKE) will be incorporated into the Natural Resources Institute Finland. Both organisational reforms will be implemented within the spending limits of the administrative branch.

An appropriate administration model will be explored for fisheries control and other official activity.

The Forestry Development Centre Tapio will be incorporated as a state-owned company from the beginning of 2015.

The ministry will continue to delegate implementation functions to its subordinate administration. Electronic information services and electronic methods of maintaining information resources will be developed to enhance customer service, improve the joint use of information resources and provide more up-to-date information and data. A study on the opening up of the administrative branch's information resources is under way and, based on the study, policy outlines will be prepared for the opening up of the administrative branch's information resources, the development of information resources and the promotion of their use.

Ministry of Transport and Communications

In basic transport infrastructure maintenance, the primary duty is to ensure the daily functioning of transport. The main aim is to safeguard the level of daily maintenance and

transport services over the entire transport infrastructure network. To improve logistical efficiency, the bridge and road network repair measures required by increases in the maximum weights and dimensions of heavy good vehicles will be continued and repairs will be directed at the sites most critical for business, employment and growth.

In the spending limits period, the implementation of projects outlined in the Transport Policy Report will be continued in accordance with the spring 2013 spending limits decision and the schedule decided by the ministerial working group on transport and communications policy, except for the Taavetti–Lappeenranta of Highway 6, which will now begin in 2014 in accordance with the Government's growth package. EUR 25 million for 2017 and EUR 76 million for 2018, to be allocated by the new Government, has been transferred to a special spending limits provision for transport investments.

Fairway dues will be halved for 2015–2017 as part of sulphur compensation and support for a labour market settlement. Unit prices of fairway dues will be reduced, with the emphasis on cargo vessels and the best ice classes.

Development of new transport policy operating models will be accelerated through diverse trials relating to various subareas of transport policy, such as a trial concerning electronic transport services, in wide cooperation with different actors. The trials are aimed at, among other things, finding ways in which to enhance operations, obtaining transport services that correspond better with users' needs and creating for companies new opportunities for profitable and developing business activity. A further goal of the trials is to develop innovative solutions and to utilise in a new way the opportunities presented by information and communication technology in the transport sector.

Following the funding reform of the Finnish Broadcasting Company YLE, annual revenue from the YLE tax and the corresponding funds transfer in 2015 are estimated at EUR 508 million. The appropriation transferred is revised annually in accordance with rising costs, but Government groups have decided that no index increase will be made in 2015. The funds transfer is handled as an expenditure item outside the spending limits. This constitutes an exception to the spending limits rule set out in the Government Programme.

The operational capacity of the Finnish Communications Regulatory Authority will be strengthened to correspond with new duties brought by the Information Society Code. In addition, forward provision will be made for the fact that the authority will be nominated in accordance with EU provisions as the responsible authority for the highly accurate PRS positioning service.

The spearhead projects of the Effectiveness and Productivity Programme of the administrative branch of the Ministry of Transport and Communications are the development of the performance management of the administrative branch and the reform of publicly funded passenger transport. The latter aims to improve the efficiency of service provision and at the same time to raise quality standards. The project is expected to yield savings in general government finances or at least to curb growth in expenditure that would otherwise increase. The project is also in the Government's Structural Policy Programme.

The increase of the tax on peat planned for 2015 will be cancelled, and as a result the production subsidy payable to producers of forest chip electricity will also remain at the 2014 level. In consequence, the estimate for the energy subsidy for renewable energy has been updated. The estimated appropriation falls by EUR 2.4 million in 2015, and rises by EUR 4.7 million in 2016, EUR 17.7 million in 2017 and EUR 47.2 million in 2018.

Specified government transfers paid to municipalities for integration have been increased by EUR 2.8 million in 2015—2017, and by EUR 1.4 million in 2018 due to an earlier decision to increase the 2014 refugee quota.

Ministry of Social Affairs and Health

During the spending limits period, the appropriation level of the administrative branch of the Ministry of Social Affairs and Health will be affected not only by the implementation of the Government's Structural Policy Programme and adjustment measures but by cyclical factors such as the change in the unemployment rate, statutory index adjustments and factors relating to demographic structure.

In line with the Government's Structural Policy Programme and the autumn 2013 agreement of social partners on employment and growth, in the adjustment of unemployment benefit a EUR 300 per month protected component has been introduced from the beginning of 2014 and the adjusted daily allowance has been changed so that the allowance plus child increments together with earned income can be at most 100 per cent of the pay that is the basis for unemployment benefit. In addition, the waiting period for unemployment benefit has been shortened from seven days to five days. The reforms will increase central government unemployment security expenditure annually from 2014 by EUR 68.6 million and will reduce the central government transfer for the cost of municipalities' basic social assistance by EUR 1.8 million.

In accordance with the Government Programme and previous spending limits decisions, the housing allowance system will be reformed from the beginning of 2015.

For the opening up of information resources, the Radiation and Nuclear Safety Authority will be allocated a EUR 200,000 and the National Institution for Health and Welfare a EUR 400,000 one-off increase in appropriations in 2015.

To safeguard elderly care services for veterans, the level of the front-line veterans' rehabilitation appropriation has been adjusted, such that the level of the available annual appropriation per veteran entitled to rehabilitation will rise by around EUR 50 per year during the spending limits period.

An annual appropriation of EUR 0.3 million is proposed to put substitute help for reindeer herders on a permanent basis.

The requirement for the central government transfer payable to municipalities for the cost of basic social assistance is expected to decrease to around EUR 317 million at the end of the spending limits period. Following savings decisions, around EUR 5 million per year during the spending limits period has been earmarked for the discretionary government transfer for social and health care development projects implemented by municipalities. An annual EUR 21 million has been earmarked for central government compensation to

health care units for research activity in accordance with the Act on Specialised Medical Care. Around EUR 105 million has been earmarked in 2015 for central government compensation to health care units for costs arising from the training of doctors and dentists, but the appropriation level will slightly rise during the spending limits period

An appropriation of just over EUR 29 million is proposed for the Helicopter Medical Emergency Service in 2015.

An annual appropriation of EUR 0.5 million is proposed for the development of central government reform school premises in 2015—2018, with the aim of maintaining conditions for the operation of reform school activities.

Issues relating to basic public services arranged by local government, and the central government transfers paid for them, are discussed as a whole in Chapter 6 Steering of local government finances 2015—2018

Ministry of the Environment

During the spending limits period, the emphasis will be on measures to enhance the effectiveness of the national and EU climate policy and to reach agreement on an international climate convention, to promote multilateral cooperation aimed at improving the state of the Baltic Sea, and to invest in measures designed to ensure the diversity and sustainability of nature. In the built environment, increasing focus will be given to improving the energy efficiency of building construction and land use and to securing the social and regional balance and stability of the housing market. An adequate supply of land for residential development supporting a good community structure is a key priority in growth centres and particularly in the Helsinki Metropolitan Area.

A total of EUR 0.7 million in additional funding will be allocated in 2015 to reduce damp and mould problems.

In accordance with the Government Programme, during the parliamentary term appropriations will be directed to funding green economy projects, particularly with a view to improving the eco-efficiency of production and consumption as well as the efficiency of materials processing and recycling. Steps will be taken to improve oil spill response preparedness.

The implementation of the Forest Biodiversity Programme for Southern Finland (METSO) and earlier protection programmes will be continued. Preparations will be made to launch a national mire protection programme.

5.3.2 Central government joint information system projects

Central government agencies and institutions (around 65 000 civil servants, excluding the Defence Forces and VTT Technical Research Centre of Finland) will gradually transfer to using the KIEKU information system in financial and HR services. The centrally acquired and funded KIEKU information system will replace agency-specific financial and HR information systems, which are at the end of their life cycle. In the first stage, the system has been introduced in 16 agencies in the administrative branches of the Ministry of Finance and Ministry of the Interior. The remaining administrative branches and

agencies will transfer to using the KIEKU system in 2014—2016 in the second stage of the project. Through their steering, the ministries will ensure the advance of the introduction process within the specified timetable and avoiding customised solutions. Ministries and agencies are to continue the implementation of changes supporting the productivity development of financial and HR services as well as increasing the use of the Finnish Government Shared Services Centre for Finance and HR, for example, by implementing the introduction into the Shared Services Centre the occupational use of the KIEKU information system's SAP HR.

In the spending limits, the administrative branch of the Ministry of Finance has been allocated EUR 22 million for 2015 and EUR 40 million annually for future years for information system and information management projects as well as other productivity projects. This reserve is earmarked for priority information system projects, which include the ERP and document management system of the Prosecution Service and the general courts of law, the customer information system of the Criminal Sanctions Agency, the joint public authorities' field information system, and the Tax Administration's OTS software project and information system upgrade. In addition, funding has been made available for smaller productivity projects of the administrative branches.

Proposed projects will only be incorporated into annual budgets provided that the project plans are sufficiently detailed with respect to project feasibility as well as costs arising and costs saved, and that the Ministry of Finance expresses a favourable opinion on significant information system projects as required by the Act on Information Management Governance in Public Administration (634/2011). The Ministry of Finance will enter into a cooperation agreement on productivity-enhancing projects with each relevant ministry.

5.3.3 Effectiveness and Productivity Programme

The central government's Effectiveness and Productivity Programme, launched at the end of 2011, is one of the Government's tools in reducing the sustainability gap in public finances and in responding to the changes taking place in the labour market. These goals are being pursued by clarifying the role and functions of central government, highlighting the need for structural reforms, and introducing new approaches and practices that support the new role of central government. Through its implementation, the programme will enhance the operational efficiency of central government in a balanced way across all subareas of efficiency, namely effectiveness, service ability, performance, productivity and economy. Measures of the administrative branches will ensure that tight spending limits are adhered to while at the same time creating room for manoeuvre to respond to new needs arising from change in the operating environment.

The aspects monitored and evaluated in the programme are a) on-budget operational expenditure, b) person-years, c) the development and upgrading of skills and competencies (VMBaro index), d) motivation and work engagement (VMBaro index), e) management and interaction in the workplace (VMBaro index) and f) sickness absence days, which are monitored annually. Ministries assume responsibility for practical implementation within their respective administrative branches and produce relevant follow-up data.

APPENDIX 1: Macroeconomic forecasts and assumptions

The appropriation and revenue estimates of the spending limits decision as well as price- and cost-level adjustments of the spending limits are based on a forecast prepared in the Economics Department and which was available in the Government negotiations on 24–25 March 2014. The new decisions made in the negotiations, particularly with respect to taxation, influenced the forecast. The new, reviewed forecast is presented in the table below. The revised calculation bases will be taken into account in appropriation and revenue estimates and in price- and cost-level adjustments of the spending limits in summer 2014 in connection with the preparation of the 2015 budget proposal.

	2013	2014	2015	2016	2017	2018
GDP, change in volume	-1.4	0.5	1.4	1.8	1.5	1.4
GDP, change in price	2.0	1.6	1.4	1.5	1.8	1.9
GNI, value, EUR million	194 581	198 630	204 620	211 130	218 060	225 170
Consumer Price Index, change %	1.5	1.5	1.7	1.9	1.8	1.8
Index of Wage and Salary Earnings, change %	2.0	1.3	1.2	1.5	1.8	2.0
Building Cost Index, change %	1.0	1.3	1.6	2.4	2.4	2.4
Basic Price Index for Domestic Supply, change %	0.2	0.9	1.3	1.6	1.8	1.8
Unemployment rate, %	8.2	8.4	8.3	8.1	7.8	7.5
Wage bill, change %	1.0	1.3	1.8	2.5	2.2	2.4
Employee Pension Index (TyEL)	2 475	2 509	2 519	2 558	2 604	2 650
National Pension Index (KEL)	1 609	1 630	1 637	1 664	1 696	1 726
Index of Central Government Transfers to Local Government:						
Change in cost level, forecast	2.3	1.1	1.2	1.5	1.7	1.9
Change in cost level, budget proposal	3.0	1.5	0.7	1.5	1.7	1.9
— includes index adjustment	+0.7	+0.3	-0.6			
Actual change in cost level	1.8					
University Index	1.6	1.3	1.3	1.6	1.8	1.9
YLE Index		1.4	1.4	1.6	1.8	1.9
Unemployment insurance contributions						
— employer, average	2.32	2.20	2.20	2.20	2.20	2.20
— employee	0.60	0.50	0.50	0.50	0.50	0.50
Employee pension contributions (TyEL)	22.8	23.6	24.0	24.4	24.7	24.9
— employer	17.35	17.75	17.95	18.15	18.30	18.35
— employee aged 53 yrs and under	5.15	5.55	5.75	5.95	6.10	6.15
— employee over 53 yrs	6.50	7.05	7.30	7.55	7.75	7.80
— wage coefficient	1.327	1.350	1.364	1.379	1.398	1.421
Health insurance contributions for the insured						
— employees' daily allowance contribution	0.74	0.84	0.85	0.85	0.84	0.84
— wage earners' and entrepreneurs' medical care contribution	1.30	1.32	1.33	1.36	1.37	1.38
— pensioners' medical care contribution	1.47	1.49	1.50	1.53	1.54	1.55

	2013	2014	2015	2016	2017	2018
Central government employer contributions	21.3	22.5	22.4	22.3	22.2	23.3
— health insurance contribution	2.04	2.14	2.15	2.15	2.15	2.14
— pension contribution (under Central Government Employees' Pensions Act)	19.29	20.40	20.28	20.16	20.10	20.14
Local government employer contributions	29.8	29.4	29.4	29.2	29.0	28.9
— health insurance contribution	2.04	2.14	2.15	2.15	2.15	2.14
— other social insurance contributions	0.7	0.7	0.7	0.7	0.7	0.7
— unemployment insurance contributions	3.06	2.82	2.82	2.82	2.82	2.82
— pension contribution (under Local Government Employees' Pensions Act)	24.0	23.7	23.7	23.5	23.3	23.3

APPENDIX 2: Structural changes and cost- and price-level adjustment to spending limits

Structural changes

As a result of structural changes made in the 2013 supplementary budgets, the 2014 Budget and the current spending limits, the level of the spending limits for 2015 will be around EUR 130 million higher than in the spring 2013 spending limits decision. Many of the spending limits adjustments are due to timing changes in project implementation or acquisition payments or to the inclusion in the spending limits of pass-through funding.

Table 1 below presents a more detailed description of these structural changes and their impact on expenditure levels during the parliamentary term.

Budgetary structural changes compared with the spending limits decision of spring 2013, EUR million

Item	Matter	2013	2014	2015
Budget 2014				
24.30.66	Expenditure of cooperation projects corresponding revenue in 12.24.99 (pass-through item).		12 460	
29.40.30	In respect of the change of the legal entity form of the universities of applied sciences, there will be more privately maintained universities of applied sciences and therefore a greater part of imputed costs will be determined according to unit prices that include VAT, which increases the appropriation requirement by EUR 3.266 million. Correspondingly privately maintained universities of applied sciences will pay VAT to the state, which will increase the state's VAT revenue.		3 266	3 266
29.99.24	Adjustment for transfer of National Board of Antiquities' sites to Senate Properties. Previously there was a EUR 15 million provision, now EUR 6.4 million is confirmed as the absolute net rent.		-8 600	-8 600
31.10.77	Share of external providers of financing in Ring Road I project is smaller. Appears also in revenue item 12.31.10.		-15 000	
31.20.01	Gross budgeting of Transport Safety and Security Agency's inspection supervision fees (corresponding revenue in item 11.19.07)		4 785	4 785
32.20.02	Rebudgeting of VTT's operating expenditure due to delay of premises solution		4 390	
32.20.46	Rebudgeting of innovation support for shipbuilding relating to delay in completing vessel project		3 200	
32.40.03	Gross budgeting of National Board of Patents and Registration foundation supervision fees (corresponding revenue in item 11.19.09)		250	250
32.60.40	Change in payment estimate: payment estimate delayed of authorisation earmarked to support biorefinery projects		-15 000	15 000
33.10.54	Cost of increasing maximum housing expenditure of housing allowance decided in spending limits decision for 2014–2017 revised with respect to 2014		4 000	
33.20.50, 51, 52; 33.60.35	Deviating from spending limits decision, KET-linked index adjustments will be implemented in full, giving rise to a total EUR 8.2 million cost to items outside spending limits.		-8 230	
33.20.50, 51, 52; 33.60.35	In connection with National Incomes Policy Agreement: protected component of unemployment security (EUR 300) and shortening waiting time for unemployment benefit from 7 days to 5 days. Net impact in which lowering of social assistance requirement is taken into account. All are in items outside spending limits, so overall spending limits level is correspondingly reduced.		-66 800	-66 800

Item	Matter	2013	2014	2015
Supplementary budgets 2013				
several	Financing of non-recurring investments, projects and acquisitions supporting growth and employment from spending limits provision left used in 2012 in 1st and 4th supplementary budgets	144 901		
21.10.74	Change of timing of Parliament renovation project	8 000	-8 000	
24.30.66	Directing of emissions allowance auction income to non-recurring development cooperation and climate funding projects in 1st and 4th supplementary budgets (in accordance with Government Programme can be implemented outside spending limits)	46 798		
24.30.66	Expenditure of project implemented in cooperation with Austrian development cooperation agency. Revenue corresponding to said expenditure in item 12.24.99 (pass-through item).	1 000		
27.10.18	Postponement of payments of defence materiel purchases from 2013 to later years of current parliamentary period.	-18 627	5 673	12 954
27.10.18	Value of Foreign Military Sales (FMS) agreement reduced (corresponding change in revenue in item 12.27.99)	1 545		
30.40.62	Rebudgeting of national funding contribution of European Fisheries Fund projects.	1 400		
31.10.40	Grant to Finavia for Tampere Airport repair investments cancelled and rebudgeted due to delay	1 100		
31.10.77	Expenditure corresponding to EU's TEN revenue in 1st and 4th supplementary budgets (revenue item 12.31.10)	7 603		
31.10.78	Budget transport project authorisations must not include outside financing contributions, for which the central government is not responsible. City of Vantaa financing contribution relating to 2013 removed from item 'certain transport route projects'.	-10 000		
31.40.50	Rebudgeting of EUR 9.37 million left used in 2012. Due to grant application process and progress of projects, the use of the appropriation will be earlier than original estimate.	9 370		
32.30.51	Increase in public employment service. As a result of redundancies of Nokia and companies linked with Nokia, Finland has submitted a funding application to the European Globalisation Fund (corresponding revenue entered in item 12.32.99).	7 790		
35.01.21	Completion of SALT and LUPA information system projects has been delayed, and as a result around EUR 0.7 million of the appropriation remained used in 2012, and was rebudgeted for 2013.	700		
Spending limits decision 2015—2018				
25.10.05	Gross budgeting of general advocacy (corresponding revenue in item 12.25.15).			19 726
29.40.55	VAT compensation relating to reform of universities of applied sciences (formerly within municipal refund system, now VAT liable limited companies)			12 100
31.10.77	Share of external providers of financing in Ring Road I project is smaller (City of Helsinki financing must not be through state budget). Appears also in revenue item 12.31.10.			-13 500
32.60.40	Change in payment estimate: Payment estimate delayed of authorisation earmarked to support biorefinery projects		-15 000	15 000
33.20.52	Correction of technical error: EUR 150 million saving made for spending limits expenditure will be transferred to item outside spending limits and the spending limits level raised accordingly (thus item will not have both types of expenditure).			150 000
33.10.54	EUR 300 protected component in housing allowance. In item outside spending limits, so overall spending limits level reduced corresponding to change in criterion.			-14 000
Total		201 580	-98 606	130 181